

**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
HUDSON'S BAY COMPANY ULC COMPAGNIE DE LA BAIE D'HUDSON SRI, HBC
CANADA PARENT HOLDINGS INC., HBC CANADA PARENT HOLDINGS 2 INC.,
HBC BAY HOLDINGS I INC., HBC BAY HOLDINGS II ULC, THE BAY HOLDINGS
ULC, HBC CENTERPOINT GP INC., HBC YSS 1 LP INC., HBC YSS 2 LP INC., HBC
HOLDINGS GP INC., SNOSPMIS LIMITED, 2472596 ONTARIO INC., and 2472598
ONTARIO INC.**

Applicants

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

MARCH 16, 2025

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1.0 INTRODUCTION

- 1.1 On March 7, 2025 (the “**Filing Date**”), Hudson’s Bay Company ULC Compagnie de la Baie D’Hudson SRI (“**Hudson’s Bay**” or the “**Company**”), and the other applicants listed on **Schedule “A”**, attached hereto (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 HBC Holdings LP and the other non-Applicant entities listed on **Schedule “A”** (together with HBC Holdings LP, the “**Non-Applicant Stay Parties**”). Together, the Applicants and the Non-Applicant Stay Parties are referred to herein as “**Hudson’s Bay Canada**”.
- 1.2 Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed as monitor of the Applicants (in such capacity, the “**Monitor**”) in these CCAA proceedings (the “**CCAA Proceedings**”).
- 1.3 A copy of the Pre-Filing Report of the Proposed Monitor dated March 7, 2025, prepared by A&M in its capacity as the proposed monitor (the “**Pre-Filing Report**”) is attached hereto as **Appendix “A”** (without appendices). The Pre-Filing Report, the Applicants’ CCAA application record, and other Court-filed documents and notices in the CCAA Proceedings are available on the Monitor’s case website at www.alvarezandmarsal.com/HudsonsBay (the “**Case Website**”).

1.4 The Initial Order, among other things:

- (a) granted a stay of proceedings in favour of Hudson's Bay Canada (the "**Stay of Proceedings**") for an initial 10-day period to and including March 17, 2025 (the "**Initial Stay Period**");
- (b) granted a stay of proceedings for the Initial Stay Period prohibiting the exercise of certain rights or remedies by third-party tenants of commercial properties in which the Applicants operate a store (the "**Co-Tenant Stay**");
- (c) staying and suspending any rent payable by Hudson's Bay to the JV, YSS 1, and YSS 2 (each as defined below) other than amounts required to pay the post-filing rent payable by the JV, YSS 1, or YSS 2, as applicable, to its landlord under the JV Head Lease (as defined in the Initial Order) (the "**RioCan-HBC JV Stay**");
- (d) subject to the DIP Budget (as defined below), authorized the Applicants to pay certain expenses, whether incurred prior to, on or after the Filing Date, including expenses relating to: (i) employee compensation; and (ii) honouring customer gift cards;
- (e) authorized the Applicants, with the consent of the Monitor, to pay amounts owing for goods or services supplied to the Applicants prior to the Filing Date by: (i) logistics or supply chain providers, including amounts payable in respect of customs and duties for goods; (ii) providers of information and technology services; (iii) providers of payment and gift card processing related services; and (iv) other third-party suppliers or service providers, in all cases if such supplier or service

provider is, in the opinion of the Applicants in consultation with the Monitor, critical to the business of the Applicants;

- (f) authorized the Applicants to take certain actions, including to:
 - (i) terminate or temporarily lay off any of their employees as they deem appropriate;
 - (ii) in consultation with the Monitor, engage in discussions with, and solicit proposals from third parties in respect of the liquidation of their inventory, furniture, fixtures and equipment (“**FF&E**”);
 - (iii) in consultation with the Monitor, engage in discussions with, and solicit proposals from, third parties in respect of the sale, transfer or assignment of leases to third parties, in whole or in part (the “**Lease Monetization Process**”); and
 - (iv) pursue all restructuring options for Hudson’s Bay Canada including, without limitation, all avenues of refinancing of their business or property;
- (g) approved a \$16 million junior debtor-in-possession (“**DIP**”) credit facility (the “**DIP Facility**”) provided pursuant to the terms of a term sheet dated March 7, 2025 (the “**DIP Term Sheet**”) between certain Hudson’s Bay Canada entities (with Hudson’s Bay as borrower and certain Hudson’s Bay Canada entities as guarantors (collectively, the “**Loan Parties**”)) and Restore Capital, LLC (“**Restore**”) as “**DIP Agent**” on behalf of certain lenders (the “**DIP Lenders**”) and granted a corresponding charge in respect thereof (the “**DIP Lenders’ Charge**”); and

- (h) granted the Administration Charge and a Directors' Charge (each as defined in the Initial Order) over the property and assets of the Applicants (the "**Property**") in the amounts and relative priority as set out in the Initial Order.

