

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF CLAIRE'S STORES CANADA CORP.

APPLICANT

FACTUM OF THE APPLICANT

August 6, 2025

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PART I - NATURE OF THE APPLICATION

1. This Factum is filed in support of an application by Claire's Stores Canada Corp. (the "**Applicant**"), seeking 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**," and the within proceedings the "**CCAA Proceedings**").

2. 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**").

3. *Claire's* is a global brand powerhouse which offers jewelry, accessories, and piercing services 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 out of approximately 120 leased retail store locations across 10 provinces. *Claire's*, including the Applicant, have faced multiple recent challenges over the past several years, including, among others, the global shift of consumers towards e-commerce purchases, which shift was accelerated by the COVID-19 pandemic, inflationary pressure, increased freight costs, and difficulty in forecasting product demand. These factors have resulted in declining and lost sales, lower margins, and significant liquidity constraints, and have combined to render many of *Claire's*' North American locations unprofitable, including many of the Applicant's Canadian stores.

4. *Claire's* has worked diligently over the past year to implement a comprehensive turnaround plan designed to improve all areas of its business, and has engaged with the Company's prepetition lenders for months in an effort to raise incremental liquidity to implement the turnaround plan.

While *Claire's* was beginning to see improvements, continued liquidity constraints ultimately prevented the turnaround plan for achieving its aims. The Applicant faces similar liquidity constraints, which have forced it to delay rent payments with respect to the Applicant's Canadian retail stores (120 stores as of July 1, 2025), resulting in the Applicant receiving 78 default notices and notices of termination in respect of 26 leases for unpaid rent.

5. In June 2025, *Claire's* began exploring strategic alternatives, including by launching a pre-filing marketing process to sell some or all of its assets in North America and abroad. This resulted in the receipt by *Claire's* of multiple letters of intent ("**LOIs**") by the bid deadline. While prospective buyers had the ability to submit standalone bids for some or all of the Applicant's assets or business, no such LOIs were received.

6. Concurrently, *Claire's* entered into a forbearance agreement (the "**Forbearance Agreement**") with its operating lenders (the "**ABL Lenders**") that required it to pursue both a going-concern and liquidation path. That agreement also contemplated the commencement of Chapter 11 proceedings.

7. Consequently, on August 6, 2025, certain *Claire's* entities (the "**Chapter 11 Debtors**") sought protection under Chapter 11 of the U.S. Bankruptcy Code (the "**Chapter 11 Cases**"). Owing to the Applicant's significant liquidity constraints, 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.

8. 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*.

9. The Applicant is therefore 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. While at present this is likely to consist of an orderly liquidation and wind-down of its operations, the Applicant also intends to seek authority at the comeback hearing to pursue all forms of refinancing, restructuring, sale, or reorganization of the Applicant's business or property.

10. In order to achieve these goals, the Applicant seeks an urgent stay of proceedings (the "**Stay of Proceedings**") for the permitted initial ten-day period (the "**Initial Stay Period**") under s. 11.02(2) of the CCAA, together with related relief necessary to preserve the Applicant's business and stakeholder value during the Initial Stay Period, including the appointment of KSV Restructuring Inc. as monitor in the CCAA Proceedings (the "**Proposed Monitor**"). The Applicant anticipates seeking further relief at the upcoming comeback hearing, including relief related to the anticipated liquidation process.

PART II - SUMMARY OF FACTS

11. The facts are more fully set out in the Affidavit of Suzanne Stoddard.¹

A. The Applicant and *Claire's*

12. The Applicant is incorporated pursuant to the laws of Canada, and is headquartered in Toronto, Ontario. The Applicant is the lone Canadian subsidiary of Claire's Stores, which is the U.S. operating subsidiary of Clare's Holdings. Claire's Holdings is headquartered in Hoffman Estates, Illinois.²

