

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

**IN THE MATTER OF THE PROPOSAL TO CREDITORS OF
CONFORTI HOLDINGS LIMITED, A CORPORATION
INCORPORATED UNDER THE ONTARIO BUSINESS
CORPORATIONS ACT, R.S.O. 1990, C. B.16**

COMPENDIUM OF MOROCCANOIL, INC.

**Proposal Approval Motion
(Returnable July 19, 2022)**

July 14, 2022

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TAB	DOCUMENT	ORIGINAL SOURCE DOCUMENT ¹
1	Affidavit of Marie-Eve Bérubé-Côté Without Exhibits Sworn October 31, 2021	Motion Record of MoroccanOil, dated October 13, 2021 Tab 2
2	Excerpts from the Transcript of the Examination of Antonio Conforti Held on December 7, 2021	Brief of Transcripts of MoroccanOil dated March 11, 2022 Tab 2
3	Initial Creditor List Dated September 28, 2020	Motion Record of MoroccanOil dated October 13, 2021 Tab 2E
4	Affidavit of Antonio Conforti Without Exhibits Sworn November 11, 2021	Responding Motion Record of Conforti Holdings Limited dated January 10, 2022 Tab 1
5	Letter Agreement Executed by Conforti Holdings Limited Dated September 25, 2020	Brief of Transcripts of MoroccanOil dated March 11, 2022 Tab 2C
6	Acknowledgement Notice of Intention Executed by Conforti Holdings Limited Dated September 28, 2020	Brief of Transcripts of MoroccanOil dated March 11, 2022 Tab 2C
7	Notice to Insolvent Person Executed by Conforti Holdings Limited Dated September 28, 2020	Brief of Transcripts of MoroccanOil dated March 11, 2022 Tab 2C
8	Excerpts From Affidavit of Antonio Conforti Without Exhibits Sworn October 24, 2020	Motion Record of MoroccanOil, Inc. dated October 13, 2021 Tab 2M
9	Correspondence Between Proposal Trustee and counsel to CHL dated December 18, 2020 and January 11, 2021	Brief of Transcripts of MoroccanOil dated March 11, 2022 Tab 3A
10	Subsequent Creditor List dated March 12, 2021	Motion Record of MoroccanOil, Inc. dated October 13, 2021 Tab 2F

¹ All source documents are from the motions heard in these proceedings on March 15, 2022 – Caselines Bundle 007

TAB	DOCUMENT	ORIGINAL SOURCE DOCUMENT ¹
11	Excerpts From Written Response of the Proposal Trustee to Written Interrogatories	Brief of Transcripts of Moroccan oil dated March 11, 2022 Tab 3
12	Reply Affidavit of Mark Riedel Without Exhibits Sworn November 25, 2021 (Without Exhibits)	Standalone Reply Affidavit dated November 25, 2021

TAB 1

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

**IN THE MATTER OF THE PROPOSAL TO CREDITORS OF CONFORTI HOLDINGS
LIMITED,
A CORPORATION INCORPORATED UNDER THE ONTARIO *BUSINESS
CORPORATIONS ACT*, R.S.O. 1990, C. B.16**

**AFFIDAVIT OF MARIE-EVE BÉRUBÉ-CÔTÉ
(Sworn October 13, 2021)**

I, **Marie-Eve Bérubé-Côté**, of the City of Montreal, Quebec **MAKE OATH AND SAY
AS FOLLOWS:**

1. I am the General Counsel, Americas of MoroccanOil, Inc. (“**MoroccanOil**”). As a result, I have personal knowledge of the matters to which I hereinafter depose save and except where I refer to matters based on information and belief, in which case I verily believe that information to be true. Where the information set out in this affidavit is based upon information that I have received from others, I have stated the source of that information and believe it to be true.
2. This affidavit is sworn in support of MoroccanOil’s motion for an Order:
 - (a) Declaring that no secured indebtedness (the “**Alleged BEI Secured Debt**”) is owing by Conforti Holdings Limited (“**CHL**”) to Beauty Experts Inc. (“**BEI**”); and
 - (b) Prohibiting CHL from accepting a credit bid from Cicaplus Ltd. (“**Cicaplus**”) of the Alleged BEI Secured Debt under an asset purchase agreement in respect of the Warden Property (as defined below) dated as of May 5, 2021 (the “**Original**

APA”), as amended by a bid form and amendment dated as of July 15, 2021 (the “**Amendment**” together with the Original APA, the “**Amended APA**”).

I. DESCRIPTION OF THE PARTIES

CHL / BEI / Cicaplus

3. CHL operates salons across Southern Ontario. I have been advised by Thomas Gertner¹, Canadian counsel to Moroccanoil that CHL is a successor to Salon Distribution, Inc. (hereafter included in the definition of CHL) (“**SDI**”). CHL commenced these insolvency proceedings on September 29, 2020. Until recently, CHL owned the Warden Property.

4. BEI claims to be a secured creditor of CHL in respect of the Alleged BEI Secured Debt.

5. Cicaplus is the purchaser of the Warden Property. As part of the purchase price for the Warden Property it is seeking to use the Alleged BEI Secured Debt in these proceedings.

6. CHL, BEI, and Cicaplus are all entities controlled either directly or indirectly by Tony Conforti (“**Conforti**”). Attached hereto and marked as **Exhibit A**, are true copies of corporate profile reports for each of CHL, BEI, and Cicaplus.

Moroccanoil

7. Moroccanoil is a significant creditor of CHL. It produces and distributes a popular line of hair care products in over sixty (60) countries including the United States and Canada. As further

¹ I note that in referencing information that I have obtained from U.S. or Canadian counsel to Moroccanoil in this affidavit, I do not intend to waive any privilege attaching to communications with counsel and Moroccanoil expressly reserves its rights to assert all applicable privileges.

described below, it is party to ongoing litigation with CHL in New Jersey (the “**New Jersey Proceedings**”).

II. The Settlement Agreement and its Breach

8. In or around 2009, MoroccanOil began receiving reports of counterfeit MoroccanOil Oil Treatment products appearing at various retail locations throughout the United States and Canada.

9. After tracing counterfeit MoroccanOil products to salons affiliated with SDI and Conforti, MoroccanOil sued SDI and Conforti in New Jersey in 2011 (the “**2011 Litigation**”).

10. On July 15, 2013, SDI and Conforti entered into a settlement agreement with MoroccanOil to resolve the 2011 Litigation (the “**Settlement Agreement**”). Attached hereto and marked as **Exhibit B** is a true copy of the Settlement Agreement.

11. I note that Conforti in executing the Settlement Agreement signed the agreement as an authorized officer of SDI, an entity that did not exist at the time as it had by then amalgamated into CHL. In executing the Settlement Agreement Conforti warranted that SDI had the right and power to sign and enter into this agreement.

12. Conforti concealed the amalgamation of SDI with CHL from MoroccanOil for over six (6) years.

13. The Settlement Agreement specifically prohibits SDI from directly or indirectly, knowingly or unknowingly, diverting or counterfeiting MoroccanOil products anywhere in the world.

14. In or about December 2014, MoroccanOil learned that SDI (now CHL) and Conforti breached the Settlement Agreement and sold or otherwise diverted a significant quantity of MoroccanOil products to an unauthorized retail store in Macau.

15. CHL's breaches of the Settlement Agreement are more fully summarized in the Brief in Support of Plaintiff's Motion to Enforce Settlement Agreement filed by MoroccanOil in the New Jersey Proceedings on November 6, 2020, a true copy of which is attached hereto and marked as **Exhibit C**.

III. The New Jersey Proceedings

16. MoroccanOil filed a Motion to Enforce the Settlement Agreement with the United States District Court District of New Jersey (the "**NJ Court**") in April 2015 on the basis, among other things, that CHL and Conforti breached the Settlement Agreement by (i) reselling or otherwise transferring large quantities of MoroccanOil products, either directly or indirectly, to an unauthorized retail store; and (ii) failing to maintain, create and produce contractually required records.

17. Conforti and CHL opposed and filed an affirmative Cross-Motion to Enforce Settlement Agreement in August 2015.

18. The NJ Court preliminarily denied both motions as premature and assigned Magistrate Judge Hammer to oversee discovery.

19. The parties subsequently engaged in written and oral discovery as directed by the NJ Court.

20. In accordance with the proof of claim filed in these proceedings attached as **Exhibit D** to this my affidavit, Moroccanoil is owed the following amounts by CHL in connection with the New Jersey Proceedings: (A) “Purchase Requirement Damages” of \$374,279 for unfulfilled purchases; (B) liquidated damages of \$860,000 for diversion; (C) reimbursement of legal fees in the amount \$1,237,465.00; and, (D) applicable interest in the amount of \$336,013.12.

IV. CHL Files the NOI Proceedings

21. CHL filed a Notice of Intention to Make a Proposal (the “**NOI**”) under Division 1 of *the Bankruptcy and Insolvency Act* (Canada) on September 28, 2020.

22. I am advised by Mr. Gertner that pursuant to Section 50.4(1) of the BIA, as part of the filing of its NOI, CHL was required to prepare and file a list of the names of its creditors with claims amounting to two hundred and fifty dollars (\$250) or more (the “**Initial Creditor List**”).

23. I am further advised by Mr. Gertner that pursuant to Section 50.4(6), within five (5) days of the filing of the NOI, the proposal trustee (the “**Proposal Trustee**”) was required to send to every known creditor notice of the filing of the NOI along with a copy of the Initial Creditor List.

24. I understand from Mr. Gertner, that as part of the NOI proceedings, the Proposal Trustee and Conforti prepared a further list of CHL’s creditors dated as of March 12, 2021 (the “**March 12 Creditor List**”) in advance of a formal creditors meeting scheduled for April 1, 2021 (the “**April 1 Creditors’ Meeting**”).

V. CHL Fails to Disclose Insolvency Proceedings

25. Despite the legislative requirements noted above, and despite the magnitude of its potential claim, CHL failed to include Moroccanoil on the Initial Creditor List or the March 12 Creditor List and Moroccanoil did not receive notice of the filing of the NOI. True Copies of the Initial Creditor List and March 12 Creditor List are attached hereto as **Exhibits E and F** respectively.

26. I note that, in addition to not fulfilling these requirements, CHL's U.S. counsel also failed to directly provide Moroccanoil or the New Jersey Court notice of the filing of the NOI, notwithstanding that the New Jersey Proceedings were ongoing, with multiple steps taken during this period including the hearing of certain motions.

27. On June 7, 2021 (the "**Disclosure Date**"), Moroccanoil first learned of the NOI proceedings more than eight (8) months after the NOI was filed, when our U.S. counsel discovered the Proposal Trustee's case website in advance of a deposition of CHL.

VI. Prejudice to Moroccanoil From Failure to Disclose Insolvency Proceedings

28. Having not been advised of the NOI proceedings until the Disclosure Date, Moroccanoil was not provided notice of, or given the opportunity to participate in the following meetings and hearings that occurred in the NOI proceedings:²

- (a) Stay extension hearings held on October 26, 2020, December 14, 2020, and January 27, 2021 (the "**Stay Extension Hearings**");

² I obtained my information concerning these matters from the website maintained by the Proposal Trustee in respect of the NOI proceedings.

- (b) The April 1 Creditors' Meeting, to consider the terms of a proposal filed by CHL, which meeting was adjourned until October 29, 2021; and
- (c) A hearing held on May 14, 2021, to consider the granting of an Order (the "**Sale Process Order**") approving the sale process (the "**Sale Process**") for CHL's head office located at 7755 Warden Avenue, Markham, Ontario (the "**Warden Property**").

VII. The Sale Process

29. The Sale Process Order, in the form granted by the Court, included approval of a stalking horse bid submitted by Cicaplus pursuant to the Original APA that was based on a "credit bid" of, among other things, the Alleged BEI Secured Debt. A true copy of the Sale Process Order is attached hereto as **Exhibit G**.

30. After the Sale Process Order was granted, the Proposal Trustee commenced the Sale Process.

31. I have been advised by Mr. Gertner that as part of the Sale Process, the Proposal Trustee received a number of qualifying bids in addition to the Original APA submitted by Cicaplus. An auction amongst qualified bidders was held on July 15, 2021 and at the conclusion of the auction, Cicaplus was the successful bidder, having submitted the highest bid as documented by the Amended APA.

32. As with the Original APA, the Amended APA includes a credit bid of the Alleged BEI Secured Debt. True copies of the Original APA and Amended APA are attached hereto as **Exhibit H**.

VIII. The Alleged BEI Secured Debt

33. I have been advised by Mr. Gertner that the Fifth Report of the Proposal Trustee dated August 13, 2021 states that the Alleged BEI Secured Debt is valued at \$1,500,000.

34. On July 16, 2021, Clifton Prophet, Canadian counsel to Moroccanoil wrote to counsel to the Proposal Trustee, Goldman Sloan Nash & Haber LLP (“**GSNH**”), to express Moroccanoil’s concern with respect to the Alleged BEI Secured Debt (the “**July 16 Letter**”). Attached hereto and marked as **Exhibit I** is a true copy of the July 16 Letter.

35. On August 12, 2021, GSNH wrote a responding letter to Mr. Prophet in which it advised that it was of the view that the Alleged BEI Secured Debt, which it stated was incurred in respect of deferred compensation, was valid (the “**August 12 Letter**”). In support of its position it attached a “schedule of compensation”. Attached hereto and marked as **Exhibit J** is a true copy of the August 12 Letter inclusive of the schedule of compensation.

36. The schedule of compensation is one page, undated and seems to have been prepared by Conforti or a party acting on behalf of Conforti. No source documentation is included with or referenced in the schedule of compensation.

IX. Registration of the Alleged BEI Debt

37. Attached hereto and marked as **Exhibit K** is what I understand to be the security agreement being relied upon by BEI.

38. Attached hereto and marked as **Exhibit L** are true copies of *Personal Property Security Act* (Ontario) (“**PPSA**”) searches obtained in Ontario against CHL with a file currency date of September 14, 2021 (“**PPSA Searches**”).

39. I have been advised by Mr. Gertner that the PPSA Searches reveal that BEI did not register its alleged secured interest under the PPSA until February 24, 2021 (the “**BEI Registration**”).

40. I note that the BEI Registration occurred after the NOI had been filed and each of the Stay Extension Hearings had been held.

41. I understand in reviewing the Proposal Trustee’s case website for this matter, that at no time did the Proposal Trustee or CHL disclose as part of the Stay Extension Hearings, to the creditors or the Court, that BEI, which was a related party, did not actually have a perfected security interest prior to the BEI Registration Date.

42. I note that Conforti attached PPSA searches (the “**October Searches**”) to his affidavit sworn as of October 21, 2020 (the “**October 21 Affidavit**”), in support of the first stay extension that reflected that no registration was held by BEI. Attached hereto and marked as **Exhibit M** are true copies of the October 21 Affidavit without exhibits and the October Searches.

43. I find this to be concerning as I understand from Mr. Gertner that if the stay of proceedings was not extended at the Stay Extension Hearings, a bankruptcy would have occurred, and BEI would not have been able to advance its secured claim on the basis that it had not been perfected as of the date of bankruptcy.

44. This may in turn have significantly increased recoveries for CHL’s unsecured creditors.

45. The effect of CHL's non-disclosure of the Alleged BEI Secured Debt exacerbated the prejudice suffered by Moroccanoil of being effectively shutout of the CHL insolvency proceedings.

46. The failure to disclose this information seems to me to be highly prejudicial to CHL's stakeholders. It seems to me to be part of a pattern of non-disclosure by CHL, both in and outside of these proceedings. It seems highly unfair to me that such information was not disclosed to either CHL or its stakeholders at the Stay Extension Hearings.

47. Had Moroccanoil received notice of the Stay Extension Hearings, it would have opposed the extensions, particularly had it been aware that a related party like BEI was going to assert a security interest later that had the effect of depriving arms' length creditors of value.

SWORN before me by video-conference at the City of Toronto,
in the Province of Ontario this 13th day
of October, 2021



Commissioner for taking affidavits, etc.



MARIE-EVE BÉRUBÉ-CÔTÉ

TAB 2

Conforti Holdings Limited

Antonio Conforti
on Tuesday, December 7, 2021



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Toronto, Ontario M5K 1A1

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Page 21		Page 23	
1	Conforti.	1	mine, me and my wife. And BE is me and my wife.
2 63	Q. Did it -- yes. Okay, that's	2 75	Q. Right. So you and your wife
3	helpful.	3	don't own the shares of Conforti Holdings
4	Did it have any other business other	4	Limited through Beauty Experts Inc.?
5	than the salon that Conforti Holdings ultimately	5	A. No.
6	owned?	6 76	Q. You own those shares directly
7	A. Yes, yes.	7	yourself then?
8 64	Q. BEI did have other business.	8	A. Yes. You say myself. I don't
9	What was that other business?	9	understand the point -- the question.
10	A. We wholesale.	10	MR. SACHDEVA: Sorry. You didn't
11 65	Q. Wholesale?	11	understand the question?
12	A. Wholesale.	12	THE WITNESS: No. He says I'm the
13 66	Q. Wholesale?	13	owner, but I no remember if BE is under --
14	A. Yep.	14	MR. PROPHET: Okay. You have to --
15 67	Q. So BEI wholesaled salon and	15	MR. SACHDEVA: I'll (indiscernible) --
16	beauty products as well as, as you say it,	16	MR. PROPHET: Sir, you have to talk to
17	organizing the 25 salon companies. Is that a	17	me primarily.
18	true statement?	18	THE WITNESS: Yep.
19	A. Yes, yes.	19	BY MR. PROPHET:
20 68	Q. So then some of the revenue and	20 77	Q. So if you have a question. You
21	income, if it was earning income, that Beauty	21	just told me --
22	Experts had, would have been from wholesaling	22	A. Just talk with my
23	beauty and hair products, right?	23	(indiscernible).
24	A. Yep.	24 78	Q. It's okay. But you have to talk
25 69	Q. I want to ask a few more	25	to me directly mostly, okay? Unless your
Page 22		Page 24	
1	questions about your companies, Mr. Conforti.	1	counsel and I agree otherwise, okay?
2	Who are the shareholders of Conforti	2	A. Yep.
3	Holdings Limited?	3	MR. SACHDEVA: I won't be answering
4	A. Me and my wife.	4	any questions. Don't worry, counsel.
5 70	Q. And your wife's name is Sylvia	5	MR. PROPHET: No. You can answer at
6	Conforti. Is that right?	6	times. I just want to speak directly with the
7	A. Yes, yes.	7	witness --
8 71	Q. Who are the shareholders of	8	MR. SACHDEVA: Of course.
9	Beauty Experts Inc.?	9	MR. PROPHET: -- predominantly as we
10	A. Me.	10	do these things.
11 72	Q. You alone?	11	BY MR. PROPHET:
12	A. I think so. Me or my wife, or	12 79	Q. You just told me, Mr. Conforti,
13	just me. I'm sorry. Forget that. I don't	13	that you and your wife were the shareholders of
14	remember very well 100 percent.	14	Conforti Holdings Limited. And that you and,
15 73	Q. Counsel, can you undertake to	15	maybe, your wife - and your counsel is going to
16	advise me of the identity of the shareholders of	16	clarify that - were the shareholders of Beauty
17	Beauty Experts if it is different than what your	17	Experts Inc. So you told me those things,
18	witness just said?	18	right?
19	U/T MR. SACHDEVA: Yes.	19	A. Yes.
20	MR. PROPHET: Thank you.	20 80	Q. And then I asked you whether
21	BY MR. PROPHET:	21	Beauty Experts Inc. was a shareholder of
22 74	Q. So Beauty Experts Inc. is not a	22	Conforti Holdings Limited, and you told me, no,
23	shareholder of Conforti Holdings Limited, then.	23	it was not. That's right, correct?
24	Is that right?	24	A. Conforti Holding is -- Conforti
25	A. To me, is the same. Conforti is	25	Holding Beauty Expert is the same like -- it's a

<p>Page 69</p> <p>1 A. Yeah.</p> <p>2 303 Q. -- your wife? Okay. I</p> <p>3 understand your --</p> <p>4 A. Me and --</p> <p>5 304 Q. -- your answer.</p> <p>6 A. -- my wife.</p> <p>7 305 Q. Can I take you down to another</p> <p>8 line item in this income statement that says</p> <p>9 salary and wages? And, counsel --</p> <p>10 A. Salary.</p> <p>11 306 Q. -- this may be -- so you --</p> <p>12 A. Invoices.</p> <p>13 307 Q. Salary and wages.</p> <p>14 MR. SACHDEVA: Yes, we are aware.</p> <p>15 BY MR. PROPHET:</p> <p>16 308 Q. \$15,204,390 in the year ending</p> <p>17 March 31, 2019. Do you see that, sir?</p> <p>18 A. Yep.</p> <p>19 309 Q. I assume, and you'll have to tell</p> <p>20 me if this isn't right, that that salary and</p> <p>21 wages includes hairstylists working in the</p> <p>22 salon, correct?</p> <p>23 A. For sure.</p> <p>24 310 Q. It has to, right?</p> <p>25 A. Yeah.</p>	<p>Page 71</p> <p>1 BY MR. PROPHET:</p> <p>2 315 Q. All right. But within that</p> <p>3 15 million, Mr. Conforti, I understand you to</p> <p>4 say that Floriana would have been paid. Is that</p> <p>5 correct?</p> <p>6 A. Floriana has been paid by</p> <p>7 Conforti Holdings Limited, yes.</p> <p>8 316 Q. And it's your understanding that</p> <p>9 that would appear in this line item that we are</p> <p>10 talking about at "salary and wage"?</p> <p>11 A. I think this should be, yeah.</p> <p>12 But I'm not an account. I'd like to ask my</p> <p>13 account.</p> <p>14 317 Q. You can do so and you can</p> <p>15 undertake to let me know whether Floriana's</p> <p>16 payment, compensation was included in that</p> <p>17 expense.</p> <p>18 U/T MR. SACHDEVA: Yes.</p> <p>19 MR. PROPHET: Thank you.</p> <p>20 THE WITNESS: Sure, Floriana is paid</p> <p>21 by Conforti.</p> <p>22 BY MR. PROPHET:</p> <p>23 318 Q. We're going to get an answer,</p> <p>24 your counsel has just said, after talking with</p> <p>25 your --</p>
<p>Page 70</p> <p>1 311 Q. Because you told me there's only</p> <p>2 eight other employees in CHL, and they're not</p> <p>3 making \$15 million, are they?</p> <p>4 A. No.</p> <p>5 312 Q. Right. So for that salary and</p> <p>6 wages of 15,204,000, some odd, dollars, can you</p> <p>7 tell me whether that represents all the</p> <p>8 hairstylists for all the salons, or just some of</p> <p>9 the hairstylists who were working directly for</p> <p>10 Conforti Holdings Limited and salons it</p> <p>11 operated?</p> <p>12 A. I can't answer you right now. I</p> <p>13 gotta talk with my account.</p> <p>14 313 Q. Okay. Perhaps you can undertake</p> <p>15 to get back to me on that, counsel?</p> <p>16 U/T MR. SACHDEVA: Sure. Whether the</p> <p>17 wages of 15 million and change represent</p> <p>18 payments to some or all of these hair salon</p> <p>19 workers, stylists.</p> <p>20 BY MR. PROPHET:</p> <p>21 314 Q. Correct. And if all or if some,</p> <p>22 to confirm that that is with respect to only to</p> <p>23 hair salons operated directly by Conforti</p> <p>24 Holdings Limited. That's the second part.</p> <p>25 U/T MR. SACHDEVA: Okay.</p>	<p>Page 72</p> <p>1 A. Thank you.</p> <p>2 319 Q. I'd like to go back to your</p> <p>3 affidavit, Mr. Conforti. Please go to</p> <p>4 paragraph 17 again.</p> <p>5 A. (Witness reviews document.)</p> <p>6 320 Q. Better, let's go to paragraph 22.</p> <p>7 So in paragraph 22, why don't you take a moment</p> <p>8 to read it, sir.</p> <p>9 A. (Witness reviews document.)</p> <p>10 321 Q. You've read it, sir?</p> <p>11 A. Yes, yes.</p> <p>12 322 Q. So in the third sentence, you say</p> <p>13 that "we," and by that, I think, it's you and</p> <p>14 your wife, is that right? When you say "we"</p> <p>15 there?</p> <p>16 A. Yes. Yes, sir.</p> <p>17 323 Q. Decided \$50,000 per month would</p> <p>18 be an appropriate management fee, that's what</p> <p>19 you're saying there, right?</p> <p>20 A. Yep.</p> <p>21 324 Q. Did you or your wife get any</p> <p>22 advice about the appropriate level of management</p> <p>23 fee that you say you started to charge then?</p> <p>24 A. We've been in this business for</p> <p>25 45 years. We created the company. We've been</p>

