

C A N A D A

PROVINCE OF QUEBEC  
District of Montreal

S U P E R I O R C O U R T  
(Commercial Division)

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No: 500-11-041238-110

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

HART STORES INC. / MAGASINS HART  
INC.

Petitioner

- and -

RSM RICHTER INC.

Monitor

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**MOTION FOR SANCTION OF AN AMENDED PLAN OF COMPROMISE AND  
ARRANGEMENT AND FOR EXTENSION OF THE STAY PERIOD**

(Sections 4, 5, 5.1, 6, 11.02 and 11.03 of the *Companies' Creditors Arrangement  
Act*,  
R.S.C. 1985, C-36, as amended)

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TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT,  
SITTING IN THE COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL  
DISTRICT OF MONTREAL, THE PETITIONER SUBMITS THE FOLLOWING:

**I. INTRODUCTION**

1. By the present Motion, the Petitioner seeks the issuance of an order:
  - a) sanctioning the Petitioner's amended plan of compromise and arrangement dated February 15, 2012 (the "**Plan**"), a copy of which is relied upon as **Exhibit R-1**;

- b) declaring that the terms of the Plan are effective and binding on all Affected Creditors, as such term is defined in the Plan;
  - c) releasing and discharging the Petitioner, its directors, officers, employees and other representatives, from any and all indebtedness, obligations and liabilities, to the extent further provided in the Plan;
  - d) confirming that all executory contracts to which the Petitioner is a party are in full force and effect notwithstanding the CCAA proceedings or the Plan, and that no Person party to such an executory contract shall be entitled to terminate, repudiate or vary any obligations under such contract by reason of the commencement of the CCAA proceedings, the content of the Plan or any other reason, including the transactions entered into by the Petitioner in the course of its restructuring and reorganization;
  - e) extending the Stay Period to the Plan Implementation Date; and
  - f) authorizing the acceptance of certain proofs of claim received after the Claims Bar Date;
2. Capitalized terms not otherwise defined herein have the meanings given to them in the Plan;

## II. CCAA PROCEEDINGS

- 3. On August 30, 2011 (the "**Filing Date**"), an initial order (as amended, the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA**") was rendered with respect to the Petitioner, and RSM Richter Inc. was appointed Monitor, as more fully appears from the Court Record;
- 4. Pursuant to the Initial Order, a stay of proceedings and other relief was ordered with effect from the Filing Date until September 29, 2011 (the "**Stay Period**");
- 5. The Initial Order authorized the Petitioner to enter into interim financing arrangements (the "**DIP Facility**") with Wells Fargo Capital Finance Corporation Canada ("**Wells Fargo**" or the "**DIP Lender**"), the Petitioner's senior secured lender, pursuant to the DIP Commitment Letter filed in support of the Petition for an Initial Order, and the creation of a charge in favour of the DIP Lender over the Petitioner's property to secure the

repayment of the DIP Facility (the "**DIP Lender Charge**"), the whole as more fully set out in the Initial Order;

6. On September 28, 2011, an order (the "**First Renewal Order**") was rendered:
  - a) extending the Stay Period to and including November 4, 2011;
  - b) creating a charge in favour of those creditors who have provided the Petitioner with goods or services subsequent to the Filing Date, and accepted to provide said goods or services on credit or delayed payment terms (the "**Post-Filing Suppliers Charge**");
  - c) authorizing the payment of quasi-insurance premiums, and creating a charge in favour of the insurance premium financier over the Petitioner's unearned insurance premiums (the "**Insurance Charge**");
7. On November 4, 2011, an order (the "**Second Renewal Order**") was rendered:
  - a) extending the Stay Period to January 18, 2012;
  - b) authorizing an extension of the DIP Facility's maturity date to January 18, 2012, and certain other consequential amendments to the DIP Commitment Letter, as such term is defined in the Initial Order (as amended, the "**DIP Commitment Letter**");
8. On November 28, 2011, an order setting the claims and meetings procedure (the "**Claims and Meeting Procedure Order**") was rendered, which established a Claims Bar Date as of January 12, 2012, and a Restructuring Claims Bar Date as of January 31, 2012;
9. On January 18, 2012, an order was rendered extending the Stay Period to January 20, 2012;
10. On January 20, 2012 an order was made (the "**Fourth Extension Order**"):
  - a) extending the Stay Period to and including March 14, 2012;
  - b) authorizing an extension of the DIP Facility's maturity date to March 14, 2012, and certain other consequential amendments to the DIP Commitment Letter, as more fully set out in the Second Amending

Agreement, a copy of which was filed with the Court under confidential seal;

- c) extending the Claims Bar Date to January 31, 2012; and
  - d) authorizing the filing by the Petitioner of the Plan of Compromise and Arrangement dated January 20, 2012 (the "**Original Plan**"), a copy of which is relied upon as **Exhibit R-2**;
11. The Original Plan provided for a single class of unsecured creditors that will receive a dividend of \$ 6,000,000 to be distributed in five (5) instalments over a period of three (3) years;
  12. In addition, the Original Plan provided that all unsecured creditors may elect to receive the lesser of (i) \$ 1,000, or (ii) the full amount of their Proven Claims in a single lump sum payment;

### **III. CLAIMS PROCEDURE**

13. Following the making of the Fourth Extension Order, the Monitor advised the Creditors of (i) the filing of the Original Plan, (ii) the calling of the Creditors' Meeting, and (iii) the extension of the Claims Bar Date to January 31, 2012, the whole in accordance with the terms of the Claims and Meeting Procedure Order and the Fourth Extension Order;
14. A detailed description of the unfolding of the Claims process established by the Claims and Meeting Procedure Order is set out in the Report of the Monitor for the purpose of the sanction of the amended plan of compromise and arrangement dated February 21, 2012 (the "**Monitor's Sanction Report**") a copy of which is relied upon as **Exhibit R-3**;
15. On February 3, 2012, the Monitor's report on the Plan of Arrangement was posted on the Monitor's website. The report concludes with the Monitor's recommendation that the Petitioner's creditors vote in favour of the Original Plan, since in the event the creditors refused such plan, the only alternative was the liquidation of the Petitioner, without any, or very limited, recovery to the Affected Creditors, as more fully appears from a copy of that report relied upon as **Exhibit R-4**;

### **IV. THE CREDITORS' MEETING**

16. On February 15, 2012, the Creditors' Meeting was held in Montreal in accordance with the Claims and Meeting Procedure Order. The minutes of that meeting are attached as Exhibit B to the Monitor's Sanction Report;

17. The meeting was chaired by the Monitor, and representatives of the Petitioner were also present to answer any questions from the Creditors;
18. At the Creditors' Meeting, the Monitor discussed his report, Exhibit R-4, and provided an update of that report to the Creditors, a copy of which is relied upon as **Exhibit R-5**;
19. Furthermore, at the meeting the Petitioner presented certain minor amendments to the Original Plan, which are reflected in the Plan, Exhibit R-1;
20. Under the terms of the Plan, Exhibit R-1, the Petitioner:
  - a) advanced the date on which a portion of certain instalments of the Distribution Amount were to be paid;
  - b) removed the word "accountants" from Section 6.2 of the Original Plan;
  - c) provided for the creation of the position of a Chairman of the Creditors' Committee, and for members of the Creditors' Committee to receive compensation for their services as more fully set out in the Plan; and
  - d) made certain other incidental changes to the text of the Original Plan;
21. The Monitor recommended that the Plan, Exhibit R-1, be accepted by the Affected Creditors;
22. The Plan, Exhibit R-1, was then submitted to the creditors who were present either in person or by proxy, who voted overwhelmingly in favour of the Plan:

<b>VOTES IN FAVOR</b>			
Creditors voting	Dollar value of Claims	Percentage of votes in number	Percentage of votes in dollars
<b>368</b>	<b>\$17,270,479</b>	<b>94.4%</b>	<b>81.7%</b>

<b>VOTES AGAINST</b>			
Creditors voting	Dollar value of Claims	Percentage of votes in number	Percentage of votes in dollars
<b>22</b>	<b>\$3,859,620</b>	<b>5.6%</b>	<b>18.3%</b>

<b>TOTAL VALUE OF VOTES</b>			
Creditors voting	Dollar value of Claims	Percentage of votes in number	Percentage of votes in dollars
<b>390</b>	<b>\$21,130,099</b>	<b>100%</b>	<b>100%</b>

23. As a result, the Plan was approved by the majorities required by the CCAA as more fully appears from the Voting Summary, which is Appendix B to the minutes of the Creditors' Meeting (which is itself Exhibit B Monitor's Sanction Report);

**V. PLAN OF ARRANGEMENT**

24. The Plan, Exhibit R-1, provides that a Distribution Amount, totalling \$ 6,000,000, shall be paid by the Petitioner to the Monitor in full and final settlement, release and discharge of all Affected Claims, as follows:
- a) an initial amount of \$ 1,000,000 shall be paid on or before September 14, 2012;
  - b) a second amount of \$ 1,000,000 shall be paid on or before February 3, 2013;
  - c) a third amount of \$ 500,000 shall be paid on or before September 14, 2013;
  - d) a fourth amount of \$ 1,500,000 shall be paid on or before February 2, 2014;
  - e) a fifth amount of \$ 500,000 shall be paid on or before September 14, 2014; and
  - f) a final amount of \$ 1,500,000 shall be paid by the Petitioner on or before February 28, 2015.

25. Under the terms of the Plan, all Affected Creditors will receive their pro rata portion of the Distribution Amount, or may elect to receive an amount of \$ 1,000 in full and final settlement of their Claims, provided they so elect on or before August 14, 2012;
26. The Plan provides for the payment in full of (a) any Crown Claims within six months of the Plan Implementation Date, (b) any Section 6(5) Claims immediately after the Plan Implementation Date, and (c) any Section 19(2) Claims, as and when they become due;
27. The treatment reserved to the Petitioner's other Unaffected Creditors is more fully described in article 3 of the Plan;
28. Pursuant to the Plan, and to the extent that the compromise and arrangement described therein is implemented by the Petitioner in accordance with the terms of the Plan, the Petitioner will be released from any and all Affected Claims, whether or not a proof of claim with respect to same was submitted to the Monitor in accordance with the Claims and Meeting Procedure Order;

#### **VI. SANCTION OF THE PLAN**

29. The Petitioner has complied with all statutory requirements under the CCAA, and with all orders rendered by the Court in these proceedings;
30. No unauthorized steps were taken or purported to have been taken under the CCAA by the Petitioner in the course of these proceedings;
31. The Petitioner has at all times acted, and continues to act, with all due diligence, in good faith and to the benefit of all parties affected by the Plan and these proceedings;
32. The Plan is fair and reasonable, and is to the benefit of the Affected Creditors, as it allows for a significantly greater distribution than would otherwise have been available to them in the event of the Petitioner's forced liquidation;
33. Furthermore, the sanction and implementation of the Plan benefits stakeholders, as it will allow the Petitioner to emerge from these proceedings with a viable business, comprised of 60 stores employing approximately 1,000 employees, and will have fully reimbursed Wells Fargo;

34. Finally, the Monitor is of the opinion that the Plan is fair and reasonable, and recommends its sanction as more fully appears from the Monitor's Sanction Report;
35. In light of the above, and considering the support of the required majority of the Affected Creditors, the Petitioner requests that this Honourable Court sanction the Plan in accordance with the conclusions of this Motion;

## VII. LATE CLAIMS

36. As appears from paragraphs 31 to 34 of the Monitor's Sanction Report, a number of claims were filed with the Monitor subsequent to the Claims Bar Date (the "**Late Claims**"), which claims are more fully described in Exhibit A to the Monitor's Sanction Report;
37. Of those Late Claims, some 21 claims totalling approximately \$ 2,300,000 are held by *Compagnie Française d'Assurance pour le Commerce Extérieur – Canada Branch* ("**Coface**"), representing claims assigned by the original creditors to Coface (the "**Late Coface Claims**");
38. The original creditors had filed, prior to the Claims Bar Date, proofs of claim which referred to their subsequent assignment, and the Late Coface Claims simply reflect that assignment and replace the proofs of claims filed by the original creditors;
39. The remaining Late Claims are for small amounts, and their acceptance will not materially affect or prejudice any other creditor;
40. The Petitioner therefore asks that this Honourable Court authorize the acceptance of the Late Claims;

## VIII. EXTENSION OF THE STAY

41. The Petitioner respectfully requests that the Stay Period be extended to the Plan Implementation Date to allow for the status quo to remain until the Plan is duly implemented;
42. The present Motion is well-founded in fact and in law.

### FOR THESE REASONS, MAY IT PLEASE THE COURT TO:

- [1] **ORDER** that capitalized terms not otherwise defined in this Order shall have the meanings ascribed to them in the amended plan of compromise or arrangement, dated February 15, 2012, pursuant to the *Companies'*



*Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "CCAA")* with respect to Hart Stores Inc. / Magasins Hart Inc. (the "**Petitioner**"), filed by the Petitioner and which is attached hereto as Schedule "A" (the "**Plan**").

[2] **GRANT** the motion of Petitioner to sanction the Plan (the "**Motion**").

#### **SERVICE AND MEETING**

[3] **ORDER AND DECLARE** that there has been good and sufficient service and notice of both the Plan and the Notice of Meeting and Sanction Hearing (as defined in the Order of this Court made on November 28, 2011 (the "**Claims and Meeting Procedure Order**") and that the Creditors' Meeting was duly called, held and conducted in accordance with the CCAA and the Orders of this Court in the CCAA Proceedings, including without limitation the Claims and Meeting Procedure Order.

[4] **DECLARE** valid and sufficient the service and the notices of presentation of the Motion, and **EXEMPT** the Petitioner from service or providing any notice of presentation of the Motion other than the service and notice already given.

#### **SANCTION OF PLAN**

[5] **ORDER AND DECLARE** that:

- a) the Plan has been approved by the Required Majorities of Affected Creditors in conformity with the CCAA;
- b) the Petitioner has complied with the provisions of the CCAA and the Orders of this Honourable Court in the CCAA Proceedings in all respects;
- c) this Honourable Court is satisfied that the Petitioner has neither done nor purported to do anything that is not authorized by the CCAA; and
- d) the Plan and the transactions contemplated thereby are fair and reasonable and in the best interest of the Petitioner, the Affected Creditors and all other Persons stipulated in the Plan.

[6] **ORDER AND DECLARE** that the Plan, including the compromises and arrangements set out therein, is hereby sanctioned and approved pursuant to section 6 of the CCAA, and as at the Plan Implementation

Date, will be effective and enure to the benefit of and be binding upon the Petitioner, the Affected Creditors and all other Persons stipulated in the Plan or the order to be rendered on this Motion.

## **PLAN IMPLEMENTATION**

- [7] **ORDER** that the Petitioner and the Monitor be and are hereby authorized and directed to perform their functions and fulfill their obligations under the Plan, the Claims and Meeting Procedure Order and this Order to facilitate the implementation of the Plan.
- [8] **ORDER** that, upon the filing with this Court of the Monitor's Certificate in accordance with Section 8.3 of the Plan, the Plan Implementation Date shall occur and all of the conditions precedent (the "**Conditions Precedent**") to the implementation of the Plan set out in Section 8.1 of the Plan shall have been satisfied and be deemed to be satisfied or, where permissible, waived, and the Plan and all associated steps, transactions, compromises, and arrangements shall be implemented in accordance with the terms of the Plan.
- [9] **ORDER AND DECLARE** that, upon the issuance of the Certificate of Performance, the settlement of the Affected Claims shall become final and binding upon the Petitioner, the Affected Creditors and all other relevant Persons referred to in, or affected by, the Plan, and their respective heirs, administrators, executors, legal personal representatives, successors and assigns, in accordance with the terms of the Plan.
- [10] **ORDER AND DECLARE** that the Distribution Amount shall be held by the Monitor and distributed by the Monitor on behalf of the Petitioner in accordance with the Plan, having regard only to the Proven Claims that have been properly asserted by the Claims Bar Date or Restructuring Claims Bar Date, as the case may be, which for sake of greater clarity shall include the Late Claims referred to in paragraph 27 of these conclusions, and the order to be rendered on this Motion, subject to further order of this Court, in accordance with the Claims and Meeting Procedure Order.
- [11] **ORDER AND DECLARE** that all distributions and payments by or at the direction of the Monitor, in each case on behalf of the Petitioner, under the Plan are for the account of the Petitioner and the fulfillment of its obligations under the Plan.

- [12] **ORDER** that the Petitioner is authorized and empowered to execute, deliver and perform any credit agreement, instruments of indebtedness, security documents and any related documents, as may be required in connection with the Replacement Loan.

#### **RELEASES AND DISCHARGES**

- [13] **ORDER AND DECLARE** that the compromises and releases set out in Article 6.2 of the Plan are approved and shall be binding and effective as of the Plan Implementation Date.
- [14] **ORDER AND DECLARE** that, pursuant to and in accordance with Sections 6.1 and 8.5 of the Plan, effective as of the issuance of the Certificate of Performance, all Affected Claims of any nature against the Petitioner shall be forever settled, compromised, discharged and released, the ability of any Person to proceed against the Petitioner in respect of or relating to any Affected Claims shall be forever discharged and restrained, and all proceedings with respect to, in connection with or relating to such Affected Claims are hereby permanently stayed, subject only to the right of Affected Creditors to receive the distributions pursuant to the Plan in respect of their Affected Claims.
- [15] **ORDER AND DECLARE** that the commencing, taking, applying for or issuing or continuing any and all steps or proceedings, including without limitation, administrative hearings and orders, declarations or assessments, commenced, taken or proceeded with or that may be commenced, taken or proceed with against any Released Party in respect of any and all Claims and any matter which is released pursuant to Section 6.2 of the Plan are hereby permanently stayed.
- [16] **ORDER AND DECLARE** that all Proven Claims determined in accordance with the Claims and Meeting Procedure Order are final and binding on the Petitioner and all Affected Creditors.
- [17] **ORDER AND DECLARE** that any Affected Claims for which a Proof of Claim had not been filed by the Claims Bar Date or the Restructuring Claims Bar Date, as the case may be, shall be and are hereby forever barred and extinguished.
- [18] **ORDER AND DECLARE** that the DIP Lender Charge shall be released and discharged as of the Plan Implementation Date upon receipt of an acknowledgment by the DIP Lender of payment in full of the DIP Claim.

- [19] **ORDER AND DECLARE** that the Administration Charge, as such term is defined in the Initial Order, and the Post-Filing Suppliers Charge, as such term is defined in the First Renewal Order, are hereby terminated and discharged against the property of the Petitioner as of the Plan Implementation Date.

### **THE MONITOR**

- [20] **ORDER** that, effective upon the Plan Implementation Date, any and all claims against the Monitor in connection with the performance of its duties as Monitor up to the Plan Implementation Date shall be and are hereby stayed, extinguished and forever barred and the Monitor shall have no liability in respect thereof except for any liability arising out of gross negligence or wilful misconduct on the part of the Monitor, provided however that this paragraph shall not release the Monitor of its remaining duties pursuant to the Plan and this Order (the "**Remaining Duties**").
- [21] **ORDER** that no action or other proceeding shall be commenced against the Monitor in any way arising from or related to its capacity or conduct as Monitor except with prior leave of this Court on notice to the Monitor and upon further order securing, as security for costs, the solicitor and his own client costs of the Monitor in connection with the proposed action or proceeding.
- [22] **ORDER** that upon the completion of its Remaining Duties, including, without limitation, the Monitor's duties in respect of the Claims and Meeting Procedure Order and distributions made by or at the direction of the Monitor in accordance with the Plan, the Monitor shall file with the Court the Monitor's Certificate of Performance stating that all of its Remaining Duties have been completed and that the Monitor is unaware of any claims with respect to its performance of such Remaining Duties, and upon the filing of such certificate, RSM Richter Inc. shall be deemed to be discharged from its duties as Monitor.

### **EXTENSION OF STAY PERIOD**

- [23] **ORDER** that, from and after the Plan Implementation Date, all Persons shall be deemed to have waived any and all defaults of the Petitioner then existing or previously committed by the Petitioner or caused by the Petitioner, directly or indirectly, or non-compliance with any covenant, positive or negative pledge, warranty, representation, term, provision, condition or obligation, express or implied, in any

contract, credit document, agreement for sale, lease or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Person and the Petitioner arising from the filing by the Petitioner under the CCAA or the transactions contemplated by the Plan, and any and all notices of default and demands for payment under any instrument, including any guarantee arising from such default, shall be deemed to have been rescinded.

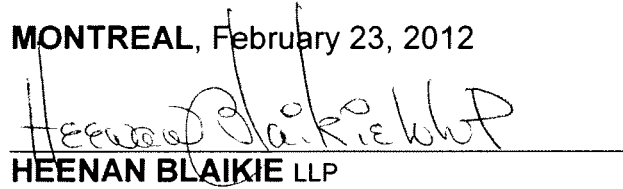
- [24] **DECLARE** that, subject to the performance by the Petitioner of its obligations under the Plan, all contracts, leases, agreements and other arrangements to which the Petitioner is a party and that have not been terminated or repudiated pursuant to the Initial Order will be and remain in full force and effect, unamended, as at the Plan Implementation Date, and no Person who is a party to any such contract, lease, agreement or other arrangement may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of dilution or other remedy) or make any demand under or in respect of any such contract, lease, agreement or other arrangement and no automatic termination will have any validity or effect, by reason of:
- a) any event that occurred on or prior to the Plan Implementation Date and is not continuing that would have entitled such Person to enforce those rights or remedies;
  - b) the insolvency of the Petitioner or the fact that the Petitioner sought or obtained relief under the CCAA; or
  - c) any compromises or arrangements effected pursuant to the Plan or any action taken or transaction effected pursuant to the Plan.
- [25] **EXTEND** the Stay Period in respect of Petitioner until the Plan Implementation Date.
- [26] **ORDER** that all Orders made in the CCAA Proceedings shall continue in full force and effect in accordance with their respective terms, except to the extent that such Orders are varied by, or inconsistent with, this Order, the Claims and Meeting Procedure Order, or any further Order of this Court.

## GENERAL

- [27] **CONFIRM** the authority of the Monitor to accept the Late Claims, listed in Schedule “B” hereto, despite their having been received subsequent to the Claims Bar Date, and that paragraph 17 of the conclusions of this Motion shall not apply to such Late Claims.
- [28] **DECLARE** that the Petitioner and the Monitor may apply to this Court for any directions or determinations required to resolve any matter or dispute relating to, or to the subject matter of or rights and benefits under, the Plan or this Order.
- [29] **ORDER** that notwithstanding: (a) the pendency of the CCAA Proceedings and the declarations of insolvency made therein; (b) the pendency of any applications for bankruptcy orders hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) in respect of the Petitioner and any bankruptcy orders issued in respect of the Petitioner; or (c) the provisions of any federal or provincial statute, including section 36.1 of the CCAA and sections 95 to 101 of the BIA, that none of the steps, releases or compromises contemplated to be performed or effected pursuant to the Plan, shall: (i) constitute settlements, fraudulent preferences, fraudulent conveyances or other challengeable or reviewable transactions under any applicable law, federal, provincial or otherwise; or (ii) constitute conduct meriting an oppression remedy.
- [30] **ORDER** the aid and recognition of any court of any judicial, regulatory or administrative body in any province or territory of Canada (including the assistance of any court in Canada pursuant to section 17 of the CCAA), and the Federal Court of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada, the legislature of any province or otherwise and any court or any judicial, regulatory or administrative body of the United States of America and the states or other subdivisions of the United States of America or any other nation or state to act in aid of and to be complementary to this court in carrying out the terms of this order where required.
- [31] **ORDER** provisional execution, notwithstanding appeal.

[32] **THE WHOLE** without costs, save in case of contestation.

**MONTREAL**, February 23, 2012

A handwritten signature in black ink, appearing to read "Heenan Blaikie LLP", is written over a horizontal line.

**HEENAN BLAIKIE** LLP  
Attorneys for the Petitioner

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**AFFIDAVIT**

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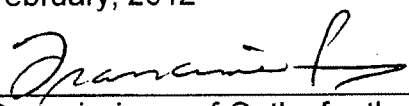
I, the undersigned, ROBERT HARRITT, businessman, domiciled and residing for the purpose hereof at 900 Place Paul-Kane, in the City and District of Laval, Province of Québec, H7C 2T2, solemnly declares as follows:

1. That I am the Chief Financial Officer and duly authorized representative of the Petitioner;
2. That all the facts contained in the present Motion for Sanction of an Amended Plan of Compromise and Arrangement and for Extension of the Stay Period are true;
3. That all the facts contained in this affidavit are true.

AND I HAVE SIGNED:

  
\_\_\_\_\_  
ROBERT HARRITT

Solemnly affirmed to before me, in the  
City of Montreal, this 23<sup>RD</sup> day of  
February, 2012

  
\_\_\_\_\_  
Commissioner of Oaths for the Province  
of Quebec





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**NOTICE OF PRESENTATION**

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**TO : Goodmans LLP**  
Bay Adelaide Centre  
333 Bay Street, Suite 3400  
Toronto, ON M5H 2S7

Attorneys for Wells Fargo

**AND : Lavery deBilly LLP**  
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Attorneys for Wells Fargo

**AND: RSM Richter Inc.**  
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Attorneys for Ameco-Paradisio

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**AND: Deveau, Bourgeois, Gagné,  
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Attorneys for Quality Draft  
Home Deco Ltd.

Attorneys for Les Immeubles  
Plaisance Inc.

**AND: McCarthy Tétrault LLP**  
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Montreal (Quebec) H3B 0A2

**AND : Minden Gross LLP**  
145 King Street West – Suite 2200  
Toronto, Ontario M5H 4G2

Attorneys for Monitor

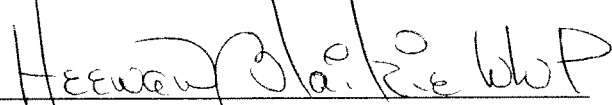
Attorneys for 375 Daniel Street  
Holdings Ltd.

**TAKE NOTICE** that the present Motion for Sanction of an Amended Plan of Compromise and Arrangement and for Extension of the Stay Period will be presented for adjudication before one of the judges of the Superior Court, sitting in the Commercial Division, in and for the judicial district of Montreal, on February 27, 2012, at 9:15 o'clock, in a room to be determined of the Courthouse of

Montreal, located at 1 Notre-Dame Street, in the City of Montreal, Province of  
Quebec, or as soon thereafter as counsel may be heard.

**AND DO GOVERN YOURSELVES ACCORDINGLY.**

**MONTREAL**, February 23, 2012

A handwritten signature in black ink, appearing to read "Heenan Blaikie LLP", written over a horizontal line.

