

**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

**FOURTH REPORT OF THE MONITOR**

**DATED AUGUST 24, 2020**

**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 fourth report of the Monitor (the “**Fourth Report**”) are defined in the glossary attached as Appendix “**A**” to this Fourth Report.

2. 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 Fourth Report as Appendix “B”.
3. In addition to the Amended and Restated Initial Order, the Applicants have obtained a number of other Orders, as set out in the table below.

<b>Date of Order</b>	<b>Significant relief obtained</b>
October 31, 2019	<ul style="list-style-type: none"> <li>• Initial Order granting NAFA protection from its creditors</li> <li>• Administration Charge</li> <li>• Directors’ Charge</li> <li>• Approval of KERP and granting KERP Charge</li> <li>• Approval of DIP Facility and granting DIP Charge</li> <li>• Extension of Stay Period to November 29, 2019</li> </ul>
November 8, 2019	<ul style="list-style-type: none"> <li>• Amended and Restated Initial Order</li> </ul>
November 28, 2019	<ul style="list-style-type: none"> <li>• Conditions for sale of ground leases re: Skyway Property</li> <li>• Extension of Stay Period to January 31 2020</li> <li>• Approval of Pre-filing Report and First Report</li> <li>• Approval of the sale of the Carlingview Property</li> </ul>
January 13, 2020	<ul style="list-style-type: none"> <li>• Safe Harbour Order</li> <li>• Private treaty sales authorized</li> </ul>
January 31, 2020	<ul style="list-style-type: none"> <li>• Extension of Stay Period to April 3, 2020</li> <li>• Authorization to hold auction with Fur Harvesters</li> <li>• Approval of SISP subject to approval of the Agent and the Applicant or further Order of the Court</li> <li>• Approval of a further KERP</li> <li>• Approval of Second Report</li> </ul>
April 1, 2020	<ul style="list-style-type: none"> <li>• Extension of Stay Period to May 4, 2020</li> <li>• Increase of Administration Charge from \$700,000 to \$1,500,000</li> <li>• Approval of Mullen Furs settlement</li> </ul>
May 1, 2020	<ul style="list-style-type: none"> <li>• Extension of Stay Period to July 31 2020</li> <li>• Amendment to Administration Charge</li> <li>• Restriction of use of settlement proceeds</li> </ul>
July 16, 2020	<ul style="list-style-type: none"> <li>• Extension of Stay Period to August 28, 2020</li> </ul>

4. At the last Court hearing, on July 16, 2020, Applicants obtained an extension of the Stay Period up to and including August 28, 2020.

5. Since the beginning of these CCAA Proceedings, and as set out further in the August Lawson Affidavit, the fur market has been significantly affected by a number of factors, including a coronavirus pandemic (the “**Covid-19 pandemic**”) that that began to have meaningful effects in early 2020. As a result, the entire premise of the Applicants’ restructuring has been affected. For example, the SISP has not occurred and asset recoveries have been significantly delayed and have involved a much greater level of litigation than previously expected.
6. At the beginning of the CCAA Proceedings, NAFA expected that the realization on the bulk of its assets would have been substantially completed as at the date of this Fourth Report. This was based on the assumption that 2020 would be a normal auction year and that events would unfold as they typically have. The reality has turned out to be quite different.
7. Given the current Covid-19 pandemic, NAFA’s primary cash inflows, auction proceeds on mink that it financed during 2019, have been significantly depressed, both in terms of the volume of pelts sold and the prices achieved for those pelts. Given pricing and other mink industry dynamics, including depressed auction activity, a significant portion of skins will be held over to be auctioned in 2021, thereby reducing NAFA’s cash flows and resulting Syndicate Debt paydowns. This factor is unusual when compared to the recent past, even when considering recent negative industry-wide trends.
8. Bearing these factors in mind, NAFA has had to react and alter its restructuring activities accordingly. Costs have been reduced and there has been a greater focus by the Applicants on generating non-auction cash flows over the last several months. Despite these

challenges, NAFA has been successful in navigating the issues it has faced over the last nine months, and has continued to operate.

9. The Applicants are seeking relief that will allow them to continue their restructuring process in the current circumstances. The Applicants' motion record dated August 21, 2020 (the "**Motion**") seeks the following relief:
  - a. An extension of the Stay Period to November 30, 2020;
  - b. Approval of the third report of the Monitor dated January 29, 2020 (the "**Third Report**") a copy of which (without exhibits) is attached to this Fourth Report as Appendix "C" and this Fourth Report, including the actions and conduct of the Monitor described therein;
  - c. Approval the fees and expenses of the Monitor and its counsel, Miller Thomson LLP ("**Miller Thomson**"), as set out in this Fourth Report and detailed in the affidavits of Mr. Jordan Sleeth of the Monitor sworn August 21, 2020 (the "**Sleeth Fee Affidavit**") and Mr. Asim Iqbal of Miller Thomson sworn August 21, 2020 (the "**Iqbal Fee Affidavit**");
  - d. Increasing the thresholds for the individual and aggregate dispositions of the Applicants' property outside the ordinary course of business, subject to the approval of the Monitor and the Agent; and
  - e. Sealing certain confidential information set out in confidential exhibits and appendices filed separately with the Court.
10. Unless otherwise stated monetary amounts contained herein are expressed in U.S. dollars.

## PURPOSE

11. The purpose of this Fourth Report is to provide the Court with the Monitor's observations and recommendations on the relief sought by the Applicants in its Motion and to update the Court on the following items:
  - a. An update on the Applicants' and the Monitor's activities since the Third Report was issued;
  - b. Certain cost reduction efforts being undertaken by NAFA;
  - c. Details regarding the cash flow forecasts prepared by the Applicants and the Court attendances related thereto;
  - d. NAFA's reporting protocol with the Agent and certain proposed amendments to same;
  - e. The Applicants' receipts and disbursements since January 18, 2020 through July 31, 2020 (the "**Reporting Period**");
  - f. NAFA's cash flow forecast from August 1, 2020 through November 27, 2020 (the "**Cash Flow Forecast**" and the "**Cash Flow Period**", respectively);
  - g. NAFA's request to increase the limits on asset sales made outside the ordinary course of business. NAFA is currently seeking to raise the limits set out in the Amended and Restated Initial Order to \$250,000 for individual asset sales (the current limit is \$50,000) and \$2 million for cumulative asset sales (the current limit is \$250,000);
  - h. NAFA's request to extend the Stay Period to November 30, 2020; and
  - i. The Monitor's recommendations in respect of the relief that NAFA is seeking.

## TERMS OF REFERENCE

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

## **UPDATE ON THE APPLICANTS' AND MONITOR'S ACTIVITIES SINCE THE THIRD REPORT**

14. As a result of the onset of the Covid-19 pandemic during the CCAA Proceedings especially in light of the impact of the Covid-19 pandemic on the fur industry, and in an effort to keep costs down, the Monitor has not written a formal report to the Court since its Third Report dated January 29, 2020, which was filed in support of various relief being sought by the Applicants at its motion on January 30, 2020 including an extension of the Stay Period to April 3, 2020.
15. Since the Third Report, the Monitor has filed confidential cash flow forecasts with the Court in support of the relatively short stay extensions sought by the Applicants and provided verbal updates to the Court during the Applicants' motions on April 1, 2020, May 1, 2020 and July 16, 2020.
16. Since the date of the Third Report, the Monitor has undertaken and assisted the Applicants with the following:
  - a. Reviewing and approving all of the Applicants' disbursements;
  - b. Preparation of cash flow forecasts in advance of each Court attendance including the attendance scheduled for August 26, 2020;
  - c. Extensive consideration of the impact of the Covid-19 pandemic and the resulting travel restrictions and cancellations of fur auctions worldwide on the cash flow forecasts and operations of the Applicants;
  - d. Ongoing variance analysis and Distributable Funds (as defined in the Monitor's First Report) reporting to the Agent, which reporting was conducted weekly until

April 2020, when it was agreed with the Agent that the Applicants could report results bi-weekly;

- e. Attending telephone calls with CBRE regarding marketing and sale efforts, negotiation of an agreement of purchase and sale with an arms' length third party (the "**Skyway Purchaser**") for the sale of the Skyway Property;
- f. Reporting to BDC and the Agent in respect of the marketing and sale efforts in respect of the Skyway Property;
- g. Collection from and then subsequent return of the deposit to the Skyway Purchaser regarding the sale of the Skyway Property after the purchaser terminated the agreement during the due diligence period when it determined that it could not obtain zoning changes required for its desired use of the property;
- h. Obtaining regular marketing and sale effort updates from the listing real estate agents in respect of the Polish Property and the Wisconsin Properties and reporting same to Agent;
- i. Corresponding and attending regular conference calls with Saga Furs Oyj ("**Saga**") regarding the status of delivery, grading and sale of pelts pledged to NAFA which otherwise would have been consigned to NAFA and delivered to Saga under the Saga Arrangement and the status of Assignments of Receivables ("**AoRs**") delivered to Saga in respect of same;
- j. Creating and updating reconciliation the Applicants loan registry to reflect arrangements with Saga by farm pursuant to NAFA's arrangement with Saga for



farms to deliver furs to Saga for the 2020 auctions and tracking of farms that have executed AoRs;

- k. Corresponding and attending conference calls with Kopenhagen Furs (“KF”) and their American broker/agent, the American Mink Exchange (“AME”) regarding farms that decided to deliver their pelts to these entities rather than Saga in order to track NAFA’s pledged furs and expected recoveries from same;
- l. Attending regular conference calls with counsel in Latvia regarding litigation surrounding the Grobina farm administration, the transfer of 75,000 male pelts and live mink to a European investment house known as CR7 immediately prior to Grobina’s insolvency in contravention of NAFA’s loan and security agreements and a potential claim against Citadele Bank;
- m. Attending regular conference call with counsel in Lithuania regarding Kestutis litigation resulting from Kestutis refusing to deliver 360,000 pelts which NAFA financed with 2019 kit loans;
- n. Reviewing continually changing market conditions with the Applicants to determine whether an auction with Fur Harvesters Inc. will take place;
- o. Obtaining regular updates from the Applicants on ongoing private treaty sales and holding funds from such sales in trust until the consignors’ portion of the sale proceeds can be determined and thereafter paid to the consignors;
- p. Obtaining regular updates on the collection of buyer receipts from 2019 auctions, considering and approving settlements with buyers and reporting same to the Agent;

- q. Reviewing, considering and approving negotiated settlements with certain farms and preparing analysis of same for Agent to provide basis for Agent to consent to same;
- r. Preparing a comprehensive analysis and filing it under seal with the Court in respect of the Mullen Furs settlement;
- s. Assisting the Applicants with compiling information for and reviewing the first two insurance claims filed in respect of the Kestutis and Furlax farms;
- t. Reviewing and providing input to the Applicants regarding cash preservation/cost reduction efforts of the Applicants to date including, without limitation, the reduction of its workforce to date, the reduction of wages for ongoing employees, the closing of the facility in Poland, the exiting of the Daikoku farm and transfer of liabilities to a prior operator of the farm, the rental of the Wisconsin Properties to Saga and Second Harvest Wisconsin;
- u. Reviewing demand letters to farms with kit loans and rollover loans and working with the Applicants to determine appropriate recovery and realization measures;
- v. Considering the receipt of funds by the Applicants that were previously seized by the Dutch government in respect of certain tax investigations in the Netherlands including seeking views from foreign counsel;
- w. Responding to inquiries from various stakeholders including consignors seeking return of their furs of payment from private treaty sales;
- x. Assisting the Applicants in the preparation of the estimate of the realizable value of their remaining assets as at the end of the Cash Flow Period (the “**ERV**”), which

was contained in the cash flow forecast that was provided to the Agent for review on August 18, 2020 and annexed as Confidential Exhibit “A” to the August Lawson Affidavit; and

- y. Preparing this Fourth Report.