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1	working very, very hard, 45 years. We started	1	information, even nine to ten years, you have to
2	this business when we are 23, 24 years old.	2	renovate the location where you are. And this
3	Today, I'm going to be 70 in two months; my wife	3	is a very expensive renovation. Working in the
4	is going to be 67. I work for eight, nine years	4	Eaton Centre, Square One, Oxford, Cadillac
5	during the extension for very small salary for	5	Fairview, Avant Garde, those (indiscernible)
6	nine years, for small salary. And after eight	6	very expensive malls. And basic, we thinking to
7	years, I'm entitled to be paid. And as around	7	start not retire 100 percent, because I love
8	2018, in the kitchen table, me and my wife,	8	what I'm doing, my wife (indiscernible). Just
9	having a dinner and talk about think to retire.	9	working just a little bit less hours because
10	So how do we going to retire? I gotta collect	10	I've been work all my life. For that day I drop
11	some my money. I need some money to collect	11	in this -- I come in this city in 1975, seven
12	because we work seven days, 80 hours a week. We	12	days a week, and 13, minimum 12, 14 hours a day.
13	(indiscernible) my car have 120 kilometres --	13 327	Q. So you wanted --
14	120,000 kilometres a years to go location to	14	A. I need some money to -- I need my
15	location to talk with manager and so-so. The	15	money to be retire.
16	work I did for the last eight, nine years, I	16 328	Q. You wanted to catch up starting
17	think it's worth \$50,000 a month. And I want to	17	in 2018, then, for some of the work, you're
18	be paid 50,000 a month because without me, this	18	telling me, you've done in the past --
19	company is worth nothing. In reality, I want to	19	A. Yes.
20	save this company because I put all my offer	20 329	Q. -- and particular during the
21	[sic] my energy. I know one thing in this	21	expansion, right?
22	world, I'm a hairdresser. That's what I know,	22	A. Yes, sir. And before.
23	open hair salon. And opening goes very spencil	23 330	Q. And before. Over the history of
24	(phonetic). Mall, shopping centre where rent is	24	your work with the company, you wanted to start
25	very spencil, and stay in business for 1977 to	25	to catch up for that, correct?
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1	2000.	1	A. Try to get some money for my
2	(Reporter seeks clarification.)	2	retirement, me and my wife.
3	THE WITNESS: No problem. Go ahead.	3 331	Q. Right. And so it included money
4	MR. PROPHET: Expensive.	4	and compensation for lots of work you've done in
5	THE WITNESS: The rent is very	5	the past, right?
6	expensive inside the shopping centre, yes. Very	6	A. Whatever I deserve I think. I
7	expensive real estate.	7	think \$50,000 a month for all the work I work
8	BY MR. PROPHET:	8	for minimum wage for eight, nine years.
9 325	Q. So you and your wife decided that	9 332	Q. For the whole period of your work
10	to -- in order to get money out of the business	10	there, you wanted to get caught up. I
11	that, you tell me, you'd worked at building, you	11	understand.
12	wanted to start to try and take it out by	12	A. No whole period. The last eight,
13	recording a management fee. That's what you and	13	nine years. Before I usually make a lot of
14	your wife decided, and you thought that was	14	money.
15	fair. That's what you guys decided, correct?	15 333	Q. Right. For the period --
16	A. I'm -- 2018, I'm 67 years old.	16	A. I usually make big wages. I make
17	My wife is 65 years old. We think to some	17	a lot of bonus, a lot of profit, everything. Is
18	retirement.	18	everything in the paper.
19 326	Q. Right. So it's not --	19 334	Q. But you stopped doing that, you
20	A. And (inaudible) own merit. But	20	say, in your affidavit in 2010 when you're doing
21	family is all everybody working. I want some	21	the expansion?
22	time off, too. So 2018, we talk. After we	22	A. Yes.
23	finish the extension, (indiscernible) stores,	23 335	Q. And so for at least --
24	plus or the renovation I did in those period of	24	A. Yes. Because --
25	time in eight years, because for your	25 336	Q. -- that -- can I just finish

<p>Page 77</p> <p>1 my --</p> <p>2 A. Because --</p> <p>3 337 Q. -- question.</p> <p>4 A. -- the company needs money,</p> <p>5 because I want to spend -- I want to open more</p> <p>6 store.</p> <p>7 338 Q. Right. So the 50,000 a month</p> <p>8 represents, in some sense as I was saying, a</p> <p>9 catch-up for what you had done over that</p> <p>10 expansion period, right?</p> <p>11 A. I think I -- I think I deserve</p> <p>12 with your due respect.</p> <p>13 339 Q. So just to answer my question.</p> <p>14 But in your mind it represents, at least --</p> <p>15 A. Yep.</p> <p>16 340 Q. -- a portion of the reason for</p> <p>17 it, is a catch-up for the period during the</p> <p>18 expansion when you didn't take money?</p> <p>19 A. I spend all this money. I left</p> <p>20 all my money there. I never -- I take very</p> <p>21 minimum wage. Like, very small salary for</p> <p>22 eight, nine years. I want -- somebody gotta pay</p> <p>23 me.</p> <p>24 341 Q. So you would agree --</p> <p>25 A. Now I'm --</p>	<p>Page 79</p> <p>1 A. Today I'm --</p> <p>2 348 Q. It's just a question. I --</p> <p>3 A. I'm 70 years old today. I'm 70</p> <p>4 years old. I can't retire now because we are in</p> <p>5 this COVID things. We've been have 23 months</p> <p>6 very, very tough. Number 1. What I come for</p> <p>7 and what my parents teach me, it teach me</p> <p>8 respect. Basic, I have a lot of respect for my</p> <p>9 employee. I have 700 employee, come with me</p> <p>10 when it's 17 years old. Today those employees</p> <p>11 40, 50, married, have kids, have a mortgage and</p> <p>12 everything. My heart is breaking about my</p> <p>13 employee. First thing I want to do in my life</p> <p>14 to set those employee to get a job. I have</p> <p>15 people eight months ago, ten months ago crying,</p> <p>16 Tony, are you going to shut down? Because we</p> <p>17 shut down a few location. I think you know</p> <p>18 that.</p> <p>19 349 Q. Mr. --</p> <p>20 A. One (indiscernible) they shut me</p> <p>21 down because wants be paid full rent.</p> <p>22 350 Q. As with everything, Mr. Conforti,</p> <p>23 my questions go to how we do things, not</p> <p>24 necessarily why we do things. So I want to just</p> <p>25 go back to the question I asked, and I've</p>
<p>Page 78</p> <p>1 342 Q. You'd agree with what I --</p> <p>2 A. Now I'm 66, 67 years old, I'm</p> <p>3 thinking to retire. How you going to retire if</p> <p>4 you don't get some money?</p> <p>5 343 Q. And you've absolutely told me</p> <p>6 that. I understand your answer on that. So all</p> <p>7 I want you --</p> <p>8 A. Thank you.</p> <p>9 344 Q. -- to do is give me a "yes" or</p> <p>10 "no," that then we can summarize what you've</p> <p>11 just told me by saying it was part of the 50,000</p> <p>12 a month was a catch-up for all those years when</p> <p>13 you didn't take money you've told me.</p> <p>14 A. Yep, and I'm 67 years old.</p> <p>15 345 Q. Right. I understand.</p> <p>16 A. From that time 66, 67. So I want</p> <p>17 to think what's happened to me tomorrow morning.</p> <p>18 346 Q. And then to go back to the</p> <p>19 question I asked first about this paragraph, you</p> <p>20 didn't consult -- given everything you've just</p> <p>21 told me, you didn't consult with any third party</p> <p>22 or anybody else about how much management was</p> <p>23 worth.</p> <p>24 A. Well...</p> <p>25 347 Q. It's just a --</p>	<p>Page 80</p> <p>1 listened to your answer --</p> <p>2 A. Yes.</p> <p>3 351 Q. -- very carefully and the</p> <p>4 question --</p> <p>5 A. Thank you.</p> <p>6 352 Q. -- I asked was a simple one, and</p> <p>7 it's not whether you should have as necessarily.</p> <p>8 I can say whatever I want about that, whether</p> <p>9 you should have asked somebody else about this.</p> <p>10 My simple question is did you ask somebody else</p> <p>11 about this and I think the answer is no.</p> <p>12 A. Talking with my account, yes.</p> <p>13 353 Q. Okay. So you did talk --</p> <p>14 A. You know this, what this --</p> <p>15 354 Q. Okay. What did you and your</p> <p>16 accountant talk about?</p> <p>17 A. I said, I work for the eight,</p> <p>18 nine years for a minimum wage, not even. So I</p> <p>19 need some money. Gentleman, I say, I'm now 67</p> <p>20 years old. My wife is 64 years old. Sixty</p> <p>21 [sic], is going to go to 65. I need to</p> <p>22 thinking, how do you going do my retirement</p> <p>23 here?</p> <p>24 355 Q. Right. And so you --</p> <p>25 A. I love my business.</p>

<p>1 356 Q. Is your answer to me, then, that 2 your accountant gave you advice about the level 3 of management fees you say you agreed to take 4 out? 5 A. Well, my accountant is told me, I 6 think, 50,000 a month is not enough. 7 357 Q. Is not enough? 8 A. But because I want -- no. 9 Because I want to keep my company have, I want 10 this company Conforti Holding Limited to stay in 11 business, I tried to keep much more location 12 open. I never shut down the location. My 13 landlord shut me down. I get a letter, 2020, in 14 September to pay so much money, if you no pay, 15 we going to shut it down, everything. 16 358 Q. Okay. I'm just asking about your 17 discussions with your accountant. So you -- 18 A. Yes, I did. 19 359 Q. -- told me you mentioned this to 20 him and he didn't disagree with you. And your 21 wife and you went forward. And you tell me, you 22 are saying in your affidavit that you 23 established the 50,000 per month fee from April 24 1, 2018 forward. That's what you're saying, 25 right?</p>	<p>Page 81</p> <p>1 MR. SACHDEVA: Okay. We are there. 2 BY MR. PROPHET: 3 369 Q. Mr. Conforti, just a simple point 4 here. If I can take you down to almost the 5 bottom of this income statement, you've recorded 6 from an income point of view, a loss of 7 \$1,125,000 for that year, correct? 8 A. Yep. 9 370 Q. Okay. And if we can just go up 10 to the balance sheet, you've also recorded and 11 this is -- you see the balance sheet, sir? 12 A. Yes. 13 371 Q. Have a look at that. You've also 14 -- 15 MR. SACHDEVA: Sorry. What's the 16 page? 17 MR. PROPHET: Balance sheet, not 18 income statement. Balance sheet, same fiscal 19 year. 20 MR. SACHDEVA: Okay. 21 BY MR. PROPHET: 22 372 Q. You've recorded -- Mr. Conforti, 23 have a look at the balance sheet, sir. 24 A. Yep. 25 373 Q. And this is a relatively easy</p> <p>Page 83</p>
<p>1 A. Yes. 2 360 Q. And you did that in April of 2019 3 looking backwards, right, for one year? 4 A. Well -- 5 361 Q. It's okay. 6 A. -- 2018. 7 362 Q. You just have to tell me. You 8 looked backwards and started -- 9 A. 2000 -- 10 363 Q. -- the year before? 11 A. -- nineteen -- 2019, we decide 12 where, how much we wanted the money. 13 364 Q. Right. And you -- 14 A. I (inaudible) -- 15 365 Q. -- decided -- 16 A. -- (inaudible) -- 17 366 Q. Sorry. I don't want to interrupt 18 you. You decided you'd start that a year 19 earlier, a year backward? 20 A. Yes, because my expansion, my 21 goal is finish, my expansion is done. 22 367 Q. Right. Can I -- 23 A. I do what I gotta do. 24 368 Q. Can I take you back to the 2019 25 income statement that we were looking at before.</p> <p>Page 82</p>	<p>1 piece of documentation. At the very bottom, 2 you've recorded a decrease in retained earnings 3 in that year of about \$1.8 million. Do you see 4 that, sir? 5 A. This one here? 6 MR. SACHDEVA: The retained earnings. 7 BY MR. PROPHET: 8 374 Q. The retained earnings line, you 9 see that? 10 A. I don't even know what's retained 11 (inaudible). 12 MR. SACHDEVA: Sorry. You have to 13 answer him. 14 THE WITNESS: I don't know what 15 returned line is. I'm sorry. I'm not an 16 account. I'm a -- sorry. 17 BY MR. PROPHET: 18 375 Q. So I'll ask you the question, and 19 you're either going to be able to answer it or 20 not. But I see a decrease in retained earnings 21 and overall shareholders' equity in that year. 22 Do you see that? 23 A. I don't -- I don't know what 24 is -- 25 376 Q. You see the number?</p> <p>Page 84</p>

<p>Page 85</p> <p>1 A. Yep.</p> <p>2 MR. SACHDEVA: You went down from that</p> <p>3 to that.</p> <p>4 THE WITNESS: But I don't know what it</p> <p>5 is. Sorry.</p> <p>6 BY MR. PROPHET:</p> <p>7 377 Q. You have to answer me. So you</p> <p>8 see that decrease, correct, the number is --</p> <p>9 the number is --</p> <p>10 A. I see \$4 million here, I see 5.8</p> <p>11 here.</p> <p>12 378 Q. Right. So you see --</p> <p>13 A. That's what --</p> <p>14 379 Q. -- the decrease in that number.</p> <p>15 Okay. And we've already gone to the loss based</p> <p>16 on net income, right? So we've seen both of</p> <p>17 those.</p> <p>18 How would you describe the financial</p> <p>19 results of Conforti Holdings Limited for the</p> <p>20 year 2018, 2019, was it a good year?</p> <p>21 A. I don't understand what's this</p> <p>22 here, the retained (indiscernible) Conforti</p> <p>23 Holdings --</p> <p>24 380 Q. Okay. That's fine. We've looked</p> <p>25 at those and you've given me the answers that</p>	<p>Page 87</p> <p>1 THE WITNESS: Yep.</p> <p>2 BY MR. PROPHET:</p> <p>3 383 Q. Was it a good year financially</p> <p>4 for --</p> <p>5 A. I don't --</p> <p>6 384 Q. -- Conforti Holdings?</p> <p>7 A. -- remember exactly. I don't</p> <p>8 remember. That was three years ago. I don't</p> <p>9 remember that, you know.</p> <p>10 385 Q. Well, you showed that --</p> <p>11 A. I'm gonna --</p> <p>12 386 Q. Okay. What did your accountant</p> <p>13 say to you? Was it a good year?</p> <p>14 A. I don't remember what he's</p> <p>15 telling me. That is three years ago, sir.</p> <p>16 387 Q. Could the company have --</p> <p>17 A. Three years.</p> <p>18 388 Q. Okay. But you and Sylvia decided</p> <p>19 you'd have your -- you decided for that year</p> <p>20 you'd have your management fees for that year,</p> <p>21 right?</p> <p>22 A. Well, that is my money I work</p> <p>23 for. We work for.</p> <p>24 389 Q. I'm not -- this is not a question</p> <p>25 that I'm arguing with you about. I want you to</p>
<p>Page 86</p> <p>1 you can. I'm just going to ask you a question.</p> <p>2 You don't have to look back at the papers. You</p> <p>3 just have to remember what we talked about.</p> <p>4 How would you describe the financial</p> <p>5 results for Conforti Holdings Limited in 2018,</p> <p>6 2019? Was it a good year?</p> <p>7 A. I don't know exactly the question</p> <p>8 you ask. I can understand the question you ask.</p> <p>9 I'm sorry. I have a problem understanding you</p> <p>10 when you talk to me about (indiscernible) things</p> <p>11 good years and bad years. I don't know what it</p> <p>12 is.</p> <p>13 381 Q. Was it a good -- but from your</p> <p>14 perspective, you've told me, you and Sylvia are</p> <p>15 the sole shareholders of Conforti Holdings</p> <p>16 Limited.</p> <p>17 A. Yep.</p> <p>18 382 Q. So you as the owners, then, it's</p> <p>19 important to you to know how the company is</p> <p>20 doing financially, right?</p> <p>21 A. Okay.</p> <p>22 MR. SACHDEVA: He's asking for the</p> <p>23 year, April 1, 2018 --</p> <p>24 THE WITNESS: Yep.</p> <p>25 MR. SACHDEVA: -- to March 31, 2019?</p>	<p>Page 88</p> <p>1 know, though. I want to know from you,</p> <p>2 specifically, you decided --</p> <p>3 A. I'm --</p> <p>4 390 Q. -- you'd -- you decided -- let me</p> <p>5 finish my question. You decided that you would</p> <p>6 take or you would become entitled to \$678,000 of</p> <p>7 management fees for that fiscal year, right?</p> <p>8 A. Yep.</p> <p>9 391 Q. Okay, so yes. And I asked you</p> <p>10 whether you thought that fiscal year was a good</p> <p>11 year or not, and you say you can't tell me.</p> <p>12 That's fine. I'll ask you a different question.</p> <p>13 Could Conforti Holdings Limited have</p> <p>14 paid you that money that year? Could it afford</p> <p>15 that that year?</p> <p>16 A. I make -- I make my money -- I</p> <p>17 make this much more money in the years past.</p> <p>18 Then for nine years, I work for very minimum</p> <p>19 salary. And then -- then I needed to be paid</p> <p>20 because now I'm not 25 years old anymore. I'm</p> <p>21 not 40. I'm 67 years old. So for my retirement</p> <p>22 (inaudible) --</p> <p>23 392 Q. And you --</p> <p>24 A. -- I want the pay. And when I</p> <p>25 talk --</p>

<p>Page 89</p> <p>1 393 Q. And I --</p> <p>2 A. -- with my account --</p> <p>3 394 Q. I understand all --</p> <p>4 A. -- he say --</p> <p>5 395 Q. -- that. And you've told me all</p> <p>6 that. And that's all fine. So I have a</p> <p>7 different question, and it's a specific</p> <p>8 question.</p> <p>9 In your view, could Conforti Holdings</p> <p>10 have afforded to pay you the \$678,000 in 2018,</p> <p>11 2019? Did it have that money to pay you?</p> <p>12 A. They (indiscernible) have the</p> <p>13 money.</p> <p>14 396 Q. They did?</p> <p>15 A. But as soon as they have the</p> <p>16 money, I like to be paid. I like to be paid</p> <p>17 because I work hard for ten years.</p> <p>18 397 Q. I wasn't asking about that, sir.</p> <p>19 I was asking whether Conforti Limited had the</p> <p>20 money to pay you in 2018, 2019, and I think</p> <p>21 you've told me no, correct? It didn't --</p> <p>22 A. I no remember if this have the</p> <p>23 money or not. I don't take attention because to</p> <p>24 me, all I look after my company in sense, we,</p> <p>25 for the last 45 years, we've been in business</p>	<p>Page 91</p> <p>1 402 Q. But that year, they didn't have</p> <p>2 it that year, though, did they?</p> <p>3 A. I don't remember, sir.</p> <p>4 403 Q. You don't know. But you have --</p> <p>5 A. No.</p> <p>6 404 Q. You did answer me, though, that</p> <p>7 they operated on an income loss basis that year,</p> <p>8 right, the company did?</p> <p>9 A. I don't remember, sir.</p> <p>10 405 Q. You told me that before when we</p> <p>11 looked at these financial statements. You have</p> <p>12 to agree with me, Mr. Conforti, and I'm not --</p> <p>13 in this, I'm not saying -- I'm not arguing with</p> <p>14 you about whether or not you'd work for a long</p> <p>15 time or whether you'd earned something. I'm</p> <p>16 just merely asking you whether or not Conforti</p> <p>17 Holdings Limited could pay you those management</p> <p>18 fees that year, and you have to agree with me</p> <p>19 that it couldn't, could it?</p> <p>20 A. When -- when Conforti have the</p> <p>21 money, I'm taking the money.</p> <p>22 406 Q. Correct. But it didn't have the</p> <p>23 money that year, did it?</p> <p>24 A. We never take then.</p> <p>25 407 Q. It didn't. Based on those</p>
<p>Page 90</p> <p>1 with Conforti. Conforti been paying rent, been</p> <p>2 paying employee, been paying Revenue Canada, it</p> <p>3 been paying the manufacturer.</p> <p>4 398 Q. My question was a simple one,</p> <p>5 though --</p> <p>6 A. We (indiscernible) --</p> <p>7 399 Q. -- it wasn't --</p> <p>8 A. -- yesterday. We bought it 45</p> <p>9 years ago, 1977.</p> <p>10 400 Q. I wasn't asking about the past</p> <p>11 here on this question. I was asking about that</p> <p>12 year, and I just want you to answer whether</p> <p>13 Conforti Holdings Limited had the money to pay</p> <p>14 you those management fees that year. And I</p> <p>15 think your answer is, it didn't.</p> <p>16 A. Well, I no remember if it has the</p> <p>17 money in, in the account at that time there. I</p> <p>18 don't remember. But if it is have the money, I</p> <p>19 want take some of the money.</p> <p>20 401 Q. So if -- what you're telling me</p> <p>21 is if and when Conforti got money, if it had</p> <p>22 enough money to pay you, you wanted to be</p> <p>23 entitled to be paid?</p> <p>24 A. Yes. Whenever there's the money,</p> <p>25 I want to be paid, yes. I been paid.</p>	<p>Page 92</p> <p>1 statements?</p> <p>2 A. I never take 2018, the money. I</p> <p>3 never take 2019, the money. I take my money</p> <p>4 starting in October 2020 when they have the</p> <p>5 money.</p> <p>6 408 Q. Right.</p> <p>7 A. Right?</p> <p>8 409 Q. So you would agree with me, then,</p> <p>9 in the years 2018-19, and 2019-20 and then 2000</p> <p>10 --</p> <p>11 A. We just finished the expansion at</p> <p>12 that time, yes.</p> <p>13 410 Q. You finished the expansion, I</p> <p>14 think, in 2017, right?</p> <p>15 A. Seventeen, '18. I don't remember</p> <p>16 the month now.</p> <p>17 411 Q. Your affidavit said 2017, sir.</p> <p>18 I'm just --</p> <p>19 A. Yes.</p> <p>20 412 Q. -- quoting your affidavit.</p> <p>21 A. Yep.</p> <p>22 413 Q. So you did not take any, and were</p> <p>23 not paid any money for these management fees</p> <p>24 that you set in the years 2018-19, 2019-20, and</p> <p>25 in the part-year, 2020 to September 2020.</p>

Page 93		Page 95	
1	You didn't take any money in those	1	Oh, I do have a hard copy, yes, I do.
2	years, did you?	2	MR. PROPHET: Very good. I'd like to
3	A. No.	3	mark --
4 414	Q. And I'm putting to you, based on	4	MR. SACHDEVA: Sorry. Just one
5	the financial statements you have shown me, that	5	second. Yes. Sorry.
6	at least for 2018, 2019, CHL couldn't pay you	6	MR. PROPHET: That's fine, counsel.
7	that money, could it? It didn't have --	7	I'd like to mark that email at Exhibit 2 to this
8	A. I don't think so, no.	8	cross-examination, counsel.
9 415	Q. Right.	9	EXHIBIT NO. 2: Email from Thomas
10	A. No. Yeah.	10	Gertner dated December 1, requesting
11 416	Q. Thank you. Before we leave the	11	production of documents.
12	area of speaking about the establishment of what	12	MR. SACHDEVA: Yes.
13	you tell me are the management fees.	13	BY MR. PROPHET:
14	Did you ever disclose the existence or	14 419	Q. Okay. In connection with
15	the decision that you and your wife made about	15	Mr. Gertner's email, counsel, I note that we had
16	the management fees to the Royal Bank in 2018,	16	requested financial statements for the years --
17	2019?	17	for CHL for the years between 2017 and 2021.
18	A. I'm sorry. If you could repeat,	18	And you have given us financial statements for
19	that could be great. I'm sorry. My apology.	19	the years ending March 31, 2017; March 31, 2018;
20 417	Q. It's okay.	20	March 31, 2019, but nothing for the year ending
21	Did you tell the Royal Bank that you	21	March 31, 2020, and no information for the
22	and your wife had decided that you say you	22	part-year, I'm going to assume, between March --
23	should have a management fee? Did you tell the	23	April 2020 and September 2020. Can I have your
24	Royal Bank that when you did?	24	undertaking to produce to the -- well, to
25	A. No. No.	25	produce the financial statement for the year
Page 94		Page 96	
1 418	Q. Did you tell them at any time	1	ending March 31, 2020, and produce any financial
2	afterwards?	2	information in similar format, to the extent
3	A. No. I don't recall at all.	3	it's available, for the part-year April 1, 2020
4	MR. PROPHET: Counsel, you have	4	to September 2020?
5	produced at this point -- Mr. Conforti, this is	5	U/T MR. SACHDEVA: Why don't we do that in
6	for your counsel to respond to. I'd like to	6	two parts? With respect to the request for
7	mark as an exhibit to this examination the email	7	financial statements for the period ending March
8	that Thomas Gertner of our law firm sent	8	31, 2020, I do not know if they've been
9	requesting disclosure. And it is -- I'm going	9	prepared. I will make the inquiry. And if they
10	to pull it up here, counsel, just to make sure I	10	exist, they will be provided. Is that fair?
11	have -- I can't find it. Give me one moment,	11	BY MR. PROPHET:
12	counsel.	12 420	Q. Yes. And if versions of a
13	MR. SACHDEVA: I believe it was last	13	statement or the information that would be
14	Wednesday.	14	required to prepare a statement exists that
15	MR. PROPHET: I do, too, I just wanted	15	hasn't been reduced into a formal financial
16	to get it correctly here. I'm looking for it	16	statement for that period, I would ask that that
17	now, counsel. Do you have that email? And I	17	be produced instead.
18	will refer to it by time when I find it. Right.	18	MR. SACHDEVA: I think we're going to
19	It's an email from Thomas Gertner that is dated	19	have to drill down a little on what you're
20	December 1. It looks like it was dispatched	20	looking for there, counsel, because that could
21	from our firm at 12:42 p.m., and it requests the	21	be -- are you looking for draft financials?
22	production of documents relevant to this	22	You're not looking for --
23	cross-examination. So you have a copy of that	23	MR. PROPHET: Internal --
24	email, counsel?	24	MR. SACHDEVA: -- backup?
25	MR. SACHDEVA: I have it on my phone.	25	MR. PROPHET: No. Internal. Assuming

