

Court File No. CV-23-00695619-00CL

**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 NORDSTROM CANADA RETAIL, INC.,
NORDSTROM CANADA HOLDINGS, LLC AND
NORDSTROM CANADA HOLDINGS II, LLC**

**EIGHTH REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

FEBRUARY 21, 2024

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1.0 INTRODUCTION

- 1.1 On March 2, 2023 (the “**Filing Date**”), Nordstrom Canada Retail, Inc. (“**Nordstrom Canada**”), Nordstrom Canada Holdings, LLC and Nordstrom Canada Holdings II, LLC (together the “**Applicants**”) were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an initial order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). The stay of proceedings and other protections and authorizations in the Initial Order were also extended to Nordstrom Canada Leasing LP (“**Canada Leasing LP**” or “**NCL**” and, collectively with the Applicants, the “**Nordstrom Canada Entities**”).
- 1.2 Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed as monitor of the Nordstrom Canada Entities (in such capacity, the “**Monitor**”) in these CCAA proceedings (the “**CCAA Proceedings**”).
- 1.3 The Initial Order, among other things:
- (a) granted a stay of proceedings in favour of the Nordstrom Canada Entities and a “Co-Tenancy Stay” during the Stay Period, which has been subsequently extended by Orders of the Court until and including April 5, 2024;
 - (b) granted a stay of proceedings against Nordstrom, Inc. (“**Nordstrom US**” or the “**Plan Sponsor**”) and its direct and indirect subsidiaries (other than the Nordstrom Canada Entities) relating to obligations or liabilities that are the primary liability of the Nordstrom Canada Entities, which stay of proceedings subsequently expired in accordance with its terms on September 30, 2023;

- (c) approved an employee trust agreement (the “**Employee Trust Agreement**”) among Nordstrom US, as settlor, the Monitor, as administrator (the “**Administrator**”), and Gale Rubenstein in her personal capacity as trustee (the “**Trustee**”), providing for the establishment of a trust funded by Nordstrom US for the benefit of employees of Nordstrom Canada (the “**Employee Trust**”);
- (d) approved the appointment of Ursel Phillips Fellows Hopkinson LLP as representative counsel (“**Employee Representative Counsel**”) to represent the interests of Nordstrom Canada employees other than: (i) non-store level employees eligible for a payment under the KERP (as defined below); (ii) directors and officers of the Nordstrom Canada Entities; and (iii) the Senior Vice President, Regional Manager for Canada (the “**Represented Employees**”); and
- (e) granted an Administration Charge and a Directors’ Charge over the Property (each as defined in the Initial Order).

1.4 On March 10, 2023, the Court granted an Amended and Restated Initial Order (the “**ARIO**”) which modified the Initial Order in certain respects. The ARIO, among other things:

- (a) approved the Applicants’ key employee retention plan (the “**KERP**”) and granted a charge over the Property in the maximum amount of \$2.6 million as security for the payments to be made in accordance with the KERP (the “**KERP Charge**”); and
- (b) increased the amount of the Administration Charge to \$1.5 million and increased the amount of the Directors’ Charge to \$13.25 million.

1.5 On March 20, 2023, the Court granted the Liquidation Sale Approval Order, which among other things:

- (a) approved an amended and restated consulting agreement (the “**Consulting Agreement**”) between Nordstrom Canada and Canada Leasing LP (together, the “**Merchant**”) and a contractual joint venture comprised of Hilco Merchant Retail Solutions ULC, Gordon Brothers Canada, ULC, Tiger Asset Solutions Canada, ULC and B. Riley Retail Canada ULC (collectively, the “**Consultant**”);
- (b) approved the sale guidelines (the “**Sale Guidelines**”) for the orderly liquidation of Merchandise and FF&E (each as defined in the Liquidation Sale Approval Order) at each of the Merchant’s stores which was to be completed by no later than June 30, 2023 (the “**Liquidation Sale**”); and
- (c) authorized the Merchant, with the assistance of the Consultant, to undertake the Liquidation Sale in accordance with the terms of the Liquidation Sale Approval Order, the Consulting Agreement and the Sale Guidelines.

1.6 On May 30, 2023, the Court granted the Claims Procedure Order, which:

- (a) approved a claims process for the identification, quantification and resolution of Claims (as defined in the Claims Procedure Order) against the Nordstrom Canada Entities and their respective current and former directors and officers (the “**Claims Process**”); and
- (b) established the Claims Bar Date and the Restructuring Period Claims Bar Date (each as defined in the Claims Procedure Order).

- 1.7 On July 17, 2023, the Court granted two Approval and Vesting Orders approving assignment transactions in respect of certain of the Nordstrom Rack Leases (the “**Lease Assignment Transactions**”): (a) an Approval and Vesting Order approving the transaction contemplated by an Assignment and Assumption of Lease between Canada Leasing LP and G2MC Inc. in respect of the Heartland Lease, which transaction closed on July 20, 2023; and (b) an Approval and Vesting Order approving the transactions contemplated by an Assignment and Assumption of Leases between Canada Leasing LP and Winners Merchants International L.P. in respect of the Vaughan Mills Lease and the Deerfoot Meadows Lease (the “**Winners Agreement**”), which transactions subsequently closed on February 1, 2024 (as described below).
- 1.8 On August 3, 2023, the Monitor served on the Service List and filed with the Court the Fifth Report of the Monitor, which constitutes the “**Monitor’s Intercompany Claims Report**” for purposes of paragraph 44 of the Claims Procedure Order. A copy of the Monitor’s Intercompany Claims Report (without appendices) is attached as **Appendix “A”** hereto.
- 1.9 On September 27, 2023, the Court granted an Order, among other things: (a) extending the Stay Period to and including December 22, 2023; (b) authorizing the termination of the Employee Trust upon delivery by the Monitor of the Employee Trust Termination Certificate (as defined therein); and (c) terminating, releasing and discharging the KERP Charge.
- 1.10 On December 20, 2023, the Court granted an Order (the “**Meeting Order**”): (a) accepting the filing of the Consolidated Plan of Compromise and Arrangement in respect of the

Nordstrom Canada Entities dated December 13, 2023 (as may be amended or restated, the “**Plan**”); (b) authorizing the Nordstrom Canada Entities to establish one class of Affected Creditors (as defined below) for the purpose of considering and voting on the Plan (the “**Unsecured Creditors’ Class**”); (c) authorizing the Nordstrom Canada Entities to call, hold and conduct a virtual meeting of the Affected Creditors (the “**Creditors’ Meeting**”) to consider and vote on a resolution to approve the Plan, and approving the procedures to be followed with respect to the calling and conduct of the Creditors’ Meeting; (d) scheduling a hearing on March 19, 2024 for the Nordstrom Canada Entities’ motion seeking sanction of the Plan (the “**Sanction Motion**”), should the Plan be approved by the required majority of Affected Creditors at the Creditors’ Meeting; and (e) extending the Stay Period (and by extension, the Co-Tenancy Stay) until and including April 5, 2024.

1.11 This report (the “**Eighth Report**”) is filed pursuant to section 23(1)(d.1) of the CCAA and provides the Monitor’s analysis and views with respect to the Plan and the business and financial affairs of the Nordstrom Canada Entities. As such, the purpose of this Eighth Report is to provide the Court and Affected Creditors with information concerning the following:

- (a) an update on activities relating to the Employee Trust and the Lease Assignment Transactions in connection with the wind-down of the Nordstrom Canada Entities;
- (b) an overview of the Plan;
- (c) the Monitor’s commentary on certain aspects of the Plan;

- (d) the receipts and disbursements of the Nordstrom Canada Entities for the period December 10, 2023 to February 10, 2024;
- (e) an update on the Claims Process;
- (f) the updated Illustrative Recoveries Analysis (as defined below);
- (g) the implementation of matters set out in the Meeting Order, including with respect to the notice procedures and the conduct of the Creditors' Meeting; and
- (h) the Monitor's recommendation that Affected Creditors of the Nordstrom Canada Entities vote in favour of the Plan.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Eighth Report, the Monitor has been provided with, and has relied upon, unaudited financial information and books and records prepared or provided by Nordstrom US and its affiliates, including the Nordstrom Canada Entities (collectively, the "**Nordstrom Group**"), and has held discussions with management of the Nordstrom Group and the Nordstrom Canada Entities' legal counsel (collectively, the "**Information**"). Except as otherwise described in this Eighth Report, in respect of the Nordstrom Canada Entities' cash flow forecast:

- (a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (the "**CAS**") pursuant to the *Chartered Professional*

Accountants Canada Handbook (the “**CPA Handbook**”) and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under the CAS in respect of the Information; and

- (b) some of the information referred to in this Eighth Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.
- 2.2 Future oriented financial information referred to in this Eighth Report was prepared based on the estimates and assumptions of the Nordstrom Group. Readers are cautioned that, since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
- 2.3 This Eighth Report should be read in conjunction with the affidavit of Misti Heckel, President of Nordstrom Canada, President and Treasurer of Nordstrom Canada Holdings, LLC and Nordstrom Canada Holdings II, LLC, and Vice President – Tax of Nordstrom US, sworn on December 13, 2023 (the “**Seventh Heckel Affidavit**”). The Seventh Heckel Affidavit is available on the Monitor’s Website (as defined below). Unless otherwise stated, capitalized terms used and not defined in this Eighth Report have the meanings given to them in the ARIO or the Seventh Heckel Affidavit, as applicable.
- 2.4 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

- 2.5 The reports of the Monitor and other Court-filed documents and notices in the CCAA Proceedings are available on the Monitor's case website at www.alvarezmarsal.com/NordstromCanada (the "**Monitor's Website**").

3.0 UPDATE ON ASPECTS OF THE WIND-DOWN

Employee Trust

- 3.1 As described in the Seventh Report of the Monitor dated December 14, 2023 (the "**Seventh Report**"), the cumulative funding by Nordstrom US to the Employee Trust was \$15.2 million, and the Employee Trust has reimbursed a total of approximately \$14.6 million to Nordstrom Canada for Eligible Employee Claims (as defined in the Employee Trust Agreement) paid by Nordstrom Canada to employees. Any remaining balance in the Employee Trust following the payment of professional fees and the completion of remaining activities is to be refunded to Nordstrom US in accordance with the Employee Trust Agreement.
- 3.2 Pursuant to the Order of the Court granted September 27, 2023, the Employee Trust shall be wound-up and terminated upon the delivery of the Employee Trust Termination Certificate by the Monitor to Nordstrom US (as settlor), the Trustee, the Administrator, Nordstrom Canada and Employee Representative Counsel (collectively, the "**Employee Trust Parties**").
- 3.3 The Monitor delivered the Employee Trust Termination Certificate to the Employee Trust Parties on December 28, 2023 following receipt of written confirmations from the Employee Trust Parties which confirmed that they each consented to the termination and

wind-up of the Employee Trust. The Employee Trust Termination Certificate was filed with the Court and served on the Service List.

- 3.4 The Trustee and the Administrator have engaged MNP LLP to prepare the tax return and related reporting required as a result of the termination of the Employee Trust. This work is expected to be completed by the end of March 2024. Any remaining balance in the Employee Trust is to be returned to Nordstrom US.

Lease Assignment Transactions

- 3.5 The Lease Assignment Transactions approved by the Court on July 17, 2023 included the assignment of two Nordstrom Rack Leases (Vaughan Mills and Deerfoot Meadows) pursuant to the Winners Agreement. The assignment of the Vaughan Mills and Deerfoot Meadows Leases closed as contemplated on February 1, 2024 and resulted in net proceeds to Canada Leasing LP of approximately \$408,000, after closing adjustments and net of applicable withholding taxes. These funds are currently being held by Canada Leasing LP. The Monitor delivered the executed Monitor's Certificate confirming the completion of the transactions.

4.0 OVERVIEW OF THE PLAN

- 4.1 The Nordstrom Canada Entities, with the support of Nordstrom US as "**Plan Sponsor**" and the Monitor, and following extensive negotiations with certain of the Nordstrom Canada Entities' creditors, developed the Plan to present to the Affected Creditors. A copy of the Plan is attached hereto as **Appendix "B"**.

- 4.2 Capitalized terms used but not defined in this section of the Eighth Report have the meanings ascribed to them in the Plan. Readers are cautioned that the commentary below is an overview only, and, as such, interested parties should review the Plan in its entirety. The commentary below is intended to supplement the extensive description of the Plan provided in the Seventh Heckel Affidavit and in the Seventh Report.
- 4.3 The Seventh Report contained an Illustrative Recoveries Analysis based on information available at the date of that Report. An updated Illustrative Recoveries Analysis detailing a range of illustrative recoveries to Affected Creditors under the Plan is provided in section 8.0 of this Eighth Report.
- 4.4 If approved, sanctioned and implemented, the Plan will: (a) complete the orderly wind-down of the Nordstrom Canada Entities with the ongoing support of Nordstrom US; (b) provide for a compromise and settlement of all Affected Claims and effect timely distributions in respect of Proven Claims; (c) effect a release and discharge of all Affected Claims and claims against the Released Parties; and (d) effect a global resolution of the CCAA Proceedings.

Classification and Treatment of Creditors

- 4.5 The Plan and Meeting Order create a single class of Affected Creditors (being the Unsecured Creditors' Class) that are entitled to vote on the Plan and receive cash distributions under the Plan in respect of their Proven Claims. The procedures for valuing Voting Claims and resolving disputes and entitlements to voting are set forth in the Claims Procedure Order, the Meeting Order and the Plan.

- 4.6 Affected Creditors with Proven Claims that are less than or equal to \$15,000 are deemed to be “**Convenience Class Creditors**” for purposes of the Plan. In addition, any Affected Creditor with Proven Claims in excess of \$15,000 in the aggregate can elect to be treated as a Convenience Class Creditor by delivering a Convenience Class Claim Election by 5:00 p.m. on February 28, 2024 pursuant to the Meeting Order. The Claim of any Affected Creditor that timely delivers a Convenience Class Claim Election will be valued at \$15,000 for purposes of the Plan and the Meeting Order. Pursuant to the Meeting Order, Convenience Class Creditors are deemed to vote in favour of the Plan without any requirement to cast a vote. Each Convenience Class Creditor will receive payment in full of its Convenience Class Claim on the Initial Distribution Date under the Plan.
- 4.7 While the Monitor cannot provide assurances as to the ultimate recovery to be realized by Affected Creditors under the Plan, the Monitor notes by way of illustration that if the Plan ultimately provides a recovery of 73.5% for Affected Creditors (being the approximate mid-point in the Illustrative Recoveries Analysis described later in this Eighth Report), any Affected Creditor with a Claim of less than \$20,408 would obtain a higher recovery on its Proven Claim by electing to be treated as a Convenience Class Creditor.
- 4.8 Certain Claims are unaffected by the Plan (defined in the Plan as “**Unaffected Claims**”) and will not be compromised. The Unaffected Claims consist of any: (a) Excluded Claim; (b) claim in respect of Administrative Reserve Costs; (c) FLS Landlord Guarantee Claim; (d) Priority Claim; and (e) Insured Claim.
- 4.9 Priority Claims will be paid in full by no later than the Initial Distribution Date. Insured Claims will not be compromised, settled, released or discharged by the Plan, provided that

any Person with an Insured Claim is limited to recovery solely from the applicable Insurance Policies and not from the Nordstrom Canada Entities.

- 4.10 Persons holding Equity Claims will not be entitled to vote at the Creditors' Meeting and are not entitled to any distributions or other compensation in respect of such Equity Claims under the Plan.
- 4.11 The Plan Sponsor is not entitled to vote on the Plan. In addition, the FLS CCAA Lease Claims of the FLS Landlords (being the Proven Claims of the Landlords of Nordstrom Canada's former Full-Line Stores) will not be voted at the Creditors' Meeting, as the Plan Sponsor will receive certain amounts distributed in respect of such claims from the FLS Landlords pursuant to the FLS Landlord Settlement Agreements (as described in greater detail in section 7.0 of this Eighth Report).

Consolidated Plan

- 4.12 The Plan is a consolidated plan of arrangement in respect of the four Nordstrom Canada Entities. The Plan provides for the pooling of all cash of the Nordstrom Canada Entities (subject to certain reserves) into a Consolidated Cash Pool, from which distributions to Affected Creditors of all four of the Nordstrom Canada Entities will be made.

Consolidated Cash Pool and Cash Reserves

- 4.13 No less than five Business Days prior to the Plan Implementation Date, Nordstrom Canada shall establish four separate segregated trust accounts with a Cash Management Bank: the Consolidated Cash Pool Account, the NCL ITC Cash Pool Account, the Administrative Reserve Account, and the Disputed Claims Reserve Account. On the Plan Implementation

Date, consistent with the consolidated approach of the Plan, the Nordstrom Canada Entities will use all of their cash to establish the Consolidated Cash Pool and Cash Reserves as follows:

- (a) **Consolidated Cash Pool** – Each Nordstrom Canada Entity shall deliver or cause to be delivered to Nordstrom Canada all of its Cash, if any, including all proceeds from the Liquidation Sale and the Lease Monetization Process, which Cash shall be held by Nordstrom Canada in the Consolidated Cash Pool Account for itself and as nominee for the other Nordstrom Canada Entities (to the extent of their contributions).
- (b) **Administrative Reserve** – Nordstrom Canada, on behalf of itself and each of the other Nordstrom Canada Entities, shall transfer the Cash necessary to establish the Administrative Reserve to the Administrative Reserve Account, for the purpose of paying the “Administrative Reserve Costs”, which are enumerated in the Plan.
- (c) **Disputed Claims Reserve Account** – Nordstrom Canada, on behalf of itself and each of the other Nordstrom Canada Entities, shall transfer the Cash necessary to establish the Disputed Claims Reserve to the Disputed Claims Reserve Account, pending the final resolution of any Disputed Claims in accordance with the Plan.

Input Tax Credits (ITCs)

- 4.14 It is expected that certain input tax credits under the *Excise Tax Act* (“ITCs”) will become payable to the Nordstrom Canada Entities as a result of the transactions and payments

pursuant to the Plan and the FLS Landlord Settlement Agreements. These ITCs relate to three general categories, as follows:

- (a) **“NCL FLS Distribution ITCs”** are ITCs generated in favour of NCL on account of HST/GST deemed to have been paid by NCL on Plan distributions to FLS Landlords. NCL FLS Distribution ITCs will be contributed to and held by Nordstrom Canada in the NCL ITC Cash Pool Account (as nominee for NCL) and distributed to FLS Landlords pursuant to the Plan;
- (b) **“NCL Rack Distribution ITCs”** are ITCs generated in favour of NCL on account of HST/GST deemed to have been paid by NCL on Plan distributions to Supporting Rack Landlords. As the Rack Landlord Settlement Payments to be paid to Supporting Rack Landlords are inclusive of HST/GST, all NCL Rack Distribution ITCs will be delivered by NCL to Nordstrom Canada and contributed into the Consolidated Cash Pool (to be held by Nordstrom Canada as nominee for NCL); and
- (c) **“Plan Sponsor ITCs”** are ITCs generated in favour of NCL as a result of payments made by Nordstrom US to the FLS Landlords pursuant to the FLS Landlord Settlement Agreements. Plan Sponsor ITCs received by NCL are to be held in trust by NCL for the benefit of the Plan Sponsor as and when received or otherwise realized, and shall not be contributed to the Consolidated Cash Pool or the Cash Reserves but shall be paid directly to the Plan Sponsor.

Intercompany Claims

- 4.15 The Claims Procedure Order provides that an Intercompany Claim identified in the Monitor's Intercompany Claims Report shall not be accepted as a Proven Claim unless and until such Intercompany Claim has been approved by the Court. The Plan provides that the Sanction and Vesting Order would order that the Intercompany Claims set out in Schedule "A" to the Plan be deemed to be Proven Claims for the purposes of the Claims Procedure Order and the Plan.
- 4.16 As described in section 3.2 of the Monitor's Intercompany Claims Report (attached as **Appendix "A"** hereto), the Intercompany Claims can be subdivided into two types of claims based on the nature of the claimant:
- (a) Intercompany Claims between a Nordstrom Canada Entity and another entity in the Nordstrom Group that is not a Nordstrom Canada Entity (the "**Affiliate Claims**"); and
 - (b) Intercompany Claims against a Nordstrom Canada Entity by a claimant that is itself a Nordstrom Canada Entity (the "**Intracompany Claims**").
- 4.17 The Monitor's Intercompany Claims Report identified seven (7) Affiliate Claims and four (4) Intracompany Claims, as summarized in the table at section 3.6 of the Monitor's Intercompany Claims Report.

Intracompany Claims

- 4.18 As the Nordstrom Canada Entities are proceeding with a consolidated Plan, the four Intracompany Claims identified in the Monitor's Intercompany Claims Report – being claims as between the Nordstrom Canada Entities – do not alter the economic recoveries of Affected Creditors. The Intracompany Claims are treated as Proven Claims under the Plan in the amounts set forth in Schedule “A” to the Plan, and certain of the Intracompany Claims are settled as between Canada Leasing LP and Nordstrom Canada in accordance with the Plan Transaction Steps set out in section 5.2 of the Plan. However, and of importance to note, the settlement of such Intracompany Claims does not have any economic effect on the recovery for Affected Creditors, as all cash held by or payable by the Nordstrom Canada Entities following completion of these Plan Transaction Steps is contributed by each respective entity to the Consolidated Cash Pool for distribution to Affected Creditors.

Affiliate Claims

- 4.19 Under the Plan, the seven Affiliate Claims identified in the Monitor's Intercompany Claims Report – being claims as between a Nordstrom Canada Entity and an affiliate that is not subject to the CCAA Proceedings – are to be Proven Claims in the amounts set forth in Schedule “A” to the Plan. From a substantive perspective and omitting certain interim steps (more particularly described in the Plan) for the sake of simplicity, the Affiliate Claims are resolved as follows for purposes of the Plan:

- (a) the NINC-NCH Services Claim (in the amount of \$55,031) will be contributed down the corporate ownership chain to the capital of NCH in satisfaction of the Claim. Accordingly, Nordstrom US will not obtain a cash recovery on this Claim;
- (b) the NINC-NCHII Services Claim (in the amount of \$56,829) will be contributed down the corporate ownership chain to the capital of NCH, and NCH shall in turn contribute the NINC-NCHII Services Claim to the capital of NCHII in satisfaction of the Claim. Accordingly, Nordstrom US will not obtain a cash recovery on this Claim;
- (c) Nordstrom US will pay \$69,939,309 to the Consolidated Cash Pool, in satisfaction of the NCRI Transfer Pricing Claim (\$87,400,488), on a net basis after effecting a set off of the Net NINC-NCRI Services Claim (\$17,461,179), which represents the amount of the NINC-NCRI Services Claim (\$17,661,179) reduced by the fair market value of the Canada Customer Data proposed to be transferred to Nordstrom US (\$200,000) pursuant to the Plan;
- (d) the NIL Canada Expansion Loan Claim (\$309,832,891) will be a Proven Claim in an amount which will generate a distribution equal to (and in any case no greater than) the cash on hand at NCH available for distribution to Affected Creditors on the Plan Implementation Date. It is expected that NIL's cash recovery on the NIL Canada Expansion Loan Claim will be approximately \$905,000, and thus the vast majority of the Canadian Expansion Loan Claim (representing more than \$300 million in Claim value) will not be recovered by the Plan Sponsor;

- (e) the NINC-NCL Services Claim (\$495,582) will be a Proven Claim in the amount set forth in the Monitor's Intercompany Claims Report and Nordstrom US will obtain a cash recovery of its Pro Rata Share of this Affected Claim; and
 - (f) as authorized pursuant to the Initial Order, the NINC Employee Trust Subrogated Claim will be a Proven Claim in the amount of \$14,599,347 (being the aggregate gross amount paid to beneficiaries directly or indirectly from the Employee Trust) and Nordstrom US will obtain a cash recovery of its Pro Rata Share of this Affected Claim.
- 4.20 Nordstrom US will not recover on certain other Claims that could be subrogated Claims as against the Nordstrom Canada Entities in the amount of approximately \$1 million.

Distributions under the Plan

- 4.21 No later than the Initial Distribution Date, Nordstrom Canada will distribute Cash from the Administrative Reserve to pay certain Administrative Reserve Costs to the extent they are due and owing on such date, as set out in the Plan.
- 4.22 On the Initial Distribution Date, Nordstrom Canada, on behalf of itself and each of the other Nordstrom Canada Entities, will distribute the Cash in the Consolidated Cash Pool as follows:
- (a) first, each Other Priority Claim Creditor will receive a distribution in the full amount of its Other Priority Claim, in full and final settlement and satisfaction of its Other Priority Claim;

- (b) second, each Convenience Class Creditor will receive a distribution in the full amount of its Convenience Class Claim, in full and final settlement and satisfaction of its Proven Claim (and such Convenience Class Creditors shall not be entitled to any further distributions under the Plan); and
- (c) third, each Affected Creditor (other than a Convenience Class Creditor) with a Proven Claim will receive an initial distribution in an amount equal to its Pro Rata Share of the Cash in the Consolidated Cash Pool Account on the Initial Distribution Date, provided that, the amount of the initial distribution paid to each Supporting Rack Landlord shall be no less than the total amount required to be paid pursuant to its Supporting Rack Landlord Settlement Agreement (as more fully described in section 7.0 of this Eighth Report), with no further distributions to be made to the Supporting Rack Landlords under the Plan.

4.23 From and after the Initial Distribution Date, as frequently as the Nordstrom Canada Entities and the Monitor may determine, Nordstrom Canada, on behalf of itself and each of the other Nordstrom Canada Entities, as applicable, will distribute to each Affected Creditor (other than Convenience Class Creditors and Supporting Rack Landlords) its Pro Rata Share of any Cash in the Consolidated Cash Pool. In circumstances where a Disputed Claim has become a Proven Claim, Nordstrom Canada will distribute to the applicable Affected Creditor an amount of Cash from the Disputed Claims Reserve Account equal to the aggregate amount of all distributions such Affected Creditor would have already received pursuant to the Plan had its Claim been accepted as a Proven Claim prior to the Plan Implementation Date. Any remaining balance in the Disputed Claims Reserve Account

relating to such Affected Creditor's Disputed Claim will be deposited into the Consolidated Cash Pool Account.

4.24 On the Final Distribution Date, once there are no remaining Disputed Claims, Nordstrom Canada, on behalf of itself and each of the other Nordstrom Canada Entities will:

- (a) first, pay any final Administrative Reserve Costs from the Administrative Reserve Account;
- (b) second, contribute any balance remaining in the Administrative Reserve Account and the Disputed Claims Reserve Account to the Consolidated Cash Pool Account;
- (c) third, distribute to each Affected Creditor (other than Convenience Class Creditors and Supporting Rack Landlords) an amount equal to such Affected Creditor's respective Pro Rata Share of any Cash in the Consolidated Cash Pool Account, in full and final settlement, satisfaction and extinguishment of such Affected Creditor's Proven Claim; and
- (d) fourth, provide written notice to the Monitor that it has completed its duties to fully and finally effect all distributions, disbursements and payments in accordance with the Plan.

4.25 To the extent that payments are not cashed and become stale-dated or are returned as undeliverable, an Affected Creditor must notify the Monitor of the Affected Creditor's current address or payment instructions, at which time all such distributions will be made to such Affected Creditor. All claims for undeliverable or uncashed distributions in respect of Proven Claims must be made no later than the date that is four months following the

Initial Distribution Date. If notice is not given before the deadline, the Affected Creditor's Claim will be forever discharged and barred and the cash that otherwise would have been payable to that Affected Creditor will be returned to the Consolidated Cash Pool Account.

Statutory Priority Claims

- 4.26 Section 6 of the CCAA provides that the Court may only sanction a plan of compromise or arrangement if it provides for the payment of certain prescribed priority obligations within the time periods set forth in the CCAA. The Plan provides that: (a) Government Priority Claims that are enumerated in section 6(3) of the CCAA; (b) Post-Filing Tax Claims that would encompass any unremitted source deductions arising after the Filing Date to which section 6(4) of the CCAA would apply; and (c) Employee Priority Claims that are enumerated in section 6(5) of the CCAA, are Administrative Reserve Costs that are to be paid in full from the Administrative Reserve no later than the Initial Distribution Date. Section 6(6) of the CCAA is inapplicable, as the Nordstrom Canada Entities do not participate in any prescribed pension plans.

Plan Releases

- 4.27 The Plan provides for a comprehensive release of the Nordstrom Canada Entities Released Parties, the Third Party Released Parties, and the Plan Sponsor Released Parties in respect of claims, actions and obligations existing, arising or occurring on or prior to the later of the Plan Implementation Date and the date on which actions are taken to implement the Plan, in any way relating to, arising out of or in connection with the Claims, the Business carried on by the Nordstrom Canada Entities, the Plan, the CCAA Proceedings (including any KERP Claim), the Employee Trust, and any Claim that has been barred or extinguished

by the Claims Procedure Order (collectively, the “**Released Claims**”). The Released Claims are subject to specific carve-outs contained in the Plan, including that the FLS Landlord Guarantee Claims are not released under the Plan. The FLS Landlord Guarantee Claims were addressed outside of the Plan through contractual releases granted pursuant to the FLS Landlord Settlement Agreements.

- 4.28 The releases of the Released Parties under the Plan, and the Monitor’s views with respect to such releases, are described commencing at paragraph 5.12 of this Eighth Report.

5.0 MONITOR’S COMMENTARY ON CERTAIN ASPECTS OF THE PLAN

Consolidated Plan

- 5.1 As referenced above, the Plan is a consolidated plan of compromise and arrangement in respect of the four Nordstrom Canada Entities and provides for the pooling of all cash of the Nordstrom Canada Entities (subject to certain reserves) into a Consolidated Cash Pool, from which distributions to Affected Creditors of all four of the Nordstrom Canada Entities will be made.
- 5.2 The Seventh Heckel Affidavit describes the intertwined nature of the business of the Nordstrom Canada Entities. The Monitor is of the view that it is reasonable for the Plan to be consolidated having regard to the corporate and operational structure of the Nordstrom Canada Entities, the nature of the Claims against the Nordstrom Canada Entities, and the circumstances of these CCAA Proceedings.
- 5.3 In reaching that view, the Monitor considered the potential benefits and impacts to various Affected Creditors arising from a consolidated plan, as opposed to a scenario in which each

of the Nordstrom Canada Entities filed its own unconsolidated plan of compromise and arrangement. In that regard, the Monitor notes the following general distribution of Claims as against the Nordstrom Canada Entities:

- (a) the FLS Landlords and Supporting Rack Landlords have Proven Claims against Canada Leasing LP. Substantially all of the Proven Claims against Canada Leasing LP are held by such third-party landlords;
- (b) the vast majority of Affected Creditors – being primarily vendor claimants and employee claimants – have Proven Claims solely against Nordstrom Canada (subject to very limited exceptions);
- (c) as a result of the resolution of the CRA NCH Assessments and subject to the resolution of the CRA Marker Claim (each as described commencing at paragraph 7.22 of this Eighth Report), the only Affected Creditor that would currently have a Proven Claim against NCH is NIL, being the NIL Canada Expansion Loan Claim (as defined in the Monitor’s Intercompany Claims Report); and
- (d) subject to the resolution of the CRA Marker Claim, there are no Proven Claims against NCHII.

5.4 As described in the Monitor’s Intercompany Claims Report, there are significant Intracompany Claims owing by Nordstrom Canada to Canada Leasing LP. If those estates were resolved on an unconsolidated basis, the effect of the realization on such Intracompany Claims would be to transfer a material portion of the cash held by Nordstrom Canada to Canada Leasing LP. The resulting transfer of funds to Canada Leasing LP

would, on an unconsolidated basis, increase recoveries to Affected Creditors with Proven Claims against Canada Leasing LP (the third-party landlords) and decrease recoveries to Affected Creditors with Proven Claims against Nordstrom Canada (primarily vendors and employees).

