



**ANNUAL INFORMATION FORM
FOR THE FISCAL YEAR ENDED**

January 29, 2005

April 21, 2005

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THE CORPORATION

(a) Incorporation

Reitmans (Canada) Limited (“Reitmans”) was incorporated under the laws of Canada on April 5, 1947 and continued under the *Canada Business Corporations Act* on May 23, 1980. By certificate of amendment dated June 22, 1983, the legal designation of the Class A shares of the capital stock of Reitmans was changed to “Class A non-voting” shares. On February 3, 1992 Reitmans was amalgamated with Reitmans Holdings Limited, a wholly-owned subsidiary. On August 2, 1998 Reitmans and its wholly-owned subsidiary, Reitmans Inc. were amalgamated. Subsequent to the Corporation’s 2003 year end, Shirmax Fashions Ltd. (see “Business of the Corporation – General Development of the Corporation over the Last Five Years”) and its subsidiaries were amalgamated and the resulting amalgamated corporation was subsequently wound-up into the Corporation. The registered office of Reitmans is located at 1 Yorkdale Road, Suite 415, Toronto, Ontario M6A 3A1. The principal office of Reitmans is located at 250 Sauvé Street West, Montreal, Québec H3L 1Z2.

In this Annual Information Form, unless the context otherwise requires or indicates, “Reitmans” means Reitmans (Canada) Limited; and the “Corporation” means Reitmans and its subsidiaries collectively or one or more of such subsidiaries.

(b) Subsidiaries

Reitmans had no subsidiary whose total assets constitute more than 10% of the consolidated assets of the Corporation or whose total revenues constitute more than 10% of consolidated revenues of the Corporation, as at January 29, 2005, except for Reitmans Distribution Inc., a wholly-owned subsidiary incorporated under the *Canada Business Corporations Act*.

BUSINESS OF THE CORPORATION

(a) Introduction

The Corporation engages principally in the retail sale of women’s and children’s wearing apparel. The retail activities of the Corporation are conducted under various trade names through the retail store banners of the Corporation. The majority of Reitmans’ merchandise is moderately priced and targeted to appeal principally to young and contemporary customers. The merchandise offered by the Corporation includes coats, dresses, skirts, pants, sweaters, shirts, blouses, lingerie and accessories. The Corporation diversifies its sales by targeting different markets through each of its different store banners. See “Business of the Corporation-Stores”.

(b) General Development of the Corporation Over the Last Five Years

In August 1999, the Corporation launched a new banner named RW & CO. which caters to junior (18 to 30) ladies and men.

In June 2002, the Corporation completed its acquisition by way of take-over bid for all of the common shares of Shirmax Fashions Ltd. (“Shirmax”) in a cash transaction of \$7.00 per

share of Shirmax, for a total consideration of approximately \$85.4 million. At the time of acquisition, Shirmax, had 175 stores operating under the Addition Elle, Addition Elle Outlet and Thyme Maternity banners.

(c) Stores

As at April 21, 2005, the Corporation operated a total of six retail store banners consisting of 356 Reitmans, 164 Smart Set, 31 RW & CO., 66 Thyme Maternity, 142 Penningtons and 115 Addition Elle, for a total of 874 stores.

During the current fiscal year, Reitmans expects to open a total of 42 new stores under the following banners: 18 Reitmans, 3 Smart Set, 3 RW & CO., 3 Thyme Maternity, 7 Penningtons and 8 Addition Elle. It is anticipated that approximately 22 unprofitable stores will be closed during 2005.

The majority of the Corporation's stores are located in enclosed shopping malls which are situated both in central and suburban metropolitan areas and in smaller towns in Canada.

Operating 356 stores, Reitmans is Canada's largest ladies apparel specialty chain. With stores averaging 4,300 sq. ft., Reitmans offers Canadian women practical and affordable fashions, designed for "real life", in regular, plus and petites sizes. Reitmans brand concept targets women ages 25 to 45 with highly effective merchandising strategies, superior customer service and powerful marketing programs that build strong and loyal customer relationship.

The Smart Set banner, with 164 stores averaging 3,000 sq. ft., is a major fashion destination for junior customers offering 18 to 35 year old women, a complete coordinated line of affordable fashion and accessories at the best quality, price and value. All Smart Set clothing and accessories are designed and manufactured specifically and exclusively for the chain and carry the Smart Set label.

A unique and comfortable store environment, genuine customer care and exceptional marketing support the RW & CO. lifestyle brand. Operating 31 stores which average 4,100 sq. ft., in major malls, RW & CO. caters to junior (18 to 30) ladies and men, offering active, casual and city clothing and accessories at moderate prices.

Thyme Maternity is Canada's largest specialty retailer of maternity clothing operating 66 stores, averaging 2,200 sq. ft. in regional shopping malls and power centres. In addition, there are 17 franchise stores worldwide, in Singapore, Malaysia, Iceland, Dubai and Saudi Arabia. Thyme Maternity sells clothing and accessories that are designed to meet an expectant mother's fashion needs including her career, casual, special occasion, lingerie and nursing apparel needs, all at affordable prices.

With 142 stores from coast to coast, Penningtons is a destination store averaging 6,200 sq. ft. located in a strip mall or plaza, that provides a broad assortment of career, casual, intimate apparel and accessories for the plus-size woman of all ages. The Penningtons brand means fashion, service, quality, value and low prices. We expanded the junior plus-size product range known as "MXM" that caters to the trendy, young, value-conscious plus-size customer in all stores. Our marketing initiatives are to establish Penningtons as the destination for plus-size fashion at competitive prices, with the emphasis on price.

