

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
NORTH AMERICAN FUR PRODUCERS INC., NAFA PROPERTIES INC., 3306319  
NOVA SCOTIA LIMITED, NORTH AMERICAN FUR AUCTIONS INC., NAFA  
PROPERTIES (US) INC., NAFA PROPERTIES STOUGHTON LLC, NORTH  
AMERICAN FUR AUCTIONS (US) INC., NAFPRO LLC (WISCONSIN LLC), NAFA  
EUROPE CO-OPERATIEF UA, NAFA EUROPE B.V., DAIKOKU SP. Z OO and NAFA  
POLSKA SP. Z OO

(the "Applicants")

**MOTION RECORD OF THE APPLICANTS  
(Returnable September 26, 2023)**

**Date:** September 22<sup>nd</sup>, 2023

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# INDEX

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
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(the “Applicants”)

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**TAB 1**

Court File No. CV-19-00630241-00CL

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POLSKA SP. Z OO

(the “**Applicants**”)

**NOTICE OF MOTION  
(Returnable September 26, 2023)**

The Applicants (“**NAFA**” or the “**Applicants**”) will make a motion for an Order seeking the relief set out herein to Justice Conway of the Ontario Superior Court of Justice (Commercial List), on Tuesday, September 26, 2023, at 12:30 p.m. or as soon after that time as the motion can be heard by Zoom video conference.

**PROPOSED METHOD OF HEARING:** The motion is to be heard orally.

**THE MOTION IS FOR:**

1. An Order, substantially in the form attached at **Tab 3** hereto (the “**Order**”):
  - (a) Abridging and validating the time of service of the Notice of Motion and Motion Record of the Applicants;
  - (b) Extending the stay period (“**Stay Period**”) from September 29, 2023 to and

including December 1, 2023;

- (c) Compelling the delivery from John Middleton, on behalf of Global Credit Risk Management and/or HUB International, of the brokerage file, and documents in the possession, control and power relating to NAFA's trade credit policy with Red Rock Insurance ("**Red Rock**") as more particularized in the draft Order;
- (d) Approving the conduct of Monitor and its counsel, Miller Thomson LLP, as set out in its Fourteenth Report to Court, to be filed (the "**Fourteenth Report**"); and
- (e) Sealing certain confidential exhibits and appendices appended to the Fourteenth Report.

**THE GROUNDS FOR THE MOTION ARE:**

2. Capitalized terms not defined herein shall have the meanings ascribed to them in the Amended and Restated Initial Order. Unless otherwise stated, all currency is in United States dollars.
3. The Applicants require more time to continue their restructuring efforts.

**NAFA's Continued Operations**

4. NAFA has continued to operate its business with the goal of reducing expenses, maximizing collections and considering its strategic options.
5. During the last stay extension, NAFA's operational efforts, with the assistance of the Monitor, include the sale of fur inventory, pursuing foreign litigation, collection of long-term debts, and advancing NAFA's insurance claims.

6. NAFA also continues to operate at a reduced operational budget with no physical office space and three full-time employees throughout the world.

### **Cash Flow Variance and Events during the Last Stay Extension**

7. During the current stay extension, there were no major cash flow variances versus the cash flow last reported to this Court.

8. The major “cash events” during the last stay extension were auctions held by each of KF and Saga. NAFA received auctions proceeds from each auction that were slightly above forecast.

9. NAFA sold two farm properties located in Nova Scotia with proceeds going to Farm Credit Canada, the first in priority mortgagee for each. NAFA will be receiving some proceeds from the sale to compensate it for professional fees.

10. NAFA has made progress with its insurance claims and is pursuing an alternative dispute resolution process for the processing of those claims with its insurer.

11. NAFA continues to prosecute its two major foreign legal proceedings against consignor farmers being Kestutis Riskus in Lithuania, and Grobina in Latvia.

### **Claims Process and Meeting Order**

12. The Monitor, in conjunction with NAFA, has completed its “call for claims” process.

13. NAFA, in consultation with key stakeholders, is working on proposing a Plan of Arrangement (“**Plan**”).

14. NAFA is planning to return to this Court at a later date to seek the authority to call a meeting of creditors to consider such a Plan during the proposed Stay Period.

### **Cash Flow Forecast and Future Auctions**

15. NAFA, in consultation with the Monitor, has prepared a cash flow forecast (“**Cash Flow Forecast**”) for the current proposed Stay Period.

16. The Cash Flow Forecast demonstrates that NAFA will have sufficient funds to maintain operations through the proposed extension of the Stay Period (subject to certain caveats).

17. During the Stay Period, NAFA will continue to prosecute its foreign litigation, pursue its insurance claims, negotiate settlements with indebted farmers, monitor and collect auction proceeds, and continue the formulation of its proposed Plan.

### ***Extension***

18. NAFA has been acting in good faith and with due diligence and continues to act in this manner in its relationships with its stakeholders.

19. The Monitor is supportive of NAFA seeking an extension of the Stay Period to and including December 1, 2023.

### ***Middleton Documents***

20. As part of NAFA’s dispute resolution process with its insurer, Red Rock, it requires the brokerage file, and documents related to NAFA’s trade credit policy, from the representative of its mortgage broker, John Middleton. The brokerage documents will speak to a relevant material issue in the dispute, being coverage.

21. There are no issues with privacy, privilege, or confidentiality over these documents.

22. NAFA has made requests for the brokerage documents from Mr. Middleton, but to date,

has not received the documents.

23. NAFA will be prejudiced in pursuing its insurance claims without the brokerage documents, and the insurance claims form an important part of NAFA's overall restructuring.

24. The Monitor supports and recommends seeking the disclosure of the brokerage documents.

### ***Sealing Order***

25. The Cash Flow Forecast contains commercially sensitive information that is required to be kept confidential and sealed as they contain sensitive confidential business information, and has been done with other cash flow forecasts in these proceedings.

26. The salutary effects to seal the Cash Flow Forecast appended to the Fourteenth Report of the Monitor outweigh any deleterious effects to NAFA in the event that it is not sealed.

### ***Other Grounds***

27. The other grounds as set out in the Affidavit of Douglas Lawson affirmed September 22, 2023.

28. The provisions of the CCAA, including sections 11, 23(1)(c) and (K) thereof, and the inherent and equitable jurisdiction of this Honourable Court.

29. Rules 2.03, 3.02, 16, and 37 of the Ontario *Rules of Civil Procedure*, R.R.O 1990, Reg. 194, as amended.

30. Section 106 of the *Courts of Justice Act*, R.S.O., c. C. 43, as amended.

31. Such further and other grounds as counsel may advise and this Court may permit.



**THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the motion:

32. The Affidavit of Douglas Lawson affirmed September 22, 2023;
33. Such further and other evidence as counsel may advise and this Honourable Court may permit.

**Date:** September 22<sup>nd</sup>, 2023

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Proceeding commenced at Toronto

**NOTICE OF MOTION OF THE APPLICANTS**  
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**TAB 2**

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B.V., DAIKOKU SP.Z OO and NAFA POLSKA SP. Z OO

(the “**Applicants**”)

**AFFIDAVIT OF DOUGLAS LAWSON**  
(Affirmed September 22, 2023)

I, **DOUGLAS LAWSON**, of the City of Toronto, in the Province of Ontario,  
**AFFIRMAND SAY:**

1. I am the President and Chief Executive Officer of North American Fur Auctions Inc., and, as such, have knowledge as to the matters which I hereinafter depose. To the extent I am recounting information provided to me by others, I have stated the source of that information and do verily believe it to be true.
2. I use the term “**NAFA**” or the “**Company**” to refer to the Applicants throughout this affidavit. Further, all currency stated herein is stated in U.S. dollars unless otherwise noted.
3. On October 31, 2019, NAFA commenced proceedings under the *Companies' Creditors Arrangement Act* (the “**CCAA**”) pursuant to the Order of Justice McEwen (as amended and restated, the “**Initial Order**”). Background information about NAFA’s

business is set out in the affidavit I affirmed in support of the initial CCAA application (“**Initial Affidavit**”). Capitalized terms used herein and not defined are as defined in my Initial Affidavit. Attached as **Exhibit “A”** is a copy of my Initial Affidavit, without exhibits.

4. I affirm this affidavit in support of a motion by NAFA for an Order seeking, *inter alia*:

(a) An extension of the stay period (“**Stay Period**”) from September 29, 2023 to and including December 1, 2023;

(b) To compel the delivery from John Middleton, on behalf of Global Credit Risk Management and/or HUB International, of the brokerage file, and documents in the possession, control, and power relating to NAFA’s trade credit policy with Red Rock Insurance as more particularized in the draft Order;

(c) to approve the conduct of Monitor and its counsel, Miller Thomson LLP, as set out in its Fourteenth Report to Court, to be filed (the “**Fourteenth Report**”); and

(d) to seal certain confidential exhibits and appendices appended to the Fourteenth Report.

## **Overview**

5. These proceedings have been underway since October 31, 2019. The Initial Affidavit and the Pre-Filing report of the Monitor, attached as **Exhibits “A” and “B”** (without exhibits or appendices) hereto, set out the circumstances leading to the filing for protection by the Applicants.

6. On October 31, 2019, NAFA commenced proceedings under the CCAA pursuant to the Initial Order, which was amended and restated on November 8, 2019. These

CCAA proceedings have been extended numerous times. The most recent Order extending the Stay Period was granted on April 26, 2023, which extended the Stay Period to and including September 29, 2023.

7. Since the commencement of these proceedings in 2019, this Court has supervised the attempted restructuring of NAFA, including the sale of its inventory and real property holdings both here in Canada and around the world, along with the prosecution of litigation, resolution of claims and collection efforts in Finland, Lithuania, Denmark, Poland, Latvia and the United States.

8. As set out in the various affidavits and Monitor's reports filed in these proceedings over the intervening 4 years, the restructuring of NAFA has been greatly impacted and delayed by the worldwide slump in global mink prices, caused in large part by the Covid-19 pandemic and in particular its impact on global travel, the production of mink globally, and the markets in China and countries around the world, which traditionally purchase furs.

9. However, as set out herein, having called for claims, NAFA is finally on the cusp of being able to propose a Plan of Arrangement ("**Plan**") to its creditors, which it hopes to do during the proposed stay period, as further described herein.

10. In this Affidavit, I will provide the Court with updates from the last stay extension hearing and seek to extend the Stay Period to December 1, 2023. During this period, the Applicants intend to work with the Monitor, the Agent and its other stakeholders to propose a Plan.

### **The Current Stay Extension**

11. To date, no creditor has objected to any stay extension and there have been no

contested hearings or notices of objection filed in respect of the relief obtained by the Applicants.

12. The Applicants are acting in good faith and with due diligence. I continue to believe that the continued orderly liquidation of certain of NAFA's assets by NAFA, with the Monitor's oversight, including but not limited to its remaining consignment fur inventory, will likely allow for the repayment of, or the consensual settlement of, the indebtedness owing to the Agent and thereafter have money available for unsecured creditors under a Plan.

13. During the last stay extension period the Applicants implemented the claims process pursuant to the Order of Justice McEwen dated May 25, 2023 (the "**Claims Order**") and have since commenced the process to develop a Plan in these CCAA proceedings. Attached hereto and marked as **Exhibit "C"** is a copy of the Claims Order.

#### **Operations since the April 26, 2023 Stay Extension Order**

14. In accordance with my affidavit affirmed on April 21, 2023 (my "**Last Affidavit**"), NAFA has continued to reduce expenses, maximize collections, and consider its strategic options. In particular, NAFA, with the assistance of the Monitor, has, among other things:

- (a) made further payment to the outstanding debt owed to the Agent;
- (b) continued to prosecute litigation against various significant borrowers that have not fully repaid NAFA for loans NAFA advanced to them in 2019 or earlier;
- (c) continued collection efforts for certain long-term debts and pursued the settlement and collection of others;
- (d) attended to the collection of proceeds from auction houses who have been tasked with selling furs that have been pledged to NAFA as security for loans it

made;

- (e) advanced its insurance claims with NAFA's insurer;
- (f) implemented the claims process; and
- (g) progressed without prejudice discussions with key stakeholders about a Plan.

### **Cash Flow Variance and Cash Flow Going Forward**

15. Throughout the period of the last stay extension, NAFA managed its cash flow and maintained sufficient liquidity.

16. I am not aware of any expenses in the last cash flow period that were materially higher than projected. The Company operated within its cash resources without borrowing further funds. Indeed, the Company realized modestly higher than projected auction proceeds from the latest auction sales.

17. Since actual receipts and disbursements were last reported by the Monitor to the Court, the Company repaid approximately \$762,962 of the debt owing to the Agent.

18. The Applicants, with the Monitor's assistance, have developed a cash flow forecast (the "**Cash Flow Forecast**") to December 1, 2023 being the last day of the proposed Stay Period. An initial draft of the Cash Flow Forecast was provided to the Agent on September 20, 2023 for its review and comment.

19. I reviewed the Cash Flow Forecast prior to affirming this affidavit and it demonstrates that the Applicants are forecast to have sufficient funds to maintain operations through the proposed Stay Period, provided the forecasted receipts are received and certain concessions on bank interest and fee deferral are received. NAFA and the Agent continue



discussions in this regard. The Cash Flow Forecast is to be appended to the Fourteenth Report as Confidential Appendix “1”.

### **Auction Receipts and Future Auctions**

20. KF and SAGA held auctions in June and September 2023, respectively.

21. The SAGA September auction has concluded. Prior to the auction, NAFA had in excess of 175,000 pelts at SAGA awaiting sale.

22. The September auction was not as strong as hoped. SAGA sold approximately 40,000 NAFA pelts at this auction. Proceeds from that sale are expected to be received by October 4, 2023.

23. Generally, auctions held in September are smaller than the June auctions held earlier in the year, although SAGA’s September auction offered approximately 4.2 million mink making it one of their biggest sales of 2023. Traditionally, however, the September auction offers smaller and non-prime (i.e., less valuable) pelts for sale than at other times of the year. This was the case with these auctions as well.

24. As had been noted in my previous affidavits, NAFA does not have any control over the volume of NAFA mink that each auction house offers for sale.

25. Auction houses, generally, do not offer all their mink they have on hand at each auction. They have large cold storage areas to keep pelts to offer at different times of the year depending on supply and demand. SAGA advises that they currently have over 9 million mink in storage.

26. The September KF auction is ongoing at the time of affirming this affidavit.

27. Certain NAFA pelts are to be sold by KF at auction, but NAFA has materially less pelts at KF and those proceeds will likely not be significant.

### ***The June Auctions***

28. Based on my review of publicly available auction results, statements released by the auction houses, and my own industry knowledge, the June auctions were not particularly successful. SAGA (where NAFA has the majority of its pelts) sold 76% of the mink pelts it had on offer. Prices declined slightly with some blame put on a depressed Chinese yuan with customers domiciled in China being the major buyers at the auction.

29. From both the KF and SAGA June auctions, NAFA received auction proceeds totaling \$1,053,884. These were better than anticipated results, despite the challenges I noted earlier in this affidavit.

30. NAFA's cash flow forecast filed with the Court for the last stay extension anticipated proceeds of \$900,000 from auction receipts during the last stay period, thereby creating a positive variance of \$153,884.

31. Indicators about the status of the fur market remain mixed. On September 11, 2023, the CEO of SAGA, Markus Gotthardt, reported the following at the conclusion of the September auction:

“During this financial year, we have sold over 40 % more mink pelts than ever before. There is a demand for mink, and there was good competition over certain types in the auction room. The price level remains low for producers. However, the price level on our main market rose after the Chinese yuan deteriorated by 5 % since June”.

### **Farms in Litigation - Status Update**

32. My April 2021 Affidavit provided a more complete description of the litigation NAFA has commenced against several debtor farmers. For ease of reference, I have attached that

affidavit, without exhibits, as **Exhibit “D”** to this Affidavit.

33. I will provide a brief overview and update of the two most active of those claims, being farms known as Kestutis and Grobina, located in Lithuania and Latvia, respectively.

34. Kestutis was financed by NAFA to provide in excess of 360,000 pelts to NAFA in 2019. Grobina was financed by NAFA to provide in excess of 160,000 pelts to NAFA in 2019. Neither delivered any pelts to NAFA in 2019.

### ***Grobina***

35. Grobina is subject to its own insolvency administration proceedings in Latvia. That insolvency process began immediately prior to NAFA’s own in October 2019. An administrator currently oversees Grobina’s assets. NAFA’s Latvian counsel has been in regular contact with Grobina’s administrator.

36. NAFA has had to engage in material litigation proceedings in Latvia to attempt to recover amounts due to NAFA. NAFA was finally successful in getting the Latvian insolvency administrator to deliver the Grobina pelts to KF, to be sold at auction with proceeds to be paid to NAFA.

37. NAFA continues to realize those proceeds at KF’s auctions, with the last auction generating net proceeds to NAFA of \$261,702.91.

38. In addition, NAFA is holding 50,047 Grobina pelts in storage in Latvia, which NAFA seized from the entity known as “CR7”. As described in my previous affidavits in this matter, immediately before the insolvency of Grobina in 2019, Grobina allegedly “sold” a material number of the Grobina pelts that were subject to NAFA’s security, to CR7 and without NAFA’s permission. This has led to litigation with CR7. One of the interim

outcomes of that litigation was that NAFA was able to seize the aforementioned pelts in 2021.

39. On September 26, 2022, the Latvian courts found in favour of NAFA in its litigation against CR7. The Court declared that the contract of purchase and sale of 75,000 mink concluded between Grobina and CR7 on September 29, 2019 was invalid from the moment of its conclusion; it ordered CR7 to return 75,000 mink pelts to Grobina; and, it ordered costs in the amount of €20,684.80 against CR7 and Grobina to be paid to NAFA.

40. CR7 appealed the decision in October 2022. On March 27, 2023, the Latvian Court of Appeal rendered its decision setting aside NAFA's successful lower court decision. NAFA disagrees with the appellate court's decision and has appealed it to the highest appellate level in Latvia being the Cassation procedure. NAFA does not have visibility at this time as to when that appeal will be decided, but based on its Latvian counsel's estimates, it should have a decision before the end of the year.

41. In the event NAFA's appeal is successful, then the Cassation court will remit the case to the Latvian Court of Appeal for a second hearing before a new panel of judges. If NAFA is successful at the Latvian Court of Appeal, then it will be able to sell the seized mink to offset, in part, the harm NAFA asserts was done to it by CR7. Until that time, the pelts remain in storage.

42. At an average price of \$15, the 50,000 Grobina seized pelts would produce \$750,000 of gross proceeds. If sold, a portion of the proceeds will likely need to be paid to Grobina's administrator on account of its costs but, based on past amounts withheld, NAFA does not expect this amount to be material in the context of overall sale proceeds.

***Kestutis***

43. NAFA commenced litigation in Lithuania against Kestutis as detailed in my previous affidavits in these proceedings. Briefly, NAFA loaned over €10,000,000 to Kestutis that was secured by way of mortgages over his mink farm, general security agreements, and security over his mink. The funds were to be used to raise a significant amount of mink livestock.

44. In or around the time NAFA obtained its Initial Order, Kestutis was required to deliver its first portion of pelts to NAFA. Kestutis did not deliver any pelts, nor did he account for what happened to the funds loaned or the mink he raised and pledged to NAFA. NAFA commenced litigation against Kestutis in Lithuania, and the Lithuanian authorities also commenced criminal investigations into Kestutis.

45. On or about November 16, 2020, the Klaipėda District Court for the Republic of Lithuania issued judgment in favour of NAFA against Kestutis in the amount of €11,949,845 plus €28,752 in costs (“**Kestutis Judgment**”).

46. NAFA’s enforcement efforts against Kestutis have been extensive, including the sale of land, equipment, seizure of mink, and commencing claims against third parties that received mink pledged by Kestutis to NAFA. Nonetheless, these efforts have resulted in the collection of some funds against the Kestutis Judgment, but there is still over €11 million owing.

47. On November 16, 2021, NAFA engaged in a court supervised mediation of the Kestutis dispute in Lithuania.

48. In my Last Affidavit, I reported that NAFA, with the assistance of the Monitor, was on the verge of finalizing a settlement agreement with Kestutis. We sought and received the approval of this court for that settlement on January 23, 2023. However, following the court

order, the settlement was not consummated through no fault of NAFA.

49. I am not able to divulge the reasons the settlement was not consummated as it could prejudice NAFA's ongoing litigation with Kestutis and other third parties. However, at the time of affirming this affidavit, NAFA appears to have revived the settlement with Kestutis.

50. In parallel to the settlement negotiations, during the last Stay Extension, NAFA returned to Court in Lithuania to continue pressing its litigation against the third party that received NAFA pledged mink from Kestutis.

51. In particular, NAFA has continued litigation in Lithuania against an entity known as "UAB Norvuksa" who the records from Kestutis showed received a material amount of mink from Kestutis in 2019, which minks were pledged to NAFA. The transfer of these pledged minks was prima facie illegal under Lithuanian law.

52. Norvuksa was one of the parties to the mediation and to the failed settlement described above. The mediation process delayed the Norvuksa trial, but that trial is now proceeding.

53. The trial of this matter was scheduled to take place in September 2023 but it was adjourned due to medical reasons effecting a key witness. The matter is now scheduled to proceed on November 7 and 21, 2023. If this matter is decided in NAFA's favour, I am advised by our Lithuanian counsel that the judgment could be significant.

### **Insurance Claims**

54. NAFA had trade credit insurance with Red Rock Insurance ("**Red Rock**"). The purpose of the insurance was for Red Rock to indemnify NAFA for farmer accounts that went into default, subject to farmer and country coverage limits.

55. NAFA has had numerous farmer accounts go into default.

56. NAFA's employees, with oversight from the Monitor, prepared and filed 26 insurance claims pursuant to the policy. Red Rock has disputed coverage. NAFA has objected to the coverage position taken by Red Rock.

57. NAFA, in consultation with the Monitor and the Agent, has agreed with Red Rock (and its underwriter Lloyd's of London) to enter into a pre-litigation mediation to attempt to resolve these claims.

58. The negotiations with Red Rock continue to progress, which includes voluminous document production and responding to information requests from Red Rock. During the last stay extension, NAFA responded to the vast majority of the numerous requests for information from Red Rock that have resulted in thousands of pages of documents.

59. As part of those disclosure requests, Red Rock has requested the brokerage file, and documents relating to NAFA's trade credit policy, from NAFA's insurance broker, John Middleton ("**Mr. Middleton**"). Mr. Middleton was the principal of Global Credit Risk Management ("**GCRM**"), which was acquired by HUB International ("**Hub**").

60. On October 28, 2022, Dominic Clarke, counsel to NAFA, sent a letter to Mr. Middleton requesting that he retain all relevant information pertaining to NAFA's trade credit insurance policy. Relevant information is defined in greater detail in that letter. Attached as **Exhibit "E"** is a copy of Mr. Clarke's letter.

61. On September 7, 2023, Stephen Gaudreau, counsel to NAFA, sent a letter to Mr. Middleton requesting, *inter alia*, that he deliver his broker file to NAFA by September 14, 2023. Attached as **Exhibit "F"** is a copy of Mr. Gaudreau's letter.

62. I am advised by Mr. Gaudreau that Mr. Middleton did not respond to his request.

63. On September 19, 2023, Mr. Gaudreau followed up with Mr. Middleton, again, requesting delivery of the broker file by end of day September 20, 2023. Mr. Gaudreau also advised Mr. Middleton that NAFA may seek an Order compelling him to deliver the broker file at the return of the within motion should he not deliver it by September 20, 2023. Attached as **Exhibit “G”** is a copy of Mr. Gaudreau’s email dated September 20, 2023.

64. On September 20, 2023, Mr. Middleton wrote to Mr. Gaudreau and advised that:

My in-house counsel is advising me not to provide the files at this time. I think you will need to obtain direction from the court on this request.

Attached as **Exhibit “H”** is a copy of Mr. Middleton’s correspondence to Mr. Gaudreau.

65. As such, following the suggestion of Mr. Middleton, NAFA, and the Monitor, are seeking an Order from the Court to compel the disclosure of NAFA’s brokerage file. I note that pursuant to the Order of Justice McEwen dated November 5, 2020, the Monitor has certain expanded powers in these CCAA proceedings, which include the authority to make decisions with respect to the NAFA’s insurance claims with Red Rock. I am advised by my counsel that the Monitor supports and recommends seeking this relief, which will be confirmed by the Monitor in the Fourteenth Report. Attached as **Exhibit “I”** is a copy of Justice McEwen’s Order dated November 5, 2020.

66. Mr. Middleton’s broker file is necessary for NAFA to pursue its dispute, and attempted resolution, with Red Rock. I verily believe that Red Rock has requested and will require this information, to proceed with settlement and mediation. The documents go to a material issue in the dispute with Red Rock, being coverage.

67. The resolution of the insurance claims are an integral part of these CCAA proceedings, and NAFA’s restructuring efforts. It would be unfair for NAFA to continue the pursuit of its



claims against Red Rock without Mr. Middleton's brokerage file.

68. Mr. Middleton was NAFA's insurance broker, and as such, he was the individual who mainly liaised with Red Rock. The brokerage file will reveal, among other things, what was communicated to both Red Rock and NAFA at the time of entering into the various NAFA trade credit policies, which is an important issue in the current claims process with Red Rock. As such, his file is an important missing piece in the claims process between Red Rock and NAFA.

69. I further believe that there is no issue of privilege, confidentiality, or privacy with respect to the documents requested as Mr. Middleton, on behalf of GCRM and/or HUB, was acting as NAFA's insurance broker. As such, NAFA was their client, and to the extent there is any privilege, confidentiality, or privacy concerns about NAFA's file at GCRM and/or HUB, which I am unaware of, NAFA waives those concerns.

70. I further believe that NAFA cannot obtain the brokerage file from any other sources or in any other manner than through Mr. Middleton.

71. As of the date of affirming this affidavit, I understand that the parties remain committed to engaging in a mediation during the next this calendar year.

72. NAFA remains of the view that there will ultimately be material recovery from these insurance claims.

### **Long Term Debts**

73. NAFA continues to have some material debts owing to it from various farms in different jurisdictions. The largest of these is the Gasiorek farm in Poland ("**Gasiorek**").

74. Gasiorek owed NAFA in excess of €10,500,000 after the 2019 mink breeding year, notwithstanding delivering their mink to SAGA, at NAFA's direction, in accordance with their

contract. Then, in September 2021, Gasiorek agreed to provide NAFA with 200,000 fresh pelts in January 2022 towards repayment of this debt. These were then directed and delivered to SAGA for sale in NAFA's name to partially repay the farm's indebtedness.

75. NAFA entered into another agreement with Gasiorek in 2022 under which Gasiorek agreed to provide NAFA with at least an additional 50,000 fresh pelts for auction at SAGA in November 2022. In fact, Gasiorek ultimately provided approximately 68,000 pelts.

76. A significant amount of Gasiorek pelts were sold at the SAGA June auction with all net proceeds remitted to NAFA. As such the debt owed by Gasiorek was reduced, but the amount owing is still in excess of €7,500,000 million.

77. There remains a material amount of Gasiorek pelts pledged to NAFA available for sale in the next auction.

78. NAFA holds security in Poland from Gasiorek, including over certain real property, which has been reviewed by local counsel and is capable of being enforced. NAFA has agreed to forbear from enforcing that security for so long as Gasiorek remains in compliance with the terms of the agreement the parties entered into in 2021. NAFA anticipates a further delivery of pelts from Gasiorek in the Fall of 2023, but no such agreement has been reached yet.

79. Beyond Gasiorek, NAFA is owed other amounts from other farmers in various jurisdictions. NAFA continues to receive smaller proceeds of sales from SAGA auctions for some of these farmers, and is continually attempting to negotiate resolutions with others.

### **Remaining Real Estate**

80. During the last Stay Extension, NAFA sold some of its remaining real estate being two properties (comprising one farm) in Nova Scotia known as NAFA Farms. This farm had been

under care of maintenance of a farmer who historically has supplied mink to NAFA. The properties were pledged to Farm Credit Canada (“FCC”), who maintained a first mortgage on the properties. In consultation with the Monitor, FCC and the Agent, NAFA sold these properties. The net proceeds were paid to FCC, with a portion to be paid to NAFA to compensate for the professional fees expended in managing these properties since the commencement of these CCAA proceedings.

