

**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**

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

**January 25, 2021**

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ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

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

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

January 25, 2021

I. INTRODUCTION

1. This report (the “**Third 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 (“**Conforti**” or the “**Company**”).
2. Conforti is a privately held Ontario Corporation that, as at the date of the NOI filing, operated 51 beauty salons under 10 different trade names in Southern Ontario. All of the Company’s salons are located in rental units in shopping malls and commercial office buildings across Southern Ontario with the exception of one salon that is located in an outdoor shopping plaza in Collingwood, Ontario.
3. The Proposal Trustee understands that the business was started by Mr. Antonio Conforti (“**Mr. Conforti**”) in 1977 and has been a family-owned operated business for more than 44 years. The directors of the Company are Mr. Conforti and Ms. Sylvia Conforti.
4. The Company’s head office is located at 7755 Warden Avenue, Unit 2, Markham, Ontario and is owned by the Company (the “**Real Property**”).
5. On September 28<sup>th</sup>, 2020 (the “**Filing Date**”), the Company filed an NOI and Crowe was appointed as Proposal Trustee.

6. On October 26, 2020, the Ontario Superior Court of Justice (Commercial List) (the **Court**) issued a court order (the **“October 26 Order”**) which, among other things:
  - a. approved a first ranking Administration Charge against the assets of the Company to a maximum of \$250,000, to secure payment of the fees and expenses of the Proposal Trustee and its counsel, as well as counsel to the Company;
  - b. approved a second ranking charge against the assets of the Company in favor of Mr. Conforti (the DIP lender) to a maximum amount of \$500,000;
  - c. approved a third ranking charge against the assets of the Company to a maximum of \$100,000, to indemnify the Company’s Directors and Officers against obligations and liabilities that they may incur as directors or officers of Conforti after the commencement of the Proposal Proceedings; and
  - d. granted an extension of time within which a Proposal must be filed to December 14, 2020 (the **“First Stay Extension”**).
7. On December 14, 2020, the Court issued a court order (the **“December 14 Order”**) granting a further extension of time within which a Proposal(s) must be filed to January 28, 2021 (the **“Second Stay Extension”**). A copy of the December 14 Order is attached hereto as **Appendix “A”**.
8. The Proposal Trustee filed its Second Report dated December 9, 2020 (the **“Second Report”**) with the Court in support of the December 14 Order. A copy of the Second Report, without appendices is attached hereto as **Appendix “B”**.
9. The Proposal Trustee filed a supplementary report to its Second Report dated December 14, 2020 (the **“Supplementary Report”**) with the Court. The purpose of the Supplementary Report was to provide information regarding the effects to the Company from further lockdown restrictions and store closures that were imposed by the Ontario Government as a result of the COVID-19 Pandemic. A copy of the Supplementary Report is attached hereto as **Appendix “C”**.

10. The purpose of this Third Report is to provide the Court with information pertaining to the following:

- a. the activities of the Company and the Proposal Trustee since the Second Stay Extension was granted;
- b. further financial challenges experienced by the Company since the Second Stay Extension was granted, as a result of the ongoing COVID-19 Pandemic;
- c. various matters concerning the ongoing business and affairs of the Company;
- d. an overview of the Company's cash flow projections for the period from the week of January 21, 2021 to the week of April 15, 2021 (the "**Cash Flow Projections**"); and
- e. the Company's request for a further extension of time, within which to file a Proposal, to the stay initiated on the Filing Date (the "**Stay Period**") to March 15, 2021.

## II. TERMS OF REFERENCE

11. Unless otherwise noted, all monetary amounts contained in this Third Report are expressed in Canadian dollars.

12. In preparing this Third 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.

### **III. THE NOI PROCEEDINGS**

#### **Overview of Conforti's Activities**

13. Since the Second Stay Extension was granted, Conforti has been engaged in, among other things:

- a. communicating with the Proposal Trustee and the Company's legal counsel on various matters in connection with the NOI Proceedings;
- b. negotiating with its landlords in respect of lease payments during the Proposal Proceedings;
- c. negotiating with the Company's trade suppliers to ensure the timely and ongoing supply of goods and services to the Company;
- d. attending to numerous inquiries of creditors, landlords, and other stakeholders;
- e. applying for the government of Canada's commercial rent subsidy program;
- f. operating Conforti's remaining 42 salons prior to the Lockdown (defined below); and
- g. working with the Proposal Trustee to prepare the Cash Flow Projections.