In February 2004, we initiated the merger of the Addition Elle and Addition Elle Fashion Outlet stores under one banner "Addition Elle". With 67 mall stores averaging 4,600 sq. ft. and 48 non-mall stores averaging 7,600 sq. ft., we focus on one customer in two environments. The Addition Elle product assortment has been broadened to include lower price points that reflect the ongoing value focus or "shift to thrift" sought by consumers in both mall and power centre locations. Our marketing initiatives are to establish Addition Elle as the destination for plus-size fashion at competitive prices, with the emphasis on fashion.

All of the Corporation's stores feature wall and selling-floor displays which coordinate merchandise in order to promote multiple sales. The number of apparel items being displayed in each store varies depending on the selling season and size of the store. The stores, which the Corporation believes must constantly present a fresh, contemporary shopping environment, are redecorated periodically or fully remodeled as necessary to augment sales. New store designs in Reitmans and Smart Set have proven successful in generating increased sales and will be implemented in new store locations and renovated stores, where appropriate.

The Corporation's stores accept a variety of tenders, including debit cards, a number of national credit cards, cash, gift certificates and credit notes, providing customers with convenient payment options.

(d) Merchandising and Marketing

The merchandise sold by the Corporation is produced by a large number of manufacturers in Canada, the Far East and Europe. While some branded merchandise is sold by the Corporation, most of the merchandise consists of items produced for one of the Corporation's private labels. The Corporation's private label program is aimed at satisfying the demand for better quality merchandise, comparable to certain national brands, at lower prices. The Corporation uses its buying power in the marketplace and directly with manufacturers to have goods specially made to the Corporation's specifications (construction, fabric, fit and style), which are sold at attractive prices while providing higher average mark-up for the Corporation than branded products.

The Corporation views the retail apparel market as having two principal selling seasons, spring/summer and fall/winter. As is generally the case in the women's apparel industry, the Corporation experiences its peak sales activity during the fall/winter season. This seasonal sales pattern results in increased inventory during the holiday selling period.

The Corporation follows a policy of continuous review of its inventory in order to identify slow-selling merchandise. If inventory exceeds customer demand for reasons of style, seasonal adaptation, adverse weather conditions or changes in customer preference, markdowns are taken to clear the merchandise. The Corporation emphasizes rapid turnovers and takes markdowns where required to keep merchandise fresh and current with customers' requirements and fashion trends.

The Corporation emphasizes customer service, including the presence of sales people in the stores, rather than self-service, and acceptance of merchandise returns for cash or credit within a reasonable time. Specific standards regarding customer service and employee conduct have been put in place throughout the Corporation.

(e) Purchasing and Distribution

Purchasing is conducted for each of the six banners of the Corporation by a staff of merchandise managers and buyers dedicated to each different banner. The Corporation believes that this specialization of buyers for each banner allows them to focus on its particular customers and marketplace, thereby maximizing sales and gross margin by department.

Distribution is conducted through the Reitmans Distribution Centre where all merchandise is received and processed for distribution to stores throughout Canada, primarily by common carrier.

The Reitmans Distribution Centre, located in Montreal, has 566,000 square feet of working area, serving all 6 banners. Set on 1,100,000 sq. ft. of land, the facility has over 40 shipping and receiving docks and is capable of processing up to 500,000 garments a day in peak receiving and shipping season and more than 55,000,000 units of merchandise per year. Computerized sortation equipment for both hanging garments and flat items is capable of serving over 1,100 stores.

No supplier to the Corporation accounted for more than eight percent of the Corporation's merchandise purchases (determined at cost) during the past fiscal year. The Corporation's merchandise is obtained from over 350 North American suppliers as well as a number of offshore suppliers. During the fiscal year ended January 29, 2005, approximately 43% of the Corporation's merchandise was purchased from Canadian sources and the balance was directly imported by the Corporation. The Corporation does not have any formal, long-term arrangements with any of its merchandise suppliers. This allows the Corporation flexibility in placing its purchase orders. The Corporation maintains buying offices in Montreal and a sourcing office in the Far East.

The Corporation's arrangements with its foreign suppliers are subject to the risks attendant to doing business abroad, including the availability of quota and other requisite customs clearances, the imposition of export duties, increases in the rate of import duties, political and social instability, late deliveries, currency revaluations and fluctuations in exchange rates. The Corporation seeks to continually minimize its potential exposure to quota-related risks through, among other measures, geographical diversification of its sources of supply and shifts of purchases among countries and suppliers. The Corporation constantly monitors duty, tariff and quota-related developments. The Corporation believes that its operations have not been adversely affected by any of these factors to date. However, the imposition or reimposition, of new quotas, duties, tariffs or other restrictions, or the adverse adjustment of presently prevailing quota, duty or tariff levels, could have adverse effects upon the Corporation's operations and its ability to continue to import products at current or increased levels. The Corporation cannot predict with any degree of certainty the likelihood of any such events occurring.

The vast majority of the Corporation's non-Canadian sourced merchandise is priced and paid for in United States dollars. The Corporation in its normal course of business must make long lead-time commitments for a significant proportion of its merchandise purchases, in some cases as long as eight months. The Corporation uses a variety of strategies designed to fix the cost of its continuing US dollar long-term commitments at the lowest possible cost while at the same time allowing itself the opportunity to take advantage of a positive swing in the value of the Canadian dollar vis-à-vis the US dollar.

