

**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

**FIRST REPORT OF THE MONITOR  
DATED NOVEMBER 7, 2019**

**INTRODUCTION**

1. On October 31, 2019, North American Fur Producers Inc. (“NAFA”), NAFA Properties Inc. (“NAFA Properties”), 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”) commenced proceedings (the “CCAA Proceedings”) under the *Companies’ Creditors Arrangement Act*, R.S.C., 1985, c. C-36 (the “CCAA”) pursuant to the Order of Justice McEwen of the Ontario Superior Court of Justice (Commercial List) (the “Court”) dated October 31, 2019 (the “Initial Order”). A copy of the Initial Order is attached as **Appendix “A”**.
2. Among other things, the Initial Order:
  - (a) granted a stay of proceedings until November 29, 2019;

- (b) appointed Deloitte Restructuring Inc. as Monitor of the Applicants (in such capacity, the “**Monitor**”);
- (c) approved 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 granted a charge (the “**DIP Charge**”) against the Applicants’ Property (as defined in the Initial Order) as security for the DIP Financing subject to the following:
  - (i) the DIP Charge ranked first in priority (the “**Priority DIP Charge**”) to all other encumbrances against the Applicants’ Property to the maximum amount (*i.e.*, \$1.65 million) (the “**Priority DIP Charge Maximum Amount**”) forecast to be advanced in the cash flow forecast (the “**Initial Cash Flow Forecast**”) attached as Appendix “A” to the Pre-filing Report of the Proposed Monitor dated October 31, 2019 (the “**Pre-filing Report**”); and
  - (ii) the DIP Charge ranked third in priority (subordinate to the Priority DIP Charge and the Syndicate Debt and Syndicate Security) for any amounts not forecast to be advanced in the Initial Cash Flow Forecast (the “**Subordinate DIP Charge**”);
- (d) granted 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 ranking behind the Subordinate DIP Charge;
- (e) approved a Key Employee Retention Plan (the “**KERP**”) and granted a charge (the “**KERP Charge**”) against the Applicants’ Property in the maximum amount of \$150,000 as security for the amounts payable under the KERP ranking behind the Administration Charge; and

- (f) granted 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 Initial Order against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of these CCAA Proceedings. The Directors’ Charge ranked behind the KERP Charge.
3. Deloitte, in its capacity as proposed Monitor, filed the Pre-filing Report prior to its appointment as Monitor to provide information to this Court for its consideration in respect of the Applicants’ CCAA application. A copy of the Pre-filing Report (with appendices) is attached as **Appendix “B”**.
4. The Monitor files this First Report of the Monitor (this “**First Report**”) in connection with the hearing scheduled by this Court for November 8, 2019 (the “**November 8 Hearing**”). At the November 8 Hearing, the Applicants seek an Amended and Restated Initial Order, a copy of which is attached as **Appendix “C”** to this First Report (the “**Amended and Restated Initial Order**”). Attached as **Appendix “D”** to this First Report is a blackline highlighting the changes between the Initial Order and the Amended and Restated Initial Order.
5. Capitalized terms not defined in this First Report are defined in the Initial Order or the Pre-Filing Report.
6. Unless otherwise stated monetary amounts contained herein are expressed in U.S. dollars.

## **PURPOSE**

7. This First Report provides this Court with information about the following:
- (a) the activities of the Monitor since its appointment by the Initial Order;
  - (b) details of the arrangement (the “**Saga Arrangement**”) with Saga Furs Oyj (“**Saga**”) and funds received by the Applicants in connection with the Saga Arrangement;

- (c) an update on the DIP Financing advances made to the Applicants by the DIP Lender and the DIP Loan Agreement settled between NAFA and the DIP Lender (the “**DIP Loan Agreement**”);
- (d) the Applicants’ actual receipts and disbursements for the week ending November 1, 2019 and an analysis of material variances from the Initial Cash Flow Forecast;
- (e) the Applicants’ revised cash flow forecast, a copy of which is attached as **Confidential Appendix “1”** (the “**Revised Cash Flow Forecast**”); and
- (f) an overview of the significant changes in the Amended and Restated Initial Order.

## **TERMS OF REFERENCE**

8. In preparing this First Report and making the comments herein, the 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 First Report in respect of the Revised Cash Flow Forecast:
- (a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the 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 *CPA Canada Handbook* (the “**CPA Handbook**”) and, accordingly, the 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 First 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.

9. Future oriented financial information referred to in this First 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.
10. The Monitor's understanding of factual matters express in this First Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Monitor.

### **ACTIVITIES OF THE MONITOR**

11. Since its appointment pursuant to the Initial Order, the Monitor has primarily conducted the following activities:
  - (a) established a protocol for monitoring and monitored the Applicants' receipts and disbursements;
  - (b) liaised with the Applicants and their financial advisor and counsel with respect to the CCAA Proceedings and the Applicants' business;
  - (c) attended at the Applicants' offices to provide guidance to the staff with respect to these CCAA Proceedings;
  - (d) assisted with the negotiations of the DIP Loan Agreement and approved the first advance by the DIP Lender under the DIP Financing, as further described below;
  - (e) arranged for notices to be sent on November 7, 2019 to all known creditors of the Applicants with claims exceeding \$1,000 and arranged for the publication of a notice of the CCAA Proceedings in the *Globe and Mail* (National Edition) and *La Presse* in accordance with the Initial Order. Such advertisements will be published once per week for two weeks in accordance with the Initial Order;
  - (f) liaised with the Applicants' stakeholders, including the Syndicate and the DIP Lender;

- (g) assisted the Applicants with providing reporting as required by the Syndicate and DIP Lender;
- (h) assisted and advised the Applicants with the preparation of the Revised Cash Flow Forecast;
- (i) established the Monitor's case website;
- (j) established an email inbox ([nafa@deloitte.ca](mailto:nafa@deloitte.ca)) and telephone hotline (416-867-8366) for interested parties to obtain information from the Monitor; and
- (k) prepared this First Report.

## **SAGA ARRANGEMENT**

12. As part of the Saga Arrangement, Saga and the Applicants have been contacting a number of European mink farmers to transition Kit loans from the Applicants to Saga. This process involves personnel from each of Saga and the Applicants visiting each farmer to obtain their consent to transfer their Kit loans to Saga. Such farmers are located in Poland, Latvia, the Netherlands and Romania, among other European nations.
13. Farmers to be transitioned to Saga have been segregated into various tranches to be approached by Saga and the Applicants. As of the date of this First Report, 30 of 36 of the first tranche of farmers have agreed to have their business transferred to Saga. Agreements with these farmers are in the process of being finalized.
14. Once the farmers agree to have their Kit loans transferred, each farmer executes an agreement between such farmer and Saga. Saga then arranges for a first charge on the mink herd in question. Once all paperwork is complete and Saga has a first charge on the herd, funds are paid by Saga to the Applicants pursuant to the Saga Arrangement.
15. To date, the Applicants have received approximately \$2.6 million pursuant to the Saga Arrangement. The Applicants forecast to receive approximately \$3.6 million from Saga by the end of the week ended November 1, 2019. However, due to delays in obtaining

farmer signatures and registering security in Europe, not all funds related to the first tranche of farmers has been received by the Applicants.

16. On November 7, 2019, the Monitor was advised by Saga that, based on its latest assessment of the Saga Arrangement, there were only seven farms from the first tranche for which it had not paid the Applicants. Saga further advised that the funding related to these last seven farms could be paid immediately once the documentation was received by Saga. Management is in the process of providing such documentation and anticipates receiving payment of approximately \$1 million in the near term.

## **DIP FINANCING**

17. With the approval of the Monitor, the first advance under the DIP Financing, in the amount of \$1.65 million, was received by the Applicants on November 4, 2019.
18. In addition, under the Initial Order, the Applicants were authorized and empowered to enter into definitive documents with respect to the DIP Financing. The Applicants, with the assistance of the Monitor, negotiated and settled a definitive agreement (the “**DIP Agreement**”) between NAFA and the DIP Lender (as agent for Ninepoint Canadian Senior Debt Master Fund LP).

## **ACTUAL RECEIPTS AND DISBURSEMENTS**

19. Attached as **Appendix “E”** to this First Report is a variance report for the week ended November 1, 2019 (the “**R&D**”). As set out in the R&D, there were a number of cash flow differences from the amounts forecast in the Initial Cash Flow Forecast filed with the Pre-Filing Report. A summary of significant variances, along with the reasons for same, is set out below:
  - (a) **Buyer receipts:** Actual receipts totalled approximately \$193,000 compared to forecast receipts of \$268,000. The reason for this difference is attributable to timing as fewer buyers settled their accounts from the Applicants’ 2019 auctions. The Applicants are forecasting the receipt of such funds in the upcoming weeks.

- (b) **Saga LOI receipts:** As set out above, the Applicants forecast to receive approximately \$3.6 million from Saga but did not receive any funds in the week ended November 1, 2019. The Applicants received a portion of these funds, approximately \$1.2 million, on November 4, 2019 and a further \$1.4 million on November 7, 2019 with the balance of the difference expected to be received in the week ended November 8, 2019.
- (c) **Kit loans – North America:** Given the Applicants’ liquidity constraints, significantly fewer disbursements related to Kit Loans were made with only \$67,000 being disbursed. This is compared to a forecast disbursement of approximately \$1.3 million. Kit Loan payments have increased in the week ended November 8, 2019, which represents a partial reversal of this timing difference.
- (d) **Kit Loans – Europe:** No European Kit Loans were disbursed in the week ended November 1, 2019 for similar reasons to the North American variance. It is expected that such variance will reverse in the coming weeks and increased kit loan disbursements occurred in the week ended November 8, 2019.
- (e) **Occupancy costs and long term financing:** The Initial Cash Flow Forecast assumed that all rent and mortgage payments would be made in the normal course. However, as a result of the CCAA Proceeding and the stay of proceedings granted under the Initial Order, certain payments will no longer be made. Such permanent difference totals approximately \$22,000 with the balance of the positive variance reversing in the week ended November 8, 2019 as such payments were made.
- (f) **Employee costs:** The Initial Cash Flow Forecast assumed that two weeks of payroll costs would be funded to the Applicants’ various employee groups in the United States. Due to liquidity constraints, only one week of payroll was funded in the week ended November 1, 2019 with the second week being funded in the week ended November 8, 2019. Vacation pay was lower than forecast by approximately \$47,000 due to lower than forecast vacation pay for terminated employees.

