

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

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF THE BODY SHOP CANADA LIMITED**

**FIRST REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

SEPTEMBER 30, 2024

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1.0 INTRODUCTION

- 1.1 On March 1, 2024 (the “**Filing Date**”), The Body Shop Canada Limited (“**TBS Canada**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act (Canada)*, R.S.C. 1985, c. B-3 (the “**BIA**”) and Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed as Proposal Trustee of the Company (the “**Proposal Trustee**”).
- 1.2 On the Filing Date, TBS Canada was a subsidiary of The Body Shop International Limited (now known as TBSI Realisations Limited) (the “**UK Parent**”). Prior to the Company filing the NOI, on February 13, 2024, the UK Parent commenced administration proceedings in the United Kingdom (the “**UK Administration Proceeding**”) and individuals of the firm FRP Advisory Trading Limited were appointed as joint administrators of the UK Parent (collectively, the “**UK Administrator**”).
- 1.3 Facing a liquidity crisis and other challenges caused by the commencement of the UK Administration Proceeding, TBS Canada filed the NOI, commencing a proceeding (the “**NOI Proceeding**”) to provide the stability and flexibility necessary to evaluate its strategic alternatives and explore various going concern alternatives, while also commencing a closure of a subset of store locations.
- 1.4 On March 4, 2024, the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granted an Order (the “**March 4 Order**”) which, among other things:

- (i) extended the time to file a proposal, and expanded and extended the stay of proceedings triggered under the BIA by the NOI filing, until and including April 16, 2024; and
 - (ii) approved the Administration Charge and the D&O Charge over the Property (each as defined in the March 4 Order).
- 1.5 On March 8, 2024, Buth-Na-Bodhaige Inc. (“**TBS US**”), a United States-based affiliate of TBS Canada, commenced a proceeding under chapter 7 of title 11 of the United States Code (the “**Chapter 7 Proceeding**”) and Rimón, P.C. was appointed as trustee (the “**Chapter 7 Trustee**”).
- 1.6 On April 15, 2024, the Court granted an Order (the “**April 15 Order**”) which, among other things: (i) further extended the time for TBS Canada to file a proposal under the BIA to May 31, 2024; and (ii) approved the KERP and the KERP Charge (each as defined in the April 15 Order) over the Property.
- 1.7 On May 30, 2024, the Court granted an Order which, among other things, extended the time for TBS Canada to file a proposal under the BIA to July 12, 2024.
- 1.8 On July 5, 2024, the Court granted three orders:
 - (i) an order (the “**Initial Order**”) which, among other things:
 - (a) authorized the continuation of the NOI Proceeding under the *Companies’ Creditors Arrangement Act*, RSC 1985, c. C-36 (the “**CCAA**”, and such proceeding, the “**CCAA Proceeding**”);

- (b) appointed A&M as the Monitor of the Company under the CCAA Proceeding (in such capacity, the “**Monitor**”);
 - (c) granted a stay of proceedings up to and including October 8, 2024 (the “**Stay Period**”); and
 - (d) continued each of the Administration Charge, D&O Charge and KERP Charge (collectively, the “**Charges**”) in the CCAA Proceeding;
- (ii) an order (the “**Sale Process Order**”) which among other things, approved a sale process for the Company, its business or its assets (the “**Sale Process**”); and
 - (iii) an order (the “**Discharge Order**”) which among other things, terminated the NOI Proceeding, and discharged and released the Proposal Trustee.

1.9 In connection with the NOI Proceeding, the Proposal Trustee filed five reports with the Court (the “**Prior Reports**”), including most recently a combined Fifth Report of the Proposal Trustee and Pre-Filing Report of the Proposed Monitor dated June 28, 2024, (the “**Pre-Filing Report**”). The Prior Reports, the Pre-Filing Report and other documents filed with the Court in the NOI Proceeding and the CCAA Proceeding are available on the Monitor’s case website at: www.alvarezandmarsal.com/TheBodyShop (the “**Case Website**”). A copy of the Pre-Filing Report (without appendices) is attached hereto as **Appendix “A”**.

2.0 PURPOSE OF THIS REPORT

2.1 The purpose of this first report of the Monitor (the “**First Report**”) is to provide the Court with information on:

- (i) the result of the sale process in the UK Administration Proceeding (the “**UK Sale Process**”) and its impact on the Canadian Sale Process;
- (ii) TBS Canada’s recent inventory replenishment transactions and current inventory levels;
- (iii) TBS Canada’s ongoing efforts to pursue a going concern transaction through the Sale Process;
- (iv) TBS Canada’s cash flow results for the 13-week period ended September 20, 2024;
- (v) TBS Canada’s updated cash flow forecast for the 13-week period ending December 20, 2024;
- (vi) the Company’s request for an order declaring the UK Purchaser (as defined below) a critical supplier and granting a charge in favour of the UK Purchaser over certain recently purchased inventory;
- (vii) the Company’s request for an extension of the Stay Period to and including December 13, 2024; and
- (viii) the Monitor’s activities and the recommendations of A&M in connection with the foregoing.

3.0 TERMS OF REFERENCE AND DISCLAIMER

3.1 In preparing this First Report, A&M, in its capacity as the Monitor, has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by the Company and has held discussions with management of the Company and its legal counsel (collectively, the “**Information**”). Except as otherwise described in this First Report:

- (i) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the *Chartered Professional Accountants Canada Handbook* (the “**CPA Handbook**”) and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
- (ii) some of the information referred to in this First Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

3.2 Future oriented financial information referred to in this First Report was prepared based on the Company’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

3.3 This First Report should be read in conjunction with the Affidavit of Jordan Searle, General Manager of the Company, sworn September 25, 2024 (the “**Sixth Searle Affidavit**”). Capitalized terms used and not defined in this First Report have the meanings given to them in the Sixth Searle Affidavit.

3.4 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

4.0 UPDATES ON THE CCAA PROCEEDING

UK Sale Process

4.1 As discussed in the Prior Reports, the UK Administrator commenced a sale process for the business and assets of the UK Parent on March 20, 2024.

4.2 In mid-July 2024, the UK Administrator announced that they had selected a consortium bid led by Aurea Group (now known as The Body Shop International Limited) (the “**UK Purchaser**”) as the preferred bidder for the UK Parent and had entered into an exclusivity agreement with the UK Purchaser to allow for additional time to complete due diligence and implement a transaction. Aurea Group is a private capital firm that invests in the beauty, wellness and cosmetic sectors.

4.3 Through the duration of the UK Sale Process, TBS Canada and the Monitor were in regular contact with the UK Administrator to, among other things, understand and plan for: (i) the expected completion date of a transaction; and (ii) any potential impacts the sale may have on the business and operations of TBS Canada.

- 4.4 After going exclusive with the UK Purchaser, the UK Administrator advised TBS Canada and the Monitor that, consistent with the UK Purchaser's global strategy for The Body Shop, the UK Purchaser's intention was to transition the Canadian business into a franchise market with a new franchise partner that would need to be identified through the Canadian Sale Process.
- 4.5 On September 6, 2023, it was announced that the UK Purchaser had successfully closed the transaction to acquire the assets and business of the UK Parent (the "**UK Transaction**"). As part of the UK Transaction, the UK Purchaser acquired the "The Body Shop" name and all intellectual property and all inventory owned by the UK Parent, including the inventory located in the U.S. based distribution centre (the "**US Distribution Centre**"). The UK Purchaser did not acquire the equity interest in TBS Canada.

Inventory Replenishment

- 4.6 Since the date of the Pre-Filing Report, TBS Canada and the Monitor have successfully arranged for several transactions to bring approximately \$37.5 million (retail value) of merchandise into Canada to replenish the Company's inventory, including the following:
- (i) in July 2024, TBS Canada purchased approximately \$4 million (retail value) of inventory located at certain shuttered TBS US stores from a firm who had been retained by a group of US landlords (the "**US Stores Merchandise**");
 - (ii) in August and early September 2024, TBS Canada purchased approximately \$13.5 million (retail value) of inventory owned by the UK Parent and located at the US Distribution Centre (the "**Third Replenishment Order**"); and

- (iii) in late September 2024, following the closing of the UK Transaction, TBS Canada entered into an agreement with the UK Purchaser (who purchased all of the UK Parent's inventory) to purchase all of the inventory that remained at the US Distribution Centre, representing approximately \$20 million (retail value) (the **"Remaining DC Inventory"**).

Collectively, the **"Inventory Replenishment Orders"**.

- 4.7 The Inventory Replenishment Orders, together with on hand inventory, is projected to provide TBS Canada with sufficient merchandise levels through the 2024 holiday season and into the first quarter of 2025.
- 4.8 The Inventory Replenishment Orders ensure that TBS Canada has sufficient inventory levels to continue to operate in the ordinary course and to properly support the business throughout the ongoing Sale Process (as described further below).
- 4.9 Prior to agreeing to purchase the Remaining DC Inventory, TBS Canada and the Monitor considered, among other things: (i) the cost to retail mark-up that would ensure that the inventory will provide incremental value to the estate in a going-concern scenario, as well as in an alternate realization scenario if the Sale Process is ultimately not successful; and (ii) the fact that the Chapter 7 Trustee entered into an agreement to sell the US Distribution Centre and is required to exit the US Distribution Centre by no later than mid-October 2024. Accordingly, if TBS Canada had not entered into the agreement to purchase the Remaining DC Inventory in September, such inventory may not have been available to TBS Canada.

