CANADA **PROVINCE OF QUEBEC** **DISTRICT OF MONTREAL** **No.: 500-11-041238-110**	**S U P E R I O R C O U R T** **(Commercial Division)** ***The Companies' Creditors Arrangement Act***

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

FOURTH REPORT OF THE MONITOR
ON THE STATE OF THE DEBTOR'S FINANCIAL AFFAIRS
January 19, 2012

INTRODUCTION

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. Since the issuance of the Initial Order, the Stay Period has been extended on three (3) occasions by the Court. In this regard, on November 4, 2011, the Court granted an Order extending the Stay Period until January 18, 2012 in order to allow the Debtor additional time to plan and execute the following:

- Negotiations with prospective replacement lenders (the "Refinancing");
- Implementation of a claims and meetings process ("Claim Process");
- Preparation of a Plan of Arrangement for the unsecured creditors;
- Liquidation of the inventory at the 32 closing underperforming stores ("Closing Stores");
- Negotiation of the expressions of interest for the sale/assignment of the Closing Store lease rights and sale of furniture and fixtures;
- Liquidation of the Excess Inventory in the continuing stores; and
- Implementation of cost reduction initiatives.

3. 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 under the CCAA.

4. On January 18, 2012, the Court granted an Order extending the Stay Period until January 20, 2012.

5. On January 20, 2012, the Debtor will present a Motion for an Order authorizing the Filing of a Plan of Arrangement, extending the Stay Period up to and including March 14, 2012 and other relief.

6. The purpose of the Fourth Report of the Monitor is to inform and update the Court on the following:

   A. Financial Position;
   B. DIP Financing;
   C. Refinancing;
   D. Debtor's Restructuring Measures;
   E. Settlement of Landlord Claims
   F. Claims Process
   G. Plan of Arrangement
   H. Activities of the Monitor; and
   I. Motion to Extend the Stay Period.

7. We inform the Court that the Monitor has not conducted an audit or investigation of the information that was provided by the Debtor and that accordingly, no opinion is expressed regarding the accuracy, reliability or completeness of the information contained within this report. The information contained herein is based on unaudited financial information provided to the Monitor by the Debtor's management as well as obtained through discussions with the Debtor's management and employees.

8. The cash flow projections appended to this Report were prepared by the Debtor's management and are based on underlying financial assumptions. The Monitor cannot provide an opinion as to the accuracy, completeness or reliability of these projections. As the cash flow projections relate to future events, which are indeterminable by nature, variances will occur, which may be material. Accordingly, the Monitor does not express an opinion regarding the likelihood of materialization of these cash flow projections.

9. All amounts reflected in this report are stated in Canadian currency unless otherwise noted.

A. FINANCIAL POSITION

10. In conjunction with the filing of the Motion for the second extension of the Initial Order, the Debtor submitted cash flow projections (the "Projections") for the period from October 31, 2011 to January 29, 2012. The Projections were attached as Appendix B to the Third Report of the Monitor on the State of the Debtor's Financial Affairs, dated November 3, 2011.

11. We refer the Court to **Appendix A** which presents a comparison between actual and projected receipts and disbursements for the period from October 31, 2011 to January 1, 2012 (the "Period").

12. As of January 1, 2012, the post-filing interim financing (the "DIP Financing") with Wells Fargo Capital Corporation Canada ("Wells Fargo" or the "DIP Lender"), the Debtor's primary lender, was fully repaid. At that date, the actual cash on hand totaled $4.4 million, which compares favorably to the projected DIP Financing balance of $5.5 million. The $9.9 million positive variance is explained as follows:

   - The cash disbursements for the Period were approximately $10.7 million lower than projected mainly due to lower inventory purchases;
   - The cash receipts of the continuing stores for the Period were approximately $0.8 million lower than projected.

13. Included in **Appendix B** are the projected receipts and disbursements for the period from January 2, 2012 to April 1, 2012.

14. Since the filing of the CCAA, 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 $0.5 million, which is well below the Post-Filing Suppliers Charge of $2 million.