- (g) **Collection, grading and warehouse costs:** Such costs were forecast to be approximately \$99,000 with only \$2,000 being incurred. Management has advised that this variance is expected to reverse in the coming weeks.
- (h) **Professional fees:** Professional costs totalled approximately \$95,000 against an amount of approximately \$537,000 in the Initial Cash Flow Forecast. The forecast amount contained significant payments in respect of professional fee arrears with such costs now not forecast to be paid for a number of months in an effort to preserve liquidity. Costs related to advisors to the Syndicate have been added to their arrears for the Syndicate debt to be paid at a later date. Payments made were primarily in respect of retainers with other costs representing a timing difference.
- (i) **Insurance:** Insurance payments totalled approximately \$39,000, which represents costs related to the Applicants' directors' and officers' insurance policies. The remaining policies were paid in the week ended November 8, 2019.
- (j) **GST/HST payments:** Given the level of payments and the corresponding impact on GST/HST, the Applicants do not expect that this amount will be paid, resulting in a permanent difference of approximately \$54,000.
- (k) **Other administrative and operating costs:** The forecast amount of approximately \$164,000 contained a number of payments that have been deferred to future weeks. As such, this difference is largely temporary and should reverse.
- (l) **Bank interest and refinancing costs:** Of the forecast payment of \$324,000, approximately \$83,000 is a permanent difference due to lower than forecast interest expenses. The balance of the forecast amount was paid in the week ended November 8, 2019.

## REVISED CASH FLOW FORECAST

20. Attached as **Confidential Appendix "1"** is the Revised Cash Flow Forecast. The Revised Cash Flow Forecast has been shared with both the Syndicate and the DIP Lender. The

purpose of the Revised Cash Flow Forecast was to estimate the timing by which the Applicants' DIP Financing and indebtedness owing to the Syndicate would be repaid.

21. Subject to the assumptions contained in the Revised Cash Flow Forecast, the Monitor makes the following observations:
  - (a) total receipts are forecast to be approximately \$50.2 million. Of this amount, the bulk of receipts are received pursuant to the Saga Arrangement;
  - (b) total operating disbursements are forecast to be approximately \$18.6 million. Of this amount, Kit Loans in the approximate amount of \$7.5 million are forecast to be disbursed (the "**Forecast Kit Loans**"). Other significant disbursements include employee costs and professional fees;
  - (c) the Revised Cash Flow Forecast contemplates the repayment of the Applicants' DIP Financing. No further draws on the DIP Financing, other than the receipt of \$1.65 million received in the week ended November 8, 2019, are forecast. However, as set out below, this assumption is based on other receipts being paid to the Applicants; and
  - (d) the Revised Cash Flow Forecast illustrates that the Indebtedness to the Syndicate at the end of the forecast period (*i.e.*, March 27, 2020) is approximately \$3.3 million. This excludes the \$1 million of cash forecast to be maintained by the Applicants for liquidity purposes.
22. There exist a number of significant risks to the Applicants and the level of liquidity available to them during the CCAA Proceeding. These include the following:
  - (a) as set out above, the bulk of the receipts assumed in the Revised Cash Flow Forecast are expected to be received from Saga. Should these receipts not be received by the Applicants, significant liquidity shortfalls could arise. The Monitor notes that, as of the date of this First Report, the Applicants have yet to receive approximately \$1.0 million that was forecast to be received in the week ended November 1, 2019, as set out in the Initial Cash Flow Forecast;

- (b) the Revised Cash Flow Forecast contains a significant receipt from a major customer in the week ended November 15, 2019. Should these funds not be received, the DIP Financing may not provide sufficient funds for the Applicants to operate in the normal course (*i.e.*, without significantly reducing disbursements); and
  - (c) a further significant receipt relates to the timing of funds received pursuant to the sale of certain real estate. The net proceeds forecast to be received are in excess of \$4.6 million dollars in the week ended January 17, 2020. Similar to the receipts from Saga, a delay in receiving these funds could cause a liquidity shortfall.
23. Funding for Kit Loans, the largest use of liquidity, could be higher than forecast. While this risk is more within the Applicants' control, not providing requested amounts of funding to mink farmers could reduce the quality of the pelts harvested and, therefore, reduce recoveries as a result of lower auction prices.

#### **BDC RECEIVERSHIP APPLICATION**

24. On October 31, 2019, Business Development Bank of Canada ("**BDC**") served an Application Record seeking the appointment of Ernst & Young Inc. ("**EY**") as receiver of all of NAFA Properties' interest in two long-term ground leases in respect of real property municipally known as 65 Skyway Avenue, Rexdale ON (the "**Ground Lease**"), which is where the Applicants' head office is located (the "**Receivership Application**"). The Receivership Application was returnable on the same date as the Applicants' initial application to commence these CCAA Proceedings (being October 31, 2019).
25. At the hearing in respect of the Initial Order, it was agreed that the Receivership Application be adjourned until the date of the November 8 Hearing. The Applicants also agreed that BDC's interest in the Ground Lease would be unaffected by the Initial Order.
26. Since the date of the Initial Order, the Monitor has communicated with BDC's counsel and its financial advisors and provided information and documents requested by BDC's advisors. The Applicants and the Monitor will continue to work with BDC and its advisors in respect of the Ground Lease and the Receivership Application.

27. The Monitor understands that an adjournment of the Receivership Application to a future date will likely be sought.

### **AMENDED AND RESTATED INITIAL ORDER**

28. This section of the First Report highlights for the Court the significant changes between the Initial Order and the Amended and Restated Initial Order being sought by the Applicants.

#### *Repayment of Syndicate Debt*

29. Following the Initial Order, the Applicants, the Monitor, the Syndicate and their respective advisors engaged in numerous discussions regarding these CCAA Proceedings, including proposed amendments to the Initial Order, the Revised Cash Flow Forecast and the repayment of the Syndicate Debt.
30. One product of these discussions is the inclusion of paragraph 10 of the Amended and Restated Initial Order, which authorizes and directs the Applicants to repay the Syndicate Debt from Distributable Funds (as defined below) on a weekly basis.
31. The definition of “**Distributable Funds**” means the amount by which the Applicants’ consolidated cash balances exceed \$1 million (or such other amount as may be agreed upon by the Applicants, Monitor and Syndicate) at the close of business on the last business day of a week, which calculation shall be performed on a weekly basis commencing once the Applicants have repaid the DIP Financing and have funded the Forecast Kit Loans in accordance with the Revised Cash Flow Forecast.

#### *Listing of Property*

32. The Applicants own certain real property located in Poland and the United States. Arising from discussions with the Syndicate, the Amended and Restated Initial Order authorizes and directs the Applicants to list and offer for sale such real property assets as soon as reasonably practicable.
33. The Amended and Restated Initial Order also authorizes and directs the Applicants to list and offer for sale the Ground Lease, which is the subject of the Receivership Application.

### *DIP Charge*

34. Under the Initial Order, the Court approved a bifurcated DIP Charge, being the Priority DIP Charge and Subordinate DIP Charge described above.
35. The Amended and Restated Initial Order seeks to consolidate the Priority DIP Charge and Subordinate DIP Charge into a single first-priority charge against the Applicants' Property ranking ahead of all other encumbrances (the "**Amended DIP Charge**").
36. The Amended and Restated Initial Order also seeks to remove the Priority DIP Charge Maximum Amount such that all advances made under the DIP Financing, to a maximum of \$5.0 million, would be secured by the Amended DIP Charge in first priority.
37. The Monitor supports the Amended DIP Charge contemplated by the Amended and Restated Initial Order.

### *Administration Charge*

38. The Initial Order provided for an Administration Charge that ranked ahead of all other encumbrances except for the Priority DIP Charge, the Syndicate Debt and the Syndicate Security, and the Subordinate DIP Charge.
39. The Amended and Restated Initial Order contemplates a bifurcated Administration Charge with the following priority:
  - (a) a second ranking charge in the amount of \$500,000 (the "**Priority Administration Charge**") ranking in priority to all other encumbrances except for the Amended DIP Charge; and
  - (b) a fifth ranking charge in the amount of \$200,000 (the "**Subordinate Administration Charge**", and together with the Priority Administration Charge, the "**Revised Administration Charge**") ranking in priority to all encumbrances except for the Amended DIP Charge, the Priority Administration Charge, the KERP Charge and the Syndicate Debt and Syndicate Security.

40. At the time of the Initial Order, the beneficiaries of the Administration Charge were the Applicants' counsel, the Monitor and its counsel and counsel for the Applicants' directors and officers.
41. Under the Amended and Restated Initial Order, the legal and financial advisors of the Syndicate will also be added as beneficiaries of the Revised Administration Charge.
42. In addition, the Monitor reported in the Pre-filing Report that the Applicants' directors and officers had not until that time retained independent counsel. The Monitor understands that the Applicants' directors and officers have or are in the process of retaining Bennet Jones LLP as their independent legal counsel. Under the Amended and Restated Initial Order, the fees and disbursements incurred by independent counsel to the Applicants' directors and officers that would be secured by the Revised Administration Charge are limited to a maximum amount of CAD\$100,000.
43. As a result, it was determined that the quantum of the Administration Charge granted under the Initial Order would need to be increased.
44. The Monitor has been involved in discussions since the date of Initial Order about the quantum and priority of the Revised Administration Charge and is of the view that it is reasonable in the circumstances.

#### *Directors' Charge*

45. The Initial Order granted the Directors' Charge against the Applicants' Property to a maximum amount of \$1.0 million.
46. The Monitor understands that the directors' and officers' liability insurance policy was renewed following the date of the Initial Order.
47. The Monitor further understands that the quantum of the Directors' Charge was calculated based on, among other things, potential directors' liability with respect to employee payroll as well and potential termination and severance liabilities arising in Poland that were described in the Pre-filing Report.

*Priority of Charges*

48. In summary, the relative priority of the charges contemplated under the Amended and Restated Initial Order are as follows (the “**Charge Priority Ranking**”):
- (a) First - Amended DIP Charge;
  - (b) Second - Priority Administration Charge in the amount of USD \$500,000;
  - (c) Third - KERP Charge;
  - (d) Fourth - Syndicate Debt and Syndicate Security;
  - (e) Fifth - Subordinate Administration Charge in the amount of USD \$200,000; and
  - (f) Sixth - Directors’ Charge.
49. The proposed Charge Priority Ranking is supported by the Monitor.

All of which is respectfully submitted this 7<sup>th</sup> day of November, 2019.

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

Per:

A handwritten signature in blue ink that reads "Jorden Sleeth". The signature is written in a cursive, flowing style.

Jorden Sleeth, LIT  
Senior Vice President

## APPENDIX “A”

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE ) THURSDAY, THE 31<sup>ST</sup>  
 )  
MR. JUSTICE McEWEN ) DAY OF OCTOBER, 2019  
 )



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**”)

**INITIAL ORDER**

**THIS APPLICATION**, made by North American Fur Producers Inc., NAFA Properties Inc., 3306319 Nova Scotia Limited, North American Fur Auctions Inc. (“**NAFA**”), 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**”) pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the affidavit of Doug Lawson sworn October 30, 2019 and the Exhibits thereto (“**Lawson Affidavit**”), the Pre-Filing Report of (“**Deloitte**”), in its capacity as monitor for the Applicants (in such capacity, “**Monitor**”) (the “**Pre-Filing Report**”), and on hearing the submissions of counsel for the Applicants, counsel to the Monitor, counsel to the Canadian

Imperial Bank of Commerce, as agent (in such capacity, the “**Agent**”) for the lenders party (the “**Lenders**”) to the Fourth and Restated Credit Agreement dated as of September 27, 2019 (as may be amended or amended and restated, the “**Credit Agreement**”) from time to time, and all other counsel listed on the counsel slip, 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, October 31, 2019, and on reading the consent of Deloitte to act as the Monitor,

## **SERVICE**

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

## **APPLICATION**

2. **THIS COURT ORDERS AND DECLARES** that each of the Applicants is a company to which the CCAA applies.

