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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

(the "**Applicants**")

MOTION RECORD OF THE APPLICANTS
(Re: Stay Extension - Returnable August 26, 2020)

Date: August 21, 2020

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(the "**Applicants**")

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(the "**Applicants**")

I N D E X

TAB 1

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(the "**Applicants**")

NOTICE OF MOTION

(Re: Stay Extension - Returnable August 26, 2020)

The Applicants will make a motion for an Order seeking the relief set out herein to a Judge of the Ontario Superior Court of Justice (Commercial List), on Wednesday, August 26, 2020, at 12:00 p.m. or as soon after that time as the motion can be heard, by video conference or other electronic means at the courthouse located at 330 University Avenue, Toronto, Ontario.

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

THE MOTION IS FOR:

1. An Order, substantially in the form attached at **Tab 2** hereto (the "**Extension Order**"):

(a) if necessary, abridging the time for service of this Notice of Motion and the corresponding Motion Record and dispensing with service on any person other than those served;

(b) extending the stay of proceedings ("**Stay Period**") from August 28, 2020 to and including November 30, 2020 (the "**Extension Period**");

(c) approving the Third Report of the Monitor dated January 29, 2020,(the "**Third Report**") the Fourth Report of the Monitor to be filed with the Court (the "**Fourth Report**") and the actions, decisions and the conduct of the Monitor as set out in its Fourth Report to Court;

(d) approving the fees and disbursements of the Monitor and its counsel, Miller Thomson LLP, as set out in the Fourth Report and the Fee Affidavits (annexed to the Fourth Report);

(e) amending paragraph 12(a) of the Initial Order to increase the thresholds for individual and aggregate transactions to sell, convey, transfer, lease, assign or dispose of any Property outside the ordinary course of business, with the approval of the Monitor in order to facilitate certain transactions that may take place with approval of the Agent or failing obtaining approval of the Agent further order of the Court; and

(f) sealing the Confidential Exhibit "A" to the Affidavit of Doug Lawson affirmed on August 21, 2020, the Confidential Appendices to the Fourth Report and

Confidential Exhibit “B” of the Fee Affidavit annexed to the Fourth Report, which have been filed under seal with the Court in support of this motion; and

2. Such further and other relief as this Honourable Court may deem just.

THE GROUNDS FOR THIS MOTION ARE:

(a) Capitalized terms not defined herein shall have the meanings ascribed to them in the Amended and Restated Initial Order of Justice McEwen dated October 31, 2019 (as amended and restated, the “**Initial Order**”);

(b) The Applicants require more time to complete their restructuring;

(c) The Applicants have provided a cash flow forecast which demonstrates they will have sufficient funds to operate during the cash flow period in accordance with the assumptions set out therein;

(d) The cash flow forecast and the proposed extension are supported by the Monitor;

(e) The cash flow forecast and its related notes and estimated value of the remaining assets of the Applicants contain confidential business information which should be sealed. The disclosure of that information at this time could negatively impact the restructuring and the maximization of value for the stakeholders;

(f) The Applicants are acting with good faith and due diligence and intend to provide a plan to its creditors given more time to do so;

(g) Pursuant to paragraphs 35 and 36 of the Initial Order, the Monitor and its counsel shall be paid their reasonable fees and disbursements and shall pass their accounts before the Court;

(h) The Third Report and the Fourth Report sets out in detail the activities of the Monitor and its counsel since the date of its Second Report being November 27, 2019 to the date of the Fourth Report;

(i) The Fourth Report sets out the total fees and disbursements of the Monitor and its legal counsel, Miller Thomson LLP;

(j) The fees and disbursements of the Monitor and its counsel are fair and reasonable. given all the settlement discussions etc. in this matter to date, the dockets contain commercially sensitive information that if disclosed could impact future recoveries and should be sealed;

(k) The other grounds set out in the Affidavit of Douglas Lawson affirmed August 21, 2020;

(l) The provisions of the CCAA, including section 11 thereof, and the inherent and equitable jurisdiction of this Honourable Court;

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

(n) Section 106 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43 as amended; and

(o) Such further and other grounds as counsel may advise and this Court may permit.

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

(a) the Affidavit of Doug Lawson affirmed August 21, 2020 and the exhibits attached thereto;

(b) the Fourth Report of the Monitor, which annexes the Third Report of the Monitor dated January 29, 2020 without appendices, (to be served and filed separately);

(c) such further and other evidence as counsel may advise and this Honourable Court may permit.

Date: August 21, 2020

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TAB 2

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(the "**Applicants**")

AFFIDAVIT OF DOUGLAS LAWSON

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

1. I am the President and Chief Executive Officer of North American Fur Auctions Inc. and as such have knowledge as to the matters which I hereinafter depose. To the extent I am recounting information provided to me by others, I have stated the source of that information and verily believe it to be true.

2. I use the term "**NAFA**" to refer to the Applicants throughout this affidavit. Further, all currency stated herein is stated in U.S. dollars unless otherwise noted.

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

   a. an extension of the stay of proceedings ("**Stay Period**") from August 28, 2020 to and including November 30, 2020;

b. to amend the Initial Order to authorize NAFA to engage in the sales forecast in the Cash Flow Forecast (as defined below) without requiring further court approval;

c. to approve the fees and conduct of Deloitte Restructuring Inc. and its counsel, Miller Thomson LLP, as set out in its Third and Fourth Reports to Court to be filed; and

d. to seal certain confidential exhibits and appendices of Fourth Report.

4. On October 31, 2019, NAFA commenced proceedings under the *Companies' Creditors Arrangement Act* (the "**CCAA**") pursuant to the Order of Justice McEwen (as amended and restated, the "**Initial Order**"). Background information about NAFA's business is set out in the affidavit I affirmed in support of the initial CCAA application ("**Initial Affidavit**"), a copy of which is attached hereto (without exhibits) and marked as **Exhibit "A"**. Capitalized terms used herein and not defined are as defined in my Initial Affidavit.

Overview

5. When this restructuring began in October 2019, the outlook for the fur industry generally and NAFA's options to restructure in it, was very different.

6. As an industry, based on access to travel and customers from worldwide markets, the fur industry has suffered badly from the reduction in retail traffic, particularly in China (the world's largest retail fur market) and from the fact that commercial auction buyers have been unable to travel to attend auctions at which the goods to be sold are on display. While fur is a commodity, it usually needs to be seen and felt to ascertain subtle but important differences in quality and

texture which tends to drive auction prices. None of this has been possible through most of 2020 due to the Covid-19 pandemic.

7. When I affirmed my affidavit in January 2020, we projected, in concert with the Monitor, that large amounts of the debt owed to the Agent would have been repaid by April 30, 2020, with funding provided largely from the sale of mink furs at international auctions then scheduled to be held in February and March, 2020. This did not occur.

8. The fur industry has yet to hold a single major auction this year anywhere in the world similar in scope and size to what is normal in the industry. Also, normally by this time in the year, the vast majority of skins from the previous season would have already been sold at the various fur auctions. Instead, due to travel restrictions and retail closures, sales in the fur industry have been anemic. Prices are at levels that have not been seen in decades and the major auction houses have sold less than 25% of their offered goods.

9. Massive amounts of product, including, importantly, the majority of the fur pelts pledged to NAFA as security for loans it provided to farmers to grow those pelts ("**kit loans**"), remain unsold and in storage at the auction houses.

10. Despite receiving the authority of this Court to conduct a wild fur auction in conjunction with Fur Harvesters Inc, no such auction has occurred. The wild fur auctions in Canada have also been cancelled due to the Covid-19 pandemic and there has yet to be one in North America of any size so far this year.

11. Despite having obtained a Court Order authorizing the Monitor to conduct a Sales Investment and Solicitation Process ("**SISP**") in a form approved by the Applicants and the Agent

or otherwise ordered by the Court on January 30, 2020, NAFA and the Monitor could not conduct any SISP or any other organized effort to sell NAFA's business as a going concern.

12. NAFA has had to close down its operations in Poland which were draining cash from the restructuring. NAFA has engaged in material downsizing of its Canadian and other international based operations, and laid off the majority of its workforce.

13. Rather than collecting proceeds from auctions and focusing on its restructuring, NAFA has spent much of the last 6 months ensuring the delivery of furs from various farms to the auction houses, and dealing with issues arising from those who sought to avoid delivering those goods or otherwise tried to avoid honouring their obligations to NAFA in the hopes of taking opportunistic advantage of the financial situation facing NAFA and the Covid-19 pandemic. This work has been very professional fee intensive and time consuming.

14. Effectively all of the mink financed by NAFA (with the exception of a few farmers who have not honoured their obligations as discussed below) have now reached the various auction houses and some has been sold, with more to be sold in the last week of August and the month of September.

15. NAFA has entered into significant private treaty sales to liquidate old or re-consigned inventory, with more wild fur and ranched mink to be sold in the near future. NAFA has settled various accounts with input from the Monitor and the Agent.

16. There have even recently been some preliminary inquiries from parties looking to discuss acquiring some or all of the business and undertaking of NAFA, even though no formal SISP is underway.

17. In addition, two major pieces of European litigation, involving two large farm accounts in Latvia and Lithuania that failed to honour their obligations to NAFA, have shown progress with NAFA recovering some furs and/or obtaining favourable judgements to date.

18. Given the foregoing, with further time in this process, while our primary focus remains repaying the debt owing to the Agent, I remain hopeful that there may be some recovery for creditors beyond the Agent.

19. I believe NAFA is acting in good faith and with due diligence and that, provided the Stay Extension Order is granted, NAFA will be able to continue with its restructuring, which may include considering how best to formulate a plan for its creditors and stakeholders once the Agent is repaid.

Background

20. On October 31, 2019, NAFA commenced proceedings under the CCAA pursuant to the Initial Order, which was amended and restated on November 8, 2020.

21. On November 28, 2019 (the "**November Motion**"), the Court granted NAFA various orders including an Order extending NAFA's Stay Period until January 31, 2020 ("**Stay Extension Order**").

22. On January 30, 2020, this Court granted a further extension of the CCAA stay to April 3, 2020. It also authorized NAFA to conduct a SISP, in a form approved by the Agent or further ordered by the Court and subject to review of the form of the SISP by counsel for certain employees.

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

24. Between April 3, 2020 and July 31, 2020, NAFA sought 3 further short-term extensions while NAFA and its stakeholders considered the consequences of the pandemic and avoided long term plans.

25. The last extension was granted on July 16, 2020 extending the Stay Period to August 28, 2020.

26. Other than the Agent (who at various times, had specific concerns which were ultimately addressed), no creditor has objected to any stay extension to date and there have been no contested hearings or notices of objection filed.

Cash Flow and Repayment to the Agent

27. In these proceedings, NAFA has had a regular reporting regimen with the Agent and its financial advisor. For most of the period since my last affidavit in January, NAFA has been providing weekly or bi-weekly reporting to the Agent, including cash flow reporting and variance reports and specific reporting as required in respect of proposed settlements with NAFA.

28. The cash flow reporting, while useful to all parties, has been very expensive to produce and discuss. Given this, the Agent agreed in April to move to bi-weekly reporting, which assisted with reducing costs.

29. The Agent received a bi-weekly variance report on August 11, 2020 and will receive a further bi-weekly variance report on August 21, 2020.

30. NAFA has prepared with the Monitor's assistance a cash flow forecast ("**Cash Flow Forecast**") for the period from August 1 to November 27, 2020 ("**Cash Flow Period**"). I am advised that the Cash Flow Forecast will be annexed to the Monitor's Fourth Report to be filed in respect of this motion (the "**Fourth Report**").

31. Given that the cash flow contains detailed notes and confidential business information, I am of the view that the cash flow and related notes should be sealed.