<p>Page 97</p> <p>1 internals exist that the accountant hasn't yet 2 signed off on. I appreciate they're unaudited. 3 U/A MR. SACHDEVA: I'm going to take that 4 under advisement and see what exists first. 5 MR. PROPHET: Very good. I will take 6 that as a refusal, but I understand and I 7 appreciate the signalling. Counsel -- 8 MR. SACHDEVA: Sorry. You had a 9 second question for the period for the year into 10 2021. Maybe you want to ask that formally, and 11 I can give you a response to that. 12 BY MR. PROPHET: 13 421 Q. Certainly. It will be much 14 simpler given what we've just done. Can you 15 please produce any internal financial statements 16 available for the period April 1, 2020 to 17 September 2020, or any part period of that if 18 it's available? 19 MR. SACHDEVA: Okay. Again, I will 20 take that under advisement. And I'm assuming 21 you want something other than what has been 22 produced in the restructuring proceeding as cash 23 flows. 24 MR. PROPHET: Yes. Not cash flows, 25 statements.</p>	<p>Page 99</p> <p>1 year for CHL ended March 31, 2019. I assume 2 that's 50,000 a month times 12, plus 13 percent 3 HST. Is that correct, sir? 4 A. Yes, yes. 5 426 Q. And the same determination would 6 apply for the CHL financial year ended March 31, 7 2020, correct? 8 A. I'm sorry? 9 427 Q. And the same calculation would be 10 applicable for the financial year ending March 11 31, 2020? 12 A. I think so, yes, yes. 13 428 Q. And then for the part-year 14 between the 1st of April and September of 2020, 15 you've determined that six months' worth of what 16 you say were the management fees should be 17 charged. Is that right? 18 A. Yep. 19 429 Q. So I make that total \$1,695,000 20 for those years. Is that fair to say? 21 A. A million what? I'm sorry. 22 430 Q. A million -- 23 A. (Inaudible). 24 431 Q. Yes. If we do the arithmetic of 25 678,000, plus 678,000, plus 339,000, I make that</p>
<p>Page 98</p> <p>1 U/A MR. SACHDEVA: All right. So I will 2 take that under advisement as well. 3 MR. PROPHET: Very good, counsel. 4 Counsel, let's take -- let's break until 1:30 so 5 that we can nourish ourselves if that's what 6 people wish to do, and then resume at that time. 7 MR. SACHDEVA: Sure. We can go off 8 the record. 9 -- LUNCH TAKEN AT 1:03 P.M. 10 -- RESUME AT 1:42 P.M. 11 BY MR. PROPHET: 12 422 Q. Mr. Conforti, and I'd like you to 13 turn up paragraph 23 of your affidavit. 14 A. Yep. 15 423 Q. Have a look at that. 16 A. (Witness reviews document.) 17 424 Q. Are you ready, sir? 18 MR. SACHDEVA: Are you good, Tony? 19 THE WITNESS: Just -- yep. 20 BY MR. PROPHET: 21 425 Q. Mr. Conforti, as you've read 22 there in paragraph 23, and as you swore in this 23 paragraph, you were telling me that your \$50,000 24 of management fees that you say you and Sylvia 25 agreed amounted to \$678,000 for the financial</p>	<p>Page 100</p> <p>1 1,695,000. That's fair, isn't it? 2 A. 678 and 329 is a million, right? 3 432 Q. There are two 678,000-dollar 4 figures because we have -- you have claimed two 5 fiscal years. 6 A. Yeah, 2018, right? 7 433 Q. Yes, 2018-19, 2019-20, and then 8 the part-year April to September 2020, right? 9 A. Yep. 10 434 Q. So I make that total \$1,695,000, 11 correct? 12 A. Yep. 13 435 Q. Spread over those two years and 14 that one part-year, right? 15 A. Yes. 16 436 Q. Okay. I'd like you now to turn 17 to Exhibit H to your affidavit. 18 A. Eight? 19 437 Q. H, as in "Henry." 20 A. H. 21 438 Q. Now, Mr. Conforti, you've 22 described this in your affidavit as an income 23 statement for Beauty Experts. Do you see that, 24 sir? 25 A. Yes, yes.</p>

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<p>Page 105</p> <p>1 A. Beauty Expert is manage salon and</p> <p>2 do wholesale.</p> <p>3 460 Q. I didn't understand what you just</p> <p>4 said there, sir.</p> <p>5 A. Beauty Expert is doing management</p> <p>6 for hair salon for Conforti and doing wholesale.</p> <p>7 461 Q. You just said Beauty Expert</p> <p>8 didn't do any management services for --</p> <p>9 A. No. Is doing. Is --</p> <p>10 462 Q. It did it?</p> <p>11 A. -- doing, yes.</p> <p>12 463 Q. Sorry.</p> <p>13 A. Yeah.</p> <p>14 464 Q. Right. That's not the question.</p> <p>15 My specific question is that you didn't record</p> <p>16 any income for management fees for Beauty</p> <p>17 Experts in 2019 and 2020, did you?</p> <p>18 A. I never take any money.</p> <p>19 465 Q. No. You didn't -- it's a</p> <p>20 different --</p> <p>21 A. No.</p> <p>22 466 Q. -- question. You didn't record</p> <p>23 any income for those two years --</p> <p>24 A. No.</p> <p>25 467 Q. -- right? You recorded it all</p>	<p>Page 107</p> <p>1 \$50,000 a month, right?</p> <p>2 A. Yes.</p> <p>3 475 Q. Right. And you told me you only</p> <p>4 started being paid in October of 2020, right?</p> <p>5 A. Yes, I did, yes.</p> <p>6 476 Q. So the statement we're looking at</p> <p>7 here is as at January 31, 2021, right?</p> <p>8 A. Yep.</p> <p>9 477 Q. So it would only reflect a period</p> <p>10 of taking money of four months, that's \$200,000,</p> <p>11 right?</p> <p>12 A. Yep, whatever it is, yeah.</p> <p>13 478 Q. Right. So the rest of that</p> <p>14 income reported for Beauty Experts, assuming</p> <p>15 that Beauty Experts is the right party to be</p> <p>16 paid, not all of that relates to past years,</p> <p>17 right? You just recorded it all for 2021, 2020,</p> <p>18 2021, right?</p> <p>19 A. I think so, yes.</p> <p>20 479 Q. Right. When was this Statement</p> <p>21 of Income prepared?</p> <p>22 A. I don't know.</p> <p>23 480 Q. Who prepared it?</p> <p>24 A. My account. My account showed me</p> <p>25 that.</p>
<p>Page 10</p> <p>1 for 2021, right?</p> <p>2 A. Yes, yes.</p> <p>3 468 Q. But you weren't paid the million</p> <p>4 750,000 in 2021, where you? You just recorded</p> <p>5 it for that year, right?</p> <p>6 A. We started taking money 2020 in</p> <p>7 October.</p> <p>8 469 Q. Right. But you --</p> <p>9 A. Is management 50,000 month.</p> <p>10 470 Q. Right. Remember that the year</p> <p>11 ending for Beauty Experts is Jan 31, but you</p> <p>12 didn't --</p> <p>13 A. Yep.</p> <p>14 471 Q. -- take the October, November</p> <p>15 December, you didn't -- and January, you didn't</p> <p>16 take \$1,750,000 for management fees, did you?</p> <p>17 A. I don't know how much I take. I</p> <p>18 got to calculate how much I take for management.</p> <p>19 472 Q. Well, you just told me all you</p> <p>20 did before October of 2020 was, as you say,</p> <p>21 accrue it, right?</p> <p>22 A. Yeah, that's what I --</p> <p>23 473 Q. You didn't take it, right?</p> <p>24 A. No.</p> <p>25 474 Q. And you've told me you take</p>	<p>Page 108</p> <p>1 481 Q. Okay. Can you undertake to ask</p> <p>2 your accountant when he prepared this Statement</p> <p>3 of Income?</p> <p>4 U/T MR. SACHDEVA: Yes.</p> <p>5 MR. PROPHET: Very good.</p> <p>6 MR. SACHDEVA: That's Exhibit H to the</p> <p>7 affidavit, right?</p> <p>8 MR. PROPHET: Exhibit H to the</p> <p>9 November 11th affidavit, yes.</p> <p>10 MR. SACHDEVA: Yes, we will do that.</p> <p>11 MR. PROPHET: Thank you.</p> <p>12 BY MR. PROPHET:</p> <p>13 482 Q. Mr. Conforti, I'd like you to go</p> <p>14 to your Exhibit G. Your counsel can find it</p> <p>15 there for you.</p> <p>16 A. Okay.</p> <p>17 483 Q. So you can look through these</p> <p>18 documents that you call Statements of Account.</p> <p>19 So on the face of this first document, do you</p> <p>20 have it? It says --</p> <p>21 A. Yep.</p> <p>22 484 Q. -- that it's the statement of</p> <p>23 account dated -- it says it's dated January 31,</p> <p>24 2019. Do you see that?</p> <p>25 A. Yep.</p>

<p>1 485 Q. Okay. So as I look at this, this 2 document, whatever it is, says that there were 3 management fees that, I would say, charged of 4 \$56,500 every month in 2018, 2019 from April to 5 the statement, the date of the statement, that's 6 January 2019. Do you see that? 7 A. Yes, I see it, sir. 8 486 Q. Okay. So you have this statement 9 that's generated, you tell me, by Beauty 10 Experts. But we don't have -- remember the 11 Beauty Experts income statement we went to 12 before, we don't have any income recorded prior 13 to 2021. Can you explain that why that is, sir? 14 A. Well, when me and my wife, we 15 decided in 2019 to put \$50,000, talking just 16 about retirement. And then of course we want to 17 be paying for the last nine years for 2010 to 18 2018, when we been paid a very minimum salary. 19 We want, of course, to be paid for those eight 20 to nine years, we decide to start in April, 21 \$50,000 a month. And my daughter prepared the 22 statement. 23 487 Q. Your daughter prepared -- 24 A. (Inaudible) gave the statement 25 that's the money you have to get for this date</p>	<p>Page 109 1 493 Q. I agree. But what you have to -- 2 what we both have to understand here, sir, is 3 that when you are accounting for this, you have 4 to show it when it's income, when it's charged. 5 And -- 6 A. When the statement -- 7 494 Q. -- your financial -- 8 A. -- made... 9 495 Q. None of your financial statements 10 do that, do they? 11 A. This is a statement my daughter 12 gave it to me, my daughter Floriana. This say 13 we start -- you start April 4th, 2018 and that's 14 statement right to the end of 2019. And you 15 have to get \$565,000. 16 496 Q. Let me ask another question. So 17 this is a statement of account with monthly 18 charges, were there ever any invoices between 19 Beauty Experts and Conforti? 20 A. I don't know that. You gotta ask 21 my daughter that. 22 497 Q. Another question. When did your 23 daughter create -- make up the statement? 24 A. Well, it create -- sorry? 25 498 Q. When did your daughter make up</p>
<p>Page 110 1 to this day. 2 488 Q. Right. But when your accountant 3 prepared the income statement for Beauty 4 Experts, he didn't include -- he didn't show 5 income in those prior years for these management 6 -- 7 A. Because -- 8 489 Q. -- fees. 9 A. -- I never take any money, sir. 10 490 Q. No, no. It's a different thing, 11 though. And this is the problem we are having. 12 It's an accounting income statement. So when 13 you -- 14 A. But I never take any money and I 15 never put it -- I never put it. 16 491 Q. Just as we earlier agreed, 17 though, you recorded \$1,750,000 -- 18 A. Yep. 19 492 Q. -- Beauty Experts did, as of 20 January 31, 2021, but do you agreed with me you 21 only got \$200,000 for that period, right? It 22 includes amounts you haven't taken. That's how 23 it works right, sir? 24 A. I taken for 2020 in October 25 to whatever, yeah.</p>	<p>Page 112 1 this Jan 31, 2019 statement? 2 A. I don't know exactly when. But 3 here it says January 31st, 2019, it start 2018. 4 When this created that, you have to ask her. I 5 don't know. 6 499 Q. It's in your affidavit, sir, so I 7 do get to ask you. Perhaps you can figure that 8 out by asking your daughter. I'll ask you to 9 undertake to do that, sir. Sorry. You 10 attached -- 11 MR. SACHDEVA: Yes, that's fine. 12 BY MR. PROPHET: 13 500 Q. You attached the statement of 14 your affidavit, so I want you to undertake to 15 ask when the statements were created. 16 U/T MR. SACHDEVA: Yes. 17 BY MR. PROPHET: 18 501 Q. Very good. Counsel, as a related 19 undertaking -- you've given me an undertaking, I 20 believe, about the Beauty Experts income 21 statement to ask the accountant when it was 22 prepared. I'd like you to undertake to produce 23 full financial statements for both the Beauty 24 Experts year ending Jan 31, 2021 and the years 25 ending Jan 1, 2020 and 2019, if any?</p>

<p>Page 113</p> <p>1 MR. SACHDEVA: You have to tell me why</p> <p>2 you need the full financial statements because</p> <p>3 this is a fairly --</p> <p>4 MR. PROPHET: Yes. I have -- when I</p> <p>5 say "full," I mean, I would like to see what</p> <p>6 treatment -- I'll leave it at this, counsel.</p> <p>7 It's impossible for me to interpret that small</p> <p>8 an excerpt from financial statements, everything</p> <p>9 redacted but one line on an extract that is an</p> <p>10 income statement. Given what isn't there, I</p> <p>11 think it's incumbent upon the witness, or in his</p> <p>12 affidavit, to produce full financial statements.</p> <p>13 If you continue to tell me that some redaction</p> <p>14 is necessary, then it is fair to say that what's</p> <p>15 relevant is the management fees. But I can't</p> <p>16 understand them at all from one unredacted line</p> <p>17 in one small part of one years' income statement</p> <p>18 where we have a claim for multiple years of</p> <p>19 management fee for this entity. So I need full</p> <p>20 statements subject to redaction for commercially</p> <p>21 sensitive information. But I need them to be</p> <p>22 meaningful. That's it, to the extent they</p> <p>23 exist.</p> <p>24 U/A MR. SACHDEVA: All right. As you</p> <p>25 would expect, I will take that under advisement.</p>	<p>Page 115</p> <p>1 And I'd have to ask Madam Reporter just for the</p> <p>2 record, to ensure that we have.</p> <p>3 MR. SACHDEVA: I'm not sure that you</p> <p>4 did, Cliff.</p> <p>5 (Reporter clarifies this exhibit has</p> <p>6 not been marked.)</p> <p>7 BY MR. PROPHET:</p> <p>8 502 Q. Very good. That's fine. We</p> <p>9 should mark this as Exhibit 3 then, as package</p> <p>10 of documents to Mr. Conforti's examination.</p> <p>11 Mr. Conforti, you confirm that this package of</p> <p>12 documents was sent with your authorization by</p> <p>13 your counsel in response to the requests that</p> <p>14 Mr. Gertner made?</p> <p>15 EXHIBIT NO. 3: Volume II of documents</p> <p>16 provided in response to request for</p> <p>17 production.</p> <p>18 THE WITNESS: I don't even know which</p> <p>19 document (indiscernible). I'm sorry. I gotta</p> <p>20 read.</p> <p>21 MR. SACHDEVA: Counsel, if it helps</p> <p>22 you, these documents were sent by his daughter,</p> <p>23 Floriana, to me. So he may not have seen what</p> <p>24 was coming. But it was authorized by Conforti.</p> <p>25 MR. PROPHET: It was authorized by</p>
<p>Page 114</p> <p>1 MR. PROPHET: Very good. Counsel, I'd</p> <p>2 like you to take Mr. Conforti to the Volume II</p> <p>3 of the documents you gave me in partial response</p> <p>4 to our request for production for this</p> <p>5 examination. It is the PDF file that begins</p> <p>6 with an email attaching something called signed</p> <p>7 forms, emails from Floriana Ottaviani. It's</p> <p>8 September 28th, 2020. If you could find that,</p> <p>9 that would be great.</p> <p>10 MR. SACHDEVA: Sorry. What's the</p> <p>11 first page?</p> <p>12 MR. PROPHET: It's an email from</p> <p>13 Florian Ottaviani, and it attaches -- it just</p> <p>14 attaches a package of correspondence.</p> <p>15 MR. SACHDEVA: Which day is that, 25th</p> <p>16 or 28th?</p> <p>17 MR. PROPHET: The email is the 28th,</p> <p>18 so the first document is the 25th. Do you have</p> <p>19 that?</p> <p>20 MR. SACHDEVA: I do.</p> <p>21 MR. PROPHET: Great.</p> <p>22 MR. SACHDEVA: I'm looking at an email</p> <p>23 dated September 25th.</p> <p>24 MR. PROPHET: Yes. I believe we've</p> <p>25 marked this as an exhibit to the examination.</p>	<p>Page 116</p> <p>1 Conforti Holdings. That's fine.</p> <p>2 MR. SACHDEVA: Yes.</p> <p>3 MR. PROPHET: Very good. So this is</p> <p>4 Exhibit 3 then, marked as evidence on this</p> <p>5 examination.</p> <p>6 BY MR. PROPHET:</p> <p>7 503 Q. Have a look then, Mr. Conforti,</p> <p>8 at this letter dated September 25, okay.</p> <p>9 A. September 25, 2012, yeah, yeah,</p> <p>10 yeah.</p> <p>11 504 Q. Yes. have a read through it,</p> <p>12 sir.</p> <p>13 A. Yeah. Thank you. (Witness</p> <p>14 reviews document.) Okay.</p> <p>15 505 Q. Right. So you've read the</p> <p>16 document then, sir?</p> <p>17 A. Yep.</p> <p>18 506 Q. Good. Let me take you to the</p> <p>19 second page. That's your signature on it, is</p> <p>20 it, sir?</p> <p>21 A. Yep.</p> <p>22 507 Q. And he signed it on the 25th of</p> <p>23 September 2020?</p> <p>24 A. Is, yes.</p> <p>25 508 Q. And this is the Conforti Holdings</p>

<p>Page 117</p> <p>1 letterhead with some of the branding on top of</p> <p>2 there?</p> <p>3 A. Yes, yes.</p> <p>4 509 Q. So this is your letter to Crowe</p> <p>5 Soberman Inc., yes?</p> <p>6 A. Yes, yes.</p> <p>7 510 Q. And you were aware when you wrote</p> <p>8 this letter that you were writing to the</p> <p>9 accounting firm that was going to serve as the</p> <p>10 proposal trustee for Conforti Holdings</p> <p>11 insolvency, you knew that, right?</p> <p>12 A. Yeah. Is a trustee company,</p> <p>13 yeah.</p> <p>14 511 Q. Yes. And so you knew you were</p> <p>15 writing to them about the proposal that Conforti</p> <p>16 Holdings was going to make, right?</p> <p>17 A. Absolutely.</p> <p>18 512 Q. Right. And you were writing to</p> <p>19 them because as you described to me earlier that</p> <p>20 Conforti Holdings was a lot of pressure from</p> <p>21 landlords in the pandemic, right?</p> <p>22 A. Yes, yes.</p> <p>23 513 Q. That's pretty much what -- one of</p> <p>24 the things that happened, right?</p> <p>25 A. Yeah. For sure, received a</p>	<p>Page 119</p> <p>1 that?</p> <p>2 A. Yes.</p> <p>3 519 Q. And that's important because it</p> <p>4 was an insolvency, right?</p> <p>5 A. Yep.</p> <p>6 520 Q. And all your creditors were going</p> <p>7 to get together as a group, right?</p> <p>8 A. Yep.</p> <p>9 521 Q. And they were going to get</p> <p>10 information about the company and about each</p> <p>11 other, about all the creditor claims, right?</p> <p>12 A. Yes, sir.</p> <p>13 522 Q. Yes. So in paragraph 4, then,</p> <p>14 you understood when you wrote the letter that</p> <p>15 you were telling the proposal trustee that you</p> <p>16 were disclosing all of the lien against Conforti</p> <p>17 Holdings, right?</p> <p>18 A. All of the what? I'm sorry.</p> <p>19 523 Q. All of the liens.</p> <p>20 A. All the -- yeah.</p> <p>21 524 Q. And you know what a lien is? A</p> <p>22 lien is when somebody gets an interest in your</p> <p>23 property for a debt, right?</p> <p>24 A. It's a creditor, the people you</p> <p>25 have to give the money.</p>
<p>Page 118</p> <p>1 letter for the landlord, he wants much money for</p> <p>2 Monday. We have no choice to file, mail NOI.</p> <p>3 And we file.</p> <p>4 514 Q. Right. The NOI. You understand</p> <p>5 what that is then. That starts an insolvency</p> <p>6 proceeding, then, that protects your company,</p> <p>7 right?</p> <p>8 A. Protects, yeah.</p> <p>9 515 Q. So paragraph 4 of this letter</p> <p>10 that you wrote to the proposal trustee, do you</p> <p>11 see that?</p> <p>12 A. Yep.</p> <p>13 516 Q. Right. So you understood when</p> <p>14 you signed this letter that you had to make</p> <p>15 disclosure of the claims against Conforti</p> <p>16 Holdings, right?</p> <p>17 A. Sorry? I couldn't hear you very</p> <p>18 well. I'm sorry. My apology.</p> <p>19 517 Q. Don't worry. Can you hear me</p> <p>20 now?</p> <p>21 A. Yep.</p> <p>22 518 Q. You understood when you signed</p> <p>23 the letter that, overall, you were being asked</p> <p>24 to say that you'd made disclosure of the claims</p> <p>25 against Conforti Holdings, right, you understood</p>	<p>Page 120</p> <p>1 525 Q. Right. And a lien is a special</p> <p>2 right that a creditor has for the debt, right?</p> <p>3 A. I know that's the people --</p> <p>4 present to the people have all the money.</p> <p>5 526 Q. Right. But some people, like</p> <p>6 banks, have liens, right?</p> <p>7 A. Yeah.</p> <p>8 527 Q. A bank has a lien. So if I go to</p> <p>9 borrow money, or if you go to borrow or Conforti</p> <p>10 Holdings goes to borrow money from a bank, they</p> <p>11 take a lien on --</p> <p>12 A. Yep.</p> <p>13 528 Q. -- on -- sorry. I'll just finish</p> <p>14 the question. But they take a lien on my</p> <p>15 property or your property or Conforti Holdings'</p> <p>16 property, right?</p> <p>17 A. Yep.</p> <p>18 529 Q. And a lien means they can try and</p> <p>19 take the property, the property, if you don't</p> <p>20 pay it, right?</p> <p>21 A. I think so, yeah.</p> <p>22 530 Q. Yes. It's like security, right?</p> <p>23 A. Right.</p> <p>24 531 Q. Okay. So when you wrote this</p> <p>25 letter, then, you knew you were saying to the</p>

<p>Page 121</p> <p>1 proposal trustee that you were disclosing all of</p> <p>2 the liens on Conforti Holdings' property, right?</p> <p>3 A. Yep.</p> <p>4 532 Q. So I want to take you to an</p> <p>5 exhibit in the affidavit of Marie-Eve</p> <p>6 Berube-Cote, and it's Exhibit E to that</p> <p>7 affidavit. Your counsel will find it for you.</p> <p>8 MR. SACHDEVA: Looking at form 33,</p> <p>9 counsel.</p> <p>10 MR. PROPHET: Yes. Looking at form</p> <p>11 33. Have a look at the first page of this form.</p> <p>12 Do you have it there, Mr. Conforti?</p> <p>13 MR. SACHDEVA: He's just reading it.</p> <p>14 BY MR. PROPHET:</p> <p>15 533 Q. That's fine. Take your time,</p> <p>16 sir.</p> <p>17 A. (Witness reviews document.)</p> <p>18 Yeah.</p> <p>19 534 Q. All right. Let's start with this</p> <p>20 first page.</p> <p>21 That's your signature for Conforti</p> <p>22 Holdings Limited, is it?</p> <p>23 A. Yes, yes.</p> <p>24 535 Q. And in this form, in paragraph 3</p> <p>25 you say that you're listing all your creditors,</p>	<p>Page 123</p> <p>1 MR. SACHDEVA: Yes.</p> <p>2 MR. PROPHET: I'm going to go slower</p> <p>3 than you because my screen keeps jumping. But I</p> <p>4 will be with you in a moment. Right, so in this</p> <p>5 list, if I could take you to page 5 of 6 of the</p> <p>6 list.</p> <p>7 MR. SACHDEVA: List of creditors</p> <p>8 claims 250 or more. The top one is Precision</p> <p>9 Priority Management.</p> <p>10 MR. PROPHET: On the page, indeed,</p> <p>11 that's correct.</p> <p>12 BY MR. PROPHET:</p> <p>13 543 Q. Do you see that, Mr. Conforti?</p> <p>14 MR. SACHDEVA: Okay. We are there.</p> <p>15 THE WITNESS: Yep.</p> <p>16 BY MR. PROPHET:</p> <p>17 544 Q. Okay. You see that list? If you</p> <p>18 go down four boxes, there is a box for Royal</p> <p>19 Bank, do you see that?</p> <p>20 A. Royal Bank. Where's Royal Bank?</p> <p>21 Yep.</p> <p>22 545 Q. So Royal Bank is set out in your</p> <p>23 creditor list as being owed \$2,340,000, do you</p> <p>24 see that?</p> <p>25 A. Yep.</p>
<p>Page 122</p> <p>1 right?</p> <p>2 A. Yes, I do. I did.</p> <p>3 536 Q. So I'd like you --</p> <p>4 A. I don't think --</p> <p>5 537 Q. I'm sorry? All of Conforti --</p> <p>6 A. My (indiscernible) -- yeah.</p> <p>7 Conforti Holding.</p> <p>8 538 Q. Let's just stop there for a</p> <p>9 second, though. So you've signed this form,</p> <p>10 right? You've told me that. That's --</p> <p>11 A. Yeah.</p> <p>12 539 Q. -- good.</p> <p>13 A. Yes.</p> <p>14 540 Q. And in the form, you're saying on</p> <p>15 behalf of Conforti Holdings Limited, right,</p> <p>16 that --</p> <p>17 A. Yeah.</p> <p>18 541 Q. -- you are preparing and</p> <p>19 providing a list of all your creditors, right,</p> <p>20 that's all of Conforti Holdings' creditors,</p> <p>21 right?</p> <p>22 A. Yes, I did.</p> <p>23 542 Q. Okay. So let's go and have a</p> <p>24 look at the list then. So I'm going to ask your</p> <p>25 counsel to turn some pages.</p>	<p>Page 124</p> <p>1 546 Q. Yep. And Royal Bank was one of</p> <p>2 those creditors with a lien, right?</p> <p>3 A. Yep.</p> <p>4 547 Q. And so you disclosed them, right?</p> <p>5 A. Is here, right?</p> <p>6 548 Q. Yes.</p> <p>7 A. Yes, okay.</p> <p>8 549 Q. Let's go down.</p> <p>9 A. Yep.</p> <p>10 550 Q. Okay. For a moment, let's go</p> <p>11 back up in this alphabetical listing of your</p> <p>12 creditors, okay? Can you go up to the Bs. Do</p> <p>13 you see that?</p> <p>14 MR. SACHDEVA: Yes. Which one are you</p> <p>15 looking at?</p> <p>16 MR. PROPHET: I am on -- on this form,</p> <p>17 I am on page 2 of 6.</p> <p>18 MR. SACHDEVA: Sorry. I meant which</p> <p>19 creditor?</p> <p>20 MR. PROPHET: I'm looking at no</p> <p>21 creditor, but I've got a question about that.</p> <p>22 BY MR. PROPHET:</p> <p>23 551 Q. Do you see the creditors whose</p> <p>24 names begin with the letter B there, do you,</p> <p>25 Mr. Conforti?</p>