## **PLAN OF ARRANGEMENT**

3. **THIS COURT ORDERS** that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the “**Plan**”), provided that no Plan shall compromise any indebtedness or obligations owing by any of the Applicants to the Agent and/or the Lenders (the “**Syndicate Debt**”) or any encumbrance or security interest security the Syndicate Debt (the “**Syndicate Security**”).

## **POSSESSION OF PROPERTY AND OPERATIONS**

4. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof, but excluding cash collateral held by the Agent in respect of the Visa Credit (as defined in the Credit Agreement) (the “**Property**”). Subject to further Order of this Court or as otherwise directed by this Order, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the

“**Business**”) and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, independent contractors, advisors, consultants, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by them, with liberty, subject to the terms of the Definitive Documents (as defined herein) to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that the Applicants shall be entitled to continue to utilize the central cash management system currently in place or, with the consent of the Monitor, the DIP Lender (as defined herein) and the Agent replace it with another substantially similar central cash management system (the “**Cash Management System**”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. **THIS COURT ORDERS** that the Applicants, subject to availability under and in accordance with the terms of the DIP Term Sheet (as defined herein) and the Definitive Documents, shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order to the extent that such expenses are incurred and payable by the Applicants:

- (a) all outstanding and future wages, salaries, employee and pension benefits, and vacation pay payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements, and all other payroll, pension and benefits processing and servicing expenses;

- (b) all future amounts owing to Persons working as independent contractors in connection with the Business; and
- (c) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein and subject to the terms of the DIP Term Sheet and the Definitive Documents, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order and any other Order of this Court, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance, and security services, but not expenses in connection with any environmental remediation; and
- (b) payment for goods or services actually supplied to the Applicants following the date of this Order.

8. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business, workers' compensation or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

9. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date other than interest amounts due and owing to the Lenders; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

10. **THIS COURT ORDERS** that the Applicants are hereby authorized and directed, until further Order of this Court, to grant any encumbrance or security interest in connection with the Credit Agreement and to execute and deliver any document or instrument in furtherance thereof.

## **RESTRUCTURING**

11. **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the DIP Term Sheet and the Definitive Documents, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their business or operations, and to sell, convey, transfer, lease assign or dispose of any Property outside of the ordinary course of business, with the approval of the Monitor, provided that the consideration for any one such transaction does not exceed \$50,000, and that the aggregate consideration for all such transactions does not exceed \$250,000, except that such amounts shall not include amounts with respect to the sale, transfer, assignment or other disposition of any Kit Loans and Pelts, including but not limited to the SAGA Furs Transaction (as those terms are defined in the Lawson Affidavit), in accordance with paragraph 11(c);

- (b) subject to the requirements of the CCAA and paragraphs 12 to 14 herein, with the consent of the Agent, vacate, abandon or quit the whole (but not part of) and may permanently (but not temporarily) cease, downsize or shut down any of their Business or operations in respect of any leased premises;
- (c) continue to sell Kit Loans and Pelts (as defined in the Lawson Affidavit) in accordance with the SAGA Furs Transaction, with the approval of the Monitor, Agent and DIP Lender;
- (d) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
- (e) pursue all avenues of refinancing, restructuring, selling and reorganizing their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing, restructuring, sale or reorganization that is not otherwise subject to paragraphs 11(a) or 11(c),

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Applicants or their Business (the “**Restructuring**”).

#### **REAL PROPERTY LEASES**

12. **THIS COURT ORDERS** that until a real property lease is disclaimed or resiliated in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time (“**Rent**”), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

13. **THIS COURT ORDERS** that the Applicants shall provide each of the relevant landlords with notice of their intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a

representative present in the leased premises to observe such removal and, if the landlord disputes the entitlement of the Applicants to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, or by further Order of this Court upon application by the Applicants on at least two (2) days notice to such landlord and any such secured creditors. If the Applicants disclaim or resiliate the lease governing such leased premises in accordance with Section 32 of the CCAA, they shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer or resiliation of the lease shall be without prejudice to the Applicants' claim(s) to the fixtures in dispute.

14. **THIS COURT ORDERS** that if a notice of disclaimer or resiliation is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer or resiliation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

#### **NO PROCEEDINGS AGAINST THE APPLICANTS, THE BUSINESS OR THE PROPERTY**

15. **THIS COURT ORDERS** that until and including November 29, 2019, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, other than Proceedings by the Agent, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court. To the extent the Agent commences any Proceedings against any of

the Applicants, it will provide the Applicants and the Monitor with not less than three (3) days' notice.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

16. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**"), other than the Agent, against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien. To the extent the Agent wants to enforce any of its rights or remedies against the Applicants, their Business or Property, it will provide the Applicants and the Monitor with not less than three (3) days' notice.

#### **NO INTERFERENCE WITH RIGHTS**

17. **THIS COURT ORDERS** that during the Stay Period, no Person, other than the Agent, shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court. Without limiting the foregoing, no right, option, remedy, and/or exemption in favour of the Applicants shall be or shall be deemed to be negated, suspended, waived and/or terminated as a result of this Order.

#### **CONTINUATION OF SERVICES**

18. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll and benefit services, insurance, transportation services, utility, customs clearing, warehouse and logistics services or other services to the

Business or the Applicants, are hereby restrained until further Order of this Court from failing to renew on commercially reasonable terms, discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

#### **NON-DEROGATION OF RIGHTS**

19. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

#### **KEY EMPLOYEE RETENTION PLAN**

20. **THIS COURT ORDERS** that the Key Employee Retention Plan (“**KERP**”) as described in the Lawson Affidavit is hereby approved and the Applicants are authorized, in consultation with the Monitor, to make payments contemplated thereunder in accordance with the terms and conditions of the KERP.

21. **THIS COURT ORDERS** that the key employees referred to in the KERP (the “**Key Employees**”) shall be entitled to the benefit of and are hereby granted a charge on the Property, which shall not exceed an aggregate amount of USD \$150,000.00 (“**KERP Charge**”) to secure the amounts payable to the Key Employees under the KERP. The KERP Charge shall have the priority set out in paragraph 42 hereof.

#### **APPROVAL OF FINANCIAL ADVISOR AGREEMENT**

22. **THIS COURT ORDERS** that the ongoing engagement of KPMG Inc. and KPMG Corporate Finance (collectively, the “**Financial Advisor**”) as financial advisor to the Applicants under the terms under which they have operated to date is hereby ratified and approved and the Applicants are authorized and directed *nunc pro tunc* to make payments contemplated thereunder and in consultation with the Monitor and the approval of the Court.

#### **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

23. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed and is sanctioned by this Court or is refused by the creditors of the Applicants or this Court, other than Proceedings by the Agent on not less than three (3) days’ notice.

#### **DIRECTORS’ AND OFFICERS’ INDEMNIFICATION AND CHARGE**

24. **THIS COURT ORDERS** that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

25. **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the “**Directors’ Charge**”) on the Property, which charge shall not exceed an aggregate amount of USD \$1,000,000, as security for the indemnity provided in paragraph 24 of this Order. The Directors’ Charge shall have the priority set out in paragraph 42 herein.

26. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants’ directors and officers shall only be

entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 24 of this Order.

#### **APPOINTMENT OF MONITOR**

27. **THIS COURT ORDERS** that Deloitte is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

28. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements, and shall provide to the Agent and the DIP Lender a weekly variance analysis against the current cash flow forecasts filed with the Court;
- (b) liaise with the Applicants and the Assistants with respect to all matters relating to the Property, the Business, the Restructuring and such other matters as may be relevant to the proceedings herein;
- (c) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, the Restructuring and such other matters as may be relevant to the proceedings herein;
- (d) assist the Applicants, to the extent required by the Applicants, in their dissemination, to the DIP Lender and the Agent, and their respective counsel and advisors, of financial and other information as agreed to between the Applicants, the Agent and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the Agent and the DIP Lender;

- (e) advise the Applicants in its preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, the DIP Term Sheet and by the Definitive Documents, which information shall be reviewed with the Monitor and the Agent, and delivered to the DIP Lender, its counsel and financial advisor on a periodic basis or as otherwise agreed to by the DIP Lender and the Agent;
- (f) participate in all correspondence and meetings between the Applicants and potential purchasers of the Property;
- (g) consult with the Agent in respect of potential purchases of the Property;
- (h) advise the Applicants in their development of the Plan and any amendments to the Plan;
- (i) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (j) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' Business and financial affairs or to perform its duties arising under this Order;
- (k) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (l) perform such other duties as are required by this Order or by this Court from time to time.

29. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

30. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or

collectively, “**Possession**”) of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the “**Environmental Legislation**”), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

31. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicants and the DIP Lender with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

32. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

33. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, counsel to the Applicants, the Financial Advisor and counsel to the directors and officers shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, whether

incurred prior to or subsequent to the date of this Order, by the Applicants as part of the costs of these proceedings, and the Applicants are hereby authorized and directed to do so.

34. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

35. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, counsel to the Applicants, the Financial Advisor and counsel to the directors and officers, if any, shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Property, which charge shall not exceed an aggregate amount of USD \$500,000, as security for their professional fees and disbursements incurred at the standard rates and charges, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraph 42 hereof.

#### **DIP FINANCING**

36. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to obtain and borrow as contemplated under the Term Sheet attached as Exhibit J to the Lawson Affidavit (the “**DIP Term Sheet**”) between NAFA and Waygar Capital Inc. (the “**DIP Lender**”) (as may be amended, restated, supplemented and/or modified, subject to approval of this Court in respect of any amendment the Monitor determines to be material) in order to finance the Applicants’ working capital requirements and other general corporate purposes and capital expenditures all in accordance with the DIP Term Sheet, provided that borrowings under the DIP Term Sheet shall not exceed USD \$5,000,000 unless permitted by further Order of this Court (the “**DIP Facility**”).

37. **THIS COURT ORDERS** that the DIP Facility shall be on the terms and subject to the conditions set forth in the DIP Term Sheet and the Definitive Documents (as defined below).

38. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to execute and deliver the DIP Term Sheet and such mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the “**Definitive Documents**”), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and

directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

39. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Lender’s Charge**”) on the Property, which DIP Lender’s Charge shall not secure an obligation that exists before this Order is made. The DIP Lender’s Charge shall have the priority set out in paragraph 42 hereof.

40. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender’s Charge, the DIP Term Sheet or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the DIP Term Sheet, the Definitive Documents or the DIP Lender’s Charge, the DIP Lender may, subject to the provisions of the DIP Term Sheet with respect to the giving of notice or otherwise, and in accordance with the DIP Term Sheet, the Definitive Documents and the DIP Lender’s Charge, as applicable, may cease making advances to the Applicants, make demand, accelerate payment and give other notices; provided that the DIP Lender must apply to this Court on seven (7) days’ prior written notice to the Applicants and the Monitor to enforce against or exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the DIP Term Sheet, the Definitive Documents and the DIP Lender’s Charge, including without limitation, to set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the DIP Term Sheet, the Definitive Documents or the DIP Lender’s Charge, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and

- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

41. **THIS COURT ORDERS AND DECLARES** that the DIP Lender, the Agent and the Lenders shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicants under the CCAA, or any proposal filed by the Applicants under the *Bankruptcy and Insolvency Act* of Canada (the “BIA”), with respect to any advances made or any other amounts owing under the DIP Term Sheet and the Definitive Documents, and in the case of the Agent and the Lenders, the Syndicate Debt.

