

**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

**FIFTEENTH REPORT OF THE MONITOR**

**DATED NOVEMBER 27, 2023**

**INTRODUCTION**

1. On October 31, 2019, North American Fur Producers Inc., NAFA Properties Inc., 3306319 Nova Scotia Limited, North American Fur Auctions Inc., NAFA Properties (US) Inc., NAFA Properties Stoughton LLC, North American Fur Auctions (US) Inc., NAFPRO LLC (Wisconsin LLC), NAFA Europe Co-Operatief Ua, NAFA Europe B.V., Daikoku Sp.Z Oo and NAFA Polska Sp. Z Oo (collectively, the “**Applicants**” or “**NAFA**”) commenced these CCAA Proceedings pursuant to the Initial Order. The Applicants’ principal business consists of advancing loans to mink farmers to produce mink furs for auctions run by the Applicants. For ease of reference and readability, capitalized terms not defined in this fifteenth report of the Monitor (the “**Fifteenth Report**”) are defined in the glossary attached as **Appendix “A”** to this Fifteenth Report.
2. On November 8, 2019, the Applicants obtained an Amended and Restated Initial Order.

3. On November 5, 2020, the Court issued an Order (the “**Expanded Powers Order**”) that, among other things, granted the Monitor expanded powers with respect to certain items, including:
  - a. Insurance claims that may be advanced by NAFA. The claims are primarily trade credit insurance claims that NAFA is currently advancing to recover unpaid kit loans (i.e., loans to farmers to raise their mink crop as juvenile mink or “kits”) made to farmers in 2019;
  - b. Claims in respect of NAFA’s “rollover loan” balances (i.e., unpaid loans advanced by NAFA in 2018 and prior);
  - c. Litigation in proceedings in which the Applicants are either a plaintiff or claimant (other than these CCAA Proceedings);
  - d. Oversight over material expenditures related to NAFA’s nascent “brokerage business” (i.e., the process whereby NAFA finds buyers for fur pelts being marketed by consignors that formerly sold their skins at NAFA’s auctions);
  - e. Matters related to NAFA’s employees; and
  - f. The right, title and interest of the Applicants in any real property.
4. Since the date of the Expanded Powers Order, the Monitor has been working closely with the Applicants in respect of the items above, with the two parties sharing a common approach without the need to seek direction from the Court. The Monitor has provided regular updates to the Agent on these matters and has sought input from the Agent when appropriate.
5. Since the beginning of these CCAA Proceedings, and as set out further in the April 2021

Lawson Affidavit, the fur market has been affected by several factors, including the coronavirus pandemic (the “**Covid-19 Pandemic**”) that began to have significant effects in early 2020. As a result, the entire premise of the Applicants’ restructuring and monetization efforts were affected and NAFA was required to alter its approach accordingly (i.e., primarily waiting for auctions to resume online or in person so that pelts delivered to auction houses can be monetized).

6. Given the Covid-19 Pandemic, NAFA’s primary cash inflows, which are based on auction proceeds on mink that it financed during 2019, were significantly depressed between 2020 and September 2022 and generally remain below pre-Covid-19 Pandemic numbers, both in respect of pelt volumes sold and the prices achieved in 2019. This resulted in the Applicants repaying less Syndicate Debt and over an extended period than contemplated at the beginning of these CCAA Proceedings. Since the beginning of the Covid-19 pandemic, auction sale volumes have been depressed, due in large part to travel restrictions imposed by various foreign governments. As a result, a significant portion of skins anticipated to be auctioned in 2020 and 2021 were held over for auction in 2022 and 2023. The sale volumes in these years continues to be depressed; accordingly, a significant amount of NAFA skins remain to be sold in 2024.
7. On May 25, 2023, the Court granted an Order (the “**Claims Process Order**”), authorizing the Applicants and the Monitor to undertake a claims process for the identification and quantification of certain claims of creditors of the Applicants, including their Directors and Officers (the “**Claims Process**”).
8. On May 25, 2023, the Court granted an Order declaring that the *Wage Earner Protection Program Act* (“**WEPPA**”) applies to NAFA and that NAFA’s former employees are

eligible to receive payments in accordance with WEPPA.