The Corporation believes that the number and geographical diversity of its sources of supply minimize the risk of adverse consequences that would result from termination of its relationship with any of its larger suppliers. The Corporation also believes that it would have the ability to develop, over a reasonable period of time, adequate alternate sources of supply should any of its existing arrangements terminate. To date, the Corporation has not experienced any significant difficulty in obtaining merchandise and considers its sources of supply to be adequate.

The Corporation's merchants obtains chain-wide inventory information for each of the Corporation's store banners generated by its merchandise information system utilizing point-of-sale terminals, through which merchandise can be followed from the placement of the order to the actual sale. Based upon this data, the merchandise managers compare budgeted to actual sales and make merchandising decisions, as required, including re-order, markdowns and changes in buying plans.

In fiscal 2000 the Corporation completed the installation of a point of sale ("POS") system, involving the installation of approximately 850 machines in over 600 stores. This completed a seven year program of customization, integration and installation of several software packages relating to the Corporation's management information, merchandise management, distribution, finance, human resources and payroll systems, all of which in fiscal 2003 were extended to the acquired Shirmax operations.

(f) Intangible Rights

The Corporation is the registered owner of approximately 280 trademarks in Canada. The Corporation considers that some of its registered trademarks have significant value in the marketing of its merchandise.

(g) Competition

The retail sale of women's apparel is a highly competitive business with numerous competitors, including individual and chain fashion specialty stores, department stores and e-commerce sellers. The Corporation cannot reasonably estimate the number of its competitors. However, the Corporation believes, based on such trade information as is available, that the Corporation is one of the largest Canadian retailers of women's apparel.

(h) Employees

As at January 29, 2005, the Corporation employed approximately 3,450 persons on a full time basis and approximately 6,900 persons on a part-time basis (fewer than 29 hours per week).

The Corporation is not a party to any collective bargaining contract with respect to its employees and the Corporation considers its employee relations to be highly satisfactory.

(i) Principal Properties of the Corporation

Other than the distribution centre described above, the Corporation leases all of its retail locations, as well as its office premises located at 250 Sauvé West, Montreal, Québec H3L 1Z2.

RISK FACTORS

The risks included here are not exhaustive. The Corporation operates in a very competitive and rapidly changing environment. New risk factors may emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Corporation's business.

(a) Competitive and Economic Environment

Fashion retailing is a highly competitive global business that is subject to rapidly changing consumer demands. In addition, there are several external factors which affect the economic climate and consumer confidence over which the Corporation has no influence.

This environment intensifies the importance of in-store differentiation, quality of service and continually exceeding customer expectations, thereby delivering a total customer experience.

(b) Leases

All of the Corporation's stores are held under leases, most of which can be renewed for additional terms at the Corporation's option. The Corporation has good relationships with its landlords. Any factor which would have the effect of impeding, in a material way, the Corporation's ability to lease prime locations or re-lease and/or renovate existing profitable locations, or retard the Corporation's ability to close undesirable locations could adversely impact the Corporation's operations.

(c) Foreign Exchange

The Corporation's foreign exchange risk is limited to currency fluctuations between the Canadian and US dollar.

As indicated previously, when merchandise is sourced offshore and must be paid for in US dollars, the Corporation uses a variety of defensive strategies to ensure the continuing cost of US dollars is protected against any material adverse fluctuations in the value of the Canadian dollar between the time the relevant merchandise is ordered and when it must be paid for.

(d) Consumer Shopping Patterns

Changes in customer shopping patterns could affect sales. Many of the Corporation's stores are located in enclosed shopping malls. The ability to sustain or increase the level of sales depends in part on the continued popularity of malls as shopping destinations and the ability of malls, tenants and other attractions to generate a high volume of customer traffic. Many factors that are beyond the control of the Corporation may decrease mall traffic, including, economic downturns, closing of anchor department stores, weather, concerns of terrorist attacks, construction and accessibility, alternative shopping formats such as e-commerce, discount stores and lifestyle centres, among other factors. Any changes in consumer shopping patterns could adversely affect the Corporation's financial condition and operating results.

(e) Weather

Extreme changes in weather can affect the planned receipt and/or distribution of merchandise and the timing of consumer spending and may have an adverse effect upon the Corporation's results of operations. In particular, unseasonably warm weather, especially during the Corporation's peak selling seasons, may have an adverse effect on the Corporation's sales.

(f) Seasonality

The Corporation's business is somewhat seasonal, as are most retail businesses. Historically, approximately 55% or more of the Corporation's total annual sales have been generated during its fall/winter season, which includes the holiday season. The Corporation's results of operations depend significantly upon the sales generated during this period. Any material decrease in sales for such period could have a material adverse effect upon the Corporation's profitability. The Corporation's quarterly results of operations may also fluctuate as a result of a variety of other factors, including the timing of new store openings and net sales contributed by new stores, the impact of new stores on existing stores within the same trade area, the merchandise mix and the timing and level of markdowns, the timing and level of markdowns and promotions by competitors and consumer shopping patterns and preferences.]

