

**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 Motion returnable April 26<sup>th</sup>, 2023)**

**Date:** April 21<sup>st</sup>, 2023

**BLANEY MCMURTRY LLP**  
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Counsel for the Applicants

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**I N D E X**

<b>Tabs</b>	<b>Document</b>
1	Notice of Motion dated April 21 <sup>st</sup> , 2023
2	Affidavit of Doug Lawson April 21 <sup>st</sup> , 2023
3	Draft Stay Extension Order

**TAB 1**

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

**ONTARIO  
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EUROPE CO-OPERATIEF UA, NAFA EUROPE B.V., DAIKOKU SP. Z OO and NAFA  
POLSKA SP. Z OO

(the “**Applicants**”)

**NOTICE OF MOTION  
(Returnable April 26<sup>th</sup>, 2023)**

The Applicants (“NAFA” or the “**Applicants**”) will make a motion for an Order seeking the relief set out herein to Justice McEwen of the Ontario Superior Court of Justice (Commercial List), on Wednesday, April 26, 2023, at 9:30 a.m. or as soon after that time as the motion can be heard by Zoom video conference.

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

**THE MOTION IS FOR:**

1. An Order, substantially in the form attached at **Tab 3** hereto (the “**Order**”):
  - (a) an extension of the stay of proceedings (the “**Stay Period**”) from April 28, 2023 to and including September 29, 2023;
  - (b) approval of the actions and conduct of Deloitte Restructuring Inc. in its capacity

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

(c) to seal certain confidential appendices to the Twelfth Report; and

2. An Order to allow the Applicant to conduct a claims process as further described herein.

**THE GROUNDS FOR THE MOTION ARE:**

3. Capitalized terms not defined herein shall have the meanings ascribed to them in the Amended and Restated Initial Order. Unless otherwise stated, all currency is in United States dollars.

4. The Applicants require more time to continue their restructuring efforts.

*NAFA’s Continued Operations*

5. NAFA has continued to operate its business with the goal of reducing expenses, maximizing collections, and considering its strategic options.

6. During the last Stay Period, NAFA’s operational efforts, with the assistance of the Monitor, included the sale of fur inventory, pursuing foreign litigation, collection and attempted settlement of long-term debts, and advancing NAFA’s insurance claims.

7. By the date of this hearing, NAFA expects it will have repaid approximately \$500,000 of the debt owing to the Agent since the last extension.

*Cash Flow Variance*

8. Generally, NAFA met its cash flow forecast during the last stay extension.

9. NAFA had a significant positive cash flow variance from stronger than expected auction

results at the Saga and KF March 2023 auction.

10. As a result, NAFA projects it will have repaid the Agent from these funds more than twice the amount forecasted in its cash flow forecast filed with the Court at the last stay extension hearing.

***Cash Flow Forecast, Future Auctions, and Ongoing Operations***

11. The last two Saga and KF auctions have reported an upward trend in overall stronger pelt prices and demand.

12. During the proposed Stay Period, NAFA's significant cash flow events will be scheduled KF and Saga auctions to be held in June 2023. June auctions are generally roughly the same size as March auctions.

13. NAFA has a significant amount of fur available for sale at each of the auctions. However, NAFA does not control the amount of pelts an auction house will put up for sale, and therefore, cannot predict with any certainty the proceeds that could be received from each of the auctions.

14. NAFA, in consultation with the Monitor, has prepared a cash flow forecast for the current proposed Stay Period.

15. The cash flow forecast demonstrates that NAFA will have sufficient funds to maintain operations through the proposed extension of the Stay Period.

16. NAFA will also endeavor to sell its remaining real estate during the Stay Period. It currently expects to close on its two Nova Scotia based properties during the proposed Stay Period with net proceeds being paid to Farm Credit Canada as the secured creditor of those properties.

