

Court File No. 31-2711340
Estate No. 31-2711340

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE PROPOSAL OF
NUOTAKA INTERNATIONAL INC.
OF THE CITY OF TORONTO
IN THE PROVINCE OF ONTARIO

THIRD REPORT TO COURT OF PROPOSAL TRUSTEE

DATED JUNE 4, 2021

INTRODUCTION

1. On February 10, 2021 (the “**Filing Date**”), Nuotaka International Inc. (“**Nuotaka**” or the “**Debtor**”) filed with the Official Receiver a Notice of Intention (“**NOI**”) to make a proposal to its creditors and named Dodick Landau Inc. (“**DLI**”) as Proposal Trustee (the “**Proposal Trustee**”). Attached as **Appendix “A**” is the Certificate of Filing of the NOI.
2. On March 11, 2021 (the “**March Order**”), this Court granted an order which approved an extension of the time for the Debtor to file a proposal up to and including April 26, 2021. A copy of the March Order is attached as **Appendix “B**”.
3. On April 22, 2021 (the “**April Order**”), this Court granted a further order which approved an extension of the time for the Debtor to file a proposal up to and including June 10, 2021. A copy of the April Order is attached as **Appendix “C**”.
4. Nuotaka is a Canadian contract wedding dress manufacturer. Nuotaka’s primary client is the couture bridal retailer Romona Keveza Collections LLC. Its head office is located at 219 Dufferin St., Toronto, Ontario M6K 3J1. A further overview of the Debtor’s business operations and financial difficulties which led to the filing of the

NOI is set out in the Affidavit of Romona Keveza sworn June 4, 2021 (the "**Keveza Affidavit**"), served and filed with the Court in support of the Debtor's motion for the relief set out herein.

5. All capitalized terms used in this Report but not otherwise defined shall have the meaning ascribed to such terms in the Keveza Affidavit.
6. This third report (the "**Report**") of the Proposal Trustee is made in connection with the motion of the Debtor to seek to:
 - i. abridge the time for service of the Notice of Motion, validate the manner of service, and declare that the motion is properly returnable before the Court; and
 - ii. extend the time for filing a proposal and extend the stay of proceedings granted upon the filing of the NOI, for a period of 45-days to, and including, July 25, 2021.

DISCLAIMER

7. In preparing this Report, the Proposal Trustee has relied upon certain unaudited, draft and/or internal financial information, the Company's books and records, discussions with the management of the Company ("**Management**") and information from other third-party sources (collectively, the "**Information**"). Except as described in this Report:
 - i. the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance in respect of the Information;

- ii. some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants handbook, has not been performed; and
 - iii. the Proposal Trustee has prepared this Report in its capacity as a Court appointed officer for purposes of the Company's motion returnable April 22, 2021. Parties using this Report, other than for the purpose of the motion, are cautioned that it may not be appropriate for their purposes.
8. Future oriented financial information referred to in this Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
9. Unless otherwise stated, all monetary amounts contained herein are in Canadian dollars.

EXTENSION OF STAY OF PROCEEDINGS

- 10. The Debtor is seeking an extension of the time for the filing of the proposal to and including July 25, 2021, for a total of 45 days.
- 11. The Debtor's NOI was primarily filed in response to enforcement actions by the Company's primary secured lender, the Toronto-Dominion Bank ("**TD Bank**").
- 12. The stay extension is required to provide the Debtor with the necessary time to close the assignment, and settlement, of TD Bank's debt, which it has arrived at in principle with TD Bank. As well, it requires the additional time to then develop a viable proposal for the benefit of its creditors.
- 13. The Proposal Trustee is of the view that the Debtor is acting in good faith and with due diligence in formulating and implementing a restructuring plan that would preserve its business and assets for the benefit of its creditors. Without the

extension, the Debtor is not in a position to complete its assignment, and settlement, with TD Bank (which it needs to do before it can make a viable proposal to its creditors) and will become bankrupt to the detriment of its stakeholders. In contrast, no creditor will be materially prejudiced if the extension applied for is granted. If the extension applied for is granted, the Debtor would likely be able to make a viable proposal to its creditors.