Other Updates

- 4.10 As set out in the Prior Reports, since the commencement of the NOI Proceeding, the Proposal Trustee has engaged in discussions with the UK Administrator, the UK Parent, Royal Bank of Canada (formerly HSBC Bank Canada) (“**RBC**”) and HSBC UK with respect to, among other things, certain bank accounts held by TBS Canada but managed by the UK Parent. One of these bank accounts was held with HSBC UK and domiciled in the United Kingdom. On August 6, 2024, the funds held in this HSBC UK account were transferred to the Company’s Canadian domiciled bank accounts in the amount of approximately \$341,000.
- 4.11 As described in the Sixth Searle Affidavit, the Company has previously provided updates to the Court regarding Aurelius IV UK Acquico Seven Limited (“**Aurelius Seven**”) and its loan agreement (the “**Aurelius Loan Agreement**”) with the UK Parent. The obligations of the UK Parent under the Aurelius Loan Agreement were guaranteed by TBS Canada on a secured basis. On September 7, 2024, Aurelius Seven signed a release in favour of TBS Canada and the UK Parent whereby it released all security in its favour, including the Canadian Security (the “**Aurelius Release**”). The Aurelius Release does not release the Company from its obligations under the guarantee and indemnity provided in connection with the Aurelius Loan Agreement. The Aurelius Release is attached to the Sixth Searle Affidavit as Exhibit “L”.

5.0 CRITICAL SUPPLIER CHARGE

5.1 In connection with the Remaining DC Inventory transaction described above, TBS Canada, with the assistance of the Monitor, negotiated the following deferred payment plan with the UK Purchaser:

- (i) 50% of the purchase price, or approximately \$1.3 million, to be paid upon shipment of all the Remaining DC Inventory (expected during the week ending October 4, 2024);
- (ii) 10% of the purchase price, or approximately \$300,000, to be paid 15 days after the final shipment date; and
- (iii) the remaining 40% of the purchase price, or approximately \$1.1 million, to be paid by November 29, 2024.

5.2 As of the date of this First Report, the majority of the Remaining DC Inventory has been delivered to TBS Canada's 3PL provider's warehouse, with the remaining deliveries to occur in the coming days. Accordingly, TBS Canada has scheduled the first 50% installment of the purchase price to be paid this week.

5.3 As a condition to the Remaining DC Inventory transaction, TBS Canada is required to seek a Court-ordered charge in favour of the UK Purchaser to secure the outstanding balance of the purchase price, being approximately \$1.4 million (i.e., the second and third installments). Accordingly, TBS Canada is seeking a \$1.5 million charge (the "**Critical Supplier Charge**"), attaching solely against the Remaining DC Inventory for the benefit

of the UK Purchaser. Should the Critical Supplier Charge be granted, the relative priorities of the Charges will be:

- (i) First – Administration Charge (to the maximum amount of \$700,000);
- (ii) Second – D&O Charge (to the maximum amount of \$2.1 million);
- (iii) Third – KERP Charge (to the maximum amount of \$315,000); and
- (iv) Fourth – Critical Supplier Charge (to the maximum amount of \$1.5 million, solely against the Remaining DC Inventory).

5.4 The Monitor is of the view that the proposed Critical Supplier Charge is required and reasonable in the circumstances, and recommends that the Court grant the proposed Critical Supplier Charge for the following reasons:

- (i) while TBS Canada is expected to be in possession of the Remaining DC Inventory by the time the proposed charge is being sought for approval, TBS Canada requires the continued cooperation of the UK Purchaser. The UK Purchaser remains a “critical supplier” to TBS Canada because: (a) the UK Purchaser is the owner of the intellectual property related to the “The Body Shop” inventory, including the Remaining DC Inventory, and (b) TBS Canada continues to rely on various IT systems and accounting and treasury services now performed by the UK Purchaser;
- (ii) the Critical Supplier Charge was a condition to the transaction agreed to with the UK Purchaser for the Remaining DC Inventory. Without such a charge, the UK Purchaser may require immediate payment or the immediate return of the

Remaining DC Inventory or take other steps to inhibit TBS Canada's ability to sell the Remaining DC Inventory;

- (iii) if TBS Canada is not able to purchase and continue to sell the Remaining DC Inventory, the Company will not have sufficient inventory to maintain its current 71 store network during the Sale Process or through the proposed extended Stay Period, and it will not be able to deliver the business to a potential purchaser with sufficient inventory levels to properly trade during the important upcoming holiday shopping season. This would be expected to have a detrimental effect on the consideration offered in bids in the Sale Process and on the current employee base; and
- (iv) the Monitor is not aware of any party that would be materially prejudiced by the proposed Critical Supplier Charge, including creditors who have registered security interests as Enterprise does not have a security interest in inventory and RBC does not currently have any outstanding exposure.

6.0 SALE PROCESS

- 6.1 As described in the Pre-Filing Report, commencing in early June 2024, A&M in its capacity as Proposal Trustee began exploring options for a going concern transaction and engaging with parties regarding a potential sale of the assets and business of TBS Canada.
- 6.2 On July 5, 2024, as part of the NOI to CCAA conversion, TBS Canada obtained the Sale Process Order which formalized the Sale Process, established formal procedures (the

“**Procedures**”) and authorized TBS Canada, with the assistance of the Monitor, to continue the Sale Process.

- 6.3 The Sale Process and Procedures are described in the Pre-Filing Report. As discussed therein, the Sale Process was designed having regard to the interrelated nature of TBS Canada and the UK Parent. In particular, the Procedures provide that the Bid Deadline would not be set until: (i) a purchaser was identified in the UK Sale Process; and (ii) it was clear whether TBS Canada would remain an operating subsidiary of the UK Parent’s business, or if the UK purchaser would seek to enter into a franchise relationship in Canada.
- 6.4 As discussed above, in the weeks leading up to the closing of the UK Transaction, TBS Canada and the Monitor were notified that the UK Purchaser was not purchasing the equity of TBS Canada, but instead intended to convert the Canadian business into a franchise market. With this information, the Monitor continued to advance the Sale Process, including continuing to work with the UK Parent’s franchising group to understand the steps required of a new party to enter into a franchise arrangement with the UK Purchaser for the Canadian business.
- 6.5 On September 6, 2024, upon receiving confirmation of the closing of the UK Transaction, the Monitor distributed a process letter (the “**Process Letter**”) to each of the parties who were active in the Sale Process and to additional parties identified as potential purchasers. The Monitor also posted the Process Letter to the Case Website, served the Process Letter on the Service List in the CCAA Proceeding, and placed an announcement with Insolvency Insider. A copy of the Process Letter is attached hereto as **Appendix “B”**.

6.6 Consistent with the Procedures, the Process Letter: (i) established the Bid Deadline and other key milestones; (ii) set-out the process for submitting a Bid; and (iii) invited parties, with the assistance of the Monitor, to advance a potential franchise arrangement with the UK Purchaser.

6.7 The key milestones established in the Process Letter are as follows:

- (i) Bids are required to be received by the Monitor by no later than October 8, 2024 at 5:00 p.m. Eastern Time (the “**Bid Deadline**”);
- (ii) selection of the successful Bid to be October 11, 2024, or such later date as may be determined by the Company, in consultation with the Monitor; and
- (iii) the outside date for implementing a transaction to be November 15, 2024.

6.8 TBS Canada and the Monitor continue to advance the Sale Process, including ongoing discussions regarding a franchise agreement with the UK Purchaser, with the aim of implementing a going-concern and value maximizing transaction for TBS Canada.

7.0 CASH FLOW RESULTS RELATIVE TO FORECAST

7.1 Actual receipts and disbursements for the period from June 22, 2024 to September 20, 2024 (the “**Reporting Period**”), as compared to the cash flow forecast attached as Appendix “F” to the Pre-Filing Report, are summarized in the following table:

Cash Flow Variance Report			\$000's
	Actual	Budget	Variance
Sales	12,418	11,491	927
Other Receipts	341	-	341
Total Receipts	12,760	11,491	1,269
Disbursements			
Inventory Purchases	(3,674)	(2,280)	(1,395)
Vendor Payments	(937)	(1,717)	780
Rent	(4,110)	(3,960)	(150)
License Fee	(251)	(135)	(116)
Payroll & Benefits	(4,258)	(4,315)	57
KERP	(157)	(157)	--
Restructuring Professional Fees	(1,641)	(2,699)	1,059
Sales Tax Remittances	(636)	(536)	(100)
Other Expenditures	(222)	(166)	(56)
Total Disbursements	(15,886)	(15,965)	78
Net Cash Flow	(3,127)	(4,474)	1,347
Opening Cash Balance	6,269	6,269	-
Net Cash Flow	(3,127)	(4,474)	1,347
Ending Cash Balance	3,143	1,796	1,347

7.2 During the Reporting Period:

- (i) the positive variance in sales of approximately \$927,000 is due to a combination of greater than forecast sales and gross margin;
- (ii) the positive variance in other receipts of approximately \$341,000 is due to the collection of funds that were held with HSBC UK and domiciled in the United Kingdom (as discussed above). Collection of these funds were not included in the Company's cash flow forecast;
- (iii) the negative variance in inventory purchases of approximately \$1.4 million is due to higher than forecast inventory purchases;

- (iv) the positive variance in vendor payments of approximately \$780,000 is primarily due to timing and is expected to reverse in future weeks;
- (v) as described in Prior Reports, TBS Canada entered into the License Arrangement to access the US Distribution Centre and facilitate the purchase and shipment of inventory purchases. The above negative variance reflects a license fee payment for September 2024 which was not included in the Company's cash flow forecast; and
- (vi) the remaining positive variance in total disbursements of approximately \$809,000 is expected to be timing-based and reverse in future weeks.

7.3 Overall, during the Reporting Period, the Company experienced a positive net cash flow variance of approximately \$1.3 million, primarily attributable to the higher-than-forecast sales and timing variances in operating disbursements.

7.4 The closing cash balance as at September 20, 2024 was approximately \$3.1 million, as compared to the projected cash balance of \$1.8 million.

8.0 UPDATED CASH FLOW FORECAST

8.1 TBS Canada, with the assistance of the Monitor, prepared an updated cash flow forecast (the "**Updated Cash Flow Forecast**") for the period September 21, 2024 to December 20, 2024 (the "**Cash Flow Period**"). A copy of the Updated Cash Flow Forecast, together with Notes and Summary of Assumptions, is attached to this First Report as **Appendix "C"**.