81. In addition, NAFA holds security over a farm in Poland owned by a farmer known as Piatak. Piatak has a long outstanding debt to NAFA which pre-dates these CCAA proceedings. NAFA holds a mortgage over that farm.

82. NAFA, in cooperation with Piatak, has found a buyer for his farm and a form of agreement has been provided to NAFA and the Monitor for review. As of the date of this affidavit, the farm has not been sold. NAFA will continue to explore the possible sale of this farm to the interested party.

83. Further, NAFA holds a farm in Latvia known as the Tartaks farm which was delivered to NAFA as a result of a settlement of a long term debt which pre-dates these CCAA proceedings. Unfortunately, that farm is located very close to the Belarussian border and the war in Ukraine. Nonetheless, there has been interest from at least one party in purchasing that farm. NAFA will continue to explore the possible sale of this farm to the interested party.

### **Claim Process**

84. In accordance with the Claims Order, NAFA has completed its “call for claims” process.

85. The claims process required different actions by different types of creditors in order to record their claims. Creditors with claims recorded in the books and records of NAFA equal to or under the amount of \$10,000 had their claims deemed filed in those amounts, absent objection from those creditors.

86. Employees were provided with claims in the amount calculated by NAFA as to their entitlement, net of WEPPA, for their claims. Their claims were recorded in that amount, unless objected to by the employee.

87. Secured creditors, other than the Agent, were required to file their claims and most did so.

88. Creditors with claims over \$10,000 were required to submit proofs of claims with their claim amount by August 3, 2023 (the “**Claims Bar Date**”).

89. The gross amount of the claims filed amounted to approximately \$38,500,000. This does not include the debt owing to the Agent, which is currently in the amount of approximately \$3,600,000.

90. Since the Claims Bar Date, there have been some additional late claims filed.

91. The claims list has been provided by the Monitor to the Agent for review. As it contains confidential information and is not finalized, it is not appended to this affidavit.

92. Neither the Monitor nor the Company has, as yet, conducted a comprehensive review of the claims. The Monitor did conduct a review for what appeared to be obvious duplications, which resulted in the claims amount being reduced to approximately \$32,700,000.

93. NAFA has done a preliminary comparison of the claims in excess of \$10,000, as filed, against its records and estimates that if all the claims were to be challenged and the records of NAFA were found correct, the total amount of claims could be further reduced by approximately \$5,000,000.

94. The Monitor has provided the Company with a revised estimate of the remaining assets of NAFA and their Estimated Realization Value (an “ERV”). In order not to prejudice the ongoing negotiations between NAFA and those parties its is pursuing for payment or through litigation, the ERV is not produced in this affidavit.

95. The ERV does demonstrate that recovery is possible for the unsecured creditors, subject to the assumptions and contingencies set out therein.

96. A copy of the ERV has been provided to the Agent for its review.

97. Among the assumptions contained in the ERV is that it is calculated as if NAFA’s remaining assets could be realized in full and immediately. Unfortunately, that is not possible, as the history of this matter has shown.

98. Among other factors, the possible recovery for the creditors is reduced by professional fees and banking interest and fees charged to NAFA monthly.

99. At the current consolidated rate of professional fees, NAFA would spend approximately \$190,000 in professional fees over the proposed Stay Period.

100. Unless deferred, at the current rates of fees charged by the Agent, NAFA would pay the agent an additional \$90,000 in banking fees over the proposed Stay Period, not including interest. Interest is accruing at a default rate of interest, which results in monthly interest on \$3,600,000 of \$37,000.00.

### **Plan of Arrangement and Meeting Order**

101. NAFA is engaging in confidential discussions with the Agent and the Monitor to design a Plan.

102. NAFA hopes to be able to return to this Court to seek the authority to call a meeting of creditors to consider such a Plan during the proposed Stay Period.

### **Funds and Expenses during the Stay Period**

103. NAFA continues to have very little in the way of continued operating expenses going forward.

104. Beyond professional fees and interest owing to the Agent, NAFA's costs continue to be primarily attributable to the modest salaries for its three remaining employees and incidental expenses that arise from time to time (e.g., storage costs, IT maintenance, and minor office overhead).

105. NAFA will continue to pursue its foreign litigation, the insurance claims, and other long-term debts owing to the company during the proposed Stay Period. These tasks, all of which may generate material amounts, require attention from NAFA's remaining employees who have important background knowledge and relationships with various parties that are material to realize on each of these buckets of recovery.

106. NAFA's Board of Directors also continues to provide direction to the Company and in

particular have directed the Company and its counsel to consider a Plan to be put forward to its key stakeholders as soon as possible.

107. I affirm this affidavit in support of NAFA’s motion for an Order, *inter alia*, to:

- (a) For an extension of the Stay Period from September 29, 2023 to and including December 1, 2023;
- (b) To compel the delivery of Mr. Middleton’s brokerage file, and related documents;
- (c) To approve the conduct of Monitor and its counsel, Miller Thomson LLP, as set out in its Fourteenth Report to Court, to be filed; and
- (d) To seal certain confidential exhibits and appendices appended to the Fourteenth Report.

**AFFIRMED REMOTELY BEFORE ME BY** )  
 Douglas Lawson at the City of Toronto, in )  
 Province of Ontario, and I being of the City of )  
 Ottawa, in the Province of Ontario, on this 22<sup>nd</sup> )  
 day of September 2023, in accordance with )  
 O.Reg. 431/20 Administering Oath or Declaration )  
 Remotely. )




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A Commissioner for Taking Affidavits  
**Stephen Gaudreau**

Douglas F. Lawson

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**Douglas Lawson**

This is Exhibit "A" referred to in the Affidavit of Douglas  
Lawson sworn remotely on this 22<sup>nd</sup> day of September 2023.

A handwritten signature in black ink that reads "Stephen Gaudreau". The signature is written in a cursive style with a large initial 'S' and a long, sweeping underline.

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*Commissioner for Taking Affidavits (or as may be)*

**Stephen Gaudreau**



Court File No.

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT*  
*ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT  
OF NORTH AMERICAN FUR PRODUCERS INC., NAFA PROPERTIES  
INC., 3306319 NOVA SCOTIA LIMITED, NORTH AMERICAN FUR  
AUCTIONS INC., NAFA PROPERTIES (US) INC., NAFA PROPERTIES  
STOUGHTON LLC, NORTH AMERICAN FUR AUCTIONS (US) INC.,  
NAFPRO LLC (WISCONSIN LLC), NAFA EUROPE CO-OPERATIEF UA,  
NAFA EUROPE B.V., DAIKOKU SP.Z OO and NAFA POLSKA SP. Z OO

(the "**Applicants**")

**AFFIDAVIT OF DOUG LAWSON**

I, **DOUG LAWSON**, of the City of Toronto, in the Province of Ontario, **AFFIRM AND SAY**:

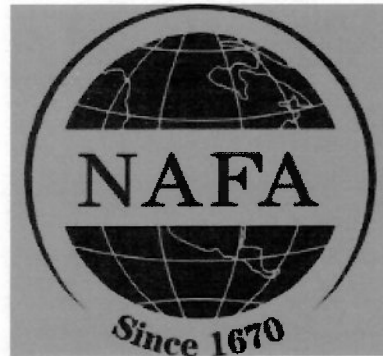
1. I am the President and Chief Executive Officer of North American Fur Auctions Inc. (the "**Company**" or "**NAFA**") and as such have knowledge as to the matters which I hereinafter depose. To the extent I am recounting information provided to me by others, I have stated the source of that information and verily believe it to be true.
2. I swear this affidavit in support of an Application by the Applicants seeking protection from their creditors pursuant to the provisions of the *Companies' Creditors Arrangement Act* (the "**CCAA**").

3. All currency references in this affidavit are in USD, the primary operating currency for the Applicants, unless otherwise noted.
4. The Applicants' key lending syndicate (the "**Syndicate**") has advised that it will no longer provide further funding to the Applicants. As such, the Applicants unable to meet certain of their key liabilities as they fall due, in particular their obligation to provide funding to more than 50 farmers around the world who rely on those funds to grow and harvest animals (mainly mink) for sale by NAFA. As a result, the Applicants seek the following urgent relief to:
  - a. ensure continuity of management control (albeit in a public process supervised by a court officer);
  - b. receive priority debtor in possession ("**DIP**") financing ("**DIP Financing**") to allow the Applicants to maintain operations and address the funding needs of their farming clients;
  - c. pursue a transaction for the refinancing of their obligations; and
  - d. have "breathing space" within which to formulate a restructuring plan satisfactory to the stakeholders.
5. In the last week, the Company has entered into an arrangement with one of its competitors that provides it with immediate liquidity which, in combination with some short term DIP Financing described herein, should provide the Applicants with the necessary breathing space to consider their options and obligations to stakeholders.

### **Company Background and Recent Events**

6. NAFA has a corporate lineage, in one corporate incarnation or another, which is approximately 350 years long. It is the direct corporate descendant of the original Hudson

Bay Fur Trading Company and later the Hudson's Bay Company ("**HBC**"). Its logo recounts that it has been in business since the year 1670:



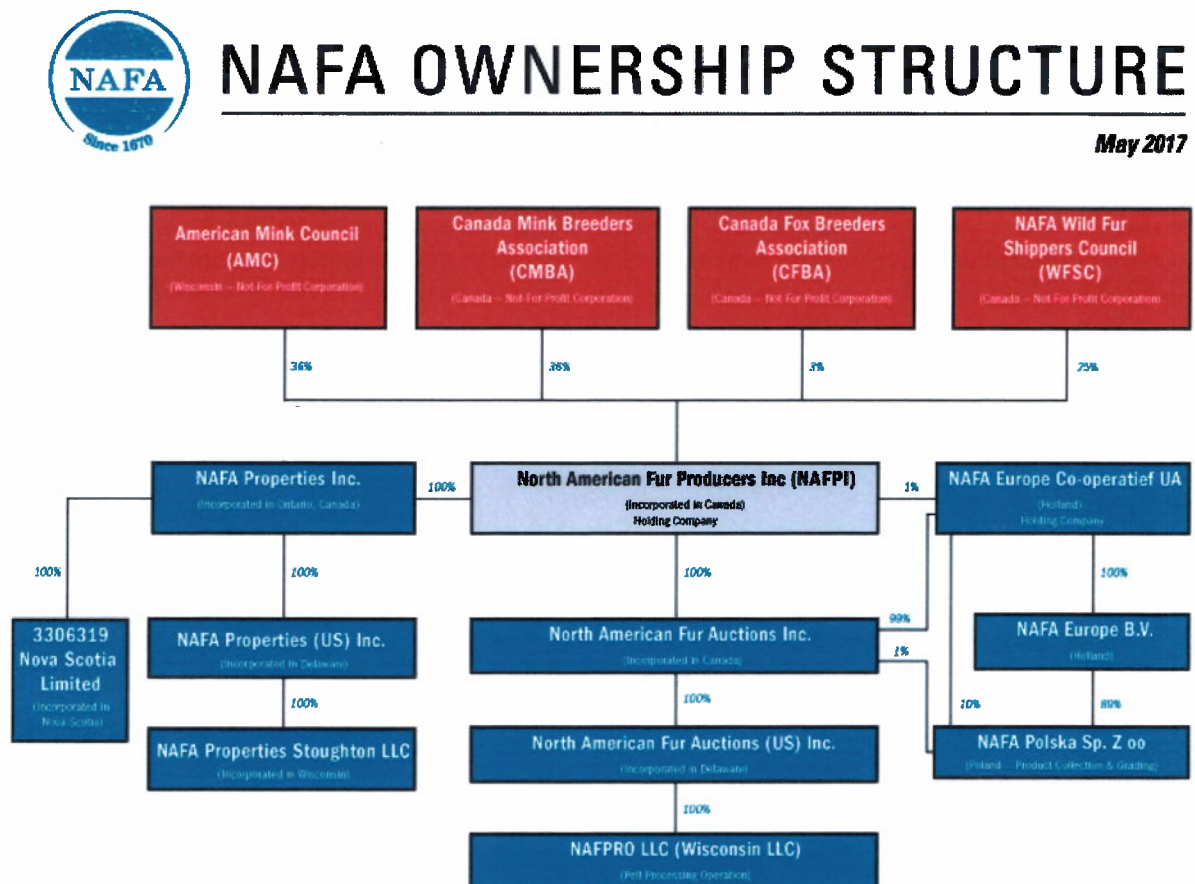
7. NAFA is in the business of farming, financing, preparing, grading and auctioning fur products, such as raw fur Pelts ("**Pelts**"), for use in the garment industry. It is one of essentially three such companies in the world that operate in this industry with similar size and scale. The other two are based in Finland and Denmark. There is no material North American competitor that provides these services.
8. NAFA sells in excess of \$200,000,000 worth of fur products annually at the auctions it conducts, as described in greater detail below. It employs in excess of 100 people worldwide through the Canadian and foreign subsidiaries, as well as approximately 300 seasonal workers worldwide from December to June annually.
9. NAFA had lending facilities with the Syndicate in the amount of approximately \$50,000,000 to \$80,000,000, depending on the time of year (as explained below). It is currently indebted to the Syndicate in the amount of approximately \$32,000,000 as at October 28, 2019.

## Corporate Structure and Business of the Applicants

10. NAFA has two principal sources of revenue. It collects interest and fees on loans it makes into the fur farming industry, and it collects consignor and buyer commissions and related auction charges, and amounts due from those loans, when it conducts its auctions to sell those fur products.
11. In addition, NAFA makes loans to farmers to support those businesses in excess of and separate from the Kit Loans (as defined below). NAFA also includes 3306319 Nova Scotia Limited (“**3306319**”), which owns one mink farm in Nova Scotia. 3306319 generates 48,000 Pelts annually worth approximately \$1,500,000 CAD.
12. The Company also provides storage facilities for furs from around the world for entities which have purchased and not collected furs from previous auctions or for parties who wish to store fur pending future auctions. The Company also stores furs provided to it for an auction but which have failed to sell, with instructions to sell those furs at a future auction.
13. Between the NAFA owned furs and the furs in storage, NAFA currently has approximately 1,000,000 Pelts worth approximately \$25,000,000 on hand. Less than \$250,000 worth of these Pelts are NAFA’s inventory, while the remainder are furs that NAFA is storing on behalf of their owners as described above.
14. The Applicants, although located in different countries, are principally controlled by and do business through the Canadian operations of NAFA. The Canadian operations conduct the auctions, oversee the lending operations, and have central command and control over the material decisions made at the subsidiaries. All business of the Applicants is focused on the delivery of Pelts to the Canadian operations centralized around NAFA to be auctioned at NAFA’s Head Office (as defined below) in Toronto. All funding of loans, collection of loans,

and receipt of proceeds are also conducted at the Head Office location and by the staff in Canada, as further set out below.

15. The corporate structure of the Applicants is set out in the chart below:



16. In addition to the entities in the above corporate chart, there is an additional entity in Poland named Daikoku Sp.Z oo (“**Daikoku**”), which is a direct subsidiary of NAFA.
17. Operational control for the entities in this corporate structure is conducted from the head office located at 65 Skyway Avenue, Toronto, which is also the Company’s principal auction location and grading facility (the “**Head Office**”). The Company’s principal distribution facility is located at 500 Carlingview Drive, Toronto. All buyer services, marketing services, buyer

logistics, storage of sold goods and related activities are carried out within these two buildings.

18. The Head Office staff control and administer all consignor loans finance, oversee all consignor accounts, and administer related consignor marketing activities for all the entities in the corporate structure. The Head Office deals with soliciting ranch mink, ranch fox and wild fur within Canada. It is a major receiving depot (receiving individual Pelts into accounts, ticketing for identification, and CITES<sup>1</sup> registration and administration) for both wild fur and ranched fur.
19. The Head Office (through Buyer Services and Logistics) is the shipping point for all buyer purchases acquired at auction and staff at the Head Office pack, stage and co-ordinate shipments. NAFA is the major staging location and co-ordination facility for intercompany shipments between NAFA Europe B.V. ("**NAFA Europe**") and North American Fur Auctions (US) Inc. ("**NAFA USA**").
20. North American Fur Producers Inc. ("**NAFPI**") is the holding company for the producer associations. The producer association shareholders appoint the NAFPI Board of Directors, who in turn, nominate the directors for NAFA.
21. NAFA Properties Inc. ("**NAFA Properties**") is wholly owned by NAFPI. It owns and maintains various properties located within Canada, including the Carlingview property.
22. 3306319 is a fur farm operation located in Nova Scotia and owned by NAFA Properties.
23. NAFA USA is wholly owned by the Company. NAFA USA performs all soliciting functions within the United States, administers the American consignor accounts, serves as a receiving deposit for the American goods, and serves as a major grading depot for ranch mink and wild fur. The two facilities in the United States commonly receive and grade mink

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<sup>1</sup> Convention on International Trade of Endangered Species of Wild Flora and Fauna.

and varying types of wild fur. NAFA USA is also currently storing Pelts. It also owns one of the two properties located in Stoughton, Wisconsin. This building is used primarily as the USA head office and grading facility (also containing the former NAFPRO LLC (Wisconsin LLC) ("**NAFPRO**") facility).

24. NAFA Properties (US) Inc. ("**NAFA Properties US**") is wholly owned by NAFA Properties. It owns a warehouse in Stoughton, Wisconsin, through NAFA Properties Stoughton LLC, that was under a graduated development as an eventual replacement building for all Stoughton operations, but is currently used primarily for cold storage, packing, and wild fur receiving.
25. NAFPRO is wholly owned by NAFA US. Its function was to receive "green" mink Pelts and process them into dry, raw and stable Pelts suitable for grading. This operation has been, or is in the process of being, closed and will not operate in the 2019/2020 season.
26. The Pelts that are being processed through NAFPRO and are currently graded and stored through NAFA USA and NAFA Properties US will ultimately be shipped to Canada to be sold at NAFA's auctions held at the Head Office.
27. NAFA Europe ran the Western European office, which has since been closed. It administered and paid for all non-Polish solicitors working outside of Poland and in countries including the Netherlands and Denmark. It also administered account proceeds for all European Consignor Auction revenue. As set out above, the accounts for consignor auctions handled through NAFA Europe were ultimately coordinated and controlled by the staff at the Head Office. These operations have now been closed and transitioned to NAFA Polska (as defined below).
28. NAFA Polska Sp. Z oo ("**NAFA Polska**") is the company tasked with the collection and grading of European origin ranch mink for delivery to the Canadian auction. NAFA Polska

serves a cold storage function for 805,000 Pelts and provides the facility for much of the NAFA team located in Europe to operate from. NAFA Polska's grading capacity is about 8,000,000 Pelts per year. These furs are also ultimately shipped to and auctioned in Canada.

29. Diakoku is a fur farm operation located in Poland.
30. NAFA Europe Co-operatief UA ("**NAFA Co-op**") is a holding company for all NAFA entities in Europe.
31. NAFA also operates the largest wild fur auction house in North America. Annually, NAFA facilitates the sale of approximately \$25,000,000 worth of wild fur.<sup>2</sup>
32. This part of NAFA's business is extremely important to the North American wild fur industry, particularly to the aboriginal community that uses NAFA's wild fur auction house as an important way of selling their furs.
33. NAFA's wild fur business administration also assists the Canadian Ministry of Natural Resources and Forestry to monitor the catching and trapping of animals across Canada, including with respect to the limits related to endangered species.
34. The Applicants own or lease the following real estate:
  - a. NAFPI – 65 Skyway Avenue, Toronto, Ontario (lease);
  - b. NAFA Properties – 500 Carlingview Avenue, Toronto (owned);
  - c. NAFA USA - 205 Industrial Circle, Stoughton, Wisconsin, U.S.A. (owned);
  - d. NAFA Properties Stoughton LLC - 1600 Williams Drive, Stoughton, Wisconsin (owned);

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<sup>2</sup> "Wild fur" are furs trapped in the traditional sense as opposed to farm raised furs which make up the majority of the fur industry.



- e. NAFA Polska - ul. Granitowa 10 in Goleniow, Poland (composed of 0.8916 hectares of land and development erected thereon) (owned);
  - f. NAFA Polska – ul Produkcyjna in Goleniow, Poland (composed of 0.8003 hectares of land and development erected thereon) (owned);
  - g. 3306319 – 569 Middle Cross Road, Roxville, N.S.;
  - h. 3306319 – 241 Riverdale Road, Riverdale, N.S.; and
  - i. Daikoku - 72-100 Lozienica, Poland (a farm that is leased).
35. NAFA conducts three auctions a year, which are held at its Head Office location. The last of these auctions was just concluded successfully on August 27, 2019. The next auction is currently scheduled to be held in March, 2020.
36. During the period between July and March, the Applicants have traditionally had access to bank financing to fund the growing cycle for their product, which I understand to be similar to other agricultural businesses.
37. In particular, from the period of July until November in most years, including this one, NAFA borrows in excess of \$45,000,000, a portion of which is lent to farmers/ranchers who use those funds to fund the development of mink. Those farmers are then contractually bound to deliver those mink to NAFA for auction. These loans are referred to herein as “**Kit Loans**”.<sup>3</sup>
38. The farmers who contract with NAFA for the Kit Loans are, once the loans are in place, completely dependent on NAFA for these funds to purchase necessities such as feed in order to grow the mink.

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<sup>3</sup> Infant mink are called “Kits”.

39. NAFA's lending cycle ends around the end of November each year. Thereafter, the mink are harvested and turned into Pelts for auction.
40. NAFA's lenders, and in particular the Syndicate, have made loans to NAFA to fund this farming cycle for decades (since the late 1980's).
41. This year, in both May and July, the Syndicate confirmed its willingness to do so again (subject to certain terms) and entered into a new loan agreement with NAFA in July, as further described below.

### **Dealings with the Syndicate**

42. In 2018, NAFA decided to delay its third auction in 2019 (which would usually have been in July) to the end of August. This decision was made in April of 2018 and was made known to the Canadian Imperial Bank of Commerce ("**CIBC**" or the "**Agent**"), the Agent for the Syndicate, at that time.
43. The other two 2019 auctions were scheduled to take place in March and June 2019.
44. Although the results from the auctions held in March and June 2019 were acceptable competitively and relative to the current market, the results of the auctions were materially below projections.
45. The auction results in June were depressed, in part, by changes in the worldwide price for mink and other furs, which trade as commodities and are subject to the volatility as other internationally traded commodities.
46. At the end of June, I voluntarily approached CIBC and advised my principal bank contact that due to the poor outcome of the auction in June, and the fact that the auction normally held in July was taking place in August, NAFA would not have sufficient cash to fund the Kit Loans in July and August without assistance from the Syndicate.

47. In particular, NAFA calculated that it would require a bulge facility from the Syndicate in the amount of up to \$20,000,000. The Company had previously requested and received bulge facilities from the Syndicate in prior years.
48. At that time, the total amount owing to the Syndicate was approximately \$45,000,000.
49. The Agent was advised that NAFA intended to hold its auction in August (as scheduled) and that when it did so, it was expected that it would return to a more usual level of debt with the Syndicate.
50. On July 8, 2019, a meeting was held between the Agent's Special Loans group, its financial advisors, the Company's financial advisors, and representatives from the other lenders from the Syndicate and counsel to canvass options and concerns.
51. Following that meeting, the Company and the Syndicate entered into a new credit agreement whereby the Syndicate agreed to provide funding to the Company for the period from July 17, 2019 up to and including the current date and beyond. A copy of that Credit Agreement (the "**Credit Agreement**") is attached hereto and marked as **Exhibit "A"**.
52. The Credit Agreement is extremely dense and complex, reflecting the size and complexity of the loan products used in the NAFA business. I will not describe it in detail here. I will note that, as was confirmed in July of this year, all of the Applicants (with the exception of Daikoku, NAFA Europe and NAFA Co-op) were either borrowers or guarantors under the Credit Agreement, with the guarantors guaranteeing the entire amount of the debt, jointly and severally.
53. In the Credit Agreement, CIBC affirmed that it would continue to provide funding to ensure that the Kit Loan payments were made. In reliance on this fact, NAFA made it known to their farmers that they could reasonably expect to continue to receive the Kit Loans for this growing season.

54. Attached as Schedule "1.1.23" of the Credit Agreement was a cash flow forecast which strictly limited the Company's disbursements and the Company covenanted to follow it.
55. The new Credit Agreement was focused on three new business points:
- a. First, the Company would diligently follow the cash flow, which would be closely monitored by the parties and their financial advisors;
  - b. Second, the Company would engage in an aggressive program to sell the business, or part of it, and would immediately hire KPMG Corporate Finance ("**KPMG Corporate**") to spearhead that initiative; and
  - c. Third, the Company would conduct the August auction in the usual course and ensure maximum recovery from those assets.
56. The cash flow forecast was prepared after careful and detailed review by KPMG Inc. ("**KPMG**") (our auditor and financial advisors), the Agent, its counsel and their financial advisor, Alvarez & Marsal Canada ULC ("**Alvarez**").
57. Pursuant to the cash flow forecast, the Syndicate did allow for funding to be made to pay the Kit Loans and the Company did so. Thereafter, the Kit Loans were generally kept current to the farmers until October 17, 2019, as further described below.
58. The Company held its auction in August, 2019 as agreed.
59. The Company was obliged, pursuant to its credit and other arrangements with the Syndicate, to certify by August 30<sup>th</sup> that the receipts from that auction were at least \$53,000,000. In fact the auction proceeds were in excess of \$55,600,000, as certified in the certificate provided to the Syndicate, which is attached hereto and marked as **Exhibit "B"**.
60. As required by the Credit Agreement, the Company hired KPMG Corporate in July 2019, who began the process of seeking sale or refinance opportunities for the Company.

Immediately after being retained, KPMG Corporate advised the Company and CIBC that while a strategic sale of some or all of the Company was possible, the deadlines set out in the Credit Agreement were unrealistic in its view.

61. The Syndicate made demand on the Company on August 2, 2019 and issued notices of intent to enforce under the *Bankruptcy and Insolvency Act* (“**BIA**”), largely because the Company had failed to meet the sales guidelines. Attached hereto and marked as **Exhibit “C”** are copies of the demand letters and BIA notice.
62. By August 14, 2019, the Syndicate had agreed to a forbearance with the Company and the Syndicate agreed to new timelines for the sale process which were supported by KPMG Corporate (“**Forbearance Agreement**”). A copy of the Forbearance Agreement is attached hereto and marked as **Exhibit “D”**.
63. The Company continued to follow its cash flow forecast (as amended from time to time with the agreement of the Syndicate) and delivered the first SAGA LOI (described below) within the timeline provided in the Forbearance Agreement.
64. The Company has substantially lived up to its obligations under the Credit Agreement and the Forbearance Agreement (as amended) except in regards to certain covenants to sell certain assets and/or enter into merger transactions within the timeframes that proved to be unrealistic.
65. On September 19, 2019, the Syndicate issued a default letter purportedly terminating the Forbearance Agreement and the Credit Agreement. While I did not agree that there had been a default which entitled the Syndicate to issue the default letter, the Forbearance Agreement expired in any event on September 19, 2019 and so NAFA did not contest it as it seemed a moot point. Attached hereto and marked as **Exhibit “E”** is the default letter, dated September 19, 2019 from counsel to CIBC.

66. Since September 19, 2019, the Syndicate has not made any further cash advances to NAFA.

### **The Waygar Refinancing Transaction and First Interim Funding**

67. In accordance with the sale process sanctioned by the Credit Agreement and subsequent forbearances, the Company solicited and received a letter of intent from Waygar Capital Inc. ("**Waygar**") on or about August 27, 2019, under which Waygar expressed its intent to finance the Company.
68. Waygar advised of its intent to advance \$60,000,000 in loan repayment and working capital by mid-October, 2019.
69. At a conference call attended by Waygar, the Agent, and all of the advisors on September 19, 2019, Waygar advised that it had delayed moving forward with its loan until the Company made the majority of the payments owing by it to parties who had supplied furs to NAFA on consignment for the August auction from the proceeds of that auction. As a result, Waygar advised that it would now not be able to meet its planned advance date to retire the Syndicate's indebtedness, upon which the Company had relied. Those payments were made, as scheduled, on September 17, 2019.
70. On or about September 18, 2019, the Company was advised by the tax authorities in the Netherlands that they had sequestered funds (ultimately totalling approximately 1.2 million Euros – subsequently reduced to 830,000 Euros, which has been transferred to the Dutch Tax authorities as security and approximately 100,000 Euros held in a Rabobank account) due to suspicion that, in the past, funds which were payable to certain consignors of furs to the three major fur auction companies in Europe (including NAFA), were part of a tax fraud scheme being perpetrated by the intended recipients. The investigation is going to go back in time approximately fourteen years.