13. *Claire's* is a global brand which creates exclusive, curated, and fun fashionable jewelry and accessories and is a go-to establishment for ear piercing. *Claire's* business is divided into four main business lines: (i) brick & mortar retail stores; (ii) concession locations (*i.e.*, sales of *Claire's* merchandise through partnerships with several prominent retails, including Walmart, Toys R Us and Red Apple Stores in Canada); (iii) e-commerce; and (iv) franchised locations. Geographically, *Claire's* operations are organized into: (i) the North American division, including operations in the U.S., Puerto Rico, and Canada; and (ii) the European division, including operations in the UK, the Republic of Ireland, and continental Europe.³

¹ Affidavit of Suzanne Stoddard, sworn August 6, 2025 [Stoddard Affidavit]. Capitalized terms not otherwise defined have the same meaning as in the Stoddard Affidavit. Dollar amounts are given in Canadian dollars unless otherwise specified.

² Stoddard Affidavit at paras. 8, 28. A chart depicting the structure of Claire's Holdings may be found at Stoddard Affidavit at para. 28.

³ Stoddard Affidavit at paras. 9, 32-34.

B. Business of the Applicant

14. As the Canadian operating entity for *Claire's*, the Applicant maintains two business lines: (i) as of July 1, 2025, approximately 120 brick and mortar retail locations across Canada selling *Claire's* merchandise and providing ear-piercing services; and (ii) a concessions business operating out of approximately 600 store locations. On average, Canadian sales make up approximately 6% of the Company's overall sales.⁴

15. 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, including two district sales managers and one regional sales manager who are responsible for the approximately 120 stores operated by the Applicant as of July 1, 2025. Approximately 40% of the Applicant's employees are located in Ontario.⁵ None of the Applicant's employees are unionized and the Applicant is not a sponsor of any pension plans.⁶

(a) Retail Operations and Leases

16. The Applicant's retail locations are typically located in malls or shopping centres, with the largest proportion located in Ontario (45 out of the approximately 120 stores as of July 1, 2025, which generate approximately 40% of the Applicant's total sales). Each of the Applicant's stores

⁴ Stoddard Affidavit at paras. 35-37.

⁵ Stoddard Affidavit at paras. 29, 54. See Stoddard Affidavit at para. 56 for a detailed breakdown of employees by Province.

⁶ Stoddard Affidavit at paras. 54, 57.

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.⁷

17. Owing to *Claire's* financial challenges, the Applicant delayed rent payments to some of its landlords for the month of June 2025, and to all of its landlords for the months of July and August 2025, which has resulted in the Applicant owing approximately \$2.1 million in rent arrears. As of August 6, 2025, the Applicant has received 78 default notices and notices of termination in respect of 26 leases as a result of unpaid rent. Further, under the majority of leases, the Applicant's filing for CCAA protections constitutes an event of default, entitling the applicable landlord to exercise various remedies against the Applicant, including termination of the leases and acceleration of rent.⁸

(b) Merchandising, Distribution, and Logistics

18. 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.⁹

19. CBI Distributing Corp. acts as a purchasing entity on behalf of *Claire's* in the ordinary course of business, will purchase all inventory for North America from third party vendors, and subsequently transfer that inventory to another *Claire's* entity, BMS Distributing Corp. ("**BMS**").

⁷ Stoddard Affidavit at paras. 29, 37-39. See Stoddard Affidavit at para. 40 for a detailed breakdown of store locations by Province.

⁸ Stoddard Affidavit at paras. 42, 44. See Stoddard Affidavit at para. 43 for a detailed summary of the applicable landlords.

⁹ Stoddard Affidavit at paras. 46-47.

BMS then sells such inventory to the Applicant at a mark-up pursuant to a Purchasing Agreement, with such transactions being recorded as intercompany transfers on those entities' books and records.¹⁰

20. These vendors typically take four to six months to manufacture completed products, which are then shipped to *Claire's*' distribution centres, a process which typically takes another month. Following their receipt at distribution centres, the products are allocated and distributed to retail stores, including the Applicant's Canadian stores. All purchases of merchandise that are shipped to Canada are recorded by the Applicant as an intercompany payable upon shipment to Canada.¹¹

(c) Loyalty Programs, Gift Cards, and Customer Programs

21. *Claire's* (including 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.¹²

22. 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, 2025.¹³ Similar relief has been previously granted by the Court as part of initial orders.¹⁴

¹⁰ Stoddard Affidavit at para. 48.