B. DIP FINANCING

15. 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).

16. As per the terms of the DIP Facility, as amended, which expires on January 20, 2012, all receipts have been applied against the pre-filing Revolver Loan while disbursements were funded through the post-filing DIP Financing.

17. 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.

18. The Debtor continued to submit the following to the DIP Lender as required by the DIP Facility:

- Daily monitoring schedules;
- Daily drawdown certificates;
- Weekly borrowing base certificates;
- Weekly actual receipts and disbursements with comparison to the cash flow projections; and
- Information requested by the DIP Lender from time to time.

19. Under the Second Amending Agreement to the DIP Facility, which will be submitted to the Court for approval, the DIP Facility was amended to provide, among other things, an extension up to March 14, 2012 and a new Restructuring Timeline.

C. REFINANCING

20. Following the issuance of the Initial Order, the Debtor had re-initiated discussions with a number of chartered banks and asset based lenders with a view to refinance its affairs. Ten (10) 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.

21. On November 2, 2011, the Debtor's financial projections for the period from F2012 to F2014 and analysis of the detailed assumptions related thereto (the "Business Plan") were also provided to the prospective replacement lenders. The Business Plan reflects the impact of the store closures, the sale of the Excess Inventory in the continuing stores and the cost cutting measures to be implemented by the Debtor.

22. The deadline to receive initial conditional refinancing term sheets was November 30, 2011.

23. On November 30, 2011, the Debtor received three (3) conditional refinancing term sheets from Canadian and US banks, subject to financial and legal due diligence procedures.

24. On December 5, 2011, pursuant to a review of the term sheets received and to further discussions with the prospective replacement lenders, the Debtor received two (2) amended conditional refinancing term sheets.

25. On December 6, 2011, the Debtor accepted the two (2) amended conditional refinancing term sheets received from prospective replacement lenders (the "Selected Lenders") in order to initiate a dual financial due diligence (the "Field Audit"). The Debtor informed the Selected Lenders that two (2) institutions were retained to conduct a dual Field Audit.

26. On December 12, 2011, the Selected Lenders initiated their Field Audit at the Debtor's premises and completed same on December 16, 2011.

27. From December 19, 2011 to January 11, 2012, the Debtor, with the assistance of the Monitor, continued to answer the questions of the Selected Lenders and to provide the requested information.

28. On January 13, 2012, the Debtor received two (2) firm commitment term sheets from the Selected Lenders, which are conditional, amongst other things, to the following (the "Firm Term Sheets"):

- Review of the content of the Plan of Arrangement to their satisfaction;
- Acceptance of the Plan of Arrangement by the creditors at the creditors' meeting to be held mid February 2012;
- Approval of the Plan of Arrangement by the Court;
- Legal due diligence procedures; and
- Financial and other covenants at closing.

29. The Debtor, with the assistance of the Monitor, reviewed the Firm Term Sheets and negotiated certain terms and conditions with the Selected Lenders.

30. On January 17, 2012, the Debtor accepted a Firm Term Sheet from one of the Selected Lenders, namely CIBC (the "Replacement Lender").

31. The legal due diligence process is expected to be initiated shortly and to be completed by the end of February 2012.

D. UPDATE ON DEBTOR'S RESTRUCTURING MEASURES

32. Since the issuance of the Initial Order, the Debtor has, in addition to its Refinancing efforts, began implementing the following measures in order to restructure its operations:

- Closing of underperforming stores;
- Liquidation of the Excess Inventory;
- Merchandising and retail changes;
- Operating and overhead expense reduction;
- Sales / assignment of Closing Stores leases;
- Sale of Closing Stores furniture and fixtures.

Closing of underperforming stores

33. The Debtor, with the assistance of the Monitor, identified 32 stores that are underperforming and that are scheduled for closing as part of the restructuring.

34. 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 in accordance with the terms of an Agency Agreement negotiated with Tiger Capital Group LLC ("Tiger"), the independent agent responsible for the liquidation of the Closing Stores.

35. 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 was paid thereafter.

