CCAA: Is the termination of employment contracts subject to section 32 CCAA?

October 1, 2012

On August 30, 2011, Hart Stores Inc./Magasins Hart inc. (hereinafter 'Hart'), filed for protection under the *Companies' Creditors Arrangement Act* (hereinafter the 'CCAA'). As part of the restructuring, Hart closed down 32 out of 92 points of sale and laid off 640 out of 1,600 employees. Included in the lay off are five executives, who are the subject of this bulletin.

The executives were all laid off by means of a simple notice of termination. On February 20, 2012, the five executives filed a motion contesting the termination of their employment contracts. Their application was based primarily on section 32 CCAA, which permits a debtor to resiliate certain agreements. This resiliation can be contested, and the court will then issue a ruling.

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