

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

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:**

REITMANS (CANADA) LIMITED, a legal
person having its principal office at 250
Sauvé Street West, in Montréal, province
of Québec, H3L 3J7, in the district of
Montréal;

Petitioner

-AND-

ERNST & YOUNG INC., a legal person
having a place of business at 900 De
Maisonnette West Blvd., Suite 2300,
Montréal, province of Québec, H3A 0A8

Proposed Monitor

**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*)

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

I. INTRODUCTION

1. By the present petition (the "**Petition**"), Reitmans (Canada) Limited ("**RCL**" or the "**Petitioner**") seeks 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 its business and assets, and provide it with the stability it requires to consider and review all restructuring and reorganization options available to it.

2. RCL is in the process of restructuring its operations and financial obligations. As such, it is seeking the issuance of an initial order from this Court in order to ensure the continuation of its operations and to prevent and stay any recourses and remedies of RCL’s 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. RCL 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**”).

II. RCL’S BUSINESS AND CORPORATE HISTORY

5. In 1926, Herman and Sarah Reitman opened a general goods store on St-Laurent Boulevard in Montreal. Due to the instant success of the store, they opened a second location, which specialized in women’s clothing. By 1929, the family operated 4 stores in Montreal.
6. During the 1930s, the Reitman family opened its first store in Ontario.
7. In April 1947, RCL was incorporated under the laws of Canada and issued shares to the public through the facilities of the Montreal Stock Exchange. The common shares and the Class A common shares of RCL are now trading on the Toronto Stock Exchange under the ticker symbols RET and RET-A, respectively.
8. By the end of the 1960’s, RCL had moved its office and distribution center to its current location in Saint Laurent and had over 200 stores all across Canada.
9. On May 23, 1980, RCL was continued under the *Canada Business Corporations Act*.
10. In 1995, RCL acquired 39 Pennington’s stores that specialized in the retail sale of plus size clothing.
11. In 1999, RCL opened its first store under the brand RW & CO., which focused on active, casual and city-wear clothing for men and women.
12. In 2002, RCL acquired Shirmax Fashions Ltd which added 109 Addition-Elle stores and 66 Thyme Maternity stores to its stores portfolio.
13. During the period from 2007 to 2013, RCL launched and developed its e-commerce business for all its brands.

14. As of the day of this Petition, RCL is operating under 5 different brands, namely:
 - (i) Reitmans which is one of Canada's largest women's clothing and apparel specialty chain;
 - (ii) Pennington's which is a Canadian market leader in plus size apparel catering to value conscious customers sizes 12 to 32. Pennington's offers a one-stop shop with apparel, shoes, bags, lingerie, lifestyle products and feature products from key brand partners;
 - (iii) Addition Elle which is also a Canadian market leader in plus size clothing. Sportswear, career apparel, lingerie, bras and casual designs are the basic staples of all Addition Elle;
 - (iv) RW & CO. which caters to men and women aged 25 to 40. It is the only chain in the RCL group that caters to both women and men. It focuses on active, casual and city-wear clothing; and
 - (v) Thyme Maternity, which is Canada's leading fashion retailer for expecting mothers.
15. The majority of RCL's merchandise is moderately priced and targeted to appeal principally to young and contemporary customers.
16. As of the date of this Petition, RCL has 576 stores consisting of 259 Reitmans, 106 Pennington's, 80 RW & CO., 77 Addition Elle and 54 Thyme Maternity. RCL has stores in all provinces of Canada: Ontario (198), Québec (146), British-Columbia (62), Alberta (67), Saskatchewan (19), Manitoba (20), Nova Scotia (24), New-Brunswick (18), Newfoundland and Labrador (17), Prince Edward Island (3), and one store in each of Yukon and the Northwest Territories.
17. On March 17, 2020, RCL voluntarily closed on a temporary basis all of its stores to customers in support of collective efforts to help limit the spread of the COVID-19 pandemic, and to protect the health and well-being of its employees and customers.
18. At the same time, RCL has made the necessary decision to temporarily lay off 90% of its Canadian retail store employees, across all its brands. This decision also affected approximately 30% of RCL's Montreal head office employees.
19. Prior to the above-mentioned measures, RCL employed approximately 6,800 persons of which approximately:
 - (i) 950 worked at its headquarters in Montreal;
 - (ii) 250 worked at its distribution center in Montreal; and
 - (iii) 5,600 worked in its various stores across Canada.