9. On September 26, 2023, the Court granted an Order (the “**Stay Extension Order**”) that, among other things:
  - a. Extended the Stay Period from September 29, 2023 to and including December 1, 2023;
  - b. Approved the Monitor’s Thirteenth Report dated May 24, 2023 (the “**Thirteenth Report**”) and the Monitor’s Fourteenth Report dated September 25, 2023 (the “**Fourteenth Report**”) and the actions and the conduct of the Monitor and its counsel contained therein; and
  - c. Sealed Confidential Appendix 1 to the Fourteenth Report.
10. The Applicants’ motion record dated November 24, 2023, returnable on November 29, 2023 (the “**Motion**”), seeks an Order, among other things:
  - a. Extending the Stay Period from December 1, 2023 to and including January 19, 2024;
  - b. Approving this Fifteenth Report and the actions and conduct of the Monitor and its counsel, Miller Thomson LLP, as described herein; and
  - c. Sealing certain confidential appendices to this Fifteenth Report, until the conclusion of these CCAA proceedings.

## **PURPOSE**

11. The purpose of this Fifteenth Report is to provide the Court with the Monitor’s observations and recommendations on the relief sought by the Applicants in its Motion and to update the Court on the following items:

- a. The Applicants’ and the Monitor’s activities since the Fourteenth Report;
- b. The status of the Applicants’ insurance claims in respect of loans made to farmers primarily in 2019;
- c. The status of the Applicants’ Claims Process and the Applicants’ progress in formulating a plan of compromise and arrangement (a “**Plan**”), which they intend to propose to their creditors; and
- d. The Monitor’s recommendations in respect of the relief that NAFA is seeking in its Motion.

## **TERMS OF REFERENCE**

12. In preparing this Fifteenth 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, discussions with and information from the Applicants’ management (“**Management**”) and other third-party sources (collectively, the “**Information**”). Except as described in this Fifteenth Report:
  - 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 Fifteenth Report consists of forecasts and projections. An examination or review of the financial forecast and projections,

as outlined in the CPA Canada Handbook, has not been performed.

13. Future oriented financial information referred to in this Fifteenth 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.
14. Unless otherwise stated, monetary amounts contained herein are expressed in U.S. dollars, the Applicants' reporting currency.

#### **ACTIVITIES OF THE MONITOR SINCE THE FOURTEENTH REPORT**

15. Since the date of the Fourteenth Report, the Monitor has undertaken, among other things, the following activities:
  - a. Monitoring NAFA's receipts and disbursements and reporting same to the Agent. This includes the calculation of NAFA's Distributable Funds (as such term is defined in the First Report) when such funds are available;
  - b. Addressing matters in respect of the sale of NAFA's mink farm comprising two properties in Nova Scotia, which transaction closed on August 11, 2023;
  - c. Monitoring efforts ongoing in Europe to recover loans provided to mink farmers in a number of Baltic countries and Poland;
  - d. Responding to queries from the Agent and providing the Agent with summaries of the Applicants' realization efforts and necessary supporting documentation to allow the Agent to be consulted and to provide its approval in accordance with the Agent's consultation and approval rights granted under various orders in these

CCAA Proceedings;

- e. Corresponding with various stakeholders, including mink ranchers and other third-party creditors;
- f. Undertaking the expanded powers granted to the Monitor in accordance with the Expanded Powers Order;
- g. Updating the Monitor's case website to provide stakeholders with relevant information;
- h. Implementing the Claims Process pursuant to the Claims Process Order;
- i. Assisting NAFA in facilitating the WEPPA process for NAFA's former employees;
- j. Assisting the Applicants in developing a Plan and discussions with the Applicants and the Agent in respect of same;
- k. Directing NAFA's insurance litigation counsel to continue advancing the 26 trade credit insurance claims against Red Rock;
- l. Assisting NAFA in the development of the cash flow forecast (the "**Cash Flow Forecast**") attached as **Confidential Appendix "1"** to this Fifteenth Report; and
- m. Preparing this Fifteenth Report.

#### **UPDATE ON THE APPLICANTS' INSURANCE CLAIMS**

16. The Monitor previously advised the Court that the Applicants submitted 26 claims to their insurer related to unpaid kit loans. The gross amount of the claims asserted by NAFA is approximately \$25 million. These claim amounts have not been agreed to by the insurer and are subject to country, borrower and policy limits and payment of a deductible.

