

**Court File No. 31-2675583  
Estate File No. 31-2675583**

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

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF  
CONFORTI HOLDINGS LIMITED**

**FIRST REPORT OF CROWE SOBERMAN INC. IN ITS CAPACITY AS PROPOSAL  
TRUSTEE UNDER THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF  
CONFORTI HOLDINGS LIMITED**

**October 23, 2020**

## TABLE OF CONTENTS

I. TERMS OF REFERENCE.....	2
II. GENERAL BACKGROUND INFORMATION OF THE COMPANY.....	2
III. THE NOI PROCEEDINGS.....	5
IV. COURT ORDERED CHARGES.....	7
V. EXTENSION OF THE STAY PERIOD TO DECEMBER 14, 2020.....	8
VI. CONCLUSION AND RECOMMENDATIONS.....	11

## APPENDICES

APPENDIX "A"- CERTIFICATE OF FILING THE NOTICE TO MAKE A PROPOSAL

APPENDIX "B"- 2019 FINANCIAL STATEMENTS

APPENDIX "C"- DIP TERM SHEET

APPENDIX "D"- CASH FLOW PROJECTIONS

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FIRST REPORT OF CROWE SOBERMAN INC. IN ITS CAPACITY AS PROPOSAL  
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CONFORTI HOLDINGS LIMITED

October 23, 2020

1. This report (the “**First Report**”) is filed by Crowe Soberman Inc. (“**Crowe**”) in its capacity as proposal trustee (the “**Proposal Trustee**”), in connection with the Notice of Intention to Make a Proposal (“**NOI**”) filed by Conforti Holdings Limited (“the “**Company**”).
2. On September 28<sup>th</sup>, 2020 (the “**Filing Date**”), the Company filed an NOI and Crowe was appointed as Proposal Trustee. A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy for the Company is attached hereto as **Appendix “A”**.
3. The purpose of this First Report is to provide the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) with information pertaining to the following:
  - a. a limited summary of certain background information about the Company;
  - b. the recent challenges experienced by the Company as a result of the COVID-19 Pandemic;
  - c. the Company’s planned restructuring steps to be undertaken during these proceedings;
  - d. the proposed charges (the “**Charges**”) sought by the Company; and

- e. the Company's request for an extension of the stay initiated on the Filing Date (the "**Stay Period**") to December 14, 2020.

## **I. TERMS OF REFERENCE**

- 4. Unless otherwise noted, all monetary amounts contained in this First Report are expressed in Canadian dollars.
- 5. In preparing this First Report, the Proposal Trustee has relied upon certain unaudited internal financial information prepared by the Company's representatives, the Company's books and records and discussions with their management and employees (collectively, the "**Information**"). The Proposal Trustee has not performed an audit or other verification of the Information in a manner that would comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountant of Canada Handbook (the "**CPA Handbook**") and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

## **II. GENERAL BACKGROUND INFORMATION ON THE COMPANY**

- 6. The Company is a privately held corporation that, as at the date of the NOI filing, operated 52 beauty salons under 10 different trade names in Southern Ontario. The Proposal Trustee understands that the business was started by Antonio Conforti in 1977 and has been a family owned operated business for more than 44 years.
- 7. As per the Corporation Profile Report, the Company amalgamated with a number of its subsidiaries under the *Ontario Business Corporations Act* with effect as at April 1, 2015. The directors of the Company are Antonio Conforti and Sylvia Conforti. The Company's head office is located at 7755 Warden Avenue, Unit 2, Markham, Ontario (the "**Head Office**"). The Head Office is owned by the Company.

## **Overview of Operations**

8. The Company's salons are located in rental units in shopping malls and commercial office buildings across Southern Ontario. As well, there is a location in Collingwood Ontario in an outdoor shopping plaza.
9. We have been advised by the Company that it has more than 600 employees and 400 independent contractors working at the Head Office and salons as stylists, estheticians, and front desk personnel.

## **The Company's Financial Position**

10. Sales revenue has been declining in the previous two fiscal years (\$60.5 million in fiscal 2017; \$58.9 million in fiscal 2018; and \$55.8 million in fiscal 2019). Gross profit has remained consistent at approximately \$35 million for the fiscal years 2017 to 2019. Income from operations has declined in the previous two fiscal years as there have been significant losses from operations (gain of \$186,942 in fiscal 2017; loss of \$1,367,864 in fiscal 2018; and loss of \$2,156,240 in fiscal 2019).
11. The Proposal Trustee has been advised that the financial statements for the fiscal year 2020 were not yet complete as at the date of this report.
12. The Company's financial statements for the fiscal year ending March 31, 2019 were issued by Steve Pethakas Professional Corporation, CPA, CA. A copy of the Financial Statements is attached hereto as **Appendix "B"**.

## **Causes of Insolvency**

13. As noted above, most of the Company's salons are located in shopping malls. Traffic in malls came to a halt on March 24, 2020, when the Province of Ontario shut down all non-essential workplaces, including shopping malls in order to limit the spread of COVID-19.
14. Due to the COVID-19 pandemic, shopping malls in Ontario remained closed for nearly three months until June 19, 2020, when most of the Province was allowed

to move to “Stage 2” of the Province’s re-opening plans. The City of Toronto and Peel Region, where 19 of the Company’s salons are located, did not re-open shopping malls until June 24, 2020.

15. Despite the fact that the salons were closed pursuant to the provincial government’s orders to limit the spread of COVID-19, and therefore were not earning any revenue, the Company’s landlords continued to charge the company rent for the closed salons. Although the salons have since re-opened, mall traffic and the salons’ revenue have not returned to pre-COVID-19 levels. The salons’ revenue has declined significantly. The decline in revenue can be attributed not only to decreased mall traffic, but also the social distancing protocols that the Company has implemented to comply with public health guidelines.
16. Additional details of the Company’s causes of insolvency are detailed in the affidavit of Antonio Conforti sworn October 21, 2020 in support of the Company’s October 26, 2020 motion (the “**Conforti Affidavit**”) and are, therefore, not repeated herein.