## **COST REDUCTION EFFORTS**

17. Given its levels of liquidity and operating volumes, NAFA has sought to reduce its fixed cost base significantly over the last several months. To that end, NAFA has undertaken and intends to take the following cost reduction efforts:
  - a. Employees agreed to voluntary salary and wage reductions. The levels of salary reduction range from approximately 10% to 45% of the employees’ previous base salary. NAFA is assessing whether it will bonus employees who took pay reductions after the Syndicate Debt is retired in full. NAFA employees have also agreed to defer their vested KERP entitlements from the further KERP until such time as there is available liquidity to pay them or their employment is terminated;
  - b. Significantly reduced its staff headcount. Current staff totals nine people in Canada and two in Europe. When its CCAA Proceedings began, NAFA employed approximately 25 people in Canada and 18 in Europe;
  - c. Availed itself of government programs to defer or reduce amounts owing to such entities in order to preserve liquidity including the Canadian Emergency Wage Subsidy (“CEWS”);
  - d. Professionals assisting NAFA with its restructuring, including advisors to the Agent and BDC, have agreed to defer payment of their accounts by approximately

60 days in order to free up liquidity for operational purposes. Such amounts are subject to the Administration Charge;

- e. Since the Third Report, NAFA has also worked with its professionals to reduce the monthly amount expended on professional fees and continues to work to reduce this cost;
- f. Sold surplus equipment and assets to generate needed liquidity. Such dispositions have been in accordance with the limits set out in the Initial Order; NAFA has considered lease arrangements at the properties it no longer requires in Wisconsin to provide short term liquidity while these properties are marketed for sale. One property is leased by Saga while the other property is currently subject to advanced discussions regarding a short term lease;
- g. NAFA intends to vacate the Skyway Property to reduce fixed costs. Given its reduced operating footprint, the Skyway Property is no longer economical for NAFA's operations and this will save NAFA in excess of \$135,000 per month;
- h. Prior to vacating the Skyway Premises, NAFA intends to sell its remaining furniture, equipment and artwork; and
- i. NAFA intends to further reduce staff headcount upon its exit of the Skyway Premises and once certain milestones are achieved.

## **REPORTING TO THE AGENT**

- 18. As part of its normal stakeholder consultation process, NAFA, with the assistance of the Monitor, began weekly reporting to the Agent shortly after these CCAA Proceedings began. Such weekly reporting continued until April, 2020.

19. In an attempt to strike a balance between timeliness and cost, the Agent agreed to reduce the frequency of reporting related to NAFA's receipts and disbursements to a bi-weekly basis. One exception to this revised schedule is where material items required particular disclosure and/or consultation and approval by the Agent.
20. At the same time, NAFA agreed to the Agent's request to provide additional information to it on a regular basis. Such information includes details on collections, real property transaction updates, collection of loan balances due to NAFA and an update on NAFA's expected insurance claims.
21. NAFA has been reporting to the Agent on this basis since April 2020.

*Further Revisions to the Agent Reporting Protocol*

22. As part of its ongoing cost reduction exercises, NAFA is looking to further reduce the cost of professional fees and the cost of reporting impacts the amount of professional fees incurred. In pursuit of this goal, NAFA intends to seek the Agent's support for further reduction in the frequency of reporting once the fall auction proceeds are received from each of Saga and KF and the Applicants have exited the Skyway Property. Such discussions have not yet begun.
23. The revised reporting proposal, seeks to reduce reporting to once every four weeks unless circumstances require otherwise (i.e. material events arise that require consultation or approval of the Agent). NAFA is of the view that, given the reduced level of operations and activity forecast once auction proceeds are received and NAFA vacates the Skyway Property on October 31, 2020, that this level of reporting will appropriately balance timeliness of reporting to the Agent with the cost of doing so. The Monitor supports an

efficient administration of NAFA's CCAA proceedings including reduced reporting to address cost concerns.

## **REPORTING TO BDC**

24. BDC has first ranking security over the Skyway Property. The amount outstanding as of July 31, 2020 is approximately CAD\$6.25 million.
25. As noted in the August Lawson Affidavit and set out briefly above, the Skyway Property is listed for sale and an agreement of purchase of sale was entered into and then terminated. Since the granting of the Ground Lease Order, the Monitor and BDC have undertaken the following:
  - a. Discussions to determine the process to be undertaken to sell the building;
  - b. Discussions regarding the selection and compensation of a real estate broker to market and sell the Skyway Property;
  - c. Updates on the marketing and sale efforts;
  - d. Reporting and discussions around whether to accept the Skyway Purchaser's offer; and
  - e. Communication regarding NAFA's intention to vacate the Skyway Property.
26. NAFA and the Monitor continue to communicate with BDC in respect of the Skyway Property, including reporting the real estate agent's marketing activities, offers received and recommendations to effect a transaction satisfactory to NAFA, BDC and the Agent.

## **ACTUAL RECEIPTS AND DISBURSEMENTS DURING THE REPORTING PERIOD**

27. The table below provides a summary of NAFA's receipts and disbursements for the period January 18, 2020 to July 31, 2020 (the "R&D") is set out in the table below:

North American Fur Auctions Inc.	
Statement of Receipts and Disbursements	
For the Period From January 18 to July 31, 2020	
<b>Receipts</b>	
SAGA LOI receipts	5,182,213
Other (tax refunds, CEWS, Montana's rent etc.)	1,935,986
Buyer Receipts	\$ 1,479,083
Kit loan repayments / consignor settlements	610,515
SAGA reimbursement for operating expenditures	474,805
Private treaty sales	198,003
Disposal of PP&E	56,737
<b>Total Receipts</b>	<b>\$ 9,937,343</b>
<b>Disbursements</b>	
Employee costs	(1,282,213)
Occupancy costs	(535,232)
Shipping and warehousing costs	(441,835)
Kit loans & pelt advances - Europe	(311,650)
Other administrative and operating costs	(301,579)
Kit loans & pelt advances - North America	(190,799)
Insurance	(153,010)
Daikoku disbursements	(144,833)
GST / HST payments	(3,164)
Professional fees	(2,634,569)
<b>Total Disbursements</b>	<b>\$ (5,998,884)</b>
<b>Net Cash Flow</b>	<b>\$ 3,938,460</b>
Opening operating account balance	2,758,662
Receipts in operating account	9,937,343
Disbursements from operating account	(5,998,884)
Disbursements in non-operating account	45,366
Disbursements in foreign bank accounts	274,949
Repayment of Syndicate Debt	(4,866,763)
Mortgage payments	(242,744)
Bank interest	(1,230,379)
<b>Closing operating account balance</b>	<b>\$ 677,551</b>
<b>Non-operating account balance</b>	<b>\$ 201,788</b>
<b>Total liquidity</b>	<b>\$ 879,339</b>

28. Below are details for some of the larger line items:

*Receipts*

- a. *Saga LOI receipts*: NAFA collected the following amounts from Saga pursuant to the Saga Arrangement:
  - i. \$3,664,000 in pelt advances;

- ii. \$450,000 in settlement proceeds;
  - iii. \$267,900 in spring and summer auction proceeds; and
  - iv. \$782,000 in collections and solicitation fees;
- b. *Other*: Included in Other receipts of \$1,936,000 is:
- i. \$956,000 in respect of funds seized from NAFA by the Dutch tax authority prior to NAFA's CCAA proceedings and were returned when the Dutch Tax Authority determined it could not retain these funds;
  - ii. \$306,000 in live mink insurance proceeds;
  - iii. \$95,000 in CEWS payroll subsidy;
  - iv. \$59,000 in Montana's (NAFA's subtenant) rent payments; and
  - v. \$520,000 in other receipts include foreign tax refunds, pelting cost reimbursements, and consignor withdrawal fees;
- c. *Buyer receipts*: On January 18, 2020 the Company had approximately \$3,589,000 in outstanding buyer receipts, of which approximately \$1,479,000 has been collected to July 31, 2020. Certain settlements are included in the total amount received. The Monitor reviewed such settlements and, in conjunction with NAFA, consulted with and sought approval from the Agent where necessary;
- d. *Kit loan repayments / consignor settlements*: NAFA settled with various consignors in an effort to collect amounts owing to it. For settlements that have been completed, NAFA collected \$611,000 in proceeds. NAFA is still negotiating with consignors in order to collect amounts due to it;



- e. *Saga reimbursement for operating expenses:* This amount includes \$238,600 in monthly rent payments for leasing the Stoughton properties to Saga, and \$190,000 in payroll reimbursements for former NAFA employees that transferred to Saga in late 2019. NAFA continued to pay such employees until such time as Saga made its own payroll arrangements. The remaining receipts relate to reimbursement for Blackglama labels, pelt tags and shipping costs;
- f. *Private treaty sales:* NAFA completed approximately \$278,800 in private treaty sales to July 31, 2020, which amount includes both furs owned by NAFA as well as furs on consignment from third parties. All proceeds from private treaty sales are deposited into the Monitor's trust account and subsequently paid to the beneficiary of such funds in accordance with the Safe Harbour Order. Of this amount, NAFA has determined that at least \$128,600 was attributable to it for NAFA-owned furs. The Monitor disbursed this amount to NAFA in July. The balance of the \$150,000 relates to the proceeds from furs that were consigned to another auction house;
- g. *Disposal of PP&E:* NAFA sold equipment that was no longer in use as the company continues to monetize redundant assets. During the Reporting Period a total of \$53,000 was received from asset sales related to NAFA's Polish office and includes various items such as computers and IT equipment, shelving and racking, furniture, fork lifts, and other machinery;

*Disbursements*

- h. *Employee costs:* NAFA paid approximately \$731,000 in employee payroll for both permanent and seasonal Canadian staff, \$18,000 in contractor fees, and \$95,000 in

pension and benefit costs during the Reporting Period. The first tranche of the KERP earned during the Reporting Period in the amount of \$67,800 was paid to key employees. Polish employee costs and payroll taxes of \$167,800 were paid. A further \$3,800 was paid to satisfy Dutch payroll and \$99,800 in Dutch payroll and severance costs was paid;

i. *Occupancy costs*: Significant costs related to the Skyway Property include:

- i. Ground lease payments (\$235,800);
- ii. Property taxes (\$105,500);
- iii. Utilities (\$84,000);
- iv. Heating and cooling (\$12,800); and
- v. Landscaping (\$8,750).

In Poland, NAFA paid occupancy costs of \$43,800 which relates to property taxes and utilities;

j. *Shipping and warehousing*: NAFA paid approximately \$144,000 in HST to ship pelts across the border from the United States to Canada, as NAFA was required to vacate the Stoughton premises and remove its property in anticipation of Saga leasing these buildings. Such funds were claimed as an input tax credit and subsequently reimbursed in August 2020. NAFA disbursed a further \$98,000 to its Baltic agent who assisted in ensuring the delivery of pelts from various farmers in Lithuania and Latvia. Also included are security costs as NAFA hired security guards, at a cost of \$159,000, to monitor the Grobina farm during the Reporting Period. Security was retained in an attempt to ensure all of the Grobina mink were

not removed from the farm. Unfortunately, as set out in the August Lawson Affidavit, certain mink were forcibly removed by an entity known as CR7. Other costs during the Reporting Period include shipping and transit, Blackglama mink labels, and contractors to assist in solicitation of skins from farms for delivery to auction houses;

- k. *Kit loans & pelt advances – Europe:* NAFA disbursed \$312,000 in pelting costs to secure Daikoku’s pelts from the pelting facility. The pelts remain at the pelting plant and will be shipped to Saga for auction in 2021;
- l. *Other administrative and operating costs:* Administrative and operating costs totaled \$224,000 in Canada, \$36,000 in Poland and \$41,000 in the Netherlands. These costs include IT hosting, internet, telephone, printing, postage, contractor costs, software services, bookkeeping and consulting, banking fees, foreign notary fees and building security costs;
- m. *Kit loans & pelt advances – North America:* In order to secure consignor pelts for shipment to various auction houses, NAFA was required to pay pelting costs for a number of North American farms. Such payments totaled approximately \$191,000 and will be recovered from auction proceeds when the consignor’s pelts are sold and the proceeds paid to NAFA;
- n. *Insurance:* Payments include \$65,000 for Polish property and liability insurance (with coverage until October 31, 2020) and \$86,800 for fur transit insurance for the six months ending December 31, 2020;

- o. *Daikoku*: Daikoku is a mink farm in Poland owned by NAFA. These costs, which total \$145,000, include labour, payroll taxes, utilities, feed and maintenance, utilities, accounting fees, and pelting costs;
- p. *Professional fees*: Includes payment to NAFA's professional advisors including its Canadian, U.S. and European counsel, tax advisors, the Monitor and its counsel, the Agent's counsel and financial advisor, counsel to the directors and officers and counsel to BDC;
- q. *Mortgage payments*: NAFA made all monthly mortgage payments on the Skyway Property throughout the Reporting Period, totaling \$243,000;
- r. *Repayment of Syndicate Debt*: NAFA distributed approximately \$4.9 million to the Agent in order to retire a portion of the Syndicate Debt during the Reporting Period; and
- s. *Bank interest and refinancing costs*: Interest payments of approximately \$1.2 million were made on the Syndicate Debt during the Reporting Period.