8.2 A summary of the Updated Cash Flow Forecast is set out in the following table:

Cash Flow Forecast		\$000's
Total Receipts		20,148
Disbursements		
Inventory Purchases		(2,669)
Vendor Payments		(1,750)
Rent		(4,020)
Payroll & Benefits		(4,775)
KERP and Store Bonus		(657)
Restructuring Professional Fees		(1,944)
Sales Tax Remittances		(1,192)
Other Expenditures		(166)
Total Disbursements		(17,173)
Net Cash Flow		2,975
Opening Cash Balance		3,143
Net Cash Flow		2,975
Closing Cash Balance		6,118

8.3 The Monitor notes the following with respect to the Updated Cash Flow Forecast:

- (i) sales are forecast based on projected sales at the Company's 71 retail store locations;
- (ii) inventory purchases include payments for the Remaining DC Inventory transaction only (as discussed above);
- (iii) vendor payments consist of shipping and 3PL costs, credit and debit card processing fees, information technology services, and other store-level and general operating costs;
- (iv) payroll & benefits and rent consist of payments for the retail stores and the Company's head-office, including the costs associated with the US Contractors and approximately 520 employees in Canada; and

- (v) restructuring professional fees include costs for the Company's legal counsel, and the Monitor and its legal counsel.

8.4 The Updated Cash Flow Forecast has been prepared solely for the purpose and subject to the Cash Flow Assumptions, and readers are cautioned that it may not be appropriate for other purposes.

9.0 EXTENSION OF THE STAY PERIOD

9.1 The Stay Period currently expires on October 8, 2024, and the Company is seeking an extension of the Stay Period until and including December 13, 2024.

9.2 The Monitor supports the Company's motion to extend the Stay Period for the following reasons:

- (i) it will provide the Company with the stability to continue to operate in the ordinary course and advance the Sale Process for the benefit of Canadian stakeholders;
- (ii) in accordance with the Updated Cash Flow Forecast, the Company is projected to have sufficient liquidity through to the end of the proposed extended Stay Period; and
- (iii) the Company continues to act in good faith and with due diligence during the CCAA Proceeding and continues to seek to preserve and maximize value for their stakeholders.

10.0 ACTIVITIES OF THE MONITOR

10.1 Since the date of the Monitor's Pre-Filing Report, the Monitor has engaged in the following activities:

- (i) assisting the Company in its communications to employees, suppliers, landlords and other stakeholders;
- (ii) advancing the Sale Process, including among other things, engaging with interested parties and soliciting interest for a potential going concern transaction for TBS Canada;
- (iii) facilitating meetings and discussions among interested parties and the UK Purchaser in connection with the Sale Process and advancing a potential franchise agreement with the UK Purchaser;
- (iv) attending meetings and engaging in various correspondence with the UK Administrator, the UK Parent and the Chapter 7 Trustee regarding their respective restructuring proceedings and matters in connection with the CCAA Proceeding, including discussions to advance TBS Canada's efforts to emerge as a going concern business;
- (v) assisting the Company with discussions regarding its inventory replenishment efforts;

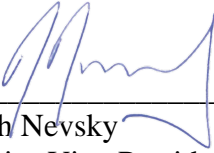
- (vi) assisting the Company with discussions and negotiations in connection with certain lease renewals/amendments and entering into new supply agreements with certain providers of 3PL and IT services;
- (vii) monitoring the Company's cash receipts and disbursements, and assisting in preparing weekly cash flow variance reporting;
- (viii) assisting the Company in the preparation of the Updated Cash Flow Forecast;
- (ix) posting non-confidential materials filed with the Court to the Case Website;
- (x) facilitating discussions with stakeholders, including certain discussions that remain ongoing between TBS Canada and Koskie Minsky LLP, in their capacity as counsel to certain former employees of the Company; and
- (xi) with the assistance of Cassels, preparing this First Report.

11.0 CONCLUSIONS AND RECOMMENDATIONS

- 11.1 For the reasons set out in this First Report, the Monitor is of the view that the relief sought in the Company's proposed Order, in each case, is reasonable, appropriate and necessary having regard to the Company's current circumstances and respectfully recommends that the Court grant the relief requested.

All of which is respectfully submitted to the Court this 30th day of September, 2024.

**Alvarez & Marsal Canada Inc.,
solely in its capacity as Monitor of The Body Shop Canada Limited,
and not in its personal or corporate capacity**

Per: 
Josh Nevsky
Senior Vice-President

APPENDIX A

**COMBINED FIFTH REPORT OF THE PROPOSAL TRUSTEE & PRE-
FILING REPORT OF THE PROPOSED MONITOR**

District of: Ontario
Division No.: 09 – Toronto
Court No.: BK-31-3050418
Estate No.: BK-24-03050418-0031

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

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF THE BODY SHOP
CANADA LIMITED, IN THE CITY OF TORONTO, IN
THE PROVINCE OF ONTARIO**

**FIFTH REPORT OF THE PROPOSAL TRUSTEE
ALVAREZ & MARSAL CANADA INC.**

- AND –

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SUPERIOR COURT OF JUSTICE
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**PRE-FILING REPORT OF ALVAREZ & MARSAL CANADA INC.
AS PROPOSED MONITOR OF THE BODY SHOP CANADA LIMITED**

JUNE 28, 2024

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APPENDICES

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Appendix B – Letter from Koskie Minsky to Davies dated June 24, 2024

Appendix C – Consent to Act as Monitor

Appendix D – First Report of the Proposal Trustee (without appendices)

Appendix E – Second Report of the Proposal Trustee (without appendices)

Appendix F – Updated Cash Flow Forecast

Appendix G – Fee Affidavit of A&M sworn June 28, 2024

Appendix H – Fee Affidavit of Cassels sworn June 26, 2024

1.0 INTRODUCTION

- 1.1 On March 1, 2024 (the “**Filing Date**”), The Body Shop Canada Limited (“**TBS Canada**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act (Canada)*, R.S.C. 1985, c. B-3 (the “**BIA**”) and Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed as Proposal Trustee of the Company (the “**Proposal Trustee**”).
- 1.2 TBS Canada is a subsidiary of The Body Shop International Limited (the “**UK Parent**”). Prior to the Company filing the NOI, on February 13, 2024, the UK Parent commenced administration proceedings in the United Kingdom (the “**UK Administration Proceeding**”) and individuals of the firm FRP Advisory Trading Limited were appointed as joint administrators of the UK Parent (collectively, the “**UK Administrator**”).
- 1.3 Facing a liquidity crisis and other challenges caused by the commencement of the UK Administration Proceeding, TBS Canada filed the NOI, commencing a proceeding (the “**NOI Proceeding**”) to provide the stability and flexibility necessary to evaluate its strategic alternatives and explore various going concern alternatives, while also commencing a closure of a subset of store locations and terminating approximately 220 employees (the “**Former Employees**”).
- 1.4 On March 4, 2024, the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granted an Order (the “**March 4 Order**”) which, among other things:

- (i) extended the time to file a proposal, and expanded and extended the stay of proceedings triggered under the BIA by the NOI filing, until and including April 16, 2024; and
 - (ii) approved the Administration Charge and the D&O Charge over the Property (each as defined below).
- 1.5 On March 8, 2024, Buth-Na-Bodhaige Inc. (“**TBS US**”), a United States-based affiliate of TBS Canada, commenced a proceeding under chapter 7 of title 11 of the United States Code (the “**Chapter 7 Proceeding**”) and Rimón, P.C. was appointed as trustee (the “**Chapter 7 Trustee**”).
- 1.6 As discussed in greater detail in the Third Report of the Proposal Trustee dated May 15, 2024 (the “**Third Report**”), on April 12, 2024, Stephanie Hood, as the proposed representative of the Former Employees, brought a motion (the “**Representation Motion**”) seeking an order, among other things: (i) appointing Stephanie Hood as the representative of the Former Employees (in such capacity, the “**Representative Plaintiff**”); and (ii) appointing Koskie Minsky LLP as counsel to the Former Employees (the “**Representative Counsel**”).
- 1.7 On April 15, 2024, the Court granted an Order which, among other things approved the KERP and the KERP Charge (each as defined below) over the Property.
- 1.8 On May 30, 2024, the Court granted an Order (the “**May 30 Order**”) which, among other things, further extended the time for TBS Canada to file a proposal under the BIA to July 12, 2024.

1.9 The Company now intends to make an application under the *Companies' Creditors Arrangement Act*, RSC 1985, c. C-36 (the “**CCAA**”) for:

- (i) an order (the “**Initial Order**”), among other things:
 - (a) converting the NOI Proceeding and continuing the Company’s restructuring proceeding under the CCAA (the “**CCAA Proceeding**”);
 - (b) appointing A&M as the Monitor of the Company under the proposed CCAA Proceeding (in such capacity, the “**Monitor**”);
 - (c) providing for a stay of proceeding in the CCAA Proceeding in respect of TBS Canada, up to and including October 8, 2024; and
 - (d) continuing each of the Administration Charge, D&O Charge and KERP Charge (collectively, the “**Charges**”) in the CCAA Proceeding;
- (ii) an order (the “**Sale Process Order**”), among other things, approving a proposed sale process for the Company, its business or its assets (the “**Sale Process**”), and authorizing TBS Canada, with the assistance of the Proposal Trustee, to continue the Sale Process; and
- (iii) an order (the “**Discharge Order**”), among other things:
 - (a) discharging and releasing the Proposal Trustee;
 - (b) approving the activities and conduct of the Proposal Trustee as set out in this Fifth Report of the Proposal Trustee and Pre-Filing Report of the

proposed Monitor (the “**Report**”) and in each of the prior reports of the Proposal Trustee (the “**Prior Reports**”);

- (c) approving the fees of the Proposal Trustee and its counsel, Cassels Brock & Blackwell LLP (“**Cassels**”), as set out in the Fee Affidavits (as defined below) and the Estimated Costs to Complete (as defined below); and
- (d) terminating the NOI Proceeding.