#### **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

42. **THIS COURT ORDERS** that the priorities of the KERP Charge, the Directors’ Charge, the Administration Charge and the DIP Lender’s Charge (collectively, the “Charges”), and the Syndicate Debt and the Syndicate Security, as among them, shall be as follows:

First – the DIP Lender’s Charge to the maximum amount forecast to be advanced in the Cash Flow Forecast as defined in the Pre-Filing Report;

Second – the Syndicate Debt and the Syndicate Security;

Third – the DIP Lender’s Charge for any amounts not forecast in the Cash Flow Forecast as defined in the Pre-Filing Report;

Fourth – Administration Charge to the maximum amount of USD \$500,000;

Fifth – the KERP Charge, to the maximum amount of USD \$150,000;

Sixth – the Directors’ Charge to the maximum amount of USD \$1,000,000;

43. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

44. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall, subject to paragraph 42, rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any Person.

45. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges or the Syndicate Security, unless the Applicants also obtain the prior written consent of the Monitor, the DIP Lender, the Agent and the other beneficiaries of the Charges, or further Order of this Court.

46. **THIS COURT ORDERS** that the Charges, the DIP Term Sheet, the Definitive Documents and the Syndicate Security shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “**Chargees**”) thereunder and the Agent and the Lenders shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Term Sheet or the Definitive Documents shall create or be deemed to constitute a breach by the Applicants of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the DIP Term Sheet, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

- (c) the payments made by the Applicants pursuant to this Order, the DIP Term Sheet or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

47. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

#### **SERVICE AND NOTICE**

48. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in The Globe and Mail (National Edition) and La Presse a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

49. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "Protocol") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website a) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL '●'.

50. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicants' creditors or other interested parties at their

respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

#### **SEALING OF CONFIDENTIAL EXHIBITS**

51. **THIS COURT ORDERS** that Confidential Exhibits A, B1, B2, C, D, E and F to the Lawson Affidavit and Schedules 9.1(15)(v), 9.1(15)(vi) and 9.1(17) at each of Exhibit A and Exhibit G to the Lawson Affidavit shall be and is hereby sealed, kept confidential and shall not form part of the public record pending further Order of this Court.

#### **GENERAL**

52. **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

53. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

#### **INTERNATIONAL RECOGNITION AND ENFORCEMENT**

54. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, Europe (including but not limited to the Republic of Poland and the Netherlands) or elsewhere to give effect to this Order and to assist the Applicants, the Monitor and their respective 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 Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

55. **THIS COURT ORDERS** that, provided that the Agent is advised in advance, each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada, including but not limited to acting as the foreign representative of the Applicants to apply to the United States Bankruptcy Court for relief pursuant to Chapter 15 of the *United States Bankruptcy Code*, 11 U.S.C. §§ 101-1515, as amended, and to act as foreign representative in respect of any such proceedings and any ancillary relief in respect thereto, and to take such other steps as may be authorized by the Court.

56. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

57. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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

ENTERED AT / INSCRIT À TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO:

OCT 31 2019

PER / PAR: *RW*

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

**INITIAL ORDER**

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Counsel for the Applicants

## APPENDIX “B”

**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

**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**

**I N D E X**

<b>Tab</b>	<b>Description</b>
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**

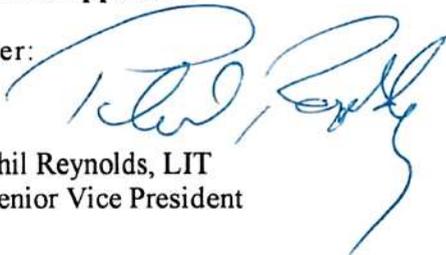
39. The Applicants seek approval of the Directors' Charge to a maximum of \$1.0 million.
40. The Proposed Monitor understands that the Applicants' directors and officers may be liable for approximately \$500,000 in respect of certain employee liabilities arising in Poland.
41. The Proposed Monitor also 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

**APPENDIX "A"**  
**CASH FLOW FORECAST**

North American Fur Auctions Inc.

Weekly Cash Flow Forecast - Consolidated for the period October 26, 2019 to December 13, 2019 (USD)	Forecast 1 1-Nov-19	Forecast 2 8-Nov-19	Forecast 3 15-Nov-19	Forecast 4 22-Nov-19	Forecast 5 29-Nov-19	Forecast 6 6-Dec-19	Forecast 7 13-Dec-19	Forecast Total
<b>Receipts</b>								
Buyer Receipts	268,071	268,071	268,071	268,071	268,071	293,670	293,670	1,927,697
HST Refund	177	-	-	-	54,285	-	-	54,462
SAGA LOI receipts	3,626,323	-	3,332,050	3,332,050	1,992,187	1,160,137	1,160,137	14,602,884
<b>Total Inflow</b>	<b>3,894,572</b>	<b>268,071</b>	<b>3,600,121</b>	<b>3,600,121</b>	<b>2,314,543</b>	<b>1,453,807</b>	<b>1,453,807</b>	<b>16,585,043</b>
<b>Disbursements</b>								
Kit loans - North America	1,266,048	115,005	588,579	758,000	517,166	207,527	207,527	3,659,852
Kit loans - Europe	504,497	805,528	529,632	576,179	692,596	720,867	720,867	4,550,167
Occupancy costs and long term financing	543,279	-	16,000	39,250	-	218,027	16,000	832,556
Employee costs	454,262	150,000	348,919	100,000	208,919	100,000	238,456	1,600,556
Collection, grading, warehousing costs	99,000	70,000	35,750	-	20,000	64,250	-	289,000
Professional fees	537,094	263,433	288,526	113,526	206,763	106,763	31,763	1,547,866
Insurance	266,000	519,369	-	-	-	-	-	785,369
GST / HST payments	54,285	-	-	-	100,000	-	-	154,285
Other administrative and operating costs	164,800	156,250	50,000	209,125	70,000	25,000	25,000	700,175
Sequestered funds release	-	-	-	-	-	-	-	-
Bank interest and refinancing costs	324,013	100,000	-	-	-	242,199	-	666,212
<b>Total Outflow</b>	<b>4,213,278</b>	<b>2,179,585</b>	<b>1,857,405</b>	<b>1,796,080</b>	<b>1,815,444</b>	<b>1,684,633</b>	<b>1,239,613</b>	<b>14,786,039</b>
<b>Net cash flow</b>	<b>(318,706)</b>	<b>(1,911,513)</b>	<b>1,742,716</b>	<b>1,804,041</b>	<b>499,099</b>	<b>(230,827)</b>	<b>214,194</b>	<b>1,799,004</b>
Opening bank cash balance - Tranche B	710,724	392,017	130,504	1,873,221	3,677,262	4,176,361	3,945,534	710,724
Cash receipts	3,894,572	268,071	3,600,121	3,600,121	2,314,543	1,453,807	1,453,807	16,585,043
Disbursements	(4,213,278)	(2,179,585)	(1,857,405)	(1,796,080)	(1,815,444)	(1,684,633)	(1,239,613)	(14,786,039)
Funds drawdown / (repayment)	-	1,650,000	-	-	-	-	-	1,650,000
<b>Closing bank cash balance - Tranche B</b>	<b>392,017</b>	<b>130,504</b>	<b>1,873,221</b>	<b>3,677,262</b>	<b>4,176,361</b>	<b>3,945,534</b>	<b>4,159,728</b>	<b>4,159,728</b>
<b>Tranche A Accounts</b>								
Opening balance	(1,965,156)	(1,965,156)	(1,965,156)	(1,965,156)	(1,965,156)	(1,965,156)	(1,965,156)	(1,965,156)
Cash receipts	-	-	-	-	-	-	-	-
Other inflow (outflow)	-	-	-	-	-	-	-	-
Term loan drawdown / (repayment) - Tranche A	-	-	-	-	-	-	-	-
<b>Closing bank balance - Tranche A</b>	<b>(1,965,156)</b>	<b>(1,965,156)</b>	<b>(1,965,156)</b>	<b>(1,965,156)</b>	<b>(1,965,156)</b>	<b>(1,965,156)</b>	<b>(1,965,156)</b>	<b>(1,965,156)</b>
<b>Term Loan Balance - Tranche A</b>								
Opening balance	(19,826,415)	(19,726,415)	(19,626,415)	(19,598,567)	(19,598,567)	(19,598,567)	(19,598,567)	(19,826,415)
Net (Incr.) Decrease in Buyer Receipts held in Segregated Account	100,000	100,000	27,848	-	-	-	-	227,848
Funds repayment (drawdown)	-	-	-	-	-	-	-	-
<b>Closing Term loan balance - Tranche A</b>	<b>(19,726,415)</b>	<b>(19,626,415)</b>	<b>(19,598,567)</b>	<b>(19,598,567)</b>	<b>(19,598,567)</b>	<b>(19,598,567)</b>	<b>(19,598,567)</b>	<b>(19,598,567)</b>
<b>Loan Balance</b>								
Term loan balance - Tranche A	(19,726,415)	(19,626,415)	(19,598,567)	(19,598,567)	(19,598,567)	(19,598,567)	(19,598,567)	(19,598,567)
Term loan balance - Tranche B	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)
DIP	-	(1,650,000)	(1,650,000)	(1,650,000)	(1,650,000)	(1,650,000)	(1,650,000)	(1,650,000)
Revolver balance	(1,965,156)	(1,965,156)	(1,965,156)	(1,965,156)	(1,965,156)	(1,965,156)	(1,965,156)	(1,965,156)
<b>Total Facilities balance</b>	<b>(29,691,572)</b>	<b>(31,241,572)</b>	<b>(31,213,724)</b>	<b>(31,213,724)</b>	<b>(31,213,724)</b>	<b>(31,213,724)</b>	<b>(31,213,724)</b>	<b>(31,213,724)</b>
<b>Total borrowing need (bank)</b>	<b>(29,299,554)</b>	<b>(31,111,067)</b>	<b>(29,340,503)</b>	<b>(27,536,462)</b>	<b>(27,037,363)</b>	<b>(27,268,190)</b>	<b>(27,053,996)</b>	<b>(27,053,996)</b>

To be read in conjunction with the accompanying notes to the cash flow forecast.

**North American Fur Auctions Inc.**  
**Explanatory Notes – Cash Flow Forecast to December 13, 2019**  
October 30, 2019

These notes and assumptions form an integral part of North American Fur Auctions Inc.'s ("**NAFA**" or the "**Company**") cash flow projections (the "**Cash Flow**") through December 13, 2019 (the "**Period**"), and should be read in conjunction with the Cash Flow. This represents management's best estimate of the Company's projected critical payments in the Period. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variances could be material.