¹¹ Stoddard Affidavit at para. 49.

¹² Stoddard Affidavit at paras. 50-51.

¹³ Stoddard Affidavit at para. 52.

¹⁴ *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](#)) at para. 6(b).

(d) Shared Services and Cash Management

23. In addition to procurement of merchandise, as discussed above, 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**").¹⁵

24. 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 Company's treasury and accounting departments oversee the cash management system on a daily basis, and implement controls for entering, processing, and releasing funds, including in connection with intercompany transactions.¹⁶

C. Financial Position of the Applicant

25. As of June 30, 2025, the Applicant has combined total assets of approximately \$50.7 million, total current liabilities of \$85.5 million, and long term liabilities of \$28 million.¹⁷ 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

¹⁵ Stoddard Affidavit at para. 58.

¹⁶ Stoddard Affidavit at para. 59.

¹⁷ See Stoddard Affidavit at paras. 64-65 for a detailed breakdown of the Applicant's assets and liabilities.

with the transfer of the economic rights to IP for the Canadian operations, merchandise purchases and the provision of Shared Services.¹⁸

26. The Applicant is not a borrower or guarantor of any of the Company's prepetition credit facilities. The Applicant is subject to only one undischarged registration in any personal property registry, under the *Alberta Personal Property Security Act*.¹⁹

D. Events Leading up to the CCAA Proceedings and Chapter 11 Cases

(a) Increasing Liquidity Constraints

27. *Claire's*, including the Applicant, faces significant liquidity constraints which have contributed to the need for the CCAA Proceedings and Chapter 11 Cases.²⁰ These liquidity constraints have been principally caused by the following issues:

- (a) **COVID-19 and Consumer Behaviour:** The COVID-19 pandemic resulted in long-term shifts in consumer behaviour, as customer purchase values and mall foot-traffic decreased across the board, and customers shifted their discretionary spending to e-commerce platforms. While *Claire's* amplified its focus on its e-commerce platform, *Claire's'* business was not conducive to a large-scale transition to e-commerce, as customers typically do not purchase a sufficiently large quantity of *Claire's* merchandise in a single transaction to justify shipping costs. Further, *Claire's* relatively small scale, younger customer base, and focus on

¹⁸ Stoddard Affidavit at para. 66.

¹⁹ Stoddard Affidavit at paras. 70, 71.

²⁰ Stoddard Affidavit at para. 72.

ear-piercing services prevented *Claire's* from being able to fully transition to e-commerce.²¹ In any event, the Applicant does not maintain e-commerce operations.

- (b) **Increased Competition:** The piercing market has grown increasingly competitive, with competition coming from speciality retailers, other outlets such as tattoo parlours, and competitors offering needle ear piercing (as opposed to *Claire's* touch free piercing single use cartridge system). Competition also mounted in *Claire's* jewellery, cosmetics, hair goods, and fashion accessories product categories, with competitors accumulating a greater percentage of *Claire's*' customers' spending.²²
- (c) **Pricing, Inventory, and Shrinkage Issues:** In order to account for increased costs and lowered margins, and driven by a combination of inflationary pressure, increased freight costs, and high interest rates, *Claire's* undertook a price adjustment strategy, which unfortunately was poorly received and led to decreased sales. Similarly, attempts by *Claire's* to refocus on "core products" were poorly received and resulted in decreased sales. These issues were further exacerbated by poor inventory management practices and systems, which led to significant issues with inventory being out of stock and made it difficult for *Claire's* to identify inventory shrinkage.²³
- (d) **Global Economic Factors:** *Claire's* purchasing and inventory operations relies heavily on foreign suppliers. As a result, *Claire's* has been significantly impacted

²¹ Stoddard Affidavit at paras. 75-77.

²² Stoddard Affidavit at para. 78.