## **Overview of the Proposal Trustee's Activities**

14. In addition to assisting Conforti and its legal counsel in connection with the above, the Proposal Trustee has been engaged in, among other things:

- i. monitoring the Company's bank balance, and considering whether it approximated the Company's cash flow projections filed as part of the Second Report;
- ii. communicating with the Company and its counsel, Mr. Conforti and his counsel, regarding a potential sale of the Real Property;
- iii. maintaining the Proposal Trustee's website for these proceedings;
- iv. assisting the Company in the preparation of the Cash Flow Projections and reviewing the information and support provided therein; and
- v. preparing this Third Report.

## **Further Financial Challenges due to the COVID-19 Pandemic**

15. On December 21, 2020, the Government of Ontario announced that it was imposing a Province wide lockdown effective December 26, 2020 (the "**Lockdown**"). The Lockdown was effective for all of Southern Ontario until January 23, 2021. Before the Lockdown expired, on January 12, 2021, the Government of Ontario announced that it was declaring a second provincial emergency and issuing a "stay at home order" effective January 14, 2021 (the "**Stay At Home Order**"). The Stay At Home Order requires all Ontario residents to stay home unless traveling for an essential purpose. The Stay At Home Order will remain in effect until at least February 11, 2021.

16. The complete closure of all of Conforti's salons as a result of the Lockdown further compounded Conforti's financial difficulties by significantly reducing the Company's cash flow. Moreover, as a result of the Lockdown, Conforti has had to lay off most of its 500 employees who worked at the Company's head office and salons as stylists, estheticians, and front desk personnel.
17. The Lockdown and Stay At Home Order have also complicated Conforti's efforts to develop a proposal to its creditors. They have not only constrained the Company's current cash flows but have also made it difficult to predict future cash flows because of the uncertainty associated with the Stay At Home Order and whether it will be extended.

### **Sale of Real Property**

18. The Proposal Trustee has had discussions with the Company and its counsel regarding a court approved sales process of the Real Property at 7755 Warden Avenue, Unit 2, Markham Ontario. The Proposal Trustee has been advised that the Company intends to bring a court approved stalking horse sales process as soon as possible.
19. Moreover, a Notice of Power of Sale was issued by the mortgagee to the Company in connection with the Real Property. Counsel to the Proposal Trustee responded on behalf of the Company that any enforcement process in connection with the Notice of Power of Sale is stayed.

### **IV. EXTENSION OF THE STAY PERIOD TO MARCH 15, 2021**

20. The current stay of proceedings will expire on January 28, 2021. Accordingly, the Company is seeking a 45-day extension of time pursuant to Section 50.4(9) of the *Bankruptcy and Insolvency Act* to March 15, 2021 (the "**Stay Extension**").
21. 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 January 21, 2021 to April 15, 2021**

	\$
<b>Cash-in</b>	
Salons Revenue	3,533,627
CEWS	400,000
CERS	265,000
	<u>A</u>
	4,198,627
<b>Cash-out</b>	
Rent	807,589
Payroll	1,837,486
Head Office Payroll	97,500
CRA Source Deductions	447,372
Accounts payable (salons)	446,000
Accounts payable (Corp)	121,500
Supplies	943,214
Management Fee	169,500
Mortgage Interest	22,500
Professional Fees	130,000
EHT	36,000
Merchant Fees & Bank Charges	70,673
	<u>B</u>
	5,129,333
<b>Net Cash inflow (outflow)</b>	<b>C=A-B</b>
	<b>(930,706)</b>

<b>Opening cash balance</b> (per the Cash Flow Projections)	<b>D</b>	(511,266)
Net Cash (above)	<b>C</b>	<u>(930,706)</u>
Closing cash before DIP	<b>E=D+C</b>	(1,441,972)
DIP loan	<b>F</b>	<u>1,441,972</u>
<b>Closing cash balance</b>	<b>E+F</b>	-

*Proposal Trustee's analysis re actual cash on hand*

<b>Revised Opening cash balance</b>	<b>G</b>	1,488,734
Net Cash (above)	<b>C</b>	<u>(930,706)</u>
<b>Revised Closing cash balance</b>	<b>G+C</b>	<u>558,028</u>

22. As noted in the Second Report, the Proposal Trustee notes that the Cash Flow Projections reflect the ongoing bank balance minus \$2,000,000. This amount represents \$2,000,000 in cash being hypothecated out of the Company's bank to Mr. Conforti in order to secure repayment of the amount that he advanced to take out RBC prior to the NOI filing.

