



Ernst & Young Inc.  
900, boul. De Maisonneuve Ouest  
Bureau 2300  
Montréal (Québec) H3A 0A8

Tél./Tel: +1 514 875 6060  
Télec./Fax: +1 514 879 2600  
ey.com

CANADA  
PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL  
No.: 500-11-058299-203

S U P E R I O R C O U R T  
Commercial Division  
Designated tribunal under the Companies'  
Creditors Arrangement Act<sup>1</sup>

IN THE MATTER OF THE PROPOSED PLAN OF  
COMPROMISE OR ARRANGEMENT OF  
REITMANS (CANADA) LIMITED

#### NINTH REPORT OF THE MONITOR – DECEMBER 13, 2021

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### INTRODUCTION AND BACKGROUND

1. On May 19, 2020, further to a petition filed by Reitmans (Canada) Limited (the "Petitioner" or "RCL"), the Superior Court of the Province of Québec for the district of Montréal (the "Court") sitting as the designated tribunal pursuant to the Companies' Creditors Arrangement Act ("CCAA") issued an order ("Initial Order") declaring that the Petitioner is a debtor company to which the CCAA applies, appointing Ernst & Young Inc., a licensed insolvency trustee, as monitor ("EY" or the "Monitor") and granting various relief measures. At a hearing held on May 29, 2020, the Court amended, restated and extended the Initial Order ("Amended Initial Order") and on July 27, 2020, the Court issued a further order extending the stay of proceedings provided for in the Initial Order and Amended Initial Order to October 16, 2020. At a hearing held on August 20, 2020, the Court amended and restated the Initial Order granting an interim lender's charge ("Second Amended Initial Order") and issued a claims process order ("Claims Process Order"). The stay of proceedings granted by the Second Amended Initial Order was extended through subsequent Court orders and is now scheduled to expire on January 28, 2022.
2. A corporate organization chart indicating the relationship between the various entities in the corporate group (collectively, "Reitmans Group") is attached as Appendix A hereof. A description of the entities comprising the Reitmans Group was included in the pre-filing report filed by EY (then as proposed monitor), dated May 18, 2020, which can be accessed on the Monitor's website at [www.ey.com/ca/reitmans](http://www.ey.com/ca/reitmans).
3. This report ("Report") is prepared in connection with the requirement under section 23(1)(d.1) CCAA, based on the information that has been made available to the Monitor. The Report also addresses the various steps taken pursuant to the Plan Filing and Meeting Order issued by the Court on November 26, 2021 (the "Meeting Order"), the filing of a plan of arrangement (the "Plan") and other relief. The Report is presented under the following headings:

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<sup>1</sup> Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended.

- Introduction and background;
- Terms of reference and disclaimer;
- Overview of the restructuring proceedings to date;
- Quarterly reporting;
- Comparison of actual and projected cash flow results;
- Cash Flow Forecast;
- Interim financing;
- Exit financing;
- Summary of Claims received under the Court approved Claims Process;
- Overview of the Plan of Arrangement;
- Releases contemplated by the Plan of Arrangement
- Conditions precedent to the implementation of the Plan of Arrangement
- Procedure for Voting on the Plan
- Liquidation Analysis;
- Recommendation
- Upcoming restructuring measures; and
- Overall comments and conclusions.

#### TERMS OF REFERENCE AND DISCLAIMER

4. The Monitor has prepared other reports since the commencement of the restructuring proceedings, which are accessible on the Monitor's website. This Report should be read in conjunction with the previous reports.
5. In preparing this Report and making the comments herein, the Monitor has been provided with and has relied upon certain unaudited, draft and/or internal financial information, company records, management prepared financial information and projections, information from other third-party sources, and has engaged in discussions with the Petitioner's directors, senior management team ("Management") and the Petitioner's legal advisors (collectively, the "Information"). Except as otherwise described in this Report:
  - The Monitor has assumed the integrity and truthfulness of the Information and explanations provided to it, within the context in which it was presented. To date, nothing has come to the attention of the Monitor that would cause it to question the reasonableness of this assumption.
  - The Monitor has requested that Management bring to its attention any significant matters which were not addressed in the course of its specific inquiries. Accordingly, this Report is based solely on the Information (financial or otherwise) provided by the Petitioner.
  - The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with generally accepted assurance standards

or generally accepted standards for review engagements and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the Information.

- In view of the purpose of the Report, some of the financial information therein may not comply with generally accepted accounting principles.
  - This Report does not take into account all future impacts of COVID-19 on the forecasts or projections or other actions taken by the Petitioner as a result of the evolving pandemic situation. Any references made to the impact of the pandemic on the Petitioner in this Report are based on preliminary enquiries and are not to be interpreted as a complete commentary or as an accurate assessment of the full impact of the pandemic. The potential for unknown ramifications on consumers, supply chains, commercial counterparties (both direct and indirect to RCL's operations), future decisions that Management may make as a result of the evolving pandemic situation and potentially adverse geopolitical outcomes, means that the forecasts or projections may be impacted by the ongoing pandemic. The full impact of the pandemic cannot be qualitatively or quantitatively assessed at this time.
  - Some of the information referred to in this Report consists of forecasts and projections that were prepared based on Management's current estimates and assumptions. Such estimates and assumptions are, by their nature, not ascertainable and as a consequence, no assurance can be provided regarding any such forecasted or projected results. Actual results will vary from the forecasts or projections, even if the estimates and assumptions are accurate, and the variations could be significant.
6. This Report has been prepared by the Monitor for purposes set forth in Paragraph 3 hereof. This Report may not be appropriate for any other purpose and consequently should not be used for any other purpose.
7. Unless otherwise stated all monetary amounts contained herein are expressed in Canadian dollars.