- 5.5 All of the third-party landlords with Proven Claims have entered settlement agreements with the Nordstrom Canada Entities to resolve their Proven Claims pursuant to the consolidated Plan. Proceeding by way of a consolidated Plan, with the support of the FLS Landlords and the Supporting Rack Landlords, enables the creation of a Consolidated Cash Pool from which all Affected Creditors can receive distributions under the Plan. The effect of this consolidation under the Plan is to make additional funds available to Affected Creditors with Proven Claims against Nordstrom Canada which would not otherwise be available to such Affected Creditors in an unconsolidated scenario.
- 5.6 Having regard to all of the circumstances, including the structure of the settlements with the FLS Landlords and the Supporting Rack Landlords and the resolution of the CRA NCH Assessments, the Monitor believes that a significant majority of Affected Creditors will receive a better financial recovery under the consolidated Plan relative to an unconsolidated scenario, and that there is no material prejudice to Affected Creditors from the Nordstrom Canada Entities' decision to proceed by way of a consolidated Plan. The Monitor also notes that there are efficiency benefits and cost savings realized by proceeding by way of a consolidated Plan.

Convenience Class Claims

- 5.7 The Plan provides for payment in full of Convenience Class Claims, defined in the Plan as:

“Convenience Class Claim” excludes a Disputed Claim and means: (a) one or more Proven Claims of an Affected Creditor that are less than or equal to \$15,000 in the aggregate; and (b) one or more Proven Claims of an Affected Creditor in an amount in excess of \$15,000 in the aggregate that such Affected Creditor has validly elected to value at \$15,000 for purposes of the Plan by filing a Convenience Class Claim Election by the Election/Proxy Deadline.

- 5.8 Pursuant to the Plan and the Meeting Order, Convenience Class Creditors are deemed to vote in favour of the Plan and are not required to cast a vote at the Creditors’ Meeting.
- 5.9 Based on the Claims as filed, and as incorporated in the Illustrative Recoveries Analysis included in section 8.0 of this Eighth Report, the Monitor estimates that: (a) approximately 335 Proven Claims, totalling approximately \$1.8 million, will be below the \$15,000 threshold and will automatically be Convenience Class Claims for purposes of the Plan; and (b) approximately 48 Proven Claims in excess of \$15,000, totalling approximately \$720,000, should be subject to a Convenience Class Election in which the Affected Creditor elects to have their claim valued at \$15,000 in order to maximize their recovery and/or minimize uncertainty with respect to the quantum or timing of the distribution in respect of their Proven Claim.
- 5.10 On February 16, 2024, the Monitor sent an email to Affected Creditors with claims in excess of \$15,000 who would be expected to receive a higher economic recovery under the Plan by filing a Convenience Class Election, in order to remind such Affected Creditors of

their ability to file a Convenience Class Election and the deadline for doing so. As of February 20, 2024, the Monitor had received 18 Convenience Class Elections.

- 5.11 As of February 20, 2024, 334 Resolved Claims (defined herein) totalling approximately \$2.0 million for purposes of the Plan, form the Convenience Class Claims, and such Convenience Class Claims represent approximately 49% in number and 4.0% in value of the Proven Claims entitled to vote on the Plan.

Plan Releases

- 5.12 The Plan provides for a comprehensive release of the “Released Parties” in respect of the Released Claims. The Released Parties under the Plan consist of:

- (a) the “**Nordstrom Canada Entities Released Parties**”, defined as the Nordstrom Canada Entities and their respective Directors, Officers, current and former employees, advisors, legal counsel and agents;
- (b) the “**Third Party Released Parties**”, defined as (i) the Monitor, A&M, and their respective affiliates, and each of their current and former directors, officers, employees, representatives, advisors, legal counsel and agents; (ii) counsel to the Directors and Officers; (iii) the Employee Trust Trustee; and (iv) Employee Representative Counsel; and
- (c) the “**Plan Sponsor Released Parties**”, defined as the Plan Sponsor, the Plan Sponsor Subsidiaries (being all direct and indirect subsidiaries of the Plan Sponsor other than the Nordstrom Canada Entities) and their current and former directors, officers and employees and their respective advisors, legal counsel and agents.

- 5.13 The Monitor notes that the Nordstrom Canada Entities Released Parties, which include the directors, officers, employees, advisors, legal counsel and agents of the Nordstrom Canada Entities, have been actively involved in the CCAA Proceedings and efforts to complete the orderly wind-down of the Nordstrom Canada Entities. The Nordstrom Canada Released Parties have been responsible for overseeing critical business functions and wind-down activities, resolving creditor and stakeholder issues in a timely manner, and developing the Plan to effect a global resolution of all matters in connection with the Nordstrom Canada Entities' exit from the Canadian marketplace. The Monitor believes that these individuals were necessary and essential to the Nordstrom Canada Entities' restructuring activities. The release of claims against the Nordstrom Canada Entities, as well as the Directors and Officers and other persons who could advance claims for contribution or indemnity against the Nordstrom Canada Entities, is connected to the objective of achieving a comprehensive and timely resolution of all claims against the Nordstrom Canada Entities pursuant to the Plan.
- 5.14 The Monitor notes that only two D&O Claims (as defined in the Claims Procedure Order) were filed in the Claims Process. Both of these D&O Claims were disallowed and those disallowances were not contested. Aside from claims asserted against the Nordstrom Canada Entities and the two D&O Claims which were disallowed and are barred by operation of the Claims Procedure Order, the Monitor is not aware of any other claims having been advanced or asserted against the Nordstrom Canada Entities Released Parties during the CCAA Proceedings. The Plan does not release the Directors in respect of claims that cannot be released pursuant to section 5.1(2) of the CCAA.

- 5.15 The Third Party Released Parties consist primarily of persons who had Court-appointed roles in the CCAA Proceedings – namely, the Monitor and its representatives and advisors, the Employee Trust Trustee, and Employee Representative Counsel – as well as counsel to the Directors and Officers of the Nordstrom Canada Entities. The activities of the Monitor during the CCAA Proceedings are set out in its reports to this Court. Employee Representative Counsel has represented the interests of Represented Employees from the outset of the CCAA Proceedings and its constructive involvement has enabled the resolution of employee claims and issues in a productive, efficient and timely manner. The Employee Trust Trustee has had an important role in the administration of the Employee Trust, which provided enhanced and timely recoveries to Nordstrom Canada’s employees from the outset of the CCAA Proceedings. The Monitor observes that the Third Party Released Parties contributed significantly to the outcome of the CCAA Proceedings. The Monitor is not aware of any claims having been advanced or asserted against the Third Party Released Parties during the CCAA Proceedings.
- 5.16 The Plan Sponsor Released Parties consist principally of the Plan Sponsor (Nordstrom US), its direct and indirect subsidiaries other than the Nordstrom Canada Entities, and their respective current and former directors, officers, employees, representatives and advisors. While the Claims Process did not call for claims against the Plan Sponsor Released Parties, the Monitor notes that three Proofs of Claim filed in the Claims Process asserted a claim against Nordstrom US. Two of such Proofs of Claims have been resolved with the underlying claim being admitted solely against a Nordstrom Canada Entity. The remaining Proof of Claim that asserted a claim against Nordstrom US is subject to ongoing settlement discussions.

- 5.17 The Monitor is of the view that the Plan Sponsor has made significant financial and non-financial contributions during the CCAA Proceedings and that such contributions have been essential to the orderly wind-down of the Nordstrom Canada Entities, the timely review and determination of claims in the Claims Process, and the development of the proposed Plan which, if approved and implemented, will result in a material recovery for unsecured creditors.
- 5.18 The Monitor is of the view that the Nordstrom Canada Entities would not have been able to achieve a resolution of the CCAA Proceedings on the timeline and with the level of anticipated recovery for Affected Creditors that has been achieved without the concerted involvement of the Plan Sponsor. The significant efforts of the Plan Sponsor to facilitate the resolution of the claims of key stakeholders, including landlords and employees, has enabled the Nordstrom Canada Entities to bring forward the Plan on an accelerated basis. The timeliness of the CCAA Proceedings – which will result in the Creditors’ Meeting being held within one year of the commencement of the CCAA Proceedings – will result in higher and quicker recoveries to Affected Creditors.
- 5.19 The contributions of the Plan Sponsor in connection with the CCAA Proceedings have included the following:
- (a) establishing and funding the Employee Trust for the benefit of employees of the Nordstrom Canada Entities at the outset of the CCAA Proceedings and providing it with \$15.2 million of aggregate funding. The Employee Trust enabled eligible employees to obtain payment in full of their statutory entitlements on a timely basis, rather than waiting to receive a partial, pro rata distribution under the Plan. While

the Plan provides that the Plan Sponsor will obtain a recovery on the NINC Employee Trust Subrogated Claim (being the \$14.6 million that was paid to employees under the Employee Trust), that recovery is expected to be in the range of 72% to 75% and accordingly the deficiency to the Plan Sponsor on this Claim will be in the range of \$3.6 million to \$4.1 million. This shortfall is, in effect, a monetary contribution by the Plan Sponsor for the direct benefit of employees of Nordstrom Canada, and also enhances the recoveries to other Affected Creditors. The Plan Sponsor also funded the costs of administration of the Employee Trust with no right of subrogation, which also has the effect of increasing recoveries for other Affected Creditors;

- (b) the Plan Sponsor facilitated a resolution of the claims of the FLS Landlords in a consensual and timely manner, without litigation. The agreements reached between the Plan Sponsor, the Nordstrom Canada Entities and the FLS Landlords resolved both: (i) the FLS CCAA Lease Claims against the Nordstrom Canada Entities; and (ii) the FLS Landlord Guarantee Claims against the Plan Sponsor under the Indemnities. The resolution of the FLS CCAA Lease Claims, which were by far the largest third-party claims asserted against the Nordstrom Canada Entities and presented significant valuation challenges given the size, location and nature of the former Nordstrom Full-Line Stores, avoided a protracted dispute in respect of such claims that could otherwise have arisen and would have delayed resolution of the CCAA Proceedings if those claims were litigated. The Monitor believes that the consensual and efficient resolution of the claims of FLS Landlords was a key factor

in enabling the Nordstrom Canada Entities to bring forward the Plan on a timely basis;

- (c) as described further commencing at paragraph 7.22 of this Eighth Report, the Plan Sponsor caused its wholly-owned subsidiary NIL to enter into the CRA Agreement under which the Canada Revenue Agency (the “**CRA**”) agreed to vacate a tax assessment against NCH (an Applicant in the CCAA Proceedings) in the amount of approximately \$36 million and instead assess and accept security in the form of a letter of credit from NIL (which is a subsidiary of Nordstrom US that is not an Applicant in the CCAA Proceedings). The effect of the CRA Agreement is to remove from the CCAA estate a large, contingent claim that would have delayed the development of the Plan and, in turn, the timing of distributions to Affected Creditors;
- (d) under the Plan, the Plan Sponsor has agreed to pay the Net NCRI Transfer Pricing Claim to the Consolidated Cash Pool for the benefit of Affected Creditors. The Net NCRI Transfer Pricing Claim is approximately \$70 million and is expected to represent approximately 47% of the cash that will fund the Plan. While the Monitor is of the view that the Plan Sponsor was obligated to contribute this amount in accordance with the Transfer Pricing Policy set out in the NINC-NCRI Services Agreement, the Monitor notes that the Plan Sponsor agreed to do so during the development of the Plan without opposition; and
- (e) the Plan Sponsor is not recovering on the vast majority (over \$300 million) of the NIL Canada Expansion Loan Claim, which as set out in the Monitor’s

Intercompany Claims Report was a Pre-Filing Claim by NIL against NCH in the amount of \$309,832,891. The NIL Canada Expansion Loan Claim will be proven in the amount of approximately \$1.2 million, and NIL is expected to recover approximately \$905,000 in respect of such proven claim under the Plan. In addition, the Plan Sponsor will also not recover on other claims against the Nordstrom Canada Entities of approximately \$1 million.

5.20 The Monitor is of the view that the Plan Sponsor has meaningfully supported the Nordstrom Canada Entities throughout the CCAA Proceedings and has contributed to the outcome of the CCAA Proceedings and the Plan, and that the Plan Sponsor's contributions have benefited the Nordstrom Canada Entities, Affected Creditors and stakeholders generally.

5.21 For the foregoing reasons, the Monitor supports the approval of the releases of the Released Parties.

Conditions Precedent to Implementation of the Plan

5.22 The implementation of the Plan is subject to the following conditions precedent set out in section 8.3 of the Plan:

- (a) the Minister of National Revenue (Canada) (the "**Minister**") shall have withdrawn and vacated the CRA NCH Assessments to the satisfaction of the Nordstrom Canada Entities and the Monitor;

Status: Condition satisfied as at the date hereof – the Monitor has been provided with written confirmation that the Minister has withdrawn and vacated the CRA NCH Assessments.

- (b) the Plan shall have been approved by the Required Majority of the Affected Creditors at the Creditors' Meeting;

Status: the Creditors' Meeting is to be held on March 1, 2024 at 10:00 a.m. (Toronto time).

- (c) all material consents, declarations, rulings, certificates or approvals of or by any Governmental Authority as may be considered necessary by the Nordstrom Canada Entities and the Monitor in respect of the Plan Transactions shall have been obtained;

Status: the Nordstrom Canada Entities and the Monitor expect that this condition will be satisfied to allow the Plan to be implemented within the timeline contemplated.

- (d) the Sanction and Vesting Order shall have been granted by the Court, in form satisfactory to the Nordstrom Canada Entities, and shall have become a Final Order; and

Status: the Sanction Motion is scheduled with the Court on March 19, 2024 at 9:00 a.m. (Toronto time).

(e) the Plan Implementation Date shall have occurred by no later than June 30, 2024, unless otherwise ordered by the Court.

5.23 Assuming the satisfaction of the conditions in section 8.3 of the Plan, the Nordstrom Canada Entities currently anticipate that the Plan Implementation Date will occur in April 2024.

Reviewable Transactions

5.24 Section 23(1)(d.1) of the CCAA provides that the Monitor's report shall contain the Monitor's opinion as to the reasonableness of a decision, if any, to include in a compromise or arrangement a provision that sections 38 and 95 to 101 of the *Bankruptcy and Insolvency Act* (the "**BIA**") do not apply. The Monitor notes that the Sanction and Vesting Order to be sought by the Nordstrom Canada Entities is expected to include such a provision.

5.25 Section 36.1 of the CCAA provides that sections 38 and 95 to 101 of the BIA apply to proceedings under the CCAA. Pursuant to these sections, a court may, on application by the Monitor (or a creditor, where the conditions in section 38 are satisfied), declare certain types of transactions or payments (collectively, "**Reviewable Transactions**"), including preference transactions, transfers at undervalue and dividend payments, to be void as against the Monitor and in certain circumstances to order restitution from parties that were privy to or who authorized such transactions.

5.26 In the course of preparing the Monitor's Intercompany Claims Report, the Monitor, with the assistance of its legal counsel, reviewed intercompany transactions underlying the Intercompany Claims. This review included a review of intercompany payments made in

the one-year period prior to the Filing Date. The Monitor's conclusions with respect to such payments are set out in section 8.0 of the Monitor's Intercompany Claims Report. Based on the Monitor's review of intercompany transactions and payments as described in the Monitor's Intercompany Claims Report, the Monitor is not aware of any Reviewable Transactions.

- 5.27 During the course of the CCAA Proceedings, the Monitor has not been contacted by any stakeholder asserting the existence of a Reviewable Transaction or requesting a further investigation by the Monitor. In the months prior to the Filing Date, the Monitor (in its capacity as consultant and later proposed monitor) was involved in various activities in connection with preparing for the potential commencement of CCAA proceedings, including discussions and analysis with Nordstrom Group management and assisting in the preparation and review of weekly cash flow forecasts. The Monitor did not encounter or identify any Reviewable Transactions in connection with those activities.
- 5.28 In light of the foregoing and the purpose of the Plan to achieve a comprehensive, final resolution of the CCAA Proceedings, the Monitor believes that it is reasonable that sections 38 and 95 to 101 of the BIA do not apply to the Plan.

Fairness and Reasonableness

- 5.29 Pursuant to section 23(1)(i) of the CCAA, the Monitor is to advise the Court on the reasonableness and fairness of any compromise or arrangement that is proposed between the Nordstrom Canada Entities and their creditors.

5.30 The Monitor is of the view that the Plan is fair and reasonable, and that Affected Creditors as a whole will derive a greater benefit from the implementation of the Plan than the results that could have been achieved in a bankruptcy of the Nordstrom Canada Entities. The Plan is the culmination of efforts by the Nordstrom Canada Entities to complete an orderly wind-down within the CCAA Proceedings under the supervision of the Monitor. The CCAA Proceedings have been the forum in which the Nordstrom Canada Entities have maximized the value of their property through the Liquidation Sale conducted over many months, undertaken a Claims Process that to date has resulted in the resolution of the vast majority of claims against the Nordstrom Canada Entities (including the consensual resolution of all Landlord claims and applicable indemnities and the withdrawal and vacating of the CRA NCH Assessments), obtained financial and operational support from Nordstrom US, and developed a Plan that, if approved and implemented, will provide material recoveries to Affected Creditors (including Convenience Class Creditors who will receive payment of their claims in full). The Monitor believes that this overall result would not have been achievable through a bankruptcy process and that the Plan that is the result of the CCAA Proceedings is fair and reasonable and achieves a superior outcome for creditors of the Nordstrom Canada Entities.

6.0 CASH FLOW RESULTS RELATIVE TO FORECAST

6.1 Receipts and disbursements for the cumulative 9-week period from December 10, 2023 to February 10, 2024 (the “**Reporting Period**”), as compared to the summarized cash flow table that was included in Seventh Report (the “**Cash Flow Forecast**”), are summarized in the table below.

Cash Flow Variance Reporting		Cumulative 9-Week Period Ended Feb 10, 2024		
<i>(CAD \$000s, Unaudited)</i>		Actual	Forecast	Variance
Receipts		784	\$ 483	\$ 301
Disbursements				
Occupancy & Other Costs	484	680		196
Professional Fees	1,982	1,888		(94)
Shared Service Payments - Intercompany	376	435		59
Other Disbursements	(6)	58		64
Total Disbursements	\$ 2,836	\$ 3,061	\$ 225	
Net Cash Flow	\$ (2,052)	\$ (2,578)	\$ 526	
Opening Cash Balance	82,078	82,078		-
Net Cash Flow	(2,052)	(2,578)		526
Closing Cash Balance	\$ 80,026	\$ 79,500	\$ 526	

6.2 During the Reporting Period, the Nordstrom Canada Entities' total receipts were approximately \$301,000 greater than projected in the Cash Flow Forecast due to higher than forecast interest income and higher than anticipated proceeds from the closing of Lease Assignment Transactions under the Winners Agreement.

6.3 During the Reporting Period, the Nordstrom Canada Entities' total disbursements were approximately \$225,000 less than projected in the Cash Flow Forecast. The net positive variance is primarily a permanent difference attributable to lower than forecast post-filing merchandise payments (which payments relate to post-filing obligations identified during the reconciliation of Proofs of Claim with individual Claimants).

6.4 The closing cash balance as of February 12, 2024 was approximately \$80.0 million, as compared to the forecast cash balance of approximately \$79.5 million.

7.0 UPDATE ON THE CLAIMS PROCESS

7.1 Capitalized terms used but not defined in this section of the Eighth Report have the meanings ascribed to them in the Claims Procedure Order.

- 7.2 On May 30, 2023, the Court granted the Claims Procedure Order approving the Claims Process for the identification, quantification and resolution of Claims as against the Nordstrom Canada Entities and their respective current and former directors and officers.
- 7.3 Pursuant to the Claims Procedure Order, the deadline for the filing of:
- (a) Pre-Filing Claims, Pre-Filing D&O Claims and Notices of Dispute of Negative Notice Claims was August 4, 2023 (the “**Claims Bar Date**”); and
 - (b) Restructuring Period Claims and Restructuring Period D&O Claims is the later of:
 - (i) 30 days after the date on which the Monitor sends a Negative Notice Claims Package or General Claims Package, as applicable, with respect to a Restructuring Period Claim or Restructuring Period D&O Claim; and
 - (ii) the Claims Bar Date (the “**Restructuring Period Claims Bar Date**”).

Status of the Administration of Claims

- 7.4 The status of the Claims Process set out in this Eighth Report is reported as of February 20, 2024.
- 7.5 As of that date, 742 Claims had been filed with the Monitor, totalling approximately \$694 million. This includes 90 Claims totalling approximately \$3.8 million that were filed after the Claims Bar Date or Restructuring Period Claims Bar Date, as applicable (the “**Late Filed Claims**”).
- 7.6 The Late Filed Claims include 69 Claims filed after the Claims Bar Date and before December 11, 2023. As described in the Seventh Heckel Affidavit, the Nordstrom Canada Entities and the Monitor exercised their discretion pursuant to the Claims Procedure Order

to admit Late Filed Claims received as of December 11, 2023 into the Claims Process, subject to validation and reconciliation.

7.7 Since December 11, 2023, an additional 21 Late Filed Claims have been filed. The review of such Late Filed Claims is ongoing, including with respect to their validity, quantum, circumstances and admissibility.

7.8 As summarized in the tables below:

- (a) 699 Claims have been: (i) reviewed, reconciled and allowed; or (ii) deemed allowed or disallowed as the time for a Claimant to object to a Notice of Revision or Disallowance (“**NORD**”) issued by the Monitor has expired, or the Claimant has expressly agreed with the NORD as issued (collectively, the “**Resolved Claims**”); and
- (b) 43 Claims are “**Unresolved Claims**”, comprised of:
 - (i) 38 Claims (including 19 Late Filed Claims) that are under review by the Nordstrom Canada Entities and the Monitor, some of which are subject to ongoing settlement discussions with Claimants;
 - (ii) four Claims where the Claimant’s 30-day objection period in respect of an issued NORD has not yet expired; and
 - (iii) one Claim subject to a Notice of Dispute.

7.9 A summary of Resolved Claims and Unresolved Claims as of February 20, 2024 is as follows:

RESOLVED CLAIMS

Filed Amount			Admitted			Deemed Disallowed	
Category	#	\$	#	Filed \$	Admitted \$	#	Filed \$
Landlord (1)	12	647,599,929	10	629,774,335	132,977,921	2	17,825,593
Vendor	565	42,775,166	548	42,494,289	39,924,196	17	280,877
Government	1	116,677	-	-	-	1	116,677
Litigation	-	-	-	-	-	-	-
Employee	96	1,297,725	95	1,296,882	1,296,882	1	843
Other	25	11,194	24	9,194	8,890	1	2,000
Total	699	691,800,690	677	673,574,700	174,207,889	22	18,225,990

(1) The Claims of Supporting Rack Landlords are estimated at approximately 17 months of rent in accordance with the Supporting Rack Landlord Settlement Agreements.

UNRESOLVED CLAIMS

Filed Amount			Under Review		NORD Stage			NOD Stage	
Category	#	\$	#	Filed	#	Filed	Admitted	#	Filed
				\$		\$	\$		\$
Landlord	-	-	-	-	-	-	-	-	-
Vendor	22	1,371,464	18	1,132,660	4	238,803	181,354	-	-
Government	1	-	1	-	-	-	-	-	-
Litigation	3	631,408	2	620,320	-	-	-	1	11,089
Employee	14	463,432	14	463,432	-	-	-	-	-
Other	3	390	3	390	-	-	-	-	-
Total	43	2,466,694	38	2,216,802	4	238,803	181,354	1	11,089

Unresolved Claims

7.10 The Unresolved Claims relate primarily to:

- (a) Vendor Claims: of the 22 Unresolved Claims of vendors, four Claims are subject to a NORD where the Claimant's 30-day objection period has not yet expired, two Claims remain subject to reconciliation and review by the Nordstrom Canada Entities and the Monitor, and 16 are Late Filed Claims;
- (b) Government Claims: the one remaining Unresolved Claim filed by a government agency is a "marker" Claim filed by the CRA for any amounts owing to it (the "CRA Marker Claim"), including any obligations identified through the CRA's ongoing audits. The Nordstrom Canada Entities and the CRA are engaged in

ongoing discussions with respect to the status of the various audits. Given the ongoing nature of the CRA audit process, it was agreed by the Nordstrom Canada Entities with the support of the Monitor and as has become typical in CCAA proceedings that the CRA would file a “marker” claim in the Claims Process. Based on discussions with the CRA to date, the Nordstrom Canada Entities do not expect that the CRA Marker Claim will have a material effect on the projected unsecured creditor recoveries under the Plan;

- (c) Litigation Claims: these three Unresolved Claims relate to litigation proceedings that were commenced by two former employees and a customer against the Nordstrom Canada Entities prior to the Filing Date. The two Unresolved Claims relating to employee litigation are subject to ongoing settlement discussions. The Monitor has issued a NORD to the customer Claimant disallowing the Claim in full and the Claimant has filed a Notice of Dispute; and
- (d) Employee Claims: the Nordstrom Canada Entities and the Monitor are engaged in discussions with Employee Representative Counsel with respect to the Unresolved Claims filed on behalf of Represented Employees. Agreements in principle have been reached regarding all 14 Employee Claims, subject to the execution of mutually agreeable documentation.

Landlord Claims

- 7.11 In the Claims Process, 12 Claims totaling approximately \$647.6 million were filed by Landlords. Three of the 12 Landlord Claims totalling approximately \$50.6 million are duplicative, in the sense that substantially identical claims were filed against more than one

of the Nordstrom Canada Entities. If the duplicative claims are excluded for presentation purposes, an adjusted view is that nine claims totaling \$597.0 million were filed by Landlords.

- 7.12 Claims were asserted by Cadillac Fairview and its affiliates, the Landlord of five of Nordstrom Canada's former Full-Line Stores, and Oxford Properties Group, the Landlord of the former Yorkdale Full-Line Store (together, the "**FLS Landlords**") in respect of the leases for the six Nordstrom Full-Line Stores (the "**FLS Leases**") that were disclaimed during the CCAA Proceedings. The Claims asserted by the FLS Landlords against the Nordstrom Canada Entities (collectively, the "**FLS CCAA Lease Claims**") were by far the largest Claims filed in the Claims Process. Claims were also asserted by three Nordstrom Rack Landlords who had their Leases disclaimed during the CCAA Proceedings.

Settlement Agreements with FLS Landlords

- 7.13 As described in the Seventh Heckel Affidavit, the Nordstrom Canada Entities and Nordstrom US entered into separate settlement and/or termination and release agreements (collectively, the "**FLS Landlord Settlement Agreements**") with each of the FLS Landlords providing for, as applicable, (a) a resolution of the claims against Nordstrom US in respect of the indemnities granted by Nordstrom US to the FLS Landlords relating to the FLS Leases (the "**FLS Landlord Guarantee Claims**"); (b) a framework for the resolution of the FLS CCAA Lease Claims; and (c) a resolution of all other issues between the FLS Landlords, the Nordstrom Canada Entities, and Nordstrom US.
- 7.14 The key terms of the FLS Landlord Settlement Agreements were described in the Seventh Heckel Affidavit and the Seventh Report.

- 7.15 The FLS CCAA Lease Claims of the FLS Landlords were subsequently accepted in the Claims Process, with the consent of the Monitor, at an amount equal to four and a half (4.5) years of rent under the applicable FLS Lease for an aggregate amount of Proven Claims of approximately \$121.6 million. Based on the Illustrative Recoveries Analysis set out in section 8.0 of this Eighth Report: (a) between approximately \$87.4 and \$91.1 million is forecast to be paid under the Plan on account of FLS CCAA Lease Claims; and (b) the aggregate amount paid by Nordstrom US to the FLS Landlords under the FLS Landlord Settlement Agreements, net of the projected Plan distributions on the FLS CCAA Lease Claims to be turned over to Nordstrom US pursuant to the FLS Landlord Settlement Agreements, is forecast to be in the range of \$83.6 million to \$87.4 million.

Settlement Agreements with Landlords of Nordstrom Rack Stores

- 7.16 At the commencement of the CCAA Proceedings, the Nordstrom Canada Entities operated seven Nordstrom Rack stores. During the course of the CCAA Proceedings, three of the Nordstrom Rack leases were disclaimed, one Nordstrom Rack lease was terminated by the Landlord, and three of the Nordstrom Rack Leases were assigned to third-party purchasers pursuant to Court-approved assignment transactions that have now closed. None of the Nordstrom Rack Leases were subject to a continuing indemnity by Nordstrom US as of the Filing Date (certain indemnities previously given had been released in accordance with their terms, and certain reservations of rights have been resolved in connection with the settlements described below).
- 7.17 The Nordstrom Canada Entities entered into separate settlement agreements (each a **“Supporting Rack Landlord Settlement Agreement”**) with the three Nordstrom Rack

Landlords who had their Leases disclaimed as part of the CCAA Proceedings, being the Landlords of the One Bloor Street East, Willowbrook Langley, and South Edmonton Common Nordstrom Rack store locations (each a “**Supporting Rack Landlord**”), regarding a resolution of their claims against the Nordstrom Canada Entities in the CCAA Proceedings (the “**Rack Lease Claims**”).

- 7.18 The key terms of each of the Supporting Rack Landlord Settlement Agreements are described in the Seventh Heckel Affidavit and the Seventh Report.
- 7.19 The Supporting Rack Landlord Settlement Agreements provide that the Rack Lease Claims are accepted in the Claims Process at an amount that will result in each Supporting Rack Landlord receiving under the Plan a Rack Landlord Settlement Payment equivalent to one year of rent under the respective Lease. Based on current modelling, it is projected that this will result in a Proven Claim for each of the Supporting Rack Landlords equal to approximately 17 months of rent under the respective Lease, for aggregate Proven Claims of approximately \$11.4 million.

Summary

- 7.20 In summary, as of the date of this Eighth Report:
- (a) 699 Claims have been resolved and are Proven Claims in the aggregate amount of \$174.2 million (including the FLS CCAA Lease Claims and Rack Lease Claims described above);
 - (b) 43 Claims in the aggregate asserted amount of \$2.5 million are Unresolved Claims, which are at various stages of administration as described above; and

- (c) the Monitor currently estimates that aggregate Proven Claims following the determination of Unresolved Claims will be in the range of approximately \$194.8 million¹ to \$198.6 million, subject to resolution of the CRA Marker Claim.

Director & Officer Claims

- 7.21 Two Pre-Filing D&O Claims were filed totalling approximately \$311,000. Both D&O Claims have been disallowed in full and the time for the Claimant to object to the disallowance has passed. As a result, all potential D&O Claims have been barred and extinguished pursuant to the Claims Procedure Order.

CRA Agreement

- 7.22 As described in the Seventh Heckel Affidavit, the CRA issued assessments against NCH for non-resident withholding taxes for the tax years 2014 to 2021 related to interest paid by NCH to Nordstrom International Limited (“**NIL**”) on the Canada Expansion Loan (the “**CRA NCH Assessments**”). The total amounts assessed under the CRA NCH Assessments are estimated to total approximately \$36 million as of June 27, 2023. NCH disagreed with the CRA NCH Assessments and filed Notices of Objection with respect to the assessments.
- 7.23 In order to resolve the CRA NCH Assessments as against NCH for purposes of advancing the CCAA Proceedings, NIL, NCH and the Minister of National Revenue (the “**Minister**”) entered into an agreement on December 1, 2023 (the “**CRA Agreement**”). The key terms

¹ The \$194.8 million of aggregate Proven Claims is the sum of: (a) \$180.2 million of “Total Estimated Allowable Unsecured Claims” from the Illustrative Recoveries Analysis set forth in section 8.1 of this Eighth Report; (b) estimated Convenience Class Claims of \$2.5 million; (c) estimated Other Priority Claims of \$0.7 million; and (d) estimated aggregate Proven Claims of Supporting Rack Landlords of \$11.4 million.

of the CRA Agreement are described in the Seventh Heckel Affidavit and the Monitor's Seventh Report.

