

CANADA

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

NO.: 500-11-

S U P E R I O R C O U R T

(Commercial Division)

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

**IN THE MATTER OF THE PLAN OF
COMPROMISE OR ARRANGEMENT
OF:**

THE ALDO GROUP INC., a legal person
having its head office at 2300 rue Émile-
Bélanger, in Montreal, province of
Quebec, H4R 3J4, in the district of
Montreal;

-and-

**SOUTHWEST CAPITAL HOLDINGS
INC.**, a legal person having a place of
business at 2300 rue Émile-Bélanger, in
Montreal, province of Quebec, H4R 3J4;

-and-

ALDO U.S. INC., a legal person having a
place of business at 2300 rue Émile-
Bélanger, in Montreal, province of
Quebec, H4R 3J4;

-and-

ALDO MARKETING LLC, a legal person
having a place of business at 2300 rue
Émile-Bélanger, in Montreal, province of
Quebec, H4R 3J4

-and-

**ALDO SHOES WEST FORTY SECOND,
LLC**, a legal person having a place of
business at 2300 rue Émile-Bélanger, in
Montreal, province of Quebec, H4R 3J4

-and-

ALDO 1125 THIRD AVE. CORP., a legal person having a place of business at 2300 rue Émile-Bélanger, in Montreal, province of Quebec, H4R 3J4

-and-

1230 AVENUE OF THE AMERICAS LLC, a legal person having a place of business at 2300 rue Émile-Bélanger, in Montreal, province of Quebec, H4R 3J4

-and-

ALDO 5th AVE. INC., a legal person having its head office at 110 Old Country Road, Mineola, New York, 11501 United States

-and-

ALDO 250 WEST 125 INC., a legal person having a place of business at 2300 rue Émile-Bélanger, in Montreal, province of Quebec, H4R 3J4

Petitioners

-AND-

ERNST & YOUNG INC., a legal person having a place of business at 900 Maisonneuve West Blvd., Suite 2300, Montreal, province of Quebec, H3A 0A8

Proposed Monitor

-AND-

EUROPEAN INVESTMENTS HOLDINGS SARL, a legal person having its head office at 22, rue Goethe, 1637 Luxembourg

Impleaded Party

**PETITION FOR THE ISSUANCE OF AN INITIAL ORDER AND AN AMENDED AND
RESTATED INITIAL ORDER**

(Sections 4, 5, 11 and ff. of the *Companies' Creditors Arrangement Act* ("**CCAA**"))

**TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN
COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF MONTREAL,
PETITIONERS RESPECTFULLY SUBMIT THE FOLLOWING:**

I. INTRODUCTION

1. By the present Petition, The Aldo Group Inc. ("**Aldo Canada**"), Aldo U.S. Inc. ("**Aldo US**"), Southwest Capital Holdings Inc. ("**Southwest**"), Aldo Marketing LLC ("**Aldo Marketing**"), Aldo Shoes West Forty Second, LLC ("**West Forty**"), Aldo 1125 Third Ave. Corp. ("**1125**"), 1230 Avenue of the Americas LLC ("**1230**"), Aldo 5th Ave Inc. ("**5th Avenue**") and Aldo 250 West 125 Inc. ("**250 West**" and together with Aldo Canada, Aldo US, Southwest, Aldo Marketing, West Forty, 1125, 1230 and 5th Avenue, the "**Petitioners**") seek protection under the *Companies' Creditors Arrangement Act* R.S.C., 1985, c. C-36 (the "**CCAA**") to attempt to preserve and maximize the value of their business and assets, and provide them with the stability they require to consider and review all restructuring and reorganization options.
2. The Petitioners are in the process of restructuring their operations and financial obligations. As such, the Petitioners are seeking the issuance of an initial order from this Court in order to ensure the continuation of their operations and to prevent and stay any recourses and remedies of the Petitioners' creditors for an initial period of ten (10) days.
3. A draft of the initial order sought for the initial ten days is communicated herewith as **Exhibit R-1** (the "**First Initial Order**").
4. The Petitioners will also seek to obtain an extension of the First Initial Order in the coming ten days and replacement of the First Initial Order by an extended initial order in the form of the draft order communicated herewith as **Exhibit R-2** (the "**Amended and Restated Initial Order**").
5. Any reference herein to monetary amounts refers to US dollars unless otherwise indicated.
6. The Petitioners, the Impleaded Party and the various foreign subsidiaries of the Petitioners are collectively defined hereinafter as the "**Aldo Group**".