## **CASH FLOW FORECAST**

29. Attached as Confidential Appendix "1" is NAFA's Cash Flow Forecast. The Cash Flow Forecast was prepared by the Applicants with the assistance of the Monitor in order to assess forecast receipts and disbursements through the extension of the Stay Period being sought by the Applicants. The Applicants are seeking an Order to seal the Cash Flow Forecast as it contains certain commercially sensitive information that could negatively impact their asset realizations and restructuring efforts. The Monitor is of the view the Cash Flow Forecast should be sealed for these reasons.

30. The Monitor reviewed the Cash Flow Forecast with the Agent's financial advisor on August 21, 2020 and may have further discussion with it prior to August 26, 2020.
31. A summary version of the Cash Flow Forecast is attached below:

<b>North American Fur Auctions Inc.</b> <b>17-Week Cash Flow Forecast</b> <b>For the period August 1 to November 27, 2020</b> <b>(in USD '000s)</b>	
<b>Receipts</b>	
Auction house receipts - Saga/KF/AME	1,703
Private treaty sales	1,101
Other (Tax refunds, Montana's, CEWS, etc.)	914
HST refund	829
Buyer receipts	460
Consignor settlements / Kit loan repayments	412
SAGA reimbursement for operating expenditures	110
<b>Total Receipts</b>	<b>5,679</b>
<b>Disbursements</b>	
Employee costs - permanent	(397)
Occupancy costs	(389)
Other administrative and operating costs	(191)
Insurance	(120)
Employee costs - foreign severance	(88)
Employee costs - seasonal	(73)
Shipping and warehousing costs	(40)
Professional fees	(1,153)
<b>Total Disbursements</b>	<b>(2,451)</b>
<b>Net Cash Flow</b>	<b>3,228</b>
Opening bank cash balance - CIBC temp account	678
Receipts in operating account	5,679
Disbursements in operating account	(2,451)
Disbursements in non-operating account	56
Repayment of Syndicate Debt	(2,685)
Mortgage payment	(99)
Bank interest	(697)
<b>Closing bank balance - Operating account</b>	<b>481</b>
<b>Closing bank balance - Non-operating account</b>	<b>146</b>
<b>Total Liquidity</b>	<b>627</b>

32. As detailed therein, the Cash Flow Forecast contains the following:
- a. Receipts during the Cash Flow Period total approximately \$5.7 million. Of this amount, the largest forecast receipts are related to auction house receipts from both Saga and KF. Such receipts total approximately \$1.7 million and represent

projected proceeds from pelt sales and reimbursement for certain other items related thereto. Other material receipts include private treaty sale proceeds (\$1.1 million) which represent funds attributable to NAFA for mink furs which it owns and NAFA's proceeds from wild fur sales after payments to consignors. NAFA is also forecasting HST receipts of \$829,000 based on HST returns filed and discussions with CRA. Other receipts of \$914,000 include litigation settlement proceeds, CEWS receipts and rent from NAFA's subtenant in Toronto.

- b. Total disbursements, excluding debt service costs, are forecast to be approximately \$2.5 million. Significant components include:
  - i. Occupancy costs, which are principally related to NAFA's Skyway Property prior to NAFA vacating such property on or about October 31, 2020;
  - ii. Employee costs, including wages and benefits, costs related to seasonal labour and amounts payable to foreign governments for payroll taxes;
  - iii. Insurance;
  - iv. Other general operational costs; and
  - v. Professional fees for counsel to the Applicants, the Monitor and its counsel, the Agent's counsel and financial advisor.
- c. The Cash Flow Forecast also includes payments to BDC in respect of the Skyway Property debt until the Applicants exit the Skyway Property, and debt repayment and debt service costs to the Syndicate in the amounts of \$2.8 million and \$697,000, respectively.

33. The debt payable to the Agent as at November 27, 2020 is forecast to be approximately \$14.5 million for the Tranche A indebtedness and approximately \$4.8 million in respect of secured debt on the Polish Property. Total liquidity is projected to be approximately \$627,000.

*Cash Flow Forecast Risk Factors*

34. As with any forecast, there are a number of risk factors. Significant risk factors related to the Cash Flow Forecast include:
- a. Risks related to auction pricing and quantities – If demand at the late summer and fall auctions and Saga, KF/AME is low, prices will be depressed and less furs may be sold than forecast. A similar risk exists for private treaty sales of wild fur given current fur industry dynamics;
  - b. Certain cash inflows require the consent of the Agent before they are agreed and subsequently paid to NAFA. NAFA has included such amounts as it is of the view that such settlements are attractive and the best course of action. However, the Agent has consent rights with respect to such items and NAFA does not presume that the Agent will consent solely as a result of such cash flows being contained within the Cash Flow Forecast; and
  - c. Notwithstanding certain settlements have been executed between NAFA and certain of its debtors, there is no guarantee that such counterparties will perform their obligations under the various settlement agreements.

*ERV Relating to the Applicants' Assets Remaining to be Realized at end of Cash Flow Forecast*

35. The ERV was prepared by the Applicants based on their assessment of the value of their assets, with the assistance of the Monitor. The ERV was prepared as a result of the Agent's

request to have an assessment of the Applicants' assets and longer term prospects for recovery. The Monitor had an initial discussion with the Agent about the ERV on August 21, 2020.

36. To prepare the ERV, the Applicants provided to the Monitor their estimate of the expected value of their assets that are forecast to remain at the end of the Cash Flow Period. To sensitize potential realizations, the Applicants and the Monitor adjusted certain values and created a range of potential recoveries on the remaining assets.
37. As set out in the August Lawson Affidavit, the Applicants' ERV shows value after repayment of the Syndicate Debt, based on the assumptions contained therein, provided that recovery occurs prior to September 2021.
38. Since the projected recoveries in the ERV 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. In addition, given the disruption caused by the Covid-19 pandemic, it is very difficult to determine whether the assumptions contained in the ERV will be achieved.
39. Subject to the assumptions and qualifications in the ERV and this report, the Monitor is of the view that the assumptions and sensitivities used to develop the ERV are reasonable in the current circumstances.
40. In addition, during the extension of the Stay Period, the Monitor will continue to assist the Applicants in further updating the ERV as the Applicants undertake their restructuring activities and realize upon their assets during the fall auction season.



## **INCREASED ASSET SALE THRESHOLDS**

41. Paragraph 12(a) of the Initial Order established certain thresholds below which NAFA is able to sell or otherwise dispose of assets outside the ordinary course of business. Such limits are \$50,000 in any one transaction and cumulative transactions totally no more than \$250,000. Any asset sale that was below these thresholds only requires the consent of the Monitor and asset sales outside the ordinary course of business above these thresholds currently requires Court approval.
42. Since the CCAA Proceedings commenced, the Applicants have disposed of a number of assets as set out in the R&D. However, given the quantum of the sales to date, the upper limit of \$250,000 is close to being reached.
43. NAFA has identified a number of redundant assets that it would like to sell. Such assets include office furniture and equipment, an Indigenous art collection and fur grading and sorting equipment at the Skyway Property.
44. Accordingly, NAFA is seeking to increase the asset sale limits for individual asset sales to \$500,000 (from \$50,000) and cumulative sale proceeds of \$2 million (from \$250,000) to allow it the flexibility to monetize assets that it no longer requires, subject to the consent of the Agent and the Monitor or failing such consent to any transaction, further order of

the Court. The Monitor is supportive of these limits being increased as requested by NAFA.

#### **APPROVAL OF THE MONITOR AND ITS COUNSEL'S ACTIVITIES AND FEES**

45. The Monitor's Pre-filing Report and First Report and the activities described therein were approved by the Court on November 28, 2019 and the Monitor's Second Report and the activities described therein were approved by the Court on January 30, 2020.
46. NAFA is currently seeking approval of the Monitor's Third Report and the Fourth Report and the activities described therein. The Third Report and the Fourth Report describe the activities of the Monitor and its counsel since the date of its Second Report being November 27, 2019 to the date of the Fourth Report.
47. The Monitor supports NAFA's request to have its Third Report and Fourth Report and its activities and conduct set out therein approved.
48. Pursuant to paragraphs 35 and 36 of the Initial Order, the Monitor and its counsel shall be paid their reasonable fees and disbursements and shall pass their accounts before the Court from time to time.
49. NAFA is seeking the approval of the fees and disbursements of the Monitor and its counsel, Miller Thomson, from the commencement of these CCAA Proceedings to June 30, 2020.
50. The Monitor and its counsel, Miller Thomson, have maintained detailed records of their professional time and costs from the commencement of these CCAA Proceedings to June 30, 2020 (the "**Fee Period**"), as detailed in the Sleeth Fee Affidavit and the Iqbal Fee Affidavit (collectively, the "**Fee Affidavits**"). Copies of the Fee Affidavits are attached as Appendix "**D**" and Appendix "**E**", respectively.

51. The Monitor's accounts during the Fee Period total \$1,751,730 in fees, plus \$26,004 in disbursements, administration charges of \$122,621, plus HST in the amount of \$247,046 for a total amount of \$2,147,401. The details of the time spent including a summary of the personnel, hours and hourly rates of the services provided by Deloitte are more particularly described in the Sleeth Fee Affidavit.
52. The Monitor's counsel, Miller Thomson's accounts during the Fee Period total \$670,512.50 in fees, plus \$3,374.16 in disbursements plus HST in the amount of \$87,459.37 for a total amount of \$761,345.03. The details of the time spent including a summary of the personnel, hours and hourly rates of the services provided by Miller Thomson are more particularly described in the Iqbal Fee Affidavit.
53. The detailed accounts of Deloitte and Miller Thomson are being provided as Confidential Exhibit "B" to Sleeth Fee Affidavit and the Iqbal Fee Affidavit, respectively, and a sealing Order is being sought by NAFA as these accounts provide commercially sensitive information that, if disclosed, could impact future recoveries in these CCAA Proceedings.
54. The Monitor has reviewed the accounts of its counsel and believes that the accounts of the Monitor and Miller Thomson are reasonable in the circumstances and respectfully requests that the Court approve the Monitor's and its counsel's fees and disbursements during the Fee Period as set out in the Fee Affidavits.

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

55. NAFA is currently seeking an extension of the Stay Period to November 30, 2020. The Monitor recommends the extension of the Stay Period to allow NAFA to continue its restructuring efforts including to:

- a. Continue to receive auction proceeds from both Saga and KF from the remaining auctions in 2020;
  - b. Continue realization of the remaining mink furs and wild furs through private treaty sales and its planned Private Treaty Open House;
  - c. Continue to advance litigation against the European Farmers that took active steps to attempt to avoid their obligations to NAFA;
  - d. Prepare, file and advance approximately 25 insurance claims in respect of kit loans that remain unpaid;
  - e. Increase its efforts to pursue long term debts owing to it;
  - f. Continue its efforts to sell the Skyway Property, the Polish Property and the Wisconsin Properties; and
  - g. Exit the Skyway Property at the end of October, 2020 and reduce its costs accordingly.
56. The items being focused on by NAFA during the Stay Period are intended to create value from the assets of NAFA to allow NAFA to continue to repay indebtedness owing to the Agent.
57. The Monitor is of the view that the Applicants continue to act in good faith and with due diligence and that an extension of the Stay Period to November 30, 2020 will allow NAFA to more fully implement its restructuring plan for the benefit of all stakeholders.