36. The liquidation of the inventory located in the Closing Stores commenced on October 21, 2011 and was initially scheduled to be completed by January 31, 2012.

37. On December 1, 2011, the Debtor issued lease repudiation notices to the landlords of four (4) of the Closing Stores notifying them of the repudiation of the leases effective December 31, 2011.

38. On December 28, 2011, the Debtor issued lease repudiation notices to the landlords of the remaining 28 Closing Stores notifying them of the repudiation of the leases effective January 31, 2012.

39. After the issuance of the lease repudiation notices, Tiger requested that the Agency Agreement be extended into February 2012 in order to complete the liquidation of the inventory in certain of the Closing Stores. The required landlords have agreed in principal to extend Hart's occupancy into February 2012 under specific terms and conditions and the Debtor will obtain written confirmation from the required landlord that the February 2012 occupancy is only temporary and will in no way affect the validity of the disclaimer of the lease and its termination, which is effective January 31, 2012. In this regard, the Agency Agreement approved by the Court allows the parties to extend same upon mutual agreement which is in the process of being drafted. Tiger is to pay for all costs incurred in the context of this extension.

Liquidation of Excess Inventory in continuing stores

40. The Debtor is still proceeding with the liquidation of the slow moving and obsolete inventory located in the continuing stores (the "Excess Inventory"), through targeted higher mark-down and a tailored advertising strategy.

Merchandising and Retail Changes

41. Management has made and is in the process of implementing the following merchandising and retail changes:

- Revising its pricing and promotion strategy to be more competitive;
- Revising its buying strategy and implementing a structured buying policy; and
- Changing its visual presentation displays in its stores.

Operating and overhead expenses reduction

42. The Company 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.

43. Headcount reductions were done at the head office and warehouse, resulting in permanent payroll savings of approximately $1 million annually.

44. Management has also identified other potential cost reduction initiatives at the stores and head office levels to be implemented over the upcoming months, coupled with 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.

Sale / assignment of Closing Stores leases

45. On September 22, 2011, the Debtor with the assistance of the Monitor commenced a Lease Sale Process for the sale / assignment of the Closing Stores leases and possibly the sale of related furniture and fixtures.

46. The Monitor and the Debtor compiled a list of potential interested parties, the Monitor then sent a solicitation e-mail to those who were approved by the Debtor. The list consisted of Canadian and U.S. retail chains that might have an interest in purchasing from the Debtor the Closing Stores leases.

47. Upon signature of a confidentiality agreement, interested parties were granted access to an online data room containing information regarding the Closing Stores leases.

48. Parties were also informed that the deadline for submission of written letters of interest was October 21, 2011.

49. The Debtor received letters of interest for the assignment of certain Closing Stores leases, which did not materialize in any firm offers, except for one offer, the conditions of which have not yet been met.

Sale of Closing Stores furniture and fixtures

50. As per the terms of the Agency Agreement, Tiger is in the process of selling the furniture and fixtures of the remaining Closing Stores. To date, the proceeds from the sale of the furniture and fixtures by Tiger total approximately $54,000.

51. Pursuant to the completion of the inventory count in the Closing Stores, it was determined that some merchandise was not originally included in the initial inventory listing provided to Tiger as part of their due diligence relating to the Agency Agreement. These inventories represent old products and miscellaneous items. As a result, pursuant to negotiations between the parties, the Debtor agreed to the sale of such inventory to Tiger for a cash consideration of $140,000, which was paid by Tiger to Wells Fargo. This transactions has been approved by the Monitor who reviewed same and came to the conclusion that it was commercially reasonable and in the best interest of all stakeholders.

52. The above mentioned transaction conducted by the Debtor outside the normal course of business does not exceed the thresholds, as per the terms of the Initial Order.

E. SETTLEMENT OF LANDLORD CLAIMS

53. The Debtor entered into agreements with two (2) landlords relating to seven (7) Closing Stores leases, whereby the parties have settled all amounts owing relating to rent and cap rent adjustments and the landlords have accepted not to contest the lease disclaimers and not to file any proof of claims in the CCAA proceedings. On the other hand, Hart is leaving on the premises certain fixtures and leasehold improvements.