²³ Stoddard Affidavit at paras. 79-83.

by the implementation of tariffs on imported goods in April 2025, which have led to higher costs and uncertainty in inventory pricing for *Claire's*. The Company could not raise prices to comprehensively mitigate the effects of the global economic factors on the Company's cost of goods sold.²⁴

- (e) **Burdensome Lease Portfolio:** These challenges have significantly affected the profitability of the Company's operations. A significant number of the Applicant's stores are unprofitable or unviable under current lease terms.²⁵

28. These factors have collectively significantly impaired the Applicant's ability to operate on a profitable basis going forward. The Applicant's net income for fiscal-year-to-date 2025 is negative US \$5.8 million and total year-to-date sales have declined by approximately US \$5.7 million.²⁶

(b) Pre-Filing Restructuring Initiatives and Chapter 11 Cases

29. Over the past year, *Claire's* has undertaken numerous initiatives to address its liquidity challenges, including by exiting a number of unprofitable concession locations and engaging with prepetition lenders to raise incremental liquidity and implement *Claire's*' turnaround plan. In parallel with these strategic initiatives, *Claire's* launched a third-party marketing process in June 2025, including with respect to Canadian operations. As part of this process, *Claire's* contacted approximately 150 prospective buyers, who had the ability to submit standalone bids for some or

²⁴ Stoddard Affidavit at para. 84.

²⁵ Stoddard Affidavit at para. 85.

²⁶ Stoddard Affidavit at paras. 68-69.

all of the Applicant's assets or business. Approximately 60 interested parties executed confidentiality agreements as part of the marketing process.²⁷

30. Concurrently with the marketing process, *Claire's* also negotiated the Forbearance Agreement with its ABL Lenders, pursuant to which *Claire's* was required to comply with certain parallel "going concern scenario" and "liquidation scenario" milestones. Under the "going concern" scenario, *Claire's* was required to deliver a LOI to purchase the Company's anticipated go forward assets as a going concern initially by no later than July 31, 2025 and, if any LOI was received, the commencement of voluntary chapter 11 proceedings by no later than August 5, 2025. Multiple LOIs were received by the relevant milestone date (but no LOIs were received with respect to the Applicant's assets or business on a standalone basis).²⁸

31. The Company has used the additional runway afforded by the Forbearance Agreement to engage with certain of its prepetition lenders and equityholders and achieve a smooth transition into chapter 11.²⁹

32. On August 6, 2025 (the "**Petition Date**"), the Chapter 11 Debtors filed the Chapter 11 Cases in order to effectuate a sale and monetization process designed to maximize the value of the Chapter 11 Debtors' estates for the benefit of all stakeholders. The Chapter 11 Debtors intend to, among other things, convert one or more of the non-binding LOIs into binding commitments to

²⁷ Stoddard Affidavit at paras. 20, 86-88, 91. For a detailed summary of the steps taken by *Claire's*, see Stoddard Affidavit at para. 86.

²⁸ Stoddard Affidavit at paras. 21-22, 90-91.

²⁹ Stoddard Affidavit at paras. 22, 90.

purchase some or all of the Chapter 11 Debtors' assets, and in the meantime, to immediately commence store closing sales to monetize some or all of their store locations.³⁰

E. The Urgent Need for Relief Under the CCAA

33. The challenges described above have resulted in *Claire's* facing extremely limited funding and significant constraints on its use of cash. Reluctantly, *Claire's* has concluded that there is not enough capital to continue or resuscitate the Canadian business. As discussed above, efforts to sell all or part of the Applicant's business as part of a pre-filing marketing process have been unsuccessful.³¹

34. The Applicant therefore is in urgent need of protection under the CCAA. The Applicant is not profitable on a standalone basis and is wholly dependent on *Claire's* to source merchandise and provide the Shared Services, which *Claire's* has indicated it is not prepared to continue providing in light of current financial circumstances.³²

35. Without the continued support from *Claire's*, the Applicant cannot continue operating going forward and will be unable to meet its obligations as they become due. As noted above, the Applicant's inability to meet its rent obligations on its leases has already resulted in the Applicant receiving 78 default notices in respect of its retail store leases, and certain landlords have already taken further steps, including termination, locking the Applicant out of its stores, or demanding

³⁰ Stoddard Affidavit at para. 23.