DIVIDEND POLICY

The Corporation has paid a quarterly cash dividend on its Common shares for 54 years and on its Class A non-voting shares for 44 years. At the Board of Directors' meeting held on March 30, 2005, the Board declared stock dividends, in the case of Class A non-voting shares, of one Class A non-voting share for every one Class A non-voting share held and in the case of holders of Common shares, of one Common share for every one Common share held. The payment of the dividend by way of the issuance of these shares took place on April 18, 2005 to shareholders of record on April 7, 2005.

In addition, a quarterly cash dividend of \$0.09 per share was declared on all Class A non-voting and Common shares outstanding, payable April 29, 2005 to shareholders of record on April 20, 2005 (after giving effect to the stock dividends payable on April 18, 2005 as described above).

DESCRIPTION OF CAPITAL STRUCTURE

Holders of Common shares are entitled to receive notice, attend and vote at meetings of shareholders of the Corporation. Shareholders are entitled to one (1) vote for each Common share held in respect of all matters which may properly come before meetings of shareholders. The holders of Class A non-voting shares are not entitled to receive notice of, attend or vote at meetings of shareholders of the Corporation, except as expressly provided by law or in certain circumstances.

The Class A non-voting shares and the Common shares of the Corporation rank equally and *pari passu* with respect to the right to receive dividends and upon any distribution of the assets

of the Corporation. However, in the case of stock dividends, the holders of Common shares shall have the right to receive Common shares and the holders of Class A non-voting shares shall have the right to receive Class A non-voting shares.

MARKET FOR SECURITIES

The Common shares and the Class A non-voting shares of the capital of Reitmans are listed on the Toronto Stock Exchange.

The price ranges and volume of the Class A non-voting shares of the Company traded on the TSX on a monthly basis from February, 2004 to and including January 29, 2005 was as follows:

Class A Non-Voting Shares (RET.NV.A)

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume Traded</u>
February 2004 ⁽¹⁾	14.50	12.20	505,548
March 2004 ⁽¹⁾	14.65	12.73	522,646
April 2004 ⁽¹⁾	14.75	13.27	329,030
May 2004	14.00	12.12	380,625
June 2004	18.25	13.75	1,354,992
July 2004	18.00	16.45	310,033
August 2004	17.73	16.25	222,080
September 2004	19.49	17.00	826,485
October 2004	21.75	18.60	302,854
November 2004	25.95	23.02	954,995
December 2004	29.99	23.52	776,796
January 2005	28.95	25.05	777,486

NOTE:

(1) The price ranges and volume traded have been adjusted to reflect the stock dividend paid on April 29, 2004.

The price ranges and volume of the Common shares of the Company traded on the TSX on a monthly basis from February, 2004 to and including January 29, 2005 was as follows:

Common Shares (RET)

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume Traded</u>
February 2004 ⁽¹⁾	13.99	12.49	16,872
March 2004 ⁽¹⁾	14.25	12.63	9,536
April 2004 ⁽¹⁾	14.50	13.20	16,789
May 2004	14.50	12.75	83,580
June 2004	18.50	12.80	34,759
July 2004	18.50	16.90	13,860
August 2004	17.74	16.19	44,713
September 2004	19.97	16.90	27,379
October 2004	22.90	19.20	54,138
November 2004	25.75	20.15	74,664
December 2004	31.35	25.33	36,400
January 2005	30.11	26.75	53,417

NOTE:

(1) The price ranges and volume traded have been adjusted to reflect the stock dividend paid on April 29, 2004.

DIRECTORS AND OFFICERS

During the last five years, all of the directors and officers listed below have been engaged in their present principal occupations or in other executive capacities with the companies indicated opposite their names or with related or affiliated companies, except as noted below:

<u>Name and municipality of residence</u>	<u>Position held with Reitmans</u>	<u>Director since</u>	<u>Principal occupation during last 5 years if different than position held with Reitmans</u>
Cathryn Adeluca Montreal, Québec, Canada	Vice-President - RW & CO.	N/A	Prior to January, 2001, Ms. Adeluca was Director of Sales-Ontario and Western Canada, Laura Shops Inc. (clothing retailer)
H. Jonathan Birks ^{(1),(3)} Montreal, Québec, Canada	Director	1989	Business consultant
Nadia Cerantola Montreal, Québec, Canada	Vice-President - Reitmans	N/A	-
Douglas M. Deruchie, CA Montreal, Québec, Canada	Vice-President - Finance	N/A	-
Doug Edwards Montreal, Québec, Canada	Vice-President - Penningtons / Addition Elle	N/A	Prior to February, 2001, Mr. Edwards was Assistant Director, retail consulting for DMR Consulting, division of Fujitsu Canada (systems consultants). Prior to November, 2000, Mr. Edwards served as Vice-President, Technology and Logistics, Cotton Ginny (clothing retailer). From February 2001 until February 2003, Mr. Edwards served as an employee of Shirmax