23. It is the opinion of the Proposal Trustee that the Company's actual cash balance is sufficient to fund both operating costs and the costs of these Proposal proceedings, for the duration of the Stay Extension, if granted and accordingly, a further DIP Loan is likely not required.
24. In addition, the Company expects to continue to receive ongoing relief from the federal government, specifically from the COVID Emergency Wage Subsidy ("CEWS") and the COVID Emergency Rent Subsidy ("CERS") all of which have been reflected in the above cash flow projections.
25. The Proposal Trustee has been advised that CERS subsidies are expected to cover approximately 35% of Conforti's total rent commitments each month. To date, Conforti has received \$343,830 under the CERS program and intends to apply for a further \$60,000 the week of January 25, 2021.
26. The Proposal Trustee supports the Company's request for the Stay Extension for the following reasons:
  - a. It will afford the necessary time for the Company to continue to negotiate with its landlords and develop a viable proposal to its creditors;
  - 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. The Company will likely be able to make a viable proposal to their creditors if their request for an extension is granted.

## **CONCLUSION AND RECOMMENDATIONS**

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

- a. approving the Second Report and the conduct and activities of the Proposal Trustee described herein; and
- b. approving the extension of the Stay Period to March 15, 2021.

All of which is respectfully submitted this 25<sup>th</sup> day of January 2021.

**CROWE SOBERMAN INC.**

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

A handwritten signature in blue ink, appearing to be the initials "ZB".

# **Appendix “A”**

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

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

THE HONOURABLE MADAM ) MONDAY, THE 14TH  
JUSTICE DIETRICH ) DAY OF DECEMBER, 2020

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

## ORDER (Stay Extension)

**THIS MOTION**, made by Conforti Holdings Limited (“**Conforti**”), pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”) for an order, among other things, (i) approving the second report of Crowe Soberman Inc., in its capacity as proposal trustee in these proceedings (the “**Proposal Trustee**”), dated December 9, 2020 (the “**Second Report**”), and the conduct and activities of the Proposal Trustee as described therein; and (ii) extending the time for Conforti to file a proposal from December 14, 2020 to January 28, 2021, was heard this day by videoconference due to the COVID-19 pandemic.

**ON READING** Conforti's notice of motion, the affidavit of Antonio Conforti, sworn December 8, 2020, and the Second Report, and on hearing the submissions of counsel for Conforti and counsel for the Proposal Trustee, and counsel for those other parties appearing as indicated by the counsel slip, no one appearing for any other party although duly served as appears from the affidavit of service, filed,

## **SERVICE**

1. **THIS COURT ORDERS** that the time for service of the notice of motion and the motion record (including service of the Second Report) be and is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

## **APPROVAL OF SECOND REPORT**

2. **THIS COURT ORDERS** that the Second Report, together with the conduct and activities of the Proposal Trustee as set out therein, be and are hereby approved.

## **EXTENSION OF TIME TO MAKE A PROPOSAL**

3. **THIS COURT ORDERS** that the time to make a proposal is delayed and extended to January 28, 2021.

## **OTHER**

4. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Toronto time on the date of this Order, and this Order is enforceable without the need for entry and filing.

5. **THIS COURT REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Proposal Trustee and its 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 Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Proposal Trustee and its agents in carrying out the terms of this Order.

A handwritten signature in black ink, appearing to read "Dietrich J.", is written over a horizontal line. The signature is cursive and fluid.

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

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

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
Proceeding commenced at Toronto

**ORDER**  
(Stay Extension)

**MILLER THOMSON LLP**

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Lawyers for Conforti Holdings Limited