- 7.24 Under the CRA Agreement, the Minister agreed to vacate the CRA NCH Assessments and issue Notices of Assessment to NIL on the same basis as the CRA NCH Assessments and to accept security from NIL with respect to such assessments. The CRA NCH Assessments were vacated by the CRA on January 10, 2024 in accordance with the CRA Agreement.
- 7.25 The effect of the CRA Agreement was to remove a large, contingent tax claim from the CCAA estate and enable the Nordstrom Canada Entities to move forward with the Plan on a timely basis with more certainty to Affected Creditors as to the quantum and timing for Plan distributions.

8.0 UPDATED ILLUSTRATIVE RANGE OF ESTIMATED RECOVERIES

- 8.1 The Monitor has prepared an updated illustrative range of estimated recoveries under the Plan, which is summarized in the table below and is based on information available as of February 20, 2024 (the “**Illustrative Recoveries Analysis**”). The Illustrative Recoveries Analysis has been prepared based on the terms of the Plan and the ongoing assessment of Claims filed. The Monitor cautions that the Illustrative Recoveries Analysis may change (which change or changes could be material) as: (a) filed Claims continue to be reviewed and assessed, including the CRA Marker Claim; (b) the Claims Process continues to advance, including the resolution of Disputed Claims, if any, in accordance with the Claims Procedure Order; and (c) variances in receipts and disbursements relative to the Cash Flow Forecast provided in the Seventh Report result in changes to the total estimated net proceeds available for distribution to Affected Creditors.

Illustrative Range of Estimated Recoveries CAD 000's	Illustrative Scenarios	
	Low	High
Revised Forecast Cash Balance as at April 6, 2024	78,393	78,835
Transfer Pricing Payment (<i>Net of NINC-NCRI Shared Services Claim</i>)	69,939	69,939
Refund of Customs Bond (<i>Timing of Receipt TBD</i>)	1,000	1,300
Post Filing Obligations and Administrative Reserve	(5,000)	(3,000)
Total Estimated Net Proceeds	144,332	147,075
Estimated Other Priority Claims, Convenience Class & Recoveries to Rack Landlords		
Other Priority Claims	717	717
Convenience Class Claims (<= \$15,000)	1,750	1,750
Convenience Class Opt Ins	1,000	750
Recoveries to Supporting Rack Landlords	8,835	8,835
Estimated Net Proceeds Available for Distribution	A 132,031	135,023
Estimated Allowable Unsecured Claims		
FLS Landlord Claim Amounts	121,563	121,563
Other Affected Creditor Claims	45,850	42,350
Intercompany Claims		
NIL Canada Expansion Loan	1,247	1,196
NINC Employee Trust Subrogated Claim	14,599	14,599
NINC-NCL Services Claim	496	496
Total Estimated Allowable Unsecured Claims	B 183,755	180,204
Recovery %	A/B 71.9%	74.9%

8.2 Based on the above Illustrative Recoveries Analysis (and subject to the important qualifications noted in section 8.1 of this Eighth Report), the Monitor estimates that Affected Creditors with Proven Claims will receive distributions under the Plan in the range of approximately 72% to 75% of Proven Claims. This forecast is consistent with the Illustrative Recoveries Analysis contained in the Seventh Report, except that the lower end of the range is now 72% (rather than 71% as shown in the Seventh Report) primarily as a result of higher estimated net proceeds.

9.0 MEETING ORDER – PROCEDURES FOR NOTICE AND CONDUCT OF THE CREDITORS' MEETING

9.1 The Meeting Order sets out the procedures for the notice and conduct of the virtual Creditors' Meeting to enable Affected Creditors to consider and vote on a resolution to approve the Plan. Capitalized terms used but not defined in this section of this Eighth Report have the meanings ascribed to them in the Meeting Order.

- 9.2 The Meeting Order provides for a meeting of a single class of Affected Creditors – the Unsecured Creditors Class – to vote on the Plan. The Creditors’ Meeting will be held at 10:00 a.m. (Toronto time) on March 1, 2024 by electronic or virtual means, subject to adjournment or modification in accordance with the terms of the Meeting Order.

Notice of Creditors’ Meeting

- 9.3 The Meeting Order approved certain notice materials and documents to be provided to Affected Creditors in connection with the Creditors’ Meeting, consisting of: (a) a letter from the Nordstrom Canada Entities to Affected Creditors describing key elements of the Plan; (b) the Notice of Creditors’ Meeting; (c) the form of Proxy; (d) the Convenience Class Claim Election; (e) the form of Resolution to approve the Plan; (f) the Plan; and (g) the Meeting Order (collectively, the “**Meeting Materials**”).

- 9.4 In accordance with the Meeting Order:

- (a) on December 28, 2023, the Monitor posted the Meeting Materials to the Monitor’s Website and the Monitor’s legal counsel served a copy of the Meeting Materials on the Service List;
- (b) during the week of January 8, 2024, the Monitor emailed the Meeting Materials to each Affected Creditor to the address for such Affected Creditor set out in such Affected Creditor’s Proof of Claim or to such other address subsequently provided to the Monitor by the Affected Creditor;
- (c) the Monitor arranged for the Notice of Creditors’ Meeting to be published in The Globe and Mail (National Edition) on January 15, 2024; and

(d) upon request by any Affected Creditor with a Voting Claim, the Monitor has and will continue to provide written or electronic copies of the Meeting Materials to such Affected Creditor.

9.5 In addition to the foregoing, Employee Representative Counsel has taken steps to provide notice of the Plan and the Creditors' Meeting to Represented Employees. The Monitor understands that Employee Representative Counsel has, among other things, posted information with respect to the Plan on the website maintained by Employee Representative Counsel for the benefit of Represented Employees, and contacted Represented Employees who may wish to have their Affected Claims treated as Convenience Class Claims to provide such employees with information and advice.

Conduct of the Creditors' Meeting

9.6 The Meeting Order provides that a representative of the Monitor will act as Chair of the Creditors' Meeting and, subject to any further order of this Court, will decide all matters relating to the conduct of the Creditors' Meeting. The Monitor may appoint one or more scrutineers for the supervision and tabulation of the attendance, quorum and votes cast at the Creditors' Meeting. One or more individuals designated by the Monitor will act as secretary at the Creditors' Meeting.

9.7 The only Persons entitled to attend the Creditors' Meeting are: (a) Affected Creditors entitled to vote at the Creditors' Meeting (or, if applicable, any Person holding a valid Proxy on behalf of one or more Affected Creditors) and any such Affected Creditor's legal counsel and financial advisors; (b) representatives of the Monitor and the Monitor's legal counsel; (c) representatives of the Nordstrom Canada Entities and the Nordstrom Canada

Entities' legal counsel; (d) representatives of the Plan Sponsor and the Plan Sponsor's legal counsel; and (e) Employee Representative Counsel. Any other Person may be admitted to the Creditors' Meeting on invitation of the Nordstrom Canada Entities, in consultation with the Monitor.

Voting at the Creditors' Meeting

- 9.8 At the Creditors' Meeting, the Chair will direct a vote on the Resolution to approve the Plan and any amendments or variations thereto as the Monitor, the Nordstrom Canada Entities and the Plan Sponsor may consider appropriate.
- 9.9 The quorum required at the Creditors' Meeting will be one Affected Creditor with a Voting Claim present at the Creditors' Meeting in person (by electronic or virtual means) or by proxy.
- 9.10 An Affected Creditor will be permitted to attend the Creditors' Meeting or may appoint the Monitor or another person to attend the Creditors' Meeting as its proxyholder in accordance with the process provided in the Meeting Order. The Meeting Order appoints Employee Representative Counsel as proxyholder for Represented Employees. The Meeting Order contains provisions outlining the requirements for voting by proxy and sets out the procedure and deadlines for submitting a Proxy. To vote by Proxy, an Affected Creditor must deliver the completed Proxy to the Monitor so that it is received prior to 5:00 p.m. (Toronto time) on February 28, 2024 (the "**Election/Proxy Deadline**").
- 9.11 Any Affected Creditor intending to attend and vote at the Creditor's Meeting (as opposed to voting by Proxy in advance of the Creditors' Meeting) must notify the Monitor by no

later than the Election/Proxy Deadline in order to obtain a personal meeting identification number (a “**Personal Meeting Identifier**”). If such Affected Creditor validly submits a Proxy to the Monitor duly appointing a proxyholder other than the Monitor’s representatives, the Monitor will provide a Personal Meeting Identifier to such duly appointed proxyholder.

- 9.12 Each Affected Creditor with a Voting Claim will be entitled to vote as part of the Unsecured Creditors’ Class in the amount equal to the dollar value of its Voting Claim. For the purposes of voting or distribution under the Plan, a Claim will be denominated in Canadian dollars. Any Claim in a currency other than Canadian dollars must be converted to Canadian dollars, and any such amount will be regarded as having been converted at the noon spot rate of exchange quoted by the Bank of Canada for exchanging such currency to Canadian dollars as at the Filing Date, which rate for US dollars is US\$1:Cdn\$1.3614.
- 9.13 Each Convenience Class Creditor will be deemed to vote as part of the Unsecured Creditors’ Class in favour of the Plan. Each such vote will have a value equal to such Convenience Class Creditor’s Proven Claim. Any Creditor who validly elects to be a Convenience Class Creditor by submitting a Convenience Class Claim Election prior to the Election/Proxy Deadline will be deemed to have a Proven Claim in the amount of \$15,000 and will be deemed to vote in favour of the Plan.
- 9.14 The CRA will have one vote in respect of its Disputed Claims set out in the CRA Marker Claim, the dollar value of which will be equal to \$1.00 or such other amount as the Nordstrom Canada Entities in consultation with the Monitor may agree, without prejudice

to the determination of the dollar value of such Disputed Claims for distribution purposes in accordance with the Claims Procedure Order and the Plan.

- 9.15 Each Affected Creditor with a Disputed Claim (other than the CRA in respect of its Disputed Claims) will be entitled to one vote at the Creditors' Meeting in an amount equal to the dollar value for such Disputed Claim as set out in the NORD delivered by the Monitor pursuant to the Claims Procedure Order in respect of such Disputed Claim or, if a NORD has not been delivered in respect of such Disputed Claim, the dollar value of such Disputed Claim as set out in such Affected Creditor's Proof of Claim or Notice of Dispute of Negative Notice Claim, as applicable. The Monitor will keep a separate record of votes cast by Affected Creditors holding Disputed Claims and will report to the Court with respect thereto at the Sanction Motion.
- 9.16 Certain Persons are not entitled to vote on the Plan, including Persons holding Unaffected Claims. The Plan Sponsor is not entitled to vote on the Plan, and the FLS CCAA Lease Claims will not be voted on the Plan in light of the agreement of the FLS Landlords in the FLS Landlord Settlement Agreements to turnover certain distributions in respect of such FLS CCAA Lease Claims to the Plan Sponsor.
- 9.17 The Chair will be authorized to adjourn, postpone or otherwise reschedule the Creditors' Meeting on one or more occasions. If the Creditors' Meeting is adjourned, notice of the Creditors' Meeting must be: (a) posted on the Monitor's Website; (b) provided to the Service List; and (c) provided in such other manner, if any, as may be determined by the Nordstrom Canada Entities and the Monitor.

Amendments to the Plan

- 9.18 The Meeting Order provides that the Nordstrom Canada Entities, with the consent of the Monitor and the Plan Sponsor, are authorized to make and to file any modification to the Plan prior to or at the Creditors' Meeting, in which case any such modification will form part of and be incorporated into the Plan considered by Affected Creditors at the Creditors' Meeting.
- 9.19 The Meeting Order also provides that amendments to the Plan can be made after the Creditors' Meeting by the Nordstrom Canada Entities, with the consent of the Monitor and the Plan Sponsor, either pursuant to an Order of the Court or where such an amendment concerns a matter which is of an administrative nature required to better give effect to the implementation of the Plan and the Sanction and Vesting Order or to cure any errors, omissions or ambiguities. In either circumstance, the amendment cannot be materially adverse to the financial or economic interests of the Affected Creditors or the Unaffected Creditors.

Approval and Court Sanction of the Plan

- 9.20 To be approved, the Plan must receive an affirmative vote by the "Required Majority", being a majority in number of Affected Creditors who represent at least two-thirds in value of the Voting Claims of such Affected Creditors who vote or were deemed to vote on the resolution approving the Plan at the Creditors' Meeting. Following the vote at the Creditors' Meeting, the Monitor will tally the votes and determine whether the Plan has been approved by the Required Majority. The results of the Creditors' Meeting will be binding on all Affected Creditors, whether or not any such Affected Creditor is present or

voting at the Creditors' Meeting, or was entitled to be present or vote at the Creditors' Meeting.

9.21 The Monitor will provide a report to the Court as soon as practicable after the Creditors' Meeting with respect to: (a) the results of voting at the Creditors' Meeting; (b) whether the Required Majority has approved the Plan; (c) the voting results in respect of Disputed Claims; and (d) in its discretion, any other matter relating to the Sanction Motion.

9.22 If the Plan is approved by the Required Majority at the Creditors' Meeting, the Nordstrom Canada Entities will bring the Sanction Motion at a Court hearing scheduled for March 19, 2024 at 9:00 a.m. (Toronto time).

10.0 CONCLUSIONS AND RECOMMENDATIONS


10.1 The Plan is the culmination of the efforts by the Nordstrom Canada Entities, with the oversight of the Monitor and the assistance of the Plan Sponsor, to achieve an orderly wind-down of their business operations, effect meaningful distributions to creditors, and to conclude the CCAA Proceedings on a timely basis. The Monitor and its legal counsel have overseen the Nordstrom Canada Entities throughout the CCAA Proceedings and participated in the development and negotiation of the Plan.

10.2 The Monitor believes that a significant majority of Affected Creditors will receive a better financial recovery under the consolidated Plan relative to an unconsolidated scenario, and that there is no material prejudice to Affected Creditors from the Nordstrom Canada Entities' decision to proceed by way of a consolidated Plan.

- 10.3 As set out in section 8.0 of this Eighth Report, the Monitor currently estimates that Affected Creditors with Proven Claims will receive distributions under the Plan in the range of approximately 72% to 75% of such Affected Creditors' Proven Claims.
- 10.4 The Monitor believes that the Plan is fair and reasonable and that Affected Creditors as a whole will derive a greater benefit from the implementation of the Plan than the results that could have been achieved under a bankruptcy.
- 10.5 The Monitor supports the approval of the releases of the Released Parties as set forth in the Plan. The Monitor believes that the Released Parties have made material contributions during the CCAA Proceedings that have facilitated an orderly wind-down of business operations and enabled the Nordstrom Canada Entities to bring forward the Plan on a timely basis and provide material recoveries to Affected Creditors.
- 10.6 Accordingly, the Monitor recommends that Affected Creditors of the Nordstrom Canada Entities vote in favour of the Plan.

All of which is respectfully submitted to the Court this 21st day of February, 2024.

**Alvarez & Marsal Canada Inc., in its capacity as Monitor of
Nordstrom Canada Retail, Inc.,
Nordstrom Canada Holdings, LLC,
Nordstrom Canada Holdings II, LLC, and
Nordstrom Canada Leasing LP,
not in its personal or corporate capacity**

Per: 
Alan Hutchens
Senior Vice-President

APPENDIX A
FIFTH REPORT OF THE MONITOR
(WITHOUT APPENDICES)

See attached.

Court File No. CV-23-00695619-00CL

**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 NORDSTROM CANADA RETAIL, INC.,
NORDSTROM CANADA HOLDINGS, LLC AND
NORDSTROM CANADA HOLDINGS II, LLC**

**FIFTH REPORT OF THE MONITOR
(MONITOR'S INTERCOMPANY CLAIMS REPORT)
ALVAREZ & MARSAL CANADA INC.**

AUGUST 3, 2023

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1.0 INTRODUCTION

A. CCAA Proceedings

- 1.1 On March 2, 2023 (the “**Filing Date**”), Nordstrom Canada Retail, Inc. (“**NCRI**”), Nordstrom Canada Holdings, LLC (“**NCH**”) and Nordstrom Canada Holdings II, LLC (“**NCHII**”, and together with NCRI and NCH, the “**Applicants**”) were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an initial order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). The stay of proceedings and other protections and authorizations in the Initial Order were also extended to Nordstrom Canada Leasing LP (“**NCL**” and, collectively with the Applicants, the “**Nordstrom Canada Entities**”).
- 1.2 Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed as monitor of the Nordstrom Canada Entities (in such capacity, the “**Monitor**”) in these CCAA proceedings (the “**CCAA Proceedings**”). The relief granted by the Initial Order is described in detail in the Second Report of the Monitor dated March 16, 2023.
- 1.3 On March 10, 2023, the Court granted an Amended and Restated Initial Order (the “**ARIO**”) which modified the Initial Order in certain respects.
- 1.4 On March 20, 2023, the Court granted a Liquidation Sale Approval Order, among other things, authorizing NCRI and NCL to undertake a liquidation of certain merchandise and furniture, fixtures and equipment at each of NCRI’s 13 retail stores (collectively, the “**Stores**”) in accordance with the sale guidelines approved pursuant to the Liquidation Sale Approval Order.

- 1.5 On May 30, 2023, the Court granted a Claims Procedure Order, among other things, approving a process for the identification, determination and adjudication of claims of creditors against the Nordstrom Canada Entities and their current and former officers and directors.
- 1.6 On July 17, 2023, the Court granted: (a) an Approval and Vesting Order, approving the Assignment Agreement between NCL and G2MC Inc. in respect of the Heartland Lease; and (b) an Approval and Vesting Order, approving the Assignment Agreement between NCL and Winners Merchants International L.P. (the “**Winners Agreement**”) in respect of the Vaughan Mills Lease and the Deerfoot Meadows Lease.
- 1.7 A&M has prepared a number of reports to the Court in connection with the CCAA Proceedings. Copies of these reports, along with other Court-filed documents and notices in the CCAA Proceedings, are available on the Monitor’s case website at www.alvarezandmarsal.com/NordstromCanada.
- 1.8 Unless otherwise stated, all monetary amounts referenced in this Report are expressed in Canadian dollars.
- 1.9 Capitalized terms used but not defined in this Fifth Report of the Monitor (this “**Report**”) have the meanings given to them in the Claims Procedure Order or the previous reports of the Monitor.

B. Purpose of this Report

- 1.10 Paragraph 44 of the Claims Procedure Order provides that “the Monitor shall prepare a report to be served on the Service List and filed with the Court detailing its review of all

Intercompany Claims identified by the Monitor and assessing in detail with reasonably sufficient particulars and analysis the amount and Characterization of such Claims (the “**Monitor’s Intercompany Claims Report**”).”

- 1.11 The Claims Procedure Order defines an “**Intercompany Claim**” as any Claim that may be asserted against any Nordstrom Canada Entity by or on behalf of: (a) any other Nordstrom Canada Entity; or (b) Nordstrom, Inc. (“**Nordstrom US**”) or any of its affiliated companies, partnerships, or other corporate entities other than the Nordstrom Canada Entities.
- 1.12 The Claims Procedure Order defines “**Claim**” as any: (a) Pre-Filing Claim; (b) Restructuring Period Claim; (c) Pre-Filing D&O Claim; or (d) Restructuring Period D&O Claim.
- 1.13 The Claims Procedure Order defines “**Characterization**” as whether the Claim is a secured or unsecured Claim, priority, property or trust Claim, Pre-Filing Claim, Restructuring Period Claim or D&O Claim.
- 1.14 This Report constitutes the Monitor’s Intercompany Claims Report for purposes of the Claims Procedure Order.
- 1.15 Paragraph 45 of the Claims Procedure Order provides that: (a) each Intercompany Claim identified in the Monitor’s Intercompany Claims Report shall be deemed to have been properly submitted through a Proof of Claim in accordance with the requirements of the Claims Procedure Order; and (b) an Intercompany Claim identified in the Monitor’s Intercompany Claims Report shall not be accepted by the Nordstrom Canada Entities or

the Monitor unless and until such Intercompany Claim has been approved by the Court upon a motion on notice to the Service List.

2.0 TERMS OF REFERENCE AND DISCLAIMER

- 2.1 In preparing this Report and as described in greater detail in this Report, the Monitor has requested, and where available, been provided with, and has relied upon, unaudited financial information and books and records prepared or provided by Nordstrom US and its affiliates, including the Nordstrom Canada Entities (collectively, the “**Nordstrom Group**”), and has held discussions with management of the Nordstrom Group and the Nordstrom Canada Entities’ legal counsel (collectively, the “**Information**”).
- 2.2 The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with *Canadian Auditing Standards* (the “**CAS**”) pursuant to the *Chartered Professional Accountants Canada Handbook* (the “**CPA Handbook**”) and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under the CAS in respect of the Information. Some of the information referred to in this Report may include forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

3.0 OVERVIEW OF THE INTERCOMPANY CLAIMS

- 3.1 A simplified organizational chart of the Nordstrom Group showing the entities referenced in this Report is attached hereto as **Appendix “A”**.
- 3.2 The Intercompany Claims described in this Report can be subdivided into two types of claims based on the nature of the claimant:
- (a) Intercompany Claims between a Nordstrom Canada Entity and another entity in the Nordstrom Group that is not a Nordstrom Canada Entity (collectively, the “**Affiliate Claims**” and each an “**Affiliate Claim**”); and
 - (b) Intercompany Claims against a Nordstrom Canada Entity by a claimant that is itself a Nordstrom Canada Entity (collectively, the “**Intracompany Claims**” and each an “**Intracompany Claim**”).
- 3.3 This Report addresses Intercompany Claims that are: (a) Pre-Filing Claims; (b) Restructuring Period Claims; and (c) claims arising or relating to the period following the commencement of the CCAA Proceedings (a “**Post-Filing Claim**”). D&O Claims, by their nature, cannot be Intercompany Claims.
- 3.4 The Claims Procedure Order defines a Pre-Filing Claim, a Restructuring Period Claim and an Intercompany Claim, in relevant part, as any claim that may be asserted against any of the Nordstrom Canada Entities. Accordingly, a claim by a Nordstrom Canada Entity against a person, including an affiliate, that is not a Nordstrom Canada Entity does not technically fall within the definition of “Claim” or “Intercompany Claim” under the Claims Procedure Order (since the Claims Procedure Order only calls for claims against the

Nordstrom Canada Entities). Despite the foregoing, this Report includes an analysis of the NCRI Transfer Pricing Claim (as defined below) by NCRI against Nordstrom US given the significance of that claim and to ensure that all intercompany claims – including claims by a Nordstrom Canada Entity against a non-debtor affiliate – are included in the Monitor’s analysis. Accordingly, references to “Intercompany Claims” and “Affiliate Claims” in this Report include the NCRI Transfer Pricing Claim by NCRI against Nordstrom US.

3.5 After reviewing and considering various intercompany transactions involving the Nordstrom Canada Entities, the Monitor has identified a total of 11 Intercompany Claims. The Monitor notes that:

- (a) the Intercompany Claims identified by the Monitor include one Restructuring Period Claim (the NCL Sublease Termination Claim) that has two components, one of which (the NCL Master Lease Flow-Through Claim) cannot be quantified as at the date of this Report;
- (b) none of the Intercompany Claims is a secured, property or trust Claim;
- (c) one of the Intercompany Claims (the NCL Post-Filing Sublease Rent Claim) is a Post-Filing Claim; and
- (d) one of the Intercompany Claims (the NCRI Transfer Pricing Claim) is a claim by NCRI against Nordstrom US.

3.6 The Intercompany Claims identified by the Monitor in this Report are summarized in the following table:

No.	Claim	Claim Type	Claim By	Claim Against	Claim Amount
AFFILIATE CLAIMS					
1.	NIL Canada Expansion Loan Claim	Pre-Filing Claim	NIL	NCH	\$309,832,891
2.	NINC-NCRI Services Claim	Pre-Filing Claim	Nordstrom US	NCRI	\$17,661,179
3.	NCRI Transfer Pricing Claim	Claim Receivable	NCRI	Nordstrom US	\$87,400,488
4.	NINC Employee Trust Subrogated Claim	Subrogated Pre-Filing Claim	Nordstrom US	NCRI	\$13,633,426
5.	NINC-NCL Services Claim	Pre-Filing Claim	Nordstrom US	NCL	\$495,582
6.	NINC-NCH Services Claim	Pre-Filing Claim	Nordstrom US	NCH	\$55,031
7.	NINC-NCHII Services Claim	Pre-Filing Claim	Nordstrom US	NCHII	\$56,829
INTRACOMPANY CLAIMS					
8.	NCL Pre-Filing Sublease Rent Claim	Pre-Filing Claim	NCL	NCRI	\$64,879,810
9.	NCL Post-Filing Sublease Rent Claim	Post-Filing Claim	NCL	NCRI	\$26,227,411
10.	NCL Sublease Termination Claim	Restructuring Period Claim	NCL	NCRI	
	A. NCL Master Lease Flow-Through Claim	Restructuring Period Claim	NCL	NCRI	\$TBD
	B. NCL Improvement Rent Claim	Restructuring Period Claim	NCL	NCRI	\$368,027,201
11.	NCRI-NCL Services Claim	Pre-Filing Claim	NCRI	NCL	\$55,046

3.7 In addition to the foregoing Intercompany Claims, the Monitor notes that Nordstrom US may advance an Intercompany Claim consisting of a subrogated claim against one or more of the Nordstrom Canada Entities to the extent that Nordstrom US makes payments to Landlords (as defined below) under the Lease Indemnities (as defined below) relating to the Stores (the “**NINC Lease Indemnities Subrogated Claim**”). The NINC Lease Indemnities Subrogated Claim is contingent in nature and the Monitor understands that no amounts have yet been paid or settled under the Lease Indemnities as of the date of this

Report. Accordingly, while the Monitor has identified this contingent Intercompany Claim for the purposes of Paragraph 45 of the Claims Procedure Order, the Monitor is not in a position at this time to assess the existence, validity or quantum, if any, of the NINC Lease Indemnities Subrogated Claim. The NINC Lease Indemnities Subrogated Claim is described further in section 7.0 of this Report.

4.0 REVIEW OF INTERCOMPANY CLAIMS

4.1 In performing its mandate under the Claims Procedure Order to review the Intercompany Claims, the Monitor, with the assistance of its legal counsel, has considered various intercompany transactions involving the Nordstrom Canada Entities. This includes, but is not limited to, funding transactions for the Nordstrom Canada Entities, the provision of shared services and related transfer pricing payments, leasing arrangements, licensing arrangements, and other normal course and non-recurring intercompany transactions and payments. The Monitor has considered each intercompany transaction identified with a view to identifying whether the intercompany transaction gives rise to an Intercompany Claim.

4.2 In the course of such review, the Monitor, with the assistance of its legal counsel, has among other things:

- (a) considered the historical context and rationale for the transactions identified;
- (b) reviewed and verified, to the best of its ability, supporting documentation and information relating to the transactions identified;

- (c) in certain cases, made inquiries of and met with management of the Nordstrom Group and the Nordstrom Canada Entities' legal counsel to clarify certain aspects of the intercompany transactions identified and to request additional information and supporting documentation; and
- (d) confirmed the mathematical accuracy of certain calculations.

4.3 Given the nature and complexity of certain of the intercompany transactions reviewed by the Monitor in the course of developing this Report, along with cost and time considerations, the Monitor exercised its judgment when determining the extent of work required to review an intercompany transaction to assess whether the intercompany transaction gives rise to an Intercompany Claim, and to determine the validity and quantum thereof. When necessary or appropriate, the Monitor used various approaches, including applying a materiality threshold to the review exercise, as well as "sampling" or "testing" to assess the accuracy of underlying calculations.

5.0 AFFILIATE CLAIMS

A. Summary of Affiliate Claims

5.1 As described below, the Monitor has identified and reviewed the following Affiliate Claims, each of which is an Intercompany Claim between a Nordstrom Canada Entity and another entity in the Nordstrom Group that is not a Nordstrom Canada Entity:

- (a) *Claim No. 1* – a Pre-Filing Claim by Nordstrom International Limited, Inc. ("NIL") against NCH in respect of loans advanced by NIL under the Master Loan

Agreement dated April 18, 2014 (the “**Canada Expansion Loan Agreement**”) (the “**NIL Canada Expansion Loan Claim**”), in the amount of \$309,832,891;

- (b) *Claim No. 2* – a Pre-Filing Claim by Nordstrom US against NCRI for unpaid fees relating to the provision of shared services and the licencing of intellectual property pursuant to the Inter-Affiliate License and Services Agreement dated February 3, 2019 (the “**NINC-NCRI Services Agreement**”) between Nordstrom US and NCRI (the “**NINC-NCRI Services Claim**”), in the amount of \$17,661,179;
- (c) *Claim No. 3* – a claim by NCRI against Nordstrom US for unpaid transfer pricing payments pursuant to the Transfer Pricing Policy (as defined below) under the NINC-NCRI Services Agreement (the “**NCRI Transfer Pricing Claim**”), in the amount of \$87,400,488;
- (d) *Claim No. 4* – a subrogated Pre-Filing Claim by Nordstrom US against NCRI authorized pursuant to the ARIO in respect of the aggregate gross amounts paid to beneficiaries directly or indirectly from the Employee Trust (as defined below) (the “**NINC Employee Trust Subrogated Claim**”), in the amount of \$13,633,426 as at the date of this Report;
- (e) *Claim No. 5* – a Pre-Filing Claim by Nordstrom US against NCL for unpaid fees relating to the provision of shared services pursuant to the Inter-Affiliate Services Agreement dated December 10, 2014 (the “**NINC-NCL Services Agreement**”) between Nordstrom US and NCL (the “**NINC-NCL Services Claim**”), in the amount of \$495,582;

- (f) *Claim No. 6* – a Pre-Filing Claim by Nordstrom US against NCH for unpaid fees relating to the provision of shared services pursuant to the Inter-Affiliate Services Agreement dated October 10, 2016 (the “**NINC-NCH Services Agreement**”) between Nordstrom US and NCH (the “**NINC-NCH Services Claim**”), in the amount of \$55,031; and
- (g) *Claim No. 7* – a Pre-Filing Claim by Nordstrom US against NCHII for unpaid fees relating to the provision of shared services pursuant to the Inter-Affiliate Services Agreement dated October 10, 2016 (the “**NINC-NCHII Services Agreement**”) between Nordstrom US and NCHII (the “**NINC-NCHII Services Claim**”), in the amount of \$56,829.

5.2 Each of the foregoing Affiliates Claims is described below.

B. Claim No. 1: NIL Canada Expansion Loan Claim

- 5.3 Under the Canada Expansion Loan Agreement, NIL agreed to make certain loans available to NCH to finance the construction of certain Stores and to finance working capital needs (collectively, the “**Expansion Loans**”). A copy of the Canada Expansion Loan Agreement is attached to this Report as **Appendix “B”**. As described below, NIL ultimately advanced Expansion Loans to NCH in an aggregate principal amount totalling US\$223,000,000.
- 5.4 NCH did not grant any security to NIL in respect of the Expansion Loans and the Expansion Loans are not guaranteed by any of the other Nordstrom Canada Entities.
- 5.5 The Expansion Loans are evidenced by eight separate Loan Notes (as defined in the Canada Expansion Loan Agreement), each of which is also included in **Appendix “B”** of this

Report. There is a separate Loan Note for each of the Full-Line Stores (as defined below), a Loan Note in respect of the One Bloor Rack Store, and a consolidated Loan Note in respect of four other Rack Stores (as defined below).

- 5.6 The Expansion Loans were structured such that NCH could draw amounts under the Expansion Loans in one or multiple drawdowns by submitting a draw notice to NIL. The Expansion Loans state that they mature and are repayable on the date that the lease associated with the related Store expires, but may be repaid at any time in whole or in part without penalty.
- 5.7 Under each Loan Note, NCH had the option to pay only interest on the applicable Expansion Loan until a set amortization date, after which date the principal balance of the Expansion Loan would begin to amortize in a straight-line fashion until maturity (unless otherwise agreed). None of the Expansion Loans had begun to amortize as of the Filing Date, and the Monitor understands and has seen no evidence that any principal repayments have been made in respect of the Expansion Loans.
- 5.8 The Expansion Loans each bear interest at a rate of 6.1% per annum, payable monthly in arrears and due on or before the 15th day of each month. The Monitor understands that interest on the Expansion Loans was paid by NCH in cash monthly from the inception of the Expansion Loans through October 2022, at which time the Nordstrom Group ceased making any intercompany transfers while it considered its options with respect to the Canadian business. Accordingly, the NIL Canada Expansion Loan Claim includes accrued and unpaid interest on the Expansion Loans from November 1, 2022 to the Filing Date.