II. THE ALDO GROUP'S CORPORATE STRUCTURE

7. A corporate chart of the Aldo Group is communicated herewith as **Exhibit R-3**.
8. Southwest is incorporated under the *Canada Business Corporation Act* and is located in Montreal, Quebec, as it appears from a copy of the corporate registry communicated herewith as **Exhibit R-4**. The sole shareholder of Southwest is 2300 Investment Holdings Inc. ("**2300**").
9. Aldo Canada is incorporated under the *Canada Business Corporation Act* and is located in Montreal, Quebec, as it appears from a copy of the corporate registry communicated herewith as **Exhibit R-5**. The most significant shareholder of Aldo Canada is also 2300. Aldo Canada has two fully owned subsidiaries, namely the impleaded party European Investment Holdings SARL ("**European Holdings**") and Aldo US.
10. Aldo US is incorporated under the law of Delaware and the shares of Aldo US, owned by Aldo Canada, are situated in that State under U.S. law. As it appears from **Exhibit R-3**, the following Petitioners are fully owned subsidiaries of Aldo US:
 - (i) Aldo Marketing, an entity which operates and manages the gift card program only in the US;
 - (ii) West Forty, 1125, 1230, 5th Avenue and 250 West, which are all nominee companies for the leases at different strategic locations in the US (collectively, the "**US Nominees**").
11. European Holdings is incorporated under the laws of Luxembourg and is located in Luxembourg. As it appears from **Exhibit R-3**, Aldo Group International AG ("**Aldo Swiss**") is a fully owned subsidiary of European Holdings.
12. Aldo Swiss is an entity incorporated under the laws of Switzerland which takes care of most of the purchase for the group and owns of the intellectual property of the Aldo Group outside of North America. Aldo Swiss is also in charge of all European sales through various other entities.

III. THE ALDO GROUP'S HISTORY

13. In 1972, the predecessor of Aldo Canada opened its first store in Montreal. To this day, Aldo Canada has its head office located in Montreal.
14. In 1991, the Aldo Group opened its first store under the brand "Transit", later renamed "Call it Spring" in 2008.
15. In 1992, the Aldo Group opened its first store under the brand GLOBO in Laval, Quebec.

16. In 1993, the Aldo Group opened its first Aldo branded store in the United States, near Boston (Massachusetts).
17. In 1995, the Aldo Group initiated its international market expansion.
18. In 2010, the Aldo Group launched a new division whose task was to transform the company into an industry-recognized wholesale distributor and third-party sourcing provider of fashion footwear and accessories.
19. Since its creation in 1972, the Aldo Group became a global leader in footwear and fashion accessories. Today, the Aldo Group has:
 - (i) sold more than 46 million pairs of shoes all over the world;
 - (ii) stores in more than 100 countries;
 - (iii) about 3,000 points of sale, of which:
 - a) approximately 700 are directly operated by the Aldo Group, including 287 and 300 located in Canada and in the United States respectively; and
 - b) approximately 1,400 are franchise stores;
20. The Aldo Group employs more than 8,000 persons of which approximately:
 - (i) 1,200 work at its headquarter in Montreal;
 - (ii) 2,900 work for Aldo Canada in the various stores; and
 - (iii) 3,300 work for Aldo US.
21. Furthermore, the Aldo Group estimates that its various franchisees are providing work for thousands of persons.
22. The Aldo Group is known for its brands, product expertise and leadership in digital commerce.

IV. ALDO GROUP'S FINANCIAL SITUATION

23. For the last few years, the Aldo Group has not been profitable and has reported losses. For instance, for the twelve month period ending February 1, 2020, Aldo Canada posted a net loss from operations of approximately CDN\$74,800,000 and Aldo US posted a net loss of approximately \$52,800,000. Taking into consideration year-end write-offs of amounts due from subsidiaries and affiliated and write-offs of future tax benefits that were recorded as an asset, Aldo Canada posted a net loss of approximately CDN170,300,000 and Aldo US posted a net loss of approximately \$97,300,000.