32. A draft of the Cash Flow Forecast was provided to the Agent for its review on August 7, 2020, to which it provided comments, and a further draft of the Cash Flow Forecast taking into account comments from the Agent was provided to the Agent on August 18, 2020. A copy of the Cash Flow Forecast and the notes as they were sent to the Agent on August 18, 2020 are attached hereto as "**Confidential Exhibit A**".

33. The Agent has not completed its review of the Cash Flow Forecast as of August 21. Based on previous experience in this matter, it may be that some further time may need to be given to the Agent to finalize their comments. The Applicants entered into an arrangement with the Court at the stay extension hearing in these proceedings in May which provided such additional time to the Agent and it may be that the parties ask the Court to invoke a similar process on August 26th. The draft form of order does not contain such a process at this time, and it is hoped there will be no such issue at the hearing on the 26th.

34. The Cash Flow Forecast will be the subject of detailed review in the Monitor's Fourth Report, so I will only make limited comments here.

35. The notes to the Cash Flow Forecast, which were prepared by the Monitor in conjunction with NAFA as attached at Confidential Exhibit A, are very detailed and contain much of the information that might otherwise normally be contained in my affidavit and are generally not repeated herein.

36. As set out in the Cash Flow Forecast, NAFA is forecast to have sufficient assets and cash throughout the Cash Flow Period to continue operations.

37. When the Agent initially made demand on NAFA in August 2019, it was owed approximately $65,000,000.

38. As of the date of this affidavit, the operating portion of the debt owing to the Agent has been reduced to approximately $17,200,000 plus an additional $4,800,000 owing in respect of the real property in Poland.

39. As at the time of affirming this affidavit, in total, NAFA has already repaid in excess of $17,700,000 of secured indebtedness during these CCAA proceedings, which includes repaying the DIP Loan, the entire $8,000,000 of Tranche B of the Credit Facility advanced by Waygar Capital Inc., approximately $3,100,000 to Farm Credit Canada on the closing of the sale of the Carlingview Property, and approximately 4,900,000 to the Agent. The Cash Flow Forecast forecasts a further net reduction of the indebtedness to the Agent of $2,700,000 over the Cash Flow Period.

40. In accordance with the Initial Order, the Cash Flow Forecast contemplates repayment to the Lenders from the Distributable Funds (as defined in the Monitor's First Report) being the amount greater than $1,000,000 in NAFA's bank accounts at the end of each week. This amount is wired to the Agent weekly, when available.

41. As described in my previous affidavit, last year, NAFA entered into a transaction with Saga Furs ("Saga") under which it encouraged farmers who had pledged furs to NAFA, which would have regularly been sold at a NAFA auction, to deliver those furs to Saga. Saga then paid a pelt advance to NAFA in respect of pelts received.

42. In this manner, NAFA was able to realize substantial advances from Saga prior to the auction season. This transaction enabled NAFA to realize material proceeds on its 2019 kit loans in early 2020 on furs which may now ultimately not sell until 2021 due to the pandemic.

43. However, the Saga Transaction requires that the amount advanced by Saga must be repaid before NAFA receives any further proceeds from Saga in respect of the furs on which it has made advances to NAFA. Where, for example, NAFA was provided with an advance by Saga, NAFA will now only receive the remainder owing on those pelts when enough pelts are sold to repay Saga that advance.

44. In an ordinary auction year, this would not have been an issue since it is usual for Saga to sell nearly 100% of the furs put up for auction. However, this year has been abnormal. The major auctions houses have only sold approximately 25% of what they offered, which offering was not even all of the skins they hold. Only one auction of any size has been conducted in person, and the results were not materially better than the online sales earlier in the year.

45. The low sale rates (both volumes and pricing) to date at the auction houses means that, in many cases, NAFA will have to wait until 2021 before receiving any further proceeds from the 2019 mink crop, as the proceeds will likely be insufficient to repay the advances paid in many cases.

46. This accounts for the much smaller amount anticipated in the Cash Flow Forecast for the sale of the 2019 mink from the various auction houses than was the case in the cash flow projection provided to this Court in January. That cash flow projection reasonably anticipated near 100% sell through at prices similar to last year. The current Cash Flow Forecast reflects that NAFA will likely only be paid from furs sold by Saga or Kopenhagen Fur ("KF") where there have been little to no advances paid.

47. Finally, because the European auction houses are currently selling a mix of North American furs traditionally sold by NAFA, the buyer community has demonstrated a certain amount of uncertainty for the grading of these products by the European auction houses. This would have been addressed by buyers attending and reviewing the goods in person themselves in an ordinary auction year. However, this year, due to the pandemic and the travel restrictions, this has not been possible.

48. As a result, the sale of North American mink has been even worse than the sale of mink generally. The only material sales in quantity appear to have occurred where people have significantly lowered the sale price on their mink.

49. To create additional revenue pending the auction sales, NAFA has relaxed its own price levels on its owned inventory of remaining wild fur and mink furs. These furs are being offered for sale at a limited on-site sale of furs (the "**Private Treaty Open House**") discussed below, which will take place between the end of August and the beginning of September.

50. The Initial Order contains terms which limit NAFA to sales of $50,000 per sale and $250,000 in aggregate without requiring court approval. As set out in the Cash Flow Forecast, NAFA anticipates sales in excess of those thresholds during the Cash Flow Period. As such, we

are seeking the approval of the Court to amend those thresholds to facilitate the anticipated sales without requiring further court approval.

51. As further discussed below, NAFA anticipates that it will vacate its principal head office facilities (the "**Skyway Premises**") by October 31, 2020, thereby materially reducing operating expenses from October 31, 2020 forward by approximately $135,000 per month.

52. NAFA also intends to further reduce its employee head count following exiting the Skyway Premises. This is reflected in the reduced employee costs during the last month of the Cash Flow Period. NAFA is also receiving, and expects to receive, the Canadian Emergency Wage Subsidy, until the end of the year.

53. Also, as described in the Cash Flow Forecast and its accompanying notes, NAFA is also working with the Monitor and the Agent to reduce professional fees and prioritize professional fees being spent on matters that are immediate, or that directly translate into revenue or likely revenue.

54. NAFA and the Monitor have also produced an estimated realization valuation (an "**ERV**") for NAFA's remaining assets that it expects to still exist as at the end of the Cash Flow Period in the notes section of the Cash Flow Forecast. Given that the ERV includes confidential business information and anticipated realization amounts and price ranges, I believe it should be sealed.

55. Based on the last draft I reviewed and discussed with the Monitor, the ERV will show that, subject to the assumptions therein, NAFA has, and will have at the end of the Cash Flow Period, sufficient assets to be able to repay the Agent in full assuming realizations are completed within the following 10 months (i.e. to September 30, 2021).

56. Beyond repayment of the Agent, the ERV demonstrates that there should be, under either the "low" or "high" recovery scenarios set out therein, assets remaining to provide recovery for the unsecured creditors following the liquidation of the remaining assets. The treatment of that remaining recovery and its distribution among creditors will be dealt with in a plan of arrangement to be formulated at some point in 2021, following the repayment of the Agent.

57. Given efforts to limit the professional fee spend until next year when there is more liquidity, no concrete steps to formulate such a plan of arrangement or run a claims process are being undertaken at this time. It would be premature to do so until there is more substantial reduction of the Agent's debt.

Farms in Litigation

58. Three different farms, one in Latvia and two in Lithuania, have taken steps to avoid their obligations to NAFA and to try to capitalize on NAFA's insolvency. These farms are known as: Kestutis, Grobina and the Ciskevicius Brothers.

59. The three farms, being separate and unrelated businesses together owe NAFA millions of dollars as further detailed in the ERV made up of kit loans and long terms debts.

60. Kestutis was financed by NAFA to provide in excess of 360,000 pelts, Grobina was financed by NAFA to provide in excess of 160,000 pelts to NAFA this year and the Ciskevicius Brothers were financed by NAFA (and Saga) to provide 150,000 pelts.

61. Had all three of these farms delivered their pelts in full to NAFA, and they had been sold for an average price of $20 USD, NAFA would have recovered $13,400,000. However, at this point in time, the anticipated recovery from these farms is substantially less and the timing of recovery is uncertain.

Grobina

62. In or around the date of the Initial Order, Grobina entered into an insolvency administration in Latvia.

63. Grobina purported to sell 75,000 mink (being 47,000 male pelts and 28,000 live mink) pledged to NAFA to a European investment house (known as "**CR7**") shortly before it filed for insolvency, at a price which was manifestly below market and was in contravention of NAFA's loan and security agreement. A further 80,990 pelts remained unsold.

64. Although NAFA hired security in Latvia to secure the CR7 mink to prevent their removal, the CR7 pelts were ultimately seized by force and removed from Grobina by what we believe were agents of CR7.

65. NAFA has had to engage in material litigation proceedings in Latvia to deal with this issue. The matter is still not resolved but at this time NAFA has succeeded in getting an injunction, which NAFA is in the process of having recognized in Denmark (where the CR7 mink were ultimately located), to prevent the distribution of the proceeds from the CR7 mink to CR7 pending the completion of the litigation in that matter. The ERV currently projects limited recovery from the CR7 mink as the outcome of the litigation is not certain.

66. NAFA was also successful in negotiating with the insolvency administrator and the junior creditor of Grobina (known as Citadele Bank), to ultimately release the remaining 80,000 mink to be sold, although it took several negotiations to reach that arrangement to the satisfaction of the administrator and the mink were ultimately delivered too late to be sold this year.

67. In general, NAFA's Latvian litigation efforts have secured approximately 145,000 mink pelts (although the litigation in respect of same is not finished), when it appeared earlier in the proceedings that the recovery from Grobina might have been zero.

68. NAFA has also reached an agreement in principle, with the approval of the Monitor and subject to the approval of the Agent (to be obtained) for a settlement with Citadele Bank for a material amount relating to a potential litigation claim, which was being disputed by Citadele Bank. The details of that settlement are confidential and are not being submitted to this Court for approval as it is not a condition of the settlement.

Kestutis

69. The Kestutis farm presented different issues.

70. In or about the time of the commencement of these CCAA proceedings, Kestutis asserted that despite receiving a kit loan from NAFA based on its promise to raise 360,000 mink, that it may in fact have only raised 250,000. We are investigating the details of how this came to be.

71. In January and February 2020, Kestutis resisted delivering his furs to Saga. Kestutis had, according to our agent in Lithuania, received advice from his local counsel that NAFA was too weak to pursue him. Kestutis, therefore, attempted to extort hostage payments from NAFA to fund future Kestutis operations in exchange for the consensual delivery of some of the pelts to Saga.

72. NAFA rejected this approach from Kestutis. It has commenced material litigation in Lithuania which has included proceedings before a notary, the engagement of bailiff, injunctive proceedings, multiple court attendances and potential commencement of criminal proceedings.

73. Unfortunately, it appears that Kestutis has taken a variety of steps to hide or disappear his 2019 crop of mink. NAFA's efforts have located approximately 70,000 pelts which were surreptitiously shipped to Hong Kong and Cambodia in brazen disregard for NAFA's security interest in those pelts. Demand letters have been sent to the Hong Kong entity who acknowledges receipt of the pelts but has not offered to return them or pay NAFA for same. NAFA is considering further litigation in Hong Kong in connection with those missing pelts.

74. It appears that a large amount of Kestutis mink were contracted for, but not delivered from, a supplier in Denmark. This matter is being investigated, but despite taking funding for these mink, it may be that these mink never existed or it may be that NAFA has recourse against the mink raised by that Danish farmer.

75. NAFA has been successful at all material hearings in this matter. It recently seized all the remaining juvenile mink from Kestutis's farming operation when Kestutis abandoned them to die. Unfortunately, a great number of them had to be euthanized and a very small amount was realized from them (juvenile pelts are valueless but some farmers bought the live animals to raise).

76. NAFA recently received banking and other information under a Lithuanian court order from Kestutis which seems to indicate that perhaps 200,000 or more pelts were fraudulently transferred to a known entity in Lithuania earlier this year. Litigation is now underway to try to secure these pelts.