**HEENAN BLAIKIE** LLP

Attorneys for the Petitioner

500-11-041238-110

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**SUPERIOR COURT**  
(Commercial Division)

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**ORIGINAL**

Code: BJ-0039

Notre réf. : 043054,0112

M<sup>e</sup> Michael J. Hanlon

Téléphone : 514 846-2376  
Télécopieur : 514-921-1376

**Heenan Blaikie LLP**

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C A N A D A

PROVINCE OF QUEBEC  
District of Montreal

SUPERIOR COURT  
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**LIST OF EXHIBITS**

(In support of the *Motion for Sanction of an Amended  
Plan of Compromise and Arrangement and for  
Extension of the Stay Period*)

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- |                    |  |
|--------------------|--|
| <b>EXHIBIT R-1</b> | Amended Plan of Compromise and Arrangement, dated February 15, 2012;                                     |
| <b>EXHIBIT R-2</b> | Plan of Compromise and Arrangement, dated January 20, 2012;  |
| <b>EXHIBIT R-3</b> | Report of the Monitor for the purpose of the sanction of the Amended Plan of Compromise and Arrangement; |
| <b>EXHIBIT R-4</b> | Report of the Monitor on the state of the Petitioner's affairs and on the Plan of Arrangement;           |
| <b>EXHIBIT R-5</b> | Updated Report of the Monitor on the state of the Petitioner's affairs and on the Plan of Arrangement;   |

MONTREAL, February 23, 2012



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**HEENAN BLAIKIE** LLP  
Attorneys for the Petitioner

# **EXHIBIT R-1**

**Court File No. 500-11-041238-110**

**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 AND ARRANGEMENT**

**OF**

**HART STORES INC. / MAGASINS HART INC.**

**AMENDED PLAN OF COMPROMISE AND ARRANGEMENT UNDER THE  
*COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.  
1985, c. C-36,**

**February 15, 2012**

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## AMENDED PLAN OF COMPROMISE AND ARRANGEMENT

Amended Plan of Compromise and Arrangement of Hart Stores Inc. / Magasins Hart Inc. pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

In this Plan, unless otherwise stated or the context otherwise requires:

“**Administration Charge**” has the meaning ascribed to such term in the Initial Order;

“**Administration Claim**” means a Claim secured by the Administration Charge;

“**Affected Claim**” means any Claim other than an Unaffected Claim;

“**Affected Creditor**” means a Creditor holding an Affected Claim, but only to the extent of its Affected Claim;

“**Affected Creditors Class**” means the class of Affected Creditors;

“**Business Day**” means a day, other than a Saturday, a Sunday, or a non-judicial day (as defined in article 6 of the *Code of Civil Procedure*, R.S.Q., c. C-25, as amended);

“**Capped Rent Period**” means, with respect to any lease or offer to lease for real or immovable property entered into with, or assumed by, the Petitioner containing provisions for a Capped Rent Rebate, the period in reference to which the Capped Rent Rebate is calculated;

“**Capped Rent Rebate**” means the amount of the credit to which the Petitioner is entitled against future amounts to be paid, or a reimbursement of amounts already paid to the landlord, whether as rent or otherwise, under a lease or offer to lease for real or immovable property, when the Petitioner's sales effected on the leased property did not exceed a certain threshold during the Capped Rent Period, calculated in accordance with the terms of such lease. In the case of a Disclaimed Lease, where the disclaimer became effective prior to the term of the Capped Rent Period, the Capped Rent Rebate will be prorated for that portion of the Capped Rent Period between the beginning of such period and the date on which the disclaimer or termination became effective;

“**CCAA**” means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended;

“**CCAA Charge(s)**” means the Administration Charge, the DIP Lender Charge, the Insurance Charge and the Post-Filing Suppliers Charge;

“**CCAA Proceedings**” means the proceedings in respect of the Petitioner before the Court commenced pursuant to the CCAA;

“**Certificate of Performance**” has the meaning ascribed to it in Section 8.4;

“**Chair**” means the Monitor, or the person designated by the Monitor to preside as chairperson at the Creditors’ Meeting;

“**Claim**” means any right of any Person against the Petitioner in connection with any indebtedness, liability or obligation of any kind of the Petitioner owed to such person and any interest, or penalties accrued thereon or costs payable in respect thereof, whether liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation is based in whole or in part on facts existing, or transactions which occurred, prior to the Determination Date, or which would have been claims provable in bankruptcy had the Petitioner become bankrupt on the Determination Date, and, without limitation, including any Restructuring Claim, but excluding any Unaffected Claim;

“**Claims Bar Date**” means the bar date of January 31, 2012 for the filing of Claims for voting or distribution purposes, as set out in the Claims Procedure Order;

“**Claims Procedure Order**” means the Claims and Meetings Procedure Order issued by the Court on November 28, 2011, establishing, among other things, procedures for proving Claims and the calling of the Creditors’ Meeting, as amended or supplemented from time to time by further Order(s) of the Court;

“**Court**” means the Quebec Superior Court of Quebec (Commercial Division);

“**Creditor**” means any Person having a Claim and may, where the context requires, include the assignee of a Claim or a trustee, interim receiver, receiver, receiver and manager, or other Person acting on behalf of such Person and includes a Known Creditor. A Creditor shall not include an Excluded Creditor in respect of that Person’s claim resulting from an Excluded Claim;

“**Creditors’ Meeting**” means the meeting of Affected Creditors to be convened for the purposes of voting on the Plan, and any adjournment thereof;

“**Crown Claims**” any claim of her Majesty the Queen in right of Canada or any province and described in Section 6(3) of the CCAA;

“**D&O Claim**” means any claim of a Director for indemnification, pursuant to paragraph 33 of the Initial Order;

“**Determination Date**” means August 30, 2011;

**“DIP Claim”** means any and all obligations of the Petitioner to the DIP Lender pursuant to the DIP Facility Documents or the Initial Order or relating to any outstanding letters of credit as of the Plan Implementation Date;

**“DIP Facility Documents”** means the DIP Commitment Letter dated as of August 30, 2011 by and among the Petitioner and the DIP Lender (as amended, modified, restated and / or supplemented from time to time) together with any related collateral, loan or security documents executed in connection therewith or which relate thereto;

**“DIP Lender”** means Wells Fargo Capital Finance Corporation Canada;

**“DIP Lender Charge”** shall have the meaning ascribed to such term in the Initial Order;

**“Director”** has the meaning given in the Initial Order;

**“Disallowed Claim”** means a Claim, or that portion thereof which has been disallowed, denied, dismissed or overruled by the Monitor pursuant to the Claims Procedure Order or an order of the Court in respect of which all appeal periods, if any, have expired;

**“Disclaimed Lease”** means a lease for real or immovable property which was disclaimed or resiliated by the Petitioner pursuant to Section 32 of the CCAA;

**“Disputed Claim”** means a Claim or that portion thereof that is subject to a Notice of Revision or Disallowance and, in either case, has not become a Proven Claim or a Disallowed Claim;

**“Distribution Amount”** means the amount of \$ 6,000,000 to be remitted by the Petitioner to the Monitor as provided for under Section 2.4;

**“Electing Creditor Claim”** means all Claims in respect of which the Creditors have elected (as set forth in Section 2.4 hereof) to receive the lesser of \$ 1,000 or the amount of their Claims or to reduce their respective Claims to \$ 1,000;

**“Electing Creditors”** means Creditors having an Electing Creditor Claim and **“Electing Creditor”** means any of them;

**“Equity Claim”** means any and all Claims arising from or in connection with a Person’s interest in the issued and outstanding equity in the capital of the Petitioner, including with respect to any issued and outstanding common or preferred shares of the Petitioner of every class and series, and any and all warrants, options and agreements to purchase any of the foregoing;

**“Excluded Claim”** means any right of any Person against the Petitioner in connection with any indebtedness, liability or obligation of any kind which arose with respect to transactions which occurred after the Determination Date and any interest thereon, including the DIP Claim and any obligation of the Petitioner toward creditors who have supplied or shall supply services, utilities, goods or materials or who have or shall have

advanced funds to the Petitioner after the Determination Date, but only to the extent of their claims in respect of the supply of such services, utilities, goods, materials or funds after the Determination Date and to the extent that such claims are not otherwise affected by the Plan. For greater certainty, a Restructuring Claim is not an Excluded Claim;

“**Excluded Creditor**” means a Person having a Claim in respect of an Excluded Claim but only in respect of such Excluded Claim and to the extent that the Plan does not otherwise affect such Claim;

“**Final Instalment Date**” means the date referred to in Section 2.4b)(vii), as it may be extended pursuant to Section 2.4c);

“**First Instalment Date**” means the date referred to in Section 2.4b)(i), as it may be extended pursuant to Section 2.4c);

“**Gift Card Claim**” has the meaning ascribed to it in Section 2.3a)(iv) hereof;

“**Governmental Authority**” means any (i) multinational, national, provincial, state, regional, municipal, local or other government, governmental or public department, ministry, central bank, court, tribunal, arbitral body, commission, board, official, minister, bureau or agency, domestic or foreign, (ii) subdivision, agent, commission, board or authority of any of the foregoing; or (iii) quasi-governmental or private body, including any tribunal, commission, regulatory agency or self regulatory organization, exercising any regulatory, expropriation or taxing authority under, or for the account of, any of the foregoing;

“**Initial Order**” means the order of the Court made on August 30, 2011, as renewed and amended from time to time, under the CCAA;

“**Insurance Charge**” has the meaning given in the Order rendered September 28, 2011;

“**Insurance Claim**” means a Claim secured by the Insurance Charge;

“**Laws**” means all laws, statutes, codes, ordinances, decrees, rules, regulations, by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, injunctions, orders or decisions of any Governmental Authority, statutory body or self-regulatory authority, including general principles of law having the force of law and the term “**applicable**” with respect to such Laws and, in the context that refers to any Person, means such Laws as are applicable to such Person or its business, undertaking, property or securities and emanate from a Governmental Authority or self regulatory authority having jurisdiction over the Person or its business, undertaking, property or securities;

“**Meeting Date**” means the date fixed for the Creditors’ Meeting in accordance with the Claims Procedure Order, or any subsequent Order, or any subsequent date following an adjournment of that meeting, as the case may be;

“**Monitor**” means RSM Richter Inc., in its capacity as Monitor duly appointed by the Court pursuant to the Initial Order;

“**Monitor’s Certificate**” has the meaning ascribed to it in Section 8.3;

“**Notice of Dispute**” means the appeal motion referred to in paragraph 7 (b) of the Claims Procedure Order;

“**Notice of Revision or Disallowance**” has the meaning ascribed thereto in the Claims Procedure Order;

“**Order**” means any order of the Court in the CCAA Proceedings;

“**Original Currency**” has the meaning ascribed to it in Section 7.7;

“**Person**” means any individual, corporation, limited or unlimited liability company, general or limited partnership, association, trust, trustee, executor, administrator, legal personal representative, estate, unincorporated organization, joint venture, governmental body or agency, or any other entity;

“**Petitioner**” means Hart Stores Inc. / Magasins Hart Inc.;

“**Plan**” means this amended plan of compromise and arrangement of the Petitioner pursuant to the provisions of the CCAA, as it may be further amended, varied or supplemented by the Petitioner from time to time in accordance with its terms;

“**Plan Implementation Date**” means the date on which all conditions precedent to the implementation of this Plan, as set out in Section 8.1, have occurred or been satisfied or waived;

“**Post-Filing Suppliers Charge**” has the meaning given in the Order rendered September 28, 2011;

“**Proof of Claim**” has the meaning ascribed to such term in the Claims Procedure Order;

“**Proven Claim**” means, in respect of a Creditor, the amount of the Claim of such Creditor as finally determined for distribution purposes in accordance with Section 4.2 and the other provisions of this Plan, the CCAA and the Claims Procedure Order;

“**Released Parties**” has the meaning ascribed thereto in Section 6.2 hereof;

“**Replacement Lender**” means the person who will provide the Replacement Loan;

“**Replacement Loan**” means the senior secured facility to be provided by the Replacement Lender or such other loan provided by the Replacement Lender or another Person in lieu of the Replacement Lender;

**“Required Majorities”** means the affirmative vote of a majority in number of the Affected Creditors voting in the Affected Creditors Class, having Voting Claims and voting on the Plan (in person or by proxy) at the Creditors’ Meeting and representing not less than 66<sup>2/3</sup>% in value of the Voting Claims of the Affected Creditors voting (in person or by proxy) at the Creditors’ Meeting;

**“Reserve”** means the reserve to be established and maintained under this Plan by the Monitor by holding, on account of Disputed Claims, an amount equal to the aggregate amount that the holders of Disputed Claims would be entitled to receive if all such Disputed Claims had been Proven Claims as of the First Instalment Date;

**“Resolution”** means, collectively, when required by the context, one or any of, the resolutions providing for the approval of the Plan by the Affected Creditors;

**“Restructuring Claim”** means any right of any Person against the Petitioner in connection with any indebtedness, liability or obligation of any kind owed to such Person arising out of the restructuring, the disclaimer, or the resiliation of any contract, lease, employment agreement, collective agreement or other agreement, whether written or oral, after the Determination Date, including any right of any Person who receives a notice of repudiation or termination from the Petitioner; provided however, that a Restructuring Claim shall not include an Excluded Claim. Without limiting the generality of the above, a Restructuring Claim shall include the claim of a landlord whose lease has been disclaimed or terminated and the claim of an employee whose employment has been terminated after the Determination Date. For greater certainty, a Restructuring Claim is an Affected Claim;

**“Restructuring Claims Bar Date”** means 5:00 p.m. (Montréal time) on January 31, 2012;

**“Sanction Date”** means the date on which the Sanction Order is issued;

**“Sanction Order”** means the Order of the Court to be made under the CCAA sanctioning the Plan, as such Order may be affirmed, amended or modified by the Court at any time prior to the Plan Implementation Date or, if appealed, then, unless such appeal is withdrawn, abandoned or denied, as affirmed or amended on appeal, in form and content which is satisfactory to the Petitioner and the DIP Lender acting reasonably;

**“Section 6(5) Claim”** means any claim of an employee or former employee described in Section 6(5) of the CCAA but only to the extent of such amounts as required to be paid under the CCAA;

**“Section 19(2) Claims”** means any claim described in Section 19(2) of the CCAA;

**“Secured Claim”** means the Claim of a Secured Creditor, to the extent of the value of such Secured Creditor’s security;

“**Secured Creditor**” has the meaning given to such term in the CCAA, but only to the extent that such creditor’s mortgage, hypothec, pledge, charge, lien or other security interest over the property of the Petitioner was valid, opposable, perfected, and could be set up against third parties, including a trustee to the Petitioner’s bankruptcy, on both the Determination Date and the Claims Bar Date, failing which that Secured Creditor will be deemed to be an unsecured creditor, as such term is defined in the CCAA;

“**Taxes**” means all federal, state, provincial, territorial, county, municipal, local or foreign taxes, duties, imposts, levies, assessments, tariffs and other charges imposed, assessed or collected by a Governmental Authority, including (a) any gross income, net income, gross receipts, business, royalty, capital, capital gains, goods and services, value added, severance, stamp, franchise, occupation, premium, capital stock, sales and use, real property, land transfer, personal property, ad valorem, transfer, licence, profits, windfall profits, environmental, payroll, employment, employer health, pension plan, anti-dumping, countervail, excise, severance, stamp, occupation, or premium tax, (b) all withholdings on amounts paid to or by the relevant Person, (c) all employment insurance premiums, Canada, Quebec and any other pension plan contributions or premiums, (d) any fine, penalty, interest, or addition to tax, (e) any tax imposed, assessed, or collected or payable pursuant to any tax-sharing agreement or any other contract relating to the sharing or payment of any such tax, levy, assessment, tariff, duty, deficiency, or fee, and (f) any liability for any of the foregoing as a transferee, successor, guarantor, or by contract or by operation of law;

“**Unaffected Claim**” means any right of any Person in connection with any indebtedness, liability or obligation of any kind of the type described in Section 2.3 hereof. For greater certainty, the Unaffected Claims include the Excluded Claims;

“**Unaffected Creditor**” means a Person having a Claim in respect of an Unaffected Claim, but only in respect of such Unaffected Claim, and for greater certainty, includes an Excluded Creditor;

“**Volume Rebate**” means a rebate, whether in cash or as a credit note, granted by a supplier to the Petitioner to be applied against amounts owing, or to become owing, by the Petitioner to the supplier, based on the gross amount of purchases made by the Petitioner of such supplier’s goods or services over the Volume Rebate Period, calculated, in each case, in accordance with the agreements between the parties. In the event the Determination Date arrived during the Volume Rebate Period, then the Volume Rebate will be pro rated for that portion from the beginning of such Volume Rebate Period;

“**Volume Rebate Period**” means with respect to any supplier who has granted a Volume Rebate to the Petitioner, the period in reference to which such Volume Rebate is calculated; and

“**Voting Claim**” means, in respect of a Creditor, the amount of such Creditor’s claim which has been accepted for voting purposes in accordance with Section 4.2 and the other provisions of this Plan, the Claims Procedure Order and the CCAA.

## **1.2 Interpretation**

For purposes of this Plan:

- a) any reference in this Plan to a contract, instrument, release, indenture, agreement or other document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions;
- b) any reference in this Plan to an existing document or exhibit filed or to be filed means such document or exhibit as it may have been or may be amended, modified or supplemented;
- c) all references to currency and to “\$” or “C \$” are to Canadian dollars except as otherwise indicated;
- d) all references in this Plan to Articles and Sections are references to Articles and Sections of this Plan;
- e) unless otherwise specified, the words “hereof”, “herein” and “hereto” refer to this Plan in its entirety rather than to any particular portion of this Plan;
- f) the division of this Plan into Articles, Sections and paragraphs and the insertion of captions and headings to Articles, Sections and paragraphs are for convenience of reference only and are not intended to affect the interpretation of, or to be part of this Plan;
- g) where the context requires, a word or words importing the singular shall include the plural and vice versa and a word or words importing one gender shall include all genders;
- h) the words “includes” and “including” are not limiting; and
- i) the word “or” is not exclusive.

## **1.3 Date for any Action**

In the event that any date on which any action is required to be taken under this Plan by any of the parties is not a Business Day, that action shall be required to be taken on the next succeeding day which is a Business Day.



## 1.4 Statutory References

Any reference in this Plan to a statute includes all regulations made thereunder and all amendments to such statute or regulations in force, from time to time, or any statute or regulations that supplement or supersede such statute or regulations.

## ARTICLE 2 COMPROMISE AND ARRANGEMENT

### 2.1 Persons Affected

The purpose of this Plan is to provide for the full and final settlement of all Affected Claims, including any claim resulting directly or indirectly from the consequences and effects of the Plan's acceptance by the Affected Creditors, its sanction by the Court, the implementation of the Plan, or the debt forgiveness resulting from same. Except as specifically provided for in this Plan, this Plan will become effective on the Plan Implementation Date in accordance with its terms, and all Affected Claims against the Petitioner will be fully and finally, settled, compromised and released or otherwise assigned, transferred or alienated as set forth in this Plan upon the Distribution Amount being fully paid to the Monitor, it being understood that any Affected Claim that is paid in full pursuant to this Plan before such date shall be settled, compromised and released on the date of such payment. This Plan shall be binding on and enure to the benefit of the Petitioner, the Affected Creditors, the Released Parties, any trustee, agent or other Person acting on behalf of any Affected Creditor and such other Persons who have received the benefit of, or are bound by any waivers, releases or indemnities hereunder.

### 2.2 Classes of Affected Claims

There shall only be one class of Affected Creditors for the purpose of voting on, and receiving distributions pursuant to this Plan, being the Affected Creditors Class.

### 2.3 Unaffected Claims

- a) This Plan does not affect the following claims (each, an "**Unaffected Claim**" and, collectively, the "**Unaffected Claims**"), the holders of which will not be entitled to vote at the Creditors' Meeting or receive any distributions under this Plan in respect thereof:
  - (i) the Excluded Claims;
  - (ii) any Administration Claim;
  - (iii) any D&O Claim;
  - (iv) any claim with respect to gift-cards, lay-away deposits and other customer certificates (collectively, "**Gift Card Claims**");
  - (v) Crown Claims;

- (vi) Section 6(5) Claims;
  - (vii) Section 19(2) Claims; and
  - (viii) Secured Claims.
- b) Nothing in this Plan shall affect the Petitioner's rights and defences, both legal and equitable, with respect to any Unaffected Claim including any rights arising under or pursuant to the Claims Procedure Order or this Plan or any rights with respect to legal and equitable defences or entitlements to set-offs or recoupments against such Unaffected Claims.

#### **2.4 Treatment of Affected Claims**

- a) At any time prior to August 14, 2012, any Affected Creditor may elect, by written notice to the Monitor to that effect, (in any manner acceptable to the Monitor) to receive the lesser of \$ 1,000.00 or the amount of its Proven Claim or to irrevocably and unconditionally reduce such Proven Claim to \$ 1,000.00, whereupon:
- (i) any such Proven Claim in excess of \$ 1,000.00 shall be deemed, for all purposes, to have been irrevocably and unconditionally reduced to \$ 1,000.00 and the Affected Creditor having a Proven Claim in excess of \$ 1,000.00 shall be deemed to have irrevocably and unconditionally waived and renounced to any rights to participate in any further distribution; and
  - (ii) any such Affected Creditor shall be treated as an Electing Creditor and such Creditor's Proven Claim shall be treated as an Electing Creditor Claim under this Plan.
- b) The Distribution Amount shall be paid by the Petitioner without any interest thereon whatsoever, in full and final settlement, release and discharge of all Affected Claims, on the following dates, namely:
- (i) the full amount of all Electing Creditor Claims shall be paid to the Monitor on or before September 14, 2012 for distribution to all Electing Creditors as herein set forth, in full and final settlement, release and discharge of all Electing Creditor Claims;
  - (ii) an amount of \$ 1,000,000, less all amounts set forth in Section 2.4b)(i) hereof, shall be paid by the Petitioner to the Monitor on or before the First Instalment Date, for distribution to all Affected Creditors (other than Electing Creditors) as herein set forth;
  - (iii) a second amount of \$ 1,000,000 shall be paid by the Petitioner to the Monitor on or before February 3, 2013 for distribution to all

Affected Creditors (other than Electing Creditors) as herein set forth;

- (iv) a third amount of \$ 500,000 shall be paid by the Petitioner to the Monitor on or before September 14, 2013 for distribution to all Affected Creditors (other than Electing Creditors) as herein set forth;
  - (v) a fourth amount of \$ 1,500,000 shall be paid by the Petitioner to the Monitor on or before February 2, 2014 for distribution to all Affected Creditors (other than Electing Creditors) as herein set forth;
  - (vi) a fifth amount of \$ 500,000 shall be paid by the Petitioner to the Monitor on or before September 14, 2014 for distribution to all Affected Creditors (other than Electing Creditors) as herein set forth; and
  - (vii) a sixth amount of \$ 1,500,000 shall be paid by the Petitioner to the Monitor on or before February 28, 2015 for distribution to all Affected Creditors (other than Electing Creditors) as herein set forth.
- c) Notwithstanding the foregoing, the Petitioner may, with the Monitor's consent, defer the date on which any instalment is to be made, so long as the payment date of any instalment is not delayed for more than 90 days.
- d) All amounts referred to in 2.4b)(i) to 2.4b)(vii) hereof (if applicable) shall be paid by the Petitioner to the Monitor on or before each of the respective dates therein set forth and shall thereafter be distributed by the Monitor to the Affected Creditors, according to the amount of their respective Proven Claims, as follows:
- (i) the amounts set forth in Section 2.4a) hereof shall be distributed by the Monitor to the Electing Creditors as set forth in Section 2.4b)(i) hereof; and
  - (ii) the amounts set forth in Sections 2.4b)(ii) through 2.4b)(vii) shall be distributed by the Monitor to the Affected Creditors (other than the Electing Creditors) on a *pro rata* basis, according to the amounts of their respective Proven Claims.

**ARTICLE 3  
TREATMENT OF UNAFFECTED CREDITORS**

**3.1 Treatment of the DIP Lender**

On or before the Plan Implementation Date, the DIP Lender shall receive full payment in cash of the DIP Claim.

**3.2 Treatment of Excluded Claims and Insurance**

Subject to Section 3.1 hereof, the other Excluded Claims and any Insurance Claim will remain in full force and effect in accordance with their terms after the Plan Implementation Date, and will be paid in full by the Petitioner in the normal course of its operations as and when they become due.

**3.3 Treatment of Administration and D&O Claims**

All Administration Claims, and all D&O Claims, if any, will be paid in full by the Petitioner as and when they become due, and any remaining balance will be settled as soon as practicable after the issuance of the Certificate of Performance.

**3.4 Treatment of Gift Card Claims**

Gift Card Claims will be honoured in accordance with the terms of the relevant gift card, gift certificate or lay-away deposit upon presentation of such gift card, gift certificate or lay-away deposit by the holder at any of the Petitioner's retail stores.

**3.5 Treatment of Crown Claims**

Within six months after the Plan Implementation Date, all Crown Claims will be paid in full by the Petitioner.

**3.6 Treatment of Section 6(5) Claims**

Section 6(5) Claims, if any, will be paid in such amounts as required under the CCAA immediately after the Plan Implementation Date.

**3.7 Section 19(2) Claims**

Section 19(2) Claims, if any, will be paid by the Petitioner as and when they become due.

**3.8 Secured Claims**

Secured Claims will be dealt with as provided for under the agreements between the Petitioner and the relevant Secured Creditor, or as may be otherwise agreed by them.

**ARTICLE 4**  
**VALUATION OF CLAIMS, CREDITORS' MEETING AND RELATED**  
**MATTERS**

**4.1 Conversion of Affected Claims into Canadian Currency**

For the purposes of determining the value of Affected Claims denominated in currencies other than Canadian dollars for voting purposes, such Affected Claims shall be converted by the Monitor to Canadian dollars at the Bank of Canada noon spot rate of exchange for exchanging currency to Canadian dollars on the Determination Date (which in the case of US Dollars was C \$ 0.9793 for US \$1 dollar).

**4.2 Affected Claims**

Affected Creditors shall be entitled to prove their respective Affected Claims, vote their Voting Claims in respect of the Plan, and, if their Affected Claims become Proven Claims, receive the distributions provided for pursuant to the Claims Procedure Order and this Plan.

All amounts recognized as Voting Claims or Proven Claims shall be net of any amount that the Petitioner is entitled to offset, recoup, compensate or otherwise apply in reduction of such amounts, including on account of any Capped Rent Rebate or Volume Rebate to which the Petitioner is entitled.

**4.3 Creditors' Meeting**

The Creditors' Meeting shall be held in accordance with this Plan, the Claims Procedure Order, and any further Order which may be made from time to time for the purposes of considering and voting on the Resolution or other matters to be considered at the Creditors' Meeting.

**4.4 Approval by Affected Creditors**

The Petitioner will seek approval of the Plan by the affirmative vote of the Required Majorities. The Resolution to be voted on at the Creditors' Meeting, which will be decided by the Required Majorities on a vote by ballot, unless the Chair decides, in his or her sole discretion, to hold such vote by way of show of hands. The result of any vote will be binding on all Affected Creditors, whether or not any such Affected Creditor is present and voting (in person or by proxy) at the Creditors' Meeting.

**4.5 Claims Bar Date and Restructuring Bar Date**

If an Affected Creditor holding an Affected Claim has failed to file its Proof of Claim prior to the relevant Claims Bar Date or Restructuring Claims Bar Date and has not been permitted to file a late claim pursuant to an Order, that Affected Creditor shall be barred from voting at the Creditors' Meeting and the Affected Creditor shall have no right to receive a distribution, and the Petitioner shall be released from the Affected

Claims of such Creditor and Section 6.2 of this Plan shall apply to all such Affected Claims.

#### **4.6 Holders of Equity Claims**

Any Persons holding an Equity Claim shall not be entitled to receive any payment, compensation or distribution hereunder with respect to their Equity Claims, and any Claims that any such Persons may have that are directly or indirectly related to or are derived from such Equity Claims shall be deemed to be released in full. Any Person holding an Equity Claim shall also not be entitled to vote in respect of such Equity Claim on the Plan at a Meeting of Affected Creditors.

### **ARTICLE 5 PROCEDURE FOR RESOLVING DISTRIBUTIONS IN RESPECT OF DISPUTED CLAIMS**

#### **5.1 No Distributions Pending Allowance**

Notwithstanding any other provision of this Plan, no distributions shall be made with respect to a Disputed Claim unless and until it has become a Proven Claim. Disputed Claims shall be dealt with in accordance with the Claims Procedure Order and this Plan.

#### **5.2 Distributions From Reserve Once Disputed Claims Resolved**

The Monitor shall make allocations from the Reserve to holders of Disputed Claims following the First Instalment Date in accordance with this Plan. To the extent that Disputed Claims become Proven Claims after the First Instalment Date, the Monitor shall, from time to time at its sole discretion, distribute from the Reserve to the holders of such Proven Claims, the amount which they would have been entitled to receive in respect of such Proven Claims had such Claims been Proven Claims on the First Instalment Date. To the extent that any Disputed Claim or a portion thereof has become a Disallowed Claim, then the Monitor shall distribute, to the holders of Claims that have previously been adjudicated under this Plan to be Proven Claims, their pro rata share from the Reserve of such additional amount kept in the Reserve on account of such Disallowed Claims.

### **ARTICLE 6 EFFECT OF THE PLAN AND RELEASES**

#### **6.1 Effect of the Plan**

Upon the Distribution Amount being remitted to the Monitor and the issuance of the Certificate of Performance, all Affected Claims shall be deemed to be fully and finally settled, compromised and released, as of the date of issuance of the Certificate of Performance, subject only to an Affected Creditor's right to recover the distributions under this Plan, except for such claims as may have been fully paid prior to such date, in which case those Affected Claims will be deemed to be settled as of such payment.

## 6.2 Plan Releases

Upon the implementation of this Plan on the Plan Implementation Date, (i) the Petitioner; (ii) the Monitor and its legal counsel in the CCAA Proceedings; (iii) all present and future directors, officers and employees, legal counsel, financial advisors, consultants and agents of the Petitioner in such capacities (and their respective directors, officers and employees); and (iv) the DIP Lender and its legal counsel in the CCAA Proceedings (each being herein referred to individually as a “**Released Party**”) shall be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person (including any Secured Creditor in respect of each Released Party, except the Petitioner and solely in respect of its Secured Claim), may be entitled to assert (including any and all Claims in respect of statutory liabilities of present and former directors, officers and employees of the Petitioner and any alleged fiduciary or other duty) whether known or unknown, mature or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing or other occurrence existing or taking place on or prior to the Plan Implementation Date in any way relating to, arising out of or in connection with Claims, the business and affairs of the Petitioner, this Plan and the CCAA Proceedings, and all claims arising out of such actions or omissions shall be forever waived and released (other than the right to enforce the Petitioner’s obligations under the Plan or any related document), all to the full extent permitted by law, provided that nothing herein:

- a) shall release or discharge a Released Party from an Unaffected Claim or shall release or discharge the Petitioner from or in respect of its obligations under this Plan;
- b) shall affect the right of any Person:
  - (i) to recover an indemnity from any insurance coverage under which that Person is an insured; or
  - (ii) to obtain recovery on a claim or liability against a Released Party from any insurance coverage pursuant to which that Released Party is an insured, but, for certainty, any claim or liability to which an insurer is or would otherwise be subrogated as against the Petitioner is released hereunder and the recovery to which such Person shall be entitled under such insurance coverage shall be limited to the proceeds of insurance actually paid by the insurer with respect to such claim or liability; or
- c) shall release or discharge present or former directors of the Petitioner with respect to matters set out in Section 5.1(2) of the CCAA;

and provided further, however, that, notwithstanding the foregoing release under the Plan, any Claim shall remain subject to any right of set-off that otherwise would be available to the Person against whom such Claim is asserted.

### **6.3 Injunction Related to Releases**

The Sanction Order will enjoin the prosecution, whether directly, derivatively or otherwise, of any claim, obligation, suit, judgment, damage, demand, debt, right, cause of action, liability or interest released, discharged or terminated pursuant to this Plan.

### **6.4 Waiver of Defaults**

From and after the Plan Implementation Date, all Persons shall be deemed to have waived any and all defaults of the Petitioner (except for defaults under the securities, contracts, instruments, releases and other documents delivered under this Plan or entered into in connection herewith or pursuant hereto) then existing or previously committed by the Petitioner or caused by the Petitioner, directly or indirectly, or non-compliance with any covenant, positive or negative pledge, warranty, representation, term, provision, condition or obligation, express or implied, in any contract, credit document, agreement for sale, lease or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Person and the Petitioner arising from the filing by the Petitioner under the CCAA or the transactions contemplated by this Plan or otherwise, and any and all notices of default and demands for payment under any instrument, including any guarantee arising from such default, shall be deemed to have been rescinded.

## **ARTICLE 7 PROVISIONS GOVERNING DISTRIBUTIONS**

### **7.1 Partial Distributions for Claims Allowed**

Except as otherwise provided herein or as ordered by the Court, distributions shall be made by the Monitor at the time and in the manner deemed reasonable by the Monitor, and partial distributions may be made prior to receipt of the full amount of the Distribution Amount. In such a case, all such partial payments shall represent the pro rata amount of the distribution to which the holders of a Proven Claim would otherwise be entitled to receive.

Notwithstanding the foregoing, the amount referred in Section 2.4b)(i) shall be distributed to the Electing Creditors within a reasonable time after receipt of the amount referred to in that Section.

### **7.2 Currency to be used for the Distribution**

For the purposes of determining of the Claims denominated in currencies other than Canadian dollars for distribution purposes, such Claims shall be converted by the Monitor to Canadian dollars at the Bank of Canada noon spot rate of exchange for



exchanging currency to Canadian dollars on the Determination Date (which in the case of US Dollars was C \$ 0.9793 for US \$ 1 dollar).

### **7.3 Assignment of Claims**

For purposes of determining entitlement to receive any distribution pursuant to this Plan, the Petitioner and the Monitor and each of their respective agents, successors and assigns shall have no obligation to recognize any transfer of Claims except as provided for under the Claims Procedure Order.