5.9 The following table summarizes the outstanding obligations (in United States dollars) with respect to the Expansion Loans as of the Filing Date, all of which relate to the Full-Line Stores:

Store	Maximum Loan Amount (US\$)	Total Principal Amount Advanced (US\$)	Accrued Interest as of the Filing Date (US\$)
Chinook Centre Full-Line Store	\$30,000,000	\$30,000,000	\$616,685
Rideau Centre Full-Line Store	33,000,000	33,000,000	678,353
Pacific Centre Full-Line Store	56,000,000	38,000,000	781,134
Yorkdale Full-Line Store	51,000,000	51,000,000	1,048,364
Sherway Gardens Full-Line Store	34,000,000	18,000,000	370,011
Eaton Centre Full-Line Store	53,000,000	53,000,000	1,089,477
TOTAL (US\$)	\$257,000,000	\$223,000,000	\$4,584,025

5.10 The Monitor notes that although two Loan Notes were created for certain of the Rack Stores, no amounts were advanced in respect of such Loan Notes.

5.11 The Monitor has, among other things, performed the following activities in reviewing the Expansion Loans for the purposes of determining the related Intercompany Claim:

- (a) reviewed the terms of the Canada Expansion Loan Agreement and related documents, including the Loan Notes and draw notices;
- (b) reviewed bank statements and/or supporting wire transfer documentation to confirm receipt by NCH of principal advances made in respect of the Expansion Loans by NIL;

- (c) confirmed that the interest charged on outstanding balances complied with the provisions of the Canada Expansion Loan Agreement and the applicable Loan Notes;
- (d) confirmed the mathematical accuracy of the calculation of interest charged on outstanding balances; and
- (e) on a sample basis, reviewed bank statements to confirm the payment of monthly interest by NCH in respect of the Expansion Loans.

5.12 Based on its work described above, the Monitor is of the view that (a) the aggregate principal amounts referred to in the draw notices (totalling US\$223,000,000) accurately reflects advances made by NIL to NCH; and (b) interest accrued on those advances was calculated and paid by NCH to NIL through October 2022 in compliance with the Canada Expansion Loan Agreement.

5.13 As of the Filing Date, the aggregate obligations outstanding under the Expansion Loans was US\$227,584,025 (consisting of US\$223,000,000 in principal, plus US\$4,584,025 in accrued interest). As at the Filing Date, the U.S. dollar-Canadian dollar exchange rate as shown on the Bank of Canada's daily exchange rate publication was 1.3614 (the "**Filing Date Exchange Rate**"). Accordingly, the aggregate obligations outstanding under the Expansion Loans as of the Filing Date, converted to Canadian dollars using the Filing Date Exchange Rate, were \$309,832,891.

5.14 Based on the foregoing, it is the Monitor's view that the NIL Canada Expansion Loan Claim is a valid Pre-Filing Claim by NIL against NCH in the amount of \$309,832,891.

C. Claim No. 2: NINC-NCRI Services Claim

(i) Background

- 5.15 As described in the Affidavit of Misti Heckel, President of NCRI, President and Treasurer of NCH and NCHII, and Vice President – Tax of Nordstrom US, sworn March 1, 2023 in support of the Applicants’ application for the Initial Order (the “**Initial Heckel Affidavit**”), the Nordstrom Canada Entities’ business was dependent on Nordstrom US for administrative and business support services including legal, finance, accounting, bill processing, payroll, human resources, merchandising, strategy, and information technology project support (collectively, the “**Shared Services**”). The Initial Heckel Affidavit indicated that NCRI could not operate or function without the provision of Shared Services from Nordstrom US.
- 5.16 Prior to the Filing Date, Nordstrom US and NCRI were parties to the NINC-NCRI Services Agreement, under which Nordstrom US provided the Shared Services and licenced certain intellectual property to NCRI, and NCRI agreed to operate the Stores and the Nordstrom.ca website. A copy of the NINC-NCRI Services Agreement is attached to this Report as **Appendix “C”**.
- 5.17 In advance of the commencement of the CCAA Proceedings, Nordstrom US and the Nordstrom Canada Entities entered into a Wind-Down Agreement dated as of March 1, 2023 (the “**Wind-Down Agreement**”) to, among other things: (a) effect the immediate termination of the NINC-NCRI Services Agreement and other services agreements entered into between Nordstrom US and the Nordstrom Canada Entities; and (b) ensure the continued provision of Shared Services and the license of intellectual property by

Nordstrom US solely for the purposes of effecting an orderly wind-down of the Nordstrom Canada Entities as part of the CCAA Proceedings. Paragraph 12(d) of the ARIO authorized the Nordstrom Canada Entities to perform their obligations under the Wind-Down Agreement, including with respect to the provision of and payment for shared services.

5.18 Exhibit “A” to the NINC-NCRI Services Agreement lists the intellectual property that was licensed to NCRI on a non-exclusive, non-transferrable basis under the NINC-NCRI Services Agreement (the “**Intellectual Property**”). Exhibit “B” to the NINC-NCRI Services Agreement lists the services that each party provided to the other (the “**Services**”). As set forth on Exhibit “B”, the Services to be provided by NCRI to Nordstrom US were the operation of the Stores and the Nordstrom.ca website; the Services to be provided by Nordstrom US to NCRI were the Shared Services as described above.

5.19 Pursuant to section 3.1 of the NINC-NCRI Services Agreement, Nordstrom US and NCRI agreed to pay the other the amounts set forth in Exhibit “B” to the NINC-NCRI Services Agreement in exchange for any Services and Intellectual Property provided thereunder (the “**Shared Services Fee**”). Such payments were to be paid within 30 days after the end of each quarterly accounting period such that any and all accrued amounts were paid within 30 days of Nordstrom US’s fiscal year end. The NINC-NCRI Services Agreement provided that if it was subsequently determined that the mutually agreed periodic billings did not reflect an arm’s length price, the parties agreed to make any necessary year-end compensating adjustments to ensure that the fees paid constituted an arm’s length result.

- 5.20 Notwithstanding the foregoing, Exhibit “B” to the NINC-NCRI Services Agreement does not set out the fees to be paid for the provision of Services or the license of Intellectual Property.
- 5.21 The Monitor understands that Nordstrom US and NCRI have historically determined the Shared Services Fee payable by NCRI to Nordstrom US according to the following:
- (a) for those Services that were specific to NCRI, all of the costs for such Services were charged by Nordstrom US to NCRI; and
 - (b) for the remainder of the Services, which were not specific to NCRI, Nordstrom US allocated the costs and expenses for such Services amongst NCRI and those affiliates (i.e., non-Nordstrom Canada Entities) that also received such Services. The allocation applied by Nordstrom US was determined by Nordstrom US’s finance team based on applicable metrics having regard to the nature of the Service and are as follows:
 - (i) *Marketing*: Marketing costs were allocated in two tranches: (A) gift card and loyalty program expenses were allocated based on the budgeted location of redemptions; and (B) marketing overhead was allocated based on a percentage of actual total monthly sales. NCRI was allocated approximately \$4.5 million of marketing costs for the fiscal year ended January 28, 2023.
 - (ii) *Technology*: Technology costs were allocated based on the activity that the shared services supported, including: (A) supporting overhead allocations

were based on budgeted overhead for each business unit; and (B) activities that supported volume were allocated based on budgeted sales. NCRI was allocated approximately \$11.6 million of technology costs for the fiscal year ended January 28, 2023.

- (iii) *NMG/NPG:* Nordstrom Merchandise Group and Nordstrom Product Group costs were allocated based on the merchandise sales mix by sales channel. NCRI was allocated approximately \$11.2 million of NMG/NPG costs for the fiscal year ended January 28, 2023.
- (iv) *Corporate and Other Overhead:* Corporate and other overhead costs were allocated based on: (A) percentage of sales; (B) percentage of Full-Time-Equivalent headcount; and (C) activity utilization factors based on budget. NCRI was allocated approximately \$4.4 million of corporate and other overhead costs for the fiscal year ended January 28, 2023.
- (v) *Payroll Support:* Payroll support costs were allocated based on a percentage of Full-Time-Equivalent headcount. NCRI was allocated approximately \$1.9 million of payroll support costs for the fiscal year ended January 28, 2023.

(ii) *Quantum of the NINC-NCRI Services Claim*

5.22 The Monitor has, among other things, performed the following activities in reviewing the provision of the Services and the licensing of Intellectual Property for the purposes of determining the related Intercompany Claim:

- (a) reviewed the terms of the NINC-NCRI Services Agreement;
- (b) confirmed the methodology under which the Shared Services Fee was determined;
- (c) verified (or, to the extent not possible, assessed the reasonableness of) the costs incurred by Nordstrom US in providing the Services to NCRI for which Nordstrom US billed NCRI on a cost-basis;
- (d) assessed the reasonableness of the allocation of costs and expenses to NCRI for the Services that were not billed by Nordstrom US on a cost-basis, including:
 - (i) reviewing the unpaid Services allocated by Nordstrom US; (ii) reviewing a sample of cost allocations to ensure consistency with the Monitor's understanding;
 - (iii) assessing the quantum of unpaid Services charges compared to historical averages by allocation methodology; and (iv) reviewing the calculation of the Shared Services Fee for the stub period from February 26, 2023 to and including March 1, 2023, which was calculated by the Nordstrom Group based on the average daily Shared Services Fee for the fiscal month ended February 25, 2023, pro-rated for the four-day period to March 1, 2023; and
- (e) reviewed certain financial information and documentation provided by Nordstrom US in respect of outstanding Shared Services Fees relating to the period prior to the Filing Date.

5.23 The Monitor understands that the Shared Services Fee was paid by NCRI to Nordstrom US in the normal course up to and including the Shared Services Fee relating to August 2022 that was paid in October 2022. The Monitor understands that no subsequent payments in

respect of the Shared Services Fee were made in light of the decision of the Nordstrom Group to cease making intercompany transfers in October 2022 while it considered its options with respect to the Canadian business.

- 5.24 Based on the Monitor's review, the Shared Services Fee payable by NCRI to Nordstrom US under the NINC-NCRI Services Agreement for the period between September 1, 2022 and the Filing Date is \$17,661,179.
- 5.25 Based on the foregoing, it is the Monitor's view that the NINC-NCRI Services Claim is a valid Pre-Filing Claim by Nordstrom US against NCRI in the amount of \$17,661,179.

D. Claim No. 3: NCRI Transfer Pricing Claim

(i) Background

- 5.26 Prior to the CCAA Proceedings, operational funding for NCRI was provided by Nordstrom US through transfer pricing payments made by Nordstrom US pursuant to the transfer pricing policy set out in the NINC-NCRI Services Agreement (the "**Transfer Pricing Policy**").
- 5.27 The Transfer Pricing Policy is contained in Exhibit "B" to the NINC-NCRI Services Agreement, as follows:

"In consideration of the [NINC-NCRI Services] Agreement, each party agrees to pay the other the US dollar amount necessary such that NCRI, as a limited risk operator, realizes an arms-length Rate of Return between 4.5% and 6.5%, to be reviewed and updated as needed. "Rate of Return" is defined as operating profit divided by net sales."

- 5.28 Pursuant to the NINC-NCRI Services Agreement, payments under the Transfer Pricing Policy were to be made within 30 days of each quarterly accounting period. In practice, amounts payable under the Transfer Pricing Policy were recorded on a quarterly basis, and payments were made periodically based on the cash needs of NCRI and typically settled at year-end.
- 5.29 While the Transfer Pricing Policy provides for the possibility of NCRI making transfer payments to Nordstrom US to achieve an arms-length Rate of Return (as defined in the NINC-NCRI Services Agreement) between 4.5% and 6.5% (the “**Rate of Return Range**”), the Monitor understands that in actuality some form of transfer payments have always been made by Nordstrom US to NCRI upon the Nordstrom Group’s expansion into Canada, given the underperformance of the Canadian retail business since the NINC-NCRI Services Agreement was executed.
- 5.30 The Wind-Down Agreement entered into by Nordstrom US and the Nordstrom Canada Entities on March 1, 2023 terminated the Transfer Pricing Policy with immediate effect.

(ii) *Quantum of the NCRI Transfer Pricing Claim*

- 5.31 Although payments under the Transfer Pricing Policy were to be made within 30 days of each quarterly accounting period, Nordstrom US has not made any transfers to NCRI under the Transfer Pricing Policy since October 26, 2022 in light of the decision of the Nordstrom Group to cease making intercompany transfers in October 2022 while it considered its options with respect to the Canadian business.

- 5.32 Since that time, any transfers to be made by Nordstrom US to NCRI under the Transfer Pricing Policy were instead recorded as an intercompany receivable of NCRI due from Nordstrom US.
- 5.33 In this regard, Nordstrom US has recorded the following amounts as being owed by Nordstrom US to NCRI under the Transfer Pricing Policy (collectively, the “**Outstanding Transfer Payments**”):
- (a) \$74,877,000 in respect of the 2022 fiscal year ended January 28, 2023, which amount is net of transfer pricing payments of US\$20,000,000 that were previously made by Nordstrom US in respect of the 2022 fiscal year; and
 - (b) \$12,523,488 in respect of the period from January 29, 2023 to March 1, 2023 (being the day immediately prior to the Filing Date).
- 5.34 The Monitor has reviewed the terms of the NINC-NCRI Services Agreement, including the Transfer Pricing Policy, and the calculation of the Outstanding Transfer Payments, including information regarding NCRI’s operating profit and net sales for the relevant periods. The Monitor reconciled the Net Sales and Earnings Before Interest and Taxes included in the 2022 fiscal year Transfer Pricing Policy calculation to the supporting trial balance included in Exhibit “K” in the First Heckel Affidavit and reconciled the transfer pricing payments made during fiscal 2022 to the supporting bank statements.

5.35 The Monitor notes the following with respect to the calculation of the Outstanding Transfer Payments:

- (a) the Outstanding Transfer Payment for the 2022 fiscal year ended January 28, 2023 has been calculated by the Nordstrom Group to yield a Rate of Return for NCRI of 4.84% in Canadian dollars;
- (b) the Outstanding Transfer Payment for the period from January 29, 2023 to February 25, 2023 has been calculated by the Nordstrom Group to yield a Rate of Return for NCRI of 4.50% in Canadian dollars; and
- (c) the Outstanding Transfer Payment for the period from February 26, 2023 to March 1, 2023 has been calculated by the Nordstrom Group based on the average daily transfer pricing payment for the fiscal month ended February 25, 2023, prorated for the four-day period to March 1, 2023.

5.36 The Monitor notes that the Outstanding Transfer Payments were calculated using a Rate of Return at the lower end of the Rate of Return Range. The Monitor understands that this is consistent with the Nordstrom Group's past practice. For example, the transfer pricing payment for the 2021 fiscal year was calculated to yield a Rate of Return for NCRI of 4.54% in Canadian dollars.

5.37 Based on the foregoing, the Monitor is of the view that NCRI has a valid claim against Nordstrom US for unpaid transfer payments under the Transfer Pricing Policy for the 2022 fiscal year ended January 28, 2023 and for the period from January 29, 2023 to termination of the NINC-NCRI Services Agreement on March 1, 2023, in the aggregate amount of

\$87,400,488. Subject to the application of the right of set-off as described below, the Monitor is of the view that the Outstanding Transfer Payments are a debt payable by Nordstrom US to NCRI.

(iii) Set-off of NCRI Transfer Pricing Claim and NINC-NCRI Services Claim

5.38 The Monitor and its legal counsel have considered whether the respective pre-filing obligations of NCRI and Nordstrom US under the NINC-NCRI Services Agreement are subject to set-off – in other words, whether Nordstrom US is entitled to set-off the \$17,661,179 it is owed by NCRI in respect of the NINC-NCRI Services Claim against the \$87,400,488 that it owes to NCRI in respect of the NCRI Transfer Pricing Claim.

5.39 The Monitor notes the following facts, which support a finding that the NCRI Transfer Pricing Claim and the NINC-NCRI Services Claim are subject to legal set-off:

- (a) the claims are cross-claims between the same parties;
- (b) the claims arise pursuant to the same agreement (the NINC-NCRI Services Agreement);
- (c) the claims are in the same right, as NCRI and Nordstrom US are liable solely to each other and the parties are acting in the same original capacity in regards to both claims;
- (d) the claims are liquidated, fixed and ascertainable;
- (e) the claims each relate to the period prior to the Filing Date (i.e. there is no issue of “pre-post” set-off); and

- (f) the claims are closely intertwined in the sense that an adjustment to the quantum of the Shared Services Fee in respect of a particular period would result in a corresponding adjustment to the quantum of the transfer pricing payment under the Transfer Pricing Policy.

5.40 The Monitor notes that, if it is determined that the NCRI Transfer Pricing Claim and the NINC-NCRI Services Claim are subject to set-off, the net amount owing by Nordstrom US to NCRI in respect of such claims is \$69,739,309.

E. Claim No. 4: NINC Employee Trust Subrogated Claim

(i) Background

- 5.41 As of the Filing Date, NCRI employed approximately 2,300 salaried and hourly employees. On March 21, 2023, substantially all employees were provided with written notice of termination with effective termination dates to occur between May 16, 2023 and June 30, 2023 in order to align with the anticipated timing for closure of the Stores. Accordingly, the employment of the vast majority of employees has terminated during the course of the Nordstrom Canada Entities' orderly wind-down, with the exception of two employees who continue to assist with wind-down matters.
- 5.42 In order to provide eligible employees with a measure of financial security during the wind-down process and to ensure that all employees of NCRI received the full amount of termination and severance pay owed to them under applicable employment standards legislation, the Nordstrom Canada Entities sought and obtained in the Initial Order (as confirmed by the ARIO) the approval of a trust established for the benefit of their employees and funded by Nordstrom US (the "**Employee Trust**").

- 5.43 The Employee Trust is governed by an Employee Trust Agreement dated as of March 2, 2023 (the “**Employee Trust Agreement**”) among Nordstrom US, as settlor, the Monitor, as administrator (in such capacity, the “**Administrator**”), and Gale Rubenstein, in her personal capacity as trustee (the “**Trustee**”).¹ A copy of the Employee Trust Agreement is attached to this Report as **Appendix “D”**.
- 5.44 The Employee Trust has been funded by Nordstrom US in accordance with the terms of the Employee Trust Agreement. Nordstrom US made the First Contribution, in the amount of \$14,000,000, on March 13, 2023.
- 5.45 To date, the Employee Trust has reimbursed NCRI for Eligible Employee Claims in the aggregate amount of \$13,633,426. As the employment of substantially all employees has now terminated and the majority of Eligible Employee Claims have been reimbursed, it is not expected that payments of Eligible Employee Claims from the Employee Trust will exceed \$15,750,000 in the aggregate. In addition, certain other amounts funded to the Employee Trust by Nordstrom US have been used or allocated to pay the Administrator Payments and the Trustee Payments in accordance with the Employee Trust Agreement. The remaining Eligible Employee Claims to be reimbursed relate to: (a) Benefit Claims, which are in the process of being quantified; (b) payments that may be required as a result of Notices of Dispute received prior to 60 days after the final payment to such Eligible Employee, which has not yet passed for a majority of employees; and (c) payments required as a result of the final reconciliation to be performed by the Administrator and NCRI.

¹ Capitalized terms used but not defined in this section have the meanings given to such terms in the Employee Trust Agreement.

(ii) *Quantum of NINC Employee Trust Subrogated Claim*

- 5.46 Section 2.4 of the Employee Trust Agreement provides Nordstrom US (referred to as the Settlor) with a right of subrogation against NCRI (referred to as Nordstrom Canada):

The Settlor shall have – and shall be deemed by the Monitor and the Nordstrom Canada Entities to have – full and complete subrogation rights against Nordstrom Canada in respect of the aggregate gross amount paid to Beneficiaries directly or indirectly from the Employee Trust.

- 5.47 Paragraph 28(c) of the ARIO approved the subrogation right:

[THIS COURT ORDERS that] the Settlor (as defined in the Trust Agreement) shall be deemed to be fully and completely subrogated to all rights of recovery of the Beneficiaries against [NCRI], in an amount equal to the aggregate gross amount paid to such Beneficiaries directly or indirectly from the Employee Trust.

- 5.48 Accordingly, by operation of the Employee Trust Agreement and the ARIO, Nordstrom US has a subrogated claim against NCRI in an amount equal to the aggregate gross amount paid to Beneficiaries from the Employee Trust. The gross amount paid to such Beneficiaries are the aggregate Eligible Employee Claims as defined in the Employee Trust Agreement.

- 5.49 In accordance with the Employee Trust Agreement, the Administrator has assisted NCRI and the Trustee in preparing the calculations of Eligible Employee Regular Wages and Regular Work Weeks that are utilized to calculate Eligible Employee Claims (including Top Up Claims).

- 5.50 As of the date of this Report, \$13,633,426 has been reimbursed from the Employee Trust to NCRI in respect of Eligible Employee Claims paid by NCRI to employees.

- 5.51 Pursuant to the Employee Trust Agreement, an Eligible Employee Claim is determined by reference to the Statutory Termination Entitlements of an Eligible Employee. “Statutory Termination Entitlements” is defined in the Employee Trust Agreement as: “the applicable statutory minimum termination entitlements under ESA in respect of, if and as required, notice of termination, pay-in-lieu of notice, severance pay, post-termination benefits coverage and post-termination vacation pay.”
- 5.52 Accordingly, the Eligible Employee Claims – the payment of which gives rise to the right of subrogation – are, in substance, claims in respect of termination and severance entitlements. The Monitor understands that this Court and other Canadian courts have determined that claims of employees for termination and severance arising from the termination of their employment after the commencement of CCAA proceedings constitute pre-filing claims. Moreover, in the absence of the Employee Trust, any claims by employees for termination and severance entitlements would be Pre-Filing Claims against NCRI. Accordingly, the Monitor is of the view that the NINC Employee Trust Subrogated Claim is properly characterized as a Pre-Filing Claim.
- 5.53 Based on the foregoing, it is the Monitor’s view that the NINC Employee Trust Subrogated Claim is a valid Pre-Filing Claim by Nordstrom US against NCRI in the amount of \$13,633,426 as of the date of this Report. The quantum of the NINC Employee Trust Subrogated Claim will increase to the extent of the Eligible Employee Claims paid to Beneficiaries following the date of this Report, but it is not expected that the aggregate NINC Employee Trust Subrogated Claim will exceed \$15,750,000.

F. Claim No. 5: NINC-NCL Services Claim

- 5.54 Prior to the Filing Date, Nordstrom US and NCL were parties to the NINC-NCL Services Agreement, under which Nordstrom US provided the services to NCL as described in the NINC-NCL Services Agreement. A copy of the NINC-NCL Services Agreement is attached to this Report as **Appendix “E”**. As of the date of this Report, the Monitor has not received a copy of the NINC-NCL Services Agreement executed by NCL.
- 5.55 Pursuant to section 3.1 of the NINC-NCL Services Agreement, NCL agreed to pay Nordstrom US the amount set forth in Exhibit “A” to the NINC-NCL Services Agreement in exchange for the provision of the services set out therein. Such payments were to be paid within 30 days after the end of each quarterly accounting period such that any and all accrued amounts were paid within 30 days of Nordstrom US’s fiscal year end. The NINC-NCL Services Agreement provided that if it was subsequently determined that the mutually agreed periodic billings did not reflect an arm’s length price, the parties agreed to make any necessary year-end compensating adjustments to ensure that the fees paid constituted an arm’s length result.
- 5.56 The Monitor understands that no amounts have been paid by NCL for services provided by Nordstrom US for fiscal years 2021 and 2022. The Monitor has reviewed the terms of the NINC-NCL Services Agreement and the calculation of the unpaid services fees for fiscal years 2021 and 2022 as reflected in the Nordstrom Group’s intercompany accounts. The Monitor notes that the services fees allocated to NCL in respect of those periods account for approximately 0.03% of Nordstrom US’s allocable expenses.

5.57 Based on the foregoing, it is the Monitor's view that the NINC-NCL Services Claim is a valid Pre-Filing Claim by Nordstrom US against NCL in the amount of \$495,582.

G. Claim No. 6: NINC-NCH Services Claim

5.58 Prior to the Filing Date, Nordstrom US and NCH were parties to the NINC-NCH Services Agreement, under which Nordstrom US provided the services to NCH as described in the NINC-NCH Services Agreement. A copy of the NINC-NCH Services Agreement is attached to this Report as **Appendix "F"**.

5.59 Pursuant to section 3.1 of the NINC-NCH Services Agreement, NCH agreed to pay Nordstrom US for the actual and reasonable costs of the services rendered when presented with a request for payment and adequate payment documentation of the costs incurred, or alternatively a flat fee of \$5,000 per year for any de minimus services rendered by Nordstrom US. Such payments were to be paid within 30 days after the end of each quarterly accounting period such that any and all accrued amounts were paid within 30 days of Nordstrom US's fiscal year end. The NINC-NCH Services Agreement provided that if it was subsequently determined that the mutually agreed periodic billings did not reflect an arm's length price, the parties agreed to make any necessary year-end compensating adjustments to ensure that the fees paid constituted an arm's length result.

5.60 The Monitor has reviewed the terms of the NINC-NCH Services Agreement and a summary of the fees payable by NCH thereunder. The Monitor understands that such fees have not been cash settled since the execution of the NINC-NCH Services Agreement.

5.61 Based on the foregoing, it is the Monitor's view that the NINC-NCH Services Claim is a valid Pre-Filing Claim by Nordstrom US against NCH in the amount of \$55,031.

H. Claim No. 7: NINC-NCHII Services Claim

- 5.62 Prior to the Filing Date, Nordstrom US and NCHII were parties to the NINC-NCHII Services Agreement, under which Nordstrom US provided the services to NCHII as described in the NINC-NCHII Services Agreement. A copy of the NINC-NCHII Services Agreement is attached to this Report as **Appendix “G”**.
- 5.63 Pursuant to section 3.1 of the NINC-NCHII Services Agreement, NCHII agreed to pay Nordstrom US for the actual and reasonable costs of the services rendered when presented with a request for payment and adequate payment documentation of the costs incurred, or alternatively a flat fee of \$5,000 per year for any de minimus services rendered by Nordstrom US. Such payments were to be paid within 30 days after the end of each quarterly accounting period such that any and all accrued amounts were paid within 30 days of Nordstrom US’s fiscal year end. The NINC-NCHII Services Agreement provided that if it was subsequently determined that the mutually agreed periodic billings did not reflect an arm’s length price, the parties agreed to make any necessary year-end compensating adjustments to ensure that the fees paid constituted an arm’s length result.
- 5.64 The Monitor has reviewed the terms of the NINC-NCHII Services Agreement and a summary of the fees payable by NCHII thereunder. The Monitor understands that such fees have not been cash settled since the execution of the NINC-NCHII Services Agreement.
- 5.65 Based on the foregoing, it is the Monitor’s view that the NINC-NCHII Services Claim is a valid Pre-Filing Claim by Nordstrom US against NCHII in the amount of \$56,829.

6.0 INTRACOMPANY CLAIMS

A. Summary of Intracompany Claims

6.1 As described below, the Monitor has identified and reviewed the following Intracompany Claims as among the Nordstrom Canada Entities:

- (a) *Claim No. 8* – a Pre-Filing Claim by NCL against NCRI for unpaid Basic Sublease Rent, Sublease Additional Rent and Real Estate Improvement Rent (each as defined below) relating to the period prior to the Filing Date (the “**NCL Pre-Filing Sublease Rent Claim**”), in the amount of \$64,879,810;
- (b) *Claim No. 9* – a Post-Filing Claim by NCL against NCRI for unpaid Real Estate Improvement Rent (as defined below) relating to the period from and after the Filing Date (the “**NCL Post-Filing Sublease Rent Claim**”), in the amount of \$26,227,411;
- (c) *Claim No. 10* – a Restructuring Period Claim by NCL against NCRI for damages suffered by NCL as a result of the termination of the Master Leases and Subleases (each as defined below) (the “**NCL Sublease Termination Claim**”), consisting of two components:
 - (i) *Claim No. 10A* – a Restructuring Period Claim by NCL against NCRI for the claims of Landlords against NCL arising from the disclaimer of the unassigned Master Leases (the “**NCL Master Lease Flow-Through Claim**”), which cannot be quantified at this time (as described below); and

- (ii) *Claim No. 10B* – a Restructuring Period Claim by NCL against NCRI arising from the termination of each Sublease, equal to the net present value of unpaid Real Estate Improvement Rent for the remaining term of each Sublease (the “**NCL Improvement Rent Claim**”), in the amount of \$368,027,201; and
- (d) *Claim No. 11* – a Pre-Filing Claim by NCRI against NCL for unpaid fees relating to the provision of shared services pursuant to the Inter-Affiliate Services Agreement dated as of December 10, 2014 (the “**NCRI-NCL Services Agreement**”) between NCRI and NCL (the “**NCRI-NCL Services Claim**”), in the amount of \$55,046.

6.2 Each of the foregoing Intracompany Claims are addressed further below.

B. Background to the Intracompany Lease Claims (Claims No. 8, 9 and 10)

(i) The Lease-Sublease Structure

6.3 As at the Filing Date, NCRI operated 13 Stores, consisting of six full-line Nordstrom stores (the “**Full-Line Stores**”) and seven Nordstrom Rack stores (the “**Rack Stores**”).

6.4 All of the Stores were operated in leased premises owned by third parties under the following structure:

- (a) each Store premises was leased by NCL from an unrelated third-party landlord (each, a “**Landlord**”) pursuant to a lease agreement (each, a “**Master Lease**”);

- (b) NCL paid rent to the Landlord pursuant to the Master Lease, including, as applicable, Basic Rent or Minimum Rent, additional rent and, in some cases, Percentage Rent (as each of those terms are defined in the applicable Master Lease);
- (c) NCL, in turn, subleased each of the Store premises to NCRI pursuant to a sublease agreement (the “**Sublease**”);
- (d) pursuant to the Sublease, NCRI agreed to pay to NCL:
 - (i) all Basic Rent or Minimum Rent required to be paid by NCL to the Landlord pursuant to the applicable Master Lease during the term of the Sublease as and when such Basic Rent or Minimum Rent was due under the Master Lease (the “**Basic Sublease Rent**”);
 - (ii) all additional rent required to be paid by NCL to the Landlord under the applicable Master Lease including all operating expenses, real property taxes, and other expenses and charges payable by NCL under the Master Lease (the “**Sublease Additional Rent**”); and
 - (iii) an amount on account of a percentage of costs incurred by NCL in constructing, fixturing and furnishing the Store after the execution of the applicable Master Lease (the “**Real Estate Improvement Rent**”), as described further below;
- (e) the term of each Sublease was for a period commencing on the date of execution of the Sublease and ending one day prior to the expiration or earlier termination of the Master Lease; and

- (f) each Sublease provides that, in the event of the termination of NCL's interest as tenant under the Master Lease for any reason, the Sublease shall terminate upon termination of the Master Lease.