1.5 On March 14, 2025, the Applicants served motion materials returnable March 17, 2025 (the "**Comeback Motion**") seeking the following orders:

- (a) an order (the "**Liquidation Sale Approval Order**"), among other things:
 - (i) approving the consulting agreement dated as of March 14, 2025 (the "**Liquidation Consulting Agreement**") between Hudson's Bay and Hilco Merchant Retail Solutions ULC, a contractual joint venture comprised of Hilco Merchant Retail Solutions ULC ("**Hilco**"), Gordon Brothers Canada ULC ("**Gordon Brothers**"), Tiger Asset Solutions Canada, ULC ("**Tiger**") and GA Capital Solutions Canada, Inc. ("**GA Capital**") (collectively, the "**Liquidation Consultant**");
 - (ii) approving the proposed sale guidelines (the "**Sale Guidelines**") for the orderly liquidation of inventory and FF&E at each of the Hudson's Bay Canada stores listed in Exhibit "1A" to the Liquidation Consulting Agreement, (the "**Liquidating Stores**"); and
 - (iii) authorizing the Consultant to undertake a liquidation process in accordance with the terms of the Liquidation Sale Approval Order, the Liquidation Consulting Agreement and the Sale Guidelines.
- (b) an order (the "**Lease Monetization Process Order**"), among other things:

- (i) approving the consulting agreement (the “**Lease Monetization Consulting Agreement**”) between Hudson’s Bay and Jones Lang LaSalle Real Estate Services, Inc. (“**JLL**” or the “**Lease Monetization Consultant**”) as Broker to assist in marketing store and certain distribution centre leases (collectively, the “**Leases**”);
 - (ii) approving the proposed process to market the Leases (the “**Lease Monetization Process**”); and
 - (iii) authorizing the Applicants, with the assistance of JLL, to undertake the Lease Monetization Process in accordance with the terms of the Lease Monetization Order, the Lease Monetization Consulting Agreement, and the Lease Monetization Process.
- (c) an order (the “**SISP Approval Order**”) approving the proposed sale and investment solicitation process (“**SISP**”) for the property and business of Hudson’s Bay Canada;
- (d) an amended and restated Initial Order (the “**ARIO**”), among other things:
- (i) extending the Stay of Proceedings, the Co-Tenant Stay, and the RioCan-HBC JV Stay to and including May 15, 2025;
 - (ii) approving the Applicants’ key employee retention plan (the “**KERP**”) and granting a charge over the Property in the maximum amount of \$3.0 million (the “**KERP Charge**”) in favour of the employees entitled to participate in

the KERP (the “**Key Employees**”) as security for the payments to be made in accordance with the KERP;

- (iii) approving the A&R DIP Agreement (as defined below), between Hudson’s Bay, as borrower, Restore, as DIP Agent, and HCS 102 LLC, Tiger Asset Solutions Canada, ULC, 1903 Partners LLC, and GA Group Solutions, LLC (collectively, the “**DIP Lenders**”), and granting the DIP Agent for the benefit of itself and the DIP Lenders a priority charge over the Loan Parties’ Property (the “**DIP Lenders’ Charge**”);
- (iv) approving and ratifying the engagement letter of Reflect Advisors, LLC (“**Reflect**”) and include Reflect as a beneficiary of the Administration Charge; and
- (v) increasing the amount of the Directors’ Charge to \$49.2 million.

1.6 On March 14, 2025, following service of the Comeback Motion, RioCan Real Estate Investment Trust (“**RioCan**”) served motion materials (the “**RioCan Motion**”) seeking, among other things, an order:

- (a) requiring Hudson’s Bay to pay Rio-Can HBC Limited Partnership (the “**JV**”) and its subsidiaries HBC YSS 1 Limited Partnership (“**YSS 1**”), HBC YSS 2 Limited Partnership (“**YSS 2**”) and RioCan-HBC (Ottawa) Limited Partnership (the “**Ottawa LP**”, and collectively, with the JV, YSS 1 and YSS 2, the “**JV Entities**” and each a “**JV Entity**”) any and all obligations owing by Hudson’s Bay to any such parties under the terms of a real property lease;

- (b) striking the provision in paragraph 9 of the Initial Order providing for the RioCan-HBC JV Stay;
- (c) declaring that any debtor-in-possession financing obtained or to be obtained in the proceedings shall not be approved where the terms of such financing contain a provision similar to the provision of the DIP Term Sheet restricting the payment of rent to the JV Entities.

1.7 Since the filing of the Applicants' motion materials, discussions have continued between the Applicants, the Monitor, and various stakeholders. The Monitor understands that the Applicants may serve materials updating the forms of Order sought in advance of the Comeback Motion.

1.8 The purpose of this report (the "**First Report**") is to provide the Court with information, and where applicable, the Monitor's views, on:

- (a) the Comeback Motion;
- (b) the RioCan Motion;
- (c) the activities of the Monitor since the Filing Date; and
- (d) the Monitor's conclusions and recommendations in connection with the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this First Report, A&M, in its capacity as Monitor, has been provided with, and has relied upon, unaudited financial information and books and records prepared or provided by Hudson's Bay Canada, and has held discussions with various parties, including

senior management of, and advisors to, Hudson's Bay Canada (collectively, the "**Information**"). Except as otherwise described in this First Report, in respect of the Applicants' 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 First 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 First Report was prepared based on the estimates and assumptions of Hudson's Bay Canada. 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, the variations could be significant.

2.3 This Report should be read in conjunction with the affidavits of Jennifer Bewley, sworn on March 7, 2025 (the "**Initial Bewley Affidavit**") and March 14, 2025 (the "**Second Bewley Affidavit**") and the RioCan Motion. Capitalized terms used and not defined in this First

Report have the meanings given to them in the Pre-Filing Report, the Initial Bewley Affidavit or the Second Bewley Affidavit, as applicable.