### **7.4 Interest on Affected Claims**

Except as specifically provided in the Plan, the Sanction Order or any contract, instrument release, settlement or other agreement entered into in connection with this Plan, following the Determination Date, interest shall not be treated as accruing on account of any Affected Claims for purposes of determining the allowance and distribution of such Affected Claim. To the extent that any Proven Claim to which a distribution under this Plan relates is comprised of indebtedness and accrued but unpaid interest thereon, such distribution shall, to the extent permitted by applicable law, be allocated for Tax purposes to the principal amount of the Proven Claim (including the secured and unsecured portion of the principal amount of such Proven Claim) first and then, to the extent that the consideration exceeds the principal amount of the Proven Claim, to the portion of such Proven Claim representing accrued but unpaid interest (including interest in respect of any secured portion of such Proven Claim).

### **7.5 Distributions by Monitor**

The Petitioner shall be entitled to remit to the Monitor the Distribution Amount in five instalment payments, as provided for in Section 2.4. The Monitor shall make all distributions required under this Plan subject to the provisions of Article 5 and Article 7 hereof. The Monitor shall receive, without further Court approval, reasonable compensation from the Petitioner for distribution services rendered pursuant to the Plan.

### **7.6 Delivery of Distributions**

- a) Proven Claims. Subject to Section 7.3 hereof, distributions shall be made by the Monitor (i) at the addresses set forth on the Proof of Claim form filed by the Affected Creditors (or at the last known addresses of such Affected Creditors if no Proof of Claim form was filed or if the Petitioner or the Monitor have been notified in writing of a change of address), (ii) at the addresses set forth in any written notice of address change delivered to the Monitor after the date of any related Proof of Claim, or (iii) in a registered retirement savings plan account designated by any employee of the Petitioner.
- b) Undeliverable Distributions. If any distribution to a Creditor is returned as undeliverable, no further distributions to such Creditor shall be made unless and until the Monitor is notified of the then-current address of such

Creditor, at which time all missed distributions shall be made to such Creditor without interest. The Petitioner shall make reasonable efforts to locate Affected Creditors for which distributions were undeliverable. Any claim for undeliverable distributions must be made on or before the later to occur of (i) three months after the Final Instalment Date, or (ii) three months after such Creditor's Claim becomes a Proven Claim, after which date all unclaimed property shall revert to the Petitioner free of any restrictions or claims thereon and the claim of any Creditor with respect to such property shall be discharged and forever barred, notwithstanding any federal or provincial laws to the contrary.

### **7.7 No Double Recovery**

The aggregate recovery on account of any Proven Claim from all sources, regardless of whether on account of a theory of primary or secondary liability, by reason of guarantee, surety, indemnity, joint and several obligations or otherwise, shall not exceed (A) 100 % of the underlying indebtedness, liability or obligation giving rise to such Claim or, (B) where the underlying indebtedness, liability or obligation giving rise to such Claim is denominated in a currency (the "**Original Currency**") other than Canadian dollars, 100 % of such underlying indebtedness, liability or obligation after conversion of the value of the distributions received in Canadian dollars back to the Original Currency at the Bank of Canada noon spot rate of exchange for exchanging Canadian dollars to the Original Currency on the date of applicable distribution date.

### **7.8 Guarantees and Similar Covenants**

No Person who has a Claim under any guarantee, surety, indemnity or similar covenant in respect of any Claim which is settled, compromised, released or otherwise dealt with under this Plan or who has any right under any such covenant against a Creditor in respect of, or to be subrogated to, the rights of any Person in respect of a Claim which is compromised under this Plan shall not be entitled to any greater rights than the Creditor whose Claim is settled, compromised, released or otherwise dealt with under this Plan.

## **ARTICLE 8 IMPLEMENTATION OF THE PLAN**

### **8.1 Conditions Precedent to Implementation of Plan**

The implementation of this Plan by the Petitioner is subject to the following conditions precedent which, except for subsection a) below and as otherwise would be in violation of applicable Laws, may be waived as provided in Section 8.2 hereof:

- a) the approval of this Plan by the Required Majorities shall have been obtained;

- b) the Sanction Order sanctioning this Plan shall have been issued, and not appealed from and the operation and effect of the Sanction Order shall not have been stayed, reversed or amended, and shall, among other things:
- (i) declare that: (i) this Plan has been approved by the Required Majorities of Affected Creditors of the Petitioner in conformity with the CCAA; (ii) the Petitioner has complied with the provisions of the CCAA and the Orders of the Court made in the CCAA Proceedings in all respects; (iii) the Court is satisfied that the Petitioner has neither done nor purported to do anything that is not authorized by the CCAA; and (iv) this Plan and the transactions contemplated thereby are fair and reasonable;
  - (ii) order that this Plan, including the compromises and arrangements set out herein, is sanctioned and approved pursuant to Section 6 of the CCAA and, as at the Plan Implementation Date, will be effective and will enure to the benefit of and be binding upon the Petitioner, the Affected Creditors and all other Persons stipulated in this Plan or in the Sanction Order;
  - (iii) order that the full and final release and discharge of the Claims will be effective and will enure to the benefit of and be binding upon the Petitioner, the Affected Creditors and all other Persons stipulated in this Plan upon the issuance of the Certificate of Performance;
  - (iv) declare that the Petitioner and the Monitor are authorized to take all steps and actions necessary to implement this Plan;
  - (v) declare that all Proven Claims determined in accordance with the Claims Procedure Order are final and binding on the Petitioner and all Affected Creditors;
  - (vi) a declaration and an order declaring that any Claims for which a Proof of Claim has not been filed by the Claims Bar Date shall be forever barred and extinguished;
  - (vii) a declaration and order declaring that all distributions and payments by or at the direction of the Monitor, in each case on behalf of the Petitioner, under the Plan are for the account of the Petitioner and the fulfillment of its obligations under the Plan;
  - (viii) a declaration and an order declaring that the Petitioner and the Monitor may apply to the Court for advice and direction in respect of any matters arising from or under the Plan;
  - (ix) declare that, subject to the performance by the Petitioner of its obligations under this Plan, all contracts, leases, agreements and

other arrangements to which the Petitioner are a party and that have not been terminated or repudiated pursuant to the Initial Order will be and remain in full force and effect, unamended, as at the Plan Implementation Date, and no Person who is a party to any such contract, lease, agreement or other arrangement may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of dilution or other remedy) or make any demand under or in respect of any such contract, lease, agreement or other arrangement and no automatic termination will have any validity or effect, by reason of:

- i. any event that occurred on or prior to the Plan Implementation Date and is not continuing that would have entitled such Person to enforce those rights or remedies (including defaults, events of default, or termination events arising as a result of the insolvency of the Petitioner);
  - ii. the insolvency of the Petitioner or the fact that the Petitioner sought or obtained relief under the CCAA; or
  - iii. any compromises or arrangements effected pursuant to this Plan or any action taken or transaction effected pursuant to this Plan;
- (x) declare that the stay of proceedings under the Initial Order continues until the Plan Implementation Date;
- (xi) confirm the scope of the release contemplated by Section 6.2;
- (xii) preclude the commencement or prosecution, whether directly, derivatively or otherwise, or any demands, claims, actions, causes of action, counterclaims, suits, or any indebtedness, liability, obligation or cause of action released and discharged pursuant to this Plan;
- (xiii) order that the DIP Lender Charge will be released and discharged as of the Plan Implementation Date upon receipt of an acknowledgment by the DIP Lender of payment in full of the DIP Claim;
- (xiv) order that all CCAA Charges, other than the DIP Lender Charge and the Insurance Charge, will be released and discharged upon the issuance of the Sanction Order; and
- c) the Replacement Loan is disbursed following (i) the satisfaction of the condition in Section 8.1a), and (ii) the Sanction Order being issued without an appeal having been lodged therefrom prior to disbursement.

## **8.2 Waiver of Conditions**

Each of the conditions set forth in Section 8.1 above except for the conditions set forth in Section 8.1a), may be waived in whole or in part by the Petitioner or the other relevant parties to the documents and transactions referred to therein without any other notice to parties in interest or the Court and without a hearing. The failure to satisfy or waive any condition prior to the Plan Implementation Date may be asserted by the Petitioner regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Petitioner). The failure of the Petitioner to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right that may be asserted at any time.

## **8.3 Monitors' Certificate**

Upon satisfaction of all the conditions set out in Section 8.1 (or waiver thereof, as the case may be), the Monitor shall file with the Court a certificate stating that all such conditions have occurred or have been satisfied or waived, as the case may be, and that the Plan Implementation Date has occurred (the "**Monitor's Certificate**").

## **8.4 Certificate of Performance**

Upon receipt of the last instalment payable by the Petitioner pursuant to Section 2.4, the Monitor will deposit with the Court a certificate of performance of the Plan (the "**Certificate of Performance**").

## **8.5 Effect of Plan**

As of the issuance of the Certificate of Performance, the settlement of the Affected Claims in accordance with this Plan shall become final and binding on the Petitioner, and all of the Affected Creditors and their respective successors and assigns, and this Plan shall result in the full and final settlement of all Affected Claims, including for greater certainty, any Restructuring Claim and any Claims resulting, directly or indirectly, from the consequences and effects relating to the acceptance of the Plan by the Affected Creditors, its sanction by the Court, or its implementation, and any indebtedness, obligations or undertakings which the Petitioner may subsequently become subject to, directly or indirectly, as a result of an obligation, transaction or an event that occurred before the Determination Date, as well as any indebtedness, obligations or any undertakings that the Petitioner may be subject to on any date whatsoever in connection with the Plan, the approval thereof by the Court or the implementation thereof. For greater certainty, this Plan shall not affect or impair any rights, remedies and recourses which the Petitioner had, has or may have after the issuance of the Certificate of Performance in connection with transactions, facts or obligations existing prior to the Determination Date.

## **ARTICLE 9 CREDITORS' COMMITTEE**

The Affected Creditors may appoint a Creditors' Committee at the Creditors' Meeting consisting of not more than three (3) persons, one of whom shall be the Chairman of the Committee, to exercise the following duties:

- a) be informed from time to time by the Monitor of the progress made in implementing the Plan;
- b) extend, where applicable, the time period for payment to the Monitor of any sum to be distributed to the Affected Creditors beyond the delays provided for in Section 2.4c); and
- c) assist the Monitor in an advisory capacity in relation to the administration of the Plan.

The Chairman of the Committee will receive compensation for his services paid by the Petitioner equal to that paid to the Petitioner's external directors for their participation at meetings of the Petitioner's board of directors. The other members of the Committee will be paid reasonable compensation for their actual time and services rendered to the Committee. For sake of greater clarity, the compensation to be paid to the members of the Committee will not be paid from the Distribution Amount, but in addition thereto.

## **ARTICLE 10 MISCELLANEOUS**

### **10.1 Confirmation of Plan**

Provided that this Plan is approved by the Required Majorities, and the Sanction Order is made in form and substance acceptable to the Petitioner and the DIP Lender, each acting reasonably, and the satisfaction or waiver of the conditions to the implementation of this Plan set forth in Article 8 hereof, this Plan shall be implemented by the Petitioner and shall be binding upon the Petitioner and all Persons referred to in Section 2.1 hereof and their respective successors and assigns.

### **10.2 Paramountcy**

From and after the Plan Implementation Date, any conflict between this Plan and/or the covenants, warranties, representations, terms, conditions, provisions or obligations, express or implied, of any contract, mortgage, security agreement, and/or indenture, trust indenture, loan agreement, commitment letter, agreement for sale, the by-laws of the Petitioner, lease or other agreement, undertaking or any other source of obligations, written or oral and any and all amendments or supplements thereto existing between one or more of the Affected Creditors and the Petitioner as at the Plan Implementation Date will be deemed to be governed by the terms, conditions and provisions of this Plan and the Sanction Order, which shall take precedence and priority.

For greater certainty, all Affected Creditors shall be deemed irrevocably for all purposes to consent to all transactions contemplated in and by this Plan.

### **10.3 Modification of Plan**

The Petitioner, in consultation with the Monitor and the DIP Lender, reserves the right to file any modification of, or amendment or supplement to, this Plan by way of a supplementary plan or plans of reorganization, compromise or arrangement (or any one or more thereof) at or before the Creditors' Meeting, in which case any such supplementary plan or plans of reorganization, compromise or arrangement (or any one or more thereof), shall, for all purposes, be and be deemed to form part of and be incorporated into this Plan. The Petitioner shall file any supplementary plans with the Court as soon as practicable. The Petitioner shall give notice to Affected Creditors of the details of any such modification, amendment or supplement at the Creditors' Meeting prior to the vote being taken to approve this Plan. The Petitioner may give notice of a proposed modification, amendment or supplement to this Plan at or before the Creditors' Meeting by notice which shall be sufficient if given to those Affected Creditors present at such meeting in person or by proxy.

After the Creditors' Meeting (and both prior to and subsequent to the obtaining of the Sanction Order), the Petitioner, in consultation with the Monitor and, if prior to the Plan Implementation Date, the DIP Lender, may at any time and from time to time vary, amend, modify or supplement this Plan, except the amount of the Distribution Amount, without the need for obtaining an order of the Court or providing notice to the Affected Creditors if the Monitor determines that such variation, amendment, modification or supplement would not be materially prejudicial to the interests of the Affected Creditors under this Plan or the Sanction Order and is necessary in order to give effect to the substance of this Plan or the Sanction Order.

### **10.4 Deeming Provisions**

In this Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

### **10.5 Sections 95 to 101 BIA**

Notwithstanding Section 36.1 of the CCAA, Sections 38 and 95 to 101 of the *Bankruptcy Insolvency Act* (Canada) shall not apply to this Plan, and neither the Monitor nor any Creditor may exercise a right or remedy, or commence an action or proceeding based on those sections.

### **10.6 Responsibilities of the Monitor**

The Monitor is acting in its capacity as Monitor in the CCAA Proceedings with respect to the Petitioner and not in its personal or corporate capacity and will not be responsible or liable for any responsibilities or obligations of the Petitioner under this Plan or otherwise, including with respect to the making of distributions or the receipt of any distribution by any Creditor or any other Person pursuant to the Plan. The Monitor

will have the powers and protections granted to it by this Plan, the CCAA, the Initial Order, the Claims Procedure Order, the Sanction Order and any other Orders

## 10.7 Notices

- a) Any notices or communication to be made or given hereunder to the Petitioner or the Monitor shall be in writing and shall refer to this Plan and may, subject as hereinafter provided, be made or given by personal delivery, by courier, by prepaid mail or by telecopier addressed to the respective parties as follows:

- (i) if to Petitioner:

Hart Stores Inc. / Magasins Hart Inc.  
900 Place Paul-Kane  
Laval (Quebec) H7C 2T2  
Canada

Attention: Robert Farah  
Fax: (450) 661.1054

With a copy to:

Heenan Blaikie LLP  
1250, Rene-Levesque Blvd. West, Suite 2500  
Montreal (Quebec) H3B 3V2  
Canada

Attention: Michael J. Hanlon  
Nicolas Plourde  
Stephen D. Hart  
Fax: (514) 846-3427

- (ii) if to the Monitor:

RSM Richter Inc.  
2 Place Alexis-Nihon  
Montreal (Quebec) H3Z 3C2  
Canada

Attention: Benoît Gingues  
Stéphane de Broux  
Fax: (514) 934.3504

With a copy to:

McCarthy Tetrault  
1000 De La Gauchetiere Street West



Suite 2500  
Montreal (Quebec) H3B 0A2  
Canada

Attention: Alain N. Tardif  
Fax: (514) 875-6246

or to such other address as any party may from time to time notify the others in accordance with this Section 10.7. In the event of any strike, lock-out or other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by telecopier and any notice or other communication given or made by prepaid mail within the five Business Day period immediately preceding the commencement of such interruption, unless actually received, shall be deemed not to have been given or made. All such notices and communications shall be deemed to have been received, in the case of notice by telecopier or by delivery prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and, in the case of notice mailed as aforesaid, on the fourth Business Day following the date on which such notice or other communication is mailed. The unintentional failure by the Petitioner or the Monitor to give any notice contemplated hereunder to any particular Creditor shall not invalidate this Plan or any action taken by any Person pursuant to this Plan.

- b) Any notices or communication to be made or given hereunder by the Monitor or the Petitioner to a Creditor may be sent by e-mail, ordinary mail, registered mail, courier or facsimile transmission to the email address, address or facsimile number specified by such Creditor in its Proof of Claim, or in any subsequent written notice of change of address given to the Monitor. A Creditor shall be deemed to have received any document sent pursuant to this Plan four Business Days after the document is sent by ordinary or registered mail and on the Business Day immediately following the day on which the document is sent by courier, email or facsimile transmission.

#### **10.8 Severability of Plan Provisions**

If, prior to the Sanction Date, any term or provision of this Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Petitioner, which request shall be made in consultation with the Monitor and the DIP Lender, shall have the power to either (i) sever such term or provision from the balance of this Plan and provide the Petitioner with the option to proceed with the implementation of the balance of this Plan as of and with effect from the Plan Implementation Date, or (ii) alter and interpret such term or provision to make it valid and enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be

invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such severing, holding, alteration or interpretation, and provided the Petitioner proceeds with the implementation of this Plan, the remainder of the terms and provisions of this Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such severing, holding, alteration or interpretation.

#### **10.9 Revocation, Withdrawal or Non-Consummation**

The Petitioner, upon consultation with the Monitor and the DIP Lender, reserves the right to revoke or withdraw this Plan at any time prior to the Sanction Date and to file subsequent plans of arrangement and compromise. If the Petitioner revokes or withdraws this Plan, or if the Sanction Order is not issued, (i) this Plan shall be null and void in all respects, (ii) any Claim, any settlement or compromise embodied in this Plan (including the fixing or limiting of any Claim to an amount certain), assumption or termination, repudiation of executory contracts or leases affected by this Plan, and any document or agreement executed pursuant to this Plan shall be deemed null and void, and (iii) nothing contained in this Plan, and no act taken in preparation for consummation of this Plan, shall: (a) constitute or be deemed to constitute a waiver or release of any Claims by or against the Petitioner or any other Person; (b) prejudice in any manner the rights of the Petitioner or any Person in any further proceedings involving the Petitioner; or (c) constitute an admission of any sort by the Petitioner or any other Person.

#### **10.10 Further Assurance**

Notwithstanding that the transactions and events set out in this Plan shall occur and be deemed to occur in the order set out herein without any additional act or formality, each of the Persons affected hereby shall make, do and execute, or cause to be made, done and executed at the cost of the requesting party, all such further acts, deeds, agreements, transfers, assurances, instruments or, documents as may reasonably be required by the Petitioner in order to better implement this Plan.

#### **10.11 Governing Law**

This Plan shall be governed by and construed in accordance with the law of the Province of Quebec and the federal laws of Canada applicable therein. Any questions as to the interpretation or application of this Plan and all proceedings taken in connection with this Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

#### **10.12 Successors and Assigns**

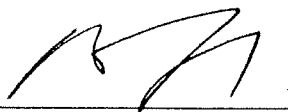
This Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and permitted assigns of any Person named or referred to in Section 2.1 hereof.

*[Signature Page Follows]*

Signed in Montreal, Quebec, this 15<sup>th</sup> day of February , 2012.

**HART STORES INC. / MAGASINS  
HART INC.**

Per:



Robert Farah

# **EXHIBIT R-2**

**Court File No. 500-11-041238-110**

**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 AND ARRANGEMENT**

**OF**

**HART STORES INC. / MAGASINS HART INC.**

**PLAN OF COMPROMISE AND ARRANGEMENT UNDER THE *COMPANIES'*  
*CREDITORS ARRANGEMENT ACT*, R.S.C.  
1985, c. C-36,**

**January 20, 2012**

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## PLAN OF COMPROMISE AND ARRANGEMENT

Plan of Compromise and Arrangement of Hart Stores Inc. / Magasins Hart Inc. pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

In this Plan, unless otherwise stated or the context otherwise requires:

“**Administration Charge**” has the meaning ascribed to such term in the Initial Order;

“**Administration Claim**” means a Claim secured by the Administration Charge;

“**Affected Claim**” means any Claim other than an Unaffected Claim;

“**Affected Creditor**” means a Creditor holding an Affected Claim, but only to the extent of its Affected Claim;

“**Affected Creditors Class**” means the class of Affected Creditors;

“**Business Day**” means a day, other than a Saturday, a Sunday, or a non-judicial day (as defined in article 6 of the *Code of Civil Procedure*, R.S.Q., c. C-25, as amended);

“**Capped Rent Period**” means, with respect to any lease or offer to lease for real or immovable property entered into with, or assumed by, the Petitioner containing provisions for a Capped Rent Rebate, the period in reference to which the Capped Rent Rebate is calculated;

“**Capped Rent Rebate**” means the amount of the credit to which the Petitioner is entitled against future amounts to be paid, or a reimbursement of amounts already paid to the landlord, whether as rent or otherwise, under a lease or offer to lease for real or immovable property, when the Petitioner's sales effected on the leased property did not exceed a certain threshold during the Capped Rent Period, calculated in accordance with the terms of such lease. In the case of a Disclaimed Lease, where the disclaimer became effective prior to the term of the Capped Rent Period, the Capped Rent Rebate will be prorated for that portion of the Capped Rent Period between the beginning of such period and the date on which the disclaimer or termination became effective;

“**CCAA**” means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended;

“**CCAA Charge(s)**” means the Administration Charge, the DIP Lender Charge, the Insurance Charge and the Post-Filing Suppliers Charge;



“**CCAA Proceedings**” means the proceedings in respect of the Petitioner before the Court commenced pursuant to the CCAA;

“**Certificate of Performance**” has the meaning ascribed to it in Section 8.4;

“**Chair**” means the Monitor, or the person designated by the Monitor to preside as chairperson at the Creditors’ Meeting;

“**Claim**” means any right of any Person against the Petitioner in connection with any indebtedness, liability or obligation of any kind of the Petitioner owed to such person and any interest, or penalties accrued thereon or costs payable in respect thereof, whether liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation is based in whole or in part on facts existing, or transactions which occurred, prior to the Determination Date, or which would have been claims provable in bankruptcy had the Petitioner become bankrupt on the Determination Date, and, without limitation, including any Restructuring Claim, but excluding any Unaffected Claim;

“**Claims Bar Date**” means the bar date of January 31, 2012 for the filing of Claims for voting or distribution purposes, as set out in the Claims Procedure Order;

“**Claims Procedure Order**” means the Claims and Meetings Procedure Order issued by the Court on November 28, 2011, establishing, among other things, procedures for proving Claims and the calling of the Creditors’ Meeting, as amended or supplemented from time to time by further Order(s) of the Court;

“**Court**” means the Quebec Superior Court of Quebec (Commercial Division);

“**Creditor**” means any Person having a Claim and may, where the context requires, include the assignee of a Claim or a trustee, interim receiver, receiver, receiver and manager, or other Person acting on behalf of such Person and includes a Known Creditor. A Creditor shall not include an Excluded Creditor in respect of that Person’s claim resulting from an Excluded Claim;

“**Creditors’ Meeting**” means the meeting of Affected Creditors to be convened for the purposes of voting on the Plan, and any adjournment thereof;

“**Crown Claims**” any claim of her Majesty the Queen in right of Canada or any province and described in Section 6(3) of the CCAA;

“**D&O Claim**” means any claim of a Director for indemnification, pursuant to paragraph 33 of the Initial Order;

“**Determination Date**” means August 30, 2011;

**“DIP Claim”** means any and all obligations of the Petitioner to the DIP Lender pursuant to the DIP Facility Documents or the Initial Order or relating to any outstanding letters of credit as of the Plan Implementation Date;

**“DIP Facility Documents”** means the DIP Commitment Letter dated as of August 30, 2011 by and among the Petitioner and the DIP Lender (as amended, modified, restated and / or supplemented from time to time) together with any related collateral, loan or security documents executed in connection therewith or which relate thereto;

**“DIP Lender”** means Wells Fargo Capital Finance Corporation Canada;

**“DIP Lender Charge”** shall have the meaning ascribed to such term in the Initial Order;

**“Director”** has the meaning given in the Initial Order;

**“Disallowed Claim”** means a Claim, or that portion thereof which has been disallowed, denied, dismissed or overruled by the Monitor pursuant to the Claims Procedure Order or an order of the Court in respect of which all appeal periods, if any, have expired;

**“Disclaimed Lease”** means a lease for real or immovable property which was disclaimed or resiliated by the Petitioner pursuant to Section 32 of the CCAA;

**“Disputed Claim”** means a Claim or that portion thereof that is subject to a Notice of Revision or Disallowance and, in either case, has not become a Proven Claim or a Disallowed Claim;

**“Distribution Amount”** means the amount of \$ 6,000,000 to be remitted by the Petitioner to the Monitor as provided for under Section 2.4;

**“Electing Creditor Claim”** means all Claims in respect of which the Creditors have elected (as set forth in Section 2.4 hereof) to receive the lesser of \$ 1,000 or the amount of their Claims or to reduce their respective Claims to \$ 1,000;

**“Electing Creditors”** means Creditors having an Electing Creditor Claim and **“Electing Creditor”** means any of them;

**“Equity Claim”** means any and all Claims arising from or in connection with a Person’s interest in the issued and outstanding equity in the capital of the Petitioner, including with respect to any issued and outstanding common or preferred shares of the Petitioner of every class and series, and any and all warrants, options and agreements to purchase any of the foregoing;

**“Excluded Claim”** means any right of any Person against the Petitioner in connection with any indebtedness, liability or obligation of any kind which arose with respect to transactions which occurred after the Determination Date and any interest thereon, including the DIP Claim and any obligation of the Petitioner toward creditors who have supplied or shall supply services, utilities, goods or materials or who have or shall have

advanced funds to the Petitioner after the Determination Date, but only to the extent of their claims in respect of the supply of such services, utilities, goods, materials or funds after the Determination Date and to the extent that such claims are not otherwise affected by the Plan. For greater certainty, a Restructuring Claim is not an Excluded Claim;

**“Excluded Creditor”** means a Person having a Claim in respect of an Excluded Claim but only in respect of such Excluded Claim and to the extent that the Plan does not otherwise affect such Claim;

**“Final Instalment Date”** means the date referred to in Section 2.4b)(vi), as it may be extended pursuant to Section 2.4c);

**“First Instalment Date”** means the date referred to in Section 2.4b)(i), as it may be extended pursuant to Section 2.4c);

**“Gift Card Claim”** has the meaning ascribed to it in Section 2.3a)(iv) hereof;

**“Governmental Authority”** means any (i) multinational, national, provincial, state, regional, municipal, local or other government, governmental or public department, ministry, central bank, court, tribunal, arbitral body, commission, board, official, minister, bureau or agency, domestic or foreign, (ii) subdivision, agent, commission, board or authority of any of the foregoing; or (iii) quasi-governmental or private body, including any tribunal, commission, regulatory agency or self regulatory organization, exercising any regulatory, expropriation or taxing authority under, or for the account of, any of the foregoing;

**“Initial Order”** means the order of the Court made on August 30, 2011, as renewed and amended from time to time, under the CCAA;

**“Insurance Charge”** has the meaning given in the Order rendered September 28, 2011;

**“Insurance Claim”** means a Claim secured by the Insurance Charge;

**“Laws”** means all laws, statutes, codes, ordinances, decrees, rules, regulations, by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, injunctions, orders or decisions of any Governmental Authority, statutory body or self-regulatory authority, including general principles of law having the force of law and the term **“applicable”** with respect to such Laws and, in the context that refers to any Person, means such Laws as are applicable to such Person or its business, undertaking, property or securities and emanate from a Governmental Authority or self regulatory authority having jurisdiction over the Person or its business, undertaking, property or securities;

**“Meeting Date”** means the date fixed for the Creditors’ Meeting in accordance with the Claims Procedure Order, or any subsequent Order, or any subsequent date following an adjournment of that meeting, as the case may be;

“**Monitor**” means RSM Richter Inc., in its capacity as Monitor duly appointed by the Court pursuant to the Initial Order;

“**Monitor’s Certificate**” has the meaning ascribed to it in Section 8.3;

“**Notice of Dispute**” means the appeal motion referred to in paragraph 7 (b) of the Claims Procedure Order;

“**Notice of Revision or Disallowance**” has the meaning ascribed thereto in the Claims Procedure Order;

“**Order**” means any order of the Court in the CCAA Proceedings;

“**Original Currency**” has the meaning ascribed to it in Section 7.7;

“**Person**” means any individual, corporation, limited or unlimited liability company, general or limited partnership, association, trust, trustee, executor, administrator, legal personal representative, estate, unincorporated organization, joint venture, governmental body or agency, or any other entity;

“**Petitioner**” means Hart Stores Inc. / Magasins Hart Inc.;

“**Plan**” means this plan of compromise and arrangement of the Petitioner pursuant to the provisions of the CCAA, as it may be amended, varied or supplemented by the Petitioner from time to time in accordance with its terms;

“**Plan Implementation Date**” means the date on which all conditions precedent to the implementation of this Plan, as set out in Section 8.1, have occurred or been satisfied or waived;

“**Post-Filing Suppliers Charge**” has the meaning given in the Order rendered September 28, 2011;

“**Proof of Claim**” has the meaning ascribed to such term in the Claims Procedure Order;

“**Proven Claim**” means, in respect of a Creditor, the amount of the Claim of such Creditor as finally determined for distribution purposes in accordance with Section 4.2 and the other provisions of this Plan, the CCAA and the Claims Procedure Order;

“**Released Parties**” has the meaning ascribed thereto in Section 6.2 hereof;

“**Replacement Lender**” means the person who will provide the Replacement Loan;

“**Replacement Loan**” means the senior secured facility to be provided by the Replacement Lender or such other loan provided by the Replacement Lender or another Person in lieu of the Replacement Lender;

**“Required Majorities”** means the affirmative vote of a majority in number of the Affected Creditors voting in the Affected Creditors Class, having Voting Claims and voting on the Plan (in person or by proxy) at the Creditors’ Meeting and representing not less than 66<sup>2/3</sup> % in value of the Voting Claims of the Affected Creditors voting (in person or by proxy) at the Creditors’ Meeting;

**“Reserve”** means the reserve to be established and maintained under this Plan by the Monitor by holding, on account of Disputed Claims, an amount equal to the aggregate amount that the holders of Disputed Claims would be entitled to receive if all such Disputed Claims had been Proven Claims as of the First Instalment Date;

**“Resolution”** means, collectively, when required by the context, one or any of, the resolutions providing for the approval of the Plan by the Affected Creditors;

**“Restructuring Claim”** means any right of any Person against the Petitioner in connection with any indebtedness, liability or obligation of any kind owed to such Person arising out of the restructuring, the disclaimer, or the resiliation of any contract, lease, employment agreement, collective agreement or other agreement, whether written or oral, after the Determination Date, including any right of any Person who receives a notice of repudiation or termination from the Petitioner; provided however, that a Restructuring Claim shall not include an Excluded Claim. Without limiting the generality of the above, a Restructuring Claim shall include the claim of a landlord whose lease has been disclaimed or terminated and the claim of an employee whose employment has been terminated after the Determination Date. For greater certainty, a Restructuring Claim is an Affected Claim;

**“Restructuring Claims Bar Date”** means 5:00 p.m. (Montréal time) on January 31, 2012;

**“Sanction Date”** means the date on which the Sanction Order is issued;

**“Sanction Order”** means the Order of the Court to be made under the CCAA sanctioning the Plan, as such Order may be affirmed, amended or modified by the Court at any time prior to the Plan Implementation Date or, if appealed, then, unless such appeal is withdrawn, abandoned or denied, as affirmed or amended on appeal, in form and content which is satisfactory to the Petitioner and the DIP Lender acting reasonably;

**“Section 6(5) Claim”** means any claim of an employee or former employee described in Section 6(5) of the CCAA but only to the extent of such amounts as required to be paid under the CCAA;

**“Section 19(2) Claims”** means any claim described in Section 19(2) of the CCAA;

**“Secured Claim”** means the Claim of a Secured Creditor, to the extent of the value of such Secured Creditor’s security;

**“Secured Creditor”** has the meaning given to such term in the CCAA, but only to the extent that such creditor’s mortgage, hypothec, pledge, charge, lien or other security interest over the property of the Petitioner was valid, opposable, perfected, and could be set up against third parties, including a trustee to the Petitioner’s bankruptcy, on both the Determination Date and the Claims Bar Date, failing which that Secured Creditor will be deemed to be an unsecured creditor, as such term is defined in the CCAA;

**“Taxes”** means all federal, state, provincial, territorial, county, municipal, local or foreign taxes, duties, imposts, levies, assessments, tariffs and other charges imposed, assessed or collected by a Governmental Authority, including (a) any gross income, net income, gross receipts, business, royalty, capital, capital gains, goods and services, value added, severance, stamp, franchise, occupation, premium, capital stock, sales and use, real property, land transfer, personal property, ad valorem, transfer, licence, profits, windfall profits, environmental, payroll, employment, employer health, pension plan, anti-dumping, countervail, excise, severance, stamp, occupation, or premium tax, (b) all withholdings on amounts paid to or by the relevant Person, (c) all employment insurance premiums, Canada, Quebec and any other pension plan contributions or premiums, (d) any fine, penalty, interest, or addition to tax, (e) any tax imposed, assessed, or collected or payable pursuant to any tax-sharing agreement or any other contract relating to the sharing or payment of any such tax, levy, assessment, tariff, duty, deficiency, or fee, and (f) any liability for any of the foregoing as a transferee, successor, guarantor, or by contract or by operation of law;

**“Unaffected Claim”** means any right of any Person in connection with any indebtedness, liability or obligation of any kind of the type described in Section 2.3 hereof. For greater certainty, the Unaffected Claims include the Excluded Claims;

**“Unaffected Creditor”** means a Person having a Claim in respect of an Unaffected Claim, but only in respect of such Unaffected Claim, and for greater certainty, includes an Excluded Creditor;

**“Volume Rebate”** means a rebate, whether in cash or as a credit note, granted by a supplier to the Petitioner to be applied against amounts owing, or to become owing, by the Petitioner to the supplier, based on the gross amount of purchases made by the Petitioner of such supplier’s goods or services over the Volume Rebate Period, calculated, in each case, in accordance with the agreements between the parties. In the event the Determination Date arrived during the Volume Rebate Period, then the Volume Rebate will be pro rated for that portion from the beginning of such Volume Rebate Period;

**“Volume Rebate Period”** means with respect to any supplier who has granted a Volume Rebate to the Petitioner, the period in reference to which such Volume Rebate is calculated; and

“**Voting Claim**” means, in respect of a Creditor, the amount of such Creditor’s claim which has been accepted for voting purposes in accordance with Section 4.2 and the other provisions of this Plan, the Claims Procedure Order and the CCAA.