71. No allegation was made specifically against NAFA in this regard, but the suspension of the funds further depleted the availability of funds for NAFA and further complicated NAFA's ability to make payments of any kind into Europe. Two letters from the Dutch tax authority dated September 11, 2019 are attached hereto and marked as **Exhibit "F"** along with a translation.
72. Following this, the Agent advised the Company on Saturday, September 21, 2019 that it intended to place the Company into receivership.
73. In response, on Sunday, September 22, 2019, the Company arranged for interim funding from Waygar.
74. In particular, Waygar agreed to advance, and the Syndicate agreed to allow, up to \$8,000,000 to fund operations until the closing of the \$60,000,000 financing with Waygar, which was to take place on October 17, 2019.
75. Waygar provided the interim financing through Waygar joining the Syndicate, as set out in the agreement attached hereto and marked as **Exhibit "G"**.
76. The key terms of the advance between Waygar and the Syndicate were that Waygar would advance the funds and would have first priority to repayment of those funds. The funding was principally to be used to fund Kit Loan obligations. That funding closed on September 27, 2019.
77. It was my understanding, based on multiple conversations which I attended with the Agent and/or its advisors (along with NAFA's advisors) that the Syndicate recognized the utility in making this funding to the farmers in order to ensure the further development of the kits into harvestable product.
78. I believe that it is understood among the Company, the Syndicate and our respective advisors, that under-funded and under fed kits are essentially valueless.

79. By comparison, it is estimated by our advisors that the conservative market value of the kits, which are subject to Kit Loans, and anticipated to be converted into Pelts would be in excess of \$90,000,000 once harvested. Based on the terms of the current 2019 Kit Loans, approximately \$65,000,000 would be payable to the Company to repay those loans upon those animals being pelted, auctioned and sold (assuming NAFA completed its loans to all of these farmers).

### **Termination of the \$60,000,000 refinance Waygar Transaction**

80. On October 14, 2019, Waygar advised the balance of the Syndicate (the “**Original Syndicate**”) and the Company that it was no longer prepared to enter into long term funding with the Company or provide the \$60,000,000.
81. Confronted with the fact that the Company was going to be unable to fund its Kit Loans or other obligations beyond day-to-day operations after October 17, 2019, the Company approached each of Waygar and the Original Syndicate members to seek interim funding to allow it to finish the Kit Loans and operate.
82. The Agent advised the Company, at an all parties meeting on October 15, 2019, that the Syndicate was unwilling to provide any further funding to the Company. On the other hand, the Agent advised that the Syndicate might be willing to consider allowing for the Company to consume certain easy to liquidate assets, if that might provide it some runway before it ran out of funds.
83. CIBC also advised that it would not allow for further DIP funding from Waygar to come in ahead of the Original Syndicate.
84. Further, CIBC advised that in its opinion, there may not be sufficient value in the current business to even repay the \$8,000,000 due to Waygar in priority to the Original Syndicate. I disagree with this statement.



85. The Agent strongly encouraged the Company to seek a transaction with its competitors to see if that might either solve the liquidity issues or provide a basis for a merger, transaction or wind-down.
86. Waygar, confirmed on October 18 and October 20, 2019, that it was prepared to provide DIP Financing to allow the Company to meet its Kit Loan obligations. As set out below, Waygar has provided a term sheet outlining a DIP funding transaction which, if approved by the Court, will provide the Company with the funding to move forward.
87. In the interim, while continuing to operate in the normal course (subject to its extreme cash constraints), the Company has pursued a transaction with its competitor, SAGA Furs ("**SAGA**"), to address these liquidity issues.

#### **The SAGA Furs Transaction**

88. Since July of this year, NAFA has been engaged in negotiations with SAGA about a possible transaction. The transaction was sourced and organized by KPMG Corporate in accordance with the mandate provided to it pursuant to the Credit Agreement. Various iterations of the transaction were vetted and considered from time to time by KPMG Corporate and reported to the Syndicate and Alvarez.
89. SAGA provided the Company with an LOI to allow it to acquire certain of the Kit Loans in August (the "**August LOI**"), but that transaction was not pursued at that time because of the opportunity provided by the anticipated transaction with Waygar which NAFA thought would retire the Original Syndicate loan or provide the business with a path forward.
90. On October 20, 2019, the Company and KPMG Corporate solicited and received a new LOI from SAGA (the "**SAGA LOI**"). A copy of the SAGA LOI is attached hereto as **Confidential Exhibit "A"** to this affidavit.

91. Fundamentally, the SAGA LOI proposes a transaction which allows for NAFA to receive some or all of the present value of the outstanding Kit Loans, without having to wait to recover those amounts from auction proceeds which would not otherwise be available until March, 2020 or later. In exchange for this, NAFA is surrendering the right to auction these kits at its March auction, and foregoing the profit it would make from conducting such an auction.
92. The SAGA LOI sets out the following deal terms:
- a. SAGA would provide immediate funding to NAFA with respect to certain farmers in Europe who had outstanding Kit Loans, up to the amount of those loans (which certain advances made by it would be repaid to NAFA). In accordance with the terms of SAGA LOI, these farmers are referred to as the “**Schedule 1 Farmers.**”
  - b. SAGA would fund the balance of the requirements owing under the Kit Loans for the balance of the season for the Schedule 1 Farmers, thereby relieving NAFA of the obligation to do so.
  - c. SAGA would take over funding the pelting, grading and auctioning of the kits subject to Kit Loans.
  - d. SAGA would also make offers to acquire the balance of the European Kit Loans from the other European farmers, which are referred to as the “**Schedule 2 Farmers**”. In respect of these farmers, SAGA would provide NAFA with an amount equal to 85% of the past market price averages. The balance due for these Kit Loans would be paid when the kit Pelts were auctioned by SAGA.
  - e. To the extent NAFA was owed anything from the farmers beyond the payment contemplated in sub-paragraphs a) or b) above to be financed by SAGA, it would have a second secured position over the Pelts which were the subject of the Kit

Loans and would be paid the balance owing to them from the proceeds realized at auction.

- f. SAGA also offered a similar structure for NAFA's North American Kit Loans, but on a less immediate basis.
- g. A commission fee would be payable to NAFA in connection with the Pelts to be sold at auction provided through this structure (the "**SAGA Furs Transaction**").

### **Immediate Cash Flow Impact of the SAGA Furs Transaction**

- 93. On October 21, 2019, the Company, in consultation with KPMG provided to the Syndicate and Alvarez two cash flow forecasts for the period of October 11 to December 13, 2019, which assumed the SAGA Furs Transaction would be performed and the Company could utilize some or all of that cash to meet its remaining Kit Loan obligations and operational obligations. Those cash flows are attached hereto as **Confidential Exhibit "B1"** and **"B2"** to this affidavit.
- 94. These illustrative cash flow forecasts are no longer current as the Company has continued to work with KPMG to prepare a cash flow forecast for these CCAA proceedings. Deloitte Restructuring Inc. ("**Deloitte**"), in its capacity as proposed monitor for the Applicants (the "**Proposed Monitor**") is currently working with the Company and KPMG to review and finalize the cash flow forecasts, as discussed below.
- 95. The Company, with the assistance of KPMG, also reviewed and provided an analysis of the benefit of the SAGA Furs Transaction to the Syndicate and Alvarez. A copy of this analysis is attached hereto and marked as **Confidential Exhibit "C"**. The analysis was positive.
- 96. Having reviewed the SAGA Furs Transaction with KPMG Corporate, KPMG, the Syndicate and its advisors, and with particular regard to the fact that the Syndicate was unwilling to

provide any further bridge funding or any funding at all, the Company determined that the SAGA Furs Transaction was the best available option to support the Company and its obligations to its stakeholders. The Board also supported and authorized that the Company proceed with this transaction.

97. The SAGA Furs Transaction will, if completed on schedule, provide sufficient liquidity to allow NAFA to harvest the current mink crop and thereafter to reconsider its business operations.
98. Under the SAGA Furs Transaction, it is likely the case that NAFA will not hold an auction in March 2020 as it is expected that the remaining Pelts consigned to NAFA could be directed to be auctioned by SAGA. It is unclear what role, if any, the existing NAFA staff would play in conjunction with those products.
99. It is my hope that once the Company gets through the immediate cash crunch related to the completion of the 2019 Kit Loans, it will then be able to review with its advisors what future business, if any, might be performed by NAFA or its personnel both in Canada and or in its satellite offices to further support the fur industry. For example, SAGA and the Company have also discussed the possibility of a transaction in the future whereby SAGA will assist NAFA to fund the Kit Loans and assist with operations in North America.
100. Attached hereto and marked as **Confidential Exhibit "D"** to this affidavit is the NAFA/SAGA Furs Rancher Visitation Schedule and Estimate Valuation, which shows a summary of the Kit Loans and the corresponding next farm visit and payment, as at October 28, 2019. As set out therein, certain loans have already been assigned to SAGA, and more than \$3 million is expected to arrive by the end of the week.

101. It is anticipated by the Company in its Cash Flow Forecast (as defined below) that the Syndicate will allow the Company to use these proceeds to fund operations, but the Syndicate has not committed to this position.
102. I have advised SAGA of the Company's intention to seek protection under the CCAA and have been advised by Juha Huttunen, the CFO of SAGA, that the CCAA filing will not impact SAGA's desire to complete the SAGA Furs Transaction.

### **Financial Impact of the SAGA Furs Transaction**

103. The cash flow at B1 assumed the SAGA Furs Transaction will be performed entirely on an expedited basis and with the best outcome for all assumptions. On this cash flow, the Company would have sufficient liquidity to meet its obligations, including the ability to complete the remaining Kit Loan funding, without the need for further DIP Financing over that period.
104. On October 21, 2019, counsel for Waygar, CIBC and the Company, KPMG/KPMG Corporate, and Alvarez had a call in which the Company expressed its belief that while it was possible, based on the best case scenario cash flow, that the Company would be able to operate without any further funding from the Syndicate, it was of the view that it was prudent to have a DIP Financing facility of \$5,000,000 given the potential risk surrounding the timing of the assumption of the loans by SAGA (as the cash flow at Confidential Exhibit B1 outlined a doable but optimistic time frame).
105. By comparison, the cash flow at Confidential Exhibit B2 assumes there will be some greater difficulty in completing the anticipated SAGA Furs Transaction with the various farmers which causes a greater period of time to pass before the first or significant funds are provided by SAGA. Under this forecast, the Company requires \$5,000,000 from Waygar immediately (i.e. on or before November 1, 2019) to allow it to maintain funding to the Kit

Loans while the SAGA Furs Transaction matures and generates material funds a week later.

106. Both cash flow forecasts also include material repayments to the Syndicate and the continuation of current payments in accordance with the existing security and lending arrangements. A delay or “holiday” in those payments could improve the Company’s cash position going forward, but it would not provide the additional liquidity the Company immediately needs in order to keep the Kit Loans current. The Company is reviewing the appropriateness of these pay downs during the period of the cash flow.
107. As the cash flow demonstrates, after nearly 4 months of carefully managed and occasional acrimonious negotiations and funding, the Company is, according to projections, literally within only a few weeks of being able to complete the funding of the Kit Loans (with the proceeds from the SAGA Furs Transaction) and see the benefit of those loans turning into collectable assets.
108. The Company has now commenced the process of contacting farmers and implementing the SAGA Furs Transaction (even prior to receiving final documentation from SAGA) and it is optimistic it will provide the much needed liquidity to the Applicants. I personally flew to Finland on October 23<sup>rd</sup> and remained there until October 27<sup>th</sup> to help coordinate this process. My initial report is that the contact with the first group of farmers by SAGA proceeded well and I am optimistic the balance of the transaction will proceed equally well.
109. The negotiations with our single largest customer and debtor, the Van Ansem Group (“**VAG**”), are ongoing and to date have proven somewhat difficult. The Company’s business dealings with VAG are complex and relatively large (with VAG owing in excess of \$16,000,000 to NAFA and NAFA owing \$7,000,000 to VAG from the most recent auction) which may not be resolved as quickly as the above cash flow forecasts had projected. I am confident that a resolution will be found shortly.

110. In the interim, the Company, in conjunction with KPMG have determined that it is prudent to have a DIP Financing facility in place to ensure there is no further interruption of funding to the kit farmers or to NAFA operations. The Company is prepared to only draw on that funding as needed and if needed. The Company is working on a cash flow with the Proposed Monitor which anticipates the availability of this DIP.
111. CIBC rejected providing the required \$5,000,000 standby facility at an all counsel call on October 21, 2019. Waygar confirmed it would provide that funding on that call, but only on a priority basis.
112. At an all hands meeting on October 28, 2019, CIBC and Waygar confirmed this remained their respective positions. CIBC also confirmed its position that the Company should vigorously pursue the SAGA Furs Transaction to resolve its liquidity issues, which the Company confirmed it was doing (and is doing) in any event.

#### **Current Circumstances of the Company**

113. On October 23, 2019, the Company met with its employees in Toronto to discuss the challenges being faced by the Company. In the circumstances, the Company advised that it may not have the funds necessary to pay any statutory termination pay or other notice amounts owing to these individuals. The employees were also advised that all wages were current until October 31, 2019. The Company is also not engaging the seasonal workers it would usually engage at this time of year.
114. The Company is being pursued by its creditors. My staff is in daily communication, of increasing frequency, with consignors looking for their outstanding payments, customers looking for their deferred proceeds, parties looking to repossess inventory that remains under NAFA's control following the last auction, and parties seeking Kit Loans or related loan funding.

115. We have not been able to provide satisfactory answers to most of these inquiries and I suspect that some or all of these parties are going to seek legal recourse against the Company with respect to their perceived breaches of NAFA's obligations to them.
116. The Company is still current with its salary and other current expenses. Its payroll is paid until the end of October, but the Company is struggling to meet other employee liabilities, including accrued vacation pay. As at October 29, 2019, the outstanding vacation pay liability was approximately \$100,000.

### **Assets**

117. According to the most recent analysis of KPMG, based on up-to-date information and audited financial statements, the Company has assets with a book value in excess of \$129,000,000. This is materially more than the Syndicate is owed.
118. Attached as **Confidential Exhibit "E"** is a Net Realization Analysis ("**NRA**") from the Company and reviewed and revised by KPMG as at October 18, 2019. Similar ones with similar asset classes was prepared during the negotiations of the Credit Agreement in July and in relation to the Forbearance Agreement in August. As set out therein, the principal assets of the Company are:
- a. Accounts receivable owing from parties who purchased goods at auction;
  - b. Kit Loans which remain outstanding;
  - c. Other loans to consignors (i.e. capital loans to support Farm operations not directly tied to Kits);
  - d. Inventory; and
  - e. Real estate assets.



119. As set out therein, the Company has in excess of \$53,000,000 worth of Kit Loans. The collectability of these assets increases dramatically if the final payments are made to the farmers so that the kits reach full size and can be converted into Pelts.
120. If that occurs, even on a liquidation basis, it is estimated that NAFA will recover approximately \$39,000,000 from the Kit Loans, which alone is substantially more than the Syndicate is owed. I understand that the Proposed Monitor is reviewing the NRA with KPMG.
121. On a going concern basis, I believe that these loans will be nearly 100% collected. In my experience, we have had a less than 1% loan loss rate on these loans. On a going concern basis, the Kit Loans would be worth approximately \$52,000,000.
122. Also, on a going concern basis, NAFA has in excess of \$12,000,000 worth of loans owing by farmers separate and apart from the Kit Loans and loans from previous years of approximately \$11,000,000 which are still outstanding, which in the ordinary course would have some value. On a liquidation basis, it is estimated that these will not be collected for any material value.
123. In addition, I note that the NRA does not provide a value for the Company's intellectual property (in particular, trademarks), which I believe could have some material value.
124. In terms of its fixed assets, the Company is in the process of completing a sale of its Carlingview property, which will provide a further pay down of the Syndicate's indebtedness of approximately \$5,000,000 possibly within the next two weeks. That transaction is quite advanced, and the Syndicate is fully informed of and approves that transaction. It is estimated that the balance of the Company's real estate holdings could, on a liquidation, generate a further \$5,000,000 to \$6,000,000 in realizations.

125. On or about October 28, 2019, the Company was provided with a revised purchase agreement for the Carlingview property for a reduced price. If accepted, the transaction is due to close within two weeks. The agreement does not currently include a provision from the purchaser requiring a vesting order or court approval.
126. As at October 18, 2019, the total indebtedness of the Company to the Syndicate, inclusive of the \$8,000,000 DIP already advanced by Waygar, was approximately \$32,000,000
127. As set out in the Confidential Exhibit, assuming the Kit Loans are funded to maturity, it is reasonable to expect the Company to have a liquidation value which is more than \$20,000,000 in excess of its current indebtedness to the Syndicate and Waygar (before repayment of the additional \$5,000,000 DIP described below).
128. The financial statements for each of the Applicants from 2018 will be provided at the hearing. The financial statements were audited by KPMG.
129. But for the indebtedness to the Syndicate which NAFA directly owes and the other Applicants (with the exception of Daikoku, NAFA Europe and NAFA Co-op) jointly and severally guaranteed, the businesses are otherwise solvent.

### **Creditors**

130. Attached hereto and marked as **Exhibit "H"** are PPSA searches for each of the Canadian Applicants. As set out therein, the entities with registrations against the Company are:
- a. CIBC – NAFA Properties, NAFA, and 3306319;
  - b. Business Development Bank of Canada ("**BDC**") – NAFA Properties and NAFA;
  - c. Farm Credit Canada ("**FCC**") – NAFA Properties, NAFA, and 3306319;
  - d. National Leasing Group Inc. – NAFA;

- e. Xerox Canada Ltd. – NAFA; and
- f. CNH Industrial Capital Canada Ltd. – 3306319.

131. There are also inter-company secured loans subordinated to the Syndicate, the details of which we are assembling for review by the Proposed Monitor during the CCAA proceedings.
132. Each of BDC and FCC have specific loans on real property. BDC holds a mortgage on the Skyway property lease interest. FCC holds a first mortgage on the Carlingview property and the Nova Scotia Farm.
133. Neither real property lender has taken any material steps to enforce their security although both are aware of the default notice provided by CIBC. Attached hereto and marked as **Exhibit "I"** are the property searches for the two properties in Toronto. The Company is in the process of completing searches of the Nova Scotia properties.
134. BDC did contact Company counsel by letter and by phone to express its concern with the apparent issues with the Company. They have taken no further steps.
135. There has been no communication from FCC.
136. Outside of secured creditors with security over its real estate, the only material secured creditor for NAFA is the Syndicate. As at October 28, 2019, the Syndicate was owed approximately \$32,000,000. Of that amount approximately \$8,000,000 is a result of the interim financing provided by Waygar.
137. Since July 2019, the amount owing to the Syndicate has been reduced from approximately \$60,000,000 to under \$25,000,000 (not including the \$8,000,000 loaned by Waygar).

### **Government Remittances and Unsecured Creditors**

138. All government remittances are up to date to the best of my knowledge and no amounts are owed for source deductions. The Company routinely files HST and from time to time is in a deficit or refund position. Currently, it is expected that there is a small refund for HST owing to the Company.
139. The Company owes approximately \$7,000,000 to its buyers for "Buyer Credits", which are credits that the Company has agreed to provide to buyers who have provided funds for future purchases, provided back up collateral against future amounts, or are entitled to commissions/rebates that they earned on prior sales that they have not applied to purchases.
140. The Company owes in excess of \$11,500,000 (out of which \$7,000,000 is owing to VAG) to its consignors who have not yet received funds derived from the sale of their goods in the August auction. Those payments were interrupted by CIBC when it issued its default letter on September 19, 2019. Approximately 7,500 consignors are owed funds.
141. Beyond the consignors, the Company has the ordinary unsecured creditors expected of an enterprise of this size. I estimate the debts to those creditors to amount to approximately \$8,000,000 to \$9,000,000, but I have not had the opportunity to properly itemize the Company's obligations to its ordinary unsecured creditors at this time.
142. Beyond this, NAFA is obliged to provide in excess of \$13,000,000 (the "**Deferred Proceeds**") to various parties who were owed funds from previous auctions, but who for one reason or another, have not collected them and or had asked that they continue to be held at NAFA pending direction from those parties. The total number of parties with Deferred Proceeds from NAFA are approximately 50.

## Employees

143. NAFA also employs in excess of 70 full-time employees in Canada, and 35 full-time employees around the world at its satellite offices. There is no union for these employees. It is my understanding at this time that the employment, severance and termination of these employees are governed by the laws of Canada, the United States, the Netherlands and Poland.
144. NAFA's Canadian employees are all a part of a defined contribution pension plan with Sun Life Financial (the "Plan"). The Company pays into the Plan on a monthly basis. The Company does not have any obligations with the Plan which are in arrears at this time.
145. Approximately 7 Canadian employees are also part of a HBC Legacy Fund. These were former employees of HBC who joined NAFA in 1987 when NAFA acquired the fur business from HBC. At HBC, these employees were part of a pension plan.
146. It is my understanding that as a result of a promise under which these employees joined NAFA, the Company provides these employees an additional pension payment ranging from approximately \$400 per month to \$2000 per month after their retirement until their death. Five of the seven employees have already retired and have been paid monthly as required. Two have yet to retire and are still employees.
147. Currently, it is my understanding that the Company's projected obligations in respect of this HBC Legacy Fund are in the amount of approximately \$1,000,000 (CDN), but NAFA does not have a recent actuarial report to certify that liability.
148. We are in the process of accumulating information about the Applicant's obligations and options in various foreign jurisdictions.

## DIP Loan Agreement Key Terms

149. Having regard to the cash flows at Confidential Exhibits B1 and B2, the Company has asked and Waygar has offered to provide a DIP Financing facility available to the Company, which is conditional on Court approval (the “**DIP Facility**”).
150. Attached hereto and marked as **Exhibit “J”** is a draft term sheet for the DIP Facility dated October 29, 2019 (“**Term Sheet**”). I expect to have an executed Term Sheet by the time of the CCAA hearing date which will be provided to the Court.
151. The key provisions of the proposed DIP Facility are as follows:
- a) The DIP Facility will be in the amount of no more than \$5,000,000;
  - b) The DIP Facility may be drawn as needed but will not revolve;
  - c) The Interest rate will be 12% per annum, payable monthly in arrears;
  - d) There is a set-up fee charged in the amount of 2%;
  - e) The DIP Facility matures within 60 days from execution of the DIP loan agreement or upon completing milestones related to the Kit Loan refinancing;
  - f) Waygar, in its capacity as lender under the DIP Facility (in such capacity, the “**DIP Lender**”), must be granted a Court ordered first priority charge over all of the property, assets and undertakings of the Applicants; and
  - g) The terms of the Initial Order must be satisfactory to the DIP Lender.
152. I have reviewed the terms of the DIP Facility with Company counsel as well as KPMG. I understand that the Proposed Monitor is reviewing the DIP Facility and will provide its views in their Pre-Filing Report.

### **Need for DIP Funding to Fund Kit Loans**

153. It is estimated that the total number of mink kits which were sired, acquired and raised in reliance on promises from NAFA to fund the carrying costs of those animals is approximately 3,400,000 animals worldwide. Kit Loans are required to ensure these mink reach maturity and the farmers have the resources to process them properly and humanely.
154. The historic loss rate on these Kit Loans is less than 1%. Over my tenure at NAFA the total amount lent in this fashion has exceeded \$1 billion.
155. If the Kit Loans are terminated suddenly, most of the farmers have no ability to seek alternate funding quickly, and the minks would starve to death or they would have to be euthanized by their ranchers. The immature Pelts have no value.
156. The farmers will have, as of Wednesday, October 29, 2019, been without funding since October 17, 2019 when the \$8,000,000 financing from Waygar was exhausted by NAFA. It is therefore critical that funding be re-established immediately to ensure the health of the kits.
157. It is not an exaggeration to say that a significant portion of the worldwide mink ranching business is wholly dependent on the flow of funds from NAFA. If these funds are not provided on a timely basis, these minks will starve, cannibalize their siblings, or will not mature or grow in a normal manner, causing the farmers to suffer a material loss from which they may not recover.
158. As noted above, it is a condition of the Kit Loans that the ranchers who take on these loans deliver their minks to NAFA for auction. In this fashion, by making these loans, NAFA ensures that it has inventory to sell at its auction.

159. Although NAFA takes security for its loans from the ranchers, the principal way that NAFA collects on these loans is by offsetting the amounts owing to NAFA against the obligations owing to these farmers from their product which is sold at auction.
160. Although some of the Kit Loans are to be assumed by SAGA under the SAGA Furs Transaction, not all of them are and the ones that are may not be done immediately.
161. If NAFA fails to pay its Kit Loans when due and the mink in question are killed or not made available for sale it makes collection of the loans much more difficult or even unlikely.
162. It is also reasonable to expect that any mink rancher who does not receive the funding agreed to be provided to it by NAFA will assert a cause of action against NAFA which might nullify any amount owing by that farmer to NAFA. In any event, collection would be materially more difficult, if not impossible.
163. It is also the case that many of these farmers (approximately 70%) are located in Europe, which further complicates enforcement.

#### **Current Cash Flow Forecast**

164. The Applicants, with the assistance of KPMG, are preparing a cash flow forecast from the current week to the week ending December 13, 2019 (the “**Cash Flow Forecast**”). The Cash Flow Forecast is in the process of being finalized and I understand that it will be attached to the Proposed Monitor’s Pre-Filing Report and that the Proposed Monitor will review the Cash Flow Forecast and comment on it in its report.

#### **Relief Sought under the Initial Order**

165. The Applicants likely do not have adequate means to maintain going concern operations (including funding the Kit Loans) without commencing a CCAA proceeding, along with



authorization to enter into the DIP Facility. The Applicants are unable to meet their obligations as they come due and are therefore insolvent. I believe that the Applicants will benefit from the granting of an Initial Order under the CCAA. Below, I have outlined the key components of the proposed Initial Order.

### **Stay of Proceedings for Canadian and Foreign Entities**

166. In order to provide breathing space to the Applicants while they restructure and to continue to allow them to operate as a going concern, the Applicants require a stay of proceedings. The Applicants are concerned about the potential termination of contracts and the potential claims that may be made against them by farmers and other creditors arising out of the Applicants' insolvency and the application for protection under the CCAA.
167. The Applicants include foreign entities in the United States and Europe, as well as the Canadian corporations. The operations of the Applicants are intertwined in terms of their auction and consignee accounts, as further described above. The inclusion of the entire NAFA structure, including the American and European subsidiaries, is, in my view, appropriate and necessary to ensure the enterprise can continue to operate as a cohesive unit to maintain stability and value in the CCAA process.
168. The stay will allow management to develop and oversee an orderly restructuring of the business with minimal disruption which will protect the interests of the Applicants' employees, landlords, customers, farmers and lenders. I believe that the granting of a stay of proceeding is in the best interests of the Applicants and their stakeholders.

### **DIP Financing**

169. As a result of the Applicants' immediate need to fund the Kit Loans, as described above, and as set out in the cash flow, the Applicants require interim financing pursuant to the DIP

Facility to provide stability and ensure that the value of the Applicants' business is not eroded.