OVERVIEW OF THE DEBTOR'S WEEKLY CASH FLOW FORECAST

14. The Debtor, with the assistance of the Proposal Trustee, has prepared an eleven-week cash flow forecast for the period of May 22, 2021 to August 20, 2021 ("**Cash Flow Forecast**"). A copy of the Cash Flow Forecast is attached hereto as **Appendix "D"** to this Report. The Cash Flow Forecast has been prepared by Management of the Debtor for the purpose of this motion, using probable and hypothetical assumptions set out in notes 1 to 10 attached to the Cash Flow Forecast. The Cash Flow Forecast reflects receipts and disbursements to be received or paid over the thirteen-week forecast period in Canadian dollars.
15. The Proposal Trustee's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussion related to information supplied to the Proposal Trustee by certain of the Management and employees of the Debtor. Since hypothetical assumptions need not be supported, the Proposal Trustee's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposal Trustee has also reviewed the support provided by Management of the Debtor for the probable assumptions, and the preparation and presentation of the Cash Flow Forecast.
16. Based on the Proposal Trustee's review, nothing has come to its attention to cause it to believe that, in all material respects:
 - i. the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;

- ii. as at the date of this Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Debtor or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or
 - iii. the Cash Flow Forecast does not reflect the probable and hypothetical Assumptions.
17. As described in the Disclaimer above, since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented, even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Proposal Trustee expresses no assurance as to whether the Cash Flow Forecast will be achieved. In addition, the Proposal Trustee expresses no opinion or other form of assurance with respect to the accuracy of financial information presented in the Cash Flow Forecast.
18. The Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

CONCLUSION AND RECOMMENDATION

19. The Proposal Trustee is of the view that the granting of the stay extension, will allow the Debtor sufficient time to complete its settlement with TD Bank and make a viable proposal to its creditors.
20. Based on the foregoing, the Proposal Trustee respectfully recommends that the Court make an order granting the relief being requested by the Debtor pursuant to the BIA.

All of which is respectfully submitted this 4th day of June, 2021.

DODICK LANDAU INC.

Trustee re the Proposal of Nuotaka International Inc.
and not in its personal capacity.

Per:

A handwritten signature in black ink, appearing to read 'R. D.', with a stylized flourish at the end.

Rahn Dodick, CA, CPA, CIRP, LIT
President

APPENDIX "A"



Industry Canada
**Office of the Superintendent
of Bankruptcy Canada**

Industrie Canada
**Bureau du surintendant
des faillites Canada**

District of Ontario
Division No. 09 - Toronto
Court No. 31-2711340
Estate No. 31-2711340

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

Nuotaka International Inc.
Insolvent Person
DODICK LANDAU INC.
Licensed Insolvency Trustee

Date of the Notice of Intention: February 10, 2021

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

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

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

Date: February 11, 2021, 07:31

E-File/Dépôt Electronique

Official Receiver

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

Canada

APPENDIX "B"

Court File No. 31-2711340
Estate No. 31-2711340

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

THE HONOURABLE MR) THURSDAY, THE 11TH
)
JUSTICE CAVANAGH) DAY OF MARCH, 2021

**IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED**

**AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF NUOTAKA INTERNATIONAL INC. OF THE CITY OF
TORONTO IN THE PROVINCE OF ONTARIO**

**ORDER
(Extension of Time to File Proposal)**

THIS MOTION, made by Nuotaka International Inc. (the "**Company**"), for an Order extending the period of time for filing a proposal pursuant to section 50.4(9) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the "**BIA**"), was heard this day by video conference due to the COVID-19 crisis.

ON READING the Affidavit of Romona Keveza affirmed March 9, 2021, and on reading the First Report of Dodick Landau Inc. dated March 9, 2021 in its capacity as proposal trustee of the **Company**, and on hearing the submissions of counsel for the **Company**, as well as all persons present as stated in the counsel slip, no one appearing for any other person on the service list, although

properly served as appears from the affidavit of service of Shaun Parsons sworn March 10, 2021,
filed:

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

EXTENSION OF TIME TO FILE A PROPOSAL

2. **THIS COURT ORDERS** that pursuant to Section 50.4(9) of the BIA, the time for the Company to file a proposal with the Official Receiver be and is hereby extended to April 26, 2021.

ORDER EFFECTIVE IMMEDIATELY

3. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order without any need for entry and filing.