(ii) *Real Estate Improvement Rent*

- 6.5 To fund the Nordstrom Group's expansion into the Canadian market, NIL advanced funding to NCH under the Canada Expansion Loan Agreement and through contributed capital. NCH, in turn, contributed equity financing to NCL. NCL then incurred the costs of constructing, fixturing and furnishing each Store in accordance with the applicable Master Lease and related specifications and drawings. This construction work is defined in the Subleases as the "**TI Work**".
- 6.6 As described at paragraphs 44 and 45 of the Initial Heckel Affidavit, each Sublease required NCRI to reimburse NCL for the cost of the TI Work through the payment of the Real Estate Improvement Rent during the initial term of the Sublease. The annual Real Estate Improvement Rent was a fixed annual amount determined as a specified percentage of the total TI Costs actually paid by NCL (net of any capital contribution provided by the Landlord) determined through a financial model that considered a number of factors, including Sublease revenue, depreciation, interest expense and tax expense. For the Full-Line Stores, the costs of the TI Work were repayable at a rate of 12.80% per annum; for the Rack Stores, the costs of TI Work were repayable at a rate of 15.00% per annum.
- 6.7 Under each Sublease, NCRI was required to pay the Real Estate Improvement Rent in monthly instalments concurrently with the payment of Basic Sublease Rent.

6.8 The following table sets out, for each Store: (a) the specified percentage of TI Work to be repaid on an annual basis; and (b) the resulting annual Real Estate Improvement Rent payment under the applicable Sublease:

Store	Specified Percentage of TI Work Repaid Annually	Real Estate Improvement Rent (Annual)
Yorkdale Full-Line Store	12.8%	\$15,609,186
Pacific Centre Full-Line Store	12.8%	8,652,750
Eaton Centre Full-Line Store	12.8%	13,539,124
Sherway Gardens Full-Line Store	12.8%	8,741,093
Rideau Centre Full-Line Store	12.8%	7,673,372
Chinook Centre Full-Line Store	12.8%	6,258,630
Willowbrook Rack Store	15.0%	805,304
Vaughan Mills Rack Store	15.0%	709,408
South Edmonton Commons Rack Store	15.0%	681,342
Heartland Town Centre Rack Store	15.0%	745,688
One Bloor Rack Store	15.0%	1,074,398
Ottawa Train Yards Rack Store	15.0%	650,143
Deerfoot Meadows Rack Store	15.0%	658,107

(iii) Lease and Sublease Termination Dates

6.9 As of the date of this Report, the Nordstrom Canada Entities:

- (a) have disclaimed the Master Leases in respect of nine Stores;
- (b) received a notice of termination from a Landlord in respect of one Store (the Ottawa Train Yards Rack Store), which termination will become effective on September 1, 2023; and
- (c) have not issued any notice to disclaim the Master Lease in respect of three Stores (the Heartland Town Centre Rack Store, the Deerfoot Meadows Rack Store, and

the Vaughan Mills Rack Store) as they are subject to Court-approved lease assignment transactions in respect of such Master Leases. The assignment of the Heartland Lease occurred on July 20, 2023, and the assignments of the Deerfoot Meadows Lease and the Vaughan Mills Lease are expected to occur on February 1, 2024 in accordance with the terms of the Winners Agreement.

- 6.10 For purposes of the calculation of the quantum of certain Intracompany Claims (in particular, the NCL Post-Filing Sublease Rent Claim and/or the NCL Improvement Rent Claim), it is necessary to determine the date on which the applicable Master Lease and related Sublease are terminated. As set forth above, each Sublease terminates, by its terms, upon the termination of the Master Lease.
- 6.11 For purposes of this Report, the Monitor has assumed that, for a Master Lease in respect of which NCL has entered into a Court-approved assignment agreement, the related Sublease shall terminate on the closing date or expected closing date of the assignment of the Master Lease.
- 6.12 Accordingly, this Report quantifies lease-related claims on the basis of the termination dates for the Master Leases and Subleases specified in the table below (the “**Master Lease Termination Date**” and the “**Sublease Termination Date**”, respectively). The final quantum of the lease-related claims are subject to adjustment in circumstances where the actual Master Lease Termination Date and/or the Sublease Termination Date is other than as shown in the table below:

Store	Master Lease Termination Date	Sublease Termination Date
Yorkdale Full-Line Store	July 22, 2023	July 22, 2023
Pacific Centre Full-Line Store	July 22, 2023	July 22, 2023
Eaton Centre Full-Line Store	July 22, 2023	July 22, 2023
Sherway Gardens Full-Line Store	July 22, 2023	July 22, 2023
Rideau Centre Full-Line Store	July 22, 2023	July 22, 2023
Chinook Centre Full-Line Store	July 22, 2023	July 22, 2023
Willowbrook Rack Store	June 2, 2023	June 2, 2023
Vaughan Mills Rack Store	N/A (Master Lease to be assigned)	February 1, 2024
South Edmonton Commons Rack Store	June 2, 2023	June 2, 2023
Heartland Town Centre Rack Store	N/A (Master Lease assigned)	July 19, 2023
One Bloor Rack Store	June 4, 2023	June 4, 2023
Ottawa Train Yards Rack Store	September 1, 2023	September 1, 2023
Deerfoot Meadows Rack Store	N/A (Master Lease to be assigned)	February 1, 2024

C. Claim No. 8: NCL Pre-Filing Sublease Rent Claim

6.13 The NCL Pre-Filing Sublease Rent Claim is a Pre-Filing Claim by NCL, as sublessor, against NCRI, as sublessee, for unpaid Basic Sublease Rent, Sublease Additional Rent and Real Estate Improvement Rent relating to the period prior to the Filing Date.

6.14 Sublease Additional Rent relating to real property taxes and utilities (the “**Taxes and Utilities Rent**”) payable by NCRI to NCL relating to the period prior to the Filing Date (the “**Pre-Filing Period**”) was not settled on a recurring basis. Commencing in 2018, the monthly expense for Taxes and Utilities Rent was recorded to an intercompany account that was not marked for quarterly settlement. The Nordstrom Group identified the non-payment during a review of the intercompany accounts in 2022.

6.15 Separately, all Basic Sublease Rent, Sublease Additional Rent (other than Taxes and Utilities Rent) and Real Estate Improvement Rent were settled on a recurring basis up to

and including August 2022. The Monitor understands that no payments for the periods subsequent to August 2022 were made in respect of Basic Sublease Rent, Sublease Additional Rent or Real Estate Improvement Rent for the Pre-Filing Period in light of the decision of the Nordstrom Group to cease making intercompany transfers in October 2022 while it considered its options with respect to the Canadian business.

- 6.16 As noted, each Sublease required NCRI to pay NCL the Basic Sublease Rent and Sublease Additional Rent as due under the Master Lease. The Monitor understands that Basic Sublease Rent and Sublease Additional Rent (other than Taxes and Utilities Rent) up to and including August 2022 were cash paid by NCRI based on the amounts recorded under *Accounting Standards Codification 842*.
- 6.17 In respect of the Pre-Filing Period, the Monitor has quantified the NCL Pre-Filing Sublease Rent Claim as the difference between (a) the aggregate rent paid by NCL under the Master Leases to third-party Landlords (all of which was, in turn, payable by NCRI to NCL under the Subleases); and (b) the actual amounts paid by NCRI to NCL in respect of such rent (i.e. the sum of all Basic Sublease Rent and Sublease Additional Rent paid by NCRI to NCL).
- 6.18 The Monitor has, among other things, performed the following activities in reviewing the quantum of the NCL Pre-Filing Sublease Rent Claim:
- (a) reviewed the supporting calculations for the annual Real Estate Improvement Rent and reconciled the calculations to the amounts recorded;

- (b) obtained supporting documentation outlining cash payments of Sublease rent for the Pre-Filing Period and inspected the associated bank statements to verify the amounts paid;
- (c) compared the fiscal 2022 quarterly settlements between NCRI and NCL, on a sample basis, to supporting documentation to: (i) verify that the Taxes and Utilities Rent components of Sublease Additional Rent were excluded from cash settlement; and (ii) verify that the Basic Sublease Rent, Sublease Additional Rent (other than Taxes and Utilities Rent) and Real Estate Improvement was cash settled by NCRI;
- (d) reconciled supporting journal entries, on a sample basis, to unsettled real property tax and utilities support; and
- (e) reviewed the reconciliation of historical Sublease rent settlements to amounts paid under the Master Lease.

6.19 Based on the foregoing, it is the Monitor's view that the NCL Pre-Filing Sublease Rent Claim is a valid Pre-Filing Claim by NCL against NCRI in the amount of \$64,879,810.

D. Claim No. 9: NCL Post-Filing Sublease Rent Claim

6.20 The NCL Post-Filing Sublease Rent Claim is a Post-Filing Claim by NCL against NCRI for unpaid Real Estate Improvement Rent relating to the period from and after the Filing Date.

6.21 As it relates to Real Estate Improvement Rent, paragraph 10 of the ARIO states in relevant part as follows:

Without in any way impairing, limiting or lessening the priority, protections, rights or remedies of [NCL], any Rent in respect of Premises Fixturing Costs payable by [NCRI] to [NCL] under a Lease shall be stayed and suspended until further Order of this Court.²

6.22 Accordingly, the payment of Real Estate Improvement Rent by NCRI was stayed and suspended pursuant to the ARIO. NCRI has not paid any Real Estate Improvement Rent to NCL during the CCAA Proceedings.

6.23 The following table lists, for each Store: (a) the aggregate annual Real Estate Improvement Rent payable under the applicable Sublease; and (b) the NCL Post-Filing Sublease Rent Claim, being the aggregate unpaid Real Estate Improvement Rent for the period commencing on the Filing Date and ending on the applicable Sublease Termination Date:

Store	Real Estate Improvement Rent (Annual)	NCL Post-Filing Sublease Rent Claim
Yorkdale Full-Line Store	\$15,609,186	\$6,115,380
Pacific Centre Full-Line Store	8,652,750	3,389,982
Eaton Centre Full-Line Store	13,539,124	5,304,369
Sherway Gardens Full-Line Store	8,741,093	3,424,592
Rideau Centre Full-Line Store	7,673,372	3,006,280
Chinook Centre Full-Line Store	6,258,630	2,452,011
Willowbrook Rack Store	805,304	205,187

² The ARIO references the definition of “Premises Fixturing Costs” in the Initial Heckel Affidavit, where Premises Fixturing Costs are defined as “all costs incurred by [NCL] in constructing, fixturing and furnishing the retail premises after executing the Lease”. Accordingly, the term “Premise Fixturing Costs” used in the Initial Heckel Affidavit is a synonym for the definition of “TI Work” in the Subleases. Accordingly, the effect of this provision of the ARIO was to stay the payment of Real Estate Improvement Rent during the CCAA Proceedings, subject to further order of the Court.

Store	Real Estate Improvement Rent (Annual)	NCL Post-Filing Sublease Rent Claim
Vaughan Mills Rack Store	709,408	654,988
South Edmonton Commons Rack Store	681,342	173,602
Heartland Town Centre Rack Store	745,688	286,017
One Bloor Rack Store	1,074,398	279,638
Ottawa Train Yards Rack Store	650,143	327,743
Deerfoot Meadows Rack Store	658,107	607,622
TOTAL	\$65,798,545	\$26,227,411

6.24 The Monitor notes that the stay and suspension of payments of Real Estate Improvement Rent pursuant to paragraph 10 of the ARIO is an exception to the general language in that paragraph, which otherwise provides that each Nordstrom Canada Entity is required to pay Rent (as defined and in accordance with the ARIO) under any lease (including a sublease) to which it is a party until such lease is disclaimed in accordance with the CCAA or otherwise consensually terminated. In the absence of this exception, NCRI would have been required to pay Real Estate Improvement Rent to NCL in the ordinary course during the CCAA Proceedings until such time as the applicable Sublease was disclaimed or terminated.

6.25 Further, paragraph 10 of the ARIO provides that the stay and suspension of the payments of Real Estate Improvement Rent does not impair, limit or lessen the priority, protections or remedies of NCL.

6.26 Based on the foregoing, it is the Monitor's view that (a) the NCL Post-Filing Sublease Rent Claim is a valid Post-Filing Claim by NCL against NCRI in the amount of \$26,227,411; and (b) since the NCL Post-Filing Sublease Rent Claim is a Post-Filing Claim, it is payable in full to NCL.

E. Background to the NCL Sublease Termination Claim (Claims No. 10A and 10B)

6.27 Each Sublease provides, among other things:

- (a) except as may be inconsistent with the terms of the Sublease, all the terms, covenants, conditions and defined terms contained in the Master Lease shall be applicable to the Sublease with the same force and effect as if NCL were the landlord under the Master Lease and NCRI were the tenant thereunder;
- (b) NCRI is responsible for the performance of all of NCL's obligations under the Master Lease except as specifically indicated to the contrary in the Sublease; and
- (c) NCRI shall pay to NCL Basic Sublease Rent, Sublease Additional Rent and Real Estate Improvement Rent in accordance with the terms of the Sublease and the Master Lease.

6.28 Each of the Subleases also contains the following agreement between NCL (in its capacity as Sublandlord) and NCRI (in its capacity as Subtenant):

Subtenant shall indemnify and hold Sublandlord harmless from and against all claims of any kind whatsoever by reason of any breach or default on the part of Subtenant by reason of which the Master Lease may be terminated or forfeited. In the event of the termination of Sublandlord's interest as tenant under the Master Lease for any reason, then this Sublease shall terminate upon termination of the Master Lease; provided, however, that if the Master Lease or this Sublease terminates as a result of a default of Subtenant, then Subtenant shall be liable to Sublandlord for all damages suffered by Sublandlord as a result of the termination of the Master Lease or this Sublease.

6.29 Accordingly, NCRI and NCL agreed pursuant to the Sublease that:

- (a) NCRI indemnifies and holds NCL harmless from all claims of any kind whatsoever arising from a breach or default by NCRI resulting in the termination of the Master Lease; and
- (b) if the Master Lease or Sublease terminates as a result of a default by NCRI, then NCRI shall be liable to NCL for all damages suffered by NCL as a result of the termination of the Master Lease or the Sublease.

6.30 The Monitor is of the view that, from a substantive perspective, the termination of the unassigned Master Leases and the termination of the Subleases arose as a result of the insolvency of NCRI. In that regard, the Monitor notes the following:

- (a) as stated at paragraph 23 of the Initial Heckel Affidavit, NCRI “is the operating entity in Canada and serves as the customer retail sales entity for the Nordstrom Group in the Canadian market.” NCRI carried on substantially all the Nordstrom Group’s business operations in Canada and was the only revenue-generating entity among the Nordstrom Canada Entities;
- (b) conversely, NCL did not carry on any retail business operations and was solely responsible for leasing activities. As stated at paragraph 26 of the Initial Heckel Affidavit, NCL is “responsible for the Nordstrom Canada Entities’ real estate activities, such as leasing retail space from third-party property owners, committing capital to build and furnish the stores, and subleasing the retail space to [NCRI], who operates the stores”;

- (c) NCL had no independent ability to generate the funding necessary to pay rent to the third-party Landlords under the Master Leases. NCL was wholly-dependent on NCRI to pay Basic Sublease Rent and Sublease Additional Rent in order for NCL to pay the corresponding rent obligations to third-party Landlords under the Master Leases;
- (d) when NCRI became unable to pay rent or perform its other obligations under the Subleases, it rendered NCL unable to perform its obligations under the Master Leases; and
- (e) the disclaimer or termination of the unassigned Master Leases and the termination of the related Subleases was fundamentally the result of the insolvency of NCRI and the discontinuation of its Canadian retail operations.

6.31 Accordingly, the Monitor is of the view that the NCL Sublease Termination Claim is a valid Restructuring Period Claim by NCL against NCRI relating to the damages suffered by NCL as a result of the termination of the unassigned Master Leases and the termination of the Subleases. The NCL Sublease Termination Claim has two components:

- (a) the NCL Master Lease Flow-Through Claim, which is a Restructuring Period Claim by NCL against NCRI for the claims of Landlords against NCL arising from the disclaimer of the unassigned Master Leases; and
- (b) the NCL Improvement Rent Claim, which is a Restructuring Period Claim by NCL against NCRI arising from the termination of each Sublease.

F. Claim No. 10A: NCL Master Lease Flow-Through Claim

6.32 The NCL Master Lease Flow-Through Claim is a Restructuring Period Claim by NCL against NCRI for the claims of Landlords against NCL arising from the disclaimer of the unassigned Master Leases.

6.33 As described above, each Sublease provides that, if the Master Lease terminates as a result of a default of NCRI, then NCRI is liable to NCL for all damages suffered by NCL as a result of the termination of the Master Lease. The damages suffered by NCL from the termination of the applicable Master Leases will be the claims of the third-party Landlords arising from the disclaimer of such Master Leases.

6.34 As of the date of this Report, it is not possible to determine the quantum of the NCL Master Lease Flow Through-Claim because the claims of Landlords arising from the disclaimer of the unassigned Master Leases have not been finally determined in accordance with the Claims Procedure Order.

6.35 Based on the foregoing, it is the Monitor's view that the NCL Master Lease Flow Through-Claim is a valid Restructuring Period Claim by NCL against NCRI in an amount equal to the aggregate amount of proven claims of third-party Landlords against NCL arising from the disclaimer or termination of the unassigned Master Leases as determined in accordance with the Claims Procedure Order.

G. Claim No. 10B: NCL Improvement Rent Claim

6.36 As described above, each Sublease was structured such that NCL would recover the costs of the TI Work through the payment of Real Estate Improvement Rent by NCRI over the

term of the Sublease. Under the Subleases, Real Estate Improvement Rent is payable by NCRI on a monthly basis, together with Basic Sublease Rent. The Monitor has reviewed the scheduled monthly payments of Real Estate Improvement Rent for each of the Stores and confirmed that such scheduled monthly payments are in accordance with the applicable Subleases.

- 6.37 As a result of the termination of each Sublease, NCL will not receive future payments of Real Estate Improvement Rent. This is the case in respect of the ten Subleases that terminated as a result of the disclaimer or termination of the related Master Lease, and the three Subleases that have been or will be terminated by NCL and NCRI in order to facilitate the completion of the Court-approved Master Lease assignment transactions. In the Monitor's view the NCL Improvement Rent Claim is a Restructuring Period Claim by NCL against NCRI arising from the termination of the Subleases.
- 6.38 Since the monthly payments of Real Estate Improvement Rent extend for between five and 14 years following the respective Sublease Termination Dates, the Monitor believes that it is appropriate to value the NCL Improvement Rent Claim in an aggregate amount equal to the net present value (the "NPV") of Real Estate Improvement Rent payable under each Sublease from and after the Sublease Termination Date, without factoring in any mitigation.
- 6.39 In order to calculate the NPV of the future monthly payments of Real Estate Improvement Rent, it is necessary to determine the appropriate discount rate. In order to select an appropriate discount rate, the Monitor worked with internal A&M resources from its Disputes and Investigations group based in Calgary, Alberta (the "**A&M Valuation**

Group”), which group has significant experience in analysis of the quantum and valuation of claims.

- 6.40 The A&M Valuation Group utilized the weighted average cost of capital (“**WACC**”) methodology in determining an appropriate discount rate. The A&M Valuation Group considered a number of factors and inputs to determine the appropriate WACC, including the cost of debt and the cost of equity applicable to the Nordstrom Group and a group of comparable public companies.
- 6.41 The A&M Valuation Group considered the WACC methodology the most appropriate for determining a discount rate and considered alternatives including capitalization rates for similar real estate assets. Since Nordstrom US funded the cost of fixturing and furnishing the stores (through the Expansion Loans and capital contributions to NCH and thereafter to NCL), the market WACC of Nordstrom US is a reasonable level of return that NCL would have expected from the Subleases. The A&M Valuation Group considered the implied Price to Earnings Ratio and EBITDA multiples when measured against comparable companies and other financial metrics to assess the reasonableness of its WACC calculations and assumptions.
- 6.42 Ultimately, the A&M Valuation Group concluded, based on its WACC analysis, that a discount rate of 10.6% to 11.8% is appropriate to calculate the NPV of the future monthly payments of Real Estate Improvement Rent.
- 6.43 Based on the foregoing and using the midpoint of the range identified by the A&M Valuation Group, the Monitor has determined that the appropriate discount rate is 11.2% per annum (the “**Discount Rate**”).

6.44 The table below sets out for each Store: (a) the aggregate undiscounted Real Estate Improvement Rent payable under the applicable Sublease from and after the Sublease Termination Date; and (b) the NPV of such unpaid Real Estate Improvement Rent calculated using the Discount Rate.

Store	Aggregate <u>Undiscounted</u> Real Estate Improvement Rent	<u>Net Present Value</u> of such Real Estate Improvement Rent
Yorkdale Full-Line Store	\$212,386,352	\$108,790,491
Pacific Centre Full-Line Store	65,815,657	44,168,527
Eaton Centre Full-Line Store	116,526,162	74,574,542
Sherway Gardens Full-Line Store	83,971,486	51,300,370
Rideau Centre Full-Line Store	58,366,184	39,169,226
Chinook Centre Full-Line Store	41,347,225	29,125,427
Willowbrook Rack Store	5,902,258	4,014,114
Vaughan Mills Rack Store	2,951,012	2,350,374
South Edmonton Commons Rack Store	3,688,944	2,756,701
Heartland Town Centre Rack Store	3,878,120	2,929,345
One Bloor Rack Store	5,361,205	4,092,921
Ottawa Train Yards Rack Store	3,358,083	2,541,087
Deerfoot Meadows Rack Store	2,791,641	2,214,076
TOTAL	\$606,344,330	\$368,027,201

6.45 Based on the foregoing, it is the Monitor's view that the NCL Improvement Rent Claim is a valid Restructuring Period Claim of NCL against NCRI in the aggregate amount of \$368,027,201.

H. Claim No. 11: NCRI-NCL Services Claim

6.46 NCRI and NCL are parties to the NCRI-NCL Services Agreement, which provides for the provision of services between NCRI and NCL as described in the NCRI-NCL Services Agreement. A copy of the NCRI-NCL Services Agreement is attached to this Report as **Appendix "H"**.

- 6.47 Pursuant to section 3.1 and Exhibit A of the NCRI-NCL Services Agreement, (a) NCL agrees to pay NCRI all reasonable costs and expenses incurred by NCRI in providing payroll, finance and accounting services to NCL; and (b) NCRI agrees to pay NCL all reasonable costs and expenses incurred by NCL in providing property management services to NCRI. Payments are to be made within 30 days after the end of each quarterly accounting period such that any and all accrued amounts are paid within 30 days of fiscal year end. The NCRI-NCL Services Agreement provides that if it is subsequently determined that the mutually agreed periodic billings do not reflect an arm's length price, the parties agree to make any necessary year-end compensating adjustments to ensure that the fees paid constituted an arm's length result.
- 6.48 The Monitor has reviewed the terms of the NCRI-NCL Services Agreement and a summary of the fees payable by NCL thereunder. The Monitor notes that (a) the majority of the fees payable by NCL comprising the NCRI-NCL Services Claim relate to the allocation of salaries and benefits of employees of NCRI for services performed on behalf of NCL; and (b) there are no accrued fees payable by NCRI relating to the provision of property management services by NCL.
- 6.49 The Monitor also notes that no fees have been charged under the NCRI-NCL Services Agreement since the Filing Date due to the immaterial nature of the services provided by NCRI to NCL during the CCAA Proceedings.
- 6.50 Based on the foregoing, it is the Monitor's view that the NCRI-NCL Services Claim is a valid Pre-Filing Claim of NCRI against NCL in the aggregate amount of \$55,046.

7.0 NINC LEASE INDEMNITIES SUBROGATED CLAIM

- 7.1 As described in previous reports of the Monitor, the obligations of NCL (in its capacity as tenant) under the Master Leases governing certain Stores are subject to an indemnity provided by Nordstrom US in favour of the applicable Landlord (each, a “**Lease Indemnity**” and collectively the “**Lease Indemnities**”).
- 7.2 With respect to each Master Lease that is subject to a separate Lease Indemnity, the Monitor notes that the Lease Indemnities are substantially similar. Under each Lease Indemnity, Nordstrom US agreed, among other things and subject to the terms of the Lease Indemnity, to (a) make due and punctual payment of all rent and other monies payable under the Master Lease by the tenant whether to the Landlord or otherwise; and (b) indemnify the Landlord from all losses, costs and damages arising out of any failure by the tenant to pay rent and other amounts payable under the Master Lease or to perform any of the terms, covenants and conditions contained in the Master Lease.
- 7.3 Paragraph 17 of the ARIO contains a stay of proceedings (referred to as the “**Parent Stay**” in previous reports of the Monitor) that prevents any person from commencing or continuing any proceeding against Nordstrom US in respect of, among other things, the Lease Indemnities. Paragraph 18 of the ARIO provides, among other things, that any Landlord claim pursuant to an indemnity, guarantee or surety executed by Nordstrom US in relation to any Nordstrom Canada Entity shall be unaffected and shall not be released or affected in any way in any CCAA plan of compromise or arrangement.

- 7.4 The Monitor notes that Nordstrom US may advance a subrogated claim against one or more Nordstrom Canada Entities in respect of any amounts paid by Nordstrom US pursuant to the Lease Indemnities.
- 7.5 The NINC Lease Indemnities Subrogated Claim is contingent on a number of factors, including the quantum of Landlord Claims to be determined in accordance with the Claims Procedure Order, the recoveries on such proven Claims under a CCAA plan of arrangement or otherwise, and negotiations between the Landlords and Nordstrom US with respect to the settlement of the Lease Indemnities. The Monitor understands that no amounts have been paid or settled under the Lease Indemnities as of the date of this Report.
- 7.6 Accordingly, while the Monitor has identified this contingent Intercompany Claim for the purposes of Paragraph 45 of the Claims Procedure Order, the Monitor is not in a position at this time to assess the existence, validity or quantum, if any, of the NINC Lease Indemnities Subrogated Claim. The Monitor will address the NINC Lease Indemnities Subrogated Claim in a future report to the extent necessary.

8.0 ADDITIONAL INTERCOMPANY TRANSACTIONS

- 8.1 The Monitor, in the course of preparing this Report, identified and reviewed certain intercompany transactions that, in the Monitor's view, do not give rise to an Intercompany Claim against a Nordstrom Canada Entity or a claim by a Nordstrom Canada Entity against an affiliate.
- 8.2 The Monitor notes that the Initial Heckel Affidavit at paragraph 122 refers to NCRI having paid approximately US\$10.3 million to Nordstrom US in fiscal year 2022 in order to reduce or pay off intercompany balances. This amount includes payment for the provision of

Shared Services by NCRI, net of amounts paid by Nordstrom US to NCRI under the Transfer Pricing Policy.

8.3 In addition, the Monitor notes the following intercompany transactions that occurred during the one-year period prior to the Filing Date:

(a) on October 14, 2022, NCL made a \$11 million return of capital distribution to NCH; NCH, in turn, converted the entire amount into U.S. dollars and made a return of capital distribution to NIL; and

(b) on July 5, 2022, NCRI made a US\$20 million return of capital distribution to NIL.

8.4 The Monitor notes that these return of capital transactions do not appear to fall within the scope of subsection 101(1) of the *Bankruptcy and Insolvency Act* (the “**BIA**”), which pursuant to section 36.1 of the CCAA apply in respect of a CCAA plan of compromise or arrangement. In particular, (a) the type of reviewable transactions under subsection 101(1) of the BIA do not appear to include a return of capital distribution; and (b) based on the fact that the Nordstrom Canada Entities continued to operate in the normal course until the CCAA Proceedings were commenced on March 2, 2023, it does not appear as though NCL, NCH or NCRI were insolvent at the time of the return of capital transactions or were rendered insolvent by completing such transactions.

9.0 SUMMARY OF RESULTS OF THE MONITOR’S REVIEW

9.1 As required by paragraph 44 of the Claims Procedure Order, the Monitor has prepared this Report detailing its review of all Intercompany Claims identified by the Monitor and

assessing the amount and Characterization of such claims. The Intercompany Claims identified by the Monitor are summarized at paragraph 3.6 of this Report.

9.2 Pursuant to the Claims Procedure Order, each Intercompany Claim identified in this Report is deemed to have been properly submitted through a Proof of Claim. However, the Claims Procedure Order provides further that “[a]n Intercompany Claim identified in the Monitor’s Intercompany Claims Report shall not be accepted or deemed to be accepted by the Nordstrom Canada Entities or the Monitor unless and until such Intercompany Claim has been approved by this Court upon a motion on notice to the Service List.”

9.3 The Court and the Nordstrom Canada Entities and their creditors and stakeholders will now have the opportunity to review the Intercompany Claims as set forth in this Report. In connection with their efforts to advance a plan of compromise and arrangement, the Monitor expects that the Nordstrom Canada Entities will in due course bring a motion for approval of Intercompany Claims. The Monitor may report further to the Court regarding the Intercompany Claims in connection with such motion.

All of which is respectfully submitted to the Court this 3rd day of August 2023.

**Alvarez & Marsal Canada Inc., in its capacity as Monitor of
Nordstrom Canada Retail, Inc.,
Nordstrom Canada Holdings, LLC,
Nordstrom Canada Holdings II, LLC, and
Nordstrom Canada Leasing LP,
not in its personal or corporate capacity**

Per:



Alan Hutchens
Senior Vice-President

APPENDIX B
CONSOLIDATED PLAN OF COMPROMISE AND ARRANGEMENT
OF THE NORDSTROM CANADA ENTITIES DATED DECEMBER 13, 2023

See attached.

Court File No. CV-23-0695619-00CL

**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 NORDSTROM CANADA RETAIL, INC.,
NORDSTROM CANADA HOLDINGS, LLC and NORDSTROM
CANADA HOLDINGS II, LLC

**CONSOLIDATED PLAN OF COMPROMISE
AND ARRANGEMENT**

pursuant to the *Companies' Creditors Arrangement Act*

December 13, 2023

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CONSOLIDATED PLAN OF COMPROMISE AND ARRANGEMENT

WHEREAS:

- A. Nordstrom Canada Retail, Inc. (“**NCRI**”), Nordstrom Canada Holdings, LLC (“**NCH**”) and Nordstrom Canada Holdings II, LLC (“**NCHII**”, and together with NCRI and NCH, collectively, the “**Applicants**”) and Nordstrom Canada Leasing LP (“**NCL**”, and together with the Applicants, collectively, the “**Nordstrom Canada Entities**”) are insolvent;
- B. The Applicants filed for and obtained protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) on March 2, 2023, as amended and restated on March 10, 2023 (and as further amended, restated or varied from time to time, the “**Initial Order**”);
- C. The Initial Order declared that, although not an Applicant, NCL shall enjoy the protections and authorizations provided by the Initial Order;
- D. Pursuant to the Initial Order, the Applicants have the authority to file with the Court a plan of compromise or arrangement, which plan will provide, among other things, a method of distribution to creditors with proven claims and the framework for the completion of the orderly wind-down of the Nordstrom Canada Entities’ business; and
- E. On December 20, 2023, the Court issued an Order (as may be amended, restated or varied from time to time, the “**Meeting Order**”), *inter alia*, accepting this consolidated plan of compromise and arrangement under and pursuant to the CCAA (including the Schedules hereto, as may be amended, supplemented or replaced from time to time, the “**Plan**”) for filing with the Court. Pursuant to and in accordance with the Initial Order and the Meeting Order, the Applicants hereby propose and present this consolidated Plan.