### **The Company’s Creditors**

17. As detailed in the Conforti Affidavit, the Company has a banking relationship with Royal Bank of Canada (“**RBC**”) and maintain their operating accounts at RBC. RBC had provided various credit facilities to the Company since 2015. The Proposal Trustee understands that indebtedness owing to RBC had been secured by a collateral charge against the Head Office (up to \$2.5 million) and a Personal Property Security Agreement (“**PPSA**”) over all of the Company’s assets.
18. Antonio Conforti, a principal of the Company, had personally guaranteed the Company’s indebtedness owing to RBC Pursuant to the Assignment of Debt & Security Agreement dated October 15, 2020 (the “**Assignment Agreement**”). Mr. Conforti acquired all of the indebtedness and security held by RBC, which was \$1,931,333.68 according to Schedule “B” of the Assignment Agreement. The Company advises that this was not done with company funds and was done with personal funds of Mr. Conforti.

19. In addition to RBC, the Toronto Dominion Bank (“TD”) has registered a security interest against the Company under the PPSA. We understand this relates to a letter of credit extended by TD in connection with an agreement between the Company and an American Company for the acquisition of salon supplies. Additionally, there are two registrations in connection with financing for vehicles.

20. The Company’s remaining creditors are unsecured and are owed approximately \$5.7 million. Unsecured creditors mainly consist of landlords and trade creditors.

### III. THE NOI PROCEEDINGS

21. Due to the financial challenges experienced by the Company, it has been unable to maintain its ongoing financial obligations to various creditors, such as the Company’s landlords.

22. One of the Company’s landlords, The Cadillac Fairview Corporation Limited (“**Cadillac Fairview**”) sent the Company a notice of default and demanded that the Company pay the landlord all outstanding rent (\$919,181.84) by September 28, 2020. If the Company did not pay all outstanding rent by that date, Cadillac Fairview advised the Company that it “may, without further notice” exercise its rights and remedies under the leases, including terminating the same. To avoid the closure of its Cadillac Fairview salon locations, and in recognition of the fact that other similar requests could be made by its other landlords, the Company engaged Crowe and it was determined that it is in the best interest of all stakeholders, for the Company to explore restructuring options, specifically, filing an NOI on September 28, 2020.

23. The Company requires the stay of proceedings afforded through these Proposal Proceedings to allow it an opportunity to restructure its business operations on a going-concern basis under the supervision of the Proposal Trustee, and in a manner that will maximize value for the benefit of the Company’s stakeholders.

## **The Company's Activities Since NOI was Filed**

24. Since the NOI was filed on September 28, 2020, the Company has been engaged in, among other things:

- i. working with the Proposal Trustee to prepare various cash flow projections;
- ii. assigning the obligation of the Company's indebtedness owing to RBC over to Antonio Conforti;
- iii. sending notices to various landlords regarding disclaiming the leases of certain unprofitable salon locations;
- iv. engaging in discussions/negotiations with various landlords regarding lease payments over the next 6 months;
- v. arranging for a potential DIP Loan to be provided to the Company to assist in funding ongoing operations and restructuring costs during these proposal proceedings; and
- vi. communicating with the Proposal Trustee and the Company's legal counsel on various matters in connection with the NOI Proceedings.

25. The Proposal Trustee understands that discussions have commenced between the Company and its landlords regarding possible restructuring options. Such discussions are limited for the time being by the fact that the federal government is switching its programs for commercial rent relief to a new one, the details of which are not fully known. Since the Company advises that it did not qualify for the prior program, the availability of any relief from the federal government and the terms of such relief may provide further factors and opportunities for a restructuring and a proposal that may be acceptable to creditors.

## **Dip Loan**

26. As per the Cash flow Projections, the Company needs additional financing to fund operations and restructuring costs during these proposal proceedings. An entity related to the Company (Mr. Conforti), is prepared to provide up to \$500,000 in funding to assist the Company with meeting its operational expenses, the proposal proceedings and its restructuring (the “**DIP Loan**”). The proposed DIP Loan is conditional upon court approval and the granting of the DIP Charge as a first-ranking charge on the Company’s property. The terms of the DIP Loan are outlined in the DIP Term Sheet which is attached hereto as **Appendix “C”**.

27. The Proposal Trustee has reviewed the DIP Term sheet and believes the terms are reasonable under the circumstances, as the rate of interest is lower than that of comparable DIP loans and there are no other commitment or administration fees.

28. The Company advises that subsequent to the filing of the Company’s Motion Record, its counsel was contacted by Linda Galessiere, who acts for several other landlords, to discuss the rate of interest proposed in the DIP Loan. After discussion, the Company and Mr. Conforti have agreed to set the interest rate at 8% instead. The Proposal Trustee’s view is that this rate of interest is at the lower end of what could likely be achieved in better conditions than those applying to the Company and is therefore reasonable in this case.

## **IV. COURT ORDERED CHARGES**

29. The Company’s Motion Record seeks an order granting, among other things, the following Charges against the Company’s property:

- i. a charge in favor of the DIP lender to a maximum amount of \$500,000 (the “**DIP Charge**”). The DIP Charge is proposed to rank first on the Company’s property;
- ii. a charge to a maximum amount of \$250,000, to secure the fees and disbursements of the Proposal Trustee, counsel to the Proposal Trustee

and counsel to the Company, in each case incurred in connection with services rendered to the Company before and after the commencement of these proposal proceedings (the “**Administration Charge**”). The Administration Charge is proposed to rank second on the Company’s property; and

- iii. a charge to a maximum amount of \$100,000, to indemnify the directors and officers for liabilities incurred by the Company that result in post-filing claims against the directors and officers in their personal capacities (the “**D&O Charge**”). The D & O Charge is proposed to rank third on the Company’s property.

30. The Proposal Trustee supports the proposed charges for the Company’s restructuring efforts. The DIP Charge will assist the Company to maintain its business as going concern while restructuring is undertaken. The Administration Charge is a normal facet of restructuring efforts and will permit the Company to fully utilize restructuring professionals to attempt to achieve the best result for the Company and its stakeholders. The D&O Charge will similarly ensure that the directors and officers of the Company are able to remain fully engaged with the restructuring efforts without fear of possible adverse consequences that may otherwise cause them to consider resignation.

31. Subsequent to service of the Company’s Motion Record, the Proposal Trustee discussed the relative ordering of the proposed charges with the Company. The Company now advises that the proposed ordering is (i) the Administration Charge, (ii) the DIP Charge, and (iii) the D&O Charge. The Proposal Trustee supports this revised ordering in these circumstances.

**V. EXTENSION OF THE STAY PERIOD TO DECEMBER 14, 2020**

32. The current stay of proceedings will expire on October 28, 2020. Accordingly, the Company is seeking a 45-day extension of time pursuant to Section 50.4(9) of the *Bankruptcy and Insolvency Act* to December 14, 2020 (the “**Stay Extension**”).