Digitally signed by
Peter Cavanagh

**IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED**

Court File No. 31-2711340
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**AND IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF
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**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
(COMMERCIAL LIST)**

Proceedings commenced at Toronto

**ORDER
(Extension of Time to File Proposal)**

**WEISZ FELL KOUR LLP
100 King Street West, Suite 5600
Toronto, ON M5X 1C9**

**Caitlin Fell
LSO No. 60091H
cfell@wfkaw.ca
Tel: 416.613.8282**

**Shaun Parsons
LSO No. 81240A
sparsons@wfkaw.ca
Tel: 416.613.8284**

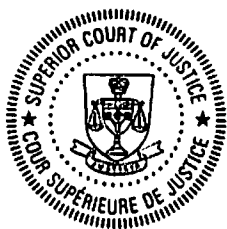
Fax: 416.613.8290

Lawyers for Nuotaka International Inc.

APPENDIX "C"

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

THE HONOURABLE MR.) THURSDAY, THE 22ND
)
JUSTICE HAINEY) DAY OF APRIL, 2021



IN THE MATTER OF THE *BANKRUPTCY AND*
***INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED**

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF NUOTAKA INTERNATIONAL INC. OF THE CITY OF
TORONTO IN THE PROVINCE OF ONTARIO

ORDER

(Re: Extension of Time to File Proposal)

THIS MOTION made by Nuotaka International Inc. (the "**Company**"), for an Order extending the period of time for filing a proposal pursuant to section 50.4(9) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the "**BIA**"), was heard this day by video conference due to the COVID-19 crisis.

ON READING the Affidavit of Romona Keveza, affirmed April 20, 2021, and the Second Report of Dodick Landau Inc. in its capacity as proposal trustee (the "**Proposal Trustee**"), and any other person as listed on the counsel slip, no one appearing for any other person on the service list, although properly served as appears from the affidavit of service of Christel Paul affirmed April 20, 2021, filed:

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

EXTENSION OF TIME TO FILE A PROPOSAL

2. **THIS COURT ORDERS** that pursuant to Section 50.4(9) of the BIA, the time for the Company to file a proposal with the Official Receiver be and is hereby extended up to and including June 10, 2021.

GENERAL

3. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Company, the Proposal Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Company and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Company and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

4. **THIS COURT ORDERS** that any interested party (including the Company and the Proposal Trustee) may apply to this Court to vary or amend this Order on not less than seven days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

5. **THIS COURT ORDERS** that notwithstanding Rule 59.05, this Order is effective from 12:01 a.m. on the date that it is made and is enforceable without any need for entry and filing. In accordance with Rules 77.07(6) and 1.04, no formal order need be entered and filed unless an appeal or a motion for leave to appeal is brought to an appellate court. Any party may nonetheless submit a formal order for original signing, entry and filing.

A handwritten signature in cursive script, appearing to read "Hainey", followed by a large, stylized flourish or initial.

**IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED**

Court File No. 31-2711340
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**AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
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ONTARIO
**SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY
(COMMERCIAL LIST)**

Proceedings commenced at Toronto

**ORDER
(Extension of Time to File Proposal)**

WEISZ FELL KOUR LLP
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2305
Toronto, ON M5J 2J3

Caitlin Fell
LSO No. 6009111
cfell@wfkaw.ca
Tel: 416.613.8282

Shaun Parsons
LSO No. 81240A
sparsons@wfkaw.ca
Tel: 416.613.8284

Fax: 416.613.8290

Lawyers for Nuotaka International Inc.

APPENDIX "D"

Nuotaka International Inc.
Weekly Cash Flow Forecast
For the period from May 22, 2021 to August 20, 2021