54. All of the above mentioned transactions have been approved by the Monitor who reviewed same and came to the conclusion that they were commercially reasonable and in the best interest of all stakeholders.

F. CLAIMS PROCESS

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

56. 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”).

57. 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.

58. Pursuant to the implementation of the Claims Process, 403 Creditors (representing approximately 45% of the total number of creditors (892)) filed Claims in the aggregate amount of $24 million. Based on the above and the books and records of the Debtor, approximately 489 Creditors having Claims totaling approximately $3.7 million have not filed a proof of claim prior to the Claims Bar Date, though seven (7) Creditors have filed Claims totaling $182,000 after the Claims Bar Date.

59. Under the form of notices approved by the Court, each document which referred to the Claims Bar Date also referred to the Restructuring Claims Bar Date, and vice versa, as more fully appears from the Court record.

60. It may be that the reference to both dates in a single notice created some confusion amongst the Creditors, especially given the intervening Holiday season, since as at January 16, 2012, only 403 Creditors of the 892 total Creditors had filed proofs of claim with the Monitor.

61. Given the above, the Monitor believes it would be unjust that Creditors be prejudiced by the co-existence of a Claims Bar Date and a Restructuring Claims Bar Date, and therefore support the Debtor's request to extend the Claims Bar Date to January 31, 2012.

62. The creditors having Restructuring Claims have until January 31, 2012 to file a claim as per the terms of the Claims and Meetings Procedure Order.

G. PLAN OF ARRANGEMENT

63. Between December 19 and 23, 2011, the Debtor and a representative of the Monitor met with several creditors in order to provide them with an update on the restructuring process and an overview of the next steps and preliminary timeline.

64. The Debtor, with the assistance of the Monitor, has worked diligently on the preparation of a Plan of Arrangement for the unsecured creditors.

H. ACTIVITIES OF THE MONITOR

65. Since the Initial Order was issued, the Monitor continues to participate in meetings and work sessions with the Debtor's management with the view of maintaining and restructuring their operations efficiently. The Monitor is not, however, taking any managerial decisions, same being entirely left to the Debtor's management.

66. The Monitor has been actively involved with the Debtor's management in analyzing various restructuring alternatives, including the preparation of the Business Plan.

67. The Monitor has assisted the Debtor in its Refinancing efforts, including the discussions with the Selected Lenders.

68. The Monitor continues to communicate with Wells Fargo, the Debtor's principal secured lender and DIP Lender, to keep it apprised of the evolution of the restructuring, of the daily monitoring as well as of the actual weekly financial results in comparison to cash flow projections.

69. The Monitor assisted the Debtor in its dealings with a number of suppliers in order to ensure an uninterrupted flow of goods and services.

70. The Debtor continued to provide the Monitor with its full cooperation and the Monitor has had unrestricted access to its premises, as well as to the various books and records.

71. The Monitor performs weekly monitoring of the receipts and disbursements, as provided by the CCAA. The weekly monitoring includes a variance analysis of actual results against the Debtor's cash flow projections filed in connection with the CCAA proceedings.

72. The Monitor, to its knowledge, has been kept informed of the Debtors' major activities and has reviewed the disbursements to ensure that they were related to current commitments.

I. MOTION AUTHORIZING THE FILING OF THE PLAN OF ARRANGEMENT, THE EXTENSION OF THE STAY PERIOD AND FOR OTHER RELIEF

73. The Debtor's application to extend the Stay Period to March 14, 2012 is reasonable and the Monitor recommends that this Court agree to it, given inter alia the following factors:

- The Debtor will propose a Plan of Arrangement to its unsecured creditors, the whole as provided for in a Motion to be presented to the Court eminently.
- The requested delay is essential in order to allow time for the Debtor to complete the following steps:
  - Hold the Creditors' Meeting pursuant to the filing of the Plan of Arrangement.
  - Meet the conditions set out in the Firm Term Sheet from the Replacement Lender and complete the refinancing;