17. NAFA will also continue pursuing its insurance claims with Red Rock insurance.

18. NAFA will continue pursuing collection of its long-term debt and advance its foreign litigation.

***Claims Process***

19. Given the performance of the March Auctions and the payments made to the Agent, and the remaining assets and debts, NAFA is confident that there will eventually be proceeds available to creditors who rank behind the Agent.

20. NAFA has entered into preliminary discussions with the Agent and its other secured creditors, other stakeholders, and the Monitor in order to assist it in designing a plan of arrangement to submit to its creditors.

21. Those discussions have highlighted that it would be advantageous to better understand the universe of possible claims against NAFA and or its officers and directors in order to move those discussions forward.

22. NAFA is mindful of the fact that it has, according to its records, a large number of small potential claimants and that communicating with those parties and reviewing large numbers of smaller claims would be costly.

23. On the other hand, NAFA is unsure what remains owing to some of its larger potential claimants and whether or not those parties still seek to assert claims.

24. As such, NAFA has designed a hybrid claims process to identify claims against the Company and its directors and officers. The process will utilize a reverse claims process structure for parties with claims below \$10,000 and an ordinary claims process for parties with claims above \$10,000 or claims against the directors and officers.

25. The claims process will have a claims bar date, which date has not been finalized at this

time.

26. In order to control the costs of this claims procedure, and considering the relatively small industry from which claims might reasonably arise, it is intended that the Monitor will send all notices and claims forms by email and that the Monitor will only advertise the claims process in industry specific blogs and websites and on its website.

27. Email notices will also have the advantage of being delivered much more quickly than traditional post. Email communication also has a uniform cost of communication, which is advantageous given the many international destinations to which post would otherwise have to be sent.

28. NAFA is also intending to make the claims process known at the major international fur auctions that are slated to take place in June of this year. As such, there is some urgency that this process be commenced in the near future.

29. The claims process will not require the Monitor or NAFA to review the claims in any detail or send disallowances of claims until after NAFA has finalized the design of the plan or upon a further order of the Court.

30. The precise details of the claims bar procedure, the claims order and the accompanying claims forms will be set out in a report of the Monitor, to be filed separately.

### ***Extension***

31. NAFA has been acting in good faith and with due diligence in these CCAA proceedings, and continues to act in this manner in its relationships with its stakeholders.

32. The Monitor is supportive of NAFA seeking an extension of the Stay Period to and including September 29, 2023.

***Sealing Order***

33. The cash flow forecast contains commercially sensitive business information that is required to be kept confidential and sealed.

34. In these CCAA proceedings, the Court has sealed all other cash flow forecasts for the reason set out above.

***Other Grounds***

35. The provisions of the CCAA, including section 11 thereof, and the inherent and equitable jurisdiction of this Honourable Court.

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

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

38. 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:

39. The Affidavit of Doug Lawson affirmed April 21, 2023;

40. The Twelfth Report of the Monitor, and its confidential exhibit(s), to be filed separately;

41. Such further and other evidence as counsel may advise and this Honourable Court may permit.

**Date:** April 21<sup>st</sup>, 2023

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Counsel for the Applicants

**To:** The Service 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.,  
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(the “Applicants”)

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

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

**NOTICE OF MOTION OF THE APPLICANTS**  
**(Re: Stay Extension Motion returnable April 26<sup>th</sup>, 2023)**

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Counsel for the Applicants

**TAB 2**

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

**ONTARIO**  
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(WISCONSIN LLC), NAFA EUROPE CO-OPERATIEF UA, NAFA EUROPE  
B.V., DAIKOKU SP.Z OO and NAFA POLSKA SP. Z OO

(the “**Applicants**”)

**AFFIDAVIT OF DOUGLAS LAWSON**  
(Affirmed April 21, 2023)

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

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

business is set out in the affidavit I affirmed in support of the initial CCAA application (“**Initial Affidavit**”). Capitalized terms used herein and not defined are as defined in my Initial Affidavit.