33. The Company with the assistance of the Proposal Trustee has prepared Cash Flow Projections. A copy of the Cash Flow Projections is attached hereto as **Appendix “D”**, and is summarized below.

**Conforti Holdings Limited  
Cash Flow Projections  
For the Period October 19 to January 11**

<b>Receipts</b>	<b>\$</b>
Gross Salons Revenue	4,417,758
A/R Collections	250,000
HST Refund	83,138
COVID-19 Federal Wage Subsidy	575,000
	A <u>5,325,896</u>
<b>Disbursements</b>	
Supplies & Personal Protective Equipment	736,753
Office and general	175,346
Rent	2,179,672
Professional Fees	186,000
Moving Costs	30,000
HST on Expenses	423,900
Wages	2,819,211
Variable Costs from additional revenue from closed stores	74,350
Bank Charges / Merchant Fees	66,266
Insurance	71,518
Mortgage	30,000
BE Management Fee	200,000
Owner Cash Collateral Reimbursement	100,000
Property Tax	20,486
	B <u>7,113,502</u>
Net inflow (outflow)	C=A-B <u>(1,787,606)</u>
Opening cash balance	D <u>238,209</u>
Ending cash balance	C+D <u>(1,549,397)</u>

34. Notwithstanding the negative ending cash balance, the Company advises that it plans to rely on the DIP Loan, negotiations with its landlords, and potential relief from the federal government (all of which were not reflected in the above cash flow projections) to fund both operating costs and the costs of these Proposal proceedings, for the duration of the Stay Extension, if granted. The Company further advises that if no or insufficient improvement in cash flow is obtained from such negotiations with landlords and/or relief from the federal program, then the Company will disclaim the affected location(s) in order to avoid the full extend of the existing projections. The Proposal Trustee supports this approach in these circumstances.

35. The Proposal Trustee supports the Company's request for the Stay Extension for the following reasons:

- a. More time is required for negotiations with the Company's landlords to figure out a plan for how the Company can meet its financial obligations throughout the COVID-19 Pandemic;
- b. The Company is acting in good faith and with due diligence;
- c. It is the Proposal Trustee's view that the Stay Extension will not materially prejudice any creditors; and
- d. While the relatively recent Filing Date has not afforded a great deal of time to engage in discussions with stakeholders, which has been complicated by the as yet unknown details of the proposed new federal commercial rent program, the Proposal Trustee believes that the Company is likely to be able to offer a viable proposal to its creditors.

## **VI. CONCLUSION AND RECOMMENDATIONS**

36. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honorable Court grant the Orders sought by the Company:

- a. approving the Charges; and
- b. approving the extension of the Stay Period to December 14, 2020.

All of which is respectfully submitted this 23<sup>rd</sup> day of October 2020.

**CROWE SOBERMAN INC.**

Trustee acting under a Notice of Intention to Make a Proposal of  
Conforti Holdings Limited

Per

Hans Rizarri, CIRP, LIT

# **Appendix “A”**



Industry Canada

## Office of the Superintendent of Bankruptcy Canada

Industrie Canada

## Bureau du surintendant des faillites Canada

District of Ontario  
Division No. 09 - Toronto  
Court No. 31-2675583  
Estate No. 31-2675583

In the Matter of the Notice of Intention to make a  
proposal of:

## **CONFORTI HOLDINGS LIMITED**

**CROWE SOBERMAN INC.**  
Licensed Insolvency Trustee

Date of the Notice of Intention: September 28, 2020

**CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL**  
**Subsection 50.4 (1)**

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforesigned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforesigned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: September 28, 2020, 13:23

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## E-File/Dépôt Electronique

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Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

## Canada

# **Appendix “B”**

Financial Statements Of  
**CONFORTI HOLDINGS**  
**LIMITED**

(UNAUDITED) - See Notice to Reader

For the Year Ended March 31, 2019

# **CONFORTI HOLDINGS LIMITED**

## **INDEX**

	Page(s)
Notice to Reader	1
Balance Sheet	2
Statement of Income	3
Statement of Retained Earnings	4
Statement of Cash Flows	5
Notes to Financial Statements	6, 7

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**NOTICE TO READER**

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On the basis of information provided by management, I have compiled the balance sheet of CONFORTI HOLDINGS LIMITED as at March 31, 2019 and the statements of income, retained earnings and cash flows for the year then ended.

I have not performed an audit or a review engagement in respect of these financial statements and, accordingly, I express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

**Steve Pethakas Professional Corporation, CPA, CA**

Toronto, Canada  
September 28, 2019

# CONFORTI HOLDINGS LIMITED

Balance Sheet (UNAUDITED - See Notice to Reader)

As at March 31, 2019

	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 2,157,971	\$ 1,275,413
Accounts receivable	1,533,590	1,432,055
Inventories	1,789,600	939,600
Prepaid expenses	20,550	20,550
Harmonized sales tax recoverable	40,226	38,147
	<hr/> 5,541,937	<hr/> 3,705,765
<b>Non-current</b>		
Loans receivable	155,147	105,597
Investments	176,568	176,568
	<hr/> 331,715	<hr/> 282,165
	<hr/> 5,873,652	<hr/> 3,987,930
<b>Capital assets (Note 3)</b>	<b>9,030,003</b>	8,840,145
	<hr/> \$ 14,903,655	<hr/> \$ 12,828,075
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Bank indebtedness	\$ 2,420,000	\$ 2,260,000
Accounts payable and accrued liabilities	4,731,360	3,270,916
Loan payable	100	100
Due to shareholders	3,373,379	1,092,750
	<hr/> Total Liabilities	<hr/> 6,623,766
<b>Shareholder's equity</b>		
Capital stock (Note 4)	370,779	370,779
Retained earnings	4,008,037	5,833,530
	<hr/> 4,378,816	<hr/> 6,204,309
	<hr/> \$ 14,903,655	<hr/> \$ 12,828,075

See accompanying notes to financial statements

On behalf of the Board:

\_\_\_\_\_  
Director

# CONFORTI HOLDINGS LIMITED

Statement of Income (UNAUDITED - See Notice to Reader)

