

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

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

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

Applicants

**SECOND REPORT OF THE MONITOR**

**DATED NOVEMBER 27, 2019**

**INTRODUCTION**

1. On October 31, 2019, North American Fur Producers Inc., NAFA Properties Inc. (“**NAFA Properties**”), 3306319 Nova Scotia Limited, North American Fur Auctions Inc., NAFA Properties (US) Inc., NAFA Properties Stoughton LLC, North American Fur Auctions (US) Inc., NAFPRO LLC (Wisconsin LLC), NAFA Europe Co-Operatief Ua, NAFA Europe B.V., Daikoku Sp.Z Oo and NAFA Polska Sp. Z Oo (the “**Applicants**”) commenced these CCAA Proceedings pursuant to the Initial Order. For ease of reference and readability, capitalized terms not defined in this second report of the Monitor (the “**Second Report**”) are defined in the glossary attached as Appendix “**A**” to this Second Report.

2. Among other things, the Initial Order:
  - (a) Granted a stay of proceedings until November 29, 2019 (the “**Stay Period**”);
  - (b) Appointed Deloitte as Monitor of the Applicants;
  - (c) Approved the DIP Financing provided by the DIP Lender and granted a DIP Charge against the Applicants’ Property as security for the DIP Financing;
  - (d) Granted the Administration Charge against the Applicants’ Property to a maximum amount of \$500,000;
  - (e) Approved the KERP and granted the KERP Charge against the Applicants’ Property in the maximum amount of \$150,000 as security for the amounts payable under the KERP; and
  - (f) Granted 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’ officers and directors (“**Directors**”) pursuant to the Initial Order against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of these CCAA Proceedings.
3. On November 8, 2019, the Applicants obtained an Amended and Restated Initial Order. A copy of the Amended and Restated Initial Order is attached to this Second Report as Appendix “**B**”.
4. The Applicants have brought a motion returnable on November 28, 2019 (the “**Motion**”) seeking Orders, among other things:

- (a) Approving certain conditions for the marketing and sale of the Ground Leases (as defined below) as set out in the Order at Tab 6 of the Applicants' Motion Record (the "**Ground Leases Order**");
- (b) Approving a transaction (the "**Carlingview Transaction**") between NAFA Properties and the Lange Group of Companies Ltd. (the "**Purchaser**") for the purchase of the real property municipally known as 500 Carlingview Drive, Etobicoke, Ontario (the "**Carlingview Property**") and the granting of an approval and vesting order (the "**Approval and Vesting Order**") vesting the Carlingview Property in and to the Purchaser free and clear of all encumbrances on closing;
- (c) Granting certain relief aimed at addressing the return of consignor goods and other operational issues;
- (d) Approving the Pre-filing Report and the First Report and the conduct and activities of the Monitor described therein;
- (e) Authorizing the Applicants to enter into settlements of outstanding loan balances owing from farmers to the Applicants to a maximum of \$1.0 million per settlement with the approval of the Monitor; and
- (f) Granting an extension of the Stay Period to and including January 31, 2020.

5. Unless otherwise stated monetary amounts contained herein are expressed in U.S. dollars.

## **PURPOSE**

6. The purpose of this Second Report is to provide the Court with the Monitor's observations and recommendations on the relief sought by the Applicants in their Motion and to update the Court on the following items:

- (a) The Monitor's recent activities;
- (b) The Applicants' actual receipts and disbursements for the two weeks ended November 15, 2019 (the "**Reporting Period**"), with comments comparing actual receipts and disbursements to the forecast amounts included in the First Report;
- (c) The Applicants' revised cash flow, which has been prepared with the assistance of the Monitor, for the 13-week period ending February 14, 2020 (the "**Revised Forecast**");
- (d) The Applicants' retention of counsel for their Directors;
- (e) The Applicants' progress on listing for sale various real properties in North America and Europe;
- (f) The status of the arrangement (the "**Saga Arrangement**") with Saga Furs Oyj ("**Saga**"); and
- (g) An update on the professional fees paid by the Applicants during the Reporting Period.

## **TERMS OF REFERENCE**

7. In preparing this Second Report and making the comments herein, the Monitor has been provided with, and has relied upon certain unaudited financial information, books, records and financial information prepared by the Applicants, discussions with and information from the Applicants' management ("**Management**") and other third-party sources (collectively, the "**Information**"). Except as described in this Second Report in respect of the Revised Forecast:

- (a) The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards (“GAAS”) pursuant to the *CPA Canada Handbook* (the “CPA Handbook”) and, accordingly, the Monitor express no opinion or other form of assurance contemplated under GAAS in respect of the Information; and
  - (b) Some of the information referred to in this Second 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.
8. Future oriented financial information referred to in this Second 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.

**ACTIVITIES OF THE MONITOR SINCE THE DATE OF THE AMENDED AND RESTATED INITIAL ORDER**

*General*

9. Since the date of the Amended and Restated Initial Order, the Monitor has undertaken the following activities:
- (a) Continued to monitor the Applicants’ receipts and disbursements;
  - (b) Assisted the Applicants with the preparation of the Revised Forecast;

- (c) Communicated with creditors and stakeholders (e.g. farmers, former employees, unsecured creditors), including the DIP Lender, the Agent, BDC, Saga and counsel to VAG, and assisted the Applicants in responding to requests for information and documents;
- (d) Consulted with the Agent in respect of the Applicants' business and property, including the potential sale of various real property of the Applicants;
- (e) Provided weekly reporting to the Agent and DIP Lender of the Applicants' receipts and disbursements as well as reporting on material variances;
- (f) With its counsel, reviewed and considered the contractual arrangements between the Applicants and their North American consignors;
- (g) Attended at the Applicants' offices to provide guidance to the staff with respect to these CCAA Proceedings;
- (h) Approved payment of the DIP Fee, as further described below; and
- (i) Prepared this Second Report.

*Pelts held by the Applicant – Purchased Goods*

10. The Applicants have custody of goods that have been purchased and fully paid for by customers but have not been shipped since the date of the auction at which they were purchased. Since the date of the Initial Order, a number of parties have contacted the Applicants and the Monitor to arrange for the return of their purchased product.
11. The Monitor consulted with the Applicants to ensure that pelts previously purchased and fully paid for by customers were available for release to such customers. The analysis undertaken by the Monitor included whether or not it would be appropriate to allow the

customers to set off certain credits previously granted to them in partial satisfaction of amounts owing for their pelts, if any. Customers routinely earn credits for a variety of reasons, including credits earned through partial payments made to the Applicants and other contractual entitlements (such as volume buying or early payment discounts).

12. Upon being satisfied that a customer's goods have been fully paid for, the Monitor has authorized the release of the purchased goods.

*Pelts held by the Applicants – Consigned Goods*

13. In addition to purchased goods, the Applicants have custody of pelts delivered by third parties for sale by NAFA (approximately 1,000,000 pelts valued at approximately \$25 million as detailed in the Lawson Affidavit). Both farmed pelts and wild pelts are delivered to NAFA for sale at its auctions. The pelts currently held by the Applicants include pelts delivered for sale at previous auctions that remain unsold and pelts that have been delivered for sale at future auctions. These pelts are delivered to the Applicants pursuant to various consignment agreements.
14. The Applicants seek an Order allowing them to release the Consigned Goods (as defined below, with the exception of "intersorted" goods as described in the Lawson Affidavit) described above to consignors requesting that their goods be returned, subject to such consignors paying all amounts due to NAFA and the approval of the Monitor.
15. The Monitor and its counsel have analyzed the standard form consignment agreements (attached as Exhibit "B" to the Lawson Affidavit, the "**Consignment Agreements**") for consigned goods delivered by farmers of ranched mink and fox raised in both Canada and

the United States to various sites in Toronto and Stoughton, Wisconsin (the “**Consigned Goods**”).

16. In the Monitor’s view, the Consignment Agreements are true consignment agreements and the goods delivered thereunder are consigned goods. As a result, the Monitor is of the view that the return of such product would be consistent with the nature of the relationship between the Applicants and the consignors delivering the Consigned Goods pursuant to the Consignment Agreements, subject to the carve out for intersorted goods that is proposed by the Applicants.
17. The consignors that delivered the Consigned Goods may have obligations owing to an Applicant on account of kit loans, pelt advances or otherwise. Under the Consignment Agreements reviewed by the Monitor and its counsel, the consignor grants a security interest in favour of the relevant Applicant to secure payment of all of the consignor’s obligations to the relevant Applicant.
18. As a result, the Monitor will confirm that all amounts owing by a consignor to the Applicants have been fully paid, prior to authorizing the release of any Consigned Goods to that consignor.
19. The Agent for the Syndicate, who has been advised of this matter by the Applicants and the Monitor, has requested language in the proposed draft Order to address certain of their concerns relating to the payment of amounts owing to the Applicants prior to the release of the Consigned Goods and the Applicants are considering the Agent’s concerns.
20. Although the Agent and Applicants continue to finalize the language in the proposed draft Order, the Monitor supports the Applicants’ requested relief to return the Consigned Goods



(that are not intersorted), subject to the authorization of the Monitor and confirmation that all amounts owing from the consignor have been paid in full.

