



ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

COUNSEL/ENDORSEMENT SLIP

COURT FILE NO.: CV-25-00748871-00CL

DATE: August 6, 2025

NO. ON LIST: 1

TITLE OF PROCEEDING: In the Matter of a plan of Compromise or Arrangement of Claire's Stores Canada Corp.

BEFORE: JUSTICE DIETRICH, J.

PARTICIPANT INFORMATION

For Plaintiff, Applicant, Moving Party:

Name of Person Appearing	Name of Party	Contact Info
Sean Stidwill	Counsels for the Applicant	ssidwill@osler.com
Shawn Irving		sirving@osler.com
Andrew Rintoul		arintoul@osler.com

For Defendant, Respondent, Responding Party:

Name of Person Appearing	Name of Party	Contact Info
Mitch Vininsky	Proposed Monitor, KSV	mvininsky@ksvadvisory.com
Brendan O'Neill	KSV Restructuring Inc. as Proposed Monitor	boneill@goodmans.ca
Chris Armstrong		carmstrong@goodmans.ca
Josh Sloan		jsloan@goodmans.ca

Other:

Name of Person Appearing	Name of Party	Contact Info

ENDORSEMENT OF JUSTICE J. DIETRICH:

Introduction

- [1] Claire's Stores Canada Corp. (the "**Applicant**"), seeks an initial order (the "**Initial Order**") and related relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**").
- [2] KSV Restructuring Inc ("KSV") as proposed monitor has filed a pre-filing report dated August 6, 2025, supporting the relief requested by the Applicant.
- [3] Defined Terms not otherwise defined herein have the meaning provided for in the factum of the Applicant for use on this initial hearing.

Background

- [4] The Applicant is the sole Canadian operating subsidiary of Claire's Stores, Inc. ("**Claire's Stores**"), which is the US operating subsidiary of Claire's Holdings LLC ("**Claire's Holdings**"), and collectively with Claire's Stores and its affiliates, including the Applicant, "**Claire's**" or the "**Company**").
- [5] The Applicant is incorporated pursuant to the laws of Canada, and is headquartered in Toronto, Ontario.
- [6] Claire's is a global brand which offers jewelry, accessories, and ear piercing to tweens, teens, and young girls. The Applicant is responsible for running Claire's' retail operations in Canada. As of July 1, 2025, the Applicant operated approximately 120 retail store locations in Canada across 10 provinces. The Applicant also maintains a concessions business operating out of approximately 600 store locations.
- [7] Each of the Applicant's stores is located in premises leased by the Applicant, with the majority of the leases being with large third-party landlords whose subsidiaries own malls and shopping centres across Canada. The Applicant delayed rent with respect to certain of its retail stores for June 2025, and for all of its retail stores for July and August 2025, which has resulted in the Applicant owing approximately \$2.1 million in rent arrears. To date, the Applicant has received 78 default notices in respect of its leased locations. The Applicant is currently locked out of approximately 16 leased store locations as a result of unpaid rent.
- [8] As of June 30, 2025, the Applicant had a total of 703 active employees in Canada, comprised of 133 full-time workers and 570 part-time workers. Approximately 40% of the Applicant's employees are located in Ontario. None of the Applicant's employees are unionized and the Applicant is not a sponsor of any pension plans.
- [9] The Applicant provides certain customer programs in order to attract and maintain customer relationships, including: (i) gift cards; (ii) sales promotions; (iii) the C Club Loyalty Program; and (iv) Return and Exchange Policies. As of August 6, 2025, there is approximately \$750,000 in net outstanding liability in respect of gift cards.

- [10] All of the Applicant's merchandise is supplied by an affiliate of Claire's, which controls the purchasing and inventory for Claire's' operations across North America. Claire's does not own or operate any manufacturing facilities, and instead sources materials from approximately 250 vendors, a substantial majority of which are located outside of the U.S. All purchases of merchandise that are shipped to Canada are recorded by the Applicant as an intercompany payable upon shipment to Canada.
- [11] In addition, the Applicant relies on Claire's Stores and certain affiliates for other administrative and business support services that are integral to the Applicant's operations. These services, which are provided pursuant to a Management Services Agreement and reimbursed by the Applicant at cost plus a mark-up, include, among other things, executive, legal, accounting, finance, treasury, tax, insurance/risk management, real estate, human resources, and information technology support services, (collectively, the "**Shared Services**"). The Applicant is further part of a centralized cash management system administered by Claire's, which collects, transfers, and disburses funds generated by Claire's. The proposed Monitor advises that it understands that the cash sweeping function was discontinued prior to commencing these proceedings.
- [12] The Applicant's liabilities include approximately \$71.2 million in intercompany accounts payable, which represent outstanding amounts payable by the Applicant to Claire's Stores, primarily related to a secured promissory note payable by the Applicant to an affiliate entered into in connection with the sale of certain economic rights to IP for the Canadian operations, merchandise purchases and the provision of Shared Services. The security for the promissory note is limited and does not include the Applicant's cash or inventory.
- [13] The Applicant is not a borrower or guarantor of any of the Company's existing credit facilities. The Applicant is subject to only one undischarged registration in any personal property registry, under the Alberta *Personal Property Security Act*. The Applicant does not have any general secured creditors.
- [14] Claire's, including the Applicant, faces significant liquidity constraints which it says are caused by, among other things, Covid 19 and consumer behaviour, increased competition, pricing, inventory and shrinkage issues, global economic factors including tariffs, and a burdensome lease portfolio.
- [15] In June 2025, Claire's began exploring strategic alternatives, including by launching a pre-filing marketing process to sell some or all of its operations. This resulted in the receipt by Claire's of a number of letters of intent. While prospective buyers had the ability to submit standalone bids for some or all of the Applicant's assets or business, none were received.
- [16] Concurrently, Claire's entered into a forbearance agreement with its operating lenders that required it to pursue both a going-concern and liquidation path. That agreement also contemplated the commencement of Chapter 11 proceedings. Consequently, on August 6, 2025, certain Claire's entities sought protection under Chapter 11 of the U.S. Bankruptcy Code.