ARTICLE 1 INTERPRETATION

1.1 Definitions

In the Plan, unless otherwise stated or unless the subject matter or context otherwise requires:

“**A&M**” means Alvarez & Marsal Canada Inc.;

“**Administration Charge**” means the charge over the Property created by paragraph 53 of the Initial Order, and having the priority provided in paragraphs 54 and 56 of such Order;

“**Administrative Reserve**” means a Cash Reserve to be established on the Plan Implementation Date from the Consolidated Cash Pool (concurrently with the creation of the Disputed Claims Reserve and prior to any distributions to Affected Creditors therefrom) as authorized by the Court pursuant to the Sanction and Vesting Order, in an amount to be agreed by the Monitor and the Nordstrom Canada Entities five (5) Business Days prior to the Plan Implementation Date, and to be deposited by the Nordstrom Canada Entities into the Administrative Reserve Account for the purpose of paying the

Administrative Reserve Costs, which Administrative Reserve shall be subject to the Administrative Reserve Adjustment;

“Administrative Reserve Account” means a segregated interest-bearing trust account established by NCRI on behalf of itself and each of the Nordstrom Canada Entities to hold the Administrative Reserve on behalf of the beneficiaries thereof, under the supervision of the Monitor;

“Administrative Reserve Adjustment” means, on or after the Plan Implementation Date, a decrease in the Administrative Reserve in such amount and at such time(s) as the Monitor may determine to be appropriate, necessary or desirable, in consultation with the Nordstrom Canada Entities, and Cash in the amount of any such decrease shall be transferred to the Consolidated Cash Pool Account as appropriate;

“Administrative Reserve Costs” means costs incurred and payments to be made on or after the Plan Implementation Date (including costs incurred prior to the Plan Implementation Date which remain outstanding as of the Plan Implementation Date) in respect of:

- (a) the Monitor’s fees and disbursements (including of its legal counsel and other consultants and advisors) in connection with the performance of its duties under the Plan and in the CCAA Proceedings, including without limitation all costs associated with assisting the Nordstrom Canada Entities in completing the Claims Process, making distributions pursuant to this Plan, and the wind-down of the Nordstrom Canada Entities;
- (b) the Nordstrom Canada Entities’ fees and disbursements (including of their legal counsel and other consultants and advisors) in connection with the performance of their duties under the Plan and in the CCAA Proceedings, including without limitation all costs associated with completing the Claims Process, making distributions pursuant to this Plan, and the wind-down of the Nordstrom Canada Entities;
- (c) costs incurred by the Plan Sponsor in respect of the provision of any shared services in connection with the completion of the Claims Process and the performance of the Nordstrom Canada Entities’ duties under the Plan (including without limitation maintaining the books and records of the Nordstrom Canada Entities, and administering distributions, disbursements and payments under the Plan) pursuant to and in accordance with the Wind-Down Agreement, the Plan, and the Sanction and Vesting Order;
- (d) any third-party fees incurred in connection with the administration of distributions, disbursements and payments under the Plan;
- (e) any fees incurred in connection with the bankruptcy and/or the dissolution under corporate law or otherwise of the Nordstrom Canada Entities, including any retainer for the fees and disbursements of any trustee;
- (f) Post-Filing Claims;

- (g) Post-Filing Tax Claims;
- (h) the fees and disbursements of Employee Representative Counsel;
- (i) the fees and disbursements of any claims officers appointed under the Claims Procedure Order;
- (j) Excluded Claims, Government Priority Claims and Employee Priority Claims; and
- (k) any other reasonable amounts as the Monitor may determine in consultation with the Nordstrom Canada Entities;

“Affected Claim” means a Claim other than an Unaffected Claim;

“Affected Creditor” means a Creditor who has an Affected Claim;

“Applicable Law” means any law (including any principle of civil law, common law or equity), statute, Order, decree, judgment, rule, regulation, ordinance, or other pronouncement having the effect of law, whether in Canada or any other country or any domestic or foreign province, state, city, county or other political subdivision;

“Applicants” has the meaning ascribed thereto in the Recitals;

“Assessments” means Claims of His Majesty the King in Right of Canada or of His Majesty the King in Right of any province or territory or of any municipality or of any other Taxing Authority in any Canadian or other jurisdictions, including without limitation amounts which may arise or have arisen under any notice of assessment, notice of objection, notice of reassessment, notice of appeal, audit, investigation, demand or similar request from any Taxing Authority;

“Basic Sublease Rent” means all Basic Sublease Rent or Minimum Sublease Rent (each as defined in the applicable Sublease) required to be paid by NCRI to NCL under the applicable Sublease during the Term (as defined in the applicable Sublease) of the applicable Sublease;

“BIA” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended;

“Business” means the integrated operations and activities formerly carried on collectively by the Nordstrom Canada Entities;

“Business Day” means a day on which banks are open for business in the City of Toronto, Ontario, Canada, but does not include a Saturday, Sunday or a statutory holiday in the Province of Ontario;

“Canada Customer Data” means customer-related data derived from the operation of the Business including, but not limited to, the Canada customer list(s);

“Cash” means cash, certificates of deposit, bank deposits, commercial paper, treasury bills, amounts on account of ITCs (but excluding Plan Sponsor ITCs), refunds, cash collateral

posted on account of customs or other bonds, and any other cash equivalents, whether or not acquired or realized before or after the Plan Implementation Date;

“Cash Elected Amount” means \$15,000;

“Cash Management Bank” means any Person who is providing cash management services to any of the Nordstrom Canada Entities under the Cash Management System (as defined in the Initial Order);

“Cash Management Bank Claim” means any claim of any Cash Management Bank in connection with the provision of cash management services under the Cash Management System (as defined in the Initial Order) to any of the Nordstrom Canada Entities;

“Cash Reserves” means, collectively, the Administrative Reserve and the Disputed Claims Reserve, and **“Cash Reserve”** means any one of them;

“CCAA” has the meaning ascribed thereto in the Recitals;

“CCAA Charges” means collectively the Administration Charge and the Directors’ Charge;

“CCAA Proceedings” means the CCAA proceedings in respect of the Nordstrom Canada Entities commenced pursuant to the Initial Order;

“Claim” means a Pre-Filing Claim, a Restructuring Period Claim, a Pre-Filing D&O Claim, and a Restructuring Period D&O Claim, provided, however, that in any case the term “Claim” shall not include an Excluded Claim or any right, interest or claim of any Person that was previously released, barred, estopped, and/or permanently stayed, but shall include any claim arising through subrogation against any Nordstrom Canada Entity or any Director or Officer;

“Claims Bar Date” means: (a) in respect of a Pre-Filing Claim or a Pre-Filing D&O Claim, 5:00 p.m. on August 4, 2023; and (b) in respect of a Restructuring Period Claim or Restructuring Period D&O Claim, the later of (i) thirty (30) days after the date on which the Monitor sends a Negative Notice Claims Package or General Claims Package (each as defined in the Claims Procedure Order) with respect to such Claim, and (ii) 5:00 p.m. on August 4, 2023;

“Claims Procedure Order” means the Order of the Court made May 30, 2023 (including all schedules and appendices thereto) approving and implementing the claims procedure in respect of the Nordstrom Canada Entities and the Directors and Officers, and as may be further amended, restated or varied from time to time;

“Claims Process” means the procedures outlined in the Claims Procedure Order in connection with the assertion of Claims against any of the Nordstrom Canada Entities and/or the Directors and Officers;

“Conditions Precedent” means the conditions precedent to Plan implementation set out in Section 8.3;

“Consolidated Cash Pool” means the Cash pool comprised of all Cash of and contributed by the Nordstrom Canada Entities, excluding the Plan Sponsor ITCs, the NCL FLS Distribution ITCs and the Cash Reserves, and including without limitation the net proceeds of the Liquidation Sale, consolidated for purposes of making distributions to Creditors of all of the Nordstrom Canada Entities;

“Consolidated Cash Pool Account” means a segregated interest-bearing trust account established by NCRI to hold the Consolidated Cash Pool on behalf of itself and each of the other Nordstrom Canada Entities under the supervision of the Monitor;

“Convenience Class Claim” excludes a Disputed Claim and means: (a) one or more Proven Claims of an Affected Creditor that are less than or equal to \$15,000 in the aggregate; and (b) one or more Proven Claims of an Affected Creditor in an amount in excess of \$15,000 in the aggregate that such Affected Creditor has validly elected to value at \$15,000 for purposes of the Plan by filing a Convenience Class Claim Election by the Election/Proxy Deadline;

“Convenience Class Claim Election” means the election by an Affected Creditor with one or more Proven Claims that are in an amount in excess of \$15,000 in the aggregate, submitted by no later than the Election/Proxy Deadline, to receive only the Cash Elected Amount and pursuant to which such Affected Creditor is thereby deemed to have foregone any recovery on its Proven Claim in excess of the Cash Elected Amount, to vote in favour of the Plan in respect of such Proven Claims, and to receive no other entitlements under the Plan;

“Convenience Class Creditor” means a Person having a Convenience Class Claim (including, for greater certainty, any Affected Creditor that has timely submitted a Convenience Class Claim Election);

“Court” has the meaning ascribed thereto in the Recitals;

“CRA NCH Assessments” means the Notices of Assessment under the ITA dated June 27, 2023 issued to NCH on the asserted basis that NCH is liable to pay non-resident withholding tax under Part XIII of the ITA on behalf of NIL pursuant to subsection 215(6) of the ITA in respect of interest paid by NCH to NIL in 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021, and for certainty includes any and all claims relating thereto;

“Creditor” means any Person asserting an Affected Claim or an Unaffected Claim and may, where the context requires, include the assignee of such Claim or a personal representative, agent, litigation guardian, mandatary, trustee, interim receiver, receiver, receiver and manager, liquidator or other Person acting on behalf of such Person;

“Creditors’ Meeting” means the meeting of Affected Creditors to be called and held pursuant to the Meeting Order for the purpose of considering and voting upon the Plan, and includes any adjournment, postponement or rescheduling of such meeting;

“Director” means any Person who is or was or may be deemed to be or have been, whether by statute, operation of law or otherwise, a director or *de facto* director of any of the Nordstrom Canada Entities, in such capacity;

“Directors’ Charge” means the charge over the Property created by paragraph 43 of the Initial Order, and having the priority provided in paragraphs 54 and 56 of such Order;

“Disputed Claim” means that portion of an Affected Claim of an Affected Creditor in respect of which a Proof of Claim or Negative Notice Claim, as applicable, has been filed or issued in accordance with the Claims Procedure Order that has not been finally determined to be a Proven Claim in whole or in part in accordance with the Claims Procedure Order, the Meeting Order, or any other Order made in the CCAA Proceedings;

“Disputed Claims Reserve” means a Cash Reserve to be established on the Plan Implementation Date from the Consolidated Cash Pool (concurrently with the creation of the Administrative Reserve and prior to any distributions to Affected Creditors therefrom) as authorized by the Court pursuant to the Sanction and Vesting Order, in an amount to be determined by the Monitor in consultation with the Nordstrom Canada Entities five (5) Business Days prior to the Plan Implementation Date, which Cash Reserve shall be held by NCRI on behalf of itself and each of the other Nordstrom Canada Entities in the Disputed Claims Reserve Account for distribution in accordance with the Plan;

“Disputed Claims Reserve Account” means a segregated interest-bearing trust account established by NCRI on behalf of itself and each of the other Nordstrom Canada Entities to hold the Disputed Claims Reserve under the supervision of the Monitor;

“Distribution Date” means the day on which a distribution to Creditors of the Nordstrom Canada Entities with Proven Claims is made, other than the Initial Distribution Date or the Final Distribution Date;

“Effective Time” means 12:01 a.m. on the Plan Implementation Date or such other time on such date as the Nordstrom Canada Entities and the Monitor shall determine or as otherwise ordered by the Court;

“Election/Proxy Deadline” means the deadline for making a Convenience Class Claim Election and for submitting Proxies in accordance with the Meeting Order;

“Employee Priority Claims” means the following claims of Employees:

- (a) claims equal to the amounts that any such Employees would have been qualified to receive under paragraph 136(1)(d) of the BIA if the Nordstrom Canada Entities had become bankrupt on the Filing Date; and
- (b) claims for wages, salaries, commissions or compensation for services rendered by them after the Filing Date and on or before the Plan Implementation Date together with, in the case of travelling salespersons, disbursements properly incurred by them in and about the Business during the same period;

“Employee Representative Counsel” means Ursel Phillips Fellows Hopkinson LLP, appointed pursuant to paragraph 30 of the Initial Order as counsel for all Represented Employees in the CCAA Proceedings, any proceeding under the BIA or in any other proceeding respecting the insolvency of the Applicants which may be brought before the Court;

“Employee Trust” means the employee trust created pursuant to the Employee Trust Agreement and approved by the Court pursuant to paragraph 24 of the Initial Order;

“Employee Trust Agreement” means the Trust Agreement dated as of March 2, 2023 among the Plan Sponsor, the Monitor and the Employee Trust Trustee, which was approved by the Court pursuant to paragraph 24 of the Initial Order;

“Employee Trust Trustee” means Gale Rubenstein in her capacity as trustee of the Employee Trust;

“Employees” means all current and former employees of the Nordstrom Canada Entities other than Directors and Officers, and **“Employee”** means any one of them;

“Encumbrance” means any charge, mortgage, lien, pledge, claim, restriction, security interest, security agreement, hypothecation, assignment, deposit arrangement, hypothec, lease, rights of others including without limitation Transfer Restrictions, deed of trust, trust or deemed trust, lien, financing statement, preferential arrangement of any kind or nature whatsoever, including any title retention agreement, or any other arrangement or condition which in substance secures payment or performance of any obligations, action, claim, demand or equity of any nature whatsoever, execution, levy, charge or other financial or monetary claim, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise, or other encumbrance, whether created or arising by agreement, statute or otherwise at law, attaching to property, interests or rights and shall be construed in the widest possible terms and principles known under law applicable to such property, interests or rights and whether or not they constitute specific or floating charges as those terms are understood under Applicable Law, including without limiting the generality of the foregoing, the CCAA Charges;

“Equity Claim” has the meaning ascribed thereto in section 2 of the CCAA;

“ETA” means the *Excise Tax Act* (Canada), R.S.C. 1985, c. E-15, as amended, and any regulations thereunder;

“Excluded Claim” means any:

- (a) claim secured by any of the CCAA Charges;
- (b) claim that cannot be compromised pursuant to sections 5.1(2) and 19(2) of the CCAA; and
- (c) the Cash Management Bank Claim;

“Filing Date” means March 2, 2023;

“Final Distribution Date” has the meaning ascribed thereto in Section 6.10;

“Final Order” means a final Order of the Court, the implementation, operation or effect of which shall not have been stayed, varied, vacated or subject to pending appeal and as to which Order any appeal periods relating thereto shall have expired;

“FLS Landlord Guarantee Claim” means the rights, remedies and claims of a FLS Landlord against the Plan Sponsor arising under a Plan Sponsor Landlord Guarantee;

“FLS Landlord ITC Distribution” means the distributions to FLS Landlords from the NCL ITC Cash Pool Account under Section 6.6(b);

“FLS Landlord ITC Share” means the proportionate share of the NCL FLS Distribution ITCs generated by prior distributions to the applicable FLS Landlord which have not been distributed, which, in respect of a particular FLS Landlord, shall be calculated as:

A / B, where

“A” equals

(i) the aggregate amount of NCL FLS Distribution ITCs previously contributed to the NCL ITC Cash Pool Account which are generated on distributions made to such FLS Landlord, less

(ii) the aggregate amount of all FLS Landlord ITC Distributions previously made to such FLS Landlord, and

divided by

“B” equals

(i) the aggregate amount of all NCL FLS Distribution ITCs previously contributed to the NCL ITC Cash Pool Account, less

(ii) the aggregate amount of all FLS Landlord ITC Distributions previously made to any FLS Landlord;

“FLS Landlord Settlement Agreements” means, collectively, the settlement and other agreements entered into by the Plan Sponsor and the Nordstrom Canada Entities, as applicable, and each of the FLS Landlords to, among other things, consensually resolve the indemnity claims of such FLS Landlords against the Plan Sponsor arising under the Plan Sponsor Landlord Guarantees;

“FLS Landlords” means, collectively, the third-party Landlords of the FLS Stores, and **“FLS Landlord”** means any one of them;

“FLS Stores” means the former Nordstrom full-line stores in Canada listed on Schedule B hereto;

“Government Priority Claims” means all Claims of Governmental Authorities that are enumerated in section 6(3) of the CCAA in respect of amounts that are outstanding and that are of a kind that could be subject to a demand on or before the Final Distribution Date;

“Governmental Authority” means any government, including any federal, provincial, territorial or municipal government, and any government department, body, ministry, agency, tribunal, commission, board, court, bureau or other authority exercising or

purporting to exercise executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government including without limitation any Taxing Authority;

“Guarantee” means any guarantee, indemnity, surety or similar agreement by a Person to guarantee, indemnify or otherwise hold harmless any Person from or against any indebtedness, losses, Liabilities or damages of that Person, but excludes all Plan Sponsor Landlord Guarantees;

“HST/GST” means the goods and services tax and harmonized sales tax imposed under the ETA, and any equivalent or corresponding tax imposed under any applicable provincial or territorial legislation imposing a similar value added or multi-staged tax;

“Initial Distribution Date” means a date no more than five (5) Business Days after the Plan Implementation Date or such other date as the Nordstrom Canada Entities and the Monitor may agree;

“Initial Order” has the meaning ascribed thereto in the Recitals;

“Insurance Policy” means any insurance policy pursuant to which any Nordstrom Canada Entity is insured, and for greater certainty excludes any insurance policy pursuant to which any Director, Officer or third party is insured;

“Insured Claim” means all or that portion of a Claim against a Nordstrom Canada Entity that is insured under an Insurance Policy, but solely to the extent that such Claim, or portion thereof, is so insured, and only as against such Insurance Policy;

“Intercompany Claim” means any Claim that may be asserted against any Nordstrom Canada Entity by or on behalf of itself and: (a) any other Nordstrom Canada Entity; or (b) the Plan Sponsor or any of its affiliated companies, partnerships, or other corporate entities other than the Nordstrom Canada Entities, all as more particularly described in the Intercompany Claims Report;

“Intercompany Claims Report” means the Fifth Report of the Monitor dated August 3, 2023 reporting on the Monitor’s review of the Intercompany Claims pursuant to and in accordance with paragraph 44 of the Claims Procedure Order;

“ITA” means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1 (5th Supp.), as amended, and any regulations thereunder;

“ITC” means an input tax credit receivable and claimed under the ETA or any equivalent or corresponding amount receivable and claimed under any applicable provincial or territorial legislation imposing a similar value-added or multi-staged tax, on account of HST/GST paid or payable;

“KERP” means the Key Employees Retention Plan approved by paragraph 39 of the Initial Order;

“KERP Claim” means a claim of any Person who was entitled to payment under the KERP;

“Landlord” means any Person who in its capacity as lessor was a party to a real property Lease to which any of the Nordstrom Canada Entities was a party, and for the avoidance of doubt includes NCL as sublandlord;

“Lease” means any real property lease, including a sublease, and any and all amendments, modifications, assignments and restatements thereto and thereof and related agreements, to which any Nordstrom Canada Entity is a party;

“Lease Monetization Process” means the sales process conducted in respect of the Nordstrom Canada Entities’ Leases, which sales process was authorized by the Court pursuant to the Initial Order;

“Liabilities” means all indebtedness, obligations and other liabilities of a Person whether absolute, accrued, contingent, fixed or otherwise, known or unknown, or whether due or to become due, and **“Liability”** means any one of them;

“Liquidation Sale” means the sale of the Nordstrom Canada Entities’ inventory, furniture, fixtures and equipment that was approved by the Court pursuant to an Order dated March 20, 2023;

“Master Lease” means, in each case, the Lease pursuant to which former store premises were leased by NCL, as tenant, from a third-party Landlord and any and all amendments, modifications, assignments and restatements thereto and thereof and all related agreements;

“Meeting Materials” has the meaning ascribed thereto in the Meeting Order;

“Meeting Order” has the meaning ascribed thereto in the Recitals;

“Monitor” means A&M, in its capacity as Court-appointed monitor of the Nordstrom Canada Entities and not in its personal capacity;

“Monitor’s Plan Completion Certificate” means the certificate substantially in the form to be attached to the Sanction and Vesting Order to be served on the service list established in the CCAA Proceedings and filed by the Monitor with the Court following written notice from the Nordstrom Canada Entities to the Monitor pursuant to Section 6.10(d) that the Nordstrom Canada Entities have completed their duties to fully and finally effect all steps, distributions, disbursements and payments in accordance with the Plan;

“Monitor’s Plan Implementation Date Certificate” means the certificate substantially in the form to be attached to the Sanction and Vesting Order to be delivered by the Monitor to the Nordstrom Canada Entities, served on the service list established in the CCAA Proceedings, and filed by the Monitor with the Court, declaring that the Nordstrom Canada Entities have advised the Monitor that all of the Conditions Precedent to implementation of the Plan have been satisfied or waived;

“NCL FLS Distribution ITCs” means any ITCs generated solely in favour of NCL pursuant to the ETA on account of HST/GST deemed to have been paid by NCL on distributions made to FLS Landlords from the Consolidated Cash Pool or the NCL ITC

Cash Pool, as applicable, other than amounts which the Monitor may determine in its sole and unfettered discretion to be immaterial and which shall not be claimed by NCL;

“NCL Improvement Rent Claim” means NCL’s Restructuring Period Claim against NCRI arising from the termination of each Sublease equal to the net present value of unpaid Real Estate Improvement Rent for the remaining term of each Sublease, in the amount of \$368,027,201 and identified as Claim No. 10B under the Intercompany Claims Report, which Claim shall be a Proven Claim in an amount required for NCL to have the Cash necessary to make the distributions to Affected Creditors of NCL as contemplated under the Plan;

“NCL ITC Cash Pool” means the Cash pool comprised of all Cash received by NCL pursuant to the ETA on account of any NCL FLS Distribution ITCs resulting from distributions made to FLS Landlords pursuant to this Plan, and contributed by NCL for purposes of making further distributions to such FLS Landlords;

“NCL ITC Cash Pool Account” means a segregated interest-bearing trust account established by NCRI to hold the NCL ITC Cash Pool in trust on behalf of NCL under the supervision of the Monitor;

“NCL Master Lease Flow-Through Claim” means NCL’s Restructuring Period Claim against NCRI for the claims of Landlords against NCL arising from the disclaimer of the unassigned Master Leases and identified as Claim No. 10A under the Intercompany Claims Report;

“NCL Post-Filing Sublease Rent Claim” means NCL’s Post-Filing Claim as against NCRI for unpaid Real Estate Improvement Rent, in the amount of \$26,227,411 and identified as Claim No. 9 under the Intercompany Claims Report;

“NCL Pre-Filing Sublease Rent Claim” means NCL’s Pre-Filing Claim as against NCRI for unpaid Basic Sublease Rent, Sublease Additional Rent and Real Estate Improvement Rent, in the amount of \$64,879,810 and identified as Claim No. 8 under the Intercompany Claims Report;

“NCL Rack Distribution ITCs” means any ITCs generated solely in favour of NCL pursuant to the ETA on account of HST/GST deemed to have been paid by NCL on distributions made to Supporting Rack Landlords from the Consolidated Cash Pool;

“NCL Sublease Termination Claim” means NCL’s Restructuring Period Claim against NCRI for damages suffered by NCL as a result of the termination of the Master Leases and Subleases, consisting of the aggregate of the NCL Master Lease Flow-Through Claim and NCL Improvement Rent Claim and identified as Claim No. 10 under the Intercompany Claims Report;

“NCL-NCRI Claims Settlement Agreement” means the agreement between NCL and NCRI, to be deemed effective on the Plan Implementation Date, which results in the full and final settlement and satisfaction of the NCL Pre-Filing Sublease Rent Claim (Intercompany Claim No. 8), the NCL Sublease Termination Claim (Intercompany Claim No. 10) and the NCRI-NCL Services Claim (Intercompany Claim No. 11);

“NCL-NCRI Claims Settlement Amount” means the Cash amount to be paid by NCRI to NCL pursuant to the NCL-NCRI Claims Settlement Agreement;

“NCRI Transfer Pricing Claim” means a claim by NCRI against the Plan Sponsor for unpaid transfer pricing payments pursuant to the “Transfer Pricing Policy” under the NINC-NCRI Services Agreement, in the amount of \$87,400,488 and identified as Claim No. 3 under the Intercompany Claims Report;

“NCRI-NCL Services Agreement” means the Inter-Affiliate Services Agreement between NCRI and NCL dated as of December 10, 2014;

“NCRI-NCL Services Claim” means NCRI’s Pre-Filing Claim against NCL for unpaid fees relating to the provision of shared services pursuant to the NCRI-NCL Services Agreement, in the amount of \$55,046 and identified as Claim No. 11 under the Intercompany Claims Report;

“Negative Notice Claim” means the statement of negative notice claim that was prepared by the Nordstrom Canada Entities, in consultation with the Monitor and disseminated to each applicable Creditor in accordance with the Claims Procedure Order;

“Net NCRI Transfer Pricing Claim” means the remaining balance of the NCRI Transfer Pricing Claim of \$69,939,309, having been reduced by \$17,461,179, being the amount of the Net NINC-NCRI Services Claim, as a result of the set-off in Section 5.2(f);

“Net NINC-NCRI Services Claim” means the remaining balance of the NINC-NCRI Services Claim of \$17,461,179, having been reduced by \$200,000, being the fair market value of the Canada Customer Data, as a result of the partial settlement and satisfaction in Section 5.2(e);

“NIL” means Nordstrom International Limited, Inc.;

“NIL Canada Expansion Loan Agreement” means the loan agreement between NIL and NCH dated April 18, 2014;

“NIL Canada Expansion Loan Claim” means a Pre-Filing Claim by NIL against NCH in respect of loans advanced by NIL under the NIL Canada Expansion Loan Agreement, in the amount of \$309,832,891 and identified as Claim No. 1 under the Intercompany Claims Report, which Claim shall be a Proven Claim in an amount which will generate total distributions under the Plan on account of such Claim equal to (and in any case no greater than) the Cash on hand at NCH available for distribution to Affected Creditors on the Plan Implementation Date;

“NINC Employee Trust Subrogated Claim” means a subrogated Pre-Filing Claim by the Plan Sponsor against NCRI authorized pursuant to the Initial Order in respect of the aggregate gross amounts paid to beneficiaries directly or indirectly from the Employee Trust, in the final amount of \$14,599,347 and which was in the amount of \$13,633,426 as at the date of the Intercompany Claims Report and identified as Claim No. 4 under the Intercompany Claims Report;

“NINC-NCH Services Agreement” means the Inter-Affiliate Services Agreement between the Plan Sponsor and NCH dated October 10, 2016;

“NINC-NCH Services Claim” means the Pre-Filing Claim by the Plan Sponsor against NCH for unpaid fees relating to the provision of shared services pursuant to the NINC-NCH Services Agreement, in the amount of \$55,031 and identified as Claim No. 6 under the Intercompany Claims Report;

“NINC-NCHII Services Agreement” means the Inter-Affiliate Services Agreement between the Plan Sponsor and NCHII dated October 10, 2016;

“NINC-NCHII Services Claim” means the Pre-Filing Claim by the Plan Sponsor against NCHII for unpaid fees relating to the provision of shared services pursuant to the NINC-NCHII Services Agreement, in the amount of \$56,829 and identified as Claim No. 7 under the Intercompany Claims Report;

“NINC-NCL Services Agreement” means the Inter-Affiliate Services Agreement between the Plan Sponsor and NCL dated December 10, 2014;

“NINC-NCL Services Claim” means the Pre-Filing Claim by the Plan Sponsor against NCL for unpaid fees relating to the provision of shared services pursuant to the NINC-NCL Services Agreement between the Plan Sponsor and NCL, in the amount of \$495,582 and identified as Claim No. 5 under the Intercompany Claims Report;

“NINC-NCRI Services Agreement” means the Inter-Affiliate License and Services Agreement between the Plan Sponsor and NCRI dated February 3, 2019;

“NINC-NCRI Services Claim” means a Pre-Filing Claim by the Plan Sponsor against NCRI for unpaid fees relating to the provision of shared services and the licencing of intellectual property pursuant to the NINC-NCRI Services Agreement, in the amount of \$17,661,179 and identified as Claim No. 2 under the Intercompany Claims Report;

“Nordstrom Canada Entities” has the meaning ascribed thereto in the Recitals;

“Nordstrom Canada Entities Released Party” has the meaning ascribed thereto in Section 7.1(a);

“Nordstrom Rack Stores” means the former Nordstrom Rack stores in Canada;

“Officer” means anyone who is or was or may be deemed to be or have been, whether by statute, operation of law or otherwise, an officer or manager or *de facto* officer or *de facto* manager of any of the Nordstrom Canada Entities, in such capacity;

“Order” means any order of the Court, or any order, directive, judgment, decree, injunction, decision, ruling, award or writ of any Governmental Authority;

“Other Priority Claim” means a Claim accepted by the Nordstrom Canada Entities, in consultation with the Monitor, as a proven “priority claim” pursuant to the Claims Procedure Order;

“Other Priority Claim Creditor” means a Creditor who has an Other Priority Claim, but only in respect of and to the extent of such Other Priority Claim;

“Person” means any individual, firm, corporation, limited or unlimited liability company, general or limited partnership, association, trust (including a real estate investment trust), unincorporated organization, joint venture, government or any agency or instrumentality thereof or any other entity;

“Plan” has the meaning ascribed thereto in the Recitals;

“Plan Implementation Date” means the Business Day on which all of the Conditions Precedent to the implementation of the Plan have been fulfilled or, to the extent permitted pursuant to the terms and conditions of the Plan, waived, as evidenced by the Monitor’s Plan Implementation Date Certificate to be delivered to the Nordstrom Canada Entities and filed with the Court;

“Plan Sanction Date” means the date that the Sanction and Vesting Order issued by the Court becomes a Final Order;

“Plan Sponsor” means Nordstrom, Inc., a corporation incorporated under the laws of the State of Washington;

“Plan Sponsor ITCs” means any ITCs generated in favour of NCL pursuant to the ETA solely upon and as a result of payment by the Plan Sponsor of amounts required to be paid under the FLS Landlord Settlement Agreements, which ITCs as and when received or otherwise realized by NCL are to be held in trust by NCL for the benefit of the Plan Sponsor, and for greater certainty, which Plan Sponsor ITCs shall not be contributed to the Consolidated Cash Pool, the NCL ITC Cash Pool or the Cash Reserves;

“Plan Sponsor Landlord Guarantee” means any indemnity, guarantee or surety in favour of any Landlord executed by the Plan Sponsor in relation to any Lease to which any Nordstrom Canada Entity is a party;

“Plan Sponsor Released Party” has the meaning ascribed thereto in Section 7.1(c);

“Plan Sponsor Subsidiaries” means all direct and indirect subsidiaries of the Plan Sponsor, including corporations and partnerships, other than the Nordstrom Canada Entities;

“Plan Sponsor Support Agreement” means the support agreement dated December 13, 2023 between the Plan Sponsor and the Nordstrom Canada Entities, pursuant to which the Plan Sponsor has agreed to be bound by the Plan and to perform all of its obligations hereunder;

“Plan Transaction Steps” has the meaning ascribed thereto in Section 5.2;

“Plan Transactions” means all of the steps or transactions considered necessary or desirable to give effect to the transactions contemplated in the Plan, including the Plan Transaction Steps set out in Section 5.2, and **“Plan Transaction”** means any individual step or transaction;

“Post-Filing Claim” means any indebtedness, Liability, or obligation of the Nordstrom Canada Entities of any kind that arises during and in respect of the period commencing on the Filing Date and ending on the day immediately preceding the Plan Implementation Date in respect of services rendered or supplies provided to the Nordstrom Canada Entities during such period; provided that, for certainty, such amounts are not a Restructuring Period Claim or a Restructuring Period D&O Claim;

“Post-Filing Tax Claims” means any claims of any Taxing Authorities against any of the Nordstrom Canada Entities arising on and after the Filing Date, but for greater certainty shall not include the CRA NCH Assessments;

“Pre-Filing Claim” means any right or claim of any Person against any of the Nordstrom Canada Entities, whether or not asserted, in connection with any indebtedness, Liability or obligation of any kind whatsoever of any such Nordstrom Canada Entity to such Person, in existence on the Filing Date, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any right or claim with respect to any Assessment, or contract, or by reason of any equity interest, right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and any right or ability of any Person to advance a claim for contribution or indemnity or otherwise against any of the Nordstrom Canada Entities with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which right or claim, including in connection with indebtedness, Liability or obligation is based in whole or in part on facts that existed prior to the Filing Date, including any claim against any of the Nordstrom Canada Entities for indemnification by any Director or Officer in respect of a Pre-Filing D&O Claim;