III. RCL'S OWNERSHIP

20. As mentioned above at paragraph 7, RCL has been a public corporation since 1947.
21. RCL's share structure consists of only one class of voting common shares and one class of non-voting Class A common shares.
22. Members of the Reitman family directly or indirectly through various holding companies are the most important shareholders of RCL, with approximately 57% of the outstanding common shares and approximately 9% of the outstanding Class A common shares.

IV. RCL'S FINANCIAL SITUATION

23. For the last few years, RCL has not always been profitable and has reported losses. For instance, for the twelve month period ended February 1, 2020, RCL posted a net loss of \$87 million.
24. While RCL has made efforts to restructure its operations without resorting to the CCAA, the recent COVID-19 pandemic leaves no choice to RCL but to turn to this Court. Indeed, the impacts of the COVID-19 pandemic that are unprecedented include:
 - (i) the temporary closing of all of its stores in Canada;
 - (ii) the temporary layoff of approximately 90% of RCL's store employees and 30% of the head office staff;
 - (iii) the contribution of a reduction in wages by the remainder of its employees;
 - (iv) the reduction of capital intensive projects, including putting on hold major projects;
 - (v) the extension of payment terms with RCL's vendor base and the evaluation of inventory and merchandise purchases going forward by reforecasting demand; and
 - (vi) the reduction of RCL's expenses for the current fiscal year, namely by revisiting operating budgets.
25. Given the unprecedented impact of the COVID-19 pandemic and, more generally, the various difficulties that the retail sector has faced in the last few years, RCL is now facing an important liquidity crisis and serious financial difficulties.

26. Consequently, without the ability to restructure its operations, RCL's financial projections for 2020 reflect that it will not have the necessary liquidity to ensure viability of its operations.

V. RCL'S ASSETS, INDEBTEDNESS, EMPLOYEES AND LIABILITIES

27. RCL's main assets and liabilities are more fully described below.

A. ASSETS

28. The reported February 1, 2020 RCL consolidated financial statements reflected assets of \$361 million, summarized as follows:

- (i) Inventory: \$147 million;
- (ii) Net book value of property and equipment: \$88 million;
- (iii) Net book value of intangible assets (primarily software): \$20 million; and
- (iv) Other current assets: \$106 million (primarily cash, account receivable and prepaid expenses).

B. INDEBTEDNESS

29. The most significant creditors of RCL as at February 1, 2020 are:

- (i) Its various trade and other payables for an amount of approximately \$109 million;
- (ii) Its various customers through the gift cards in circulation. Such commitments represent, according to RCL's calculation, a liability of approximately \$14 million (net of a provision for breakage);
- (iii) Its various customers through the loyalty points under the loyalty programs maintained by RCL. Such commitments represent, according to RCL's calculation, a liability of approximately \$1 million; and
- (iv) Its pension plan obligations with respect to its defined benefit pension plan and supplemental executive retirement plan for an amount of \$24 million.

30. RCL does not have any secured creditor with a hypothec over all its assets. RCL only has two secured creditors, namely the Toronto-Dominion Bank ("TD") and Hewlett-Packard Financial Services Canada Company ("HP") with hypothecs over specific assets. TD has an hypothec securing an amount of \$2.75 million in a bank account so as to guarantee the payment of a letter of credit it issued for the benefit of RCL. HP has two hypothecs for an amount of less than \$700,000 which are secured on goods, software and other property financed or leased by HP.

31. Furthermore, RCL could potentially owe various amounts to its landlords given that the rent for the months of April and May was unpaid.
32. All amounts owed to the tax authorities by RCL are paid in the normal course of business and there is therefore no known past due amount owed to the tax authorities.
33. All amounts owed to the RCL's employees or workforce are paid and will be paid in the normal course of conduct. RCL does not have any pension plans for its employees which would be subject to super-priorities under the CCAA.