77. No amount is included in the Cash Flow Forecast at this time for any pelts from the Kestutis litigation recovery effort.

78. Criminal investigations have been commenced against Kestutis in Lithuania and NAFA has assisted in that investigation.

Ciskevicius Brothers

79. The Ciskevicius Brothers own or operate two different Lithuanian farms. They are also being advised by the same counsel who may have advised Kestutis to breach its obligations to NAFA. The Ciskevicius Brothers collectively owe NAFA in excess of $2,700,000. In August of 2019, given limited funding available at that time, NAFA agreed, with the consent of the Agent, to allow for Saga to provide the funding necessary to complete the development of the Ciskevicius Brothers kits into harvestable mink.

80. In exchange for this arrangement, Saga was given a first priority pledge on these mink and they provided funding to complete the herd. Saga advanced approximately 760,000 Euros to the Ciskevicius Brothers.

81. In apparent violation of their contract, the Ciskevicius Brothers ultimately delivered only 42,000 of the 150,000 pelts they were contracted to provide. The location of the remaining pelts is unknown.

82. Saga has taken the lead on litigating this matter and has advised that they have been successful in confirming the jurisdiction for the litigation is Finland not Latvia but the litigation is otherwise ongoing. Saga and NAFA are going to have further discussions related to the progress of this litigation, and possible settlements, and whether or not NAFA should take an active role in the litigation.

83. NAFA continues to diligently pursue these areas of litigation. Material recovery from these farms could materially change the restructuring options available to NAFA. Unfortunately, any recovery from these litigation issues likely does not occur until mid to late 2021, absent a settlement or some other commercial arrangement.

Insurance Claims

84. NAFA maintains a credit insurance policy with an entity known as "Red Rock Insurance" which insurance policy essentially provides coverage in the event that an entity to whom a kit loan was made in the previous year, fails to deliver its mink or to repay the full amount of the kit loan.

85. The insurance claim has a rider that provides maximum amounts of coverage for certain specific farms. For example, in the case of Kestutis, there is coverage up to the amount of approximately $2,000,000. There are also maximum amounts allowed for claims in different countries or geographic regions. The policy also has an annual deductible of $1,000,000.

86. NAFA notified its insurer by letter on March 11, 2020 that it may make claims in respect of each of the kits loans which remain unpaid.

87. At this time, NAFA has filed only two proofs of loss. One is in respect of Kestutis, and one is in respect of a farm known as Furlax. Once NAFA has responses to these claims, NAFA will provide the balance of its proofs of loss using the information requested by the insurer to the first two claims as a guide. The amount of the claims filed and anticipated to be filed are set out in the notes to the ERV.

88. The insurer's initial response has been to question what coverage is available and to request significant additional documentation.

89. It is expected that the process of getting payment from the insurer will take some time, professional fees, and a material amount of disclosure and review of documents.

90. The staff at NAFA has been engaged in organizing the necessary paperwork to respond to the insurer and the NAFA staff are knowledgeable about the history of these loans and are, therefore, uniquely able to respond to the insurer's inquiries.

91. NAFA expects to file more than 25 proofs of loss, although the final number may be higher when the final results of the 2020 auction season are known.

92. NAFA expects a multi-million dollar recovery from this insurance policy, given the issues described herein and the general difficulty in being paid it debts from its farms in this year, which claims, if successful, will contribute in a meaningful way to repaying the Agent and other creditors as set out in the ERV.

Long Term Debt

93. NAFA holds a significant amount of long-term debt (i.e. not current kit loans) from various farmers around the world, excluding the three farmers discussed above that are in litigation. The top 10 debtors make up approximately 85% of this debt.

94. NAFA has sent two sets of demand letters to farmers who are indebted to NAFA. The letters make clear that NAFA will pursue its remedies against these farmers in the absence of payment.

95. NAFA intends to use the Cash Flow Period to increase its efforts to pursue these long-term debts. In particular, NAFA is going to review its security from these entities and consider recourse against not only mink pelts but also against real property, equipment and personal guarantees.

96. NAFA has reviewed its files in preparation for taking further steps to recover these long-term debts. NAFA staff is uniquely able to collect these debts given the nature of many of the loans and the promises made related to them over time. NAFA staff can also properly consider and value any settlement proposal for long term recovery or other options which may be offered to settle.

97. NAFA has already successfully negotiated several loan settlements and repayment plans in this manner which have met with the approval of the Monitor and the Agent.

98. The potential recovery from these long-term loans could materially impact the funds available to repay the Agent and other stakeholders.

The Daikoku Farm

99. Among the assets owned by NAFA was a working mink farm in Poland, known as the Daikoku farm. The Daikoku Farm produced 130,000 harvested mink this year.

100. Being unable to provide ongoing funding to operate the farm, and being confronted with a positive diagnosis of Aleutian Disease in a material portion of the breeders at Daikoku, NAFA determined, in conjunction with the Monitor and the Agent, that it was appropriate to terminate operations at the farm and cull the remaining breeders.

101. NAFA surrendered operations of the Daikoku farm to the previous owner in exchange for that individual assuming the liabilities affiliated with the farm, as well as having him deliver mink pelts equal to the number of breeder mink left at the farm. NAFA has no further liabilities with respect to the Daikoku farm.

102. Unfortunately, when 109,000 of the Daikoku mink were delivered to the largest pelting plant in Poland, the owner of the pelting plant, a sister company to the Van Ansem Group (an entity discussed in my previous affidavits), arrested the mink and refused to release them to Saga, the intended destination at that time.

103. The Daikoku farm was effectively a joint venture between the Van Ansem Group and NAFA. A dispute arose with respect to the obligations remaining at the farm, a large feed bill

which was owing, and the obligations of the Van Ansem Group related to NAFA's acquisition of the farm operations years earlier.

104. A settlement was reached after considerable negotiations, and with the input of the Monitor and the consent of the Agent, under which the Daikoku mink were released and certain other liabilities between NAFA and VAG were resolved.

105. As a result of the dispute and the delay it caused, the 109,000 Daikoku mink were not able to be delivered to the auction houses in time for them to be sold in this year's auctions.

The International Properties

106. Among its holdings, NAFA owns one property in Poland and two properties in Stoughton, Wisconsin.

107. All of these properties are currently listed for sale with local real estate agents actively marketing the properties. While there has been interest in the properties, activity has been slow due to Covid-19 related travel restrictions and the summer holiday season. I am optimistic that activity and interest will improve in the Fall.

BDC and the Skyway Property

108. NAFA Properties is the registered owner of two long-term ground leases (the "**Ground Leases**") in respect of a property municipally known as 65 Skyway Avenue, Rexdale Ontario (the "**Skyway Property**"), which is NAFA's head office and main auction facility.

109. The Business Development Bank of Canada ("**BDC**") made a term loan available to NAFA Properties in the principal amount of $7,240,000 CDN to allow NAFA Properties to acquire its

interest in the Skyway Property in connection with the Ground Leases. As of July 31, 2020, the amount outstanding was approximately $6,250,000 CDN.

110. At the November 28, 2020 Motion, Justice McEwen granted NAFA what is referred to as the Ground Leases Order. This Order ordered that, *inter alia*, all payments relating to the Grounds Leases will continue to be paid to BDC in the ordinary course, and authorized NAFA Properties to list the Ground Leases for sale, provided that the listing agreement is in form and substance satisfactory to the Monitor and BDC, in consultation with the Agent.

111. NAFA met with four real estate agents and after consultation with the Monitor, BDC and notice to the Agent, selected an agent who began its marketing efforts on January 21, 2020.

112. NAFA negotiated and entered into a sale agreement with an arms length party with the approval of BDC and the Agent in June. The purchase price would have retired the debt to BDC and provided a surplus which would have been paid to the Agent.

113. Unfortunately, during the 30-day due diligence period allowed for in the offer, the prospective purchaser discovered a zoning issue which prohibited the proposed use of that purchaser. On August 5, 2020, after retaining a planner and attempting to resolve the issue with the city, the prospective purchaser determined that resolving the zoning issue was too uncertain, and it terminated the transaction.

114. Other parties were interested in the property at the time the parties selected the prospective purchaser as the offer to pursue. The real estate agent has gone back to those parties and has renewed marketing of the property.

115. The prospective purchaser was to close the sale transaction on October 31, 2020. As such, NAFA began plans in August to redesign its remaining business without the use of the Skyway Property.

116. Under the Ground Lease Order, NAFA may terminate its occupation of the Skyway Property on 60 days' notice.

117. We have determined that maintaining the premises is an unnecessary expense at this point in the restructuring. NAFA can relocate its offices to the leased premises at 500 Carlingview in Toronto (where it can work rent free until year-end given the terms it negotiated when it sold the property earlier this year) and it expects to be able to sell or ship all of its remaining inventory, and sell its onsite equipment, before the end of October and is making plans to do so.

118. Our counsel has contacted BDC's counsel and have advised them of this plan. Assuming the order we are seeking is granted on August 26, 2020, we will send the officially required notice on August 30, 2020 to BDC and plan to be out of the Skyway Property by October 31, 2020.

119. NAFA will also provide notice to the real property owners. Once it vacates the premises, it will cease making any payments to the landlords or BDC, and any other payments in connection with this property (e.g. utilities, security, etc.).

120. NAFA remains interested in continuing with the sale of the Skyway property, as it is an asset in which NAFA believes there is value beyond the BDC debt (as the recent sale efforts have proven – notwithstanding the failure to close) and I am of the view that for BDC to engage in its own process at this time will create unnecessary costs which will be borne by the NAFA creditors.

NAFA Farms

121. NAFA owns a mink farm in Nova Scotia which produced mink in 2019. All of the NAFA 2019 mink, including breeders, were either pelted or sold. While the farm remains, there are no new NAFA owned mink being grown on that farm.

122. NAFA has been negotiating with a Nova Scotia farmer who has been maintaining the farm, for a lease to allow that farmer to use the premises for his mink production, but no agreement has yet been finalized. If such an agreement is reached, NAFA expects a limited rental income from this property.

123. As the farm is fully encumbered to Farm Credit Canada, and given what I understand to be the low value of mink farms in Nova Scotia, currently, NAFA has no plans to sell this land at this time and has assigned it no value in the ERV.

BLACKGLAMA Trademark

124. NAFA is the owner of the BLACKGLAMA brand (the "**Marks**") used in association with mink pelts, perfume, as well as false eyelashes and clothing items made from mink fur.

125. My November affidavit explained the importance of the BLACKGLAMA brand worldwide and advised the Court that NAFA was in the process of negotiating a short license agreement for the BLACKGLAMA brand ("**License Agreement**").

126. Since the November Motion, NAFA has finalized and concluded the License Agreement. The terms of the License Agreement are substantially similar to those described in my November affidavit.

127. The licence expires in October 2020. NAFA is in preliminary discussions with Saga as to whether to continue the licence, which Saga has indicated it is interested in doing, or to terminate the licence and offer the brand for sale. A decision will likely be made with respect to same during the Cash Flow Period. The Cash Flow Forecast does not currently include a further licence fee nor a sale value for the BLACKGLAMA trademark.

Sale of the Business of NAFA

128. As set out above and set out in my January affidavit, NAFA had worked with the Monitor to develop a SISP which contemplated the potential sale of all or part of the entire remaining business including NAFA's outstanding loan facilities, the real estate and intellectual property.

129. The Court authorized a SISP, subject to consent of the Agent or further order of the Court, at the hearing on January 30, 2020. However, due to the impact of Covid-19 shortly thereafter, NAFA, the Monitor and the Agent all agreed that conducting a SISP at that time was unlikely to be successful and might be money wasted.

130. NAFA does not intend to conduct a SISP during the Cash Flow Period and there is no allocation for professional fees to do so during that period.

131. However, it is the case that certain parties have contacted NAFA, particularly over the past month as the fur industry shows signs of recovery, to inquire as to whether or not NAFA might be for sale.