“Pre-Filing D&O Claim” means any right or claim of any Person against one or more of the Directors and/or Officers arising based in whole or in part on facts that existed prior to the Filing Date, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any Assessments and any right or ability of any Person to advance a claim for contribution, indemnity or otherwise against any of the Directors and/or Officers with respect to any matter, action, cause or chose in action, whether existing at present or arising or commenced in the future, for which any Director or Officer is alleged to be, by statute or otherwise by law or equity, liable to pay in his or her capacity as a Director or Officer;

“Principal Claim” has the meaning ascribed thereto in Section 3.8;

“Priority Claim” means any (a) Employee Priority Claim; (b) Government Priority Claim and (c) Other Priority Claim;

“Pro Rata Share” means the fraction that is equal to (a) the amount of the Proven Claim of an Affected Creditor who is not a Convenience Class Creditor, divided by (b) the

aggregate amount of all Proven Claims held by Affected Creditors who are not Convenience Class Creditors;

“Proof of Claim” means the form that was to be completed by a Creditor setting forth its applicable Claim and filed by the Claims Bar Date or such later date as the Monitor may have agreed to in its sole discretion, pursuant to the Claims Procedure Order;

“Property” means all current and future assets, undertakings and properties of the Nordstrom Canada Entities, of every nature and kind whatsoever, and wherever situate, including all Cash or other proceeds thereof;

“Proven Claim” means a Claim of an Affected Creditor finally determined for voting and/or distribution purposes in accordance with the Claims Procedure Order and the Plan;

“Proxy” means the proxy form enclosed with the Meeting Materials to be delivered to or otherwise made available to the Affected Creditors in accordance with the Meeting Order;

“Real Estate Improvement Rent” means the Real Estate Improvement Rent (as defined in each Sublease), which in each Sublease is an amount equal to a percentage of the costs of TI Work (as defined in the applicable Subleases);

“Realty Tax Appeals” means the two realty tax appeals referred to by (a) appeal number 3442661 for the taxation year 2021 and (b) appeal number 3487968 for the taxation year 2022, filed by NCL with respect to the former FLS Store located at Yorkdale Shopping Mall in Toronto, Ontario;

“Released Parties” means those Persons who are released pursuant to Section 7.1, including the Nordstrom Canada Entities Released Parties, the Plan Sponsor Released Parties and the Third Party Released Parties;

“Represented Employees” means (a) all store-level Employees; and (b) all non-store level Employees, other than (i) non-store level Employees who were eligible for a KERP payment, (ii) directors and officers of the Nordstrom Canada Entities, and (iii) the Senior Vice President, Regional Manager for Canada;

“Required Majority” means a majority in number of Affected Creditors who represent at least two-thirds in value of the Voting Claims of such Affected Creditors who actually vote on the Resolution (in person or by Proxy) at the Creditors’ Meeting or who were deemed to vote on the Resolution in accordance with the Plan and the Meeting Order;

“Resolution” means the resolution approving the Plan presented to the Affected Creditors for consideration at the Creditors’ Meeting;

“Restructuring Period Claim” means any right or claim of any Person against any of the Nordstrom Canada Entities in connection with any indebtedness, Liability or obligation of any kind whatsoever of any such Nordstrom Canada Entity to such Person arising out of the restructuring, disclaimer, termination or breach by such Nordstrom Canada Entity on or after the Filing Date of any contract, lease or other agreement, whether written or oral, and including any right or claim with respect to any Assessment;

“Restructuring Period D&O Claim” means any right or claim of any Person against one or more of the Directors and/or Officers arising after the Filing Date, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any Assessments and any right or ability of any Person to advance a claim for contribution, indemnity or otherwise against any of the Directors and/or Officers with respect to any matter, action, cause or chose in action, whether existing at present or arising or commenced in the future, for which any Director or Officer is alleged to be, by statute or otherwise by law or equity, liable to pay in his or her capacity as a Director or Officer;

“Sanction and Vesting Order” means the Order to be sought by the Applicants from the Court as contemplated under the Plan which, *inter alia*, approves and sanctions the Plan and the transactions contemplated thereunder;

“Sublease” means, in each case, the sublease pursuant to which NCL subleased each of the former store premises subject to a Master Lease to NCRI;

“Sublease Additional Rent” means all Additional Rent (as defined in the applicable Sublease) required to be paid by NCRI to NCL under the applicable Sublease;

“Supporting Rack Landlord Settlement Agreements” means, collectively, the settlement agreements entered into by the Nordstrom Canada Entities and the third-party Landlords of the Nordstrom Rack Stores in respect of, among other things, such Landlords’ Proven Claims pursuant to the Claims Procedure Order and the Plan;

“Supporting Rack Landlords” means, collectively, the third-party Landlords of the Nordstrom Rack Stores that have executed and remain, at the relevant time, subject to a Supporting Rack Landlord Settlement Agreement, and **“Supporting Rack Landlord”** means any one of them;

“Tax” means any and all taxes including all income, sales, use, goods and services, harmonized sales, value added, capital gains, alternative, net worth, transfer, profits, withholding, payroll, employer health, excise, franchise, real property, and personal property taxes and other taxes, customs, duties, fees, levies, imposts and other Assessments or similar charges in the nature of a tax, including Canada Pension Plan and provincial pension plan contributions, employment insurance and unemployment insurance payments and workers’ compensation premiums, together with any instalments with respect thereto, and any interest, penalties, fines, fees, other charges and additions with respect thereto;

“Tax Obligation” means any amount of Tax owing by a Person to a Taxing Authority;

“Taxing Authorities” means His Majesty the King in right of Canada, His Majesty the King in right of any province or territory of Canada, any municipality of Canada, the Canada Revenue Agency, the Canada Border Services Agency, any similar revenue or taxing authority of Canada and each and every province or territory of Canada and any political subdivision thereof and any Canadian or foreign government, regulatory authority, government department, agency, commission, bureau, minister, court, tribunal or body or

regulation-making entity exercising taxing authority or power, and **“Taxing Authority”** means any one of the Taxing Authorities;

“Third Party Released Party” has the meaning ascribed thereto in Section 7.1(b);

“Transfer Restrictions” means any and all restrictions on the transfer of shares, limited partnership or other units or interests in real property including rights of first refusal, rights of first offer, shotgun rights, purchase options, change of control consent rights, puts or forced sales provisions or similar rights of shareholders or lenders in respect of such interests;

“Unaffected Claim” means any: (a) Excluded Claim; (b) claim in respect of the Administrative Reserve Costs; (c) FLS Landlord Guarantee Claim; (d) Priority Claim; and (e) Insured Claim;

“Unaffected Creditor” means a Creditor who has an Unaffected Claim, but only in respect of and to the extent of such Unaffected Claim;

“Unsecured Creditors’ Class” has the meaning ascribed thereto in Section 3.1;

“Voting Claim” means the amount of the Affected Claim of an Affected Creditor as finally determined for voting purposes in accordance with the Claims Procedure Order and the Meeting Order entitling such Affected Creditor to vote at the Creditors’ Meeting in accordance with the provisions of the Meeting Order, the Plan and the CCAA, and includes, for greater certainty, a Proven Claim;

“Website” means www.alvarezandmarsal.com/nordstromcanada;

“Wind-Down Agreement” means the wind-down agreement dated as of March 1, 2023 between the Plan Sponsor and the Nordstrom Canada Entities, as amended on June 8, 2023, and as may be further amended, restated or supplemented from time to time with the consent of the Monitor; and

“Withholding Obligation” has the meaning ascribed thereto in Section 6.14(c).

1.2 Certain Rules of Interpretation

For the purposes of the Plan:

- (a) any reference in the Plan to a contract, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions and shall include all schedules and appendices thereto;
- (b) any reference in the Plan to an Order or an existing document or exhibit filed or to be filed means such Order, document or exhibit as it may have been or may be amended, restated or varied from time to time;

- (c) the division of the Plan into “Articles” and “Sections” and the insertion of a Table of Contents are for convenience of reference only and do not affect the construction or interpretation of the Plan, nor are the descriptive headings of “Articles” and “Sections” otherwise intended as complete or accurate descriptions of the content thereof;
- (d) references in the Plan to “Articles”, “Sections”, “Subsections” and “Schedules” are references to Articles, Sections, Subsections and Schedules of or to the Plan;
- (e) the use of words in the singular or plural, or with a particular gender, including a definition, shall not limit the scope or exclude the application of any provision of the Plan or a Schedule hereto to such Person (or Persons) or circumstances as the context otherwise permits;
- (f) the words “includes” and “including” and similar terms of inclusion shall not, unless expressly modified by the words “only” or “solely”, be construed as terms of limitation, but rather shall mean “includes but is not limited to” and “including but not limited to”, so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive;
- (g) unless otherwise provided, any reference to a statute or other enactment of Parliament or a legislature includes all regulations made thereunder, all amendments to or re-enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation;
- (h) the terms “the Plan”, “hereof”, “herein”, “hereto”, “hereunder” and similar expressions shall be deemed to refer generally to the Plan and not to any particular “Article”, “Section” or other portion of the Plan and include any documents supplemental hereto; and
- (i) the word “or” is not exclusive.

1.3 Time

For purposes of the Plan, unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean prevailing local time in Toronto, Ontario, Canada, unless otherwise stipulated.

1.4 Date and Time for any Action

For purposes of the Plan:

- (a) In the event that any date on which any action is required to be taken under the Plan by any Person is not a Business Day, that action shall be required to be taken on the next succeeding day which is a Business Day, and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day; and

- (b) Unless otherwise specified, time periods within or following which any payment is to be made or any act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day.

1.5 Successors and Assigns

The Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, liquidators, receivers, trustees in bankruptcy and successors and assigns of any Person or party named or referred to in the Plan.

1.6 Governing Law

The Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation of or application of the Plan and all proceedings taken in connection with the Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

1.7 Currency

Unless specifically provided for in the Plan, for the purposes of voting or distribution under the Plan, a Claim shall be denominated in Canadian dollars and all payments and distributions to Affected Creditors on account of their Proven Claims shall be made in Canadian dollars. Any Claim in a currency other than Canadian dollars must be converted to Canadian dollars, and any such amount shall be regarded as having been converted at the noon spot rate of exchange quoted by the Bank of Canada for exchanging such currency to Canadian dollars as at the Filing Date, which rate for US dollars is US\$1:Cdn\$1.3614.

1.8 Schedules

The following are the Schedules to the Plan, which are incorporated by reference into the Plan and form a part of it:

Schedule A	Intercompany Claims
Schedule B	FLS Stores

ARTICLE 2 PURPOSE AND EFFECT OF THE PLAN

2.1 Purpose of Plan

The purpose of the Plan is to:

- (a) complete the controlled, orderly and timely wind-down of the Nordstrom Canada Entities;

- (b) provide for a compromise and settlement of all Affected Claims and to effect timely distributions as provided for herein in respect of Proven Claims;
- (c) effect a release and discharge of all Affected Claims and of all claims released pursuant to the Plan, but for certainty not including the FLS Landlord Guarantee Claims; and
- (d) effect a global resolution of the CCAA Proceedings,

in the expectation that, on balance, all Persons with an economic interest in the Nordstrom Canada Entities will derive a greater benefit from the implementation of the Plan than would otherwise result from a non-consolidated plan or results that could have been achieved in a bankruptcy of the Nordstrom Canada Entities.

2.2 Persons Affected

The Plan provides for the compromise and settlement of the Affected Claims on a consolidated basis. The Plan will become effective at the Effective Time on the Plan Implementation Date. On the Plan Implementation Date, the Affected Claims will be fully and finally compromised, settled, released and discharged to the extent provided for under the Plan. The Plan shall be binding on and shall enure to the benefit of the Nordstrom Canada Entities, the Affected Creditors, the Released Parties and all other Persons named or referred to in, receiving the benefit of or subject to, the Plan.

2.3 Persons Not Affected

For greater certainty, the Plan does not affect the Unaffected Creditors with respect to and to the extent of their Unaffected Claims, including for greater certainty the FLS Landlords with respect to and to the extent of their FLS Landlord Guarantee Claims. Nothing in the Plan shall affect any Nordstrom Canada Entity's rights and defences, both legal and equitable, with respect to any Unaffected Claims including, but not limited to, all rights with respect to legal and equitable defences or entitlements to set-offs or recoupments against such Unaffected Claims.

2.4 Equity Claims

All Persons holding Equity Claims shall not be entitled to vote at the Creditors' Meeting and shall not receive any distributions under the Plan or otherwise receive any other compensation in respect of their Equity Claims.

ARTICLE 3 CLASSIFICATION OF CREDITORS, VOTING, TREATMENT AND RELATED MATTERS

3.1 Classification of Creditors

For the purposes of considering, voting on and receiving distributions under the Plan, the Affected Creditors shall constitute a single class, referred to as the **"Unsecured Creditors' Class"**.

3.2 Creditors' Meeting

The Creditors' Meeting shall be held in accordance with the Meeting Order and any further Order of the Court. The only Persons entitled to attend the Creditors' Meeting shall be representatives of the Nordstrom Canada Entities and the Plan Sponsor and their respective legal counsel and advisors, the Monitor and its legal counsel and advisors, the Employee Representative Counsel and all other Persons, including the holders of Proxies, entitled to vote at the Creditors' Meeting and their respective legal counsel and advisors. Any other Person may be admitted to the Creditors' Meeting only by invitation of the Monitor or as permitted pursuant to the Meeting Order or any further Order of the Court.

3.3 Procedure for Valuing Voting Claims

The procedure for valuing Voting Claims and resolving disputes and entitlements to voting shall be as set forth in the Claims Procedure Order, the Meeting Order, the Plan and the CCAA. The Nordstrom Canada Entities, in consultation with the Monitor, shall have the right to seek the assistance of the Court in valuing any Voting Claim in accordance with the Meeting Order and the Plan, if required, and to ascertain the result of any vote on the Plan.

3.4 Approval by Creditors

In order to be approved, the Plan must receive the affirmative vote of the Required Majority of the Unsecured Creditors' Class.

3.5 Voting of the Unsecured Creditors' Class

- (a) Each Affected Creditor in the Unsecured Creditors' Class who is entitled to vote at the Creditors' Meeting, pursuant to and in accordance with the Claims Procedure Order, the Meeting Order, the Plan and the CCAA, shall be entitled to one vote in the amount equal to its Voting Claim.
- (b) Each Convenience Class Creditor shall each be deemed to vote in favour of the Plan in the amount equal to its Voting Claim. For greater certainty, the Voting Claim of a Convenience Class Creditor that has filed a Convenience Class Claim Election shall be the Cash Elected Amount.
- (c) Holders of Intercompany Claims shall not be entitled to vote on the Plan.
- (d) The Plan Sponsor shall not be entitled to vote on the Plan in respect of any amounts paid to any FLS Landlord in respect of any FLS Landlord Guarantee Claim.

3.6 Treatment of Affected Claims

In accordance with the terms herein, on the Plan Implementation Date, in full and final settlement and satisfaction of all Affected Claims,

- (a) Convenience Class Creditors:
 - (i) Each Affected Creditor with Proven Claims in the aggregate that are less than or equal to \$15,000 shall be deemed to have made the Convenience

Class Claim Election and hold a Convenience Class Claim, and shall be entitled to receive cash distributions on the Initial Distribution Date equivalent to the amount of their Proven Claims and shall not be entitled to any further distributions under the Plan.

- (ii) Each Affected Creditor with Proven Claims in the aggregate in excess of \$15,000 who delivers a duly completed and executed Convenience Class Claim Election to the Monitor by the Election/Proxy Deadline, shall be treated for all purposes as a Convenience Class Creditor and hold a Convenience Class Claim, and shall be entitled to receive only the Cash Elected Amount on the Initial Distribution Date and shall not be entitled to any further distributions under the Plan.

(b) Other Affected Creditors:

- (i) Affected Creditors who are not Convenience Class Creditors (including Affected Creditors with Disputed Claims which have become Proven Claims) shall each be entitled to receive distributions on their Proven Claims from the Consolidated Cash Pool pursuant to and in accordance with the Plan.

3.7 Unaffected Claims

Unaffected Claims shall not be compromised under the Plan. No holder of an Unaffected Claim shall be:

- (a) treated as a Convenience Class Creditor;
- (b) entitled to vote on the Plan or attend at any Creditors' Meeting in respect of such Unaffected Claim; or
- (c) entitled to or receive any distributions pursuant to the Plan in respect of such Unaffected Claim, unless specifically provided for under and pursuant to the Plan.

3.8 Guarantees and Similar Covenants

No Person who has a Claim under a Guarantee in respect of any Claim which is compromised under the Plan (such compromised Claim being the "**Principal Claim**"), or who has any right to or claim over in respect of or to be subrogated to the rights of any Person in respect of the Principal Claim, shall, in respect of such Guarantee or right, be:

- (a) entitled to any greater rights as against the Nordstrom Canada Entities than the Person holding the Principal Claim;
- (b) entitled to vote on the Plan to the extent that the Person holding the Principal Claim is voting on the Plan; or
- (c) entitled to receive any distribution under the Plan to the extent that the Person holding the Principal Claim is receiving a distribution.

ARTICLE 4 PRELIMINARY STEPS

4.1 Creation of Accounts

(a) Creation of the Consolidated Cash Pool Account

No less than five (5) Business Days prior to the Plan Implementation Date, NCRI shall establish the Consolidated Cash Pool Account with a Cash Management Bank as a segregated trust account in the name of NCRI for itself (for its own contributions) and as nominee for the other Nordstrom Canada Entities (to the extent of their contributions).

(b) Creation of the NCL ITC Cash Pool Account

No less than five (5) Business Days prior to the Plan Implementation Date, NCRI shall establish the NCL ITC Cash Pool Account with a Cash Management Bank as a segregated trust account in the name of NCRI as nominee for NCL.

(c) Creation of the Administrative Reserve Account

No less than five (5) Business Days prior to the Plan Implementation Date, NCRI shall establish the Administrative Reserve Account with a Cash Management Bank on behalf of itself and each of the other Nordstrom Canada Entities as a segregated trust account in the name of NCRI for itself and as nominee for the other Nordstrom Canada Entities.

(d) Creation of the Disputed Claims Reserve Account

No less than five (5) Business Days prior to the Plan Implementation Date, NCRI shall establish the Disputed Claims Reserve Account with a Cash Management Bank on behalf of itself and each of the other Nordstrom Canada Entities as a segregated trust account in the name of NCRI for itself and as nominee for the other Nordstrom Canada Entities.

ARTICLE 5 PLAN TRANSACTION STEPS

5.1 Corporate Authorizations

The adoption, execution, delivery, implementation and consummation of all matters contemplated under the Plan involving any corporate or company action of any of the Nordstrom Canada Entities will occur and be effective as of the Effective Time on the Plan Implementation Date as set out in Section 5.2, and will be authorized and approved under the Plan and by the Court, where appropriate, as part of the Sanction and Vesting Order, in all respects and for all purposes without any requirement of further action by shareholders, members, partners, managers, Directors or Officers of any of the Nordstrom Canada Entities. All necessary approvals to take actions shall be deemed to have been obtained from the Directors or shareholders or members or partners or managers of the Nordstrom Canada Entities, as applicable.

5.2 Plan Transaction Steps

At the Effective Time, on the Plan Implementation Date, the following transactions, steps, offsets, distributions, payments, disbursements, compromises, set-offs, releases and discharges to be effected as part of the implementation of the Plan (the “**Plan Transaction Steps**”) will occur and be deemed to have occurred in the order set out below and become effective without any further act or formality:

- (a) NINC-NCH Services Claim: The Plan Sponsor shall cause the NINC-NCH Services Claim to be contributed to the capital of NCH, in full and final settlement and extinguishment of the NINC-NCH Services Claim.
- (b) NINC-NCHII Services Claim: The Plan Sponsor shall cause the NINC-NCHII Services Claim to be contributed to the capital of NCH, and NCH shall in turn contribute the NINC-NCHII Services Claim to the capital of NCHII, in full and final settlement and extinguishment of the NINC-NCHII Services Claim.
- (c) Plan Sponsor ITCs: NCL shall pay to the Plan Sponsor the full Cash amount of any Plan Sponsor ITCs held by NCL on the Plan Implementation Date, and shall be obligated to pay to the Plan Sponsor the Cash amount of any additional Plan Sponsor ITCs at such later time or times that such Plan Sponsor ITCs are received or realized by NCL.
- (d) Realty Tax Appeals: The Nordstrom Canada Entities shall assign, set over and transfer to Yorkdale Shopping Centre Holdings Inc., (i) any and all of NCL’s right, title and interest in and to any amounts recovered by NCL pursuant to the Realty Tax Appeals; and (ii) on an “as is, where is” basis, any and all of NCL’s right, title and interest in and to the Realty Tax Appeals, and all of NCL’s benefits, burdens, obligations and liabilities related to such Realty Tax Appeals.
- (e) Canada Customer Data: In partial settlement and satisfaction of the NINC-NCRI Services Claim, NCRI shall transfer the Canada Customer Data to the Plan Sponsor (or its designee) and such Canada Customer Data shall vest absolutely in and to the Plan Sponsor (or its designee) free and clear of all Encumbrances pursuant to the Sanction and Vesting Order, such that the amount of the NINC-NCRI Services Claim shall be partially settled and reduced to the Net NINC-NCRI Services Claim.
- (f) NINC-NCRI Services Claim and the NCRI Transfer Pricing Claim: In full and final settlement and satisfaction of the Net NINC-NCRI Services Claim and the NCRI Transfer Pricing Claim:
 - (i) NCRI and the Plan Sponsor shall fully and finally settle and satisfy the Net NINC-NCRI Services Claim by way of set-off of such claim against the NCRI Transfer Pricing Claim, such that the amount of the NCRI Transfer Pricing Claim shall be partially settled and reduced to the Net NCRI Transfer Pricing Claim; and

- (ii) The Plan Sponsor shall pay to NCRI the Cash amount of the Net NCRI Transfer Pricing Claim in full and final settlement and satisfaction of the Net NCRI Transfer Pricing Claim.
- (g) NCL Post-Filing Sublease Rent Claim: NCRI shall pay from its Cash to NCL the Cash amount of the NCL Post-Filing Sublease Rent Claim in full and final settlement and satisfaction of the NCL Post-Filing Sublease Rent Claim.
- (h) NCL-NCRI Claims Settlement Agreement: The NCL-NCRI Claims Settlement Agreement shall be, and shall be deemed to be, effective, pursuant to which NCL shall direct NCRI to contribute the NCL-NCRI Claims Settlement Amount to the Consolidated Cash Pool on behalf of and for the benefit of NCL.
- (i) The following shall occur concurrently:
 - (i) Consolidated Cash Pool:
 - (A) Each of the Nordstrom Canada Entities shall deliver or cause to be delivered to NCRI all of their Cash, if any, including all proceeds of sale from the Liquidation Sale and the Lease Monetization Process, which Cash shall be held by NCRI in the Consolidated Cash Pool Account.
 - (B) NCL shall become obligated to deliver or cause to be delivered to NCRI, from and after the Plan Implementation Date, the Cash amount of any NCL Rack Distribution ITCs as and when received by NCL, which Cash shall be held by NCRI in the Consolidated Cash Pool Account.
 - (ii) NCL ITC Cash Pool: NCL shall become obligated to deliver or cause to be delivered to NCRI, from and after the Plan Implementation Date, the Cash amount of any NCL FLS Distribution ITCs as and when received by NCL, which Cash shall be held by NCRI in the NCL ITC Cash Pool Account.
- (j) The following shall occur concurrently:
 - (i) Administrative Reserve: NCRI, on behalf of itself and each of the other Nordstrom Canada Entities, shall transfer the Cash necessary to establish the Administrative Reserve to the Administrative Reserve Account from the Consolidated Cash Pool.
 - (ii) Disputed Claims Reserve: NCRI, on behalf of itself and each of the other Nordstrom Canada Entities, shall transfer the Cash necessary to establish the Disputed Claims Reserve to the Disputed Claims Reserve Account from the Consolidated Cash Pool.
- (k) CCAA Charges: The Administration Charge and the Directors' Charge shall continue and shall be deemed to attach solely against the Consolidated Cash Pool,

the NCL ITC Cash Pool and the Cash Reserves, in the order of priority set out in the Initial Order.

- (l) Releases: The releases referred to in Article 7 shall become effective.

ARTICLE 6

DISTRIBUTIONS, DISBURSEMENTS AND PAYMENTS

6.1 General

All distributions, disbursements and payments to be effected pursuant to the Plan shall be made pursuant to this Article 6 and shall occur in the manner set out herein by NCRI, on behalf of itself and each of the other Nordstrom Canada Entities, under the supervision of the Monitor.

6.2 Administration of the Consolidated Cash Pool

NCRI shall hold the Consolidated Cash Pool in the Consolidated Cash Pool Account, on behalf of itself and each of the Nordstrom Canada Entities, for the purpose of making distributions to Creditors of the Nordstrom Canada Entities in accordance with the Plan.

6.3 Initial Distribution from the Consolidated Cash Pool

On the Initial Distribution Date, NCRI, on behalf of itself and each of the other Nordstrom Canada Entities, shall distribute the Consolidated Cash Pool as follows:

- (a) first, each Other Priority Claim Creditor shall receive a distribution in the full amount of its Other Priority Claim, in accordance with the Nordstrom Canada Entities' existing practice or by cheque sent by prepaid ordinary mail to the address for such Other Priority Claim Creditor as set out in its Proof of Claim or Negative Notice Claim (or, at the election of NCRI, by wire transfer in accordance with the wire transfer instructions provided by the applicable Other Priority Claim Creditor), in full and final settlement and satisfaction of its Other Priority Claim;
- (b) second, each Convenience Class Creditor shall receive a distribution in the full amount of its Convenience Class Claim, in accordance with the Nordstrom Canada Entities' existing practice or by cheque sent by prepaid ordinary mail to the address for such Convenience Class Creditor as set out in its Proof of Claim or Negative Notice Claim (or, at the election of NCRI, by wire transfer in accordance with the wire transfer instructions provided by the applicable Convenience Class Creditor), in full and final settlement and satisfaction of its Proven Claim; and
- (c) third, each Affected Creditor (other than a Convenience Class Creditor) with a Proven Claim shall receive an initial distribution in respect of such Proven Claim in an amount equal to its Pro Rata Share of the Cash in the Consolidated Cash Pool Account on the Initial Distribution Date (after effecting the payments in Sections 6.3(a) and 6.3(b)), in accordance with the Nordstrom Canada Entities' existing practice or by cheque sent by prepaid ordinary mail to the address for such Affected Creditor as set out in its Proof of Claim or Negative Notice Claim (or, at the election of NCRI, by wire transfer in accordance with the wire transfer instructions provided

by the applicable Affected Creditor); provided that, notwithstanding the Pro Rata Share distribution to such Affected Creditors contemplated in this Section 6.3(c), the amount of the distribution paid to each Supporting Rack Landlord on the Initial Distribution Date shall be the full amount required to be paid to such Supporting Rack Landlord pursuant to its Supporting Rack Landlord Settlement Agreement, which amount shall be based on a Proven Claim for such Supporting Rack Landlord determined by the Nordstrom Canada Entities, with the consent of the Monitor, no less than five (5) Business Days prior to the Plan Implementation Date.

6.4 Administration of the Disputed Claims Reserve

NCRI shall hold, on behalf of itself and each of the other Nordstrom Canada Entities, the Disputed Claims Reserve in the Disputed Claims Reserve Account for the purpose of paying amounts to Affected Creditors in respect of their Disputed Claims which have become Proven Claims, in whole or in part, in accordance with the Claims Procedure Order and the Plan. Notwithstanding any other provisions of the Plan, no distributions or transfers of Cash shall be made by any Nordstrom Canada Entity with respect to all or any portion of a Disputed Claim, unless and only to the extent that such Disputed Claim has become a Proven Claim, in whole or in part.

6.5 Resolution of Disputed Creditor Claims and Subsequent Distributions

Subject to Section 6.3, from and after the Initial Distribution Date, as frequently as the Nordstrom Canada Entities and the Monitor may determine, NCRI, on behalf of itself and each of the other Nordstrom Canada Entities, as applicable, shall distribute to:

- (a) each Affected Creditor with a Disputed Claim that has become a Proven Claim, in whole or in part, on or before the third (3rd) Business Day prior to a Distribution Date (other than the Final Distribution Date), an amount of Cash from the Disputed Claims Reserve Account equal to the aggregate amount of all distributions such Affected Creditor would have otherwise already received pursuant to the Plan had its Disputed Claim been a Proven Claim on and as of each previous Distribution Date, in accordance with the Nordstrom Canada Entities' existing practice or by cheque sent by prepaid ordinary mail to the address for such Affected Creditor as set out in its Proof of Claim or Negative Notice Claim (or, at the election of NCRI, by wire transfer in accordance with the wire transfer instructions provided by the applicable Affected Creditor), and any remaining balance in the Disputed Claims Reserve Account relating to such Affected Creditor's Disputed Claim shall be deposited into the Consolidated Cash Pool Account; and
- (b) each Affected Creditor (other than a Convenience Class Creditor or Supporting Rack Landlord) with a Proven Claim, an amount equal to such Affected Creditor's respective Pro Rata Share of the Cash in the Consolidated Cash Pool Account (subsequent to effecting any payments contemplated in Section 6.5(a)), in accordance with the Nordstrom Canada Entities' existing practice or by cheque sent by prepaid ordinary mail to the address for such Affected Creditor as set out in its Proof of Claim (or, at the election of NCRI, by wire transfer in accordance with the wire transfer instructions provided by the applicable Affected Creditor).

6.6 NCL ITCs

(a) Administration of the NCL ITC Cash Pool

NCRI shall hold the NCL ITC Cash Pool in the NCL ITC Cash Pool Account, on behalf of NCL, for the purpose of making further distributions of amounts in respect of NCL FLS Distribution ITCs to the FLS Landlords in accordance with the Plan.

(b) Distributions from the NCL ITC Cash Pool

From and after the Initial Distribution Date, as frequently as the Nordstrom Canada Entities and the Monitor may determine, NCRI, on behalf of NCL, shall make a distribution to each FLS Landlord with a Proven Claim in an amount equal to the amount of Cash in the NCL ITC Cash Pool Account multiplied by the FLS Landlord ITC Share in respect of such FLS Landlord applicable to such distribution, in accordance with the Nordstrom Canada Entities' existing practice or by cheque sent by prepaid ordinary mail to the address for such FLS Landlord as set out in its Proof of Claim or Negative Notice Claim (or, at the election of NCRI, by wire transfer in accordance with the wire transfer instructions provided by the applicable FLS Landlord).

(c) NCL Rack Distribution ITCs

Pursuant to and in accordance with Section 5.2(i), NCL shall deliver or cause to be delivered to NCRI, from and after the Plan Implementation Date, the Cash amount of any NCL Rack Distribution ITCs as and when received by NCL, which Cash shall be held by NCRI in the Consolidated Cash Pool Account as nominee for NCL.

6.7 Administration of the Administrative Reserve

NCRI shall hold the Administrative Reserve in the Administrative Reserve Account, on behalf of itself and each of the other Nordstrom Canada Entities, for the purpose of paying the Administrative Reserve Costs, both on the Initial Distribution Date and from time to time following thereafter to the extent that any such Administrative Reserve Costs are subsequently due and owing, in accordance with the Plan.

6.8 Initial Distributions from the Administrative Reserve

No later than the Initial Distribution Date, NCRI, on behalf of itself and each of the other Nordstrom Canada Entities, shall distribute Cash from the Administrative Reserve to pay the following Administrative Reserve Costs to the extent they are due and owing on the Initial Distribution Date:

- (a) all fees and disbursements owing as at the Plan Implementation Date to counsel to the Nordstrom Canada Entities, the Monitor, counsel to the Monitor, counsel to the Directors and the Employee Representative Counsel;
- (b) all amounts secured by the Directors' Charge;
- (c) all amounts on account of Government Priority Claims;
- (d) all amounts on account of Employee Priority Claims;

- (e) all amounts on account of Cash Management Bank Claims;
- (f) all amounts on account of Post-Filing Claims;
- (g) all amounts on account of Post-Filing Tax Claims; and
- (h) all fees owing to third-parties on account of the administration of distributions, disbursements and payments under the Plan.

