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Form 27
[Rules 6.3 and 10.52(1)]

Clerk's stamp

JUDICIAL CENTRE OF CALGARY
FILED
Feb 28, 2023
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by Email
CLERK OF THE COURT

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March 2, 2023

ENTERED

COURT FILE NUMBER	2201-08920
COURT	COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
	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 LAMB COMPANY LTD., CANADA SHEEP AND LAMB FARMS LTD., CANADA SHEEP HOLDINGS LTD., LAMB CLUB MARKETING LIMITED, CANADA LAMB GROWERS LTD., CANADA LAMB PROCESSORS LTD. and CANINE FAIR LTD.
PARTY FILING THIS DOCUMENT	ERNST & YOUNG INC., IN ITS CAPACITY AS COURT-APPOINTED MONITOR OF THE DEBTOR COMPANIES
DOCUMENT	**APPLICATION** **Re: Stay Extension**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Norton Rose Fulbright Canada LLP 400 3rd Avenue SW, Suite 3700 Calgary, Alberta T2P 4H2 CANADA Howard A. Gorman, K.C. / Meghan L. Parker howard.gorman@nortonrosefulbright.com meghan.parker@nortonrosefulbright.com Tel: +1 403.267.8222 Fax: +1 403.264.5973 Lawyers for the Monitor, Ernst & Young Inc. File no.: 1001221818

NOTICE TO RESPONDENTS

This application is made against you. You are a respondent. You have the right to state your side of this matter before the judge.

CAN_DMS: \150471034

To do so, you must be in Court when the application is heard as shown below:	
Date:	March 2, 2023
Time:	10:00 A.M.
Where:	Edmonton, Alberta (via Webex)
Before Whom:	The Honourable Justice Fagnan

Go to the end of this document to see what else you can do and when you must do it.

Remedy claimed or sought:

1 The Applicant, Ernst & Young Inc., in its capacity as Court-appointed Monitor (the **Monitor**) of North American Lamb Company Ltd. (**NALCO**) and its subsidiaries, Canada Sheep and Lamb Farms Ltd., Canada Sheep Holdings Ltd., Lamb Club Marketing Limited, Canada Lamb Growers Ltd., Canada Lamb Processors Ltd., and Canine Fare Ltd. (collectively, the **Debtor Companies** or the **NALCO Group**), seeks an order under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the **CCAA**), extending the stay of proceedings through to May 27, 2023.[1] The proposed form of Order is attached hereto as Schedule "A".

Grounds for making this application:

2 On August 8, 2022, the Debtor Companies were granted protection and permission to commence proceedings under the CCAA pursuant to an Order of this Honourable Court (the **Initial Order**). Among other things, the Initial Order appointed the Applicant as Monitor and established an initial stay of proceedings in favour of the Debtor Companies from August 8, 2022 until August 18, 2022. The Monitor was also granted enhanced powers, which included the ability to, among other things:

(a) exercise such rights, powers and obligations of the Debtor Companies as the Monitor deems necessary or advisable;

[1] Capitalized terms used in this Application, and not otherwise defined, take their meaning from the Third Report of the Monitor.

(b) exercise any power which may be properly exercised by an officer or the board of directors of the Debtor Companies;

(c) take any steps in order to direct or cause the Debtor Companies to exercise any rights or fulfill any of their duties under the Initial Order;

(d) take any and all steps in order to direct or cause the Debtor Companies to manage the business, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, cease to perform any contracts of the Debtor Companies and/or disclaim any leases on behalf of the Debtor Companies;

(e) take any and all steps in order to direct or cause the Debtor Companies to administer their property or to perform such other functions or duties as the Monitor considers necessary or desirable;

(f) execute, assign, issue, and endorse documents of whatever nature in respect of the Debtor Companies' property and/or the business in the name and on behalf of the Debtor Companies;

(g) cause the Debtor Companies to retain the service of any person as an employee, consultant, or other similar capacity; and

(h) prepare, negotiate, and file with this Court a Plan in respect of the Debtor Companies to ensure that they could continue to operate during the course of the CCAA proceedings and to ensure that a restructuring could be pursued.

3 Following the issuance of the Initial Order and a temporary stay of proceedings, the Monitor made a further application to the Court seeking various relief on the Debtor Companies'

behalf, which included requests to make certain amendments to the Initial Order as well as a request to have the Court authorize a sales process for the sale of certain Debtor Companies' assets.

4 On August 17, 2022, this Court granted a series of further Orders, including an Amended and Restated Initial Order, which, among other things,

(a) extended the Stay Period up to and including December 9, 2022;

(b) increased the Interim Lender Facility and the Interim Lender's Charge;

(c) granted a charge on certain property subject to the Sale and Investment Solicitation Process (**SISP**) as security for the fees and expenses payable to the Selling Agent; and

(d) removed the obligation of the Monitor to seek Court approval prior to the Debtor Companies completing a transaction in respect of livestock, meat from processed livestock, and livestock feed (the **Livestock Assets**) to a third party, provided the Monitor take into account certain considerations provided for in the Amended and Restated Initial Order.