³¹ Stoddard Affidavit at para. 93.

³² Stoddard Affidavit at paras. 94-95.

payments from the Applicant in order for the Applicant to retain access to the premises. These issues have further exacerbated the liquidity issues facing the Applicant.³³

36. Accordingly, after considering all strategic alternatives (including the unsuccessful attempt to sell the Canadian business as part of the pre-filing marketing process), and without any ability to access further funding from the Company, the Applicant resolved to file for creditor protection under the CCAA. The protection provided by the CCAA is needed in order to provide the breathing space necessary to determine and pursue next steps, which at present is likely to consist of an orderly liquidation and wind-down of the Applicant's operations, while currently pursuing all avenues of restructuring on a highly expedited basis.³⁴

PART III - THE ISSUES AND THE LAW

37. This Factum addresses the following issues:

- (a) The Applicant is entitled to seek protection under the CCAA;
- (b) This Court should grant the Stay of Proceedings;
- (c) This Court should authorize payment of certain pre-filing claims to critical third parties; and
- (d) This Court should approve the Administration Charge and the Directors' Charge.

³³ Stoddard Affidavit at para. 96.

³⁴ Stoddard Affidavit at para. 97.

A. The Applicant is Entitled to Seek Protection under the CCAA

(a) The Applicant is Insolvent

38. 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. The Applicant is a “company” for the purposes of s. 2 of the CCAA, as it does business in and has assets in Canada.³⁵

39. A “debtor company” means, *inter alia*, a company that is insolvent.³⁶ Whether a company is insolvent for the purposes of this definition is evaluated by reference to the definition of “insolvent person” in the *Bankruptcy and Insolvency Act* (“BIA”), and the expanded concept of insolvency adopted by this court in *Stelco*.³⁷ The Applicant is currently insolvent under the BIA test for solvency and is further facing the kind of imminent liquidity crisis that clearly satisfies the expanded *Stelco* test. As discussed above, the Applicant has minimal cash on hand, and the Applicant’s liabilities significantly exceed its assets. Further, the Applicant has been unable to meet its obligations as they come due, including its obligations under the leases.³⁸

(b) The Ontario Court Has Jurisdiction Over the Proceeding

40. Subsection 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

³⁵ *Lydian International Limited (Re)*, [2019 ONSC 7473](#) [*Lydian*], at para. 35 and 36, citing *Cinram International (Re)*, [2012 ONSC 3767](#).

³⁶ CCAA, ss. 2 and 3(1).

³⁷ *Stelco Inc. (Re)*, [2004 CarswellOnt 1211](#) at para. 26. This approach to the insolvency criterion has been applied on countless occasions, including *Target Canada Co. (Re)*, [2015 ONSC 303](#) at para. 26 [*Target*]; *Just Energy Corp. (Re)*, [2021 ONSC 1793](#) [*Just Energy*] at paras. 48 to 51; *Nordstrom Canada Retail, Inc. (Re)*, [2023 ONSC 1422](#) at para. 26 [*Nordstrom*].

³⁸ Stoddard Affidavit at para. 96.

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.³⁹

41. The Applicant fulfils these requirements, as it is incorporated under the laws of Canada and headquartered in Toronto.⁴⁰ Further, Ontario is the proper forum for the restructuring, as it is the chief place of business of the Applicant. As set out above, Ontario is home both to the largest number of the Applicant's retail stores (45 stores out of approximately 120 stores as of July 1, 2025), 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).⁴¹

(c) Use of the CCAA to Effect an Orderly Wind-Down of the Business

42. As discussed above, the Applicant intends to use the CCAA proceedings to conduct a controlled liquidation of certain or all of its retail stores and, concurrently, pursue a strategic alternative on an expedited basis, and should that fail, a responsible, controlled, and orderly wind-down.

43. The use of the protections and the flexibility afforded by the CCAA for this purpose is appropriate. The CCAA case law is replete with examples of CCAA proceedings that have either been commenced for the purpose of winding down a business, or that have adopted this purpose after it became apparent that a going-concern solution was not achievable.⁴²

³⁹ *Target*, paras. 29 to 30; *Bed Bath & Beyond Canada Limited (Re)*, [2023 ONSC 1014](#) at para. 25 [*Bed Bath & Beyond*].

