ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

COUNSEL SLIP/ENDORSEMENT

COURT FILE NO.: CV-25-00748871-00CL **DATE:** September 16, 2025

NO. ON LIST: 1

TITLE OF PROCEEDING: CLAIRE'S STORES CANADA CORP.

BEFORE JUSTICE: J. DIETRICH

PARTICIPANT INFORMATION

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ENDORSEMENT OF JUSTICE J. DIETRICH:

Introduction

1. Claire's Stores Canada Corp. (the "**Applicant**") seeks an order (I) approving an asset purchase agreement (the "**Purchase Agreement**," and the transactions contemplated therein the "**Sale Transaction**") between Claire's Holdings, the Applicant and AWS Claire's, LLC (the "**Purchaser**"), as amended by an amendment agreement dated and made effective as of September 8, 2025, and as modified by a letter agreement dated September 10, 2025, between the Canadian Vendor, Claire's Holdings, the Canadian Purchaser and the Monitor (the "**Canada Letter Agreement**"); (ii) approving the transfer to Claire's Essentials Canada Corp., an affiliate of the Purchaser, (the "**Canadian Purchaser**") certain assets of the Applicant free and clear of all claims and encumbrances upon closing the Sale Transaction; and (iii) assigning certain leases to the Canadian Purchaser, pursuant to s. 11.3 of the CCAA.
2. KSV Restructuring Inc. in its capacity as court appointed Monitor has filed its Second Report to Court dated September 15, 2025 recommending the relief sought by the Applicant.
3. No opposition was raised with respect to the relief sought by the Applicant.
4. Defined terms used herein but not otherwise defined have the meaning provided for in the factum of the Applicant filed for use on this motion.

Background

5. The Applicant was granted protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**,") on August 6, 2025.
6. 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, the "**Company**").
7. On August 6, 2025, Claire's Holdings and the other Chapter 11 Debtors filed voluntary petitions for relief pursuant to Chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court (the "**Chapter 11 Cases**").
8. At the Comeback Hearing held on August 15, 2025 (the "**Comeback Hearing**"), the Court granted the Liquidation Sale Approval Order, which, approved a consulting agreement (the "**Consulting Agreement**") between the Applicant and the Consultant for the purpose of conducting a sale (the "**Sale**") of the Applicant's merchandise and inventory and owned furnishings, trade fixtures, and equipment located at those stores participating in the Sale. Under the Consulting Agreement, the Applicant retained the right to add or remove any of its retail stores from the list of Liquidating Stores, including in connection with a going concern transaction.

9. Prior to the CCAA Proceedings, On June 2, 2025, the Company commenced a marketing process, overseen by Houlihan Lokey (the "**Investment Banker**"), which was designed to identify one or more value-maximizing going-concern transactions for the Company's business.

10. These efforts continued through and after the commencement of the CCAA Proceedings and the Chapter 11 Cases. In total, the Company contacted 165 prospective buyers and solicited their interest in a potential acquisition of some or all of the Company's North American assets, including the Applicant's Canadian assets. Of the parties contacted, 69 executed non-disclosure agreements (each, an "**NDA**"), and were given access to virtual data rooms containing financial models and other financial, operational, and legal diligence materials. Of the parties that signed NDAs, five submitted non-binding letters of intent ("**LOIs**"), two of which contemplated the Company existing as a going concern.

11. Following negotiations between the Company and counterparties who submitted the LOIs, only the Purchaser's bid proved actionable as a going-concern and as a superior alternative to a full portfolio wind down. Accordingly, on August 18, 2025, the Purchase Agreement was entered into between the Vendors and the Purchaser.

12. On August 20, 2025, following the execution of the Purchase Agreement, the Chapter 11 Debtors filed materials in the Chapter 11 Cases in support of an order authorizing sale of certain going-concern assets pursuant to the Purchase Agreement (the "**Going-Concern Motion**"). On September 9, 2025, the U.S. Bankruptcy Court heard and approved the Going-Concern Motion.