# **Appendix “B”**

**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**

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

**December 9, 2020**

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## APPENDICES

APPENDIX "A"- COURT ORDER OCTOBER 26, 2020

APPENDIX "B"- FIRST REPORT OF PROPOSAL TRUSTEE – OCTOBER 23, 2020

APPENDIX "C"- MATERIAL ADVERSE CHANGE REPORT – DECEMBER 7, 2020

APPENDIX "D"- CASH FLOW PROJECTIONS

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

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

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

December 9, 2020

I. INTRODUCTION

1. This report (the “**Second 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 (“**Conforti**” or the “**Company**”).
2. Conforti is a privately held Ontario Corporation that, as at the date of the NOI filing, operated 51 beauty salons under 10 different trade names in Southern Ontario. All of the Company’s salons are located in rental units in shopping malls and commercial office buildings across Southern Ontario with the exception of one salon that is located in an outdoor shopping plaza in Collingwood, Ontario.
3. 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. The directors of the Company are Antonio Conforti and Sylvia Conforti.
4. The Proposal Trustee understands that Conforti currently has approximately 500 employees and 300 independent contractors. 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
5. On September 28<sup>th</sup>, 2020 (the “**Filing Date**”), the Company filed an NOI and Crowe was appointed as Proposal Trustee.

6. On October 26, 2020, the Ontario Superior Court of Justice (Commercial List) (the **Court**) issued a court order (the **“October 26 Order”**) which, among other things:
  - a. approved a first ranking Administration Charge against the assets of the Company to a maximum of \$250,000, to secure payment of the fees and expenses of the Proposal Trustee and its counsel, as well as counsel to the Company;
  - b. approved a second ranking charge against the assets of the Company in favor of Mr. Conforti (the DIP lender) to a maximum amount of \$500,000;
  - c. approved a third ranking charge against the assets of the Company to a maximum of \$100,000, to indemnify the Company’s Directors and Officers against obligations and liabilities that they may incur as directors or officers of Conforti after the commencement of the Proposal Proceedings; and
  - d. granted an extension of time within which a Proposal must be filed to December 14, 2020 (the **“First Stay Extension”**).

A copy of the October 26 Order is attached hereto as **Appendix “A”**.

7. The Proposal Trustee filed its First Report dated October 23, 2020 (the **“First Report”**) with the Court in support of the Initial Order. A copy of the First Report, without appendices is attached hereto as **Appendix “B”**.
8. The purpose of this Second Report is to provide the Court with information pertaining to the following:
  - a. the activities of the Company and the Proposal Trustee since the First Stay Extension was granted;
  - b. further financial challenges experienced by the Company since the First Stay Extension was granted, as a result of the ongoing COVID-19 Pandemic;

- c. various matters concerning the ongoing business and affairs of the Company;
- d. an overview of the Company's cash flow projections for the period from the week of December 5, 2020 to the week of March 6, 2021 (the "**Cash Flow Projections**"); and
- e. the Company's request for a further extension of time, within which to file a Proposal, to the stay initiated on the Filing Date (the "**Stay Period**") to January 28, 2021.

## **II. TERMS OF REFERENCE**

- 9. Unless otherwise noted, all monetary amounts contained in this Second Report are expressed in Canadian dollars.
- 10. In preparing this Second 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.

## **III. THE NOI PROCEEDINGS**

### **Overview of Conforti's Activities**

- 11. Since the First Stay Extension was granted, Conforti has been engaged in, among other things:
  - a. communicating with the Proposal Trustee and the Company's legal counsel on various matters in connection with the NOI Proceedings;

- b. negotiating with its landlords in respect of lease payments during the Proposal Proceedings;
- c. negotiating with the Company's trade suppliers to ensure the timely and ongoing supply of goods and services to the Company;
- d. attending to numerous inquiries of creditors, landlords, and other stakeholders;
- e. applying for the government of Canada's commercial rent subsidy program;
- f. vacating those salons where the leases were terminated by Conforti's landlords or disclaimed by the Company;
- g. managing logistics associated with the Government of Ontario's increased COVID-19 restrictions that were placed on the Toronto and Peel regions effective November 23, 2020 forcing Conforti to close its stores located in those regions for a minimum of 28 days;
- h. operating Conforti's remaining 42 salons; and
- i. working with the Proposal Trustee to prepare the Cash Flow Projections.

### **Overview of the Proposal Trustee's Activities**

12. In addition to assisting Conforti and its legal counsel in connection with the above, the Proposal Trustee has been engaged in, among other things:

- i. monitoring the Company's bank balance, and considering whether it approximated the Company's cash flow projections filed as part of the First Report;
- ii. ensuring there were sufficient funds available in the bank with which to pay rent to various landlords for the months of October and November, as agreed upon, prior to the October 26 court hearing;

- iii. ensuring that various landlords were actually paid the rent that was due for the months of October and November, as agreed upon, prior to the October 26 court hearing;
- iv. preparing and sending out a Material Adverse Change Report, dated December 7, 2020 (“**MAC Report**”) which has been attached hereto as **Appendix “C”**; and
- v. assisting the Company in the preparation of the Cash Flow Projections and reviewing the information and support provided therein.