#### OVERVIEW OF THE RESTRUCTURING PROCEEDINGS TO DATE

8. The activities of the Monitor from the date of the Initial Order until November 23, 2021 were described in the Monitor's previous reports. Since that date, the Monitor conducted the following activities:
- Populated the Monitor's website at [www.ey.com/ca/reitmans](http://www.ey.com/ca/reitmans) with various documents relevant to the proceedings under the CCAA.
  - Consulted with the Petitioner and its legal advisors in connection with the claims process.
  - Managed the claims process including by responding to creditor queries, receiving claims, and performing data entry in a claims database to facilitate the reconciliation process.

- Managed the ongoing process of reconciling claims that present a material discrepancy from the amount reflected in the Petitioner's books and records, in collaboration with the Petitioner's employees and the Petitioner's and the Monitor's legal counsel.
  - Prepared and sent notices of revision or disallowance to certain Scheduled Employees who sent a notice of dispute ("Notice of Dispute") to the Monitor.
  - Responded to queries from various stakeholders and assisted the Petitioner in dealing with supplier issues.
  - Worked with the Petitioner to review the Petitioner's actual cash flow as compared to the projected cash flow filed in support of the petition for an extension of the stay of proceeding and other relief dated September 13, 2021.
  - Reviewed the Petitioner's disbursements as contemplated in the Initial Order.
  - Assisted the Petitioner in providing financial information to the interim financing lender.
  - Assisted the Petitioner in updating its cash flow projections and long-term financial projections.
  - Assisted the Petitioner in the preparation of the Plan.
  - Prepared and sent the meeting materials to all 1,698 Affected Creditors, by email and/or regular mail.
  - Prepared this Report in preparation for the creditors' meeting to consider and vote on the Plan (the "Creditors' Meeting").
9. The activities of the Petitioner from the date of the Initial Order until November 23, 2021 were described in the Monitor's previous reports. Since that date, the Petitioner conducted the following significant activities:
- Continued to manage the operations in the normal course, adapting to the various governmental restrictions in the multiple provinces in which their stores are located. As at the date of this report 413 stores are open and in operation and approximately 164 stores have been permanently closed since the date of the Initial Order.
  - Continued its review of its contractual agreements to assess which contracts may need to be disclaimed or resiliated.
  - Continued to review staffing levels with a view to optimize operations.
  - Assisted the Monitor in the claims process by analyzing and reconciling claims.
  - Continued negotiations with landlords with a view to amending certain of its commercial leases.

- Negotiated with trade suppliers to obtain necessary goods and services in the context of the Petitioner's going concern operations.

#### QUARTERLY REPORTING

10. The second quarter of the current (2022)<sup>2</sup> fiscal year of the Reitmans Group ended on July 31, 2021. Reitmans Group disclosed its quarterly statements on September 23, 2021, which are annexed to the Eighth Report of the Monitor, dated November 23, 2021. The third quarter reporting is expected to be disclosed on December 16, 2021.

#### COMPARISON OF ACTUAL AND PROJECTED CASH FLOW RESULTS

11. The Petitioner reports a favourable variance in net cash flow for the 12 weeks ended December 4<sup>th</sup>, 2021, of \$32.4M. This variance is primarily attributable to better-than-expected sales (permanent difference of approximately \$24.1M), a favorable variance in the receipt of the Canada emergency wage and rent subsidies of \$2.1M and lower than projected disbursements (approximately \$5.7M). The positive disbursement variance includes \$7.3M related to capex (timing), \$3.7M related to merchandise (primarily timing), offset by a negative variance of \$6.3M related to sales taxes (permanent) and other positive and negative permanent and timing differences. An outline of the reasons for the more significant variances is attached to this Report as Appendix B.

#### CASH FLOW FORECAST

12. The Petitioner has prepared a statement of projected cash flow (the "Cash Flow Forecast"), on a weekly basis, for the 20-week period ending January 29, 2022 that was annexed to the Seventh Report of the Monitor, dated September 22, 2021. Management is of the view that the assumptions upon which the Cash Flow Forecast is based remain reasonable in the circumstances.

#### INTERIM FINANCING

13. As described in Monitor's previous reports, further to the Second Amended Initial Order granted on August 20, 2020, the interim facility ("Interim Facility") with BMO Bank of Montreal ("BMO") was put in place.
14. On May 14, 2021, the Petitioner and BMO signed an amendment to the Interim Facility ("First Amendment to the Interim Facility") which provides for:
  - Extension of the Interim Facility until December 31, 2021.
  - Interim Facility of \$30M (reduced from \$60M).
  - Commitment fee of \$67.5K.

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<sup>2</sup> The Reitmans Group refers to the fiscal year based on the calendar year in which the year-end falls. As such, the financial year ended February 1, 2021, was considered by the Reitmans Group to be the 2021 financial year, while the current financial year, ending January 29, 2022, is referred to as the 2022 financial year.