**RECOMMENDATION**

58. For the reasons set out in this Fourth Report, the Monitor recommends that the Court grant the relief set out in the Applicants' Motion.

All of which is respectfully submitted this 24<sup>th</sup> day of August, 2020.

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

Per:



Jorden Sleeth, LIT  
Senior Vice President



Todd Ambachtsheer, LIT  
Vice President

**Appendix “A”  
Glossary of terms**

<b>Glossary</b>	
<b>Term</b>	<b>Definition</b>
<b>Administration Charge</b>	A charge granted pursuant to the Initial Order, as amended securing the fees and disbursements of the Applicants’ counsel, the Monitor and its counsel, the advisors of the Syndicate, the Financial Advisor and counsel for the Directors (to a maximum of \$100,000 for the latter), which amount and priority have been amended such that currently the charge is in the amount of \$1,500,000 with \$900,000 ranking in first priority (now that the DIP Facility has been repaid) and \$600,000 ranking in fourth priority behind the KERP Charge and the Syndicate Debt
<b>Agent</b>	Canadian Imperial Bank of Commerce in its capacity as Agent for the Syndicate
<b>Amended and Restated Initial Order</b>	The Amended and Restated Initial Order of the Court dated November 8, 2019
<b>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>August Lawson Affidavit</b>	The Affidavit of Douglas Lawson affirmed August 21, 2020
<b>BDC</b>	Business Development Bank of Canada
<b>Carlingview Property</b>	NAFA’s former distribution centre on Carlingview Avenue in Toronto
<b>CCAA</b>	<i>Companies’ Creditors Arrangement Act, 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>December Lawson Affidavit</b>	The Affidavit of Douglas Lawson affirmed December 20, 2019
<b>Deloitte</b>	Deloitte Restructuring Inc.
<b>DIP Charge</b>	The charge granted by the Court pursuant to the Initial Order against the Applicants' Property as security for the DIP Financing
<b>DIP Fee</b>	A fee in the amount of 2% earned by the DIP Lender for providing the DIP Financing
<b>DIP Financing</b>	The interim financing in the maximum principal amount of \$5.0 million provided by the DIP Lender approved by the Court pursuant to the Initial Order
<b>DIP Lender</b>	Waygar Capital Inc.
<b>DIP Term Sheet</b>	The DIP Term Sheet dated October 31, 2019 between NAFA and the DIP Lender in respect of the DIP Financing approved by the Court pursuant to the Initial Order
<b>EDC</b>	Export Development Canada
<b>Financial Advisor</b>	Collectively, KPMG Inc. and KPMG Corporate Finance
<b>Fur Harvesters</b>	Fur Harvesters Auctions Inc.
<b>First Report</b>	First report of the Monitor dated November 7, 2019
<b>Initial Order</b>	The Order of Justice McEwen dated October 31, 2019, as amended by the Amended and Restated Initial Order
<b>KERP</b>	Key employee retention program approved by the Court
<b>KERP Charge</b>	Charge in the amount of \$150,000 approved the Court on November 8, 2019
<b>Monitor</b>	Deloitte in its capacity as Court-appointed Monitor of the Applicants
<b>NAFA</b>	North American Fur Auctions Inc.
<b>NAFA Properties</b>	NAFA Properties Inc.
<b>Pre-filing Report</b>	The pre-filing report of the proposed Monitor, dated October 31, 2019
<b>Polish Property</b>	NAFA's main European office in Goleniów, Poland
<b>Property</b>	Has the meaning ascribed to that term in the Amended and Restated Initial Order

<b>Safe Harbour Order</b>	An Order of the Court issued on January 13, 2020 that provides third party goods in possession of NAFA are not NAFA's property provided the necessary contractual terms are present
<b>Second Report</b>	The Second Report of the Monitor dated November 27, 2019
<b>SISP</b>	Sale and Investment Solicitation Process
<b>Skyway Property</b>	NAFA's corporate head office building located at 65 Skyway Avenue in Toronto, Ontario
<b>Stay Period</b>	The stay of proceedings granted pursuant to the Initial Order, as may be extended from time to time
<b>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)
<b>Wisconsin Properties</b>	NAFA's buildings on Williams Drive and Industrial Circle in Stoughton, Wisconsin



**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**

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Counsel for the Applicants

**Appendix “C”  
Third Report  
(without appendices)**



**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,  
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(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

**THIRD REPORT OF THE MONITOR**

**DATED JANUARY 29, 2020**

**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 (“**Daikoku**”) 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 third report of the Monitor (the “**Third Report**”) are defined in the glossary attached as Appendix “**A**” to this Third Report.

2. Among other things, the Initial Order:
  - (a) Granted a stay of proceedings until November 29, 2019;
  - (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 Third Report as Appendix "**B**".
4. On November 28, 2019, the Applicants obtained the following Orders, among other relief:
  - (a) An Order extending the Stay Period to January 31, 2020;

- (b) An Approval and Vesting Order 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 vesting the Carlingview Property in and to the Purchaser free and clear of all encumbrances on closing; and
  - (c) An Order (the “**Ground Leases Order**”) approving certain conditions for the marketing and sale of the ground leases and building municipally known as 65 Skyway Avenue in Toronto, Ontario (the “**Skyway Property**”).
5. The Applicants have brought a motion returnable on January 30, 2020 (the “**Motion**”) seeking Orders, among other things:
- (a) Authorizing the Applicants to undertake an auction as described in the Lawson Affidavit (the “**Auction**”) and to negotiate and enter into an agreement with Fur Harvesters Auction Inc. (“**FHA**”), a wild fur auction house based in North Bay, Ontario, for FHA and the Applicants to hold a joint Auction at the Skyway Property for wild fur, and any other such pelts that FHA and the Applicants may agree to sell;
  - (b) Authorizing the Monitor to undertake a Sale and Investment Solicitation Process (“**SISP**”) in a form approved by the Applicants and the Agent or otherwise approved by the Court;
  - (c) Approving a key employee retention program (the “**Further KERP**”) and granting the employees subject to the Further KERP the benefit of the KERP Charge; and

(d) Extending the Stay Period to April 3, 2020.

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

## **PURPOSE**

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

- (a) The structure and financial implications of the Auction, including a summary of the assumptions used to estimate its financial impact;
- (b) The Monitor's views on the proposed process to finalize the SISP;
- (c) The Monitor's views on the Further KERP;
- (d) The Applicants' progress on listing for sale its various real properties in North America and Europe, including the closing of the Carlingview Transaction;
- (e) The status of the arrangement (the "**Saga Arrangement**") with Saga Furs Oyj ("**Saga**");
- (f) NAFA's actual cash receipts and disbursements from November 16, 2019 to January 17, 2020 (the "**Reporting Period**") with a comparison to the cash flow forecast that was included in the Second Report (the "**Cash Flow Forecast**"), including the repayment of the Syndicate Debt;
- (g) To provide the Court with an updated cash flow forecast (the "**Revised Cash Flow Forecast**") from January 18, 2020 to April 17, 2020 (the "**Revised Cash Flow Period**"); and

- (h) To provide the Court with the Monitor's views on the Applicants' request to extend the Stay Period to April 3, 2020.

## TERMS OF REFERENCE

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

## **THE PROPOSED AUCTION**

10. NAFA traditionally held three auctions per year (typically in March, June and August) that included the sale of both ranched mink pelts and wild fur. Given the CCAA Proceedings and its effect on the Applicants' operations, to date no auctions have been confirmed for the current auction season.
11. Since the commencement of the CCAA Proceedings, both Management and the Monitor have received numerous inquiries about whether NAFA will hold an auction in the spring of 2020. Such inquiries have primarily been from the wild fur community (*i.e.*, trappers) as these parties do not have as structured a distribution chain as the ranched fur community to sell their furs. Trappers generally provide fewer pelts on an individual basis. The Affidavit of Doug Lawson served on January 27, 2020 (the "**January Lawson Affidavit**") contains additional details about the wild fur supply chain.
12. Over the last several months, Management has explored the opportunity of holding an auction to dispose of both NAFA-owned and consigned skins that are currently held at NAFA's facilities in Toronto (both the Skyway Property and the Carlingview Property).
13. The primary goals of the proposed Auction are:
  - (a) To liquidate approximately 186,000 skins owned by NAFA or whose value would be attributable to NAFA to settle unpaid buyer accounts via re-consignment. Such skins have been acquired over a number of years and are a mix of ranched mink and wild fur, although wild fur is by far the larger number of skins;

- (b) To permit consignors whose furs are intersorted (and therefore not eligible to be returned) to be paid for their furs; and
  - (c) To generate positive and timely realizations from both owned pelts and auction commissions, which can be utilized to repay the Syndicate Debt. These pelts must eventually be realized upon and an auction conducted by NAFA provides the best format to monetize these assets and earn auction commissions for NAFA's account.
14. As described in the January Lawson Affidavit, Management has an agreement in principle to hold a joint Auction with FHA at the Skyway Property. A jointly held Auction with FHA could have the following additional benefits for NAFA:
- (a) Increased number of purchasers (*i.e.*, greater demand) attending the Auction; and
  - (b) Spreading the total costs of the Auction between the two parties to increase profitability with limited incremental costs to be incurred to conduct the Auction.
15. Given the Applicants' CCAA Proceedings, special rules are being developed in respect of the proposed Auction, which would include:
- (a) Not allowing buyers to use existing credits that exist in their accounts with NAFA (which are primarily comprised of volume discounts earned at prior auctions, deposits placed with NAFA for prior auctions and unpaid pelt proceeds related to goods sold at prior auctions);
  - (b) Only inviting trusted buyers to the Auction, who will be able to fully pay for their purchases in a short period of time (*i.e.* prior to the prompt date so that NAFA has the funds to pay consignors), to mitigate pelts being sold and then not paid for thereafter; and

- (c) Requiring buyers to pay the Monitor for their goods. The Monitor would then disburse Auction funds to the various consignors after receiving funds from the buyers and a schedule of auction proceed payees from NAFA, all as contemplated in the Safe Harbour Order.
16. Management has worked with the Monitor to develop an Auction forecast model that conservatively forecasts the potential revenue that could be generated from the proposed Auction as well as the direct costs that will be incurred if the Auction is held, which would be split with FHA (the “**Auction Model**”). A copy of the Auction Model is attached as **Confidential Appendix “1”**.
17. The Auction Model was provided to the Agent and its Financial Advisors and the Monitor reviewed it with them. The Agent has confirmed to the Monitor that it does not object to the current structure of the Auction.
18. The Monitor is supportive of the Court authorizing NAFA to undertake an Auction in the spring of 2020 at the Skyway Property and authorizing the Applicants to negotiate and enter into an agreement with FHA to hold a joint Auction.

#### **THE PROPOSED PROCESS TO FINALIZE THE SISP**

19. Notwithstanding the transition of certain assets to Saga pursuant to the Saga Arrangement, NAFA owns a number of assets that could be attractive to a purchaser or investor. This includes discrete assets such as its intellectual property, real estate and the remaining loan portfolio in addition to the business infrastructure related to an established auction house.
20. In order to monetize these assets and/or potentially find a buyer for the NAFA business, NAFA is seeking the Court’s authorization for the Monitor to undertake a Sale and



Investment Solicitation Process (“SISP”) in a form approved by the Applicants and the Agent in consultation with BDC or otherwise approved by the Court.

