

IN THE MATTER OF THE BANKRUPTCY OF
Furla Canada Inc.
of the City of Toronto in the Province of Ontario

**TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS
ON PRELIMINARY ADMINISTRATION**

BACKGROUND AND CAUSES OF BANKRUPTCY

Furla Canada Inc. ("**Furla Canada**" or the "**Company**") was a privately held corporation incorporated on March 27, 2019, under the *Canada Business Corporations Act*.

Furla Canada was a joint venture between Furla S.p.A, the holder of the "Furla" trademark globally, and Halcyon Brands Inc. ("**Halcyon**"), which operates a platform for launching and growing retail brands in the Canadian market. Furla S.p.A produces and sells luxury leather handbags, purses, and other accessories worldwide through its own retail stores and its network of subsidiaries and distributors. As a result of this arrangement, Furla Canada was dependent on Furla S.p.A for the majority of the goods sold in the Furla Canada retail locations as well as for the trademarks required to operate its retail business under the "Furla" banner.

Furla Canada operated three (3) retail stores in Canada located at: (i) Yorkdale Shopping Centre, Toronto, Ontario, (ii) Toronto Premium Outlets, Toronto, Ontario, and (iii) McArthurGlen Designer Outlet, Richmond, British Columbia (collectively, the "**Furla Canada Stores**").

Due to a variety of factors, including a challenging retail environment and the impact of the Covid-19 pandemic, since its inception, Furla Canada's operations have suffered financial losses, resulting in liquidity issues. These sustained losses peaked for the fiscal year ended December 31, 2022, as the Company incurred losses of approximately \$1.5 million in 2022. As a result of these and other challenges, Furla Canada's collective obligations to Furla S.p.A. have grown to approximately \$2.9 million.

Unfortunately, Furla Canada's attempts to address its liquidity issues were unsuccessful and with Furla Canada unable to satisfy its increasing obligations to Furla S.p.A., on August 30, 2023, Furla S.p.A. informed the Company that it was terminating the distributorship agreement dated May 9, 2019 between Furla S.p.A and Furla Canada. Further, on August 31, 2023, Furla S.p.A. terminated the joint venture agreement dated February 20, 2019 (as such agreement may have been amended) between Furla S.p.A. and Halcyon.

As a result of the above, Furla Canada concluded that it could no longer operate as a going concern and that, in the circumstances, it was in the best interests of all stakeholders for Furla Canada to wind-down its operations through voluntary bankruptcy proceedings.

On August 31, 2023 (the “**Date of Bankruptcy**”), Furla Canada filed an assignment in bankruptcy pursuant to the *Bankruptcy and Insolvency Act* (Canada) (“**BIA**”). Richter Inc. (“**Richter**”) was appointed trustee (the “**Trustee**”) of Furla Canada’s bankrupt estate by the Office of the Superintendent of Bankruptcy, subject to affirmation by creditors at the first meeting of creditors.

FINANCIAL POSITION/ASSETS

As detailed in the Company’s Statement of Affairs, at the Date of Bankruptcy, Furla Canada’s assets included: (i) funds on deposit with financial institutions, and (ii) the Company’s retail inventory located at the Furla Canada Stores (the “**Inventory**”).

According to the Company’s Statement of Affairs, the estimated realizations from the Company’s assets are not expected to satisfy the amounts owed to the Company’s creditors.

SECURED CREDITORS

According to the Company’s Statement of Affairs, as at the Date of Bankruptcy, there were no known secured creditors.

SECURITY FOR UNPAID WAGES – S.81.3 CLAIMS

The Trustee is in the process of reviewing the Company’s books and records to determine what, if any, amounts are owed to the Company’s former employees for wages and vacation pay that would qualify as claims pursuant to section 81.3 of the BIA. It is not anticipated that such claims, if any, will exceed \$10,000.

The Trustee, where applicable, will comply with the requirements of the *Wage Earner Protection Program Act*.

PREFERRED CREDITORS

The Company’s Statement of Affairs indicates that, as at the Date of Bankruptcy, there were no known preferred creditors.

UNSECURED CREDITORS

The Company’s Statement of Affairs indicates that there are approximately six (6) unsecured creditors with claims totalling approximately \$3.5 million (excluding any amounts owing to the Company’s landlords in respect of the Furla Canada Stores and the Company’s former employees in respect of termination and severance pay).

CLAIMS FILED

As at 11:00 a.m. on the date of this report, the Trustee has recorded Proof of Claims filed, as follows:

	Claims Filed (#)	Amount (CAD)	Proxies in Favour of Trustee (#)	Amount (CAD)
Secured	-	-	-	-
Preferred	1	\$17,337.61	1	\$17,337.61
Unsecured	6	\$3,963,447.58	1	\$6,888.53
TOTAL	7	\$3,980,785.19	2	\$24,226.14

CONSERVATORY AND PROTECTIVE MEASURES

In addition to taking steps to secure the Inventory, in an effort to determine whether there is any third-party interest in the Inventory (Furla S.p.A. has informed the Trustee that it has no interest in the Inventory), the Trustee has commenced a process to market the Inventory to prospective interested parties, including liquidators/product resellers (the “**Sale Process**”). It is the intention of the Trustee to further discuss the Sale Process with the inspectors, if any, appointed at the first meeting of creditors.

Since the Date of Bankruptcy, the actions/activities of the Trustee have primarily consisted of statutory duties in accordance with the provisions of the BIA.

PREFERENCE PAYMENTS AND TRANSFERS UNDER VALUE

The Trustee has not performed a review of the Company's books and records with respect to potential fraudulent preferences, settlements or transfers at undervalue, as defined in the BIA. It is the intention of the Trustee to discuss the scope of its review with the inspectors, if any, appointed at the first meeting of creditors.

TRUSTEE'S FEES

In consideration for consenting to act in these proceedings, Furla Canada provided the Trustee with a retainer in the amount of \$30,000.

OTHER

Further information relating to the Company's bankruptcy proceedings may be obtained from Richter's website at: <https://www.richter.ca/insolvencycase/furla-canada-inc/>

Dated at Toronto, Ontario, this 21st day of September 2023.

RICHTER INC.

in its capacity as Trustee of the estate of
Furla Canada Inc.
and not in its personal or corporate capacity

A handwritten signature in blue ink, consisting of stylized, overlapping loops and lines, likely representing the name Adam Zeldin.

Adam Zeldin, CPA CA, CIRP, LIT