132. Hypothetically, NAFA could collect furs in the Fall and Winter of 2020/2021 and conduct auctions and sales in 2021. It clearly does not currently have the funding to do and has no plans to do so. Nonetheless, in my view, effectively, it remains a turn key solution for someone who wanted to conduct a fur auction in North America.

133. It may be that during the Cash Flow Period interest from these preliminary contacts mature into an offer which merits further consideration of whether or not a limited SISP would be productive or worthwhile, in which case we would engage with the Agent and the Monitor to discuss same.

Private Treaty Open House

134. As I previously reported, in an average year, NAFA would sell wild fur with a gross value of in excess of $25,000,000. This represents in excess of a million wild furs provided by in excess of 25,000 individual entities.

135. NAFA had previously entered into an arrangement to host an auction with Fur Harvesters, a wild fur auction house located in North Bay, to sell its remaining wild fur. The auction model was put before this Court in January and approved.

136. However, due to Covid-19, the lack of foreign travellers and the continually scaled back size of the auction or likely attendees, NAFA and FHA decided to cancel the holding of an auction at the Skyway Property. FHA is proceeding with an auction on August 30 and 31, 2020. A small amount of NAFA product is to be offered at that auction at this time.

137. Despite engaging in material private treaty sales during the 8 months since my last affidavit, NAFA still has a material quantity of wild fur and unsold mink from 2019. The quantities will be set out in the notes to the Cash Flow Forecast in the Monitor's Fourth Report.

138. NAFA expects to be able to sell the majority of those skins before October 31, 2020 in two ways. First, NAFA will continue to sell skins to private treaty inquiries. These inquiries have increased in the months of July and August as the fur industry starts to recover.

139. Second, NAFA intends to host a "Private Treaty Open House" in late August around the time of the Fur Harvesters auction in North Bay, Ontario. Buyers attending the Fur Harvesters auction will likely transit through Toronto and NAFA will have its goods on display in the Skyway Property before and after that sale to allow inspection and purchase of its remaining goods. The goods would be sold on a cash and carry basis. In accordance with earlier court orders, these proceeds will be held by the Monitor to allow for payments to consignors.

140. NAFA is uniquely able to sell and ship these goods, many of which require permits which NAFA continues to hold.

Extension

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

142. The current Stay Period under the Stay Extension Order will expire on August 28, 2020. NAFA requests an extension of the Stay Period to and including November 30, 2020 to continue its restructuring efforts.

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

144. The Monitor has advised me that it is supportive of NAFA seeking an extension of the Stay Period to and including November 30th, 2020.

145. I affirm this affidavit in support of NAFA's motion for an Order, *inter alia*: (a) an extension of the Stay Period to and including November 30, 2020; (b) authorizing future sales without

requiring court approval; (c) approval of the fees and conduct of the Monitor and its counsel; and (d) sealing certain confidential exhibits and appendices.

AFFIRMED before me at the City of Toronto in the Province of Ontario	)	
on the 21st day of August, 2020	)	
A commissioner, etc.	)	DOUGLAS LAWSON

TAB A

This is Exhibit "A" referred to in the Affidavit of Doug Lawson
sworn on the 21st day of August, 2020.

Commissioner for Taking Affidavits (or as may be)

David Ullmann

Court File No.

ONTARIO

SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

(the "**Applicants**")

AFFIDAVIT OF DOUG LAWSON

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

1. I am the President and Chief Executive Officer of North American Fur Auctions Inc. (the "**Company**" or "**NAFA**") and as such have knowledge as to the matters which I hereinafter depose. To the extent I am recounting information provided to me by others, I have stated the source of that information and verily believe it to be true.

2. I swear this affidavit in support of an Application by the Applicants seeking protection from their creditors pursuant to the provisions of the *Companies' Creditors Arrangement Act* (the "**CCAA**").

3. All currency references in this affidavit are in USD, the primary operating currency for the Applicants, unless otherwise noted.

4. The Applicants' key lending syndicate (the "**Syndicate**") has advised that it will no longer provide further funding to the Applicants. As such, the Applicants unable to meet certain of their key liabilities as they fall due, in particular their obligation to provide funding to more than 50 farmers around the world who rely on those funds to grow and harvest animals (mainly mink) for sale by NAFA. As a result, the Applicants seek the following urgent relief to:

   a. ensure continuity of management control (albeit in a public process supervised by a court officer);

   b. receive priority debtor in possession ("**DIP**") financing ("**DIP Financing**") to allow the Applicants to maintain operations and address the funding needs of their farming clients;

   c. pursue a transaction for the refinancing of their obligations; and

   d. have "breathing space" within which to formulate a restructuring plan satisfactory to the stakeholders.

5. In the last week, the Company has entered into an arrangement with one of its competitors that provides it with immediate liquidity which, in combination with some short term DIP Financing described herein, should provide the Applicants with the necessary breathing space to consider their options and obligations to stakeholders.

Company Background and Recent Events

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

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

7. NAFA is in the business of farming, financing, preparing, grading and auctioning fur products, such as raw fur Pelts ("**Pelts**"), for use in the garment industry. It is one of essentially three such companies in the world that operate in this industry with similar size and scale. The other two are based in Finland and Denmark. There is no material North American competitor that provides these services.

8. NAFA sells in excess of $200,000,000 worth of fur products annually at the auctions it conducts, as described in greater detail below. It employs in excess of 100 people worldwide through the Canadian and foreign subsidiaries, as well as approximately 300 seasonal workers worldwide from December to June annually.

9. NAFA had lending facilities with the Syndicate in the amount of approximately $50,000,000 to $80,000,000, depending on the time of year (as explained below). It is currently indebted to the Syndicate in the amount of approximately $32,000,000 as at October 28, 2019.

Corporate Structure and Business of the Applicants

10. NAFA has two principal sources of revenue. It collects interest and fees on loans it makes into the fur farming industry, and it collects consignor and buyer commissions and related auction charges, and amounts due from those loans, when it conducts its auctions to sell those fur products.

11. In addition, NAFA makes loans to farmers to support those businesses in excess of and separate from the Kit Loans (as defined below). NAFA also includes 3306319 Nova Scotia Limited ("**3306319**"), which owns one mink farm in Nova Scotia. 3306319 generates 48,000 Pelts annually worth approximately $1,500,000 CAD.

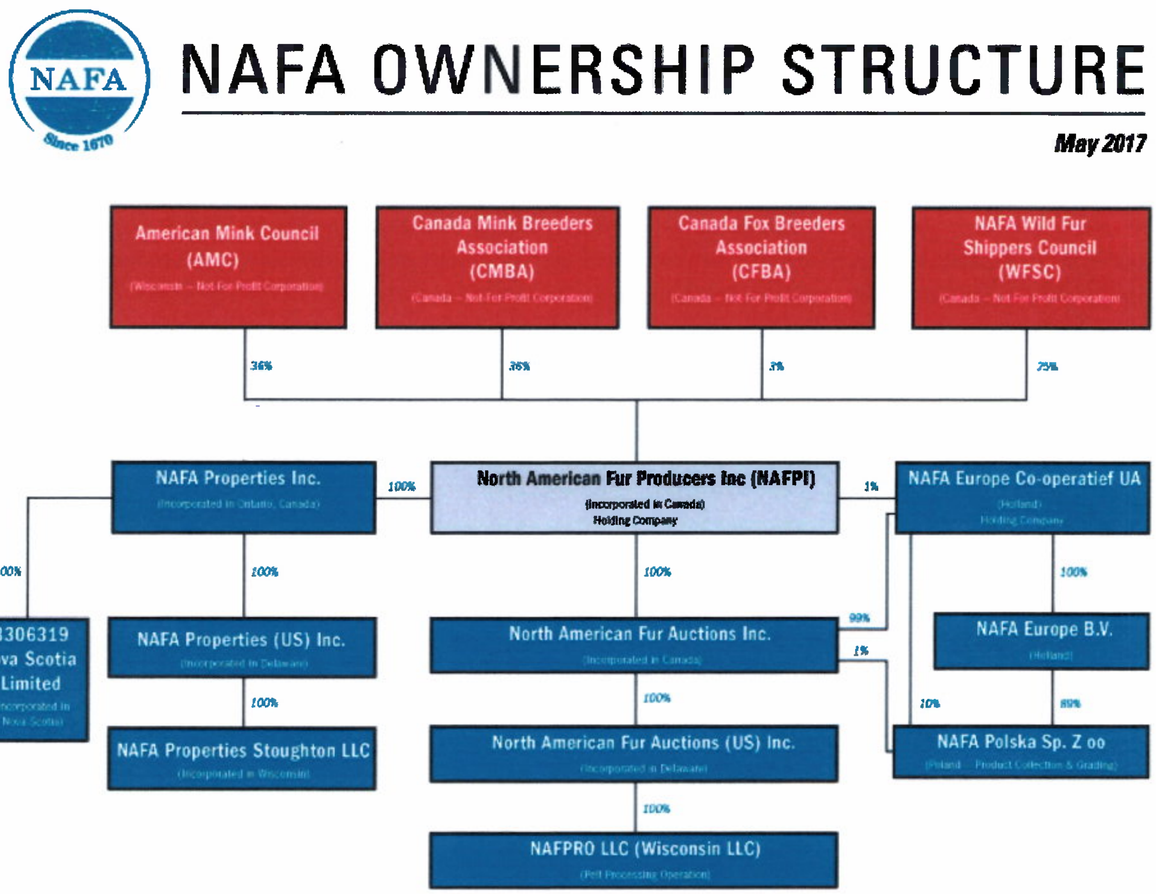
12. The Company also provides storage facilities for furs from around the world for entities which have purchased and not collected furs from previous auctions or for parties who wish to store fur pending future auctions. The Company also stores furs provided to it for an auction but which have failed to sell, with instructions to sell those furs at a future auction.

13. Between the NAFA owned furs and the furs in storage, NAFA currently has approximately 1,000,000 Pelts worth approximately $25,000,000 on hand. Less than $250,000 worth of these Pelts are NAFA's inventory, while the remainder are furs that NAFA is storing on behalf of their owners as described above.

14. The Applicants, although located in different countries, are principally controlled by and do business through the Canadian operations of NAFA. The Canadian operations conduct the auctions, oversee the lending operations, and have central command and control over the material decisions made at the subsidiaries. All business of the Applicants is focused on the delivery of Pelts to the Canadian operations centralized around NAFA to be auctioned at NAFA's Head Office (as defined below) in Toronto. All funding of loans, collection of loans,

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

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



16. In addition to the entities in the above corporate chart, there is an additional entity in Poland named Daikoku Sp.Z oo ("**Daikoku**"), which is a direct subsidiary of NAFA.

17. Operational control for the entities in this corporate structure is conducted from the head office located at 65 Skyway Avenue, Toronto, which is also the Company's principal auction location and grading facility (the "**Head Office**"). The Company's principal distribution facility is located at 500 Carlingview Drive, Toronto. All buyer services, marketing services, buyer

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

18. The Head Office staff control and administer all consignor loans finance, oversee all consignor accounts, and administer related consignor marketing activities for all the entities in the corporate structure. The Head Office deals with soliciting ranch mink, ranch fox and wild fur within Canada. It is a major receiving depot (receiving individual Pelts into accounts, ticketing for identification, and CITES[1] registration and administration) for both wild fur and ranched fur.

19. The Head Office (through Buyer Services and Logistics) is the shipping point for all buyer purchases acquired at auction and staff at the Head Office pack, stage and co-ordinate shipments. NAFA is the major staging location and co-ordination facility for intercompany shipments between NAFA Europe B.V. ("**NAFA Europe**") and North American Fur Auctions (US) Inc. ("**NAFA USA**").

20. North American Fur Producers Inc. ("**NAFPI**") is the holding company for the producer associations. The producer association shareholders appoint the NAFPI Board of Directors, who in turn, nominate the directors for NAFA.