- 2.4 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars (“CAD”).

3.0 COMMENTS REGARDING DIRECTION OF PROCEEDING

- 3.1 As described in the Initial Bewley Affidavit, Hudson’s Bay Canada was experiencing a significant liquidity crisis and required urgent liquidity to meet near term obligations. As at the Filing Date, Hudson’s Bay Canada had over \$400 million of outstanding accounts payable (a significant portion of which was over 90 days outstanding), most rent payments were delayed and were being paid within cure periods, and was facing multiple enforcement actions.
- 3.2 Accordingly, leading up to the Filing Date, the Applicants, with the assistance of Reflect and A&M, and with input from the DIP Lenders’ financial advisor, developed a 13-week cash flow forecast which reflected, among other things: (a) the forecast impacts of reducing Hudson’s Bay Canada’s store count to restructure around a core group of stores, including the liquidation and closure of non-continuing stores; and (b) the forecast impacts of a CCAA filing, including: (i) the cash collateralization of financial products; (ii) acceleration of post-filing rents, merchandise vendor payments, service provider payments and deposits, and gift card redemptions; and (iii) forecast professional fees.
- 3.3 As the above work advanced, the amount of forecast DIP funding required during the 13-week forecast period increased to in excess of \$60 million. As a result, it was becoming

less certain that, in the event that a financing or recapitalization transaction could not be obtained to underpin a restructuring and there was a requirement to pivot to a full liquidation at some future date, the DIP Lenders and Revolving/FILO Lenders would be able to recover their loans in full. As such, the parties pivoted to the short-term \$16 million initial DIP Facility, which was approved by this Court pursuant to the Initial Order, to provide the required liquidity for the 10-day period through the Comeback Hearing, while continuing to develop the 13-week forecast and other financial projections to attempt to support a restructuring around a core group of stores.

- 3.4 Concurrently with the above work, Reflect continued its efforts that began prior to the CCAA Proceedings to solicit interest from parties to provide DIP financing.
- 3.5 During the initial 10-day period, the Company continued its efforts to develop a restructuring plan around a core group of stores and solicit funding that would allow it to continue to advance this process. However, given the urgent need for liquidity and the potential degradation of the Applicants' collateral in the absence of an immediate liquidation, the only financing available to the Company was from the DIP Lenders and Revolving/FILO Lenders, who have advised that they require an immediate commencement of the Liquidation Sale across the entire retail store network.
- 3.6 Recognizing the devastating consequences a full liquidation will have on many stakeholders, including the more than 9,300 employees, the Applicants intend to continue to attempt to identify restructuring alternatives within a very short time frame while the Liquidation Sale takes place, and seek the Court's approval to conduct a SISF to determine if there is opportunity for: (a) one or more sales of all, substantially all, or certain portions

of the Property or the Business; and/or (b) an investment in, restructuring, recapitalization, refinancing or other form of reorganization of Hudson's Bay Canada or its business.

4.0 LIQUIDATION CONSULTING AGREEMENT AND SALE GUIDELINES¹

- 4.1 The Applicants are seeking approval of the Liquidation Sale Approval Order that, if granted, will approve the Liquidation Consulting Agreement and authorize the Applicants, with the assistance of the Liquidation Consultant, to undertake the liquidation of inventory and FF&E at the Liquidating Stores (the "**Liquidation Sale**") in accordance with the terms of the Liquidation Sale Approval Order, the Liquidation Consulting Agreement, and the Sale Guidelines.
- 4.2 If approved, the Liquidation Sale would commence promptly following the granting of the Liquidation Sale Approval Order and conclude by no later than June 15, 2025 (the "**Sale Termination Date**"). The Liquidation Sale is to include all of Hudson's Bay Canada's retail stores. However, in connection with ongoing efforts by the Company and its financial advisor to identify restructuring opportunities (within a very short time frame) for the Hudson's Bay Canada's business and assets (as described below), there is flexibility under the Liquidation Consulting Agreement to remove stores from the Liquidation Sale at any time, subject to a flat fee of \$40,000 per removed store until May 1, 2025 and \$20,000 thereafter, provided that the number of remaining Liquidating Stores is not less than 25.

¹ The Monitor understands that certain landlords have raised concerns with certain of the terms of the Liquidation Consulting Agreement and the Sale Guidelines, and discussions are ongoing as of the time this Report has been finalized.

- 4.3 The Initial Order authorized the Applicants to engage in discussions with, and solicit proposals from third parties in respect of the liquidation of their inventory and FF&E.

Selection of the Liquidation Consultant

- 4.4 Following the granting of the Initial Order, Reflect contacted Hilco regarding its interest in submitting a bid to conduct liquidation sales at closing stores. Hilco advised and later confirmed that affiliates of four of the most prominent North American retail liquidators (Hilco, Gordon Brothers, Tiger and GA Capital) that are part of the lending group in the pre-filing secured FILO Facility would be submitting a joint bid. Reflect contacted a fifth prominent retail liquidator, but that liquidator ultimately declined to submit an independent bid. As such, Hudson's Bay Canada, with the assistance of its legal counsel and Reflect, began negotiations with the proposed Liquidation Consultant that culminated in the Liquidation Consulting Agreement.