- [17] Given the Applicant's significant liquidity constraints and given the lack of interest expressed in the Applicant's business in the pre-filing marketing process, and upon being advised that Claire's Stores is no longer prepared to provide the Applicant with ongoing operational and financial support, the Applicant determined that the only viable path forward was to commence these proceedings under the CCAA.
- [18] The Applicant is not profitable on a standalone basis and is entirely dependent on other Claire's entities to provide critical services, including inventory procurement, which will not be available going forward. Further, the Applicant cannot independently recapitalize or restructure without continued support from Claire's.
- [19] The Applicant is insolvent and is unable to meet its obligations as they become due. The Applicant requires CCAA protection in order to engage with its principal stakeholders and determine how to best maximize the value of its business. At present, the Applicant advises this is likely to consist of an orderly liquidation and wind-down of its operations.

Issues

- [20] The issues to be determined today are:
- a. Is the Applicant entitled to protection under the CCAA;
 - b. Should the Court grant the requested Stay of Proceedings;
 - c. Should the Court appoint KSV as Monitor;
 - d. Should the Court authorize certain pre-filing payments to essential third parties;
 - e. Should the Administration Charge be approved; and
 - f. Should the Directors' Charge be approved?

Analysis

- [21] The CCAA applies to a "debtor company" or affiliated debtor companies where the total of claims against the debtor or its affiliates exceeds five million dollars.
- [22] The Applicant is a "company" for the purposes of s. 2 of the CCAA, as it does business in and has assets in Canada. A "debtor company" includes a company that is insolvent. I am satisfied that the Applicant is currently insolvent as defined under the CCAA by reference to the definition of insolvent person under the *Bankruptcy and Insolvency Act* (the "BIA"). It is unable to meet its obligations generally as they become due. As noted above, rent has been unpaid for certain stores in June and for all stores in July and August.
- [23] Section 9(1) of the CCAA provides that an application for a stay of proceedings may be made to the court that has jurisdiction in the province in which the head office or chief place of business of the company in Canada is situated, or, if the company has no place of business in Canada, in any province within which any assets of the company of the company are situated.

- [24] The Applicant fulfils these requirements, as it is incorporated under the laws of Canada and headquartered in Toronto. Further, Ontario is the chief place of business of the Applicant – as of July 1, 2025, it was home both to the largest number of the Applicant’s retail stores (45 stores out of approximately 120), generates the highest share of the Applicant’s sales (approximately 40%), and is home to the largest number of the Applicant’s employees (approximately 40% of all employees).
- [25] Accordingly, I am satisfied that the Applicant is entitled to protection under the CCAA.
- [26] Section 11.02(1) of the CCAA permits the Court to grant an initial stay of up to 10 days on an application for an initial order, provided such a stay is appropriate and the Applicant has acted with due diligence and in good faith. Under s. 11.001, other relief granted pursuant to this Court’s powers under s. 11 of the CCAA at the same time as an order under s. 11.02(1) must be limited “to relief that is reasonably necessary for the continued operation of the debtor company in the ordinary course of business during that period.” Whether particular relief is necessary to stabilize a debtor company’s operations during the Initial Stay Period is an inherently factual determination, based on all of the circumstances of the particular debtor: see *Lydian International Limited (Re)*, 2019 ONSC 7473 [Lydian], at para. 26 and 30.
- [27] The Applicant seeks the authority, with the consent of the Proposed Monitor, to continue to offer the Customer Programs and honor credits obtained under the C Club Loyalty Program, and to honour gift cards sold by the Applicant prior to the CCAA Proceedings, each until August 15, 2025. Similar relief has been previously granted by the Court as part of initial orders see: *Comark Holdings Inc. et. al. (Re)*, (January 7, 2025), Ont S.C.J [Commercial List], Court File No. CV-25-00734339-00CL (Initial Order) at para. 5(d); *Mastermind GP Inc. (Re)*, (November 23, 2023), Ont S.C.J [Commercial List], Court File No. CV-23-00710259-00CL (Initial Order).
- [28] I am satisfied that the requested Stay of Proceedings for an initial 10 day period is appropriate in the circumstances as is the requested relief relating to gift cards and loyalty programs.
- [29] Pursuant to section 11.7 of the CCAA, the Court shall appoint a person to monitor the business and financial affairs of the company when an order is made on the initial application. The person appointed must be a trustee within the meaning of subsection 2 (1) of the BIA.
- [30] The Applicant proposes to have KSV appointed as the Monitor. KSV is a “trustee” within the meaning of subsection 2(1) of the BIA, is established and qualified, and has consented to act as Monitor. KSV is not subject to any of the restrictions set out in s. 11.7(2) of the CCAA. Accordingly, I am satisfied that KSV should be appointed as Monitor in these proceedings.