- Standby fees of 0.45% per annum on amounts committed and not drawn.
  - Interim lender's charge of \$36M (reduced from \$72M).
  - The Permitted Variance between RCL's net cash flow and the net cash flow set out in any Agreed Budget (as such terms are defined in the First Amendment to the Interim Facility) is calculated, to the period commencing on January 31, 2021.
15. Barring an event of default, the Interim Facility is expected to be repaid on the earlier of: (i) December 31, 2021, (ii) the implementation of the Plan, (iii) the conversion of these CCAA proceedings into a proceeding under the Bankruptcy and Insolvency Act<sup>3</sup>, (iv) the completion of a sale of all or substantially all assets of RCL and (v) the date on which the stay of proceedings pursuant to the Initial Order expires without being extended or on which these CCAA proceedings are terminated.
16. The Petitioner is in regular communications with BMO and provides the required reporting as set out in the Interim Facility agreement.
17. The Petitioner has not drawn on the Interim Facility and accordingly, there are no amounts owing thereunder as at the date hereof. Furthermore, based on the Cash Flow Forecast, the Petitioner is not expected to draw on the Interim Facility prior to the end of the stay period.
18. The Petitioner does not intend to extend the Interim Facility beyond December 31, 2021 considering (i) the conclusion of a binding commitment letter with BMO for an exit financing, (ii) the filing of the Plan and the Creditors' Meeting scheduled for December 21, 2021, (iii) the sanction hearing in respect of the Plan scheduled for January 4, 2022 ("Sanction Hearing").

#### EXIT FINANCING

19. As described in the Eighth Monitor's Report dated November 23, 2021, the Petitioner has entered into a binding commitment letter with BMO with respect to a senior secured asset-based revolving facility of up to \$115M (the "Exit Financing Credit Agreement").
20. The conditions for the closing of the Credit Agreement include the acceptance of the Plan by the requisite majority of affected creditors at the Creditors' Meeting and the sanction of the Plan by the Court. The execution of the Exit Financing Credit Agreement is expected to occur shortly after the Sanction Hearing subject to the issuance by the Court of an order sanctioning the Plan.
21. The Monitor is of the view that the execution of the binding commitment letter by the Petitioner and BMO and the finalization of the Credit Agreement is appropriate in the circumstances and will provide the Petitioner with the needed liquidity to fund the distribution to its creditors under the Plan and maintain viable operations subsequent to emerging from the CCAA process.

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<sup>3</sup> R.S.C. 1985, c. B-3, as amended.

## SUMMARY OF CLAIMS RECEIVED UNDER THE COURT APPROVED CLAIMS PROCESS

22. As of the date hereof, the Monitor has received the following claims:

Claim category	Total claims as calculated by the Monitor		Accepted Claims		Claims under review	
	(in 000's)	(#)	(in 000's)	(#)	(in 000's)	(#)
Trade and other	\$ 95,524	510	\$ 95,229	508	\$ 295	2
Landlord	\$ 49,813	287	\$ 49,209	279	\$ 604	8
SERP	\$ 21,014	11	\$ 21,014	11	\$ -	0
Employee	\$ 13,895	881	\$ 13,537	879	\$ 358	2
Government tax	\$ 5,307	3	\$ 62	1	\$ 5,245	2
Litigation	\$ 96	6	\$ 56	3	\$ 40	3
<b>Total</b>	<b>\$ 185,649</b>	<b>1698</b>	<b>\$ 179,107</b>	<b>1681</b>	<b>\$ 6,542</b>	<b>17</b>

23. Since the Claims Process Order was rendered on August 20, 2020, the Monitor has been in communication with various suppliers, employees and landlords to address their queries regarding the process to complete and file a proof of claim form or a Notice of Dispute, as the case may be.
24. The Monitor has received 1,698 claims from creditors, including Notices of Dispute from Scheduled Employees who had received a Notice of Scheduled Employee's Claim<sup>4</sup> in accordance with the Claims Process Order.
25. The Monitor is working with Petitioner, along with the Petitioner's and Monitor's respective legal counsels, to supervise the claims reconciliation process.
26. As of the date of this Report, the Monitor has accepted 1,681 Claims representing an aggregate amount of \$179.1M. It should be noted that 17 claims, representing an aggregate of \$6.5M remain under review and consideration.
27. As of the date of this Report, the Monitor had issued 48 notices of revision or disallowance ("NORDs") to creditors as follows:
- 23 to Scheduled Employee
  - 11 to landlord creditors
  - 11 to trade and other creditors
  - 3 to litigation creditors
28. Two (2) creditors have filed motions to contest the applicable NORDs but hearings have not yet been scheduled. The Monitor, with the assistance of its legal counsel are in communications with these creditors in an effort to resolve the dispute relating to their respective claims (representing an aggregate value of \$358K).

<sup>4</sup> As such term is defined in the Claims Process Order.