All figures are presented in U.S. dollars. Receipts and disbursements denominated in Canadian dollars have been converted to U.S dollars using an exchange rate of CDN\$1.33 = USD\$1.00. Disbursements denominated in Euros have been converted to U.S dollars using an exchange rate of €1.13 = USD\$1.00

## Major Assumptions

### RECEIPTS

#### 1. Buyer receipts

Buyer receipts represent gross proceeds from pelt sales at auctions and are based on historic run rates and collection patterns. The Company does not ship pelts to buyers until they have received payment in full and reserve the right to resell the pelts by a certain date if payment is not received.

#### 2. SAGA LOI Receipts

The Company anticipates working with SAGA Furs, pursuant to a letter of intent signed on October 22, 2019 (the "**LOI**"), to transfer certain rancher's loan balances over to SAGA ("**Transferred Ranchers**"). Pursuant to the LOI, SAGA would immediately take over funding of any remaining kit loan for this season and provide payment to the Company of 100% of the current year kit loan balance, inclusive of accrued interest. For the non-Transferred Ranchers, the Company would receive a payment of the lesser of i) 85% of the average of the historical pelt sales pricing from the last two years; or ii) the current outstanding kit loan balance upon receipt of the pelts by SAGA. The Company anticipates receiving payment for the non-Transferred Rancher pelts over a five-month period from November 2019 to March 2020, consistent with historical collection of pelts.

#### 3. GST and HST Refunds

The forecast receipts represent collections from the CRA with respect to GST and HST. This is because the Company must pay duties to import many of its goods from Europe and the United States but is not required to collect HST on sales made to other jurisdictions, resulting in a refund.

### DISBURSEMENTS

#### 4. Kit Loans

These disbursements represent loans to be advanced for the upcoming (i.e. 2019/2020) harvest season to European and North American consignors. The loans have been made pursuant to loan agreements, with security being provided by the breeder (the security is typically limited to the animals but can include a charge on the farm property). The funds are used by the consignors to provide feed for the animals and for farm operations.

## **5. Occupancy Costs and Long Term Financing**

These projected disbursements represent mortgage, lease, utility, and maintenance payments for five properties in North American and one property in Europe.

## **6. Employee Costs**

These projected disbursements include payroll and benefit costs for all salaried and hourly employees in North America and in Europe. The forecast amounts are based on historic run rates. North American employees are paid bi-weekly and European employees are paid monthly. Payroll disbursements include all employee source deductions, employee and employer portions of withholdings, other payroll-related taxes, health benefits, and vacation pay related to terminated employees.

## **7. Collection, Grading, and Warehousing Costs**

These projected disbursements relate to the costs required to support the consignment of mink and prepare the pelts for processing. The forecast amounts are based on historic run rates and mink quantities held by each consignor.

## **8. Professional Fees**

These projected disbursements include payments to the Company's advisors (KPMG LLP and Blaney McMurty LLP), the Monitor and its counsel (Deloitte and Miller Thompson LLP), and to foreign counsel in Poland and Holland for the SAGA transaction, foreign operations, ongoing tax investigations in Holland, and other ongoing matters.

## **9. Insurance**

These projected disbursements include premium payments for the following policies:

- Directors and officers insurance;
- General, property, and liability insurance;
- Fur transit and storage insurance; and
- Live mink insurance.

## **10. GST and HST Payments**

The projected disbursements represent payments to the CRA with respect to GST and HST. This is because the Company must pay duties to import many of its goods from Europe and the United States.

## **11. Other Administration and Operating Costs**

The projected disbursements include payments for service related activities, office supplies, and general administrative expenses. Certain operating costs are anticipated to be reimbursed by SAGA, but the quantum is not know at this time.

## **12. Sequestered Funds Release**

The sequestered funds release relates to an intercompany transfer of funds that were previously in sequestration by the Dutch authorities regarding the tax investigation.

### **13. Bank Interest and Refinancing Costs**

Bank interest is calculated at 8.00%, 13.25% and 12.0% on the outstanding Tranche A facility, Tranche B facility, and DIP facility respectively. Refinancing costs are based on a 2.00% closing fee of the proposed \$5.0 million DIP available to the Company.

**APPENDIX "B"**  
**CONSENT OF DELOITTE**

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

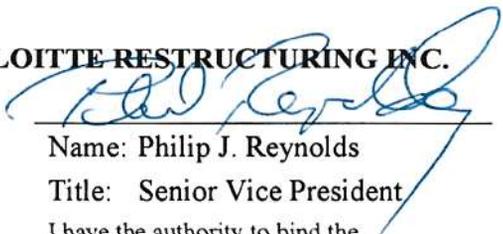
**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C 1985, c. C-36**

**CONSENT**

Deloitte Restructuring Inc. hereby consents to act as Court-appointed Monitor of the Applicants in these proceedings should such an Initial Order be granted by the Court.

Dated at Toronto this 31<sup>st</sup> day of October, 2019.

**DELOITTE RESTRUCTURING INC.**

Per: 

Name: Philip J. Reynolds

Title: Senior Vice President

I have the authority to bind the  
corporation

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

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

Proceeding commenced at Toronto

**MONITOR'S CONSENT**

**MILLER THOMSON LLP**  
Scotia Plaza, 40 King Street West, Suite 5800  
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Lawyers for Deloitte Restructuring Inc., proposed  
Monitor of the Applicants

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

Proceeding commenced at Toronto

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

**MILLER THOMSON LLP**  
Scotia Plaza, 40 King Street West, Suite 5800  
Toronto, ON Canada M5H 3S1

**Kyla Mahar (LSO#: 44182G)**  
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Lawyers for Deloitte Restructuring Inc., Proposed  
Monitor of the Applicants

## APPENDIX “C”

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE ) THURSDAY, THE 31<sup>ST</sup>  
 )  
MR. JUSTICE McEWEN ) DAY OF OCTOBER, 2019  
 )

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**”)

**AMENDED AND RESTATED INITIAL ORDER**

**THIS APPLICATION**, made by North American Fur Producers Inc., NAFA Properties Inc., 3306319 Nova Scotia Limited, North American Fur Auctions Inc. (“**NAFA**”), 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**”) pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the affidavit of Doug Lawson sworn October 30, 2019 and the Exhibits thereto (“**Lawson Affidavit**”), the Affidavit of Ariyana Botejue sworn October 30, 2019, the Pre-Filing Report of Deloitte Restructuring Inc. (“**Deloitte**”), in its capacity as monitor for the Applicants (in such capacity, “**Monitor**”) (the “**Pre-Filing Report**”), the First Report of the

Monitor dated November 7, 2019 (the “**First Report**”) and on hearing the submissions of counsel for the Applicants, counsel to the Monitor, counsel to the Canadian Imperial Bank of Commerce, as agent (in such capacity, the “**Agent**”) for the lenders (the “**Lenders**”) to the Fourth and Restated Credit Agreement dated as of September 27, 2019 (as may be amended or amended and restated, the “**Credit Agreement**”) from time to time, and all other counsel listed on the counsel slip, 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, October 31, 2019, and on reading the consent of Deloitte to act as the Monitor,

## **SERVICE**

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

## **APPLICATION**

2. **THIS COURT ORDERS AND DECLARES** that each of the Applicants is a company to which the CCAA applies.

## **PLAN OF ARRANGEMENT**

3. **THIS COURT ORDERS** that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the “**Plan**”), provided that no Plan shall compromise any indebtedness or obligations owing by any of the Applicants to the Agent and/or the Lenders (the “**Syndicate Debt**”) or any encumbrance or security interest securing the Syndicate Debt (the “**Syndicate Security**”).

## **POSSESSION OF PROPERTY AND OPERATIONS**

4. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof, but excluding cash collateral held by the Agent in respect of the Visa Credit (as defined in the Credit Agreement) (the “**Property**”).

Subject to further Order of this Court or as otherwise directed by this Order, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the “**Business**”) and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, independent contractors, advisors, consultants, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by them, with liberty, subject to the terms of the Definitive Documents (as defined herein) to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that the Applicants shall be entitled to continue to utilize the central cash management system currently in place or, with the consent of the Monitor, the DIP Lender (as defined herein) and the Agent replace it with another substantially similar central cash management system (the “**Cash Management System**”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. **THIS COURT ORDERS** that the Applicants, subject to availability under and in accordance with the terms of the DIP Term Sheet (as defined herein) and the Definitive Documents, shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order to the extent that such expenses are incurred and payable by the Applicants:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies

and arrangements, and all other payroll, pension and benefits processing and servicing expenses;

- (b) all future amounts owing to Persons working as independent contractors in connection with the Business; and
- (c) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein and subject to the terms of the DIP Term Sheet and the Definitive Documents, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order and any other Order of this Court, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance, and security services, but not expenses in connection with any environmental remediation; and
- (b) payment for goods or services actually supplied to the Applicants following the date of this Order.

8. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior

to the date of this Order but not required to be remitted until on or after the date of this Order; and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business, workers' compensation or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

9. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date other than amounts due and owing to the Lenders; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

10. **THIS COURT ORDERS** that the Applicants are hereby authorized and directed to repay the Syndicate Debt from the Distributable Funds (as defined in the First Report) on a weekly basis.

11. **THIS COURT ORDERS** that the Applicants are hereby authorized and directed, until further Order of this Court, to grant any encumbrance or security interest in connection with the Credit Agreement and to execute and deliver any document or instrument in furtherance thereof.

## **RESTRUCTURING**

12. **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the DIP Term Sheet and the Definitive Documents, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their business or operations, and to sell, convey, transfer, lease assign or dispose of any Property outside of the ordinary course of business, with the approval of the Monitor, provided that the consideration for any one such transaction does not exceed \$50,000, and that

- the aggregate consideration for all such transactions does not exceed \$250,000, except that such amounts shall not include amounts with respect to the sale, transfer, assignment or other disposition of any Kit Loans and Pelts, including but not limited to the SAGA Furs Transaction (as those terms are defined in the Lawson Affidavit), in accordance with paragraph 12(c);
- (b) subject to the requirements of the CCAA and paragraphs 14 to 16 herein, with the consent of the Agent, vacate, abandon or quit the whole (but not part of) and may permanently (but not temporarily) cease, downsize or shut down any of their Business or operations in respect of any leased premises;
  - (c) continue to sell Kit Loans and Pelts (as defined in the Lawson Affidavit) in accordance with the SAGA Furs Transaction, with the approval of the Monitor, Agent and DIP Lender;
  - (d) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
  - (e) pursue all avenues of refinancing, restructuring, selling and reorganizing their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing, restructuring, sale or reorganization that is not otherwise subject to paragraphs 12(a) or 12(c),

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Applicants or their Business (the “**Restructuring**”).

13. **THIS COURT ORDERS** that the Applicants are hereby authorized and directed to list and offer for sale the real property owned by the Applicants and their foreign subsidiaries in Poland and the United States of America and the lease in respect of the Head Office (as defined in the Lawson Affidavit) as soon as practicable and that such sale shall be conducted in accordance with paragraph 12(e).