170. As part of the Applicants' consideration of strategic alternatives for funding, Waygar was canvassed on its willingness to provide DIP Financing. In the view of the Applicants and KPMG, Waygar would be in the best position to provide DIP Financing in a timely manner as it was already familiar with the Applicants' unique business and lending structure. Given the immediate need for funding, any non-current lender would likely be unable to conduct due diligence and provide committed DIP Financing in the timeline required.
171. The funds available under the DIP Facility will be used to meet the Applicants' funding requirements in respect of the Kit Loans in the short-term in accordance with the Cash Flow Forecast to be filed.
172. It is proposed that the DIP Facility will be secured by a Court-ordered charge on all of the present and future assets, property and undertaking of the Applicants in favour of the DIP Lender (the "**DIP Lender's Charge**"). This is a condition precedent to the funding under the DIP Facility being made available by the DIP Lender to the Applicants. The DIP Lender's Charge will be subordinate to the Administration Charge and the KERP Charge (as defined below), but in advance of the Directors' Charge (as defined below).
173. The DIP Facility and the DIP Lender's Charge are critical to the successful restructuring as they will provide the Applicants with the necessary liquidity to maintain the going concern value of the Kit Loans, which is a substantial asset for the Applicants. Absent an injection of cash in accordance with the DIP Facility, the Kit Loans will significantly deteriorate and may not be collectable, which will be detrimental to the Applicants' stakeholders, including the Syndicate.

**Monitor**

174. It is proposed that Deloitte will act as Monitor in these CCAA proceedings if the proposed Initial Order is issued. Deloitte has consented to act as the Monitor of the Applicants.

**KERP**

175. The proposed Initial Order includes approval of a key employee retention plan (the “**KERP**”) and the granting of a charge up to a maximum aggregate amount of \$150,000 as security for payments made to key employees under the KERP (“**KERP Charge**”). The KERP Charge will be subordinate to the Administration Charge (as defined below), but in priority to the DIP Lender’s Charge and the Directors’ Charge (as defined below).

176. I am of the view that our labour force, especially our executive team, is quite mobile and will, given the uncertainty, potentially flee to other opportunities (albeit perhaps out of the fur industry) or safer options once we make this public declaration of insolvency.

177. The staff and key executives, including myself, have indicated their intention to resign if a receiver is appointed or the business pursues a path that is not for the benefit of the Applicants’ stakeholders as a whole. I continue to be of the belief that the retention of key staff is essential to maximizing recovery for those stakeholders.

178. I have consulted with our counsel and KPMG and have been advised that in restructurings staff can be provided with incentives to encourage staff retention in the form of the KERP.

179. In consultation with KPMG, I have created the attached schedule of such KERP payments which I believe will materially enhance the restructuring process, which is attached hereto and marked as **Confidential Exhibit “F.”** The KERP will provide the key employees with a bonus equal to 50% of their ordinary salary over three months, which will be paid provided they remain engaged with the Company until at least January 15, 2020.

180. The KERP also includes payment to me in the amount of my full RRSP contribution for 2019. This is part of my ordinary compensation and will be fully earned as of October 31, 2019 in the ordinary course. I have deferred paying any of this amount to myself due to cash constraints. This amount will only be payable to me if I remain engaged with the Company until at least January 15, 2020.
181. By December 15, 2019, the Applicants should have managed much of the transition necessary to ensure that the 2019 harvest of mink has been converted into Pelts and a decision will have been made how, either under the SAGA Fur Transaction or otherwise, those Pelts will be converted into cash.
182. The KERP was developed to facilitate and encourage the continued participation of senior management and other key employees who are required to guide the business through the restructuring process and preserve the value of the business for the stakeholders. These employees have significant experience and specialized knowledge of the business that cannot be easily replicated or replaced. Furthermore, these employees will be faced with a significantly increased workload during the restructuring and will likely have other, more stable employment opportunities they could pursue.
183. Assuming that the Applicants are able to retain all of the key employees, the total amount payable to these employees under the KERP would be a maximum of \$150,000, which is reasonable given the value that these employees will provide to the enterprise.

#### **Administration Charge**

184. In accordance with the Credit Agreement, the Applicants retained KPMG Corporate to assist with a potential sale of the business in July 2019. KPMG also acts as NAFA's auditor and financial advisor. It is contemplated that, given KPMG's role to date and KPMG Corporate's involvement in the SAGA Furs Transaction, KPMG and KPMG Corporate would continue to

act as the Applicants' financial advisor during the CCAA process (in such capacity, the "**Financial Advisor**"). The Applicants are seeking Court approval of the continued engagement of the Financial Advisor.

185. I believe that the Financial Advisor's significant investment banking expertise, its extensive experience running sales processes both outside the context of and within insolvency proceedings and its capabilities of debt restructurings have benefited the Applicants in their sale efforts to date. I believe the Applicants will continue to benefit from the Financial Advisor's advice as they continue to work towards closing the SAGA Furs Transaction and during the CCAA process.
186. If the Applicants were required to retain a new financial advisor, it would likely take a significant amount of time for a new firm to acquire a working knowledge of the Applicants' unique business and would slow down the Applicants' restructuring efforts.
187. In connection with its appointment, it is proposed that the Monitor, along with its counsel, counsel for the Applicants, the Financial Advisor, and counsel for the Applicants' board of directors will be granted a charge on all of the present and future assets, property and undertaking of the Applicants as security for their respective fees and disbursements relating to the services rendered in connection with this CCAA proceeding up to a maximum of \$500,000 (the "**Administration Charge**"). The Administration Charge is proposed to have priority over all other charges and security interests.
188. These professionals are required to provide assistance and guidance to the Applicants as they navigate the CCAA process and liaise with the various stakeholders during their restructuring efforts. I am of the view that the Administration Charge is fair and reasonable given the complexity of the business and the value that the professionals will contribute to the restructuring.

## **Directors' and Officers' Protection**

189. In my view, the board of directors and management, including myself, are necessary to the successful restructuring. The continued participation of the Applicants' directors and management are essential to the viability of the Applicants' continuing business and the preservation of its value.
190. I have a significant amount of institutional knowledge in respect of the Applicants' business, as I have already demonstrated in dealing with the SAGA Furs Transaction. The directors are generally members of the fur industry who are uniquely situated to provide advice on how to restructure the business.
191. I held a meeting with the Board of Directors on October 28, 2019 to discuss the insolvency process. The directors have authorized the Applicants to proceed with the CCAA filing.
192. The directors advised at that meeting that they are particularly concerned that the assets be realized for the highest and best possible value to ensure the greatest possible recovery to the stakeholders. They believe that a creditor driven receivership will not create the highest or best value and are worried there would be wholesale discounting of assets to drive in cash quickly rather than prudently.
193. On the other hand, the directors and I are keenly aware that liabilities can accrue to us, either in respect of our past actions, or the actions which follow. I understand that directors can be held liable for certain obligations of a company owing to employees and government agencies, such as unpaid wages and unremitted taxes.
194. I also understand, and I have discussed with the Board of Directors, that the liabilities being faced by Board members in different countries may be materially different than in Canada. In particular, I am advised by Company counsel that criminal penalties can be sought against Board members related to these liabilities in Poland, but that these liabilities and

remedies might be mitigated by a CCAA filing in Canada and an eventual plan of arrangement.

195. Many of the directors have considered resigning, as I myself have.
196. I am advised by our counsel that the Applicants' present and former directors and officers may be the beneficiaries under a liability insurance policy held by the Applicants (the "**D&O Policy**"). A copy of the insurance policy will be made available to this Court at the hearing, if requested. Pursuant to the summary of the D&O Policy, I understand the policy is a "claims made" policy with limits of \$10,000,000 CAD for liability, \$1 million CAD for punitive damages, and \$1 million CAD for defence costs.
197. However, I have not been provided with an opinion that insurance coverage under the D&O Policy either universally applies or is sufficient to pay all possible liabilities, and I understand there are various exceptions, exclusions and carve-outs where coverage may not be available. I am also very concerned about possible liabilities in other jurisdictions outside of Canada.
198. Moreover, the D&O Policy upon which the directors rely will expire on November 1, 2019. The financial situation of the Company makes renewal complicated and uncertain. It is also not yet clear that the renewal of the D&O Policy will be funded.
199. I am advised by our counsel and the Proposed Monitor that it is usual that there be a stay of claims against directors and a charge in favour of the directors from which the Company can honour its obligation to indemnify the directors for post-filing obligations.
200. In light of the potential liabilities and the uncertainty surrounding available indemnities and insurance, I and the other directors and officers have indicated to counsel for the Applicants that our continued service and involvement in this CCAA proceeding is conditional upon the granting of an Order under the CCAA which grants a charge in favour of the directors and

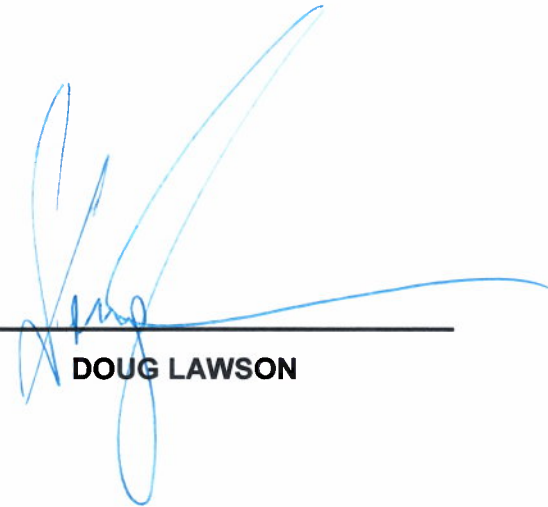
officers in the amount of \$1,000,000 (**Directors' Charge**) and provides a stay of all claims pending a plan or the end of the CCAA process. It is contemplated that the Directors' Charge will rank behind the other court ordered charges being sought.

201. It is my hope that once the immediate pressure of managing the realization of the 2019 harvest is completed, the Applicants will be in a position to turn their attention to considering and formulating a plan of arrangement which will be acceptable to the Applicants' stakeholders.

202. I make this affidavit in support of an application by the Applicants for protection under the CCAA and for no other or improper purpose.

**SWORN** before me at the City of )  
Toronto, in the Province of Ontario )  
on the 30<sup>th</sup> day of October 2019 )  
)  
)

  
\_\_\_\_\_  
A commissioner, etc.

  
\_\_\_\_\_  
**DOUG LAWSON**



This is Exhibit "B" referred to in the Affidavit of Douglas Lawson  
sworn remotely on this 22<sup>nd</sup> day of September 2023.

A handwritten signature in black ink that reads "Stephen Gaudreau". The signature is written in a cursive style with a large initial 'S' and a long, sweeping underline.

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*Commissioner for Taking Affidavits (or as may be)*

**Stephen Gaudreau**

Court File No.:

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF NORTH AMERICAN FUR PRODUCERS INC.,  
NAFA PROPERTIES INC., 3306319 NOVA SCOTIA LIMITED,  
NORTH AMERICAN FUR AUCTIONS INC., NAFA PROPERTIES  
(US) INC., NAFA PROPERTIES STOUGHTON LLC, NORTH  
AMERICAN FUR AUCTIONS (US) INC., NAFPRO LLC  
(WISCONSIN LLC), NAFA EUROPE CO-OPERATIEF UA, NAFA  
EUROPE B.V., DAIKOKU SP.Z OO and NAFA POLSKA SP. Z OO**

Applicants

**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C 1985, c. C-36**

**PRE-FILING REPORT OF THE PROPOSED MONITOR  
DATED OCTOBER 31, 2019**

October 31, 2019

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Lawyers for Deloitte Restructuring Inc.,  
proposed Monitor of the Applicants

# INDEX

Court File No.:

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EUROPE B.V., DAIKOKU SP.Z OO and NAFA POLSKA SP. Z OO

Applicants

APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C 1985, c.  
C-36

I N D E X

Tab	Description
A	Cash Flow Forecast
B	Consent of Deloitte Restructuring Inc.

Court File No.:

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS  
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF NORTH AMERICAN FUR PRODUCERS INC.,  
NAFA PROPERTIES INC., 3306319 NOVA SCOTIA LIMITED,  
NORTH AMERICAN FUR AUCTIONS INC., NAFA PROPERTIES  
(US) INC., NAFA PROPERTIES STOUGHTON LLC, NORTH  
AMERICAN FUR AUCTIONS (US) INC., NAFPRO LLC  
(WISCONSIN LLC), NAFA EUROPE CO-OPERATIEF UA, NAFA  
EUROPE B.V., DAIKOKU SP.Z OO and NAFA POLSKA SP. Z OO**

Applicants

**PRE-FILING REPORT OF THE PROPOSED MONITOR  
DATED OCTOBER 31, 2019**

**INTRODUCTION**

1. Deloitte Restructuring Inc. (“**Deloitte**”) understands that North American Fur Producers Inc., NAFA Properties Inc., 3306319 Nova Scotia Limited, North American Fur Auctions Inc., NAFA Properties (US) Inc., NAFA Properties Stoughton LLC, North American Fur Auctions (US) Inc., NAFPRO LLC (Wisconsin LLC), NAFA Europe Co-Operatief Ua, NAFA Europe B.V., Daikoku Sp.Z Oo and NAFA Polska Sp. Z Oo (collectively, the “**Applicants**”), intends to bring an application before the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) to commence proceedings (the “**CCAA Proceedings**”) under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) and seek an order (the “**Proposed Initial Order**”), among other things:
  - (a) granting a stay of proceedings until November 29, 2019;
  - (b) appointing Deloitte as Monitor of the Applicants;

- (c) approving interim financing (the “**DIP Financing**”) in the maximum principal amount of \$5.0 million provided by Waygar Capital Inc. (the “**DIP Lender**”) pursuant to the terms of a DIP Term Sheet dated October 31, 2019 (the “**DIP Term Sheet**”) and granting a charge (the “**DIP Charge**”) against the Applicants’ Property as security for the DIP Financing with the priority set out in the Initial Order;
  - (d) granting a charge (the “**Administration Charge**”) against the Applicants’ Property to a maximum amount of \$500,000 as security for the professional fees and disbursements incurred by counsel to the Applicants, the Monitor, the Monitor’s counsel, KPMG (as defined below) and, if applicable, counsel to the Applicants’ directors and officers;
  - (e) approving a Key Employee Retention Plan (the “**KERP**”) and granting a charge (the “**KERP Charge**”) against the Applicants’ Property (as defined in the Initial Order) in the maximum amount of \$150,000 as security for the amounts payable under the KERP with the priority set out in the Initial Order; and
  - (f) granting a charge (the “**Directors’ Charge**”) against the Applicants’ Property to a maximum of \$1.0 million as security for the indemnity granted in favour of the Applicants’ directors and officers pursuant to the Proposed Initial Order against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of these CCAA Proceedings.
2. Deloitte, in its capacity as proposed monitor (in such capacity, the “**Proposed Monitor**”) files this report (the “**Pre-filing Report**”) prior to its appointment as Monitor, should this Court grant the Proposed Initial Order, to provide information to this Court for its consideration in respect of the Applicants’ CCAA application. Deloitte has consented to act as Monitor in these CCAA Proceedings should this Court grant the Proposed Initial Order.
  3. Capitalized terms not defined in this Pre-filing Report are defined in the Affidavit of Doug Lawson sworn on October 30, 2019 (the “**Lawson Affidavit**”) in support of the application

filed by the Applicants in connection with these CCAA Proceedings and the Proposed Initial Order.

## PURPOSE

4. Background information and the facts and circumstances giving rise to these CCAA Proceedings are included in the Lawson Affidavit.
5. The purpose of this Pre-filing Report is to provide this Court with information with respect to:
  - (a) Deloitte's qualifications to act as Monitor;
  - (b) the Applicants' 7-week cash flow forecast, a copy of which is attached as Appendix "A" to this Pre-filing Report (the "**Cash Flow Forecast**"); and
  - (c) the Proposed Monitor's comments on the:
    - (i) DIP Financing;
    - (ii) Administration Charge;
    - (iii) KERP; and
    - (iv) Directors' Charge.

## TERMS OF REFERENCE

6. In preparing this Pre-filing Report and making the comments herein, the Proposed Monitor has been provided with, and has relied upon certain unaudited financial information, books, records and financial information prepared by the Applicants in consultation with their financial advisor, KPMG Inc. and KPMG Corporate Finance (collectively, "**KPMG**"), financial information prepared by the Applicants in consultation with KPMG, discussions with and information from the Applicants' management ("**Management**") and other third-party sources (collectively, the "**Information**"). Except as described in this Pre-filing Report in respect of the Cash Flow Forecast:

- (a) the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards (“GAAS”) pursuant to the *Chartered Professional Accountants Handbook* (the “CPA Handbook”) and, accordingly, the Proposed Monitor express no opinion or other form of assurance contemplated under GAAS in respect of the Information; and
  - (b) some of the information referred to in this Pre-filing Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the CPA Handbook, has not been performed.
7. Future oriented financial information referred to in this Pre-filing Report was prepared based on the Applicants’ estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the Projections, even if the assumptions materialize and the variations could be significant.
8. The Proposed Monitor’s understanding of factual matters express in this Pre-filing Report concerning the Applicants and their Business is based on the Information, and not independent factual determinations made by the Proposed Monitor.
9. Unless otherwise stated monetary amounts contained herein are expressed in U.S. Dollars.

#### **DELOITTE’S QUALIFICATION TO ACT AS MONITOR**

10. The Applicants retained the Proposed Monitor on Friday, October 25, 2019.
11. Deloitte is a trustee within the meaning of section 2(1) of the *Bankruptcy and Insolvency Act (Canada)*.
12. Deloitte does not act as auditor to any of the Applicants and is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA.



13. Deloitte has consented to act as Monitor of the Applicants in this CCAA Proceedings. Attached as Appendix “B” is a copy of Deloitte’s executed consent.
14. On October 28, 2019, the Proposed Monitor retained Miller Thomson LLP to act as its independent counsel.

### **THE CASH FLOW FORECAST**

15. The Applicants, in consultation with KPMG (a financial advisor to NAFA), prepared the Cash Flow Forecast for the 7-week period from October 28, 2019 to December 13, 2019 (the “**Cash Flow Period**”). A copy of the Cash Flow Forecast is attached as Appendix “A” to this Pre-filing Report.
16. The Cash Flow Forecast is presented on a weekly basis during the Cash Flow Period and represents the estimates of the Applicants of the projected receipts and disbursement of the Applicants during the Cash Flow Period. The Cash Flow Forecast has been prepared using probable and hypothetical assumptions set out in notes 1 to 13 attached to the Cash Flow Forecast (the “**Assumptions**”).
17. The Proposed Monitor was provided with the Cash Flow Forecast on October 25, 2019. With respect to the Assumptions that are not material, if the Proposed Initial Order is granted, the Proposed Monitor (in its capacity as Monitor) will address such Assumptions in its next report for the comeback hearing.
18. The Proposed Monitor notes that that the Cash Flow Forecast is critically and materially dependent on cash receipts resulting from an arrangement between the Applicants and Saga Furs Oyj (“**Saga**”) with respect to the purchase of certain “**Kit Loans**”<sup>1</sup> as described in the Lawson Affidavit as the Saga Fur Transaction (the “**Saga Arrangement**”). Similarly, the DIP Financing provides critical and necessary liquidity to the Applicants.

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<sup>1</sup> A “kit” is an immature mink and the Applicants provide financing to a number of auction consignors to raise the kits to maturity.

19. The Proposed Monitor has reviewed the Cash Flow Forecast as to its reasonableness of the material Assumptions as required by Section 23(1) (b) of the CCAA.
20. Pursuant to this standard, the Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures, review of the supporting data and consideration of the Information. Since the Assumptions need not be supported, the Proposed Monitor's procedures with respect to the material Assumptions was limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast.
21. In addition, the Proposed Monitor has independently undertaken due diligence with respect to the Cash Flow Forecast and material Assumptions since being retained (the "**Due Diligence**"). Among other things, the Proposed Monitor:
  - (a) engaged extensively with KPMG in respect of the Assumptions underlying the Cash Flow Forecast;
  - (b) had discussions with Management;
  - (c) had discussions directly with the DIP Lender with respect to the DIP Financing;
  - (d) based on discussions with Management and KPMG, developed a schedule of payments (the "**Saga Payment Schedule**") forecast to be received from Saga under the Saga Arrangement;
  - (e) engaged in discussions directly with Saga about the Saga Arrangement to:
    - (i) obtain an understanding of the status of the SAGA Arrangement the completion of which requires the consent of each farmer and registration of security on the livestock by SAGA;
    - (ii) assess the reasonableness of the Applicants' assumptions in the Cash Flow Forecast surrounding the payments forecasted to be received from Saga under the Saga Arrangement, and

- (iii) obtain confirmation directly from Saga of its intention to pay NAFA generally in accordance with the Saga Payment Schedule; and
  - (f) as necessary, proposed amendments to the Cash Flow Forecast and Assumptions based on the Due Diligence.
- 22. Based on the Proposed Monitor's review and Due Diligence, nothing has come to its attention that causes it to believe, in all material respects, that:
  - (a) the material Assumptions are not consistent with the purpose of the Cash Flow Forecast;
  - (b) as at the date of this Pre-filing Report, the material Assumptions are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Cash Flow Forecast, given the Probable and Hypothetical Assumptions; or
  - (c) the Cash Flow Forecast does not reflect the material Assumptions.
- 23. The Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.
- 24. In the Proposed Monitor's view, if receipts are not received by NAFA generally in accordance with the Saga Payment Schedule, it would be a material adverse change to the Cash Flow Forecast. Similarly, the achievement of the Cash Flow Forecast is dependent on DIP advances in its early weeks.
- 25. If receipts are not received by NAFA generally in accordance with the Saga Payment Schedule, should this Court grant the Proposed Initial Order, the Proposed Monitor (in its capacity as Monitor of the Applicants) will file with this Court a material adverse change report as required by, and in accordance with, paragraph 23(d)(i) of the CCAA.

## URGENT NEED FOR FILING AND OVERALL RESTRUCTURING THESIS

26. The Applicants are seeking relief under the CCAA in order to obtain DIP Financing to fund its now overdue obligations to its farming constituents, who are in the end stages of cultivating kits for this season. In addition, the Applicants wish to execute on the Saga Arrangement and manage a realization process on the other assets which they believe they are in the best position to maximize. The Proposed Monitor is advised that the net total realizations through a debtor-driven process, which includes DIP funding and a conclusion of the Saga Arrangement, is expected to achieve approximately \$40 million more than a liquidation alternative where the kit farmers are not funded and the livestock is not harvested. Management expects that a successful restructuring in line with the above will realize significant value for the Applicant's unsecured creditors.

## DIP FINANCING

27. The Applicants have executed the DIP Term Sheet, a copy of which we understand will be provided to this Court, pursuant to which the DIP Lender has agreed to provide the Applicants with DIP Financing.

28. A summary of the key terms of the DIP Term Sheet is as follows:

- (a) **Borrower:** North American Fur Auctions Inc.
- (b) **Maximum principal amount:** \$5.0 million;
- (c) **Interest rate:** 12% per annum;
- (d) **Closing fee:** 2% of the maximum principal amount of the DIP Financing;
- (e) **Purpose:** ordinary course working capital and restructuring costs in accordance with the Cash Flow Forecast;
- (f) **Maturity date:** the earlier of:
  - (i) ninety (90) days from the date of the DIP Term Sheet or such other date as the DIP Lender may agree in writing;
  - (ii) completion of a sale of sales of all or substantially all of the borrower's assets, subject to the approval of the DIP Lender, Monitor (if appointed) and, if required, this Court;

- (iii) the implementation of a plan of compromise or arrangement within these CCAA Proceedings;
  - (iv) the date on which the Initial Order (if granted) expires without being extended or on which these CCAA Proceedings are terminated or dismissed;
  - (v) the occurrence of an Event of Default.
- (g) **Security:** the DIP Charge;
  - (h) **Events of Default:** events of default are customary; and
  - (i) **Conditions Precedent:** conditions precedent are customary, including approval of the DIP Financing by this Court.
29. Based on the Cash Flow Forecast, the DIP Financing is necessary in order to fund the short term ordinary course obligations of the Applicants during these CCAA Proceedings. Of the total DIP Financing available (\$5.0 million), \$1.8 million is anticipated to be drawn by the week ended November 8, 2019 and repaid by the week ended November 22, 2019 from the cash receipts of the Applicant received during these CCAA Proceedings. This is reflected in the Cash Flow Forecast.
30. The DIP Financing is critical to the Applicants. The Applicants have already made significant capital investments by way of Kit Loans in preparation for the harvest. As shown in the Cash Flow Forecast, the Applicants run out of liquidity in the week ended November 8, 2019 to continue to fund those Kit Loans to allow the farmers to feed the mink. A failure to do so immediately would materially (and likely entirely) erode the value of the Applicants' collateral (the pelts), to the detriment of the Applicants' stakeholders. Funding to the farmers is currently overdue.
31. Based on the foregoing, the Proposed Monitor supports the DIP Financing.

#### **ADMINISTRATION CHARGE**

32. The Applicants seek approval of the Administration Charge.

33. The beneficiaries of the Administration Charge are contemplated to be the Applicants' counsel, the Monitor and its counsel, KPMG and counsel for the Applicants' directors and officers (the "**Professionals**").
34. As of the date of this Pre-filing Report, the Proposed Monitor understands that the Applicants' directors and officers have not retained independent counsel.
35. The Proposed Monitor is of the view that the Administration Charge is necessary for the effective participation of the Professionals in these CCAA Proceedings, and the quantum of the Administration Charge is reasonable.

#### **KERP**

36. The Applicants seek approval of the KERP.
37. The Proposed Monitor has reviewed the terms of the KERP, discussed same with Management and compared the KERP with key employee retention plans in other CCAA proceedings. In addition, the Proposed Monitor is advised that:
  - (a) the beneficiaries of the KERP are critical to the Applicants' business, and
  - (b) their resignation during these CCAA Proceedings would potentially be disruptive to the Applicants' ability to restructure its affairs.
38. Based on the foregoing, the Proposed Monitor is of the view that the total quantum of the payments contemplated by the KERP, being approximately \$150,000, is reasonable.

#### **DIRECTORS' CHARGE**

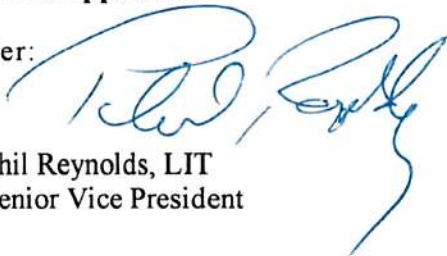
39. The Applicants seek approval of the Directors' Charge to a maximum of \$1.0 million.
40. The Proposed Monitor understands that the Applicants' directors and officers may be liable for approximately \$500,000 in respect of certain employee liabilities arising in Poland.
41. The Proposed Monitor also understands that the Applicants' current directors and officers insurance policy expires on October 31, 2019 and the Applicants are working to renew the insurance policy.

42. The Proposed Monitor understands that it is very likely that the Applicants' directors and officers would resign should the Directors' Charge not be granted, which would be prejudicial to the Applicants' ability to restructure its affairs.
43. Based on the foregoing, the Proposed Monitor supports the Directors' Charge.
44. The Proposed Monitor notes that the Proposed Initial Order provides for the priority of each of the Administration Charge, DIP Charge, KERP Charge and Directors' Charge (collectively, the "**Charges**".) As at the time of this Pre-filing Report, the Proposed Monitor understands that negotiations among the stakeholders are ongoing with respect to the relative priority of the Charges. The Proposed Monitor expresses no opinion in this Pre-Filing Report regarding priority of the Charges as set out in the Proposed Initial Order.

All of which is respectfully submitted this 31<sup>st</sup> day of October, 2019.

**DELOITTE RESTRUCTURING INC.**  
**in its capacity as the Proposed Monitor**  
**of the Applicants**

Per:

  
Phil Reynolds, LIT  
Senior Vice President

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
NORTH AMERICAN FUR PRODUCERS INC. et al

Court File No.

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(Commercial List)**

Proceeding commenced at Toronto

**PRE-FILING REPORT OF THE  
PROPOSED MONITOR**

**MILLER THOMSON LLP**  
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Lawyers for Deloitte Restructuring Inc., Proposed  
Monitor of the Applicants



This is Exhibit "C" referred to in the Affidavit of Douglas Lawson  
sworn remotely on this 22<sup>nd</sup> day of September 2023.

