

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

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

Applicants

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

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

October 31, 2019

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I N D E X

Tab	Description
A	Cash Flow Forecast
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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
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DATED OCTOBER 31, 2019**

INTRODUCTION

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

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

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

PURPOSE

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

TERMS OF REFERENCE

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

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

DELOITTE’S QUALIFICATION TO ACT AS MONITOR

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

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

THE CASH FLOW FORECAST

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

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

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

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

URGENT NEED FOR FILING AND OVERALL RESTRUCTURING THESIS

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

DIP FINANCING

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

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

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

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

ADMINISTRATION CHARGE

32. The Applicants seek approval of the Administration Charge.

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

KERP

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

DIRECTORS' CHARGE

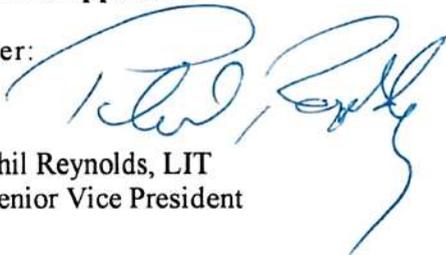
39. The Applicants seek approval of the Directors' Charge to a maximum of \$1.0 million.
40. The Proposed Monitor understands that the Applicants' directors and officers may be liable for approximately \$500,000 in respect of certain employee liabilities arising in Poland.
41. The Proposed Monitor also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

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

All of which is respectfully submitted this 31st day of October, 2019.

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

Per:


Phil Reynolds, LIT
Senior Vice President

APPENDIX "A"
CASH FLOW FORECAST

North American Fur Auctions Inc.

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

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

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

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

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

Major Assumptions

RECEIPTS

1. Buyer receipts

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

2. SAGA LOI Receipts

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

3. GST and HST Refunds

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

DISBURSEMENTS

4. Kit Loans

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

5. Occupancy Costs and Long Term Financing

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

6. Employee Costs

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

7. Collection, Grading, and Warehousing Costs

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

8. Professional Fees

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

9. Insurance

These projected disbursements include premium payments for the following policies:

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

10. GST and HST Payments

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

11. Other Administration and Operating Costs

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

12. Sequestered Funds Release

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

13. Bank Interest and Refinancing Costs

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

APPENDIX "B"
CONSENT OF DELOITTE

Court File No.:

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

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

Applicants

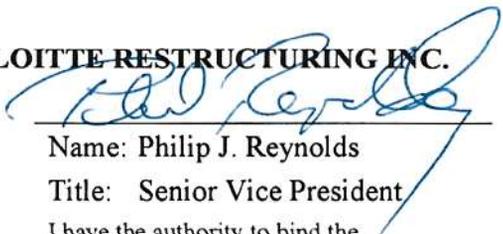
**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C 1985, c. C-36**

CONSENT

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

Dated at Toronto this 31st day of October, 2019.

DELOITTE RESTRUCTURING INC.

Per: 

Name: Philip J. Reynolds

Title: Senior Vice President

I have the authority to bind the
corporation

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

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

Proceeding commenced at Toronto

MONITOR'S CONSENT

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Monitor of the Applicants

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

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

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