<p>Page 125</p> <p>1 A. Bell Canada, yep.</p> <p>2 552 Q. Brookfield, do you see that?</p> <p>3 A. Property Brookfield, yeah.</p> <p>4 553 Q. But no claim disclosed there for</p> <p>5 Beauty Experts, correct?</p> <p>6 A. Yeah.</p> <p>7 554 Q. And you now say, and this is part</p> <p>8 of all of these proceedings that Beauty Experts</p> <p>9 has a claim, maybe, \$1.5 million; maybe</p> <p>10 \$1,695,000. I can't tell which. But you didn't</p> <p>11 disclose it, did you?</p> <p>12 A. I don't think I have any reason</p> <p>13 because Beauty Expert is me, and I have a GSA in</p> <p>14 place who can control BAE [sic] is me.</p> <p>15 555 Q. This document is not addressed to</p> <p>16 you, sir. It's addressed to all the creditors.</p> <p>17 It's not about what --</p> <p>18 A. Yes.</p> <p>19 556 Q. -- you know. Right. But you --</p> <p>20 A. BE is me. BE is me and my wife,</p> <p>21 Conforti Holding is me and my wife.</p> <p>22 557 Q. I understand.</p> <p>23 A. We control the company.</p> <p>24 558 Q. Right. But you are claiming that</p> <p>25 Beauty Experts has a lien on Conforti Holdings</p>	<p>Page 127</p> <p>1 are not -- if Beauty Experts enters into a</p> <p>2 contract, you won't be liable for it personally,</p> <p>3 though, will you?</p> <p>4 A. (Indiscernible) owe me money.</p> <p>5 (indiscernible) money. And I'm (indiscernible)</p> <p>6 money, take the money.</p> <p>7 567 Q. So if Beauty Experts --</p> <p>8 A. For the last eight nine years.</p> <p>9 (Reporter seeks clarification.)</p> <p>10 BY MR. PROPHET:</p> <p>11 568 Q. I'll ask the question --</p> <p>12 A. BE is me and my -- go ahead.</p> <p>13 569 Q. I'll ask the question again. If</p> <p>14 Beauty Experts borrowed money from the bank and</p> <p>15 you didn't guarantee it yourself, and Beauty</p> <p>16 Experts didn't pay, the bank couldn't get that</p> <p>17 money from you, could they?</p> <p>18 A. But that is my company. It's my</p> <p>19 money.</p> <p>20 570 Q. It's a different --</p> <p>21 A. I work --</p> <p>22 571 Q. That's fine.</p> <p>23 A. All this hard work we did it for</p> <p>24 the last nine years, me and my wife, 14 hours a</p> <p>25 day, seven days a week. We want to be paid. We</p>
<p>Page 126</p> <p>1 Limited's property, right?</p> <p>2 A. They have to owe me money, yeah,</p> <p>3 from my hard work I did for --</p> <p>4 559 Q. But --</p> <p>5 A. -- the last --</p> <p>6 560 Q. But --</p> <p>7 A. -- eight years.</p> <p>8 561 Q. But you're claiming -- no.</p> <p>9 Importantly, you're claiming that Conforti</p> <p>10 Holdings owes you and your wife money, right?</p> <p>11 A. Yep.</p> <p>12 562 Q. But you are also claiming that</p> <p>13 Beauty Experts has a lien for the money that you</p> <p>14 say Conforti Holdings owes you and your wife,</p> <p>15 right?</p> <p>16 A. Yeah, I have the GSA.</p> <p>17 563 Q. Right. You don't have a GSA</p> <p>18 yourself personally, though, do you?</p> <p>19 A. BE have it.</p> <p>20 564 Q. BE has it, that's right?</p> <p>21 A. But BE is controlled by me.</p> <p>22 Nobody can touch BE because it's my company.</p> <p>23 565 Q. But you --</p> <p>24 A. And Conforti is my company.</p> <p>25 566 Q. You and Beauty Experts, though,</p>	<p>Page 128</p> <p>1 put in a GSA. If the company doesn't have no</p> <p>2 money, I take the money when it have the money.</p> <p>3 That is the reason we never put the creditor</p> <p>4 here.</p> <p>5 572 Q. The question I'm asking you,</p> <p>6 though, is this is a statement that the other</p> <p>7 creditors will look at. And part of the reason</p> <p>8 they get a statement like this is to know how</p> <p>9 they are going to fare, how it's going to work</p> <p>10 out for them against Conforti Holdings, right?</p> <p>11 So you had to tell the creditors what the claims</p> <p>12 are, but you didn't tell them about the Beauty</p> <p>13 Experts claim, did you?</p> <p>14 A. Can I answer you on that? We had</p> <p>15 pressure for the landlord to shut down all those</p> <p>16 location. We did everything rushing to file the</p> <p>17 NOI. My daughter prepare everything and we no</p> <p>18 go to real the (indiscernible) one. For us, we</p> <p>19 know what do we have to haul. Number 1 is the</p> <p>20 landlord. That's where this stay behind me</p> <p>21 looking for millions of dollars. And we file,</p> <p>22 my daughter did it, the best it can to file this</p> <p>23 NOI in a very short time because we don't have</p> <p>24 no choice to be shut down on Monday all of a</p> <p>25 sudden. I do not want to lose, try not to lose</p>

Page 129		Page 131	
1	it, all of my location because I've been in work	1	A. Conforti Holdings is my company.
2	for 46 years in this company, me and my wife.	2	Beauty Experts is my company. Is my money, is
3	Working seven days a week, a day, and working	3	my money, so what I try to do when I have the
4	very, very, very, very hard. That's it.	4	money, I'm taking. Nobody can stop me to take
5	Thinking Conforti is mine, BE is mine. I don't	5	that money because it's really my hard-working
6	think I should be show the creditor. Because if	6	for nine years money.
7	you have --	7 581	Q. So do you then --
8 573	Q. So you don't --	8	A. I don't think -- I don't think I
9	A. -- (inaudible) money --	9	did anything wrong.
10 574	Q. Sorry. I just want to stop you	10 582	Q. Do you then say that you --
11	there for a minute. So you don't think you had	11	A. Maybe I should put it in. I
12	a duty to tell the creditor that Beauty Experts	12	don't know. But what I say we rush to file this
13	had a lien claim for \$1,500,000 or \$1,600,000,	13	NOI.
14	you didn't have to do that. You didn't have to	14 583	Q. Right. So --
15	tell anybody about that, that's what you're	15	A. I gotta try to protect myself and
16	telling me?	16	my family.
17	A. In that moment, I think what's my	17 584	Q. I want to take you now, sir, to
18	daughter think and what I think to put the real	18	another document. It's an affidavit you swore
19	creditor who is the creditor. And the real	19	on the 21st of October 2020. It's Exhibit M,
20	creditor, I think, is all listed here. And I	20	for counsel, to the Berube-Cote affidavit. I
21	think whatever my daughter did it, did a great	21	want you to have a look at this affidavit of
22	job. For the day we're spending in this file	22	yours, sir. It's the longer affidavit. What
23	thing, because we are really in the rush with BE	23	I'm going to --
24	being rushed to do that. We don't have no	24	MR. SACHDEVA: Any particular
25	choice to lose all of my location after 45	25	paragraphs?
Page 130		Page 132	
1	years.	1	MR. PROPHET: Yes. So first I want
2 575	Q. You earlier told me, sir, that	2	you to look at the first page of the affidavit,
3	your daughter had prepared, and you said you	3	Mr. Conforti.
4	thought that you weren't sure in 2018-2019,	4	MR. SACHDEVA: We are there.
5	2019-2020, the statements of account for Beauty	5	BY MR. PROPHET:
6	Experts, with respect to its claim, what you say	6 585	Q. Okay. Read that.
7	its claim is against Conforti Holdings, she did	7	A. (Witness reviews document.) I
8	that herself, right?	8	have to read more?
9	A. Yes. That's what me and my wife	9 586	Q. No. Stop on the first page.
10	we want. We want be paid for 2018.	10	A. Yep.
11 576	Q. I understand. And your daughter,	11 587	Q. Do you remember making this
12	you told me, prepared those account statements.	12	affidavit, Mr. Conforti, now that you've --
13	So she --	13	A. Yep.
14	A. Yes, sir.	14 588	Q. -- read it again? Okay. Can I
15 577	Q. -- knew about the --	15	take you to the last page of the affidavit
16	A. Of course.	16	please, sir? Do you see that? You see the
17 578	Q. -- Beauty Experts -- yes. She	17	signature lines?
18	knew about the Beauty Experts claim, then,	18	MR. SACHDEVA: One second.
19	didn't she?	19	MR. PROPHET: Do you see that? Sorry.
20	A. Yep.	20	MR. SACHDEVA: Yes, we are there.
21 579	Q. What you say it is. Okay.	21	BY MR. PROPHET:
22	A. Yep.	22 589	Q. Okay. Do you remember putting
23 580	Q. But neither you nor she included	23	that automatic signature, the DocuSign signature
24	it in the statement because you didn't think you	24	on the affidavit, sir?
25	needed to? Did anybody --	25	A. Sorry?

<p>1 590 Q. Do you remember authorizing your 2 signature to be put on this affidavit? 3 A. I think so, yeah. It was a long 4 time ago. 5 591 Q. Do you accept that this affidavit 6 is the document that you swore on the 21st of 7 October having reading the first page -- 8 A. Yes. 9 592 Q. -- and having looked at this? 10 Okay, yes? 11 A. Yeah. 12 593 Q. So I'd like you to turn to 13 paragraphs 9 through 16, and take your time to 14 read them over please, sir. 15 A. What is that? 16 594 Q. Paragraph 9 through 16. 17 MR. SACHDEVA: From there going to 16. 18 So take your time. Start with 9. 19 THE WITNESS: (Witness reviews 20 document.) To 16? 21 BY MR. PROPHET: 22 595 Q. Nine through 16. 23 A. (Witness reviews document.) 24 Okay. 25 596 Q. All right. So in these</p>	<p>Page 133</p> <p>1 33, that was September 28th. So this is three 2 or four weeks later, right, sir? 3 A. Yeah. I got to take a look. I 4 don't know where is the day. I don't know where 5 is the day. I'm sorry. 6 600 Q. October 21, last page. 7 A. It's one month. 8 601 Q. Almost -- 9 A. Three weeks, yeah. 10 602 Q. Almost a month. 11 A. Yep. 12 603 Q. And you'd agree with me you still 13 don't disclose the Beauty Experts claim here, 14 though, do you? 15 A. My -- my trustee in the end, I 16 think the end (indiscernible). 17 604 Q. Say -- I didn't under -- 18 A. (Inaudible) GSA. 19 605 Q. No, no. Did you disclose. I 20 asked a simple, straight question. 21 You don't mention Beauty Experts here 22 anywhere, do you, sir? 23 A. No. 24 606 Q. In this affidavit. In fact, you 25 say that the remaining creditors, other than the</p> <p>Page 135</p>
<p>1 paragraphs, you describe how Royal Bank was a 2 secured creditor of Salon Distribution and then 3 Conforti Holdings after the amalgamation, and 4 how you bought that security from Royal Bank 5 because you guaranteed it. So you describe 6 that. And then you go on to describe how 7 Toronto Dominion Bank is a secured creditor with 8 a letter of credit, and how they're secured 9 creditors for some financed vehicles. So you 10 describe all that. And then at paragraph 16, 11 you say, and I want you to look at this, sir. 12 You say that on the list of creditors, the 13 remaining creditors are unsecured and are owed 14 approximately \$5.7 million. Do you see that, 15 sir? 16 A. Yep. 17 597 Q. You don't mention Beauty Experts 18 anywhere in this affidavit, do you? 19 A. No. 20 598 Q. This is three and a half to four 21 weeks after the first list of creditors that we 22 looked at before, right? 23 A. I don't know which it is. Yeah, 24 I think it's -- yeah. After, no? 25 599 Q. We looked at the one, the form</p> <p>Page 134</p>	<p>1 signed Royal Bank debt, TD and the car 2 financiers, the remaining creditors are 3 unsecured. So you don't tell anybody else about 4 the Beauty Experts claim you say you have, 5 right? 6 A. I told my trustee the end the -- 7 the end the October. I don't remember exactly 8 the day. But I told him the end October. 9 607 Q. You told the -- 10 A. I had a GS -- 11 608 Q. You told the proposal trustee 12 that you had -- 13 A. Yep. 14 609 Q. -- a secured claim? 15 A. Yes. GSA. I have a GSA for BE, 16 I told him in October, end of -- 17 610 Q. But you -- 18 A. -- October (inaudible) -- 19 611 Q. But you didn't -- sorry. Okay. 20 But you didn't put it in this 21 affidavit? 22 A. No. Maybe my daughter forget. 23 Maybe we should put. I don't know. I -- I no 24 think I did anything wrong. 25 612 Q. Counsel --</p> <p>Page 136</p>

<p>1 A. Because this -- this is my money Page 137</p> <p>2 I work for, for nine years.</p> <p>3 613 Q. Sir, we've --</p> <p>4 A. And --</p> <p>5 614 Q. -- been over that --</p> <p>6 A. -- I've been working --</p> <p>7 615 Q. -- and I've --</p> <p>8 A. -- (inaudible.)</p> <p>9 616 Q. We've -- sir, I have never</p> <p>10 challenged your working for the company. This</p> <p>11 is not --</p> <p>12 A. I work for nothing?</p> <p>13 617 Q. Sir, that's not in issue. What</p> <p>14 is in issue --</p> <p>15 A. (Indiscernible) --</p> <p>16 618 Q. What is in issue -- what is in</p> <p>17 issue, sir, is --</p> <p>18 A. It is an issue for me.</p> <p>19 619 Q. What is in issue, sir, is whether</p> <p>20 --</p> <p>21 A. I'm 70 --</p> <p>22 620 Q. -- or not you --</p> <p>23 A. -- years and my wife is 67 --</p> <p>24 621 Q. Sir, can I --</p> <p>25 A. -- years old.</p>	<p>1 625 Q. Okay. Very good. Counsel, we Page 139</p> <p>2 have asked for all communications between</p> <p>3 Conforti Holdings Limited and the proposal</p> <p>4 trustee concerning the Beauty Experts security.</p> <p>5 And I believe all you've given us is the -- is</p> <p>6 Volume II. And I think that's all that's --</p> <p>7 well, there's no mention of the Beauty Experts</p> <p>8 security. But it is certainly communications</p> <p>9 with the proposal trustee. There's no mention</p> <p>10 anywhere including in the listing of the</p> <p>11 payables in Volume I. Mr. Conforti has just</p> <p>12 told me on the record that he thinks he told the</p> <p>13 proposal trustee that Beauty Experts claimed</p> <p>14 security despite the fact that he didn't mention</p> <p>15 it in his affidavit sworn around the same time</p> <p>16 in late October of 2020. I want you to check</p> <p>17 the Conforti files and all records and undertake</p> <p>18 to provide me with full particulars of this</p> <p>19 purported communication and make inquiries of</p> <p>20 the proposal trustee to determine whether or not</p> <p>21 they agree with that statement.</p> <p>22 U/T MR. SACHDEVA: So I can tell you,</p> <p>23 counsel, there would be no emails between</p> <p>24 Mr. Conforti and the proposal trustee directly</p> <p>25 because Mr. Conforti doesn't really use email.</p>
<p>1 622 Q. Can I -- Page 138</p> <p>2 A. We want retire, and we can't</p> <p>3 retire because I've gotta collect this money.</p> <p>4 MR. PROPHET: I need to --</p> <p>5 THE WITNESS: (inaudible.)</p> <p>6 MR. SACHDEVA: Let counsel --</p> <p>7 MR. PROPHET: I need to --</p> <p>8 MR. SACHDEVA: -- ask his questions.</p> <p>9 MR. PROPHET: I need to finish my</p> <p>10 questions.</p> <p>11 MR. SACHDEVA: Go ahead --</p> <p>12 THE WITNESS: Go ahead --</p> <p>13 MR. SACHDEVA: -- counsel.</p> <p>14 THE WITNESS: -- please.</p> <p>15 BY MR. PROPHET:</p> <p>16 623 Q. You'd agree with me what is in</p> <p>17 issue here, sir, is whether or not Conforti</p> <p>18 Holdings, Beauty Experts, and you yourself, have</p> <p>19 complied with applicable law. That's what's in</p> <p>20 issue here, sir. You're in a legal proceeding,</p> <p>21 okay, sir?</p> <p>22 A. Well --</p> <p>23 624 Q. You understand that, don't you,</p> <p>24 sir?</p> <p>25 A. Yes, I do understand, yes.</p>	<p>1 So I will go back. His daughter was asked for Page 140</p> <p>2 all communications and we have produced what was</p> <p>3 given to us. I will certainly speak to the</p> <p>4 proposal trustee to determine if and when they</p> <p>5 were first told -- sorry, when they were first</p> <p>6 told of the Beauty security. I think that</p> <p>7 answers your undertaking?</p> <p>8 MR. PROPHET: Make the inquiries --</p> <p>9 MR. SACHDEVA: That's the --</p> <p>10 BY MR. PROPHET:</p> <p>11 626 Q. -- of the proposal -- I would</p> <p>12 like you to make the inquires of proposal</p> <p>13 trustee, and I will be independently requesting</p> <p>14 their confirmation of that. But I would like</p> <p>15 you to make those inquires given the answer the</p> <p>16 witness has just given.</p> <p>17 U/T MR. SACHDEVA: We'll make those</p> <p>18 inquiries, yes.</p> <p>19 BY MR. PROPHET:</p> <p>20 627 Q. Do you have any evidence in the</p> <p>21 record, Mr. Conforti, of any disclosure to the</p> <p>22 creditors of the existence of the BEI claim for</p> <p>23 its debt and security prior to the listing of</p> <p>24 creditors that appears as Exhibit F to the</p> <p>25 Berube-Cote affidavit. And I'll ask your</p>

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1	counsel to answer that question on your behalf.	1 634	Q. The end of October, yes. You
2	MR. SACHDEVA: There's nothing,	2	told me that before. I've asked -- your counsel
3	counsel.	3	is going to make some inquiries about that.
4	MR. PROPHET: I'd like to go back to	4	There's no evidence in the record of that, but
5	your affidavit, Mr. Conforti.	5	you've told me that. So we will stick with what
6	MR. SACHDEVA: Where would you like us	6	you say you did. I want a different point here.
7	to go?	7	Was it you that told the trustee that
8	MR. PROPHET: As soon as I get there,	8	it was not registered because of a mistake?
9	I'll let you know. I'd like you to go to	9	A. What you mean is not registered?
10	Exhibit K to the Conforti November 11 affidavit.	10	I'm sorry. What is not registered? I'm sorry.
11	That's the fourth report without appendices of	11 635	Q. Okay. Let's go back to the body
12	the proposal trustee, I would like you to go to	12	of your --
13	paragraph 31 of that document.	13	A. Yes.
14	MR. SACHDEVA: This is the proposal	14 636	Q. We can do this. It's fine. So
15	trustee's report dated May 13th, 2021. Sorry.	15	you hold your finger on Exhibit K, and let's go
16	Which paragraph, counsel?	16	to paragraph 19. This is your affidavit sworn
17	MR. PROPHET: Thirty-one.	17	on the 11th of November. Read paragraph 19.
18	MR. SACHDEVA: He wants you to go to	18	A. (Witness reviews document.)
19	paragraph 31.	19	Okay.
20	THE WITNESS: Thirty-one?	20 637	Q. Right. This is your statement.
21	MR. SACHDEVA: Thirty-one, yes.	21	You signed this affidavit, and in the first
22	BY MR. PROPHET:	22	sentence you say that Beauty Experts didn't
23 628	Q. Yes. Have a look at that,	23	register the GSA. So you know what register
24	please, sir.	24	means, then, right? You must --
25	A. (Witness reviews document.) Yes.	25	A. Yeah.
Page 142		Page 144	
1 629	Q. Last sentence of that paragraph	1 638	Q. -- do if you -- okay. So we were
2	of the proposal trustee's report, sir, it tells	2	looking at the fourth report of the trustee,
3	me that the proposal trustee says that it's been	3	paragraph 31, right, you remember that?
4	advised that BEI's security was not registered	4	A. Yes.
5	due to an oversight. Do you see that?	5 639	Q. And that says the trustee was
6	A. Yep.	6	advised that the Beauty Experts' security was
7 630	Q. Did you tell the proposal trustee	7	not registered because of an oversight, in other
8	at some time that it was an oversight that the	8	words, because of a mistake. You saw that,
9	security hadn't been registered? Was that you	9	right?
10	that told them that?	10	A. I don't think is for me it's
11	A. I don't understand the question	11	important to be registered because what I say
12	I'm sorry.	12	early, Conforti is my company, my wife's and me
13 631	Q. Was it you who told the proposal	13	company, and BE is mine and my wife.
14	trustee that the -- what you claim is the BEI	14 640	Q. So you didn't really intend it to
15	security was unregistered because of an	15	be registered back when you took it --
16	oversight. Was it you that told them that?	16	A. No.
17	A. I don't understand what the word	17 641	Q. -- because you --
18	"oversight" means. I'm sorry.	18	A. What I -- yeah.
19 632	Q. Oversight. A mistake.	19 642	Q. You didn't think that was needed,
20	Inadvertent.	20	right?
21	A. So I told him in 2010 in October.	21	A. No, because everything is going
22 633	Q. I didn't understand what you just	22	good, business is going good. We open more
23	said, sir.	23	location. And then all in that, the -- the --
24	A. I told him we have a GSA in the	24	pandemic come in and -- and -- and that's what,
25	2010, in October, end October.	25	you know, make us really worry. All these

TAB 3

District of: Ontario
Division No. 09 - Toronto
Court No.
Estate No.

- FORM 33 -

Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the matter of the proposal of
CONFORTI HOLDINGS LIMITED
of the City of Markham, in the Regional Municipality of York
in the Province of Ontario

Take notice that:

1. I, CONFORTI HOLDINGS LIMITED, an insolvent person, state, pursuant to subsection 50.4(1) of the Act, that I intend to make a proposal to my creditors.
2. Crowe Soberman Inc., LIT of 2 St. Clair Ave East, Suite 1100, Toronto, ON, M4T 2T5, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.
3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against me are stayed as of the date of filing of this notice with the official receiver in my locality.

Dated at the City of Toronto in the Province of Ontario, this 28th day of September 2020.


CONFORTI HOLDINGS LIMITED
Insolvent Person

To be completed by Official Receiver:

Filing Date

Official Receiver

District of: Ontario
Division No. 09 - Toronto
Court No.
Estate No.

- FORM 33 -

Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the matter of the proposal of
CONFORTI HOLDINGS LIMITED
of the City of Markham, in the Regional Municipality of York
in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Alectra Utilities (formerly Enersource Hydro)	2185 Derry Rd W Mississauga ON L5N 7A6		1,086.10
All In One	227 Bunting Road, Unit C ST. CATHERINES ON L2M 3Y2		318.17
Bell Canada F-88 - Business Insolvency Department	1 Carrefour Alexandre-Graham-Bell, Aile E3 Verdun QC H3E 3B3		4,394.15
Brookfield Properties Canada Management LP	PO Box 3920, Commerce Court Postal Station, Toronto ON M5L 1K1	Brookfield Place store location	64,299.00
Canadian Linen & Uniform Service - Etobicoke, ON	24 Atomic Avenue Etobicoke ON M8Z 5L2		288.54
Canadian Springs	PO BOX 4514, STN A TORONTO ON M5W 4L7		252.66
Classique Nails Beauty Supply	3615 Weston Road, UNIT 3 TORONTO ON M9L 1V8		20,650.66
Cosmic Computer	20 Royal Shamrock Court, STOUFFVILLE ON L4A 0C9		552.57
CRA - Tax - Ontario	Shawinigan-Sud National Verification and Collection Centre 4695 Shawinigan-Sud Blvd Shawinigan-Sud QC G9P 5H9	126597194RP0001	29,000.00
Cushman & Wakefield Assest Services ULC	5100 Erinmills Parkway, Misssauga ON L5M 4Z5	Erin Mill Town Centre location	345,507.00
Cushman & Wakefield Asset Services ULC	Admin Office 1355 Kingston Road, Pickering ON L1V 1B8	Pickering location	188,045.00
Cushman & Wakefield Asset Services ULC	221 Glendale Ave, St. Catharines ON L2T 2K9	Pen Centre location	155,736.00
Darling Insurance	144 Queen St, Unit 4, P.O.BOX 1392, Lakefield ON K0L 2H0		525.96

District of: Ontario
Division No. 09 - Toronto
Court No.
Estate No.

