



THE SECURITIES ACT	)	Order No. 7041
	)	
Section 148(1) and 20(1)	)	December 19, 2014

### Hart Stores Inc.

**WHEREAS** the securities of Hart Stores Inc. ("**Hart Stores**" or the "**Applicant**") are subject to a cease trade order issued by the Director of the Manitoba Securities Commission (the "**Commission**") on September 19, 2012 (the "**Cease Trade Order**");

**AND WHEREAS** the Applicant has applied to the Commission pursuant to sections 148(1) and 20(1) of the Act for a partial revocation of the Cease Trade Order to permit the shareholders of the Applicant (each, a "**Shareholder**" and collectively, the "**Shareholders**") to sell or otherwise dispose of their common shares of Hart Stores (each, a "**Share**" and collectively, the "**Shares**") pursuant to the Proposed Transaction (as defined below);

**AND WHEREAS** the Applicant has represented to the Commission that:

#### Hart Stores

1. Hart Stores is a corporation incorporated under the *Canada Business Corporations Act* ("**CBCA**") and operates a network of 61 mid-sized department stores located in eastern Canada. The head office of Hart Stores is at 900 Place Paul-Kane, Laval, Québec H7C 2T2.
2. Hart Stores is a reporting issuer or the equivalent in each of the provinces of Canada. The Autorité des marchés financiers (the "**AMF**") is the principal regulator with respect to Hart Stores in accordance with section 4.2 of Multilateral Instrument 11-102 – Passport System.
3. Hart Stores' authorized capital consists of an unlimited number of Shares, of which 13,662,296 Shares are issued and outstanding, and an unlimited number of Class A and Class B preferred shares issuable in series, none of which are issued and outstanding.
4. The principal Shareholder of Hart Stores is its founder, Mr. Harry Hart, who holds directly, or indirectly through his wholly-owned subsidiary H&N Family Subco Inc., approximately 60.6% of the issued and outstanding Shares. Mr. Hart is Chief Executive Officer of Hart Stores and Chairman of the board of directors of Hart Stores (the "**Board of Directors**").
5. The Board of Directors is comprised of Harry Hart, Jeffrey Hart, M. William Cleman and Gérard A. Limoges. Messrs. Cleman and Limoges are "independent directors" within the meaning of section 1.4 of National Instrument 52-110 *Audit Committees*.

6. Hart Stores' fiscal year ends each year on the Sunday closest to January 31. Hart Stores' last three fiscal years ended on the following dates:
  - January 29, 2012
  - February 3, 2013
  - February 2, 2014Hart Stores' current fiscal year ends on February 1, 2015.
7. The Shares are listed on the TSX Venture Exchange under the symbol "HIS". However, trading in the Shares was halted in September 2012 due to the Cease Trade Order and similar orders from other securities commissions.
8. The Cease Trade Order was issued as a result of Hart Stores' failure to file its audited annual financial statements for the year ended January 29, 2012 ("**2012 Annual Financial Statements**"), management discussion and analysis relating to the 2012 Annual Financial Statements ("**2012 Annual MD&A**"), interim financial statements for the three-month period ended April 29, 2012 ("**Q1 2013 Interim Financial Statements**"), management discussion and analysis relating to the Q1 2013 Interim Financial Statements ("**Q1 2013 Interim MD&A**") and certification of the foregoing filings as required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**") (collectively, the "**Continuous Disclosure Documents**").
9. Hart Stores is also subject to cease trade orders issued by the AMF on August 6, 2012, British Columbia Securities Commission (the "**BCSC**") on August 7, 2012, Ontario Securities Commission (the "**OSC**") on August 22, 2012 and Alberta Securities Commission (the "**ASC**") on November 20, 2012, for failure to file its Continuous Disclosure Documents.
10. The Applicant is concurrently applying to the AMF, BCSC, OSC and ASC for a partial revocation of the cease trade orders issued in each such jurisdiction.
11. On December 13, 2012, Hart Stores filed its 2012 Annual Financial Statements, 2012 Annual MD&A and certification of the foregoing filings as required by NI 52-109. On May 31, 2013, Hart Stores filed its Q1 2013 Interim Financial Statements, Q1 2013 Interim MD&A, interim financial statements and management discussion and analysis for the periods ended July 29, 2012 and October 28, 2012 and certification of the foregoing filings as required by NI 52-109.
12. The 2012 Annual Financial Statements included an auditor's report dated December 5, 2012 from Deloitte & Touche LLP, which expressed a modified opinion, primarily due to the implementation during the fiscal year of a new computer system, which resulted in differences in the transfer of inventory quantities from the legacy system to the new computer system which could not be reconciled or resolved.
13. On December 6, 2012, Deloitte & Touche LLP resigned as auditor of Hart Stores and the Board of Directors appointed Ernst & Young LLP ("**Ernst & Young**") in its place.
14. The auditor's report on the financial statements for the fiscal year ended February 3, 2013 ("**2013 Annual Financial Statements**") also contained a modified opinion from Ernst & Young, as opening inventories enter into the determination of financial performance and cash flows of Hart Stores.
15. The auditor's report on the financial statements for the fiscal year ended February 2, 2014 ("**2014 Annual Financial Statements**") also contained a modified opinion from Ernst & Young, relating only to the previous fiscal year, ended February 3, 2013.

The financial information for the most recently-completed fiscal year, ended February 2, 2014, is audited by Ernst & Young and the auditor's report with respect to the fiscal year ended February 2, 2014 is not modified.