1.10 Copies of the Prior Reports and other documents filed with the Court in the NOI Proceeding are available on the Proposal Trustee’s case website at: www.alvarezandmarsal.com/TheBodyShop (the “**Case Website**”).

2.0 PURPOSE OF THIS REPORT

2.1 The purpose of this Report is to provide the Court with information on:

- (i) the activities of the Company since the Fourth Report of the Proposal Trustee dated May 27, 2024, including updates in respect of:
 - (a) the Company’s inventory replenishment transactions;
 - (b) the Company’s discussions with HSBC Bank PLC (“**HSBC UK**”); and
 - (c) the Representation Motion;
- (ii) the reasons for converting and continuing the NOI Proceeding under the CCAA in accordance with Section 11.6 thereof;
- (iii) A&M’s qualification to act as Monitor;

- (iv) the proposed continuation of the Charges in the CCAA Proceeding;
- (v) the Company's request for an extension of the stay of proceedings in the CCAA Proceeding up to and including October 8, 2024;
- (vi) the marketing efforts of the Proposal Trustee and the Company to date and the proposed Sale Process;
- (vii) TBS Canada's cash flow results for the 5-week period ended June 21, 2024;
- (viii) TBS Canada's updated cash flow forecast for the 16-week period ending October 11, 2024;
- (ix) the relief sought by the Company in the Discharge Order; and
- (x) the Proposal Trustee's activities and the recommendations of A&M as Proposal Trustee and proposed Monitor in connection with the foregoing.

3.0 TERMS OF REFERENCE AND DISCLAIMER

3.1 In preparing this Report, A&M, in its capacity as the Proposal Trustee and proposed Monitor, has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by the Company and has held discussions with management of the Company and its legal counsel (collectively, the "**Information**"). Except as otherwise described in this Report:

- (i) the Proposal Trustee and proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposal Trustee and proposed Monitor has not audited or

otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“CASs”) pursuant to the *Chartered Professional Accountants Canada Handbook* (the “CPA Handbook”) and, accordingly, the Proposal Trustee and proposed Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

- (ii) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

3.2 Future oriented financial information referred to in this Report was prepared based on the Company’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

3.3 This Report should be read in conjunction with the Affidavit of Jordan Searle, General Manager, North America of the Company, sworn June 24, 2024 (the “**Fifth Searle Affidavit**”). Capitalized terms used and not defined in this Report have the meanings given to them in the Fifth Searle Affidavit.

3.4 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

4.0 UPDATES ON THE NOI PROCEEDING

Inventory Replenishment

- 4.1 As discussed in the Prior Reports, since the commencement of the NOI Proceeding, TBS Canada and the Proposal Trustee have worked on a number of initiatives to bring merchandise into Canada to replenish its retail inventory. To date, those efforts have resulted in the delivery of approximately \$20 million (retail value) of inventory.
- 4.2 In addition to the inventory replenishment discussed in the Fourth Report, accounting for approximately \$12.0 million (retail value) delivered to date, the Company has arranged for an additional purchase of approximately \$8.0 million (retail value) of inventory owned by the UK Parent and located at the US Distribution Centre (the “**Second Replenishment Order**”). This inventory is currently being arranged for delivery and is anticipated to be received by TBS Canada in mid to late July.
- 4.3 In addition to inventory being fulfilled from the US Distribution Centre, the Company was recently made aware of inventory located at certain shuttered TBS US stores that is available for purchase. As discussed in the Prior Reports, upon commencing the Chapter 7 Proceeding, all TBS US stores were closed and employees were terminated, leaving certain stores well stocked with saleable inventory. TBS Canada has entered into an agreement with the liquidation firm retained by a group of the US landlords to purchase approximately \$5 million (retail value) of US based inventory (the “**US Stores Inventory**”).
- 4.4 The Second Replenishment Order and the US Stores Inventory, together with inventory currently on hand, is projected to provide TBS Canada with sufficient merchandise levels

through October 2024, at which point additional inventory replenishment would be required. The Proposal Trustee and the Company continue to discuss additional inventory replenishment orders with the UK Administrator which could be sourced from available stock currently located at the US Distribution Centre, to ensure TBS Canada has sufficient inventory to continue to operate while pursuing a going concern transaction.

- 4.5 Additionally, as noted in the Fourth Report, to facilitate the replenishment efforts of the Company, including the Second Replenishment Order and the US Stores Inventory, TBS Canada and the Chapter 7 Trustee entered into a real estate license arrangement that allows TBS Canada and its DC Contractors to access the inventory stored in the US Distribution Centre (the “**License Arrangement**”). Pursuant to the License Arrangement, among other things, TBS Canada is granted a license to use and occupy the US Distribution Centre for the purpose of picking, packing and arranging for the delivery of inventory, for a monthly license fee of US\$100,000 (the “**License Fee**”).

Discussions with HSBC UK

- 4.6 As set out in the Prior Reports, since the commencement of the NOI Proceeding, the Proposal Trustee has engaged in discussions with the UK Administrator, the UK Parent, Royal Bank of Canada (formerly HSBC Bank Canada) (“**RBC**”) and HSBC UK with respect to, among other things, the pre-filing intercompany arrangements between TBS Canada and the UK Parent and the bank accounts held by TBS Canada and managed by the UK Parent (the “**Bank Accounts**”). The UK Parent controls disbursements from the Bank Accounts such that the Company is not able to independently make disbursements.

- 4.7 Certain of the Bank Accounts are held with HSBC UK and located in the United Kingdom. These particular accounts currently hold the equivalent of approximately \$325,000. The Proposal Trustee understands that no party disputes that these funds are the property of TBS Canada.
- 4.8 The Proposal Trustee and TBS Canada are currently engaged with HSBC UK and the UK Administrator to arrange for the release of the held funds. The Proposal Trustee (or the proposed Monitor) will continue to provide updates to this Court on the progress of these efforts.
- 4.9 The funds held in the HSBC UK account are not included in the Company's Updated Cash Flow Forecast set out and described below.

Update on the Representation Motion

- 4.10 As set out in the Prior Reports, on April 12, 2024, the proposed Representative Plaintiff brought the Representation Motion seeking an order, among other things: (i) appointing the proposed Representative Plaintiff; (ii) appointing the proposed Representative Counsel; and (iii) granting related relief, including ordering the Company to pay the fees of the proposed Representative Counsel and related costs. The Representation Motion, and the position of the Company and the Proposal Trustee thereon, is discussed in greater detail in the Third Report and the Supplement to the Third Report dated June 5, 2024 (the **"Supplemental Third Report"** and together, the **"Representation Motion Reports"**).
- 4.11 Since the issuance of the Representation Motion Reports, the Proposal Trustee understands that each of the Company and the proposed Representative Counsel have: (i) served and

filed additional motion materials and facts in accordance with the litigation schedule established for the Representation Motion; and (ii) engaged in a series of correspondence with respect to certain issues relating to the Representation Motion (the “**Representation Motion Correspondence**”).

- 4.12 As set out in further detail in the Affidavit of Sandy Prosa sworn June 24, 2024 (the “**Prosa Affidavit**”) and certain of the Representation Motion Correspondence attached as exhibits thereto, among other things: (i) the proposed Representative Plaintiff has agreed to proceed with the Representation Motion without the inclusion of a provision seeking an order requiring the Company to pay the fees and costs of the proposed Representative Counsel; and (ii) the Company has expressed concerns with respect to the proposed Representative Counsel’s proposed opt-out procedure for the Former Employees’ and a provision in the proposed form of appointment order granting the proposed Representative Counsel immunity from liability. The additional Representation Motion Correspondence not attached to the Prosa Affidavit, being a letter from the proposed Representative Counsel to the Company dated June 13, 2024 and a letter from the proposed Representative Counsel to the Company dated June 24, 2024, are attached hereto as **Appendices “A” and “B”**.

5.0 CONTINUATION OF THE NOI PROCEEDING UNDER THE CCAA

- 5.1 The Applicants are seeking an order to continue the NOI Proceeding under the CCAA. As set out in further detail in the Prior Reports, the NOI Proceeding was commenced on an urgent basis as a result of the UK Parent’s sudden commencement of the UK Administration Proceeding. As a direct result thereof, the Company faced a liquidity crisis, among other challenges, and commenced the NOI Proceeding to obtain a stay of

proceedings to provide the stability necessary to evaluate its strategic alternatives and explore various going concern solutions.

5.2 TBS Canada's restructuring efforts since commencement of the NOI Proceeding have focused on improving and maintaining its liquidity position and pursuing a going-concern solution for the business in Canada.

5.3 As set out in further detail in the Fifth Searle Affidavit, the Company now seeks to continue the NOI Proceeding under the CCAA, in order to, among other things, provide the Company with additional flexibility and time to explore a value maximizing going concern transaction through the proposed Sale Process (as described below).

5.4 As set out in the Prior Reports, the Company markets products using "The Body Shop" branding pursuant to a licensing agreement with the UK Parent and sources all of its inventory from the UK Parent. As such, the Company's ability to emerge from the NOI Proceeding and continue as a going concern is contingent on the outcome of the UK Administration Proceeding.

5.5 As set out in greater detail in this Report, in accordance with discussions held between the Company, the Proposal Trustee and the UK Administrator, since the commencement of the NOI Proceeding and until recently, the Company had been proceeding on the basis that the UK Administrator was pursuing a company voluntary arrangement (a "CVA") of the UK Parent, which would allow for a restructuring of the business of the UK Parent. On May 17, 2024, the Company and the Proposal Trustee learned that, due to stakeholder negotiations breaking down, a CVA was no longer viable and, as an alternative, the UK Administrator was instead pursuing a sale of the business and assets of the UK Parent.