#### **ACTUAL RECEIPTS AND DISBURSEMENTS SINCE THE INITIAL ORDER**

21. Attached to this Second Report as Appendix “C” is a schedule of the Applicants’ receipts and disbursements during the Reporting Period (*i.e.*, November 4, 2019 to November 15, 2019).
22. The First Report contained, as Confidential Appendix “1”, a 21-week cash flow forecast through until March 27, 2020 (the “**Cash Flow Forecast**”).
23. The following table summarizes the Applicants’ receipts and disbursements during the Reporting Period (USD thousands) with the full details of such disbursements set out in Appendix “C”:

| North American Fur Auctions Inc.<br>Weekly Cash Flow | Actual              | Forecast            | Variance              |
|--|---------------------|---------------------|-----------------------|
| <b>(USD)</b>   |                     |                     |                       |
| <b>Receipts</b>                                      |                     |                     |                       |
| Buyer receipts                                       | \$ 221,404          | \$ 537,537          | \$ (316,134)          |
| SAGA LOI   | 3,433,719           | 9,144,083           | (5,710,364)           |
| Other  | 42,497              | -                   | 42,497                |
| <b>Total inflow</b>                                  | <b>\$ 3,697,619</b> | <b>\$ 9,681,620</b> | <b>\$ (5,984,001)</b> |
| <b>Disbursements</b>                                 |                     |                     |                       |
| Kit loans - North America                            | 926,844             | 1,102,168           | 175,324               |
| Kit loans - Europe                                   | 599,421             | 2,051,333           | 1,451,912             |
| Occupancy costs and Long term financing              | 115,401             | 310,915             | 195,514               |
| Employee costs                                       | 326,949             | 834,317             | 507,368               |
| Collection, grading, warehousing costs               | 19,453              | 192,260             | 172,807               |
| Professional fees                                    | 179,229             | 1,101,735           | 922,506               |
| Insurance  | 788,907             | 826,319             | 37,412                |
| Other administrative and operating costs             | 84,122              | 348,917             | 264,795               |
| Bank interest and refinancing costs                  | 413,961             | 493,772             | 79,811                |
| <b>Total outflow</b>                                 | <b>\$ 3,454,287</b> | <b>\$ 7,261,737</b> | <b>\$ 3,807,450</b>   |
| <b>Net cash flow</b>                                 | <b>\$ 243,332</b>   | <b>\$ 2,419,883</b> | <b>\$ (2,176,550)</b> |
| Opening bank cash balance - Tranche B                | \$ 304,131          | \$ 304,131          | \$ -                  |
| Cash receipts  | 3,697,619           | 9,681,620           | (5,984,001)           |
| Disbursements  | (3,454,287)         | (7,261,737)         | 3,807,450             |
| Transaction in operating account                     | 84,524              | -                   | 84,524                |
| Transaction in foreign accounts                      | 44,954              | -                   | 44,954                |
| Funds drawdown - DIP                                 | 1,650,000           | 1,650,000           | -                     |
| <b>Closing bank cash balance - Tranche B</b>         | <b>\$ 2,326,941</b> | <b>\$ 4,752,950</b> | <b>\$ (2,426,008)</b> |

24. The following paragraphs set out the actual receipts and disbursements of the Applicants during the Reporting Period. Significant variances between such receipts and disbursements and amounts set out in the Cash Flow Forecast are set out below:

- (a) Since the date of the Initial Order, buyer receipts have totaled approximately \$221,000, which is less than the forecast amount of \$538,000. Given the delay in shipments of customer goods, buyer receipts were less than forecast. Shipments have now resumed and the Applicants expect this timing difference to reverse in the coming weeks as customers settle their accounts in full and take delivery of their goods;

- (b) As the Saga Arrangement is implemented, the Applicants have received several payments from Saga in respect of kit loan repayments totaling approximately \$3.4 million. Forecast receipts were assumed to be approximately \$9.1 million, with the difference largely attributable to delay in the receipt of monies relating to the VAG Settlement (as defined below). On November 26, 2019 the Applicants received the funds relating to the VAG Settlement. Accordingly, the majority of the negative timing variance has reversed subsequent to the Reporting Period;
- (c) The Applicants forecast North American kit loan payments of approximately \$1.1 million with actual disbursements totaling approximately \$927,000. Ranchers required less funding for their farms and/or kits than originally forecast, resulting in this variance of approximately \$175,000. North American kit loans continue to be made in the normal course;
- (d) European kit loans have totaled approximately \$599,000 compared to a forecast amount of \$2.1 million in the Cash Flow Forecast. The primary reason for this variance is that two significant farms have not requested funding in the amount contemplated by the Cash Flow Forecast. The Applicants advised the Monitor that these farms have had sufficient liquidity to operate without further advances from the Applicants. One farm requested additional kit loan funds in the week ended November 22, 2019, partially reversing this positive timing difference;
- (e) Actual occupancy and long term financing costs during the Reporting Period totaled approximately \$115,000 compared to a forecast disbursement of approximately \$311,000. This difference is expected to be permanent, as actual funding needs were less than assumed in the Cash Flow Forecast;

- (f) Disbursements related to employee costs totaled approximately \$327,000 compared to an amount of \$834,000 in the Cash Flow Forecast. There are a number of reasons for this difference including:
- (i) Lower than forecast Canadian payroll costs resulting in a permanent difference of approximately \$213,000;
  - (ii) A delay in the payment of vacation pay in Canada resulting in a timing difference of approximately \$47,000;
  - (iii) Lower than forecast payment of European payroll, which is expected to be paid in future periods. This resulted in a timing difference of approximately \$135,000; and
  - (iv) A lower than forecast payment to NAFA's European agent resulting in a permanent difference of approximately \$20,000;
- (g) Collection, grading and warehousing costs were estimated to be approximately \$192,000 in the Cash Flow Forecast. Actual disbursements for this line item are approximately \$19,000. Given the lower levels of activity in receiving pelts in the United States, grading costs have been less than forecast. This activity is expected to increase in the next several weeks, resulting in the reversal of this timing difference;
- (h) Professional fee payments during the Reporting Period totaled approximately \$179,000 compared to a forecast amount of \$1.1 million. This is largely due to a delay in the various professional service firms rendering their accounts. This difference is expected to reverse as invoices are issued;

- (i) Insurance payments have totaled approximately \$789,000 compared to a forecast total of \$826,000. A portion of the insurance premiums were paid immediately prior to the Reporting Period. As such, this variance is expected to be permanent;
- (j) Other administrative and operating costs were forecast to be approximately \$349,000 with total disbursements being \$84,000, leading to a positive variance of approximately \$265,000. The Applicants were able to manage their disbursements related to critical suppliers in the weeks immediately following filing. As such, this variance is expected to be permanent;
- (k) Bank interest and refinancing costs were approximately \$80,000 lower than forecast, principally as a result of a delay in payment of the DIP Fee related to the DIP Financing. The DIP Fee was paid on November 18, 2019; and
- (l) Draws on the DIP Financing were \$1.65 million, which is in accordance with the Cash Flow Forecast.

