

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**

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

MAY 15, 2024

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Appendix A – Endorsement of Justice Osborne dated April 24, 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 the joint administrators (the “**Joint Administrators**”).
- 1.3 Facing a liquidity crisis and other challenges caused by 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 underperforming 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 (the “**Stay Period**”); and

- (ii) approved an Administration Charge, D&O Charge and Landlord Charge over the Property (each as defined in the March 4 Order).
- 1.5 As set out in further detail in the Second Report of the Proposal Trustee dated April 9, 2024 (the “**Second Report**”), upon commencement of the NOI Proceeding, the Company delivered disclaimer notices for lease agreements relating to 33 of its store locations and commenced inventory sales to exit those stores within 30 days. In connection with the closure of those locations and the Company’s general cost reduction efforts, the Company has terminated approximately 220 employees (the “**Former Employees**”).
- 1.6 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**”).
- 1.7 As discussed in greater detail below, 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**”).
- 1.8 On April 15, 2024, Justice Osborne: (i) granted an Order which, among other things, further extended the time for TBS Canada to file a proposal under the BIA to May 31, 2024 (the “**April 15 Order**”); and (ii) issued an endorsement (the “**April 15 Endorsement**”), among other things, directing the parties to reappear before the Court at a case conference on April

24, 2024 to address the scheduling for the Representation Motion (the “**Scheduling Case Conference**”).

- 1.9 As discussed further below, since the issuance of the April 15 Order and the April 15 Endorsement, the Company, the Proposal Trustee, counsel to certain of the Company’s landlords and the Representative Counsel have engaged in a series of correspondence, filed materials with the Court and attended at the Scheduling Case Conference to establish a litigation schedule for the Representation Motion (the “**Litigation Schedule**”).
- 1.10 Copies of the prior reports of the Proposal Trustee (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 third report (the “**Third Report**”) is to provide information to this Court with respect to the Representation Motion, and the Proposal Trustee’s recommendation thereon as contemplated by the Litigation Schedule.
- 2.2 The Third Report also provides a brief update on the status of the NOI Proceeding, however, a more substantive update is anticipated to be included in a further report of the Proposal Trustee to be filed in connection with the next motion by the Company to further extend the Stay Period, currently scheduled for May 31, 2024.

3.0 TERMS OF REFERENCE AND DISCLAIMER

3.1 In preparing this Third Report, A&M, in its capacity as the Proposal Trustee, 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 Third Report:

- (i) the Proposal Trustee has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposal Trustee 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 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 Third 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 Second 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 Third Report should be read in conjunction with the Affidavit of Jordan Searle, General Manager, North America of the Company, sworn May 10, 2024 (the “**Third Searle Affidavit**”). Capitalized terms used and not defined in this Third Report have the meanings given to them in the Third Searle Affidavit.

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

4.0 OVERVIEW OF TBS CANADA & STATUS OF THE NOI PROCEEDING

Background

4.1 TBS Canada is a cosmetics, perfume and skin care retailer with 72 active store locations across Canada, an e-commerce platform and a wholesale business. The Company sells merchandise under the “The Body Shop” brand, a global brand recognized for its natural and ethically sourced beauty products.

4.2 As set out in greater detail in the Prior Reports, since the commencement of the NOI Proceeding, the Company has, among other things: (i) taken certain cost reduction measures in an effort to improve its overall liquidity position; and (ii) engaged with its stakeholders, the Joint Administrators, the Chapter 7 Trustee, and certain other key parties to the NOI Proceeding, in furtherance of identifying a means for the Company to preserve its operations during the NOI Proceeding and emerge therefrom as a going concern.

Cost Reduction Measures

4.3 As noted above, contemporaneously with the Company commencing the NOI Proceeding, the Company delivered notices of termination and disclaimer in respect of 33

underperforming store locations. The inventory at those locations has been sold and those locations have since been closed. As was intended and necessary at the time, these store closure sales allowed the Company to improve its cash reserves and stabilize its liquidity position.