24. While the Aldo Group has made efforts to restructure without resorting to the CCAA, the recent COVID-19 crisis leaves no choice to the Aldo Group but to turn to this Court. Indeed, the impacts of the COVID-19 that are unprecedented include:
- (i) a radical decrease of 50% to 75% in traffic in the two weeks prior the announcement of the closing of all stores;
 - (ii) the closing of all stores in several countries;
 - (iii) the expected decrease in royalties from international franchise partners in the next few months; and
 - (iii) the expected decrease of wholesale in the next few months.
25. Given the unprecedented impact of the COVID-19 and, more generally, the various difficulties that the retail sector has faced the last few years, the Aldo Group is now facing an important liquidity crisis and serious financial difficulties.
26. Consequently, without the ability to restructure its operations, the Aldo Group's financial projections for 2020 reflect that it will not have the liquidity and capital base necessary to ensure viability of its operations.
27. The Petitioners file in support hereof *en liasse* as **Exhibit R-6**, under seal, their last yearly financial statements and their last monthly internal financial statement.

V. THE PETITIONERS' ASSETS, INDEBTEDNESS, EMPLOYEES AND LIABILITIES

28. The Petitioners' main assets and liabilities are more fully described below.

A. ASSETS

29. As of February 1st, 2020, the Aldo Canada's balance sheet reflected assets of approximately CDN\$475,900,000, summarized as follows:
- (i) Inventory: CDN\$72,600,000;
 - (ii) Net book value of fixed assets: CDN\$45,700,000;
 - (iii) Intangible assets: CDN\$138,200,000 (primarily computer software);
 - (iv) Investment in subsidiaries and limited partnership: CDN\$200,300,000; and
 - (v) Other: CDN\$19,100,000 (including cash, prepaid rent, accounts receivable as well as other smaller assets).
30. As of February 1st, 2020, the Aldo US's balance sheet reflected assets of approximately \$166,300,000, summarized as follows:

- (i) Trade and accounts receivable: \$23,500,000;
 - (ii) Inventory: \$84,200,000;
 - (iii) Net book value of fixed assets: \$42,100,000; and
 - (iv) Other: \$16,500,000 (including cash, prepaid rent, as well as other smaller assets).
31. As of February 1st, 2020, Southwest's balance sheet reflected assets of approximately \$75,600,000. The only significant asset of Southwest is the amount payable by Aldo Canada under the Debenture (as defined at para. 35).
32. As of February 1st, 2020, the US Nominees' have no significant assets.
33. As of February 1st, 2020, Aldo Marketing's balance sheet reflected assets of approximately \$3,200,000. The only significant asset of Aldo Marketing is an amount payable by Aldo Canada.

B. SECURED INDEBTEDNESS

Aldo Canada

34. Aldo Canada's most significant secured creditor is Southwest pursuant to a Debenture (as defined at para. 35) and an Indemnity Agreement (as defined at para. 38).
35. On May 30, 2003, Aldo Canada issued a CDN\$100,000,000.00 debenture (the "**Debenture**") in favour of the Aldo Group Holdings Inc. which was subsequently assigned to Southwest. Said Debenture was subsequently amended on a few occasions, as it appears from a copy of the amended and restated debenture communicated herewith under seal as **Exhibit R-7**.
36. The Debenture is secured on the universality of the assets of Aldo Canada, including a pledge of the shares of Aldo US as it appears from the various security documents communicated herewith *en liasse* under seal as **Exhibit R-8**.
37. The Debenture will be payable on December 31, 2024.
38. On December 16, 2005, Aldo Canada and Southwest entered into an Indemnity Agreement pursuant to which Aldo Canada undertook to indemnify Southwest for any amount that the latter may have to pay to the Agent (as defined at para. 45) under the Southwest Guarantee (as defined at para. 47). Said Indemnity Agreement was subsequently amended on a few occasions, as it appears from a copy of the Amended and Restated Indemnity Agreement communicated herewith under seal as **Exhibit R-9** (the "**Indemnity Agreement**").

39. The Indemnity Agreement is secured on the universality of the assets of Aldo Canada, including a pledge of the shares of European Holdings (then known as Aldo Holdings SARL), as it appears from the various security documents communicated herewith *en liasse* under seal as **Exhibit R-10**.
40. Aldo Canada's second most significant secured creditor is Investissement Quebec ("**IQ**").
41. On February 19, 2014, Aldo Canada executed a loan agreement with IQ for an amount of CDN\$40,000,000.00 (the "**IQ Loan**"). The IQ Loan was contracted to finance a specific project of Aldo Canada, namely a transformation of Aldo Group's information technology infrastructure and it was payable 60 months after the initial disbursement over several months, as it appears from a copy of the loan, an amendment to the loan and the hypothec communicated herewith *en liasse* under seal as **Exhibit R-11**.