17. NAFA’s credit policy insurer is Red Rock and the claims are underwritten by Lloyd’s of London (“**Lloyd’s**”).
18. NAFA, in consultation with the Monitor and the Agent, agreed to enter into a pre-litigation mediation with Red Rock to attempt to resolve these claims.
19. On September 26, 2023, the Court ordered John Middleton, on behalf of Global Credit Risk Management (“**GCRM**”) and/or HUB International (“**HUB**”), to deliver to NAFA the brokerage file, and particularly all relevant information as defined in the Order.
20. NAFA has received the information required to be produced as set out in the Order.
21. It is anticipated that the mediation will take place on or about January 2024, subject to the availability of a mediator. The Monitor will further update the Court with respect to the mediation in due course.

#### **UPDATE ON CLAIMS PROCESS**

22. NAFA determined that in order to begin to formulate a Plan, it needed to determine the total number and quantum of claims against it. Accordingly, NAFA sought and obtained the Claims Process Order authorizing the Monitor to implement a Claims Process for the identification and quantification of certain claims of creditors of the Applicants, including their Directors and Officers.
23. In accordance with the Claims Process Order, NAFA and the Monitor have completed the steps of a claims process as required by the Claims Process Order. This required different actions by different types of creditors as detailed therein. The Monitor notes that pursuant to the Claims Process Order, it was not required, and has to-date not, reviewed, approved, allowed or disallowed any of the claims filed as a process for doing so, including adjudicating disputed Claims, if any, shall be the subject of a further order of the Court.



24. The claims bar date was August 3, 2023. As of the claims bar date, approximately 104 claims were received, which includes identical claims filed by multiple parties that have not yet been reviewed. The total of these claims, excluding the likely duplicates is approximately \$27.8 million. Around 17 claims with claim value of approximately \$7.1 million were filed after the claims bar date. The Monitor is likely to accept these claims, if valid, given that the Plan of Arrangement is still being formulated. Accordingly the gross value of claims filed is approximately \$34.9 million.
25. The Monitor will further update the Court with respect to NAFA’s Claims Process in due course.

#### **CASH FLOW FORECAST**

26. Attached as **Confidential Appendix “1”** to this Fifteenth Report is NAFA’s Cash Flow Forecast for the period from December 1, 2023 to January 26, 2024 (the “**CF Period**”) including an overview and the notes thereto. The notes to the Cash Flow Forecast are an integral part thereof and the two documents should be read together. The Cash Flow Forecast was prepared by the Applicants, with the assistance of the Monitor, to forecast receipts and disbursements during the CF Period.
27. The Cash Flow Forecast is being filed to provide the Applicants’ current financial picture to the Court and to demonstrate the importance of an extension to the Stay Period to NAFA regarding its ability to continue operations over the CF Period to enable it to continue to seek recovery on its remaining assets for the benefit of its stakeholders. The Cash Flow Forecast demonstrates that NAFA has sufficient liquidity throughout the proposed extended Stay Period.
28. The Cash Flow Forecast contains commercially sensitive information that is required to be

kept confidential and sealed as public disclosure of the Cash Flow Forecast could negatively affect the litigation efforts being undertaken by the Applicants as set out herein if obtained by the counterparties to that litigation.

29. The Agent and FCC have been provided with the Cash Flow Forecast under terms of confidentiality.
30. The Monitor supports the sealing order being sought by the Applicants in accordance with section 10(3) of the CCAA. The Monitor is of the view that release of the Cash Flow Forecast would unduly prejudice the Applicants and not disclosing the Cash Flow Forecast does not unduly prejudice the Applicants' creditors.

#### **MONITOR'S RECOMMENDATIONS REGARDING THE RELIEF BEING SOUGHT**

31. The Monitor notes the following with respect to the relief currently being sought by the Applicants.

##### *Extension of the Stay Period*

32. NAFA is currently seeking to extend the Stay Period to January 19, 2024 to allow it to continue its restructuring and, in particular, to allow it to continue working with the Agent and its other stakeholders to formulate a Plan with a view to returning back to Court by January 15, 2024 seeking an Order to file a Plan and seek a Meeting Order.
33. The Monitor is of the view that the Applicants continue to act in good faith and with due diligence. The Monitor is further of the view that the extending the Stay Period to January 19, 2024 will allow NAFA to continue to implement its restructuring and asset monetization plan for the benefit of all stakeholders. This short extension of the Stay Period will enable NAFA and its stakeholders to focus on the development of a Plan with a certain deadline which is designed to both focus the relevant parties and contain costs.