## REVISED FORECAST

25. Attached as Appendix “D” to this Second Report is the Revised Forecast for the 13-week period ending February 14, 2020. It is summarized below:

| <b>North American Fur Auctions Inc.</b><br><b>13-Week Cash Flow Forecast</b><br>For the period November 22, 2019 to February 14, 2020<br>(USD) |                   |
|--|-------------------|
| <b>Week</b>  | <b>Total</b>      |
| <b>Week Ending</b>   |                   |
| <b>Receipts</b>  |                   |
| Buyer Receipts   | 3,381,372         |
| HST Refund   | 50,000            |
| Other  | 45,000            |
| SAGA LOI receipts  | 30,407,360        |
| SAGA reimbursement for operating expenditures  | 1,072,567         |
| Disposal of PP&E   | 4,603,893         |
| <b>Total Receipts</b>  | <b>39,560,193</b> |
| <b>Disbursements</b>   |                   |
| Kit loans - North America  | 1,314,579         |
| Kit loans - Europe   | 3,429,966         |
| Pelt advances - North America  | 504,098           |
| Pelt advances - Europe   | 1,310,022         |
| Occupancy costs  | 627,699           |
| Employee costs   | 1,640,782         |
| Collection, grading, warehousing costs   | 269,354           |
| Professional fees  | 3,268,588         |
| Insurance  | 107,433           |
| GST / HST payments   | 75,000            |
| Other administrative and operating costs   | 564,277           |
| <b>Total Disbursements</b>   | <b>13,111,797</b> |
| <b>Net Cash Flow</b>   | <b>26,448,396</b> |
| Opening bank cash balance  | 2,326,941         |
| Receipts   | 39,560,193        |
| Disbursements  | 13,111,797        |
| Repayment of DIP Loan  | 1,650,000         |
| Repayment of Tranche B   | 8,000,000         |
| Repayment of Tranche A   | 17,227,824        |
| Bank interest and refinancing costs  | 897,514           |
| <b>Closing bank cash balance</b>   | <b>1,000,000</b>  |

26. Although the notes to the Revised Forecast set out detailed assumptions related thereto, the Monitor wishes to highlight the following:

- (a) Additional collections of buyer receivables will continue after the period contemplated by the Revised Forecast, as not all such receivables are assumed to be collected;
- (b) Cash flows related to the Saga Arrangement continue in the normal course. Total receipts from the Saga Arrangement are forecast to be approximately \$31.5 million, which also include the receipt of certain expense reimbursements;
- (c) The Carlingview Transaction is assumed to close in January 2020. It is assumed that the Applicants repay the secured indebtedness on this facility in accordance with legal priority, with any surplus proceeds, depending on the timing of closing, to be used to repay any outstanding DIP Financing or to reduce the Syndicate Debt, as described below;
- (d) Kit loan disbursements in both North America and Europe cease by the end by December 20, 2019 given the harvest of the pelts in both jurisdictions;
- (e) Disbursements related to pelt advances have been included in the approximate amount of \$1.8 million. Such disbursements represent amounts paid to farmers who pelt their own kits. The Applicants recover these funds from the proceeds of auctioned pelts;
- (f) Occupancy costs continue in the normal course until such time as the relevant real property is sold;
- (g) Employee costs are reduced as the level of staff is decreased in response to lower levels of activity;

- (h) Pre-filing professional fees related to the Syndicate's advisors will be paid after the DIP Financing is repaid in full (which repayment is forecast to occur in the week ended December 27, 2019); and
- (i) The Syndicate and BDC continue to receive their monthly debt service payments in accordance with the terms of the Initial Order;
- (j) In addition to the full repayment of the DIP Financing, the Revised Forecast assumes that the Syndicate Debt is reduced by approximately \$25.2 (\$8 million of which is in respect of Tranche A debt and approximately \$17.2 million in respect of Tranche B debt).

#### *European Funding*

- 27. As detailed in the Lawson Affidavit, the Applicants provide financing to a number of farms in Europe including in Latvia, Lithuania and Poland, among others.
- 28. Given the market dynamics affecting the mink industry over the last several years, a number of farms have faced financial difficulties and have required significant funding from NAFA. There are currently several farms within the Applicants' network that have to date (*i.e.*, through the 2019 growing season) received funds in excess of normal course kit loans to support their operations (any such funding since the start of these CCAA Proceedings has been made in accordance with the Cash Flow Forecast).
- 29. Given the transition of the Applicants' kit loans to Saga, many farms have signed agreements to participate in the Saga Arrangement and receive ongoing funding from Saga in order to finance their operations. However, not all farms have done so, due to either their own choice or Saga not wishing to receive consigned pelts from the relevant farmer.



30. As a result of this “stranding” of certain farms, a number of mink ranchers currently require ongoing funding to support their farms in order to fully repay all indebtedness owing by such farmers to the Applicants. The Applicants’ cash flow forecasts have not included such disbursements as outflows and continuing to support these farmers would be outside the scope of previously forecast disbursements.
31. The situations at these farms are fluid, and the Applicants continue to work with the relevant farmers to find a solution to address such farmers’ liquidity needs and to preserve the value of loans due to NAFA (*i.e.*, both the current kit loans, rollover loans and/or operating loans). In certain cases, recovery of these loans will not occur until 2021 and such recovery is uncertain as it is tied to the future price of mink since these farms’ mink are sold at future auctions. The Agent has raised concerns relating to NAFA making additional disbursements of this nature to fund future kits when such funding may not result in NAFA recovering the value of the loans owed and may delay the timing of the repayment of the Syndicate Debt. The Applicants are mindful of the concerns of the Syndicate and are considering this matter.
32. The Monitor will provide a further update to this Court on this situation as it develops. In addition, the Monitor will continue to keep the Syndicate and the DIP Lender apprised of this situation.

#### **RETENTION OF COUNSEL FOR THE DIRECTORS AND OFFICERS**

33. At the time of the Initial Order, the Monitor reported that the Directors had not yet engaged independent counsel. Since then, the Directors have engaged Bennett Jones LLP (“**Bennett Jones**”) as independent counsel in these CCAA Proceedings.

34. The fees and disbursements of Bennet Jones are secured by the Administration Charge to a maximum of CAD\$100,000.

#### **APPLICANTS' REAL PROPERTY**

35. As set out in the affidavit of Doug Lawson affirmed on October 30, 2019, the Applicants own a number of real properties in North America and Europe. These properties are described below.

##### *Skyway Property*

36. This building is municipally located at 65 Skyway Avenue in Toronto (the “**Skyway Property**”) and is the Applicants’ head office. NAFA Properties owns the building but not the land on which it is situate, which is owned by an investment trust and the City of Toronto and leased to NAFA Properties (the “**Ground Leases**”). Monthly lease payments for the Ground Leases are made to the investment trust and certain other payments are made to the City of Toronto. BDC provided a term loan to finance the Applicants’ acquisition of the Skyway Property.

##### *Carlingview Property*

37. The Carlingview Property is owned by NAFA Properties, and it is NAFA’s principal distribution site in Canada. Farm Credit Canada (“**FCC**”) has a charge registered against the Carlingview Property in the principal amount of CAD\$7.0 million. The Agent also has a charge registered against the Carlingview Property in the principal amount of CAD\$100.0 million. Payments to FCC are not being made during the CCAA Proceedings.

### *Wisconsin Properties*

38. NAFA and NAFA Properties jointly own the properties municipally known as 205 Industrial Circle and 1600 Williams Drive in Stoughton, Wisconsin (the “**Wisconsin Properties**”). The Wisconsin Properties are the Applicants’ primary operating facilities in the United States and are used for both office purposes and the grading of pelts.

### *Polish Property*

39. The Applicants own a building located in Goleniow, Poland (the “**Polish Property**”). This building is the Applicants’ principal location for the receipt of European pelts and is owned by NAFA Polska Sp. ZOO. The Monitor understands that Export Development Canada has a charge registered against the Polish Property.

## **LISTING OF REAL PROPERTY**

40. As part of its restructuring plan, and in accordance with the Cash Flow Forecast and the Revised Forecast, the Applicants have taken steps, both prior to and subsequent to the commencement of these CCAA Proceedings, to list their various real estate holdings for sale. A summary of the status of each listing is set out below.

### *Skyway Property*

41. At the commencement of the CCAA Proceedings, BDC brought an application to appoint a receiver over the Ground Leases. After discussions among the Applicants, the Monitor, BDC and their respective advisors, the Applicants and BDC have developed a protocol whereby NAFA Properties agreed to list the Skyway Property for sale pursuant to a listing agreement that will be in form and substance acceptable to NAFA Properties and BDC in

consultation with the Agent. NAFA Properties has also agreed to provide reporting of certain financial and other information to BDC on a regular basis.

42. A real estate agent has not been engaged yet, however NAFA has sought listing proposals from three realtors to list the property for sale.
43. The Applicants seek the Ground Leases Order to memorialize their arrangements with BDC and the Agent with respect to the Ground Leases. The Monitor was involved in the discussions between the Applicants, BDC and the Agent in respect of the terms of the Ground Leases Order and supports the Applicants' request for the Ground Leases Order.