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

(a) an extension of the stay of proceedings (the “**Stay Period**”) from April, 28, 2023 to and including September 29, 2023;

(b) to approve a procedure for the identification, quantification, and resolution of certain claims of creditors of the Applicants (the “**Claims Process**”);

(c) to approve of the activities and conduct of Deloitte Restructuring Inc. in its capacity as Monitor of the Applicants (the “**Monitor**”) and its counsel, Miller Thomson LLP, as set out in its Twelfth Report to the Court, to be filed (the “**Twelfth Report**”); and,

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

### **Background**

5. On October 31, 2019, NAFA commenced proceedings under the CCAA pursuant to the Initial Order, which was amended and restated on November 8, 2019. These CCAA proceedings have been extended numerous times. The last Order extending the Stay Period was granted on January 23, 2023, which extended the Stay Period to April 28, 2023.

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

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

7. The Applicants are acting in good faith and with due diligence. I believe that the continued orderly liquidation of certain of NAFA's assets by NAFA with the Monitor's oversight, including but not limited to its remaining consignment fur inventory, will likely allow for the repayment of the indebtedness owing to the Agent and thereafter there will be money available for other secured creditors and potentially unsecured creditors.

8. As such, the Applicants are also commencing the process to develop a plan of arrangement in these CCAA proceedings, and intend to implement a Claims Process.

#### **Operations since the January 23, 2023 Stay Extension Order**

9. In accordance with my affidavit affirmed on January 16, 2023 (my "**Last Affidavit**"), NAFA has continued to reduce expenses, maximize collections, and consider its strategic options. In particular, NAFA, with the assistance of the Monitor, has, among other things:

- (a) paid down the outstanding debt owed to the Syndicate;
- (b) continued to prosecute litigation against various significant borrowers that have not fully repaid NAFA for loans NAFA advanced to them in 2019 or earlier;
- (c) collected certain long-term debts and pursued the settlement and collection of others;
- (d) attended to the collection of proceeds from auction houses who have been tasked with selling furs that have been pledged to NAFA as security for loans it made;
- (e) advanced its insurance claims with NAFA's insurer;
- (f) designed the Claims Process; and

(g) initiated without prejudice discussions with key stakeholders about a plan of arrangement.

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

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

11. I am not aware of any expenses in the most recent cash flow period that were materially higher than projected. The Company operated within its cash resources and without borrowing further funds. Indeed, the Company realized materially higher than projected auction proceeds from the latest March 2023 sales.

12. Since actual receipts and disbursements were last reported by the Monitor to the Court, the Company will have, by the time this motion is heard, paid approximately \$496,990 of the debt owing to the Agent. This amount was more than twice than what was projected in my Last Affidavit. The reason for the higher repayment to the Agent is primarily the result of stronger than expected auction results noted above (and further described below).

13. The Applicants, with the Monitor's assistance, have developed a cash flow forecast (the "**Cash Flow Forecast**") to October 6, 2023, being the week after the proposed Stay Period expires. An initial draft of the Cash Flow Forecast was provided to the Agent on April 21, 2023, for its review and comment.

14. I have reviewed the Cash Flow Forecast prior to affirming this affidavit. The Cash Flow Forecast demonstrates that the Applicants expect to have sufficient funds to maintain operations through the proposed Stay Period provided the forecasted receipts are received and the Applicants are able to manage their cash flows materially in accordance with the

proposed disbursements. The Cash Flow Forecast is to be appended to the Twelfth Report as Confidential Appendix “1”.

### **The Reserve Account**

15. As reported in my Last Affidavit, NAFA, with the consent of the Agent, had a cash reserve in the amount of \$200,000, with some of those funds being used to pay interest payments to the Agent and for other general corporate purposes. These funds have been replenished and the cash reserve has been removed with funds directed to go to the Agent to pay down its debt (which payment is included in the \$496,990 payment noted above).

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

16. KF and Saga held auctions in February and March 2023, respectively. Generally, auctions held in February and March are one of the larger fur auctions held throughout the year. This was the case with these auctions as well.