5 The Court also granted a SISP Order in relation to the sale of any and all property and business of the Debtor Companies that does not comprise the Livestock Assets. The SISP Order also included provisions:

(a) approving of the engagement letter (the **Engagement Letter**) with the Selling Agent, and approving of the Monitor's entry into the Engagement Letter;

(b) approving the engagement of the Selling Agent on the terms of the Engagement Letter;

(c) approving of the fees and expenses payable to the Selling Agent as contained in the Engagement Letter;

(d) declaring that the Selling Agent shall incur no liability or obligation as a result of its engagement or the carrying out of its mandate under the Engagement Letter, save and except for gross negligence or willful misconduct on its part; and

(e) approving of the Procedures for the SISP, attached as Schedule "A" to the SISP Order.

6 Following the granting of the Amended and Restated Initial Order and the SISP Order, the Monitor worked with the Selling Agent to run the process in accordance with the procedures attached to the SISP Order. In the result, the Monitor, in consultation with the Selling Agent and key stakeholders of the Debtor Companies, entered into six separate purchase and sale agreements (**PSAs**) for properties located in Alberta and Manitoba.

7 On December 6, 2022, this Honourable Court issued:

(a) an extension of the Stay of Proceedings until March 4, 2023;

(b) Sale Approval and Vesting Orders in respect of the following PSAs:

(i) WestFine Meats Inc. and West Excelamb Inc. (the **West Group**) for the purchase of the Processing Plant and the Iron Springs Property. A single PSA was negotiated with the West Group for the purchase of both properties;

(ii) ABAS Girls Ranch Ltd. (**ABAS**) for the purchase of the Lundar Property, the Rockwood Property, and the Stony Property. Three separate PSAs were negotiated with ABAS, one for each of the properties;

(iii) Sheldon Harms ("**Harms**") for the purchase of select portions of the Sarto Property. The PSA negotiated with Harms would result in a carveout of the Sarto Property such that a central land parcel would be transferred to Harms; and

(iv) 2 Flag Farms Ltd. ("**2Flag**") for the purchase of select portions of the Sarto Property. The PSA negotiated with 2Flag would result in a carveout of the Sarto Property such that the outer land parcels and buildings would be transferred to 2Flag;

(c) Sealing Order with respect to the Confidential Supplement to the Second Report of the Monitor; and

(d) Interim Distribution Order, authorizing the Monitor to make Interim Distributions to the Senior Secured Lenders.

Activities of the Monitor Since Filing the Second Report

8 Since the filing of the Second Report, the Debtor Companies have worked diligently, in good faith, and in close connection with the Monitor and key stakeholders to advance the within proceedings. Among other things, the following activities have been undertaken by the Monitor and the Debtor Companies:

(a) following the issuance of and in accordance with the December 6, 2022 Sale Approval and Vesting Orders, working with the various purchasers of the Debtor Companies' properties to close the PSAs, as follows:

(i) West Group for the purchase of the Processing Plant and the Iron Springs Property, closed January 27, 2023;

(ii) ABAS for the purchase of the Lundar Property, the Rockwood Property, and the Stony Property. Three separate PSAs were negotiated with ABAS, one for each of the properties; All PSAs closed December 16, 2022;

(iii) Harms for the purchase of select portions of the Sarto Property, closed January 6, 2023;

(iv) 2Flag for the purchase of select portions of the Sarto Property, closed December 22, 2022;

(b) based on the interim net proceeds of these CCAA Proceedings, and with the approval and agreement from the Senior Secured Lenders and consistent with the Interim Distribution Order, making interim distributions to Farm Credit Canada ($10,500,000.00); and Bank of Nova Scotia ($6,725,000.00);

(c) monitoring the Debtor Companies' operations and financial affairs and, due to the departure of the NALCO Group's financial controller, establishing enhanced financial controls over disbursements;

(d) assisting the Debtor Companies with the preparation of weekly (a) forecast-to-actual variance reports (which compare actual financial performance of the Company relative to prepared forecasts), (b) livestock movement schedules, and (c) revised cash flow statements;

(e) coordinating the sale of Livestock Assets to third party purchasers, which included a bulk sale of feeder lambs to Montpak International;

(f) amending the West Group PSA to include an adjustment to the purchase price based on the calculated inventory adjustment;

(g) entering into lease assumption with consideration agreements with various parties for the purpose of extracting additional value of the NALCO Group leases;

(h) assisting the Debtor Companies with the wind down of all farming and plant operations in Manitoba and Alberta;

(i) compiling information and responding to various inquires from workers' compensation boards and pension providers;

(j) coordinating with operations and human resources staff to address and respond to all aspects of human resource management, including hiring staff, including temporary foreign workers, terminating staff, assisting with workplace investigations, preparation of government forms etc.;

(k) working with the Debtor Companies' existing insurers to ensure continued post filing insurance coverage and cancelation of the same upon closing the PSAs;

(l) communicating with and terminating all NALCO Group employees including preparing of records of employment, T4s and final payroll;