- 4.4 In connection with the store closures and as part of its cost reduction efforts, the Company terminated the employment of the Former Employees, which were comprised of: (i) approximately 200 employees whose employment directly related to the underperforming locations; and (ii) approximately 20 additional employees that worked in TBS Canada's head office.

Stakeholder Engagement & Status of NOI Proceeding

- 4.5 As part of the Company's efforts to continue business at the remaining 72 locations (the "**Going Concern Locations**"), and identify a going concern transaction, the Company, in consultation with the Proposal Trustee, among other things, continues to:

- (i) advance various inventory replenishment transactions for the Going Concern Locations. As at the date of the Second Report (April 9, 2024), and as described therein, TBS Canada was actively working on a number of initiatives to bring merchandise into Canada. Since that time, TBS Canada has successfully secured replenishment inventory totalling approximately \$12 million (retail value), which is projected to provide the Company with sufficient inventory to continue to operate in the ordinary course. The source of this inventory is as follows:
 - (a) merchandise that was in-transit to North America and destined for the U.S. based distribution centre maintained by TBS US (the "**US Distribution**

Centre”). TBS Canada acquired this in-transit inventory from the UK Parent and re-routed it to a third-party logistics provider in Canada. As of the date of this Third Report, this merchandise has now been received at the Going Concern Locations; and

- (b) merchandise that has been purchased from the UK Parent located at the US Distribution Centre. In order to prepare this inventory for transport to Canada, TBS Canada engaged 13 third-party contractors to “pick and pack” the merchandise and arrange for delivery to the Going Concern Locations. As of the date of this Third Report, this merchandise is currently being picked and packed, and is expected to arrive at the Going Concern Locations during late-May and early-June¹;
- (ii) engage with the Joint Administrators in respect of their progress on a proposed Company Voluntary Arrangement and TBS Canada’s involvement in same as a creditor in the UK Administration Proceeding;
- (iii) engage with the Joint Administrators and representatives of the UK Parent in connection with their support of TBS Canada’s efforts to prepare a proposal to be put forward to its creditors that would see substantial recoveries for the Company’s creditors and provide for the Company’s restructured business to emerge from these NOI Proceedings and continue to operate as a going concern;

¹ At this time, TBS Canada has sufficient inventory levels. On a go forward basis and as required, TBS Canada will continue to work with the Joint Administrators to arrange for future inventory replenishment orders from the US Distribution Centre.

- (iv) engage with the landlords of the Company's store locations;
- (v) engage with the Chapter 7 Trustee with respect to the Chapter 7 Proceeding and its potential impact on TBS Canada and the NOI Proceeding, including the Company entering into a license agreement with the Chapter 7 Trustee to obtain access to the US Distribution Centre and the inventory located therein, as described above; and
- (vi) retain seven US-based employees, identified as being critical to the Company's operations, through independent contractor agreements.

5.0 THE REPRESENTATION MOTION

Background

- 5.1 On April 12, 2024, the Representative Plaintiff served its Motion Record in connection with the Representation Motion. The Representation Motion seeks an order, among other things: (i) appointing the Representative Plaintiff on behalf of the Former Employees with respect to their claims for termination and severance pay, health benefits, group RRSP contributions, vacation pay and other amounts owing during their termination notice periods (collectively, the "**Former Employee Claims**")²; (ii) appointing the Representative Counsel; and (iii) granting related relief, including ordering the Company to pay the fees of the Representative Counsel (if appointed).
- 5.2 The Motion Record of the Representative Plaintiff asserts, among other things, that: (i) the Former Employees have suffered prejudice as a result of the termination of their

² The Proposal Trustee notes that the Former Employees were paid all of their wages and accrued vacation as part of their final pay cheque.

employment and TBS Canada's failure to pay the Former Employee Claims, which are estimated by the Representative Plaintiff to be in excess of \$2 million; and (ii) the appointment of the Representative Plaintiff would benefit each of the Former Employees and the Company by facilitating the administration of the NOI Proceeding and the efficiency thereof. The Representative Plaintiff also asserts that their appointment and the appointment of the Representative Counsel is necessary and appropriate at this time.