- [31] The Applicant seeks authorization, with the consent of the Monitor, to make payments of pre-filing amounts to certain critical third parties, including: (i) logistics or supply chain providers, including transportation providers, customs brokers, freight forwarders and security and armoured truck carriers; (ii) providers of information, internet, telecommunications and other technology, including e-commerce providers and related services; and (iii) providers of payment, credit, debit and gift card processing related services. The Applicant relies on these services to operate, and any disruptions of these services could jeopardize the continued operation of the Applicant's business during these CCAA proceedings, to the detriment of creditors and stakeholders generally.
- [32] The court in *Index Energy Mills Road Corporation (Re)*, 2017 ONSC 4944 at para. 31 outlined the factors that courts have considered in determining whether to grant such authorization, including (a) whether the goods and services are integral to the business of the applicant; (b) the applicant's dependency on the uninterrupted supply of the goods or services; (c) the fact that no payments will be made without the consent of the Monitor (which is a requirement under the proposed Initial Order); and (d) the effect on the debtors' operations and ability to restructure if it could not make such payments.
- [33] In considering these factors, I am satisfied that the request to make certain pre-filing payments is appropriate in these circumstances.
- [34] The Applicant seeks an Administration Charge in favour of the Proposed Monitor, its counsel, Canadian counsel to the Applicant, and Alvarez & Marsal Canada ULC (in its capacity as operational and restructuring advisor to the Applicant) as security for their respective fees and disbursements up to a maximum of \$400,000 (the "**Administration Charge**").
- [35] Section 11.52 of the CCAA gives this Court jurisdiction to grant a priority charge for the fees and expenses of financial, legal and other advisors or experts. Courts have considered the following non-exhaustive factors in determining whether an administration charge is appropriate: (a) the size and complexity of the business being restructured; (b) the proposed role of the beneficiaries of the charge; (c) whether there is an unwarranted duplication of roles; (d) whether the quantum of the proposed charge appears to be fair and reasonable; (e) the position of the secured creditors likely to be affected by the charge, and (f) the position of the Monitor: See *CanWest Publishing Inc.*, 2010 ONSC 222 at para. 54.
- [36] The Administration Charge was developed in consultation with the Proposed Monitor and I am satisfied that the requested amount is fair and reasonable, and appropriate to the size and complexity of the businesses being restructured and tailored to the needs within the Initial Stay Period.
- [37] The Applicant also seeks a directors and officers charge in the amount of \$2.9 million until the Comeback Hearing (the "**Directors' Charge**").

[38] Section 11.51 of the CCAA provides the Court jurisdiction to grant a directors' charge provided notice is given to the secured creditors who are likely to be affected by it. Such a charge may not be made if "the company could obtain adequate indemnification insurance for the director or officer at a reasonable cost" and the court shall declare that the charge does not apply in respect of a specific obligation or liability incurred by a director or officer "if, in its opinion, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct": CCAA, s 11.51.

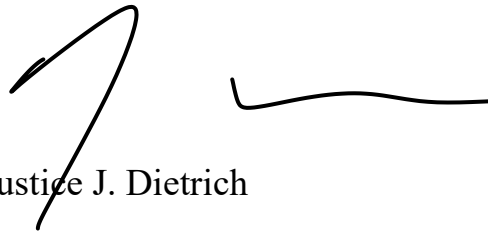
[39] The directors and officers have advised that they are prepared to continue to serve, conditional upon the granting of the Directors' Charge. It will apply only to the extent that the directors' and officers' respective insurance is insufficient or ineffective, and only in respect of obligations and liabilities incurred after the commencement of the CCAA Proceedings excluding wilful misconduct or gross negligence.

[40] The Proposed Monitor supports the Applicants' request for the Directors' Charge and I am satisfied that the proposed amount is reasonable in the circumstances, and limited to the potential exposure during the initial 10 day period. Accordingly, the Directors' Charge is approved.

Disposition

[41] Initial Order to go in the form signed by me today.

[42] The comeback hearing is scheduled for **August 15, 2025 at 9:00 am for 2 hours (virtual)**.

A handwritten signature in black ink, consisting of a stylized 'J' followed by a horizontal line.

Justice J. Dietrich

August 6, 2025