- FORM 33 -

Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the matter of the proposal of
CONFORTI HOLDINGS LIMITED
of the City of Markham, in the Regional Municipality of York
in the Province of Ontario

List of Creditors with claims of \$250 or more.

Creditor	Address	Account#	Claim Amount
Dermalogica Canada	70 University Ave, Suite 300 TORONTO ON M5J 2M4		3,875.91
Edge Mechanical	100 Saniford Road, UNIT 48 STOUFFVILLE ON L4A 7X5		429.40
Ellectra			664.26
Energy + Inc.	PO BOX 1060 CAMBRIDGE ON N1R 5X6		900.02
Ericco			471.89
Good Linen Rental	145 Claireport Crest, ETOBICOKE ON M9W 6R6		46,859.15
Hillcrest Mall Management Office	9350 Yonge St, Suite205 Richmond Hill ON L4C 5G2	Hillcrest Mall location	131,480.00
Hunter			727,591.60
Ivanhoe Cambridge Inc.	Administration Office 419 King Street West, Oshawa ON L1J 2K5	Oshawa Centre location	392,042.00
Ivanhoe Cambridge Inc.	550 King Street North, Waterloo ON N2L 5W6	Conestoga Mall location	137,297.00
Ize Body Art	99-384 Yonge St, TORONTO ON M6B 1S8		455.51
Joe's Mechanical	80 Baywood Crt, THORNHILL ON L3T 5W3		678.00
KS SP Limited Partnership	Scotia Plaza Property Mngmt Office, 40 King Street West, P1 Level, PO Box 101 Toronto ON M5H 3Y2	Scotia Plaza location	46,362.00
Master Signs	1A-25 McIntyre Pl, KITCHENER ON N2R 1H1		326.57
MesaLabs	500 Avenue Lepine, DORVAL QC H9P 2V6		270.07

District of: Ontario
Division No. 09 - Toronto
Court No.
Estate No.

- FORM 33 -

Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the matter of the proposal of
CONFORTI HOLDINGS LIMITED
of the City of Markham, in the Regional Municipality of York
in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
MIL ITF Bramalea City Centre c/o Morguard Investement Limited	Atteniont: Bramalea City Centre Admin Offiuce 25 Peel Centre Dr, UNIT 395B Brampton ON L6T 3R5	Bramalea city centre location	43,892.00
Ministry of Finance - ON PST, EHT & Other Taxes Mrs. Asta Alberry	Ministry of Revenue 33 King Street West 6th Floor Oshawa ON L1H 8H5	126597194TE0004	75,000.00
Morguard REIT c/o Morguard Investement Limted	Attention: Cambridge Centre Admin Office 355 Hespeler Road, Cambridge ON N1R 6B3	Cambridge centre location	86,785.00
Newmarket Hydro	590 Steven Court Newmarket ON L3Y 6Z2		1,204.08
Nutak Holdings Ltd.	74 Wellington Street East, Aurora ON L4G 1H8		11,337.45
Ontrea Inc	220 Yonge Street PO Box 511, Suite 110, Toronto ON M5B 2H1	Eaton Centre location	562,643.00
Ontrea Inc	Administration Office 5000 Highway 7, Markham ON L3R 4M9	Markville Mall location	229,134.00
Ontrea Inc.	25 The West Mall PO Box 101, ETOBICOKE ON M9C 1B8	Sherway Gardens location	323,616.00
Ontrea Inc.	Administration Office 2960 Kingsway Dr, Kitchener ON N2C 1X1	Fairview park location	224,928.00
OPGI Magement LP o/a Oxford ITF Square One	Mangement Office 100 City Centre Drive, Mississauga ON L5B 2C9	Square One location	164,893.00
Oshawa PUC Networks Inc. Suzanne Neal	100 Simcoe Street South Oshawa ON L1H 7M7		1,094.68
Oxford Properties Group	Box 256, 17600 Yonge St Newmarket ON L3Y 4Z1	Up[per Canada Mall location	182,602.00
Phytoderm	68 Stinson St, ST-LAURENT QC H4N 2E7		15,976.37

District of: Ontario
 Division No. 09 - Toronto
 Court No.
 Estate No.

- FORM 33 -

Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the matter of the proposal of
 CONFORTI HOLDINGS LIMITED
 of the City of Markham, in the Regional Municipality of York
 in the Province of Ontario

List of Creditors with claims of \$250 or more.

Creditor	Address	Account#	Claim Amount
Precision Property Management Inc.	22 Goodmark Place, Unit 22 Toronto ON M9W 6R2		1,163.90
Primaris Magagement Inc.	435 Stone Road West, Guelph ON N1G 2X6	Stone road location	151,249.00
Promenade Limited Partnership	Admin Office, 1 Promenade Circle Thornhill ON L4J 4P8	Promenade Mall location	234,517.00
RBC Royal Bank c/o BankruptcyHighway.com Razel Bowen	PO Box 57100 Etobicoke ON M8Y 3Y2	06512-1009687	2,340,000.00
Rio-Can Georgian Mall Susanne Gill	509 Bayfield St Barrie ON L4M 4Z8	Georgian Mall location	219,850.00
S & K Beauty Supplies	1710 East Kemper Rd, Cincinnati, Ohio 45246 USA		27,493.51
SafeGuard Security	1520 Lesperance Road Windsor ON N8N 1Y1		317.01
Scarborough Town Centre Holdings Inc.	300 Borough Dr, Suite 230 Scarborough ON M1P 4P5	Scaborough town centre location	407,658.00
Select Plumbing & Heating Inc.	PO BOX 10011 RPO Watline, MISSISSAUGA ON L4Z 4G5		1,104.58
Spavaro Inc.	5496 Gorvan Dr, MISSISSAUGA ON L4W 3E8		251.88
Tex Euro Industrial Sales	530 Keele St, UNIT 307 TORONTO ON M6N 3C9		7,152.44
The Cadillac Fairview Corporation Limited	Toronto-Dominion Centre, 66 Wellington St West, Suite3800, PO BOX 2, Toronto ON M2J 5A7	TD centre location	105,163.00
The Cadillace Fairview Corporation Limited	1800 Sheppard Ave, East, SUITE 330, PO BOX 53 Toronto ON M2J 5A7	T0002405/Fairview mall location	404,962.00
The Printing House Ltd. Marynna	1403 Bathurst Street Toronto ON M5R 3H8		5,263.67

District of: Ontario
Division No. 09 - Toronto
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the matter of the proposal of
CONFORTI HOLDINGS LIMITED
of the City of Markham, in the Regional Municipality of York
in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
V-P Conveyancing	19 Hoddle Cres, KITCHENER ON N2N 2N2		898.35
Waterlogic Canada	87 Sharer Road, Woodbridge ON L4L 8Z3		14,374.37
Waterloo North Hydro Inc. - Credit Services Jim Forler	PO Box 640 526 Country Squire Rd Waterloo ON N2J 4A3		419.19
Total			8,145,302.67


CONFORTI HOLDINGS LIMITED
Insolvent Person

TAB 4

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

**AFFIDAVIT OF ANTONIO CONFORTI
(sworn November 11, 2021)**

I, Antonio Conforti, of the City of Richmond Hill, Province of Ontario, MAKE
OATH AND SAY:

1. I am the President and a director of Conforti Holdings Limited ("**Conforti**"). I am also the President and a director of Beauty Experts Inc. ("**BEI**"). As such, I have knowledge of the matters to which I hereinafter depose, which knowledge is personal to me, obtained from a review of the documents referred to or, where indicated, I am advised by others in which case I believe such information to be true.

A. Overview

2. This affidavit is made in response to the motion by Moroccanoil, Inc. ("**Moroccanoil**") for an order, among other things, challenging the secured indebtedness owed by Conforti to BEI (the "**BEI Debt**"), and preventing Conforti from accepting any credit bid that includes the BEI Debt.

3. As further detailed below, the BEI Debt is a valid and secured debt that was incurred by Conforti in connection with management services provided by BEI to

Conforti over a two and a half year period prior to Conforti's notice of intention to make a proposal ("**NOI**") filing in September 2020. Conforti provided security to BEI for BEI's provision of the management services more than ten and a half years before the NOI filing.

4. As indicated in its fifth report to court, dated August 13, 2021 (the "**Fifth Report**") Crowe Soberman Inc., proposal trustee in the NOI filing (the "**Proposal Trustee**"), has obtained an independent legal opinion that confirms the validity of the security for the BEI Debt.

5. MoroccanOil's motion is nothing more than the latest attempt by MoroccanOil to try to extract funds to which it is not entitled from Conforti by leveling baseless allegations of purported diversion of MoroccanOil products to Macau. For the past decade, MoroccanOil has embroiled Conforti in litigation before the United States District Court for the District of New Jersey (the "**US Court**"). After initially settling litigation in 2013, MoroccanOil, in 2015, breached the parties' settlement agreement and tried to enforce the same before the US Court (the "**US Action**").

6. Following over six years of discovery and endless discovery motions from MoroccanOil in the US Action, the US Court admonished MoroccanOil earlier this year saying that "enough is enough".

7. Unsatisfied with how the US Action has proceeded, MoroccanOil has now turned its attention to the Canadian courts.

8. MoroccanOil is now using the NOI proceedings to cast baseless allegations about the BEI Debt and invent "prejudice" perceived by MoroccanOil without any evidence to substantiate the claims.

B. Parties

9. Conforti is a privately-held corporation that, as at the date of Conforti's NOI filing, operated 41 beauty salons under 10 different trade names in Southern Ontario. All of Conforti'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. Due to the challenges posed by the COVID-19 closures of shopping malls and hair salons, we are now down to 41 hair salons.

10. Until August 23, 2021, Conforti owned and operated its head office from a 11,000 square foot commercial property municipally known as 7755 Warden Avenue, Unit 2, Markham, Ontario (the "**Head Office**"). As further described below, the Head Office was sold pursuant to a sales process administered by the Proposal Trustee on August 23, 2021.

11. BEI is also a privately-held company that operates in Ontario.

12. Moroccanoil is a California corporation and carries on business as a distributor of hair care products in Canada (among other countries).

C. Background: Conforti's Business and Operations***i. Conforti Successfully Expands its Business***

13. Conforti has been a family owned and operated business for more than 44 years. My wife Sylvia and I have actively managed the business since we founded it in 1977.

14. In 2010, Conforti decided to expand its footprint in Ontario by opening additional salons. At the time Conforti made this decision, the business operated 47 salons.

15. From 2010 to 2017, Conforti added an additional 13 salons to its portfolio at a substantial investment (the “**Expansion**”). During this same time period, there were a series of amalgamations to consolidate the business activities of Conforti and related corporations.

16. BEI was formed in anticipation of the Expansion to assist in organizing my business interests, including over 25 corporations I owned at the time.

17. In order to fund this significant operational expansion and otherwise manage Conforti’s liquidity, my wife and I decided that management fees with respect to our services would be charged by BEI to Conforti for overseeing the business but these management fees would be deferred until after the Expansion was complete (the “**Management Fees**”).

18. As a condition of BEI’s provision of management services to Conforti, BEI required Conforti to execute a general security agreement to secure the due payment and performance of Conforti’s obligations to BEI. Pursuant to the general security agreement, dated March 2, 2010 (the “**GSA**”), Conforti granted BEI a security interest over all of Conforti’s personal property. Attached as **Exhibit “A”** is a copy of the GSA.

19. BEI did not register the GSA at the time it was executed because, as the principal of both companies, I was aware of any and all security that Conforti granted to its creditors. As a result, BEI was not concerned about an intervening security registration. The GSA was subsequently registered on February 24, 2021. Attached as **Exhibit “B”** is a copy of the Financing Statement for the BEI security.

ii. Remuneration

20. Prior to the Expansion, my wife and I each received an annual salary and bonus from Conforti. In the years immediately preceding the Expansion, we received \$1,298,000 each in salary and bonuses for the year ended December 31, 2009, and \$1,398,000 each in salary and bonuses for the year ended December 31, 2010. Attached as **Exhibits “C” and “D”** are redacted copies of the first page of our 2009 and 2010 tax assessments from Canada Revenue Agency (“**CRA**”) reflecting our employment income for those years. The tax assessments have been redacted to remove sensitive personal financial information that is not relevant to this motion.

21. Once Conforti began implementing its planned Expansion, our remuneration decreased significantly. For the year ended December 31, 2011, my wife and I each earned \$513,000. From 2012-2020 we earned the following amounts from Conforti:

Year	Annual Employment Income
2012	\$93,000
2013	\$46,000
2014	\$50,000
2015	\$48,000
2016	\$48,000
2017	\$56,000
2018	\$40,000
2019	\$0
2020	\$0

Attached as **Exhibit “E”** are redacted copies of the first page of our 2011-2020 tax assessments or reassessments from CRA. The tax assessments have been redacted to remove sensitive personal financial information that is not relevant to this motion.

iii. Post-Expansion

22. Once the Expansion was completed, Conforti began to incur the Management Fees. In April 2019, my wife and I determined that effective April 2018, Conforti would incur \$50,000 a month in management fees from BEI. We decided that \$50,000 a month was appropriate given: (i) BEI was managing over 50 salons; (ii) we had deferred a significant amount of compensation for seven years while Conforti expanded; and (iii) the amount of our compensation prior to the Expansion.

23. For each of the fiscal years ended March 31, 2019, and March 31, 2020, Conforti accrued \$678,000 in Management Fees. From April 1, 2020 to September 1, 2020, Conforti accrued \$339,000 in Management Fees. BEI recorded these fees as income in its financial statements for the year ended January 31, 2021. BEI recorded the Management Fees at that time for tax planning purposes. Attached as **Exhibit “F”** is a copy of Conforti’s transaction list by Vendor for April 2019 to September 2020 for the Management Fees. Attached as **Exhibit “G”** are copies of Statements of Account from BEI to Conforti, dated January 31, 2019, January 31, 2020, and October 1, 2020.

24. Conforti accrued the Management Fees in 2019 and 2020 in order to manage the company’s cash flows.

25. After the NOI filing, Conforti has paid the Management Fees to BEI.

26. BEI recorded \$1,750,000 in Management Fees as income on its Statement of Income (Loss) for the year ended January 31, 2021. This includes the \$600,000 charged to Conforti for the fiscal year ended January 31, 2021. Attached as **Exhibit “H”** is a redacted copy of BEI’s Statement of Income (Loss) for the year ended January 31, 2021. It has been redacted to remove sensitive commercial information about BEI’s operations that are not relevant to this motion.

27. Around this same time, my wife and I started planning for our retirement from Conforti and BEI. With the completion of the Expansion, we had achieved our lifelong dream of building a successful personal care services business. At the time, we were 66 and 63 years old, respectively, and were preparing to step away from the business to enjoy some much needed rest and relaxation.

D. Proposal Proceeding

28. While we had begun planning our retirement, the global pandemic foiled our plans.

29. In March 2020, the Province of Ontario implemented restrictions as a result of the COVID-19 pandemic. These restrictions included closing shopping malls in the Greater Toronto Area throughout most of the spring and summer of 2020.

30. On September 28, 2020, Conforti filed an NOI under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”) on account of the financial pressure arising from the COVID-19 pandemic and demands from one of its landlords. The COVID-19 pandemic, including the closure of all shopping malls for approximately five months and the otherwise reduced foot traffic in the shopping malls when they were open, negatively impacted Conforti’s liquidity and its ability to fund business operations.

31. I am advised by the Proposal Trustee that at the time the NOI was filed, the Proposal Trustee was not aware of any ongoing litigation between Moroccanoil and Conforti. Accordingly, Moroccanoil was inadvertently left off of the list of creditors set out in the NOI filing.

32. This inadvertent omission was addressed by the Proposal Trustee in its letter to Conforti's counsel, Miller Thomson LLP, dated June 28, 2021. A copy of the June 28, 2021 letter is attached as **Exhibit "I"**.

33. The stay of proceedings afforded by Conforti's NOI filing was extended three times by orders of the Court.

34. Although the stay was extended three times, at no point did Conforti seek an order from an American court extending the stay to any proceedings or assets in the United States.

35. Accordingly, while Moroccanoil alleges that it would have "opposed the stay extensions" had it had received notice of the motions to extend the stay, it does not adduce any evidence of how, as a contingent creditor with an unliquidated claim, it was materially prejudiced by the stay. This is particularly true when at no time was Moroccanoil prevented from pursuing claims against Conforti in the US Court.

36. Before the final extension of the stay of proceedings expired, Conforti filed a holding proposal to its unsecured creditors on March 12, 2021. Conforti filed a holding proposal at that time because its salons were still closed as a result of the Province of Ontario's COVID-19 restrictions, and it was unclear when the salons would be permitted to reopen, let alone reopen at full capacity.

37. As of the date of my affidavit the salons are open, but are operating at a reduced capacity as a result of provincial COVID-19 restrictions.

38. The Proposal Trustee held the first meeting of Conforti's creditors on April 1, 2021 (the "**Creditors Meeting**"). The Creditors Meeting was adjourned to October 29, 2021, or such earlier time as the Proposal Trustee determined was appropriate given Conforti's business operations and its ability to make a substantive proposal to its creditors.

39. On October 29, 2021, the Creditors Meeting was further adjourned to March 31, 2022 (the "**October Creditors' Meeting**").

E. Sale of the Head Office

40. The prolonged closure of Conforti's salons for most of the past 19 months as a result of the COVID-19 pandemic has caused Conforti to increasingly deplete the cash reserves it had on hand at the time it filed the NOI.

41. In order to conserve cash resources and reduce its overall debt load for the benefit of its creditors, Conforti, in consultation with the Proposal Trustee, decided to sell the Head Office.

42. By motion returnable May 25, 2021, Conforti obtained an order (the "**Sale Process Order**") (i) authorizing and directing the Proposal Trustee to carry out a stalking horse sales process for the sale of the Head Office; and (ii) approving a stalking horse asset purchase agreement between Conforti and Cicaplus Ltd. (the "**Stalking Horse Bidder**") as a stalking horse bid (the "**Stalking Horse APA**"). The Stalking

Horse Bidder is related to Conforti. Attached as **Exhibit “J”** is a copy of the Sale Process Order.

43. In connection with the motion for the Sale Process Order, the Proposal Trustee filed a fourth report, dated May 14, 2021 (the “**Fourth Report**”). In the Fourth Report, the Proposal Trustee stated that the purchase price in the Stalking Horse APA was “reasonable and would represent an appropriate result for the creditors of Conforti” based on the independent appraisal of the value of the Head Office obtained by the Proposal Trustee. Attached as **Exhibit “K”** is a copy of the Fourth Report, without appendices.

44. While Moroccanoil tries to make much of the fact that it did not have notice of the motion for the Sale Process Order and was purportedly “prejudiced” as a result, at no point has it sought to set aside the order or alleged that the sale process conducted by the Proposal Trustee was improvident.

45. According to the Fifth Report, the Proposal Trustee received seven Qualifying Bids (as that term is defined in the Sale Process Order) for the Head Office. Attached as **Exhibit “L”** is a copy of the Fifth Report, without appendices.

46. The Fifth Report also states that in accordance with the Sale Process Order, the Proposal Trustee held an auction among the Qualified Bidders (as defined in the Sale Process Order) on July 15, 2021. At the conclusion of the auction, the Stalking Horse Bidder was the Successful Bidder (as defined in the Sale Process Order) having submitted the highest bid for the Head Office. The successful bid was for \$6,200,000, which was \$2,668,650 higher than the Stalking Horse APA. Of the \$6,200,000 amount, \$2,768,650 is payable in cash, and the balance is satisfied by the assumption of

related-party debt, including \$1,500,000 owed by Conforti to BEI on account of the Management Fees (the BEI Debt).

47. By motion returnable August 23, 2021 (the “**Sale Approval Motion**”), the Proposal Trustee sought approval of the sale of the Head Office to the Stalking Horse Bidder pursuant to an augmented Stalking Horse APA (the “**Augmented APA**”).

48. In support of the Sale Approval Motion, the Proposal Trustee stated in its Fifth Report that it has obtained an independent legal opinion confirming, subject to the usual assumptions and qualifications, the validity and enforceability of the third-party debt, including the BEI Debt.

49. MoroccanOil opposed the Sale Approval Motion and challenged the validity of BEI’s security under the GSA and the BEI Debt (the “**MoroccanOil Motion**”). MoroccanOil also sought to prevent the Proposal Trustee from accepting the Augmented APA or, alternatively, to require the Stalking Horse Bidder to pay \$1,500,000 in cash to close the transaction instead of assuming the BEI Debt.

50. Ultimately, Conforti, the Stalking Horse Bidder, and MoroccanOil agreed that the sale could be approved and the vesting order granted subject to certain terms. Among other things, the terms required the Stalking Horse Bidder to deposit \$1,500,000 in trust with counsel for the Proposal Trustee pending resolution of the MoroccanOil Motion.

51. The Stalking Horse Bidder has deposited \$1,500,000 with counsel for the Proposal Trustee in trust.

52. Accordingly, the Augmented APA was approved and the Head Office was vested in the Stalking Horse Bidder pursuant to order of the court dated August 23, 2021 (the

“Sale Approval Order”). The Sale Approval Order was without prejudice to, among other things, the positions of the Stalking Horse Bidder and Moroccanoil with respect to the BEI Debt. Attached as **Exhibit “M”** is a copy of the Sale Approval Order and related endorsement.

53. In response to Moroccanoil’s conjecture at paragraph 44 of the affidavit of Marie-Eve Bérubé-Côté, sworn October 13, 2021, that a bankruptcy of Conforti may have “significantly increased recoveries for [Conforti’s] unsecured creditors” I am advised by Erin Craddock, a lawyer with Miller Thomson LLP, that if Conforti had been deemed bankrupt as a result of the failure to extend the stay of proceedings or a vote by its creditors against the holding proposal, Conforti’s secured creditors would not have been subject to the stay of proceedings in the bankruptcy. As a result, Conforti’s secured creditors would have been free to realize on their collateral—including the Head Office—without a court-supervised sales process and there may have been no recovery for unsecured creditors let alone contingent creditors with unliquidated claims in foreign court proceedings.

F. US Action

i. Background

54. Moroccanoil has been engaged in highly contentious litigation with Conforti for more than a decade in the US Court. Throughout the proceedings Moroccanoil has engaged in “scorched earth” litigation tactics that have not only prolonged the proceedings but also significantly increased the legal costs for all of the parties.

55. In 2011, Moroccanoil sued Conforti’s predecessor, Salon Distribution, Inc. (“**SDI**”) and me in the US Court. The parties subsequently resolved that litigation by way of a

settlement agreement, dated July 15, 2013 (the “**Settlement Agreement**”). Attached as **Exhibit “N”** is a copy of the Settlement Agreement.

56. Among other things, the Settlement Agreement required SDI to purchase, and Moroccanoil to supply, \$1,298,00 worth of Moroccanoil products over three years.

57. The Settlement Agreement also required SDI to obtain a bond in the amount of \$1,250,000 to secure the liability of SDI and me for breach of the Settlement Agreement (the “**Bond**”).

58. The parties also agreed that:

[a]ny dispute arising between Defendants and Moroccanoil arising from or related to the interpretation or enforcement of this Agreement shall be decided by and only by the District Court in the *Moroccanoil, Inc. v. Tony Conforti, et al*, pending in the United States District Court, District of New Jersey... applying New Jersey law. The Parties consent to the exclusive jurisdiction of the District Court in Newark, New Jersey to decide all such matters and agree that the sole and exclusive court to hear and decide such disputes shall be the District Court in Newark, New Jersey....

ii. Amalgamation

59. SDI amalgamated with Conforti for tax purposes on March 31, 2012. At no time has Conforti tried to conceal the amalgamation from Moroccanoil or avoid any obligations it may have under the Settlement Agreement as a result of the amalgamation. Further, the reason SDI is a party to the Settlement Agreement, and not Conforti, was that Moroccanoil sued SDI and not Conforti. Attached as **Exhibit “O”** is a copy of the corporate profile report for SDI.

60. Although Moroccanoil has repeatedly tried to make an issue of the fact that SDI amalgamated with Conforti in proceedings both before the US Court and on this motion,

the amalgamation is of no practical consequence to MoroccanOil because Conforti was liable for SDI's debts upon amalgamation.

61. In fact, when Conforti brought a motion to substitute Conforti for SDI in the US Action in late 2020, MoroccanOil did not dispute that Conforti was liable for any "convictions, rules, orders, or judgments entered for or against SDI...." In ordering that Conforti be substituted for SDI, US Court Magistrate Judge Michael Hammer (the "**Magistrate Judge**"), reasoned that,

MoroccanOil has failed to identify any material prejudice resulting from allowing substitution at this stage. First, as noted above, substitution does not affect MoroccanOil's right of recovery against the Defendants.... Second, MoroccanOil has been afforded ample discovery specific to the amalgamation....

Attached as **Exhibit "P"** is a copy of the December 30, 2020 Transcript of Opinion by the Magistrate Judge (the "**US Court Opinion**").