VI. APPLICATION OF THE CCAA

34. As explained above, RCL is indebted towards various creditors in an amount that well exceeds the \$5 million requirement of the CCAA.
35. Furthermore, RCL is not able to meet its obligations as they become due since it faces a liquidity crisis.
36. Given the foregoing, RCL qualifies as a "debtor company" under the CCAA and meets the requirements thereunder.

VII. FUTURE AND NEED FOR PROTECTION PURSUANT TO THE CCAA

37. Although RCL strongly believes that it has significant competitive advantages in its field and a strong customer base, it recognizes 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.
38. In light of the COVID-19 pandemic, it has become obvious to RCL that a significant restructuring is required and it is only possible if this Court grants to RCL the protection offered by the CCAA.
39. RCL continues 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, RCL will be able to update this Court on its restructuring efforts and alternatives.
40. RCL needs to obtain the Court's protection in Canada in order to ensure that it can preserve the value of its assets as a going concern for the benefit of all stakeholders.
41. RCL files under seal in support hereof as **Exhibit R-3**, its cash flow projections (the "**Cash-Flow Projections**"), which have been prepared together with the Proposed Monitor (as defined at para. 42).

VIII. RELIEF SOUGHT

A. APPOINTMENT OF THE PROPOSED MONITOR

42. RCL requests that this Court appoint Ernst & Young Inc. (the “**Proposed Monitor**”), a licensed insolvency trustee, as monitor, in accordance with the provisions of the CCAA.
43. The Proposed Monitor has agreed to act as Court appointed Monitor to RCL, as it appears by a copy of the letter communicated herewith as **Exhibit R-4**. The Proposed Monitor has also prepared a report in support of the Petition communicated herewith as **Exhibit R-5**.
44. In addition to any powers or obligations provided for by the CCAA, RCL hereby requests that this Court grant the Proposed 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.

B. D&O CHARGE

45. A restructuring of RCL will only be possible with the continued participation of the RCL’s board of directors and its officers. These members of personnel are essential to the RCL’s business and a successful restructuring.
46. Even though RCL intends to comply with all applicable laws and regulations, RCL’s directors and officers may nevertheless be concerned about the potential consequences for their personal liability in the context of the present restructuring.
47. Absent the protections sought in the conclusions of the Petition, RCL is concerned that its directors or officers may be advised to resign their posts, which would jeopardize the continuation of RCL’s business operations.
48. Accordingly, RCL requests that the First Initial Order include an indemnification and charge in favour of the directors and officers of RCL.
49. RCL’s directors and officers currently benefit from insurance coverage up to an amount of \$55 million. 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 remitted sales taxes as well as employee wages and vacation.
50. For the reasons set out herein, RCL seeks a \$4,500,000 D&O Charge, which shall charge all RCL’s assets (other than the property hypothecated in favour TD and HP pursuant to hypothecs registered at the Register of Personal and Movable Real Rights under numbers 20-0334987-0001 for TD and 17-1344603-0001 and 18-1320531-0001 for HP (the “**Excluded Property**”)) to indemnify the directors in respect of any liability which it may incur in connection 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.

51. RCL will also seek that the D&O Charge be increased to \$13,500,000 in the Amended and Restated Initial Order.

C. ADMINISTRATION CHARGE

52. For the reasons set out herein, RCL seeks an Administration Charge in an amount of \$200,000 which shall charge all of RCL's assets (other than the Excluded Property), the whole as set forth more fully in the First Initial Order.
53. Indeed, RCL requires the services of its professionals and advisors who need to be paid. The support of the Proposed Monitor, its lawyers and RCL's lawyers are essential to RCL's restructuring.
54. RCL will also seek that the Administration Charge be increased to \$1,500,000 in the Amended and Restated Initial Order.