29. Of the 48 NORDs, 9 claims were established by the Monitor at \$0. These creditors did not contest the Monitor's NORDs. Therefore, these claims are not included in the table above (paragraph 22).
30. The Monitor is expecting to send an additional 7 NORDs, during the week of December 13, 2021.
31. In addition to the claims described above, the Monitor received an amended proof of claim (the "Amended POC") from Toronto-Dominion Bank ("TD Bank") on November 9, 2021. The Amended POC asserts a contingent secured claim in connection with a letter of credit/customs bond, in an amount of up to \$2,750,000. Based on the documentation submitted, the Monitor is in view that the Amended POC is a valid contingent secured claim, against the Petitioner. The Monitor understands that as at the date of this Report, no amount has ever been drawn on the bond. Therefore, the TD Bank secured contingent claim is an Unaffected Claim (as defined in the Plan).
32. It should be noted that as at the date of this Report, an additional late claim for an aggregate amount of \$8K was received following the issuance of the Eighth Monitor's Report. The Monitor understands that the Petitioner does not intend to request Court approval in respect of any late claims submitted following the Eighth Monitor's Report. The Company may however seek such Court approval concurrently with the Application to sanction the Plan.

#### OVERVIEW OF THE PLAN OF ARRANGEMENT

33. Unless otherwise defined, all capitalized terms used in this section shall have the meaning given to them in the Plan.
34. The primary purpose of the Plan is to provide for the compromise and settlement of all Affected Claims. The Plan provides for the payment of \$95M (the "Distribution Pool") in full and final settlement of the Affected Claims.
35. As described in the Plan, there will only be one class of Affected Creditors for the purpose of voting on and receiving distributions pursuant to the Plan. As provided for under the Plan, Unaffected Claims include the following:
  - any Employee Priority Claims;
  - any Excluded Claims (i.e. any claims enumerated in section 5.1(2) and 19(2) of the CCAA and claims secured by the priority charges created by the Court in the context of the CCAA proceedings);
  - any Gift Card Claims;
  - any Post-Filing Claims;
  - any Crown Priority Claims; and
  - any TD Secured Claim.
36. Pursuant to the Plan, Unaffected Claims will not be compromised.



37. Affected Creditors holding a claim that has been determined for voting and distribution, in accordance with the Plan, the CCAA and the Claims Process Order ("Proven Claim"), will receive a distribution equal to:
- An amount equal to the lesser of (i) \$20,000, or (ii) the amount of the Proven Claim of each Affected Creditor ("Convenience Class"); and
  - The balance of the Distribution Pool (the "Pro Rata Distribution Pool") shall be distributed to the Affected Creditors on a pro rata basis, according to the amount of their respective Proven Claims, less any amount received in respect of the amounts set forth in the Convenience Class.
38. All Affected Creditors with a Proven Claim of \$20,000 or less, will receive a distribution equal to 100% of their Proven Claim.
39. Affected Creditors with a Proven Claim in excess of \$20,000 will receive (i) a distribution of \$20,000 under the Convenience Class; and (ii) an amount equal to their pro rata share of the Pro Rata Distribution Pool, for that portion of their Proven Claim which exceeds \$20,000 (the "Pro Rata Distribution Amount"). The Monitor currently estimates that the Pro Rata Distribution Amount should be approximately equal to 45.5% for the portion of their claim over and above \$20,000.
40. Based on the information currently available, the Monitor estimates that the Distribution Pool shall be distributed as follows: (i) \$19.4M - the Convenience Class and \$75.6M - the Pro Rata Distribution Pool. The Distribution Pool should provide for an overall average distribution rate of approximately 51.2%, with Affected Creditors recovering between 45% - 100% of their Proven Claims.
41. Approximately 1,016 Affected Creditors (or 59.8%) will receive a distribution equal to 100% of their Proven Claims, representing an aggregate amount of \$5.8M of the Distribution Pool.
42. By no later than thirty (30) days following the Plan Implementation Date, the sum of \$95M shall be paid by the Debtor to the Monitor. The Monitor shall use commercially reasonable efforts to distribute the Distribution Pool to the Affected Creditors within sixty (60) days from the receipt thereof.
43. The Creditors' Meeting is scheduled to take place on December 21, 2021 at 2:00 p.m. (Montréal Time) by videoconference only. The purpose of the meeting will be to consider the Plan and provide the eligible creditors with the opportunity to vote thereon.
44. Should the Plan be approved by the required majorities representing 2/3 in value and a majority in number of the Proven Claims in respect of which votes are cast at the Creditors' Meeting, either in person or by proxy (or who are deemed to have voted in favour of the approval of the Plan in accordance with the Meeting Order), the Petitioner shall be seeking the approval of the Plan by the Court on January 4, 2022 or such later date as may be determined.
45. This Report only contains a summary of certain terms of the Plan. In case of any discrepancy, the terms of the Plan shall govern.

Preferential payments, transactions at under value and other reviewable transactions

46. The CCAA imports by reference certain provisions of the Bankruptcy and Insolvency Act ("BIA") and states that the provisions of sections 38 and 95 to 101 of the BIA apply to proceedings under the CCAA, unless the plan provides otherwise. Essentially, the sections referred to provide for the following:

- Section 38 of the BIA refers to the right of a creditor to take proceedings in its own name, at its own expense and risk, but for its own benefit, in situations where the trustee refuses or neglects to take proceedings that the creditor believes would benefit the estate; and
- Sections 95 to 101 of the BIA are sections addressing recourses to declare that a transaction is void or voidable if it was a preference, or to annul a transaction or obtain the difference between the consideration received and the fair market value of the property disposed of in the case of a transaction at undervalue, or to recover payments made in connection with dividends or redemption of shares in certain circumstances.
- As indicated above, the CCAA states that a plan may provide that sections 38 and 95 to 101 of the BIA do not apply to the plan, however, in such a circumstance, the Monitor is required to comment on the reasonableness of the decision to exclude such provisions from the plan.
- The Plan includes a provision declaring that sections 38 and 95 to 101 of the BIA shall not apply to the Petitioner's Plan.