21. NAFA Properties Inc. ("**NAFA Properties**") is wholly owned by NAFPI. It owns and maintains various properties located within Canada, including the Carlingview property.

22. 3306319 is a fur farm operation located in Nova Scotia and owned by NAFA Properties.

23. NAFA USA is wholly owned by the Company. NAFA USA performs all soliciting functions within the United States, administers the American consignor accounts, serves as a receiving deposit for the American goods, and serves as a major grading depot for ranch mink and wild fur. The two facilities in the United States commonly receive and grade mink

[1] Convention on International Trade of Endangered Species of Wild Flora and Fauna.

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

24. NAFA Properties (US) Inc. ("**NAFA Properties US**") is wholly owned by NAFA Properties. It owns a warehouse in Stoughton, Wisconsin, through NAFA Properties Stoughton LLC, that was under a graduated development as an eventual replacement building for all Stoughton operations, but is currently used primarily for cold storage, packing, and wild fur receiving.

25. NAFPRO is wholly owned by NAFA US. Its function was to receive "green" mink Pelts and process them into dry, raw and stable Pelts suitable for grading. This operation has been, or is in the process of being, closed and will not operate in the 2019/2020 season.

26. The Pelts that are being processed through NAFPRO and are currently graded and stored through NAFA USA and NAFA Properties US will ultimately be shipped to Canada to be sold at NAFA's auctions held at the Head Office.

27. NAFA Europe ran the Western European office, which has since been closed. It administered and paid for all non-Polish solicitors working outside of Poland and in countries including the Netherlands and Denmark. It also administered account proceeds for all European Consignor Auction revenue. As set out above, the accounts for consignor auctions handled through NAFA Europe were ultimately coordinated and controlled by the staff at the Head Office. These operations have now been closed and transitioned to NAFA Polska (as defined below).

28. NAFA Polska Sp. Z oo ("**NAFA Polska**") is the company tasked with the collection and grading of European origin ranch mink for delivery to the Canadian auction. NAFA Polska

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

29. Diakoku is a fur farm operation located in Poland.

30. NAFA Europe Co-operatief UA ("**NAFA Co-op**") is a holding company for all NAFA entities in Europe.

31. NAFA also operates the largest wild fur auction house in North America. Annually, NAFA facilitates the sale of approximately $25,000,000 worth of wild fur.[2]

32. This part of NAFA's business is extremely important to the North American wild fur industry, particularly to the aboriginal community that uses NAFA's wild fur auction house as an important way of selling their furs.

33. NAFA's wild fur business administration also assists the Canadian Ministry of Natural Resources and Forestry to monitor the catching and trapping of animals across Canada, including with respect to the limits related to endangered species.

34. The Applicants own or lease the following real estate:

   a. NAFPI – 65 Skyway Avenue, Toronto, Ontario (lease);

   b. NAFA Properties – 500 Carlingview Avenue, Toronto (owned);

   c. NAFA USA - 205 Industrial Circle, Stoughton, Wisconsin, U.S.A. (owned);

   d. NAFA Properties Stoughton LLC - 1600 Williams Drive, Stoughton, Wisconsin (owned);

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[2] "Wild fur" are furs trapped in the traditional sense as opposed to farm raised furs which make up the majority of the fur industry.

e. NAFA Polska - ul. Granitowa 10 in Goleniow, Poland (composed of 0.8916 hectares of land and development erected thereon) (owned);

f. NAFA Polska – ul Produckcyina in Goleniow, Poland (composed of 0.8003 hectares of land and development erected thereon) (owned);

g. 3306319 – 569 Middle Cross Road, Roxville, N.S.;

h. 3306319 – 241 Riverdale Road, Riverdale, N.S.; and

i. Daikoku - 72-100 Lozienica, Poland (a farm that is leased).

35. NAFA conducts three auctions a year, which are held at its Head Office location. The last of these auctions was just concluded successfully on August 27, 2019. The next auction is currently scheduled to be held in March, 2020.

36. During the period between July and March, the Applicants have traditionally had access to bank financing to fund the growing cycle for their product, which I understand to be similar to other agricultural businesses.

37. In particular, from the period of July until November in most years, including this one, NAFA borrows in excess of $45,000,000, a portion of which is lent to farmers/ranchers who use those funds to fund the development of mink. Those farmers are then contractually bound to deliver those mink to NAFA for auction. These loans are referred to herein as "**Kit Loans**".[3]

38. The farmers who contract with NAFA for the Kit Loans are, once the loans are in place, completely dependent on NAFA for these funds to purchase necessities such as feed in order to grow the mink.

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[3] Infant mink are called "Kits".

39. NAFA's lending cycle ends around the end of November each year. Thereafter, the mink are harvested and turned into Pelts for auction.

40. NAFA's lenders, and in particular the Syndicate, have made loans to NAFA to fund this farming cycle for decades (since the late 1980's).

41. This year, in both May and July, the Syndicate confirmed its willingness to do so again (subject to certain terms) and entered into a new loan agreement with NAFA in July, as further described below.

Dealings with the Syndicate

42. In 2018, NAFA decided to delay its third auction in 2019 (which would usually have been in July) to the end of August. This decision was made in April of 2018 and was made known to the Canadian Imperial Bank of Commerce ("**CIBC**" or the "**Agent**"), the Agent for the Syndicate, at that time.

43. The other two 2019 auctions were scheduled to take place in March and June 2019.

44. Although the results from the auctions held in March and June 2019 were acceptable competitively and relative to the current market, the results of the auctions were materially below projections.

45. The auction results in June were depressed, in part, by changes in the worldwide price for mink and other furs, which trade as commodities and are subject to the volatility as other internationally traded commodities.

46. At the end of June, I voluntarily approached CIBC and advised my principal bank contact that due to the poor outcome of the auction in June, and the fact that the auction normally held in July was taking place in August, NAFA would not have sufficient cash to fund the Kit Loans in July and August without assistance from the Syndicate.

47. In particular, NAFA calculated that it would require a bulge facility from the Syndicate in the amount of up to $20,000,000. The Company had previously requested and received bulge facilities from the Syndicate in prior years.

48. At that time, the total amount owing to the Syndicate was approximately $45,000,000.

49. The Agent was advised that NAFA intended to hold its auction in August (as scheduled) and that when it did so, it was expected that it would return to a more usual level of debt with the Syndicate.

50. On July 8, 2019, a meeting was held between the Agent's Special Loans group, its financial advisors, the Company's financial advisors, and representatives from the other lenders from the Syndicate and counsel to canvass options and concerns.

51. Following that meeting, the Company and the Syndicate entered into a new credit agreement whereby the Syndicate agreed to provide funding to the Company for the period from July 17, 2019 up to and including the current date and beyond. A copy of that Credit Agreement (the "**Credit Agreement**") is attached hereto and marked as **Exhibit "A"**.

52. The Credit Agreement is extremely dense and complex, reflecting the size and complexity of the loan products used in the NAFA business. I will not describe it in detail here. I will note that, as was confirmed in July of this year, all of the Applicants (with the exception of Daikoku, NAFA Europe and NAFA Co-op) were either borrowers or guarantors under the Credit Agreement, with the guarantors guaranteeing the entire amount of the debt, jointly and severally.

53. In the Credit Agreement, CIBC affirmed that it would continue to provide funding to ensure that the Kit Loan payments were made. In reliance on this fact, NAFA made it known to their farmers that they could reasonably expect to continue to receive the Kit Loans for this growing season.

54. Attached as Schedule "1.1.23" of the Credit Agreement was a cash flow forecast which strictly limited the Company's disbursements and the Company covenanted to follow it.

55. The new Credit Agreement was focused on three new business points:

    a. First, the Company would diligently follow the cash flow, which would be closely monitored by the parties and their financial advisors;

    b. Second, the Company would engage in an aggressive program to sell the business, or part of it, and would immediately hire KPMG Corporate Finance ("**KPMG Corporate**") to spearhead that initiative; and

    c. Third, the Company would conduct the August auction in the usual course and ensure maximum recovery from those assets.

56. The cash flow forecast was prepared after careful and detailed review by KPMG Inc. ("**KPMG**") (our auditor and financial advisors), the Agent, its counsel and their financial advisor, Alvarez & Marsal Canada ULC ("**Alvarez**").

57. Pursuant to the cash flow forecast, the Syndicate did allow for funding to be made to pay the Kit Loans and the Company did so. Thereafter, the Kit Loans were generally kept current to the farmers until October 17, 2019, as further described below.

58. The Company held its auction in August, 2019 as agreed.

59. The Company was obliged, pursuant to its credit and other arrangements with the Syndicate, to certify by August 30th that the receipts from that auction were at least $53,000,000. In fact the auction proceeds were in excess of $55,600,000, as certified in the certificate provided to the Syndicate, which is attached hereto and marked as **Exhibit "B"**.

60. As required by the Credit Agreement, the Company hired KPMG Corporate in July 2019, who began the process of seeking sale or refinance opportunities for the Company.

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

61. The Syndicate made demand on the Company on August 2, 2019 and issued notices of intent to enforce under the *Bankruptcy and Insolvency Act* ("**BIA**"), largely because the Company had failed to meet the sales guidelines. Attached hereto and marked as **Exhibit "C"** are copies of the demand letters and BIA notice.

62. By August 14, 2019, the Syndicate had agreed to a forbearance with the Company and the Syndicate agreed to new timelines for the sale process which were supported by KPMG Corporate ("**Forbearance Agreement**"). A copy of the Forbearance Agreement is attached hereto and marked as **Exhibit "D"**.

63. The Company continued to follow its cash flow forecast (as amended from time to time with the agreement of the Syndicate) and delivered the first SAGA LOI (described below) within the timeline provided in the Forbearance Agreement.

64. The Company has substantially lived up to its obligations under the Credit Agreement and the Forbearance Agreement (as amended) except in regards to certain covenants to sell certain assets and/or enter into merger transactions within the timeframes that proved to be unrealistic.

65. On September 19, 2019, the Syndicate issued a default letter purportedly terminating the Forbearance Agreement and the Credit Agreement. While I did not agree that there had been a default which entitled the Syndicate to issue the default letter, the Forbearance Agreement expired in any event on September 19, 2019 and so NAFA did not contest it as it seemed a moot point. Attached hereto and marked as **Exhibit "E"** is the default letter, dated September 19, 2019 from counsel to CIBC.

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

The Waygar Refinancing Transaction and First Interim Funding

67. In accordance with the sale process sanctioned by the Credit Agreement and subsequent forbearances, the Company solicited and received a letter of intent from Waygar Capital Inc. ("**Waygar**") on or about August 27, 2019, under which Waygar expressed its intent to finance the Company.

68. Waygar advised of its intent to advance $60,000,000 in loan repayment and working capital by mid-October, 2019.

69. At a conference call attended by Waygar, the Agent, and all of the advisors on September 19, 2019, Waygar advised that it had delayed moving forward with its loan until the Company made the majority of the payments owing by it to parties who had supplied furs to NAFA on consignment for the August auction from the proceeds of that auction. As a result, Waygar advised that it would now not be able to meet its planned advance date to retire the Syndicate's indebtedness, upon which the Company had relied. Those payments were made, as scheduled, on September 17, 2019.

70. On or about September 18, 2019, the Company was advised by the tax authorities in the Netherlands that they had sequestered funds (ultimately totalling approximately 1.2 million Euros – subsequently reduced to 830,000 Euros, which has been transferred to the Dutch Tax authorities as security and approximately 100,000 Euros held in a Rabobank account) due to suspicion that, in the past, funds which were payable to certain consignors of furs to the three major fur auction companies in Europe (including NAFA), were part of a tax fraud scheme being perpetrated by the intended recipients. The investigation is going to go back in time approximately fourteen years.