### **Further Financial Challenges due to the COVID-19 Pandemic**

- 13. On November 20, 2020, the Government of Ontario announced that Toronto and Peel regions would be moved into lockdown on November 23, 2020, for a minimum of 28 days, until December 21, 2020 (the “**Lockdown**”). As a result, Conforti was required to close 15 of its salons in Toronto and Peel effective November 23, 2020. This has further compounded Conforti’s financial difficulties by significantly reducing the Company’s cash flow.
- 14. The Lockdown has also complicated Conforti’s efforts to develop a proposal to its creditors. It has not only constrained the Company’s current cash flows but has also made it difficult to predict future cash flows because of the uncertainty associated with the Lockdown and whether it will be extended.
- 15. The Proposal Trustee is of the opinion that the impact to the Company from the Lockdown represents a material adverse change in Conforti’s financial circumstances, and accordingly prepared and sent out the MAC Report. A copy of the MAC Report is attached hereto as **Appendix “C”**.

#### IV. EXTENSION OF THE STAY PERIOD TO JANUARY 28, 2021

16. The current stay of proceedings will expire on December 14, 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 January 28, 2021 (the “**Stay Extension**”).

17. 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 December 5, 2020 to March 6, 2021**

	\$
<b>Cash-in</b>	
Salons Revenue	3,287,754
CEWS	708,000
CERS	288,000
<b>A</b>	<b>4,283,754</b>
<b>Cash-out</b>	
Rent	697,055
Payroll	1,972,652
Head Office Payroll	105,000
CRA Source Deductions	394,933
Accounts payable (salons)	723,306
Accounts payable (Corp)	164,388
Supplies	756,183
Management Fee	226,000
Mortgage Interest	30,000
Payments to Mr. Conforti	20,000
Professional Fees	140,000
EHT	60,000
Merchant Fees & Bank Charges	65,755
<b>B</b>	<b>5,355,272</b>
<b>Net Cash inflow (outflow)</b>	<b>C=A-B</b> <u>(1,071,518)</u>

<b>Opening cash balance</b> (per the Cash Flow Projections)	<b>D</b> (305,675)
Net Cash (above)	<b>C</b> (1,071,518)
Closing cash before DIP	<b>E=D+C</b> (1,377,193)
DIP loan	<b>F</b> 1,377,193
<b>Closing cash balance</b>	<b>E+F</b> -

*Proposal Trustee's analysis re actual cash on hand*

<b>Revised Opening cash balance</b>	<b>G</b> 1,694,325
Net Cash (above)	<b>C</b> (1,071,518)
<b>Revised Closing cash balance</b>	<b>G+C</b> 622,807

18. The Proposal Trustee notes that the Cash Flow Projections reflect the ongoing bank balance minus \$2,000,000. This amount represents \$2,000,000 in cash being hypothecated out of the Company's bank to Mr. Conforti in order to secure repayment of the amount that he advanced to take out RBC prior to the NOI filing.
19. It is the opinion of the Proposal Trustee that the Company's actual cash balance is sufficient to fund both operating costs and the costs of these Proposal proceedings, for the duration of the Stay Extension, if granted and accordingly, a further DIP Loan is likely not required.
20. In addition, the Company expects to receive ongoing relief from the federal government, specifically from the COVID Emergency Wage Subsidy ("CEWS") and the COVID Emergency Rent Subsidy ("CERS") all of which have been reflected in the above cash flow projections.
21. The Proposal Trustee has been advised that CERS subsidies are expected to cover approximately 35% of Conforti's total rent commitments each month. The Company expects to receive these payments throughout the duration of the Stay Extension (beginning the week of December 12), if granted.
22. The Proposal Trustee supports the Company's request for the Stay Extension for the following reasons:
  - a. It will afford the necessary time for the Company to continue to negotiate with its landlords and develop a viable proposal to its creditors;
  - 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. The Company will likely be able to make a viable proposal to their creditors if their request for an extension is granted.

## **CONCLUSION AND RECOMMENDATIONS**

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

- a. approving the Second Report and the conduct and activities of the Proposal Trustee described herein; and
- b. approving the extension of the Stay Period to January 28, 2021.