Aldo US

42. Aldo US's sole known secured creditor is Southwest.
43. Since Aldo US also benefited from the funds being advanced pursuant to the Debenture, Aldo US granted a security over all its assets in favour of Southwest, as it appears from a copy of the security agreement already communicated herewith as **Exhibit R-8**.

Southwest, Aldo Marketing and the US Nominees

44. The other Petitioners, namely Southwest, Aldo Marketing and the US Nominees do not have any secured creditor.

C. OTHER SIGNIFICANT UNSECURED INDEBTEDNESS

The Syndicated Loan

45. Aldo Group's most significant unsecured creditor at the moment is the Bank of Montreal on its own behalf and as agent of a lending syndicate (the "**Agent**").
46. On December 15, 2017, Aldo Canada and Aldo US, as co-borrowers, entered into a Second Amended and Restated Credit Agreement with the Agent which was amended subsequently on four occasions (collectively the "**Syndicated Loan Agreement**"), as it appears from a copy of the loan with the various amendments communicated herewith *en liasse* and under seal as **Exhibit R-12**.
47. The Syndicated Loan is guaranteed by Southwest under the terms of an amended and restated guarantee, as it appears from a copy of said agreement communicated herewith as **Exhibit R-13** (the "**Southwest Guarantee**").

48. The Syndicated Loan is an unsecured loan for a maximum amount of CDN\$300,000,000.00. Before and after the creation of Southwest, Aldo Canada and Aldo US have never granted security interest to secure the Syndicated Loan Agreement or any of the previous syndicated loans to the knowledge of the Agent.
49. Each of Aldo US, Aldo Swiss and European Holdings has also guaranteed the obligations of Aldo Canada under the Syndicated Loan Agreement, as it appears from copies of the agreements communicated herewith *en liasse* as **Exhibit R-14**.

Other significant unsecured creditors

50. As of February 1st, 2020, the Aldo Group owes approximately CDN\$113,300,000 to various trade suppliers. Aldo Canada owes approximately CDN\$76,300,000 and Aldo US owes approximately \$27,800,000.
51. Aldo US owes also approximately (i) \$34,700,000 to Aldo Canada for various services rendered by the latter and (ii) \$31,000,000 to Aldo Swiss.
52. Aldo Canada and Aldo US also offer gift cards to their customers. Such commitments represent, according to the Aldo Group's calculation, a potential liability of approximately \$2,200,000 for Aldo Canada and \$2,100,000 for Aldo US.
53. All amounts owed to the tax authorities by the Petitioners are paid in the normal course and there is therefore no known past due amount owed to tax authorities.
54. In addition, given the COVID-19 situation, Aldo Canada, Aldo US and the US Nominees have not paid the rent for their various stores for the months of April and May 2020.

D. EMPLOYEES

55. All amounts owed to the Aldo Group's employees are paid in the normal course. The Aldo Group does not maintain any pension or retirement plans.

VI. APPLICATION OF THE CCAA

56. As explained above, the Petitioners are indebted towards various creditors in an amount that well exceeds the \$5 million requirement of the CCAA.
57. Furthermore, the Petitioners are not able to meet their obligations as they become due since they face a liquidity crisis.
58. Each of Aldo US, Aldo Marketing and the US Nominees, although not incorporated in Canada, is an entity with assets located in Canada including bank accounts and cash.

59. Given the foregoing, each of the Petitioners clearly qualifies as a “debtor company” and the group qualifies as “affiliated debtor companies” under the CCAA and meets the requirements of the CCAA.
60. As further explained below at section IX D., the center of main interest of each of the entities comprising the Aldo Group is Montréal in Québec.

VII. PAST RESTRUCTURING EFFORTS

61. In late 2019, the Aldo Group initiated a large-scale transformation in order to improve its financial performance.
62. This transformation plan included:
 - (i) focusing on decreasing the share of business of brick and mortar while growing e-Commerce, wholesale and franchise channels; and
 - (ii) replacing the credit facility with an Asset Based Lending structure that would give the Aldo Group the opportunity to gain the working capital it needs in order to restructure.
63. Before the COVID-19 crisis, this transformation was on track and delivering as expected.
64. Unfortunately, the COVID-19 crisis had an unprecedented impact on the Aldo Group’s operations and past efforts of restructuration, including:
 - (i) production delays in China;
 - (ii) closing of all stores;
 - (iii) major declines in sales volumes from wholesale customers and franchisee partners; and
 - (iv) halting of the ongoing process to replace the Aldo Group’s credit facility and raise capital.
65. As of now, the Petitioners are focusing on protecting their employees and customers and adjusting their operating models, including their e-commerce platform.
66. In addition, the Petitioners (a) are taking aggressive actions to cut costs and delay expenses, (b) are trying to protect future revenues by ensuring the viability of next season’s product assortment, (c) are trying to maximize franchise and wholesale revenues through aggressive mitigation of the crisis and proactive business development for future seasons and (d) are leveraging the world-class e-commerce platform to capture the now increasing customer shift towards digital.