71. No allegation was made specifically against NAFA in this regard, but the suspension of the funds further depleted the availability of funds for NAFA and further complicated NAFA's ability to make payments of any kind into Europe. Two letters from the Dutch tax authority dated September 11, 2019 are attached hereto and marked as **Exhibit "F"** along with a translation.

72. Following this, the Agent advised the Company on Saturday, September 21, 2019 that it intended to place the Company into receivership.

73. In response, on Sunday, September 22, 2019, the Company arranged for interim funding from Waygar.

74. In particular, Waygar agreed to advance, and the Syndicate agreed to allow, up to $8,000,000 to fund operations until the closing of the $60,000,000 financing with Waygar, which was to take place on October 17, 2019.

75. Waygar provided the interim financing through Waygar joining the Syndicate, as set out in the agreement attached hereto and marked as **Exhibit "G"**.

76. The key terms of the advance between Waygar and the Syndicate were that Waygar would advance the funds and would have first priority to repayment of those funds. The funding was principally to be used to fund Kit Loan obligations. That funding closed on September 27, 2019.

77. It was my understanding, based on multiple conversations which I attended with the Agent and/or its advisors (along with NAFA's advisors) that the Syndicate recognized the utility in making this funding to the farmers in order to ensure the further development of the kits into harvestable product.

78. I believe that it is understood among the Company, the Syndicate and our respective advisors, that under-funded and under fed kits are essentially valueless.

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

Termination of the $60,000,000 refinance Waygar Transaction

80. On October 14, 2019, Waygar advised the balance of the Syndicate (the "**Original Syndicate**") and the Company that it was no longer prepared to enter into long term funding with the Company or provide the $60,000,000.

81. Confronted with the fact that the Company was going to be unable to fund its Kit Loans or other obligations beyond day-to-day operations after October 17, 2019, the Company approached each of Waygar and the Original Syndicate members to seek interim funding to allow it to finish the Kit Loans and operate.

82. The Agent advised the Company, at an all parties meeting on October 15, 2019, that the Syndicate was unwilling to provide any further funding to the Company. On the other hand, the Agent advised that the Syndicate might be willing to consider allowing for the Company to consume certain easy to liquidate assets, if that might provide it some runway before it ran out of funds.

83. CIBC also advised that it would not allow for further DIP funding from Waygar to come in ahead of the Original Syndicate.

84. Further, CIBC advised that in its opinion, there may not be sufficient value in the current business to even repay the $8,000,000 due to Waygar in priority to the Original Syndicate. I disagree with this statement.

85. The Agent strongly encouraged the Company to seek a transaction with its competitors to see if that might either solve the liquidity issues or provide a basis for a merger, transaction or wind-down.

86. Waygar, confirmed on October 18 and October 20, 2019, that it was prepared to provide DIP Financing to allow the Company to meet its Kit Loan obligations. As set out below, Waygar has provided a term sheet outlining a DIP funding transaction which, if approved by the Court, will provide the Company with the funding to move forward.

87. In the interim, while continuing to operate in the normal course (subject to its extreme cash constraints), the Company has pursued a transaction with its competitor, SAGA Furs ("**SAGA**"), to address these liquidity issues.

The SAGA Furs Transaction

88. Since July of this year, NAFA has been engaged in negotiations with SAGA about a possible transaction. The transaction was sourced and organized by KPMG Corporate in accordance with the mandate provided to it pursuant to the Credit Agreement. Various iterations of the transaction were vetted and considered from time to time by KPMG Corporate and reported to the Syndicate and Alvarez.

89. SAGA provided the Company with an LOI to allow it to acquire certain of the Kit Loans in August (the "**August LOI**"), but that transaction was not pursued at that time because of the opportunity provided by the anticipated transaction with Waygar which NAFA thought would retire the Original Syndicate loan or provide the business with a path forward.

90. On October 20, 2019, the Company and KPMG Corporate solicited and received a new LOI from SAGA (the "**SAGA LOI**"). A copy of the SAGA LOI is attached hereto as **Confidential Exhibit "A"** to this affidavit.

91. Fundamentally, the SAGA LOI proposes a transaction which allows for NAFA to receive some or all of the present value of the outstanding Kit Loans, without having to wait to recover those amounts from auction proceeds which would not otherwise be available until March, 2020 or later. In exchange for this, NAFA is surrendering the right to auction these kits at its March auction, and foregoing the profit it would make from conducting such an auction.

92. The SAGA LOI sets out the following deal terms:

a. SAGA would provide immediate funding to NAFA with respect to certain farmers in Europe who had outstanding Kit Loans, up to the amount of those loans (which certain advances made by it would be repaid to NAFA). In accordance with the terms of SAGA LOI, these farmers are referred to as the "**Schedule 1 Farmers**."

b. SAGA would fund the balance of the requirements owing under the Kit Loans for the balance of the season for the Schedule 1 Farmers, thereby relieving NAFA of the obligation to do so.

c. SAGA would take over funding the pelting, grading and auctioning of the kits subject to Kit Loans.

d. SAGA would also make offers to acquire the balance of the European Kit Loans from the other European farmers, which are referred to as the "**Schedule 2 Farmers**". In respect of these farmers, SAGA would provide NAFA with an amount equal to 85% of the past market price averages. The balance due for these Kit Loans would be paid when the kit Pelts were auctioned by SAGA.

e. To the extent NAFA was owed anything from the farmers beyond the payment contemplated in sub-paragraphs a) or b) above to be financed by SAGA, it would have a second secured position over the Pelts which were the subject of the Kit

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

f. SAGA also offered a similar structure for NAFA's North American Kit Loans, but on a less immediate basis.

g. A commission fee would be payable to NAFA in connection with the Pelts to be sold at auction provided through this structure (the "**SAGA Furs Transaction**").

Immediate Cash Flow Impact of the SAGA Furs Transaction

93. On October 21, 2019, the Company, in consultation with KPMG provided to the Syndicate and Alvarez two cash flow forecasts for the period of October 11 to December 13, 2019, which assumed the SAGA Furs Transaction would be performed and the Company could utilize some or all of that cash to meet its remaining Kit Loan obligations and operational obligations. Those cash flows are attached hereto as **Confidential Exhibit "B1"** and **"B2"** to this affidavit.

94. These illustrative cash flow forecasts are no longer current as the Company has continued to work with KPMG to prepare a cash flow forecast for these CCAA proceedings. Deloitte Restructuring Inc. ("**Deloitte**"), in its capacity as proposed monitor for the Applicants (the "**Proposed Monitor**") is currently working with the Company and KPMG to review and finalize the cash flow forecasts, as discussed below.

95. The Company, with the assistance of KPMG, also reviewed and provided an analysis of the benefit of the SAGA Furs Transaction to the Syndicate and Alvarez. A copy of this analysis is attached hereto and marked as **Confidential Exhibit "C"**. The analysis was positive.

96. Having reviewed the SAGA Furs Transaction with KPMG Corporate, KPMG, the Syndicate and its advisors, and with particular regard to the fact that the Syndicate was unwilling to

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

97. The SAGA Furs Transaction will, if completed on schedule, provide sufficient liquidity to allow NAFA to harvest the current mink crop and thereafter to reconsider its business operations.

98. Under the SAGA Furs Transaction, it is likely the case that NAFA will not hold an auction in March 2020 as it is expected that the remaining Pelts consigned to NAFA could be directed to be auctioned by SAGA. It is unclear what role, if any, the existing NAFA staff would play in conjunction with those products.

99. It is my hope that once the Company gets through the immediate cash crunch related to the completion of the 2019 Kit Loans, it will then be able to review with its advisors what future business, if any, might be performed by NAFA or its personnel both in Canada and or in its satellite offices to further support the fur industry. For example, SAGA and the Company have also discussed the possibility of a transaction in the future whereby SAGA will assist NAFA to fund the Kit Loans and assist with operations in North America.

100. Attached hereto and marked as **Confidential Exhibit "D"** to this affidavit is the NAFA/SAGA Furs Rancher Visitation Schedule and Estimate Valuation, which shows a summary of the Kit Loans and the corresponding next farm visit and payment, as at October 28, 2019. As set out therein, certain loans have already been assigned to SAGA, and more than $3 million is expected to arrive by the end of the week.

101. It is anticipated by the Company in its Cash Flow Forecast (as defined below) that the Syndicate will allow the Company to use these proceeds to fund operations, but the Syndicate has not committed to this position.

102. I have advised SAGA of the Company's intention to seek protection under the CCAA and have been advised by Juha Huttunen, the CFO of SAGA, that the CCAA filing will not impact SAGA's desire to complete the SAGA Furs Transaction.

Financial Impact of the SAGA Furs Transaction

103. The cash flow at B1 assumed the SAGA Furs Transaction will be performed entirely on an expedited basis and with the best outcome for all assumptions. On this cash flow, the Company would have sufficient liquidity to meet its obligations, including the ability to complete the remaining Kit Loan funding, without the need for further DIP Financing over that period.

104. On October 21, 2019, counsel for Waygar, CIBC and the Company, KPMG/KPMG Corporate, and Alvarez had a call in which the Company expressed its belief that while it was possible, based on the best case scenario cash flow, that the Company would be able to operate without any further funding from the Syndicate, it was of the view that it was prudent to have a DIP Financing facility of $5,000,000 given the potential risk surrounding the timing of the assumption of the loans by SAGA (as the cash flow at Confidential Exhibit B1 outlined a doable but optimistic time frame).

105. By comparison, the cash flow at Confidential Exhibit B2 assumes there will be some greater difficulty in completing the anticipated SAGA Furs Transaction with the various farmers which causes a greater period of time to pass before the first or significant funds are provided by SAGA. Under this forecast, the Company requires $5,000,000 from Waygar immediately (i.e. on or before November 1, 2019) to allow it to maintain funding to the Kit

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

106. Both cash flow forecasts also include material repayments to the Syndicate and the continuation of current payments in accordance with the existing security and lending arrangements. A delay or "holiday" in those payments could improve the Company's cash position going forward, but it would not provide the additional liquidity the Company immediately needs in order to keep the Kit Loans current. The Company is reviewing the appropriateness of these pay downs during the period of the cash flow.

107. As the cash flow demonstrates, after nearly 4 months of carefully managed and occasional acrimonious negotiations and funding, the Company is, according to projections, literally within only a few weeks of being able to complete the funding of the Kit Loans (with the proceeds from the SAGA Furs Transaction) and see the benefit of those loans turning into collectable assets.

108. The Company has now commenced the process of contacting farmers and implementing the SAGA Furs Transaction (even prior to receiving final documentation from SAGA) and it is optimistic it will provide the much needed liquidity to the Applicants. I personally flew to Finland on October 23rd and remained there until October 27th to help coordinate this process. My initial report is that the contact with the first group of farmers by SAGA proceeded well and I am optimistic the balance of the transaction will proceed equally well.

109. The negotiations with our single largest customer and debtor, the Van Ansem Group ("**VAG**"), are ongoing and to date have proven somewhat difficult. The Company's business dealings with VAG are complex and relatively large (with VAG owing in excess of $16,000,000 to NAFA and NAFA owing $7,000,000 to VAG from the most recent auction) which may not be resolved as quickly as the above cash flow forecasts had projected. I am confident that a resolution will be found shortly.

110. In the interim, the Company, in conjunction with KPMG have determined that it is prudent to have a DIP Financing facility in place to ensure there is no further interruption of funding to the kit farmers or to NAFA operations. The Company is prepared to only draw on that funding as needed and if needed. The Company is working on a cash flow with the Proposed Monitor which anticipates the availability of this DIP.

111. CIBC rejected providing the required $5,000,000 standby facility at an all counsel call on October 21, 2019. Waygar confirmed it would provide that funding on that call, but only on a priority basis.

112. At an all hands meeting on October 28, 2019, CIBC and Waygar confirmed this remained their respective positions. CIBC also confirmed its position that the Company should vigorously pursue the SAGA Furs Transaction to resolve its liquidity issues, which the Company confirmed it was doing (and is doing) in any event.