5.6 It is not clear at this time how any sale of the UK Parent may ultimately be structured and the related impact it may have on the Company. However, given TBS Canada's position as a subsidiary of the UK Parent and its reliance on the UK Parent for the supply of its inventory and use of the "The Body Shop" trademark to operate, any restructuring transaction for the Company is contingent upon the outcome of the UK Administration Proceeding.

5.7 In light of the above, the proposed Monitor supports the Company's application to continue the NOI Proceeding under the CCAA since, among other reasons:

- (i) pursuant to the BIA, a debtor must make a proposal to its creditors no later than six months after filing an NOI, being September 1, 2024 in the NOI Proceeding. TBS Canada's restructuring remains contingent on the outcome of the UK Administration Proceeding and, given the recent developments in the UK Administration Proceeding, TBS Canada is no longer confident it will identify a going concern solution for the Company by September 1, 2024. Accordingly, the CCAA Proceeding will provide the Company with the appropriate flexibility to continue to operate as a going concern and protect the value of TBS Canada while it awaits the outcome of the UK Sale Process and continues to explore options for a going concern transaction through the Sale Process;
- (ii) a debtor in a CCAA Proceeding is only required to return to Court when necessary, thus providing additional flexibility and efficiency as compared to a proposal proceeding under the BIA which obligates the debtor to return at statutory intervals for extensions of time to file a proposal. By continuing this matter as a CCAA

Proceeding, the Company will save on professional costs associated with otherwise unnecessary court appearances that are required in the NOI Proceeding; and

- (iii) the proposed CCAA Proceeding will provide additional flexibility and time to TBS Canada to fully canvass the market for potential purchasers of the business as a going concern through the court-supervised Sale Process and to return to the Court to seek approval of a transaction identified therein.

5.8 In the proposed Monitor's view, the Company's proposed continuation of the NOI Proceeding under the CCAA is consistent with the purpose of CCAA, including because:

- (i) the continuation as a CCAA Proceeding will permit the Company to carry on business and help to avoid the economic costs associated with a potential liquidation in the event that no proposal can be filed under the BIA within the prescribed timeframes;
- (ii) there remains a realistic prospect that a court-supervised attempt to reorganize the financial affairs of the Company can succeed under the CCAA, provided that the Company is given enough breathing room to await the results of the UK Sale Process; and
- (iii) the continuation as a CCAA Proceeding will preserve the going concern value of the business while attempts are made to reorganize in a manner that is fair to all stakeholders.

- 5.9 Finally, based on the assessment of the proposed Monitor of the Company's financial information, the Company has liabilities in excess of \$5 million and if the relief requested is not granted, is generally unable to meet its obligations as they become due.

6.0 QUALIFICATIONS TO ACT AS MONITOR

- 6.1 A&M is a licensed trustee within the meaning of section 2 of the BIA. In addition, A&M is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA.
- 6.2 A&M has consented to act as Monitor in the proposed CCAA Proceeding should the Court grant the Initial Order. A copy of A&M's consent to act as Monitor is attached hereto as **Appendix "C"**.
- 6.3 As A&M is presently the Proposal Trustee, it is familiar with the Company's business and operations and accordingly, it is logical and efficient for A&M to be appointed as Monitor.

7.0 PROPOSED CONTINUATION OF COURT-ORDERED CHARGES

Administration Charge & D&O Charge

- 7.1 On March 4, 2024, the Court granted the March 4 Order, among other things, approving:
- (i) a charge in the amount of \$700,000 over the property and assets of the Company (collectively, the "**Property**") to secure the fees and disbursements of the Company's legal counsel, and the Proposal Trustee and its counsel (the "**Administration Charge**"); and

- (ii) a charge in the amount of \$2,100,000 over the Property in favour of the director and officers of the Company (the “**D&O Charge**”).

7.2 The Initial Order contemplates an order:

- (i) continuing the Administration Charge to secure the fees and disbursements of the Company’s legal counsel; and
- (ii) continuing the D&O Charge to indemnify the director and officers of the Company in respect of liabilities they may incur during the CCAA Proceeding, save for any liabilities they may incur as a result of their gross negligence or wilful misconduct.

7.3 As set out in the First Report of the Proposal Trustee dated March 2, 2024 (the “**First Report**”), the Proposal Trustee assisted the Company in the calculation of the quantum of the Administration Charge and the D&O Charge, taking into account a series of factors. The proposed Monitor remains of the view that the amounts of the Administration Charge and the D&O Charge are reasonable and appropriate in the circumstances, having regard to the nature of the proposed CCAA Proceeding. A copy of the First Report (without appendices) is attached hereto as **Appendix “D”**.

7.4 Each of the Administration Charge and the D&O Charge, if continued, would have the same priority as initially granted in the NOI Proceeding, being the Administration Charge as a first-ranking charge and the D&O Charge as a second-ranking charge on the Property, in each case ranking behind the Enterprise Security (as defined in the Fifth Searle Affidavit).

- 7.5 The proposed Monitor believes that the Administration Charge and the D&O Charge continue to be appropriate and continuation thereof in the CCAA Proceeding ought to be approved.

KERP Amendment & KERP Charge

- 7.6 On April 15, 2024, the Court granted an Order, among other things: (i) approving a key employee retention plan (“**KERP**”) for five key individuals related to the Company’s continuing operation during the NOI Proceeding (the “**KERP Participants**”); and (ii) approving a related charge in the amount of \$470,000 over the Property to secure the amounts under the KERP (the “**KERP Charge**”).
- 7.7 The KERP contemplated payment thereof being made in three equal installments of approximately \$156,000, payable: (i) upon Court approval of the KERP; (ii) on or about June 7, 2024; and (iii) upon closing of a going-concern transaction in respect of the Company.
- 7.8 The Company is seeking an amendment to the KERP to add an interim installment to the KERP in the amount of approximately \$156,000, payable to the KERP Participants on July 19, 2024 (the “**KERP Amendment**”). The KERP Amendment is designed to continue to incentivize the KERP Participants to remain at the Company in light of the extension of the proceedings and the recent developments in the UK Administration Proceeding.
- 7.9 The Initial Order contemplates an order:
- (i) continuing the KERP Charge to secure the amounts payable under the KERP and the KERP Amendment, if approved; and

(ii) approving the KERP Amendment.

- 7.10 As the first two installment amounts have already been paid under the KERP, the KERP Charge, if approved, will be reduced from \$470,000 to \$315,000 to secure the remaining amounts that may become payable under the KERP, inclusive of the KERP Amendment, if approved.
- 7.11 The KERP Charge, if continued in the CCAA Proceeding, would have the same priority as initially granted in the NOI Proceeding, being a third-ranking charge on the Property, behind only the Enterprise Security, Administration Charge and the D&O Charge, respectively.
- 7.12 As set out in the Second Report of the Proposal Trustee dated April 9, 2024 (the “**Second Report**”), the Proposal Trustee supported the granting of the KERP and the related KERP Charge as, among other things, the quantum of the amounts secured by the KERP Charge were reasonable in the circumstances and when compared to other key employee retention and incentive plans previously approved by the Court. The proposed Monitor is supportive of the continuation of the KERP Charge, with the proposed KERP Charge reduction set out above, in the CCAA Proceeding for the same reasons. A copy of the Second Report (without appendices) is attached hereto as **Appendix “E”**.
- 7.13 The proposed Monitor is also supportive of the KERP Amendment and is of the belief that the KERP Amendment is necessary and appropriate to ensure the continued engagement of the KERP Participants, which participation remains vital to the Company’s operations.

8.0 EXTENSION OF THE STAY PERIOD

8.1 Pursuant to the May 30 Order, the stay of proceedings is set to expire on July 12, 2024.

8.2 As part of the relief sought in the Initial Order, the Company is seeking an order granting a stay of proceedings in the CCAA Proceeding to October 8, 2024 (the “**Stay Period**”).

8.3 In the circumstances, the proposed Monitor supports the granting of the relief requested and is of the view that it is reasonable and consistent with other cases where an NOI proceeding has been converted to a CCAA proceeding, as:

- (i) (a) the breadth of the proposed stay of proceedings is consistent with the scope of the stay of proceedings granted in the March 4 Order made in the NOI Proceeding;
(b) the service list received 10-days notice of the relief sought in the Company’s application; (c) the requested extension would obviate the need for the Company to return to the Court for the 10-day comeback hearing; and (d) the proposed relief removing the need to return for a 10-day comeback has been granted by this Court in similar instances;
- (ii) the proposed stay of proceedings will provide the stability and certainty required to enable TBS Canada to advance its ongoing review of strategic alternatives to implement a going-concern outcome;
- (iii) the Company is projected to have sufficient liquidity to fund its operations, as reflected in the Updated Cash Flow Forecast, through the end of the proposed Stay Period;

- (iv) the Company has acted, and continues to act, in good faith and with due diligence since commencing the NOI Proceeding, and is expected to continue to do so during the CCAA Proceeding;
- (v) as set out above, given the recent developments in the UK Administration Proceeding, TBS Canada requires additional time to identify a going concern transaction in order to maximize value for its stakeholders;
- (vi) the requested stay will allow TBS Canada to continue the proposed Sale Process without the expense of frequently returning to Court for further stay extension motions; and
- (vii) the proposed Monitor does not believe any creditor will be prejudiced if the extension is granted.

8.4 As an alternative, if the relief sought by the Company in the Initial Order to continue the NOI Proceeding under the CCAA pursuant to section 11.6 thereof is not granted, the Company seeks relief in the Discharge Order extending the Stay Period and the time to file a proposal under the BIA to August 26, 2024.

8.5 For the reasons set out immediately above, and in light of the underlying factors that support the Proposal Trustee's recommendation to permit the NOI Proceeding to be continued under the CCAA, the Proposal Trustee is supportive of this alternative relief. The Proposal Trustee further notes that this proposed extension of the time to file a proposal under the BIA, if applicable, is within the maximum permitted 45-day period stay extension pursuant to the BIA.