21. NAFA has worked with the Monitor to develop a draft form of SISP (the “Draft SISP”), which was provided to the Agents on January 22, 2020. The Draft SISP was also shared with BDC. A copy of the Draft SISP provided to the Agent is attached as Appendix “C”.
22. The Draft SISP contemplates that the SISP will commence on March 2, 2020. The Agent has advised that it has several questions and would like to consult with NAFA and the Monitor regarding the scope, timing and nature of the SISP. NAFA has advised the Monitor that it will consult with the Agent with a view to reaching a consensus in respect of the form of the SISP to be undertaken.
23. BDC has contacted the Monitor and requested that NAFA consult with it regarding the inclusion of the Skyway Property in the SISP and other aspects of the SISP if such property is to be included. The Applicants have indicated that they will also consult with BDC.
24. The form of Order being sought by the Applicants authorizes the Monitor undertaking a SISP that is agreed to between the Applicants and the Agent, in consultation with BDC, or, in the event a consensus cannot be reached, then by further Order of the Court.
25. The Monitor is of the view that the form of Order being sought will allow NAFA to consult with the Agent and BDC in respect to the form of the SISP to be undertaken and is supportive of the Court granting such an Order.

#### **THE FURTHER KERP**

26. The Amended and Restated Initial Order approved a KERP for certain key employees based upon 50% of their salary for three months which amount was payable effective on

the earlier of the last day of their employment if the employee was terminated by the Applicants and January 31, 2020. As security for the KERP, the Court granted the KERP Charge in the amount of \$150,000.

27. The Revised Cash Flow Forecast reflects payment of the KERP on January 31, 2020.
28. Management is of the view that, in order to retain certain key employees until further progress is achieved with respect to NAFA's restructuring plan, the Further KERP ought to be put in place to incentivise the Key Employees to remain for the next three months to April 30, 2020. The Applicants anticipate that the total amount payable to eligible employees under the Further KERP is expected to be similar to the original KERP.
29. The Monitor and the Applicants have discussed the Further KERP with the Agent. Based on these discussions, the Monitor understands that the Agent is generally supportive of the Further KERP as long as the form of KERP is at least in part, incentive based for certain Key Employees.
30. The Applicants are working with the Monitor to finalize the terms of the KERP and the Applicants will provide the final Further KERP to the Court on a confidential basis prior to the hearing of the Applicants' motion.
31. The Monitor agrees that a KERP is appropriate in the circumstances. The Monitor will provide its view of the final Further KERP to the Court either at the hearing of the motion or in a supplemental report once the Further KERP is finalized.

#### **STATUS OF REAL PROPERTY LISTINGS**

32. As set out in previous reports of the Monitor, NAFA is currently in the process of selling its owned real estate. Such real estate includes:

- (a) the Carlingview Property, which is the Applicants' distribution centre;
- (b) the Skyway Property, which is where the Applicants' head office and auction facility is located;
- (c) Its two facilities in Stoughton, Wisconsin (the "**Wisconsin Properties**") which is where NAFA's U.S. head office and storage facility are located; and
- (d) Its Polish warehouse (the "**Polish Property**").

*Status of the Carlingview Property*

- 33. The Carlingview Property was listed for sale prior to the commencement of the CCAA Proceedings. The Carlingview Transaction was approved by the Court on November 28, 2019 and closed on January 6, 2020.
- 34. NAFA received CAD\$11 million from the proceeds of the Carlingview Transaction, which were distributed as follows:
  - (a) Approximately CAD\$4.1 million was paid to Farm Credit Canada ("**FCC**") to retire the mortgage on the Carlingview Property. The Monitor obtained a legal opinion from its counsel, which concluded, subject to the usual qualifications, that FCC had a valid first charge against the Carlingview Property;
  - (b) \$1.65 million, plus accrued interest and legal fees, was paid to the DIP Lender to retire the DIP Facility;
  - (c) Approximately \$620,000 was paid to the Agent's advisors in respect of pre-filing advisory services provided to the Agent; and

- (d) The balance of approximately \$2.6 million was paid to the Syndicate in partial repayment of Tranche B of the Syndicate Debt.

*The Skyway Property*

35. The Skyway Property is subject to a secured debt facility, provided by BDC, in the approximate amount of \$4.7 million.
36. In accordance with the Ground Lease Order, NAFA established a protocol with BDC and obtained four separate proposals to market the Skyway Property for sale. Proposals were received from three international brokerage firms and one professional services firm that operates a real estate practice. The proposals were provided to BDC for its input prior to NAFA deciding which agent to engage to market the property.
37. After consultation with BDC and advising the Agent, NAFA has engaged CB Richard Ellis (“**CBRE**”), a well-known international brokerage firm on January 20, 2020 and has begun marketing the property. A copy of its engagement letter has been provided to BDC and the Agent.
38. CBRE was the broker on the Carlingview Transaction and is known to NAFA. CBRE has experience with the real estate market surrounding the Skyway Property generally. CBRE also has extensive knowledge of the Skyway Property and the specifics of the ground leases related thereto. As such, CBRE is well-positioned to assist NAFA in this regard. CBRE was engaged by NAFA on January 20, 2020.

*The Wisconsin Properties*

39. NAFA and NAFA Properties jointly own the properties municipally known as 205 Industrial Circle and 1600 Williams Drive in Stoughton, Wisconsin. The Wisconsin

Properties are the Applicants' primary operating facilities in the United States and are used for both the grading of pelts and office space.

40. NAFA has received three proposals from three real estate brokers to list the Wisconsin Properties. As of the date of this Third Report, NAFA has determined its preferred broker and will consult with the Agent in the near term prior to engaging the broker.
41. The Wisconsin Properties are currently being leased to Saga in order to receive North American mink pelts. The term of this lease runs through to June 27, 2020.

*The Polish Property*

42. 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, at this time, no recognition order is intended to be sought in Poland in respect of the sale of the Polish Property.
43. As part of the listing of the Polish Property, the following steps are being taken:
  - (a) The property is being advertised in relevant Polish business newspapers;
  - (b) The Polish Property has been listed in a database that is comparable to the North American Multiple Listing Service;
  - (c) The Polish Property is near an airport and there are billboards on the surrounding highways. Advertising also runs continually within the airport itself;
  - (d) A video highlighting the building's attributes has been placed on social media sites such as YouTube and Instagram as well as on the broker's website; and

- (e) Tours of the Polish Property have been arranged, with one party having already toured and a second scheduled in the near term.
44. The Polish Property is subject to a secured debt facility in the amount of approximately \$4.8 million. The Monitor understands that the EDC is part of the Syndicate but has a right of first payment in respect of the Polish Property such that EDC's debt in the Syndicate is retired first from the sale of this property and second from NAFA's operating cash flow or other assets but after the other Syndicate members' indebtedness is repaid in full.
45. The Applicants and Monitor will update the Court as the sale process progresses. The Monitor notes that the Revised Cash Flow Forecast does not include any realizations from the Applicants' remaining real estate during the Revised Cash Flow Period.

#### **STATUS OF THE SAGA ARRANGEMENT**

46. As set out in the Monitor's prior reports, NAFA is implementing an arrangement with Saga whereby SAGA agreed to receive the furs that would otherwise have been consigned to NAFA and attend to their sale and provide the proceeds to NAFA to allow NAFA to repay the Syndicate Debt (the "**Saga Arrangement**"). Payment of a certain amount of funds to NAFA immediately after delivery and grading by Saga was a key benefit and source of liquidity of the Saga Arrangement.
47. As part of the Saga Arrangement, NAFA is to obtain assignments of receivable ("**AORs**") from its historical consignors confirming that Saga will pay funds to NAFA for pelts that are delivered to its warehouse for grading and eventual sale. Absent an AOR for a particular farm, Saga has advised NAFA and the Monitor that it will not pay funds to NAFA up front based on Saga's interpretation of the Saga Arrangement.

48. Management has requested that all consignors that have received kit loan funding execute an AOR and return it to Saga so that funds can be disbursed to NAFA. To date, the receipt of such AOR documents has been slower than anticipated. As such, Saga transfers to NAFA have been significantly less than expected to date.
49. Given the implementation of the Saga Arrangement, NAFA has received approximately \$10.1 million, including expense reimbursements, from Saga during the Reporting Period.
50. Management has engaged with Saga and has included the Monitor in those discussions with a view to resolving this issue. To date, a resolution for securing AORs from NAFA financed farmers to ensure that Saga will deliver pelt proceeds to NAFA once pelts are delivered to Saga or sold at auction has not been reached. However, Saga and the Applicants are working together to reach one.
51. To assist in obtaining the AORs, the Applicants are in the process of issuing demands to each of the farms indebted to NAFA in respect of funded 2019 kit loans or rollover loans in respect of prior years. The form of demand letter has been reviewed by the Monitor.

***American Mink Exchange/Kopenhagen Furs***

52. In addition to there being a slower than anticipated collection of proceeds from the Saga Arrangement for the reasons set out above, some farmers have decided not to deliver their pelts to Saga and instead have delivered or intend to deliver their pelts to either Kopenhagen Furs (“**KF**”) or their American broker/agent, the American Mink Exchange (“**AME**”). The Monitor understands that some farmers believe that they can obtain a better recovery on their pelts at KF or AME than they can with Saga.

53. The Monitor understands that KF is the largest fur auction house in the world. AME operates a brokerage house out of New York, where it receives, grades and sorts North American fur farmers' products and then ships them to KF for auction.
54. NAFA currently does not have any finalized arrangements with KF or AME in respect of any mink KF or AME may receive that is pledged by the relevant farmer to NAFA, which would allow NAFA to be paid an advance for such pledged skins. In addition, if such skins are sold by KF or AME then there is a risk that the farmer would receive the proceeds rather than NAFA.
55. NAFA and the Monitor had a productive discussion on these issues with AME on January 16, 2020. The Monitor followed up in writing to AME setting out NAFA's and the Monitor's position in respect of NAFA's collateral. AME has agreed to work with NAFA and has verbally provided their assurance that they will recognize NAFA's security position in mink delivered to it from farmers that have pledged mink to NAFA. They have also offered to possibly provide an advance on delivery subject to receiving an AOR, similar to the one paid by Saga under the Saga Arrangement, on a case by case basis and that they would likely be in a position to pay pelting costs incurred by NAFA at the pelting plants for furs delivered to AME.
56. NAFA and the Monitor also held a conference call directly with KF on January 23, 2020 and reviewed with them the same position which had been expressed to AME. KF similarly acknowledged the existence of the NAFA security, and considered the possibility of providing advances, both for pelts delivered and for pelting costs expended by NAFA, provided the pelts are delivered to KF with an AOR. The Monitor and NAFA are in the process of sending correspondence to KF with a view to formalizing an arrangement with



KF as soon as possible and in any event in advance of any of the pelts that are subject to NAFA's security being sold in KF's auction.

57. Given that NAFA cannot control where a farmer decides to deliver its pelts, the Monitor is working closely with NAFA to ensure its security is protected and to finalize arrangements with AME and KF that are as similar to the Saga Arrangement as possible.