62. The Magistrate Judge ultimately held that he could "identify no litigation advantage that Defendants gained from the belated disclosure, nor any prejudice that Plaintiff has suffered."

63. The US Court Opinion was affirmed by United States District Court Judge Kevin McNulty on June 4, 2021. Attached as **Exhibit "Q"** is a copy of the June 4, 2021 opinion of the Honourable Kevin McNulty.

iii. **MoroccanOil Breaches the Settlement Agreement**

64. Pursuant to the terms of the Settlement Agreement, from July 15, 2013 to January 2015, Conforti purchased \$804,091.61 in MoroccanOil products through MoroccanOil's Greater Toronto Area distributor Venus Beauty Supplies (the "**Distributor**").

65. In January 2015, MoroccanOil alleged that Conforti had diverted MoroccanOil products to a store in Macau. Despite this allegation, at no time did MoroccanOil provide any evidence that Conforti had diverted products to Macau.

66. In connection with the allegation, MoroccanOil stopped supplying its products to Conforti in breach of the Settlement Agreement in February 2015.

67. In response to MoroccanOil's baseless allegation regarding diversion of MoroccanOil products, and at Conforti's own expense, Conforti thoroughly investigated the allegations and provided MoroccanOil with an independent auditor's accounting of the products purchased under the Settlement Agreement from the Distributor for both use in Conforti salons and retail to Conforti's customers (the "**Audit**").

68. Despite the fact there was no evidence that Conforti had diverted MoroccanOil products, and that MoroccanOil itself had breached the Settlement Agreement by failing to sell MoroccanOil products to Conforti, MoroccanOil brought a motion to enforce the agreement in the US Court in April 2015 (the US Action).

69. In August 2015, Conforti opposed MoroccanOil's motion and filed an affirmative Cross-Motion to enforce the Settlement Agreement (the "**US Motions**").

70. As a result of MoroccanOil's breach of the Settlement Agreement and the resulting litigation, Conforti has incurred damages in the amount of approximately \$4,430,000 and a further \$2,100,000 in legal fees. This damages amount was determined by an independent expert.

iv. Extensive Discovery

71. In August 2015, the US Court denied the US Motions as premature and assigned the Magistrate Judge to oversee discovery.

72. Discovery in the US Action has been extensive. To date, the parties have produced over 120,000 pages of documents and exchanged seven expert reports. In respect of oral discovery, ten witnesses have been deposed. This is in addition to the numerous motions, court hearings, and case conferences that have occurred.

73. The US Court has commented on the extensive discovery in the US Action. On May 18, 2021, in connection with a ruling on a motion by Moroccanoil for additional oral discovery of Conforti, which motion was granted but on a limited basis, the US Court reasoned:

And I want to make this clear to both sides, but, frankly, particularly Moroccanoil. I expect that will be the end of discovery.... But, really, even in this case, at some point enough must be enough.

Attached as **Exhibit “R”** is a copy of the May 18, 2021 Transcript of Teleconference Before the Magistrate Judge.

74. On August 11, 2021, the US Court stayed the US Action pending determination of the NOI proceedings. Moroccanoil represented to the Court that the NOI proceedings and its claim would be completed before the end of 2021. A case management conference is scheduled for November 30, 2021.

75. According to an October 29, 2021 letter from the Proposal Trustee to counsel for Moroccanoil, Moroccanoil filed a proof of claim with the Proposal Trustee on August 19, 2021. The Proposal Trustee has not yet made any determination on the substance of the proof of claim. For purposes of the October Creditors’ Meeting, the Proposal

Trustee treated the proof of claim as contingent and valued it at \$1 for procedural purposes only. According to the letter, the Proposal Trustee has also valued another contingent claim at \$1 for procedural purposes. Attached as **Exhibit “S”** is a copy of the October 29, 2021 letter.

v. MoroccanOil’s Litigation Tactics

76. In addition to its incessant discovery motions, MoroccanOil and its counsel in the US proceedings have also engaged in questionable litigation tactics. For example, by letter dated June 9, 2021, counsel for MoroccanOil wrote to Atlantic Specialty Insurance Company (the “**Insurer**”), the insurance company that issued the Bond, and requested that the Insurer make payment under the Bond despite the fact that the US Action remained pending and no judgment has been issued. Counsel for Conforti responded to this letter on June 10, 2021. Attached as **Exhibits “T”** and “**U**” are copies the June 9, 2021 letter and June 10, 2021 letters.

77. This was not the first time that MoroccanOil had improperly tried to have the Insurer pay out under the Bond. On September 9, 2015, US counsel for MoroccanOil wrote to the Insurer and stated that “MoroccanOil expects payment of its damages and attorneys’ fees by” the Insurer as a result of what MoroccanOil alleged was Conforti’s breach of the Settlement Agreement. Attached as **Exhibit “V”** is a copy of the September 9, 2015 letter.

78. US counsel for Conforti and me responded to the letter on September 22, 2015, and denied both MoroccanOil’s allegation of breach of the Settlement Agreement and that MoroccanOil had any entitlement to payment under the Bond. Attached as **Exhibit “W”** is a copy of the September 22, 2015 letter.

79. Further, and most egregiously, during a March 5, 2021, court-ordered “meet and confer telephone conference” US counsel for MoroccanOil threatened criminal proceedings against me and stated that I was associated with organized criminal elements in Toronto because I am Italian. These threats are detailed in the March 23, 2021 letter from counsel for Conforti and me to counsel for MoroccanOil (the “**March Letter**”), attached as **Exhibit “X”**.

80. As described in the March Letter, US counsel for MoroccanOil further alleged that one of my acquaintances looked like a gangster as “if he came out of central casting”.

81. US counsel for Conforti and me states in the March Letter that he requested that MoroccanOil’s US counsel stop such racist and discriminatory accusations. However, MoroccanOil’s counsel continued and alleged that my associates were linked to murders in Toronto, and that he had hired a private investigator to track people because “they looked like they would be in the mob.”

82. This was unfortunately not the first time that US counsel for MoroccanOil had levelled allegations against me personally. According to a March 29, 2017 letter from US counsel for Conforti and me, US counsel for MoroccanOil had previously implicitly threatened unfounded criminal charges against me personally in March 2017 for “commercial bribery”. Attached as **Exhibit “Y”** is a copy of the March 29, 2017 letter.

83. I swear this Affidavit in response to the Moroccanoil motion challenging the security of the BEI Debt and for no other or improper purpose.

SWORN BEFORE ME via video-conference with the deponent in the City of Markham, Ontario, and the Commissioner in the City of Toronto, Ontario this 11th day of November, 2021

DocuSigned by:

Erin Craddock

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DocuSigned by:

Antonio Conforti

13142FBF46474A5...

Antonio Conforti

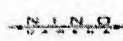
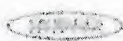
A Commissioner for taking Affidavits (or as may be)

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

TAB 5



FRENZI
FIRE & ICE



TONIC
The ultimate energy drink



CONFORTI HOLDINGS LIMITED

September 25, 2020

Crowe Soberman Inc.
Licensed Insolvency Trustee
2 St. Clair Avenue East, Suite 1200
Toronto ON, M4T 2T5

Attention: Hans Rizarri, LIT, CIRP

RE: DIVISION I PROPOSAL for CONFORTI HOLDINGS LIMITED

In connection with your monitoring of our business and financial affairs pursuant to our Division I Proposal, we acknowledge that we are responsible for the accuracy of our financial records and the summaries and financial statements that we have prepared and provided to you.

We also represent that since September 28, 2020 to the best of our knowledge and belief:

1. We have made available to you:
 - a. All financial records;
 - b. Minutes of meetings of shareholders, directors, and relevant committees, or summaries of actions for which minutes have not yet been prepared;
 - c. Any other relevant information.
2. All transactions have been properly recorded in the financial records.
3. We have not sold any assets out of the ordinary course of business, except as disclosed below.
4. There are no liens or encumbrances on any assets except as disclosed below.
5. There are no unrecorded contingencies or claims except as disclosed below.
6. We do not foresee sustaining any loss in the fulfilment of, or from the inability to fulfil, orders on hand, contracts on hand and/or in process, and sales commitments, except as disclosed below.

7. We have complied with all contractual agreements except as disclosed below.
8. All transactions during the reporting period with related parties (directors, officers, shareholders, and affiliated companies) have been disclosed to you.
9. We have responded fully to all enquiries made by you.
10. The probable and hypothetical assumptions used in the cash-flow statement are still valid.
11. We confirm that we are acting in good faith and with due diligence in developing our proposal and are not aware of any reason that we likely would not be able to make a viable proposal.

Sep 25, 20

DATE

Signature

ANTONIO CONFORTI

Name (please print)

OWNER

Title

TAB 6



Crowe Soberman Inc.

Crowe Soberman Inc.
Licensed Insolvency Trustee
Member Crowe Global

2 St. Clair Avenue East, Suite 1100
Toronto, ON M4T 2T5
416 929 2500
416 929 2555 Fax
1 877 929 2501 Toll Free
www.crowesobermaninc.com

In the matter of the proposal of
CONFORTI HOLDINGS LIMITED
of the City of Markham, in the Regional Municipality of York
in the Province of Ontario

ACKNOWLEDGEMENT NOTICE OF INTENTION

To Crowe Soberman Inc.

I, CONFORTI HOLDINGS LIMITED, having filed a *Notice of Intention to File a Proposal (NOI)* pursuant to Division I of the *Bankruptcy and Insolvency Act (BIA)*, hereby acknowledge the following:

Important Action and Consequences

1. That I understand the meaning and significance of filing a **NOI** and believe, based on my own research and investigation and the advice of my solicitor (if I have engaged one) that this is the best course of action currently available to me to address my financial difficulties.
2. That I may **STAY** (stop) all legal actions against me as at the date of filing the **NOI** and that such **STAY** will remain in effect until Court approval of my proposal or my deemed bankruptcy, as the case may be.

Deemed Bankruptcy

3. That I have been informed by the Licensed Insolvency Trustee that failure to file either;
(a) a Statement of Cash Flow within ten (10) days of the filing of the **NOI**, or
(b) a **Proposal** within thirty (30) days of filing the **NOI**,
will result in my **deemed (automatic) assignment in bankruptcy**.

Duties

4. That I have received a copy of sections 66(1), 67, 158, 159, 178, 198, 199, 200 of the **BIA** and have read and understood these sections.



Crowe Soberman Inc.

Crowe Soberman Inc.
Licensed Insolvency Trustee
Member Crowe Global

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Toronto, ON M4T 2T5
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1 877 929 2501 Toll Free
www.crowesobermaninc.com

5. That the Licensed Insolvency Trustee has answered all my questions regarding the duties of a bankrupt.
6. That I understand and agree to comply with the duties of a bankrupt, as they may apply, on filing my **NOI** and/or **Proposal**.
7. That I have been informed if I become bankrupt, I may no longer serve as director of a corporation.
8. That I understand and agree to return to the Licensed Insolvency Trustee all my credit cards, except as may be permitted in the **BIA**, on filing my **NOI**.

Debts Not Discharged or Settled

9. That I have been explained and understand the importance and ramifications of section 178 of the **BIA** with respect to any debts not discharged in bankruptcy, including debts incurred as a result of fraud or breach of trust.

Notifying All Creditors

10. That I understand that each of my creditors will be mailed a copy of my **NOI** and **Proposal**, Statement of Affairs, cash flow projection in order that my creditors may make an informed decision about my **Proposal**.
11. That the Licensed Insolvency Trustee has advised me that the cash flow projection may be withheld from my creditors, if, by disclosing it, some competitive or other serious disadvantage would result.

Payments to Creditors for Past and Future Debts

12. That I understand that, as a result of filing the **NOI** or **Proposal**, I may elect to make no further payments to my creditors for debts incurred (due or not due, accrued, contingent, unliquidated or uncrystallized) up to the earlier date of the filing of the **NOI** and **Proposal**.
13. That I understand that I am responsible to pay all debts incurred AFTER the earlier of the date of filing the **NOI** or **Proposal**.



Crowe Soberman Inc.

Crowe Soberman Inc.
Licensed Insolvency Trustee
Member Crowe Global

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14. That I understanding that, if I incur further debt after the earlier of the date of filing the **NOI** or **Proposal**, I risk
- (a) evidencing that my statement of projected cash flow is unrealistic and thus endangering acceptance of my Proposal,
 - (b) creditor opposition to my discharge (in case of my deemed bankruptcy),
 - (c) having it ruled by the Court that such indebtedness was incurred under false pretences,
 - (d) being held fully responsible to repay such indebtedness after or outside of the Proposal or bankruptcy,
 - (e) other possible adverse consequences.

Monitoring Financial Affairs and Access to Books and Records

15. That I understand that, from the date of filing the **NOI** until my **Proposal** is approved by the Court, or alternately, until the date of my deemed bankruptcy, the Licensed Insolvency Trustee is responsible to and shall monitor my business and financial affairs and as such will be given full access to examine my property, including my premises, books, records and other financial documents, to the extent necessary to adequately access my business and financial affairs.
16. That I have been informed if my financial circumstances change adversely, the Licensed Insolvency Trustee is obligated to inform the Court and Official Receiver and I may forthwith be deemed bankrupt.
17. That I have fully, truthfully and faithfully disclosed to the Licensed Insolvency Trustee all information related to my financial affairs, property, assets and liabilities, income, legal status and any other matters pertinent to an evaluation of the causes of my insolvency, current financial condition and future prospects.

Independent Legal Advice

18. That the Licensed Insolvency Trustee has advised me to seek independent legal advice in these matters, and either I have done so, or alternatively, I am completely satisfied that I have sufficient knowledge, awareness and objectivity to deal with these matters in a proper and reasonable way.



Crowe Soberman Inc.

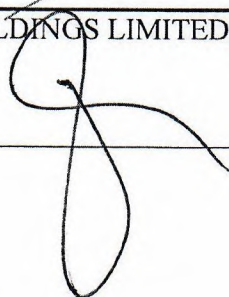
Crowe Soberman Inc.
Licensed Insolvency Trustee
Member Crowe Global

2 St. Clair Avenue East, Suite 1100
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www.crowesobermaninc.com

Dated at the City of Toronto, in the Province of Ontario, the 28th day of September, 2020.



CONFORTI HOLDINGS LIMITED, debtor



Witness

TAB 7



Crowe Soberman Inc.

Crowe Soberman Inc.
Licensed Insolvency Trustee
Member Crowe Global

2 St. Clair Avenue East, Suite 1100
Toronto, ON M4T 2T5
416 929 2500
416 929 2555 Fax
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In the matter of the proposal of
CONFORTI HOLDINGS LIMITED
of the City of Markham, in the Regional Municipality of York
in the Province of Ontario

NOTICE TO INSOLVENT PERSON FILING A PROPOSAL

As you have acknowledged, by filing a Notice of Intention to File a Proposal or a Proposal under Part III, Division I of the *Bankruptcy and Insolvency Act* (BIA), you may be deemed a bankrupt if the creditors and/or Court do not approve your Proposal. This document hereby notifies you of the duties imposed upon a bankrupt by the BIA, and certain other features of this Act, that affect a bankrupt. Please read this document carefully, as a breach of your duties as hereunder set out may make you liable to prosecution.

1. SECTION 158 - DUTIES OF THE BANKRUPT

The Bankrupt shall

- (a) make discovery of and deliver all its property that is under its possession or control to the trustee or to any person authorized by the trustee to take possession of it or any part thereof;
 - (a.1) in such circumstances as are specified in directives of the Superintendent, deliver to the trustee, for cancellation, all credit cards issued to and in the possession or control of the bankrupt;
- (b) deliver to the trustee all books, records, documents, writings and papers including, without restricting the generality of the foregoing, title papers, insurance policies and tax records and returns and copies thereof in any way relating to its property or affairs;
- (c) at such time and place as may be fixed by the official receiver, attend before the official receiver or before any other official receiver delegated by the official receiver for examination under oath with respect to its conduct, the causes of its bankruptcy and the disposition of its property;

- (d) within five days following the bankruptcy, unless the time is extended by the official receiver, prepare and submit to the trustee in quadruplicate a statement of the bankrupt's affairs in the prescribed form verified by affidavit and showing the particulars of the bankrupt's assets and liabilities, the names and addresses of the bankrupt's creditors, the securities held by them respectively, the dates when the securities were respectively given and such further or other information as may be required, but where the affairs of the bankrupt are so involved or complicated that the bankrupt alone cannot reasonably prepare a proper statement of affairs, the official receiver may, as an expense of the administration of the estate, authorize the employment of a qualified person to assist in the preparation of the statement;
- (e) make or give all the assistance within his power to the trustee in making an inventory of its assets;
- (f) make disclosure to the trustee of all property disposed of within the period beginning on the day that is one year before the date of the initial bankruptcy event or beginning on such other antecedent date as the court may direct, and ending on the date of the bankruptcy, both dates included, and how and to whom and for what consideration any part thereof was disposed of except such part as had been disposed of in the ordinary manner of trade or used for reasonable personal expenses;
- (g) make disclosure to the trustee of all property disposed of by gift or settlement without adequate valuable consideration within the period beginning on the day that is five years before the date of the initial bankruptcy event and ending on the date of the bankruptcy, both dates included;
- (h) attend the first meeting of its creditors unless prevented by sickness or other sufficient cause and submit thereat to examination;
- (i) when required, attend other meetings of its creditors or of the inspectors, or attend on the trustee;
- (j) submit to such other examinations under oath with respect to its property or affairs as required;
- (k) aid to the utmost of its power in the realization of its property and the distribution of the proceeds among its creditors;
- (l) execute such powers of attorney, conveyances, deeds and instruments as may be required;
- (m) examine the correctness of all proofs of claims filed, if required by the trustee;

- (n) in case any person has to its knowledge filed a false claim, disclosure the fact immediately to the trustee;
- (n.1) inform the trustee of any material changes in its financial situation;
- (o) generally do all such acts and things in relation to its property and the distribution of the proceeds among its creditors as may be reasonably required by the trustee, or may be prescribed by General Rules, or may be directed by the court by any special order made with reference to any particular case or made on the occasion of any special application by the trustee, or any creditor or person interested; and
- (p) until its application for discharge has been disposed of and the administration of the estate completed, keep the trustee advised at all times of its place of residence or address.

2. SECTION 159 - DUTIES OF OFFICER OF A CORPORATION

Where a bankrupt is a corporation, the officer executing the assignment, or such

- (a) officer of the corporation, or
- (b) person who has, or has had, directly or indirectly, control in fact of the corporation

as the official receiver may specify, shall attend before the official receiver for examination and shall perform all of the duties imposed on a bankrupt by section 158, and, in case of failure to do so, the officer or person is punishable as though that officer or person were the bankrupt.

3. SECTION 67 - PROPERTY OF THE BANKRUPT

- (1) **The property of a bankrupt divisible among his creditors shall not comprise**
 - (a) property held by the bankrupt in trust for any other person;
 - (b) any property that as against the bankrupt is exempt from execution or seizure under any laws applicable in the province within which the property is situated and within which the bankrupt resides; or

- (b.1) such goods and services tax credit payments and prescribed payments relating to the essential needs of an individual as are made in prescribed circumstances and are not property referred to in paragraph (a) or (b);

but it shall comprise

- (c) all property wherever situated of the bankrupt at the date of bankruptcy or that may be acquired by or devolve on it before its discharge, and
 - (d) such powers in or over or in respect of the property as might have been exercised by the bankrupt for its own benefit.
- (2) Subject to subsection (3), notwithstanding any provision in federal or provincial legislation that has the effect of deeming property to be held in trust for Her Majesty, property of a bankrupt shall not be regarded as held in trust for Her Majesty for the purpose of paragraph (1)(a) unless it would be so regarded in the absence of that statutory provision.
- (3) Subsection (2) does not apply in respect of subsections 227(4) and (5) of the *Income Tax Act*, subsections 23(3) and (4) of the *Canada Pension Plan* or subsections 57(2) and (3) of the *Unemployment Insurance Act*, or in respect of provisions of provincial legislation where;
- (a) the provincial legislation a tax similar in nature to the tax imposed by the *Income Tax Act*, and the provision of the provincial legislation that creates the deemed trust is substantially similar to subsection 227(4) of the *Income Tax Act*;
 - (b) the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the *Canada Pension Plan*, the provincial legislation establishes a "provincial pension plan" as defined in the subsection, and provision of the provincial legislation that creates the deemed trust is substantially similar to subsection 23(3) of the *Canada Pension Plan*; and
 - (c) the deemed trust has, as its sole purpose, ensuring the payment to Her Majesty in right of the province of amounts required by the provincial legislation to be deducted or withheld.

4. SECTION 178 - DEBTS NOT RELEASED BY ORDER OF DISCHARGE

- (1) **An order of discharge does not release the bankrupt from**
- (a) any fine, penalty, restitution order or other order similar in nature to a fine, penalty or restitution order, imposed by a court in respect of an offence, or any debt arising out of a recognizance or bail;
 - (a.1) any award of damages by a court in civil proceedings in respect

- i) bodily harm intentionally inflicted, or sexual assault, or
 - ii) wrongful death resulting therefrom;
- (b) any debt or liability for alimony;
- (c) any debt or liability under a support, maintenance or affiliation order or under an agreement for maintenance and support of a spouse or child living apart from the bankrupt;
- (d) any debt or liability arising out of fraud, embezzlement, misappropriation or defalcation while acting in a fiduciary capacity;
- (e) any debt or liability for obtaining property by false pretences or fraudulent misrepresentation;
- (f) liability for the dividend that a creditor would have been entitled to receive on any provable claim not disclosed to the trustee, unless the creditor had notice or knowledge of the bankruptcy and failed to take reasonable action to prove his claim;
- (g) any debt or obligation in respect of a loan made under the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act* or any enactment of a province that provides for loans or guarantees of loans to students where the date of bankruptcy of the bankrupt occurred
 - i) before the date on which the bankrupt ceased to be a full or part-time student, as the case may be, under the applicable Act or enactment; or
 - within ten (10) years after the date on which the bankrupt ceased to be a full or part-time student.
- (h) any debt for interest owed in relation to any an amount referred to in any of paragraphs (a) to (g);
- (1.1) Court may order non-application of subsection (1) - At any time after ten (10) years after a bankrupt who has a debt referred to in paragraph (1)(g) ceases to be a full or part-time student, as the case may be, under the applicable Act or enactment, the court may, on application, order the subsection (1) does not apply to the debt if the court is satisfied that
 - (a) the bankrupt has acted in good faith in connection with the bankrupt's liabilities under the loan; and
 - (b) The bankrupt has and will continue to experience financial difficulty to such an extent that the bankrupt will be unable to pay the liabilities under the loan.
- (2) Subject to subsection (1), and order of discharge releases the bankrupt from all claims provable in bankruptcy.

5. **SECTION 198 - BANKRUPTCY OFFENCES**

Any bankrupt who

- (a) makes any fraudulent disposition of the bankrupt's property before or after the date of the initial bankruptcy event;
- (b) refuses or neglects to answer fully and truthfully all proper questions put to it at any examination held pursuant to this Act;
- (c) makes a false entry or knowingly makes a material omission in a statement or accounting;
- (d) after or within one year immediately preceding the date of the initial bankruptcy event, conceals, destroys, mutilates, falsifies, makes an omission in or disposes of, or is privy to the concealment, destruction, mutilation, falsification, omission from or disposition of, a book or document affecting or relating to the bankrupt's property or affairs, unless the bankrupt proves that it had no intent to conceal the state of the bankrupt's affairs;

5. **SECTION 198 - BANKRUPTCY OFFENCES - continued**

- (e) after or within one year immediately preceding the date of the initial bankruptcy event, obtains any credit or any property by false representations made by the bankrupt or made by any other person to its knowledge;
- (f) after or within one year immediately preceding the date of the initial bankruptcy event, fraudulently conceals or removes any property of a value of fifty dollars or more or any debt due to or from the bankrupt; or
- (g) after or within one year immediately preceding the date of the initial bankruptcy event, hypothecates, pawns, pledges or disposes of any property that the bankrupt has obtained on credit and has not paid for, unless in the case of a trader the hypothecation, pawning, pledging or disposing is in the ordinary way of trade and unless in any case the bankrupt proves that he had no intention to defraud.

is guilty of an offence punishable on summary conviction and is liable to a fine not exceeding five thousand dollars or to imprisonment for a term not exceeding one year or to both, or is guilty of an indictable offence and is liable to a fine not exceeding ten thousand dollars or to imprisonment for a term not exceeding three years or to both.

A bankrupt who, without reasonable cause, fails to comply with an order of the court made under section 68 or to do any of the things required of the bankrupt under section 158 is guilty of an offence and is liable

- (a) on summary conviction, to a fine not exceeding five thousand dollars or to imprisonment for a term not exceeding one year, or to both; or
- (b) on conviction on indictment, to a fine not exceeding ten thousand dollars or to imprisonment for a term not exceeding three years, or to both.

6. **SECTION 200 - BANKRUPT FAILING TO KEEP PROPER BOOKS OF ACCOUNT**

Any person becoming bankrupt or making a proposal who has on any previous occasion been bankrupt or made a proposal to the person's creditors is guilty of an offence punishable on summary conviction and is liable to a fine not exceeding five thousand dollars or to imprisonment for a term not exceeding one year, or to both if

- (a) being engaged in any trade or business, at any time within the period beginning on the day that is two years before the date of the initial bankruptcy event and ending on the date of the bankruptcy, both dates included, that person has not kept and preserved proper books of account; or
- (b) within the period mentioned in paragraph (a), that person conceals, destroys, mutilates, falsifies or disposes of, or is privy to the concealment, destruction, mutilation, falsification or disposition of, any book or document affecting or relating to the person's property or affairs, unless the person had no intention to conceal the person's affairs.