9.0 PROPOSED SALE PROCESS¹

Marketing Efforts

- 9.1 Commencing in early June 2024, the Proposal Trustee began exploring options for a going concern transaction and engaging with a select group of potentially interested parties.
- 9.2 To date, the Proposal Trustee had engaged with approximately 20 domestic and international private equity and retail focused investors, 10 of which executed a confidentiality agreement and were provided access to a data room containing information pertaining to the opportunity to acquire the Company, its business or its assets (the “**Data Room**”).

The Proposed Sale Process

- 9.3 Consistent with the marketing efforts of the Proposal Trustee during the NOI Proceeding, TBS Canada now seeks the Sale Process Order, among other things, approving the continuation of the Proposal Trustee’s efforts in the CCAA Proceeding, establishing formal procedures for the Sale Process (the “**Procedures**”) and authorizing TBS Canada, with the assistance of the proposed Monitor, to implement the Sale Process.
- 9.4 The Sale Process was designed having regard to the interrelated nature of TBS Canada and the UK Parent. As noted above, TBS Canada markets and sells its products under the “The Body Shop” brand in Canada pursuant to a license arrangement with the UK Parent and does not own the intellectual property. As a result, the bid deadline for the Sale Process

¹ Capitalized terms used in this section and not otherwise defined herein have the meaning given to them in the Sale Process Order.

(the “**Bid Deadline**”) is contingent on the outcome of the sale process in the UK Administration Proceeding (the “**UK Sale Process**”) and will not be established until: (i) a purchaser is identified in the UK Sale Process; and (ii) it is clear whether the Company will remain a subsidiary of the UK Parent or the purchaser of the UK Parent will provide a license for the continued use of the “The Body Shop” intellectual property in Canada.

9.5 The proposed Sale Process has been designed by TBS Canada, in consultation with the Proposal Trustee, to ensure that the marketing process is fair and reasonable, and that each Interested Party has the ability to submit a Bid in the Sale Process for the Company or its business or assets.

9.6 An overview of the proposed Sale Process, set out in further detail in the Fifth Searle Affidavit, is as follows:

- (i) following issuance of the Sale Process Order, the proposed Monitor will continue its efforts to solicit interest in the Company by engaging with the parties that it had previously engaged with, along with any other party that expresses interest in a transaction for the Company, its business or its assets (each, an “**Interested Party**”). Each Interested Party shall be provided a copy of a confidentiality agreement, upon execution of which they will be granted access to the Data Room;
- (ii) within five business days of the UK Parent’s selection of a purchaser in the UK Sale Process, the proposed Monitor shall send a process letter (the “**Process Letter**”) to the service list for the CCAA Proceeding and each Interested Party, and post a copy of the Process Letter to the Case Website. The Process Letter shall

establish the key dates in the Sale Process, including the Bid Deadline, each of which are contingent on the UK Sale Process;

- (iii) Interested Parties that wish to submit an offer in the Sale Process (each, a “**Bid**”) will be required to submit a binding offer meeting the requirements for a “Qualified Bid”, as set out in further detail in the Sale Process, by the Bid Deadline, as set out in the Process Letter;
- (iv) any Bid must satisfy the criteria for a Qualified Bid, including, but not limited to:
 - (a) it must be accompanied by a cash deposit equal to 10% of the consideration or imputed value of the proposed transaction;
 - (b) it must include a copy of an executed purchase agreement;
 - (c) it must include a description of any arrangements in place with the party that acquired the intellectual property rights for the “The Body Shop” branding in the UK Sale Process;
 - (d) written evidence that the Interested Party has the ability to close the transaction contemplated in the Bid, on or before the Outside Date;
 - (e) the Bid is an “as is, where is” offer and is not conditional on additional due diligence and/or financing; and
 - (f) it identifies the liabilities to be assumed and employees to be retained;
- (v) following the Bid Deadline, TBS Canada, in consultation with the Monitor, will review and evaluate each Qualified Bid and, by no later than five business days

following the Bid Deadline, subject to extension by the Company and the proposed Monitor, identify the highest or otherwise best Qualified Bid (the “**Successful Bid**”); and

- (vi) after selection of the Successful Bid, TBS Canada will, as soon as practicably possible, make a motion to the Court for an order approving the transaction contemplated in the Successful Bid.

9.7 The proposed Sale Process provides the proposed Monitor and the Company with the ability to waive compliance with any of the requirements in the proposed Sale Process and engage with the purchaser(s) of the “The Body Shop” brand in the UK Sale Process, including by sharing terms of Bids submitted in the Sale Process, for the purpose of facilitating a licence or other arrangement for the use of the “The Body Shop” brand.

9.8 The proposed Monitor is of the view that the proposed Sale Process is a continuation of the efforts of TBS Canada and the Proposal Trustee during the NOI Proceeding and, in the circumstances, ought to be approved. The proposed Monitor is further of the view that the proposed Sale Process is typical in terms of duration and process of sales process typically granted in an NOI or CCAA proceeding and represents the best opportunity to identify a potential going concern transaction for TBS Canada and maximize value for the benefit of its stakeholders.

10.0 CASH FLOW RESULTS RELATIVE TO FORECAST

10.1 Actual receipts and disbursements for the period from May 18, 2024 to June 21, 2024 (the “**Reporting Period**”), as compared to the cash flow forecast attached as Appendix “B” to the Fourth Report, are summarized in the following table:

Cash Flow Variance Report			\$000's
	Actual	Budget	Variance
Total Receipts	4,576	4,255	321
Disbursements			
Inventory Purchases	(420)	(988)	568
Vendor Payments	(493)	(831)	338
Rent	(1,367)	(1,342)	(25)
License Fee	(83)	(135)	52
Payroll & Benefits	(2,036)	(2,285)	249
KERP	(157)	(157)	--
Restructuring Professional Fees	(271)	(836)	565
Sales Tax Remittances	(332)	(175)	(157)
Other Expenditures	(58)	(64)	6
Total Disbursements	(5,217)	(6,813)	1,596
Net Cash Flow	(641)	(2,558)	1,917
Opening Cash Balance	6,910	6,910	--
Net Cash Flow	(641)	(2,558)	1,917
Ending Cash Balance	6,269	4,352	1,917

10.2 During the Reporting Period:

- (i) the positive variance in total receipts of approximately \$321,000 is due to greater than forecast sales;
- (ii) the positive variance in inventory purchases of approximately \$568,000 is primarily due to timing associated with the inventory replenishment transactions and payment of same, and is expected to reverse in future weeks;

- (iii) as described above, TBS Canada entered into the License Arrangement such that it could “pick and pack” and facilitate the pick-up of the Inventory Replenishment orders. The above positive variance reflects a credit of US\$40,000 received by the Company in connection with various services performed by TBS Canada’s employees and contractors on behalf of and for the benefit of TBS US since the commencement of the NOI Proceeding;
- (iv) the positive variance in vendor payments of approximately \$338,000 is primarily due to timing and is expected to reverse in future weeks; and
- (v) the remaining positive variance in total disbursements of approximately \$638,000 is expected to reverse and is due primarily to timing in the remittance of restructuring professional fees.

10.3 Overall, during the Reporting Period, the Company experienced a positive net cash flow variance of approximately \$1.9 million, primarily attributable to the higher than forecast sales and timing variances in operating disbursements.

10.4 The closing cash balance as at June 21, 2024 was approximately \$6.3 million, as compared to the projected cash balance of \$4.4 million.

11.0 UPDATED CASH FLOW FORECAST

11.1 TBS Canada, with the assistance of the proposed Monitor, prepared an updated cash flow forecast (the “**Updated Cash Flow Forecast**”) for the period from June 22, 2024 to October 11, 2024 (the “**Cash Flow Period**”). A copy of the Updated Cash Flow Forecast,

together with Notes and Summary of Assumptions, is attached to this Report as **Appendix “F”**.

11.2 A summary of the Updated Cash Flow Forecast is set out in the following table:

Cash Flow Forecast	\$000's
Total Receipts	14,244
Disbursements	
Inventory Purchases	(2,280)
Vendor Payments	(1,867)
License Fee	(135)
Rent	(4,630)
Payroll & Benefits	(5,060)
KERP and Store Bonus	(437)
Restructuring Professional Fees	(3,236)
Sales Tax Remittances	(1,127)
Other Expenditures	(205)
Total Disbursements	(18,977)
Net Cash Flow	(4,733)
Opening Cash Balance	6,269
Net Cash Flow	(4,733)
Closing Cash Balance	1,536

11.3 The proposed Monitor notes the following with respect to the Updated Cash Flow Forecast:

- (i) sales are forecast based on projected sales at the Company's remaining 71 retail store locations (one of the Company's stores will be closing on June 30, 2024 due to a scheduled lease expiry);
- (ii) inventory purchases include the Second Replenishment Order and the US Stores Merchandise Order;

- (iii) vendor payments consist of shipping and 3PL costs, credit and debit card processing fees, information technology services, and other store-level and general operating costs;
- (iv) as described above, the license fee is based on the License Arrangement and represents the License Fee for July;
- (v) payroll & benefits and rent consist of payments for the retail stores and the Company's head-office, including the costs associated with the US Contractors and DC Contractors; and
- (vi) restructuring professional fees include costs for the Company's legal counsel, and the Proposal Trustee and its legal counsel.

11.4 The Updated Cash Flow Forecast has been prepared solely for the purpose and subject to the Cash Flow Assumptions, and readers are cautioned that it may not be appropriate for other purposes.