6.9 Plan Sponsor ITCs

Pursuant to and in accordance with Section 5.2(c), to the extent any Plan Sponsor ITCs are held by NCL on the Plan Implementation Date, the full Cash amount of such Plan Sponsor ITCs shall be paid to the Plan Sponsor on the Plan Implementation Date, and at such later time or times that any additional Plan Sponsor ITCs are received or realized by NCL, NCL shall forthwith pay to the Plan Sponsor the Cash amount of such additional Plan Sponsor ITCs. For greater certainty, such Plan Sponsor ITCs shall not be contributed to the Consolidated Cash Pool, the NCL ITC Cash Pool, or any Cash Reserve.

6.10 Final Distribution

Once NCRI has effected all other distributions contemplated pursuant to this Article 6 (and, for certainty, there are no remaining Disputed Claims), on a date that the Nordstrom Canada Entities and the Monitor may determine (such date, the “**Final Distribution Date**”):

- (a) first, NCRI, on behalf of itself and each of the other Nordstrom Canada Entities, shall pay any final Administrative Reserve Costs from the Administrative Reserve Account;
- (b) second, NCRI, on behalf of itself and each of the other Nordstrom Canada Entities, shall contribute any balance remaining in the Administrative Reserve Account and the Disputed Claims Reserve Account to the Consolidated Cash Pool Account;
- (c) third, NCRI, on behalf of itself and each of the other Nordstrom Canada Entities, shall distribute to the Affected Creditors (other than Convenience Class Creditors and Supporting Rack Landlords) with Proven Claims an amount equal to such Affected Creditor’s respective Pro Rata Share of any Cash in the Consolidated Cash Pool Account, in full and final settlement, satisfaction and extinguishment of such Affected Creditor’s Proven Claim; and
- (d) fourth, NCRI, on behalf of itself and each of the other Nordstrom Canada Entities, shall provide written notice to the Monitor that it has completed its duties to fully and finally effect all distributions, disbursements and payments in accordance with the Plan.

6.11 Treatment of Undeliverable Distributions

If any Affected Creditor’s distribution is not cashed and becomes stale-dated or is returned as undeliverable, no further distributions to such Creditor shall be made unless and until the Monitor is notified by such Creditor of its current address or wire particulars, at which time all such

distributions shall be made to such Creditor without interest. All claims for undeliverable or uncashed distributions in respect of Proven Claims must be made no later than the date that is four months following the Initial Distribution Date, after which date the Claims of such Creditor or successor or assign of such Creditor with respect to such unclaimed or uncashed distributions shall be forever discharged and forever barred, without any compensation therefor, notwithstanding any Applicable Law to the contrary, at which time the Cash amount held by NCRI in relation to such Claim shall be returned to the Consolidated Cash Pool Account. Nothing in the Plan or Sanction and Vesting Order shall require the Monitor or the Nordstrom Canada Entities to attempt to locate the holder of any Proven Claim.

6.12 Assignment of Claims for Voting and Distribution Purposes Prior to the Creditors' Meeting

An Affected Creditor may transfer or assign the whole of its Claim prior to the Creditors' Meeting, provided that neither the Nordstrom Canada Entities nor the Monitor shall be obligated to give notice to or otherwise deal with the transferee or assignee of such Claim as an Affected Creditor in respect thereof, including allowing such transferee or assignee of an Affected Claim to vote at the Creditors' Meeting, unless and until actual notice of the transfer or assignment, together with satisfactory evidence of such transfer or assignment, has been received and acknowledged by the Monitor in writing no later than 5:00 p.m. on the date that is seven (7) days prior to the Creditors' Meeting. Thereafter such transferee or assignee shall, for all purposes in accordance with the Claims Procedure Order and the Meeting Order, constitute an Affected Creditor and shall be bound by any and all notices previously given to the transferor or assignor and any and all steps taken in respect of such Claim.

Where a Claim has been transferred or assigned in part, the transferor or assignor shall retain the right to vote at the Creditors' Meeting in respect of the full amount of the Claim, and the transferee or assignee shall have no voting rights at the Creditors Meeting in respect of such Claim.

6.13 Assignment of Claims for Distribution Purposes After the Creditors' Meeting

An Affected Creditor (other than a Convenience Class Creditor or Supporting Rack Landlord) may transfer or assign the whole of its Claim for distribution purposes after the Creditors' Meeting provided that the Nordstrom Canada Entities shall not be obliged to make distributions to any such transferee or assignee or otherwise deal with such transferee or assignee as an Affected Creditor in respect thereof unless and until actual notice of the transfer or assignment, together with satisfactory evidence of such transfer or assignment, has been received and acknowledged by the Monitor in writing; thereafter, such transferee or assignee shall, for all purposes in accordance with the Claims Procedure Order, the Meeting Order and the Plan, constitute an Affected Creditor and shall be bound by any and all notices previously given to the transferor or assignor and any and all steps previously taken in respect of such Claim.

6.14 Tax and Other Payment Matters

- (a) Any terms and conditions of any Affected Claims which purport to deal with the ordering of or grant of priority of payment of principal, interest, penalties or other amounts shall be deemed to be void and ineffective.

- (b) Notwithstanding any provisions of the Plan, each Person that receives a distribution, disbursement or other payment pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any Tax Obligations imposed on such Person by any Taxing Authority on account of such distribution, disbursement or payment.
- (c) Any payor shall be entitled to deduct and withhold and remit from any distribution, payment or consideration otherwise payable to any Person pursuant to the Plan such amounts as are required to be deducted and withheld with respect to such payment under the ITA, or any provision of federal, provincial, territorial, state, local or foreign tax law, in each case, as amended or succeeded (a “**Withholding Obligation**”). For greater certainty, no distribution, payment or other consideration shall be made to or on behalf of a Person until such Person has delivered to the Monitor and NCRI such documentation prescribed by Applicable Law or otherwise reasonably required by NCRI as will enable NCRI to determine whether or not, and to what extent, such distribution, payment or consideration to such Person is subject to any Withholding Obligation imposed by any Taxing Authority.
- (d) All distributions made by NCRI, on behalf of itself and each of the other Nordstrom Canada Entities, pursuant to the Plan shall be first in satisfaction of the portion of Affected Claims that are not subject to any Withholding Obligation.
- (e) To the extent that amounts are withheld or deducted and paid over to the applicable Taxing Authority, such withheld or deducted amounts shall be treated for all purposes of the Plan as having been paid to such Person as the remainder of the payment in respect of which such withholding and deduction were made.
- (f) For the avoidance of doubt, it is expressly acknowledged and agreed that the Monitor and any Director or Officer will not hold any assets hereunder, including Cash, or make distributions, payments or disbursements, and no provision hereof shall be construed to have such effect.

ARTICLE 7 RELEASES

7.1 Plan Releases

- (a) On the Plan Implementation Date, each of the Nordstrom Canada Entities and their respective Directors, Officers, current and former employees, advisors, legal counsel and agents (all of the foregoing Persons being referred to individually as a “**Nordstrom Canada Entities Released Party**”) shall be released and discharged from any and all demands, claims, actions, applications, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including for injunctive relief or specific performance and compliance orders, expenses, executions, Encumbrances and other recoveries on account of any Liability, obligation, demand or cause of action of whatever nature which any Creditor, Affected Creditor or other Person may be entitled to assert, including any and all Claims in respect of the payment and receipt of proceeds, statutory liabilities of the Nordstrom Canada Entities Released Parties and any

alleged fiduciary or other duty thereof, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any omission, transaction, duty, responsibility, indebtedness, Liability, obligation, dealing or other occurrence existing or taking place on or prior to the later of the Plan Implementation Date and the date on which actions are taken to implement the Plan that are in any way relating to, arising out of or in connection with the Claims, the Business whenever or however conducted, the Plan, the CCAA Proceedings (including any KERP Claim), the Employee Trust, or any Claim that has been barred or extinguished by the Claims Procedure Order and all claims arising out of such actions or omissions shall be forever waived and released (other than the right to enforce the Nordstrom Canada Entities' obligations under the Plan or any related document), all to the full extent permitted by Applicable Law, provided that nothing herein shall release or discharge (i) the Nordstrom Canada Entities from and in respect of any Unaffected Claim that is not paid in full or otherwise addressed pursuant to the Plan, (ii) any Nordstrom Canada Entities Released Party if such Nordstrom Canada Entities Released Party is judged by the expressed terms of a judgment rendered on a final determination on the merits to have committed criminal, fraudulent or other wilful misconduct or (iii) the Directors with respect to matters set out in section 5.1(2) of the CCAA.

- (b) On the Plan Implementation Date, (i) the Monitor, A&M, and their respective affiliates, and each of their current and former directors, officers, employees, representatives, advisors, legal counsel and agents, (ii) counsel to the Directors and Officers, (iii) the Employee Trust Trustee, and (iv) Employee Representative Counsel (all of the foregoing Persons being referred to individually as a **"Third Party Released Party"**) shall be released and discharged from any and all demands, claims, actions, applications, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including for injunctive relief or specific performance and compliance orders, expenses, executions, Encumbrances and other recoveries on account of any Liability, obligation, demand or cause of action of whatever nature which any Creditor, Affected Creditor or other Person may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any omission, transaction, duty, responsibility, indebtedness, Liability, obligation, dealing or other occurrence existing or taking place on or prior to the later of the Plan Implementation Date and the date on which actions are taken to implement the Plan that are in any way relating to, arising out of or in connection with the Claims, the Business whenever or however conducted, the Plan, the CCAA Proceedings (including any KERP Claim), the Employee Trust or any Claim that has been barred or extinguished by the Claims Procedure Order and all claims arising out of such actions or omissions shall be forever waived and released (other than the right to enforce the Monitor's obligations under the Plan or any related document), all to the full extent permitted by Applicable Law, provided that nothing herein shall release or discharge any Third Party Released Party if such Third Party Released Party is judged by the expressed terms of a judgment rendered on a final determination on the merits to have committed criminal, fraudulent or other wilful misconduct.

- (c) On the Plan Implementation Date, the Plan Sponsor, the Plan Sponsor Subsidiaries and their current and former directors, officers and employees and their respective advisors, legal counsel and agents (all of the foregoing Persons being referred to individually as a “**Plan Sponsor Released Party**”) shall be released and discharged from any and all demands, claims, actions, applications, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including for injunctive relief or specific performance and compliance orders, expenses, executions, Encumbrances and other recoveries on account of any Liability, obligation, demand or cause of action of whatever nature which any Creditor, Affected Creditor or other Person (excluding an FLS Landlord in respect of its FLS Landlord Guarantee Claim) may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any omission, transaction, duty, responsibility, indebtedness, Liability, obligation, dealing or other occurrence existing or taking place on or prior to the later of the Plan Implementation Date and the date on which actions are taken to implement the Plan that are in any way relating to, arising out of or in connection with the Claims, the Business whenever or however conducted, the Plan, the CCAA Proceedings (including any KERP Claim), the Employee Trust, or any Claim that has been barred or extinguished by the Claims Procedure Order and all claims arising out of such actions or omissions shall be forever waived and released (other than the right to enforce the Plan Sponsor’s obligations under the Plan or any related document), all to the full extent permitted by Applicable Law, provided that nothing herein shall release or discharge (i) any FLS Landlord Guarantee Claim and (ii) any Plan Sponsor Released Party if such Plan Sponsor Released Party is judged by the expressed terms of a judgment rendered on a final determination on the merits to have committed criminal, fraudulent or other wilful misconduct. For greater certainty, the Plan Sponsor shall not be released from any indemnity or guarantee provided by the Plan Sponsor in favour of any Director, Officer or Employee.
- (d) Notwithstanding anything to the contrary herein, Insured Claims shall not be compromised, settled, released and discharged by the Plan; provided that, from and after the Plan Implementation Date, any Person having an Insured Claim shall be irrevocably limited to recovery in respect of such Insured Claim solely from the applicable Insurance Policies and not from the Nordstrom Canada Entities. This Section 7.1(d) may be relied upon and raised or pleaded by the Nordstrom Canada Entities in defence or estoppel of or to enjoin any claim, action or proceeding brought in contravention of this Section 7.1(d). Nothing in the Plan shall prejudice, compromise, release or otherwise affect any right or defence of any insured or insurer in respect of an Insured Claim.
- (e) Nothing in the Plan shall be interpreted as restricting the application of Section 21 of the CCAA.

ARTICLE 8

COURT SANCTION, CONDITIONS PRECEDENT AND IMPLEMENTATION

8.1 Application for Sanction and Vesting Order

If the Plan is approved by the Required Majority of the Affected Creditors at the Creditors' Meeting, the Nordstrom Canada Entities shall apply for the Sanction and Vesting Order on or before the date set in the Meeting Order for the hearing of the Sanction and Vesting Order or such later date as the Court may set.

8.2 Sanction and Vesting Order

The Nordstrom Canada Entities will apply for a Sanction and Vesting Order that will have effect from and after the Effective Time on the Plan Implementation Date, and shall, among other things:

- (a) order that (i) the Plan has been approved by the Required Majority of Affected Creditors with Proven Claims in conformity with the CCAA; (ii) the Nordstrom Canada Entities have complied with the provisions of the CCAA and the Orders of the Court made in these CCAA Proceedings in all respects; (iii) the Court is satisfied that the Nordstrom Canada Entities have not done or purported to do anything that is not authorized by the CCAA; and (iv) the Plan and the Plan Transactions contemplated thereby are fair and reasonable;
- (b) order that the Plan and all associated steps, compromises, transactions, arrangements, releases and reorganizations effected thereby are approved, binding and effective on the Nordstrom Canada Entities, the Plan Sponsor, all Affected Creditors, the Released Parties and all other Persons and parties affected by the Plan as of the Effective Time;
- (c) grant to the Monitor, in addition to its rights and obligations under the CCAA, the powers, duties and protections contemplated by and required under the Plan and authorize and direct the Monitor to perform its duties and fulfil its obligations under the Plan to facilitate the implementation thereof;
- (d) order that all right, title and interest in and to the Canada Customer Data have vested absolutely in and to the Plan Sponsor (or its designee), free and clear of all Encumbrances as set out in Section 5.2(e);
- (e) direct the Plan Sponsor to maintain the books and records of the Nordstrom Canada Entities for purposes of the completion of the Claims Process and the performance of the Nordstrom Canada Entities' duties under the Plan, or as the Nordstrom Canada Entities may otherwise be required under Applicable Law;
- (f) confirm the releases set out in Article 7;
- (g) enjoin the prosecution, whether directly, derivatively or otherwise, of any Claim, obligation, suit, judgment, damage, demand, debt, right, cause of action, Liability or interest released, discharged, compromised or terminated pursuant to the Plan;

- (h) order that any Affected Claim for which a Proof of Claim or dispute of Negative Notice Claim has not been filed by the Claims Bar Date in accordance with the Claims Procedure Order shall be forever barred and extinguished;
- (i) order that the Intercompany Claims set out in Schedule A herein are deemed to be and shall be Proven Claims for the purposes of the Claims Procedure Order and the Plan;
- (j) order that in no circumstance will the Monitor have any liability for any of the Nordstrom Canada Entities' tax or other liabilities regardless of how or when such liability may have arisen;
- (k) order that, in carrying out the terms of the Sanction and Vesting Order and the Plan,
 - (i) the Monitor shall benefit from all the protections given to it by the CCAA, the Initial Order and any other Order in the CCAA Proceedings, and as an officer of the Court, including the stay of proceedings in its favour; (ii) the Monitor shall incur no liability or obligation as a result of carrying out the provisions of the Sanction and Vesting Order and/or the Plan; and (iii) the Monitor shall be entitled to rely on the books and records of the Nordstrom Canada Entities and any information provided by any of the Nordstrom Canada Entities without independent investigation and shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information;
- (l) approve the form of the Monitor's Plan Implementation Date Certificate, and declare that the Monitor, in its capacity as Monitor, following receipt of written notice from the Nordstrom Canada Entities of the fulfilment or waiver of the conditions precedent to implementation of the Plan as set out in Section 8.3 of the Plan, shall deliver the Monitor's Plan Implementation Date Certificate to the Nordstrom Canada Entities and serve a copy thereof on the service list established in the CCAA Proceedings;
- (m) provide for the continuation of the Administration Charge and the Directors' Charge solely against the Consolidated Cash Pool, the NCL ITC Cash Pool and the Cash Reserves, which Charges shall survive the Plan Implementation Date;
- (n) authorize the change in the name of each of the Nordstrom Canada Entities upon the Plan Implementation Date and authorize corresponding changes to the style of cause in these CCAA Proceedings;
- (o) authorize the Nordstrom Canada Entities (at their sole election) to seek an order of any court of competent jurisdiction to recognize the Plan and the Sanction and Vesting Order and to confirm the Plan and the Sanction and Vesting Order as binding and effective in any appropriate foreign jurisdiction;
- (p) order that the Nordstrom Canada Entities and the Monitor may apply to the Court from time to time for advice and direction in respect of any matters arising from or under the Plan; and

- (q) approve the form of the Monitor's Plan Completion Certificate, and declare that the Monitor, in its capacity as Monitor, following written notice from the Nordstrom Canada Entities to the Monitor pursuant to Section 6.10(d) of the Plan that the Nordstrom Canada Entities have completed their duties to fully and finally effect all distributions, disbursements and payments in accordance with the Plan, shall file the Monitor's Plan Completion Certificate with the Court.

8.3 Conditions Precedent to Implementation of the Plan

The implementation of the Plan shall be conditional upon the fulfilment or waiver, where applicable, of the following conditions precedent by the date specified therefor, provided however that any waiver of any such conditions precedent shall require the consent of the Monitor, acting reasonably:

- (a) the Minister of National Revenue (Canada) shall have withdrawn and vacated the CRA NCH Assessments to the satisfaction of the Nordstrom Canada Entities and the Monitor;
- (b) the Plan shall have been approved by the Required Majority of the Affected Creditors at the Creditors' Meeting;
- (c) all material consents, declarations, rulings, certificates or approvals of or by any Governmental Authority as may be considered necessary by the Nordstrom Canada Entities and the Monitor in respect of the Plan Transactions shall have been obtained;
- (d) the Sanction and Vesting Order shall have been granted by the Court, in form satisfactory to the Nordstrom Canada Entities, and shall have become a Final Order; and
- (e) the Plan Implementation Date shall have occurred, by no later than June 30, 2024, unless otherwise ordered by the Court.

8.4 Monitor's Certificates

Upon receipt by the Monitor of written notice from the Nordstrom Canada Entities of the fulfilment or waiver of the conditions precedent to implementation of the Plan as set out in Section 8.3 of the Plan, the Monitor shall deliver the Monitor's Plan Implementation Date Certificate to the Nordstrom Canada Entities and serve a copy thereof on the service list established in the CCAA Proceedings. Following the Plan Implementation Date, the Monitor shall file a copy of the Monitor's Plan Implementation Date Certificate with the Court and post a copy of same on the Website.

Upon receipt by the Monitor of written notice from the Nordstrom Canada Entities pursuant to Section 6.10(d) that the Nordstrom Canada Entities have completed their duties to fully and finally effect all steps, distributions, disbursements and payments in accordance with the Plan, the Monitor shall serve a copy of the Monitor's Plan Completion Certificate on the service list established in the CCAA Proceedings, file a copy of the Monitor's Plan Completion Certificate with the Court and post a copy of same on the Website.

ARTICLE 9 GENERAL

9.1 Binding Effect

On the Plan Implementation Date, or as otherwise provided in the Plan:

- (a) the Plan will become effective at the Effective Time and the Plan Transactions will be implemented;
- (b) the treatment of Affected Claims under the Plan shall be final and binding for all purposes and enure to the benefit of the Nordstrom Canada Entities, the Plan Sponsor, all Affected Creditors, the Released Parties and all other Persons and parties named or referred to in, or subject to, the Plan and their respective heirs, executors, administrators and other legal representatives, successors and assigns;
- (c) all Affected Claims shall be and shall be deemed to be forever discharged and released, excepting only the obligations to make distributions in respect of such Affected Claims in the manner and to the extent provided for in the Plan;
- (d) each Person named or referred to in, or subject to, the Plan shall be deemed to have consented and agreed to all of the provisions of the Plan, in its entirety;
- (e) each Person named or referred to in, or subject to, the Plan shall be deemed to have executed and delivered to the Nordstrom Canada Entities and the Plan Sponsor, all consents, releases, directions, assignments and waivers, statutory or otherwise, required to implement and carry out the Plan in its entirety; and
- (f) each Person named or referred to in, or subject to, the Plan shall be deemed to have received from the Nordstrom Canada Entities and the Plan Sponsor, all statements, notices, declarations and notifications, statutory or otherwise, required to implement and carry out the Plan in its entirety.

9.2 Claims Bar Date

Nothing in this Plan extends or shall be interpreted as extending or amending the Claims Bar Date, or gives or shall be interpreted as giving any rights to any Person in respect of Claims that have been barred or extinguished pursuant to the Claims Procedure Order.

9.3 Deeming Provisions

In the Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

9.4 Interest and Fees

Interest shall not accrue or be paid on Affected Claims after the Filing Date, and no holder of an Affected Claim shall be entitled to interest accruing nor to fees and expenses incurred in respect of an Affected Claim on or after the Filing Date and any Claims in respect of interest accruing or fees and expenses incurred on or after the Filing Date shall be deemed to be forever extinguished and released.

9.5 Non-Consummation

The Nordstrom Canada Entities reserve the right, with the consent of the Plan Sponsor, to revoke or withdraw the Plan at any time prior to the date on which the Court grants the Plan Sanction Order. If the Nordstrom Canada Entities revoke or withdraw the Plan, or if the Sanction and Vesting Order is not issued or if the Plan Implementation Date does not occur, (a) the Plan (including all Plan Transactions) shall be null and void in all respects, (b) any settlement or compromise embodied in the Plan (including the treatment of any Intercompany Claims set out herein), or any document or agreement executed pursuant to or in connection with the Plan shall be deemed to be null and void, and (c) nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, shall (i) constitute or be deemed to constitute a waiver or release of any Claims by or against any of the Nordstrom Canada Entities, the Plan Sponsor or any other Person, (ii) prejudice in any manner the rights of the Nordstrom Canada Entities, the Plan Sponsor or any other Person in any further proceedings involving any of the Nordstrom Canada Entities or Intercompany Claims or (iii) constitute an admission of any sort by any of the Nordstrom Canada Entities, the Plan Sponsor or any other Person.

9.6 Modification of the Plan

- (a) The Nordstrom Canada Entities reserve the right, at any time and from time to time (including prior to, at or following the Creditors' Meeting), with the consent of the Monitor and the Plan Sponsor, to amend, restate, modify and/or supplement the Plan; provided:
 - (i) if made prior to or at the Creditors' Meeting, such amendment, restatement, modification or supplement shall be communicated to Affected Creditors in the manner required by the Meeting Order; and
 - (ii) if made following the Creditors' Meeting, such amendment, restatement, modification or supplement shall be approved by the Court following notice to the Affected Creditors.
- (b) Notwithstanding Section 9.6(a), any amendment, restatement, modification or supplement to the Plan may be made by the Nordstrom Canada Entities, with the consent of the Monitor and the Plan Sponsor or pursuant to an Order of the Court, at any time and from time to time, provided that it concerns a matter which (i) is of an administrative nature required to better give effect to the implementation of the Plan and the Sanction and Vesting Order or (ii) to cure any errors, omissions or ambiguities, and in either case is not materially adverse to the financial or economic interests of the Affected Creditors or the Unaffected Creditors.
- (c) Any amended, restated, modified or supplementary Plan or Plans filed with the Court and, if required by this Section, approved by the Court shall, for all purposes, be and be deemed to be a part of, and incorporated in, the Plan.

9.7 Paramountcy

From and after the Effective Time on the Plan Implementation Date, any conflict between:

- (a) the Plan; and
- (b) the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, bylaws of the Nordstrom Canada Entities, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between any Person and the Nordstrom Canada Entities as at the Plan Implementation Date;

will be deemed to be governed by the terms, conditions and provisions of the Plan and the Sanction and Vesting Order, which shall take precedence and priority.

9.8 Severability of Plan Provisions

If, prior to the Plan Sanction Date, any term or provision of the Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Nordstrom Canada Entities and with the consent of the Monitor and the Plan Sponsor, shall have the power to either (a) sever such term or provision from the balance of the Plan and provide the Nordstrom Canada Entities with the option to proceed with the implementation of the balance of the Plan as of and with effect from the Plan Implementation Date, or (b) alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applied as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, and provided that the Nordstrom Canada Entities proceed with the implementation of the Plan, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

9.9 Responsibilities of the Monitor

The Monitor is acting and will continue to act in all respects in its capacity as Monitor in the CCAA Proceedings with respect to the Nordstrom Canada Entities and not in its personal or corporate capacity, including without limitation supervising the establishment and administration of the Consolidated Cash Pool and the Cash Reserves (including any adjustments with respect to same) and establishing any of the Distribution Dates or the timing or sequence of the Plan Transactions and the Plan Transaction Steps. The Monitor will not be responsible or liable whatsoever for any obligations of the Nordstrom Canada Entities or the Plan Sponsor. The Monitor will have the powers and protections granted to it by the Plan, the CCAA, the Initial Order, the Meeting Order, the Sanction and Vesting Order and any other Order made in the CCAA Proceedings. Nothing herein shall prevent the Monitor from acting as trustee in any bankruptcy of the Nordstrom Canada Entities or the Property.

9.10 Different Capacities

Persons who are affected by the Plan may be affected in more than one capacity. Unless expressly provided herein to the contrary, a Person will be entitled to participate hereunder in each such capacity. Any action taken by a Person in one capacity will not affect such Person in any other capacity, unless expressly agreed by a Person in writing or unless its Claims overlap or are otherwise duplicative.

9.11 Notices

Any notice or other communication to be delivered hereunder must be in writing and reference the Plan and may, subject as hereinafter provided, be made or given by personal delivery, ordinary mail or by email addressed to the respective parties as follows:

- (a) If to the Nordstrom Canada Entities:

Nordstrom Canada Entities
PMB #402
6-1500 Upper Middle Road W
Oakville, Ontario
L6M 0C2

Attention: Misti Heckel
Email: Misti.Heckel@nordstrom.com

with a copy to:

Osler, Hoskin & Harcourt LLP
100 King Street West
1 First Canadian Place, Suite 6200
P.O. Box 50
Toronto, ON M5X 1B8

Attention: Tracy Sandler / Jeremy Dacks / Martino Calvaruso
Email: tsandler@osler.com / jdacks@osler.com / mcalvaruso@osler.com

- (b) If to the Plan Sponsor:

Nordstrom, Inc.
1600 Seventh Avenue
Suite 2500
Seattle, WA 98101

Attention: Tracie Hinson
Email: tracie.hinson@nordstrom.com

with a copy to:

Fasken Martineau DuMoulin LLP
Bay Adelaide Centre
333 Bay Street, Suite 2400
P.O. Box 20
Toronto, ON M5H 2T6

Attention: Aubrey Kauffman
Email: akauffman@fasken.com

- (c) If to the Monitor:

Alvarez & Marsal Canada Inc.
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2900
PO Box 22
Toronto, ON M5J 2J1

Attention: Alan J. Hutchens / Skylar Rushton
Email: ahutchens@alvarezandmarsal.com /
srushton@alvarezandmarsal.com

with a copy to:

Goodmans LLP
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

Attention: Brendan O'Neill / Brad Wiffen
Email: boneill@goodmans.ca / bwiffen@goodmans.ca

or to such other address as any party may from time to time notify the others in accordance with this Section. Any such communication so given or made shall be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of sending by means of recorded electronic communication, provided that such day in either event is a Business Day and the communication is so delivered or sent before 5:00 p.m. on such day. Otherwise, such communication shall be deemed to have been given and made and to have been received on the next following Business Day.

9.12 Further Assurances

Each of the Persons named or referred to in, or subject to, the Plan will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of the Plan and to give effect to the transactions contemplated herein.

DATED as of the 13th day of December, 2023.

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SCHEDULE A
INTERCOMPANY CLAIMS¹

No. (Per Intercompany Claims Report)	Claim	Claim Type	Claim By	Claim Against	Claim Amount (Per Intercompany Claims Report)	Proven Claim Amount
AFFILIATE CLAIMS						
1.	NIL Canada Expansion Loan Claim	Pre-Filing Claim	NIL	NCH	\$309,832,891	An amount which will generate total distributions under the Plan on account of such Claim equal to (and in any case no greater than) the Cash on hand at NCH available for distribution to Affected Creditors on the Plan Implementation Date
2.	NINC-NCRI Services Claim	Pre-Filing Claim	Nordstrom US	NCRI	\$17,661,179	\$17,661,179
4.	NINC Employee Trust Subrogated Claim	Subrogated Pre-Filing Claim	Nordstrom US	NCRI	\$13,633,426	\$14,599,347
5.	NINC-NCL Services Claim	Pre-Filing Claim	Nordstrom US	NCL	\$495,582	\$495,582
6.	NINC-NCH Services Claim	Pre-Filing Claim	Nordstrom US	NCH	\$55,031	\$55,031

¹ Intercompany Claims information is derived from the Intercompany Claims Report. Amounts set out herein are exclusive of any applicable GST/HST or provincial sales tax. The NCRI Transfer Pricing Claim (Claim No. 3 in the Intercompany Claims Report) is not listed in this table as it is a claim receivable by NCRI, and not a Proven Claim against any of the Nordstrom Canada Entities. The NCRI Transfer Pricing Claim is addressed through the payment of the Net NCRI Transfer Pricing Claim in accordance with the Plan.

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No. (Per Intercompany Claims Report)	Claim	Claim Type	Claim By	Claim Against	Claim Amount (Per Intercompany Claims Report)	Proven Claim Amount
7.	NINC-NCHII Services Claim	Pre-Filing Claim	Nordstrom US	NCHII	\$56,829	\$56,829
INTRACOMPANY CLAIMS						
8.	NCL Pre-Filing Sublease Rent Claim	Pre-Filing Claim	NCL	NCRI	\$64,879,810	\$64,879,810
9.	NCL Post-Filing Sublease Rent Claim	Post-Filing Claim	NCL	NCRI	\$26,227,411	\$26,227,411
10.	NCL Sublease Termination Claim	Restructuring Period Claim	NCL	NCRI		
	A. NCL Master Lease Flow-Through Claim	Restructuring Period Claim	NCL	NCRI	\$TBD	An aggregate amount as determined by NCL and NCRI in the NCL-NCRI Claims Settlement Agreement with the consent of the Monitor.
	B. NCL Improvement Rent Claim	Restructuring Period Claim	NCL	NCRI	\$368,027,201	
11.	NCRI-NCL Services Claim	Pre-Filing Claim	NCRI	NCL	\$55,046	\$55,046

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**SCHEDULE B
FLS STORES**

Store No.	Location	Street Address	City	Province	Postal Code
830	Chinook Centre	6455 Macleod Trail SW #2150	Calgary	AB	T2H OK8
831	Rideau Centre	50 Rideau Street #500	Ottawa	ON	K1N 9J7
832	Pacific Centre	799 Robson Street POB 10435 LCD	Vancouver	BC	V7Y 0A2
833	Sherway Gardens	25 The West Mall	Etobicoke	ON	M9C 1B8
834	Yorkdale	3401 Dufferin Street	Toronto	ON	M6A 2T9
835	Eaton Centre	260 Yonge Street POB 710	Toronto	ON	M5B 2L9

**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
NORDSTROM CANADA RETAIL, INC., NORDSTROM CANADA HOLDINGS, LLC
AND NORDSTROM CANADA HOLDINGS II, LLC**

Court File No. CV-23-00695619-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

EIGHTH REPORT OF THE MONITOR

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