## **REAL PROPERTY LEASES**

14. **THIS COURT ORDERS** that until a real property lease is disclaimed or resiliated in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time (“**Rent**”), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

15. **THIS COURT ORDERS** that the Applicants shall provide each of the relevant landlords with notice of their intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the entitlement of the Applicants to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, or by further Order of this Court upon application by the Applicants on at least two (2) days notice to such landlord and any such secured creditors. If the Applicants disclaim or resiliate the lease governing such leased premises in accordance with Section 32 of the CCAA, they shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer or resiliation of the lease shall be without prejudice to the Applicants’ claim(s) to the fixtures in dispute.

16. **THIS COURT ORDERS** that if a notice of disclaimer or resiliation is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer or resiliation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicants in respect

of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

## **NO PROCEEDINGS AGAINST THE APPLICANTS, THE BUSINESS OR THE PROPERTY**

17. **THIS COURT ORDERS** that until and including November 29, 2019, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, other than Proceedings by the Agent, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court. To the extent the Agent commences any Proceedings against any of the Applicants, it will provide the Applicants and the Monitor with not less than three (3) days’ notice.

## **NO EXERCISE OF RIGHTS OR REMEDIES**

18. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”), other than the Agent, against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien. To the extent the Agent wants to enforce any of its rights or remedies against the Applicants, their Business or Property, it will provide the Applicants and the Monitor with not less than three (3) days’ notice.

## **NO INTERFERENCE WITH RIGHTS**

19. **THIS COURT ORDERS** that during the Stay Period, no Person, other than the Agent, shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court. Without limiting the foregoing, no right, option, remedy, and/or exemption in favour of the Applicants shall be or shall be deemed to be negated, suspended, waived and/or terminated as a result of this Order.

## **CONTINUATION OF SERVICES**

20. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll and benefit services, insurance, transportation services, utility, customs clearing, warehouse and logistics services or other services to the Business or the Applicants, are hereby restrained until further Order of this Court from failing to renew on commercially reasonable terms, discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

## **NON-DEROGATION OF RIGHTS**

21. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-

advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

#### **KEY EMPLOYEE RETENTION PLAN**

22. **THIS COURT ORDERS** that the Key Employee Retention Plan (“**KERP**”) as described in the Lawson Affidavit is hereby approved and the Applicants are authorized, in consultation with the Monitor, to make payments contemplated thereunder in accordance with the terms and conditions of the KERP.

23. **THIS COURT ORDERS** that the key employees referred to in the KERP (the “**Key Employees**”) shall be entitled to the benefit of and are hereby granted a charge on the Property, which shall not exceed an aggregate amount of USD \$150,000.00 (“**KERP Charge**”) to secure the amounts payable to the Key Employees under the KERP. The KERP Charge shall have the priority set out in paragraph 44 hereof.

#### **APPROVAL OF FINANCIAL ADVISOR AGREEMENT**

24. **THIS COURT ORDERS** that the ongoing engagement of KPMG Inc. and KPMG Corporate Finance (collectively, the “**Financial Advisor**”) as financial advisor to the Applicants under the terms under which they have operated to date is hereby ratified and approved and the Applicants are authorized and directed *nunc pro tunc* to make payments contemplated thereunder and in consultation with the Monitor and the approval of the Court.

#### **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

25. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed and is sanctioned by this Court or is refused by the creditors of the Applicants or this Court, other than Proceedings by the Agent on not less than three (3) days’ notice.

## **DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

26. **THIS COURT ORDERS** that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

27. **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the “**Directors’ Charge**”) on the Property, which charge shall not exceed an aggregate amount of USD \$1,000,000, as security for the indemnity provided in paragraph 26 of this Order. The Directors’ Charge shall have the priority set out in paragraph 44 herein.

28. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants’ directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 26 of this Order.

## **APPOINTMENT OF MONITOR**

29. **THIS COURT ORDERS** that Deloitte is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

30. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements, and shall provide to the Agent and the DIP Lender a weekly variance analysis against the current cash flow forecasts filed with the Court and, in the event the Monitor becomes aware of a negative variance of greater than 15% in the Applicants' disbursements in any week, the Monitor shall promptly advise the Agent of any such variance;
- (b) liaise with the Applicants and the Assistants with respect to all matters relating to the Property, the Business, the Restructuring and such other matters as may be relevant to the proceedings herein;
- (c) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, the Restructuring and such other matters as may be relevant to the proceedings herein;
- (d) assist the Applicants, to the extent required by the Applicants, in their dissemination, to the DIP Lender and the Agent, and their respective counsel and advisors, of financial and other information as agreed to between the Applicants, the Agent and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the Agent and the DIP Lender;
- (e) advise the Applicants in its preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, the DIP Term Sheet and by the Definitive Documents, which information shall be reviewed with the Monitor and the Agent, and delivered to the DIP Lender, its counsel and financial advisor on a periodic basis or as otherwise agreed to by the DIP Lender and the Agent;
- (f) participate in all correspondence and meetings between the Applicants and potential purchasers of the Property;
- (g) consult with the Agent in respect of potential purchases of the Property;
- (h) advise the Applicants in their development of the Plan and any amendments to the Plan;

- (i) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (j) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' Business and financial affairs or to perform its duties arising under this Order;
- (k) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (l) perform such other duties as are required by this Order or by this Court from time to time.

31. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

32. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of

any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

33. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicants and the DIP Lender with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

34. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

35. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, counsel to the Applicants, the Financial Advisor, counsel to the directors and officers (up to a maximum amount of CAD \$100,000 unless otherwise ordered by the Court), counsel to the Agent and the financial advisor to the Agent's counsel shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, whether incurred prior to or subsequent to the date of this Order, by the Applicants as part of the costs of these proceedings, and the Applicants are hereby authorized and directed to do so.

36. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

37. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, counsel to the Applicants, the Financial Advisor, counsel to the directors and officers, if any, counsel to the Agent and the financial advisor to the Agent's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not

exceed an aggregate amount of USD \$700,000, as security for their professional fees and disbursements incurred at the standard rates and charges, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraph 44 hereof.

## **DIP FINANCING**

38. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to obtain and borrow as contemplated under the Term Sheet attached as Exhibit J to the Lawson Affidavit (the “**DIP Term Sheet**”) between NAFA and Waygar Capital Inc. (the “**DIP Lender**”) (as may be amended, restated, supplemented and/or modified, subject to approval of this Court in respect of any amendment the Monitor determines to be material) in order to finance the Applicants’ working capital requirements and other general corporate purposes and capital expenditures all in accordance with the DIP Term Sheet, provided that borrowings under the DIP Term Sheet shall not exceed USD \$5,000,000 unless permitted by further Order of this Court (the “**DIP Facility**”).

39. **THIS COURT ORDERS** that the DIP Facility shall be on the terms and subject to the conditions set forth in the DIP Term Sheet and the Definitive Documents (as defined below).

40. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to execute and deliver the DIP Term Sheet and such mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the “**Definitive Documents**”), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

41. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Lender’s Charge**”) on the Property, which DIP Lender’s Charge shall not secure an obligation that exists before this Order is made. The DIP Lender’s Charge shall have the priority set out in paragraph 44 hereof.

42. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge, the DIP Term Sheet or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the DIP Term Sheet, the Definitive Documents or the DIP Lender's Charge, the DIP Lender may, subject to the provisions of the DIP Term Sheet with respect to the giving of notice or otherwise, and in accordance with the DIP Term Sheet, the Definitive Documents and the DIP Lender's Charge, as applicable, may cease making advances to the Applicants, make demand, accelerate payment and give other notices; provided that the DIP Lender must apply to this Court on seven (7) days' prior written notice to the Applicants and the Monitor to enforce against or exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the DIP Term Sheet, the Definitive Documents and the DIP Lender's Charge, including without limitation, to set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the DIP Term Sheet, the Definitive Documents or the DIP Lender's Charge, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

43. **THIS COURT ORDERS AND DECLARES** that the DIP Lender, the Agent and the Lenders shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicants under the CCAA, or any proposal filed by the Applicants under the *Bankruptcy and Insolvency Act* of Canada (the "**BIA**"), with respect to any advances made or any other amounts owing under the DIP Term Sheet and the Definitive Documents, and in the case of the Agent and the Lenders, the Syndicate Debt.

## **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

44. **THIS COURT ORDERS** that the priorities of the KERP Charge, the Directors' Charge, the Administration Charge and the DIP Lender's Charge (collectively, the "**Charges**"), and the Syndicate Debt and the Syndicate Security, as among them, shall be as follows:

First – the DIP Lender's Charge to the maximum amount of USD \$5,000,000;

Second – the Administration Charge to the maximum amount of USD \$500,000;

Third – the KERP Charge, to the maximum amount of USD \$150,000;

Fourth – the Syndicate Debt and the Syndicate Security;

Fifth – the Administration Charge to the maximum amount of USD \$200,000; and

Sixth – the Directors' Charge to the maximum amount of USD \$1,000,000.

45. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

46. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall, subject to paragraph 44, rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

47. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges or the Syndicate Security, unless the Applicants also obtain the prior written consent of the Monitor, the DIP Lender, the Agent and the other beneficiaries of the Charges, or further Order of this Court.

48. **THIS COURT ORDERS** that the Charges, the DIP Term Sheet, the Definitive Documents and the Syndicate Security shall not be rendered invalid or unenforceable and the

rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “Chargees”) thereunder and the Agent and the Lenders shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “Agreement”) which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Term Sheet or the Definitive Documents shall create or be deemed to constitute a breach by the Applicants of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the DIP Term Sheet, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Applicants pursuant to this Order, the DIP Term Sheet or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

49. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants’ interest in such real property leases.

#### **SERVICE AND NOTICE**

50. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in The Globe and Mail (National Edition) and La Presse a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly

available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

51. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website a) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL ‘<http://www.insolvencies.deloitte.ca/en-ca/NAFA>’.

52. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicants’ creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

53. **THIS COURT ORDERS** that the Applicants, the Monitor and their respective counsel are at liberty to serve or distribute this Order, any other materials and Orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicants’ creditors or other interested parties and their advisors. For greater certainty, any such distributions or service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within

the meaning of clause 3(c) of the Electronic Commerce Protection Regulations, Reg. 81000-2-175 (SOR/DORS).

### **SEALING OF CONFIDENTIAL EXHIBITS AND APPENDIX**

54. **THIS COURT ORDERS** that Confidential Exhibits A, B1, B2, C, D, E and F to the Lawson Affidavit and Schedules 9.1(15)(v), 9.1(15)(vi) and 9.1(17) at each of Exhibit A and Exhibit G to the Lawson Affidavit and the Confidential Appendix 1 to the First Report shall be and are hereby sealed, kept confidential and shall not form part of the public record pending further Order of this Court.

### **GENERAL**

55. **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

56. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

### **INTERNATIONAL RECOGNITION AND ENFORCEMENT**

57. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, Europe (including but not limited to the Republic of Poland and the Netherlands) or elsewhere to give effect to this Order and to assist the Applicants, the Monitor and their respective 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 Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

58. **THIS COURT ORDERS** that, provided that the Agent is advised in advance, each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to

any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada, including but not limited to acting as the foreign representative of the Applicants to apply to the United States Bankruptcy Court for relief pursuant to Chapter 15 of the *United States Bankruptcy Code*, 11 U.S.C. §§ 101-1515, as amended, and to act as foreign representative in respect of any such proceedings and any ancillary relief in respect thereto, and to take such other steps as may be authorized by the Court.

59. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

60. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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

Proceeding commenced at [Toronto](#)

**AMENDED AND RESTATED INITIAL ORDER**

**MILLER THOMSON LLP**

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Lawyers for Deloitte Restructuring Inc., Monitor of the Applicants

## APPENDIX “D”

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE ) THURSDAY, THE 31<sup>ST</sup>  
 )  
MR. JUSTICE McEWEN ) DAY OF OCTOBER, 2019  
 )

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**”)

**AMENDED AND RESTATED INITIAL ORDER**

**THIS APPLICATION**, made by North American Fur Producers Inc., NAFA Properties Inc., 3306319 Nova Scotia Limited, North American Fur Auctions Inc. (“**NAFA**”), 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**”) pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the affidavit of Doug Lawson sworn October 30, 2019 and the Exhibits thereto (“**Lawson Affidavit**”), the [Affidavit of Ariyana Botejue sworn October 30, 2019, the Pre-Filing Report of Deloitte Restructuring Inc.](#) (“**Deloitte**”), in its capacity as monitor for the Applicants (in such capacity, “**Monitor**”) (the “**Pre-Filing Report**”), [the First Report of the](#)

[Monitor dated November 7, 2019 \(the “First Report”\)](#) and on hearing the submissions of counsel for the Applicants, counsel to the Monitor, counsel to the Canadian Imperial Bank of Commerce, as agent (in such capacity, the “Agent”) for the lenders-party (the “Lenders”) to the Fourth and Restated Credit Agreement dated as of September 27, 2019 (as may be amended or amended and restated, the “Credit Agreement”) from time to time, and all other counsel listed on the counsel slip, 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, October 31, 2019, and on reading the consent of Deloitte to act as the Monitor,

## **SERVICE**

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

## **APPLICATION**

2. **THIS COURT ORDERS AND DECLARES** that each of the Applicants is a company to which the CCAA applies.

## **PLAN OF ARRANGEMENT**

3. **THIS COURT ORDERS** that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the “Plan”), provided that no Plan shall compromise any indebtedness or obligations owing by any of the Applicants to the Agent and/or the Lenders (the “Syndicate Debt”) or any encumbrance or security interest ~~security~~[securing](#) the Syndicate Debt (the “Syndicate Security”).

## **POSSESSION OF PROPERTY AND OPERATIONS**

4. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof, but excluding cash collateral held by the Agent in respect of the Visa Credit (as defined in the Credit Agreement) (the “Property”).

Subject to further Order of this Court or as otherwise directed by this Order, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the “**Business**”) and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, independent contractors, advisors, consultants, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by them, with liberty, subject to the terms of the Definitive Documents (as defined herein) to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that the Applicants shall be entitled to continue to utilize the central cash management system currently in place or, with the consent of the Monitor, the DIP Lender (as defined herein) and the Agent replace it with another substantially similar central cash management system (the “**Cash Management System**”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. **THIS COURT ORDERS** that the Applicants, subject to availability under and in accordance with the terms of the DIP Term Sheet (as defined herein) and the Definitive Documents, shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order to the extent that such expenses are incurred and payable by the Applicants:

- (a) all outstanding and future wages, salaries, employee and pension benefits, ~~and~~ vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation

policies and arrangements, and all other payroll, pension and benefits processing and servicing expenses;

- (b) all future amounts owing to Persons working as independent contractors in connection with the Business; and
- (c) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein and subject to the terms of the DIP Term Sheet and the Definitive Documents, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order and any other Order of this Court, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance, and security services, but not expenses in connection with any environmental remediation; and
- (b) payment for goods or services actually supplied to the Applicants following the date of this Order.

8. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior

to the date of this Order but not required to be remitted until on or after the date of this Order; and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business, workers' compensation or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

9. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date other than ~~interest~~ amounts due and owing to the Lenders; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

10. **THIS COURT ORDERS** that the Applicants are hereby authorized and directed to repay the Syndicate Debt from the Distributable Funds (as defined in the First Report) on a weekly basis.

11. ~~10.~~ **THIS COURT ORDERS** that the Applicants are hereby authorized and directed, until further Order of this Court, to grant any encumbrance or security interest in connection with the Credit Agreement and to execute and deliver any document or instrument in furtherance thereof.

## **RESTRUCTURING**

12. ~~11.~~ **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the DIP Term Sheet and the Definitive Documents, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their business or operations, and to sell, convey, transfer, lease assign or dispose of any Property outside of the ordinary course of business, with the approval of the Monitor, provided

that the consideration for any one such transaction does not exceed \$50,000, and that the aggregate consideration for all such transactions does not exceed \$250,000, except that such amounts shall not include amounts with respect to the sale, transfer, assignment or other disposition of any Kit Loans and Pelts, including but not limited to the SAGA Furs Transaction (as those terms are defined in the Lawson Affidavit), in accordance with paragraph ~~12~~12(c);

- (b) subject to the requirements of the CCAA and paragraphs ~~12~~14 to ~~14~~16 herein, with the consent of the Agent, vacate, abandon or quit the whole (but not part of) and may permanently (but not temporarily) cease, downsize or shut down any of their Business or operations in respect of any leased premises;
- (c) continue to sell Kit Loans and Pelts (as defined in the Lawson Affidavit) in accordance with the SAGA Furs Transaction, with the approval of the Monitor, Agent and DIP Lender;
- (d) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
- (e) pursue all avenues of refinancing, restructuring, selling and reorganizing their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing, restructuring, sale or reorganization that is not otherwise subject to paragraphs ~~12~~12(a) or ~~12~~12(c),

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Applicants or their Business (the “**Restructuring**”).

13. THIS COURT ORDERS that the Applicants are hereby authorized and directed to list and offer for sale the real property owned by the Applicants and their foreign subsidiaries in Poland and the United States of America and the lease in respect of the Head Office (as defined in the Lawson Affidavit) as soon as practicable and that such sale shall be conducted in accordance with paragraph 12(e).

## REAL PROPERTY LEASES

14. ~~12.~~ **THIS COURT ORDERS** that until a real property lease is disclaimed or resiliated in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time (“**Rent**”), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

15. ~~13.~~ **THIS COURT ORDERS** that the Applicants shall provide each of the relevant landlords with notice of their intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the entitlement of the Applicants to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, or by further Order of this Court upon application by the Applicants on at least two (2) days notice to such landlord and any such secured creditors. If the Applicants disclaim or resiliate the lease governing such leased premises in accordance with Section 32 of the CCAA, they shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer or resiliation of the lease shall be without prejudice to the Applicants’ claim(s) to the fixtures in dispute.

16. ~~14.~~ **THIS COURT ORDERS** that if a notice of disclaimer or resiliation is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer or resiliation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to

any claims or rights such landlord may have against the Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

## **NO PROCEEDINGS AGAINST THE APPLICANTS, THE BUSINESS OR THE PROPERTY**

17. ~~15.~~ **THIS COURT ORDERS** that until and including November 29, 2019, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, other than Proceedings by the Agent, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court. To the extent the Agent commences any Proceedings against any of the Applicants, it will provide the Applicants and the Monitor with not less than three (3) days’ notice.

## **NO EXERCISE OF RIGHTS OR REMEDIES**

18. ~~16.~~ **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”), other than the Agent, against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien. To the extent the Agent wants to enforce any of its rights or remedies against the Applicants, their Business or Property, it will provide the Applicants and the Monitor with not less than three (3) days’ notice.

## **NO INTERFERENCE WITH RIGHTS**

19. ~~17.~~ **THIS COURT ORDERS** that during the Stay Period, no Person, other than the Agent, shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court. Without limiting the foregoing, no right, option, remedy, and/or exemption in favour of the Applicants shall be or shall be deemed to be negated, suspended, waived and/or terminated as a result of this Order.

## **CONTINUATION OF SERVICES**

20. ~~18.~~ **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll and benefit services, insurance, transportation services, utility, customs clearing, warehouse and logistics services or other services to the Business or the Applicants, are hereby restrained until further Order of this Court from failing to renew on commercially reasonable terms, discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

## **NON-DEROGATION OF RIGHTS**

21. ~~19.~~ **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or

re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

### **KEY EMPLOYEE RETENTION PLAN**

22. ~~20.~~ **THIS COURT ORDERS** that the Key Employee Retention Plan (“**KERP**”) as described in the Lawson Affidavit is hereby approved and the Applicants are authorized, in consultation with the Monitor, to make payments contemplated thereunder in accordance with the terms and conditions of the KERP.

23. ~~21.~~ **THIS COURT ORDERS** that the key employees referred to in the KERP (the “**Key Employees**”) shall be entitled to the benefit of and are hereby granted a charge on the Property, which shall not exceed an aggregate amount of USD \$150,000.00 (“**KERP Charge**”) to secure the amounts payable to the Key Employees under the KERP. The KERP Charge shall have the priority set out in paragraph ~~42~~44 hereof.

### **APPROVAL OF FINANCIAL ADVISOR AGREEMENT**

24. ~~22.~~ **THIS COURT ORDERS** that the ongoing engagement of KPMG Inc. and KPMG Corporate Finance (collectively, the “**Financial Advisor**”) as financial advisor to the Applicants under the terms under which they have operated to date is hereby ratified and approved and the Applicants are authorized and directed *nunc pro tunc* to make payments contemplated thereunder and in consultation with the Monitor and the approval of the Court.

### **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

25. ~~23.~~ **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed and is sanctioned by this Court or is refused by the creditors of the Applicants or this Court, other than Proceedings by the Agent on not less than three (3) days’ notice.

## DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

26. ~~24.~~ **THIS COURT ORDERS** that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

27. ~~25.~~ **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the “**Directors’ Charge**”) on the Property, which charge shall not exceed an aggregate amount of USD \$1,000,000, as security for the indemnity provided in paragraph ~~24~~26 of this Order. The Directors’ Charge shall have the priority set out in paragraph ~~42~~44 herein.

28. ~~26.~~ **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants’ directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph ~~24~~26 of this Order.

## APPOINTMENT OF MONITOR

29. ~~27.~~ **THIS COURT ORDERS** that Deloitte is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

30. ~~28.~~ **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements, and shall provide to the Agent and the DIP Lender a weekly variance analysis against the current cash flow forecasts filed with the Court and, in the event the Monitor becomes aware of a negative variance of greater than 15% in the Applicants' disbursements in any week, the Monitor shall promptly advise the Agent of any such variance;
- (b) liaise with the Applicants and the Assistants with respect to all matters relating to the Property, the Business, the Restructuring and such other matters as may be relevant to the proceedings herein;
- (c) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, the Restructuring and such other matters as may be relevant to the proceedings herein;
- (d) assist the Applicants, to the extent required by the Applicants, in their dissemination, to the DIP Lender and the Agent, and their respective counsel and advisors, of financial and other information as agreed to between the Applicants, the Agent and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the Agent and the DIP Lender;
- (e) advise the Applicants in its preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, the DIP Term Sheet and by the Definitive Documents, which information shall be reviewed with the Monitor and the Agent, and delivered to the DIP Lender, its counsel and financial advisor on a periodic basis or as otherwise agreed to by the DIP Lender and the Agent;
- (f) participate in all correspondence and meetings between the Applicants and potential purchasers of the Property;
- (g) consult with the Agent in respect of potential purchases of the Property;
- (h) advise the Applicants in their development of the Plan and any amendments to the Plan;

- (i) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (j) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' Business and financial affairs or to perform its duties arising under this Order;
- (k) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (l) perform such other duties as are required by this Order or by this Court from time to time.