#### *Carlingview Property*

44. The Carlingview Property was listed for sale prior to the commencement of the CCAA Proceedings. The Monitor understands that the Applicant's marketing process included:
  - (a) Listing the Carlingview Property on April 11, 2019 with CBRE, a global real estate advisory and brokerage firm. The Monitor understands that CBRE commenced work to market the property prior to April 11, 2019;
  - (b) The Carlingview Property was exposed to the market generally;
  - (c) Eight potential purchasers toured the Carlingview Property;
  - (d) Three offers were received initially for similar consideration;
  - (e) After initial due diligence, environmental issues were identified and the bidders revised their bids materially; and
  - (f) The successful bidder's offer contained the lowest price reduction. This purchaser is working diligently to close as soon as possible, notwithstanding the

environmental impacts. Since late September, NAFA has received two unsolicited indications of interest/offers, however, they were for considerably lower purchase price than the current transaction and were not pursued.

45. The Carlingview Property is subject to an agreement of purchase and sale as detailed in the Lawson Affidavit. The Applicants are currently seeking the Approval and Vesting Order in respect of the Carlingview Transaction to permit this transaction to close once the conditions are waived.
46. The Revised Forecast contemplates that the closing of the Carlingview Transaction in the week ended January 17, 2020. The only significant issue remaining in respect of this sale is for the Purchaser to obtain financing. The Monitor understands from the Purchaser that it will be using certain other assets belonging to it to secure the financing necessary to acquire the Carlingview Property and that discussions are well advanced in this regard.
47. The Monitor also notes the following with respect to the sale of the Carlingview Property:
  - (a) There are certain conditions to the proposed transaction. These include the Purchaser obtaining financing, the Purchaser and NAFA Properties entering into a sublease and the Purchaser satisfying itself in respect of title (including any easements that may be attached) to the Carlingview Property;
  - (b) The sale of the Carlingview Property is scheduled to close 30 days after the waiver of conditions in subparagraph (a) above;
  - (c) The sale is on an “as is, where is” basis;
  - (d) The consent of the Agent is required; and

- (e) The balance of any remaining sale proceeds after paying the closing costs relating to the Carlingview Transaction and the amount owing to FCC that is secured by the charge registered in favour of FCC against the Carlingview Property (the “**Carlingview Surplus Proceeds**”) will be used to repay the DIP Financing, if the Carlingview Surplus Proceeds are received prior to the DIP Financing being repaid, and thereafter will be paid to the Agent in reduction of the Syndicate’s debt. The Monitor’s counsel will review and confirm the validity of the FCC security prior to the closing the Carlingview Transaction.
48. The anticipated proceeds from the Carlingview Transaction are required by the Applicants and are projected to be received in the Revised Forecast. The Syndicate and the DIP Lender support the Applicants concluding the Carlingview Transaction.
49. Based on the foregoing, the Monitor supports the Applicants’ request for the Approval and Vesting Order.

*Wisconsin Properties*

50. The Wisconsin Properties consist of two separate lots. One is an office property and the other is a grading and warehousing facility. They are in close proximity to one another in Stoughton, Wisconsin. The Applicants intend to lease the Wisconsin Properties to Saga on a short-term basis through the spring of 2020 (likely through to May 31 or June 30, 2020 but discussions relating to the lease terms are still ongoing).
51. This will allow Saga to receive the relevant pelts as contemplated by the Saga Arrangement. Once this is complete and the pelts are auctioned, the building will be sold. The Monitor understands that lease negotiations have begun with Saga.

52. In addition to the lease negotiations with Saga, in accordance with the Amended and Restated Initial Order, the Applicants have commenced the sale process by contacting local real estate brokers to begin the listing process though an agent has not been engaged as at the date of this Second Report.
53. It is expected that any sale transaction would either close after Saga no longer requires the Wisconsin Properties or would include the assumption of the short term lease with Saga by the purchaser. A sale of the Wisconsin Properties will require Court approval but it is not currently contemplated that a recognition order will be sought in the United States. This will be considered further by the Applicants and the Monitor when a sale transaction materializes.

#### *Polish Property*

54. As set out above, the Polish Property is primarily operational as it collects and stores the Applicants' European consigned pelts.
55. The Monitor has been advised by Management that, in accordance with the Amended and Restated Initial Order, a Polish real estate broker has been engaged to list the Polish Property for sale. A sale of the Polish Property will require Court approval but it is not expected that a sale will occur until 2020. No recognition order is intended to be sought in Poland in respect of the sale of the Polish Property.

### **THE SAGA ARRANGEMENT**

#### *Status of the Saga Arrangement*

56. Since the commencement of these CCAA Proceedings, Management has worked closely with Saga to implement the Saga Arrangement. Such activity has included the following:

- (a) Visiting mink farms in Europe to obtain the support of the European farmers to transition their business to Saga;
- (b) Undertaking security registrations in favour of Saga for those mink herds that have transitioned their business to Saga;
- (c) Saga paying the Applicants kit loan repayments for the first tranche of farmers that have been approached by Saga. As at the end of the Reporting Period, the Applicants have received approximately \$3.4 million from Saga in respect of such kit loan repayments. However, additional funds have been received on account of the VAG Settlement;
- (d) Engaging in discussions with North American farmers to transition their business to Saga;
- (e) Meeting with Saga at the Wisconsin Properties to determine if Saga wished to lease them on a short term basis;
- (f) Engaging in discussions regarding the licensing of the Applicants' intellectual property, in particular the "Blackglama" brand and trademark (described in the Lawson Affidavit and summarized below); and
- (g) Engaging in discussions with the Monitor to further understand the Saga Arrangement and the cash flow implications related thereto.

57. As part of the Saga Arrangement, Saga initially approached farms in Europe (excepting a large group of related farms, the "**VAG Farms**"). The Monitor has been advised that, of the farms initially approached, all but three have agreed to transition their business to Saga.



The Applicants and Saga continue discussions with the remaining uncommitted farms in order to transition their business to Saga in accordance with the Saga Arrangement.

58. The VAG Farms are part of VAG. VAG has made its own arrangements with Saga and reached a settlement (the “**VAG Settlement**”) with the Applicants in respect of their indebtedness. The funds related to the VAG Settlement were received by the Applicants on November 26, 2019. Both the Syndicate and the DIP Lender consented to the VAG Settlement.
59. In the event there are farms that decide not to sign up with Saga that were otherwise to be part of the Saga Arrangement, the Applicants are seeking the right to sell, convey, transfer, assign or dispose of those Kit Loans and Pelts for consideration that is equal to or greater than that which would otherwise be receiving under the Saga Arrangement, with the approval of the Monitor, the Agent and the DIP Lender. The Monitor supports this relief.

#### *Blackglama*

60. 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 (the “**Goods**”). The Monitor understands that the Blackglama brand is an important brand worldwide in the fur industry and that it provides an important competitive advantage for North American fur producers in the worldwide fur market.
61. NAFA holds the exclusive worldwide rights to the Marks and controls the certification process. In order to be certified as a Blackglama mink, the mink has to be a high grade of black North American mink. Blackglama furs are tracked with specific serial numbered labels which then appear in the garments made from these rare furs.

62. In respect of the Blackglama brand, the Applicants have advised the Court in the Lawson Affidavit that they are negotiating a short-term license agreement with Saga for the use of the Blackglama trademark. The Lawson Affidavit contains particulars of the proposed license agreement, which is still being negotiated between NAFA and Saga.
63. In summary, the Applicants intend to grant Saga a short-term license agreement until such time as Marks can be appropriately marketed for sale in order to achieve the highest value for the asset.
64. Given the benefits of having the Blackglama brand in the market for an additional year, and the proposed conditions and requirements set out in the draft license agreement, as described in the Lawson Affidavit, the Monitor is supportive of the Applicants temporarily licensing the trademark to Saga, subject to the Monitor reviewing the terms of the proposed license agreement once they are finalized and consulting with the DIP Lender and the Agent.

*Cash Flows Related to the Saga Arrangement*

65. The Saga Arrangement is comprised of two separate streams of cash flows: kit loan reimbursement and the receipt of pelt advances once the pelts are delivered to Saga for auction.
66. As at the date of this Second Report, other than the funds related to the VAG Settlement, the Applicants have received funds related to kit loans only. Such funds total approximately \$3.4 million.
67. The Applicants expect to begin receiving pelt advances in the coming weeks, as the pelting season has commenced and pelts will be delivered to Saga in the near term.

68. The Monitor will continue to monitor receipts received under the Saga arrangement and will provide an update to this Court regarding the status of the Saga Arrangement in its next report.

#### **PROFESSIONAL FEES PAID**

69. During the Reporting Period the Applicants disbursed funds totaling approximately \$179,000.

70. As set out above, fees for post-filing services are being paid in the normal course. Pre-filing arrears related to the Syndicate's advisors will be paid after the DIP Financing is repaid and disbursements for kit loans for the current season are complete.