Liquidation Consulting Agreement

- 4.5 Key terms of the Liquidation Consulting Agreement are summarized in the table below. Capitalized terms used in this section of the First Report have the meanings given to them in the Liquidation Consulting Agreement.

<u>Summary of Key Terms of Liquidation Consulting Agreement</u>	
Exclusive Covenant	<ul style="list-style-type: none">The Liquidation Consultant will act as the exclusive Consultant of Hudson's Bay (the "Merchant") for the purpose of conducting the Liquidation Sale in accordance with the Sale Guidelines.
Sale Term	<ul style="list-style-type: none">The Liquidation Sale shall commence on the first business day following entry of the Liquidation Sale Approval Order, which shall in no event be later than March 18, 2025, and conclude no later than June 15, 2025.

<u>Summary of Key Terms of Liquidation Consulting Agreement</u>	
Services Provided by Liquidation Consultant	<ul style="list-style-type: none"> During the Sale Term, the Liquidation Consultant will, in collaboration with the Merchant, among other things: <ul style="list-style-type: none"> provide qualified supervisors to oversee the management of the Stores and the Sale; recommend appropriate advertising, discounts and staffing levels; oversee display of Merchandise for the Stores; evaluate sales of Merchandise by category and sales reporting and monitor expenses; maintain the confidentiality of all proprietary or non-public information regarding the Merchant or their affiliates, the Stores and underlying lease agreements and Concession Agreements, in accordance with the provisions of the confidentiality agreements signed by the Parties; assist the Merchant in connection with managing and controlling loss prevention and employee relation matters; and provide such other related services deemed necessary or appropriate by the Merchant and the Liquidation Consultant in consultation with the Monitor.
Sale of Merchandise and Additional Consultant Goods	<ul style="list-style-type: none"> All sales of Merchandise will be made on behalf of the Merchant and will be “final” with no returns allowed, unless otherwise directed by the Merchant. The Liquidation Consulting Agreement Provides that, subject to the Liquidation Sale Approval Order, the Liquidation Consultant shall have the right to supplement the Merchandise in the Sale with additional goods procured by the Liquidation Consultant which are of like kind and category and no lesser quality to the Merchandise in the Sale and procured from existing vendors of the Merchant (including goods that had previously been ordered by or on behalf of the Merchant from such vendors), and which are consented to by the Merchant in advance (the “Additional Consultant Goods”), provided, however, that (i) the Additional Consultant Goods sold as part of the sale do not exceed \$50 million at cost in the aggregate; and (ii) the Additional Consultant Goods are of like kind and category and no lesser quality to the Merchandise, and consistent with any restriction on usage of the Stores set out in the applicable leases. The Liquidation Consultant shall pay to Merchant an amount equal to 6.5% of the gross proceeds (excluding sales taxes) from the Sale of Additional Consultant Goods completed during the Sale Term (Additional Consultant Goods Fee), and the Liquidation Consultant shall retain all remaining amounts from the sale of the Additional Consultant Goods.
FF&E	<ul style="list-style-type: none"> The Liquidation Consultant shall undertake to sell all owned furnishings, trade fixtures, equipment, machinery, office supplies, conveyor systems, racking, rolling stock, any vehicles or other modes of transportation, and other personal property, or improvements to real property that are located in the Stores, Distribution Centres but excluding the conveyor system at the Distribution Centre in Scarborough (collectively, the “FF&E”). The Merchant shall be responsible for all reasonable and documented costs and expenses incurred by the Liquidation Consultant in connection with the sale, removal and disposal of FF&E (defined as the “FF&E Costs”). The Liquidation Consultant shall have the right to abandon at the facilities any unsold FF&E.
Consultant Fees & Expenses	<ul style="list-style-type: none"> The Liquidation Consultant will earn a fee equal to 2.0% of the Gross Proceeds of Merchandise sold at the Stores. The Liquidation Consultant shall earn a base wholesale fee equal to 7.5% of the Gross Proceeds of Merchandise sold through the Consultant’s wholesale channels (the “Wholesale Fee”).

<u>Summary of Key Terms of Liquidation Consulting Agreement</u>	
	<ul style="list-style-type: none">• The Liquidation Consultant shall be entitled to a commission from the sale of FF&E equal to fifteen percent (15%) of the gross proceeds of the sale of FF&E, net of applicable sales taxes (the “FF&E Commission”).• The Merchant shall be responsible for all expenses of the Sale, including all Store operating expenses and all of the Consultant’s reasonable and documented out-of-pocket expenses incurred pursuant to the Expense Budget attached as Exhibit “C” to the Liquidation Consulting agreement, which Expense Budget may be modified by mutual agreement of the Parties with the consent of the Monitor.• The Liquidation Consulting Agreement does not contemplate a “net-minimum guarantee” or other floor recovery for the Merchant.• The Parties shall, in consultation with the Monitor, complete a final reconciliation of all amounts payable pursuant to the Consulting Agreement no later than 45 days following the earlier of: (i) the Sale Termination Date for the last Store; and (ii) the date upon which the Liquidation Consulting Agreement is terminated in accordance with its terms.