Current Circumstances of the Company

113. On October 23, 2019, the Company met with its employees in Toronto to discuss the challenges being faced by the Company. In the circumstances, the Company advised that it may not have the funds necessary to pay any statutory termination pay or other notice amounts owing to these individuals. The employees were also advised that all wages were current until October 31, 2019. The Company is also not engaging the seasonal workers it would usually engage at this time of year.

114. The Company is being pursued by its creditors. My staff is in daily communication, of increasing frequency, with consignors looking for their outstanding payments, customers looking for their deferred proceeds, parties looking to repossess inventory that remains under NAFA's control following the last auction, and parties seeking Kit Loans or related loan funding.

115. We have not been able to provide satisfactory answers to most of these inquiries and I suspect that some or all of these parties are going to seek legal recourse against the Company with respect to their perceived breaches of NAFA's obligations to them.

116. The Company is still current with its salary and other current expenses. Its payroll is paid until the end of October, but the Company is struggling to meet other employee liabilities, including accrued vacation pay. As at October 29, 2019, the outstanding vacation pay liability was approximately $100,000.

Assets

117. According to the most recent analysis of KPMG, based on up-to-date information and audited financial statements, the Company has assets with a book value in excess of $129,000,000. This is materially more than the Syndicate is owed.

118. Attached as **Confidential Exhibit "E"** is a Net Realization Analysis ("**NRA**") from the Company and reviewed and revised by KPMG as at October 18, 2019. Similar ones with similar asset classes was prepared during the negotiations of the Credit Agreement in July and in relation to the Forbearance Agreement in August. As set out therein, the principal assets of the Company are:

a. Accounts receivable owing from parties who purchased goods at auction;

b. Kit Loans which remain outstanding;

c. Other loans to consignors (i.e. capital loans to support Farm operations not directly tied to Kits);

d. Inventory; and

e. Real estate assets.

119. As set out therein, the Company has in excess of $53,000,000 worth of Kit Loans. The collectability of these assets increases dramatically if the final payments are made to the farmers so that the kits reach full size and can be converted into Pelts.

120. If that occurs, even on a liquidation basis, it is estimated that NAFA will recover approximately $39,000,000 from the Kit Loans, which alone is substantially more than the Syndicate is owed. I understand that the Proposed Monitor is reviewing the NRA with KPMG.

121. On a going concern basis, I believe that these loans will be nearly 100% collected. In my experience, we have had a less than 1% loan loss rate on these loans. On a going concern basis, the Kit Loans would be worth approximately $52,000,000.

122. Also, on a going concern basis, NAFA has in excess of $12,000,000 worth of loans owing by farmers separate and apart from the Kit Loans and loans from previous years of approximately $11,000,000 which are still outstanding, which in the ordinary course would have some value. On a liquidation basis, it is estimated that these will not be collected for any material value.

123. In addition, I note that the NRA does not provide a value for the Company's intellectual property (in particular, trademarks), which I believe could have some material value.

124. In terms of its fixed assets, the Company is in the process of completing a sale of its Carlingview property, which will provide a further pay down of the Syndicate's indebtedness of approximately $5,000,000 possibly within the next two weeks. That transaction is quite advanced, and the Syndicate is fully informed of and approves that transaction. It is estimated that the balance of the Company's real estate holdings could, on a liquidation, generate a further $5,000,000 to $6,000,000 in realizations.

125. On or about October 28, 2019, the Company was provided with a revised purchase agreement for the Carlingview property for a reduced price. If accepted, the transaction is due to close within two weeks. The agreement does not currently include a provision from the purchaser requiring a vesting order or court approval.

126. As at October 18, 2019, the total indebtedness of the Company to the Syndicate, inclusive of the $8,000,000 DIP already advanced by Waygar, was approximately $32,000,000

127. As set out in the Confidential Exhibit, assuming the Kit Loans are funded to maturity, it is reasonable to expect the Company to have a liquidation value which is more than $20,000,000 in excess of its current indebtedness to the Syndicate and Waygar (before repayment of the additional $5,000,000 DIP described below).

128. The financial statements for each of the Applicants from 2018 will be provided at the hearing. The financial statements were audited by KPMG.

129. But for the indebtedness to the Syndicate which NAFA directly owes and the other Applicants (with the exception of Daikoku, NAFA Europe and NAFA Co-op) jointly and severally guaranteed, the businesses are otherwise solvent.

Creditors

130. Attached hereto and marked as **Exhibit "H"** are PPSA searches for each of the Canadian Applicants. As set out therein, the entities with registrations against the Company are:

   a. CIBC – NAFA Properties, NAFA, and 3306319;

   b. Business Development Bank of Canada ("**BDC**") – NAFA Properties and NAFA;

   c. Farm Credit Canada ("**FCC**") – NAFA Properties, NAFA, and 3306319;

   d. National Leasing Group Inc. – NAFA;

e. Xerox Canada Ltd. – NAFA; and

f. CNH Industrial Capital Canada Ltd. – 3306319.

131. There are also inter-company secured loans subordinated to the Syndicate, the details of which we are assembling for review by the Proposed Monitor during the CCAA proceedings.

132. Each of BDC and FCC have specific loans on real property. BDC holds a mortgage on the Skyway property lease interest. FCC holds a first mortgage on the Carlingview property and the Nova Scotia Farm.

133. Neither real property lender has taken any material steps to enforce their security although both are aware of the default notice provided by CIBC. Attached hereto and marked as **Exhibit "I"** are the property searches for the two properties in Toronto. The Company is in the process of completing searches of the Nova Scotia properties.

134. BDC did contact Company counsel by letter and by phone to express its concern with the apparent issues with the Company. They have taken no further steps.

135. There has been no communication from FCC.

136. Outside of secured creditors with security over its real estate, the only material secured creditor for NAFA is the Syndicate. As at October 28, 2019, the Syndicate was owed approximately $32,000,000. Of that amount approximately $8,000,000 is a result of the interim financing provided by Waygar.

137. Since July 2019, the amount owing to the Syndicate has been reduced from approximately $60,000,000 to under $25,000,000 (not including the $8,000,000 loaned by Waygar).

Government Remittances and Unsecured Creditors

138. All government remittances are up to date to the best of my knowledge and no amounts are owed for source deductions. The Company routinely files HST and from time to time is in a deficit or refund position. Currently, it is expected that there is a small refund for HST owing to the Company.

139. The Company owes approximately $7,000,000 to its buyers for "Buyer Credits", which are credits that the Company has agreed to provide to buyers who have provided funds for future purchases, provided back up collateral against future amounts, or are entitled to commissions/rebates that they earned on prior sales that they have not applied to purchases.

140. The Company owes in excess of $11,500,000 (out of which $7,000,000 is owing to VAG) to its consignors who have not yet received funds derived from the sale of their goods in the August auction. Those payments were interrupted by CIBC when it issued its default letter on September 19, 2019. Approximately 7,500 consignors are owed funds.

141. Beyond the consignors, the Company has the ordinary unsecured creditors expected of an enterprise of this size. I estimate the debts to those creditors to amount to approximately $8,000,000 to $9,000,000, but I have not had the opportunity to properly itemize the Company's obligations to its ordinary unsecured creditors at this time.

142. Beyond this, NAFA is obliged to provide in excess of $13,000,000 (the "**Deferred Proceeds**") to various parties who were owed funds from previous auctions, but who for one reason or another, have not collected them and or had asked that they continue to be held at NAFA pending direction from those parties. The total number of parties with Deferred Proceeds from NAFA are approximately 50.

Employees

143. NAFA also employs in excess of 70 full-time employees in Canada, and 35 full-time employees around the world at its satellite offices. There is no union for these employees. It is my understanding at this time that the employment, severance and termination of these employees are governed by the laws of Canada, the United States, the Netherlands and Poland.

144. NAFA's Canadian employees are all a part of a defined contribution pension plan with Sun Life Financial (the "**Plan**"). The Company pays into the Plan on a monthly basis. The Company does not have any obligations with the Plan which are in arrears at this time.

145. Approximately 7 Canadian employees are also part of a HBC Legacy Fund. These were former employees of HBC who joined NAFA in 1987 when NAFA acquired the fur business from HBC. At HBC, these employees were part of a pension plan.

146. It is my understanding that as a result of a promise under which these employees joined NAFA, the Company provides these employees an additional pension payment ranging from approximately $400 per month to $2000 per month after their retirement until their death. Five of the seven employees have already retired and have been paid monthly as required. Two have yet to retire and are still employees.

147. Currently, it is my understanding that the Company's projected obligations in respect of this HBC Legacy Fund are in the amount of approximately $1,000,000 (CDN), but NAFA does not have a recent actuarial report to certify that liability.

148. We are in the process of accumulating information about the Applicant's obligations and options in various foreign jurisdictions.

DIP Loan Agreement Key Terms

149. Having regard to the cash flows at Confidential Exhibits B1 and B2, the Company has asked and Waygar has offered to provide a DIP Financing facility available to the Company, which is conditional on Court approval (the "**DIP Facility**").

150. Attached hereto and marked as **Exhibit "J"** is a draft term sheet for the DIP Facility dated October 29, 2019 ("**Term Sheet**"). I expect to have an executed Term Sheet by the time of the CCAA hearing date which will be provided to the Court.

151. The key provisions of the proposed DIP Facility are as follows:

   a) The DIP Facility will be in the amount of no more than $5,000,000;
   b) The DIP Facility may be drawn as needed but will not revolve;
   c) The Interest rate will be 12% per annum, payable monthly in arrears;
   d) There is a set-up fee charged in the amount of 2%;
   e) The DIP Facility matures within 60 days from execution of the DIP loan agreement or upon completing milestones related to the Kit Loan refinancing;
   f) Waygar, in its capacity as lender under the DIP Facility (in such capacity, the "**DIP Lender**"), must be granted a Court ordered first priority charge over all of the property, assets and undertakings of the Applicants; and
   g) The terms of the Initial Order must be satisfactory to the DIP Lender.

152. I have reviewed the terms of the DIP Facility with Company counsel as well as KPMG. I understand that the Proposed Monitor is reviewing the DIP Facility and will provide its views in their Pre-Filing Report.

Need for DIP Funding to Fund Kit Loans

153. It is estimated that the total number of mink kits which were sired, acquired and raised in reliance on promises from NAFA to fund the carrying costs of those animals is approximately 3,400,000 animals worldwide. Kit Loans are required to ensure these mink reach maturity and the farmers have the resources to process them properly and humanely.

154. The historic loss rate on these Kit Loans is less than 1%. Over my tenure at NAFA the total amount lent in this fashion has exceeded $1 billion.

155. If the Kit Loans are terminated suddenly, most of the farmers have no ability to seek alternate funding quickly, and the minks would starve to death or they would have to be euthanized by their ranchers. The immature Pelts have no value.

156. The farmers will have, as of Wednesday, October 29, 2019, been without funding since October 17, 2019 when the $8,000,000 financing from Waygar was exhausted by NAFA. It is therefore critical that funding be re-established immediately to ensure the health of the kits.

157. It is not an exaggeration to say that a significant portion of the worldwide mink ranching business is wholly dependent on the flow of funds from NAFA. If these funds are not provided on a timely basis, these minks will starve, cannibalize their siblings, or will not mature or grow in a normal manner, causing the farmers to suffer a material loss from which they may not recover.

158. As noted above, it is a condition of the Kit Loans that the ranchers who take on these loans deliver their minks to NAFA for auction. In this fashion, by making these loans, NAFA ensures that it has inventory to sell at its auction.

159. Although NAFA takes security for its loans from the ranchers, the principal way that NAFA collects on these loans is by offsetting the amounts owing to NAFA against the obligations owing to these farmers from their product which is sold at auction.