⁴⁰ Stoddard Affidavit at para. 28.

⁴¹ Stoddard Affidavit at para. 29.

⁴² See, i.e., *Bed Bath & Beyond*, at para. 26; *Target*, at para. 31.

B. The Stay of Proceedings Should be Granted

44. 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."

45. In *Lydian*, one of the first cases to interpret this provision, Morawetz C.J. stated that the Initial Stay Period preserves the *status quo* and allows for operations to be stabilized and negotiations to occur, followed by requests for expanded relief on proper notice to affected parties at the full comeback hearing.⁴³ 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.⁴⁴

46. All of the relief requested in this first-day application meets these criteria. Each aspect of the relief sought by the Applicant in the Initial Stay Period is interdependent, and collectively the relief is critical to provide the Applicant with the breathing space to determine next steps. All of the requested relief – as submitted further below – consists of exactly the type of essential "keep the lights on" measures contemplated by s. 11.001 of the CCAA.⁴⁵

⁴³ *Lydian*, at para. 26 and 30; see also *Just Energy*, at para. 56.

⁴⁴ See for example *Laurentian University of Sudbury (Re)*, [2021 ONSC 659](#), in which the CCAA Court granted a variety of relief during the Initial Stay Period that was particular to the debtor company's factual circumstances. See also *Just Energy; Boreal Capital Partners Ltd et al. (Re)*, [2021 ONSC 7802](#) at para. 16 [*Boreal Capital*].

⁴⁵ Stoddard Affidavit at paras. 99-101.

C. Authority to Permit Pre-Filing Payments to Critical Third Parties

47. 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.⁴⁶

48. The Court has exercised its jurisdiction on multiple occasions to grant similar relief, including as part of an initial order.⁴⁷ The court in *Index Energy Mills Road Corporation* 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.⁴⁸ These factors are fulfilled in this case.

⁴⁶ Stoddard Affidavit, at para. 61. See the Pre-Filing Report of the Proposed Monitor, dated August 6, 2025, at paras. 5.0.2-5.0.3, for a detailed discussion of the factors the Monitor will consider in determining whether to approve pre-filing payments to critical suppliers.

⁴⁷ See, for example, *Target*, at para. 62 to 65; *Nordstrom*, at paras. 50-53; *Just Energy*, at para. 99; *Original Traders Energy Ltd. and 2496750 Ontario Inc. (Re)*, [2023 ONSC 753](#) at paras. 72-74; *Boreal Capital* at paras. 20-22.

⁴⁸ *Index Energy Mills Road Corporation (Re)*, [2017 ONSC 4944](#) at para. 31.

D. The Administration Charge Should be Granted

49. Pursuant to s. 11.52 of the CCAA, 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**”), which amount covers the time period until the Comeback Hearing, at which point the Applicant will seek to increase the Administration Charge. The Administration Charge was developed in consultation with the Proposed Monitor and is proposed to be secured by the Property and to have first priority over all other charges and security interests.⁴⁹

50. The requested Administration Charge satisfies the well-accepted factors originally established by Pepall J. in *Canwest Publishing*. Among other factors, the requested amount is fair and reasonable, and appropriate to the size and complexity of the businesses being restructured.⁵⁰ In addition, the initial amount requested is tailored only to the needs within the Initial Stay Period.

E. The Directors’ Charge Should be Granted

51. In accordance with s. 11.51 of the CCAA, the Applicant also seeks a directors and officers charge in the amount of \$2.9 million until the Comeback Hearing (the “**Directors’ Charge**”), at which point the Applicant will seek to increase the Directors’ Charge. The Director’s Charge is proposed to be secured by the Property and to rank behind the Administration Charge.⁵¹

⁴⁹ Stoddard Affidavit at para. 109.

⁵⁰ See, for example, *Target*, at para. 74, citing *Canwest Publishing Inc. / Publications Canwest Inc. (Re)*, [2010 ONSC 222](#) at para. 39; *Just Energy* at paras. 112 to 113; *Nordstrom*, at para. 54.