17. Based on my review of a statement circulated by the CEO of Saga, Markus Gotthardt, the March auction was one of the best March auctions in recent history. Mr. Gotthardt reported in a news release on Saga’s website as follows:

*The number of pelts brokered in this auction was the highest ever at this time of the year. After the removal of pandemic restrictions, the Chinese were actively participating in the auction and bought significantly more pelts than usually in March. This indicates the market is recovering and the demand for certified fur pelts still exists after the tough years of covid-19 pandemic. The results strengthen the confidence in the whole value chain of the fur trade and give hope that the prices will return to a profitable level.*

18. Indeed, based on my review of auction data, the prices and percentage of pelts sold, on the whole, were stronger than the previous September auction reported on in my Last Affidavit.

19. Consistent with these reports, NAFA achieved much better than anticipated auction results.

20. Specifically, NAFA received \$1,231,812.21 in net auction proceeds from the Saga auction in March 2023.

21. NAFA also received \$172,872.07 in net auction proceeds from the KF auction in February 2023.

22. Overall, during the period since the last stay extension, NAFA received \$1,404,684.28 in auction and private treaty sale proceeds.

23. NAFA's cash flow forecast filed with the Court for the last stay extension anticipated proceeds of \$589,000 from auction receipts during the last stay period thereby creating an actual positive variance of \$815,684.28.

#### **Future Auctions and Sales During the Extension Period**

24. During the proposed Stay Period, KF intends to hold a smaller auction near the end of April 2023. Any proceeds from the April auction would be disbursed shortly after the commencement of the proposed extended Stay Period.

25. There will also be auctions held at each of KF and Saga in June 2023. Historically, June auctions tend to be similar auctions in both the amount of pelts on offer and sales volume in comparison to the March auctions. In any event, NAFA is hopeful that a large number of its pelts will be on offer for sale at the June auction, similar to the amounts on sale at the March auction.

26. There may also be private treaty sales conducted by Saga and KF during the Stay Period. However, the volume of private treaty sales is not typically material when compared to volumes sold at auction.

27. The forecast auction proceeds are set out in the confidential Cash Flow Forecast. These auctions will be NAFA's major cash events during the proposed stay extension period. Although,

as previously reported, NAFA does not have any control on the number of pelts an auction house puts up for sale, in NAFA's view, the auction receipts forecasted in the Cash Flow Forecast were made on the more conservative side.

28. The Cash Flow Forecast contains confidential business information and assumptions about the Applicants which, if disclosed, could hamper or interfere with the restructuring of the Applicants or the maximization of value. Accordingly, the Cash Flow Forecast is being filed as a confidential appendix to the Monitor's Twelfth Report and a sealing Order is being sought as has been granted by the Court for previous cash flow forecasts.

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

29. My April 2021 Affidavit provided a more complete description of the litigation NAFA has commenced against several debtor farmers. I will provide a brief overview and update of the two most active of those claims, being farms known as Kestutis and Grobina, located in Lithuania and Latvia, respectively.

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

### ***Grobina***

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

32. As reported in my Last Affidavit, NAFA has had to engage in material litigation

proceedings in Latvia to attempt to recover amounts due to NAFA. The matter is still not resolved at this time.

33. As reported in my previous affidavits, NAFA was finally successful in getting the Latvian insolvency administrator to deliver the Grobina pelts to KF, to be sold at auction with proceeds to be paid to NAFA.

34. NAFA continues to realize those proceeds at KF's auctions, with the last auction generating net proceeds to NAFA of \$172,872.07 (as reported above) of which \$96,851.58 were from the sale of Grobina pelts.

35. In addition, NAFA is holding 50,047 Grobina pelts in storage in Latvia, which NAFA seized from the entity known as "CR7". As described in my previous affidavits in this matter, immediately before the insolvency of Grobina in 2019, Grobina allegedly "sold" a material number of the Grobina pelts that were subject to NAFA's security, to CR7 and without NAFA's permission. This has led to litigation with CR7. One of the interim outcomes of that litigation was that NAFA was able to seize the aforementioned pelts in 2021.