A handwritten signature in black ink that reads "Stephen Gaudreau". The signature is written in a cursive style with a large initial 'S'.

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*Commissioner for Taking Affidavits (or as may be)*

**Stephen Gaudreau**

Court File No: CV-19-00630241-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE

)

THURSDAY, THE 25<sup>TH</sup>

JUSTICE MCEWEN

)

DAY OF MAY, 2023

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
NORTH AMERICAN FUR PRODUCERS INC., NAFA PROPERTIES INC., 3306319  
NOVA SCOTIA LIMITED, NORTH AMERICAN FUR AUCTIONS INC., NAFA  
PROPERTIES (US) INC., NAFA PROPERTIES STOUGHTON LLC, NORTH  
AMERICAN FUR AUCTIONS (US) INC., NAFPRO LLC (WISCONSIN LLC), NAFA  
EUROPE CO-OPERATIEF UA, NAFA EUROPE B.V., DAIKOKU SP. Z OO and NAFA  
POLSKA SP. Z OO (collectively the "**Applicants**" or any one of them the "**Applicant**")

**CLAIMS PROCESS ORDER**

**THIS MOTION**, brought by the Applicant pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for an order establishing a claims process to identify claims of creditors of the Applicants, was heard this day by videoconference via Zoom in Toronto, Ontario.

**ON READING** the Applicant's Notice of Motion, the affidavit of Douglas Lawson affirmed on April 21, 2023 (the "**Lawson Affidavit**"), the Thirteenth Report of Deloitte Inc. (the "**Monitor**") dated May 24, 2023 (the "**Monitor's Report**"), and on hearing the submissions of counsel for the Applicant, counsel for the Monitor, counsel for the Agent and those other parties listed on the Counsel Slip, no one else appearing although duly served with the Applicant's Motion Record as appears from the Affidavit of Service of Ariyana Botejue dated May 23, 2023,

## SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

## DEFINITIONS AND INTERPRETATION

2. **THIS COURT ORDERS** that unless otherwise stated, all monetary amounts referenced herein are expressed in U.S. dollars, the Applicants reporting currency. All Claims shall be filed in U.S. dollars. If a Claim is filed in another currency it shall be converted to U.S. dollars as set out in paragraph 21. The below terms shall have the following meanings ascribed thereto:

- (a) **“Business Day”** means a day, other than a Saturday or a Sunday, on which banks are generally open for business in Toronto, Ontario.
- (b) **“Books and Records”** means the books and records of the Applicants related to the operations of the business of the Applicants, including employee records, account ledgers, transaction records, payment records, and other similar information, either in physical or electronic form.
- (c) **“CCAA”** has the meaning ascribed to it in the preamble to this Claims Process Order.
- (d) **“Charges”** shall have the meaning ascribed to it in the Initial Order.
- (e) **“Claim”** means each of:
  - (i) any right or claim of any Person against the Applicants (or any one of them), in connection with any indebtedness, liability or obligation of any kind whatsoever and any interest accrued thereon or costs payable in respect thereof, whether liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise and whether or not such right is executory in nature, including, by reason of any

breach of contract (whether oral or written), any breach of duty (including, any legal, statutory, equitable or fiduciary duty), any right of ownership of or title to property, contracts or assets or right to a trust or deemed trust (whether statutory, express, implied, resulting, constructive or otherwise) the right or ability of any Person to advance a claim for contribution or indemnity (including any claim by a Director or Officer against the Applicants for contribution and/or indemnity arising from any D&O Claim) for or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation (A) is based in whole or in part on facts existing prior to the Filing Date, (B) relates to a time period prior to the Filing Date, or (C) would have been a claim provable in bankruptcy had the Applicants become bankrupt on the Filing Date (each, a “**Pre-Filing Claim**”, and collectively, the “**Pre-Filing Claims**”);

- (ii) any indebtedness, liability or obligation of any kind with respect to the Applicants arising out of the restructuring, termination, repudiation or disclaimer of any lease, contract, or other agreement or obligation on or after the Filing Date and whether such restructuring, termination, repudiation or disclaimer took place or takes place before or after the date of this Claims Process Order (each, a “**Restructuring Claim**”, and collectively, the “**Restructuring Claims**”); or
- (iii) any right or claim of any Person against any of the Directors or Officers of any of the Applicants, in connection with any indebtedness, liability or obligation of any kind whatsoever and any interest accrued thereon or costs payable in respect thereof, whether liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise and whether or not such right is executory in nature including any right or ability of any Person to advance a claim for contribution, indemnity or otherwise against any of the Directors or Officers



of the Applicants with respect to any matter, action, cause or chose in action, however arising, for which any Director or Officer of the Applicants is alleged to be, by statute or otherwise by law or equity, liable to pay in his or her capacity as a Director or Officer of the Applicants or which is secured by way of the Directors' Charge (as defined in the Initial Order)(each, a "**D&O Claim**", and collectively, the "**D&O Claims**"); or

(iv) a D&O Indemnity Claim,

provided however, that "**Claim**" shall not include an Excluded Claim.

- (f) "**Claims Bar Date**" means 5:00 p.m. (prevailing Eastern Time) on August 3, 2023 for Pre-Filing Claims and D&O Claims.
- (g) "**Claims Process**" means the claims process set out in the Claims Process Order.
- (h) "**Claims Process Order**" means this Claims Process Order.
- (i) "**Court**" means the Ontario Superior Court of Justice (Commercial List).
- (j) "**Creditor**" means any Person with a Claim against the Applicants or any one of them.
- (k) "**Creditor over \$10k**" means any Person with a Claim against the Applicants or any one of them in an amount greater than \$10,000 other than an Employee Claim.
- (l) "**Creditor under \$10k**" means any Known Creditor of any of the Applicants who is owed an amount equal to or less than \$10,000 according to the Books and Records of the Applicants other than an Employee Claim.
- (m) "**Creditors under \$10k List**" has the meaning ascribed to that term in paragraph 9 of this Claims Process Order.
- (n) "**Creditors' Meeting**" means the meeting or meetings of Creditors scheduled pursuant to further Order of this Court for purposes of voting on a Plan, if and when filed with this Court.

- (o) “**Directors and Officers**” means anyone who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, a director or officer or *de facto* director or officer of any of the Applicants.
- (p) “**D&O Claim**” has the meaning ascribed to that term in paragraph 2(e)(iii) of this Claims Process Order.
- (q) “**D&O Indemnity Claim**” means any existing or future right of any Director or Officer against one or more of the Applicants which arose or arises as a result of any Person filing a Proof of Claim in respect of such Director or Officer for which such Director or Officer is entitled to be indemnified by one or more of the Applicants.
- (r) “**Employees**” means the current and former employees of the Applicants.
- (s) “**Employee Claim**” means solely the Claim of any Employee which arises from the termination of its employment with the Applicants, whether or not that Claim arose prior to or after the Filing Date. An Employee Claim is not a Restructuring Claim. An Employee may have Claims against the Applicants other than an Employee Claim.
- (t) “**Employee Claim Statement**” has the meaning given to it in paragraph 12.
- (u) “**Excluded Claim**” means the following claims against the Applicants (or any one of them) or any Directors and Officers, whether liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, including any interest accrued thereon or costs incurred in respect thereof:
  - (i) any claim of the lenders or the Canadian Imperial Bank of Commerce in its capacity as agent for the lenders in connection with, under or in respect of the Fourth Amended and Restated Credit Agreement dated as of September 27, 2019 (as may be amended or amended and restated) and any Documents (as defined therein) from time to time; or

- (ii) any claim entitled to the benefit of an existing or future Court-ordered priority charge ordered by the Court, including the Charges.
- (v) “**Filing Date**” means October 31, 2019.
- (w) “**Initial Order**” means the Amended and Restated Initial Order dated October 31, 2019, (as may be further supplemented, amended or varied from time to time).
- (x) “**Instruction Letter**” means the guide to this Claims Process, in substantially the form attached as **Schedule “B”** hereto.
- (y) “**Known Creditors**” means:
  - (i) any Person, which, to the knowledge of the Applicants and the Monitor, was owed monies by the Applicants as of the Filing Date and which monies remain unpaid in whole or in part; and
  - (ii) any Person who, to the knowledge of the Applicants and the Monitor, commenced a legal or any other proceeding against the Applicants, which legal proceeding was commenced and served upon the Applicants prior to the Filing Date.
- (z) “**Notice to Creditors**” means the Notice to Creditors for publication in substantially the form attached as **Schedule “A”** hereto.
- (aa) “**Person**” is to be interpreted broadly and includes any individual, firm, general or limited partnership, joint venture, trust, corporation, limited or unlimited liability company, unincorporated organization, association, trust, collective bargaining agent, joint venture, federal or provincial government body, agency or ministry, regulatory body, officer or instrumentality thereof, or any juridical entity, wherever situate or domiciled, and whether or not having legal status, howsoever designated or constituted, and whether acting on their own or in a representative capacity.
- (bb) “**Plan**” means any plan of compromise or arrangement by the Applicants, if and when filed, as revised, amended, modified or supplemented from time to time in



accordance with its terms.

- (cc) “**Pre-Filing Claim**” has the meaning ascribed to that term in paragraph 2(e)(i) of this Claims Process Order.
- (dd) “**Proof of Claim**” means the proof of claim to be completed and filed with the Monitor by a Person setting forth a Claim and which shall include all supporting documentation in respect of such Claim, substantially in the form attached hereto as **Schedule “C”**.
- (ee) “**Proof of Claim Document Package**” means a document package that includes a copy of the Notice to Creditors, Instruction Letter and Proof of Claim, and such other materials as the Monitor may consider appropriate or desirable.
- (ff) “**Restructuring Claim**” has the meaning ascribed to that term in paragraph 2(e)(ii) of this Claims Process Order.
- (gg) “**Restructuring Claims Bar Date**” means, in respect of each Restructuring Claim and each Person having a Restructuring Claim, 5:00 p.m. (prevailing Eastern Time) on the later of: (i) August 3, 2023, and (ii) the date that is 30 days after the date on which the Monitor sends a Proof of Claim Document Package to the Creditor with respect to a Restructuring Claim that arose after the Filing Date.
- (hh) “**Trade Websites**” has the meaning ascribed to that term in paragraph 7 of this Claims Process Order.
- (ii) “**Website**” means the Monitor’s website at <https://www.insolvencies.deloitte.ca/en-ca/NAFA>.

3. **THIS COURT ORDERS** that all references as to time herein shall mean local time in Toronto, Ontario, Canada, and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day, unless otherwise indicated herein.

4. **THIS COURT ORDERS** that all references to the word “including” shall mean “including without limitation”.



5. **THIS COURT ORDERS** that all references to the singular herein include the plural, the plural include the singular, and any gender includes all genders.

#### **MONITOR'S ROLE**

6. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights, duties, responsibilities and obligations under the CCAA and under the Initial Order, is hereby directed and empowered to take all such other actions and fulfill such other roles as are authorized by this Claims Process Order or are incidental thereto, and that in taking such other actions and in fulfilling such other roles, the Monitor shall have the protections given to it in the Initial Order and this Claims Process Order, including the protections provided in paragraph 30 of this Claims Process Order.

#### **NOTICE TO CREDITORS**

7. **THIS COURT ORDERS** that the Monitor shall, as soon as practicable following the issuance of this Claims Process Order, cause the Notice to Creditors to be published on certain industry websites including the International Fur Federation website (the "**Trade Websites**") and posted on the Website.

8. **THIS COURT ORDERS** that to the extent that any Creditor requests documents relating to the Claims Process prior to the Claims Bar Date or the Restructuring Claims Bar Date, as applicable, the Monitor shall forthwith cause a Proof of Claim Document Package to be sent to such Creditor by email or direct the Creditor to the documents posted on the Website, and otherwise respond to any request relating to the Claims Process as may be appropriate in the circumstances.

#### **CLAIMS PROCESS FOR CREDITORS UNDER \$10K**

9. **THIS COURT ORDERS** that by no later than June 12, 2023, the Monitor shall post a listing of the Creditors under \$10k and their Claims on the Website, which listing will identify the name of such Creditors and the amounts owing to such Creditors according to the Books and Records of the Applicant (the "**Creditors under \$10k List**"). The Creditors under \$10k List will be assembled by the Monitor in consultation with the Applicants.

10. **THIS COURT ORDERS** that by no later than June 12, 2023, where the Applicants have an email address in their Books and Records for any Creditor under \$10k, the Monitor shall send an email to each such Creditor, at the email address as recorded in the Applicants' Books and Records, directing such Creditors under \$10k to the Website and enclosing the Instruction Letter. Where the Books and Records do not disclose an email address but do disclose an address for a Creditor under \$10k, the Monitor shall mail the Instruction Letter by regular mail to that address.
11. **THIS COURT ORDERS** that by no later than June 12, 2023, the Monitor shall send by way of email, at the last known email address as recorded in the Applicants' Books and Records, to each Employee a statement setting out their Employee Claim according to the Books and Records of the Applicants (the "**Employee Claim Statement**") and enclosing the Instruction Letter. Where the Books and Records do not disclose an email address but do disclose an address for an Employee, the Monitor shall mail the Instruction Letter and Employee Claim Statement by regular mail to that address.
12. **THIS COURT ORDERS** that the posting and publishing of the Notice to Creditors as set out in paragraph 7 of this Claims Process Order, the posting of the Creditors under \$10k List as set out in paragraph 9 of this Claim Process Order, and sending the emails or regular mail letters as described in paragraphs 10 and 11 of this Claims Process Order and will be sufficient notice to the Creditors under \$10k and Employees, of this Claims Process and of their Creditor under \$10k Claims or Claims, as applicable.
13. **THIS COURT ORDERS** that any Creditor under \$10K or Employee that agrees with amount of their Claim as set out on the Creditors under \$10k List or as set out in the Employee Claim Statement, as applicable, shall not be required to take any further steps in respect of their Claim, including filing a Proof of Claim, and shall be deemed to have accepted their Claim as set out in the Creditors under \$10k List or the Employee Claim Statement, as applicable, and each such Claim will be deemed to be a Proven Claim.
14. **THIS COURT ORDERS** that any Creditor under \$10k or Employee that disputes the amount of their Claim as set out in the Creditors under \$10k List or as set out in the Employee Claim Statement, as applicable, and/or wishes to assert (i) a D&O Claim or (ii) a

Restructuring Claim, must submit a Proof of Claim with the Monitor in the manner set out in paragraph 18 hereof so that the Proof of Claim is received by the Monitor no later than the Claims Bar Date. Failure to file a Proof of Claim with the Monitor by the Claims Bar Date, will result either in such Creditor under \$10k Claim being allowed for the amount set forth in the Creditors under \$10k List or, if they are not listed in the Creditors under \$10k List, being forever barred and extinguished, in which case such Creditor under \$10k will be forever prohibited from making or enforcing a Claim against any Applicants or its Directors or Officers. For greater certainty, Employees shall not be required to file Restructuring Claims in respect of their Employee Claim.

#### **CREDITORS OVER \$10K NOTIFICATION**

15. **THIS COURT ORDERS** that, in addition, to the notification steps set out in paragraph 7 herein, with respect to Creditors over \$10k:
- (a) the Monitor shall, as soon as practicable following the issuance of this Claims Process Order, post a copy of the Proof of Claim Document Package on the Website;
  - (b) the Monitor shall, as soon as practicable following the issuance of this Claims Process Order, on behalf of the Applicants, send to each of the Known Creditors (for which the Monitor has an email address) a copy of the Proof of Claim Document Package by email; and,
  - (c) with respect to Restructuring Claims arising after the date of this Claims Process Order, the Monitor shall, no later than five (5) Business Days following the time that the Monitor becomes aware of the effective date of the termination, repudiation or disclaimer of a lease, contract or other agreement or obligation, send to the counterparty(ies) of such agreement or obligation a Proof of Claim Document Package by email.

#### **CLAIMS BAR DATES**

16. **THIS COURT ORDERS** that all Proofs of Claim with respect to: (a) Pre-Filing Claims, shall be filed with the Monitor on or before the Pre-Filing Claims Bar Date; (b) Restructuring



Claims, shall be filed with the Monitor on or before the Restructuring Claims Bar Date; and, (c) D&O Claims, shall be filed with the Monitor on or before the Claims Bar Date, except to the extent that the D&O Claim relates to a Restructuring Claim, in which case such D&O Claim shall be filed with the Monitor on or before the applicable Restructuring Claims Bar Date.

17. **THIS COURT ORDERS** that, subject to any Claims deemed to be Proven Claims pursuant to paragraph 13 of this Claims Process Order, any Creditor that does not file a Proof of Claim as provided for herein such that such Proof of Claim is received by the Monitor on or before the applicable Claims Bar Date or Restructuring Claims Bar Date: (a) shall be, and is hereby forever barred from making or enforcing such Claim against the Applicants or the Directors or Officers, or any of them; (b) shall not be entitled to vote at the applicable Creditors' Meeting in respect of the Plan or to receive any distribution thereunder; and (c) shall not be entitled to any further notice of, and shall not be entitled to participate as a Creditor in these proceeding.

#### **PROOFS OF CLAIM**

18. **THIS COURT ORDERS** that each Creditor over \$10k shall file a Proof of Claim against the Applicants and shall include any and all Claims it asserts against the Applicants in a single Proof of Claim. A Creditor under \$10k or an Employee shall only be required to file a Proof of Claim in accordance with paragraph 14 of this Claims Process Order if it disputes the amount of its Claim set out in the Creditors under \$10k List or the Employee Claim Statement, as applicable.

19. **THIS COURT ORDERS** that if a Creditor over \$10k is asserting a Claim against any of the Applicants and against the Directors or Officers of any of the Applicants, all such Claims shall be included in the same Proof of Claim.

20. **THIS COURT ORDERS** that where a Claim against the Applicants is based on the Applicants' guarantee of the repayment of a debt of any other Person, the Proof of Claim in respect of such Claim shall clearly state that it is based on such a guarantee.

21. **THIS COURT ORDERS** that if any Claim arose in a currency other than U.S. dollars, then the Creditor making the Claim shall complete its Proof of Claim indicating the amount of

the Claim in such currency, rather than in U.S. dollars or any other currency. The Monitor shall subsequently convert any Claim filed in a foreign currency other than U.S. dollars to Canadian dollars at the noon Bank of Canada exchange rate on the Filing Date and then convert it to U.S. dollars at the noon Bank of Canada exchange rate on the Filing Date, all without prejudice to the ability of the Applicants to utilize a different exchange rate in any Plan.

22. **THIS COURT ORDERS** that the Monitor shall supervise the receipt and collection of the Proofs of Claim and, in conjunction with the Applicants (and any Director and/or Officer against whom a D&O Claim is asserted), shall, subject to further order of the Court, review each Proof of Claim submitted by the Claims Bar Date or the Restructuring Claims Bar Date, as applicable. The Monitor shall provide the Applicants' counsel with copies of all Proofs of Claim and any other documents delivered to the Monitor pursuant to the Claims Process.

#### **NOTICE SUFFICIENT**

23. **THIS COURT ORDERS** that each of the:

- (a) Notice to Creditors attached as Schedule "A";
- (b) Instruction Letter attached as Schedule "B"; and
- (c) Proof of Claim form attached as Schedule "C";

are hereby approved in substantially the forms attached. Despite the foregoing, the Monitor may, from time to time, and with the consent of the Applicants, make minor changes to such forms as the Monitor considers necessary or desirable.

24. **THIS COURT ORDERS** that Publication of the Notice to Creditors on the Website and the Trade Websites, posting of the Proof of Claim Document Package on the Website, the sending of the Proof of Claim Document Package to the Creditors over \$10k, in accordance with this Claims Process Order, and completion of the other requirements of this Claims Process Order shall constitute good and sufficient service and delivery of notice of a Creditor's Claim, this Claims Process Order, the Claims Process, the Claims Bar Date and the Restructuring Claims Bar Date on all Persons who may be entitled to receive notice, and no other notice or service need be given or made and no other document or material need be sent



to or served upon any Person in respect of this Claims Process Order or the Claims Process.

25. **THIS COURT ORDERS** that the Monitor, in consultation with the Applicants and the applicable Director or Officer in respect of any D&O Claim, is hereby authorized to use its reasonable discretion as to the adequacy of compliance with respect to the manner and timing in which forms delivered hereunder are completed and executed, and may, where it is satisfied that a Claim has been adequately proven, waive strict compliance with the requirements of this Claims Process Order as to completion and execution of such forms. Notwithstanding any other provision of this Claims Process Order, any Claim filed with the Monitor after the applicable Claims Bar Date or Restructuring Claims Bar Date may, in the reasonable discretion of the Monitor or subject to further Order of the Court, be deemed to have been filed on or before the applicable Claims Bar Date or Restructuring Claims Bar Date, and, subject to further Order of this Court, may be reviewed by the Monitor.

#### **D&O Indemnity Claim**

26. **THIS COURT ORDERS** that to the extent any D&O Claim is filed in accordance with this Claims Process Order, a corresponding D&O Indemnity Claim shall be automatically and immediately deemed to have been filed in respect of such D&O Claim.

#### **NOTICE OF TRANSFEREES**

27. **THIS COURT ORDERS** that neither the Applicants nor the Monitor shall be obligated to give notice to or to otherwise deal with a transferee or assignee of a Claim as the Creditor in respect thereof unless and until (a) actual written notice of transfer or assignment, together with satisfactory evidence of such transfer or assignment, shall have been received by the Monitor, and (b) the Monitor shall have acknowledged in writing such transfer or assignment, and thereafter such transferee or assignee shall for the purposes hereof constitute the "Creditor" in respect of such Claim. Any such transferee or assignee of a Claim, and such Claim, shall be bound by any notices given or steps taken in respect of such Claim in accordance with this Claims Process Order prior to the written acknowledgement by the Monitor of such transfer or assignment.

28. **THIS COURT ORDERS** that if the holder of a Claim has transferred or assigned the

whole of such Claim to more than one Person or part of such Claim to another Person or Persons, such transfer or assignment shall not create a separate Claim or Claims and such Claim shall continue to constitute and be dealt with as a single Claim notwithstanding such transfer or assignment, and the Applicant and the Monitor shall in each such case not be bound to acknowledge or recognize any such transfer or assignment and shall be entitled to give notices to and to otherwise deal with such Claim only as a whole and then only to and with the Person last holding such Claim in whole as the Creditor in respect of such Claim. Provided that a transfer or assignment of the Claim has taken place in accordance with paragraph 27 of this Claims Process Order and the Monitor has acknowledged in writing such transfer or assignment, the Person last holding such Claim in whole as the Creditor in respect of such Claim may by notice in writing to the Monitor direct that subsequent dealings in respect of such Claim, but only as a whole, shall be with a specified Person and, in such event, such Creditor, such transferee or assignee of the Claim and the whole of such Claim shall be bound by any notices given or steps taken in respect of such Claim by or with respect to such Person in accordance with this Claims Process Order.

29. **THIS COURT ORDERS** that the transferee or assignee of any Claim (a) shall take the Claim subject to the rights and obligations of the transferor/assignor of the Claim, and subject to the rights of the Applicants against any such transferor or assignor, including any rights of set-off which the Applicants had against such transferor or assignor, and (b) cannot use any transferred or assigned Claim to reduce any amount owing by the transferee or assignee to the Applicants, whether by way of set off, application, merger, consolidation or otherwise.

#### **PROTECTIONS FOR MONITOR**

30. **THIS COURT ORDERS** that: (a) in carrying out the terms of this Claims Process Order, the Monitor shall have all of the protections given to it by the CCAA and the Initial Order or as an officer of this Court, including the stay of proceedings in its favour, (b) the Monitor shall incur no liability or obligation as a result of the carrying out of the provisions of this Claims Process Order, (c) the Monitor shall be entitled to rely on the Books and Records of the Applicants and any information provided by the Applicants, all without independent investigation, and (d) the Monitor shall not be liable for any claims or damages resulting from



any errors or omissions in such books, records or information.

## **DIRECTIONS**

31. **THIS COURT ORDERS** that the Applicants or the Monitor may, at any time, and with such notice as this Court may require, seek directions from the Court with respect to this Claims Process Order and the Claims Process set out herein, including the forms attached as Schedules hereto.

## **SERVICE AND NOTICE**

32. **THIS COURT ORDERS** that the Monitor or the Applicants, as the case may be, are at liberty to deliver the Proof of Claim Document Package, and any letters, notices or other documents to Creditors or other interested Persons, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic or digital transmission to such Persons at the address as last shown on the records of the Applicant and that any such service or notice by courier, personal delivery or electronic or digital transmission shall be deemed to be received on the next Business Day following the date of forwarding thereof, or if sent by prepaid ordinary mail, on the third Business Day after mailing.

33. **THIS COURT ORDERS** that any notice or other communication (including Proofs of Claim) to be given under this Claims Process Order by a Creditor to the Monitor shall be in writing in substantially the form, if any, provided for in this Claims Process Order and will be sufficiently given only if given by electronic or digital transmission, prepaid ordinary mail, courier, or personal delivery addressed to:

**DELOITTE RESTRUCTURING INC.**

Attention: In its capacity as Court Appointed Monitor of North American Fur Auctions Inc.

8 Adelaide Street West  
Toronto, ON, M5H 0A9  
Telephone: 1-888-221-0622  
E-mail: [nafa@deloitte.ca](mailto:nafa@deloitte.ca)

34. **THIS COURT ORDERS** that any such notice or other communication by a Creditor to the Monitor shall be deemed received only upon actual receipt thereof, provided that any notice



or communication by a Creditor to the Monitor that is received by the Monitor on a non Business Day or after 5:00 p.m. (prevailing Eastern Time) shall be deemed to have been received on the next Business Day.

#### **MISCELLANEOUS**

35. **THIS COURT ORDERS** that notwithstanding any other provision of this Claims Process Order, the solicitation of Proofs of Claim, and the filing by a Person of any Proof of Claim, shall not, for that reason only, grant any Person any standing in the CCAA proceedings or rights under a Plan.

36. **THIS COURT ORDERS** that nothing in this Claims Process Order shall constitute or be deemed to constitute an allocation or assignment of a Claim or Excluded Claim into particular affected or unaffected classes for the purpose of a Plan and, for greater certainty, the treatment of Claims or Excluded Claims, or any other claims shall be dealt with in accordance with the terms and conditions of a Plan and the class or classes of creditors for voting and distribution purposes shall be subject to the terms of any Plan or further Order of the Court.

37. **THIS COURT ORDERS** that neither the Applicants nor the Monitor shall be under any obligation to review, approve or disallow any Claim file hereunder other than to confirm to any Person who makes such a request that the Claim has been filed with the Monitor, subject to further order of the Court.

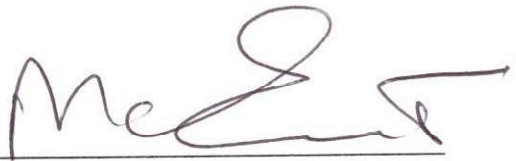
38. **THIS COURT ORDERS** that the process for reviewing, disallowing or allowing Claims and or adjudicating disputed Claims shall be the subject of a further order of the Court.

39. **THIS COURT ORDERS** that nothing in this Order shall prejudice the rights and remedies of any Directors or Officers under any existing Director and Officer insurance policy or prevent or bar any Person from seeking recourse against or payment from any Director's and/or Officer's liability insurance policy or policies that exist to protect or indemnify the Directors and/or Officers, whether such recourse or payment is sought directly by the Person asserting a Claim from the insurer or derivatively through the Director or Officer or one or more of the Applicants; provided, however, that nothing in this Order shall create any rights in favour of such Person under any policies of insurance nor shall anything in this Order limit, remove,

modify or alter any defence to such claim available to the insurer pursuant to the provisions of any insurance policy or at law.

40. **THIS COURT ORDERS AND REQUESTS** the aid and recognition of any court of any judicial, regulatory or administrative body in any province or territory of Canada (including the assistance of any court in Canada pursuant to section 17 of the CCAA) and of any other nation or state, to act in aid of and to be complementary to this Court in carrying out the terms of this Claims Process Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and the Monitor, as an officer of the Court, as may be necessary or desirable to give effect to this Claims Process Order or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Claims Process Order.