13. On September 10, 2025, the Canadian Letter Agreement was entered into in respect of the Canadian aspects of the Sale Transaction and the Purchase Agreement including the portion of the Purchase Price to be allocated to the Applicant. In the Second Monitor's Report, the Monitor has summarized methodology, based on an assumed net cash purchase price for purchased inventory of $45.1 million, the purchase price for Canada is estimated to be US $1 million (the "**Canada Purchase Price**"), being US $2.3 million, less US $1.3 million representing a contribution by the Applicant to Claire's Holdings in respect of share service costs from August 6, 2025 to the Closing Date and a proportionate share of post-filing professional costs incurred by the US Debtors. Claire's Stores, as an intercompany creditor of the Applicant, has further agreed that it will not participate in the first US $1 million of distributions from the Applicant to unsecured creditors in any claims process conducted by the Applicant.

14. Under the Purchase Agreement as modified by the Canada Letter Agreement, the Canadian Purchaser will acquire the Canadian Acquired Assets, subject to any Assumed Liabilities and Permitted Encumbrances. The Canadian Acquired Assets include leases to which the Canadian Vendor is a party (each, a "**Canadian Lease**,") subject to the assignment of such leases being approved by the Court (in the case of such assignment, a "**Canadian Assumed Lease**"). Although the actual number of Canadian Assumed Leases will depend upon the terms of the Purchase Agreement and the Canada Letter Agreement, the Canadian Purchaser has advised the Monitor that it expects to take over between 40-80 of the Applicant's current and former locations.

Issues

15. The two issues to be determined are whether the Court should approve the Sale Transaction and the assignment of the Canadian Assumed Leases to the Canadian Purchaser.

Analysis

16. In assessing a request to approve a sale of assets in a CCAA proceeding, s. 36(3) of the CCAA requires the Court to consider, among other things: (i) whether the process leading to the proposed sale or disposition was reasonable in the circumstances; (b) whether the monitor approved the process leading to the proposed sale or disposition; (c) whether the monitor filed with the court a report stating that in their opinion the sale or disposition would be more beneficial to the creditors

than a sale or disposition under a bankruptcy; (d) the extent to which the creditors were consulted; (e) the effects of the proposed sale or disposition on the creditors and other interested parties; and (f) whether the consideration to be received for the assets is reasonable and fair, taking into account their market value.

17. As set out in *Target Canada Co. (Re)*, 2015 ONSC 2066 at para 15, the criteria enumerated in s. 36(3) of the CCAA largely overlap with the traditional common law criteria established in *Royal Bank of Canada v Soundair Corp*., 1991 ONCA 2727 [***Soundair***] at para. 16 for approval of a sale of assets in an insolvency scenario (collectively, the "**Soundair Principles**") and those principles remain relevant when considering the statutory test, as follows: (a) whether the Court-appointed officer has made sufficient effort to get the best price and has not acted improvidently; (b) the interest of all parties; (c) the efficacy and integrity of the process by which the offers are obtained; and (d) whether there has been unfairness in the working out of the process.

18. Although it is common in CCAA proceedings for a sale process to be approved prior the request for approval of a sale transaction, prior approval of a sale process is not required. Here, while the Purchase Agreement is not the result of a formal Court-approved sale process, it is the result of a process undertaken in accordance with the authorization granted pursuant to the Initial Order. In accordance with this authority, the prefiling sale and marketing process being conducted by the Company, with the assistance of the Investment Banker, continued, during which 165 prospective buyers were contacted and numerous interested parties executed NDAs and accessed the virtual data room in order to review financial and operational information. Following this process, the Purchaser was the only party to submit an executable offer which would permit the Company to continue as a going concern.

19. The Monitor supports the process leading to the Sale Transaction, which it views as a thorough canvassing of the market by the Investment Banker. The Monitor does not believe any further marketing efforts for the Applicant's business are warranted in the circumstances, nor does the Applicant have the required liquidity to complete a further marketing process.

20. The Sale Transaction is the only executable going-concern transaction which has been identified as a superior alternative to a full portfolio wind down. The Monitor views the allocation of fees and costs to the Applicant to be reasonable in the circumstances and I agree that the Canada Purchase Price is reasonable in the circumstances. The Sale Transaction provides an opportunity for a significant portion of the Applicant's operations to continue as a going concern business (though with reduced footprint), thereby preserving employment for certain of the Applicant's employees and providing continued business to certain of the Applicant's vendors and landlords.