71. The Monitor has engaged in discussions with KPMG in respect of the timing of its success fee related to the Saga Arrangement. KPMG has agreed to defer the payment of its success fee related to the VAG Settlement until such time as the proceeds therefrom have been received. The KPMG success fee is currently forecast to be paid in May, 2020, outside of the Revised Forecast period, subject to receiving Court-approval of such payment.

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

72. The Applicants are currently seeking an extension of the Stay Period to January 31, 2020. This will allow the Applicants the time they need to, among other things:

- (a) Continue to implement the Saga Arrangement;
- (b) Close the sale of the Carlingview Property (should it be approved) and list their other owned real properties for sale;
- (c) Address the pelts that are currently on site at the Applicants' various facilities; and

- (d) Continue to develop and implement its restructuring plan.
73. The Monitor is of the view that the Applicants have been acting in good faith and with due diligence.
74. The Monitor is of the view that the proposed extension of the Stay Period to January 31, 2020 is appropriate in the circumstances and the Monitor is supportive of the relief being sought.

## **RECOMMENDATIONS**

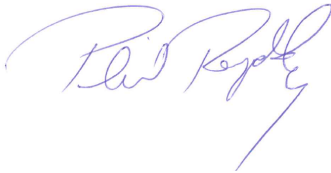
75. For the reasons set out in this Second Report, the Monitor recommends that the Court grant:
- (a) The Approval and Vesting Order including the provision relating to payment of the Carlingview Surplus Proceeds as set out herein;
  - (b) The Ground Leases Order;
  - (c) An Order allowing the Consigned Goods to be returned to the relevant consignor provided all amounts owing to the Applicants are paid in full before the goods are returned and the Monitor consents;
  - (d) An Order granting the Applicants the right to sell, convey, transfer, assign or dispose of those Kit Loans and Pelts for consideration that is equal to or greater than that which would otherwise be receiving under the Saga Arrangement, with the approval of the Monitor, the Agent and the DIP Lender;
  - (e) An Order authorizing the Applicants to enter into settlements of outstanding loan balances from farmers to a maximum of \$1.0 million with the approval of the Monitor;

- (f) An Order extending the Stay Period to January 31, 2020; and
- (g) An Order approving the Pre-filing Report and the First Report and the conduct and activities of the Monitor described therein.

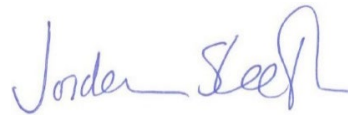
All of which is respectfully submitted this 27<sup>th</sup> day of November, 2019.

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

Per:



Philip J. Reynolds, LIT  
Senior Vice President



Jorden Sleeth, LIT  
Senior Vice President

**Appendix “A”  
Glossary of terms**

| <b>Glossary</b>                           |  |
|---|--|
| <b>Term</b>                               | <b>Definition</b>  |
| <b>Administration Charge</b>              | The charge in the maximum amount of USD\$750,000 granted pursuant to the Initial Order securing the fees and disbursements of the Applicants' counsel, the Monitor and its counsel, the advisors of the Syndicate, the Financial Advisor and counsel for the Directors (to a maximum of \$100,000)   |
| <b>Agent</b>                              | Canadian Imperial Bank of Commerce in its capacity as Agent for the Syndicate  |
| <b>Amended and Restated Initial Order</b> | The Amended and Restated Initial Order of the Court dated November 8, 2019   |
| <b>Applicants</b>                         | Collectively, North American Fur Producers Inc., NAFA Properties Inc., 3306319 Nova Scotia Limited, North American Fur Auctions Inc., NAFA Properties (US) Inc., NAFA Properties Stoughton LLC, North American Fur Auctions (US) Inc., NAFPRO LLC (Wisconsin LLC), NAFA Europe Co-Operatief Ua, NAFA Europe B.V., Daikoku Sp.Z Oo and NAFA Polska Sp. Z Oo |
| <b>BDC</b>                                | Business Development Bank of Canada  |
| <b>CCAA</b>                               | <i>Companies' Creditors Arrangement Act, R.S.C., 1985, c. C-36</i>   |
| <b>CCAA Proceedings</b>                   | The CCAA proceedings commenced pursuant to the Initial Order bearing Court file no. CV-19-00630241-00CL  |
| <b>CIBC</b>                               | Canadian Imperial Bank of Commerce   |
| <b>Court</b>                              | Ontario Superior Court of Justice (Commercial List)  |
| <b>Deloitte</b>                           | Deloitte Restructuring Inc.  |
| <b>DIP Charge</b>                         | The charge granted by the Court pursuant to the Initial Order against the Applicants' Property as security for the DIP Financing   |

|                          |   |
|--------------------------|---|
| <b>DIP Fee</b>           | A fee in the amount of 2% earned by the DIP Lender for providing the DIP Financing  |
| <b>DIP Financing</b>     | The interim financing in the maximum principal amount of \$5.0 million provided by the DIP Lender approved by the Court pursuant to the Initial Order         |
| <b>DIP Lender</b>        | Waygar Capital Inc.   |
| <b>DIP Term Sheet</b>    | The DIP Term Sheet dated October 31, 2019 between NAFA and the DIP Lender in respect of the DIP Financing approved by the Court pursuant to the Initial Order |
| <b>Financial Advisor</b> | KPMG  |
| <b>First Report</b>      | First report of the Monitor dated November 7, 2019  |
| <b>Initial Order</b>     | The Order of Justice McEwen of the dated October 31, 2019, as amended by the Amended and Restated Initial Order   |
| <b>KPMG</b>              | Collectively, KPMG Inc. and KPMG Corporate Finance Inc.   |
| <b>Lawson Affidavit</b>  | The Affidavit of Douglas Lawson served unsworn as part of the Applicants' motion materials on November 25, 2019   |
| <b>Monitor</b>           | Deloitte in its capacity as Court-appointed Monitor of the Applicants   |
| <b>NAFA</b>              | North American Fur Producers Inc.   |
| <b>NAFA Properties</b>   | NAFA Properties Inc.  |
| <b>Pre-filing Report</b> | The pre-filing report of the proposed Monitor, dated October 31, 2019   |
| <b>Property</b>          | Has the meaning ascribed to that term in the Amended and Restated Initial Order.  |
| <b>Stay Period</b>       | The stay of proceedings granted pursuant to the Initial Order, as may be extended from time to time   |
| <b>Syndicate</b>         | A group of financial institutions that, together, have provided senior secured financing to the Applicants  |

|                       |  |
|-----------------------|--|
|                       | as represented by the Canadian Imperial Bank of Commerce as Agent          |
| <b>Syndicate Debt</b> | The indebtedness owing by the Applicants to the Syndicate                  |
| <b>VAG</b>            | Van Ansem Group (being a collection of farms under one corporate umbrella) |



**Appendix “B”**  
**Amended and Restated Initial Order**

ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

THE HONOURABLE

)

THURSDAY, THE 31<sup>ST</sup>

MR. JUSTICE McEWEN

)

DAY OF OCTOBER, 2019

)



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

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

(the "**Applicants**")

**AMENDED AND RESTATED INITIAL ORDER**

**THIS APPLICATION**, made by North American Fur Producers Inc., NAFA Properties Inc., 3306319 Nova Scotia Limited, North American Fur Auctions Inc. ("**NAFA**"), NAFA Properties (US) Inc., NAFA Properties Stoughton LLC, North American Fur Auctions (US) Inc., NAFPRO LLC (Wisconsin LLC), NAFA Europe Co-operatief UA, NAFA Europe B.V., Daikoku Sp. Z oo, and NAFA Polska Sp. Z oo (collectively, the "**Applicants**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

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

Monitor dated November 7, 2019 (the “**First Report**”) and on hearing the submissions of counsel for the Applicants, counsel to the Monitor, counsel to the Canadian Imperial Bank of Commerce, as agent (in such capacity, the “**Agent**”) for the lenders (the “**Lenders**”) to the Fourth and Restated Credit Agreement dated as of September 27, 2019 (as may be amended or amended and restated, the “**Credit Agreement**”) from time to time, and all other counsel listed on the counsel slip, no one appearing for any other person on the Service List, although properly served as appears on the Affidavit of Service of Ariyana Botejue, sworn, October 31, 2019, and on reading the consent of Deloitte to act as the Monitor,