<u>Name and municipality of residence</u>	<u>Position held with Reitmans</u>	<u>Director since</u>	<u>Principal occupation during last 5 years if different than position held with Reitmans</u>
Henry Fiederer Montreal, Québec, Canada	President - Reitmans	N/A	-
Sally Firth Toronto, Ontario, Canada	Vice-President - Penningtons	N/A	Prior to March, 2003, Ms. Firth served as Vice-President, Merchandising for Bluenotes, Thriftys, subsidiary of American Eagle Outfitters (clothing retailer)
Donna Flynn Montreal, Québec, Canada	Vice-President - Reitmans	N/A	-
Geneviève Fortier Blainville, Québec, Canada	Vice-President - Human Resources	N/A	Prior to June 2003, Ms. Fortier served as Director, Human Resources Business Partnership for Merck Frosst Canada (pharmaceutical). Prior to April 2001, Ms. Fortier served as Corporate Director, Human Resources for Biochem Pharma Inc. (pharmaceutical)
Stephen J. Kauser ^{(1),(2)} Ocean Ridge, Florida, United States	Director	1995	Business consultant
Max Konigsberg ⁽³⁾ Montreal, Québec, Canada	Director	2002	Business consultant. Prior to June 7, 2002, Mr. Konigsberg served as President and Chief Executive Officer of Shirmax
Nicole Lapointe Montreal, Québec, Canada	Vice-President – Smart Set	N/A	Prior to February, 2002, Ms. Lapointe was Vice-President, Operations of Cotton Ginny Limited (clothing retailer)
R. James McCoubrey ⁽³⁾ Toronto, Ontario, Canada	Director	1997	Business consultant. Prior to January, 2001, Mr. McCoubrey was Executive Vice-President and Chief Operating Officer, Canadian Broadcasting Corporation (The National Public Broadcaster)
Lesya McQueen Montreal, Québec, Canada	President - Thyme Maternity	N/A	Prior to August, 2002, Ms. McQueen was Vice-President, Canadian Operations, for The Children's Place (children's clothing retailer). Prior to March, 1999, Ms. McQueen was Vice-President, Operations, IT and E-commerce, North America for HMV Canada Inc., division of HMV Media Group (electronic media retailer)
Samuel Minzberg ^{(2),(3)} Montreal, Québec, Canada	Director	2000	Partner, Davies Ward Phillips & Vineberg LLP (attorneys). Prior to January 1, 2003, Mr. Minzberg was President and Chief Executive Officer, Claridge Inc. (a management Corporation)
Kerry Mitchell Montreal, Québec, Canada	President – Penningtons / Addition Elle	N/A	Prior to September, 2001, Ms. Mitchell was Senior Vice-President, Merchandise and Marketing of Cotton Ginny Limited (clothing retailer)
William Penney Caledon East, Ontario, Canada	Vice-President - Thyme Maternity	N/A	Prior to February 2003, Mr. Penney served as Vice-President of Smart Set/Dalmys
Jonathan Plens Montreal, Québec, Canada	Vice-President - Penningtons / Addition Elle	N/A	Prior to February 2003, Mr. Plens served as Vice-President of Penningtons
Cyril Reitman Montreal, Québec, Canada	Vice-President and Director	1969	-
Jeremy H. Reitman Montreal, Québec, Canada	President and Director	1975	-
Stephen F. Reitman Montreal, Québec, Canada	Executive Vice-President and Director	1984	-

<u>Name and municipality of residence</u>	<u>Position held with Reitmans</u>	<u>Director since</u>	<u>Principal occupation during last 5 years if different than position held with Reitmans</u>
Allen F. Rubin Montreal, Québec, Canada	Vice-President - Operations	N/A	-
Allan Salomon Montreal, Québec, Canada	Vice-President - Real Estate	N/A	-
Saul Schipper Montreal, Québec, Canada	Vice-President - Secretary	N/A	Prior to May 2003, Mr. Schipper was Legal Counsel for the Canadian market, quick service restaurants, of Allied Domecq (brands company)
Kimberly Schumpert Montreal, Québec, Canada	Vice-President - Reitmans	N/A	-
Rhonda Sandler Montreal, Québec, Canada	Vice-President - Addition Elle	N/A	Prior to February 2003, Ms. Sandler served as Merchandising Manager of RW & CO.
Howard Stotland ^{(1),(2)} Montreal, Québec, Canada	Director	2003	Business consultant. Prior to May 2002, Mr. Stotland was President, STS Systems (retail information systems), an NSB Retail Systems Corporation
Isabelle Taschereau Boucherville, Québec, Canada	President - Smart Set	N/A	-
Robert S. Vineberg ^{(2),(3)} Montreal, Québec, Canada	Director	1987	Partner, Davies Ward Phillips & Vineberg LLP (attorneys)
Suzana Vovko Montreal, Québec, Canada	President - RW & CO.	N/A	-
Richard Wait, CGA Montreal, Québec, Canada	Vice-President - Comptroller	N/A	-
Jay Weiss Montreal, Québec, Canada	Vice-President - Distribution and Logistics	N/A	-
Eric Williams, CA Montreal, Québec, Canada	Vice-President - Treasurer	N/A	-

NOTES:

- (1) Member of the Audit Committee of the Board of Directors of Reitmans. As a result of rules governing the composition of audit committees, Samuel Minzberg and Robert S. Vineberg resigned from the Audit Committee and were replaced by H. Jonathan Birks and Howard Stotland as of June 9, 2004.
- (2) Member of the Compensation Committee of the Board of Directors of Reitmans.
- (3) Member of the Corporate Governance Committee of the Board of Directors of Reitmans.

As a group, the directors and senior officers of Reitmans beneficially own, directly or indirectly, or have control or direction over approximately 61% of the Common shares and 20% of the Class A non-voting shares of the capital of Reitmans.

The term of office of each director expires at the close of the annual meeting of shareholders, unless such director is re-elected at such meeting. There is no executive committee of the Board of Directors of Reitmans. There is an Audit Committee, Compensation Committee and Corporate Governance Committee of the Board of Directors of Reitmans.