- If the extension is granted, we are not aware that any creditor will be materially prejudiced.
- Several suppliers and employees have indicated their support to Hart Stores during the current restructuring process.
- The extension of the Stay Period is supported by Wells Fargo, the Debtor's principal secured lender.
- Several direct and indirect jobs are at stake.
- Since the issuance of the Initial Order, the Debtor has continued to act diligently, in good faith and in the interest of its creditors.
- Since August 30, 2011, the Debtor has continued to pay its employees and suppliers of goods and services on time and/or according to existing agreements.
- If the Initial Order issued by this Court on August 30, 2011 is not extended as requested by the Debtor, there is a strong possibility it will go bankrupt and liquidation will ensue.

Respectfully submitted at Montreal, this 19th day of January, 2012.

RSM Richter Inc.
Court-Appointed Monitor

Benoit Gingues, CA, CIRP

Appendix A

Cash Flow Statement (Actual vs. Projected)
For the Period from October 31 2011 to January 1, 2012

(in 000's)

		9 weeks ended January 1, 2012			
1. Continuing Stores		**Actual**	**Projection**	**Variance**	**Notes**
Receipts (including sales taxes)	**A**	**$ 28,104**	**$ 28,924**	**$ (820)**	1
Disbursements					2
Rent		(1,860)	(2,261)	401	3, 4
Payroll		(4,688)	(5,841)	1,153	4
Merchandise		(2,729)	(10,584)	7,855	5
Expenses - operating		(1,362)	(3,074)	1,711	5
Utilities		(783)	(1,011)	229	5
Distribution costs		(128)	(966)	838	5
Insurance		(140)	(138)	(2)	
Professional fees		(940)	(1,237)	297	5
GST-QST Remittance (For 92 stores)		(2,138)	(189)	(1,949)	6
Interest		(219)	(350)	131	4
	B	**(14,988)**	**(25,651)**	**10,664**	
Net Cash Inflow- Continuing Stores		**13,116**	**3,273**	**9,844**	
2. Closing Stores					
Receipts (including sales taxes)	**A**	**17,225**	**-**	**17,225**	1
Disbursements					
Rent		(1,262)	-	(1,262)	
Payroll		(1,795)	-	(1,795)	
Other		(599)	-	(599)	
Expenses paid by Tiger		127	-	127	
	B	(3,529)	-	(3,529)	
Payment to Tiger (excluding $963K included in opening Post-Filing DIP Financing)	**C**	(11,272)	-	(11,272)	
		(14,801)	**-**	**(14,801)**	
Net Cash Inflow - Closing Stores		**2,424**	**-**	**2,424**	
3. Unfunded disbursements	**B**	**(2,385)**	**-**	**(2,385)**	
Total Net Cash Inflow		**$ 13,155**	**$ 3,273**	**$ 9,883**	
Post-Filing DIP Financing					
Opening balance		$ 8,807	$ 8,807	$ -	
Cash receipts	**Sum of A**	(45,328)	(28,924)	16,404	
Advances	**Sum of B**	20,901	25,651	4,750	
Payment to Tiger	**Sum of C**	11,272	-	(11,272)	
Closing bank loan balance (cash)		(4,349)	5,534	9,883	
Other reconciling items					
Cash at TD Bank		(1,980)	-	1,980	
OS Deposits - Continuing stores		(659)	-	659	
Payable to Tiger Capital		547	-	(547)	7
Sale taxes on Tiger sales		1,179	-	(1,179)	
OS Cheques		1,905	-	(1,905)	
		992	-	(992)	8
Closing book loan balance (cash)		**$ (3,356)**	**$ 5,534**	**$ 8,890**	

Note 1: The receipts for the closing stores are based on sales and the disbursements are calculated as daily accruals as agreed with Tiger Capital Group LLC. The net operating cash flows from the closing stores are deposited in Hart's bank account and paid to Tiger three times a week. The receipts and disbursements of the continuing stores is the difference between the total cash receipts transfered to the DIP Financing Loan (excluding end of week deposits in TD Bank accounts to be transferred the following week) less the sales and disbursement accruals for the closing stores.