### **SERVICE**

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

### **APPLICATION**

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

### **PLAN OF ARRANGEMENT**

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

### **POSSESSION OF PROPERTY AND OPERATIONS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **RESTRUCTURING**

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

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

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

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

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

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

## REAL PROPERTY LEASES

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

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

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



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

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

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

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

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

## **NO INTERFERENCE WITH RIGHTS**

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

## **CONTINUATION OF SERVICES**

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

## **NON-DEROGATION OF RIGHTS**

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

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

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

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

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

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

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

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

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

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

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

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

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

## **APPOINTMENT OF MONITOR**

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

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

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

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

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

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

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

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

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

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

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

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

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

## **DIP FINANCING**

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

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

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

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



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

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

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

## VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

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

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

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

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

Fourth – the Syndicate Debt and the Syndicate Security;

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

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

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

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

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

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

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

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

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

#### **SERVICE AND NOTICE**

50. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in The Globe and Mail (National Edition) and La Presse a notice containing the information prescribed under

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

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

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

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

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

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

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

### **GENERAL**

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

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

### **INTERNATIONAL RECOGNITION AND ENFORCEMENT**

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

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

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

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

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



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

NOV 08 2019

PER / PAR: 

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.ZOO and NAFA POLSKA SP. ZOO (the "Applicants")

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**AMENDED AND RESTATED INITIAL ORDER**

**BLANEY MCMURTRY LLP**

Barristers & Solicitors  
2 Queen Street East, Suite 1500  
Toronto ON M5C 3G5

**David T. Ullmann** (LSO # 423571)

Tel: (416) 596-4289

Fax: (416) 594-2437

Email: [DUllmann@blaney.com](mailto:DUllmann@blaney.com)

**Alexandra Teodorescu** (LSO #63889D)

Tel: (416) 596-4279

Fax: (416) 594-2506

Email: [ATeodorescu@blaney.com](mailto:ATeodorescu@blaney.com)

**Jessica Wuthmann** (LSO #72442W)

Tel: (416) 593-3924

Fax: (416) 594-3595

Email: [JWuthmann@blaney.com](mailto:JWuthmann@blaney.com)

Counsel for the Applicants

**Appendix “C”**  
**Actual receipts and disbursements**



| North American Fur Auctions Inc.<br>Weekly Cash Flow | Actual    |                  |           | Forecast         |           |                  | Variance  |                    |           |                  |           |                  |           |                  |           |                    |           |                    |
|--|-----------|------------------|-----------|------------------|-----------|------------------|-----------|--------------------|-----------|------------------|-----------|------------------|-----------|------------------|-----------|--------------------|-----------|--------------------|
|  | (USD)     | 08-Nov-19        | 15-Nov-19 | Total            | 08-Nov-19 | 15-Nov-19        | Total     | 08-Nov-19          | 15-Nov-19 | Total            |           |                  |           |                  |           |                    |           |                    |
| <b>Receipts</b>                                      |           |                  |           |                  |           |                  |           |                    |           |                  |           |                  |           |                  |           |                    |           |                    |
| Buyer receipts                                       | \$        | 121,469          | \$        | 99,935           | \$        | 221,404          | \$        | 268,769            | \$        | 268,769          | \$        | 537,537          | \$        | (147,300)        | \$        | (168,834)          | \$        | (316,134)          |
| SAGA LOI   |           | 2,568,734        |           | 864,985          |           | 3,433,719        |           | 2,568,733          |           | 6,575,350        |           | 9,144,083        |           | 1                |           | (5,710,365)        |           | (5,710,364)        |
| Other  |           | 35,033           |           | 7,464            |           | 42,497           |           | -                  |           | -                |           | -                |           | 35,033           |           | 7,464              |           | 42,497             |
| <b>Total inflow</b>                                  | <b>\$</b> | <b>2,725,236</b> | <b>\$</b> | <b>972,383</b>   | <b>\$</b> | <b>3,697,619</b> | <b>\$</b> | <b>2,837,502</b>   | <b>\$</b> | <b>6,844,118</b> | <b>\$</b> | <b>9,681,620</b> | <b>\$</b> | <b>(112,266)</b> | <b>\$</b> | <b>(5,871,735)</b> | <b>\$</b> | <b>(5,984,001)</b> |
| <b>Disbursements</b>                                 |           |                  |           |                  |           |                  |           |                    |           |                  |           |                  |           |                  |           |                    |           |                    |
| Kit loans - North America                            |           | 489,024          |           | 437,820          |           | 926,844          |           | 634,348            |           | 467,820          |           | 1,102,168        |           | 145,324          |           | 30,000             |           | 175,324            |
| Kit loans - Europe                                   |           | 455,387          |           | 144,034          |           | 599,421          |           | 1,278,429          |           | 772,905          |           | 2,051,333        |           | 823,042          |           | 628,871            |           | 1,451,912          |
| Occupancy costs and Long term financing              |           | 112,133          |           | 3,268            |           | 115,401          |           | 294,915            |           | 16,000           |           | 310,915          |           | 182,782          |           | 12,732             |           | 195,514            |
| Employee costs                                       |           | 132,825          |           | 194,124          |           | 326,949          |           | 476,083            |           | 358,235          |           | 834,317          |           | 343,258          |           | 164,111            |           | 507,368            |
| Collection, grading, warehousing costs               |           | -                |           | 19,453           |           | 19,453           |           | 156,510            |           | 35,750           |           | 192,260          |           | 156,510          |           | 16,297             |           | 172,807            |
| Professional fees                                    |           | 37,979           |           | 141,250          |           | 179,229          |           | 604,692            |           | 497,043          |           | 1,101,735        |           | 566,713          |           | 355,793            |           | 922,506            |
| Insurance  |           | 760,605          |           | 28,302           |           | 788,907          |           | 826,319            |           | -                |           | 826,319          |           | 65,714           |           | (28,302)           |           | 37,412             |
| Other administrative and operating costs             |           | 9,358            |           | 74,764           |           | 84,122           |           | 297,077            |           | 51,840           |           | 348,917          |           | 287,719          |           | (22,924)           |           | 264,795            |
| Bank interest and refinancing costs                  |           | 413,836          |           | 125              |           | 413,961          |           | 493,772            |           | -                |           | 493,772          |           | 79,936           |           | (125)              |           | 79,811             |
| <b>Total outflow</b>                                 | <b>\$</b> | <b>2,411,147</b> | <b>\$</b> | <b>1,043,140</b> | <b>\$</b> | <b>3,454,287</b> | <b>\$</b> | <b>5,062,145</b>   | <b>\$</b> | <b>2,199,592</b> | <b>\$</b> | <b>7,261,737</b> | <b>\$</b> | <b>2,650,998</b> | <b>\$</b> | <b>1,156,452</b>   | <b>\$</b> | <b>3,807,450</b>   |
| <b>Net cash flow</b>                                 | <b>\$</b> | <b>314,089</b>   | <b>\$</b> | <b>(70,757)</b>  | <b>\$</b> | <b>243,332</b>   | <b>\$</b> | <b>(2,224,643)</b> | <b>\$</b> | <b>4,644,526</b> | <b>\$</b> | <b>2,419,883</b> | <b>\$</b> | <b>2,538,732</b> | <b>\$</b> | <b>(4,715,282)</b> | <b>\$</b> | <b>(2,176,550)</b> |
| Opening bank cash balance - Tranche B                | \$        | 304,131          | \$        | 2,280,238        | \$        | 304,131          | \$        | 304,131            | \$        | 8,424            | \$        | 304,131          | \$        | -                | \$        | 2,271,814          | \$        | -                  |
| Cash receipts  |           | 2,725,236        |           | 972,383          |           | 3,697,619        |           | 2,837,502          |           | 6,844,118        |           | 9,681,620        |           | (112,266)        |           | (5,871,735)        |           | (5,984,001)        |
| Disbursements  |           | (2,411,147)      |           | (1,043,140)      |           | (3,454,287)      |           | (5,062,145)        |           | (2,199,592)      |           | (7,261,737)      |           | 2,650,998        |           | 1,156,452          |           | 3,807,450          |
| Transaction in operating account                     |           | 12,018           |           | 72,506           |           | 84,524           |           | -                  |           | -                |           | -                |           | 12,018           |           | 72,506             |           | 84,524             |
| Transaction in foreign accounts                      |           | -                |           | 44,954           |           | 44,954           |           | -                  |           | -                |           | -                |           | -                |           | 44,954             |           | 44,954             |
| Funds drawdown - DIP                                 |           | 1,650,000        |           | -                |           | 1,650,000        |           | 1,650,000          |           | -                |           | 1,650,000        |           | -                |           | -                  |           | -                  |
| <b>Closing bank cash balance - Tranche B</b>         | <b>\$</b> | <b>2,280,238</b> | <b>\$</b> | <b>2,326,941</b> | <b>\$</b> | <b>2,326,941</b> | <b>\$</b> | <b>8,424</b>       | <b>\$</b> | <b>4,752,950</b> | <b>\$</b> | <b>4,752,950</b> | <b>\$</b> | <b>2,271,814</b> | <b>\$</b> | <b>(2,426,008)</b> | <b>\$</b> | <b>(2,426,008)</b> |

**Appendix “D”  
Revised Forecast**

**North American Fur Auctions Inc.**  
**Revised Forecast**  
**Disclaimer and Notice to Reader**  
**November 27, 2019**

The Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the financial information in a manner that would wholly or partially comply with Canadian Auditing Standards pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the financial information.