- 5.3 The proposed Representative Counsel appeared at the hearing scheduled on April 15, 2024 before Justice Osborne, at which time they made submissions consistent with the positions set forth in the Motion Record of the Representative Plaintiff and advised the Court that they intended to bring the Representation Motion.
- 5.4 Following the hearing on April 15, 2024, Justice Osborne issued the April 15 Order and the April 15 Endorsement, among other things, scheduling the Scheduling Case Conference for April 24, 2024.
- 5.5 On April 23, 2024, the Representative Plaintiff filed a Supplementary Motion Record, introducing additional evidence in support of the claim of the Former Employees and the relief sought in the Representation Motion. Among other things, the Supplementary Motion Record asserted that, based on the information available to the Representative Counsel, the claims of 30 of the Former Employees (out of the 40 that had retained the Representative Counsel) totaled approximately \$862,000.
- 5.6 The Scheduling Case Conference was held on April 24, 2024, and at that hearing the Representation Motion was scheduled to be heard on July 4, 2024. A copy of the

endorsement of Justice Osborne dated April 24, 2024 (the “**April 24 Endorsement**”) is attached hereto as **Appendix “A”**.

- 5.7 Following the Scheduling Case Conference, the parties agreed on the following Litigation Schedule:

Event	Ordered Date
Moving Party Motion Record served	April 12, 2024
Moving Party Supplemental Motion Record	April 23, 2024
Scheduling Case Conference	April 24, 2024
Responding/ Company Motion Record due	May 10, 2024
Proposal Trustee’s Report due	May 15, 2024
Reply Motion Record due (if any)	May 22, 2024
Company Stay Extension Motion	May 30 or 31, 2024
Cross Examinations on filed affidavits	May 27-31, 2024
Proposal Trustee’s Supplemental Report due	June 5, 2024
Moving Party Factum due	June 14, 2024
Responding Factum due	June 24, 2024
Reply Factum due (if any)	June 28, 2024
Motion Hearing	July 4, 2024

- 5.8 The Proposal Trustee has prepared and provided this Third Report in accordance with the Litigation Schedule.
- 5.9 The April 24 Endorsement also instructed the Company to keep stakeholders, including its current employees and the Former Employees, apprised of significant events or matters directly affecting them in the ordinary course. The Proposal Trustee intends to continue to work with the Company to ensure this obligation is met.

6.0 THE FORMER EMPLOYEES

Overview

- 6.1 The Former Employees are comprised of: (i) approximately 200 employees whose employment was related to the 33 underperforming locations; and (ii) approximately 20 employees that previously worked in TBS Canada's head office.
- 6.2 Approximately 150 of the store-level Former Employees were paid on an hourly basis, with the remaining approximately 50 being salaried employees. Each of the Former Employees working in TBS Canada's head office were salaried employees.

Calculation of Former Employee Claims

- 6.3 Commencing prior to the Filing Date, and in anticipation of the store closures and cost reduction measures to be taken by the Company, and the related termination of the employment of the Former Employees, the Proposal Trustee and the Company took steps to calculate and evaluate the quantum of the Former Employee Claims.
- 6.4 Pursuant to those efforts, the Proposal Trustee and the Company have worked collaboratively to gather all of the documentation and information necessary to perform those calculations. Among other things, such documentation/information includes but is not limited to the following:
- (i) forms of employment agreements for the Former Employees, and an analysis of their enforceability, including the termination provisions which limit recovery to the statutory minimums in each province;
 - (ii) term of employment, seniority date and termination date;

- (iii) the province and municipality where each Former Employee worked;
- (iv) character of employment (e.g., job responsibilities, title and full-or-part-time);
- (v) scope of any group benefit coverage and group RRSP information;
- (vi) salary or hourly pay structure;
- (vii) statutory vacation pay entitlements;
- (viii) calculations of statutory termination pay, benefit continuation, and severance pay (which is only applicable in Ontario) entitlements for the Former Employees;
- (ix) bonus entitlements, including spreadsheets tracking historical bonus payments in the months preceding termination; and
- (x) estimates of common law reasonable notice for the Former Employees based on a review of the applicable factors including age, length of service and position.