#### **ACTUAL RECEIPTS AND DISBURSEMENTS DURING THE REPORTING PERIOD**

58. Attached as Appendix "D" to this Third Report is a summary of the Applicants' receipts and disbursements for the period November 22, 2019 to January 17, 2020. Such cash flows are summarized in the table below. Forecast cash flows represent amounts presented in Appendix "D" of the Second Report (the "Cash Flow Forecast"):

**North American Fur Auctions Inc.**  
**Summary of Reporting Period Receipts and Disbursements**  
**For the period November 16, 2019 to January 17, 2020**

	Actual	Forecast	Variance
<b>Receipts</b>			
Buyer Receipts	\$ 2,173,517	\$ 2,410,502	\$ (236,985)
HST Refund	-	25,000	(25,000)
Other	2,622,070	30,000	2,592,070
SAGA LOI Receipts	9,846,409	17,452,464	(7,606,055)
SAGA Reimbursement for Operating Expenditures	204,028	367,336	(163,308)
Disposal of PP&E	5,044,273	4,603,893	440,380
<b>Total Receipts</b>	<b>\$ 19,890,298</b>	<b>\$ 24,889,195</b>	<b>\$ (4,998,897)</b>
<b>Disbursements</b>			
Kit Loans & Pelt Advances - North America	\$ 1,170,347	\$ 1,765,977	\$ 595,630
Kit Loans & Pelt Advances - Europe	2,283,451	4,731,552	2,448,101
Occupancy Costs	320,022	466,468	146,446
Employee Costs	1,033,764	1,299,031	265,267
Collection, Grading, Warehousing Costs	156,422	259,354	102,932
Professional Fees	1,761,254	2,836,963	1,075,709
Insurance	236,359	73,012	(163,347)
GST / HST Payments	24,543	50,000	25,457
Other Administrative and Operating Costs	266,460	501,357	234,897
<b>Total Disbursements</b>	<b>\$ 7,252,622</b>	<b>\$ 11,983,714</b>	<b>\$ 4,731,092</b>
<b>Net Cash Flow</b>	<b>\$ 12,637,675</b>	<b>\$ 12,905,481</b>	<b>\$ (267,806)</b>
Opening Bank Cash Balance	\$ 2,326,941	\$ 2,326,941	\$ -
Receipts	19,890,298	24,889,195	(4,998,897)
Disbursements	(7,252,622)	(11,983,714)	4,731,092
Transactions in CIBC Operating Account	(1,855,939)	-	(1,855,939)
Transactions in Foreign Bank Accounts	44,563	-	44,563
Repayment of DIP Loan	(1,650,000)	(1,650,000)	-
Repayment of Tranche B	(7,888,929)	(8,000,000)	111,071
Repayment of Tranche A	-	-	-
Bank Interest and Refinancing Costs	(855,649)	(717,909)	(137,740)
<b>Closing Bank Cash Balance</b>	<b>\$ 2,758,663</b>	<b>\$ 4,864,513</b>	<b>\$ (2,105,850)</b>

59. 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 beginning of the Reporting Period, buyer receipts have totaled approximately \$2.173 million. This amount compares to a total of \$2.41 million in the Cash Flow Forecast, resulting in a negative variance of approximately \$237,000

(10%). Management is in regular contact with buyers and has discussed payment terms with each. Such terms are reflected in the Revised Cash Flow Forecast. Management expects that substantially all of the remaining balances will be collected in the Revised Cash Flow Forecast period. If they are not, NAFA has the option to resell any furs that it has in its possession to satisfy the unpaid balance, which NAFA is considering;

- (b) Other receipts represent amounts transferred from non-operating bank accounts to NAFA's main bank account and which were not previously in the Cash Flow Forecast. NAFA requested that such funds be transferred into its account during the week ended January 17, 2020 and then subsequently paid the funds to the Agent in partial repayment of the Syndicate Debt. No such transfer was originally forecast;
- (c) Receipts related to the Saga Arrangement, including expense reimbursements, totaled approximately \$10.1 million, compared to a forecast amount of \$17.8 million, during the Reporting Period. This is lower than the amount contemplated in the Cash Flow Forecast by approximately \$7.8 million. This variance consists of three principal parts:
  - (i) The Cash Flow Forecast assumed that all of NAFA's kit loan consigners would consign their furs to Saga, but this has not occurred. Approximately 28% of the skins (571,000 skins in total) on which NAFA forecast pelt advances have not yet been consigned to Saga. As such, a timing difference has resulted since recovery on these pelts will not be realized until after the other auction houses sell the pelts at one of the 2020 auctions. Pelt

deliveries, to date, for the spring auction are also lower than Management's expectations;

- (ii) The Cash Flow Forecast assumed that substantially all of the skins to be sold would be auctioned at Saga's March auction. In fact, NAFA now estimates that as much as 60% of total pelt deliveries will occur for the summer and fall auctions, resulting in significant timing differences; and
- (iii) As set out above, Saga requires that all consignors execute an AOR in favour of NAFA prior to paying a pelt advance for skins delivered and, eventually, auction proceeds. Certain farmers have not executed AORs. This has resulted in Saga not releasing payment for certain pelt deliveries until the AOR is executed. Management is working with Saga and the mink ranchers to attempt to expedite this process;
- (d) Cash receipts related to asset sales were approximately \$5.0 million during the Reporting Period with this amount principally made up of the proceeds from the Carlingview Transaction (*i.e.* after payment of the FCC mortgage on this property). The balance of this line item represents miscellaneous asset surplus sales in both Europe and North America;
- (e) North American kit loan and pelt advance disbursements totaled approximately \$1.17 million during the Reporting Period. This amount was approximately \$596,000 lower than contemplated in the Cash Flow Forecast. The reason is that certain mink farmers have been able to manage their own cash flows and the full amount of forecast disbursements has not been necessary. Management expects that this difference is permanent given where the farmers are in the pelting process;

- (f) Kit loans and pelt advances in Europe totaled approximately \$2.3 million compared to a forecast amount of approximately \$4.7 million. Certain farmers required less financing to complete their pelting operations and/or obtained alternate funding so disbursements were less than forecast. Management expects that this difference is permanent, although a portion of this variance has been included as additional pelting costs in the Revised Cash Flow Forecast should they be required;
- (g) Occupancy costs were forecast to be approximately \$466,000 during the Reporting Period, and actual disbursements totaled approximately \$320,000. This amount is lower than forecast because utilities and maintenance costs have been less than forecast. As such, this variance is largely permanent in nature;
- (h) Employee costs during the Reporting Period totaled approximately \$1.0 million compared to a forecast amount of \$1.3 million resulting in a positive variance of approximately \$265,000. Approximately half of this difference is due to the timing of the funding of the KERP, which was initially forecast to be paid in the week ended January 17, 2020. This payment is now forecast in the week ended January 31, 2020 in the Revised Cash Flow Forecast. The remainder of the difference is largely attributable to the lower than forecast levels of temporary staff and Management expects this portion of the variance to be permanent;
- (i) Given the lack of collection and grading activity, such costs have been substantially lower than forecast. Disbursements were estimated to be approximately \$239,000 during the Reporting Period but totaled only \$156,000. As NAFA is not actively collecting furs, Management expects this difference to be permanent;

- (j) Professional costs were less than forecast by approximately \$1.1 million due to the timing of invoice receipt from the various professional service firms. The Revised Cash Flow Forecast includes updated invoice timing for those items which have been incurred but not paid;
- (k) Insurance payments of \$73,000 were forecast but actual disbursements totaled \$236,000. The Cash Flow Forecast had assumed that insurance premiums would be paid on a monthly basis. However, NAFA's insurer required the full policy premium to be paid up front. As such, amounts disbursed were greater than forecast; and
- (l) Other administrative and operating costs were \$266,000, which was \$235,000 less than forecast. The Cash Flow Forecast assumed that higher costs would be incurred, but such costs did not materialize and a permanent variance has resulted.

## REVISED CASH FLOW FORECAST

60. Attached as Appendix “E” to this Third Report is the Revised Cash Flow Forecast, which is also summarized in the table below:

North American Fur Auctions Inc. 13-Week Cash Flow Forecast For the period January 18, 2020 to April 17, 2020 (in USD '000s)	
	Total
<b>Receipts</b>	
Buyer Receipts	3,536
HST Refund	75
Other	45
Net NAFA auction receipts	1,381
SAGA LOI Receipts / Auction house advances (Schedule 1)	570
SAGA LOI Receipts / Auction house advances (Schedule 2)	17,956
SAGA LOI Receipts / Auction house advances (Schedule 3)	494
SAGA reimbursement for operating expenditures	140
<b>Total Receipts</b>	<b>24,197</b>
<b>Disbursements</b>	
Pelt processing costs - North America	462
Pelt processing costs - Europe	945
Daikoku herd maintenance funding	337
Occupancy costs	428
Employee costs	1,199
Shipping and warehousing costs	40
Professional fees	2,383
GST / HST payments	75
Other administrative and operating costs	264
<b>Total Disbursements</b>	<b>6,133</b>
<b>Net Cash Flow</b>	<b>18,063</b>
Opening bank cash balance	2,759
Receipts	24,197
Disbursements	6,133
Repayment of Tranche B	111
Repayment of Operating Tranche A	18,912
Mortgage payment and other costs	295
Bank interest and refinancing costs	504
<b>Closing bank cash balance</b>	<b>1,000</b>
<b>Tranche B Balance</b>	
Opening	111
Net increase/(decrease)	(111)
<b>Ending</b>	<b>-</b>
<b>Operating Tranche A Balance</b>	
Opening	21,850
Net increase/(decrease)	(18,912)
<b>Ending</b>	<b>2,938</b>
<b>Term Tranche A Balance</b>	
Opening	4,813
Net increase/(decrease)	(138)
<b>Ending</b>	<b>4,675</b>
<b>Total Tranche A Balance</b>	
Opening	26,663
Net increase/(decrease)	(19,050)
<b>Ending</b>	<b>7,613</b>

61. The Revised Cash Flow Forecast is based on the following material assumptions:
- (a) Buyer receipts are based on Management’s assessment of when each buyer will fully pay their outstanding balances for auction purchases and storage charges. Management is in regular contact with each customer and has estimated collections on that basis. A total of \$3.5 million of buyer receipts is included in the Revised Cash Flow Forecast;
  - (b) Net auction receipts represent both the costs and the revenues that are forecast to accrue to NAFA on the basis that it holds the Auction in the spring of 2020. Disbursements include those “hard” costs that NAFA expects to incur and are spread across a number of weeks. The inflow related to NAFA receiving its commissions and Auction proceeds, which will be held by the Monitor, are forecast to be received on the Auction “prompt date”, which is three weeks after the Auction’s conclusion. NAFA has approximately 294,000 skins to offer at the Auction. Projected Auction results are summarized in Confidential Appendix “1”;
  - (c) Receipts related to the Saga Arrangement and other auction house advances (as discussed above) are based on the level of pelts that are expected to be delivered and auctioned in each 2020 auction. The skins to be consigned have been split into three realization “schedules”. Specific assumptions related to each are set out below:
    - (i) Schedule 1 auction receipts represent those farms whose kit loans Saga acquired at the end of November, 2019. Saga paid NAFA for the kit loans funded and continues to pay pelt advances as the skins are delivered to



Saga’s facilities. Auction proceeds, at the auction prompt date, are also forecast;

- (ii) Schedule 2 farms include those that will be consigning their pelts to Saga but whose kit loans were not acquired by Saga in 2019. Recoveries include pelt advances, assumed to be evenly received until the auction, and auction proceeds at the auction prompt date. Due to the uncertainty regarding certain farms, four farms that were previously included as Schedule 1 farms in the Cash Flow Forecast have been moved to Schedule 2 farms in the Revised Cash Flow Forecast; and
- (iii) Schedule 3 farms include those that are undecided in terms of where to consign their pelts and those that are known to be consigning with other auction houses such as AME or KF. Due to a lack of an agreement with these other auctioneers in respect of pelt advances, all proceeds are received at the auction prompt date.