Note 2: The disbursements are reflected on a book basis (when cheques are issued).

Note 3: Represents December 2011 and January 2012 rent, excluding adjustments relating to the pre-filing period.

Note 4: The variances represent mainly permanent differences.

Note 5: The variances represent mainly timing differences.

Note 6: GST-QST remittance is significantly higher than projected as Hart is remitting GST-QST on inventory sold in the Closing Stores, while the projections were prepared on a 60 continuing stores basis.

Note 7: Funds owed to Tiger Capital Group LLC as per the Agency Agreement dated October 20, 2011.

Note 8: Reprensents the reconciling items as at January 1, 2012 between the Post-Filing DIP Financing bank and book balance.

Appendix B

Hart Stores Inc.
Projected Cash Flow & Availability (000's)
January 2 to April 1, 2012

Appendix B

	WELLS FARGO													
	1	2	3	4	5	6	7	8	9	10	11	12	13	
	Jan	Jan	Jan	Jan	Feb	Feb	Feb	Feb	Mar	Mar	Mar	Mar	Mar	
Week-Ending	8-Jan	15-Jan	22-Jan	29-Jan	5-Feb	12-Feb	19-Feb	26-Feb	4-Mar	11-Mar	18-Mar	25-Mar	1-Apr	Total
# of stores	60	60	60	60	60	60	60	60	60	60	60	60	60	
PROJECTED RECEIPTS														
Receipts - including taxes	$ 2,351	$ 1,730	$ 1,397	$ 1,064	$ 1,471	$ 1,288	$ 1,536	$ 1,777	$ 1,971	$ 1,402	$ 2,094	$ 1,625	$ 2,290	$ 21,995
Vendor discounts / rebates and other	52	38	31	23	100	88	104	121	98	70	104	81	114	1,025
	2,403	1,768	1,427	1,087	1,571	1,375	1,640	1,897	2,070	1,472	2,198	1,706	2,404	23,020
PROJECTED DISBURSEMENTS (including taxes)														
Payroll	-	(1,063)	-	(1,063)	-	(996)	-	(996)	-	(1,197)	-	(1,197)	-	(6,510)
Payroll - Vacation payout	-	-	-	(546)	-	-	-	-	-	-	-	-	-	(546)
Rent	-	-	-	-	(1,217)	-	-	-	(1,217)	-	-	-	-	(2,435)
Utilities & Taxes	(443)	-	-	-	(443)	-	-	-	(443)	-	-	-	-	(1,330)
Merchandise	(1,639)	(1,206)	(974)	(742)	(1,511)	(1,322)	(1,577)	(1,825)	(2,545)	(1,810)	(2,703)	(2,098)	(2,956)	(22,907)
Freight out	(76)	(56)	(45)	(34)	(56)	(49)	(59)	(68)	(73)	(52)	(77)	(60)	(85)	(789)
Additional Expenses / Excess Inventory	(19)	(14)	(11)	(9)	(14)	(12)	(15)	(17)	(12)	(9)	(13)	(10)	(14)	(168)
Advertising/OPEX/Administrative/Other	(476)	(350)	(283)	(215)	(161)	(141)	(168)	(194)	(156)	(111)	(166)	(129)	(182)	(2,731)
Insurance	(69)	-	-	-	(69)	-	-	-	(69)	-	-	-	-	(207)
GST/HST/QST Remittance	-	-	-	(1,910)	-	-	-	172	-	-	-	-	343	(1,395)
Interest on revolver & DIP	(64)	-	-	-	(55)	-	-	-	(76)	-	-	-	-	(195)
Professional Fees	(215)	(158)	(128)	(97)	(76)	(66)	(79)	(92)	(36)	(26)	(38)	(30)	(42)	(1,083)
Renewing fee/New Loan Facility fee	-	-	-	(50)	-	-	-	-	(125)	-	-	-	-	(175)
CAPEX	-	-	-	-	-	-	-	-	-	-	(188)	-	(188)	(375)
	(3,001)	(2,846)	(1,440)	(4,666)	(3,602)	(2,586)	(1,897)	(3,018)	(4,753)	(3,204)	(3,185)	(3,523)	(3,122)	(40,846)
PROJECTED NET CASH FLOW	$ (598)	$ (1,078)	$ (13)	$ (3,579)	$ (2,031)	$ (1,211)	$ (257)	$ (1,121)	$ (2,683)	$ (1,732)	$ (987)	$ (1,817)	$ (718)	$ (17,826)
DIP Financing: Post-Filing (max $17.5MM)														
Beginning Balance (Note 1)	$ (3,356)	$ (2,758)	$ (1,680)	$ (1,667)	$ 1,912	$ 3,943	$ 5,154	$ 5,411	$ 6,532	$ 9,216	$ 10,948	$ 11,934	$ 13,751	$ (3,356)
Deposits	(2,403)	(1,768)	(1,427)	(1,087)	(1,571)	(1,375)	(1,640)	(1,897)	(2,070)	(1,472)	(2,198)	(1,706)	(2,404)	(23,020)
Advances	3,001	2,846	1,440	4,666	3,602	2,586	1,897	3,018	4,753	3,204	3,185	3,523	3,122	40,846
Ending Balance (before L/C's)	$ (2,758)	$ (1,680)	$ (1,667)	$ 1,912	$ 3,943	$ 5,154	$ 5,411	$ 6,532	$ 9,216	$ 10,948	$ 11,934	$ 13,751	$ 14,470	$ 14,470