34. The Agent does not oppose an extension of the Stay Period and the extension date of January 19, 2024 was discussed with the Agent.
35. The Monitor recommends that the Court grant NAFA's request for the extended Stay Period should it see fit to do so.

*Approval of the Monitor's and its Counsel's Activities*

36. By Order dated September 26, 2023, the Court approved the Monitor's Thirteenth Report and Fourteenth Report. The Applicants are currently seeking approval of this Fifteenth Report as part of the Motion.

*Sealing of Certain Confidential Exhibits*

37. The Cash Flow Forecast contains confidential business information and assumptions about the Applicants, which, if disclosed, the Applicants believe could hamper or interfere with the restructuring of the Applicants or the maximization of value including in respect of its ongoing litigation relating to the insurance claims and the litigation in Europe.
38. Accordingly, the Cash Flow Forecast is being filed as a confidential appendix to this Fifteenth Report and a sealing Order is being sought by the Applicants as has been granted by the Court for previous cash flow forecasts in these CCAA Proceedings. The Monitor supports the granting of a sealing Order being sought by the Applicants as set out above.

All of which is respectfully submitted this 27<sup>th</sup> day of November, 2023.

**Deloitte Restructuring Inc.  
Solely in its capacity as Court-appointed  
Monitor of North American Fur Auctions Inc. et al**

Per:



Jorden Sleeth, LIT  
Senior Vice President



Todd Ambachtsheer, LIT  
Senior Vice President

**Appendix “A”  
Glossary of Terms**

<b>Glossary</b>	
<b>Term</b>	<b>Definition</b>
<b>Administration Charge</b>	A charge granted pursuant to the Initial Order, as amended securing the fees and disbursements of the Applicants’ counsel, the Monitor and its counsel, the advisors of the Syndicate, the Financial Advisor and counsel for the Directors (to a maximum of \$100,000 for the latter), which amount and priority have been amended such that currently the charge is in the amount of \$1,500,000 with \$900,000 ranking in first priority (now that the DIP Facility has been repaid) and \$600,000 ranking in fourth priority behind the KERP Charge and the Syndicate Debt
<b>Agent</b>	Canadian Imperial Bank of Commerce in its capacity as Agent for the Syndicate
<b>Amended and Restated Initial Order</b>	The Amended and Restated Initial Order of the Court dated November 8, 2019
<b>AME</b>	American Mink Exchange, a north American solicitor of fur pelts
<b>Applicants</b>	Collectively, 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
<b>April 2021 Lawson Affidavit</b>	The Affidavit of Douglas Lawson affirmed April 2, 2021
<b>August Lawson Affidavit</b>	The Affidavit of Douglas Lawson affirmed August 21, 2020
<b>BDC</b>	Business Development Bank of Canada
<b>Carlingview Property</b>	NAFA’s former distribution centre on Carlingview Avenue in Toronto
<b>CCAA</b>	<i>Companies’ Creditors Arrangement Act</i> , R.S.C., 1985, c. C-36
<b>CCAA Proceedings</b>	The CCAA proceedings commenced pursuant to the Initial Order bearing Court file no. CV-19-00630241-00CL