(m) providing information and notification to the employee pension and payroll provider, and entering into a vacation accrual agreement with the West Group to facilitate the transfer of employee vacation accruals;

(n) developing a revised cash flow, i.e., Cash Flow Statement #4, which is attached as Appendix "A" to the Third Report, in consultation with the NALCO Group's operations and finance departments;

(o) participating in discussions with certain large creditors and suppliers of the NALCO Group to ensure continuity of supplies and services during the course of the CCAA proceedings;

(p) updating and providing information to Bank of Nova Scotia and Farm Credit Canada, the senior secured lenders of the NALCO Group (together the **Senior Secured Lenders**) with respect to the status of the CCAA proceedings generally, the SISP, and other matters of interest; and

(q) working with the Senior Secured Lenders to reach an agreement as to a final allocation of the net proceeds from the CCAA proceedings, which is ongoing.

9 As indicated in the Third Report of the Monitor, the Debtor Companies are working in good faith and with due diligence in these proceedings. It is appropriate in the circumstances and in the best interests of the Debtor Companies and their stakeholders that the Stay Period be extended. The extension of the Stay Period as requested is supported by Cash Flow Statement #4 and will allow sufficient time for the Monitor to fully wind down the NALCO Group's operations, address any outstanding amounts owing from the Debtor Companies, coordinate with the Senior Secured Lenders and other stakeholders on residual CCAA matters, and analyze final distributions, if any, to be made to creditors.

Material or evidence to be relied on:

10 The First, Second and Third Reports of the Monitor.

Applicable Acts and Regulations:

11 *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

12 *Rules of Court*, Alta Reg 124/2010.

13 Such further and other acts and regulations as counsel may advise and this Honourable Court may permit.

Any irregularity claimed or objection relied upon:

14 None.

How the application is proposed to be heard or considered:

15 Before the Honourable Justice Fagnan on the Edmonton Commercial List via Webex, or so soon thereafter as the Court may permit.

AFFIDAVIT EVIDENCE IS REQUIRED IF YOU WISH TO OBJECT

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to give evidence in response to the application, you must reply by filing an affidavit or other evidence with the Court and serving a copy of that affidavit or other evidence on the applicant(s) a reasonable time before the application is to be heard or considered.

Schedule “A” : Proposed Form of Order

COURT FILE NUMBER	2201-08920	Clerk's stamp
COURT	COURT OF KING'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
	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 LAMB COMPANY LTD., CANADA SHEEP AND LAMB FARMS LTD., CANADA SHEEP HOLDINGS LTD., LAMB CLUB MARKETING LIMITED, CANADA LAMB GROWERS LTD., CANADA LAMB PROCESSORS LTD. and CANINE FAIR LTD.	
DOCUMENT	**ORDER** **Re: Stay Extension**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Norton Rose Fulbright Canada LLP 400 3rd Avenue SW, Suite 3700 Calgary, Alberta T2P 4H2 CANADA Howard A. Gorman, K.C. / Meghan L. Parker howard.gorman@nortonrosefulbright.com meghan.parker@nortonrosefulbright.com Tel: +1 403.267.8222 Fax: +1 403.264.5973 Lawyers for the Monitor File no.: 1001221818	

DATE ON WHICH ORDER WAS PRONOUNCED: MARCH 2, 2023

LOCATION OF HEARING: EDMONTON, ALBERTA (VIA WEBEX)

NAME OF JUSTICE WHO MADE THIS ORDER: HONOURABLE JUSTICE FAGNAN

UPON the application of Ernst & Young Inc., in its capacity as Court-appointed Monitor (the **Monitor**) of North American Lamb Company Ltd., Canada Sheep and Lamb Farms Ltd., Canada Sheep Holdings Ltd., Lamb Club Marketing Limited, Canada Lamb Growers Ltd., Canada Lamb Processors Ltd., and Canine Fair Ltd. (the **Debtors**);

AND UPON having read the Initial Order granted by the Honourable Justice K.M. Horner on August 8, 2022, as amended and restated by the Order of the Honourable Justice R.A. Neufeld, dated August 17, 2022; **AND UPON** having read the Third Report of the Monitor, filed; **AND UPON** having heard submissions from counsel for the Monitor, and any other party that may be present;

IT IS HEREBY ORDERED AND DECLARED THAT:

1 Service of notice of this application and supporting materials is hereby declared to be good and sufficient, and no other person is required to have been served with notice of this application, and time for service of this application is abridged to that actually given.

2 The Stay Period as ordered and defined in paragraph 13 of the Initial Order granted herein on August 8, 2022, as amended and restated by Amended and Restated Initial Order granted on August 17, 2022, is hereby extended to and including May 27, 2023.

3 This Order shall be posted by the Monitor to www.ey.com/ca/nalco, and served by the Monitor on the service list maintained by the Monitor and on those who otherwise are reasonably known by the Monitor to be affected by this Order. Service may be effected by facsimile, electronic mail, personal delivery or courier.

Justice of the Court of King's Bench of Alberta