31. ~~29.~~ **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

32. ~~30.~~ **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

33. ~~31.~~ **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicants and the DIP Lender with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

34. ~~32.~~ **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

35. ~~33.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, counsel to the Applicants, the Financial Advisor ~~and~~, counsel to the directors and officers (up to a maximum amount of CAD \$100,000 unless otherwise ordered by the Court), counsel to the Agent and the financial advisor to the Agent's counsel shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, whether incurred prior to or subsequent to the date of this Order, by the Applicants as part of the costs of these proceedings, and the Applicants are hereby authorized and directed to do so.

36. ~~34.~~ **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

37. ~~35.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, counsel to the Applicants, the Financial Advisor ~~and~~, counsel to the directors and officers, if any, counsel to the Agent and the financial advisor to the Agent's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of USD \$~~500,000~~, 700,000, as security for their professional fees and disbursements incurred at the standard rates and charges, both before and after the making of

this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraph [4244](#) hereof.

## **DIP FINANCING**

[38.](#) ~~36.~~ **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to obtain and borrow as contemplated under the Term Sheet attached as Exhibit J to the Lawson Affidavit (the “**DIP Term Sheet**”) between NAFA and Waygar Capital Inc. (the “**DIP Lender**”) (as may be amended, restated, supplemented and/or modified, subject to approval of this Court in respect of any amendment the Monitor determines to be material) in order to finance the Applicants’ working capital requirements and other general corporate purposes and capital expenditures all in accordance with the DIP Term Sheet, provided that borrowings under the DIP Term Sheet shall not exceed USD \$5,000,000 unless permitted by further Order of this Court (the “**DIP Facility**”).

[39.](#) ~~37.~~ **THIS COURT ORDERS** that the DIP Facility shall be on the terms and subject to the conditions set forth in the DIP Term Sheet and the Definitive Documents (as defined below).

[40.](#) ~~38.~~ **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to execute and deliver the DIP Term Sheet and such mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the “**Definitive Documents**”), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

[41.](#) ~~39.~~ **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Lender’s Charge**”) on the Property, which DIP Lender’s Charge shall not secure an obligation that exists before this Order is made. The DIP Lender’s Charge shall have the priority set out in paragraph [4244](#) hereof.

[42.](#) ~~40.~~ **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge, the DIP Term Sheet or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the DIP Term Sheet, the Definitive Documents or the DIP Lender's Charge, the DIP Lender may, subject to the provisions of the DIP Term Sheet with respect to the giving of notice or otherwise, and in accordance with the DIP Term Sheet, the Definitive Documents and the DIP Lender's Charge, as applicable, may cease making advances to the Applicants, make demand, accelerate payment and give other notices; provided that the DIP Lender must apply to this Court on seven (7) days' prior written notice to the Applicants and the Monitor to enforce against or exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the DIP Term Sheet, the Definitive Documents and the DIP Lender's Charge, including without limitation, to set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the DIP Term Sheet, the Definitive Documents or the DIP Lender's Charge, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

43. ~~41.~~ **THIS COURT ORDERS AND DECLARES** that the DIP Lender, the Agent and the Lenders shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicants under the CCAA, or any proposal filed by the Applicants under the *Bankruptcy and Insolvency Act* of Canada (the "**BIA**"), with respect to any advances made or any other amounts owing under the DIP Term Sheet and the Definitive Documents, and in the case of the Agent and the Lenders, the Syndicate Debt.

## VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

44. ~~42.~~ **THIS COURT ORDERS** that the priorities of the KERP Charge, the Directors' Charge, the Administration Charge and the DIP Lender's Charge (collectively, the "Charges"), and the Syndicate Debt and the Syndicate Security, as among them, shall be as follows:

First – the DIP Lender's Charge to the maximum amount ~~forecast to be advanced in the Cash Flow Forecast as defined in the Pre-Filing Report;~~ of USD \$5,000,000;

Second – the ~~Syndicate Debt and the Syndicate Security;~~

~~Third – the DIP Lender's Charge for any amounts not forecast in the Cash Flow Forecast as defined in the Pre-Filing Report;~~ ~~Fourth –~~ Administration Charge to the maximum amount of USD \$500,000;

~~Fifth~~ Third – the KERP Charge, to the maximum amount of USD \$150,000;

~~Fourth – the~~ Syndicate Debt and the Syndicate Security;

~~Fifth – the~~ Administration Charge to the maximum amount of USD \$200,000; and

Sixth – the Directors' Charge to the maximum amount of USD ~~\$1,000,000;~~ 1,000,000.

45. ~~43.~~ **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

46. ~~44.~~ **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall, subject to paragraph ~~42,~~ 44, rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person.

47. ~~45.~~ **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges or the Syndicate Security, unless the Applicants also obtain the prior written consent of the Monitor, the DIP Lender, the Agent and the other beneficiaries of the Charges, or further Order of this Court.

48. ~~46.~~ **THIS COURT ORDERS** that the Charges, the DIP Term Sheet, the Definitive Documents and the Syndicate Security shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “**Chargees**”) thereunder and the Agent and the Lenders shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Term Sheet or the Definitive Documents shall create or be deemed to constitute a breach by the Applicants of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the DIP Term Sheet, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Applicants pursuant to this Order, the DIP Term Sheet or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

49. ~~47.~~ **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

## **SERVICE AND NOTICE**

50. ~~48.~~ **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in The Globe and Mail (National Edition) and La Presse a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

51. ~~49.~~ **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website a) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL '<http://www.insolvencies.deloitte.ca/en-ca/NAFA>'.

52. ~~50.~~ **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

53. **THIS COURT ORDERS** that the Applicants, the Monitor and their respective counsel are at liberty to serve or distribute this Order, any other materials and Orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicants' creditors or other interested parties and their advisors. For greater certainty, any such distributions or service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within the meaning of clause 3(c) of the Electronic Commerce Protection Regulations, Reg. 81000-2-175 (SOR/DORS).

#### **SEALING OF CONFIDENTIAL EXHIBITS AND APPENDIX**

54. ~~51. THIS COURT ORDERS~~ **THIS COURT ORDERS** that Confidential Exhibits A, B1, B2, C, D, E and F to the Lawson Affidavit and Schedules 9.1(15)(v), 9.1(15)(vi) and 9.1(17) at each of Exhibit A and Exhibit G to the Lawson Affidavit and the Confidential Appendix 1 to the First Report shall be and ~~is~~ are hereby sealed, kept confidential and shall not form part of the public record pending further Order of this Court.

#### **GENERAL**

55. ~~52. THIS COURT ORDERS~~ that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

56. ~~53. THIS COURT ORDERS~~ that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

#### **INTERNATIONAL RECOGNITION AND ENFORCEMENT**

57. ~~54. THIS COURT HEREBY REQUESTS~~ the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, Europe (including but not limited to the Republic of Poland and the Netherlands) or elsewhere to give effect to this Order and to assist the Applicants, the Monitor and their respective 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 Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to

give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

58. ~~55.~~ **THIS COURT ORDERS** that, provided that the Agent is advised in advance, each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada, including but not limited to acting as the foreign representative of the Applicants to apply to the United States Bankruptcy Court for relief pursuant to Chapter 15 of the *United States Bankruptcy Code*, 11 U.S.C. §§ 101-1515, as amended, and to act as foreign representative in respect of any such proceedings and any ancillary relief in respect thereto, and to take such other steps as may be authorized by the Court.

59. ~~56.~~ **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

60. ~~57.~~ **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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Document comparison by Workshare 9.5 on Thursday, November 7, 2019  
6:08:28 PM

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Rendering set	Standard

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	Count
Insertions	91
Deletions	74
Moved from	1
Moved to	1
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Format changed	0

Total changes	167
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CONFIDENTIAL APPENDIX “1”

## APPENDIX “E”

<b>North American Fur Auctions Inc.</b>						
<b>Weekly Cash Flow Variances</b>						
	<b>Forecast</b>		<b>Actual</b>		<b>Variance</b>	
<b>(USD)</b>	<b>01-Nov-19</b>	<b>01-Nov-19</b>	<b>01-Nov-19</b>	<b>01-Nov-19</b>	<b>\$</b>	<b>%</b>
<b>Receipts</b>						
Buyer receipts	\$ 268,071	\$ 193,246	\$ 193,246	\$ (74,825)	-28%	
HST refund	177	177	177	-	0%	
SAGA LOI receipts	3,626,323	-	-	(3,626,323)	-100%	
Other	-	38,273	38,273	38,273	0%	
<b>Total inflow</b>	<b>\$ 3,894,572</b>	<b>\$ 231,696</b>	<b>\$ 231,696</b>	<b>\$ (3,662,876)</b>	<b>-94%</b>	
<b>Disbursements</b>						
Kit loans - North America	1,266,048	67,150	67,150	1,198,898	95%	
Kit loans - Europe	504,497	-	-	504,497	100%	
Occupancy costs and long term financing	543,279	3,272	3,272	540,006	99%	
Employee costs	454,262	171,315	171,315	282,947	62%	
Collection, grading, warehousing costs	99,000	2,490	2,490	96,510	97%	
Professional Fees	537,094	94,884	94,884	442,210	82%	
Insurance	266,000	39,268	39,268	226,732	85%	
GST/HST payments	54,285	-	-	54,285	100%	
Other administrative and operating costs	164,800	27,173	27,173	137,628	84%	
Bank interest and refinancing costs	324,013	83	83	323,930	100%	
<b>Total outflow</b>	<b>\$ 4,213,278</b>	<b>\$ 405,635</b>	<b>\$ 405,635</b>	<b>\$ 3,807,643</b>	<b>90%</b>	
<b>Net cash flow</b>	<b>\$ (318,706)</b>	<b>\$ (173,939)</b>	<b>\$ (173,939)</b>	<b>\$ 144,767</b>	<b>45%</b>	
Opening bank cash balance	710,724	709,712	709,712	(1,012)	0%	
Cash receipts	3,894,572	231,696	231,696	(3,662,876)	-94%	
Disbursements	(4,213,278)	(405,581)	(405,581)	3,807,697	-90%	
<b>Closing bank cash balance</b>	<b>392,017</b>	<b>535,827</b>	<b>535,827</b>	<b>143,810</b>	<b>37%</b>	

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

Proceeding commenced at [Toronto](#)

**FIRST REPORT OF THE  
MONITOR**

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