D. SPECIFIC MEASURES WITH RESPECT TO LEASES

Payment of Rent

55. RCL 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, RCL shall pay all amounts constituting rent twice-monthly in equal payments on the first and fifteenth day of each month.
56. This measure is necessary given the cash-flow constraints of RCL and the slow recovery that will follow the reopening of the stores in the post-pandemic period. Furthermore, the landlords will not be prejudiced by this measure.

Liquidation Order and Sales Guidelines

57. RCL, in consultation with the Proposed Monitor, has 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**").
58. RCL 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**").
59. The Sale Guidelines have been utilized in the context of multiple court-approved closing sales, notably in Québec and across Canada.

60. RCL is seeking the approval of the Sale Guidelines so as to prevent possible disputes with certain landlords, which could possibly interfere with the Sale.
61. It is in RCL's stakeholders' best interest that the Sale be conducted as efficiently as possible and without interference with a view to maximizing recoveries for all stakeholders.

Termination of Leases

62. In order to restructure and survive the economic and financial crisis resulting from the COVID-19 pandemic, RCL must reduce its operating expenses as much as possible and therefore RCL must terminate a number of leases across Canada.
63. Notices pursuant to subsection 32(1) CCAA will be sent to RCL's lessors following the filing of these proceedings.

E. POSTPONEMENT OF ANNUAL MEETING OF SHAREHOLDERS

64. RCL is a public company and is required to call its next annual meeting of shareholders ("**AGM**") no later than August 1st, 2020.
65. RCL is presently devoting all its efforts on stabilizing its business and reopen its stores in accordance with local government directives, the whole with a view to prepare a business and financial plan for its business and eventually formulate one or more restructuring plans to maximize long term value for the benefit of all stakeholders.
66. Holding an AGM would divert the attention of senior management away from such tasks, would require significant resources and could impede RCL's ability to achieve its restructuring under the CCAA.
67. In addition, it is neither necessary nor desirable to provide fragmented information to shareholders. Indeed, holding an AGM will only be of interest when the company will have a clearer idea of its restructuring plan.
68. Under these circumstances, it is impracticable, and at any event unnecessary, for RCL to prepare and hold an AGM during these proceedings and the Court has the authority to extend the time of calling of the AGM.
69. For, *inter alia*, the reasons more fully explained above, RCL may also ask this Court at a subsequent hearing to render an order postponing the filing of RCL's interim financial statements, management's discussion & analysis and any similar document under the *Securities Act* and the regulations promulgated thereunder.

F. GIFT CARDS AND LOYALTY PROGRAM

70. As previously indicated, RCL offers gift cards to its customers and maintains a loyalty program as well. It is critical to maintain confidence of the customers that the obligations under the loyalty program and the gift cards issued continue to be honored. Thus, in the interest of maintaining customer confidence and loyalty, the Petitioner is seeking permission to honor these pre-filing commitments to RCL's customers.

G. PAYMENT OF CERTAIN PRE-FILING DEBTS OF SERVICES PROVIDERS

71. The Petitioner expects that it may be necessary to make certain payments to its services providers, including customs brokers, freight forwarders, transporters, general contractors and warehousemen, benefiting from a lien, legal hypothec or right of retention over goods or assets (the "**Lienholder Services Providers**") to ensure, *inter alia*, that these goods are released and reach their final destination.
72. If certain Lienholder Services Providers were to refuse to release the merchandise in their possession or give access to certain premises, the Petitioner's supply chain could be seriously disrupted.
73. Therefore, the Petitioner submits that it should be authorized, but not required, with the consent of the Monitor, to continue making payments in the normal course of business to Lienholder Services Providers as is required to ensure *inter alia* the release of the merchandise necessary for the ongoing operations of the Petitioner, even if part of the payments would include pre-filing liabilities.