For the Year Ended March 31, 2019

	2019	2018
<b>Revenue</b>		
Sales	\$ 55,754,524	\$ 58,933,522
Cost of Sales	20,319,506	23,550,210
<b>Gross Profit</b>	<b>35,435,018</b>	35,383,312
<b>Operating Expenses</b>		
Advertising and promotion	\$ 69,702	\$ 24,470
Amortization and depreciation	1,072,678	1,264,089
Automobile	33,176	32,395
Credit card charges	425,439	350,785
Insurance	157,315	118,757
Interest & bank charges	362,411	298,816
Management salaries	206,450	266,900
Office and general	304,004	215,767
Professional fees	549,113	630,087
Occupancy costs	8,514,453	8,454,912
Repairs and maintenance	161,825	151,201
Salary and wages	15,204,390	14,997,487
Sub-contracts	9,587,663	8,970,970
Telephone	291,448	281,083
Linens	472,517	509,592
Utilities	178,674	183,865
<b>Income (Loss) from Operations</b>	<b>(2,156,240)</b>	(1,367,864)
<b>Other Income (Expenses)</b>		
Foreign exchange gain (loss)	\$ (3,856)	\$ (12,943)
Interest income	14,267	17,807
Miscellaneous income	194,291	542,567
Rental income	126,045	105,598
<b>Earnings (loss) before Income Taxes</b>	<b>\$ (1,825,493)</b>	\$ (714,835)
Provision for taxes		
current	-	-
<b>Net Income (Loss)</b>	<b>\$ (1,825,493)</b>	\$ (714,835)

See accompanying notes to financial statements

# CONFORTI HOLDINGS LIMITED

Statement of Retained Earnings (UNAUDITED - See Notice to Reader)

For the Year Ended March 31, 2019

	2019	2018
Retained earnings (deficit), beginning of year	\$ 5,833,530	\$ 6,548,365
Net income (loss) for the period	(1,825,493)	(714,835)
Dividends Paid	-	-
<b><u>Retained earnings (deficit), end of year</u></b>	<b><u>\$ 4,008,037</u></b>	<b><u>\$ 5,833,530</u></b>

*See accompanying notes to financial statements*

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# CONFORTI HOLDINGS LIMITED

Statement of Cash Flows (UNAUDITED - See Notice to Reader)

For the Year Ended March 31, 2019

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the year	\$ (1,825,493)	\$ (714,835)
Add (deduct) items not involving cash		
Amortization and depreciation	1,072,678	1,264,089
Decrease (increase) in accounts receivable	(101,535)	51,150
Decrease (increase) in other current assets	(852,079)	(337,010)
Increase (decrease) in accounts payable and accrued liabilities	1,460,444	(674,295)
<b>Cash provided by operating activities</b>	<b>\$ (245,985)</b>	<b>\$ (410,901)</b>
<b>INVESTING ACTIVITIES</b>		
Investment in capital assets	\$ (1,262,536)	\$ (3,369,000)
<b>Cash provided by (used in) investing activities</b>	<b>\$ (1,262,536)</b>	<b>\$ (3,369,000)</b>
<b>FINANCING ACTIVITIES</b>		
Decrease (Increase) in loans receivable	\$ (49,550)	\$ 449,329
Increase (decrease) in due to shareholder	2,280,629	553,592
Increase (decrease) in bank loan	160,000	960,000
<b>Cash provided by (used in) financing activities</b>	<b>\$ 2,391,079</b>	<b>\$ 1,962,921</b>
<b>Net increase (decrease) in cash during the year</b>	<b>882,558</b>	<b>(1,816,980)</b>
Cash, beginning of year	1,275,413	3,092,393
<b>Cash, end of year</b>	<b>\$ 2,157,971</b>	<b>\$ 1,275,413</b>
Interest & bank charges paid during year	362,411	298,816

*See accompanying notes to financial statements*

# CONFORTI HOLDINGS LIMITED

Notes to Financial Statements (UNAUDITED - See Notice to Reader)

For the Year Ended March 31, 2019

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## 1. STATUTES OF INCORPORATION

The company was incorporated under the Business Corporation Act - Ontario.

The company amalgamated with a number of its subsidiaries with effect as at April 1, 2015.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The Company depreciates its various assets as follows:

Building	6% on a declining balance basis
Computer equipment	30% on a declining balance basis
Furniture and fixture	20% on a declining balance basis
Revenue producing property	5% on a declining balance basis
Motor vehicles	30% on a declining balance basis
Signage	20% on a declining balance basis
Leasehold improvements	straight line over term of lease

Basis of presentation :

These financial statements are prepared for management and income tax purpose only. □

As these financial statements have not been prepared for general purposes, some users may require □ further information.

## 3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value
Building	2,600,608	1,323,424	1,277,184
Computer equipment	94,456	64,095	30,361
Computer software	741	741	-
Furniture and fixture	2,246,491	1,709,022	537,469
Leasehold improvements	11,978,263	9,082,339	2,895,924
Revenue producing property	2,408,415	731,468	1,676,947
Motor vehicles	856,877	764,950	91,927
Signage	11,970	11,970	-
Land	2,520,191	-	2,520,191
	22,718,012	13,688,009	9,030,003

# **CONFORTI HOLDINGS LIMITED**

Notes to Financial Statements (UNAUDITED - See Notice to Reader)

**For the Year Ended March 31, 2019**

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## **4. CAPITAL STOCK**

Capital stock consists of the following:

<b>Authorized</b>	Common shares	
Unlimited		
<b>Issued</b>		<b><u>2019</u></b>
100	Common shares	\$ 370,779
		\$ <u>370,779</u>

# **Appendix “C”**

## DIP FACILITY TERM SHEET

**Dated as of October 20, 2020**

Whereas Conforti Holdings Limited (the “**Borrower**”), a corporation formed under the laws of the Province of Ontario, has filed a Notice of Intention to Make a Proposal on September 28, 2020 (the “**Filing Date**”) under the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) (the “**NOI Proceedings**”).

And whereas the Borrower intends to seek relief under the BIA from the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) pursuant to an order (the “**Initial Order**”) to be sought at a hearing scheduled for October 26, 2020, providing for, among other things, approval of this Term Sheet, the granting of certain priority charges, the approval of the first report of the Proposal Trustee (as defined below), and an extension of the time to file a proposal under the BIA.

In connection with the NOI Proceedings, the Borrower has requested, and the Lender is prepared to offer to the Borrower the DIP Facility and provide interim financing to be used by the Borrower for the purposes and on the terms and conditions set out in this Term Sheet.

**Definitions:** Capitalized terms not otherwise defined herein shall have the meanings given to them on Schedule “A” hereto.

**Borrower:** Conforti Holdings Limited (the “**Borrower**”)

**Lender:** Antonio Conforti (the “**Lender**”)

**DIP Facility:** A revolving credit facility in favour of the Borrower (the “**DIP Facility**”) in the aggregate principal amount not to exceed \$500,000 (“**Maximum Amount**”), which will be available until the Maturity Date.