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

37. CR7 appealed the decision in October 2022. On March 27, 2023, the Latvian Court of Appeal rendered its decision setting aside NAFA's successful lower court decision.

NAFA disagrees with the appellate court's decision and is appealing it to the highest appellate level in Latvia being the Cassation procedure. NAFA does not have visibility at this time as to when that appeal will be decided, but it expects that it will take several months or more.

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

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

### ***Kestutis***

40. NAFA commenced litigation in Lithuania against Kestutis as detailed in my previous affidavits in these proceedings.

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

42. NAFA's enforcement efforts against Kestutis were outlined in my Last Affidavit. In summary, these efforts have resulted in the collection of some funds against the Kestutis Judgment, but there is still over €11 million owing.

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

44. In my Last Affidavit, I reported that NAFA, with the assistance of the Monitor, was on the verge of finalizing a settlement agreement with Kestutis. We sought and received the approval of this court for that settlement on January 23, 2023. However, following the court order, the settlement was not consummated through no fault of NAFA. I am not able to divulge the reasons the settlement was not consummated as it could prejudice NAFA's ongoing litigation with Kestutis and other third parties. At this time, NAFA has not abandoned all settlement discussions with Kestutis and the other third parties, so it does not want to prejudice those negotiations by disclosing details of the circumstances surrounding the settlement at this time.

45. NAFA continues to attempt to enforce the Kestutis Judgment and obtain recoveries from other third parties.

### **Insurance Claims**

46. My August 2020 Affidavit sets out a more detailed background regarding the insurance claims currently being advanced by NAFA.

47. NAFA's employees, with oversight from the Monitor, prepared and filed 26 insurance claims pursuant to the policy.

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

49. The negotiations with Red Rock Insurance continue to progress, which includes

voluminous document production and answering information requests from Red Rock. As of the date of swearing this affidavit, I understand that the parties remain committed to engaging in a mediation during the next stay extension period. NAFA remains of the view that there will ultimately be material recovery from these insurance claims.

### **Long Term Debts**

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

51. As previously reported in my Last Affidavit, Gasiorek owed NAFA in excess of €10,500,000 after the 2019 mink breeding year, notwithstanding delivering their mink to Saga, at NAFA’s direction, in accordance with their contract. Then, in September 2021, Gasiorek agreed to provide NAFA with 200,000 fresh pelts in January 2022. These were then directed and delivered to Saga for sale in NAFA’s name to partially repay the farm’s indebtedness.

52. NAFA has since entered into another settlement agreement with Gasiorek. Pursuant to the settlement agreement, Gasiorek agreed to provide NAFA with at least an additional 50,000 fresh pelts for auction at Saga in November 2022. In fact, Gasiorek provided approximately 68,000 pelts.

53. A significant amount of Gasiorek pelts were sold at the Saga March auction with all net proceeds remitted to NAFA. As such the debt owed by Gasiorek was reduced, but the amount owing is still in excess of €8 million.

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

55. NAFA holds security in Poland from Gasiorek, including over certain real property,

which has been reviewed by local counsel and is capable of being enforced. NAFA has agreed to forbear from enforcing that security for so long as Gasiorek remains in compliance with the terms of the debt settlement agreement the parties entered into in 2021.

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

### **Remaining Real Estate**

57. NAFA owns two properties (comprising one farm) in Nova Scotia known as NAFA Farms. This farm has been under care of maintenance of a farmer who historically has supplied mink to NAFA. The properties are pledged to Farm Credit Canada (“FCC”), who maintains a first mortgage on the properties. In consultation with the Monitor, FCC and the Agent, NAFA has taken steps to sell these properties and it is expected that the sale will close during the period of the next stay extension. The net proceeds will be paid to FCC, with a portion paid to NAFA to compensate for the professional fees expended in managing these properties since the commencement of these CCAA proceedings.