Week Ending	Notes	28-May-21	04-Jun-21	11-Jun-21	18-Jun-21	25-Jun-21	02-Jul-21	09-Jul-21	16-Jul-21	23-Jul-21	30-Jul-21	06-Aug-21	13-Aug-21	20-Aug-21	TOTAL
Receipts															
Operational Receipts	2	40,000	45,000	36,500	28,000	28,000	28,000	28,000	28,000	10,000	28,000	28,000	28,000	8,500	364,000
Other Receipts	3	-	7,000	7,000	-	35,000	-	7,000	-	55,000	-	7,000	-	35,000	153,000
Total Receipts		40,000	52,000	43,500	28,000	63,000	28,000	35,000	28,000	65,000	28,000	35,000	28,000	43,500	517,000
Disbursements															
Direct Costs	4	4,500	4,500	4,500	4,500	4,500	4,500	6,000	4,500	10,000	4,500	4,500	4,500	14,000	75,000
Payroll	5	38,000	9,500	38,000	9,500	38,000	9,500	10,500	38,000	14,500	40,000	7,500	38,000	16,500	307,500
Occupancy Costs	6	-	16,913	-	-	-	16,913	-	-	-	4,845	7,003	-	-	45,675
G&A Expenses	7	-	9,725	-	910	-	9,725	-	910	-	9,725	-	910	-	31,905
Total Disbursements		42,500	40,638	42,500	14,910	42,500	40,638	16,500	43,410	24,500	59,070	19,003	43,410	30,500	460,080
Net Cash Flow From Operations		(2,500)	11,362	1,000	13,090	20,500	(12,638)	18,500	(15,410)	40,500	(31,070)	15,997	(15,410)	13,000	56,920
Interest	8	-	2,500	-	-	-	2,500	-	-	-	2,500	-	-	-	7,500
Professional Fees	9	-	2,000	2,000	7,000	2,000	2,000	7,000	-	2,000	7,000	-	2,000	7,000	40,000
Net Cash Flow		(2,500)	6,862	(1,000)	6,090	18,500	(17,138)	11,500	(15,410)	38,500	(40,570)	15,997	(17,410)	6,000	9,420
Bank Balance															
Opening Bank Balance	10	3,856	1,356	8,217	7,217	13,307	31,807	14,669	26,169	10,759	49,259	8,689	24,685	7,275	3,856
Add: Net Cash Flow		(2,500)	6,862	(1,000)	6,090	18,500	(17,138)	11,500	(15,410)	38,500	(40,570)	15,997	(17,410)	6,000	9,420
Closing Bank Balance		1,356	8,217	7,217	13,307	31,807	14,669	26,169	10,759	49,259	8,689	24,685	7,275	13,275	13,275

This statement of forecast cash flow of Nuotaka International Inc. is prepared in accordance with section 50.4 (2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the accompanying notes.

Nuotaka International Inc. (“Nuotaka” or the “Company”)

Major Assumptions

Cash Flow Forecast

For the Period May 22, 2021 to August 20, 2021 (the “Period”)

1. Nuotaka is a contract manufacturer of bridal wear and evening gowns. Nuotaka sells the products it manufactures to Romona Keveza Collection LLC (“RKC”) who distributes the products through retail stores located in the United States.

The financial projections have been prepared for the purpose of meeting the proposal proceeding requirements of the Bankruptcy and Insolvency Act. The Projection is based on the hypotheses that Nuotaka will continue operations in the normal course and will generate sufficient cash flow to meet its ongoing operational needs.

Receipts:

2. Nuotaka’s operational receipts are based on the collection of its existing receivables as well as a budget for new sales and is based on its average monthly collections for the last 6 months. As noted above Nuotaka sells the gowns it manufactures to RKC who then sells the bridal dresses and evening wear to retailers and pays approximately 60% of its cash receipts to Nuotaka for manufacturing the dresses. The Company’s business is seasonal in nature with significant orders historically being received in April and October. Due to the COVID-19 pandemic, significantly lower number of orders were received in April/21 as compared to previous years, but with the easing of restrictions in both the US and Canada the Company is expecting to receive a greater number of orders in October 2021, as compared to April 2021.
3. Other Receipts are composed of various payments forecast to be received from the Government of Canada including: (1) HST refunds, which the Company is receiving on a quarterly basis, and (2) wage and rent subsidies. The Company is expecting to continue to qualify for the wage and rent subsidy programs from the Government of Canada during the Period.

Disbursements:

4. Direct costs represent the cost of materials purchased by the Company to manufacture the wedding gowns, and evening wear, including fabric, zippers, buttons and garment bags.
5. Payroll includes amounts payable to 14 employees (3 hourly employees and 11 salaried employees). As well, payroll costs include payments on account of health benefits, source deduction remittances to CRA in the Period, and weekly payments to certain independent contractors.

6. **Occupancy expenses include Nuotaka's office rent, storage units' rents, insurance and utilities.**
7. **General and administrative expenses include various lease payments for furniture, a vehicle, printer, vehicle insurance and other general office expenses.**
8. **Interest payments includes amounts being paid on account of interest to Business Development Bank of Canada who is a secured creditor of the Company.**
9. **Professional fees include forecast fees for the Proposal Trustee and the Company's legal counsel for the Period.**
10. **The opening cash balance as of May 21, 2021 is \$3,856.**