For the purposes of this section, a bankrupt shall be deemed not to have kept proper books of account if it has not kept such books or accounts as are necessary to exhibit or explain its transactions and financial position in its trade or business, including a book or books containing entries from day to day in sufficient detail of all cash received and cash paid, and, where the trade or business has involved dealings in goods, also accounts of all goods sold and purchased, and statements of annual and other stock-takings.

ACKNOWLEDGMENT

I, Antonio Conforti, Director of Conforti Holdings Limited, hereby acknowledge receipt of Sections 67, 158, 159, 178, 198, and 200 of the *Bankruptcy and Insolvency Act* and state that the contents have been explained to me and that I understand my duties and obligations.

NOTICE TO INSOLVENT PERSON FILING A PROPOSAL

As you have acknowledged, by filing a Proposal under Part III, Division I of the *Bankruptcy and Insolvency Act* (BIA), you may be deemed a bankrupt if the creditors and/or Court do not approve your Proposal. This document hereby notifies you of the duties imposed upon a bankrupt by the BIA, and certain other features of this Act, that affect a bankrupt. Please read this document carefully, as a breach of your duties as hereunder set out may make you liable to prosecution.

Dated at the City of Toronto, Province of Ontario this September 28, 2020.

Witness


Antonio Conforti

TAB 8

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

**AFFIDAVIT OF ANTONIO CONFORTI
(sworn October 21, 2020)**

I, Antonio Conforti, of the City of Richmond Hill, Province of Ontario, MAKE OATH AND SAY:

1. I am the President and a director of Conforti Holdings Limited ("**Conforti**"). As such, I have knowledge of the matters to which I hereinafter depose, which knowledge is personal to me, obtained from a review of the documents referred to or, where indicated, I am advised by others in which case I believe such information to be true.

A. Overview

2. The affidavit is made in the context of Conforti's recent filing of a notice of intention to make a proposal (the "**Proposal Proceedings**") under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"), and in support of a motion by Conforti for an order:

- a. approving a debtor-in-possession ("**DIP**") term sheet between Conforti and myself (in such capacity, the "**DIP Lender**"), dated October 20, 2020 (the "**DIP Term Sheet**"), a DIP loan (the "**DIP Loan**") and the authority to borrow up to \$500,000;
- b. granting the following charges over Conforti's property:

- i. a charge to a maximum amount of \$500,000 in favour of the DIP Lender;
- ii. a charge in favour of Crowe Soberman Inc., in its capacity as proposal trustee in these proceedings (the “**Proposal Trustee**”), counsel to the Proposal Trustee, and counsel to Conforti to secure payment of their professional fees and disbursements to a maximum amount of \$250,000 (the “**Administration Charge**”); and
- iii. a charge in favour of the directors and officers of Conforti to a maximum amount of \$100,000 (the “**Director’s Charge**”);
- c. approving the first report of the Proposal Trustee, to be filed (the “**First Report**”), and the conduct and activities of the Proposal Trustee as described therein; and
- d. extending the time to file a proposal from October 28, 2020 to December 14, 2020.

3. The balance of this affidavit will describe the nature of Conforti’s business and events leading up to the filing of the notice of intention to make a proposal (“**NOI**”) on September 28, 2020, and the appointment of the Proposal Trustee.

B. Background: Conforti’s Business and Operations

4. Conforti 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. Attached as **Exhibit “A”** is a copy of the corporate profile report for Conforti.

5. Conforti has been a family owned and operated business for more than 44 years. I started the business in 1977.

6. Conforti’s salons, save and except for a location in Collingwood, Ontario, are located in rental units in shopping malls and commercial office buildings across Southern Ontario. The Collingwood property is located in an outdoor shopping plaza.

7. Conforti owns and operates its head office from a 11,000 square foot commercial property municipally known as 7755 Warden Avenue, Unit 2, Markham, Ontario (the “**Head Office**”).

8. Conforti currently has more than 600 employees and 400 independent contractors working at the Head Office and salons as stylists, estheticians, and front desk personnel.

C. Senior Secured Creditor

9. Conforti’s predecessor Salon Distribution Inc., as borrower, is party to a loan facility letter dated May 6, 2015, and made between Royal Bank of Canada (“**RBC**”), as lender, and myself as guarantor (as amended, the “**Credit Agreement**”).

10. On October 15, 2020, I took an assignment of the credit facilities and security held by RBC in connection with the Credit Agreement, pursuant to an Assignment of Debt and Security Agreement, dated with effect as of October 15, 2020, between Conforti, RBC, as assignor, and myself, as assignee (the “**Assignment Agreement**”). A copy of the Assignment Agreement is attached as **Exhibit “B”**.

11. Conforti’s debt obligations and liabilities pursuant to the Assignment Agreement are fully secured by:

- a. a collateral charge with a principal amount of up to \$2.5 million on the Head Office; and
- b. personal property security over all of the assets of Conforti.

12. As of October 15, 2020, the total indebtedness outstanding under the Credit Agreement was approximately \$1,931,333.68.

D. Conforti's Other Creditors

13. In addition to the assigned security interest, there are four additional registrations in respect of Conforti under the *Personal Property Security Act*, R.R.O. 1990, c. P. 10, as amended ("**PPSA**"). RBC has a registration against Conforti as security for certain obligations of Conforti under the Assignment Agreement.

14. The Toronto-Dominion Bank ("**TD**") has also registered a security interest against Conforti under the PPSA for a letter of credit extended by TD to Conforti in connection with an agreement between Conforti and an American company for the acquisition of salon supplies.

15. Additionally, there are two registrations in connection with financing for vehicles. These vehicles are used by two of Conforti's district managers and payments for the vehicles are made by the district managers. A copy of the uncertified PPSA search results for Conforti is attached as **Exhibit "C"**.

16. As indicated on Conforti's List of creditors, Conforti's remaining creditors are unsecured and are owed approximately \$5.7 million. Conforti's unsecured creditors include landlords and trade creditors.

E. Deterioration of Conforti's Financial Position

17. As noted above, most of Conforti's salons are located in shopping malls. For the past several years, shopping mall landlords have increased the rent charged to Conforti, while traffic in many of the malls has declined. However, 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. Attached as **Exhibit "D"** is a copy of the Province of Ontario News Release, "Ontario Orders the Mandatory Closure of All Non-Essential Workplaces to Fight Spread of COVID-19", dated March 23, 2020.

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

Court File Nos.: Division No. 09-Toronto
Court No. 31-2675583 and Estate No. 31-2675583

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

AFFIDAVIT OF ANTONIO CONFORTI
(sworn October 21, 2020)

MILLER THOMSON LLP

Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1101
Toronto, ON M5H 3S1

Bobby Sachdeva LSO #: 34454C

Tel: 905.532.6670
Fax: 905.660.0139
bsachdeva@millerthomson.com

Erin Craddock LSO #: 62828J

Tel: 416.595.8631
Fax: 416.595.8695
ecraddock@millerthomson.com

Lawyers for Conforti Holdings Limited

TAB 9

Brendan Bissell

From: Brendan Bissell <bissell@gsnh.com>
Sent: Monday, January 11, 2021 1:37 PM
To: Sherkin, Kevin; Bobby Sachdeva - Miller Thomson LLP (bsachdeva@millerthomson.com)
Cc: Hans Rizarri - Crowe Soberman Inc. (Hans.Rizarri@CroweSoberman.com)
Subject: RE: Conforti Holdings
Attachments: Notice of Sale RBC.pdf; SISP draft Jan 10 2021 v1.docx

Kevin & Bobby: Just following up on my email below.

Since then, the proposal trustee has received a notice of sale under mortgage from Tony Conforti's personal lawyer (attached). We are going to have to respond to that shortly to note that it is stayed under the BIA proceedings, but it may be helpful to have a discussion about other ways to effect a sale of the building. For example, Hans has prepared a draft sale process based on a stalking horse bid (also attached).

Please let me know when you are able to discuss. I can make myself available tomorrow after 10:00am at any time.

Regards,

R. Brendan Bissell



Suite 1600 | 480 University Avenue | Toronto ON | M5G 1V2

Direct [416 597 6489](tel:4165976489) | Fax [416 597 3370](tel:4165973370) | Mobile: [416 992 4979](tel:4169924979) | www.gsnh.com

Assistant | Karen Jones | [416 597 9922 ext. 101](tel:4165979922) | jones@gsnh.com

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From: Brendan Bissell
Sent: December 18, 2020 4:12 PM
To: Sherkin, Kevin <ksherkin@millerthomson.com>; Bobby Sachdeva - Miller Thomson LLP (bsachdeva@millerthomson.com) <bsachdeva@millerthomson.com>
Subject: Conforti Holdings

Kevin & Bobby: Would it be possible to try to make some progress on the related company debt issue that Hans and I have been told about? I gather it is c. \$1.5M owing under a security agreement that has not been registered (or may not have been).

Could we please get a copy of whatever paperwork there is on that debt and any security granted? That may help with some issues that the proposal trustee is going to have to begin thinking through.

It may also help come to a landing on whether a registration of any security at this point may or may not be proper, or advisable. I confess that, all things being equal, a registration at this point of security granted a while ago (along with an appropriate explanation of why the transaction went ahead previously and why registration was not done until now, likely

in the next set of court materials as a pre-emptive measure) is something that I do not see any problems with. Happy to discuss that of course once we know more details.

Also, on a slightly longer term view I have been thinking of a possible structure for a proposal, which seems to address the restructuring issues/concerns facing the company, so it may make sense to go over that with Bobby when he has a moment. It would not be conventional, but in discussions here (with Mario) he and I have not yet spotted any Achilles Heel in the approach, so wider review may be appropriate.

Thanks, and regards,
Brendan

R. Brendan Bissell



Suite 1600 | 480 University Avenue | Toronto ON | M5G 1V2

Direct [416 597 6489](tel:4165976489) | Fax [416 597 3370](tel:4165973370) | Mobile: [416 992 4979](tel:4169924979) | www.gsnh.com

Assistant | Karen Jones | [416 597 9922 ext. 101](tel:4165979922) | jones@gsnh.com

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NOTICE OF SALE UNDER CHARGE/MORTGAGE OF LAND

TO: THE PARTIES NAMED IN THE ATTACHED SCHEDULE "A" – SERVICE LIST

TAKE NOTICE that default has been made in payment of moneys due under a certain mortgage dated October 14th, 2015 and made between

CONFORTI HOLDINGS LIMITED (as Mortgagor)

-and-

ROYAL BANK OF CANADA (as Mortgagee)

Upon the following property, namely:

MUNICIPAL ADDRESS: 7755 Warden Avenue, Unit 2, Markham, ON

LEGAL DESCRIPTION: UNIT 2, LEVEL 1, YORK REGION STANDARD CONDOMINIUM PLAN NO. 1092 AND ITS APPURTENANT INTEREST. THE DESCRIPTION OF THE CONDOMINIUM PROPERTY IS : PT BLK 17 PL M1915, PTS 1 & 2 65R29659, MARKHAM; S/T & T/W AS SET OUT IN SCHEDULE 'A' OF DECLARATION YR1022011

PIN NO: 29623-0002 (LT)

which mortgage was registered on October 14th, 2015 in the Land Registry Office for the Land Titles Division of York Region (LRO No.65) as Instrument No. YR2373912, in favor of ROYAL BANK OF CANADA, and subsequently assigned to ANTONIO CONFORTI, with the assignment being registered on October 16th, 2020 in the Land Registry Office for the Land Titles Division of York Region (LRO No. 65) as Instrument No. YR3156106, in favour of the mortgagee via an assignment, ANTONIO CONFORTI.

AND I HEREBY GIVE YOU NOTICE that the amount now due on the charge/mortgage for principal money, interest, fees, taxes and costs, respectively, is made up as follows:

Principal and Interest as of October 15 th , 2020	=	\$1,818,422.46
Interest Arrears (October 15 th , 2020 to January 7 th , 2021)	=	\$31,548.38
Legal Fees & Disbursements – Enforcement (Scalzi PC)	=	\$9,000.00
<u>Total Due</u>		<u>= \$1,858,970.84</u>

after such further costs and disbursements will be charged as may be proper, together with interest at the rate of 7.45% (PRIME RATE PLUS 5%) per annum calculated monthly, on the principal, interest, taxes, fees and costs, hereinbefore mentioned, from January 7th, 2021 the date of payment.

AND UNLESS the said sums are paid on or before February 14th, 2021 we shall sell the property covered by the said charge under the provisions contained in it.

THIS NOTICE is given to you as you appear to have an interest in the charged property and may be entitled to redeem the same.

DATED at Toronto, Ontario this 7th day of January, 2021

ANTONIO CONFORTI
by their solicitor herein,



Per: Camine Scalzi (LSUC No. 52379S)
SCALZI PROFESSIONAL CORPORATION
868A Eglinton Avenue West,
Toronto, ON M6C 2B6
Office: 416-548-7989
Fax: 416-548-7969

Solicitor for the Mortgagee Via An Assignment
ANTONIO CONFORTI

SCHEDULE "A" – SERVICE LIST

TO: CONFORTI HOLDINGS LIMITED
7755 Warden Avenue, Unit 2
Markham, Ontario
L3R 0N3

AND TO: HANS RIZZARI
C/O Crowe Soberman LLP
2 St Clair Ave East, Suite 1100
Toronto, ON
M4T 2T5

**ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY
(COMMERCIAL LIST)**

IN THE MATTER OF THE

1.

Summary of Sale and Investment Solicitation Process		
Milestone	Description of Activities	Deadline
<i>Phase 1 – Marketing & Due Diligence</i>		
Stalking Horse Bid	<ul style="list-style-type: none"> ➤ Court Approval ➤ Stalking Horse Purchase Agreement 	January 25, 2021
Due diligence and marketing materials	<ul style="list-style-type: none"> ➤ Proposal Trustee, to prepare/review: <ul style="list-style-type: none"> ○ Obtain its own appraisal ○ an initial offering summary (“Teaser Letter”); ○ a form of non-disclosure agreement (“NDA”); ○ a confidential information memorandum (“CIM”); ○ an electronic data room (“Data Room”); ○ to the extent necessary, prepare forms of transaction documents to be used by interested parties in submitting bids ○ Send to all major real estate agents/brokers ○ [Option?] Engage Real estate agent to List the property? 	
Market introduction and solicitation of bids	<ul style="list-style-type: none"> ➤ Including: <ul style="list-style-type: none"> ○ Teaser Letter, NDA, and CIM sent to Interested Parties; ○ Data Room access granted to Interested Parties; ○ publication of the acquisition opportunity at the Receiver’s discretion 	
Phase I Bid Deadline	<ul style="list-style-type: none"> ➤ Interested Parties that wish to make a non-binding offer must deliver the NDA and a non-binding Letter of Intent to the Receiver 	February 26, 2021
<i>Phase 2 – Due Diligence for Selected Bidders</i>		

Summary of Sale and Investment Solicitation Process		
Milestone	Description of Activities	Deadline
Commencement of Due Diligence for Selected Bidders	<ul style="list-style-type: none"> ➤ Proposal Trustee review bids submitted in Phase I and determine if they are qualified (as defined in the Sale Agreement); ➤ Proposal Trustee to provide detailed information to Qualified Phase I Bids (“Qualified Bidders”); ➤ Due Diligence period for Qualified Bidders 	March 1 to 5 , 2021
Phase II Bid Deadline	<ul style="list-style-type: none"> ➤ Qualified Bidders must make a formal offer and submit a Phase II Bid (as defined in the Sale Agreement) 	5pm March 5, 2021
Auction (if applicable)	<ul style="list-style-type: none"> ➤ [Option?] If more than one Qualified Phase II Bid is received by the Phase II Bid Deadline, the Proposal Trustee shall extend invitations to attend an auction; ➤ Proposal Trustee shall conduct an Auction 3 (three) Business Days after the Phase II Bid Deadline. ➤ Minimum bid increment shall be \$100,000 or such other amount as determined by the Proposal Trustee. 	March 10, 2021
Selection of Successful Bid	<ul style="list-style-type: none"> ➤ Proposal Trustee to review bids submitted in Phase II and determine if they meet the Qualified Phase II Bid criteria; ➤ Proposal Trustee shall evaluate Qualified Phase II Bids (as defined in the Sale Agreement); ➤ Proposal Trustee, will identify the offer containing the highest or otherwise best Qualified Phase II Bid as well as that constituting the second highest or otherwise best bid; ➤ 	5pm March 10, 2021
Approval Hearing	<ul style="list-style-type: none"> ➤ Company shall seek approval from the Court to consummate the transaction. 	March 15, 2021
Closing Date		March 31, 2021

TAB 10

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

☒ Original

☐ Amended

-- Form 78 --

Statement of Affairs (Business Proposal) made by an entity
 (Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)

In the matter of the proposal of
CONFORTI HOLDINGS LIMITED
 of the City of Markham, in the Regional Municipality of York
 in the Province of Ontario

To the debtor:

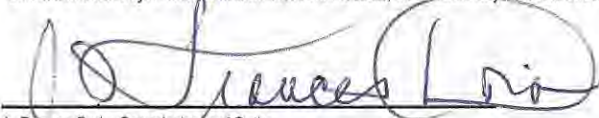
You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 28th day of September 2020. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

LIABILITIES (as stated and estimated by the officer)		ASSETS (as stated and estimated by the officer)	
1. Unsecured creditors as per list "A"	5,717,994.25	1. Inventory	149,000.00
Balance of secured claims as per list "B"	1,291,000.00	2. Trade fixtures, etc.	55,000.00
Total unsecured creditors	7,008,994.25	3. Accounts receivable and other receivables, as per list "E"	
2. Secured creditors as per list "B"	2,140,333.68	Good	0.00
3. Preferred creditors as per list "C"	0.00	Doubtful	0.00
4. Contingent, trust claims or other liabilities as per list "D"	0.00	Bad	0.00
estimated to be reclaimable for		Estimated to produce	0.00
Total liabilities	9,149,327.93	4. Bills of exchange, promissory note, etc., as per list "F"	0.00
Surplus	NIL	5. Deposits in financial institutions	0.00
		6. Cash	0.00
		7. Livestock	0.00
		8. Machinery, equipment and plant	0.00
		9. Real property or immovable as per list "G"	2,558,089.00
		10. Furniture	5,000.00
		11. RRSPs, RRIFs, life insurance, etc.	0.00
		12. Securities (shares, bonds, debentures, etc.)	0.00
		13. Interests under wills	0.00
		14. Vehicles	0.00
		15. Other property, as per list "H"	0.00
		If debtor is a corporation, add:	
		Amount of subscribed capital	0.00
		Amount paid on capital	0.00
		Balance subscribed and unpaid	0.00
		Estimated to produce	0.00
		Total assets	2,767,089.00
		Deficiency	6,382,238.93

I, Antonio Conforti, of the City of Markham in the Province of Ontario, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of the affairs of the Corporation on the 12th day of March 2021 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED)

before me at the City of Toronto in the Province of Ontario, on this 12th day of March 2021.



A. Frances Doria, Commissioner of Oaths
 For the Province of Ontario
 Crowe Soberman Inc., LIT
 Expires May 4, 2021

Alfonsina Frances Doria, a Commissioner, etc.,
 Province of Ontario, for Crowe Soberman Inc.,
 and its affiliates.
 Expires May 4, 2021.


 Antonio Conforti

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

FORM 78 - Continued

List "A"
Unsecured Creditors

CONFORTI HOLDINGS LIMITED

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
1	Alectra Utilities (formerly Enersource Hydro)	55 John St North Hamilton ON L8R 3M8	1,086.10	0.00	1,086.10
2	All In One	227 Bunting Road, Unit C ST. CATHERINES ON L2M 3Y2	318.17	0.00	318.17
3	Beauty Experts Inc. General Security Agreement	7755 Warden Ave., Unit 2 Markham ON L3R 0N3	0.00	1,291,000.00	1,291,000.00
4	Bell Canada F-88 - Business Attn: Insolvency Department	1 Carrefour Alexandre-Graham-Bell, Aile E3 Verdun QC H3E 3B3	4,394.15	0.00	4,394.15
5	Brookfield Properties Canada Management LP Brookfield Place store location	PO Box 3920, Commerce Court Postal Station, Toronto ON M5L 1K1	64,299.00	0.00	64,299.00
6	Canadian Linen & Uniform Service - Etobicoke, ON	24 Atomic Avenue Etobicoke ON M8Z 5L2	288.54	0.00	288.54
7	Canadlan Springs	PO BOX 4514, STN A TORONTO ON M5W 4L7	252.66	0.00	252.66
8	Carmelino Galessiere LLP Attn: Linda Galessiere	Linda Galessiere 6 Adelaide St. East, Suite 220, Toronto ON M5C 1H6	0.00	0.00	0.00
9	Classique Nails Beauty Supply	3615 Weston Road, UNIT 3 TORONTO ON M9L 1V8	20,650.66	0.00	20,650.66
10	Cosmic Computer	20 Royal Shamrock Court, STOUFFVILLE ON L4A 0C9	552.57	0.00	552.57
11	Cushman & Wakefield Assest Services ULC Erin Mills Town Centre location	5100 Erinmills Parkway, Missauga ON L5M 4Z5	345,507.00	0.00	345,507.00
12	Cushman & Wakefield Asset Services ULC Pen Centre location	221 Glendale Ave, St. Catharines ON L2T 2K9	155,736.00	0.00	155,736.00
13	Cushman & Wakefield Asset Services ULC Pickering location	Admin Office 1355 Kingston Road, Pickering ON L1V 1B8	188,045.00	0.00	188,045.00
14	Darling Insurance	144 Queen St, Unit 4, P.O.BOX 1392, Lakefield ON K0L 2H0	525.96	0.00	525.96
15	Dermalogica Canada	70 University Ave, Suite 300 TORONTO ON M5J 2M4	3,875.91	0.00	3,875.91
16	Edge Mechanical	100 Saniford Road, UNIT 48 STOUFFVILLE ON L4A 7X5	429.40	0.00	429.40
17	Ellectra	xxxxxxx Toronto ON	664.26	0.00	664.26
18	Energy + Inc.	PO BOX 1060 CAMBRIDGE ON N1R 5X6	900.02	0.00	900.02
19	Ericco	xxxxxx Toronto ON	471.89	0.00	471.89
20	Gardiner Roberts LLP Attn: Michael Citak	Bay Adelaide Centre-East Tower, 22 Adelaide St W, Suite 3600 Toronto ON M5H 4E3	0.00	0.00	0.00
21	Good Linen Rental	145 Claireport Crest, ETOBICOKE ON M9W 6R6	46,859.15	0.00	46,859.15
22	Hillcrest Mall Management Office Hillcrest Mall location	9350 Yonge St, Suite 205 Richmond Hill ON L4C 5G2	131,480.00	0.00	131,480.00
23	Hunter Amenities International Limited. Attn: Louis Vasconcelos	1205 Corporate Drive, Burlington ON L7L 5V5	727,591.60	0.00	727,591.60

12-Mar-2021

Date

Antonio Conforti

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

FORM 78 -- Continued

List "A"
 Unsecured Creditors

CONFORTI HOLDINGS LIMITED

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
24	ITB International Inc.	1233 Merrilville HWY RR2 WELLAND ON L3B 5N5	119.80	0.00	119.80
25	Ivanhoe Cambridge Inc. Conestoga Mall location	550 King Street North, Waterloo ON N2L 5W6	137,297.00	0.00	137,297.00
26	Ivanhoe Cambridge Inc. Oshawa Centre location	Administration Office 419 King Street West, Oshawa ON L1J 2K5	392,042.00	0.00	392,042.00
27	Ize Body Art	99-384 Yonge St, TORONTO ON M6B 1S8	455.51	0.00	455.51
28	Joe's Mechanical	80 Baywood Crt, THORNHILL ON L3T 5W3	678.00	0.00	678.00
29	KS SP Limited Partnership Scotia Plaza location	Scotia Plaza Property Mngmt Office, 40 King Street West, P1 Level, PO Box 101 Toronto ON M5H 3Y2	46,362.00	0.00	46,362.00
30	Master Signs	1A-25 McIntyre Pl, KITCHENER ON N2R 1H1	326.57	0.00	326.57
31	MesaLabs	500 Avenue Lepine, DORVAL QC H9P 2V6	270.07	0.00	270.07
32	MIL ITF Bramalea City Centre c/o Morguard Investement Limited Bramalea City Centre location	Attention: Bramalea City Centre Admin Offiuce 25 Peel Centre Dr, UNIT 395B Brampton ON L6T 3R5	43,892.00	0.00	43,892.00
33	Miller Thomson LLP - Toronto Attn: Kevin D. Sherkin	Kevin D. Sherkin 40 King St. W., Suite 5800 Toronto ON M5H 4A9	0.00	0.00	0.00
34	Miller Thomson LLP - Vaughan Attn: Bobby H. Sachdeva	Bobby H. Sachdeva 100 New Park Place, Suite 700 Vaughan ON L4K 0H9	0.00	0.00	0.00
35	Morguard REIT c/o Morguard Investement Limited Cambridge Centre location	Attention: Cambridge Centre Admin Office 355 Hespeler Road, Cambridge ON N1R 6B3	86,785.00	0.00	86,785.00
36	Natalii Products	1181 FINCH AVE WEST #8 TORONTO ON M3J 2V8	90.85	0.00	90.85
37	Newmarket Hydro	590 Steven Court Newmarket ON L3Y 6Z2	1,204.08	0.00	1,204.08
38	Nice, Jody Attn: Jason Schmidt SC20000005750000	26 Ontario St, Port Hope ON L1A 2T6	16,000.00	0.00	16,000.00
39	Nutak Holdings Ltd.	74 Wellington Street East, Aurora ON L4G 1H8	11,337.45	0.00	11,337.45
40	Ontrea Inc. Eaton Centre location	220 Yonge Street PO Box 511, Suite 110, Toronto ON M5B 2H1	562,643.00	0.00	562,643.00
41	Ontrea Inc. Fairview Park location	Administration Office 2960 Kingsway Dr, Kitchener ON N2C 1X1	224,928.00	0.00	224,928.00
42	Ontrea Inc. Markville Mall location	Administration Office 5000 Highway 7, Markham ON L3R 4M9	229,134.00	0.00	229,134.00
43	Ontrea Inc. Sherway Gardens location	25 The West Mall PO Box 101, ETOBICOKE ON M9C 1B8	323,616.00	0.00	323,616.00