Sale Guidelines

4.6 The Liquidation Sale Approval Order provides that the Merchant, with the assistance of the Liquidation Consultant, is authorized to conduct the Liquidation Sale in accordance with the Liquidation Consulting Agreement and the Sale Guidelines and to advertise and promote the Liquidation Sale within the Stores in accordance with the Sale Guidelines. The Liquidation Sale Approval Order provides that, in the event of a conflict between the Sale Guidelines and the Liquidation Consulting Agreement, the Sale Guidelines are paramount.

4.7 Key terms of the Sale Guidelines include:

- (a) subject to the Liquidation Sale Approval Order, any further Order of the Court, or any written agreement between the Merchant and the applicable landlord as approved by the Liquidation Consultant, the Liquidation Sale shall be conducted in accordance with the terms of the applicable Lease;

- (b) the Liquidation Sale shall be conducted so that each Store remains open during its normal hours of operations provided for in its respective Lease, until the respective Sale Termination Date for each store;
- (c) the Liquidation Consultant and its agents and representatives shall have the same access rights to the Stores as the Merchant under the terms of the applicable Lease, and the landlords shall have access rights to the Stores as provided for in the applicable Lease;
- (d) all signage, banners and other materials used to advertise the Liquidation Sale shall comply with the requirements set forth in the Sale Guidelines;
- (e) at the conclusion of the Liquidation Sale in each Store, the Liquidation Consultant shall arrange that the premises for each store are in a “broom-swept” and clean condition, and shall arrange that the Stores are in the same condition as on the commencement of the Liquidation Sale, ordinary wear and tear excepted; and
- (f) the Liquidation Consultant may sell the FF&E located in the Stores during the Liquidation Sale, subject to the terms of the Sale Guidelines.

4.8 The Monitor recommends that the Court grant the proposed Liquidation Sale Approval Order, among other things, approving the Liquidation Consulting Agreement and the Sale Guidelines, for the following reasons:

- (a) given the large number of stores operated by Hudson’s Bay Canada and the complexities of conducting a large-scale store closing process, the services of a group of contractual JV partners consisting of large, experienced liquidation

consultants are necessary to undertake a liquidation process that maximizes the value of the Merchandise and FF&E in an efficient and cost-effective manner;

- (b) the fee structure in the Liquidation Consulting Agreement incentivizes the Liquidation Consultant to maximize the value of the Merchandise and FF&E for the benefit of all stakeholders;
- (c) the Monitor compared the fee structure in the Liquidation Consulting Agreement to agreements approved in other CCAA proceedings and is of the view that the fees and expense reimbursements in the Liquidation Consulting Agreement are reasonable and consistent with those charged by liquidation consultants in similar situations;
- (d) the Sale Guidelines are similar to the guidelines approved by this Court in other recent CCAA proceedings involving the liquidation of retail businesses, with appropriate adjustments having regard to the circumstances of Hudson's Bay Canada and the terms of the Liquidation Consulting Agreement; and
- (e) the Liquidation Consulting Agreement provides Hudson's Bay with the ability to add or remove stores from the list of Liquidating Stores at any time provided that the number of remaining stores is no less than 25.² This is intended to provide some flexibility in the event that a potential transaction emerges in the very near term that preserves a portion of Hudson's Bay Canada's business that is acceptable to the secured lenders and other stakeholders.

² The Monitor notes, however, that the A&R DIP Agreement has restrictions with respect to removing stores.

5.0 THE LEASE MONETIZATION PROCESS³

- 5.1 The Initial Order authorized the Applicants to engage in discussions with, and solicit proposals and agreements from, real estate advisors and other Assistants (as defined in the Initial Order) to pursue all avenues and offers for the Lease Monetization Process and return to Court for approval of any such agreement.
- 5.2 In June 2024, JLL was engaged by the Pathlight Agent to conduct a comprehensive review of each of the Applicants' leases (excluding the distribution centres, Saks and Saks Off 5th store leases) and to provide views on the monetization potential for each of the leases. As such, JLL is familiar with the vast majority of the Applicants' leases and stores and is well positioned to conduct the Lease Monetization Process in a timely and efficient manner.
- 5.3 Hudson's Bay has entered into a consulting agreement dated March 14, 2025 (the "**Lease Monetization Consulting Agreement**") with JLL. The Monitor was involved in the negotiation of the compensation provided for in the Lease Monetization Consulting Agreement and considers such compensation to be appropriate and reasonable.
- 5.4 JLL is a retail tenant-focused brokerage and consultancy company based in Vancouver, British Columbia, that provides brokerage and consulting services for North American and international retailers, and has significant experience in the Canadian commercial real estate industry.

³ The Monitor understands that stakeholders have raised concerns with certain of the terms of the Lease Monetization Process, and discussions are ongoing as of the time this Report has been finalized.

5.5 JLL will act as the broker in the Lease Monetization Process (in such capacity, the “**Broker**”), if approved. Pursuant to the Lease Monetization Consulting Agreement, JLL’s compensation is as follows (capitalized terms used in this section of the First Report have the meanings given to them in the Lease Monetization Consulting Agreement):

- (a) a monthly working fee of \$80,000 plus HST during which the Services are performed by the Lease Monetization Consultant (to a maximum of \$240,000 plus HST); and
- (b) a success fee per Lease equal to 10% of the net proceeds payable to Hudson’s Bay from any such Lease Transaction up to a maximum amount of \$175,000 plus HST per Lease monetized upon the successful closing of any Lease Transaction, being any Court-approved sale, transfer or assignment of any Lease.