⁵¹ Stoddard Affidavit at paras. 113-114.

52. The Applicant's present and former directors and officers are among the potential beneficiaries under a liability insurance policy that covers an aggregate annual limit of US \$50 million, consisting of US \$25 million of ABC limits and US \$25 million of Side A-only coverage. This policy will likely not provide sufficient coverage for the potential liability that the director and officers could incur in relation to these CCAA proceedings.⁵²

53. In light of the potential liabilities and the insufficiency of available insurance, the continued service and involvement of the directors and officers in this proceeding is conditional upon the granting of an Order which includes the Directors' Charge. Further steps in these proceedings, including conducting a liquidation, pursuing a strategic alternative, and should that fail, conducting an orderly wind-down of the Applicant, will only be possible with the continued participation of the Applicant's directors, officers, management, and employees.⁵³

PART IV -NATURE OF THE ORDER SOUGHT

54. The Applicant therefore requests an Initial Order substantially in the form of the draft Order attached as Tab 3 to the Application Record of the Applicant.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 6th day of August, 2025.



OSLER, HOSKIN & HARCOURT, LLP per Andrew Rintoul
P.O. Box 50, 1 First Canadian Place
Toronto, ON M5X 1B8

Lawyers for the Applicant

TO: THE ATTACHED SERVICE LIST

⁵² Stoddard Affidavit at para. 112.

⁵³ Stoddard Affidavit at paras. 110, 113.

SCHEDULE “A”: LIST OF AUTHORITIES

1. *Bed Bath & Beyond Canada Limited (Re)*, [2023 ONSC 1014](#)
2. *Boreal Capital Partners Ltd et al. (Re)*, [2021 ONSC 7802](#)
3. *Canwest Global Communications Corp. (Re)*, [2009 CanLII 55114 \(ON SC\)](#)
4. *Canwest Publishing Inc./Publications Canwest Inc. (Re)*, [2010 ONSC 222](#)
5. *Cinram International (Re)*, [2012 ONSC 3767](#)
6. *Comark Holdings Inc. et. al. (Re)*, (January 7, 2025), Ont S.C.J [Commercial List], Court File No. CV-25-00734339-00CL ([Initial Order](#))
7. *Index Energy Mills Road Corporation (Re)*, [2017 ONSC 4944](#)
8. *Just Energy Corp. (Re)*, [2021 ONSC 1793](#)
9. *Laurentian University of Sudbury (Re)*, [2021 ONSC 659](#)
10. *Lydian International Limited (Re)*, [2019 ONSC 7473](#)
11. *Mastermind GP Inc. (Re)*, (November 23, 2023), Ont S.C.J [Commercial List], Court File No. CV-23-00710259-00CL ([Initial Order](#))
12. *Nordstrom Canada Retail, Inc. (Re)*, [2023 ONSC 1422](#)
13. *Original Traders Energy Ltd. and 2496750 Ontario Inc. (Re)*, [2023 ONSC 753](#)
14. *Stelco Inc. (Re)*, [2004 CanLII 24933](#)
15. *Target Canada Co. (Re)*, [2015 ONSC 303](#)

I certify that I am satisfied as to the authenticity of every authority.

Date August 6, 2025



Signature
Andrew Rintoul

SCHEDULE “B”
TEXT OF STATUTES, REGULATIONS & BY-LAWS

COMPANIES’ CREDITORS ARRANGEMENT ACT

R.S.C., 1985, c. C-36, as amended

2. (1) [...]

debtor company means any company that

- (a) is bankrupt or insolvent,
- (b) has committed an act of bankruptcy within the meaning of the Bankruptcy and Insolvency Act or is deemed insolvent within the meaning of the Winding-up and Restructuring Act, whether or not proceedings in respect of the company have been taken under either of those Acts,
- (c) has made an authorized assignment or against which a bankruptcy order has been made under the Bankruptcy and Insolvency Act, or
- (d) is in the course of being wound up under the Winding-up and Restructuring Act because the company is insolvent; (*compagnie débitrice*)

[...]