6.5 Due to the relatively simple nature of the Former Employee's employment, the calculation of their respective entitlements was in many respects straightforward; the Former Employees are not unionized, were not parties to a retirement, pension or defined benefits plan, and did not participate in any form of stock option or similar type of long-term incentive plan.

6.6 The following methodology is being used to calculate the claims of the Former Employees:

- (i) the Former Employees' severance and benefit claims were calculated by comparing the amount required to be paid to the Former Employee under minimum standards

employment legislation, and the amount required to be paid under common law in lieu of notice and then reflecting the higher of those amounts as the Former Employee's claim;

- (ii) the Proposal Trustee used a formulaic approach that was applied to each of the Former Employees using their individual employee data;
- (iii) the common law notice period was calculated based on the duration of service, age and job position of each of the Former Employees. Accordingly, the average reasonable notice period among all Former Employees was approximately three months; and
- (iv) the calculations of the group RRSP were calculated as 4% of the Former Employee's earnings, being the maximum entitlement.

Update on Company's Efforts Towards Former Employees

- 6.7 The Company, with the assistance of the Proposal Trustee and for the benefit of the Former Employees, has been simultaneously exploring: (i) options for the Former Employees' to access the *Wage Earner Protection Program Act* ("WEPPA"); and (ii) a going concern transaction that may provide substantial recovery to the Former Employees.
- 6.8 As part of the Company's ongoing efforts to assist the Former Employees with exploring their ability to obtain protection through WEPPA, both the Proposal Trustee and counsel to the Company has reached out to Service Canada. The Company has also discussed and explored the possibility of appointing the Proposal Trustee to act as the receiver for specific

assets belonging to the Company so as to trigger WEPPA entitlement for the Former Employees.

- 6.9 Contemporaneously with those efforts, as noted above, the Company is currently working with certain stakeholders to develop a proposal to be put forward to its creditors that would see substantial recoveries for the Company's creditors and allow for a restructured business to emerge from these NOI Proceedings and continue to operate as a going concern.
- 6.10 In addition to the foregoing, the Company has taken steps towards preparing and filing a global proof of claim on behalf of the Former Employees in accordance with section 126(2) of the BIA. In doing so, it will remove the burden from the Former Employees to file an individualized proof of claim (although they retain the ability to do so if they should choose), ensure that the claim of each of the Former Employees is contemplated, and provide the necessary information to each of the Former Employees to amend their claim if they so choose.
- 6.11 The Proposal Trustee understands that, in connection with a global proof of claim form, correspondence would be provided to each of the Former Employees explaining that a global proof of claim has been filed by the Company on behalf of the Former Employees, outlining how the specific Former Employee's claim was calculated for purposes of the global proof of claim and explaining to each Former Employee that should they choose, they may file an individual proof of claim that would, if filed, supersede the global proof of claim for such Former Employee.

Status of Proposal Trustee's Actions Regarding Former Employees

- 6.12 As part of the Proposal Trustee's discharge of its duties in this NOI Proceeding, the Proposal Trustee has made various efforts to ensure the Former Employees are kept apprised of the status of the NOI Proceeding. Amongst these efforts, the Proposal Trustee has established the Case Website which, among other things: (i) provides access to the documents and orders in this NOI Proceeding; and (ii) contains a separate "Employee Information" page, which includes an FAQ page and additional information for the Former Employees on the efforts of the Company and the Proposal Trustee in assessing the Former Employee Claims. The Employee Information page is accessible here: <https://www.alvarezandmarsal.com/content/body-shop-employee-information>.
- 6.13 The Proposal Trustee has promptly responded to all inquiries from the Former Employees to date, however, it notes that only a very small group of Former Employees have contacted the Proposal Trustee.