67. Regardless of the Aldo Group's efforts in getting through the COVID-19 crisis, the Petitioners cannot fully absorb the loss of sales resulting therefrom.

VIII. FUTURE AND NEED FOR PROTECTION PURSUANT TO THE CCAA

68. Although the Aldo Group strongly believes that it has significant competitive advantages in its field and a strong customer base, it is recognized that in the absence of these proceedings, it will be extremely difficult, if not impossible, to maintain value for all stakeholders, given the current situation.
69. In light of the COVID-19 crisis, it became obvious to the Petitioners that a significant restructuring is required and it is only possible if the Petitioners are granted the protection offered by the CCAA as well as the protection offered under the Chapter 15 of the Bankruptcy Code of the United States (the "**US Chapter 15**").
70. The Petitioners continue to review restructuring alternatives. At this stage, a restructuring within a court supervised process is necessary to ensure fair and equitable treatment for all stakeholders. Once the business is stabilized, the Petitioners will be able to update this Court on its restructuring efforts and alternatives.
71. The Petitioners need to obtain the Court's protection in Canada in order to ensure that they can preserve the value of their assets as a going concern for the benefit of all stakeholders.
72. The Petitioners file in support hereof as **Exhibit R-15**, their cash flow projections (the "**Cash-Flow Projections**"), which have been prepared with the assistance of the Proposed Monitor (as defined at para. 80).

IX. RELIEF SOUGHT

A. D&O CHARGE

73. A restructuring of the Petitioners will only be possible with the continued participation of the Petitioners' board of directors and their officers. These members of personnel are essential to the Petitioners' business and a successful restructuring.
74. Even though the Petitioners intend to comply with all applicable laws and regulations, the Petitioner's directors and officers may nevertheless be concerned about the potential consequences for their personal liability in the context of the present restructuring.
75. Absent the protections sought in the conclusions of the present petition, the Petitioners are concerned that their directors or officers may be advised to resign their posts, which would jeopardize the continuation of the Petitioners' business operations.

76. Accordingly, the Petitioners request that the First Initial Order include an indemnification and charge in favour of the directors and officers of the Petitioners.
77. The Petitioners' directors currently benefit from directors' and officers' insurance coverage up to an amount of approximately \$15,000,000. However, this coverage may prove insufficient or subject to standard exclusions which could make it difficult to cover all potential liabilities that can arise in the context of an insolvency process, including liabilities for accrued and unpaid or unremitted sales taxes as well as employee wages and vacation.
78. For the reasons set out herein, the Petitioners seek a CDN\$2,350,000 D&O Charge, which shall charge all the Petitioners' assets, to indemnify the directors in respect of any liability which it may incur in connections with these proceedings, but only to the extent that such claims are not covered by the current insurance coverage in place, the whole as set forth more fully in the First Initial Order.
79. The Petitioners will also seek that the D&O Charge be increased to CDN\$7,000,000 in the Amended and Restated Initial Order.

B. APPOINTMENT OF MONITOR

80. The Petitioners request that this Court appoint Ernst & Young Inc. (the "**Proposed Monitor**"), a licensed insolvency trustee, as monitor in accordance with the provisions of the CCAA.
81. The Proposed Monitor has agreed to act as Court appointed Monitor to the Petitioners, as it appears by a copy of the letter communicated herewith as **Exhibit R-16**. The Proposed Monitor has also prepared a report in support of the present petition communicated herewith as **Exhibit R-17**.
82. The Proposed Monitor is a related party to Ernst & Young LLP, the Aldo Group's auditor. Given the relationship between Ernst & Young LLP and the Proposed Monitor, the latter could not act as the monitor to the present proceedings without the permission of this Court.
83. The Aldo Group is of the view that such permission should be granted by this Court for the reasons more fully explained herein.
84. The Proposed Monitor has recently started assisting the Petitioners to prepare for the proceedings under the CCAA and develop a restructuring plan and is familiar with the Petitioners' assets and businesses. In this role, the Proposed Monitor has obtained significant information in respect of the businesses, operations and assets of the Petitioners, an understanding of the many issues faced by the Petitioners and relevant to their restructuring efforts and a familiarity with the management and personnel of the Petitioners.