5.6 In consultation with the Monitor, and taking into consideration the timeline contemplated for the proposed Liquidation Sale of the Liquidating Stores, and the importance of ensuring rent and other carrying costs are not unnecessarily incurred beyond the end of the Sale Term (i.e. June 15, 2025), the Applicants, with the assistance of their legal and financial advisor, and the Broker, in consultation with the Monitor, developed the Lease Monetization Process with the following key dates:

- (a) court approval of the Lease Monetization Process and Order by March 17, 2025;
- (b) letters of intent (“**LOI**”) are to be received not later than 5:00 PM (Toronto time) on or before April 15, 2025 (the “**Phase 1 Bid Deadline**”);

- (c) qualifying bidders will be required to submit their bids for the sales of Leases and/or real property by May 1, 2025;
- (d) binding agreements to be negotiated and entered into by May 15, 2025; and
- (e) the Applicants will apply to the Court for an order approving the successful bid(s) by June 17, 2025.

5.7 The Leases contemplated to be sold, transferred, or assigned as part of the Lease Monetization Process are listed in Schedule “C” of the Lease Monetization Consulting Agreement, which includes the Leases held by the JV, without prejudice to any argument that any party may make as to whether the Applicants have the ability to assign or transfer such Leases.

5.8 The Monitor notes that the proposed ARIO provides that no leases may be terminated, repudiated or disclaimed without the prior written consent of the Term Loan Lenders, provided that if the Term Loan Lenders do not consent to the disclaimer of any Lease, the Term Loan Lenders must pay to the Applicants the amount of all rental payments due under such Lease after the date on which the disclaimer would have become effective, and such payment shall be a Protective Advance (as defined in the Pathlight Credit Facility), subject to the terms of the Pathlight Credit Facility.

5.9 The Monitor recommends that this Court approve the Lease Monetization Process and the retention of JLL as the Broker to lead the process. The Monitor considered the following in assessing the reasonableness of the Lease Monetization Process Order:

- (a) JLL possesses market-leading expertise and experience in marketing and selling commercial real estate property and is familiar with the Applicants' leases and stores;
- (b) the Lease Monetization Process provides sufficient time to ensure potential bidders are able to perform due diligence and prepare and submit their bids; and
- (c) in the Monitor's view, the contemplated Lease Monetization Process is commercially reasonable, consistent with sale processes approved by this Court in other CCAA proceedings and has been designed to maximize value through a competitive sale process while also mitigating downside costs and risk for stakeholders by limiting the length of time of the process.

6.0 SALE INVESTMENT AND SOLICITATION PROCESS⁴

- 6.1 The Monitor expects that there may be material value in the intellectual property of Hudson's Bay Canada. Regardless of whether a comprehensive restructuring solution is achieved, a sale process is required to realize on the intellectual property. Further, as described above, the Applicants intend to continue to attempt to identify restructuring alternatives within a very short time frame. The SISP is therefore intended to solicit interest in, and opportunities for: (a) one or more sales or partial sales of all, substantially all, or certain portions of Hudson's Bay Canada's business or assets; and/or (b) an investment in,

⁴ The Monitor understands that stakeholders have raised concerns with certain of the terms of the SISP, and discussions are ongoing as of the time this Report has been finalized.

restructuring, recapitalization, refinancing or other form of reorganization of Hudson's Bay Canada's business.

6.2 Key terms of the SISP include the following:

- (a) the SISP solicits bids and proposals for a broad range of transaction alternatives involving the business and assets of Hudson's Bay Canada, whether *en bloc* or any portions thereof;
- (b) the SISP shall be conducted by Reflect on behalf of the Applicants, under the supervision of the Monitor;
- (c) all parties wishing to have their bids or proposals with respect to the business and assets of Hudson's Bay Canada considered shall participate in the SISP in accordance with the procedures set out therein, including the signing of a non-disclosure agreement;
- (d) potential bidders participating in the SISP will have access to an electronic data room and due diligence information;
- (e) parties interested in pursuing a transaction (each a "**Potential Bidder**") must submit binding bids ("**Binding Bid**") based upon a template form of transaction document prepared by the Applicants, in consultation with Reflect and the Monitor, on April 15, 2025 (the "**Bidding Phase Bid Deadline**"), which Binding Bid must be accompanied by, among other things, duly executed transaction documents, evidence of a firm, irrevocable commitment for all required funding, and a cash

deposit of 10% of the total cash purchase price contemplated by such bid. All deposits will be held by the Monitor;

- (f) Binding Bids cannot be conditional upon the outcome of unperformed due diligence and/or obtaining financing and must be irrevocable until the earlier of: (i) approval by the Court; and (ii) 60 days following the Bidding Phase Bid Deadline;
- (g) the DIP Lenders and any other secured lender of the Applicants shall not have the right to credit bid their secured debt against the assets secured thereby;
- (h) following the Bidding Phase Bid Deadline, if one or more Qualified Bids are received, the Applicants shall consult with Reflect, the Monitor and the DIP Lenders and decide whether one or more Auctions are required which are to take place prior to April 29, 2025;
- (i) following any Auction (if required), or evaluation of the Qualified Bids, the Applicants, in consultation with Reflect, the Monitor and the DIP Lenders will decide whether to approve one or more of the Qualified Bids (the “**Successful Bids**”); and
- (j) any Successful Bids will be brought forward for Court approval.