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

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

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

### **Repayment of the Agent and Other Creditors**

61. The Applicants continue to believe there are sufficient remaining assets and opportunities for NAFA that if realized in a timely manner, may result in funds being available to provide some recovery to creditors after repayment of the Agent.

62. NAFA still has in excess of 190,000 pelts at the auction houses awaiting sale. If those pelts all sell for an average of \$20, which is a reasonable minimum average value in my view, the proceeds from those pelts (if sold all at once at this average price) would, be sufficient to almost entirely repay the Agent's remaining debt in full today. However, as previously reported, the pelts are not expected to be sold all at once, but rather they will continue to be sold in the various auctions held throughout 2023 (and possibly into 2024).

63. In addition, I continue to expect material recovery from the litigation, the insurance claims and the long term debts, as described above. However, as I have consistently reported in the past, the timing of the receipts from those assets has proven to be uncertain and NAFA continues to incur professional fees and other costs as it seeks to realize upon them.

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

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

forward.

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

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

67. NAFA's Board of Directors also continues to provide direction to the Company and in particular have directed the Company and its counsel to consider a plan of arrangement to be put forward to its key stakeholders as soon as possible.

### **Claim Process**

68. NAFA has the following creditors with registered financing statements registered in Ontario under the PPSA in the following order of registration priority:

- (a) CIBC acting as agent – who is owed approximately \$4,100,000 net of the sale proceeds from February and March;
- (b) NAFA's shareholders totaling approximately \$3,000,000, broken down as follows: (1) Canada Mink Breeders Association (owed CDN\$1.5 million); (2) Wild Fur Shippers Council (owed CDN\$1 million); (3) American Mink Council (owed \$800,000); and, (4) Canada Fox Breeders Association (owed CDN\$390,000); and

(c) Farm Credit Canada - I am awaiting a payout statement from FCC but I anticipate they will be will be owed approximately \$1,000,000 after the closing of the NAFA Farms sale.

69. As set out above, assuming all of the security is valid and enforceable in the amounts set out above, the total remaining secured debts, before professional fees and further accrued interest, is approximately \$8,100,000.

70. As noted above, NAFA anticipates that the recovery from the mink skins on hand at Saga could net approximately \$3,800,000, assuming prices and trends continue from those seen in March. Recovery beyond that amount depends on settling litigation, settling the insurance claims, enforcing judgments, and/or the delivery of further skins from Gasiorek.

71. The Monitor has requested a review of the security held by the shareholders and the advances made thereunder in order to confirm the validity and provide an opinion in respect of same.

72. The Company is also reviewing the remaining security held by FCC and, assuming it is valid, its relative priority to the other creditors.

73. I have also been advised by some of the NAFA board members that certain stakeholders are reviewing the costs of this process and the fees charged by various parties etc. No challenge has been formally made by anyone to date about fees and charges.

74. Without commenting on the validity of any of these issues or potential issues, it appears to me that the above issues have been dormant for some time because the potential repayment of the Agent's debt remained uncertain. As that uncertainty starts to diminish, these issues become potentially more important.

75. NAFA has commenced without prejudice discussions with each of its secured creditors. The purpose of these discussions is to see whether or not any accommodations can be agreed to with any or all of them as to how their remaining debts would be treated in a potential plan of arrangement and compromise or how funds might be made available to unsecured creditors. These discussions are without prejudice, confidential, and still preliminary.

76. As part of these discussions, including discussions with the Monitor and management about potential structuring of a plan of arrangement and compromise, the question of the extent of the universe of claims has been raised.

77. According to NAFA's books and records, the known unsecured creditors are owed approximately \$29 million collectively. There are in excess of 1,600 creditors according to NAFA's books and records.