**Availability:** Subject to compliance with the terms hereof including satisfaction and performance of conditions precedent to Advances, the DIP Facility will be available upon the granting of the Initial Order.

**Purpose:** Advances under the DIP Facility (“**Advances**”) shall only be used in accordance with the cash flow forecast approved by the Proposal Trustee and the Lender and filed in the NOI Proceedings (the “**Cash Flow Forecast**”), for the following purposes:

(i) for working capital and general corporate purposes of the Borrower during the NOI Proceedings, all as provided in the Cash Flow Forecast; and

(ii) to fund the costs and professional fees incurred in connection with the NOI Proceedings in accordance with

the Cash Flow Forecast.

**Interest Rate:**

The Borrower shall pay the Lender interest (“**Interest**”) on all Obligations from time to time owing hereunder from the date such Obligation arises at the rate of **10%** per annum payable in cash monthly in arrears on the first (1<sup>st</sup>) Business Day of each calendar month until the Obligations have been indefeasibly been repaid in full.

For the purpose of the *Interest Act* (Canada), the yearly rate of interest applicable to amounts owing under the DIP Facility will be calculated on the basis of a 365-day year and actual days elapsed.

**Repayment and Maturity:**

The DIP Facility shall be repaid on the earlier of (such earlier date, the “**Maturity Date**”):

- (i) March 28, 2020 (or such later date as may be agreed to in writing by the Lender, in its sole discretion);
- (ii) the implementation of a proposal within the NOI Proceedings which has been approved by the Borrower’s creditors, the Court and the Lender;
- (iii) the date on which the Initial Order expires without being extended, supplemented, or restated, or on which the NOI Proceedings are terminated or dismissed; and
- (iv) the occurrence of an Event of Default.

The commitment in respect of the DIP Facility shall expire on the Maturity Date and all Advances and all other amounts outstanding under the DIP Facility and the DIP Credit Documentation (collectively, the “**Obligations**”) shall be repaid in full on the Maturity Date without the Lender being required to make demand upon the Borrower or to give notice that the DIP Facility has expired and the Obligations are due and payable, subject to any Order of the Court.

**Mandatory Repayments:**

1. Unless otherwise agreed by the Lender, the Borrower shall make the following mandatory prepayments of the outstanding principal amount of the Advances, if any, at the time of receipt of the net cash proceeds described below (subject in each case to payment or reserves for Court Ordered Charges, taxes and payment of Permitted Priority Liens):
  - (a) Prepayments in an amount equal to (i) 100% of the net cash proceeds received from the incurrence of indebtedness by the Borrower [or any of its affiliates] which, for greater certainty, may only be incurred with

the consent of the Lender, and (ii), 100% of the net cash proceeds received from the sale or issuance of any equity interests (as such term is used or defined in any applicable securities laws); and

- (b) Prepayments in an amount equal to 100% of the net cash proceeds from the receipt of any extraordinary income or receipts (including, without limitation, insurance proceeds (excluding business interruption, workers compensation or liability insurance), tax refunds and similar receipts outside of the ordinary course) by the Borrower [or any of its affiliates]; and
- (c) Prepayments in an amount equal to 100% of the net cash proceeds of any sale or other disposition by the Borrower [or any of its affiliates] of any of its assets other than inventory in the ordinary course of business.

2. All net cash proceeds payable to the Lender from any of the events described above shall be applied, except as otherwise agreed to by the Lender in writing, as follows:

- (a) firstly, to pay the professional fees and disbursements of the Proposal Trustee and Borrower's counsel up to a maximum amount of \$100,000;
- (b) secondly, to pay accrued and unpaid Interest on the Obligations under the DIP Facility; and
- (c) thirdly, to repay any principal amounts outstanding in respect of the DIP Facility.

Any repayment of principal hereunder may be re-borrowed pursuant to an Advance under the DIP Facility provided that (i) all conditions precedent to Advances have and continue to be satisfied at the time of the Advance request; (ii) no Event of Default or Pending Event of Default has occurred and is continuing; and (iii) at no time shall the Obligations outstanding under the DIP Facility exceed the Maximum Amount.

**Optional  
Prepayment:**

The DIP Facility may be repaid in whole or in part at any time without notice or penalty.

**DIP Security:**

All Obligations of the Borrower under or in connection with the DIP Facility and any of the DIP Credit Documentation shall be secured by a first ranking priority charge limited to the amount of \$500,000 pursuant to an Order of the Court over all assets, undertakings and property (including all present and after-acquired real and personal property) of the Borrower of any kind or nature whatsoever and wheresoever situate in favour of the

Lender in priority to all other assignments, trusts, security interests, pledges, hypothecs, liens, charges, mortgages and encumbrances whatsoever, statutory or otherwise, without the need for any further loan or security documentation or any filings or registrations in any public register or system (the “**Lender’s Charge**”).

The Obligations of the Borrower consisting of the professional fees and disbursements of the Proposal Trustee and Borrower’s counsel in connection with the NOI Proceedings and the DIP Facility shall be secured by a second ranking priority charge limited to the amount of \$250,000 pursuant to an Order of the Court over all assets, undertakings and property (including all present and after-acquired real and personal property) of the Borrower of any kind or nature whatsoever and wheresoever situate (the “**Administration Charge**”) without the need for any further loan or security documentation or any filings or registrations in any public register or system.

The obligations of the Borrower to indemnify its directors and officers for all claims, costs, charges and expenses incurred by them in their respective capacities as directors or officers of the Borrower, including without limitation, director’s claims for unremitted source deductions, Canada Pension Plan or employment insurance or other source deductions for income tax or amounts accrued in respect of employee wages and salaries accrued during or in connection with the NOI Proceedings (the “**D&O Liabilities**”) shall be secured by a third ranking priority charge limited to the aggregate amount of \$100,000 pursuant to an Order of the Court over all assets, undertakings and property (including all present and after-acquired real and personal property) of the Borrower of any kind or nature whatsoever and wheresoever situate (the “**D&O Charge**”) without the need for any further loan or security documentation or any filings or registrations in any public register or system.

The Lender’s Charge, Administration Charge and D&O Charge are collectively the “**Court Ordered Charges**”.