Some of the information referred to in this workbook consists of financial forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.

Future oriented financial information referred to in this workbook was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditional that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be material.

The information contained in this report is not intended to be relied upon by any prospective purchaser or investor in any transactions with North American Fur Auctions Inc.

Unless otherwise stated, all monetary amounts contained herein are expressed in U.S. Dollars (“USD”).

**North American Fur Auctions Inc.**
**13-Week Cash Flow Forecast**

For the period November 22, 2019 to February 14, 2020

(USD)

| Week  | 1                 | 2                 | 3                  | 4                  | 5                 | 6                 | 7                 | 8                 | 9                 | 10                | 11                | 12                | 13               | Total             |
|---|-------------------|-------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|
| Week Ending                                   | 22-Nov-19         | 29-Nov-19         | 6-Dec-19           | 13-Dec-19          | 20-Dec-19         | 27-Dec-19         | 3-Jan-20          | 10-Jan-20         | 17-Jan-20         | 24-Jan-20         | 31-Jan-20         | 7-Feb-20          | 14-Feb-20        |                   |
| <b>Receipts</b>                               |                   |                   |                    |                    |                   |                   |                   |                   |                   |                   |                   |                   |                  |                   |
| Buyer Receipts                                | 268,769           | 268,769           | 329,688            | 329,688            | 242,718           | 242,718           | 242,718           | 242,718           | 242,718           | 242,718           | 242,718           | 242,718           | 242,718          | 3,381,372         |
| HST Refund                                    | -                 | -                 | -                  | -                  | -                 | 25,000            | -                 | -                 | -                 | -                 | 25,000            | -                 | -                | 50,000            |
| Other   | -                 | 15,000            | -                  | -                  | -                 | 15,000            | -                 | -                 | -                 | -                 | 15,000            | -                 | -                | 45,000            |
| SAGA LOI receipts                             | -                 | 6,119,781         | 640,596            | 640,596            | 2,562,385         | 790,006           | 149,410           | 1,921,789         | 4,627,900         | 3,881,520         | 3,881,520         | 2,109,141         | 3,082,716        | 30,407,360        |
| SAGA reimbursement for operating expenditures | 53,066            | -                 | 88,137             | -                  | 78,066            | 20,000            | 50,000            | 53,066            | 25,000            | 53,066            | 25,000            | 98,066            | 529,098          | 1,072,567         |
| Disposal of PP&E                              | -                 | -                 | -                  | -                  | -                 | -                 | -                 | -                 | 4,603,893         | -                 | -                 | -                 | -                | 4,603,893         |
| <b>Total Receipts</b>                         | <b>321,835</b>    | <b>6,403,550</b>  | <b>1,058,422</b>   | <b>970,284</b>     | <b>2,883,169</b>  | <b>1,092,724</b>  | <b>442,128</b>    | <b>2,217,573</b>  | <b>9,499,511</b>  | <b>4,177,304</b>  | <b>4,189,237</b>  | <b>2,449,925</b>  | <b>3,854,532</b> | <b>39,560,193</b> |
| <b>Disbursements</b>                          |                   |                   |                    |                    |                   |                   |                   |                   |                   |                   |                   |                   |                  |                   |
| Kit loans - North America                     | 102,150           | 458,148           | 236,266            | 496,099            | 21,916            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                | 1,314,579         |
| Kit loans - Europe                            | 332,193           | 522,821           | 1,012,250          | 1,381,214          | 181,489           | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                | 3,429,966         |
| Pelt advances - North America                 | -                 | -                 | -                  | -                  | 176,099           | 196,250           | 26,350            | 26,350            | 26,350            | 26,350            | 26,350            | -                 | -                | 504,098           |
| Pelt advances - Europe                        | -                 | -                 | -                  | -                  | -                 | -                 | 396,936           | -                 | 904,650           | -                 | -                 | 8,436             | -                | 1,310,022         |
| Occupancy costs                               | 8,451             | 24,439            | 192,469            | 40,439             | 88,170            | -                 | 112,500           | -                 | -                 | 48,730            | -                 | 112,500           | -                | 627,699           |
| Employee costs                                | 155,084           | 174,467           | 79,835             | 242,278            | 85,764            | 6,000             | 175,136           | -                 | 380,467           | 20,000            | 128,146           | 31,384            | 162,221          | 1,640,782         |
| Collection, grading, warehousing costs        | 31,902            | 30,800            | 75,050             | 10,800             | 90,800            | -                 | -                 | 20,000            | -                 | -                 | -                 | -                 | 10,000           | 269,354           |
| Professional fees                             | -                 | 662,966           | 369,949            | 285,912            | 400,882           | 729,796           | 117,196           | 71,996            | 198,266           | 71,996            | 131,316           | 71,996            | 156,316          | 3,268,588         |
| Insurance                                     | 4,170             | -                 | 34,421             | -                  | -                 | -                 | 34,421            | -                 | -                 | -                 | -                 | 34,421            | -                | 107,433           |
| GST / HST payments                            | -                 | 25,000            | -                  | -                  | -                 | -                 | 25,000            | -                 | -                 | -                 | -                 | 25,000            | -                | 75,000            |
| Other administrative and operating costs      | 58,317            | 101,916           | 132,871            | 79,416             | 63,496            | 34,420            | 10,000            | 10,920            | 10,000            | 10,920            | 32,000            | 10,000            | 10,000           | 564,277           |
| <b>Total Disbursements</b>                    | <b>692,267</b>    | <b>2,000,558</b>  | <b>2,133,111</b>   | <b>2,536,159</b>   | <b>1,108,616</b>  | <b>966,466</b>    | <b>897,539</b>    | <b>129,266</b>    | <b>1,519,733</b>  | <b>177,996</b>    | <b>317,812</b>    | <b>293,737</b>    | <b>338,537</b>   | <b>13,111,797</b> |
| <b>Net Cash Flow</b>                          | <b>(370,432)</b>  | <b>4,402,992</b>  | <b>(1,074,689)</b> | <b>(1,565,874)</b> | <b>1,774,553</b>  | <b>126,258</b>    | <b>(455,411)</b>  | <b>2,088,307</b>  | <b>7,979,778</b>  | <b>3,999,307</b>  | <b>3,871,425</b>  | <b>2,156,188</b>  | <b>3,515,995</b> | <b>26,448,396</b> |
| Opening bank cash balance                     | 2,326,941         | 1,856,509         | 6,259,501          | 4,862,771          | 3,296,897         | 5,071,450         | 3,547,708         | 1,000,000         | 1,000,000         | 4,864,513         | 1,000,000         | 1,000,000         | 1,000,000        | 2,326,941         |
| Receipts                                      | 321,835           | 6,403,550         | 1,058,422          | 970,284            | 2,883,169         | 1,092,724         | 442,128           | 2,217,573         | 9,499,511         | 4,177,304         | 4,189,237         | 2,449,925         | 3,854,532        | 39,560,193        |
| Disbursements                                 | 692,267           | 2,000,558         | 2,133,111          | 2,536,159          | 1,108,616         | 966,466           | 897,539           | 129,266           | 1,519,733         | 177,996           | 317,812           | 293,737           | 338,537          | 13,111,797        |
| Repayment of DIP Loan                         | -                 | -                 | -                  | -                  | -                 | 1,650,000         | -                 | -                 | -                 | -                 | -                 | -                 | -                | 1,650,000         |
| Repayment of Tranche B                        | -                 | -                 | -                  | -                  | -                 | -                 | 1,796,428         | 2,088,307         | 4,115,265         | -                 | -                 | -                 | -                | 8,000,000         |
| Repayment of Tranche A                        | -                 | -                 | -                  | -                  | -                 | -                 | -                 | -                 | -                 | 7,863,820         | 3,871,425         | 1,976,583         | 3,515,995        | 17,227,824        |
| Bank interest and refinancing costs           | 100,000           | -                 | 322,041            | -                  | -                 | -                 | 295,868           | -                 | -                 | -                 | -                 | 179,604           | -                | 897,514           |
| <b>Closing bank cash balance</b>              | <b>1,856,509</b>  | <b>6,259,501</b>  | <b>4,862,771</b>   | <b>3,296,897</b>   | <b>5,071,450</b>  | <b>3,547,708</b>  | <b>1,000,000</b>  | <b>1,000,000</b>  | <b>4,864,513</b>  | <b>1,000,000</b>  | <b>1,000,000</b>  | <b>1,000,000</b>  | <b>1,000,000</b> | <b>1,000,000</b>  |
| <b>DIP Balance</b>                            |                   |                   |                    |                    |                   |                   |                   |                   |                   |                   |                   |                   |                  |                   |
| Opening                                       | 1,650,000         | 1,650,000         | 1,650,000          | 1,650,000          | 1,650,000         | 1,650,000         | -                 | -                 | -                 | -                 | -                 | -                 | -                | 1,650,000         |
| Net increase/(decrease)                       | -                 | -                 | -                  | -                  | -                 | (1,650,000)       | -                 | -                 | -                 | -                 | -                 | -                 | -                | (1,650,000)       |
| <b>Ending</b>                                 | <b>1,650,000</b>  | <b>1,650,000</b>  | <b>1,650,000</b>   | <b>1,650,000</b>   | <b>1,650,000</b>  | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>         | <b>-</b>          |
| <b>Tranche B Balance</b>                      |                   |                   |                    |                    |                   |                   |                   |                   |                   |                   |                   |                   |                  |                   |
| Opening                                       | 8,000,000         | 8,000,000         | 8,000,000          | 8,000,000          | 8,000,000         | 8,000,000         | 8,000,000         | 6,203,572         | 4,115,265         | -                 | -                 | -                 | -                | 8,000,000         |
| Net increase/(decrease)                       | -                 | -                 | -                  | -                  | -                 | -                 | (1,796,428)       | (2,088,307)       | (4,115,265)       | -                 | -                 | -                 | -                | (8,000,000)       |
| <b>Ending</b>                                 | <b>8,000,000</b>  | <b>8,000,000</b>  | <b>8,000,000</b>   | <b>8,000,000</b>   | <b>8,000,000</b>  | <b>8,000,000</b>  | <b>6,203,572</b>  | <b>4,115,265</b>  | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>         | <b>-</b>          |
| <b>Tranche A Balance</b>                      |                   |                   |                    |                    |                   |                   |                   |                   |                   |                   |                   |                   |                  |                   |
| Opening                                       | 26,300,112        | 26,300,112        | 26,300,112         | 26,300,112         | 26,300,112        | 26,300,112        | 26,300,112        | 26,300,112        | 26,300,112        | 26,300,112        | 18,436,292        | 14,564,867        | 12,450,783       | 26,300,112        |
| Net increase/(decrease)                       | -                 | -                 | -                  | -                  | -                 | -                 | -                 | -                 | -                 | (7,863,820)       | (3,871,425)       | (2,114,083)       | (3,515,995)      | (17,365,323)      |
| <b>Ending</b>                                 | <b>26,300,112</b> | <b>26,300,112</b> | <b>26,300,112</b>  | <b>26,300,112</b>  | <b>26,300,112</b> | <b>26,300,112</b> | <b>26,300,112</b> | <b>26,300,112</b> | <b>26,300,112</b> | <b>18,436,292</b> | <b>14,564,867</b> | <b>12,450,783</b> | <b>8,934,789</b> | <b>8,934,789</b>  |