16. Due to the modified opinions described in paragraphs 12, 14 and 15 above, the 2012 Annual Financial Statements, 2013 Annual Financial Statements and 2014 Annual Financial Statements do not comply with section 3.3 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, which requires such financial statements to be accompanied by an auditor's report that expresses an unmodified opinion.
17. Since the end of the fiscal year ended February 2, 2014, Hart Stores has filed unaudited financial statements for the 13-week period ended May 4, 2014 and for the 26-week period ended August 3, 2014 and will file unaudited financial statements for the 39-week period ended November 3, 2014, all in accordance with National Instrument 51-102 *Continuous Disclosure Obligations* ("**NI 51-102**").
18. Hart Stores has retained the services of Ernst & Young to review its interim financial statements for the 39-week period ended November 3, 2014 (the "**Interim Financial Statements**").
19. Accordingly, Hart Stores has filed all of its outstanding continuous disclosure documents and complies with the requirements of NI 51-102, except for the modified opinions described in paragraphs 12, 14 and 15 above.

#### **The Proposed Transaction**

20. The proposed transaction (the "**Proposed Transaction**") will consist of the acquisition of Hart Stores by a new company ("**Newco**"), which will be a private issuer either wholly-owned or controlled by an arm's length third party purchaser (the "**Purchaser**").
21. The Proposed Transaction will take the form of an amalgamation between Hart Stores and Newco, with each Shareholder to receive an amount in cash for each Share held by such Shareholder.
22. As the Proposed Transaction will proceed by way of amalgamation, the Proposed Transaction will be subject to Shareholder approval pursuant to the CBCA, requiring a positive vote of not less than two-thirds of the Shares voted at a special meeting of Shareholders called to consider the Proposed Transaction (the "**Special Meeting**"), and registered Shareholders will be entitled to exercise the right to dissent with respect to the Proposed Transaction pursuant to section 190 of the CBCA.
23. Prior to completion of the Proposed Transaction, Hart Stores will provide:
  - a) to the Purchaser and to each Shareholder, a copy of the Cease Trade Order, which in the case of Shareholders will constitute a schedule to the management information circular to be prepared in connection with the Special Meeting (the "**Circular**");
  - b) to the Purchaser and to each Shareholder, a copy of the partial revocation order, which in the case of Shareholders will constitute a schedule to the Circular and will be filed on SEDAR by Hart Stores; and
  - c) written notice to the Purchaser, to the effect that all securities of Hart Stores, or of any successor issuer, as the case may be, will remain subject to the Cease Trade Order until such time, if any, as a full revocation is granted by each applicable provincial securities commission.

24. The Proposed Transaction is not a "related party transaction" as defined in Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("MI 61-101") nor will any payment made in connection with the Proposed Transaction constitute a "collateral benefit" as defined in MI 61-101.
25. Hart Stores will file the interim financial statements for the 39-week period ended November 3, 2014 (to be reviewed by Ernst & Young) on SEDAR, and announce the results for the interim period by press release, at least 15 days before the date scheduled for the Special Meeting.
26. Following the Proposed Transaction, Hart Stores, or the amalgamated corporation, will file an application to cease to be a reporting issuer in each of the provinces of Canada and an application for a full revocation of the Cease Trade Order.
27. Hart Stores has one payment remaining to its creditors in the amount of \$1.5 million due in February 2015, pursuant to a plan of compromise and arrangement filed by Hart Stores under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA") and sanctioned and approved by the Superior Court of Québec in 2012. Hart Stores remains subject to the order of the Superior Court of Québec.
28. The Proposed Transaction is not subject to approval by the Superior Court of Québec, the creditors of Hart Stores or any other party under the CCAA proceedings referred to above.
29. The Board of Directors is of the view that the Proposed Transaction is in the best interests of Hart Stores and Shareholders and has agreed in principle to support the Proposed Transaction with the Purchaser; and Mr. Harry Hart and H&N Family Subco Inc., the principal Shareholders, are prepared to sell their Shares pursuant to the Proposed Transaction.

**AND WHEREAS** considering the Application and the recommendation of the staff of the Commission;

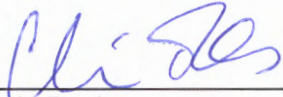
**AND WHEREAS** the Director being satisfied that it would not be prejudicial to the public interest to grant the partial revocation of the Cease Trade Order;

**I HEREBY ORDER** pursuant to a delegation to me by the Commission under subsection 4(1) of the Act of the powers in that regard:

**THAT**, pursuant to sections 148(1) and 20(1) of the Act, the Cease Trade Order be and is hereby partially revoked solely to permit trades or acts in furtherance of trades in connection with the Proposed Transaction provided that:

1. Prior to completion of the Proposed Transaction, Hart Stores will provide:
  - (a) to the Purchaser and to each Shareholder, a copy of the Cease Trade Order, which in the case of Shareholders will constitute a schedule to the management information circular to be prepared in connection with the Special Meeting (the "**Circular**");
  - (b) to the Purchaser and to each Shareholder, a copy of the partial revocation order, which in the case of Shareholders will constitute a schedule to the Circular and will be filed on SEDAR by Hart Stores; and
  - (c) written notice to the Purchaser, to the effect that all securities of Hart Stores, or of any successor issuer, as the case may be, will remain subject to the Cease Trade Order until such time, if any, as a full revocation is granted by each applicable provincial securities commission.

2. Hart Stores shall file the interim financial statements for the 39-week period ended November 3, 2014 (to be reviewed by Ernst & Young) on SEDAR, and announce the results for the interim period by press release, at least 15 days before the date scheduled for the Special Meeting.



---

Chris Besko  
Acting Director