The schedules assume that approximately one third of pelts will be auctioned in late winter/early spring, the majority of pelts will be auctioned in the summer with less than 10% being auctioned in the fall. The following table sets out the expected recoveries over the Revised Cash Flow Period by farm group:

<b>Farm type</b>	<b>Total # of skins committed</b>	<b># of farms in group</b>	<b>Book value of loans</b>	<b>Pelt advance recovery</b>	<b>Auction recovery</b>	<b>Total recovery</b>
<b>Schedule 1</b>	368,664	20	\$1,781,487	\$545,021	\$25,084	\$570,105
<b>Schedule 2</b>	1,499,971	25	\$35,351,567	\$15,594,829	\$2,361,349	\$17,956,178
<b>Schedule 3</b>	571,200	17	\$32,436,492	-	-	\$494,000 <sup>1</sup>
<b>Total</b>	<b>2,439,835</b>	<b>62</b>	<b>\$69,569,546</b>	<b>\$16,139,850</b>	<b>\$2,386,433</b>	<b>\$19,020,283</b>

Note 1: Represents anticipated settlement funds related to two farms

Total recoveries, both within the Revised Cash Flow Period and thereafter, are summarized in the table below:

<b>Farm type</b>	<b>Cash Flow Forecast Period Recovery</b>	<b>Recovery thereafter</b>	<b>Total recovery</b>
<b>Schedule 1</b>	\$570,105	\$101,087	\$671,193
<b>Schedule 2</b>	\$17,956,178	\$3,756,188	\$21,712,366
<b>Schedule 3</b>	\$494,000	\$7,795,188	\$8,289,188
<b>Total</b>	<b>\$19,020,283</b>	<b>\$11,652,464</b>	<b>\$30,672,747</b>

- (d) The reimbursement of operating costs represents monthly lease payments and a pro rata receipt for the annual property taxes paid by NAFA related to the Wisconsin Properties;
- (e) Pelt processing costs in both North America and Europe represent those costs that may be necessary to secure or otherwise finance pelts over which NAFA has security. Management is still assessing which farms will receive future funding, but a number of known potential disbursements have been included;
- (f) Occupancy costs represent the continuing occupation of NAFA's owned facilities in Toronto and Poland;
- (g) Employee costs represent primarily payroll costs for current and severed employees and also includes a provision for certain benefit payments that may be required related U.S. income tax regulations. Also included are payments for the KERP in the week ended January 31, 2020;
- (h) Shipping costs represent the warehousing costs related to packaging and other costs related to the shipment of consigned goods;

- (i) Professional fees represent the fees of the various advisors that are involved in the CCAA Proceedings. This includes Applicants' advisors, the Monitor and its counsel and the Agent's financial and legal advisors;
  - (j) GST/HST payments represent Management's estimate of ongoing tax payments that are required; and
  - (k) Other administrative costs include miscellaneous expenses.
62. In addition to the operating costs set out above, the Revised Cash Flow Forecast includes scheduled debt repayments to the Syndicate as contemplated by the Distributable Funds mechanism that is detailed in the First Report and approved pursuant to the Amended and Restated Initial Order. Each week, NAFA and the Agent agree on the quantum of debt repayment with the starting point being those funds in excess of \$1 million at the close of business each week. Any adjustments are then agreed between the parties and NAFA then disburses the funds. Two such disbursements have occurred as at the date of this Third Report.
63. As indicated above, the Revised Cash Flow Forecast does include any realization from the sale of the Applicants' remaining real estate or any of the Applicants' other assets. Based on the listing prices of the real estate properties it is expected that there is equity in each property that will be available for distribution to the Agent after the payment of specific security interests on these properties.

*Risks related to the Revised Cash Flow Forecast*

64. The Monitor notes there are material risks associated with the Revised Cash Flow Forecast, including:

- (a) Market Risk. The value of the pelts committed from NAFA's financed farmers is inherently tied to the price at which the pelts are sold at auction. The auction price is inherently difficult to forecast. On January 28, 2020, KF announced the cancellation of its February 2020 auction due to concerns about the Coronavirus and its effect on purchasers' travel attendance at the auction. The Revised Cash Flow Forecast does not contain any recovery from the now cancelled February 2020 KF auction. The Revised Cash Flow Forecast includes approximately \$9.6M to be received from Saga in respect of pelt advances and auction proceeds related to Saga's March 2020 auction (which has viewing February 27 to March 3 and the auction March 4-13) over the two weeks ended April 10 and 17, 2020. As of the date of this Third Report, SAGA has not cancelled this auction. If Saga were to cancel the auction, NAFA estimates these receipts will be deferred to a later auction after the Revised Cash Flow Period. The KF announcement is not expected to affect NAFA's proposed Auction as this is largely a wild fur auction and the buyer community is different;
- (b) Collection Risk. Certain auction receivables are aging, which makes their collectability less certain;
- (c) Receipts from Saga. The issues affecting receipts from Saga under the Saga Arrangement due to delays in farmers executing AORs, as described in detail above, presents a potentially significant timing and collection risk;
- (d) Arrangements with KF and AME. Without an arrangement with KF and AME similar to the Saga Arrangement, the timing and collectability of pelts received by

them that are subject to NAFA's security is uncertain. There is also no certainty around how many pelts that are pledged to NAFA will be received by KF and AME; and

- (e) Opportunistic Farmers. Given the Applicants' CCAA Proceeding, farmers have lost future funding sources and have attempted to leverage the delivery current pelts to extract some form of compensation, which presents a timing and collectability risk because litigation may be required to enforce NAFA's rights against such farmers.
- (f) Disbursement Risks. There are risks that may impact the quantum of total disbursements including:
  - (i) Pelting costs may be higher than forecast if additional, non-forecast requests are received from farmers for pelt advances; and
  - (ii) Litigation costs may need to be incurred to recover amounts owing to NAFA by farmers.

#### **DAIKOKU BREEDER MAINTENANCE FUNDING**

65. The Revised Cash Flow Forecast includes disbursements in the amount of \$337,000 during the Revised Cash Flow Period for the funding of Daikoku breeder minks. Daikoku is an Applicant. The Monitor understands that Daikoku leases a farm in Poland and owns the mink on that farm. This funding is intended to be used by the Applicants to keep approximately 30,000 breeder minks alive and cared for with a view to creating approximately 110,000 minks for harvest and sale in the 2021 season.

66. There are further costs of \$478,000 after the Revised Cash Flow Period, which would also need to be funded to keep these breeder minks alive prior to the date which the Monitor understands Daikoku would be in a position to seek to obtain a kit loan in the amount of \$1.97 million to fund costs of the 110,000 mink produced.
67. The Company has estimated that, net of all ordinary operating costs and advances (including the \$337,000 in the Revised Cash Flow Forecast), the harvest and sale of the future crop of Daikoku mink will net approximately \$738,000 based upon an average price of EUR 30 per pelt.
68. The Agent has advised that it opposes the Applicants using cash, which is subject to its security interest, to maintain the Daikoku breeder minks and to invest in a 2020/2021 mink growing season.
69. NAFA believes that funding the Daikoku farm preserves value for the farm that could be generated as a going concern, as an asset in the SISP or as annual cash flow as kits are produced and sold. NAFA is further of the view that these benefits could provide value for creditors beyond the Syndicate. Attached as Appendix “F” is a copy of the Applicant’s analysis relating to the Daikoku breeder minks and a comparison prepared by the Monitor of the recovery if the breeders are pelted now versus funding the breeder maintenance costs for a 2021 crop.
70. The Monitor does not support the Applicants making these disbursements. The Monitor is of the view that the funding and operational risks do not justify the investment for several reasons including:
  - (a) The recovery is based on 2021 pelt prices being 28% greater than realized in 2019;

- (b) Kit loan funding is not available until minks are produced and vaccinated, which is not until May or June and such financing is not yet secured;
- (c) The neighboring farm has Aleutian Disease and the Daikoku crop may be infected or become infected, which will require the herd to be pelted and/or affect the ability to obtain external kit financing;
- (d) Any funding provided to maintain the breeders in the near term will reduce the net recovery by such amount if the breeders are euthanized either due to infection or because Daikoku cannot obtain funding;
- (e) Pelting the herd now should generate approximately \$467,000 with little operational risk as compared with \$738,000 (a difference of \$271,000) a year from now, which is subject to considerable operational risk albeit the breeders would also still exist.

71. The Applicants and the Agent have been in discussions regarding a potential solution to allow certain funding of the Daikoku breeders in the near term. The Monitor is supportive of the parties achieving a resolution on the terms currently being discussed. The parties are in the process of finalizing the terms of the resolution. The Monitor will provide further submissions regarding this issue to the Court at the Motion.

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

- 72. Absent a further Order of the Court, the Stay Period is set to expire on January 31, 2020. The Applicants seek to extend the Stay Period to April 3, 2020.
- 73. An extension of the Stay Period to April 3, 2020 will, among other things:

- (a) Allow NAFA to continue to undertake the Saga Arrangement and to receive pelt proceeds from Saga;
  - (b) Allow NAFA to work with AME and KF to reach satisfactory arrangements to ensure that NAFA's security in the pelts can be realized;
  - (c) Hold the Auction; and
  - (d) The Monitor to commence implementation of the SISP on terms approved by the Applicants and the Agent, in consultation with BDC; and
74. The Monitor is of the view that the Applicants continue to act in good faith and with due diligence and that an extension of the Stay Period to April 3, 2020 will allow NAFA to more fully implement its restructuring plan for the benefit of all stakeholders.
75. For the reasons set out above, the Monitor is supportive of the Applicants' request to extend the Stay Period.

## **RECOMMENDATIONS**

76. For the reasons set out in this Third Report, the Monitor recommends that the Court grant the relief set out in the Motion including extending the Stay Period to April 3, 2020. This would will allow the Applicants to:
- (a) conduct the Auction and negotiate an auction agreement with FHA to conduct it with FHA as a joint Auction;
  - (b) Consult with the Agent and BDC to reach consensus on a SISP;
  - (c) Incentivize certain employees via the Further KERP to remain at NAFA for the benefit of stakeholders; and




- (d) Continue to realize proceeds from the Saga Arrangement and realize proceeds from pelts delivered by KF and AME to allow the Applicants to continue to repay the Syndicate Debt.

All of which is respectfully submitted this 29<sup>th</sup> day of January, 2020.

**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>December Lawson Affidavit</b>	The Affidavit of Douglas Lawson sworn December 20, 2019
<b>Deloitte</b>	Deloitte Restructuring Inc.
<b>DIP Charge</b>	The charge granted by the Court pursuant to the Initial Order against the Applicants' Property as security for the DIP Financing
<b>DIP Fee</b>	A fee in the amount of 2% earned by the DIP Lender for providing the DIP Financing

<b>DIP Financing</b>	The interim financing in the maximum principal amount of \$5.0 million provided by the DIP Lender approved by the Court pursuant to the Initial Order
<b>DIP Lender</b>	Waygar Capital Inc.
<b>DIP Term Sheet</b>	The DIP Term Sheet dated October 31, 2019 between NAFA and the DIP Lender in respect of the DIP Financing approved by the Court pursuant to the Initial Order
<b>EDC</b>	Export Development Canada
<b>Financial Advisor</b>	Collectively, KPMG Inc. and KPMG Corporate Finance
<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>KERP</b>	Key employee retention program approved by the Court
<b>KERP Charge</b>	Charge in the amount of \$150,000 approved the Court on November 8, 2019
<b>Monitor</b>	Deloitte in its capacity as Court-appointed Monitor of the Applicants
<b>NAFA</b>	North American Fur Auctions Inc.
<b>NAFA Properties</b>	NAFA Properties Inc.
<b>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)

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

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

***ONTARIO***  
**SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

**THIRD REPORT OF THE MONITOR  
DATED JANUARY 29, 2020**

**MILLER THOMSON LLP**

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Lawyers for Deloitte Restructuring Inc., Proposed  
Monitor of the Applicants

**Appendix “D”  
Sleeth Fee Affidavit**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

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

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

(the “**Applicants**”)

**AFFIDAVIT OF JORDEN SLEETH  
(Sworn August 21, 2020)**

I, **Jorden Sleeth**, of the Town of Oakville, in the Province of Ontario, **MAKE OATH AND**

**SAY:**

1. I am a Senior Vice-President with Deloitte Restructuring Inc. (“**Deloitte**”) in its capacity as Court-appointed Monitor 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**”) and as such, have knowledge of the matters to hereinafter deposed to.
2. Attached hereto as **Exhibit “A”** is a schedule summarizing each invoice attached hereto in Exhibit “B”, the total billable hours charged per invoice, the total fees charged per invoice and the average hourly rate charged per invoice.
3. **Confidential Exhibit “B”**, filed with the Court separately, is a true copy of the invoices issued by Deloitte for fees and disbursements incurred in the course of the CCAA

Proceedings between October 23, 2019 and June 30, 2020. The total fees charged by Deloitte during that period were \$1,751,730, plus disbursements of \$26,004, administration fees of \$122,621, plus Harmonized Sales Tax (HST) in the amount of \$247,046 for a total of \$2,147,401. NAFA is seeking a sealing order in respect of Confidential Exhibit “B” as the detailed invoices contain confidential information, which, if disclosed, may affect future recoveries in these CCAA Proceedings.