**Conditions Precedent to Advances:**

The Lender’s obligation to make any DIP Advance hereunder is subject to, and conditional upon, all of the following conditions precedent being satisfied at the time each such DIP Advance is requested by the Borrower to be made:

1. The Borrower shall have commenced the NOI Proceedings.
2. The Initial Order shall have been entered by the Court authorizing and approving the DIP Facility and granting the Court Ordered Charges, shall be in full force and effect, and

shall have not been stayed, reversed, vacated, rescinded, modified or amended in any respect materially adversely affecting the Lender, unless otherwise agreed by the Lender, in its sole discretion.

3. There shall not exist any continuing Event of Default or Pending Event of Default as hereinafter defined (including any Event of Default or Pending Event of Default that would result from making the DIP Advance).
4. Other than the NOI Proceedings and any other litigation proceedings pending as of September 28, 2020, there shall not exist in respect of the Borrower any action, suit, investigation, litigation or proceeding pending or threatened in any court or before any arbitrator or governmental authority which is not stayed.
5. The Borrower shall have complied and is complying in all material respects with all applicable laws, regulations and policies in relation to its business, except to the extent stayed or excused under applicable provisions of the BIA or any Order of the Court.
6. There shall be no Liens ranking ahead of the Lender's Charge, the Administrative Charge and the D&O Charge, respectively, except for Permitted Priority Liens arising by operation of law in the ordinary course of business without any contractual grant of security.
7. The Lender shall have approved the Cash Flow Forecast.
8. All amounts due and owing to the Lender at the time of an Advance shall have been paid or shall be paid from the requested Advance.
9. No event has occurred, or fact or circumstance exists in respect of the Borrower's operations, business, assets and undertaking that in the Lender's opinion, acting reasonably, would adversely affect the Lender's rights or interests.

**Affirmative  
Covenants:**

The Borrower covenants and agrees to do the following

1. Comply with the terms of the Orders of the Court, and any other Court orders issued in connection with the NOI Proceedings.
2. Allow the Lender and its financial advisor(s) (the "DIP Advisors") full access to the books and records of the Borrower on reasonable notice and during normal business hours and cause management thereof to fully co-operate with all reasonable requests of the DIP Advisors.

3. Provide to the Lender an oral or brief confidential written weekly status update and plan regarding the restructuring process and all material information and developments with respect to the activities and affairs of the Borrower (including any information pertaining to affiliates of the Borrower);
4. Use the proceeds of the DIP Facility only for the purposes set out herein.
5. Maintain all cash and cash equivalents, and deposit all proceeds of receivables of the Borrower in the Borrower's Accounts, unless otherwise agreed by the Lender.
6. Forthwith notify the Lender and DIP Advisors of the occurrence of any Event of Default or Pending Event of Default, or of any event or circumstance that may constitute a material adverse change from the Cash Flow Forecast.
7. Duly and punctually pay or cause to be paid to the Lender all principal and interest payable by it under this Term Sheet and any other DIP Credit Documentation on the dates, at the places and in the amounts and manner set forth therein.
8. Comply with all applicable laws, rules and regulations applicable to its business; and
9. Pay when due any Priority Payables or otherwise provide confirmation satisfactory to the Lender that payment arrangements satisfactory to the Lender have been made by the Borrower to pay all Priority Payables.

**Negative  
Covenants:**

The Borrower covenants and agrees, and covenants and agrees to cause its affiliates, not to do the following other than with the prior written consent of the Lender:

1. Transfer, lease or otherwise dispose of all or any part of its assets outside the ordinary course of business, except for sales of inventory in the ordinary course of business.
2. Except as permitted hereunder or under the Initial Order, make any payment, without the consent of the Lender, of any existing indebtedness existing as of the date of the Initial Order (the "**Pre-Filing Date**") or declare or pay any dividends or distributions of any kind except as contemplated by the Cash Flow Forecast.

3. Create or permit to exist indebtedness for borrowed money other than existing (Pre-Filing Date) debt and debt contemplated by this DIP Facility.
4. Enter into or amend any material transaction, agreement, contract, guarantee, or arrangement of any kind or nature outside the ordinary course of business, or make any payments, except for those transactions, agreements, contracts, arrangements or payments which are contemplated by the Cash Flow Forecast, as approved by the Lender.
5. Make any investments in or loans to or guarantee the debts or obligations of any other person or entity or permit any of its affiliates to do so.
6. Present, seek the approval of, or agree to any proposal without prior written consent of the Lender;
7. Create or permit to exist any Liens on any of its properties or assets other than the Court Ordered Charges and Permitted Priority Liens.
8. Amalgamate, consolidate with, or merge into, or enter into any similar transaction with any other entity.
9. Amend its articles or take any action to cause the dissolution of the Borrower.
10. Seek or obtain any Order of the Court that materially adversely affects the Lender, except with the prior written consent of the Lender.

**Events of Default:**

The occurrence of any one or more of the following events shall constitute an event of default ("Event of Default") under this Term Sheet:

- (a) Failure of the Borrower to pay any amount of principal, interest, or other amounts when due under this Term Sheet or any other DIP Credit Documentation;
- (b) A breach by the Borrower in the observance or performance of any non-financial covenant (affirmative or negative) or agreement contained in this Term Sheet or other DIP Credit Documentation and such breach shall continue unremedied for more than five (5) Business Days after the Borrower becomes aware of such breach (or such other period as may be mutually agreed);
- (c) Any representation or warranty by the Borrower made herein or in any document issued pursuant hereto, or any certificate

delivered pursuant thereto on the part of the Borrower shall, in Lender's determination acting reasonably, be incorrect or misleading in any material respect when made;

- (d) (i) The Initial Order or any other Order of the Court is reversed, stayed, dismissed, vacated, or varied without the consent of the Lender or any other order is made without the consent of the Lender which is or may be prejudicial to the Lender's interests, acting reasonably; (ii) the Initial Order or any other Order of the Court is appealed or leave to appeal is granted; (iii) the stay of proceedings imposed pursuant to the BIA is lifted or if the Borrower is adjudged, assigned, or deemed to have made an assignment into bankruptcy; (iv) the Borrower fails to diligently oppose any party that brings an application or motion for the relief set out in (i) to (iii) above or which otherwise challenges the NOI Proceedings, the DIP Facility, the DIP Credit Documentation, or the Court Ordered Charges, and the Borrower fails to secure the dismissal of such motion or application within 10 days from the date that such application or motion is brought;
- (e) The Lender determines, in its sole discretion, acting reasonably, that a material adverse change has occurred after the date hereof in respect of the business, affairs or financial condition of the Borrower;
- (f) A proposal is presented by the Borrower or sanctioned by the Court in a form and in substance that is contrary to the terms of this Term Sheet or the other DIP Credit Documentation in a manner that is adverse to the interests of the Lender or would reasonably be expected to adversely affect the Lender, unless the Lender has consented thereto or unless it provides for repayment in full of all Obligations under this Agreement;
- (g) There occurs a sale, assignment, transfer, lease, or other disposition of all or any part of Borrower's property, assets, or undertaking, without the prior written consent of the Lender, excluding transfers, leases and dispositions in the ordinary course of business;
- (h) The Borrower fails to comply with an Order of the Court; and
- (i) The Borrower ceases or threatens to cease to carry on business in the ordinary course.