41. **THIS COURT ORDERS** that this Claims Process Order and all of its provisions are effective as of 12:01 a.m. Eastern Time on the date of this Claims Process Order, and is enforceable without any need for entry and filing.



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

**SCHEDULE "A" – NOTICE TO CREDITORS**

Court File No. CV-19-00630241-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NORTH AMERICAN FUR PRODUCERS INC. ("NAFA"), NAFA PROPERTIES INC., 3306319 NOVA SCOTIA LIMITED, NORTH AMERICAN FUR AUCTIONS INC., NAFA PROPERTIES (US) INC., NAFA PROPERTIES STOUGHTON LLC, NORTH AMERICAN FUR AUCTIONS (US) INC., NAFPRO LLC (WISCONSIN LLC), NAFA EUROPE CO-OPERATIEF UA, NAFA EUROPE B.V., DAIKOKU SP. Z OO and NAFA POLSKA SP. Z OO (collectively the "Applicants" or any one of them "Applicant")**

**NOTICE OF THE CLAIMS PROCESS FOR THE APPLICANTS IN THE CCAA PROCEEDINGS**

**NOTICE OF CLAIMS BAR DATE FOR CLAIMS**

**NOTICE IS HEREBY GIVEN** that, pursuant to an Order of the Court made on May 25, 2023, (the "**Claims Process Order**") a claims process has been commenced for the purpose of identifying and determining certain claims against the Applicants. Capitalized terms under this Notice that are not otherwise defined herein have the meaning ascribed to them in the Claims Process Order (a copy of which is available on the Monitor's Website).

**PLEASE TAKE NOTICE** that the claims process applies to Claims, as described in the Claims Process Order. The claims process has called for Claims which includes *Pre-Filing Claims*, *D&O Claims*, and *Restructuring Claims*. Any creditor, other than an Employee, who has not received a Proof of Claim Document Package and who believes that he or she has a Claim against the Applicants under the Claims Process Order in excess of \$10,000, or has a Claim under \$10,000, which was not listed in the Creditor under \$10k List (which list is displayed on the Monitor's Website), must contact the Monitor in order to obtain a Proof of Claim form or visit the Monitor's Website.

**THE CLAIMS BAR DATE IS 5:00 P.M. (TORONTO TIME) ON AUGUST 3, 2023.** This bar date applies to all Pre-Filing Claims and D&O Claims. Proofs of Claim must be completed and filed with the Monitor using the procedures required in the Claims Process Order so that they are received by the Monitor on or before the Pre-Filing Claims Bar Date.

**IF YOU HAVE A CLAIM UNDER \$10,000** against the Applicants which is described in the correct amount or an amount you deem acceptable on the Creditors under \$10k List you do not need to file a Proof of Claim. Your Claim will be deemed filed and accepted in the amount set out on the Creditors under \$10k List without any further action by you. Nothing further needs to be filed by you.



**IF YOU ARE AN EMPLOYEE** you will receive an Employee Claim Statement setting out the amount of your Claim. If the amount of your Claim is described in the correct amount or an amount you deem acceptable to you on the Employee Claim Statement you do not need to file a Proof of Claim. Your Claim will be deemed filed and accepted in the amount set out on the Employee Claim Statement without any further action by you. Nothing further needs to be filed by you.

**THE RESTRUCTURING CLAIMS BAR DATE IS 5:00 P.M. (TORONTO TIME) ON THE DATE THAT IS THE LATER OF: (I) AUGUST 3, 2023, AND (II) THE DATE THAT IS 30 DAYS AFTER THE DATE ON WHICH THE MONITOR SENDS A PROOF OF CLAIM DOCUMENT PACKAGE TO THE CREDITOR WITH RESPECT TO SUCH RESTRUCTURING CLAIM.** Proofs of Claim in respect of Restructuring Claims must be completed and filed with the Monitor using the procedures required in the Claims Process Order so that they are received by the Monitor on or before the Restructuring Claims Bar Date.

**HOLDERS OF CLAIMS (OTHER THAN CREDITORS UNDER \$10K WHOSE CLAIM IS CORRECTLY SET OUT IN THE CREDITORS UNDER \$10K LIST) WHO DO NOT FILE A PROOF OF CLAIM BY THE CLAIMS BAR DATE OR THE RESTRUCTURING CLAIMS BAR DATE, AS APPLICABLE, SHALL BE FOREVER EXTINGUISHED AND BARRED FROM ASSERTING THEIR CLAIMS AGAINST THE APPLICANTS OR THE DIRECTORS AND OFFICERS OF THE APPLICANTS.**

**CREDITORS REQUIRING INFORMATION** or claims documentation may contact the Monitor. The Monitor's contact details for additional information relating to the Initial Order, the CCAA Proceedings, or the Claims Process is:

**DELOITTE RESTRUCTURING INC.**

Attention: In its capacity as Court Appointed  
Monitor of North American Fur Auction Inc.  
8 Adelaide Street West  
Toronto, ON, M5H 0A9  
Telephone: 1-888-221-0622  
E-mail: [nafa@deloitte.ca](mailto:nafa@deloitte.ca)

**SCHEDULE “B” - INSTRUCTION LETTER FOR CLAIMS PROCESS**

Court File No. CV-19-00630241-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES’ CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
NORTH AMERICAN FUR PRODUCERS INC., NAFA PROPERTIES INC., 3306319  
NOVA SCOTIA LIMITED, NORTH AMERICAN FUR AUCTIONS INC., NAFA  
PROPERTIES (US) INC., NAFA PROPERTIES STOUGHTON LLC, NORTH  
AMERICAN FUR AUCTIONS (US) INC., NAFPRO LLC (WISCONSIN LLC), NAFA  
EUROPE CO-OPERATIEF UA, NAFA EUROPE B.V., DAIKOKU SP. Z OO and NAFA  
POLSKA SP. Z OO (collectively the “**Applicants**” or any one of them the “**Applicant**”)

**INSTRUCTION LETTER FOR CLAIMS  
PROCESS**

**CLAIMS PROCESS**

By Order of the Ontario Superior Court of Justice (Commercial List) dated May 25, 2023 (the “**Claims Process Order**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), the Applicant and Deloitte Restructuring Inc., in its capacity as Court- appointed Monitor of the Applicant (in such capacity, the “**Monitor**”), have been authorized to conduct a claims process (the “**Claims Process**”). A copy of the Claims Process Order and other public information concerning these proceedings can be obtained from the Monitor’s website at: <https://www.insolvencies.deloitte.ca/en-ca/NAFA> (the “**Website**”).

This letter provides general instructions for completing a Proof of Claim form. Defined terms not defined within this instruction letter shall have the meaning ascribed thereto in the Claims Process Order.

The Claims Process is intended to identify and determine the amount of certain Claims against the Applicants, and claims against the Directors or Officers of the Applicants.

Please review the Claims Process Order for the full terms of the Claims Process.

**FOR CREDITORS UNDER \$10K, EXCLUDING EMPLOYEES**

**IF YOU AGREE WITH THE APPLICANTS’ ASSESSMENT OF YOUR CLAIM IN THE AMOUNT POSTED ON THE MONITOR’S WEBSITE, YOU NEED NOT TAKE FURTHER ACTION.**



**IF YOU WISH TO DISPUTE THE ASSESSMENT OF YOUR CLAIM, ASSERT A D&O CLAIM OR A RESTRUCTURING CLAIM, YOU MUST COMPLETE A PROOF OF CLAIM AND DELIVER IT TO THE MONITOR BEFORE THE CLAIMS BAR DATE OR THE RESTRUCTURING CLAIMS BAR DATE, AS APPLICABLE, AT:**

**DELOITTE RESTRUCTURING INC.**

Attention: In its capacity as Court Appointed Monitor of North American Fur Auction Inc.

8 Adelaide Street West

Toronto, ON, M5H 0A9

Telephone: 1-888-221-0622

E-mail: [nafa@deloitte.ca](mailto:nafa@deloitte.ca)

**FOR EMPLOYEES**

**IF YOU AGREE WITH THE APPLICANTS' ASSESSMENT OF YOUR CLAIM IN THE AMOUNT SET OUT ON THE EMPLOYEE CLAIM STATEMENT, YOU NEED NOT TAKE FURTHER ACTION.**

**IF YOU WISH TO DISPUTE THE ASSESSMENT OF YOUR CLAIM AS SET OUT ON THE EMPLOYEE CLAIM STATEMENT, OR ASSERT A D&O CLAIM OR A RESTRUCTURING CLAIM, YOU MUST COMPLETE A PROOF OF CLAIM AND DELIVER IT TO THE MONITOR BEFORE THE CLAIMS BAR DATE OR THE RESTRUCTURING CLAIMS BAR DATE, AS APPLICABLE, AT:**

**DELOITTE RESTRUCTURING INC.**

Attention: In its capacity as Court Appointed Monitor of North American Fur Auction Inc.

8 Adelaide Street West

Toronto, ON, M5H 0A9

Telephone: 1-888-221-0622

E-mail: [nafa@deloitte.ca](mailto:nafa@deloitte.ca)

**FOR CREDITORS OVER \$10K AND FOR CREDITORS UNDER \$10K OR EMPLOYEES THAT DISAGREE WITH AMOUNT OF THEIR CLAIM ON THE CREDITORS UNDER \$10K LIST OR THE EMPLOYEE CLAIM STATEMENT, AS APPLICABLE**

**FOR CREDITORS SUBMITTING A PROOF OF CLAIM**

All Creditors with Claims, other than Employees and those with Creditors under \$10k who agree

with their Claim as described in the Creditors under \$10k List, must file a Proof of Claim. All Proofs of Claims, notices and inquiries with respect to the Claims Process should be directed to the Monitor by electronic or digital transmission, prepaid registered mail, courier, or personal delivery, at the address below:

**DELOITTE RESTRUCTURING INC.**

Attention: In its capacity as Court Appointed  
Monitor of North American Fur Auction Inc.  
8 Adelaide Street West  
Toronto, ON, M5H 0A9  
Telephone: 1-888-221-0622  
E-mail: [nafa@deloitte.ca](mailto:nafa@deloitte.ca)

All Proofs of Claim other than Restructuring Claims, must be received by the Monitor before 5:00 p.m. (Toronto Time) on August 3, 2023 (the “**Claims Bar Date**”), subject to the provisions of the Claims Process Order.

All Proofs of Claim for Restructuring Claims must be received by the Monitor on the date that is the later of: (i) August 3, 2023, and (ii) thirty (30) calendar days following the date on which the Monitor sends a Proof of Claim Document Package with respect to such Restructuring Claim (the “**Restructuring Claims Bar Date**”), subject to the provisions of the Claims Process Order. If you do not file a Proof of Claim in respect of any such Restructuring Claim by the Restructuring Claims Bar Date, any Restructuring Claim that you may have shall be forever extinguished and barred.

All Claims are presumed to be in US Dollars. Denominated in any other currency shall be converted to US Dollars at the relevant exchange rate on the Filing Date.

**ADDITIONAL FORMS**

Additional Proof of Claim forms can be obtained from the Monitor’s website at <https://www.insolvencies.deloitte.ca/en-ca/NAFA> or by contacting the Monitor.

DATED this [XX]<sup>th</sup> day of [XX], 2023

**SCHEDULE "C" - PROOF OF CLAIM FORM**

Court File No. CV-19-00630241-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
NORTH AMERICAN FUR PRODUCERS INC., NAFA PROPERTIES INC., 3306319  
NOVA SCOTIA LIMITED, NORTH AMERICAN FUR AUCTIONS INC., NAFA  
PROPERTIES (US) INC., NAFA PROPERTIES STOUGHTON LLC, NORTH  
AMERICAN FUR AUCTIONS (US) INC., NAFPRO LLC (WISCONSIN LLC),  
NAFA EUROPE CO-OPERATIEF UA, NAFA EUROPE B.V., DAIKOKU SP. Z OO  
and NAFA POLSKA SP. Z OO (collectively the "Applicants" or any one of them the  
"Applicant")**

**PROOF OF CLAIM FORM FOR CLAIMS AGAINST THE APPLICANTS  
OR CLAIMS AGAINST THE DIRECTORS AND OFFICERS**

**1. PARTICULARS OF CREDITOR**

Full Legal Name of Creditor:	
Full Mailing Address of Creditor:	
Telephone Number of Creditor:	
E-mail Address of Creditor:	
Attention (Contact Person):	

**2. PARTICULARS OF ORIGINAL CREDITOR FROM WHOM YOU  
ACQUIRED THE CLAIM, IF APPLICABLE:**

(a) Have you acquired this Claim by assignment?

Yes  No



(if yes, attach documents evidencing assignment)

a. Full Legal Name of original creditor(s):

### 3. PROOF OF CLAIM

#### THE UNDERSIGNED CERTIFIES AS FOLLOWS:

That I am a Creditor [or hold the position of \_\_\_\_\_ of the Creditor] and have knowledge of all the circumstances connected with the Claim described herein;

That I have knowledge of all the circumstances connected with the Claim described and set out below;

The Applicant was and is still indebted to the Creditor as follows:

All Claims are presumed to be in US Dollars. Denominated in any other currency shall be converted to US Dollars at the relevant exchange rate on the Filing Date.

	<b>Class of Claim Against the Applicant OR Directors or Officers</b>  (Pre-Filing Claims, Restructuring Claim, D&O Claim)	<b>Amount of Claim Against the Applicant</b>  (include the foreign currency if not US dollars)
1.		\$
2.		\$
<b>TOTAL AMOUNT OF CLAIMS</b>		\$

### 4. NATURE OF CLAIM

*(CHECK AND COMPLETE APPROPRIATE CATEGORY)*

Total Unsecured Claim of \$ \_\_\_\_\_

Total Secured Claim of \$ \_\_\_\_\_

In respect of this debt, I hold security over the assets of NAFA valued at \$

\_\_\_\_\_, the particulars of which security and value are attached to this Proof of Claim form.

*(If the Claim is secured, provide full particulars of the security, including the date on which the security was given the value for which you ascribe to the assets charged by your security,*

*the basis for such valuation and attach a copy of the security documents evidencing the security.)*

## 5. PARTICULARS OF CLAIM:

The particulars of the undersigned's total Claims (including Pre-Filing Claims, Restructuring Claims or any D&O Claims) are attached.

*Provide full particulars of the Claim(s) and supporting documentation you are asserting a Claim against, the amount, description of transaction(s) or agreement(s) giving rise to the Claim(s), name of any guarantor(s) which has guaranteed the Claim(s), and amount of Claim(s) allocated thereto, date and number of all invoices, particulars of all credits, discounts, etc. claimed. In the event that any part of your claim also includes a claim amount against the Directors and Officers, please particularize the exact amount claimed against the Directors and Officers and the accompanying legal analysis. If you fail to sufficiently explain the legal analysis in respect of any claim against the Directors and Officers, that portion of the claim will be revised or disallowed.*

### FILING OF CLAIM

For Pre-Filing Claims and D&O Claims, this Proof of Claim must be returned to and received by the Monitor by 5:00 p.m. (Toronto Time) on the Claims Bar Date (August 3, 2023).

For Restructuring Claims, this Proof of Claim must be returned to and received by the Monitor by 5:00 p.m. (Toronto Time) on the date that is the later of: (i) August 3, 2023, and (ii) thirty (30) calendar days following the date on which the Monitor sends a Claims Package with respect to such Restructuring Claim.

In each case, completed forms must be delivered by email, prepaid registered mail, courier, or personal delivery to the Monitor at the following address:

#### **DELOITTE RESTRUCTURING INC.**

Attention: In its capacity as Court Appointed  
Monitor of North American Fur Auction Inc.  
8 Adelaide Street West  
Toronto, ON, M5H 0A9  
Telephone: 1-888-221-0622  
E-mail: [nafa@deloitte.ca](mailto:nafa@deloitte.ca)

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, 2023.

Witness Name: \_\_\_\_\_

Signature of Creditor: \_\_\_\_\_  
Name of Creditor: \_\_\_\_\_

*If Creditor is an entity, print name and title of authorized signatory:*

Title: \_\_\_\_\_

Signature of authorized signatory: \_\_\_\_\_  
Name of authorized signatory: \_\_\_\_\_

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED  
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NORTH AMERICAN FUR PRODUCERS INC.,  
NAFA PROPERTIES INC., 3306319 NOVA SCOTIA LIMITED, NORTH AMERICAN FUR AUCTIONS INC., NAFA PROPERTIES (US)  
INC., NAFA PROPERTIES STOUGHTON LLC, NORTH AMERICAN FUR AUCTIONS (US) INC., NAFPRO LLC (WISCONSIN LLC),  
NAFA EUROPE CO-OPERATIEF UA, NAFA EUROPE B.V., DAIKOKU SP.Z.OO and NAFA POLSKA SP. Z OO

(the "Applicants")

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**

Proceeding commenced at Toronto

**ORDER**

(Re: Claims Process dated May 25, 2023)

**BLANEY MCMURTRY LLP**  
Barristers & Solicitors  
2 Queen Street East, Suite 1500  
Toronto, ON, M5C 3G5

**David T. Ullmann (LSO # 423571)**  
Tel: (416) 596-4289  
Email: [DUllmann@blaney.com](mailto:DUllmann@blaney.com)

**Stephen Gaudreau (LSO #65895M)**  
Tel: (416) 596-4285  
Email: [SGaudreau@blaney.com](mailto:SGaudreau@blaney.com)

Counsel for the Applicants

This is Exhibit "D" referred to in the Affidavit of Douglas Lawson  
sworn remotely on this 22<sup>nd</sup> day of September 2023.

A handwritten signature in black ink that reads "Stephen Gaudreau". The signature is written in a cursive style with a large, stylized 'S' and 'G'.

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*Commissioner for Taking Affidavits (or as may be)*

**Stephen Gaudreau**

Court File No. CV-19-00630241-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
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OF NORTH AMERICAN FUR PRODUCERS INC., NAFA PROPERTIES INC.,  
3306319 NOVA SCOTIA LIMITED, NORTH AMERICAN FUR AUCTIONS  
INC., NAFA PROPERTIES (US) INC., NAFA PROPERTIES STOUGHTON  
LLC, NORTH AMERICAN FUR AUCTIONS (US) INC., NAFPRO LLC  
(WISCONSIN LLC), NAFA EUROPE CO-OPERATIEF UA, NAFA EUROPE  
B.V., DAIKOKU SP.Z OO and NAFA POLSKA SP. Z OO

(the "**Applicants**")

**AFFIDAVIT OF DOUGLAS LAWSON**

I, **DOUGLAS LAWSON**, of the City of Toronto, in the Province of Ontario, **AFFIRM**

**AND SAY:**

1. I am the President and Chief Executive Officer of North American Fur Auctions Inc. and, as such, have knowledge as to the matters which I hereinafter depose. To the extent I am recounting information provided to me by others, I have stated the source of that information and verily believe it to be true.
2. I use the term "**NAFA**" or the "**Company**" to refer to the Applicants throughout this affidavit. Further, all currency stated herein is stated in U.S. dollars unless otherwise noted.
3. I swear this affidavit in support of a motion by NAFA for an Order seeking, *inter alia*:
  - a. an extension of the stay of proceedings ("**Stay Period**") from April 9, 2021 to and including July 30, 2021;



- b. an further extension of the Stay Period from July 30, 2021 up to and including September 30, 2021 (the “**Extended Stay Period**”) upon the filing of a Monitor’s certificate (the “**Monitor’s Certificate**”) certifying that the Monitor has reviewed the Applicants’ cash flow forecast and that it projects that the Applicants have sufficient funds for the Extended Stay Period and has obtained the consent of the Agent and BDC (if BDC not repaid in full at the time of the filing the of the Monitor’s Certificate) to the Extended Stay Period;
  - c. to seek the approval of a transaction to sell the Ground Leases (as defined below) of the principal premises of the business at 65 Skyway Ave, Toronto (the “**Skyway Property**”) to an arm’s length third party, and to seek a vesting order related to same;
  - d. to assign the rights and obligations of NAFA Properties Inc. (“**NAFA Properties**”) under the Ground Leases (as defined below) at the Skyway Property to Gestion Famille Wei Li II Inc. and Wei Li Family Holding II Inc. (“**Wei Li Family**”);
  - e. to distribute the net proceeds from the Skyway Property;
  - f. to approve the conduct and fees of Deloitte Restructuring Inc. in its capacity as Monitor of the Applicants (the “**Monitor**”) and its counsel, Miller Thomson LLP, as set out in its Sixth Report to Court to be filed (the “**Sixth Report**”); and
  - g. to seal certain confidential exhibits and appendices appended to the Sixth Report, and the within Affidavit.
4. On October 31, 2019, NAFA commenced proceedings under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) pursuant to the Order of Justice McEwen (as amended and

restated, the “**Initial Order**”). Background information about NAFA’s business is set out in the affidavit I affirmed in support of the initial CCAA application (“**Initial Affidavit**”), Capitalized terms used herein and not defined are as defined in my Initial Affidavit.

## **Background**

5. On October 31, 2019, NAFA commenced proceedings under the CCAA pursuant to the Initial Order, which was amended and restated on November 8, 2019.

6. These CCAA proceedings have been extended several times. The last such extension was granted on November 5, 2020, extending the Stay Period to April 9, 2021.

7. As set out in further detail below, there has been a material turn around in the international fur industry since November, 2020. In particular, I am of the view that the increase in mink pelt prices has made the remaining assets of NAFA more valuable, which in turn makes the possibility of restructuring the Company and providing payment to creditors beyond the Agent more likely than it has been at any time since the pandemic became acute more than a year ago.

8. To date, no creditor has objected to any stay extension and there have been no contested hearings or notices of objection filed in respect of the relief obtained by the Applicants. The Agent and BDC, at various times, have raised specific concerns at various Court hearings, which were ultimately addressed consensually.



### **Operations since the November 5 Stay Extension Order**

9. In accordance with the plans set out in my affidavit sworn October 30, 2020 (my “**October 2020 affidavit**”), NAFA has continued to operate its business with the goal of reducing expenses and maximizing collections and considering its strategic options. In particular, NAFA has attended to the following:

- a. Collection of receipts and management of disbursements projected in the cash flow forecast filed in the November hearing;
- b. Proceeded with litigation against various key borrowers;
- c. Collected and settled certain long-term debts and pursued the settlement and collection of others;
- d. Attended to the collection of proceeds from auction houses who have been tasked with selling furs that have been pledged to NAFA as security for loans it made;
- e. Attended to and advanced its insurance claims, including the filing of 22 claims as of the date of this affidavit;
- f. Negotiated for the sale of its real estate in Toronto and managed issues related to other real estate holdings; and,
- g. Engaged in the Brokerage Business and renewed awareness of NAFA’s presence in the international fur industry.

### **Cash Flow Variance and Cash Flow Going Forward**

10. Throughout the period of the last extension, NAFA managed its cash flow and maintained sufficient liquidity throughout the cash flow period provided to the court in November 2020. I understand the Monitor will report further on this in its Sixth Report.

11. I am not aware of any expenses in the last cash flow period, which were materially higher than projected. The Company operated from within its cash proceeds without borrowing further funds.

12. Since actual receipts and disbursements were last reported to the Court, the Company repaid approximately \$2,900,891 of the debt owing to the Agent and otherwise met its operational liabilities as and when they were due.

13. The Company with the Monitor's assistance has developed a cash flow projection for the period of the proposed extension. As has been previously described, the Company and the Agent reached an accommodation under which the Company makes periodic payments to the Agent in any week in which the bank balance for the Company is in excess of \$1,000,000. This method is applied throughout the projected cash flow and is in addition to other prescribed payments made to the Agent by NAFA.

14. The cash flow projection was provided to the Agent on March 29, 2021 for its review and comment.

15. The cash flow forecast (the "**Cash Flow Forecast**") to be appended to the Sixth Report, which I reviewed before swearing this affidavit demonstrated that the Applicants are forecast to have sufficient funds to maintain operations through the proposed extension period.

16. The Cash Flow Forecast demonstrates that the Applicants anticipate reducing the debt owed to the Agent by approximately \$7.9 million during the proposed extension.

17. The Cash Flow Forecast contains confidential business information and assumptions about the Company which, if disclosed, might hamper or interfere with the restructuring of the Company or the maximization of value.

18. I expect the actual amount which will be paid to the Agent over that time period may be greater than that amount. The reason for this expectation is that the Cash Flow Forecast does not provide for the receipt of any settlements of long-term debts (other than those already agreed to), the receipt of any insurance proceeds, the collection from the sale of Grobina (a Latvian mink farm subject to its own insolvency proceedings) mink, nor the sale of any real estate other than the Skyway Property, each as discussed below.

19. Including amounts for realization of the above noted assets in the Cash Flow Forecast is too speculative because the timing is uncertain, but any or all of them could be realized during the proposed extension period.

### **Farms in Litigation - Status Update**

20. My August 2020 affidavit provided a more complete description of the litigation NAFA has commenced against various debtor farmers. I will provide a brief overview and update of the two most active of those claims, being farms known as Kestutis and Grobina, located in Lithuania and Latvia respectively.

21. Kestutis was financed by NAFA to provide in excess of 360,000 pelts to NAFA in 2019, and Grobina was financed by NAFA to provide in excess of 160,000 pelts to NAFA in 2019.

***Grobina***

22. Grobina is indebted to NAFA in the amount of €4,333,646. In or around the date of the Initial Order, Grobina entered into insolvency administration in Latvia. Grobina purportedly sold approximately 75,000 mink that were pledged to NAFA to a European investment house (known as “CR7”) for an amount which was manifestly below market value and in contravention to NAFA’s loan and security agreements. A further 80,990 pelts remained unsold at the date of the commencement of the insolvency administration.

23. NAFA has had to engage in material litigation proceedings in Latvia to deal with this issue. The matter is still not resolved but, at this time, NAFA has succeeded in getting an injunction to prevent the distribution of the proceeds from the CR7 mink to CR7 pending the completion of the litigation in that matter.

24. NAFA was also successful in negotiating with the insolvency administrator and the junior creditor of Grobina (being Citadele Bank), to ultimately release the remaining 80,900 pelts to be sold, although it took several negotiations to reach that arrangement to the satisfaction of the administrator.

25. As set out in my October 2020 affidavit, NAFA had also reached an agreement with Citadele Bank, for a material payment to NAFA. That settlement has now closed and that payment was received.

26. On or about February 17, 2021, our Latvian counsel, through coordination with NAFA's European employees, was able to seize 254 boxes of mink pelts from CR7 (being part of the missing 75,000 mink that were sold to CR7). I understand from our Latvian counsel that the Latvian bailiff is, by law, unable to open the boxes to determine the condition, quantity, and quality of the mink. However, our Latvian counsel has advised that based on the markings on the boxes it is believes that 28,190 mink have been seized.

27. CR7 is attempting to reverse the mink seizure in Court in Latvia. However, NAFA's Latvian counsel has successfully thwarted those attempts to date. The litigation is ongoing with CR7.

28. Moreover, NAFA has been concerned with respect to Grobina's administrator's actions. Specifically, NAFA has been concerned that Grobina's administrator is not acting in an impartial manner and is not protecting NAFA's interests as a large secured creditor of Grobina. NAFA has obtained relief to replace Grobina's administrator from the Latvian Court, which we hope will assist with NAFA's collection efforts.

29. Grobina's administrator, prior to removal, after several requests from NAFA to do so, consented to the sale of the 80,000 mink at Kopenhagen Fur ("**KF**") as soon as possible. We expect these mink to be sold in June and for the proceeds to be paid either to the new administrator or to NAFA if NAFA can make that arrangement with the new administrator. NAFA has also retained counsel in Denmark to assist with securing these funds. In addition, NAFA has recently learned that KF may have distributed in excess of €2,500,000 from the sale of other Grobina skins to CR7 despite KF being on written notice of NAFA's priority claim in those skins and the judgments obtained in Latvia.

### *Kestutis*

30. NAFA commenced litigation in Lithuania against Kestutis. Kestutis owes NAFA approximately €10,302,156 by way of various loan agreements. NAFA alleges, among other things, that Kestutis fraudulently used the loaned funds for purposes other than raising mink. In addition, it alleges that Kestutis has sold mink pelts in breach of NAFA's security agreements held over the mink. Kestutis did not, as he contracted to do, deliver the mink for auction in 2020.