AUDIT COMMITTEE AND ACCOUNTANT'S FEES AND SERVICES

The Charter of the Audit Committee is attached hereto as Schedule A.

The mandate of the Audit Committee includes assisting the Board of Directors in its oversight of (i) the integrity of the Corporation's financial statements, (ii) the Corporation's compliance with, and process for monitoring compliance with, legal and regulatory

requirements; (iii) the external auditor's qualifications and independence; and (iv) the performance of the external auditors.

(a) Composition of the Audit Committee

The Audit Committee is currently composed of Stephen J. Kauser (Chair), H. Jonathan Birks and Howard Stotland, each of which is (i) independent and (ii) financially literate. As a result of rules governing the composition of audit committees, Samuel Minzberg and Robert S. Vineberg resigned from the Audit Committee and were replaced by H. Jonathan Birks and Howard Stotland as of June 9, 2004.

(b) Relevant Education and Experience

The following is a description of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities or a member of the Committee.

STEPHEN J. KAUSER graduated from McGill University in 1963 with a Bachelor of Commerce Degree. He has served as an investment analyst with the Sunlife Insurance Company and as Portfolio Manager with Capital Management Limited and Altimira Limited. He was a founding partner of Kauser, Lowenstein and Meade, Investment Managers. From 1973 to 1994, he served as President of Innocan. He currently serves as a business consultant.

H. JONATHAN BIRKS graduated from McGill University in 1967 with a Bachelor of Arts degree. He received a degree in law from the University of Laval, Quebec. From 1979 to 1993 he served as a director and a member of the Executive, Audit & Compensation Committees of Henry Birks & Sons, Montreal. From 1979 to 1997 he served as a director and a member of the Executive, Audit & Retirement Committees of Stone & Webster (Canada) Ltd. From 1987 to 1993, he served as a director and a member of the Executive & Audit Committees of Standard Broadcasting Corporation Ltd. From 1999 to 2003 he served as a director and Chairman of the Executive Committee and a member of the Audit & Compensation Committees of Allura International, Inc. From 1988 to 1992 he served as a director and a member of the Compensation Committee of Provigo Inc. He currently serves as a business consultant.

HOWARD STOTLAND graduated from McGill University in 1966 with a degree in Civil Engineering. He received a masters degree in engineering from the Massachusetts Institute of Technology in 1968. From 1972 to 2002, he was the Chief Executive Officer of STS Systems, a manufacturer of retail technology systems. From 2002 to the present, he has served as a business consultant. He is also a director of Danier Leather Inc., a Toronto Stock Exchange listed company.

Messrs. Kauser, Birks and Stotland all have the ability to read and understand financial statements that present a breadth and complexity of accounting issues comparable to the breadth and complexity of the issues raised by the Corporation's own financial statements, understand the accounting principles the Corporation uses to prepare its financial statements and have the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves.

All members of the Audit Committee have an understanding of internal controls and procedures for financial reporting.

(c) Pre-Approval Policies and Procedures

The Corporation's Audit Committee pre-approves every engagement by KPMG LLP ("KPMG") to render audit or non-audit services. All of the services described below were approved by the Audit Committee.

(d) External Auditor Services Fees

KPMG, the Corporation's external auditors provided services and billed the Corporation, the following fees in each of the last two fiscal periods:

Audit Fees

The following sets forth the aggregate fees billed by KPMG for the audit of the annual financial statements and for services normally provided by the external auditor, such as services in connection with statutory and regulatory filings or prospectus.

Fiscal year ended January 29, 2005	\$125,000
Fiscal year ended January 31, 2004	\$125,000

Audit Related Fees

The following sets forth the aggregate fees billed for assurance and related services by KPMG that are reasonably related to the performance of the audit or review of the financial statements, and are not reported under "Audit Fees", such as consultations related to accounting and reporting matters:

Fiscal year ended January 29, 2005	\$61,550
Fiscal year ended January 31, 2004	\$19,000

Non-Audit and Tax Fees

The following sets forth the aggregate fees billed in each of the last two fiscal periods for professional services rendered by KPMG for assistance with a corporate reorganization, tax compliance, tax advice, tax planning and review of business opportunities:

Fiscal year ended January 29, 2005	\$92,953
Fiscal year ended January 31, 2004	\$610,200

LEGAL PROCEEDINGS

Currently there are no outstanding material legal proceedings to which the Corporation is a party or of which any of its properties is the subject matter, and the Corporation's directors

and officers are not aware of any material threatened or contemplated proceedings against the Corporation.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Corporation leases two retail locations, which are owned by Consol Holdings Canada Limited, an associate of Jeremy H. Reitman, Stephen F. Reitman and Cyril Reitman. The leases for such premises were entered into on commercial terms similar to those for leases entered into with third parties for similar premises.

MATERIAL CONTRACTS

The Corporation has not entered into any contract that would constitute a "material contract" for purposes of this report.

TRANSFER AGENT AND REGISTRAR

Computershare Trust Corporation of Canada is the transfer agent and registrar for the Corporation's Common shares and Class A non-voting shares. The registers of transfers of each class of securities are located at its principal offices in Montreal and Toronto.