All of which is respectfully submitted this 9<sup>th</sup> day of December 2020.

**CROWE SOBERMAN INC.**

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

A handwritten signature in blue ink, appearing to be the initials 'Z'.

# **Appendix “C”**

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

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

SUPPLEMENTARY REPORT TO THE  
SECOND REPORT OF THE PROPOSAL TRUSTEE

DECEMBER 14, 2020

Further to the Proposal Trustee's Second Report dated December 9<sup>th</sup>, 2020, which has been filed with the Court, the Proposal Trustee now reports as follows:

1. That on December 11, 2020 the Government of Ontario announced The Regional Municipality of York ("**York Region**") will move to the GREY-Lockdown Zone of the Keeping Ontario Safe and Open Framework effective 12:01 a.m. on Monday, December 14, 2020 (the "**Lockdown**").
2. The Lockdown is forcing Conforti Holdings Ltd. ("**Conforti**") to close its stores located in the York Region for a minimum of 28 days.
3. The Proposal Trustee has been advised by management of Conforti ("**Management**") that as a result of the most recent Lockdown, eight (8) of its stores (located in the York Region) are shutting down and approximately 150 employees are being laid off.
4. The cash flow projections filed as Appendix D to the Proposal Trustee's Second Report dated December 9, 2020 need to be revised to reflect the negative effects of the Lockdown. Specifically, the Proposal Trustee has been advised by Management that the Lockdown is expected to result in a loss of gross revenue (cash receipts) in the amount of approximately \$460,000 and an overall loss of net cash-flow in the amount of approximately \$100,000.

5. Further, Management believes that the store closures will have a mid to long term erosion of its client base, as Management believes the clients will find services through other means and may not return to the company. The actual amount of client losses is unknown at this time.
6. Management is of the opinion that these client losses and its negative impact on revenues can potentially continue to be in effect, even after the end of the Lockdown and the COVID-19 Pandemic.
7. The Proposal Trustee continues to monitor the effects of the store closures and will provide updated reports to the creditors and/or court accordingly.

All of which is respectfully submitted this 14<sup>th</sup> day of December 2020.

**CROWE SOBERMAN INC.**

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

A handwritten signature in black ink, appearing to read "Z".

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

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**ONTARIO  
SUPERIOR COURT OF JUSTICE  
Proceeding commenced at Toronto**

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**SUPPLEMENTARY REPORT  
TO THE SECOND REPORT OF  
THE PROPOSAL TRUSTEE**

**DECEMBER 14, 2020**

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Licensed Insolvency Trustee  
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# **Appendix “D”**

Conforti Holdings Limited  
Cash flow Projections

For the Week Beginning:

	21-Jan	28-Jan	04-Feb	11-Feb	18-Feb	25-Feb	04-Mar	11-Mar	18-Mar	25-Mar	01-Apr	08-Apr	15-Apr	TOTAL
<b>Cash-in</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Salons Revenue (Note 1)	-	-	-	135,152	135,152	190,985	420,868	420,868	420,868	420,868	462,955	462,955	462,955	3,533,627
CEWS (Notes 2)	-	-	25,000	-	-	-	125,000	-	-	-	250,000	-	-	400,000
CERS (Note 2)	-	-	60,000	-	-	80,000	-	-	-	125,000	-	-	-	265,000
<b>Total Cash-in</b>	-	-	<b>85,000</b>	<b>135,152</b>	<b>135,152</b>	<b>190,985</b>	<b>500,868</b>	<b>545,868</b>	<b>420,868</b>	<b>420,868</b>	<b>587,955</b>	<b>712,955</b>	<b>462,955</b>	<b>4,198,627</b>
<b>Cash-out</b>														
Rent	-	100,847	-	63,103	-	327,468	-	-	-	316,171	-	-	-	807,589
Payroll	-	-	70,279	99,312	218,852	218,852	218,852	218,852	218,852	240,737	240,737	240,737	240,737	1,837,486
Head Office Payroll	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	97,500
CRA Source Deductions	2,500	2,500	2,500	17,889	24,567	52,061	52,061	52,061	52,061	57,094	57,094	57,094	57,094	447,372
Accounts payable (salons)	8,000	8,000	20,000	30,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	446,000
Accounts payable (Corp)	7,000	7,000	7,000	9,000	9,000	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	121,500
Supplies	12,000	12,000	31,085	43,927	96,800	96,800	96,800	96,800	96,800	106,480	106,480	106,480	106,480	943,214
Management Fee	-	56,500	-	-	56,500	-	-	-	-	56,500	-	-	-	169,500
Mortgage Interest	-	7,500	-	-	7,500	-	-	-	-	7,500	-	-	-	22,500
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	130,000
EHT	-	-	-	6,000	-	-	10,000	-	-	-	-	-	-	36,000
Merchant Fees & Bank Charges	-	-	-	2,703	2,703	3,820	8,417	8,417	8,417	8,417	9,259	9,259	9,259	70,673
<b>Total Cash-out</b>	<b>47,000</b>	<b>211,847</b>	<b>78,085</b>	<b>237,559</b>	<b>191,298</b>	<b>359,998</b>	<b>776,597</b>	<b>459,129</b>	<b>449,129</b>	<b>522,809</b>	<b>802,741</b>	<b>486,570</b>	<b>506,570</b>	<b>5,129,333</b>
<b>Net Cash inflow (outflow)</b>	<b>(47,000)</b>	<b>(211,847)</b>	<b>6,915</b>	<b>(102,408)</b>	<b>(56,146)</b>	<b>(169,013)</b>	<b>(275,729)</b>	<b>86,739</b>	<b>(28,261)</b>	<b>(101,941)</b>	<b>(214,786)</b>	<b>226,385</b>	<b>(43,615)</b>	<b>(930,706)</b>
<b>Opening cash balance (Note 3)</b>	<b>(511,266)</b>	<b>-</b>	<b>6,915</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>86,739</b>	<b>58,478</b>	<b>-</b>	<b>-</b>	<b>226,385</b>	<b>(511,266)</b>	
Net Cash (above)	(47,000)	(211,847)	6,915	(102,408)	(56,146)	(169,013)	(275,729)	86,739	(28,261)	(101,941)	(214,786)	226,385	(43,615)	(930,706)
Closing cash before DIP	(568,266)	(211,847)	6,915	(95,493)	(56,146)	(169,013)	(275,729)	86,739	58,478	(43,463)	(214,786)	226,385	182,771	(1,441,972)
DIP loan (Note 4)	558,266	211,847	-	95,493	56,146	169,013	275,729	-	-	43,463	214,786	-	(182,771)	1,441,972
<b>Closing cash</b>	-	-	<b>6,915</b>	-	-	-	-	<b>86,739</b>	<b>58,478</b>	-	-	<b>226,385</b>	-	-
<i>Proposal Trustee's analysis re actual cash on hand (Note 3)</i>														
<b>Revised Opening cash balance</b>	1,488,734	1,441,734	1,229,887	1,236,802	1,134,394	1,078,249	909,235	633,506	720,245	691,984	590,043	375,257	601,642	1,488,734
Net Cash (above)	(47,000)	(211,847)	6,915	(102,408)	(56,146)	(169,013)	(275,729)	86,739	(28,261)	(101,941)	(214,786)	226,385	(43,615)	(930,706)
<b>Revised Closing cash balance</b>	<b>1,441,734</b>	<b>1,229,887</b>	<b>1,236,802</b>	<b>1,134,394</b>	<b>1,078,249</b>	<b>909,235</b>	<b>633,506</b>	<b>720,245</b>	<b>691,984</b>	<b>590,043</b>	<b>375,257</b>	<b>601,642</b>	<b>558,028</b>	<b>558,028</b>

Notes:

1. Amounts reflected in Salons Revenue assume the following: no revenue through February 11 as a result of the Stay At Home Order; salons that are not located in the GTA are expected to open February 11; salons located in the GTA are expected to open February 25, with the exception of salons located in Toronto and Peel Regions; and all salons are expected to be open as of March 1 and onwards.

2. CERS/CEWS projected amounts are based on the assumptions reflected in Note 1 and management's best estimates.

3. Opening cash balance consists of the following:

	\$
Actual bank balance on January 21, 2021	1,523,734
Outstanding deposits	-
Outstanding cheques	(35,000)
Cash balance after outstanding items	1,488,734
Remove: Hypothecate/Security to Tony Conforti***	(2,000,000)
<b>Opening cash balance</b>	<b>(511,266)</b>

4. Mr. Conforti has agreed to fund any potential ongoing deficit by way of a DIP Financing loan.