31. NAFA's Lithuanian counsel, Leadell, has aggressively pursued the debt and enforcement of NAFA's security against Kestutis. On or about November 16, 2020, the Klaipėda District Court for the Republic of Lithuania issued judgment in favour of NAFA against Kestutis in the amount of €11,949,845 plus €28,752 in costs ("**Kestutis Judgment**"). The Kestutis Judgment was not appealed and I have been advised by Lithuanian counsel is now a final judgment.

32. NAFA is now pursuing enforcement efforts against Kestutis and possibly other third parties who may be unlawfully in receipt of Kestutis mink and/or the proceeds thereof. These enforcements efforts include:

- a. NAFA secured and shipped to Saga Furs ("**Saga**") 16,000 Kestutis mink skins which were located at its Polish facility. These mink may now be sold pursuant to the Kestutis Judgment.
- b. Leadell has commenced a lawsuit against a Lithuania-based entity known as Norvuska. It is NAFA's position that Norvuska received Kestutis mink pursuant to a transfer under value and in contravention of NAFA's registered Lithuanian security in excess of €1,000,000. NAFA is also seeking interim measures in that lawsuit to compel Norvuska to advise the Court of the location of the mink, to

prohibit it from dealing with the mink, and to permit NAFA to inspect the mink.

This litigation is ongoing.

- c. A bailiff has sold some additional seized Kestutis mink and NAFA realized €5,600 from the sale (after bailiff fees).
  - d. A bailiff has put up seized Kestutis equipment up for auction and is seeking a minimum selling price of €55,340.
  - e. A bailiff has successfully sold a Kestutis land plot for €33,680 (before bailiff fees) at auction, which proceeds are to be paid to NAFA.
33. The Lithuanian authorities' investigation of Kestutis for possible criminal activities with respect to NAFA is still ongoing. It is possible that the Lithuanian authorities may discover further Kestutis assets that may be used to satisfy the Kestutis Judgment.
34. NAFA's senior manager in Europe is working closely with Leadell and the Lithuanian authorities to assist prosecuting the claims against Kestutis and any third parties.

### **Insurance Claims**

35. My August 2020 affidavit sets out a more detailed background to the insurance claims.
36. By way of brief review, NAFA maintains a credit insurance policy with an entity known as "Red Rock Insurance" ("**Red Rock**") which insurance policy essentially provides coverage in the event that an entity to whom a kit loan was made in the previous year, fails to deliver its mink or to repay the full amount of the kit loan.

37. Since the last stay extension, NAFA's employees, with oversight from the Monitor, have prepared and filed an additional twenty insurance claims with Red Rock for a total of 22 claims filed. NAFA expects to submit the remaining four claims in the near future.

38. Red Rock has requested further documentation and information with respect to the filed claims. NAFA has responded and continues to respond to these requests, including addressing any Red Rock concerns with respect to individual claims. The majority of the information that Red Rock is seeking is within the exclusive knowledge of NAFA's employees.

## **Wisconsin Properties**

### ***1600 Williams Property***

39. In or around August 31, 2020, NAFA entered into a lease agreement with Second Harvest Foodbank of Southern Wisconsin Inc., a Wisconsin non-stock corporation ("**Second Harvest**") to lease its 1600 Williams, Stoughton, Wisconsin ("**1600 Williams**") property for \$8,000 per month (plus some additional rent) on a one-year term beginning on September 1, 2020 and ending on August 31, 2021. The monthly lease payments roughly cover NAFA's holding costs for the property. The lease contains a termination provision that allows a potential purchaser to evict Second Harvest on 60 days' notice.

40. Second Harvest has advised that it is interested in extending and expanding its lease, which may result in a further income to NAFA. There have also been discussions with Second Harvest with respect to purchasing the building; however, those discussions are preliminary at this time.



### ***221 Industrial Circle and 205 Industrial Circle Property***

41. On or around September 14, 2020, NAFA entered into a one-year lease extension with Saga beginning on October 1, 2020 and ending on September 30, 2021 to lease its 221 and 205 Industrial Circle, Stoughton, Wisconsin (the “**Industrial Circle Properties**”) properties. The extension is on substantially the same terms as Saga’s previous lease with a 3% increase in monthly rent to \$26,858.43 (plus additional rent). NAFA can terminate the lease on 90 days’ notice with such notice being given no earlier than March 31, 2021.

42. The Industrial Circle Properties are still listed for sale with an asking price of \$3,350,000. NAFA’s real estate agent in Wisconsin has reported interest in the building from several different sources; however, no formal offers have been delivered.

### **Skyway Property Sale**

43. As previously reported in my October 2020 affidavit, NAFA Properties, one of the Applicants and a subsidiary of NAFA, is the registered owner of two long-term ground leases (the “**Ground Leases**”) in respect of the Skyway Property, which is NAFA’s head office and main auction facility. Copies of the Ground Leases for the Skyway Property attached as Exhibits “B” and “C” to my to my October 30 affidavit.

44. The Skyway Property consists of two property parcels bearing PIN numbers: (1) 07424-0200 (LT); and, (2) 07424-0195 (LT). The registered owner of PIN#07424-0200 (LT) is the City of Toronto. Attached hereto and marked as **Exhibits “A”** and **“B”** are copies of the property parcels abstracts for the Skyway Property.

45. The registered owners of PIN 07424-0195 (LT) are:

- i. Rebecca's Gift Holdings Limited
- ii. Anne Black
- iii. Lorne Gray Black
- iv. Stephen Howard Black
- v. Ian Neil Black
- vi. Joseph-Estate Black
- vii. 1350739 Ontario Limited

46. NAFA Properties private ground lease, with respect to PIN 07424-0195 (LT) , is entered into with the following entities and individuals as the landlords (collectively being the “**Private Landlord**”):

- a. Meadowvale Land Limited;
- b. Rebecca's Gift Holdings Limited;
- c. 1350739 Ontario Limited; and
- d. The Estate of Joseph Black.

(the City of Toronto shall be referred to as the “**City Landlord**”, and collectively with the Private Landlord, they shall both be referred to as the “**Landlords**”).

47. In February 2017, BDC made a term loan available to NAFA Properties in the principal amount of \$7,240,000 to allow NAFA Properties to acquire its interest in the Skyway Property in connection with the Ground Leases.

48. NAFA Properties previously paid BDC a monthly mortgage payment of approximately \$44,500 (the amount fluctuates on account of interest) due at the end of each month. NAFA is

current with its payments. Pursuant to an agreement between NAFA, BDC and the Agent, NAFA suspended mortgage payments after November 5, 2020.

49. As of the date of swearing this affidavit, I understand that there is CDN \$6,177,280 in outstanding principal due on the BDC mortgage. Mortgage payments have not been made since October 31, 2020. Accordingly, BDC is also due approximately \$136,000 in interest in addition to the principal.

50. In addition, NAFA granted the Agent a collateral mortgage against the Skyway Property.

51. On or about November 28, 2019, Justice McEwen granted NAFA what is referred to as the Ground Leases Order. The Ground Leases Order, inter alia, ordered that all payments relating to the Grounds Leases will continue to be paid in the ordinary course and it authorized NAFA Properties to list the Ground Leases for sale, provided that the listing agreement was in form and substance satisfactory to the Monitor and BDC, in consultation with the Agent. Attached hereto and marked as **Exhibit “C”** is a copy of the Ground Leases Order.

### ***The Skyway Sale Process***

52. As reported in my last affidavit, NAFA Properties went through a vigorous sale process to sell the Ground Leases.

53. In accordance with the Order of Justice McEwen in these proceedings dated November 5, 2020, NAFA ceded control of the sale and marketing of its real property to the Monitor, but NAFA has remained involved in the marketing of the Skyway Property as needed by the Monitor since that date.

54. The Agreement which NAFA now seeks to approve and complete is the third agreement NAFA has entered into to sell the Skyway Property since these CCAA proceedings began.

55. On June 23, 2020, NAFA Properties entered into an agreement of purchase and sale for the Ground Leases with a closing date of October 30, 2020. However, on or about August 8, 2020, that agreement of purchase and sale became null and void as the purchaser was unable to obtain the requisite zoning for their intended use of the Skyway Property.

56. On or about October 7, 2020, NAFA Properties entered into an agreement of purchase and sale with Niche Bakers Properties Inc. (the “**Niche Baker**”) for the purchase of the Ground Leases (the “**Niche APS**”). The Niche APS had a closing date of November 15, 2020.

57. On or about November 5, 2020, Justice McEwen issued a conditional Approval and Vesting Order for the Niche APS. However, on or about November 6, 2020, Niche Bakers terminated the Niche APS just prior to the agreed upon due diligence deadline.

### ***Wei Li Transaction***

58. On or about December 23, 2020, NAFA Properties entered into an agreement of purchase and sale effective as of December 11, 2020, with the Wei Li Family (the “**Wei Li APS**”). Attached to this Affidavit and marked as **Exhibit “D”** is a redacted copy of the Wei Li APS redacting the financial terms of the Wei Li APS as they are commercially sensitive and may negatively impact the remarketing of the Skyway Property should the Wei Li transaction not close. I understand that the Sixth Report will provide an unredacted copy of the Wei Li APS as a confidential appendix.

59. On March 30, 2020, the Wei Li Family waived its due diligence condition.

60. The only material closing conditions are that NAFA Properties must obtain:
- a. all court and other approvals necessary to complete the transaction contemplated by the Wei Li APS as are required in connection with the proceedings NAFA Properties has commenced under the *Companies' Creditors Arrangement Act*; and,
  - b. The Landlords consent to the sale or, in the alternative, a Court Order dispensing with the Landlords consents; provided that such Court Order shall expressly confirm that any and all options to purchase and rights of first refusal contained in the Ground leases are transferred to the Purchaser.
61. The Wei Li APS has a closing date of April 30, 2021.
62. Based on my personal discussions and my lawyer's advice, the Wei Li APS has the support of BDC, the Agent, NAFA, and the Monitor. I understand that closing the Transaction will result in sufficient proceeds being generated to repay BDC in full and for an amount to be repaid to the Agent as referred to below.
63. The Applicants and the Monitor believe that the sale transaction is in the best interests of the Applicants and their stakeholders.
64. As such, NAFA Properties, at the direction of the Monitor, is seeking an approval and vesting order in order to close the transaction.

### ***Landlord Consent***

65. The Monitor, with the assistance of NAFA Properties' real estate counsel and its counsel, has also taken steps to obtain the consent of the Landlords.

66. On or about February 5, 2021, counsel to NAFA Properties wrote to the Private Landlord to, among other things: (1) advise of the Wei Li APS; (2) deliver financial and corporate structure documents of the Purchaser (and its relevant affiliated companies); (3) pre-emptively address general issues that the Private Landlord had raised with the previous Niche Bakers transaction that are not present with the Wei Li transaction; (4) advise of certain alterations to the Skyway Property that the Purchaser intends to do; and, (5) request the Private Landlord's consent to the assignment by February 22, 2021. Attached to this Affidavit and marked as **Exhibit "E"** is a copy of the letter sent to the Private Landlord without attachments.

67. The letter to the Private Landlord advised of the following:

- a. The Purchaser intends to sublease the Skyway Property to its related entity the Sinobec Group Inc. ("**Sinobec**"). This is similar to what is currently in place with NAFA Properties subleasing the Skyway Property to the North American Fur Auctions Inc.;
- b. Sinobec is prepared to provide its covenant to the leasehold interest to the Property;
- c. Sinobec and the Purchaser are part of a large organization of companies with an extensive history in the acquisition and management of commercial real estate;
- d. The financial position of Sinobec and the Purchaser;
- e. Sinobec will use the Skyway Property for numerous purposes.
- f. The Purchaser shall pay for the Private Landlord's fees in connection with the assignment; and,

- g. To advise of certain alterations the Purchaser intends to do to the Skyway Property and to request that the Private Landlord advice of any concerns.
68. I understand that at the time of swearing this affidavit that the Private Landlord has advised that it will provide its consent to the transaction, subject to be being paid amounts it is owed for certain costs.
69. On or about February 8, 2021, counsel to NAFA Properties wrote to the City Landlord, amongst other thing, to: (1) advise of the Wei Li APS; (2) provide details about the Wei Li Family; (3) pre-emptively address general issues that the City Landlord had raised with the previous Niche Bakers transaction that are not present with the Wei Li transaction; and, (4) request the City Landlord's consent by February 22, 2021. Affidavit and marked as **Exhibit "F"** is a copy of the letter sent to the City Landlord without attachments.
70. I understand from NAFA Properties' real estate counsel, Mr. Roman Pekaruk, that as of the date of the swearing of this affidavit, counsel for the City Landlord has not raised any specific issues or concerns with respect to proposed assignment to the Wei Li Family.
71. I am further advised from the Monitor and Mr. Pekaruk that both Landlords have communicated that they intend to consent to the assignment of the Ground Leases to the Wei Li Family.
72. As a result, we do not think we will need any assistance from the Court in respect of the assignment of the Ground Leases. In the unlikely event one of the Landlords consent is not obtained in advance of the closing date, NAFA Properties will return to Court and seek an Order to compel the Landlord(s) consent to the assignment of the Ground Leases to the Wei Li Family.

73. The Wei Li Family has also agreed to acquire the remaining NAFA chattels on the premise and the value being paid has been reviewed by the Monitor and the Agent. Selling the chattels to the Wei Li Family relieves NAFA of the obligation to either auction the assets prior to the closing date or remove these assets from the premises prior to closing. The premises are to be handed over on an “as is, where is” basis.

74. I am of the view that the Wei Li Family transaction is reasonable and that it is appropriate to use the provisions of the CCAA to assign the Ground Leases to allow the transaction to go forward.

## **Future Operations**

### ***Status of the International Fur Business***

75. As reported in my last affidavit, the international mink business and mink production by 2020 had already been depleted by several years of sustained low prices, the unwillingness of traditional sources of loans such as Saga and KF to make loans during the Covid-19 pandemic, and the removal of NAFA from the industry, who had traditionally lent many millions of dollars annually to support mink production.

76. As a result of the foregoing, mink production was reduced and stronger prices were anticipated in 2021.

77. However, what was not anticipated was the extent to which Covid-19 would result in the material culling of farmed mink. At the height of the second wave, and crucially, before the subject mink had grown to harvestable size, the Danish government mandated the wholesale culling and destruction of the entire Danish mink herd and, by extension, the Danish mink industry.



78. Denmark was, prior to this moment, one of the world's largest producers of mink and also a producer of among the best quality and largest size mink in the world. This industry in Denmark has effectively been forced to close down and, crucially, a great deal of its 2020 crop was culled prior to its normal harvest and thus, will not make it to market this year.

79. The devastation of the Danish fur industry is so complete, that in January, 2021, KF, the world's largest fur auction house, announced that after it completed the sale of its remaining inventory, it would cease operations in 2022 due to the elimination of its primary source of supply, Danish farmed mink.

80. The net effect of the above, plus the factors set out in my October 2020 affidavit, was a material reduction of the total number of mink harvested and offered for sale in 2021.

81. While disastrous for the mink farmers generally, the net impact of the reduction in production resulted in an improvement in the price of mink in 2021, as further discussed below.

### ***Brokerage Business***

82. As authorized in the November 5, 2020 Order, NAFA has, during the extension period, begun to explore the possible brokering of sales of North American furs to parties around the world, principally in Asia, who have previously done business with NAFA, or who are currently unable to attend Canada and investigate the product they are seeking.

83. NAFA has now completed two such sales and has several more in the investigation stage. The two sales, both to entities in China, have resulted in relatively small commissions and were for relatively modest amounts of fur product. However, the fact that NAFA has been seen doing

business in this space has raised NAFA's profile internationally and reminded parties that NAFA continues to exist and has skills to participate in the current fur industry.

*Possible Interest in Enterprise Sale*

84. On January 30, 2020, this Court authorized the Monitor to conduct a sales investment and solicitation process (a "SISP"), subject to approval of the Applicant and the Agent and some potential input from counsel for certain employees.

85. Before the form of a SISP could be agreed upon between NAFA, the Monitor and the Agent or launched, the scope of the pandemic started to become known to NAFA when first, KF in February cancelled its auction, and then Saga converted its auction in March to an online auction.

86. As reported in my October 2020 affidavit, the Covid-19 pandemic prevented NAFA from entering into a meaningful sale process as there was simply not enough stability in the market to make any progress with such an initiative.

87. However, as set out above, the industry has changed and with it, an opportunity for NAFA may arise.

88. The sudden removal of KF from the fur industry, combined with what I understand to be a hostile legislative environment in Poland towards the mink industry, and the outlawing of mink production in Denmark, Ireland, and the Netherlands, has in my view, and in the view of others with whom I communicate with professionally in the fur industry, thrust North America once again meaningfully into the conversation as an important hub for the production and sale of mink.

89. Over the past few months, partially in connection with NAFA's brokerage sales initiatives, NAFA has begun to detect interest from parties with respect to the future of NAFA and what opportunities that might present.

90. Even before the collapse of KF, there had also been considerable dissatisfaction reported to me and my staff among some North American farmers with the manner in which their furs were marketed and sold in Europe in this auction season. The farmers have expressed to me that in their view the prices realized in 2020 for those goods have been disappointing, even in the context of the pandemic.

91. Recently, NAFA received unsolicited interest for the possible acquisition of the NAFA business from an entity which NAFA judged to be capable of completing such a sale. NAFA provided that entity with certain public information about the Company and the possible acquisition opportunity, following which NAFA was provided by that entity with a form of non-disclosure agreement (an "NDA") under which that entity sought further confidential information from NAFA. NAFA has not executed that NDA and no confidential information has as yet been shared.

92. NAFA was also contacted during the last extension period by an entity from Greece looking to partner with NAFA for the collection, grading and sale of North American mink and fur product.

93. NAFA also understands that in Europe, a group of investors made an unsolicited approach to KF to consider funding that entity and are looking to possibly invest in a fur auction house.

94. There was also some interest expressed during the last extension period by some of the North American fur associations in possibly creating or funding a new auction house, much in the way they created NAFA.

95. There is also a group which has sought to create and seek investment in a new auction house in Poland for the sale of mink.

96. This, combined with the material improvement in prices for mink (and the corresponding likely increase in revenue for an auction house selling those products) makes NAFA believe the time is now to conduct a preliminary campaign to solicit expressions of interest from possible interested parties in order to test the market.

97. I am advised by our counsel that NAFA has the authority to conduct the proposed marketing of its business and assets by seeking expressions of interest provided that it cannot enter into a sale without the prior approval of the Court and the Agent. I am also advised by counsel that if NAFA does not conduct some preliminary marketing of its business in this new climate of renewed interest in the mink industry, the Court will be less able to approve any such sale, should a material opportunity arise, without delay.

98. As such, NAFA intends to provide the form of non-confidential "Teaser" attached hereto as **Exhibit "G"**, to interested parties and to work on a form of NDA which is acceptable to the Monitor so that it can pursue any serious interest. The Monitor will be added to the contact section of the Teaser. NAFA will also make the Teaser available on its website and the existing NAFA staff will be available to respond to inquiries. NAFA will also ask the Monitor to disseminate this information to any parties that have indicated interest or indicate interest to the Monitor or to whom the Monitor has reason to believe might be interested in receiving such information. Any serious

interest will be brought to the Monitor's and Applicant's attention before any further steps are taken.

99. It is NAFA's view that any seriously interested party would have to have its business up and running by the late summer, at the latest, in order to collect and process any North American fur in the fall and winter. As such, it is important that NAFA begin to determine whether there is any interest in the business now.

### *Location Change*

100. NAFA has exited the Skyway Property and has moved into the Carlingview building it formerly owned. The space has been rented to NAFA rent free for a period of 8 months (until June 30, 2021) in exchange for NAFA releasing its right to occupy a larger space at Carlingview for two months (which was a hold-over from the transaction whereby NAFA sold the Carlingview property).

101. NAFA has now negotiated a further extension of that lease for the balance of the year. Rent is now chargeable in respect of this rental, but it is quite modest and it is reflected in the Cash Flow Forecast.

102. In this manner, NAFA maintains a physical office presence, in close proximity to the airport and warehouse and event space, at which it can continue to conduct business during the extension period and beyond.

### **Assets to be realized upon to Repay Agent Debt**

103. As set out in my October 30 affidavit, it remains the Applicants' view that there are likely going to be assets remaining which could result in material proceeds becoming available for creditors who rank behind the Agent, after the Agent is repaid.

104. In order to support this conclusion and to be better able to consider its long-term goals, NAFA, in consultation with the Monitor, prepared a detailed model of the likely value of its remaining assets (an "**Estimate of Realizable Value**" or "**ERV**").

105. The ERV was prepared by NAFA. It represents NAFA's opinion as to value and likely collectability of key debts and assets, informed by recent and historic experience in the sales of fur products and collection efforts, and, in the case of the real estate, expert opinion in pricing those assets for sale.

106. In order to preserve confidentiality, including certain analyzed litigation and collection outcome assumptions, the ERV is not attached to this affidavit.

107. The ERV projects that, even taking the low-end realization values it contains, NAFA expects there to be excess value available to the creditors of NAFA beyond repayment of the Agent, were all of NAFA's assets to be liquidated or collected by January 31, 2022. The potential high-end valuation provides a substantial recovery after repayment of the Agent.

108. The most material change in the ERV from the previous analysis provided in our August affidavit is caused by the material improvement in international mink prices. The auctions conducted by KF and Saga in 2020 had average prices of approximately €12-€20 per pelt. Due to

the massive impact on prices from the culling of the Danish mink, the auctions conducted in February and March this year saw average prices of €30-€35, a significant percentage increase.

109. This effectively doubled the value of the mink pledged to NAFA which were left unsold after last year's poor auction season. In addition, it is my understanding that a material amount of mink sold last year were females, breeders, odd sized and damaged pelts, and older product. It is my belief that much of the best mink pledged to NAFA and delivered to the auction houses were not sold last year and will be sold this year.

110. By way of example, in 2020 Saga furs sold mink delivered by the NAFA owned Daikoku farm in 2020 for between \$5 and \$10 per pelt. In the March 2021 auction, Saga sold mink from the Daikoku farm for €35 per pelt. This change reflected not only the material increase in the price for mink, but also the fact that the 2020 sales of Daikoku skins were of damaged, small or breeder pelts, and the sale in March 2021 was of full-grown winter skin pelts and of a more desirable colour.

111. This change to the value of the remaining mink at various auction houses has, in our estimation, added \$5 to \$6 million in likely receipts to NAFA by the end of this auction season, beyond what was predicted when we conducted this same analysis in August 2020.

112. As noted in my previous affidavits, NAFA's single largest asset, other than the mink pelts awaiting sale at the Auction houses, is its remaining debt portfolio.

113. The increase in the price of mink and the return of some liquidity to the fur industry, including the ability or willingness of some parties, particularly Saga, to start making loans again

to farmers, has also increased the ability of farmers with long-term debts to NAFA to make payments or offer settlements.

114. Again, to illustrate this point, in the period between November 2020 and January 2021 NAFA made no material long-term debt settlements. In the period between February and March 2021, NAFA has entered into settlements with five farmers, and in each case recovered materially more than the Monitor's earlier more conservative estimates for our ability to recover those loans. Also, tellingly, in many cases the settlements arose as a result of farmers approaching NAFA to settle their debts.

115. The total amount of the long-term debts outstanding is material. A continuation of the trend towards the material collection of these debts will materially impact the assets available for distribution.

116. In addition to the foregoing, the insurance claims noted above are, in my view, likely to produce a material return for NAFA.

#### **Other Stakeholders Interested in these CCAA Proceeding**

117. As previously reported in my last affidavit, after the Agent and BDC are repaid, there are a number of other stakeholders that are owed substantial amount of money from the Applicants that would benefit from a recovery in this CCAA proceeding.

118. NAFA continues to be of the view that it will be able to put forward a plan of arrangement and to canvas its creditors for claims in the future, but it remains premature to expend any material time and effort at this time until more material receipts are collected under the cash flow or from the other assets described above.



### **Additional Powers of the Monitor**

119. Pursuant to the last stay extension Order, and on consent of the parties, the Monitor obtained additional powers and control over six areas where control was previously with the Company and the Agent. The Monitor is now authorized, in consultation with the Applicants and the Agent, to make decisions in the following six areas:

- a. Insurance: any claims by the Applicants under or in respect of any insurance policies.
- b. Rollover Loans: any claims by the Applicants in respect of any Rollover Loans. The Monitor will decide how to best realize on the Rollover Loan debt including whether to engage in litigation or settlements with parties who owe debts to NAFA for amounts other than amounts expected to be paid from the eventual sale of the 2019 mink crop currently in the hands of KF or Saga.
- c. Litigation: any existing or future litigation or proceeding involving the Applicants as a plaintiff or claimant (other than these proceedings), whether in Canada or otherwise.
- d. Real Estate: all decisions relating to the right, title or interest of the Applicants in respect of any real property assets.
- e. NAFA Brokerage Expenses: NAFA will not incur any material expenses related to the operation of the proposed Brokerage Business without the Monitor's consent, which consent will be governed by determining that there is likely to be a direct net benefit to such expenses.

- f. Employees: the retention or termination of the Applicants' employees, on such terms and conditions as the Monitor may deem appropriate.

120. Moreover, the Monitor, NAFA, and the Agent continue to engage in monthly video meetings to provide the Agent with material updates on NAFA's operations, obtain their consultation on various issues facing the Company and the repayment of Agent's debt, and to address any concerns the Agent may have with NAFA's ongoing operations and its recovery efforts.

121. This new streamlined process has worked relatively well and has resulted in reduced reporting to the Agent and costs associated with such reporting.

122. However, it NAFA's view that there is still a fair amount of over-reporting and consultation with the Monitor, which increases the professional costs of this CCAA proceeding.

123. Once the material repayment to the Agent set out in the cash flow is achieved, NAFA may wish to revisit whether or not some or all of these powers should return to NAFA.

### **Extension**

124. Since the Stay Extension Order, NAFA has been acting in good faith and with due diligence, and continues to act in this manner in its relationships with its creditors, employees, lenders, trappers and farmers.

125. The current Stay Period under the Stay Extension Order will expire on April 9, 2021. NAFA requests an extension of the Stay Period to and including July 30, 2021 to continue its restructuring efforts. In addition, NAFA has requested the ability to further extend the stay of

proceeding to September 30, 2021 or such other earlier date as the Applicants, Agent (and potentially BDC) and the Monitor consent to upon the filing of a Monitor's Certificate.

126. This mechanism is intended to save costs of a further stay extension motion over the summer if the parties, after reviewing a cash flow forecast for the period consent to the extension of the Stay Period.

127. I am satisfied that NAFA will be in material compliance with the Cash Flow Forecast going forward and will have sufficient funds to operate during the extension of the Stay Period.

128. The Monitor has advised me that it is supportive of NAFA seeking an extension of the Stay Period to and including July 30, 2021 and of the mechanism to further extend the Stay Period up to September 30, 2021.


129. NAFA has paid the accounts of the Monitor which I understand are to be included in the Monitor's Report and which are being provided to this court for approval by the Monitor.

130. I affirm this affidavit in support of NAFA's motion for an Order, *inter alia*, to: (a) extend the Stay Period to and including July 30, 2021 and the mechanism to further extend the Stay Period up to September 30, 2021; (b) approve the conduct and fees of the Monitor and its counsel; (c) approve the Skyway Property transaction; and, (d) to seal certain confidential exhibits and appendices.