<b>CIBC</b>	Canadian Imperial Bank of Commerce
<b>City Landlord</b>	City of Toronto
<b>Court</b>	Ontario Superior Court of Justice (Commercial List)
<b>December Lawson Affidavit</b>	The Affidavit of Douglas Lawson affirmed December 20, 2019
<b>Deloitte</b>	Deloitte Restructuring Inc.
<b>DIP Charge</b>	The charge granted by the Court pursuant to the Initial Order against the Applicants' Property as security for the DIP Financing
<b>DIP Fee</b>	A fee in the amount of 2% earned by the DIP Lender for providing the DIP Financing
<b>DIP Financing</b>	The interim financing in the maximum principal amount of \$5.0 million provided by the DIP Lender approved by the Court pursuant to the Initial Order
<b>DIP Lender</b>	Waygar Capital Inc.
<b>DIP Term Sheet</b>	The DIP Term Sheet dated October 31, 2019 between NAFA and the DIP Lender in respect of the DIP Financing approved by the Court pursuant to the Initial Order
<b>EDC</b>	Export Development Canada
<b>Eighth Report</b>	The Eighth Report of the Monitor dated January 27, 2022
<b>Eleventh Report</b>	The Eleventh Report of the Monitor dated January 18, 2023
<b>FCC</b>	Farm Credit Canada
<b>Financial Advisor</b>	Collectively, KPMG Inc. and KPMG Corporate Finance
<b>Fifth Report</b>	The Fifth Report of the Monitor dated November 3, 2020
<b>First Report</b>	The First Report of the Monitor dated November 7, 2019
<b>Fourth Report</b>	The Fourth Report of the Monitor dated August 24, 2020
<b>Fourteenth Report</b>	The Fourteenth Report of the Monitor dated September 25, 2023
<b>Fur Harvesters</b>	Fur Harvesters Auctions Inc.
<b>Ground Leases</b>	Two long-term ground leases in respect of the Skyway Property, one with the Private Landlord and one with the City Landlord, copies of which are

	attached as Exhibits “B” and “C” to the October Lawson Affidavit.
<b>Initial Order</b>	The Order of Justice McEwen dated October 31, 2019, as amended by the Amended and Restated Initial Order
<b>IP Assets</b>	The intellectual property, software, computers and other soft assets necessary to operate a fur auction business. This includes the “Blackglama” trademark
<b>KERP</b>	Key employee retention program approved by the Court
<b>KERP Charge</b>	Charge in the amount of \$150,000 approved the Court on November 8, 2019
<b>KF</b>	Kopenhagen Fur, a large Danish auction house that, along with Saga and NAFA, was one of the leading mink auction houses in the world
<b>KPMG CF</b>	KPMG Corporate Finance Inc.
<b>Monitor</b>	Deloitte in its capacity as Court-appointed Monitor of the Applicants
<b>NAFA</b>	North American Fur Auctions Inc.
<b>NAFA Properties</b>	NAFA Properties Inc.
<b>Ninth Report</b>	The Ninth Report of the Monitor dated April 23, 2022
<b>October Lawson Affidavit</b>	Affidavit of Doug Lawson sworn October 30, 2020
<b>Pre-filing Report</b>	The pre-filing report of the proposed Monitor, dated October 31, 2019
<b>Polish Property</b>	NAFA’s main European office owned in Goleniów, Poland
<b>Property</b>	Has the meaning ascribed to that term in the Amended and Restated Initial Order
<b>Second Report</b>	The Second Report of the Monitor dated November 27, 2019
<b>Seventh Report</b>	The Seventh Report of the Monitor dated September 27, 2021
<b>Sixth Report</b>	The Sixth Report of the Monitor dated April 5, 2021
<b>SISP</b>	Sale and Investment Solicitation Process
<b>Skyway Property</b>	NAFA’s corporate head office building located at 65 Skyway Avenue in Toronto, Ontario

<b>Stay Period</b>	The stay of proceedings granted pursuant to the Initial Order, as may be extended from time to time
<b>Success Fee</b>	An amount payable to KPMG CF in the event that it achieved the result set out in its engagement letter that was signed in July, 2019
<b>Syndicate</b>	A group of financial institutions that, together, have provided senior secured financing to the Applicants as represented by the Canadian Imperial Bank of Commerce as Agent
<b>Syndicate Debt</b>	The indebtedness owing by the Applicants to the Syndicate
<b>Tenth Report</b>	The Tenth Report of the Monitor dated July 22, 2022
<b>Third Report</b>	The Third Report of the Monitor dated January 29, 2020
<b>Thirteenth Report</b>	The Thirteenth Report of the Monitor dated May 24, 2023
<b>Twelfth Report</b>	The Twelfth Report of the Monitor dated April 24, 2023
<b>VAG</b>	Van Ansem Group (being a collection of farms under one corporate umbrella)
<b>Wisconsin Properties</b>	NAFA's owned buildings on Williams Drive and Industrial Circle in Stoughton, Wisconsin