## **1.2 Interpretation**

For purposes of this Plan:

- a) any reference in this Plan to a contract, instrument, release, indenture, agreement or other document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions;
- b) any reference in this Plan to an existing document or exhibit filed or to be filed means such document or exhibit as it may have been or may be amended, modified or supplemented;
- c) all references to currency and to “\$” or “C \$” are to Canadian dollars except as otherwise indicated;
- d) all references in this Plan to Articles and Sections are references to Articles and Sections of this Plan;
- e) unless otherwise specified, the words “hereof”, “herein” and “hereto” refer to this Plan in its entirety rather than to any particular portion of this Plan;
- f) the division of this Plan into Articles, Sections and paragraphs and the insertion of captions and headings to Articles, Sections and paragraphs are for convenience of reference only and are not intended to affect the interpretation of, or to be part of this Plan;
- g) where the context requires, a word or words importing the singular shall include the plural and vice versa and a word or words importing one gender shall include all genders;
- h) the words “includes” and “including” are not limiting; and
- i) the word “or” is not exclusive.

## **1.3 Date for any Action**

In the event that any date on which any action is required to be taken under this Plan by any of the parties is not a Business Day, that action shall be required to be taken on the next succeeding day which is a Business Day.

#### 1.4 Statutory References

Any reference in this Plan to a statute includes all regulations made thereunder and all amendments to such statute or regulations in force, from time to time, or any statute or regulations that supplement or supersede such statute or regulations.

### ARTICLE 2 COMPROMISE AND ARRANGEMENT

#### 2.1 Persons Affected

The purpose of this Plan is to provide for the full and final settlement of all Affected Claims, including any claim resulting directly or indirectly from the consequences and effects of the Plan's acceptance by the Affected Creditors, its sanction by the Court, the implementation of the Plan, or the debt forgiveness resulting from same. Except as specifically provided for in this Plan, this Plan will become effective on the Plan Implementation Date in accordance with its terms, and all Affected Claims against the Petitioner will be fully and finally, settled, compromised and released or otherwise assigned, transferred or alienated as set forth in this Plan upon the Distribution Amount being fully paid to the Monitor, it being understood that any Affected Claim that is paid in full pursuant to this Plan before such date shall be settled, compromised and released on the date of such payment. This Plan shall be binding on and enure to the benefit of the Petitioner, the Affected Creditors, the Released Parties, any trustee, agent or other Person acting on behalf of any Affected Creditor and such other Persons who have received the benefit of, or are bound by any waivers, releases or indemnities hereunder.

#### 2.2 Classes of Affected Claims

There shall only be one class of Affected Creditors for the purpose of voting on, and receiving distributions pursuant to this Plan, being the Affected Creditors Class.

#### 2.3 Unaffected Claims

- a) This Plan does not affect the following claims (each, an "**Unaffected Claim**" and, collectively, the "**Unaffected Claims**"), the holders of which will not be entitled to vote at the Creditors' Meeting or receive any distributions under this Plan in respect thereof:
  - (i) the Excluded Claims;
  - (ii) any Administration Claim;
  - (iii) any D&O Claim;
  - (iv) any claim with respect to gift-cards, lay-away deposits and other customer certificates (collectively, "**Gift Card Claims**");
  - (v) Crown Claims;



- (vi) Section 6(5) Claims;
  - (vii) Section 19(2) Claims; and
  - (viii) Secured Claims.
- b) Nothing in this Plan shall affect the Petitioner's rights and defences, both legal and equitable, with respect to any Unaffected Claim including any rights arising under or pursuant to the Claims Procedure Order or this Plan or any rights with respect to legal and equitable defences or entitlements to set-offs or recoupments against such Unaffected Claims.

#### **2.4 Treatment of Affected Claims**

- a) At any time prior to August 14, 2012, any Affected Creditor may elect, by written notice to the Monitor to that effect, (in any manner acceptable to the Monitor) to receive the lesser of \$ 1,000.00 or the amount of its Proven Claim or to irrevocably and unconditionally reduce such Proven Claim to \$ 1,000.00, whereupon:
- (i) any such Proven Claim in excess of \$ 1,000.00 shall be deemed, for all purposes, to have been irrevocably and unconditionally reduced to \$ 1,000.00 and the Affected Creditor having a Proven Claim in excess of \$ 1,000.00 shall be deemed to have irrevocably and unconditionally waived and renounced to any rights to participate in any further distribution; and
  - (ii) any such Affected Creditor shall be treated as an Electing Creditor and such Creditor's Proven Claim shall be treated as an Electing Creditor Claim under this Plan.
- b) The Distribution Amount shall be paid by the Petitioner without any interest thereon whatsoever, in full and final settlement, release and discharge of all Affected Claims, on the following dates, namely:
- (i) the full amount of all Electing Creditor Claims shall be paid to the Monitor on or before September 14, 2012 for distribution to all Electing Creditors as herein set forth, in full and final settlement, release and discharge of all Electing Creditor Claims;
  - (ii) an amount of \$ 1,000,000, less all amounts set forth in Section 2.4b)(i) hereof, shall be paid by the Petitioner to the Monitor on or before the First Instalment Date, for distribution to all Affected Creditors (other than Electing Creditors) as herein set forth;
  - (iii) a second amount of \$ 1,000,000 shall be paid by the Petitioner to the Monitor on or before February 3, 2013 for distribution to all

Affected Creditors (other than Electing Creditors) as herein set forth;

- (iv) a third amount of \$ 1,500,000 shall be paid by the Petitioner to the Monitor on or before February 2, 2014 for distribution to all Affected Creditors (other than Electing Creditors) as herein set forth;
  - (v) a fourth amount of \$ 1,500,000 shall be paid by the Petitioner to the Monitor on or before February 1, 2015 for distribution to all Affected Creditors (other than Electing Creditors) as herein set forth; and
  - (vi) a fifth amount of \$ 1,000,000 shall be paid by the Petitioner to the Monitor on or before February 28, 2015 for distribution to all Affected Creditors (other than Electing Creditors) as herein set forth.
- c) Notwithstanding the foregoing, the Petitioner may, with the Monitor's consent, defer the date on which any instalment is to be made, so long as the payment date of any instalment is not delayed for more than 90 days.
- d) All amounts referred to in 2.4b)(i) to 2.4b)(vi) hereof (if applicable) shall be paid by the Petitioner to the Monitor on or before each of the respective dates therein set forth and shall thereafter be distributed by the Monitor to the Affected Creditors, according to the amount of their respective Proven Claims, as follows:
- (i) the amounts set forth in Section 2.4a) hereof shall be distributed by the Monitor to the Electing Creditors as set forth in Section 2.4b)(i) hereof; and
  - (ii) the amounts set forth in Sections 2.4b)(ii) through 2.4b)(vi) shall be distributed by the Monitor to the Affected Creditors (other than the Electing Creditors) on a *pro rata* basis, according to the amounts of their respective Proven Claims.

### **ARTICLE 3 TREATMENT OF UNAFFECTED CREDITORS**

#### **3.1 Treatment of the DIP Lender**

On or before the Plan Implementation Date, the DIP Lender shall receive full payment in cash of the DIP Claim.

### **3.2 Treatment of Excluded Claims and Insurance**

Subject to Section 3.1 hereof, the other Excluded Claims and any Insurance Claim will remain in full force and effect in accordance with their terms after the Plan Implementation Date, and will be paid in full by the Petitioner in the normal course of its operations as and when they become due.

### **3.3 Treatment of Administration and D&O Claims**

All Administration Claims, and all D&O Claims, if any, will be paid in full by the Petitioner as and when they become due, and any remaining balance will be settled as soon as practicable after the issuance of the Certificate of Performance.

### **3.4 Treatment of Gift Card Claims**

Gift Card Claims will be honoured in accordance with the terms of the relevant gift card, gift certificate or lay-away deposit upon presentation of such gift card, gift certificate or lay-away deposit by the holder at any of the Petitioner's retail stores.

### **3.5 Treatment of Crown Claims**

Within six months after the Plan Implementation Date, all Crown Claims will be paid in full by the Petitioner.

### **3.6 Treatment of Section 6(5) Claims**

Section 6(5) Claims, if any, will be paid in such amounts as required under the CCAA immediately after the Plan Implementation Date.

### **3.7 Section 19(2) Claims**

Section 19(2) Claims, if any, will be paid by the Petitioner as and when they become due.

### **3.8 Secured Claims**

Secured Claims will be dealt with as provided for under the agreements between the Petitioner and the relevant Secured Creditor, or as may be otherwise agreed by them.

## **ARTICLE 4 VALUATION OF CLAIMS, CREDITORS' MEETING AND RELATED MATTERS**

### **4.1 Conversion of Affected Claims into Canadian Currency**

For the purposes of determining the value of Affected Claims denominated in currencies other than Canadian dollars for voting purposes, such Affected Claims shall be converted by the Monitor to Canadian dollars at the Bank of Canada noon spot rate of

exchange for exchanging currency to Canadian dollars on the Determination Date (which in the case of US Dollars was C \$ 0.9793 for US \$1 dollar).

#### **4.2 Affected Claims**

Affected Creditors shall be entitled to prove their respective Affected Claims, vote their Voting Claims in respect of the Plan, and, if their Affected Claims become Proven Claims, receive the distributions provided for pursuant to the Claims Procedure Order and this Plan.

All amounts recognized as Voting Claims or Proven Claims shall be net of any amount that the Petitioner is entitled to offset, recoup, compensate or otherwise apply in reduction of such amounts, including on account of any Capped Rent Rebate or Volume Rebate to which the Petitioner is entitled.

#### **4.3 Creditors' Meeting**

The Creditors' Meeting shall be held in accordance with this Plan, the Claims Procedure Order, and any further Order which may be made from time to time for the purposes of considering and voting on the Resolution or other matters to be considered at the Creditors' Meeting.

#### **4.4 Approval by Affected Creditors**

The Petitioner will seek approval of the Plan by the affirmative vote of the Required Majorities. The Resolution to be voted on at the Creditors' Meeting, which will be decided by the Required Majorities on a vote by ballot, unless the Chair decides, in his or her sole discretion, to hold such vote by way of show of hands. The result of any vote will be binding on all Affected Creditors, whether or not any such Affected Creditor is present and voting (in person or by proxy) at the Creditors' Meeting.

#### **4.5 Claims Bar Date and Restructuring Bar Date**

If an Affected Creditor holding an Affected Claim has failed to file its Proof of Claim prior to the relevant Claims Bar Date or Restructuring Claims Bar Date and has not been permitted to file a late claim pursuant to an Order, that Affected Creditor shall be barred from voting at the Creditors' Meeting and the Affected Creditor shall have no right to receive a distribution, and the Petitioner shall be released from the Affected Claims of such Creditor and Section 6.2 of this Plan shall apply to all such Affected Claims.

#### **4.6 Holders of Equity Claims**

Any Persons holding an Equity Claim shall not be entitled to receive any payment, compensation or distribution hereunder with respect to their Equity Claims, and any Claims that any such Persons may have that are directly or indirectly related to or are derived from such Equity Claims shall be deemed to be released in full. Any Person

holding an Equity Claim shall also not be entitled to vote in respect of such Equity Claim on the Plan at a Meeting of Affected Creditors.

**ARTICLE 5  
PROCEDURE FOR RESOLVING DISTRIBUTIONS  
IN RESPECT OF DISPUTED CLAIMS**

**5.1 No Distributions Pending Allowance**

Notwithstanding any other provision of this Plan, no distributions shall be made with respect to a Disputed Claim unless and until it has become a Proven Claim. Disputed Claims shall be dealt with in accordance with the Claims Procedure Order and this Plan.

**5.2 Distributions From Reserve Once Disputed Claims Resolved**

The Monitor shall make allocations from the Reserve to holders of Disputed Claims following the First Instalment Date in accordance with this Plan. To the extent that Disputed Claims become Proven Claims after the First Instalment Date, the Monitor shall, from time to time at its sole discretion, distribute from the Reserve to the holders of such Proven Claims, the amount which they would have been entitled to receive in respect of such Proven Claims had such Claims been Proven Claims on the First Instalment Date. To the extent that any Disputed Claim or a portion thereof has become a Disallowed Claim, then the Monitor shall distribute, to the holders of Claims that have previously been adjudicated under this Plan to be Proven Claims, their pro rata share from the Reserve of such additional amount kept in the Reserve on account of such Disallowed Claims.

**ARTICLE 6  
EFFECT OF THE PLAN AND RELEASES**

**6.1 Effect of the Plan**

Upon the Distribution Amount being remitted to the Monitor and the issuance of the Certificate of Performance, all Affected Claims shall be deemed to be fully and finally settled, compromised and released, as of the date of issuance of the Certificate of Performance, subject only to an Affected Creditor's right to recover the distributions under this Plan, except for such claims as may have been fully paid prior to such date, in which case those Affected Claims will be deemed to be settled as of such payment.

**6.2 Plan Releases**

Upon the implementation of this Plan on the Plan Implementation Date, (i) the Petitioner; (ii) the Monitor and its legal counsel in the CCAA Proceedings; (iii) all present and future directors, officers and employees, legal counsel, accountants, financial advisors, consultants and agents of the Petitioner in such capacities (and their respective directors, officers and employees); and (iv) the DIP Lender and its legal counsel in the CCAA Proceedings (each being herein referred to individually as a "**Released Party**") shall be released and discharged from any and all demands, claims, actions, causes of

action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person (including any Secured Creditor in respect of each Released Party, except the Petitioner and solely in respect of its Secured Claim), may be entitled to assert (including any and all Claims in respect of statutory liabilities of present and former directors, officers and employees of the Petitioner and any alleged fiduciary or other duty) whether known or unknown, mature or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing or other occurrence existing or taking place on or prior to the Plan Implementation Date in any way relating to, arising out of or in connection with Claims, the business and affairs of the Petitioner, this Plan and the CCAA Proceedings, and all claims arising out of such actions or omissions shall be forever waived and released (other than the right to enforce the Petitioner's obligations under the Plan or any related document), all to the full extent permitted by law, provided that nothing herein:

- a) shall release or discharge a Released Party from an Unaffected Claim or shall release or discharge the Petitioner from or in respect of its obligations under this Plan;
- b) shall affect the right of any Person:
  - (i) to recover an indemnity from any insurance coverage under which that Person is an insured; or
  - (ii) to obtain recovery on a claim or liability against a Released Party from any insurance coverage pursuant to which that Released Party is an insured, but, for certainty, any claim or liability to which an insurer is or would otherwise be subrogated as against the Petitioner is released hereunder and the recovery to which such Person shall be entitled under such insurance coverage shall be limited to the proceeds of insurance actually paid by the insurer with respect to such claim or liability; or
- c) shall release or discharge present or former directors of the Petitioner with respect to matters set out in Section 5.1(2) of the CCAA;

and provided further, however, that, notwithstanding the foregoing release under the Plan, any Claim shall remain subject to any right of set-off that otherwise would be available to the Person against whom such Claim is asserted.

### **6.3 Injunction Related to Releases**

The Sanction Order will enjoin the prosecution, whether directly, derivatively or otherwise, of any claim, obligation, suit, judgment, damage, demand, debt, right, cause of action, liability or interest released, discharged or terminated pursuant to this Plan.

#### **6.4 Waiver of Defaults**

From and after the Plan Implementation Date, all Persons shall be deemed to have waived any and all defaults of the Petitioner (except for defaults under the securities, contracts, instruments, releases and other documents delivered under this Plan or entered into in connection herewith or pursuant hereto) then existing or previously committed by the Petitioner or caused by the Petitioner, directly or indirectly, or non-compliance with any covenant, positive or negative pledge, warranty, representation, term, provision, condition or obligation, express or implied, in any contract, credit document, agreement for sale, lease or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Person and the Petitioner arising from the filing by the Petitioner under the CCAA or the transactions contemplated by this Plan or otherwise, and any and all notices of default and demands for payment under any instrument, including any guarantee arising from such default, shall be deemed to have been rescinded.

### **ARTICLE 7 PROVISIONS GOVERNING DISTRIBUTIONS**

#### **7.1 Partial Distributions for Claims Allowed**

Except as otherwise provided herein or as ordered by the Court, distributions shall be made by the Monitor at the time and in the manner deemed reasonable by the Monitor, and partial distributions may be made prior to receipt of the full amount of the Distribution Amount. In such a case, all such partial payments shall represent the pro rata amount of the distribution to which the holders of a Proven Claim would otherwise be entitled to receive.

Notwithstanding the foregoing, the amount referred in Section 2.4b)(i) shall be distributed to the Electing Creditors within a reasonable time after receipt of the amount referred to in that Section.

#### **7.2 Currency to be used for the Distribution**

For the purposes of determining of the Claims denominated in currencies other than Canadian dollars for distribution purposes, such Claims shall be converted by the Monitor to Canadian dollars at the Bank of Canada noon spot rate of exchange for exchanging currency to Canadian dollars on the Determination Date (which in the case of US Dollars was C \$ 0.9793 for US \$ 1 dollar).

#### **7.3 Assignment of Claims**

For purposes of determining entitlement to receive any distribution pursuant to this Plan, the Petitioner and the Monitor and each of their respective agents, successors and assigns shall have no obligation to recognize any transfer of Claims except as provided for under the Claims Procedure Order.

#### **7.4 Interest on Affected Claims**

Except as specifically provided in the Plan, the Sanction Order or any contract, instrument release, settlement or other agreement entered into in connection with this Plan, following the Determination Date, interest shall not be treated as accruing on account of any Affected Claims for purposes of determining the allowance and distribution of such Affected Claim. To the extent that any Proven Claim to which a distribution under this Plan relates is comprised of indebtedness and accrued but unpaid interest thereon, such distribution shall, to the extent permitted by applicable law, be allocated for Tax purposes to the principal amount of the Proven Claim (including the secured and unsecured portion of the principal amount of such Proven Claim) first and then, to the extent that the consideration exceeds the principal amount of the Proven Claim, to the portion of such Proven Claim representing accrued but unpaid interest (including interest in respect of any secured portion of such Proven Claim).

#### **7.5 Distributions by Monitor**

The Petitioner shall be entitled to remit to the Monitor the Distribution Amount in five instalment payments, as provided for in Section 2.4. The Monitor shall make all distributions required under this Plan subject to the provisions of Article 5 and Article 7 hereof. The Monitor shall receive, without further Court approval, reasonable compensation from the Petitioner for distribution services rendered pursuant to the Plan.

#### **7.6 Delivery of Distributions**

- a) Proven Claims. Subject to Section 7.3 hereof, distributions shall be made by the Monitor (i) at the addresses set forth on the Proof of Claim form filed by the Affected Creditors (or at the last known addresses of such Affected Creditors if no Proof of Claim form was filed or if the Petitioner or the Monitor have been notified in writing of a change of address), (ii) at the addresses set forth in any written notice of address change delivered to the Monitor after the date of any related Proof of Claim, or (iii) in a registered retirement savings plan account designated by any employee of the Petitioner.
- b) Undeliverable Distributions. If any distribution to a Creditor is returned as undeliverable, no further distributions to such Creditor shall be made unless and until the Monitor is notified of the then-current address of such Creditor, at which time all missed distributions shall be made to such Creditor without interest. The Petitioner shall make reasonable efforts to locate Affected Creditors for which distributions were undeliverable. Any claim for undeliverable distributions must be made on or before the later to occur of (i) three months after the Final Instalment Date, or (ii) three months after such Creditor's Claim becomes a Proven Claim, after which date all unclaimed property shall revert to the Petitioner free of any restrictions or claims thereon and the claim of any Creditor with respect to



such property shall be discharged and forever barred, notwithstanding any federal or provincial laws to the contrary.

#### **7.7 No Double Recovery**

The aggregate recovery on account of any Proven Claim from all sources, regardless of whether on account of a theory of primary or secondary liability, by reason of guarantee, surety, indemnity, joint and several obligations or otherwise, shall not exceed (A) 100 % of the underlying indebtedness, liability or obligation giving rise to such Claim or, (B) where the underlying indebtedness, liability or obligation giving rise to such Claim is denominated in a currency (the “**Original Currency**”) other than Canadian dollars, 100 % of such underlying indebtedness, liability or obligation after conversion of the value of the distributions received in Canadian dollars back to the Original Currency at the Bank of Canada noon spot rate of exchange for exchanging Canadian dollars to the Original Currency on the date of applicable distribution date.

#### **7.8 Guarantees and Similar Covenants**

No Person who has a Claim under any guarantee, surety, indemnity or similar covenant in respect of any Claim which is settled, compromised, released or otherwise dealt with under this Plan or who has any right under any such covenant against a Creditor in respect of, or to be subrogated to, the rights of any Person in respect of a Claim which is compromised under this Plan shall not be entitled to any greater rights than the Creditor whose Claim is settled, compromised, released or otherwise dealt with under this Plan.

### **ARTICLE 8 IMPLEMENTATION OF THE PLAN**

#### **8.1 Conditions Precedent to Implementation of Plan**

The implementation of this Plan by the Petitioner is subject to the following conditions precedent which, except for subsection a) below and as otherwise would be in violation of applicable Laws, may be waived as provided in Section 8.2 hereof:

- a) the approval of this Plan by the Required Majorities shall have been obtained;
- b) the Sanction Order sanctioning this Plan shall have been issued, and not appealed from and the operation and effect of the Sanction Order shall not have been stayed, reversed or amended, and shall, among other things:
  - (i) declare that: (i) this Plan has been approved by the Required Majorities of Affected Creditors of the Petitioner in conformity with the CCAA; (ii) the Petitioner has complied with the provisions of the CCAA and the Orders of the Court made in the CCAA Proceedings in all respects; (iii) the Court is satisfied that the Petitioner has neither done nor purported to do anything that is

not authorized by the CCAA; and (iv) this Plan and the transactions contemplated thereby are fair and reasonable;

- (ii) order that this Plan, including the compromises and arrangements set out herein, is sanctioned and approved pursuant to Section 6 of the CCAA and, as at the Plan Implementation Date, will be effective and will enure to the benefit of and be binding upon the Petitioner, the Affected Creditors and all other Persons stipulated in this Plan or in the Sanction Order;
- (iii) order that the full and final release and discharge of the Claims will be effective and will enure to the benefit of and be binding upon the Petitioner, the Affected Creditors and all other Persons stipulated in this Plan upon the issuance of the Certificate of Performance;
- (iv) declare that the Petitioner and the Monitor are authorized to take all steps and actions necessary to implement this Plan;
- (v) declare that all Proven Claims determined in accordance with the Claims Procedure Order are final and binding on the Petitioner and all Affected Creditors;
- (vi) a declaration and an order declaring that any Claims for which a Proof of Claim has not been filed by the Claims Bar Date shall be forever barred and extinguished;
- (vii) a declaration and order declaring that all distributions and payments by or at the direction of the Monitor, in each case on behalf of the Petitioner, under the Plan are for the account of the Petitioner and the fulfillment of its obligations under the Plan;
- (viii) a declaration and an order declaring that the Petitioner and the Monitor may apply to the Court for advice and direction in respect of any matters arising from or under the Plan;
- (ix) declare that, subject to the performance by the Petitioner of its obligations under this Plan, all contracts, leases, agreements and other arrangements to which the Petitioner are a party and that have not been terminated or repudiated pursuant to the Initial Order will be and remain in full force and effect, unamended, as at the Plan Implementation Date, and no Person who is a party to any such contract, lease, agreement or other arrangement may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of dilution or other remedy) or make any demand under or in respect of any such contract, lease, agreement

or other arrangement and no automatic termination will have any validity or effect, by reason of:

- i. any event that occurred on or prior to the Plan Implementation Date and is not continuing that would have entitled such Person to enforce those rights or remedies (including defaults, events of default, or termination events arising as a result of the insolvency of the Petitioner);
  - ii. the insolvency of the Petitioner or the fact that the Petitioner sought or obtained relief under the CCAA; or
  - iii. any compromises or arrangements effected pursuant to this Plan or any action taken or transaction effected pursuant to this Plan;
- (x) declare that the stay of proceedings under the Initial Order continues until the Plan Implementation Date;
  - (xi) confirm the scope of the release contemplated by Section 6.2;
  - (xii) preclude the commencement or prosecution, whether directly, derivatively or otherwise, or any demands, claims, actions, causes of action, counterclaims, suits, or any indebtedness, liability, obligation or cause of action released and discharged pursuant to this Plan;
  - (xiii) order that the DIP Lender Charge will be released and discharged as of the Plan Implementation Date upon receipt of an acknowledgment by the DIP Lender of payment in full of the DIP Claim;
  - (xiv) order that all CCAA Charges, other than the DIP Lender Charge and the Insurance Charge, will be released and discharged upon the issuance of the Sanction Order; and
- c) the Replacement Loan is disbursed following (i) the satisfaction of the condition in Section 8.1a), and (ii) the Sanction Order being issued without an appeal having been lodged therefrom prior to disbursement.

## **8.2 Waiver of Conditions**

Each of the conditions set forth in Section 8.1 above except for the conditions set forth in Section 8.1a), may be waived in whole or in part by the Petitioner or the other relevant parties to the documents and transactions referred to therein without any other notice to parties in interest or the Court and without a hearing. The failure to satisfy or waive any condition prior to the Plan Implementation Date may be asserted by the Petitioner regardless of the circumstances giving rise to the failure of such condition to be

satisfied (including any action or inaction by the Petitioner). The failure of the Petitioner to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right that may be asserted at any time.

### **8.3 Monitors' Certificate**

Upon satisfaction of all the conditions set out in Section 8.1 (or waiver thereof, as the case may be), the Monitor shall file with the Court a certificate stating that all such conditions have occurred or have been satisfied or waived, as the case may be, and that the Plan Implementation Date has occurred (the "**Monitor's Certificate**").

### **8.4 Certificate of Performance**

Upon receipt of the last instalment payable by the Petitioner pursuant to Section 2.4, the Monitor will deposit with the Court a certificate of performance of the Plan (the "**Certificate of Performance**").

### **8.5 Effect of Plan**

As of the issuance of the Certificate of Performance, the settlement of the Affected Claims in accordance with this Plan shall become final and binding on the Petitioner, and all of the Affected Creditors and their respective successors and assigns, and this Plan shall result in the full and final settlement of all Affected Claims, including for greater certainty, any Restructuring Claim and any Claims resulting, directly or indirectly, from the consequences and effects relating to the acceptance of the Plan by the Affected Creditors, its sanction by the Court, or its implementation, and any indebtedness, obligations or undertakings which the Petitioner may subsequently become subject to, directly or indirectly, as a result of an obligation, transaction or an event that occurred before the Determination Date, as well as any indebtedness, obligations or any undertakings that the Petitioner may be subject to on any date whatsoever in connection with the Plan, the approval thereof by the Court or the implementation thereof. For greater certainty, this Plan shall not affect or impair any rights, remedies and recourses which the Petitioner had, has or may have after the issuance of the Certificate of Performance in connection with transactions, facts or obligations existing prior to the Determination Date.