160. Although some of the Kit Loans are to be assumed by SAGA under the SAGA Furs Transaction, not all of them are and the ones that are may not be done immediately.

161. If NAFA fails to pay its Kit Loans when due and the mink in question are killed or not made available for sale it makes collection of the loans much more difficult or even unlikely.

162. It is also reasonable to expect that any mink rancher who does not receive the funding agreed to be provided to it by NAFA will assert a cause of action against NAFA which might nullify any amount owing by that farmer to NAFA. In any event, collection would be materially more difficult, if not impossible.

163. It is also the case that many of these farmers (approximately 70%) are located in Europe, which further complicates enforcement.

Current Cash Flow Forecast

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

Relief Sought under the Initial Order

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

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

Stay of Proceedings for Canadian and Foreign Entities

166. In order to provide breathing space to the Applicants while they restructure and to continue to allow them to operate as a going concern, the Applicants require a stay of proceedings. The Applicants are concerned about the potential termination of contracts and the potential claims that may be made against them by farmers and other creditors arising out of the Applicants' insolvency and the application for protection under the CCAA.

167. The Applicants include foreign entities in the United States and Europe, as well as the Canadian corporations. The operations of the Applicants are intertwined in terms of their auction and consignee accounts, as further described above. The inclusion of the entire NAFA structure, including the American and European subsidiaries, is, in my view, appropriate and necessary to ensure the enterprise can continue to operate as a cohesive unit to maintain stability and value in the CCAA process.

168. The stay will allow management to develop and oversee an orderly restructuring of the business with minimal disruption which will protect the interests of the Applicants' employees, landlords, customers, farmers and lenders. I believe that the granting of a stay of proceeding is in the best interests of the Applicants and their stakeholders.

DIP Financing

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

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

170. As part of the Applicants' consideration of strategic alternatives for funding, Waygar was canvassed on its willingness to provide DIP Financing. In the view of the Applicants and KPMG, Waygar would be in the best position to provide DIP Financing in a timely manner as it was already familiar with the Applicants' unique business and lending structure. Given the immediate need for funding, any non-current lender would likely be unable to conduct due diligence and provide committed DIP Financing in the timeline required.

171. The funds available under the DIP Facility will be used to meet the Applicants' funding requirements in respect of the Kit Loans in the short-term in accordance with the Cash Flow Forecast to be filed.

172. It is proposed that the DIP Facility will be secured by a Court-ordered charge on all of the present and future assets, property and undertaking of the Applicants in favour of the DIP Lender (the "**DIP Lender's Charge**"). This is a condition precedent to the funding under the DIP Facility being made available by the DIP Lender to the Applicants. The DIP Lender's Charge will be subordinate to the Administration Charge and the KERP Charge (as defined below), but in advance of the Directors' Charge (as defined below).

173. The DIP Facility and the DIP Lender's Charge are critical to the successful restructuring as they will provide the Applicants with the necessary liquidity to maintain the going concern value of the Kit Loans, which is a substantial asset for the Applicants. Absent an injection of cash in accordance with the DIP Facility, the Kit Loans will significantly deteriorate and may not be collectable, which will be detrimental to the Applicants' stakeholders, including the Syndicate.

Monitor

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

KERP

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

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

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

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

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

180. The KERP also includes payment to me in the amount of my full RRSP contribution for 2019. This is part of my ordinary compensation and will be fully earned as of October 31, 2019 in the ordinary course. I have deferred paying any of this amount to myself due to cash constraints. This amount will only be payable to me if I remain engaged with the Company until at least January 15, 2020.

181. By December 15, 2019, the Applicants should have managed much of the transition necessary to ensure that the 2019 harvest of mink has been converted into Pelts and a decision will have been made how, either under the SAGA Fur Transaction or otherwise, those Pelts will be converted into cash.

182. The KERP was developed to facilitate and encourage the continued participation of senior management and other key employees who are required to guide the business through the restructuring process and preserve the value of the business for the stakeholders. These employees have significant experience and specialized knowledge of the business that cannot be easily replicated or replaced. Furthermore, these employees will be faced with a significantly increased workload during the restructuring and will likely have other, more stable employment opportunities they could pursue.

183. Assuming that the Applicants are able to retain all of the key employees, the total amount payable to these employees under the KERP would be a maximum of $150,000, which is reasonable given the value that these employees will provide to the enterprise.

Administration Charge

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

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

185. I believe that the Financial Advisor's significant investment banking expertise, its extensive experience running sales processes both outside the context of and within insolvency proceedings and its capabilities of debt restructurings have benefited the Applicants in their sale efforts to date. I believe the Applicants will continue to benefit from the Financial Advisor's advice as they continue to work towards closing the SAGA Furs Transaction and during the CCAA process.

186. If the Applicants were required to retain a new financial advisor, it would likely take a significant amount of time for a new firm to acquire a working knowledge of the Applicants' unique business and would slow down the Applicants' restructuring efforts.

187. In connection with its appointment, it is proposed that the Monitor, along with its counsel, counsel for the Applicants, the Financial Advisor, and counsel for the Applicants' board of directors will be granted a charge on all of the present and future assets, property and undertaking of the Applicants as security for their respective fees and disbursements relating to the services rendered in connection with this CCAA proceeding up to a maximum of $500,000 (the "**Administration Charge**"). The Administration Charge is proposed to have priority over all other charges and security interests.

188. These professionals are required to provide assistance and guidance to the Applicants as they navigate the CCAA process and liaise with the various stakeholders during their restructuring efforts. I am of the view that the Administration Charge is fair and reasonable given the complexity of the business and the value that the professionals will contribute to the restructuring.

Directors' and Officers' Protection

189. In my view, the board of directors and management, including myself, are necessary to the successful restructuring. The continued participation of the Applicants' directors and management are essential to the viability of the Applicants' continuing business and the preservation of its value.

190. I have a significant amount of institutional knowledge in respect of the Applicants' business, as I have already demonstrated in dealing with the SAGA Furs Transaction. The directors are generally members of the fur industry who are uniquely situated to provide advice on how to restructure the business.

191. I held a meeting with the Board of Directors on October 28, 2019 to discuss the insolvency process. The directors have authorized the Applicants to proceed with the CCAA filing.

192. The directors advised at that meeting that they are particularly concerned that the assets be realized for the highest and best possible value to ensure the greatest possible recovery to the stakeholders. They believe that a creditor driven receivership will not create the highest or best value and are worried there would be wholesale discounting of assets to drive in cash quickly rather than prudently.

193. On the other hand, the directors and I are keenly aware that liabilities can accrue to us, either in respect of our past actions, or the actions which follow. I understand that directors can be held liable for certain obligations of a company owing to employees and government agencies, such as unpaid wages and unremitted taxes.

194. I also understand, and I have discussed with the Board of Directors, that the liabilities being faced by Board members in different countries may be materially different than in Canada. In particular, I am advised by Company counsel that criminal penalties can be sought against Board members related to these liabilities in Poland, but that these liabilities and

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

195. Many of the directors have considered resigning, as I myself have.

196. I am advised by our counsel that the Applicants' present and former directors and officers may be the beneficiaries under a liability insurance policy held by the Applicants (the "**D&O Policy**"). A copy of the insurance policy will be made available to this Court at the hearing, if requested. Pursuant to the summary of the D&O Policy, I understand the policy is a "claims made" policy with limits of $10,000,000 CAD for liability, $1 million CAD for punitive damages, and $1 million CAD for defence costs.

197. However, I have not been provided with an opinion that insurance coverage under the D&O Policy either universally applies or is sufficient to pay all possible liabilities, and I understand there are various exceptions, exclusions and carve-outs where coverage may not be available. I am also very concerned about possible liabilities in other jurisdictions outside of Canada.

198. Moreover, the D&O Policy upon which the directors rely will expire on November 1, 2019. The financial situation of the Company makes renewal complicated and uncertain. It is also not yet clear that the renewal of the D&O Policy will be funded.

199. I am advised by our counsel and the Proposed Monitor that it is usual that there be a stay of claims against directors and a charge in favour of the directors from which the Company can honour its obligation to indemnify the directors for post-filing obligations.

200. In light of the potential liabilities and the uncertainty surrounding available indemnities and insurance, I and the other directors and officers have indicated to counsel for the Applicants that our continued service and involvement in this CCAA proceeding is conditional upon the granting of an Order under the CCAA which grants a charge in favour of the directors and

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

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

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

SWORN before me at the City of Toronto, in the Province of Ontario on the 30th day of October 2019	)))))	
A commissioner, etc.		**DOUG LAWSON**

TAB 3

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

ONTARIO

SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

THE HONOURABLE	)	WEDNESDAY, THE 26th
	)	
MR. JUSTICE McEWEN	)	DAY OF AUGUST, 2020

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

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

(the "**Applicants**")

ORDER

(Re: Stay Extension, Approval of Monitor's Conduct and Fees and Amendment to Initial Order)

THIS MOTION, made by the Applicants for an Order for the relief set out in the Notice of Motion of the Applicants dated August 21, 2020, was heard by teleconference due to the COVID-19 crisis.

ON READING the Motion Record of the Applicants and the related Confidential Exhibit A, the Fourth Report of the Monitor dated August ●, 2020 (the "**Fourth Report**") and the related Confidential Appendices and upon hearing the submissions of counsel for the Applicants, counsel to the Monitor, counsel to the Canadian Imperial Bank of Commerce, as agent (in such capacity, the "**Agent**") for the lenders party to the Fourth and Restated Credit Agreement dated as of September 27, 2019 (as may be amended or amended and restated, the "**Credit Agreement**") from time to time (the "**Lenders**"), and counsel for Business Development Bank of Canada ("**BDC**") 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 [], filed:

SERVICE AND DEFINITIONS

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

2. **THIS COURT ORDERS** that terms not otherwise defined in this Order shall have the meaning set out in the Initial Order of the Honourable Justice McEwen, dated October 31, 2019 (as amended and restated) (the "**Initial Order**").

EXTENSION OF THE STAY PERIOD

3. **THIS COURT ORDERS** that the Stay Period is hereby extended from August 28, 2020 to and including November 30, 2020.

APPROVAL OF MONITOR REPORTS AND ACTIONS

4. **THIS COURT ORDERS** that the Third Report of the Monitor dated January 29 2020, and the Fourth Report, and the actions, decisions and conduct of the Monitor as set out in the Reports are hereby authorized and approved.

APPROVAL OF FEES AND DISBURSEMENTS

5. **THIS COURT ORDERS** that the fees and disbursements of the Monitor and its counsel, Miller Thomson LLP, as set out in the Fourth Report and the Fees Affidavits (annexed to the Fourth Report), be and are hereby approved.

AMENDMENT TO PARAGRAPH 12(a) OF THE INITIAL ORDER

6. **THIS COURT ORDERS** that paragraph 12(a) of the Initial Order is hereby amended by:

(a) deleting the reference to a “$50,000” limit for any one such transaction and replacing it with “$500,000”; and

(b) deleting the reference to the aggregate consideration for all transactions of “$250,000” and replacing it with “$2,000,000”; and

(c) adding “with the consent of the Agent or, failing obtaining such consent to any transaction, further Order of the Court.

SEALING OF CONFIDENTIAL EXHIBIT AND CONFIDENTIAL APPENDICES

7. **THIS COURT ORDERS** that Confidential Exhibit “A” to the Affidavit of Doug Lawson sworn August 21, 2020 and Confidential Appendices “A” and “B” of the Fourth Report and Confidential Exhibit “B” to the Fees Affidavit shall be and are hereby sealed, kept confidential and shall not form part of the public record pending further Order of this Court.

INTERNATIONAL RECOGNITION

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

EFFECTIVENESS OF ORDER

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

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

ORDER

(Re: Stay Extension - Returnable August 26, 2020)

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

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

MOTION RECORD OF THE APPLICANTS
(Re: Stay Extension - Returnable August 26, 2020)

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