Robert Harritt, Vice President Finance & CFO

CANADA	SUPERIOR COURT
District of: Quebec	(Commercial Division)
Division No.: 01-Montréal	*Companies' Creditors Arrangement Act*
Court No.: 500-11-041238-110	RSC 1985, c C-36, as amended
File No.: 0000074-2011-QC	

Report on Cash-Flow Statement by the Debtor Company
(Sections 4, 5 and 11 of the *Companies' Creditors Arrangement Act*)

In the matter of the Plan of Arrangement
with respect to
Hart Stores Inc.
Of the City of Laval
In the Province of Quebec

The management of Hart Stores Inc. has developed the assumptions and prepared the attached statement of projected Cash Flow of the debtor company consisting of the period from January 2, 2012 to April 1, 2012.

The hypothetical assumptions are reasonable and consistent with the purpose of the projections described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the debtor company and provide a reasonable basis for the projections. All such assumptions are disclosed in the notes attached.

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

The projections have been prepared solely for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Laval, in the Province of Quebec, this 19th day of January 2012.

Hart Stores Inc., Debtor company
Per: Robert Harritt, Vice-President Finance & CFO

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

SUPERIOR COURT
(Commercial Division)
Companies' Creditors Arrangement Act
RSC 1985, c C-36, as amended

Report on Cash-Flow Statement by the Debtor Company - Attachment
(Sections 4, 5 and 11 of the *Companies' Creditors Arrangement Act*)

In the matter of the Plan of Arrangement
with respect to
Hart Stores Inc.
Of the City of Laval
In the Province of Quebec

Purpose:
On August 30, 2011, Hart Stores Inc. ("Hart" or the "Company") filed with the Quebec Superior Court a Petition 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"). On August 30, 2011, the Honourable Jean-Yves Lalonde, J.C.S. issued an Initial Order (the "Initial Order"), appointing RSM Richter Inc. as monitor (the "Monitor"). On September 28, 2011, the Debtor presented a Motion and an Order extending the Stay Period was rendered up to and including November 4, 2011 (the "Renewal Order"). On November 4, 2011, a Court Order extended the Stay Période until and including January 18, 2012 and on January 18, 2012 a Court Order extended the Stay Period until and including January 20, 2012, the whole subject to all other terms of the Initial Order and the Renewal Order.