12-Mar-2021

Date

Antonio Conforti

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

FORM 78 -- Continued

List "A"
 Unsecured Creditors

CONFORTI HOLDINGS LIMITED

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
44	OPGI Magement LP o/a Oxford ITF Square One Square One location	Mangement Office 100 City Centre Drive, Mississauga ON L5B 2C9	164,893.00	0.00	164,893.00
45	Oshawa PUC Networks Inc. Attn: Suzanne Neal	100 Simcoe Street South Oshawa ON L1H 7M7	1,094.68	0.00	1,094.68
46	Oshawa PUC Networks Inc. Attn: Suzanne Neal 00051023-02	100 Simcoe Street South Oshawa ON L1H 7M7	0.00	0.00	0.00
47	Oshawa PUC Networks Inc. Attn: Suzanne Neal 00051818-03	100 Simcoe Street South Oshawa ON L1H 7M7	0.00	0.00	0.00
48	Oshawa PUC Networks Inc. Attn: Suzanne Neal 00051907-09	100 Simcoe Street South Oshawa ON L1H 7M7	0.00	0.00	0.00
49	Oxford Properties Group Upper Canada Mall location	Box 256, 17600 Yonge St Newmarket ON L3Y 4Z1	182,602.00	0.00	182,602.00
50	Phytoderm	68 Stinson St, ST-LAURENT QC H4N 2E7	15,976.37	0.00	15,976.37
51	Precision Property Management & Maintenance Inc. Attn: Enza Figueira Invoice 046	346 Wendron Crescent Mississauga ON L5R 3H3	1,163.90	0.00	1,163.90
52	Premium Fire Protection	18 Huntington Cres, COURTICE ON L1E 3C7	212.14	0.00	212.14
53	Primaris Magagement Inc. Stone Road location	435 Stone Road West, Guelph ON N1G 2X6	151,249.00	0.00	151,249.00
54	Promenade Limited Partnership Promenade Mall location	Admin Office, 1 Promenade Circle Thornhill ON L4J 4P8	234,517.00	0.00	234,517.00
55	Rio-Can Georgian Mall Attn: Susanne Gill Georgian Mall location	509 Bayfield St Barrie ON L4M 4Z8	219,850.00	0.00	219,850.00
56	S & K Beauty Supplies Attn: Rafat Sanam	615 Ave Josaphat-Demers Laval QC H7X3R3	27,493.51	0.00	27,493.51
57	SafeGuard Security	1520 Lesperance Road Windsor ON N8N 1Y1	317.01	0.00	317.01
58	Scarborough Town Centre Holdings Inc. Scarborough Town Centre location	300 Borough Dr, Suite 230 Scarborough ON M1P 4P5	407,658.00	0.00	407,658.00
59	Select Plumbing & Heating Inc.	PO BOX 10011 RPO Watline, MISSISSAUGA ON L4Z 4G5	1,104.58	0.00	1,104.58
60	Spavaro Inc.	5496 Gorvan Dr, MISSISSAUGA ON L4W 3E8	251.88	0.00	251.88
61	TD Canada Trust C/O FCT Default Solutions 1025-400842	PO Box 2514, Station B London ON N6A 4G9	0.00	0.00	0.00
62	Tex Euro Industrial Sales	530 Keele St, UNIT 307 TORONTO ON M6N 3C9	7,152.44	0.00	7,152.44
63	The Cadillac Fairview Corporation Limited Attn: Ellen Williamson T0002302/T0002405/T0002000/T0002	20 Queen St W, 5th floor Toronto ON M5H 3R3	0.00	0.00	0.00
64	The Cadillac Fairview Corporation Limited TD Centre location	Toronto-Dominion Centre, 66 Wellington St West, Suite3800, PO BOX 2, Toronto ON M2J 5A7	105,163.00	0.00	105,163.00

12-Mar-2021

Date

Antonio Conforti

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2675583
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FORM 78 -- Continued

List "A"
Unsecured Creditors

CONFORTI HOLDINGS LIMITED

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
65	The Cadillace Fairview Corporation Limited T0002405/Fairview Mall location	1800 Sheppard Ave, East, SUITE 330, PO BOX 53 Toronto ON M2J 5A7	404,962.00	0.00	404,962.00
66	The Printing House Ltd. Attn: Marynna 602644	1403 Bathurst Street Toronto ON M5R 3H8	5,263.67	0.00	5,263.67
67	Torys LLP Attn: Mr. David Bish	79 Wellington St. W, 30th Floor, Box 270, TD South Tower Toronto ON M5K 1N2	0.00	0.00	0.00
68	Venus Beauty Supplies	7400 Pacific Circles, MISSISSAUGA ON L5T 2A4	235.03	0.00	235.03
69	V-P Conveyancing	19 Hoddle Cres, KITCHENER ON N2N 2N2	898.35	0.00	898.35
70	Wahl Canada Inc.	165 Riviera Dr Markham ON L3R 5J6	33.76	0.00	33.76
71	Waterlogic Canada	87 Sharer Road, Woodbridge ON L4L 8Z3	14,374.37	0.00	14,374.37
72	Waterloo North Hydro Inc. - Credit Services Attn: Jim Forler 490707-3000818	PO Box 640 526 Country Squire Rd Waterloo ON N2J 4A3	419.19	0.00	419.19
Total:			5,717,994.25	1,291,000.00	7,008,994.25

12-Mar-2021

Date


Antonio Conforti

District of: Ontario
Division No. 09 - Toronto
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FORM 78 -- Continued

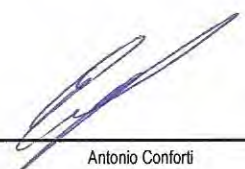
List "B"
Secured Creditors

CONFORTI HOLDINGS LIMITED

No.	Name of creditor	Address	Amount of claim	Particulars of security	When given	Estimated value of security	Estimated surplus from security	Balance of claim
1	Beauty Experts Inc. General Security Agreement	7755 Warden Ave., Unit 2 Markham ON L3R 0N3	1,500,000.00	Business Assets - Stock In Trade - Salon Inventory and Hand Sanitizers Business Assets - Trade Fixtures - Trade Fixtures (Approximately \$1,500 per salon) Furniture - Office Furniture & Computer Equipment		149,000.00 55,000.00 5,000.00		1,291,000.00
2	Conforti, Antonio Mortgage Holder	7755 Warden Avenue, Unit 2 Markham ON L3N 0N3	1,931,333.68	Real Property or Immovable - Building - Markham - 7755 Warden Avenue, Unit 2		1,931,333.68	626,755.32	
Total:			3,431,333.68			2,140,333.68	626,755.32	1,291,000.00

12-Mar-2021

Date


Antonio Conforti

District of: Ontario
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FORM 78 -- Continued

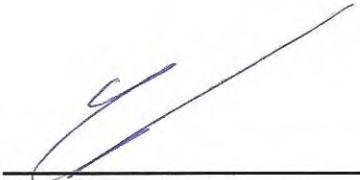
List "C"
Preferred Creditors for Wages, Rent, etc.

CONFORTI HOLDINGS LIMITED

No.	Name of creditor	Address and occupation	Nature of claim	Period during which claim accrued	Amount of claim	Amount payable in full	Difference ranking for dividend
Total:					0.00	0.00	0.00

12-Mar-2021

Date


Antonio Conforti

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

FORM 78 -- Continued

List "D"
Contingent or Other Liabilities

CONFORTI HOLDINGS LIMITED

No.	Name of creditor or claimant	Address and occupation	Amount of liability or claim	Amount expected to rank for dividend	Date when liability incurred	Nature of liability
Total:			0.00	0.00		

12-Mar-2021

Date



Antonio Conforti

District of: Ontario
Division No. 09 - Toronto
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FORM 78 -- Continued

List "E"
Debts Due to the Debtor

CONFORTI HOLDINGS LIMITED

No.	Name of debtor	Address and occupation	Nature of debt	Amount of debt (good, doubtful, bad)	Folio of ledgers or other book where particulars to be found	When contracted	Estimated to produce	Particulars of any securities held for debt
Total:				0.00 0.00 0.00			0.00	

12-Mar-2021

Date



Antonio Conforti

District of: Ontario
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FORM 78 -- Continued

List "F"

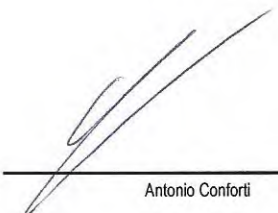
Bills of Exchange, Promissory Notes, Lien Notes, Chattel
Mortgages, etc., Available as Assets

CONFORTI HOLDINGS LIMITED

No.	Name of all promissory, acceptors, endorsers, mortgagors, and guarantors	Address	Occupation	Amount of bill or note, etc.	Date when due	Estimated to produce	Particulars of any property held as security for payment of bill or note, etc.
Total:				0.00		0.00	

12-Mar-2021

Date


Antonio Conforti

District of: Ontario
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FORM 78 -- Continued

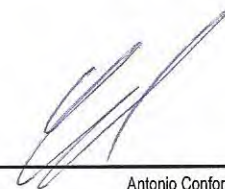
List "G"
Real Property or Immovables Owned by Debtor

CONFORTI HOLDINGS LIMITED

Description of property	Nature of debtor interest	In whose name does title stand	Total value	Particulars of mortgages, hypothecs, or other encumbrances (name, address, amount)	Equity or surplus
Building - Markham - 7755 Warden Avenue, Unit 2 - 7755 Warden Ave, Unit 2, Markham, Ontario	100%	Conforti Holdings Limited	2,558,089.00	Conforti, Antonio 7755 Warden Avenue, Unit 2 Markham ON L3N 0N3 1,931,333.68	626,755.32
Total:			2,558,089.00		626,755.32

12-Mar-2021

Date



Antonio Conforti

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

FORM 78 -- Concluded


List "H"
Property

CONFORTI HOLDINGS LIMITED
FULL STATEMENT OF PROPERTY

Nature of property	Location	Details of property	Original cost	Estimated to produce
(a) Stock-in-trade	Possession of bankrupt	Salon Inventory and Hand Sanitizers	0.00	149,000.00
(b) Trade fixtures, etc.	Possession of bankrupt	Trade Fixtures (Approximately \$1,500 per salon)	0.00	55,000.00
(c) Cash in financial institutions			0.00	0.00
(d) Cash on hand			0.00	0.00
(e) Livestock			0.00	0.00
(f) Machinery, equipment and plant			0.00	0.00
(g) Furniture		Office Furniture & Computer Equipment	0.00	5,000.00
(h) Life insurance policies, RRSPs, etc.			0.00	0.00
(i) Securities			0.00	0.00
(j) Interests under wills, etc.			0.00	0.00
(k) Vehicles			0.00	0.00
(l) Taxes			0.00	0.00
(m) Other			0.00	0.00
			Total:	209,000.00

12-Mar-2021

Date


Antonio Conforti

Conforti Holdings Limited
Cash flow Projections

For the Week Beginning:

	08-Mar	15-Mar	22-Mar	29-Mar	05-Apr	12-Apr	19-Apr	26-Apr	03-May	10-May	17-May	24-May	31-May	TOTAL
Cash-in	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Salons Revenue	271,874	306,249	400,664	440,730	440,730	440,730	440,730	440,730	460,763	460,763	460,763	460,763	480,796	5,506,284
CEWS (Note 1)	12,751				125,000				150,000				175,000	462,751
CERS (Note 1)		76,156			100,000				100,000				100,000	376,156
Total Cash-in	284,625	382,405	400,664	440,730	665,730	440,730	440,730	440,730	710,763	460,763	460,763	460,763	755,796	6,345,191
Cash-out														
Rent				360,750				337,876					348,682	1,047,308
Payroll	141,375	159,249	208,345	229,180	229,180	229,180	229,180	229,180	239,597	239,597	239,597	239,597	250,014	2,863,268
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	33,930	38,220	50,003	55,003	55,003	55,003	55,003	55,003	57,503	57,503	57,503	57,503	60,003	687,184
Accounts payable (salons)	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	338,000
Accounts payable (Corp)	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	136,500
Supplies	57,094	64,312	84,139	92,553	92,553	92,553	92,553	92,553	96,760	96,760	96,760	96,760	100,967	1,156,320
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		15,000				20,000				20,000				55,000
Merchant Fees & Bank Charges	5,437	6,125	8,013	8,815	8,815	8,815	8,815	8,815	9,215	9,215	9,215	9,215	9,616	110,126
Total Cash-out	291,836	336,907	404,500	864,300	439,550	459,550	439,550	841,427	457,076	477,076	457,076	457,076	887,282	6,813,205
Net Cash inflow (outflow)	(7,210)	45,498	(3,837)	(423,570)	226,179	(18,821)	1,179	(400,697)	253,688	(16,312)	3,688	3,688	(131,486)	(468,014)
Opening cash balance (Note 2)	(772,493)	-	45,498	41,661	-	226,179	207,359	208,538	-	253,688	237,375	241,063	244,750	(772,493)
Net Cash (above)	(7,210)	45,498	(3,837)	(423,570)	226,179	(18,821)	1,179	(400,697)	253,688	(16,312)	3,688	3,688	(131,486)	(468,014)
Closing cash before DIP	(779,703)	45,498	41,661	(381,909)	226,179	207,359	208,538	(192,159)	253,688	237,375	241,063	244,750	113,264	(1,240,506)
DIP loan (Note 3)	779,703			381,909				192,159					(113,264)	1,240,506
Closing cash	-	45,498	41,661	-	226,179	207,359	208,538	-	253,688	237,375	241,063	244,750	-	-

Notes:

1. Canada Emergency Rent Subsidy (CERS) & Canada Wage Subsidy (CERS) receipts are based on management's best estimates.

2. Opening cash balance consists of the following:

\$

Actual bank balance on March 8, 2021	1,568,872
Outstanding cheques	(407,365)
Cash balance after outstanding items	1,161,507

Remove: Hypothecate/Security to Tony Conforti*** 1,934,000 ***We have reflected this amount as already paid out to Tony Conforti, for repayment of the funds he advanced to take out RBC.

Opening cash balance (772,493)

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

CERTIFICATION

THE PURPOSE of this Statement of Projected Cash flow is to provide creditors with sufficient information to make an informed decision regarding the Proposal, and to fully disclose to the Trustee and the Official Receiver, the state of Conforti Holdings Limited's financial affairs. This Statement of Projected Cash flow is prepared pursuant to the requirements of sections 50.4(2)(a) and 50(6)(a) of the Bankruptcy and Insolvency Act and solely for that purpose.

Dated this 12th day of March, 2021.

Per: Antonio Conforti - authorized representative

CROWE SOBERMAN INC.
Licensed Insolvency Trustee
Acting in re: Proposal of Conforti Holdings Limited

Per: Mans Riazani, CA, CPA, LIT, CIRP

TAB 11

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

**IN THE MATTER OF THE PROPOSAL TO CREDITORS OF CONFORTI HOLDINGS LIMITED,
A CORPORATION INCORPORATED UNDER THE ONTARIO *BUSINESS CORPORATIONS ACT*,
R.S.O. 1990, C. B.16**

**ANSWERS TO INTEROGATORIES OF MOROCCANOIL, INC.
TO THE PROPOSAL TRUSTEE**

No.	Question	Answer
1	During the cross examination of Mr. Conforti he advised that he told the Proposal Trustee in October of 2020, that Beauty Experts had been granted a security agreement by CHL. We would ask that the Proposal Trustee confirm when it was first advised that Beauty Experts held security against CHL, and why it did not report to the creditors of CHL or the Court concerning this claim of security until the date of the Fourth Report?	<p>The Proposal Trustee was advised verbally in November of 2020 that a security agreement had been granted, but no information was provided despite request. The Proposal Trustee was advised by Mr. Confortii that his lawyer of several decades, Brian Horlick, would provide the information.</p> <p>The Proposal Trustee and its counsel made inquiries in November and December, 2020 and January of 2021 for documentation on this. Emails on those inquiries are attached at Appendix “A”. The Proposal Trustee did not make mention in its reports on this matter before May of 2021 because it was still attempting to</p>

TAB 12

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE PROPOSAL TO CREDITORS OF CONFORTI HOLDINGS
LIMITED,
A CORPORATION INCORPORATED UNDER THE ONTARIO BUSINESS
CORPORATIONS ACT, R.S.O. 1990, C. B.16

AFFIDAVIT OF MARK RIEDEL

(Sworn November 25, 2021)

I, **Mark Riedel**, of the City of Santa Monica, California **MAKE OATH AND SAY AS
FOLLOWS:**

1. As set out in my first Affidavit sworn October 13, 2021 (my “**October Affidavit**”), I am a member of the law firm Conkle, Kremer & Engel, PLC, counsel to Moroccanoil, Inc. (“**Moroccanoil**”) in the New Jersey Proceedings.¹ I have personally been involved in the New Jersey Proceedings since at least as early as January 2011, when the initial complaint was filed. As a result of my extensive involvement in the New Jersey Proceedings, I have personal knowledge of the matters to which I hereinafter depose, save and except where I refer to matters based on information and belief, in which case I verily believe that information to be true.

PURPOSE

2. This Affidavit (my “**Reply Affidavit**”) is sworn in reply to the Affidavit of Antonio Conforti (“**Mr. Conforti**”) dated November 11, 2021 (the “**CHL Affidavit**”). Capitalized terms

¹ I note that in making this affidavit, I do not intend to waive any privilege attaching to communications with Moroccanoil and Moroccanoil expressly reserves its rights to assert all applicable privileges.

not otherwise defined in my Reply Affidavit have the meanings given to them in my October Affidavit. In this my Reply Affidavit, I do not intend to address every point in the CHL Affidavit that Moroccanil disagrees with but only those that are particularly inaccurate or otherwise misleading, and of which I have knowledge.

3. I note that the majority of the CHL Affidavit appears to be an exercise in distraction or “smoke and mirrors”, that is to focus on irrelevant matters, to state half-truths, and to otherwise make statements that are not supported by evidence. For example, in paragraph 54 Mr. Conforti claims that Moroccanil engaged in “scorched earth” discovery in the New Jersey Proceedings. In reality, Mr. Conforti and SDI requested extensive discovery as part of the initial round of Motions to Enforce, not Moroccanil. Mr. Conforti and SDI then requested about 10 depositions, and broad written discovery. This initial request by them for written and oral discovery was greatly reduced by the supervising discovery Magistrate, Judge Michael Hammer. In point of fact, throughout the case, many of their requests for discovery were denied following extensive law and motion practice.

4. As a further example of this tactic, in paragraph 6 of the CHL Affidavit, Mr. Conforti states that as part of the New Jersey Proceedings, the US Court admonished Moroccanil earlier this year saying that *enough is enough*. This quote which is entirely without context is misleading and inaccurate. These comments were made by Magistrate, Judge Michael Hammer, and directed at *both parties* and was a general statement made in response to various motions pertaining to the discovery process as indicated in the transcript attached as Exhibit R to the CHL Affidavit. While these comments were made Magistrate, Judge Michael Hammer granted Moroccanil’s motion to compel the deposition of CHL.

5. In paragraph 59 of the CHL Affidavit, Mr. Conforti suggests that the only reason SDI is a party to the Settlement Agreement, and not CHL, was that Moroccanil sued SDI and not

CHL. This again is misleading and seeks to cast blame on the innocent party. The only reason SDI is not a party to the Settlement Agreement is that CHL concealed the amalgamation of CHL and SDI from MoroccanOil. I note that at no point during the negotiation of the Settlement Agreement did Mr. Conforti, CHL, SDI or their counsel advise MoroccanOil that SDI no longer existed as it had amalgamated with CHL. Rather they all chose to enter into an agreement with MoroccanOil on behalf of a party they knew no longer existed, and then to misrepresent in the agreement itself that SDI had the “full authority and the right” to sign the Settlement Agreement.

6. In paragraph 65 of the CHL Affidavit, Mr. Conforti alleges that at no time did MoroccanOil provide any evidence that CHL’s had diverted products to Macau. This again is demonstrably false. Significant evidence of CHL’s diversion of products to Macau was filed in the New Jersey Proceedings, the majority of which has not been refuted or challenged by CHL. I note that this evidence has been included in the proof of claim filed by MoroccanOil in these NOI proceedings.

7. In paragraph 67 of the CHL Affidavit, Mr. Conforti references an *independent auditor’s* report CHL obtained in support of his claim that CHL did not breach the Settlement Agreement. Importantly though, Mr. Conforti fails to mention that on discovery this *auditor* was entirely discredited and personally acknowledged that (i) he was not, in reality a qualified auditor, nor an auditor at all; and (ii) only conducted a limited review of certain records as directed by Mr. Conforti.

8. In paragraph 70 of the CHL Affidavit, Mr. Conforti similarly references damages claimed to be owing to CHL in the amount of \$4,430,000, which he says was determined by an *independent expert*. As with CHL’s *auditor*, CHL’s *independent expert* was entirely discredited in deposition. Additionally, I note that the calculation of these alleged damages is premised on a flawed assumption, namely that absent termination or expiration of the Settlement Agreement,

CHL and MoroccanOil would have continued to do business after the end of the Settlement Agreement and in perpetuity. This is incorrect and commercially absurd given the parties clear distrust of each other.

9. In paragraph 77 of the CHL Affidavit, Mr. Conforti suggests that by seeking to draw on the bond while the New Jersey Proceedings were pending my firm and MoroccanOil acted in bad faith. This statement, although convenient, ignores the plain reality that neither U.S. law nor the terms of the bond itself require judgment to have been obtained in the New Jersey Proceedings prior to MoroccanOil being eligible to draw on the bond. Under U.S. law and the terms of the bond, MoroccanOil is presently entitled to immediate full payment under the bond. In seeking to draw on the bond, MoroccanOil acted properly and as any commercially reasonable party would in the circumstances.

10. In paragraphs 79 through 81 of the CHL Affidavit, Mr. Conforti refers to a conversation I had with Mr. Campione and Mr. Stabbert (U.S. counsel for CHL) in or about March 5 2021, during a discovery call. At that time, CHL had recently produced certain financial statements which showed that CHL was in the regular business of diverting or reselling massive amounts, perhaps tens of millions of dollars' worth of professional salon products. Mr. Campione said we should take defendants at their word that none of these vast amounts of diverted products included MoroccanOil products. I cautioned Mr. Campione that we could not accept his assertion at face value that no MoroccanOil products were diverted in the massive commercial lots because Mr. Conforti had a history of diversion and counterfeiting, and some of the persons associated with Mr. Conforti, had been convicted of counterfeiting and fraud in the United States. I also reminded Mr. Campione, that Mr. Conforti had threatened to kill a material witness in this case when he attempted to collect on an unpaid invoice for MoroccanOil products, and that his client had produced about 30 fake/forged invoices to conceal the source and origin of the counterfeit MoroccanOil products in the underlying case. In other words, I wanted Mr. Campione to

understand why MoroccanOil could not accept a blanket denial of MoroccanOil product diversion from his client, in the face of documents showing a regular business practice of diverting vast amounts of professional salon products, including testimony by Mr. Conforti acknowledging the practice.

11. In paragraph 82, Mr. Conforti refers to an incident involving the secret tape recording of third-party witness Chris Buckley, a salesman for Venus Beauty Supply in Toronto, and attaches part of the correspondence record to claim that our office threatened criminal action against him for commercial bribery to achieve a desired settlement outcome. The assertion by Mr. Conforti is untrue, and the context for the attached correspondence, Exhibit Y, is nowhere stated. After surreptitiously recording Mr. Buckley (a crime in California and many other states), Mr. Conforti tried to claim that MoroccanOil should drop its case against him under a threat of Rule 11 sanctions, because Mr. Buckley allegedly admitted on tape to a scheme to divert MoroccanOil products. However, under questioning during depositions, both Mr. Conforti and Mr. Buckley admitted that the scheme or plan was initiated by Mr. Conforti, only discussed hypothetically, and the scheme or plan was never carried out. Further, Mr. Buckley's employer and immediate supervisor, Vince Riverso, stated in deposition and under penalty of perjury that the proposed plan or scheme could not have been carried out because of security measures built in to the Venus Beauty Supply accounting systems. A true copy of the complete correspondence relating to the secret recordings including my responses are attached as Exhibit "A" hereto.

SWORN before me by video-conference at the City of Santa Monica, in the State of California this 25th day of November 2021.



Commissioner for taking affidavits, etc.



MARK RADEL

**IN THE MATTER OF THE PROPOSAL TO CREDITORS OF CONFORTI HOLDINGS LIMITED, A CORPORATION INCORPORATED
UNDER THE ONTARIO BUSINESS CORPORATIONS ACT, R.S.O. 1990, C. B.16**

ONTARIO

SUPERIOR COURT OF JUSTICE

(COMMERCIAL LIST)

PROCEEDING COMMENCED AT TORONTO

**COMPENDIUM OF MOROCCANOIL, INC.
Proposal Approval Motion**

Dated July 14, 2022

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