7.0 ADDITIONAL STAKEHOLDERS

Landlords

- 7.1 In addition to the Former Employees, the Company's landlords and trade creditors are key stakeholders of the Company whose interests must be considered.
- 7.2 Counsel to certain of the landlords have expressed concerns to the Company and the Proposal Trustee that, if the Representative Counsel is appointed, the additional costs related thereto, including the costs for the fees of the Representative Counsel, may directly reduce recoveries available for the Company's other stakeholders.

Creditors with Security Registrations

7.3 The Company does not have any meaningful secured creditors. While there are three parties with security registrations against the Company, namely Aurelius IV UK Acquico Seven Limited (“**Aurelius Seven**”), HSBC Bank Canada and HongKong Bank of Canada and Enterprise Fleet Management Canada, Inc. (“**Enterprise**”), the Company does not anticipate that those parties will be owed significant amounts, if they are owed anything. Details of the registrations in favour of each of the parties, and the provision of notice of the commencement of this NOI Proceeding thereto, is set out in the Prior Reports.

7.4 In brief, the security granted to Aurelius Seven appears to be in relation to a guarantee provided by the Company related to the acquisition of the UK Parent by a party related to Aurelius Seven, which is payable on demand. No demand has been made by Aurelius Seven, and the Company is not aware of any amounts owing to HSBC Canada and HongKong Bank of Canada. The registrations held by Enterprise are in relation to a series of corporate vehicles, all of which are paid current with no outstanding arrears. In brief, neither the Proposal Trustee nor the Company have received any communications from the secured creditors to date that suggest they will have any significant claims that would affect the NOI Proceeding.

8.0 PROPOSAL TRUSTEE’S COMMENTS ON THE NEED FOR REPRESENTATIVE COUNSEL

8.1 Based on the Proposal Trustee’s review of the background and information available thereto, the Proposal Trustee is of the opinion that the minimal added benefit from the appointment of the Representative Counsel is significantly outweighed by the additional costs that would arise therefrom.

- 8.2 Each of the Proposal Trustee, counsel to the Proposal Trustee and counsel to the Company are: (i) highly qualified and reputable firms; (ii) have extensive experience dealing with their applicable mandates, acting in their respective capacity and performing the respective actions described in this Third Report; and (iii) are well equipped to deal with the issues in this NOI Proceeding, including ensuring the interests of Former Employees are appropriately protected and the Former Employee Claims are properly addressed.
- 8.3 The NOI Proceeding, by comparison to other engagements in which the Proposal Trustee has acted in this role, is not overly complex with respect to stakeholder claims. The key stakeholder groups include the Former Employees, trade creditors and the landlords, each of which hold relatively straightforward and quantifiable claims. The Proposal Trustee is of the view that, together with the assistance of its counsel and counsel to the Company, it is well suited to handle a proceeding of this complexity without need for assistance from additional parties, including the Representative Counsel.
- 8.4 The Proposal Trustee has been involved in similar retail mandates, all of which included addressing the claims of former employees, including, among other mandates: (i) *Old MM GP Inc. (Re)* (formerly known as Mastermind Toys) (Court File No. CV-23-00710259-00CL); (ii) *BBB Canada Ltd. (Re)* (formerly known as Bed, Bath and Beyond) (Court File No. CV-23-00694493-00CL); (iii) *Nordstrom Canada Retail, Inc., Nordstrom Canada Holdings, LLC and Nordstrom Canada Holdings II, LLC (Re)* (Court File No. CV-23-00695619-00CL) (“**Nordstrom**”); (iv) *DCL Corporation (Re)* (Court File No. CV-22-00691990-00CL); (v) *Inscape Corporation, Inscape (New York) Inc. and Inscape Inc. (Re)* (Court File No. CV-23-00692784-00CL); *Corner Flag LLC v Erwin Hymer Group North America, Inc.* (Court File No. CV-19-614593-00CL); and (vi) *Royal Bank of Canada v*

DME Limited Partnership, DME General Partner Inc., Atlantic systems Manufacturing (2016) Ltd., DME Canada Acquisitions Inc. and DME US Holdco Inc. (Court File No. S1 GS 28446). The only proceeding where representative counsel was appointed was in Nordstrom. That proceeding is clearly distinguishable from the present circumstances as, among other things, the debtor sought to liquidate/ wind down its operations, the vast majority of the debtor's employees were immediately terminated or retained solely for a short period to assist with the liquidation/wind down efforts, there was no prospect of the Canadian business continuing and the debtors sought and supported the appointment of representative counsel for the employees.