## **ARTICLE 9 CREDITORS' COMMITTEE**

The Affected Creditors may appoint a Creditors' Committee at the Creditors' Meeting consisting of not more than three (3) persons, to exercise the following duties:

- a) be informed from time to time by the Monitor of the progress made in implementing the Plan;
- b) extend, where applicable, the time period for payment to the Monitor of any sum to be distributed to the Affected Creditors beyond the delays provided for in Section 2.4c); and

- c) assist the Monitor in an advisory capacity in relation to the administration of the Plan.

## **ARTICLE 10 MISCELLANEOUS**

### **10.1 Confirmation of Plan**

Provided that this Plan is approved by the Required Majorities, and the Sanction Order is made in form and substance acceptable to the Petitioner and the DIP Lender, each acting reasonably, and the satisfaction or waiver of the conditions to the implementation of this Plan set forth in Article 8 hereof, this Plan shall be implemented by the Petitioner and shall be binding upon the Petitioner and all Persons referred to in Section 2.1 hereof and their respective successors and assigns.

### **10.2 Paramountcy**

From and after the Plan Implementation Date, any conflict between this Plan and/or the covenants, warranties, representations, terms, conditions, provisions or obligations, express or implied, of any contract, mortgage, security agreement, and/or indenture, trust indenture, loan agreement, commitment letter, agreement for sale, the by-laws of the Petitioner, lease or other agreement, undertaking or any other source of obligations, written or oral and any and all amendments or supplements thereto existing between one or more of the Affected Creditors and the Petitioner as at the Plan Implementation Date will be deemed to be governed by the terms, conditions and provisions of this Plan and the Sanction Order, which shall take precedence and priority. For greater certainty, all Affected Creditors shall be deemed irrevocably for all purposes to consent to all transactions contemplated in and by this Plan.

### **10.3 Modification of Plan**

The Petitioner, in consultation with the Monitor and the DIP Lender, reserves the right to file any modification of, or amendment or supplement to, this Plan by way of a supplementary plan or plans of reorganization, compromise or arrangement (or any one or more thereof) at or before the Creditors' Meeting, in which case any such supplementary plan or plans of reorganization, compromise or arrangement (or any one or more thereof), shall, for all purposes, be and be deemed to form part of and be incorporated into this Plan. The Petitioner shall file any supplementary plans with the Court as soon as practicable. The Petitioner shall give notice to Affected Creditors of the details of any such modification, amendment or supplement at the Creditors' Meeting prior to the vote being taken to approve this Plan. The Petitioner may give notice of a proposed modification, amendment or supplement to this Plan at or before the Creditors' Meeting by notice which shall be sufficient if given to those Affected Creditors present at such meeting in person or by proxy.

After the Creditors' Meeting (and both prior to and subsequent to the obtaining of the Sanction Order), the Petitioner, in consultation with the Monitor and, if prior to the

Plan Implementation Date, the DIP Lender, may at any time and from time to time vary, amend, modify or supplement this Plan, except the amount of the Distribution Amount, without the need for obtaining an order of the Court or providing notice to the Affected Creditors if the Monitor determines that such variation, amendment, modification or supplement would not be materially prejudicial to the interests of the Affected Creditors under this Plan or the Sanction Order and is necessary in order to give effect to the substance of this Plan or the Sanction Order.

#### **10.4 Deeming Provisions**

In this Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

#### **10.5 Sections 95 to 101 BIA**

Notwithstanding Section 36.1 of the CCAA, Sections 38 and 95 to 101 of the *Bankruptcy Insolvency Act* (Canada) shall not apply to this Plan, and neither the Monitor nor any Creditor may exercise a right or remedy, or commence an action or proceeding based on those sections.

#### **10.6 Responsibilities of the Monitor**

The Monitor is acting in its capacity as Monitor in the CCAA Proceedings with respect to the Petitioner and not in its personal or corporate capacity and will not be responsible or liable for any responsibilities or obligations of the Petitioner under this Plan or otherwise, including with respect to the making of distributions or the receipt of any distribution by any Creditor or any other Person pursuant to the Plan. The Monitor will have the powers and protections granted to it by this Plan, the CCAA, the Initial Order, the Claims Procedure Order, the Sanction Order and any other Orders

#### **10.7 Notices**

- a) Any notices or communication to be made or given hereunder to the Petitioner or the Monitor shall be in writing and shall refer to this Plan and may, subject as hereinafter provided, be made or given by personal delivery, by courier, by prepaid mail or by telecopier addressed to the respective parties as follows:

- (i) if to Petitioner:

Hart Stores Inc. / Magasins Hart Inc.  
900 Place Paul-Kane  
Laval (Quebec) H7C 2T2  
Canada

Attention: Robert Farah  
Fax: (450) 661.1054

With a copy to:

Heenan Blaikie LLP  
1250, Rene-Levesque Blvd. West, Suite 2500  
Montreal (Quebec) H3B 3V2  
Canada

Attention: Michael J. Hanlon  
Nicolas Plourde  
Stephen D. Hart  
Fax: (514) 846-3427

(ii) if to the Monitor:

RSM Richter Inc.  
2 Place Alexis-Nihon  
Montreal (Quebec) H3Z 3C2  
Canada

Attention: Benoît Gingues  
Stéphane de Broux  
Fax: (514) 934.3504

With a copy to:

McCarthy Tetrault  
1000 De La Gauchetiere Street West  
Suite 2500  
Montreal (Quebec) H3B 0A2  
Canada

Attention: Alain N. Tardif  
Fax: (514) 875-6246

or to such other address as any party may from time to time notify the others in accordance with this Section 10.7. In the event of any strike, lock-out or other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by telecopier and any notice or other communication given or made by prepaid mail within the five Business Day period immediately preceding the commencement of such interruption, unless actually received, shall be deemed not to have been given or made. All such notices and communications shall be deemed to have been received, in the case of notice by telecopier or by delivery prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and, in the case of notice mailed as aforesaid, on the fourth Business Day following the date

on which such notice or other communication is mailed. The unintentional failure by the Petitioner or the Monitor to give any notice contemplated hereunder to any particular Creditor shall not invalidate this Plan or any action taken by any Person pursuant to this Plan.

- b) Any notices or communication to be made or given hereunder by the Monitor or the Petitioner to a Creditor may be sent by e-mail, ordinary mail, registered mail, courier or facsimile transmission to the email address, address or facsimile number specified by such Creditor in its Proof of Claim, or in any subsequent written notice of change of address given to the Monitor. A Creditor shall be deemed to have received any document sent pursuant to this Plan four Business Days after the document is sent by ordinary or registered mail and on the Business Day immediately following the day on which the document is sent by courier, email or facsimile transmission.

#### **10.8 Severability of Plan Provisions**

If, prior to the Sanction Date, any term or provision of this Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Petitioner, which request shall be made in consultation with the Monitor and the DIP Lender, shall have the power to either (i) sever such term or provision from the balance of this Plan and provide the Petitioner with the option to proceed with the implementation of the balance of this Plan as of and with effect from the Plan Implementation Date, or (ii) alter and interpret such term or provision to make it valid and enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such severing, holding, alteration or interpretation, and provided the Petitioner proceeds with the implementation of this Plan, the remainder of the terms and provisions of this Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such severing, holding, alteration or interpretation.

#### **10.9 Revocation, Withdrawal or Non-Consummation**

The Petitioner, upon consultation with the Monitor and the DIP Lender, reserves the right to revoke or withdraw this Plan at any time prior to the Sanction Date and to file subsequent plans of arrangement and compromise. If the Petitioner revokes or withdraws this Plan, or if the Sanction Order is not issued, (i) this Plan shall be null and void in all respects, (ii) any Claim, any settlement or compromise embodied in this Plan (including the fixing or limiting of any Claim to an amount certain), assumption or termination, repudiation of executory contracts or leases affected by this Plan, and any document or agreement executed pursuant to this Plan shall be deemed null and void, and (iii) nothing contained in this Plan, and no act taken in preparation for consummation of this Plan, shall: (a) constitute or be deemed to constitute a waiver or release of any Claims by or against the Petitioner or any other Person; (b) prejudice in any manner the rights of the



Petitioner or any Person in any further proceedings involving the Petitioner; or (c) constitute an admission of any sort by the Petitioner or any other Person.

#### **10.10 Further Assurance**

Notwithstanding that the transactions and events set out in this Plan shall occur and be deemed to occur in the order set out herein without any additional act or formality, each of the Persons affected hereby shall make, do and execute, or cause to be made, done and executed at the cost of the requesting party, all such further acts, deeds, agreements, transfers, assurances, instruments or, documents as may reasonably be required by the Petitioner in order to better implement this Plan.

#### **10.11 Governing Law**

This Plan shall be governed by and construed in accordance with the law of the Province of Quebec and the federal laws of Canada applicable therein. Any questions as to the interpretation or application of this Plan and all proceedings taken in connection with this Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

#### **10.12 Successors and Assigns**

This Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and permitted assigns of any Person named or referred to in Section 2.1 hereof.

*[Signature Page Follows]*

Signed in Montreal, Quebec, this 20th day of January, 2012.

**HART STORES INC. / MAGASINS HART  
INC.**

Per:



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Robert Farah

# **EXHIBIT R-3**

RSM Richter Inc.

2, Place Alexis Nihon  
Montréal (Québec) H3Z 3C2  
Téléphone / Telephone : (514) 934-3497  
Télécopieur / Facsimile : (514) 934-3504  
www.rsmrichter.com

CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL  
No.: 500-11-041238-110

**SUPERIOR COURT**  
(Commercial Division)  
(*Sitting as a court designated pursuant to the  
Companies' Creditors Arrangement Act, R.S.C. 1985,  
c. C-36*)

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**IN THE MATTER OF THE *PLAN OF COMPROMISE  
AND ARRANGEMENT* WITH RESPECT TO:**

**HART STORES INC. / MAGASINS HART INC.**, a legal person having its head office at 900 Place Paul-Kane, in the City and District of Laval, Province of Québec, H7C 2T2 and a place of business at 7852 Boulevard Champlain in the City and District of Montreal, Borough of LaSalle, Province of Quebec, H8P 1B3

**Debtor**

-and-

**RSM RICHTER INC.**, a duly incorporated legal person having its principal place of business at 2 Place Alexis-Nihon, in the city and district of Montreal, Quebec, H3Z 3C2

**Monitor**

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**REPORT OF THE MONITOR FOR THE PURPOSE OF THE SANCTION OF THE  
AMENDED PLAN OF COMPROMISE AND ARRANGEMENT  
February 21, 2012**

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## INTRODUCTION AND OVERVIEW

1. On August 30, 2011, Hart Stores Inc. (hereinafter referred to as "Debtor" or "Hart Stores") filed with the Quebec Superior Court, a Motion for the Issuance of an Initial Order pursuant to Section 11 of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, C-36, as amended (the "CCAA"). In this regard, the Honorable Jean-Yves Lalonde, J.S.C. rendered the Initial Order appointing RSM Richter Inc. ("Richter") as monitor (the "Monitor").
2. The Initial Order authorized the Debtor to enter into an interim financing (the "DIP Financing") with Wells Fargo Capital Corporation Canada ("Wells Fargo" or the "DIP Lender") pursuant to the DIP commitment letter filed in support of the Initial Order (the "DIP Facility") and created a charge in favour of the DIP Lender over the Debtor's property (as more fully described in the Initial Order). As per the terms of the DIP Facility, which expires on March 14, 2012, all funds collected by the Debtor have been applied against the pre-filing Revolver Loan while disbursements were funded through the post-filing DIP Financing.
3. Since the issuance of the Initial Order, the Stay Period has been extended on four (4) occasions by the Court. In this regard, on January 20, 2012, the Court granted an Order extending the Stay Period until March 14, 2012 in order to grant the Debtor additional time to:
  - Hold the Creditors' Meeting following the filing of the Plan of Compromise and Arrangement (the "Plan") by the Debtor on January 20, 2012; and
  - Meet the conditions set out in the Firm Term Sheet of the Replacement Lender, as hereinafter defined, and complete the refinancing.
4. On October 19, 2011, the Honorable Jean-Yves Lalonde, J.S.C. rendered an Order authorizing the sale of the inventory located in the Closing Stores by Tiger Capital Group LLC ("Tiger"), the whole pursuant to the terms of an Agency Agreement negotiated with Tiger.
5. On November 28, 2011, the Court issued the Claims and Meetings Procedure Order which established the procedure for the review, determination and adjudication of all Claims as well as a Claims Bar Date of January 12, 2012 for Claims which arose up to and including August 30, 2011 and a Restructuring Claims Bar Date of January 31, 2012 for Claims which arose after August 30, 2011 with respect, *inter alia*, to contracts terminated in accordance with the provisions of the CCAA. The Order rendered on January 20, 2012 extended the Claims Bar Date to January 31, 2012.

6. On January 17, 2012, Hart Stores obtained a firm financing offer ("Firm Term Sheet") from CIBC (the "Replacement Lender") for a revolving line of credit of up to \$25 million conditional, amongst other things, on the acceptance of the Plan by the Affected Creditors (as defined in the Plan) and its approval by the Court.
7. On January 23, 2012, the Monitor mailed a Notice of the Amendment to the Claims Bar Date, a copy of the Plan, the Notice of Meeting of Creditors and Sanction Hearing, a proxy form and voting letter to all known creditors.
8. On February 3, 2012, the Monitor made available on his Web Site its report on the State of the Debtors' Financial Affairs and the Plan of Arrangement (the "Monitor's Report") in order to provide information on Hart Stores and to assist the creditors and the Court in their review and assessment of the Plan.
9. A duly constituted Meeting of Creditors of the Debtor was held on February 15, 2012 during which the Amended Plan of Compromise and Arrangement (the "Amended Plan") was submitted to the creditors (or their proxies) physically present at this meeting. The modifications to the Plan, as it appears from the Amended Plan, provide for the acceleration of the payment of the Distribution Amount and for the creation of the position of Chairman of the Creditor's Committee and for members of that committee to receive compensation.
10. The Amended Plan was approved by the Required Majorities (as defined in the Amended Plan).
11. The Debtor will be filing with the Court a Motion to Sanction the Amended Plan of the Debtor, which is to be presented on February 27, 2012.

## **OUTLINE AND RESERVES**

12. The purpose of this Report is to provide the Court with an overview of the compromise and arrangement pursuant to the Amended Plan. This report is subdivided as follows:
  - Background Information and Restructuring Measures;
  - Update on Claims Process;
  - Amended Plan of Compromise and Arrangement;
  - Meeting of Creditors and Vote; and
  - Monitor's Recommendation to the Court.

13. All amounts are stated in Canadian dollars unless otherwise noted. Capitalized terms used herein and not defined herein shall have the meaning ascribed to them in the Amended Plan.
14. It should be noted that the Monitor has not conducted an audit or investigation of the books and records of the Debtor and that accordingly, no opinion is expressed regarding the accuracy or completeness of the information contained herein. The present information emanates from the Debtors' books and records that have been made available to the Monitor, as well as from discussions with its management.

## **BACKGROUND INFORMATION AND RESTRUCTURING MEASURES**

15. For a comprehensive description of Hart Stores' corporate structure, background, operations, historical operating results, financial position, as well as a summary of the operational and financial restructuring initiatives undertaken by the Debtor's management, we refer you to the following Monitor's reports already filed with the Court:
  - The First Report of the Monitor on the state of the Debtor's financial affairs dated September 27, 2011;
  - The Second Report of the Monitor on the liquidation solicitation process dated October 18, 2011;
  - The Third Report of the Monitor on the state of the Debtor's financial affairs dated November 3, 2011;
  - The Fourth Report of the Monitor on the state of the Debtor's financial affairs dated January 19, 2012;
  - The Report of the Monitor on the state of the Debtor's affairs and the Plan of Arrangement dated February 3, 2012; and
  - The Updated Report of the Monitor on the state of the Debtor's affairs and the Plan of Arrangement dated February 15, 2012 (the "Updated Report").

For ease of reference, certain highlights of Hart Stores' corporate history and restructuring efforts are provided below.

16. The Debtor was constituted by a Certificate of Amalgamation issued pursuant to the *Canada Business Corporations Act* (the "CBCA") on October 25, 1984. Hart Stores, however, can trace its history to 1960, when Mr. Harry Hart founded the original Hart Department Stores in Rosemere, Quebec.

17. The Debtor is a Canadian public company, listed on the TSX Venture Exchange. The Debtor operated a chain of mid-sized department stores located in secondary and tertiary markets throughout Ontario, Quebec, Newfoundland and Labrador, New Brunswick and Nova Scotia under the names "Hart", "Géant des Aubaines" and "Bargain Giant", and continues to operate in most of these provinces.
18. As of the date hereof, the Debtor had approximately 969 active employees, including 861 sales associates in the stores, 60 warehouse employees and 48 head office staff.
19. The Debtor's 200,000 square foot head office and distribution center is located in Laval, Quebec and is leased from a wholly owned subsidiary.
20. Since the issuance of the Initial Order, the Debtor has, amongst other things, implemented or is in the process of implementing the following measures in order to restructure its financial affairs and operations:
  - Selected a Replacement Lender;
  - Closed 32 stores that were underperforming (the "Closing Stores");
  - Conducted a process for the sale/assignment of Closing Stores leases;
  - Sold Closing Stores furniture and fixtures;
  - Liquidated a portion of the Excess Inventory in the continuing stores;
  - Reduced its operating and overhead expenses; and
  - Proceeded to changes in merchandising and retailing.

#### **Update on Refinancing**

21. Following the issuance of the Initial Order, the Debtor re-initiated discussions with a number of chartered banks and asset based lenders with a view to refinance its business. Nine (9) lenders were approached by the Debtor and detailed financial and operational information was provided to those prospective replacement lenders with a view to assist them in assessing this refinancing opportunity.
22. On January 17, 2012, the Debtor accepted the Firm Term Sheet from the Replacement Lender. The Firm Term Sheet provides for a revolving line of credit of up to \$25 million and is conditional, amongst other things, on the acceptance of the Amended Plan by the Affected Creditors and its approval by the Court.
23. The legal due diligence process has been initiated and is expected to be completed by the end of February or early March 2012.



## UPDATE ON CLAIMS PROCESS

24. On November 28, 2011, the Court issued the Claims and Meetings Procedure Order.
25. On December 1, 2011, in accordance with the terms of the Claims and Meetings Procedure Order, notice was given by the Monitor to all known creditors that any proof of claim must be filed with the Monitor no later than January 12, 2012 at 5:00 p.m., Eastern Standard Time, for Claims which arose up to and including August 30, 2011 (the "Claims Bar Date") and/or January 31, 2012 at 5:00 p.m., Eastern Standard Time, for Claims which arose after August 30, 2011 (the "Restructuring Claims Bar Date").
26. On December 1, 2011, the Monitor also published newspaper notices in La Presse (Montreal) and The Globe and Mail (Toronto), to advise any potential creditors of the Claims Bar Dates and of the Instruction Letter for the Claims Process.
27. On January 20, 2012, an Order was rendered extending the Claims Bar Date to January 31, 2012.
28. On January 23, 2012, the Monitor mailed to all known creditors a notice informing them that the Claims Bar Date had been extended to January 31, 2012.
29. As of January 31, 2012, 591 creditors representing 64% of the total number of creditors (928) filed Claims totaling approximately \$36.1 million, as indicated in the Monitor's Report dated February 3, 2012. It is important to note that the Debtor disagrees with numerous Claims filed by the Affected Creditors, in particular those of the landlords for damage claims. In this regard, the Debtor, with the assistance of the Monitor, has reviewed the major claims filed by the Affected Creditors and communicated with same in order to:
  - Prompt the Affected Creditors to amend their claims when discrepancies existed as compared to the Debtor's books and records, or alternatively;
  - Have the Monitor issue Notices of Revision or Disallowance or value the claims for voting purposes and notify the Affected Creditors accordingly.

30. Following the receipt of numerous amended claims, in particular those from the landlords for damage claims, and the issuance of Notices of Revision or Disallowance by the Monitor and the valuation adjustments of certain claims for voting purposes, the total value of the claims for voting purposes has been reduced from \$36.1 million to \$27 million, as summarized below:

Hart Stores Inc. Reconciliation of Claims for Voting Purposes (in millions)	
Proofs of claims received as at January 31, 2012	\$ 36.1
Amended Landlord claims	(4.3)
Notices of Revisions and Disallowances issued the Monitor and valuation adjustments of certain claims for voting purposes	(4.8)
<b>Total Claims for voting purposes</b>	<b>\$ 27.0</b>

31. Exhibit A presents a list of the proofs of claim that were received after the Claims Bar Date.
32. Included in that list are claims totaling approximately \$2.3 million from Compagnie Française d'Assurance pour le commerce Extérieur - Canada Branch ("COFACE"). In fact, these claims replace claims originally received from various suppliers that were disallowed prior to the Meeting of Creditors since each of those claims had been integrally assigned to COFACE.
33. The Monitor is in agreement with the Debtor's request to this Court that the Monitor be authorized to accept the claims listed in Exhibit A in light of the lack of prejudice to any stakeholder.
34. The Debtor and the Monitor have not completed the review and reconciliation of all claims filed and the Debtor still disagrees with several claims. In this regard, the value of the claims as per the Debtor's books and records totals approximately \$26.3 million.
35. **The ultimate quantum of the Claims recognized for distribution purposes will vary depending on the final results of the Claims Process.**

## AMENDED PLAN OF COMPROMISE AND ARRANGEMENT

### Summary of the Amended Plan

36. Please note that the following is only a summary of the terms of the Amended Plan and we refer the Court to the Amended Plan for complete details of its terms.
37. The Amended Plan provides that the Debtor will remit to the Monitor a total of \$6 million during the period spanning from September 2012 to February 2015, for distribution to Affected Creditors, which will be funded out of the Debtor's operating cash flow.
38. Affected Creditors constitute a single class under the Amended Plan for all purposes. Any Excluded Creditors and Secured Creditors were not entitled to vote at the Meeting of Creditors and shall not receive any distributions in respect of their Excluded Claims or Secured Claims.
39. The Amended Plan will be binding on Hart Stores and on all Persons affected by the Amended Plan.

### Amounts to be Distributed to Affected Creditors

40. As previously highlighted, the Amended Plan provides for an acceleration of the payment of the Distribution Amount to be remitted by the Debtor to the Monitor as compared to the initial Plan, summarized as follows:

Hart Stores Inc. Distribution under the Plan of Arrangement (in 000's)	<u>Amended Plan</u>	<u>Initial Plan</u>
<b><u>Distribution Amount (Note 1)</u></b>		
September 14, 2012	\$ 1,000	\$ 1,000
February 3, 2013	1,000	1,000
September 14, 2013	500	-
February 2, 2014	1,500	1,500
September 14, 2014	500	-
February 1, 2015	-	1,500
February 28, 2015	1,500	1,000
	<b>\$ 6,000</b>	<b>\$ 6,000</b>

Note 1: Represents the dates on which the Debtor shall pay the instalments to the Monitor.

41. The Amended Plan provides for the Monitor to distribute the above-mentioned amount to the Affected Creditors within a reasonable time after its receipt as follows:

- At any time prior to August 14, 2012, any Affected Creditor may elect to receive the lesser of \$1,000 or the amount of its ordinary claim and for any excess be deemed to have irrevocably and unconditionally reduced their claim to \$1,000 (defined as an Electing Creditor). Electing Creditors will receive a one-time payment of a maximum of \$1,000 from the funds to be remitted by the Debtor to the Monitor on or before September 14, 2012. Thereafter, Electing Creditors shall not receive any further dividends;
- Affected Creditors other than Electing Creditors will be entitled to receive their pro rata share of the balance of the \$6 million, after distributions to the Electing Creditors.

#### Other

42. The Amended Plan provides that Section 38 and 95 to 101 of the *Bankruptcy and Insolvency Act* (Canada) shall not apply to the Amended Plan.

#### Creditors' Committee

43. The Amended Plan provides for the creation of a committee which shall be comprised of, at most, three (3) individuals (the "Creditors' Committee"), one of whom shall be the Chairman of the Creditors' Committee, designated by the Affected Creditors at the Meeting of Creditors. The Creditors' Committee shall have the following powers:

- Receive information from time to time from the Monitor regarding the progress made in implementing the Amended Plan;
- Extend, where applicable, the time period for payment to the Monitor of any sum to be distributed to the Affected Creditors beyond the delays provided for in the Amended Plan; and
- Assist the Monitor in an advisory capacity in relation to the administration of the Amended Plan.

44. The Chairman of the Creditors' Committee will receive compensation for his services paid by the Debtor equal to that paid to the Debtor's external directors for their participation at meetings of the Debtor's board of directors. The other members of the Creditors' Committee will receive a reasonable compensation for their actual time and services rendered to the Creditors' Committee.

## MEETING OF CREDITORS AND VOTE

45. On February 15, 2012, the Meeting of Creditors was duly convened and held to consider and approve the Amended Plan, the whole as more fully appears from a copy of the minutes of said meeting attached hereto as Exhibit B.
46. The Monitor chaired the Meeting of Creditors and representatives of the Debtor were also present to answer questions asked by the creditors.
47. A total of 46 creditors were present at the meeting either in person or by proxy and thus the quorum requirements were met.
48. The Monitor circulated to the creditors present at the Meeting of Creditors its Updated Report on the Plan (before amendments) providing updated information on the Claims Process and the estimated distribution to Affected Creditors under the Plan in comparison to an estimated distribution under a forced liquidation scenario. The Updated Report was made available on the Monitor's Web Site immediately thereafter.
49. The Monitor summarized the content of the Monitor's Report and the Updated Report and summarized the changes to the Plan initially filed with the Court as provided for in the Amended Plan (as previously described).

50. During the course of the Meeting of Creditors, the votes of the Affected Creditors were tabulated and are summarized as follows:

<b>VOTES IN FAVOR</b>			
Creditors voting	Dollar value of Claims	Percentage of votes in number	Percentage of votes in dollars
<b>368</b>	<b>\$17,270,479</b>	<b>94.4%</b>	<b>81.7%</b>

<b>VOTES AGAINST</b>			
Creditors voting	Dollar value of Claims	Percentage of votes in number	Percentage of votes in dollars
<b>22</b>	<b>\$3,859,620</b>	<b>5.6%</b>	<b>18.3%</b>

<b>TOTAL VALUE OF VOTES</b>			
Creditors voting	Dollar value of Claims	Percentage of votes in number	Percentage of votes in dollars
<b>390</b>	<b>\$21,130,099</b>	<b>100%</b>	<b>100%</b>

51. The Required Majorities of Affected Creditors voted in favor of the Amended Plan.
52. If the disputed Claims for voting purposes would have voted on the amount of their Claims, the effect on the results of the vote would have been the following:

<b>PRO FORMA VOTES IN FAVOR</b>			
Creditors voting	Dollar value of Claims	Percentage of votes in number	Percentage of votes in dollars
<b>393</b>	<b>\$20,010,527</b>	<b>94.2%</b>	<b>81.7%</b>

<b>PRO FORMA VOTES AGAINST</b>			
Creditors voting	Dollar value of Claims	Percentage of votes in number	Percentage of votes in dollars
<b>24</b>	<b>\$4,497,117</b>	<b>5.8%</b>	<b>18.3%</b>

<b>PRO FORMA TOTAL VALUE OF VOTES</b>			
Creditors voting	Dollar value of Claims	Percentage of votes in number	Percentage of votes in dollars
<b>417</b>	<b>\$24,507,644</b>	<b>100%</b>	<b>100%</b>

53. Therefore, based on the above pro forma vote results, the Amended Plan would still have been accepted by the Required Majorities of Affected Creditors.

#### **MONITOR'S RECOMMENDATION TO THE COURT**

54. The Debtor is now asking this Court to sanction the Amended Plan.
55. The Amended Plan was accepted by the statutory majority of the creditors.
56. The Monitor believes that the Amended Plan is fair and reasonable to the creditors and that it takes into account the financial capacity of the Debtor to meet the terms of the Amended Plan, which is dependent on the Debtor's ability to meet its projected financial performance.
57. The Monitor is of the opinion that the Amended Plan was prepared in a serious and diligent manner and that the approval of the Amended Plan will allow the Debtor to complete its financial restructuring, continue its business, remain a significant source of employment for its employees and a source of supply for many of its creditors.
58. It is the Monitor's belief that the Debtor's management and its Board of Directors have acted and continue to act in good faith, with diligence and have been cooperating with all stakeholders, including but not limited to the Monitor, the DIP Lender, as well as all other creditors.
59. The Monitor is of the opinion that if the Amended Plan is not sanctioned by the Court, the Debtor would have no alternative than to proceed with the immediate liquidation of its assets. Taking into account the risks and uncertainties inherent in a liquidation, it is estimated that the Affected Creditors would receive considerably less than what is being offered pursuant to the Amended Plan.
60. In addition, the sanction of the Amended Plan will allow the Debtor to satisfy a condition of the Firm Term Sheet submitted by the Replacement Lender, which is conditional, amongst other things, to the acceptance of the Amended Plan by the Affected Creditors and its approval by the Court. The Replacement Lender has reviewed the details of the Amended Plan and approved same.

61. Consequently, the Monitor is of the opinion that it is in the interest of all the Affected Creditors as well as the Debtor and the other stakeholders that the Amended Plan be sanctioned and approved by the Court and therefore respectfully recommends that the Motion for the Sanction of an Amended Plan of Compromise and Arrangement which is to be filed by the Debtor be granted.

Dated at Montreal, this 21<sup>st</sup> day of February, 2012.