47. The Monitor performed an analysis, regarding the Petitioner's financial affairs and transactions prior to the filing of the petition for the Initial Order. The Monitor's conclusions are summarized below:

- With regards to transactions with unrelated third parties or parties dealing at arms' length, nothing has come to the Monitor's attention that would cause it to question the appropriateness of any payment made by the Petitioner in the 3 months preceding the Initial Order.
- With regards to transactions with related parties or parties dealing other than at arms' length, nothing has come to the Monitor's attention that would cause it to question the appropriateness of any payment made by the Petitioner.

RELEASES CONTEMPLATED BY THE PLAN OF ARRANGEMENT

48. The Plan provides for certain releases and discharges upon Plan implementation of:

- i. The Debtor's legal counsel, financial advisors, consultants and agents in relation to these CCAA Proceedings,
- ii. The Monitor and the Monitor's legal counsel in relation to these CCAA Proceedings, and

- iii. Each and every present and former shareholder, affiliate, subsidiary, director, officer, partner, employee, consultant and agent of any of the foregoing persons.

49. The Plan also provides for certain releases and discharges upon Plan performance of:

- iv. The Petitioner, and
- v. Each and every present and former shareholder, affiliate, subsidiary, director, officer, partner, employee, consultant and agent of the Petitioner.

50. The Monitor considers that the contemplated releases are reasonable and appropriate in the circumstances.

#### CONDITIONS PRECEDENT TO THE IMPLEMENTATION OF THE PLAN OF ARRANGEMENT

51. The implementation of the Plan is conditional upon the fulfilment of all of the conditions precedent set forth below (the "Plan Implementation Conditions") by the date specified therefor, except to the extent that the Petitioner, at its sole discretion, extend the time period for the fulfilment thereof:

- The plan shall have been approved by the required majority of Affected Creditors at the Creditors' Meeting;
- The Sanction Order shall have been granted by the Court by January 20, 2022 and shall have become a final order;
- The Interim Facility shall have been repaid in full by the Petitioner and the Interim Facility charge shall have been terminated and discharged; and
- The conditions precedent set forth in the Exit Financing Credit Agreement shall have been met to the satisfaction of the BMO.

52. Upon satisfaction of the Plan Implementation Conditions, the Petitioner shall provide the Monitor written notice confirming same.

#### PROCEDURE FOR VOTING ON THE PLAN

53. The following documents were sent to the Affected Creditors on December 2, 2021 and have also been made available on the Monitor's website at: [www.ey.com/ca/reitmans](http://www.ey.com/ca/reitmans). In addition, the Monitor's legal counsel sent the Meeting Materials to the service list on December 2, 2021.

- Notice of Creditors' Meeting and Sanction Hearing
- Letter to Creditors
- Plan of Arrangement
- Plan Filing and Meeting Order
- Resolution of Affected Creditors at Creditors' Meeting
- Additional information for the Meeting of Creditors and Pre-registration and Proxy Form
- Voting Letter

54. The purpose of the Creditors' Meeting is for the creditors to consider and vote on the Plan. The Meeting Order and the Plan contemplate one class of Affected Creditors for the purpose of voting on and receiving distributions pursuant to the Plan. The proposed treatment of the Affected Creditors is described in this Report and in the Plan.
55. Creditors are encouraged to submit their vote, by completing and sending the voting letter, to the Monitor before the meeting of December 21, 2021, preferably by email to [reitmans.monitor@ca.ey.com](mailto:reitmans.monitor@ca.ey.com), with the subject line: "RSVP-RCL Creditors' Meeting".
56. Creditors can also vote by videoconference (including by proxy) during the meeting. The creditors must return to the Monitor the pre-registration form and proxy form, duly completed and signed, by 5:00 p.m., on December 17, 2021 in order to attend the Creditors' Meeting. As a result of the social distancing rules presently in force in Montréal, the meeting will be held by video conference only (i.e. not in person). The Monitor will send the Microsoft Teams link for the videoconference only to the creditors who pre-registered.
57. Creditors are reminded that only those creditors who have proven their claim in accordance with the Claims Process Order will be entitled to vote on the Plan.

#### LIQUIDATION ANALYSIS

58. In order to understand the potential impact on the Affected Creditors in the event that the Plan is not approved by the requisite majority of creditors, sanctioned by the Court and implemented, the Monitor prepared an analysis which provides an illustrative estimate of the potential proceeds resulting from the realization of the Petitioner's assets in a liquidation scenario (the "Liquidation Analysis").
59. The Liquidation Analysis is based on the Petitioner's balance sheet as at October 30, 2021 and incorporates certain estimates and assumptions that are subject to business and economic uncertainties. A summary of the Liquidation Analysis is attached as Appendix C to this Report.
60. The Liquidation Analysis demonstrates that the net realizable value of the Petitioner's assets in the context of a theoretical bankruptcy and liquidation, would give rise to a distribution to the creditors varying between 63% and 77%.