INTEREST OF EXPERTS

KPMG has audited the Corporation's consolidated financial statements for the year ended January 29, 2005. The partners of KPMG, as a group, do not own, beneficially or of record, any of the outstanding Common shares or Class A non-voting shares of the Corporation.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on Sedar at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Corporation's information circular for its most recent annual meeting of securityholders that involved the election of directors.

Additional financial information is provided in the Corporation's financial statements and management discussion and analysis for its most recently completed financial year.

SCHEDULE A

REITMANS (CANADA) LIMITED

AUDIT COMMITTEE CHARTER

1. THE COMMITTEE

1.1 Audit Committee of the Board – The audit committee of the Board shall have the purpose, constitution and responsibilities set forth herein.

1.2 Certain Definitions – In this Charter:

- (a) “**Board**” means the board of directors of the Corporation;
- (b) “**Chair**” means the chairperson of the Committee;
- (c) “**Charter**” means this written charter of the Committee;
- (d) “**Committee**” means the audit committee of the Board;
- (e) “**Corporation**” means Reitmans (Canada) Limited;
- (f) “**Director**” means a member of the Board;
- (g) “**MD&A**” means Management’s Discussion & Analysis as contemplated in National Instrument 51-102 *Continuous Disclosure Obligations*, as same may be amended, supplemented or replaced from time to time; and
- (h) “**External Auditor**” means the Corporation's independent auditor.

1.3 Interpretation – The provisions of this Charter are subject to the provisions of the by-laws of the Corporation and to the applicable provisions of applicable legislation and regulation.

2. PURPOSE

2.1 Purpose – The primary purpose of the Committee is to assist Board oversight of:

- (a) the integrity of the Corporation's financial statements;
- (b) the Corporation's compliance with legal and regulatory requirements;
- (c) the External Auditor's qualifications and independence; and
- (d) the performance of the External Auditor.

3. **CONSTITUTION AND FUNCTIONING OF THE COMMITTEE**

3.1 Number of Members – The Committee shall consist of not fewer than three members, each of whom shall be a Director.

3.2 Appointment and Removal of Members of the Committee –

- (a) *Board Appoints Members.* The members of the Committee shall be appointed by the Board, having considered the recommendation of the Corporate Governance Committee of the Board.
- (b) *Annual Appointments.* The appointment of members of the Committee shall take place annually at the first meeting of the Board after the annual meeting of the shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.
- (c) *Vacancies.* The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors.
- (d) *Removal of Member.* Any member of the Committee may be removed from the Committee by a resolution of the Board.

3.3 Independence of Members – Each member of the Committee shall be independent or unrelated, as the case may be, for the purposes of all applicable regulatory and stock exchange requirements.

3.4 Financial Literacy –

- (a) *Financial Literacy Requirement.* Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee.
- (b) *Definition of Financial Literacy.* “Financially literate” means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

4. **COMMITTEE CHAIR**

4.1 Board to Appoint Chair – The Board shall appoint the Chair from the members of the Committee (or, if it fails to do so, the members of the Committee shall appoint the Chair of the Committee from among its members).

4.2 Chair to be Appointed Annually – The designation of the Committee's Chair shall take place annually at the first meeting of the Board after the annual meeting of the shareholders of the Corporation at which Directors are elected, provided that if the designation of Chair is not so

made, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

5. COMMITTEE MEETINGS

5.1 Quorum – A quorum of the Committee shall be a majority of its members.

5.2 Secretary – Subject to the by-laws of the Corporation, the Chair shall designate from time to time a person who may, but need not, be a member of the Committee, to be Secretary of the Committee.

5.3 Time and Place of Meetings – The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; provided, however, the Committee shall meet at least quarterly.

5.4 In Camera Meetings – As part of each meeting of the Committee at which the Committee recommends that the Board approve the annual audited financial statements or at which the Committee approves the quarterly financial statements, the Committee shall meet separately with each of:

- (a) management; and
- (b) the External Auditor.

5.5 Right to Vote – Each member of the Committee shall have the right to vote on matters that come before the Committee.

5.6 Invitees – The Committee may invite Directors, officers and employees of the Corporation or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee.

6. AUTHORITY OF COMMITTEE

6.1 Retaining and Compensating Advisors – The Committee shall have the authority to engage independent counsel and other advisors as the Committee may deem appropriate in its sole discretion and to set and pay the compensation for any such advisors. The Committee shall not be required to obtain the approval of the Board in order to retain or compensate such counsel or advisors.

6.2 Recommendations to the Board – The Committee shall have the authority to make recommendations to the Board, but shall have no decision-making authority other than as specifically contemplated in this Charter.

7. REMUNERATION OF COMMITTEE MEMBERS

7.1 Remuneration of Committee Members – Members of the Committee and the Chair shall receive such remuneration for their service on the Committee as the Board may determine from time to time.

7.2 Directors' Fees – No member of the Committee may earn fees from the Corporation or any of its subsidiaries other than directors' fees (which fees may include cash and/or shares or options or other in-kind consideration ordinarily available to directors, as well as all of the regular benefits that other directors receive). For greater certainty, no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation.

8. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

8.1 Review and Approval of Financial Information –

- (a) *Annual Financial Statements.* The Committee shall review and discuss with management and the External Auditor, the Corporation's audited annual financial statements and related MD&A together with the report of the External Auditor thereon and, if appropriate, recommend to the Board that it approve the audited annual financial statements.
- (b) *Interim Financial Statements.* The Committee shall review and discuss with management and the External Auditor and, if appropriate, approve, the Corporation's interim unaudited financial statements and related MD&A.
- (c) *Material Public Financial Disclosure.* The Committee shall, to the extent practicable, discuss with management and the External Auditor:
 - (i) the types of information to be disclosed and the type of presentation to be made in connection with earnings press releases;
 - (ii) financial information and earnings guidance (if any) provided to analysts and rating agencies; and
 - (iii) press releases containing financial information.
- (d) *Procedures for Review.* The Committee shall satisfy itself that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements (other than financial statements, MD&A and earnings press releases, which are dealt with elsewhere in this Charter) and shall periodically assess the adequacy of those procedures.
- (e) *Accounting Treatment.* The Committee shall review and discuss with management and the External Auditor:
 - (i) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies;

- (ii) analyses prepared by management and/or the External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
- (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on the Corporation's financial statements;
- (iv) the management certifications of the financial statements as required under applicable securities laws in Canada or otherwise; and
- (v) pension plan financial statements, if any.

8.2 External Auditor –

- (a) *Authority with Respect to External Auditor.* The Committee shall be directly responsible for the oversight of the work of the External Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. In the discharge of this responsibility, the Committee shall:
 - (i) have responsibility for recommending to the Board the person or firm to be proposed to the Corporation's shareholders for appointment as External Auditor for the above-described purposes as well as the responsibility for recommending such External Auditor's compensation and determining at any time whether the Board should recommend to the Corporation's shareholders whether the incumbent External Auditor should be removed from office;
 - (ii) review the terms of the External Auditor's engagement, discuss the audit fees with the External Auditor and be responsible for approving such audit fees; and
 - (iii) require the External Auditor to confirm in its engagement letter each year that the External Auditor is accountable to the Board and the Committee as representatives of shareholders.
- (b) *Independence.* The Committee shall satisfy itself as to the independence of the External Auditor. As part of this process the Committee shall:
 - (i) unless and until the Committee adopts pre-approval policies and procedures and subject to subsection 8.2(d)(ii), approve any non-audit services to be provided by the External Auditor and
 - (ii) review and approve the policy setting out the restrictions on the Corporation hiring partners, employees and former partners and employees of the Corporation's current or former External Auditor.

- (c) *Issues Between External Auditor and Management.* The Committee shall:
 - (i) review any problems or concerns experienced by the External Auditor in conducting the audit, including any restrictions on the scope of the External Auditor's activities or an access to requested information;
 - (ii) review any significant disagreements with management and, to the extent possible, resolve any disagreements between management and the External Auditor; and
 - (iii) review with the External Auditor:
 - (A) any accounting adjustments that were proposed by the External Auditor, but were not made by management;
 - (B) any communications between the audit team and audit firm's national office respecting auditing or accounting issues presented by the engagement; and
 - (C) any management or internal control letter issued, or proposed to be issued by the External Auditor to the Corporation.
- (d) *Non-Audit Services.*
 - (i) The Committee shall either:
 - (A) approve any non-audit services provided by the External Auditor or the external auditor of any subsidiary of the Corporation to the Corporation (including its subsidiaries); or
 - (B) adopt specific policies and procedures for the engagement of non-audit services, provided that such pre-approval policies and procedures are detailed as to the particular service, the audit committee is informed of each non-audit service and the procedures do not include delegation of the audit committee's responsibilities to management.
 - (i) The Committee may delegate to one or more members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous section, provided that such member or members must present any non-audit services so approved to the full Committee at its first scheduled meeting following such pre-approval.
 - (ii) The Committee shall instruct management to promptly bring to its attention any services performed by the External Auditor which were not recognized by the Corporation at the time of the engagement as being non-audit services.

- (e) *Evaluation of External Auditor.* The Committee shall evaluate the External Auditor each year, and present its conclusions to the Board. In connection with this evaluation, the Committee shall:
 - (i) review and evaluate the performance of the lead partner of the External Auditor; and
 - (ii) obtain the opinions of management with respect to the performance of the External Auditor.
- (f) *Review of Management's Evaluation and Response.* The Committee shall:
 - (i) review management's evaluation of the External Auditor's audit performance;
 - (ii) review the External Auditor's recommendations, and review management's response to and subsequent follow-up on any identified weaknesses; and
 - (iii) review management's response to significant internal control recommendations of the External Auditor.

8.3 Whistle Blowing – The Committee shall put in place procedures for:

- (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
- (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

8.4 Special Outside Advisors – The Committee shall consider and, if determined to be appropriate, approve requests from Directors or committees of the Board for the engagement of special outside advisors from time to time (in addition to any right that a Director or committee of the Board may have to engage outside advisors under general corporate law).

9. **SUBCOMMITTEES**

9.1 Delegation to Subcommittees – The Committee may form and delegate authority to subcommittees if deemed appropriate by the Committee.

10. **REPORTING TO THE BOARD**

10.1 Regular Reporting – The Committee shall report to the Board following each meeting of the Committee and at such other times as the Chair may determine to be appropriate.

11. **PERFORMANCE EVALUATION**

11.1 Performance Evaluation – The Committee shall follow the process established by the Corporate Governance Committee for all committees of the Board for assessing the performance and effectiveness of the Committee.

12. **CHARTER REVIEW**

12.1 Charter Review – The Committee shall review and assess the adequacy of this Charter on a regular basis and recommend to the Board any changes it deems appropriate.