85. Furthermore, the Proposed Monitor has offices in virtually all the countries where the Aldo Group has subsidiaries and therefore will be able to draw upon its own network for assistance with local issues if required.
86. The Proposed Monitor has acquired an extensive and in depth existing knowledge and understanding of the Aldo Group's business. Such in depth knowledge will be very useful and will enable the Proposed Monitor to assume the role of the monitor to these proceedings without delay and without the duplication of significant costs that would be required for a different insolvency professionals' firm to familiarize itself with the complex business operations and financial situation of the Aldo Group and the ongoing restructuring process.
87. To prevent the Proposed Monitor to act as monitor to these proceedings would only increase the professional costs, the whole to the detriment of the Aldo Group's restructuring process and its stakeholders.
88. Given the complexity of the Aldo Group's business, the financial constraints and the need to proceed expeditiously with its restructuring on a cost-effective basis, the Aldo Group is seeking the appointment of the Proposed Monitor as monitor to these proceedings under the CCAA.
89. In addition to any powers or obligations provided for by the CCAA, the Petitioners hereby request that this Court grant the Monitor the powers, rights, obligations and protections detailed in the First Initial Order and eventually the Amended and Restated Initial Order, including namely the orders related to the Administration Charge.

C. ADMINISTRATION CHARGE

90. For the reasons set out herein, the Petitioners seek an Administration Charge in an amount of CDN\$920,000 which shall charge all of the Petitioners' assets, the whole as set forth more fully in the First Initial Order.
91. Indeed, the Petitioners require the services of their professionals and advisors whom need to be paid. The support of the Proposed Monitor, the Petitioners' lawyers are essential to the Petitioners' restructuring.
92. The Petitioners will also seek that the Administration Charge be increased to \$2,500,000 in the Amended and Restated Initial Order.
93. The Petitioners also request that the Administration Charge covers the fees that could be owed to its financial advisor, namely Greenhill & Co. Canada Ltd. (the "**Financial Advisor**"). The latter has been retained by Aldo Canada, Aldo US and Aldo Swiss to act as sole financial advisor in connection with developing and advising the Petitioners with respect to, *inter alia*, various strategic and financial alternatives, as it appears from a copy of the engagement letter communicated herewith under seal as **Exhibit R-18**.

D. CENTER OF MAIN INTEREST AND FOREIGN RECOGNITION PROCEEDINGS

94. Each of the Petitioners' center of main interest is located in Montreal, Quebec, Canada given that *inter alia*:
- (i) Aldo US is managed in Canada;
 - (ii) All strategic decisions for the Petitioners are made in Canada;
 - (iii) Accounting, supply chain and cash management functions all occur in Canada for the Petitioners;
 - (iv) Aldo US does not maintain an office in the United States at which any strategic decisions are made or at which any accounting, purchasing or cash management occurs;
 - (v) Aldo US does not have any showroom or office space in the United States;
 - (vi) All the meetings in persons between third-parties located in the United States and representatives of Aldo US have taken place at the third-parties premises or at the premises of the Aldo Group in Canada;
 - (vii) All corporate services for Aldo US, including tax support, legal services, and issuance of checks for accounts payable are rendered from Montreal, Canada;
 - (viii) The most significant creditors of Aldo US are located in Montreal, namely the Agent, Southwest and Aldo Canada and the various loan arrangements are governed by the laws of Quebec;
 - (ix) Most of the guarantee agreements, including the Southwest Guarantee, are governed by the laws of Quebec;
 - (x) The ultimate shareholders of the Petitioners are located in Canada; and
 - (xi) Most logistics and IT agreements necessary to operate the Aldo Group business are made with Aldo Canada, but are used by the entire group.
95. Given the foregoing, the Petitioners will also initiate proceedings to seek recognition pursuant to the US Chapter 15. The Petitioners also note that Aldo Swiss will undertake independent insolvency proceedings in Switzerland.

E. SPECIFIC MEASURES WITH RESPECT TO LEASES

Payment of rent

96. Each of Aldo Canada, Aldo US and the US Nominees will request this Court to declare in the Amended and Restated Initial Order that until a real property or

immovable lease is disclaimed or resiliated in accordance with the CCAA, each of Aldo Canada, Aldo US and the US Nominee shall pay all amounts constituting rent spread over equal payments on the first and fifteenth day of each month.