12.0 APPROVAL OF THE FEES AND ACTIVITIES OF THE PROPOSAL TRUSTEE AND COUNSEL

12.1 The proposed Discharge Order seeks approval of the actions, conduct and activities of the Proposal Trustee as set out in this Report and the Prior Reports (together, the "**NOI Reports**"). The proposed Discharge Order also seeks approval of the fees and disbursements of the Proposal Trustee and its counsel, Cassels that have been incurred to date, as well as the Estimated Costs to Complete in connection with additional fees and disbursements anticipated to be incurred by the Proposal Trustee and its counsel.

- 12.2 As outlined in the NOI Reports, the Proposal Trustee and its counsel have played, and continue to play, a significant role in the NOI Proceeding. The Proposal Trustee respectfully submits that its actions, conduct, and activities in the NOI Proceeding have been carried out in good faith and in accordance with the provisions of the Orders issued therein and should therefore be approved.
- 12.3 Pursuant to paragraph 11 of the March 4 Order, the Proposal Trustee and its counsel shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, whether incurred prior to, on, or subsequent to the Filing Date, by the Company as part of the costs of the NOI Proceeding.
- 12.4 The total fees and disbursements of the Proposal Trustee since the commencement of the NOI Proceeding to June 22, 2024, total \$606,017.40, including fees in the amount of \$534,934.00, disbursements in the amount of \$1,364.58, and Harmonized Sales Tax (“**HST**”) in the amount of \$69,718.82, as more particularly described in the Affidavit of Josh Nevsky sworn June 28, 2024 (the “**A&M Affidavit**”), a copy of which is attached hereto as **Appendix “G”**.
- 12.5 The total fees and disbursements of Cassels, including HST, since the commencement of the NOI Proceeding to June 23, 2024 total \$148,873.62, including fees in the amount of \$131,667.00, disbursements in the amount of \$79.56, and HST in the amount of \$17,127.06, as more particularly described in the Affidavit of Alec Hoy sworn June 26, 2024 (the “**Cassels Affidavit**” and together with the A&M Affidavit, the “**Fee Affidavits**”), a copy of which is attached hereto as **Appendix “H”**.

12.6 It is anticipated that the Proposal Trustee and its counsel will incur additional costs in connection with additional steps required in the NOI Proceeding, including, among other things, taking the necessary steps required to terminate the NOI Proceeding, addressing the issues raised in the Representation Motion and attending at the hearing currently scheduled in connection therewith for July 4, 2024. Accordingly, the Discharge Order seeks approval of the future fees and disbursements of each of the Proposal Trustee and its counsel in the aggregate amount of \$75,000 plus HST (the “**Estimated Costs to Complete**”).

12.7 The Proposal Trustee respectfully submits that the fees and disbursements incurred by the Proposal Trustee and its counsel, as described in the Fee Affidavits, are reasonable in the circumstances and have been validly incurred in accordance with the provisions of the March 4 Order. The Proposal Trustee further submits that the Estimated Costs to Complete are reasonable in light of the NOI Proceeding and the costs expected to be incurred by the Proposal Trustee and its counsel. Accordingly, the Proposal Trustee respectfully requests the approval of the fees and disbursements of the Proposal Trustee and its counsel as set out in the Fee Affidavits and the Estimated Costs to Complete.

13.0 ACTIVITIES OF THE PROPOSAL TRUSTEE

13.1 Since the date of the Fourth Report, the Proposal Trustee has engaged in the following activities:

- (i) assisting the Company in its communications to employees, suppliers, landlords and other stakeholders;

- (ii) engaging with interested parties and soliciting interest for a potential going concern transaction for TBS Canada;
- (iii) assisting the Company in the preparation and design of the Procedures and the Sale Process;
- (iv) attending calls and engaging in various correspondence with HSBC UK with respect to the release the funds held in the HSBC UK bank accounts;
- (v) attending meetings and engaging in various correspondence with the UK Administrator, the UK Parent and the Chapter 7 Trustee regarding their respective restructuring proceedings and matters in connection with the NOI Proceeding, including discussions to advance TBS Canada's efforts to emerge as a going concern business;
- (vi) assisting the Company with discussions regarding its inventory replenishment efforts;
- (vii) monitoring the Company's cash receipts and disbursements, and assisting in preparing weekly cash flow variance reporting;
- (viii) assisting the Company in the preparation of the Updated Cash Flow Forecast;
- (ix) posting non-confidential materials filed with the Court to the Case Website;
- (x) attending calls and email correspondence with the Company, the Company's legal counsel and the Proposal Trustee's counsel, Cassels, regarding all matters in connection with the NOI Proceeding; and


(xi) with the assistance of Cassels, preparing this Report.

14.0 CONCLUSIONS AND RECOMMENDATIONS

14.1 For the reasons set out in this Report, the Proposal Trustee is of the view that the relief sought in the Initial Order, the Sale Process Order and the Discharge Order, in each case, is reasonable, appropriate and necessary having regard to the Company's current circumstances and respectfully recommends that the Court grant the relief requested.

All of which is respectfully submitted to the Court this 28th day of June, 2024.

**Alvarez & Marsal Canada Inc.,
solely in its capacity as Proposal Trustee of The Body Shop Canada Limited,
and not in its personal or corporate capacity**

Per: 
Josh Nevsky
Senior Vice-President

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF THE
BODY SHOP CANADA LIMITED**

Court No.: BK-31-3050418

Estate No.: BK-24-03050418-0031

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

Proceeding commenced at Toronto

**FIFTH REPORT OF THE
PROPOSAL TRUSTEE**

-AND-

**PRE-FILING REPORT OF
THE PROPOSED MONITOR**

Cassels Brock & Blackwell LLP

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Counsel for Alvarez & Marsal Canada Inc., solely
in its capacity as Proposal Trustee and the proposed
Monitor and not in its personal or corporate
capacity.

APPENDIX B

PROCESS LETTER DATED SEPTEMBER 6, 2024



September 6, 2024

Re: The Body Shop Canada Limited – Process Letter

On March 1, 2024, The Body Shop Canada Limited (“**TBS Canada**”) filed a notice of intention to make a proposal under the *Bankruptcy and Insolvency Act* (the “**NOI**”). On July 5, 2024, TBS Canada continued the NOI proceeding under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) and Alvarez & Marsal Canada Inc. was appointed as the monitor (the “**Monitor**”).

Also on July 5, 2024, TBS Canada obtained an Order (the “**Sale Process Order**”) from the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) approving a sale process (the “**Sale Process**”). Further information regarding the Sale Process, including the sale process procedures (the “**Procedures**”), can be found in the Sale Process Order accessible [here](#). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Procedures.

TBS Canada is a subsidiary of The Body Shop International (the “**UK Parent**”). The UK Parent is currently in an administration proceeding in the United Kingdom (the “**UK Administration Proceeding**”). TBS Canada was recently advised that a purchaser has been identified for the business and assets of the UK Parent (the “**UK Purchaser**”) and the UK Purchaser intends to continue to operate the business of the UK Parent on a going-concern basis.

TBS Canada and the Monitor have also been advised that as part of the UK Purchaser’s strategy it intends that the Canadian region be converted into a “franchise territory” and that TBS Canada’s business continue under new ownership pursuant to a franchise agreement to be established with the UK Purchaser.

This Process Letter is being provided pursuant to section 2 of the Procedures. It is intended to provide Interested Parties with information with respect to the submission of a Bid for the business and/or assets of TBS Canada, including: (i) certain key milestones under the Procedures, (ii) the process for submitting a Bid, including Bid requirements, and (iii) advancing a potential franchise arrangement with the UK Purchaser.

Key Milestones

The following table sets out the key milestones for the Sale Process:

Milestone	Deadline
Bid Deadline	5:00 pm EST on Tuesday, October 8, 2024 (“ Bid Deadline ”)
Selection of Successful Bid	Friday, October 11, 2024, or such later date as may be determined by the Company, in consultation with the Monitor.
Outside Date	Friday, November 15, 2024

Bid Requirements

As set out in the Sale Process Order, your Bid must comply with the Bid Requirements set out in the Procedures and listed below:

- A. *Irrevocable Bid*: It includes a letter stating that the Bid is irrevocable until Court approval of the Successful Bid;

- B. Purchase Agreement: It includes a sealed, duly authorized and executed definitive purchase agreement together with all completed schedules thereto containing the detailed terms and conditions of the proposed transaction, including identification of the assets proposed to be acquired, the obligations to be assumed, the purchase price (the “**Purchase Price**”) and the detailed structure and financing of the proposed transaction;
- C. Franchise Arrangement: It describes any franchise arrangement, or similar arrangement, with the UK Purchaser in respect of the right of such Qualified Bidder to use “The Body Shop” brand;
- D. Proof of Financial Ability to Perform: It includes written evidence upon which the Company, in consultation with the Monitor, may reasonably conclude that the Interested Party has the necessary financial ability to close the contemplated transaction on or before the Outside Date and provide adequate assurance of future performance of all obligations to be assumed in such contemplated transaction. Such information should include, among other things, the following: (i) evidence of the Interested Party’s internal resources and proof of any debt or equity funding commitments that are needed to close the contemplated transaction; (ii) contact names and phone numbers for verification of financing sources; and (iii) any such other form of financial disclosure or credit-quality support information or enhancement requested by and reasonably acceptable to the Company demonstrating that such Interested Party has the ability to close the contemplated transaction;
- E. Unconditional Bid: It is not conditioned on: (i) the outcome of unperformed due diligence; and/or (ii) obtaining financing;
- F. Parties: It fully discloses the identity of each person (including any person that controls such person) that will be directly or indirectly sponsoring or participating in the Bid, including whether any prior or current member of the Company’s board, management, any employee or consultant to the Company or any creditor or shareholder of the Company is involved in any way with the Bid or assisted with the Bid, and the complete terms of any such participation as well as evidence of corporate authority to sponsor or participate in the Bid;
- G. Acknowledgement: It includes an acknowledgement and representation that the Interested Party: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents regarding the Business and/or the Assets to be acquired, liabilities to be assumed or the Company in making its Bid; and (ii) did not rely upon any written or oral statements, representations, promises, warranties, conditions or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the Business, Assets to be acquired, liabilities to be assumed, the Company or the completeness of any information provided in connection therewith, except as expressly provided in any definitive transaction documents;
- H. Authorization: It includes evidence, in form and substance reasonably satisfactory to the Monitor, of authorization and approval from the Interested Party’s board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the Bid, and identifies any anticipated shareholder, regulatory or other approvals outstanding, and the anticipated time frame and any anticipated impediments for obtaining such approvals;
- I. Deposit: It is accompanied by a cash deposit (the “**Deposit**”) in an amount equal to 10% of the Purchase Price that shall be paid to the Monitor in trust, which Deposit shall be held and dealt with in accordance with these Procedures;
- J. Employees: If applicable, it contains full details of the proposed number of employees of the Company who will become employees of the Qualified Bidder and the proposed terms and conditions of employment to be offered to those employees; and