Reitmans (Canada) Limited Illustrative Estimated Liquidation Value As at October 30th, 2021 (in CAD '000s, unaudited)				
	Notes	Book value	Low Scenario	High Scenario
Assets				
Cash and cash equivalents		82 521	82 521	82 521
Trade and other receivables	1	7 368	507	1 430
Inventories	2	134 605	88 968	115 462
Prepaid expenses	3	36 225	519	1 038
Due from subsidiary	4	7 250	2 503	2 503
Property and equipment	5	65 648	114 699	117 197
Intangibles	5	4 287	18 000	51 000
Right-of-use assets	6	38 350	-	-
Estimated realizable value		376 254	307 717	371 151
Less: Estimated realization costs	7		18 399	17 399
Estimated net amount available to creditors			289 318	353 752
Liabilities and estimated distribution				
Priority claims	8		7 736	7 736
Secured claims	9		794	794
Preferred claims	10		151	151
Estimated amount available for distribution to unsecured creditors			280 637	345 071
Unsecured and ordinary creditors	11		448 153	448 153
Percentage of distribution			63%	77%

## RECOMMENDATION

61. The Petitioner firmly believes that the Plan generally provides for the best possible outcome for the creditors, including, as compares to a liquidation of all the Petitioner's assets.
62. The Monitor supports the Petitioner's view, given that, among other things, the Plan will allow the Petitioner to continue operating its business and:
  - Continue the uninterrupted employment of its 5,200 employees working across the stores, distribution centre and head office;
  - Maintain the leases for the 413 stores across Canada, under its three banners: Reitmans, RW&CO and Penningtons, representing aggregate projected rent over the next 12-month period of approximately \$67.0M;
  - Maintain long-term business relationships with its current suppliers. A bankruptcy would result in significant losses for the Petitioner's current suppliers, over the next few years. The Petitioner is projecting approximately \$330.4M of purchases in the next 12-month period alone.

- Effect the following payments, namely:
  - Payment in full of 1,016 Affected Claims (representing 59.8% of all Affected Claims).
  - Payment of a dividend between 60% and 100% to 1,440 Affected Claims (representing 84.8% of all Affected Claims).

63. The Monitor is of the view that the Plan generally benefits the Petitioner's creditors and stakeholders, as it will allow for the continued operation of the business with the resulting benefits noted above, and it will allow the Convenience Class creditors, which represent the majority of the Affected Creditors, to receive a greater recovery than they would have in the context of a bankruptcy of the Petitioner. In addition, the Plan will allow the Affected Creditors to receive a material recovery significantly faster than in the context of a bankruptcy of the Petitioner and avoids the uncertainties and risks associated with a liquidation of the Petitioner's assets. Accordingly, the Monitor recommends that the creditors vote in favour of the Plan.

#### UPCOMING RESTRUCTURING MEASURES

64. The Monitor currently anticipates that approval and implementation of the Plan would follow the timeline set out below:

- i. the Creditors' Meeting is scheduled to be held on December 21, 2021 at 2:00 p.m. (Montréal time) by videoconference only;
- ii. if the Plan is accepted by the requisite majority of Affected Creditors, the Petitioner shall bring an application seeking an order sanctioning the Plan. The Sanction Hearing is scheduled to be held on January 4, 2022;
- iii. Within 30 days following the Plan Implementation Date, the Petitioner shall send the Distribution Pool to the Monitor; and
- iv. The Monitor shall use commercially reasonable efforts to distribute the Distribution Pool to the Affected Creditors within 60 days from the receipt of the Distribution Pool.

#### OVERALL COMMENTS AND CONCLUSIONS

65. Based on the work performed to date, the Monitor has no reason to question the Petitioner's diligence, good faith and proper intentions in pursuing these restructuring proceedings.

66. The Monitor considers that the restructuring efforts implemented by the Petitioner in the proceedings herein are reasonable.

67. Accordingly, and for the reasons set forth herein, the Monitor is of the view that the Plan is fair and reasonable. The Monitor recommends that the Affected Creditors vote in favour of the Resolution to approve the Plan Creditors' Meeting.

All of which is respectfully submitted this 13<sup>th</sup> day of December 2021.

ERNST & YOUNG INC.

Licensed Insolvency Trustee

In its capacity as the Monitor

in the matter of the proposed plan of compromise or  
arrangement of Reitmans (Canada) Limited

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Martin P. Rosenthal, CPA, CA, CIRP, LIT  
Senior Vice-President