**Remedies:**

Upon the occurrence of an Event of Default, the Lender may, upon three (3) Business Days' prior written notice to the Borrower and the Proposal Trustee:

- (i) cease making Advances to the Borrower (whether with or without a demand for payment),
- (ii) terminate the DIP Facility and declare all amounts outstanding under the DIP Facility as immediately due and payable,
- (iii) apply to the Court (i) for the appointment of an interim receiver or a receiver and manager of the undertaking, property and assets of the Borrower, (ii) for the appointment of a trustee in bankruptcy of the Borrower, (iii) to seek other relief, and (iv) to exercise any remedies provided under the Orders of the Court and the DIP Credit Documentation,
- (iv) exercise the powers and rights of a secured party under the *Personal Property Security Act (Ontario)* or any legislation of similar effect applicable to the Court Ordered Charges, and
- (v) exercise all such other rights and remedies of the Lender under the DIP Credit Documentation, the Orders of the Court, and applicable law or equity.

**Further Assurances:**

The Borrower shall at its expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including, without limitation, certificates, declarations, affidavits, reports and opinions) and things as the Lender may reasonably request for the purpose of giving effect to this Term Sheet and the Court Ordered Charges, perfecting, protecting and maintaining the Liens created by the Court Ordered Charges or establishing compliance with the conditions of this Term Sheet or any other DIP Credit Documentation.

**Currency:**

Unless otherwise specified herein, all references to dollar amounts (without further description) shall mean Canadian Dollars.

**Entire Agreement:**

This Term Sheet and the DIP Credit Documentation, constitute the entire agreement between the parties relating to the subject matter hereof. To the extent that there is any inconsistency between this Term Sheet and any of the other DIP Credit Documentation, this Term Sheet shall govern.

**Amendments, Waivers, Etc.:**

No waiver or delay on the part of the Lender in exercising any right or privilege hereunder or under any other DIP Credit Documentation will operate as a waiver hereof or thereof unless made in writing and signed by an authorized officer of the Lender. Any consent to be provided by the Lender shall be granted or

withheld solely in its capacity as and having regard to its interests as Lender.

This Term Sheet may be amended by a written instrument signed by all of the parties, and approved by the Proposal Trustee.

**Assignment:**

The Lender may assign this Term Sheet and its rights and obligations hereunder, in whole or in part, or grant a participation in its rights and obligations hereunder to any party acceptable to the Lender in its sole and absolute discretion (subject to providing the Borrower and the Proposal Trustee with reasonable evidence that such assignee has the financial capacity to fulfill the obligations of the Lender hereunder). Neither this Term Sheet nor any right and obligation hereunder may be assigned by the Borrower. The Borrower hereby consents to the disclosure of any confidential information in respect of the Borrower to any potential assignee provided such potential assignee agrees in writing to keep such information confidential.

**Severability:**

Any provision in any DIP Credit Documentation which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

**Counterparts and Electronic Signatures:**

This Term Sheet may be executed in counterparts including by electronic signature, and may be delivered by facsimile and e-mail transmission. All counterparts when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument. Any party may execute this Term Sheet by signing any counterpart of it.

**Governing Law and Jurisdiction:**

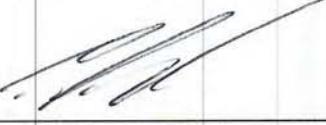
This Term Sheet shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein.

**[REMAINDER OF PAGE INTENTIONALLY BLANK]**

**IN WITNESS HEREOF**, the parties hereby execute this Term Sheet as of the date first written above.

**CONFORTI HOLDINGS LIMITED**

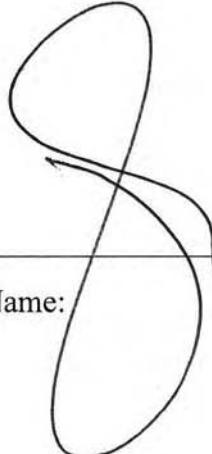
By



Name: ANTONIO CONFORTI

Title: PRESIDENT

Witness Name:



ANTONIO CONFORTI

## SCHEDULE “A”

### Additional Definitions

**“Borrower’s Accounts”** means the bank accounts designated by the Borrower at a financial institution approved by the Lender.

**“Business Day”** means each day other than a Saturday or Sunday or a statutory or civic holiday that banks are open for business in Toronto, Ontario, Canada.

**“DIP Credit Documentation”** means this Term Sheet, the Orders of the Court, and any other definitive documentation in respect of the DIP Facility that are in form and substance satisfactory to the Lender.

**“Liens”** means all mortgages, pledges, charges, encumbrances, hypothecs, liens and security interests of any kind or nature whatsoever.

**“Orders of the Court”** means any order of the Court (or other court of competent jurisdiction) made in or ancillary to the NOI Proceedings, including without limitation the Initial Order, all as supplemented, amended and restated.

**“Pending Event of Default”** means an event that, but for the requirement for the giving of notice, lapse of time, or both, would constitute an Event of Default.

**“Permitted Priority Liens”** means: (i) specific purchase- money security interests or capital leases; (ii) statutory superpriority deemed trusts and liens for unpaid employee source deductions; (iii) liens for unpaid municipal property taxes or utilities that are given first priority over other liens by statute; and (iv) such other permitted liens as may be agreed to in writing by the Lender.

**“Priority Payables”** means a claim or Lien pursuant to any law, statute, regulation or otherwise, which ranks or is capable of ranking in priority to or *pari passu* with the Lender’s Charge in any jurisdiction or otherwise in priority to any claim for the repayment of any amount owing under the DIP Facility, including without limitation, all amounts owing to any federal, provincial, municipal or other government entity or Crown corporation, all statutory, actual or deemed trusts, all withholdings and source deductions, all accrued and unpaid payroll and employee claims, including vacation pay, and all amounts owing to any person having a Lien, encumbrance, trust or charge ranking in priority to the Lender’s Charge.