IX. CONCLUSIONS

74. The First Initial Order being sought by RCL is an amended version of the standard form of Initial Order of the Superior Court of Québec, Commercial Division. Communicated herewith as **Exhibit R-6** is a compare version of the First Initial Order sought and the standard form.
75. The Amended and Restated Initial Order being sought by RCL is an amended version of the standard form of CCAA Order of the Superior Court of Québec, Commercial Division. Communicated herewith as **Exhibit R-7** is a compare version of the Amended and Restated Initial Order sought and the standard form.
76. For the reasons explained above, RCL believes it is both appropriate and necessary that the relief being sought be granted. With such relief, RCL will be able to restructure its business and affairs and to maximize long term value for the benefit of all stakeholders. RCL also notes that it has the intention to present a motion to approve an interim financing during the course of the present proceedings under the CCAA.
77. Considering the urgency of the situation, RCL respectfully submits that the notices given for the presentation of the Petition are proper and sufficient.

78. RCL respectfully submits that the Petition should be granted in accordance with its conclusions.
79. The present petition is well founded in fact and law.

THEREFORE MAY PLEASE THIS HONOURABLE COURT TO:

GRANT the present *Petition for the issuance of an initial order and an amended and restated initial order* (the “**Petition**”);

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 18, 2020

A handwritten signature in blue ink, reading "Davies Ward Phillips & Vineberg", is written over a horizontal line.

Davies Ward Phillips & Vineberg LLP
Attorneys for the Petitioner

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**IN THE MATTER OF THE PLAN OF
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REITMANS (CANADA) LIMITED

Petitioner

-AND-

ERNST & YOUNG INC.

Proposed Monitor

OATH OF RICHARD WAIT

I, the undersigned, Richard Wait, Chief Financial Officer of Reitmans (Canada) Limited, having a place of business at 250 Sauvé Street West, in Montréal, province of Québec, H3L 3J7, solemnly declare:

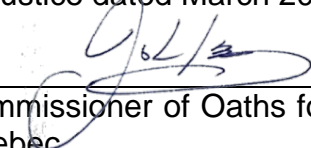
1. I am a representative of Reitmans (Canada) Limited herein;
2. I have read the attached *Petition for the issuance of an initial order and an amended and restated initial order* and all of the facts alleged therein are true and to my personal knowledge.

AND I HAVE SIGNED:

Richard Wait

Richard Wait

SOLEMNLY AFFIRMED before me in Montreal this 18 th day of May 2020 by Richard Wait, whose oath was taken and received in Montréal, the whole by technology means and in accordance with the memorandum of the Quebec Ministry of Justice dated March 20, 2020



Commissioner of Oaths for the Province of Quebec



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-AND-

ERNST & YOUNG INC.

Proposed Monitor

NOTICE OF PRESENTATION

TO:

Mtre Daniel Cantin
Revenu Québec
3800 Rue de Marly
Secteur 528
Québec, QC H3B 4W5
T 418.652.5245
danielcantin@revenuquebec.ca

Attorneys for Revenu Québec

Mtre Chantal Comtois
Department of Justice Canada
200 René-Lévesque Blvd W.
9th Floor, East Tower
Montréal, QC H2Z 1X4
T 514.283.2999
chantal.comtois@justice.gc.ca

Attorneys for Canada Revenue Agency

Mtre Sandra Abitan
Mtre Ilia Kravtsov
Osler, Hoskin & Harcourt LLP

1000 rue de la Gauchetière Ouest
Bureau 2100
Montréal QC H3B 4W5
T 514.904.5648
T 514 904-5385
SAbitan@osler.com
lkravtsov@osler.com

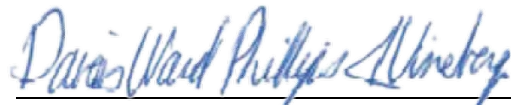
Attorneys for Ernst & Young Inc.

TAKE NOTICE that the present *Petition for the issuance of an initial order and an amended and restated initial order* will be presented before the Honourable Martin Castonguay of the Superior Court (Commercial Division), district of Montréal, on May 19, 2020, by video conference at <https://web rtc.scvc.gouv.qc.ca/> or telephone conference at 514.335.1080, conference no. 438117, 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 18, 2020



Davies Ward Phillips & Vineberg LLP
Attorneys for the Petitioner