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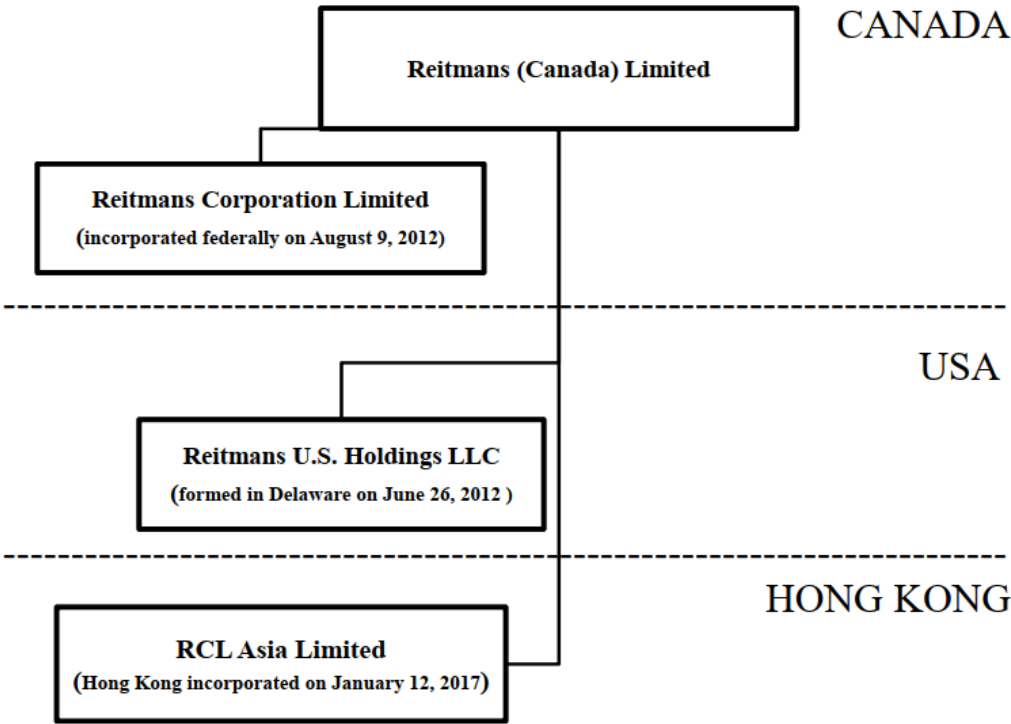
Martin Carrière, CPA, CA, CIRP, LIT  
Senior Vice-President

## **Appendix A**



Appendix A

RCL Corporate Structure



## **Appendix B**

**Reitmans (Canada) Limited**

Comparison of actual vs. projected weekly cash flow results  
For the 12 weeks ended December 4, 2021

**Appendix B**
**Unaudited (in '000s CAD)**

Week starting Week ending	2021-09-12 2021-12-04 Cumulative actual	2021-09-12 2021-12-04 Cumulative forecasted	Difference		
			\$	%	
<b>Inflows</b>					
Sales	231 805	208 823	22 982	11%	<a href="#">note 1</a>
Purchases paid with gift cards	(2 999)	(4 083)	1 084	27%	
Other revenue	61	-	61	100%	
Gov. Wage & Rent Subsidies	2 991	921	2 070	225%	<a href="#">note 2</a>
<b>Total inflows</b>	231 858	205 661	26 197	13%	
<b>Outflows</b>					
Merchandise	(97 324)	(100 978)	3 654	4%	<a href="#">note 3</a>
Rent	(17 279)	(16 712)	(567)	(3%)	
Payroll and DAS	(34 670)	(33 669)	(1 001)	(3%)	<a href="#">note 4</a>
Sales tax	(15 157)	(8 823)	(6 334)	(72%)	<a href="#">note 5</a>
CapEx	(3 930)	(11 249)	7 319	65%	<a href="#">note 6</a>
Advertising	(10 327)	(9 426)	(901)	(10%)	
Software	(3 963)	(5 216)	1 253	24%	<a href="#">note 7</a>
Consulting	(1 316)	(1 149)	(167)	(15%)	
Administrative	(3 961)	(4 351)	390	9%	
Utilities and telecom	(1 629)	(2 040)	411	20%	
R&M and supplies	(3 477)	(3 685)	208	6%	
Merchant fees	(2 419)	(2 227)	(192)	(9%)	
Restructuring professional fees	(1 241)	(1 271)	30	2%	
Financing fees	(239)	(60)	(179)	(298%)	
Contingency	-	(1 800)	1 800	100%	<a href="#">note 8</a>
<b>Total Outflows</b>	(196 932)	(202 656)	5 724	3%	
FX impact on opening cash balance	433	-	433	100%	
<b>Net Cash Flow</b>	35 359	3 005	32 354	1077%	
<b>Beginning Cash Balance - Operations</b>	63 194	63 194	-	- %	
Net Cash Flow	35 359	3 005	32 354	1077%	
<b>Ending Cash Balance - Operations</b>	98 553	66 199	32 354	49%	
Restricted cash	2 757	2 756	1	0%	
<b>Total Ending Cash Balance</b>	101 310	68 955	32 355	47%	

**Reitmans (Canada) Limited**

Comparison of actual vs. projected weekly cash flow results  
For the 12 weeks ended December 4, 2021

**Appendix B**

Notes	Line item	Comments
1	Sales	The positive variance of approximately \$23.0M for the 12 weeks ended December 4, is a permanent variance resulting from increased online traffic created by successful marketing campaigns.
2	Government Wage & Rent Subsidies	The cumulative positive variance of \$2.1M is a permanent variance resulting from the extension of the CEWS program.
3	Merchandise	The cumulative positive variance of \$3.7M is a mix of timing and permanent differences. The assumptions for merchandise purchases are based on the date RCL takes possession of inventory in China (shipping date). Therefore, there may be timing differences from one week to another based on the actual shipping date.
4	Payroll and DAS	The cumulative negative variance of \$1.0M is a result of increased activity in stores and warehouses.
5	Sales taxes	The cumulative negative variance of \$6.3M is a result of the actual sales surpassing budget and actual taxable expenses being slightly lower than budgeted.
6	CapEx	The positive variance of \$7.3M is caused by project start delays and construction and sourcing delays.
7	Software	The positive variance of \$1.3M is a permanent difference resulting from the deferral of certain actions.
8	Contingency	The provision for contingency was not used.