K. Other: It contains such other information as may reasonably be requested by the Company or the Monitor.

Franchise Arrangement

In advance of the Bid Deadline, the Monitor will be arranging for Interested Parties to meet with the UK Purchaser and with certain of the UK Parent's employees who will be responsible for the UK Purchaser's go-forward franchise arrangements. The purpose of these meetings will be to allow Interested Parties to explore the terms of a potential franchise arrangement with the UK Purchaser, including but not limited to: (i) the form of agreement; (ii) operating, strategy, growth and marketing considerations; (iii) establishing a price for future inventory purchases; and (iv) other relevant matters.

Bid Submission

Interested Parties wishing to pursue a transaction are being asked to submit a Bid by email on or before the Bid Deadline to the attention of:

Josh Nevsky
Managing Director
jnevsky@alvarezandmarsal.com

Mitch Binder
Associate
mbinder@alvarezandmarsal.com

Bids that, among other factors, maximize value for TBS Canada's stakeholders, provide for execution certainty and speed, have no or minimal conditionality, and demonstrate an ability and willingness to complete the transaction in an expeditious manner will be favored. We also remind you of the importance of the mission and values of "The Body Shop" and suggest that you describe in your Bid how that will be taken into consideration in the future operation of the business.

Neither the Monitor, nor TBS Canada, its affiliates and its advisors assume any liability or obligation whatsoever to any Interested Party in connection with the Sale Process, including, but not limited to, as a result of the rejection of any or all of the Bids, the acceptance of another Interested Party's Bid or the amendment or termination of the Sale Process and, for further clarity, the Monitor and TBS Canada expressly reserve the right at any time, with or without providing notice or reasons, to do any of the foregoing. No party will be entitled for any reason (including, without limitation, any modification of the Procedures contemplated herein) to reimbursement for any costs or expenses incurred in reliance upon the Procedures described in this letter, as such Procedures may be modified from time to time. No finder's fees, commissions, expenses or other compensation will be paid by TBS Canada, its affiliates or its advisors to agents, consultants, advisors or other intermediaries of any party. TBS Canada, its affiliates and its advisors reserve the right to amend any information which has been made available to Interested Parties whether by way of addition, deletion, amendment or otherwise.

Pursuant to the Confidentiality Agreement, under no circumstances are you permitted to contact any of the UK Parent, the UK Purchaser or TBS Canada's executives, employees, directors, shareholders, affiliates, lenders, customers, suppliers, vendors or service providers with respect to any transaction unless consented to by TBS Canada or the Monitor. All communications or inquiries regarding the Sale Process or any other matters, relating to this letter should be directed to the Monitor.

We appreciate your interest and look forward to receiving your Bid.



APPENDIX C
UPDATED CASH FLOW FORECAST

Appendix B – Updated Cash Flow Forecast

The Body Shop Canada Limited
13-Week Cash Flow Forecast ending December 20, 2024
Unaudited \$CAD 000's

Cash Flow Week: Week Ending:	Note	Week 1 27-Sep-24	Week 2 04-Oct-24	Week 3 11-Oct-24	Week 4 18-Oct-24	Week 5 25-Oct-24	Week 6 01-Nov-24	Week 7 08-Nov-24	Week 8 15-Nov-24	Week 9 22-Nov-24	Week 10 29-Nov-24	Week 11 06-Dec-24	Week 12 13-Dec-24	Week 13 20-Dec-24	13-Week Total
Receipts															
Sales	1	823	818	845	901	889	946	982	1,116	1,128	2,217	1,683	2,420	3,887	18,655
Sales Tax Collections		66	65	68	72	71	76	79	89	90	177	135	194	311	1,492
Total Receipts		889	883	912	973	961	1,022	1,060	1,205	1,218	2,394	1,818	2,614	4,198	20,148
Disbursements															
Inventory Purchases	2	-	(1,334)	-	(267)	-	-	-	-	-	(1,067)	-	-	-	(2,669)
Vendor Payments	3	(100)	(250)	(100)	(350)	(50)	(150)	(50)	(300)	(50)	(50)	(50)	(50)	(200)	(1,750)
Payroll & Benefits	4	(705)	(40)	(640)	(40)	(620)	(20)	(705)	(20)	(620)	(20)	(705)	(20)	(620)	(4,775)
KERP and Store Bonus	5	-	-	-	-	-	-	-	-	-	-	(657)	-	-	(657)
Rent	6	(650)	-	(20)	(650)	-	(650)	(50)	(650)	-	(650)	-	(650)	(50)	(4,020)
Sales Tax Remittances		-	-	-	-	-	(199)	-	-	-	(287)	-	-	(707)	(1,192)
Restructuring Professional Fees	7	(128)	-	(260)	-	(260)	-	(260)	-	(237)	-	(203)	-	(596)	(1,944)
Other Expenditures		(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(166)
Total Disbursements		(1,595)	(1,637)	(1,033)	(1,320)	(943)	(1,032)	(1,078)	(983)	(920)	(2,087)	(1,628)	(733)	(2,185)	(17,173)
Net Cash Flow		(706)	(754)	(120)	(346)	18	(10)	(17)	222	298	307	190	1,881	2,013	2,975
Opening Cash Balance		3,143	2,436	1,683	1,562	1,216	1,234	1,224	1,206	1,429	1,727	2,034	2,224	4,105	3,143
Net Cash Flow		(706)	(754)	(120)	(346)	18	(10)	(17)	222	298	307	190	1,881	2,013	2,975
Ending Cash Balance		2,436	1,683	1,562	1,216	1,234	1,224	1,206	1,429	1,727	2,034	2,224	4,105	6,118	6,118



THE BODY SHOP

THE BODY SHOP
510-1 Yorkdale Road
Toronto, Ontario M6A 3A1 Canada
www.thebodyshop.com

Disclaimer

In preparing this illustrative cash flow forecast (the “**Forecast**”), the Applicants have relied upon unaudited financial information and have not attempted to further verify the accuracy or completeness of such information. Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

The Forecast is presented in thousands of Canadian dollars.

Assumptions of the Updated Cash Flow Statement

1. **Sales:** Includes receipts from the sale of goods through the Company’s Going Concern Locations, net of a provision for inventory shrinkage.
2. **Inventory Purchases:** Includes payments to the UK Purchaser in connection with the Remaining DC Inventory transaction, as discussed in the First Report.
3. **Vendor Payments:** Includes estimated shipping and 3PL costs related to inventory purchases, IT and software costs, store level expenses, overhead costs and other general expenses.
4. **Payroll & Benefits:** Includes salaries, wages, remittances and employee benefits for salaries and part-time employees across the Company’s Going Concern Locations, the Canadian head office and the US-based contractors.
5. **KERP and Store Bonus:** Includes payments to key personnel retained by the Company, in accordance with the Key Employee Retention Plan and a one-time bonus payment to store-level employees and district managers.
6. **Rent:** Includes disbursements for the Going Concern Stores and the Canadian head office.
7. **Restructuring Professional Fees:** Disbursements include fees paid to the Company’s legal counsel in Canada and the UK, and the Monitor and its legal counsel.



THE BODY SHOP

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Alvarez & Marsal Canada Inc.
Royal Bank Plaza South Tower
200 Bay Street, Suite 3501
Toronto ON M5J 2J1

Attention: Mr. Josh Nevsky

September 30, 2024

Dear Sirs:

Re: The Body Shop Canada Limited (“TBS Canada”) - CCAA section 10(2) Prescribed Representations with Respect to Cash Flow Forecast


In connection with the application by the Applicants for the commencement of proceedings under the *Companies’ Creditors Arrangement Act*, management of TBS Canada has, with the assistance of Alvarez & Marsal Canada Inc., prepared the attached 13-week projected cash flow statement for the period September 21, 2024 to December 20, 2024 (the “**Updated Cash Flow Forecast**”) and the list of assumptions on which the Updated Cash Flow Forecast is based. The purpose of the Updated Cash Flow Forecast is to determine the liquidity requirements of TBS Canada during the CCAA proceedings.

TBS Canada confirms that the hypothetical assumptions on which the Updated Cash Flow Forecast is based are reasonable and consistent with the purpose described herein, and the probable assumptions are suitably supported and consistent with the plans of TBS Canada and provide a reasonable basis for the projections. All such assumptions are disclosed in notes to the Updated Cash Flow Forecast (the “**Notes**”).

Since the projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projections have been prepared solely for the purpose described herein, using the probable and hypothetical assumptions set out in the Notes. Consequently, readers are cautioned that the Updated Cash Flow Forecast may not be appropriate for other purposes.

Yours truly,


Per: Jordan Searle
President
The Body Shop Canada Limited

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

**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF THE BODY SHOP CANADA LIMITED, IN
THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**
Proceeding commenced at Toronto

**FIRST REPORT OF
THE MONITOR**

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Counsel for Alvarez & Marsal Canada Inc., solely
in its capacity as Monitor and not in its personal or
corporate capacity.