**AFFIRMED** remotely by Douglas )  
 Lawson, before me at the City of Toronto )  
 in the Province of Ontario, on the 1st day )  
 of April, 2021, in accordance with O. )  
 Reg. 431/20, Administering or )  
 Declaration Remotely. )

*Douglas Lawson*  
Douglas Lawson (Apr 1, 2021 19:02 EDT)

**DOUGLAS LAWSON**

  
Stephen Gaudreau (Apr 1, 2021 19:03 EDT)

A commissioner, etc.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED  
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NORTH AMERICAN FUR PRODUCERS INC.,  
NAFA PROPERTIES INC., 3306319 NOVA SCOTIA LIMITED, NORTH AMERICAN FUR AUCTIONS INC., NAFA PROPERTIES (US)  
INC., NAFA PROPERTIES STOUGHTON LLC, NORTH AMERICAN FUR AUCTIONS (US) INC., NAFPRO LLC (WISCONSIN LLC),  
NAFA EUROPE CO-OPERATIEF UA, NAFA EUROPE B.V., DAIKOKU SP.Z OO and NAFA POLSKA SP. Z OO

(the “Applicants”)

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**AFFIDAVIT OF DOUGLAS LAWSON**

**BLANEY MCMURTRY LLP**

Barristers & Solicitors  
2 Queen Street East, Suite 1500  
Toronto ON M5C 3G5

**David T. Ullmann (LSO # 42357I)**

Tel: (416) 596-4289

Email: [DUllmann@blaney.com](mailto:DUllmann@blaney.com)

**Stephen Gaudreau (LSO #65895M)**

Tel: (416) 596-4285

Email: [SGaudreau@blaney.com](mailto:SGaudreau@blaney.com)

*Counsel for the Applicants*

**Emails to the Service List:**

See Service List

This is Exhibit "E" referred to in the Affidavit of Douglas Lawson sworn remotely on this 22<sup>nd</sup> day of September 2023.

A handwritten signature in black ink that reads "Stephen Gaudreau". The signature is written in a cursive style with a large, stylized 'S' and 'G'.

---

*Commissioner for Taking Affidavits (or as may be)*

**Stephen Gaudreau**

---

**From:** Estefania Baldajos  
**Sent:** October 28, 2022 10:16 AM  
**To:** Jmiddleton@gcrm.ca  
**Cc:** Dominic T. Clarke <dclarke@blaney.com>; Anthony Gatensby <AGatensby@blaney.com>  
**Subject:** NAFA

**SENT ON BEHALF OF DOMINIC T. CLARKE**

Dear Mr. Middleton,

Kindly find enclosed our correspondence of today's date.

Should you have any questions, please do not hesitate to contact the undersigned.

Kind regards,



---

Estefania Baldajos (She | Her)  
Legal Assistant to Dominic T. Clarke and Daniela Faulkovic

[ebaldajos@blaney.com](mailto:ebaldajos@blaney.com)

📞 416-593-1221 ext. 3076

🌐 [Blaney.com](http://Blaney.com)



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Dominic T. Clarke  
D: 416-593-3968 F: 416-594-2503  
dclarke@blaney.com

October 28, 2022

**VIA E-MAIL: [jmiddleton@gcrm.ca](mailto:jmiddleton@gcrm.ca)**

Mr. John Middleton, CPA, CA  
Vice President  
Complex Risk – Trade Credit  
HUB International Canada  
595 Bay St., Suite 900  
Toronto, Ontario M5G 2E3

Dear Mr. Middleton,

**Re: North American Fur Auctions Inc.**  
**Policy No.: XPTC4094 (18/19 Policy)**  
**June 30, 2018 to August 31, 2019**  
**Policy No.: XPTC4111 (19/20 Policy)**  
**August 31, 2019 and June 30, 2020**  
**Insurer: Certain Lloyd's Underwriters ("Underwriters")**  
**through their coverholder, Red Rock Insurance Services Ltd.**  
**Our file: 098623-0009**

As you are aware, we are counsel to North American Fur Auctions Inc. ("**NAFA**"). Our office has been retained to represent NAFA's interest in relation to the above-noted policies of insurance (the "**Policies**").

We understand that Global Credit Risk Management Inc. ("**GCRM**"), was the broker of record for NAFA with respect to the issuance of the Policies. We understand that, since then, GCRM has been acquired by Hub International ("**Hub**").

In this letter:

- i) the term "Information" means all information or data of any kind held by GCRM and/or Hub, or held on their behalf by any third party, regardless of the medium in or on which it is stored or through which it is transmitted, including without limitation all communications and all documents, whether electronic or in paper form;
- ii) the term "Relevant Information" means Information that relates to or documents:
  - a) the review, assessment, evaluation, structuring, pricing, marketing, placement and/or underwriting of the Policies and all predecessor insurance policies issued to NAFA;
  - b) all correspondence, notes, memoranda, etc. with representatives of NAFA; and



- c) the preparation, submission, assessment or adjusting of any claims made. Relevant Information includes, but is not limited to, documents relating to:
1. GCRM's appointment, role and obligations as broker of record for NAFA; and
  2. the request for, submissions for, placement of, negotiation of, binding of and/or renewal of NAFA's insurance policies, including the Policies.

We have had many conversations with you regarding the nature of NAFA's current insurance claims under the Policies. The importance of document retention has been previously emphasized, and continues to be paramount to NAFA's ongoing insurance dispute with Underwriters.

The purpose of this letter is, therefore, formally to request that you, either on behalf of GCRM and/or Hub (as appropriate), implement a litigation "freeze" on all Relevant Information, as defined above, immediately, and maintain it until NAFA's insurance claims are resolved, by retaining the Relevant Information in its original format and as originally organized and labelled or coded, and requiring in writing that any third party holding Relevant Information on its behalf to do likewise.

NAFA reserves all its rights and recourses in the event that you refuse to implement a litigation "freeze" as requested, or, having agreed to implement a "freeze", fails to act reasonably and diligently in doing so.

At your earliest convenience, please provide written confirmation of receipt of this correspondence and that GCRM/Hub agrees to and will comply with the within request.

Should you have any questions regarding the above, please do not hesitate to contact the undersigned.

Yours sincerely,  
**Blaney McMurtry LLP**



Dominic T. Clarke  
Partner

c.c.: Mr. Anthony Gatensby, Blaney McMurtry LLP

This is Exhibit "F" referred to in the Affidavit of Douglas Lawson sworn remotely on this 22<sup>nd</sup> day of September 2023.

A handwritten signature in black ink that reads "Stephen Gaudreau". The signature is written in a cursive style with a large initial 'S' and a distinct 'G'.

---

*Commissioner for Taking Affidavits (or as may be)*

**Stephen Gaudreau**

**From:** [Ariyana Botejue](#)  
**To:** ["john.middleton@hubinternational.com"](mailto:john.middleton@hubinternational.com)  
**Cc:** [Stephen Gaudreau](#)  
**Subject:** NAFA Insurance matter 30  
**Date:** September 7, 2023 5:24:21 PM  
**Attachments:** [2023-09-07 - LT Middleton at HUB.pdf](#)  
[image001.png](#)  
[image002.png](#)  
[image003.png](#)  
[image004.png](#)  
[image005.png](#)  
[image006.png](#)  
[image007.png](#)

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Good day Mr. Middleton,

Attached, see correspondence from Mr. Gaudreau.

Thank you,



---

Ariyana Botejue  
Legal Assistant to Stephen Gaudreau & David Ullmann

[abotejue@blaney.com](mailto:abotejue@blaney.com)

📞 416-593-1221 ext. 4777

🌐 [Blaney.com](http://Blaney.com)



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Stephen Gaudreau  
*Partner*  
D: 416-596-4285 E: SGaudreau@blaney.com

September 7, 2023

**SENT BY EMAIL TO** [john.middleton@hubinternational.com](mailto:john.middleton@hubinternational.com)

Mr. John Middleton  
HUB International  
595 Bay Street  
Suite 900  
Toronto, ON M5G 2E3

Dear Mr. Middleton,

**Re: NAFA Insurance matter 30**

I am writing to provide you with an update on the NAFA and Red Rock insurance claims process, and a request for information. Red Rock is still reviewing NAFA's claims and has made numerous requests for further information. NAFA has largely answered those requests, and we are getting close to proceeding to a mediation to resolve the claims.

As part of the mediation process, and information requests, we require your broker file for NAFA, inclusive of any emails, correspondence, notes, recording, and documents (in the broad meaning of the word). Based on recent correspondence with Red Rock, it appears that the mediation process is speeding up, and therefore, we need your file by September 14, 2023.

We thank you in advance for your cooperation, and are hopeful, that NAFA will resolve its claims with Red Rock in short order. Please also feel free to give me a call or send me an email should you have any questions.

Yours very truly,  
**Blaney McMurtry LLP**



Stephen Gaudreau  
SG/ab

This is Exhibit "G" referred to in the Affidavit of Douglas Lawson  
sworn remotely on this 22<sup>nd</sup> day of September 2023.

A handwritten signature in black ink that reads "Stephen Gaudreau". The signature is written in a cursive style with a large initial 'S'.

---

*Commissioner for Taking Affidavits (or as may be)*

**Stephen Gaudreau**

**From:** [Stephen Gaudreau](#)  
**To:** [Ariyana Botejue](#); "[john.middleton@hubinternational.com](mailto:john.middleton@hubinternational.com)"  
**Subject:** Re: NAFA Insurance matter 30  
**Date:** September 19, 2023 7:27:47 PM  
**Attachments:** [image001.png](#)  
[image002.png](#)  
[image003.png](#)  
[image004.png](#)  
[image005.png](#)  
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[image006.png](#)  
[image007.png](#)

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Hi John:

I am following up on my letter. We are heading to Court next week to seek an extension of the stay in the CCAA proceedings. We may also ask the Court for an Order requiring you to deliver your file with respect to NAFA/Red Rock as we need the documents. Please let me know by tomorrow end of day whether you will provide us with the file.

Thanks,

Stephen

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---

**From:** Ariyana Botejue <[ABotejue@blaney.com](mailto:ABotejue@blaney.com)>  
**Sent:** Thursday, September 7, 2023 5:24:19 PM  
**To:** 'john.middleton@hubinternational.com' <[john.middleton@hubinternational.com](mailto:john.middleton@hubinternational.com)>  
**Cc:** Stephen Gaudreau <[SGaudreau@blaney.com](mailto:SGaudreau@blaney.com)>  
**Subject:** NAFA Insurance matter 30

Good day Mr. Middleton,

Attached, see correspondence from Mr. Gaudreau.

Thank you,


 2 Queen Street East | Suite 1500  
 Toronto, Ontario M5C 3G5

---

Ariyana Botejue  
 Legal Assistant to Stephen Gaudreau & David Ullmann

[abotejue@blaney.com](mailto:abotejue@blaney.com)

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🌐 [Blaney.com](http://Blaney.com)



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This is Exhibit "H" referred to in the Affidavit of Douglas Lawson  
sworn remotely on this 22<sup>nd</sup> day of September 2023.

A handwritten signature in black ink that reads "Stephen Gaudreau". The signature is written in a cursive style with a large initial 'S'.

---

*Commissioner for Taking Affidavits (or as may be)*

**Stephen Gaudreau**



**From:** [Middleton, John](#)  
**To:** [Stephen Gaudreau](#); [Ariyana Botejue](#)  
**Subject:** RE: NAFA Insurance matter 30  
**Date:** September 20, 2023 5:42:29 PM  
**Attachments:** [image008.png](#)  
[image009.png](#)  
[image010.png](#)  
[image011.png](#)  
[image012.png](#)  
[image013.png](#)  
[image014.png](#)  
[image015.png](#)

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Hi Stephen

My in-house counsel is advising me not to provide the files at this time. I think you will need to obtain direction from the court on this request.



**John Middleton**

**Vice President, Complex Risk – Trade Credit | Office: 416-889-5932**

[Click here](#) to view our Privacy Statement, How We Get Paid, CISRO Principles of Conduct and RIBO "About Your Insurance Broker" Fact Sheet.

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**From:** Stephen Gaudreau <[SGaudreau@blaney.com](mailto:SGaudreau@blaney.com)>  
**Sent:** Tuesday, September 19, 2023 7:28 PM  
**To:** Ariyana Botejue <[ABotejue@blaney.com](mailto:ABotejue@blaney.com)>; Middleton, John <[john.middleton@hubinternational.com](mailto:john.middleton@hubinternational.com)>  
**Subject:** [EXTERNAL] Re: NAFA Insurance matter 30

Hi John:

I am following up on my letter. We are heading to Court next week to seek an extension of the stay in the CCAA proceedings. We may also ask the Court for an Order requiring you to deliver your file with respect to NAFA/Red Rock as we need the documents. Please let me know by tomorrow end of day whether you will provide us with the file.

Thanks,

Stephen

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---

**From:** Ariyana Botejue <[ABotejue@blaney.com](mailto:ABotejue@blaney.com)>  
**Sent:** Thursday, September 7, 2023 5:24:19 PM  
**To:** 'john.middleton@hubinternational.com' <[john.middleton@hubinternational.com](mailto:john.middleton@hubinternational.com)>  
**Cc:** Stephen Gaudreau <[SGaudreau@blaney.com](mailto:SGaudreau@blaney.com)>  
**Subject:** NAFA Insurance matter 30

Good day Mr. Middleton,

Attached, see correspondence from Mr. Gaudreau.

Thank you,



---

Ariyana Botejue  
Legal Assistant to Stephen Gaudreau & David Ullmann

[abotejue@blaney.com](mailto:abotejue@blaney.com)

📞 416-593-1221 ext. 4777

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This is Exhibit "I" referred to in the Affidavit of Douglas Lawson sworn remotely on this 22<sup>nd</sup> day of September 2023.

A handwritten signature in black ink that reads "Stephen Gaudreau". The signature is written in a cursive style with a large initial 'S' and a long, sweeping tail.

---

*Commissioner for Taking Affidavits (or as may be)*

**Stephen Gaudreau**

Court File No. CV-19-00630241-00CL

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**

THE HONOURABLE	)	THURSDAY, THE 5 <sup>th</sup>
	)	
MR. JUSTICE McEWEN	)	DAY OF NOVEMBER, 2020

IN THE MATTER OF THE *COMPANIES' CREDITORS*  
*ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF NORTH AMERICAN FUR PRODUCERS INC.,  
NAFA PROPERTIES INC., 3306319 NOVA SCOTIA LIMITED, NORTH  
AMERICAN FUR AUCTIONS INC., NAFA PROPERTIES (US) INC.,  
NAFA PROPERTIES STOUGHTON LLC, NORTH AMERICAN FUR  
AUCTIONS (US) INC., NAFPRO LLC (WISCONSIN LLC), NAFA  
EUROPE CO-OPERATIEF UA, NAFA EUROPE B.V., DAIKOKU SP.Z  
OO and NAFA POLSKA SP. Z OO

(the “Applicants”)

**ORDER**

**(Re: Stay Extension, Ancillary Matters and Sealing of Confidential Appendices)**

**THIS MOTION**, made by the Applicants for an Order for the relief set out in the Notice of Motion of the Applicants dated October 30, 2020, was heard by teleconference due to the COVID-19 pandemic.

**ON READING** the Motion Record of the Applicants, the Fifth Report of the Monitor dated November 5, 2020, (the “**Fifth Report**”) and related Confidential Appendices, and upon hearing the submissions of counsel for the Applicants, counsel to the Monitor, counsel to the Canadian Imperial Bank of Commerce, as agent for the lenders party to the Fourth and Restated

- 2 -

Credit Agreement dated as of September 27, 2019, as may be amended or amended and restated from time to time (in such capacity, the “**Agent**”) and counsel for Business Development Bank of Canada, no one appearing for any other person on the Service List, although properly served as appears on the Affidavit of Service of Ariyana Botejue, sworn November 3, 2020, filed;

### **SERVICE AND DEFINITIONS**

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and Motion Record herein is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that terms not otherwise defined in this Order shall have the meaning set out in the Initial Order of the Honourable Justice McEwen, dated October 31, 2019 (as amended and restated) (the “**Initial Order**”).

### **EXTENSION OF THE STAY PERIOD**

3. **THIS COURT ORDERS** that the Stay Period is hereby extended from November 9, 2020 to and including April 9, 2021.

### **AMENDMENT TO SAFE HARBOUR ORDER**

4. **THIS COURT ORDERS** that paragraph 6 of the Safe Harbour Order of Justice McEwen dated January 13, 2020 (the “**Safe Harbour Order**”) in this proceeding, is hereby deleted and restated as follows:

THIS COURT ORDERS THAT notwithstanding anything else contained in the Safe Harbour Order or any other Order in this proceeding, the Applicants may arrange for or broker the purchase and sale of fur skins or pelts from and to third parties provided that the Applicants shall not accept physical delivery to a premises controlled, operated, leased or licensed to NAFA or otherwise take physical possession of fur skins or pelts of any kind where NAFA has any obligation to store such fur pelts, without the prior written approval of the Monitor or further Order of this Court.

## MONITOR'S POWERS

5. **THIS COURT ORDERS** that the Monitor, in addition to the powers and duties set out in the Initial Order or any other Order of this Court in these proceedings, is hereby directed and exclusively authorized and empowered, in consultation with the Applicants and the Agent and on behalf of and in the name of the Applicants but without requiring their consent, to make decisions, take any and all actions and steps, and execute any and all documents in each case in respect of the following matters:

- (a) any claims by the Applicants under or in respect of any insurance policies;
- (b) any claims by the Applicants in respect of any Rollover Loans (as defined in the Affidavit of Doug Lawson sworn October 30, 2020, the "**Lawson Affidavit**");
- (c) any existing or future litigation or proceeding involving the Applicants as a plaintiff or claimant (other than these proceedings), whether in Canada or otherwise;
- (d) the incurring of any material expense or obligations related to the "Brokerage Business" as defined in the Lawson Affidavit and as contemplated in paragraph 4 of this Order;
- (e) retention or termination of the Applicants' employees, on such terms and conditions as the Monitor may deem appropriate; and
- (f) the right, title or interest of the Applicants in respect of any real property.

6. **THIS COURT ORDERS** that (i) the Monitor shall be entitled to seek advice and direction from the Court regarding the powers set out in foregoing paragraph 5; and (ii) notwithstanding paragraph 5, in the event that either the Applicants or the Agent have any objections to any of the Monitor's proposed decisions, actions or steps that are authorized by foregoing paragraph 5, they may seek advice and directions from the Court.

7. **THIS COURT ORDERS** that notwithstanding anything contained in this Order or the exercise by the Monitor of any of the powers set out in foregoing paragraph 5:

- 4 -

- (a) the Monitor shall not (i) be deemed to be a successor employer or related employer of the employees of the Applicants, (ii) be deemed to be a director, officer or employee of the applicants, or (iii) have any liability whatsoever, save and except for any gross negligence or wilful misconduct on the Monitor's part; and
- (b) the Monitor shall continue to have the benefit of any of the protections in favour of the Monitor under the CCAA, the Initial Order and otherwise.

### **SEALING OF CONFIDENTIAL EXHIBITS**

8. **THIS COURT ORDERS** that Confidential Exhibits "1", "2", and "3", of the Fifth Report, confidential exhibit "B" of the Affidavit of Jeffrey Wood, and confidential exhibit "A" and "B" to the Affidavit of Douglas Lawson, shall be and are hereby sealed, kept confidential and shall not form part of the public record pending further Order of this Court.

### **INTERNATIONAL RECOGNITION**

9. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Monitor and the Applicants and their agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Monitor, as an officer of this Court, and the Applicants as may be necessary or desirable to give effect to this Order or to assist the Monitor and the Applicants and their agents in carrying out the terms of this Order.

### **EFFECTIVENESS OF ORDER**

10. **THIS COURT ORDERS** that, due to the COVID-19 pandemic, this Order is immediately effective and enforceable without the need for entry and filing until further direction from this Court.



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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NORTH AMERICAN FUR PRODUCERS INC., NAFA PROPERTIES INC., 3306319 NOVA SCOTIA LIMITED, NORTH AMERICAN FUR AUCTIONS INC., NAFA PROPERTIES (US) INC., NAFA PROPERTIES STOUGHTON LLC, NORTH AMERICAN FUR AUCTIONS (US) INC., NAFPRO LLC (WISCONSIN LLC), NAFA EUROPE CO-OPERATIEF UA, NAFA EUROPE B.V., DAIKOKU SP.Z OO and NAFA POLSKA SP. Z OO (the "Applicants")

5 Nov 20

Today's motion was heard via Zoom.

The order shall go as per the draft filed and signed.

There is no opposition and the Monitor supports the motion.

The relief sought is fair and reasonable. The applicable criteria have been met for the stay extension and there are sufficient funds to operate during the stay period.

The Monitor has agreed to consult FCC in respect of the disposition of the Nova Scotia real property that FCC has a secured interest in, and FCC shall have the ability to object to any of the Monitor's proposed decisions, actions or steps concerning this property.



**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**  
 Proceeding commenced at Toronto

**ORDER**  
**(Re: Stay Extension, Ancillary Matter and Sealing of Confidential Appendices)**

**BLANEY MCMURTRY LLP**  
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 2 Queen Street East, Suite 1500  
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Counsel for the Applicants



IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NORTH AMERICAN FUR PRODUCERS INC., NAFA PROPERTIES INC., 3306319 NOVA SCOTIA LIMITED, NORTH AMERICAN FUR AUCTIONS INC., NAFA PROPERTIES (US) INC., NAFA PROPERTIES STOUGHTON LLC, NORTH AMERICAN FUR AUCTIONS (US) INC., NAFPRO LLC (WISCONSIN LLC), NAFA EUROPE CO-OPERATIEF UA, NAFA EUROPE B.V., DAIKOKU SP.Z OO and NAFA POLSKA SP. Z OO

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**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**  
Proceeding commenced at Toronto

**AFFIDAVIT OF DOUGLAS LAWSON**  
**(Motion Returnable September 26, 2023)**

**BLANEY MCMURTRY LLP**  
Barristers & Solicitors  
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Toronto, ON, M5C 3G5

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Counsel for the Applicants

**TAB 3**

- 1 -

Court File No. CV-19-00630241-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE MADAM	)	TUESDAY, THE 26 <sup>TH</sup>
	)	
JUSTICE CONWAY	)	DAY OF SEPTEMBER 2023

IN THE MATTER OF THE *COMPANIES' CREDITORS  
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS  
AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF NORTH AMERICAN FUR PRODUCERS  
INC., NAFA PROPERTIES INC., 3306319 NOVA SCOTIA  
LIMITED, NORTH AMERICAN FUR AUCTIONS INC., NAFA  
PROPERTIES (US) INC., NAFA PROPERTIES STOUGHTON  
LLC, NORTH AMERICAN FUR AUCTIONS (US) INC., NAFPRO  
LLC (WISCONSIN LLC), NAFA EUROPE CO-OPERATIEF UA,  
NAFA EUROPE B.V., DAIKOKU SP.Z OO and NAFA POLSKA  
SP. Z OO

(the "Applicants")

**ORDER**

**(Re: Stay Extension, Approval of Conduct and Actions of the Monitor, Directing Third  
Party Productions, and Sealing of Confidential Appendix of the Monitor's Report)**

**THIS MOTION**, made by the Applicants for an Order to extend the stay period (the "**Stay Period**") in these CCAA proceedings, to approve the conduct and actions of the Monitor, to compel the delivery of third party documents, and to seal certain confidential appendices, was heard this day by video conference.

**ON READING** the Motion Record of the Applicants, the fourteenth report of the Monitor dated September \*, 2023 (the “**Fourteenth Report**”), and related Confidential Appendices, and upon hearing the submissions of counsel for the Applicants, counsel to the Monitor, counsel to the Canadian Imperial Bank of Commerce, as agent for the lenders party to the Fourth and Restated Credit Agreement dated as of September 27, 2019, as may be amended or amended and restated from time to time (in such capacity, the “**Agent**”), and counsel for Farm Credit Canada (“**FCC**”) no one appearing for any other person on the Service List, although properly served as appears on the Affidavit of Service of Ariyana Botejue sworn September 22, 2023, filed;

#### **SERVICE AND DEFINITIONS**

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and Motion Record herein is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that terms not otherwise defined in this Order shall have the meaning set out in the Initial Order of the Honourable Justice McEwen dated October 31, 2019 (as amended and restated) (the “**Initial Order**”).

#### **EXTENSION OF STAY PERIOD**

3. **THIS COURT ORDERS** that the Stay Period is hereby extended from September 29, 2023 to and including December 1, 2024.

#### **APPROVAL OF MONITOR REPORTS AND ACTIONS**

4. **THIS COURT ORDERS** that the Fourteenth Report and the actions, decisions and conduct of the Monitor, and its counsel Miller Thomson LLP, as set out in the Fourteenth Report be and are hereby authorized and approved.

**PRODUCTION OF BROKERAGE FILE**

5. **THIS COURT ORDERS** that John Middleton, on behalf of Global Credit Risk Management (“**GCRM**”) and/or HUB International (“**HUB**”), shall deliver to NAFA within fourteen days of the issuance of this Order, all Relevant Information as defined below:

- i. The term “Information” means all information or data of any kind held by GCRM and/or Hub, or held on their behalf by any third party, regardless of the medium in or on which it is stored or through which it is transmitted, including without limitation all communications and all documents, whether electronic or in paper form;
- ii. The term “Relevant Information” means Information that relates or documents:
  - a) the review, assessment, evaluation, structuring, pricing, marketing, placement and/or underwriting of Policy No. XPTC4094 (18/19 Policy) and XPTC4111 (19/20 Policy) (the “**Policies**”), and all predecessor insurance policies issued to NAFA;
  - b) all correspondence, notes, memoranda, etc. with representatives of NAFA; and
  - c) the preparation, submission, assessment or adjusting of any claims made. Relevant Information includes, but is not limited to, documents relating to:
    1. GCRM’s appointment, role and obligations as broker of record for NAFA; and,
    2. the request for, submissions for, placement of, negotiation of, binding of and/or renewal of NAFA’s insurance policies, including the Policies.

**SEALING OF CONFIDENTIAL APPENDICES AND EXHIBITS**

6. **THIS COURT ORDERS** that Confidential Appendix 1 to the Fourteenth Report shall be and are hereby sealed, kept confidential and shall not form part of the public record pending further Order of this Court.

**INTERNATIONAL RECOGNITION**

7. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Monitor and the Applicants and their agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Monitor, as an officer of this Court, and the Applicants as may be necessary or desirable to give effect to this Order or to assist the Monitor and the Applicants and their agents in carrying out the terms of this Order.

---

*Signature of Judge*

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED  
 AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NORTH AMERICAN FUR PRODUCERS INC.,  
 NAFA PROPERTIES INC., 3306319 NOVA SCOTIA LIMITED, NORTH AMERICAN FUR AUCTIONS INC., NAFA PROPERTIES (US)  
 INC., NAFA PROPERTIES STOUGHTON LLC, NORTH AMERICAN FUR AUCTIONS (US) INC., NAFFRO LLC (WISCONSIN LLC),  
 NAFA EUROPE CO-OPERATIEF UA, NAFA EUROPE B.V., DAIKOKU SP.Z OO and NAFA POLSKA SP. Z OO

(the “Applicants”)

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**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**  
 Proceeding commenced at Toronto

**ORDER**  
**Dated September 26, 2023**  
**(Re: Stay Extension, and Conduct and Actions of the Monitor,**  
**Third Party Disclosure, and Sealing of Confidential**  
**Appendix)**

**BLANEY MCMURTRY LLP**  
 Barristers & Solicitors  
 2 Queen Street East, Suite 1500  
 Toronto, ON, M5C 3G5

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Counsel for the Applicants

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED  
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NORTH AMERICAN FUR PRODUCERS INC.,  
NAFA PROPERTIES INC., 3306319 NOVA SCOTIA LIMITED, NORTH AMERICAN FUR AUCTIONS INC., NAFA PROPERTIES (US)  
INC., NAFA PROPERTIES STOUGHTON LLC, NORTH AMERICAN FUR AUCTIONS (US) INC., NAFPRO LLC (WISCONSIN LLC),  
NAFA EUROPE CO-OPERATIEF UA, NAFA EUROPE B.V., DAIKOKU SP.Z OO and NAFA POLSKA SP. Z OO

(the “Applicants”)

**Email of the recipients:** See the Service List

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**  
Proceeding commenced at Toronto

**NOTICE OF MOTION OF THE APPLICANTS**  
**(Re: Motion returnable September 26, 2023)**

**BLANEY MCMURTRY LLP**  
Barristers & Solicitors  
2 Queen Street East, Suite 1500  
Toronto, ON, M5C 3G5

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