Application

3 (1) This Act applies in respect of a debtor company or affiliated debtor companies if the total of claims against the debtor company or affiliated debtor companies, determined in accordance with section 20, is more than \$5,000,000 or any other amount that is prescribed.

[...]

Jurisdiction of court to receive applications

9 (1) Any application under this Act may be made to the court that has jurisdiction in the province within 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 are situated.

[...]

General power of court

11 Despite anything in the Bankruptcy and Insolvency Act or the Winding-up and Restructuring Act, if an application is made under this Act in respect of a debtor company, the court, on the application of any person interested in the matter, may, subject to the restrictions set out in this Act, on notice to any other person or without notice as it may see fit, make any order that it considers appropriate in the circumstances.

[...]

Relief reasonably necessary

11.001 An order made under section 11 at the same time as an order made under subsection 11.02(1) or during the period referred to in an order made under that subsection with respect to an initial application shall be limited to relief that is reasonably necessary for the continued operations of the debtor company in the ordinary course of business during that period.

Rights of suppliers

11.01 No order made under section 11 or 11.02 has the effect of

- (a) prohibiting a person from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided after the order is made; or
- (b) requiring the further advance of money or credit.

Stays, etc. — initial application

11.02 (1) A court may, on an initial application in respect of a debtor company, make an order on any terms that it may impose, effective for the period that the court considers necessary, which period may not be more than 30 days,

- (a) staying, until otherwise ordered by the court, all proceedings taken or that might be taken in respect of the company under the Bankruptcy and Insolvency Act or the Winding-up and Restructuring Act;
- (b) restraining, until otherwise ordered by the court, further proceedings in any action, suit or proceeding against the company; and
- (c) prohibiting, until otherwise ordered by the court, the commencement of any action, suit or proceeding against the company.

[...]

Burden of proof on application

11.02 (3) The court shall not make the order unless

- (a) the applicant satisfies the court that circumstances exist that make the order appropriate; and
- (b) in the case of an order under subsection (2), the applicant also satisfies the court that the applicant has acted, and is acting, in good faith and with due diligence.

[...]

Stays — directors

11.03 (1) An order made under section 11.02 may provide that no person may commence or continue any action against a director of the company on any claim against directors that arose before the commencement of proceedings under this Act and that relates to obligations of the company if directors are under any law liable in their capacity as directors for the payment of those obligations, until a compromise or an arrangement in respect of the company, if one is filed, is sanctioned by the court or is refused by the creditors or the court.

[...]

Security or charge relating to director's indemnification

11.51 (1) On application by a debtor company and on notice to the secured creditors who are likely to be affected by the security or charge, the court may make an order declaring that all or part of the property of the company is subject to a security or charge — in an amount that the court considers appropriate — in favour of any director or officer of the company to indemnify the director or officer against obligations and liabilities that they may incur as a director or officer of the company after the commencement of proceedings under this Act.

Priority

(2) The court may order that the security or charge rank in priority over the claim of any secured creditor of the company.

[...]

Court may order security or charge to cover certain costs

11.52 (1) On notice to the secured creditors who are likely to be affected by the security or charge, the court may make an order declaring that all or part of the property of a debtor company is subject to a security or charge — in an amount that the court considers appropriate — in respect of the fees and expenses of

- (a) the monitor, including the fees and expenses of any financial, legal or other experts engaged by the monitor in the performance of the monitor's duties;

(b) any financial, legal or other experts engaged by the company for the purpose of proceedings under this Act; and

(c) any financial, legal or other experts engaged by any other interested person if the court is satisfied that the security or charge is necessary for their effective participation in proceedings under this Act.

Priority

(2) The court may order that the security or charge rank in priority over the claim of any secured creditor of the company.

[...]

Authorization to act as representative of proceeding under this Act

56 The court may authorize any person or body to act as a representative in respect of any proceeding under this Act for the purpose of having them recognized in a jurisdiction outside Canada.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36,
AS AMENDED

Court File No:

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
CLAIRE'S STORES CANADA CORP.

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT TORONTO

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