78. NAFA's restructuring has been underway for over three years. During that time, the unsecured creditor group has been inactive, leading to speculation that many of the creditors may have mitigated their losses, written off the NAFA debts or otherwise abandoned their claims.

79. It is also the case that many businesses in the fur industry, both in Canada and internationally, that are or may be creditors of NAFA, have ceased to operate due to the extreme challenges faced by the industry over the past few years, as I have discussed in my previous affidavits. The most obvious example of this is the wind down of KF, which was the largest fur auction house in the world prior to the pandemic and is now liquidating all of its assets.

80. As such, NAFA intends to commence a claims process to allow it to run a claims process to identify claimants against the Company, and or its directors and officers, and consider that information in the formation of a Plan and for the purpose of discussions with its secured creditors.

NAFA and the Monitor are working on the terms of a claims process order, the related forms and processes, and expect the Monitor to present that to the court in a supplemental report.

81. NAFA is mindful of the costs that a claims process could incur. In particular, NAFA has a large number of creditors who are owed small amounts compared to the cost of reviewing any such claim. According to its records, NAFA has in excess of 1,300 of creditors who are owed less than \$10,000.

82. NAFA intends to conduct a hybrid claims process conducted by the Monitor as follows: (i) what I understand is known as a “reverse claims process” to deal with smaller claims i.e. less than \$10,000; and, (ii) an “ordinary claims process” to deal with larger claims.

83. In the reverse claims process, the claims of creditors will be accepted by the Monitor and NAFA in the amounts set out in the books and records, for any claim equal to or less than \$10,000. Creditors with these claims will be notified by the Monitor by way of email at the last known email address for each of those creditors. NAFA will also advertise in certain fur publications, which will be further detailed before the Court and which will have been selected by NAFA in consultation with the Monitor, advising them that their claims will be listed on the Monitor’s website at <https://www.insolvencies.deloitte.ca/en-ca/nafa>.

84. Any creditor notified in the reverse claims process of the amount of its claim would have the ability to file a notice of objection to their claim if they believe the amount set out in the notice or the Monitor’s website is incorrect. Only after receiving such a notice would the Monitor notify NAFA and ask that it assess the claimant’s revised claim amount.

85. A claims bar date would be set requiring creditors who object to the amount identified as owing to them in the reverse claims process to file a notice of that objection with the Monitor.

Creditors who do not respond by the claims bar date will be barred from challenging their claim thereafter and the value of such claim would be fixed at the amount in NAFA's books and records. The Monitor and NAFA are continuing to discuss the appropriate date to be set as the Claims Bar Date.

86. Any known creditor who has a claim against the Company in excess of \$10,000 would receive a claims package from the Monitor by email at the last known email address in NAFA's records. The claims package would require that those parties prove their claims in the usual way whereby they submit an amount including all supporting documents to prove their claim. Any party with a potential claim against the directors or officers would also be able to file that claim through this process. The claims process would also be advertised as per the above and claims materials will be provided on the Monitor's website.

87. Generally, email was our ordinary method of communication with the creditors when NAFA was operational. We used email to notify creditors of auction results and to communicate with them about products and services. Notice by ordinary mail was always a secondary method of communication.

88. The list of the larger creditors totals approximately 200 entities. The entities with larger claims routinely communicated with NAFA by email.

89. It is also the case that Saga and KF, Fur Harvesters in North Bay, and the American Mink Exchange are conducting auctions in the next several months. Once the claims process is approved, NAFA intends to ask these entities to assist us in the advertising of our claims process.

90. NAFA continues to have access to its email records. I believe they are as accurate as they were in 2019, and have been updated where creditors have made direct contact with NAFA since

then.

91. Although I am not an expert in running a claims process, I do not believe sending out a notice by mail in these circumstances is likely to more accurately reach creditors than email. It also will be materially less expensive to communicate with creditors via email. Further, there are a number of fur-related online forums and industry organizations whose help could also be requested in communicating our claims process. Their reach across the industry should be quite comprehensive.