8.5 As set out herein, the Company and the Proposal Trustee are each well apprised of the conduct required in the circumstances and have taken appropriate steps, including by calculating the Former Employee Claims and simultaneously exploring potential opportunities by which the Former Employees can obtain a recovery through WEPPA or a going concern transaction. These efforts commenced prior to the Filing Date and remain ongoing as of the date herein, all in furtherance of identifying a scenario that provides the greatest outcome for the Company's stakeholders.

8.6 Similarly, as set out above, the Proposal Trustee and the Company have already taken steps towards calculating the value of the Former Employee Claims, which calculations resulted in a highly similar valuation as the Representative Counsel's calculations. Appointment of the Representative Counsel would likely result in duplication of efforts and fees in various additional regards.

8.7 Accordingly, the Proposal Trustee is of the view that appointment of the Representative Counsel is currently unnecessary, would result in duplicative costs and efforts, and is unlikely to add any substantial benefit to the NOI Proceeding.

8.8 The Proposal Trustee further understands that the Company remains in a vulnerable position due to its ongoing liquidity constraints, and is concerned that appointment of the Representative Counsel, and the associated costs the Company would be required to bear in connection therewith, would have a detrimental effect on the Company's ability to make substantive distributions to its creditors in a proposal.

9.0 CONCLUSIONS AND RECOMMENDATIONS


9.1 The Proposal Trustee delivers this Third Report in compliance with the Litigation Schedule to provide its initial views and recommendations on the issues raised in the Representation Motion.

9.2 At this time, and based on current information available to the Proposal Trustee and for the reasons discussed above, the Proposal Trustee is of the view that the appointment of the Representative Counsel is currently unnecessary and respectfully recommends that the Court dismiss the relief sought in the Representation Motion.

9.3 As contemplated by the Litigation Schedule, the Proposal Trustee may provide a supplemental report to this Report following delivery of further materials and the conduct of cross-examinations in connection with the Litigation Schedule, if it determines it is necessary.

All of which is respectfully submitted to the Court this 15th day of May, 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

APPENDIX A
ENDORSEMENT OF JUSTICE OSBORNE DATED APRIL 24, 2024



**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

COUNSEL SLIP/ENDORSEMENT

**COURT FILE
NO.:**

BK-24-03050418-0031

DATE: April 24, 2024

NO. ON LIST: 1

TITLE OF PROCEEDING: **In the Matter of The Body Shop Canada Limited**
BEFORE: Justice Osborne

PARTICIPANT INFORMATION

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For Other:

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ENDORSEMENT OF JUSTICE OSBORNE:

1. Koskie Minsky LLP, ("KM") as counsel to Stephanie Hood and other terminated employees of The Body Shop ("TBS") seek to schedule a motion to seek an order appointing them as Representative Counsel for Terminated Canadian Employees.
2. TBS seeks to schedule a stay extension motion.
3. The KM Representative Counsel motion will be heard on **July 4, 2024 commencing at 10 AM and continuing as necessary for one half day before me via Zoom.** All counsel have confirmed their availability for that date, and have worked out a timetable for the delivery and exchange of materials to ensure that the matter is fully briefed and can proceed on the merits on that date.
4. The hearing date is further out than I would have preferred as a result of counsel schedules. TBS will continue to keep stakeholders, including employees and terminated employees, aware of significant events or matters directly affecting them in the usual course.
5. The stay of proceedings currently expires on May 31. The stay extension motion will be heard on **May 30, commencing at 10 AM via Zoom before Justice Cavanagh.**

Osborne, J.

**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

**THIRD REPORT OF THE
PROPOSAL TRUSTEE**

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in its capacity as Proposal Trustee and not in its
personal or corporate capacity.