6.3 Any sales of the business, assets or leases in connection with the SISP will be on an ‘as is, where is’ basis, without surviving representations or warranties of any kind except as set forth in the definitive transaction documents. The Applicants shall have no obligation to complete any transaction in connection with the SISP.

- 6.4 The “Outside Date” of all transactions contemplated by the SISP is June 30, 2025.
- 6.5 The SISP is intended to operate in parallel with the proposed Liquidation Sale at the Liquidating Stores and the SISP Approval Order provides that the Applicants will seek bids for liquidation of remaining inventory and FF&E not otherwise included in a Successful Bid.
- 6.6 The Monitor recommends that this Court approve the SISP Approval Order given that, among other things:
- (a) the SISP provides flexibility for the Applicants to consider a broad range of potential transactions should any such transaction emerge in the very near term;
 - (b) in the Monitor’s view, the contemplated SISP process and the procedures therein are commercially reasonable, consistent with procedures approved by this Court, and have been designed to maximize value through a competitive sale process;
 - (c) although the deadlines under the SISP are compressed, they are a function of the liquidity constraints that the Applicants face; and
 - (d) the Monitor does not believe the creditors of the Applicants would be materially prejudiced by the SISP.

7.0 DIP FACILITY

- 7.1 The Initial Order approved DIP financing pursuant to the initial DIP Term Sheet with Restore as DIP Agent, and HCS 102, LLC as DIP Lender.
- 7.2 The DIP Term Sheet was subsequently amended to add certain additional DIP Lenders.

- 7.3 The DIP Facility was structured as a senior secured super-priority (subject to the “**Permitted Priority Liens**”) interim financing credit facility providing up to a maximum principal amount of \$16 million (the “**Interim Borrowings**”).
- 7.4 The DIP Facility was subject to, among other things, further increase subject to agreement from the DIP Agent, the DIP Lenders and the Loan Parties with the approval of the Monitor and this Court at the Comeback Hearing (the “**Increased Facility Amount**”).
- 7.5 Following the granting of the Initial Order, the Applicants continued negotiations with the DIP Lenders and continued to pursue potential alternate providers of DIP Financing.
- 7.6 Hudson’s Bay’s financial advisor, Reflect, has advised that in total, 12 potential lenders were solicited to provide DIP financing to the Company prior to the commencement of the CCAA Proceedings, and an additional seven potential lenders were contacted subsequent to the granting of the Initial Order. A DIP term sheet contemplating DIP financing from RioCan was received by the Applicants in the evening of March 14, 2025; however, as discussed further below, the Applicants and the Monitor do not believe that proposal is workable in the circumstances.
- 7.7 Ultimately, the only proposal for DIP financing that would allow the Applicants to access sufficient funding to continue operations and advance these CCAA Proceedings was the proposal from the DIP Lenders in the form of the Amended and Restated Junior DIP Term Sheet (the “**A&R DIP Agreement**”). As discussed above, although the A&R DIP Agreement requires the Applicants to commence an immediate liquidation process, as described below, the A&R DIP Agreement preserves the ability of the Applicants to solicit interest in a going-concern transaction through the SISF during the course of the

Liquidation Sale. A copy of the executed A&R DIP Agreement, which reflects minor amendments from the draft served by the Applicants on March 14, is attached hereto as **Appendix “B”**.

7.8 Under the A&R DIP Agreement, in addition to the Interim Borrowings, the DIP Lenders have agreed to provide additional financing to Hudson’s Bay for the purposes of pursuing and implementing an orderly liquidation of all of Hudson’s Bay Canada’s retail stores immediately after the issuance of the Liquidation Sale Approval Order.

7.9 Key terms and components of the A&R DIP Agreement include the following:

<u>DIP Facility</u> (capitalized terms have the meanings ascribed thereto in the Amended and Restated Junior DIP Term Sheet)	
Agreement	<ul style="list-style-type: none"> Junior DIP Term Sheet dated as of March 17, 2025
Borrowers	<ul style="list-style-type: none"> Hudson’s Bay Company ULC
Guarantors	<ul style="list-style-type: none"> HBC Canada Parent Holdings 2 Inc., HBC Canada Parent Holdings Inc., The Bay Holdings ULC, The Bay Limited Partnership, HBC Bay Holding I Inc., and HBC Bay Holdings II ULC
Agent	<ul style="list-style-type: none"> Restore Capital, LLC
Lenders	<ul style="list-style-type: none"> Restore Capital, LLC HCS 102, LLC Tiger Asset Solutions Canada, ULC 1903 Partners, LLC GA Group Solutions, LLC
DIP Facility	<ul style="list-style-type: none"> A senior secured, super priority (subject to the Permitted Priority Liens) interim financing credit facility up to a Maximum Principal Amount of \$23 million
Interest	<ul style="list-style-type: none"> CORRA + 11.5% per annum, compounded monthly and payable monthly in arrears in cash on the last Business Day of each month
Default Rate	<ul style="list-style-type: none"> CORRA + 14.5%
Exit Fee	<ul style="list-style-type: none"> 3% of the DIP Facility on the Maturity Date
Maturity Date	<ul style="list-style-type: none"> The earlier of: (a) the occurrence of any Event of Default which is continuing and has not been cured; (b) the completion of a Permitted Restructuring Transaction; (c) the effective date of any