92. I understand from my counsel that it is common to advertise for claims in major national newspapers like the Globe and Mail or the Wall Street Journal. I do not think the cost of advertising in those publications will be worthwhile in this case. The fur industry is an industry made up of a relatively small number of parties, who will be made aware of this process through industry channels and communications.

93. NAFA has discussed this approach with the Monitor and I am advised that they are supportive of this approach as a cost appropriate and efficient means to notify creditors of the claims process.

94. The claims process would be conducted by the Monitor. I understand that the Monitor will conduct an initial review of the claims received to identify the claimant, compare it to the records of NAFA, and as necessary consult with the Company.

95. We do not intend to review in detail or contest any claims until we have received the support of our secured creditors to put forward a plan of arrangement or compromise, or until there is a further order of the Court.

96. I am advised by the Monitor that it believes the cost of conducting such a claims process,

up to the point of calling for and collecting claims, but not reviewing them, including addressing calls and emails from creditors, would be approximately \$65,000 to \$85,000.

**Extension**

97. The current Stay Period under the Stay Extension Order will expire on April 28, 2023.

98. NAFA requests an extension of the Stay Period to and including September 29, 2023 to continue its restructuring efforts.

99. I am satisfied that NAFA will have sufficient funds to operate during the extension of the Stay Period provided the Cash Flow Forecast is followed.

100. The Monitor has advised me that it is supportive of NAFA seeking an extension of the Stay Period to and including September 29, 2023.

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

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

(a) extend the Stay Period to and including September 29, 2023;

(b) to approve and authorize NAFA to enter into a claim process;

(c) approve the Twelfth Report and the actions, and conduct of the Monitor set out therein; and,

(d) to seal certain confidential exhibits and appendices.

**AFFIRMED REMOTELY BEFORE ME BY** )  
Douglas Lawson at the City of Toronto, in )  
Province of Ontario, and I being of the City of )  
Ottawa, in the Province of Ontario, on this 21<sup>st</sup> day )  
of April 2023, in accordance with O.Reg. 431/20 )  
Administering Oath or Declaration Remotely. )

*Stephen Gaudreau*

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A Commissioner for Taking Affidavits  
**Stephen Gaudreau**

*Douglas F. Lawson*

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**Douglas Lawson**

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

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

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

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

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Counsel for the Applicants

**TAB 3**

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

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE	)	WEDNESDAY, THE 26 <sup>TH</sup>
	)	
MR. JUSTICE McEWEN	)	DAY OF APRIL 2023

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

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

(the “Applicants”)

**ORDER**

**(Re: Stay Extension, Conduct and Actions of the Monitor and its Counsel, and Sealing of Confidential Appendices)**

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

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

#### **SERVICE AND DEFINITIONS**

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

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

3. **THIS COURT ORDERS** that the Stay Period is hereby extended from April 28, 2023 to and including September 29, 2023.

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

4. **THIS COURT ORDERS** that the Twelfth Report and the actions, decisions and conduct of the Monitor, and its counsel Miller Thomson LLP, as set out in the Twelfth Report

are hereby authorized and approved.

#### **SEALING OF CONFIDENTIAL APPENDICES AND EXHIBITS**

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

#### **INTERNATIONAL RECOGNITION**

6. **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.

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*Signature of Judge*

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

(the “Applicants”)

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

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

**ORDER**  
**Dated April 26, 2023**  
**(Re: Stay Extension, and Conduct and Actions of the Monitor,**  
**and Sealing of Confidential Appendices)**

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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED  
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NORTH AMERICAN FUR PRODUCERS INC.,  
NAFA PROPERTIES INC., 3306319 NOVA SCOTIA LIMITED, NORTH AMERICAN FUR AUCTIONS INC., NAFA PROPERTIES (US)  
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(the “Applicants”)

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

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

**MOTION RECORD OF THE APPLICANTS**  
**(Re: Stay Extension Motion returnable April 26<sup>th</sup>, 2023)**

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