21. Further, as set out in the Second Report, the Sale Transaction is expected to provide superior recoveries to unsecured creditors compared to a full liquidation of the Applicant's assets. In particular, the subordination of Claire's Stores' claims against the Applicant is expected provide significant benefits to the Applicant's unsecured creditors, as it will ensure that the first US $1 million distributed by the Applicant in any claims process will be distributed pro-rata among the Applicant's unsecured creditors, excluding Claire's Stores.

22. In addition to maximizing creditors recoveries, the Sale Transaction will reduce the Applicant's anticipated creditor pool by ensuring that Cure Costs will be paid to the applicable landlords in respect of any assigned leases and by the assumption of the Applicant's outstanding and redeemable gift cards within the one-year period following closing, which have an estimated value of $540,000.

23. As well, the evidence is that (i) all parties who have registered security interests in the Purchased Assets and who might be affected by the relief requested on this application have been notified in accordance with s. 36(2) of the CCAA; (ii) as the Applicant and the Purchaser are not related parties,

the criteria found in s. 36(4) of the CCAA do not apply; and (iii) the requirements found in s. 36(7) of the CCAA, which concern amounts owing by a debtor company to its employees and former employees for certain unpaid wages, are not at issue as wages and vacation pay are current.

24. Accordingly, in the circumstances the Sale Transaction is approved.

25. Section 11.3 of the CCAA gives the Court the jurisdiction and the discretion to make an order assigning the rights and obligations of a debtor company under an agreement to a third party. None of the exceptions set out in s. 11.3(2) of the CCAA are engaged in the present circumstances.

26. Under s. 11.3(3) of the CCAA, in deciding whether to make the order, the Court is to consider, among other things: (a) whether the monitor approved the proposed assignment; (b) whether the person to whom the rights and obligations are to be assigned would be able to perform the obligations; and (c) whether it would be appropriate to assign the rights and obligations to that person. Further, under s. 11.4 of the CCAA , the Court may not make the order unless it is satisfied that all monetary defaults in relation to the agreement — other than those arising by reason only of the company's insolvency, the commencement of the CCAA proceedings or the Applicant's failure to perform a non-monetary obligation — will be remedied on or before the day fixed by the Court.

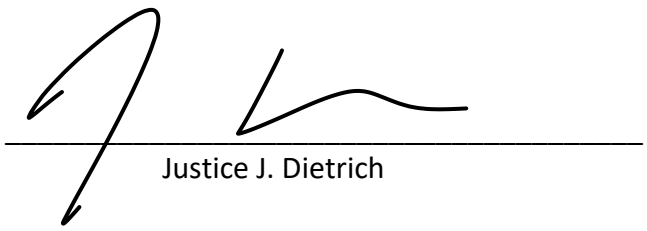
27. As set out in the Second Report, the Monitor was involved in the development of the lease assignment process contemplated in the draft Approval and Vesting Order and the Monitor believes that the proposed assignment procedure is fair and reasonable in the circumstances. That process has been slightly modified with the input of counsel to landlords following service by the Applicant. Further, the Canadian Purchaser is an affiliate of the Purchaser, which is a buyer group led by Ames Watson, which has experience in the retail industry, including Lids Sports Group, South Moon Under, Champion and Mitchell and Ness. Ames Watson has provided a letter confirming that: (i) Ames Watson and its affiliate companies generate over $2 billion in revenue per year; (ii) the Purchaser will be capitalized with cash in an amount sufficient to pay the US $104 million base purchase price; and (iii) the Purchaser will set up an asset backed loan facility to support the normal course working capital liquidity needs of the business, post-closing. As well, the Purchaser has further confirmed that it has sufficient funds to perform the Assumed Liabilities, including the Canadian Assumed Liabilities.

28. The draft Order provides a process for the determination and payment of Cure Costs for the assigned leases. If disputes relating to the Cure Costs have not been resolved prior to the Closing Date, then: (i) the Canadian Vendor may elect to not assign the applicable lease; (ii) the Canadian Purchaser may elect to designate the applicable lease as an Excluded Contract (without any adjustment to the Purchase Price); or (iii) the Canadian Purchaser or an affiliate may deposit the Cure Cost Reserve Amount with the Monitor, pending resolution of the dispute or further order of the Court.

29. In the circumstances, I am satisfied that proposed assignment of leases satisfies the requirements in section 11.3 of the CCAA and is appropriate.

Disposition

30. Order to go in the form signed by me this day.



Justice J. Dietrich

Date: September 16, 2025