**RSM Richter Inc.**  
Court-Appointed Monitor

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

Benoit Gingues, CA, CIRP



## EXHIBIT A

**t Stores Inc.**

of Claims received after 5:00 pm - January 31, 2012

at February 21, 2012

Exhibit A

**Miscellaneous Creditors**

	<b><u>Amount</u></b>	
adian Linen & Uniform	\$ 168.90	
sidy's Transfer & Storage	1,695.00	
struction des IIs Inc.	1,782.86	
éprises Yvon Blais & Fils Inc.	561.65	
tion Chevaie	791.76	
Nuova Décor	47,957.87	
nticam	1,354.57	
eco Canada	2,368.32	
e Intermunicipale dechets de la lievre	425.00	\$ 57,105.9

**Coface**

ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re:1445868 Ontario /DBA Buyers Group	53,065.97	
ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re:158329 Canada Inc. DBA Clientele	20,714.73	
ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re: 4207602 Canada Inc. AKA Cameo Knitting	132,588.90	
ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re: 9147-5077 Quebec DBA Runners Clothing	114,504.91	
ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re: Amerella of Canada Ltd.	421,914.19	
ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re: Atlantic Promotions Inc.	72,345.09	
ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re: Atlantic Sportswear Mfg. Ltd.	147,645.19	
ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re: Creations! Las Vegas Inc.	233,141.34	
ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re: Curtis International	431,173.00	
ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re: For Kids Sake Fashion Ltd.	71,879.87	
ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re: Globe Electric Company Inc.	212,573.68	
ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re: Hamelin Enterprises	10,938.10	
ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re: Linen Corp. Inc.	30,544.77	
ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re: Memphis Blues / Ruby International Cie.	19,087.45	
ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re: Midway Industries Ltd.	118,531.22	
ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re: Mod- Atout Inc.	17,984.96	
ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re: MT2 Clothing AKA 7023316 Canada Inc.	21,522.09	
ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re: Splash Home AKA 3361781 Canada Inc.	17,857.69	
ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re: Ventes Domay Sales Inc.	43,721.56	
ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re: Vin rouge AKA 415332 Canada Inc.	19,689.62	
ipagnie Francaise d'Assurance pour le Commerce Exterieur - Canada Branch Re: Zero 11 60 Fashions Inc.	83,603.51	2,295,027.8

**il Proof of Claims Received after January 31, 2012 5:00 PM****\$ 2,352,133.7**

**EXHIBIT B**

CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF QUEBEC  
DIVISION NO.: 01-MONTREAL  
COURT NO.: 500-11-041238-110  
ESTATE NO.: 0000074-2011-QC

SUPERIOR COURT  
(Commercial Division)

IN THE MATTER OF THE *COMPANIES' CREDITORS  
ARRANGEMENT ACT*, R.S.C. (1985), C-36 WITH  
RESPECT TO:

**Hart Stores Inc.**

body politic and corporate, duly incorporated according to  
law and having its head office and its principal place of  
business at:  
900 Place Paul-Kane  
Laval QC H8P 1B3

Debtor

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### Minutes of the Meeting of Creditors held:

On February 15, 2012 at 10:00 a.m.  
at The Omni Hotel, Printemps Room, 1050 Sherbrooke Street West, Montreal, Quebec

Chairman:  
Benoit Gingues, CA, CIRP  
Pursuant to the *Companies' Creditors Arrangement Act* ("CCAA")

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### ATTENDANCE

Were Present:

At the front of the room:

Mr. Benoit Gingues, CA, CIRP, of the Monitor's office  
Mr. Robert Farah, President & Chief Operating Officer of Hart Stores Inc.  
M<sup>e</sup> Michael J. Hanlon, Heean Blaikie, LLP, Hart Stores Inc.'s legal counsel  
M<sup>e</sup> Alain Tardif, McCarthy Tétrault, S.E.N.C.R.L., Monitor's legal counsel

In attendance:

Mr. Stéphane De Broux, CA, of the Monitor's office  
Mrs. Mirella Pisciueneri, CA, of the Monitor's office  
Mr. Jean-François Audet, CA, of the Monitor's office  
Mr. Patrick Lareau, BAA, of the Monitor's office  
Ms. Noemie Ouellet-Gendron, CA, of the Monitor's office  
Mr. Karim Hasnaoui, CA, of the Monitor's office  
Mrs. Carol O'Donnell, of the Monitor's office

and creditors, as per the attached attendance register (Appendix A).

## **QUORUM**

Benoit Gingues acted as Chairman of the meeting and called the meeting to order.

The Chairman confirmed having received sufficient proofs of claim and with the individuals present, declared that quorum had been met and the meeting to be validly constituted at 10:35 a.m.

The Chairman announced that the start of the meeting was delayed by 35 minutes from its planned commencement time of 10:00 a.m. because Hart Stores Inc. (the "Debtor" or "Hart") with the assistance of their legal counsel were preparing an Amended Plan which would provide for changes in the timing of the distribution payments and some other minor cosmetic changes to the Plan which would be presented later during the meeting.

The Chairman re-iterated that the purpose of the meeting was to vote on the Amended Plan.

## **INTRODUCTION**

The Chairman confirmed that the Monitor had sent by mail to the known creditors of the Debtor copies of the Notice of Meeting of Creditors accompanied by the Plan of Compromise and Arrangement (the "Plan") with a form of Voting Letter and the Proxy on January 23, 2012. He also stated that the Report of the Monitor on The State of The Debtor's Affairs and the Plan of Arrangement was made available on the Monitor's website on Friday, February 3, 2012.

Mrs. Carol O'Donnell from the Monitor's office distributed the Updated Report of the Monitor on the State of the Debtor's Affairs and the Plan of Arrangement. The Updated Report provided an update on the following:

- The Claims Process; and
- The estimated distribution to creditors under the Plan in comparison to an estimated distribution under a forced liquidation ("FL") scenario.

After a brief summary of the legal proceedings to date, the Chairman asked the Debtor to provide an update on the operations of Hart. Mr. Robert Farah, President and Chief Operating Officer ("COO"), summarized the events leading to the filing under the CCAA process, and the corrective measures implemented by Hart since the filing, including improvements to the shopping experience.

The COO thanked the creditors for their support on behalf of the 1,000 plus employees at Hart.

## **MONITOR'S REPORT AND PERIOD OF QUESTIONS**

The Chairman summarized the elements that were considered by the Debtor in determining the Distribution Amount of \$6 million and the Monitor's analysis of the FL scenario included in the Monitor's Report dated February 3, 2012 and the Updated Report dated on February 15, 2012. It was mentioned that M<sup>e</sup> Alain Tardif from McCarthy Tétrault had confirmed the validity of the security held by Wells Fargo Capital Corporation Canada.

### **A) Monitor's Recommendation**

The Chairman summarized the Amended Plan in comparison to the initial Plan.

The Chairman provided an update on the Claim Process, of the distributions under the Amended Plan and of the estimated distributions under an FL scenario, and reported the following to the creditors:

- As at the close of business on January 31, 2012, the Claims Bar Date (which had been extended to January 31, 2012 for all creditors) the Monitor had received proofs of claim totaling approximately \$36.1 million.

The Debtor with the assistance of the Monitor worked diligently to contact landlords and trade suppliers to try and reconcile the major discrepancies between the books and records of the Debtor and the amounts claimed in the proofs of claim received. The total amount of Claims was reduced by \$9.1 million to \$27 million for voting purposes, summarized as follows:

Hart Stores Inc. Reconciliation of Claims for Voting Purposes (in millions)	
Proofs of claims received as at January 31, 2012	\$ 36.1
Amended Landlord Claims	(4.3)
Notices of Revisions and Disallowances issued by the Monitor and valuation adjustments of certain Claims for voting purposes	(4.8)
<b>Total Claims for voting purposes</b>	<b>\$ 27.0</b>

- The Claims were reduced by \$4.8 million through the issuance of Notices of Revision and Disallowance broken down as follows:
  - \$1.8 million – trade claims;
  - \$2.2 million – landlord damage claims (Restructuring Claims); and
  - \$0.8 million – employee claims (Restructuring Claims).
- The payment of the \$6 million Distribution Amount was modified from the original Plan and will be paid as follows:
  - \$1.0 million – September 14, 2012;
  - \$1.0 million – February 3, 2013;
  - \$0.5 million – September 14, 2013;
  - \$1.5 million – February 2, 2014;
  - \$0.5 million – September 14, 2014; and
  - \$1.5 million – February 28, 2015.
- The Plan was amended to provide for the Chairman of the Creditors' Committee and the three members of the Creditors' Committee to receive compensation. The Chairman of the Creditors' Committee will be entitled to compensation similar to that of an independent member of the Debtor's Board of Directors for their participation at meetings of the Debtor's Board of Directors.
- The recovery under the Amended Plan is estimated to range between 19% and 23% of the estimated total Proven Claims. The revised estimate is higher than the original estimate of 18% to 21% reported in the Monitor's Report dated February 3, 2012;

- The revised recovery for the Affected Creditors in the context of a FL scenario is estimated to range between NIL and 9% (vs. NIL to 13% reported in the Monitor's Report dated February 3, 2012); and
- The recovery amounts are estimated and the final amount would change pending the completion of the Claims Process.

**The Monitor maintained its recommendation to vote in favour of the Amended Plan.**

**B) Question Period**

A question period followed and the Monitor and the Debtor addressed all the issues that were brought up.

**VOTE ON THE PLAN**

The Chairman called the Amended Plan to a vote and advised that the creditors who voted before the meeting may change their vote at this time should any choose to.

The meeting was adjourned at 12:00 p.m. in order to compile the results of the vote.

The meeting resumed at 12:15 p.m.

M<sup>re</sup> Michael J. Hanlon made a clarification regarding the compensation of the Creditors' Committee members. He specified that the Chairman of the Creditors' Committee will be entitled to compensation similar to an independent member of the Debtor's Board of Directors for their participation at the meetings of the Debtor's Board of Directors, while the remaining two members will receive reasonable compensation for their time and services.

The results of the vote were as follows (**Appendix B**).

	<u>In value</u>	<u>Number of creditors</u>
<u>In favour:</u>	\$17,270,479 (or 81.7%)	368 (or 94.4%)
<u>Against:</u>	\$3,859,620 (or 18.3%)	22 (or 5.6%)
<u>Total</u>	<u>\$21,130,099 (100%)</u>	<u>390 (100%)</u>

The Chairman declared that the Amended Plan was accepted by the statutory majority of Creditors and that Court approval will be sought on February 27, 2012 as notified to Creditors in the mailing of January 23, 2012.

## **CREDITORS' COMMITTEE**

The Chairman reminds the assembly that the Amended Plan provides for the appointment of a maximum of three (3) individuals to the Creditors' Committee and asked if any individual would like to form part of said Committee. Seven (7) individuals initially volunteered to be members of the Creditors' Committee, though two later retracted their candidacy. It was decided to add two (2) observers to the Committee. After discussions held between the Monitor and the individuals that volunteered, the appointment of members of the Committee was put to a vote. The Monitor voted the \$8.5 million in Claims for which he held proxies and the following three (3) Committee Members and two (2) observers were selected:

### Committee Members

Mr. David Schachter, National Apparel Bureau

Mr. Arek Markarian, Ameco Paradisio Apparel Inc.

Mrs. Karina Pires, Media Transcontinental S.E.N.C.

### Observers

Mr. Kenny Moyse, Symax Sales Co Inc.

Mr. Tony Elisii, Elica Trading Inc.

The Monitor casted the deciding vote for the selection of the chairman of the Creditors' Committee. The Monitor selected Mr. David Shacter who represented the largest number of creditors and dollar value of Claims.

## **END OF MEETING**

There not being any further business, the meeting was adjourned at 12:35p.m.



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Benoit Gingues, CA, CIRP  
Chairman of the Meeting of Creditors



## **APPENDIX A**

Registre des présences à la première assemblée des créanciers / Attendance register at the First Meeting of Creditors

Dans l'affaire de la Loi sur les arrangements avec les créanciers des compagnies, L.R.C. (1985), ch. C-36, tel qu'amendé ("LACC") / In the matter of the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended ("CCAA")

Magasins Hart Inc. / Hart Stores Inc.

Nom de l'individu Individual's Name	Nom de la compagnie Company's Name	Nom du créancier représenté Name of Creditor represented	Noméro de telephone Telephone Number	Signature
PI Trudeau	CARBOBIN CHOISY	CAB. CHOISY Ltée	450 781 6244	
JONATHAN WARIN	LAVERY	Wells Fargo	514 878 5616	
DAVID SCHACHTER	WAG	SCUMS	514 483-6223	
Law Rountoff	NAB	antony	514-575-6099	
MURRAY WALPEN	COMMUNISOLTA	Communisolta	514 878 4433	
SALVATORE PASCALISE	SARIS	SARIS		
JACQUELINE		JACQUELINE	(514) 965-4566	
JONATHAN HART	-	JONATHAN HART	(514) 924-8853	
POWERS	GINDREAU DUB	POWERS	450 667375	
TONY ELISII	ELICA TRADING		514-324-4200	
MURRAY WEBER	SARAI INC		514-344-7599	
SIMON DEUSIE	LES IMMEUBLES PERMANENCES INC.	DEUSIE, SOUS-SCRIPTEUR HERBERT ASSOCIÉS.	450-686-1122	
Kenny Meyer	Sparks	Sparks	514-336-8780	
JOANNE PLAMONDON	EVER HEARS	<del>EVER HEARS</del>	514 (516) 9650	
VAN DEN WISU	Ever Hearns		" "	

Registre des présences à la première assemblée des créanciers / Attendance register at the First Meeting of Creditors

Dans l'affaire de la Loi sur les arrangements avec les créanciers des compagnies, L.R.C. (1985), ch. C-36, tel qu'amendé ("LACC") / In the matter of the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended ("CCAA")

Magasins Hart Inc. / Hart Stores Inc.

Nom de l'individu Individual's Name	Nom de la compagnie Company's Name	Nom du créancier représenté Name of Creditor represented	Numéro de téléphone Telephone Number	Signature
R. FLETT	RITH	KITH FORTSEAN	514 338-8210	
J. PESCHON	"	"	"	
<del>LIBERT</del>	STAFF			
MARIE ANNE	Peapods	Son	514-334-6323	
MARTIN MACK	LADY SANDRE	Martin	514 325 6715	
ELIO ARGENTI	ALCO FARMAS		514 648 5757	
VINCENT SACCO	ALCO FARMAS		514 648 5757	
SONIA RENON	Employee.		514-267-6744	
MARINA PIRAS	TRANSPORT INTERNATIONAL		514-339-2459	
PAUL NASSAR	UNIVERSAL		514 886 1111	
Armen Markarian	Crossroads		514-956-7788	
ALBERT SCHUSTER	AMERELLA			
JAMES MARARAN	CROSSROADS			
Fabrice Selvon	Groupe Lemur	<del>LEL</del>		
SAPAT AINIBS	JURA HOUSEWARES INC		514-748-6334	

Registre des présences à la première assemblée des créanciers / Attendance register at the First Meeting of Creditors

Dans l'affaire de la Loi sur les arrangements avec les créanciers des compagnies, L.R.C. (1985), ch. C-36, tel qu'amendé ("LACC") / In the matter of the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended ("CCAA")

Magasins Hart Inc. / Hart Stores Inc.

Nom de l'individu Individual's Name	Nom de la compagnie Company's Name	Nom du créancier représenté Name of Creditor represented	Numéro de téléphone Telephone Number	Signature
H.W. CLEMAN	H STORES			
RHARRITT	HART STORES			
H. MICHAELS	HART STORES			
M. HAYLM	Heenan Plunkin.			
MARY MANABDEZ	HART			
CATHY FLANDEL	HART			
Daniel Ross	Hart			
VANT TASHSTIAN	URBAN RAGS.			
AREIK MARKARIAN	AMECO			
NEIL MARKARIAN	AMECO			
CHARKEA YORRONG	LA GARANTIE			
STEPHANE VEDER	ARMOR BLANKIE			
UMESH MEHTA	Accord Financial			
PETER WONG	ACCORD FINANCIAL			



## **APPENDIX B**

District of Quebec  
 Division 01 - Montréal  
 Court No. 500-11-041238-110  
 Estate No. 0000074-2011-QC

Voting Summary

In the matter of the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended  
 ("CCAA")

Hart Stores Inc.  
 Of the City of Laval  
 In the Province of Quebec

Result of Voting

Class	Total #			Dollar Value of Claims		Percentage by Votes		Percentage by Value		Result	
	Votes	Yes	No	Yes	No	Yes	No	Yes	No	By Votes	By Value
	390	368	22	17,270,479.02	3,859,620.42	94.36	5.64	81.73	18.27	App.	App.

List of creditors

Class	Creditor Name	Type	Account #	\$ Admitted for Voting	Voted By	Vote
	152349 CANADA INC. (KONSULTEC)	U		6,483.78	Letter	For
	163453 CANADA INC.(CINE MAISON ROYALE)	U		52,220.74	Letter	For
	2013654 ONTARIO LTD O/A KIRKLAND LAKE INN	U		531.10	Letter	For
	2334-5150 QUEBEC INC.	U		288.79	Letter	For
	2983630 CANADA INC./EGO FASHION	U		123,984.81	Letter	For
	3651410 CANADA INC (REGAL CONFECTIONS INC.)	U		11,913.63	Letter	For
	4306732 CANADA INC	U		17,088.75	Letter	For
	4453166 CANADA INC (GREEN JEANS)	U		8,776.80	Letter	For
	4509200 CANADA INC.	U		343,952.65	Letter	For
	4REFUEL CANADA LP	U		35,042.00	Letter	For
	6021425 CANADA INC/ANA GRANT	U		574.35	Letter	For
	671156 ONTARIO INC. (BEE-LINE DISPOSAL INC.)	U		1,782.70	Letter	Against
	792140 ONTARIO INC. PEMBROKE TRAVEL LODGE	U		124.24	Letter	For
	823656 ONTARIO LTD (CRYSTAL NORTH)	U		128.90	Letter	For
	9017-9953 QUEBEC INC.	U		827.34	Letter	For
	9103-7473 QUEBEC INC.	U		1,518.23	Letter	For
	9118-1990 QUEBEC INC.	U		6,351.47	Letter	For
	9118-4812 QUEBEC INC. (MADISON IMPORTS)	U		5,299.15	Letter	For

**List of creditors**

<i>Class</i>	<i>Creditor Name</i>	<i>Type</i>	<i>Account #</i>	<i>\$ Admitted for Voting</i>	<i>Voted By</i>	<i>Vote</i>
	9142-5660 QUEBEC INC.	U		6,015.24	Letter	For
	9151-1634 QC INC. (LES ENTREPRISES J.L.R.)	U		193.68	Letter	For
	9166-0670 QUEBEC INC. (DOMAINE DU PARC)	U		54,970.74	Letter	For
	9166-0670 QUEBEC INC. (GALERIE NICOLET)	U		35,100.44	Letter	For
	9175-6346 QUEBEC (GME ELECTRIQUE)	U		2,012.30	Letter	For
	9231-5290 QUEBEC INC.	U		11,910.27	Letter	For
	A & M ELECTRICAL & CONSTRUCTION LTD	U		3,289.26	Letter	For
	A-LINE ATLANTIC INC./TRANSCORP DIST	U		47,668.61	Letter	For
	A.G. METALWORK ENR	U		341.78	Letter	For
	ABLOY CANADA INC.	U		441.13	Letter	For
	ACCORD FINANCIAL LTD. RE: DORSEY MARKETING INC.	U		8,266.00	Letter	Against
	ACCORD FINANCIAL LTD RE: LES ALIMENTS MIDLON INC. )	U		43,368.60	Letter	Against
	ACCORD FINANCIAL LTD RE: DEBONAIRE CREATIONS INC.	U		4,730.28	Letter	Against
	ACCORD FINANCIAL LTD. RE : TRIO SELECTION INC. (COVET)	U		28,606.56	Letter	Against
	ACCORD FINANCIAL LTD. RE: IMPORTATION CASABAWA INC	U		8,891.09	Letter	Against
	ACCORD FINANCIAL LTD. RE: JAMMERS INTERNATIONAL APPAREL ( 2781794 CANADA INC. )	U		115,041.97	Letter	Against
	ACCORD FINANCIAL RE: KENING APPAREL	U		9,574.74	Letter	Against
	ADVANTAGE 2 RETAIL INC.	U		139,277.98	Letter	For
	AGENCES ANGELO D'ANELLO INC (LES)	U		1,268.79	Letter	For
	ALFA LAVE (30262821 CANADA INC. )	U		293.93	Letter	For
	ALIMENTS KRISPY KERNELS INC.	U		85,053.41	Letter	For
	ALIMENTS PAPCO INC. (LES)	U		75,764.56	Letter	For
	ALL COVER PORTABLE SYSTEMS INC. (OUTFRONT PORTABLE)	U		3,407.25	Letter	For
	AQUA TECH AQUARIUM SERVICES	U		244.91	Letter	For



**List of creditors**

<i>Class</i>	<i>Creditor Name</i>	<i>Type</i>	<i>Account #</i>	<i>\$ Admitted for Voting</i>	<i>Voted By</i>	<i>Vote</i>
	ARCHAMBAULT, MELANIE	U		2,665.00	Letter	For
	AROC ELECTRONICS INTL. INC.	U		14,965.62	Letter	For
	ASSET INC.	U		1,682.62	Letter	For
	ATLANTIC WASTE MANAGEMENT LTD.	U		542.40	Letter	For
	AUBERGE DU DRAVEUR	U		2,250.02	Letter	For
	AURORA CORP. OF AMERICA	U		13,114.79	Letter	For
	AUTOCARS ORLEANS EXPRESS(EXPEDIBUS)	U		108.50	Letter	For
	AXESO-MODE INTERNATIONAL IMPORTS LTD	U		8,372.82	Letter	For
	AZ TRADING CO. LTD ( AZ HOME AND GIFTS)	U		12,947.73	Letter	For
	B2 FASHIONS INC.	U		11,363.31	Letter	For
	B2 INTERNATIONAL	U		4,139.17	Letter	For
	BACCALIEU CLEANERS	U		9,672.80	Letter	For
	BALLONS GRANGER BALLOONS INC.	U		5,685.46	Letter	For
	BANYO CANADA INC	U		665.62	Letter	For
	BENOIT BAILLARGEON INC	U		1,144.95	Letter	For
	BESSETTE, NORMAND	U		9,984.00	Letter	Against
	BEST SOURCE INTERNATIONAL INC	U		40,807.13	Letter	For
	BLANCHETTE, MARIO	U		4,200.00	Letter	Against
	BOUFFARD PLUMBING & HEATING INC.	U		191.44	Letter	For
	BOUFFARD SANITAIRE INC.	U		1,626.29	Letter	For
	BR ELECTRIQUE INC.	U		302.60	Letter	For
	BRUIN ENTERPRISES (KLEAN-ALL CLEANING)	U		904.00	Letter	For
	C. DUGUAY PLOMBERIE INC.	U		226.00	Letter	For
	CAMBRIDGE TOWEL CORP.	U		1,047.82	Letter	For
	CAN-JAN INC	U		3,942.94	Letter	For
	CANADELLE INC.	U		97,913.51	Letter	For
	CANADIAN AUSTIN GROUP HOLDINGS ULC	U		22,827.43	Letter	For
	CAP SALES MARKETING AGENCY INC.	U		99,463.90	Letter	For
	CAPITAL BUSINESS CREDIT LLC RE: IDM GROUP LLC.	U		51,596.38	Letter	For
	CAPITAL BUSINESS CREDIT LLC. RE: PANTIES PLUS INC.	U		118,804.85	Letter	For

**List of creditors**

<i>Class</i>	<i>Creditor Name</i>	<i>Type</i>	<i>Account #</i>	<i>\$ Admitted for Voting</i>	<i>Voted By</i>	<i>Vote</i>
	CARMICHAEL ENGINEERING LTD.	U		4,081.50	Letter	For
	CARREFOUR DE L'ESTRIE HOLDINGS INC.	U		467,518.68	Letter	For
	CARRY' S COMPANY (DIV.OF 2797836 CDA INC.)	U		567.35	Letter	For
	CEI 1776773 ONTARIO INC.	U		9,051.32	Letter	For
	CELEBRITY WATCH INTL INC.	U		32,317.83	Letter	For
	CHATEAU LINGERIE MFG INC	U		136,215.07	Letter	For
	CITE COURRIER	U		573.55	Letter	For
	CITOYEN OPTIMUM S.E.C.	U		2,235.38	Letter	For
	CLIMATISATION CONFORT COURTOIS INC.	U		6,477.07	Letter	For
	CLIMATISATION ROGER DEMERS INC	U		3,935.50	Letter	For
	CNW GROUP	U		734.82	Letter	For
	COBY ELECTRONICS CORPORATION	U		97,472.18	Letter	For
	COLLECTION TUFF AVENUE INC.	U		91,960.26	Letter	For
	COLLECTIONS DE STYLES R.D INTERNATINAL ES LTEE (LES)	U		171,415.14	Letter	For
	COLUMBIA FRAME INC.	U		16,546.85	Letter	For
	COMITE DE RECL.A ENTREES CONTINUES	U		400.00	Letter	For
	COMMONWEALTH HOME FASHIONS INC	U		267,237.31	Letter	For
	COMPLETE CLEANING	U		988.75	Letter	For
	COMPLETE PLUMBING	U		437.13	Letter	For
	COMPUTERSHARE	U		5,035.94	Letter	For
	CONCIERGERIE S.D.B.	U		4,961.45	Letter	For
	CONNELLY COMMUNICATION CORP. (CJTT-FM)	U		901.95	Letter	For
	CONSULTANTS GILBERT INC. (LES )	U		2,941.29	Letter	For
	CONTEX INTERNATIONAL IMPORTS INC.	U		97,939.44	Letter	For
	CORPORATION FIRST CAPITAL (DELSON) CORP.	U		320,035.87	Letter	For
	COSMO COMMUNICATIONS CANADA INC.	U		97,170.00	Letter	For
	COURRIER FRONTENAC	U		5,790.85	Letter	For
	CREATIONS CINDY ANN INC.	U		15,649.69	Letter	Against
	CROISIERES AML INC	U		8,954.76	Letter	For

**List of creditors**

<i>Class</i>	<i>Creditor Name</i>	<i>Type</i>	<i>Account #</i>	<i>\$ Admitted for Voting</i>	<i>Voted By</i>	<i>Vote</i>
	DAILY OBSERVER (THE )	U		8,300.50	Letter	For
	DANSON DECOR INC.	U		60,836.28	Letter	For
	DARINNA HOME FURNISHINGS INC.	U		10,388.22	Letter	For
	DATA GROUP OF COMPANIES	U		1,951.39	Letter	For
	DAY & ROSS INC	U		156,873.93	Letter	Against
	DELOITTE & TOUCHE LLP	U		40,510.60	Letter	For
	DESHAIES CYCLES & SPORTS INC.	U		5,203.59	Letter	For
	DEVILLE CENTRE HOTELIER	U		127.60	Letter	For
	DIAMOND MAINTENANCE LTD.	U		2,599.00	Letter	For
	DIFFUSION COMMUNAUTAIRE DES ILES INC. (CFIM 92,7)	U		1,751.93	Letter	For
	DOMINION CUTTING SERVICE INC..	U		45,984.40	Letter	For
	DORFIN INC.	U		12,935.51	Letter	For
	DOT-LINE DESIGN LTD	U		52,094.50	Letter	For
	DRAKKAR RESSOURCES HUMAINES	U		5,067.96	Letter	For
	DUMAK INDUSTRIES	U		10,984.65	Letter	For
	DURA HOUSEWARES INC.	U		197,793.32	Letter	For
	E.S. FOX LTD.	U		937.90	Letter	For
	ECLAIRAGE QUEBEC	U		4,925.79	Letter	For
	ECLIPSE INT L FASH. CANADA INC	U		28,606.56	Letter	For
	ECO 11 MANUFACTURING INC.	U		31,287.90	Letter	For
	ECO ENTREPRISES QUEBEC (EEQ)	U		184,560.98	Letter	For
	EDGECOMBE PROPERTY MANAGEMENT	U		1,123.44	Letter	For
	EDGECOMBE PROPERTY MANAGEMENT INC. / PLACE LASALLE PROP. CORP	U		532.37	Letter	For
	EDITIK ENR.	U		884.83	Letter	For
	EDITIONS GATINEAU LTEE (LES)	U		3,318.38	Letter	For
	EFCO ENTERPRISES LTD	U		154.64	Letter	For
	ELECTRO 1983 INC.	U		627.56	Letter	For
	ELECTROPAGE S.C.C.	U		814.56	Letter	For
	ELICA TRADING INC	U		296,127.39	Letter	For
	EMBERLEY'S TRANSPORT LIMITED	U		1,768.40	Letter	For
	ENCORE SALES	U		7,366.25	Letter	For
	ENSEIGNES F.X. BOISVERT INC.	U		481.90	Letter	For

**List of creditors**

<i>Class</i>	<i>Creditor Name</i>	<i>Type</i>	<i>Account #</i>	<i>\$ Admitted for Voting</i>	<i>Voted By</i>	<i>Vote</i>
	ENTREPRISES ARSENEAULT	U		308.17	Letter	For
	ENTRETIEN CHARTEAU LTEE	U		91,188.79	Letter	For
	EQUIPEMENT DU NORD N.S. INC.	U		599.59	Letter	For
	EQUIPEMENTS SANITAIRES G.G. LT	U		256.33	Letter	For
	EQUIPMENT MCF INC.	U		4,878.09	Letter	For
	ETIQUETTE NATIONAL INC.	U		1,871.65	Letter	For
	ETIQUETTES PROPECTA LABELS INC.	U		19,778.32	Letter	For
	EXECUTIVE CLEANERS	U		1,273.51	Letter	For
	EXPRESS HAVRE ST-PIERRE	U		1,334.06	Letter	For
	EXTERMINATION DE L'ILE	U		256.34	Letter	For
	F & G ELECTRIC	U		2,288.25	Letter	For
	F.W. CONNOLLY ELECTRICAL LTD	U		6,254.55	Letter	Against
	FAMOUS HOME FASHIONS	U		24,094.54	Letter	For
	FANCY LINENS & DOMESTICS LTD.	U		610.99	Letter	For
	FERNAND BRETON 1975 INC.	U		456.23	Letter	For
	FOOTWEAR IMPORTS 2001 INC.	U		78,591.94	Letter	For
	FREUDENBERG HOUSEHOLD PRODUCTS	U		23,836.21	Letter	For
	FRUIT OF THE LOOM INC.	U		74,197.25	Letter	For
	G. LIPTON SALES LTD (LND SALES)	U		53,697.60	Letter	For
	GALERIES CHARLESBOURG INC. (LES)	U		2,899.77	Letter	For
	GALERIES DE LA CAPITALE HOLDING INC. (LES)	U		503,763.54	Letter	For
	GAUDREAULT, DIANE	U		4,688.00	Letter	For
	GAUDREAULT, LINE	U		4,288.00	Letter	For
	GAULD ELECTRIC COMPAGNY LTD.	U		2,456.38	Letter	For
	GAZ METRO INC.	U		1,893.40	Letter	For
	GENCA SALES	U		678.00	Letter	For
	GENERAL NOLI CANADA INC.	U		204,084.00	Letter	For
	GEORGIE GIRL LTD	U		16,332.98	Letter	For
	GERSTAT INC.	U		718.92	Letter	For
	GESTION JACQUES SIROIS	U		2,175.97	Letter	For