This Statement of Projected Cash Flow has been prepared by the management based on available financial information at that date in accordance with Section 11.02 of the *Companies' Creditors Arrangement Act*. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:
The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period January 2, 2012 to April 1, 2012, considering the economic conditions that are considered the most probable by Management.

As the Projected Cash Flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Projected Assumptions:
(a) Projected Cash Receipts
- Receipts were projected based upon the historical sales by store for the same period last year, adjusted to reflect the recent trending.
(b) Projected Cash Disbursements
- Projected cash disbursements reflect the payment of payroll, occupancy and other operating expenses as these amounts come due. Amounts were projected based on recent trending and represent the best estimate of the Company.
- Projected cash disbursements also include the purchase of merchandise based on Management's best estimate.
- The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at Laval, in the Province of Quebec, this 19th day of January 2012.

Hart Stores Inc., Debtor company
Robert Harritt, Vice-President Finance & CFO

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

SUPERIOR COURT
(Commercial Division)
Companies' Creditors Arrangement Act
RSC 1985, c C-36, as amended

Monitor's Report on Cash-Flow Statement
(Sections 4, 5 and 11 of the *Companies' Creditors Arrangement Act*)

In the matter of the Plan of Arrangement
with respect to
Hart Stores Inc.
Of the City of Laval
In the Province of Quebec

The attached statement of projected cash flow of Hart Stores Inc., as of January 12, 2012, consisting of the period from January 2, 2012 to April 1, 2012, has been prepared by the management of the insolvent person for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the management and employees of the debtor company. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,
(a) the hypothetical assumptions are not consistent with the purpose of the projection;
(b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
(c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at Montréal in the Province of Quebec, this 19th day of January 2012.

RSM Richter Inc.
Court-appointed Monitor

Benoit Gingues, CA, CIRP
2 Place Alexis Nihon, Suite 1820
Montréal QC H3Z 3C2
Telephone: 514.934.3440 Facsimile: 514.934.3504

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

SUPERIOR COURT
(Commercial Division)
Companies' Creditors Arrangement Act
RSC 1985, c C-36, as amended

Monitor's Report on Cash-Flow Statement - Attachment
(Sections 4, 5 and 11 of the *Companies' Creditors Arrangement Act*)

In the matter of the Plan of Arrangement
with respect to
Hart Stores Inc.
Of the City of Laval
In the Province of Quebec

Purpose:

On August 30, 2011, Hart Stores Inc. ("Hart" or the "Company") filed with the Quebec Superior Court a Petition 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"). On August 30, 2011, the Honourable Jean-Yves Lalonde, J.C.S. issued an Initial Order (the "Initial Order"), appointing RSM Richter Inc. as monitor (the "Monitor"). On September 28, 2011, the Debtor presented a Motion and an Order extending the Stay Period was rendered up to and including November 4, 2011 (the "Renewal Order"). On November 4, 2011, a Court Order extended the Stay Period until and including January 18, 2012 and on January 18, 2012 a Court Order extended the Stay Period until and including January 20, 2012, the whole subject to all other terms of the Initial Order and the Renewal Order.
The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of Hart for the period from January 2, 2012 to April 1, 2012. This Statement of Projected Cash Flow has been prepared by the management based on available financial information at that date in accordance with Section 11.02 of the *Companies' Creditors Arrangement Act*. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period from January 2, 2012 to April 1, 2012, considering the economic conditions that are considered the most probable by Management.
As the Projected Cash Flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Projected Assumptions:

(a) Projected Cash Receipts
- Receipts were projected based upon the historical sales by store for the same period last year, adjusted to reflect the recent trending.
(b) Projected Cash Disbursements
- Projected cash disbursements reflect the payment of payroll, occupancy and other operating expenses as these amounts come due. Amounts were projected based on recent trending and represent the best estimate of the Company.
- Projected cash disbursements also include the purchase of merchandise based on Management's best estimate.
- The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at Montréal in the Province of Quebec, this 19th day of January 2012.

RSM Richter Inc.
Court-appointed Monitor

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