97. This measure is necessary given the cash-flow constraints of the Petitioners and the slow recovery that will follow the pandemic. Furthermore, the landlords will not be prejudiced by this measure.

Liquidation Order and Sales Guidelines

98. Each of Aldo Canada, Aldo US and the US Nominees, in consultation with the Proposed Monitor, determined that it would be in the best interest of all of its stakeholders to proceed with the sale (the “**Sale**”) of certain of the retail inventory located in certain stores (the “**Merchandise**”) and of all of the furnishings, fixtures and equipment located therein (the “**FF&E**”).
99. Each of Aldo Canada, Aldo US and the US Nominees intends to conduct the Sale in accordance with the conclusions sought in the Amended and Restated Initial Order (Exhibit R-2) (and not in the First Initial Order) and with the sale guidelines attached thereto as Schedule A (the “**Sale Guidelines**”).
100. The Sale Guidelines have been utilized in the context of multiple court-approved closing sales, notably in Quebec and across Canada. In this case, the Sale Guidelines have been adapted to reflect the fact that the Sale will be conducted by the relevant Aldo entity rather than by a third-party consultant.
101. Each of Aldo Canada, Aldo US and the US Nominees is seeking the approval of the Sale Guidelines so as to prevent possible disputes with certain Landlords, which could possibly interfere with the Sale.
102. It is in the Petitioners’ stakeholders best interest that the Sale be conducted as efficiently as possible and without interference with a view to maximizing recoveries for all stakeholders.

F. TERMINATION OF LEASES AND OTHER AGREEMENTS

103. In order to restructure and survive the economic and financial crisis resulting from the COVID-19 pandemic, the Aldo Group must reduce its expenses as much as possible and try to focus its efforts on its online sales.
104. As a result, the Aldo Group must terminate a number of leases in the United States and in Canada.
105. Notices pursuant to subsection 32(1) CCAA will be sent to the Aldo Group’s lessors following the filing of this proceedings.
106. It is also expected that a certain number of employment contracts will be terminated promptly after the issuance of the First Initial Order given the serious

financial liquidity issues. Such measure is unfortunately essential to the restructuring of the Petitioners and to make sure that the Petitioner will be able to survive the actual crisis resulting from the COVID-19 pandemic.

107. Any amount owed pursuant to the termination of the lease agreements or the employment agreements will be dealt with in accordance with the provisions of the plan of arrangement that the Aldo Group will eventually present to its creditors.

G. INTERIM FINANCING

108. Because of its current liquidity challenges, and as demonstrated in the Cash-Flow Projections, the Aldo Group requires interim financing to provide stability, continue going concern operations and restructure its business as part of this CCAA proceedings.
109. With the help of the Financial Advisor and given the very limited timeframe the Petitioners were working with, they solicited offers from seven potential lenders, including the Agent. Ultimately, five of them have shown an interest to analyze the opportunity of providing an interim financing and have signed confidentiality agreements. As of the date hereof, two of them have separately sent a term sheet to the Aldo Group. The latter, with the Financial Advisor, has reviewed each of them and decided to pursue the negotiation with National Bank of Canada which is offering more advantageous terms.
110. The funds available under the Interim Loan will be used to meet the Aldo Group's funding requirements during the CCAA proceedings in accordance with the Cash Flow Projections, including the payment of professional fees and other costs and expenses in connection with the CCAA proceedings.
111. The terms and conditions of the Interim Loan are more fully detailed in the Proposed Monitor's report.
112. The Interim Loan is proposed to be secured by Court-ordered security interests, hypothecs liens and charges on all of the present and futures assets, property and undertakings of the Petitioners. The Interim Loan will not secure any obligation that exists before the issuance of the proposed First Initial Order.
113. The Interim Loan is critical to the successful restructuring of the Aldo Group, as it will provide the Petitioners with the necessary liquidity and stability to operate as a going concern during these proceedings. Absent an injection of cash in accordance with the Cash-Flow Projections, the Aldo Group will be forced to shut down its operations, which will have a catastrophic impact on its employees, suppliers, landlords and other stakeholders.