**List of creditors**

<i>Class</i>	<i>Creditor Name</i>	<i>Type</i>	<i>Account #</i>	<i>\$ Admitted for Voting</i>	<i>Voted By</i>	<i>Vote</i>
	GESTION RENE GOYETTE INC.	U		8,456.79	Letter	For
	GESTION RENE GRENIER INC.	U		21,264.14	Letter	For
	GET-R-DUMPT	U		2,154.18	Letter	For
	GILLES CORMIER ELECTRIC INC.	U		321.82	Letter	For
	GOLDOR	U		9,474.00	Letter	For
	GRACIOUS LIVING INDUSTRIES INC	U		72,502.77	Letter	For
	GROSNOR DISTRIBUTION AJAX INC.	U		29,762.78	Letter	Against
	GROUPE LEMUR INC.	U		856.15	Letter	For
	GT PLUMBING AND HEATING	U		833.06	Letter	For
	GUARANTEE COMPANY OF NORTH AMERICA	U		20,222.45	Letter	For
	GUARANTEE COMPANY OF NORTH AMERICA	U		108,679.38	Letter	For
	GUARANTEE COMPANY OF NORTH AMERICA	U		261,268.23	Letter	For
	GUY DIONNE ELECTRICIEN ENR.	U		1,408.11	Letter	For
	H.B. HELLER FASHION TEAM INC.	U		6,454.80	Letter	For
	H/M LE Q'ARTIER DES ILES INC. (LE CHATEAU)	U		4,889.56	Letter	Against
	HAMILTON BEACH BRANDS CDA INC.	U		165,611.38	Letter	For
	HART, JONATHAN HILLEL	U		1,500.00	Letter	Against
	HASBRO CANADA CORPORATION	U		648,837.02	Letter	For
	HEENAN BLAIKIE LLP	U		15,599.97	Letter	For
	HOLIDAY GROUP INC.	U		141,485.45	Letter	For
	HOLIDAY INN STEPHENVILLE	U		293.68	Letter	For
	HOTEL & SUITES LE DAUPHIN QUEBEC	U		341.49	Letter	For
	HOTEL BAIE SAINT-PAUL	U		324.68	Letter	For
	HRISTOV, TODOR	U		3,648.00	Letter	For
	IMMEUBLES PLAISANCE INC.(LES)	U		85,546.98	Letter	For
	IMPORTATION FEN-NELLI INC.	U		20,189.68	Letter	For
	IMPORTATIONS APR LTEE	U		145,612.58	Letter	For
	IMPORTATIONS CJS	U		2,867.63	Letter	For
	IMPORTATIONS RESISTANCE INC.	U		44,555.84	Letter	For
	INDEPENDENT ENERGY SERVICE CO. LTD	U		3,847.72	Letter	For
	INDUSTRIES BECO LTEE (LES)	U		362,428.82	Letter	For

**List of creditors**

<i>Class</i>	<i>Creditor Name</i>	<i>Type</i>	<i>Account #</i>	<i>\$ Admitted for Voting</i>	<i>Voted By</i>	<i>Vote</i>
	INDUSTRIES FOAMEXTRA INC ( LES )	U		79,164.91	Letter	For
	INFOSAC DISTRIBUTORS INC.	U		5,232.26	Letter	For
	INST. ELECTRIQUES GADI INC.(LES)	U		131.59	Letter	For
	INTERNATIONAL VISUAL CORPORATION	U		4,399.71	Letter	For
	INTIMO MONDO COLLECTIONS INC.	U		8,927.16	Letter	For
	INVESTIGATION D.J. INC	U		2,278.50	Letter	For
	IRVING CONSUMER PRODUCTS	U		92,451.51	Letter	For
	J.P.J. NETTOYEUR ENR.	U		2,769.18	Letter	For
	J.W. HVAC SERVICES LIMITED	U		1,872.76	Letter	For
	J.Y MOREAU ELECTRIQUE INC.	U		4,511.59	Letter	For
	JEAN H HENLE INC.	U		11,537.11	Letter	For
	JEAN-GUY BROWN ELECTRIQUE LTEE	U		303.92	Letter	For
	JOHNSON MOVING & STORAGE LTD	U		3,208.34	Letter	For
	JOLIE INTIMATES	U		7,114.37	Letter	For
	JOUETS JRC TOYS	U		30,907.85	Letter	For
	KAMAX INC.	U		968.36	Letter	For
	KAOS CONNECTION (7301022 Canada Inc.)	U		85,833.31	Letter	For
	KARMIN INDUSTRIES	U		67,992.04	Letter	For
	KARMIN INDUSTRIES(IMPORTS)	U		884,739.38	Letter	For
	KINGSWAY TRANSPORT	U		447.52	Letter	For
	KLEER -VU DELUXE ALBUM INC.	U		5,765.04	Letter	For
	KOHUT ELECTRIC LTD.	U		763.88	Letter	For
	KRB MECHANICAL LTD	U		836.20	Letter	For
	KVD HATZLOCHA SSS IND.	U		218,719.20	Letter	For
	KYLE DISPOSALS LIMITED	U		5,284.80	Letter	For
	L. SIMARD TRANSPORT LTD	U		109,778.06	Letter	For
	LA CIE DE TISSUS ARCO LTEE	U		560,398.26	Letter	For
	LABORATOIRES CHOISY LTEE.	U/P		13,395.36	Letter	Against
	LADY SANDRA HOME FASHIONS INC.	U		64,047.12	Letter	For
	LANART RUG INC.	U		30,614.77	Letter	For
	LARRY W. MITCHELL	U		1,130.00	Letter	For
	LASTORIA, JOE	U		12,328.00	Letter	Against
	LE GEORGESVILLE	U		399.87	Letter	For

**List of creditors**

<i>Class</i>	<i>Creditor Name</i>	<i>Type</i>	<i>Account #</i>	<i>\$ Admitted for Voting</i>	<i>Voted By</i>	<i>Vote</i>
	LES DIST. F. LEVASSEUR INC.	U		12,919.02	Letter	For
	LETTRAGE RICHARD INC.	U		108.23	Letter	For
	LEZNOFF ENTERPRISES LTD.	U		17,349.48	Letter	For
	LINGERIE HAGO INC.	U		75,610.41	Letter	For
	LITERIE DORMATEX INC	U		65,620.80	Letter	For
	LITERIES UNIVERSELLES PAGA INC.	U		460,671.47	Letter	For
	LOCATION AUTO HAUTERIVE LTEE	U		583.64	Letter	For
	LOCATION LAUZON	U		1,328.26	Letter	For
	LOCATION PARK AVENUE ( LEASE )	U		4,897.75	Letter	For
	M & M FOOTWEAR INC.	U		376,389.21	Letter	For
	MADDEN ELECTRIC INCORPORATED	U		101.70	Letter	For
	MADRAG FASHIONS INC.	U		5,468.40	Letter	For
	MAGID BROTHERS DISTRIBUTION INC.	U		8,435.95	Letter	For
	MALEX DIVISION DE TRANSPORT TFI 18 SEC	U		1,466.59	Letter	For
	MANDY EVANS & CO.	U		25,643.60	Letter	For
	MANTORIA INC.	U		173,077.00	Letter	For
	MAPLE DISPLAY FIXTURES LTD.	U		1,479.00	Letter	For
	MARCEL LEBLANC & FILS INC	U		137.66	Letter	For
	MARITIME BROADCASTING SYSTEM LTD	U		1,755.46	Letter	For
	MARTIN ROY TRANSPORT	U		61,218.24	Letter	For
	MASDEL GROUP INC.	U		28,967.82	Letter	For
	MATCO RAVARY (DIV 7577010 CANADA INC)	U		624.77	Letter	For
	MATTEL CANADA INC.	U		49,934.43	Letter	For
	MB MARKETING	U		2,904.05	Letter	For
	MERCER CANADA LIMITEE	U		1,503.82	Letter	For
	METAFORE TECHNOLOGIES	U		541.47	Letter	For
	MICHEL GRENIER - ORLANDO SHOE INC.	U		18,776.66	Letter	For
	MIKE WITHERELL MECHANICAL LTD	U		384.20	Letter	For
	MIL-IDEE INC.	U		32,752.32	Letter	For
	ML SECURITE CENTALE	U		2,030.14	Letter	For
	MLH FIRE PROTECTION LTEE	U		432.92	Letter	For
	MODA AT HOME INC.	U		793.48	Letter	For
	MODE AMECO & PARADISIO	U		2,358,241.58	Letter	Against

**List of creditors**

<i>Class</i>	<i>Creditor Name</i>	<i>Type</i>	<i>Account #</i>	<i>\$ Admitted for Voting</i>	<i>Voted By</i>	<i>Vote</i>
	MODES CHIVAS PLUS INC	U		3,319.48	Letter	For
	MOMENTUM 2000 INC.	U		574.60	Letter	For
	MONARCH SPECIALTIES INC.	U		451,753.37	Letter	For
	MOTECH GROUP	U		1,810.50	Letter	For
	MOTEL ADAMS	U		403.68	Letter	For
	MOTEL CHANDLER	U		237.02	Letter	For
	MOTEL LES PIGNONS VERTS	U		160.65	Letter	For
	MOTEL LOUISE INC.	U		350.89	Letter	For
	N.I.M DISPOSALS LIMITED	U		1,018.99	Letter	For
	NADEAU REFRIGERATION INC.	U		1,764.87	Letter	For
	NASRI FRERES INTERNATIONAL	U		9,306.32	Letter	For
	NATE'S TRUCKING LTD.	U		623.76	Letter	For
	NB POWER DISTRIBUTION & CUSTOMER SERV. CORP.	U		24,918.31	Letter	For
	NB SOLUTION HUMAINE INC.	U		51,867.77	Letter	For
	NEATFREAK GROUP INC.	U		9,920.24	Letter	For
	NEWCAP RADIO INC. CHNO-FM	U		6,700.05	Letter	For
	NIAGARA THIS WEEK A DIV.OF METROLAND MEDIA INC	U		432.92	Letter	For
	NIKOL POULIN INC	U		21,202.80	Letter	For
	NORFOLK POWER DISTRIBUTION INC.	U		9,365.36	Letter	For
	NORTH BAY NUGGET (THE)	U		6,374.72	Letter	For
	NORTHERN NEWS	U		1,085.52	Letter	For
	NORTHERN ONTARIO WIRES INC.	U		4,348.08	Letter	For
	NOVATEK ELECTRIQUE INC.	U		489.88	Letter	For
	NOVAVISION TELECOM INC.	U		27,485.35	Letter	For
	NOVEXCO INC./BURO PLUS	U		6,988.12	Letter	Against
	NUVATEK DISTRIBUTION	U		3,087.15	Letter	For
	ONE 2 ONE LINGERIE INC.	U		340.41	Letter	For
	OPTIKOS DESIGNS LTD.	U		13,869.86	Letter	For
	OPTIMUM TALENT INC.	U		5,811.55	Letter	For
	OTTAWA RIVER POWER CORP.	U		6,137.22	Letter	For
	OVERRUNZ INTERNATIONAL	U		77,499.93	Letter	For
	PAPIER COAST	U		2,071.86	Letter	For



**List of creditors**

<i>Class</i>	<i>Creditor Name</i>	<i>Type</i>	<i>Account #</i>	<i>\$ Admitted for Voting</i>	<i>Voted By</i>	<i>Vote</i>
	PCO SERVICES CORPORATION	U		9,028.06	Letter	For
	PCT VINYL CORP.	U		6,360.34	Letter	For
	PENN REFRIGERATION LTD.	U		2,282.60	Letter	For
	PETE ROY/PRO GLASS	U		1,638.50	Letter	For
	PHIPPEN WASTE MANAGEMENT	U		1,577.31	Letter	For
	PJJ PRODUCTIONS INC.	U		804.96	Letter	For
	PLAYMOBILE CANADA	U		148,297.30	Letter	For
	PLOMBERIE GHISLAIN PORLIER INC.	U		219.26	Letter	For
	PORTER, LINDA	U		3,554.40	Letter	For
	PORTES DE GARAGE CITADELLE LTEE	U		1,015.63	Letter	For
	PRIME WARRANTY	U		4,812.31	Letter	For
	PRIMO INTERNATIONAL	U		36,741.86	Letter	For
	PRODUITS DE CUIR SAYAN INC.	U		26,069.11	Letter	For
	PROFLASH	U		6,069.92	Letter	For
	PROTECTION INCENDIE VIKING INC	U		13,214.42	Letter	For
	QUALITY INN MATANE	U		134.64	Letter	For
	R.D. COOKSON DISPOSAL LTD.	U		666.56	Letter	For
	RADIO-TEMISCAMINGUE INC.	U		282.19	Letter	For
	RADIOCORP INC.	U		2,090.50	Letter	For
	RAYNALD CYR ELECTRIQUE INC.	U		164.98	Letter	For
	REBOX CORP.	U		8,839.67	Letter	For
	RECUPERATION MAURICIE	U		122.49	Letter	For
	RELIABLE HOSIERY INC	U		9,921.40	Letter	For
	RENFRO CANADA INC.	U		57,763.04	Letter	For
	RENON-CHEVRIER, SONIA	U		16,153.85	Letter	Against
	RIVERSIDE ENTERPRISES	U		745.80	Letter	For
	ROADRUNNER APPAREL INC.	U		212,022.49	Letter	For
	ROBERT KENNEDY CONSTRUCTION LTD.	U		16,763.87	Letter	For
	ROLLS RUFINA LINGERIE	U		17,112.19	Letter	For
	ROSENBLOOM GROUP	U		12,408.68	Letter	For
	RUNNORTH INC.	U		998,741.12	Letter	For
	S.COTE ELECTRIQUE INC.	U		276.84	Letter	For
	S.R. POTTEN LTEE.	U		45,114.30	Letter	For
	SAFDIE & CO. INC.	U		603,829.51	Letter	For
	SALTON CANADA	U		454,444.10	Letter	For
	SANIMOS INC.	U		1,024.20	Letter	For
	SCAN AGAIN INC	U		256.33	Letter	For

**List of creditors**

<i>Class</i>	<i>Creditor Name</i>	<i>Type</i>	<i>Account #</i>	<i>\$ Admitted for Voting</i>	<i>Voted By</i>	<i>Vote</i>
	SCARVES & ALLIED ARTS INC.	U		16,692.30	Letter	For
	SCOTTISH TRADERS CLOTHING	U		115,511.09	Letter	For
	SEBAS ELECTRIQUE INC.	U		3,083.18	Letter	For
	SECURCHAINED	U		2,848.13	Letter	For
	SELECT THIBODEAU TRANSPORT	U		10,499.49	Letter	For
	SERRURIER EXCEL INC.	U		110.51	Letter	For
	SERV. ROUTIER LEON LAPIERRE INC.	U		762.64	Letter	For
	SERV. SANITAIRES DENIS FORTIER	U		583.42	Letter	For
	SERVICE D'ENTRETIEN DES ILES INC	U		1,475.33	Letter	For
	SERVICES FRIMAS INC. (LES)	U		11,575.39	Letter	For
	SERVICES SANITAIRES ROY	U		159.50	Letter	For
	SHERATON HAMILTON HOTEL	U		471.21	Letter	For
	SILVIO INTERNATIONAL DESIGN	U		15,508.04	Letter	For
	SIM-TRAN (ONTARIO) INC.	U		250.19	Letter	For
	SIMON BLANCHET INC.	U		1,502.48	Letter	For
	SKIVA INTERNATINAL INC. RE: TRENDSET ORIGINAL	U		162,802.12	Letter	For
	SOS TECHNOLOGIES ACTION URG.	U		141.16	Letter	For
	SPINRITE INC.	U		38,773.93	Letter	For
	SPLASH HOME ( 3361781 CANADA INC )	U		17,857.69	Letter	For
	ST-JOHN'S 8 MOTEL LTD	U		448.92	Letter	For
	ST.JOHN COUNCIL FOR ONTARIO	U		318.00	Letter	For
	STEIN NOVELTY IMPORTING CO.	U		10,914.93	Letter	For
	SUMLIN INTERNATIONAL INC.	U		86,527.18	Letter	For
	SUN MEDIA CORPORATION	U		676.31	Letter	For
	SUNBEAM CORP. (CANADA) LTD	U		212,119.88	Letter	For
	SUPER 8 WINDSOR	U		204.70	Letter	For
	SYMAK SALES CO. INC.	U		63,215.42	Letter	For
	SYNTAX SYSTEM LTD.	U		8,835.86	Letter	For
	TAPIS IBE INC.	U		33,459.01	Letter	For
	TERPAC PLASTICS INC.	U		201.88	Letter	For
	THE MUNICIPALITY OF THE TOWN OF PORT HAWKESBURY	U		563.22	Letter	For

**List of creditors**

<i>Class</i>	<i>Creditor Name</i>	<i>Type</i>	<i>Account #</i>	<i>\$ Admitted for Voting</i>	<i>Voted By</i>	<i>Vote</i>
	THE SAULT STAR	U		13,970.16	Letter	For
	THE STANDARD	U		380.84	Letter	For
	TRANSCONTINENTAL INC.	U		1,221,983.57	Letter	For
	TRANSPORT RLS	U		136.72	Letter	For
	TRAVELWAY GROUP INTERN L INC.	U		21,531.83	Letter	For
	TRIPLE G MANUFACTURING INC.	U		66,412.79	Letter	For
	TWO SEASONS INN	U		302.84	Letter	For
	TY CANADA LLC	U		5,457.01	Letter	For
	UNISON METAL PRODUCTS LTD.	U		13,886.88	Letter	For
	UNIVERSAL SENSOR SYSTEMS INC.	U		677.85	Letter	For
	URBAN RAGS CLOTHING INC.	U		1,003,137.06	Letter	Against
	VARDYVILLA LTD	U		1,525.50	Letter	For
	VENETO IMPORTS LTD.	U		9,548.32	Letter	For
	VEOLIA ES MATRIERES RESIDUELLES INC	U		133.29	Letter	For
	VERRERIE EMPIRE TRADING INC.	U		21,371.27	Letter	For
	VETEMENTS 5 SAISONS INC.	U		23,116.31	Letter	For
	VILLE D'AMQUI	U		1,698.33	Letter	For
	VINCORP INTERNATIONAL	U		26,007.95	Letter	For
	VISTA SUDBURY HOTEL INC. O/A RADISSON HOTEL SUDBURY	U		1,193.29	Letter	For
	VITRERIE LC INC	U		261.87	Letter	For
	VITRERIE PRO-VERRE INC.	U		747.35	Letter	For
	VITRERIE VAILLANCOURT INC.	U		115.66	Letter	For
	WEBBER'S WELDING	U		339.00	Letter	For
	WHITE CROSS UNIFORM	U		940.52	Letter	For
	WORKOPOLIS	U		2,001.10	Letter	For
	WORLD TO WORLD TRADING INC.	U		42,101.21	Letter	For
	XEROX CANADA LTEE	U		16,135.14	Letter	For
	Y.R. DISTRIBUTION	U		9,450.00	Letter	For
	ZHIHE CANADA INC.	U		11,708.57	Letter	For
	ZID.COM division of ZYMOS INC.	U		204.96	Letter	For

# **EXHIBIT R-4**

RSM Richter Inc.

2, Place Alexis Nihon  
Montréal (Québec) H3Z 3C2  
Téléphone / Telephone : (514) 934-3497  
Télécopieur / Facsimile : (514) 934-3504  
www.rsmrichter.com

CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL  
No.: 500-11-041238-110

SUPERIOR COURT  
(Commercial Division)  
*The Companies' Creditors Arrangement Act*

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**IN THE MATTER OF THE COMPANIES' CREDITORS  
ARRANGEMENT ACT, R.S.C. (1985), c. C-36 WITH  
RESPECT TO:**

**HART STORES INC. / MAGASINS HART INC.**, a legal person having its head office at 900 Place Paul-Kane, in the City and District of Laval, Province of Québec, H7C 2T2 and a place of business at 7852 Boulevard Champlain in the City and District of Montreal, Borough of LaSalle, Province of Quebec, H8P 1B3

**Debtor**

-and-

**RSM RICHTER INC.**, a duly incorporated legal person having its principal place of business at 2 Place Alexis-Nihon, in the city and district of Montreal, Quebec, H3Z 3C2

**Monitor**

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**REPORT OF THE MONITOR  
ON THE STATE OF THE DEBTOR'S AFFAIRS AND THE PLAN OF ARRANGEMENT  
February 3, 2012**

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## EXECUTIVE SUMMARY

1. On August 30, 2011, Hart Stores Inc. (hereinafter referred to as "Debtor" or "Hart Stores") filed with the Quebec Superior Court, a Motion for the Issuance of an Initial Order pursuant to Section 11 of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, C-36, as amended (the "CCAA"). In this regard, the Honorable Jean-Yves Lalonde, J.S.C. rendered the Initial Order appointing RSM Richter Inc. ("Richter") as monitor (the "Monitor").
2. This Report of the Monitor on the State of the Debtors' Financial Affairs and the Plan of Arrangement (the "Monitor's Report" or the "Report"), is being presented to provide information on the Debtor and to assist the creditors and the Court in their review and assessment of the Plan of Arrangement (the "Plan") pursuant to the CCAA. The Plan is being submitted to the creditors of Hart Stores for their consideration and approval at a Meeting of Creditors to be held on **February 15, 2012, at 10:00 a.m., at The Omni Hotel (Printemps Room), located at 1050 Sherbrooke Street West, Montreal, Québec.**
3. As set out in greater detail in this Monitor's Report, the Plan has been developed by Hart Stores in a continuing effort to provide greater value to its creditors than would be achieved in a forced liquidation, provides for payments totaling \$6 million over a three (3) year period and offers a continuing source of potential revenue to most of the creditors/suppliers, landlords and employees.
4. Pursuant to the Plan, Affected Creditors (as defined in the Plan) may elect to receive the lesser of \$1,000 or the amount of their Proven Claim in full and final settlement of all of their Claims ("Electing Creditors"), provided they submit to the Monitor a written notice to that effect by August 14, 2012. Alternatively, Affected Creditors who do not elect as provided above will be entitled to receive their pro rata share of the balance of the \$6 million after distributions to Electing Creditors.
5. **Hart Stores and the Monitor believe that the Plan is in the best interests of all the Debtor's creditors and recommend that all Affected Creditors vote IN FAVOUR of the Plan. The only realistic alternative to the Plan is a liquidation of the Debtor's assets which is anticipated to generate less than the amount provided in the Plan and likely cause greater loss to all creditors, employees and landlords.**
6. **To become effective, the Plan must be voted upon and approved by the required majority (as defined in the Plan) of Hart Stores' Affected Creditors voting on the Plan and thereafter be approved by the Court.**

7. Hart Stores has obtained a firm financing offer from CIBC (the "Replacement Lender") for a revolving line of credit of up to \$25 million conditional, amongst other things, on the acceptance of the Plan by the Affected Creditors and its approval by the Court.
8. The Voting Form, the Election Form, the Proxy and the Plan (as well as the French version) can be obtained from the Monitor's website at: [www.rsmrichter.com/Restructuring/Hart.aspx](http://www.rsmrichter.com/Restructuring/Hart.aspx) or by calling the Monitor's office at 1.866.845.8958.

## **OUTLINE AND RESERVES**

9. As previously stated, the purpose of the Monitor's Report is to provide useful information on the state of the Debtors' financial affairs and the Plan, assist the creditors and the Court in their review and assessment of the Plan and provide information with respect to the following:
  - Background information;
  - Events leading to CCAA filing;
  - Restructuring measures;
  - DIP Financing;
  - Cash flow projections;
  - Claims Process;
  - Summary of the Plan;
  - Distribution to creditors; and
  - Monitor's assessment of the Plan and recommendation.
10. All amounts are stated in Canadian dollars unless otherwise noted. Capitalized terms used herein and not defined herein shall have the meaning ascribed to them in the Plan.
11. It should be noted that the Monitor has not conducted an audit or investigation of the books and records or the receipts and disbursements of the Debtor and that accordingly, no opinion is expressed regarding the accuracy or completeness of the information contained herein. The present information emanates from the Debtors' books and records that have been made available to the Monitor, as well as from discussions with its management.



## INTRODUCTION

### Legal Proceedings

12. On August 30, 2011, Hart Stores filed with the Quebec Superior Court, a Motion for the Issuance of an Initial Order pursuant to Section 11 of the CCAA. In this regard, the Honorable Jean-Yves Lalonde, J.S.C. rendered the Initial Order appointing Richter as the Monitor.
13. The Initial Order authorized the Debtor to enter into an interim financing (the "DIP Financing") with Wells Fargo Capital Corporation Canada ("Wells Fargo" or the "DIP Lender") pursuant to the DIP commitment letter filed in support of the Initial Order (the "DIP Facility") and created a charge in favour of the DIP Lender over the Debtor's property (as more fully described in the Initial Order). As per the terms of the DIP Facility, which expires on March 14, 2012, all funds collected by the Debtor have been applied against the pre-filing Revolver Loan while disbursements were funded through the post-filing DIP Financing.
14. Since the issuance of the Initial Order, the Stay Period has been extended at four (4) occasions by the Court. In this regard, on January 20, 2012, the Court granted an Order extending the Stay Period until March 14, 2012 in order to allow the Debtor additional time to:
  - Hold the Creditors' Meeting following the filing of the Plan of Arrangement; and
  - Meet the conditions set out in the Firm Term Sheet of the Replacement Lender and complete the refinancing.
15. On October 19, 2011, the Honorable Jean-Yves Lalonde, J.S.C. rendered an Order authorizing the sale of the inventory located in the Closing Stores by Tiger Capital Group LLC ("Tiger") the whole pursuant to the terms of an Agency Agreement negotiated with Tiger.
16. On November 28, 2011, the Court issued the Claims and Meetings Procedure Order which established the procedure for the review, determination and adjudication of all claims as well as a claims bar date of January 12, 2012 for claims which arose up to and including August 30, 2011 and a restructuring claims bar date of January 31, 2012 for claims which arose after August 30, 2011 with respect to contracts terminated in accordance with the prescription of the CCAA.
17. The Order rendered on January 20, 2012 extended the Claims Bar Date to January 31, 2012.

**Background Information**

18. The Debtor was constituted by a Certificate of Amalgamation issued pursuant to the *Canada Business Corporations Act* (the "CBCA") on October 25, 1984. Hart Stores, however, can trace its history to 1960, when Mr. Harry Hart founded the original Hart Department Stores in Rosemere, Quebec.
19. The Debtor is a Canadian public company, listed on the TSX Venture Exchange. The Debtor operates a chain of mid-sized department stores located in secondary and tertiary markets throughout Ontario, Quebec, Newfoundland and Labrador, New Brunswick and Nova Scotia under the names "Hart", "Géant des Aubaines" and "Bargain Giant".
20. As of the date hereof, the Debtor had approximately 969 active employees, including 861 sales associates in the stores, 60 warehouse employees and 48 head office staff.
21. The Debtor's 200,000 square foot head office and distribution center is located in Laval, Quebec and is leased from a wholly owned subsidiary (the "Subsidiary").

**EVENTS LEADING TO CCAA FILING**

22. The following table summarizes the financial results for the past three (3) fiscal years.

Hart Stores Inc. (consolidated)			
Historical Annual Financial Results			
For the fiscal years ended			
(000's)			
	F2009	F2010	F2011
	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
<b>Sales</b>	<b>\$ 175,086</b>	<b>\$ 179,462</b>	<b>\$ 174,692</b>
Cost of sales and expenses	169,880	174,259	173,665
<b>Operating earnings</b>	<b>5,206</b>	<b>5,203</b>	<b>1,027</b>
Financial charges	925	602	746
Amortization	2,872	3,696	2,922
Other expenses (income)	(350)	(1,602)	-
Earnings (losses) before income taxes	1,759	2,507	(2,641)
Income taxes	563	922	(929)
<b>Net earnings (losses)</b>	<b>\$ 1,196</b>	<b>\$ 1,585</b>	<b>\$ (1,712)</b>

23. The sales decreased by 2.7% from fiscal 2010 to fiscal 2011, with same-store sales decreasing by 4.4% during the same period.

24. The Debtor's management attributes the overall negative results of fiscal 2011 to the reduced consumer spending observed in the 3<sup>rd</sup> and 4<sup>th</sup> quarters resulting from the economic downturn at the time. In addition, the Debtor explains the decrease in net earnings by the impact of lower value in same-store sales, higher salaries due to minimum wage increases and additional costs related to the implementation of a new point-of-sale and inventory merchandising systems.
25. The following table summarizes the financial results for the first and second quarters of fiscal 2012 (based on the Debtor's unaudited consolidated financial statements).

<b>Hart Stores Inc.</b>						
<b>Historical Quarterly Financial Results</b>						
(000's)	1st Quarter (May 1, 2011)		2nd Quarter (July 31, 2011)		YTD July 31, 2011	
	F2011	F2012	F2011	F2012	F2011	F2012
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
<b>Sales</b>	<b>\$ 35,041</b>	<b>\$ 29,695</b>	<b>\$ 45,941</b>	<b>\$ 38,707</b>	<b>\$ 80,982</b>	<b>\$ 68,402</b>
Cost of sales and expenses	36,548	33,600	44,951	38,926	81,499	72,526
<b>Operating earnings</b>	<b>(1,507)</b>	<b>(3,905)</b>	<b>990</b>	<b>(219)</b>	<b>(517)</b>	<b>(4,124)</b>
Financial charges	165	249	194	279	359	528
Amortization	674	767	689	801	1,363	1,568
Earnings (losses) before income taxes	(2,346)	(4,921)	107	(1,299)	(2,239)	(6,220)
Income taxes	(916)	(1,427)	35	(377)	(881)	(1,804)
<b>Net earnings (losses)</b>	<b>\$ (1,430)</b>	<b>\$ (3,494)</b>	<b>\$ 72</b>	<b>\$ (922)</b>	<b>\$ (1,358)</b>	<b>\$ (4,416)</b>

26. As shown in the above table, the sales and net earnings for the first two quarters of fiscal 2012 continued to decline significantly as compared to the previous year.
- For the first quarter ended May 1, 2011 the Debtor recorded sales of \$29.7 million, representing a 15% decrease in comparison to sales of \$35 million for the same period in previous year. Consequently, the net loss was \$3.5 million compared to a net loss of \$1.4 million in the previous year;
  - Sales in the second quarter ending July 31, 2011 declined 16% reaching \$38.7 million in comparison to sales of \$45.9 million for the comparable period last year. The net loss was \$0.9 million as compared to net earnings of \$72,000 in the prior year.