Refer to the detailed notes attached.

**North American Fur Auctions Inc.**  
**Revised Forecast**  
**Detailed Notes**  
**November 27, 2019**

**RECEIPTS**

**Buyer receipts**

Buyer receipts represent gross proceeds from pelt sales at auctions, net of identified credits, and are based on historical run rates and collection patterns adjusted for known differences. The Company does not ship pelts to buyers until it has received payment in full and reserves the right to resell the pelts by a certain date if payment is not received. Notwithstanding that buyers typically pay for their orders in full by the Prompt Date, the Company has arrangements with certain customers that permit them to defer full payment for their goods to a later date. Also included in buyer receipts are storage charges for customers who store their purchased goods at NAFA until they are ready to take delivery of their goods.

**SAGA LOI Receipts**

The Company is 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 outstanding loan balance, inclusive of accrued interest (subject to adjustments for slippage or differences in the farmer's loan records as compared to NAFA's). For the non-Transferred Ranchers, the Company will 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 harvesting and delivery of pelts. For non-Transferred Ranchers, additional proceeds may accrue to the Company if fur prices achieved at SAGA's next auction exceed the amount advanced. These amounts are not in the Revised Forecast.

**GST and HST Refunds**

The forecast receipts represent collections from the CRA with respect to GST and HST. This results 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, typically resulting in a refund.

**Proceeds from sale of Carlingview**

The Company has assumed that it will be able to close the sale of its Carlingview property, which is subject to an asset purchase agreement, and it will receive funds, net of transaction costs and the outstanding mortgage on the property, in the week ending January 17, 2020. The financing of the sale is subject to certain ongoing environmental analysis on a property owned by the purchaser that is being offered as collateral to secure financing for the Carlingview purchase. The purchaser has cleared several financing hurdles and is working with its lender to close the financing for this transaction as soon as practicable.

# North American Fur Auctions Inc.

## Revised Forecast

### Detailed Notes

#### November 27, 2019

#### DISBURSEMENTS

##### **Kit Loans**

These disbursements represent loans to be advanced for the upcoming (i.e. 2019/2020) harvest season to European and North American ranchers that consign their goods to the Company for sale. The loans have been made pursuant to loan agreements, with security being provided by the rancher (the security is typically limited to the animals but can include a charge on the farm property). The funds are used by the ranchers to feed the animals and for farm operations. Disbursements with respect to such loans are forecast to be complete by December 13, 2019 after which time the kits will be pelted.

The Company anticipates that certain ranchers in both Europe and North America will require pelt advances after December 13, 2019 in order to harvest the animals and transport them to pelting plants. The Company will receive reimbursement from SAGA for these costs.

##### **Pelt advances**

Disbursements represent payments to farmers to assist with the cost with the pelting process.

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

These projected disbursements represent mortgage, lease, utility, and maintenance payments for five properties in North America and one property in Europe. In accordance with the Initial Order, only mortgage, interest, and lease payments in respect of the Skyway property in Toronto, which is subject to BDC's security, continue during the CCAA. Principal, interest and lease payments in respect of the other properties are currently stayed.

##### **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 as adjusted for actual headcount. 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.

Also included in this amount is an estimate of severance payable in Poland and Holland as a result of employee terminations in those jurisdictions. The Company is finalizing the calculation of Polish severance or other termination obligations that may be payable.

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

These projected disbursements include wild fur solicitation and mink collection fees, and other mink-related fees.

**North American Fur Auctions Inc.**  
**Revised Forecast**  
**Detailed Notes**  
**November 27, 2019**

**DISBURSEMENTS**

**Professional Fees**

These projected disbursements include payments to the Company's advisors (KPMG Inc., KPMG Corporate Finance and Blaney McMurty LLP and legal counsel in Poland and Holland), the Monitor and its counsel (Deloitte and Miller Thompson LLP, respectively) and the Syndicate's advisors for ongoing monitoring of the NAFA restructuring proceedings. The Company's directors and officers have also retained counsel (Bennett Jones LLP), and amounts in respect of such expenses have been included in the Revised Cash Flow.

**Insurance**

These projected disbursements include premium payments for the following policies: (a) General, property, and liability insurance; (b) Fur transit and storage insurance; and (c) Live mink insurance.

**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.

**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, which amounts are estimated in the Cash Flow forecast. The reimbursements from SAGA also include pelt advance funding disbursed after December 13, 2019 which the Company anticipates receiving reimbursements from SAGA for these costs.

**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. The DIP facility included a closing fee of 2.0% of the \$5.0 million DIP facility available to the Company, which fee was paid on November 18, 2019.

It is assumed that any payments to the Syndicate will first reduce outstanding professional fees prior to paying down interest and principle due to the Syndicate. This is forecast to occur after the DIP Facility is repaid.

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

Proceeding commenced at Toronto

**SECOND REPORT OF THE  
MONITOR**

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

**Kyla Mahar (LSO#: 44182G)**  
kmahar@millerthomson.com  
Tel: 416.597.4303/Fax: 416.595.8695

**Asim Iqbal (LSO# 61884B)**  
aiqbal@millerthomson.com  
Tel: 416.597.6008/Fax: 416.595.8695

Lawyers for Deloitte Restructuring Inc., Monitor of the Applicants