**“Proposal Trustee”** means Crowe Soberman Inc. in its capacity as proposal trustee for the NOI Proceedings.

# **Appendix “D”**

**Conforti Holdings Limited**  
**Cash Flow Projections**

	19-Oct	26-Oct	02-Nov	09-Nov	16-Nov	23-Nov	30-Nov	07-Dec	14-Dec	21-Dec	28-Dec	04-Jan	11-Jan	<b>TOTAL</b>
<b>Receipts</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Salons Revenue	275,889	275,889	283,183	283,183	283,183	283,183	343,865	343,865	343,865	343,865	283,183	283,183	283,183	<b>3,909,520</b>
HST on Salons Revenue	35,866	35,866	36,814	36,814	36,814	36,814	44,702	44,702	44,702	44,702	36,814	36,814	36,814	<b>508,238</b>
Gross Salons Revenue	<b>311,755</b>	<b>311,755</b>	<b>319,997</b>	<b>319,997</b>	<b>319,997</b>	<b>319,997</b>	<b>388,568</b>	<b>388,568</b>	<b>388,568</b>	<b>388,568</b>	<b>319,997</b>	<b>319,997</b>	<b>319,997</b>	<b>4,417,758</b>
A/R Collections			75,000			75,000			50,000			50,000		<b>250,000</b>
HST Refund			83,138											<b>83,138</b>
COVID-19 Federal Wage Subsidy	200,000			175,000					120,000				80,000	<b>575,000</b>
	<b>511,755</b>	<b>394,892</b>	<b>394,997</b>	<b>319,997</b>	<b>494,997</b>	<b>394,997</b>	<b>388,568</b>	<b>388,568</b>	<b>558,568</b>	<b>388,568</b>	<b>319,997</b>	<b>369,997</b>	<b>399,997</b>	<b>5,325,896</b>
<b>Disbursements</b>														
Supplies & Personal Protective Equipment	74,825	71,175	49,823	49,823	49,823	49,823	60,499	60,499	60,499	60,499	49,823	49,823	49,823	<b>736,753</b>
G&A	3,481	3,481	2,710	2,710	2,710	2,710	2,710	2,710	2,710	2,710	2,710	2,710	2,710	<b>36,777</b>
Linen	4,896	4,896	3,788	3,788	3,788	3,788	3,788	3,788	3,788	3,788	3,788	3,788	3,788	<b>51,454</b>
Telephone	4,954	4,954	3,494	3,494	3,494	3,494	3,494	3,494	3,494	3,494	3,494	3,494	3,494	<b>48,346</b>
Utilities	1,582	1,582	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	<b>18,586</b>
Repairs	649	649	514	514	514	514	514	514	514	514	514	514	514	<b>6,958</b>
Rent	606,606		524,355				524,355						524,355	<b>2,179,672</b>
Accounting Fees			10,500			7,500	10,500			10,500				<b>39,000</b>
Professional Fees	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	<b>130,000</b>
Moving Costs			30,000											<b>30,000</b>
HST on Expenses	91,909	12,576	78,856	9,325	9,325	10,300	80,244	10,713	10,713	12,078	9,325	77,491	9,325	<b>422,181</b>
Net Payroll	158,708	158,708	154,295	154,295	154,295	154,295	187,358	187,358	187,358	187,358	154,295	154,295	187,358	<b>2,179,973</b>
Variable Costs from additional revenue from closed stores	1,897	1,897	5,743	5,743	5,743	5,743	6,974	6,974	6,974	6,974	5,743	6,974	6,974	<b>74,350</b>
Bank Charges / Merchant Fees	4,676	4,676	4,800	4,800	4,800	4,800	5,829	5,829	5,829	5,829	4,800	4,800	4,800	<b>66,266</b>
Net head office wages	5,200	5,200	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	<b>81,900</b>
CRA Source Deductions	29,087	29,087	29,087	28,195	28,195	28,195	28,195	34,236	34,236	34,236	28,195	28,195	28,195	<b>387,331</b>
Building Monthly Maintenance			1,601			1,601					1,601			<b>4,803</b>
Insurance			71,518											<b>71,518</b>
Mortgage	7,500				7,500					7,500			7,500	<b>30,000</b>
BE Management Fee	50,000				50,000					50,000			50,000	<b>200,000</b>
Visa Reimbursement	8,422													<b>8,422</b>
Owner Cash Collateral Reimbursement		20,000		20,000		20,000		20,000		20,000				<b>100,000</b>
Legal Fees Reimbursement -Scalzi	17,000													<b>17,000</b>
Property Tax			10,243									10243		<b>20,486</b>
HST Payable						25,928					39,449		45,949	<b>111,326</b>
EHT Instalments				20,000						20,000			20,000	<b>60,000</b>
WSIB			200				200			200				<b>400</b>
	<b>1,081,393</b>	<b>358,881</b>	<b>897,911</b>	<b>392,106</b>	<b>338,088</b>	<b>334,991</b>	<b>933,962</b>	<b>354,217</b>	<b>411,517</b>	<b>405,330</b>	<b>292,432</b>	<b>874,341</b>	<b>438,332</b>	<b>7,113,502</b>
Net Inflow (outflow)	(569,638)	36,011	(502,914)	(72,109)	156,908	60,006	(545,395)	34,351	147,051	(16,763)	27,564	(504,344)	(38,335)	(1,787,606)
Opening cash balance	238,209	(331,429)	(295,418)	(798,332)	(870,441)	(713,533)	(653,527)	(1,198,922)	(1,164,571)	(1,017,520)	(1,034,283)	(1,006,718)	(1,511,062)	238,209
Ending cash balance (Note 1)	(331,429)	(295,418)	(798,332)	(870,441)	(713,533)	(653,527)	(1,198,922)	(1,164,571)	(1,017,520)	(1,034,283)	(1,006,718)	(1,511,062)	(1,549,397)	

**Note 1**

Notwithstanding the negative ending cash balance, the Company advises that it plans to rely on the DIP Loan, negotiations with its landlords, and potential relief from the federal government (all of which were not reflected in the above cash flow projections) to fund both operating costs and the costs of these Proposal proceedings, for the duration of the Stay Extension, if granted. The Company further advises that if no or insufficient improvement in cash flow is obtained from such negotiations with landlords and/or relief from the federal program, then the Company will disclaim the affected location(s) in order to avoid the full extend of the existing projections.