27. On a cumulative basis, as at July 31, 2011, sales were down 16% reaching \$68.4 million in comparison to sales of \$80.9 million for the same period last year (there were 92 stores in operation as at July 31, 2011 compared to 90 at the end of the same period the previous year). The Debtor recorded a net loss of \$4.4 million for the 26-week period ended July 31, 2011 compared to \$1.4 million in fiscal 2011, a significant deterioration of its financial performance.
28. Per management, the unusually cold spring weather and the resulting decrease in customer traffic were the most important factors responsible for the decrease in sales in the first quarter of fiscal 2012. In addition, management believes that the cold weather also greatly impacted many weather-related categories of inventory including fashion and seasonal products.
29. Aside from these seasonal effects, the Debtor's financial performance has been challenged by the following:
  - A number of the Debtor's stores were not profitable, or were at the very least underperforming;
  - The Debtor's overhead structure was no longer in line with its reduced business volume; and
  - A significant build-up of excess inventory resulting from a decline in sales, compounded by inventory purchases made in anticipation of better sales was difficult to sell in the ordinary course of business (the "Excess Inventory").
30. Consequently, from January 29 to July 31, 2011 (end of 2<sup>nd</sup> quarter), the Debtor's indebtedness towards Wells Fargo, its principal secured lender, increased from \$13.5 million to \$28.3 million, while accounts payable and accrued liabilities increased from \$14.9 million to \$23.5 million.
31. While in the months preceding the Initial Order the Debtor sought to refinance its affairs with another lender, its efforts remained then unsuccessful and the Debtor's Board of Directors concluded at the time that it would not be able to refinance its affairs under the then existing circumstances.
32. In light of the above, the Debtor's Board of Directors decided last August that the best course of action was to seek the protection of the Court to restructure its affairs under the CCAA.

## **DEBTOR'S RESTRUCTURING MEASURES**

33. Since the issuance of the Initial Order, the Debtor has, amongst other things, implemented or is in the process of implementing the following measures in order to restructure its operations:

- Selected a Replacement Lender;
- Closed a number of underperforming stores;
- Conducted a process for the sale/assignment of Closing Stores leases;
- Sold Closing Stores furniture and fixtures;
- Liquidated a portion of the Excess Inventory in the continuing stores;
- Reduced its operating and overhead expenses; and
- Proceeded to changes in Merchandising and Retailing.

### **Refinancing**

34. Following the issuance of the Initial Order, the Debtor re-initiated discussions with a number of chartered banks and asset based lenders with a view to refinance its business and undertakings. Nine (9) lenders were approached by the Debtor and detailed financial and operational information was provided to those prospective replacement lenders with a view to assist them assessing this refinancing opportunity.

35. On January 17, 2012, the Debtor accepted a Firm Term Sheet from the Replacement Lender. The Firm Term Sheet provides for a revolving line of credit of up to \$25 million and is conditional, amongst other things, on the acceptance of the Plan by the Affected Creditors and its approval by the Court.

36. The legal due diligence process has been initiated and is expected to be completed by the end of February 2012.

### **Closing of Underperforming Stores**

37. The Debtor with the assistance of the Monitor identified 32 stores that were underperforming and that had to be closed as part of the restructuring initiatives ("Closing Stores").

38. The Debtor and the Monitor were of the opinion that the best way to sell the inventory of these Closing Stores was by entering into an agency agreement with a specialized retail store liquidator. This was to allow the Debtor to immediately monetize the value of the inventory at the Closing Stores and would also allow the Debtor to focus on other aspects of its restructuring, particularly the remaining 60 stores which were not designated to be closed.
39. The Monitor planned and managed a solicitation process for the selection of an agent to liquidate the inventory of the Closing Stores whereby liquidators were invited to submit liquidation proposals to the Debtor.
40. On October 19, 2011, the Honorable Jean-Yves Lalonde, J.S.C. issued an Order authorizing the sale of the inventory located in the Closing Stores by Tiger, the whole pursuant to the terms of an Agency Agreement entered into between the Debtor and Tiger.
41. On October 20, 2011, Tiger paid directly to Wells Fargo, the Debtor's primary lender, 90% of the estimated net minimum guarantee amount provided for in the Agency Agreement and the balance has been paid later.
42. The liquidation of the inventory located in the Closing Stores commenced on October 21, 2011 and was initially scheduled to be completed on January 31, 2012 but is now scheduled to be completed by the end of February 2012.
43. On December 1, 2011, the Debtor sent lease repudiation notices to the landlords of four (4) of the Closing Stores notifying them of the repudiation of their leases effective December 31, 2011.
44. On December 28, 2011, the Debtor sent lease repudiation notices to the landlords of the remaining 28 Closing Stores notifying them of the repudiation of their leases effective January 31, 2012.

**Process for the Sale / Assignment of Closing Stores Leases**

45. On September 22, 2011, the Debtor with the assistance of the Monitor initiated a Lease Sale Process for the sale / assignment of the Closing Store leases and possibly the sale of related furniture and fixtures.
46. Following this process, the Debtor received letters of interest for the assignment of certain Closing Stores leases, which ultimately did not materialize in any firm offers.

**Sale of Closing Stores Furniture and Fixtures**

47. As per the terms of the Agency Agreement, Tiger is in process of selling the furniture and fixtures of the remaining Closing Stores.

**Liquidation of Excess Inventory in Continuing Stores**

48. The Debtor is in the process of liquidating the slow moving and obsolete inventory located in the continuing stores through targeted higher mark-downs and a tailored advertising strategy.

**Reduction of Operating and Overhead Expenses**

49. The Debtor revised its advertising program by reducing the number of advertising circulars and optimizing the circular distribution. This initiative will result in annual savings of approximately \$1.0 million.
50. Headcount reductions were done at the head office and warehouse resulting in permanent payroll savings of approximately \$1.0 million annually.
51. Management has also identified other potential cost reduction initiatives at the stores and head office levels to be implemented throughout the upcoming months, and measures to stimulate sales and gross margin, including:
- Review of employee hours' optimization at the store level;
  - Optimization of transportation activities between warehouse and stores;
  - Implementation of internal processes to control costs; and
  - Various sales and gross margin improvement initiatives.

**Operational, Merchandising and Retail Changes**

52. Management has made certain operational changes and is in the process of implementing the following merchandising and retail changes:
- Revised its pricing and promotion strategy to be more competitive;
  - Revised its buying strategy and implemented a structured buying policy; and
  - Changed its visual presentation displays in its stores.

## **DIP FINANCING UPDATE**

53. The Initial Order authorized the Debtor to enter into a DIP Financing with Wells Fargo pursuant to the DIP commitment letter filed in support of the Initial Order (the "DIP Facility"), and created a charge in favor of the DIP Lender over the Debtor's property (as more fully described in the Initial Order).
54. As per the terms of the DIP Facility, as amended, which expires on March 14, 2012, all funds received by the Debtor have been applied against the pre-filing Revolver Loan while disbursements have been funded using the post-filing DIP Financing.
55. On October 20, 2011, the pre-filing Revolver Loan was fully repaid, while the post-filing DIP Financing was repaid on or about December 16, 2011.
56. Under the Second Amending Agreement to the DIP Facility, which was approved by the Court on January 20, 2012, the DIP Facility was amended to provide, among other things, for an extension up to March 14, 2012 of same and a new Restructuring Timeline.

## **CASH FLOW PROJECTIONS**

57. We refer the reader to the Fourth Report of the Monitor dated January 19, 2012 for details relating to the projected receipts and disbursements for the period from January 2, 2012 to April 1, 2012, which indicates that the Debtor will be using the DIP Facility discussed above beginning February 2012.
58. Since the Initial Order, the Debtor has been paying its suppliers based on negotiated terms or upon a cash – on – delivery basis. The Debtor advises that as of the date of this Report, unpaid post-filing trade payables total approximately \$0.7 million, which is well below the Post-Filing Suppliers Charge of \$2 million.

## **UPDATE ON CLAIMS PROCESS**

59. On November 28, 2011, the Court issued the Claims and Meetings Procedure Order.



60. On December 1, 2011, in accordance with the terms of the Claims and Meetings Procedure Order, notice was given by the Monitor to all known creditors that proofs of claims had to be filed with the Monitor no later than January 12, 2012 at 5:00 p.m., Eastern Standard Time, for claims which arose up to and including August 30, 2011 (the "Claims Bar Date") and/or January 31, 2012 at 5:00 p.m., Eastern Standard Time, for claims which arose after August 30, 2011 (the "Restructuring Claims Bar Date").
61. On December 1, 2011, the Monitor also published Newspaper notices in La Presse (Montreal) and The Globe and Mail (Toronto), to advise any potential creditors of the Claims Bar Dates and of the Instruction Letters for claims.
62. On January 20, 2012, an Order was rendered extending to January 31, 2012 the Claims Bar Date.
63. The creditors having Restructuring Claims had until January 31, 2012 to file a claim as per the terms of the Claims and Meetings Procedure Order.
64. As of January 31, 2012, 591 creditors representing 64% of the total number of creditors (928) filed Claims totaling approximately \$36.1 million. It is important to note that the Debtor disagrees with numerous claims filed by the Affected Creditors, in particular those from the landlords for damage claims. The final amount of all claims will be determined pursuant to the Claims and Meetings Procedure Order.

#### **ACTIVITIES OF THE MONITOR**

65. The Debtor has continued to provide the Monitor with its full cooperation and unrestricted access to its premises, books and records. The Monitor has been monitoring the Debtor's operations and receipts and disbursements as more fully described hereunder.
66. The Monitor has also assisted the Debtor in its dealings with certain suppliers and landlords.
67. Pursuant to the initial Order rendered on August 30, 2011, the Monitor established a website at <http://www.rsmrichter.com/Restructuring/Hart.aspx> (the "Website") which has been updated to include materials filed by the Monitor with this Court, mailing of the Notice to Creditors and all Orders issued by the Court.

68. The Monitor has been addressing and continues to address all queries from the creditors and other stakeholders through its dedicated hotline and e-mail address at:

Local: 514.908.3803  
Toll free 1.866.845.8958  
E-mail: [HartStores@rsmrichter.com](mailto:HartStores@rsmrichter.com)

69. The Monitor has continued to actively assist the Debtor in the implementation of its restructuring plan.

70. The Monitor has provided assistance to the Debtor with the following:

- Weekly financial reporting to Wells Fargo;
- Reviews of financial projections to assist management in its restructuring plan and refinancing efforts;
- Management of the Claims Process;
- Negotiation of settlement with creditors;
- Preparation of the CCAA Plan and associated proceedings; and
- Assistance on various strategic and operational issues.

## **PLAN OF ARRANGEMENT**

### **Summary of the Plan**

71. Please note that the following is only a summary of the terms of the Plan and **creditors are strongly invited to read the Plan for complete details of its terms.**
72. The Plan provides that the Debtor will remit to the Monitor a total of \$6 million from September 2012 to February 2015, for distribution to Affected Creditors, which amounts will be funded out of operating cash flow.
73. Affected Creditors shall constitute a single class under the Plan for all purposes. Any Excluded Creditors and Secured Creditors shall not be entitled to vote at the Meeting of Creditors or to receive any distributions in respect of their Excluded Claims or Secured Claims.

74. If the Plan is approved by a majority in number of the Affected Creditors representing 2/3 in value of the Affected Claims present at the Meeting of Creditors and voting either in person or by proxy, and thereafter sanctioned by the Court, the Plan will be binding on Hart Stores and all Persons affected by the Plan.

**Amounts to be Distributed to Affected Creditors**

75. The Plan provides for the Monitor to distribute the above-mentioned amount to the Affected Creditors within a reasonable time after its receipt as follows:
- At any time prior to August 14, 2012, any Affected Creditor may elect to receive the lesser of \$1,000 or the amount of its ordinary claim and for any excess be deemed to have irrevocably and unconditionally reduced their claim to \$1,000 (defined as an Electing Creditor). Electing Creditors will receive a one-time payment of a maximum of \$1,000 from the funds to be remitted by the Debtor to the Monitor on or before September 14, 2012. Thereafter, Electing Creditors shall not receive any further dividends;
  - Affected Creditors other than Electing Creditors will be entitled to receive their pro rata share of the balance of the \$6 million, after distributions to the Electing Creditors.

**Other**

76. The Plan provides that Section 38 and 95 to 101 of the *Bankruptcy and Insolvency Act* (Canada) shall not apply to the Plan as permitted by Section 36.1 of the CCAA.

**Creditors' Committee**

77. The Plan provides for the creation of a committee which shall be comprised of, at most, three (3) individuals (the "Creditors' Committee") designated by the Affected Creditors at the Meeting of Creditors. The Creditors' Committee shall have the following powers:
- Receive information from time to time from the Monitor regarding the progress made in implementing the Plan;
  - Extend, where applicable, the time period for payment to the Monitor of any sum to be distributed to the Affected Creditors beyond the delays provided for in the Plan; and
  - Assist the Monitor in an advisory capacity in relation to the administration of the Plan.

**VOTING ON THE PLAN**

78. The Plan shall be deemed to be accepted by the creditors if, and only if, the Affected Creditors vote for the acceptance of the Plan by a majority in number and two thirds in value of the Affected Creditors present, personally or by proxy, at the Meeting of Creditors.

**ESTIMATED DISTRIBUTION TO CREDITORS**

79. In the event the creditors reject the Plan, the new financing would not be concluded and there would be no other alternative than to initiate a liquidation of the Debtor's assets. The following data is to inform the creditors of the estimated distribution to creditors under the Plan in comparison to an estimated distribution under a forced liquidation scenario.

**Plan of Arrangement**

80. As described previously in this Report, the Plan provides for a \$6 million distribution to Affected Creditors to be paid in five (5) installments over three (3) years. The following table illustrates the estimated recovery under the Plan which may be realized by the Affected Creditors based on the information available as of the date of this Report.

Hart Stores Inc. Estimated Distribution (in 000's)		Low	High
<b><u>Affected Claims</u></b>			
Trade and employees (estimate)		\$ 27,406	\$ 24,531
Lease damages (estimate)		5,770	3,907
<b>Total (Note 1)</b>	<b>A</b>	<b>\$ 33,176</b>	<b>\$ 28,438</b>
Distribution	B	\$ 6,000	\$ 6,000
<b>Estimated distribution %</b>	<b>B/A</b>	<b>18%</b>	<b>21%</b>
Note 1: Consist of the Monitor's best estimate of the Affected Claims.			

81. As shown in the above table, the recovery under the Plan is estimated to range between 18% and 21% of the total Proven Claims. **It is important to note that the final distribution under the Plan will vary depending on the results of the Claims Process.**

**Forced Liquidation**

82. The Monitor has estimated the net realization of the Debtor's assets using the projected estimated net book value of the Debtor's assets as at February 29, 2012. The estimated realization under a forced liquidation scenario is summarized as follows:

Hart Stores Inc. Estimated Net Realization in a Forced Liquidation			
(in 000's)	Projected Estimated Book Value as at February 29, 2012	Low	High
<b>Estimated Gross Realization of Assets</b>	<b>\$ 39,600</b>	<b>\$ 9,300</b>	<b>\$ 13,200</b>
Estimated Professional Fees and General Expenses		(6,100)	(4,700)
Estimated Priority Claims		(2,100)	(2,100)
Estimated Secured Claims		(1,600)	(1,100)
<b>Estimated Amount Available for Unsecured Creditors</b>		<b>NIL</b>	<b>\$ 5,300</b>
Estimated Unsecured Claims (Note 1)		<b>\$ 47,300</b>	<b>\$ 40,900</b>
<b>Estimated % Recovery for Unsecured Creditors</b>		<b>NIL</b>	<b>13%</b>
<b>Estimated Median % Recovery</b>		<b>6%</b>	

Note 1: Includes pre-filing trade payables as per the books and records of the Debtor adjusted for the claims received as at the date of this report, estimated landlord damage claims and severances.

Based on the above table, the recovery for Affected Creditors in the context of a forced liquidation is estimated to range between NIL and 13% of the total Proven Claims. **It is important to note that the process would take several months and involves risks which could negatively impact the liquidation results estimated by the Monitor.**

**Furthermore, it is important to note that the forced liquidation would occur during a low retail season and yield a significantly lower realization as compared to the liquidation in the 32 Closing Stores which took place during the high retail season (November 2011 to January 2012).**

**Assumptions – Forced Liquidation**

83. The above estimate was prepared by the Monitor, with the assistance of the Debtor, and is based on the following key assumptions:

- The gross realization on the inventory was estimated based on the results of the actual liquidation presently conducted in the 32 Closing Stores, discounted by 15% to 20% to reflect that the forced liquidation would take place in a low retail season;
- The Monitor's experience in similar situations;
- Results of the Claims Process as at the date of this Report;
- Information obtained from the Debtor;
- The forced liquidation would begin on February 29, 2012;
- The high and low gross realizations of the Debtor's Subsidiary that owns the land and building (the only asset in this company) where the head office and distribution centre is located are based on the Monitor's discussion with a specialized real estate firm and include conservatory costs, corporate taxes, realtor fees and other ancillary costs;
- Included in the general expenses are the head office and operating costs, payroll and benefits for head office and warehouse employees, safeguard and protective measures and other costs related to the forced liquidation;
- The amount owed to the secured creditors consists of an estimate of the DIP Facility balance and the post-filing suppliers charge created by the Order of the Court;
- The revised cash flow projections prepared by the Debtor, updated to reflect the actual opening balances as at January 30, 2012, indicate that the DIP Facility projected as at February 29, 2012 is approximately \$600,000;
- The Monitor has obtained an independent legal opinion confirming the validity of Wells Fargo's secured loan on all of the assets of the Debtor;
- Included in the Affected Claims are landlord damage claims and severance to employees that would be terminated following a forced liquidation process (such claims are inexistent in a going concern scenario, such as in the Plan scenario). **In the event of a forced liquidation, the landlord damage claims would increase substantially over the current estimate utilized in the Plan as 92 leases would be repudiated as opposed to 32 leases under the Plan;** and

- The forced liquidation analysis does not take into account any potential proceeds from the sale of the brand name and/or the 60 store leases since the Lease Sales Process for the 32 Closing Stores conducted by the Debtor did not result in any realization.

**Preferential Payment Analysis**

84. By the Approval of the Plan, all the creditors are deemed to have waived their remedies provided by Section 36.1 of the CCAA. These remedies relate to the recovery of certain amounts in the event that there were reviewable transactions, preferential treatments and/or asset disposals by the Debtor.
85. The Monitor has performed a summary analysis of the major transactions that occurred during the three month period (with unrelated third parties) and 12 month period (for major transactions with related parties), prior to the issuance of the Initial Order. Pursuant to our review of these transactions, it appears that same have been concluded in the normal course of business according to historical payment patterns and/or terms of payment made available to the Debtor by the creditors.

**Ongoing Operations**

86. Acceptance of the Plan will benefit the creditors and all of the Debtor's stakeholders including the following constituents:
  - In excess of 969 employees will continue to be employed in approximately 60 stores as well as at the head office and warehouse;
  - Merchandise suppliers and service suppliers will have a going concern entity with which to continue doing business; and
  - Landlords of approximately 60 store locations will continue to have Hart Stores as a tenant.

## **MONITOR'S CONCLUSION AND RECOMMENDATION**

87. The Monitor is of the opinion that if the Plan is not approved by the creditors, the Debtor would have no alternative than to proceed with the immediate liquidation of its assets. Taking into account the risks and uncertainties inherent to a liquidation, it is estimated that the Affected Creditors would receive less than what is being offered pursuant to the Plan.
88. Consequently, the Monitor is of the view that the acceptance of the Plan would be more advantageous for the creditors than the liquidation of the Debtors' assets. **The Monitor therefore recommends to vote in favour of the Plan.**
89. The creditors may remit their Voting Letter as well as their Proxy to the Monitor prior to the Meeting of Creditors or, alternatively, they may attend the Meeting of Creditors to obtain any additional clarification they may deem necessary and vote thereat.

Dated at Montreal, this 3<sup>rd</sup> day of February, 2012.

**RSM Richter Inc.**  
Court-Appointed Monitor



Benoit Gingues, CA, CIRP  
Administrator



# **EXHIBIT R-5**

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CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL  
No.: 500-11-041238-110

SUPERIOR COURT  
(Commercial Division)  
*The Companies' Creditors Arrangement Act*

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IN THE MATTER OF THE *COMPANIES' CREDITORS  
ARRANGEMENT ACT*, R.S.C. (1985), c. C-36 WITH  
RESPECT TO:

**HART STORES INC. / MAGASINS HART INC.**, a legal person having its head office at 900 Place Paul-Kane, in the City and District of Laval, Province of Québec, H7C 2T2 and a place of business at 7852 Boulevard Champlain in the City and District of Montreal, Borough of LaSalle, Province of Quebec, H8P 1B3

**Debtor**

-and-

**RSM RICHTER INC.**, a duly incorporated legal person having its principal place of business at 2 Place Alexis-Nihon, in the city and district of Montreal, Quebec, H3Z 3C2

**Monitor**

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UPDATED REPORT OF THE MONITOR  
ON THE STATE OF THE DEBTOR'S AFFAIRS AND THE PLAN OF ARRANGEMENT  
February 15, 2012

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## INTRODUCTION

1. On February 3, 2012, RSM Richter Inc. ("Richter"), the Court-appointed monitor (the "Monitor"), made available on his Web Site its report on the State of the Debtors' Financial Affairs and the Plan of Arrangement in order to provide information on Hart Stores Inc. (hereinafter referred to as "Debtor" or "Hart Stores") and to assist the creditors and the Court in their review and assessment of the Plan of Arrangement (the "Plan").
2. This Updated Report of the Monitor provides the following:
  - Update on the Claims Process; and
  - Update as to the estimated distribution to creditors under the Plan in comparison to an estimated distribution under a forced liquidation scenario.
3. **We refer the Affected Creditors to the Monitor's Report dated February 3, 2012 for a comprehensive review of the Debtor's financial affairs and of the Plan as this Updated Report deals only with the above-mentioned specific matters.**
4. All amounts are stated in Canadian dollars unless otherwise noted. Capitalized terms used herein and not defined herein shall have the meaning ascribed to them in the Plan.
5. It should be noted that the Monitor has not conducted an audit or investigation of the books and records of the Debtor and that accordingly, no opinion is expressed regarding the accuracy or completeness of the information contained herein. The present information emanates from the Debtors' books and records that have been made available to the Monitor, as well as from discussions with its management.

## UPDATE ON CLAIMS PROCESS

6. On November 28, 2011, the Court issued the Claims and Meetings Procedure Order. On January 20, 2012, an Order was rendered extending to January 31, 2012 the Claims Bar Date.
7. As of January 31, 2012, 591 creditors representing 64% of the total number of creditors (928) filed Claims totaling approximately \$36.1 million, as indicated in the Monitor's Report dated February 3, 2012. It is important to note that the Debtor disagrees with numerous claims filed by the Affected Creditors, in particular those from the landlords for damage claims. In this regard, the Debtor, with the assistance of the Monitor, has reviewed the most significant claims filed by the Affected Creditors and communicated with same in order to:
  - Have the Affected Creditors amend their claims where discrepancies existed as compared to the Debtor's books and records, or alternatively;
  - Have the Monitor issue Notices of Revision or Disallowance or value the claims for voting purposes and notify the Affected Creditors accordingly.
8. Following the receipt of numerous amended claims, in particular those from the landlords for damage claims, the total claims have been reduced from \$36.1 million to \$31.8 million as of the date of this Updated Report.
9. The Notices of Revision or Disallowance issued by the Monitor before the Meeting of Creditors and the valuation adjustments of certain claims for voting purposes total approximately \$4.8 million. Accordingly, the revised claims amount (\$31.8 million) has been reduced to \$27 million for voting purposes. It is important to note that the Affected Creditors for which Notices of Revision or Disallowance have been issued by the Monitor or for which their claims have been adjusted for voting purposes can contest the Monitor's position for the purpose of distribution.
10. The Debtor and the Monitor have not completed the review and reconciliation of all claims filed and the Debtor still disagrees with several claims. In this regard, the claims as per the Debtor's books and records total approximately \$26.3 million.
11. **The quantum of the claims filed will vary depending on the final results of the Claims Process.**

**UPDATE ON ESTIMATED DISTRIBUTION TO CREDITORS**

12. The following data is to provide updated information to creditors regarding the revised estimated distribution to creditors under the Plan in comparison to an estimated distribution under a forced liquidation scenario.

**Plan of Arrangement**

13. The following table has been compiled based on the information available as of the date of this Updated Report and illustrates the revised estimated recovery under the Plan which may be realized by the Affected Creditors in comparison to the initial estimate as per the Report dated February 3, 2012.

Hart Stores Inc Estimated Distribution Plan of Arrangement (in 000's)		Revised Estimate Feb. 15, 2012		Initial Estimate Feb. 3, 2012	
		Low	High	Low	High
<b><u>Affected Claims</u></b>					
Trade payables and employees (estimate)		\$ 27,229	\$ 23,815	\$ 27,406	\$ 24,531
Lease damages and other (estimate)		4,570	2,438	5,770	3,907
<b>Total (Note 1)</b>	<b>A</b>	<b>\$ 31,799</b>	<b>\$ 26,253</b>	<b>\$ 33,176</b>	<b>\$ 28,438</b>
<b><u>Distribution (Note 2)</u></b>					
September 14, 2012		\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
February 3, 2013		1,000	1,000	1,000	1,000
February 2, 2014		1,500	1,500	1,500	1,500
February 1, 2015		1,500	1,500	1,500	1,500
February 28, 2015		1,000	1,000	1,000	1,000
	<b>B</b>	<b>\$ 6,000</b>	<b>\$ 6,000</b>	<b>\$ 6,000</b>	<b>\$ 6,000</b>
<b>Estimated distribution %</b>	<b>B/A</b>	<b>19%</b>	<b>23%</b>	<b>18%</b>	<b>21%</b>
<p>Note 1: Consist of the Monitor's best estimate of the Affected Claims.            Note 2: Represents the dates on which the Debtor shall pay the instalments to the Monitor.</p>					

14. As shown in the above table, the revised estimated recovery under the Plan is estimated to range between 19% and 23% of the total Proven Claims, which compares favorably to the initial estimate. It is important to note that the final distribution under the Plan will vary depending on the final results of the Claims Process.

**Forced Liquidation**

15. The Monitor has updated its estimated net realization analysis of the Debtor's assets using the revised projected estimated net book value as at February 29, 2012. The revised estimated realization under a forced liquidation scenario is summarized as follows:

Hart Stores Inc.						
Estimated Net Realization in a Forced Liquidation						
	Revised Estimate - Feb. 15, 2012			Initial Estimate - Feb. 3, 2012		
	Projected Estimated Book Value as at February 29, 2012	Low	High	Projected Estimated Book Value as at February 29, 2012	Low	High
(in 000s)						
<b>Estimated Gross Realization of Assets</b>	<b>\$ 41,600</b>	<b>\$ 11,100</b>	<b>\$ 14,900</b>	<b>\$ 39,800</b>	<b>\$ 9,300</b>	<b>\$ 13,200</b>
Professional fees		(2,500)	(2,000)		(2,500)	(2,000)
General expenses		(3,600)	(2,700)		(3,600)	(2,700)
<b>Estimated Professional Fees and General Expenses</b>		<b>(6,100)</b>	<b>(4,700)</b>		<b>(6,100)</b>	<b>(4,700)</b>
Estimated Priority Claims		(2,100)	(2,100)		(2,100)	(2,100)
Estimated Secured Claims		(4,700)	(4,200)		(1,600)	(1,100)
<b>Estimated Amount Available for Unsecured Creditors</b>		<b>NIL</b>	<b>\$ 3,900</b>		<b>NIL</b>	<b>\$ 5,300</b>
Estimated Unsecured Claims (Note 1)	<b>\$ 49,400</b>	<b>\$ 41,200</b>		<b>\$ 47,300</b>	<b>\$ 40,900</b>	
<b>Estimated % Recovery for Unsecured Creditors</b>		<b>NIL</b>	<b>9%</b>		<b>NIL</b>	<b>13%</b>
<b>Estimated Median % Recovery</b>		<b>5%</b>			<b>6%</b>	

Note 1: Includes pre-filing trade payables as per the books and records of the Debtor adjusted for the claims received as at the date of this Updated Report, estimated landlord damage claims and severances.

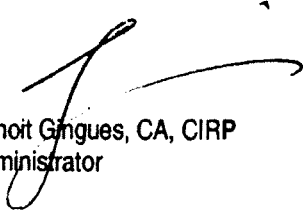
16. Based on the above table, the revised estimated recovery for Affected Creditors in the context of a forced liquidation is estimated to range between NIL and 9% of the total Proven Claims, which compares unfavorably to the initial estimate. It is important to note that the process would take several months and involves risks which could negatively impact the liquidation results estimated by the Monitor.

## MONITOR'S CONCLUSION AND RECOMMENDATION

17. The Monitor is still of the opinion that if the Plan is not approved by the creditors, the Debtor would have no alternative than to proceed with the immediate liquidation of its assets. Taking into account the risks and uncertainties inherent to a liquidation, it is estimated that the Affected Creditors would receive less than what is being offered pursuant to the Plan.
  
18. Consequently, the Monitor is still of the view that the acceptance of the Plan would be more advantageous for the creditors than the liquidation of the Debtors' assets. **The Monitor therefore maintains its recommendation to vote in favour of the Plan.**

Dated at Montreal, this 15<sup>th</sup> day of February, 2012.

**RSM Richter Inc.**  
Court-Appointed Monitor



Benoit Gingues, CA, CIRP  
Administrator

500-11-041238-110

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**SUPERIOR COURT**  
(Commercial Division)

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

**HART STORES INC. / MAGASINS HART INC.**  
Petitioner

- and -

**RSM RICHTER INC.**  
Monitor

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**LIST OF EXHIBITS and Exhibits R-1 to R-5  
to the Motion for Sanction of an Amended  
Plan of Compromise and Arrangement and  
for Extension of the Stay Period**

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**ORIGINAL FOR THE COURT**

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