H. STAY OF PROCEEDINGS IN FAVOUR OF THE IMPLEADED PARTY

114. The Petitioners also request that the benefit of the stay of proceedings be extended to the Impleaded Party with respect to any claims against them arising out of the Petitioners' insolvency and the application for protection under the CCAA.
115. The operations of the Petitioners and the Impleaded Party are intertwined and the proposed limitation of the stay is necessary to maintain stability and value in the CCAA process. Indeed, as mentioned above, European Holdings, through Aldo Swiss, takes care of all the overseas operations. Aldo Swiss takes care of most of the purchases for the Aldo Group and owns a significant part of the relevant intellectual property. Thus, if proceedings were instituted against Aldo Swiss or its parent company, European Holdings, it could seriously jeopardize the restructuring of the Aldo Group, including the Petitioners. It is contemplated that Aldo Swiss will file insolvency proceedings in Switzerland, but no such proceedings are contemplated for European Holdings and therefore the Petitioners need the protection of this Court with respect to European Holdings.
116. The stay will allow management to develop and oversee an orderly restructuring of the business with less disruption to the Petitioners' current business operations, as well as to continue the operational restructuring initiatives.

I. GIFTS CARDS AND LOYALTY PROGRAM

117. As previously indicated, each of Aldo US (through Aldo Marketing) and Aldo Canada offers gift cards to its customers. It is critical to maintain confidence of the customer and that gift cards continue to be honored. Thus, in the interest of maintaining customer loyalty, the Petitioners are seeking permission to honor these pre-filing commitments to Aldo Group's customers.

J. CONFIDENTIALITY

118. The Aldo Group is privately owned, and therefore has no statutory securities disclosure obligations. It is therefore under no obligation to disclose its cash flow statements and/or its financial statements to the public.
119. The Aldo Group does not wish to share the information with the general public, notably its major competitors.
120. It is submitted that public disclosure of such sensitive financial information and documentation would be very prejudicial to the Aldo Group, notably due to the potential use of this information by its competitors.
121. At the same time, this would cause no prejudice to its creditors, as the information would nevertheless be filed with this Court and could be made available to certain creditors upon signature of a simple confidentiality agreement. However, the Proposed Monitor has been provided with complete access to said financial information.

122. The Petitioners seek an order declaring that certain financial information produced and/or communicated in the context of the present proceedings shall be kept strictly confidential and shall be filed under seal. Such information will be made available to creditors of the Aldo Group who execute a confidentiality agreement.

X. CONCLUSIONS

123. The First Initial Order being sought by the Petitioners is an amended version of the standard form of CCAA Order of the Superior Court of Quebec, Commercial Division. Communicated herewith as **Exhibit R-19** is a compare version of the First Initial Order sought and the standard form.
124. The Amended and Restated Initial Order being sought by the Petitioners is also an amended version of the standard form of CCAA Order of the Superior Court of Quebec, Commercial Division. Communicated herewith as **Exhibit R-20** is a compare version of the First Initial Order sought and the standard form.
125. The filing and presentation of this petition has been approved by the directors of the Petitioners in accordance with the rules, regulations and by-laws governing the Petitioners.
126. For the reasons explained above, the Petitioners believe it is both appropriate and necessary that the relief being sought be granted. With such relief, the Aldo Group will be able to restructure its business and affairs to maximize long term value for the benefit of all stakeholders.
127. Considering the urgency of the situation, the Petitioners respectfully submit that the notices given of the presentation of the present Petition are proper and sufficient.
128. The Petitioners respectfully submit that the petition should be granted in accordance with its conclusions.
129. The present Petition is well founded in fact and law.

THEREFORE MAY IT PLEASE THIS HONOURABLE COURT TO:

GRANT the present Petition for the Issuance of an Initial Order (the “**Motion**”);

ISSUE an order in the form of the draft Order communicated in support of the Petition as Exhibit R-1;

ISSUE, at a date to be determined by the Court, an order in the form of the draft Order communicated in support of the Petition as Exhibit R-2;

WITHOUT COSTS, save and except in case of contestation.

MONTREAL, May 6, 2020

Davies Ward Phillips & Vineberg LLP

Davies Ward Phillips & Vineberg LLP
Attorneys for the Petitioners

NOTICE OF PRESENTATION

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TAKE NOTICE that the present *Petition for the issuance of an Initial Order*, will be presented before the Honourable Michel A. Pinsonnault of the Superior Court (Commercial Division), district of Montréal, on **May 7, 2020**, by video conference et <https://web rtc.scvc.gouv.qc.ca/> or telephone conference at 514.335.1080, conference no. 415754, at 9:30 a.m.

Please refer to the attached guidelines to ensure the proper conduct of the hearing.

DO GOVERN YOURSELVES ACCORDINGLY.

MONTREAL, May 6, 2020

Davies Ward Phillips & Vineberg LLP

Davies Ward Phillips & Vineberg LLP
Attorneys for the Petitioners