## **Appendix C**

## REITMANS (CANADA) LIMITED

## APPENDIX C

ILLUSTRATIVE ESTIMATED LIQUIDATION VALUE (IN CAD '000S UNAUDITED)

AS AT OCTOBER 30TH, 2021

<b>Reitmans (Canada) Limited</b> <b>Illustrative Estimated Liquidation Value</b> <b>As at October 30th, 2021</b> <i>(in CAD '000s, unaudited)</i>				
	Notes	Book value	Low Scenario	High Scenario
<b>Assets</b>				
Cash and cash equivalents		82 521	82 521	82 521
Trade and other receivables	1	7 368	507	1 430
Inventories	2	134 605	88 968	115 462
Prepaid expenses	3	36 225	519	1 038
Due from subsidiary	4	7 250	2 503	2 503
Property and equipment	5	65 648	114 699	117 197
Intangibles	5	4 287	18 000	51 000
Right-of-use assets	6	38 350	-	-
<b>Estimated realizable value</b>		<b>376 254</b>	<b>307 717</b>	<b>371 151</b>
Less: Estimated realization costs	7		18 399	17 399
<b>Estimated net amount available to creditors</b>			<b>289 318</b>	<b>353 752</b>
<b>Liabilities and estimated distribution</b>				
Priority claims	8		7 736	7 736
Secured claims	9		794	794
Preferred claims	10		151	151
<b>Estimated amount available for distribution to unsecured creditors</b>			<b>280 637</b>	<b>345 071</b>
Unsecured and ordinary creditors	11		448 153	448 153
<b>Percentage of distribution</b>			<b>63%</b>	<b>77%</b>

- Note 1** Accounts receivable consist mainly of credit card receivables, government subsidies for rent and salaries (CEWS) as well as government tax credit receivables which would likely not be fully recoverable in a liquidation process.
- Note 2** The inventory was valued by a third party engaged by the Monitor, B. Riley Advisory Services ("B. Riley"). The high scenario assumes an orderly liquidation whereas the low scenario assumes a reduction of recovery for contingencies to reflect a forced liquidation as at October 30th, 2021.
- Note 3** Most prepaid expenses would not be recovered in a liquidation as they are related to deposits made to foreign vendors. The portion of the prepaids related to insurance and other business expenses were considered in the high and low scenarios.
- Note 4** We have considered the estimated realizable value of intercompany receivables from the three subsidiaries of Reitmans (Canada) Limited: Reitmans Corporation Limited, Reitmans U.S. Holdings LLC and RCL Asia Limited.
- Note 5** The property and equipment includes real estate (250 Sauve Street W, Montreal (head office) and 5555 Henri-Bourassa Blvd., Montreal (distribution center)), furniture, equipment and leasehold improvements. The value of the real estate was determined based on appraisals prepared for the Monitor by CBRE Limited. In addition, we have estimated the realizable value of the equipment as a percentage of the net book value.
- The intangibles include software, system development costs and trademarks. The intangible valuation is based on an appraisal prepared by B. Riley for the Monitor.
- Note 6** The right-of-use assets are assets related to the accounting application of IFRS 16 related to leases. Under IFRS 16, lessees must recognize their assets and liabilities relating to a lease. In a liquidation process, this asset is valued at nil.
- Note 7** The realization costs represent all costs that would be expected to be incurred in order to perform an orderly or forced liquidation. These costs include: head office employees salaries (human resources, IT, finance), security and safeguard measures, trustee's professional fees and expenses, trustee's legal fees and administration costs.
- Note 8** Priority claims are composed of 30-day goods, deemed trust claims related to deduction at source and priority claims related to employees, for unpaid salary and vacations as at October 30, 2021.
- Note 9** The secured claim is related to a letter of credit in favor of the Canadian Board Services Agency (CBSA) for which a restricted bank account has been set up. For both scenarios, the amount represents the outstanding unpaid invoices as at October 30, 2021.
- Note 10** Preferred claims are composed of unpaid municipal taxes and rent as per BIA section 136 (1)f).
- Note 11** For CCAA pre-filing unsecured claims, we have considered the total claims submitted by creditors and from this amount, we have removed the claims related to the disclaimed leases in order to consider only the eligible claims in the context of a bankruptcy.

To calculate unsecured claims in the context of a bankruptcy, we have considered the following :

- The balance at October 30, 2021 of the following items : accounts payable, accruals, pension plan (defined benefit), government sales tax, government corporate tax and gift cards reserve.
- Claims for cancelled purchase orders.
- For the Quebec based leases, in addition to the preferred claim for three months' arrears immediately preceding the bankruptcy date and three months' accelerated rent, the landlords may also have an unsecured claim for the unexpired portion of the lease term. We have therefore evaluated the residual value of the leases for the premises located in Quebec, excluding the 3 months to be paid as part of the liquidation process. We did not consider any unsecured claims for landlords located outside the province of Quebec, based on the legislation in the other provinces.
- It has been assumed that in the context of a theoretical liquidation, creditors with outstanding contracts with Reitmans would claim for damages related to the cancellation of the contracts.