4. Accordingly, I verily believe that the total fees, disbursements, administration fees and HST as at the date of the within motion are \$2,147,401.
5. Attached hereto as **Exhibit “C”** is a schedule summarizing the respective billing rates of each of the representatives at Deloitte who acted during the proceedings.
6. To the best of my knowledge, the rates charged by Deloitte throughout the course of this proceeding are comparable to those charged by other firms in Toronto for the provision of similar services.
7. The hourly billing rates outlined in Exhibit “C” to this affidavit are comparable to the hourly rates charged by Deloitte for services rendered in similar proceedings.

8. I make the affidavit in support of a motion by the Applicants for, among other things, approval of the fees and disbursements of the Monitor and its counsel.

**SWORN BEFORE ME** via video-conference

This 21<sup>st</sup> day of August, 2020.



---

JORDEN SLEETH

---

A Commissioner for taking Affidavits (*or as may be*)

**Note:** This affidavit was commissioned via simultaneous video-conference in accordance with the *Commissioners for taking Affidavits Act*, R.S.O. 1990, CHAPTER C.17, and the Law Society of Ontario: COVID-19 Response Statement interpretation of that Act, under which (i) the identity of the deponent was confirmed from government issued identification, (ii) the commissioner administered the oath or affirmation, (iii) the deponent affixed their electronic signature to the affidavit and transmitted the full electronic affidavit, as sworn or affirmed, including exhibits to the commissioner, (iv) the deponent confirmed their electronic signature to the commissioner, (v) the commissioner affixed their electronic signature to the affidavit including exhibits.



This is Exhibit "A" referred to in the Affidavit of Jordan Sleeth  
sworn August 21, 2020



---

*Commissioner for Taking Affidavits (or as may be)*

**Exhibit "A"**

**In the matter of the CCAA restructuring of North American Fur Auctions Inc. et al.  
 Summary of the fees of Deloitte Restructuring Inc., in its capacity as CCAA Monitor  
 As at June 30, 2020**

<b>Monitor Fees</b>										
<b>Invoice #</b>	<b>Period</b>		<b>Hours</b>	<b>Fees</b>	<b>Average Rate/Hr</b>	<b>Disbursements</b>	<b>Admin</b>	<b>Subtotal</b>	<b>HST</b>	<b>Total</b>
	<b>Start</b>	<b>End</b>								
8000885604	23-Oct-19	16-Nov-19	508.9	\$ 267,000	\$ 525	\$ 3,982	\$ 18,690	\$ 289,672	\$ 37,657	\$ 327,329
8000997008	16-Nov-19	11-Jan-20	966.2	\$ 452,900	\$ 469	\$ 4,363	\$ 31,703	\$ 488,966	\$ 63,566	\$ 552,531
8001096946	12-Jan-20	31-Jan-20	605.4	\$ 307,895	\$ 509	\$ 8,671	\$ 21,553	\$ 338,118	\$ 43,955	\$ 382,074
8001136122	1-Feb-20	29-Feb-20	426.5	\$ 174,495	\$ 409	\$ 4,452	\$ 12,215	\$ 191,162	\$ 24,851	\$ 216,013
8001136125	1-Mar-20	29-Mar-20	452.4	\$ 194,260	\$ 429	\$ 3,222	\$ 13,598	\$ 211,080	\$ 27,440	\$ 238,520
8001170525	1-Apr-20	1-May-20	327.9	\$ 162,560	\$ 496	\$ -	\$ 11,379	\$ 173,939	\$ 22,612	\$ 196,551
8001240537	2-May-20	31-May-20	174.9	\$ 82,620	\$ 472	\$ 77	\$ 5,783	\$ 88,480	\$ 11,502	\$ 99,982
8001288945	1-Jun-20	30-Jun-20	220.6	\$ 110,000	\$ 499	\$ 1,238	\$ 7,700	\$ 118,938	\$ 15,462	\$ 134,400
<b>Total</b>			<b>3,682.8</b>	<b>\$ 1,751,730</b>	<b>\$ 476</b>	<b>\$ 26,004</b>	<b>\$ 122,621</b>	<b>\$ 1,900,355</b>	<b>\$ 247,046</b>	<b>\$ 2,147,401</b>

**THIS IS CONFIDENTIAL EXHIBIT "B" FILED  
SEPARATELY AND SUBJECT TO SEALING ORDER**

This is Exhibit "C" referred to in the Affidavit of Jordan Sleeth  
sworn August 21, 2020



---

*Commissioner for Taking Affidavits (or as may be)*

## Exhibit "C"

**In the matter of the CCAA restructuring of North American Fur Auctions Inc. et al.**  
**Billing rates**  
**As at June 30, 2020**

Monitor Fees			
Name	Level		Rate
Phil Reynolds	Partner	\$	750
Jorden Sleeth	Partner	\$	750
Bessy Triantafyllos	Partner	\$	750
Todd Ambachtsheer	Senior Manager	\$	600
Wendy Shum	Senior Manager	\$	600
James Foran	Senior Manager	\$	600
Soo Won (John) Youn	Manager	\$	400
Kurt Macleod	Manager	\$	400
Kyle Dans	Senior Associate	\$	250
Krista Borzellino	Senior Associate	\$	250
Ashley Keene	Associate	\$	200
Rose Brown	Associate	\$	200
Parth Gala	Associate	\$	200
Piyushi, Jain	Associate	\$	200
Vama, Patel	Associate	\$	200

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

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

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

**ONTARIO  
SUPERIOR COURT OF JUSTICE -  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**AFFIDAVIT OF JORDEN SLEETH  
(Sworn August 21, 2020)**

**MILLER THOMSON LLP**

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Lawyers for Deloitte Restructuring Inc, Monitor  
of the Applicants.

**Appendix “E”  
Iqbal Affidavit**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

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

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

(the “**Applicants**”)

**AFFIDAVIT OF ASIM IQBAL  
(Sworn August 21, 2020)**

I, Asim Iqbal, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND  
SAY:**

1. I am an associate with Miller Thomson LLP (“**MT**”), in its capacity as counsel for the Court-appointed Monitor, Deloitte Restructuring Inc. (the “**Monitor**”), 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**”) and as such, have knowledge of the matters to hereinafter deposed to.
2. Attached hereto as **Exhibit “A”** is a schedule summarizing each invoice in Exhibit “B”, the total billable hours charged per invoice, the total fees charged per invoice and the average hourly rate charged per invoice.
3. **Confidential Exhibit “B”**, filed with the Court separately, is a true copy of the invoices issued by MT to the Monitor for fees and disbursements incurred in the course of the CCAA Proceedings between October 24, 2019 and June 30, 2020. The total fees charged

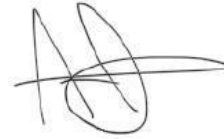


by MT during that period were \$670,512.50 plus disbursements of \$3,374.16 plus Harmonized Sales Tax (HST) in the amount of \$87,458.37 for a total of \$761,345.03. NAFA is seeking a sealing order in respect of Confidential Exhibit “B” as the detailed invoices contain confidential information which, if disclosed, may impact future recoveries in these CCAA Proceedings.

4. Accordingly, I verily believe that the total fees, disbursements and HST as at the date of the within motion are \$761,345.03.
5. Attached hereto as **Exhibit “C”** is a schedule summarizing the respective years of call and billing rates of each of the lawyers at MT who acted for the Monitor.
6. To the best of my knowledge, the rates charged by MT throughout the course of these proceedings are comparable to those charged by other firms in Toronto for the provision of similar services.
7. The hourly billing rates outlined in Exhibit “C” to this affidavit are comparable to the hourly rates charged by MT for services rendered in similar proceedings.

8. I make the affidavit in support of a motion by the Applicants for, among other things, approval of the fees and disbursements of the Monitor and its counsel.

**SWORN BEFORE ME** via video-conference this  
21<sup>st</sup> day of August, 2020.



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ASIM IQBAL

A Commissioner for taking Affidavits (*or as may be*)

**Note:** This affidavit was commissioned via simultaneous video-conference in accordance with the *Commissioners for taking Affidavits Act*, R.S.O. 1990, CHAPTER C.17, and the Law Society of Ontario: COVID-19 Response Statement interpretation of that Act, under which (i) the identity of the deponent was confirmed from government issued identification, (ii) the commissioner administered the oath or affirmation, (iii) the deponent affixed their electronic signature to the affidavit and transmitted the full electronic affidavit, as sworn or affirmed, including exhibits to the commissioner, (iv) the deponent confirmed their electronic signature to the commissioner, (v) the commissioner affixed their electronic signature to the affidavit including exhibits.

This is Exhibit "A" referred to in the Affidavit of Asim Iqbal sworn August 21, 2020



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*Commissioner for Taking Affidavits (or as may be)*

## EXHIBIT "A"

### SUMMARY OF FEES FOR THE PERIOD OCTOBER 24, 2019 TO JUNE 30, 2020

Invoice No.	Fees	Disbursements	HST	Hours	Average Hourly Rate	Total
3422428	\$191,927.00	\$2,306.16	\$25,227.95	334.50	\$395.00	\$219,461.11
3424280	\$55,516.00	\$129.00	\$7,230.86	101.50	\$546.96	\$62,875.86
3458319	\$144,320.00	\$939.00	\$18,762.12	226.30	\$637.74	\$164,021.12
3472439	\$126,228.50	\$0.00	\$16,409.71	184.90	\$682.69	\$142,638.21
3480792	\$67,436.00	\$0.00	\$8,766.68	94.30	\$715.12	\$76,202.68
3491823	\$45,775.00	\$0.00	\$5,950.75	63.60	\$719.73	\$51,725.75
3503824	\$39,310.00	\$0.00	\$5,110.30	53.00	\$741.70	\$44,420.30
	<b>\$670,512.50</b>	<b>\$3,374.16</b>	<b>\$87,458.37</b>	<b>1058.1</b>		<b>\$761,345.03</b>

**THIS IS CONFIDENTIAL EXHIBIT "B" FILED  
SEPARATELY AND SUBJECT TO SEALING ORDER**

This is Exhibit "C" referred to in the Affidavit of Asim Iqbal sworn August 21, 2020



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*Commissioner for Taking Affidavits (or as may be)*

## EXHIBIT “C”

### BILLING RATES OF DELOITTE RESTRUCTURING INC. FOR THE PERIOD OCTOBER 24, 2019 to JUNE 30, 2020

<b>TIMEKEEPER</b>	<b>HOURLY RATE</b>	<b>YEAR OF CALL</b>
Michael Wren	840.00	1983
Kyla Mahar	750.00	2001
Gregory Azeff	700.00	2002
Karen Durell	650.00	2008
Erin Craddock	525.00	2012
Asim Iqbal	450.00	2012
Tamie Dolny	310.00	2019
Eduard Popov	305.00	2018
Jessie Chau	265.00	Para
Stephanie Tassopoulos	210.00	Articling Student
Katrina Kairys	210.00	Articling Student
Honor Lay	210.00	Articling Student
Alina Stoica	200.00	Paraprofessional
Mark Emmanuel	180.00	Paraprofessional
Solutions Corp. Services	145.000	MT Clerk
Myles Hunsberger	125.00	Paraprofessional

**THIS IS CONFIDENTIAL APPENDIX "1" FILED  
SEPARATELY AND SUBJECT TO SEALING ORDER**



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

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

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

**ONTARIO  
SUPERIOR COURT OF JUSTICE -  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**AFFIDAVIT OF ASIM IQBAL  
(Sworn August 21, 2020)**

**MILLER THOMSON LLP**

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Lawyers for Deloitte Restructuring Inc, Monitor  
of the Applicants.

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

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

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

**ONTARIO  
SUPERIOR COURT OF JUSTICE -  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**FOURTH REPORT OF  
THE MONITOR  
(AUGUST 24, 2020)**

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of the Applicants.