DIP Facility (capitalized terms have the meanings ascribed thereto in the Amended and Restated Junior DIP Term Sheet)	
	Plan which is proposed and filed with the Court in the CCAA Proceedings; and (d) the Outside Date (June 30, 2025).
Funding Structure/Advances	<ul style="list-style-type: none"> • Within one Business Day of the Comeback Hearing, the DIP Agent shall transfer into the Monitor's Trust Account an amount of \$3,000,000 under the DIP Facility (the "Initial Monitor Transfer"). • The Monitor shall be entitled to provide written notice to the DIP Agent requesting a further transfer of \$4,000,000 (provided that no individual transfer shall be less than \$500,000) under the DIP Facility into the Monitor's Trust Account (the "Subsequent Monitor Transfer"). • The Monitor shall not be entitled to make any requests for Subsequent Monitor Transfers after 4:00p.m. (Toronto time) on April 4, 2025. After this time, the DIP Agent and the DIP Lenders shall have no obligation to make any further Subsequent Monitor Transfers and the total Commitments shall be automatically reduced by the undrawn amount of the DIP Facility effective as at 4:00 p.m. (Toronto time) on April 4, 2025. • The DIP Facility shall be made available to the Borrower by way of advances from the Monitor's Trust Account which, in the aggregate, shall not exceed the maximum principal balance of \$23,000,000. The timing of each advance shall be determined based on the funding needs of the Loan Parties as set forth in the DIP Budget.
Milestones (Schedule "F")	<ul style="list-style-type: none"> • The Court shall have issued the ARIO by no later than March 17, 2025. • By no later than March 17, 2025, the Court shall have issued an order approving the Liquidation Consulting Agreement, the Lease Solicitation Process and the SISP. • All milestones contemplated by the Lease Solicitation Process and the SISP shall be complied with in all material respects by the Loan Parties. • By no later than May 9, 2025, the Court shall have issued an order authorizing the Monitor to make a distribution of Surplus Cash in accordance with the Priority Waterfall and such distribution shall be made within two Business Days of the issuance of such order.
Prepayments	<ul style="list-style-type: none"> • Provided the Monitor is satisfied that the Loan Parties have sufficient cash reserves to satisfy amounts due under the Priority Payables Reserve, the Borrower may prepay any amounts outstanding under the DIP Facility, in accordance with the Priority Waterfall, at any time prior to the Maturity Date. Subject to Section 23 of the DIP Term Sheet, any amount repaid may not be reborrowed.
DIP Collateral	<ul style="list-style-type: none"> • To be secured in Canada by the DIP Lender's Charge (as defined below).

7.10 The Monitor is of the view that Hudson's Bay Canada has benefited, and will continue to benefit, from the immediate access to interim financing in the amounts provided by the A&R DIP Agreement and supports approval by this Court (including the associated DIP Lenders' Charge outlined below) for several reasons including:

- (a) the Applicants do not have sufficient cash on hand to satisfy the obligations that will arise in respect of landlord occupancy costs and other operating costs necessary to effect the Liquidation Sale and to advance the Lease Monetization Process and the SISP;
- (b) committed DIP Financing allows Hudson's Bay Canada the breathing room to continue exploring going-concern sale options concurrently while the Liquidation Sale is ongoing with adequate funding to support its operations during the Liquidation Sale term;
- (c) the pricing and fees contemplated in the A&R DIP Agreement are substantially the same as those in the Original DIP Term Sheet which were reasonable in the circumstances as outlined in the Pre-Filing Report;
- (d) it is reasonable to assume that any potential alternate provider of interim financing to Hudson's Bay Canada would have required a super-priority charge to secure all obligations, which would rank ahead of the security of the pre-filing secured lenders;
- (e) the Monitor has been advised by Reflect that the pre-filing secured lenders would have opposed any such super-priority charges, which would have likely significantly delayed the availability of any interim financing, particularly given the uncertainty that the Revolving/FILO Lenders would be able to recover their loans in full in such a circumstance; and

(f) the DIP Facility being provided by the DIP Lenders is the result of extensive negotiations as between the Applicants, the DIP Lenders and their respective advisors, and represents the best DIP Facility that the Applicants could negotiate in the circumstances.

7.11 The quantum of the DIP Facility in a liquidation scenario is significantly less than in a restructuring scenario primarily as a result of, among other things: (i) the timing of cash receipts generated in a full liquidation scenario; (ii) the Applicants are not purchasing new merchandise to replenish inventory levels; (iii) the ABL Lenders have agreed to the cash collateralization of financial products over a period of three weeks as opposed to immediately after the Comeback Hearing; and (iv) the Liquidation Consultant agreed to a payment deferral.

8.0 AMENDED AND RESTATED INITIAL ORDER

DIP Lenders' Charge

8.1 The A&R DIP Agreement contemplates the granting of a Court-ordered charge in favour of the DIP Lenders (the “**DIP Lenders' Charge**”).

8.2 The DIP Lenders' Charge is proposed to rank as follows with respect to the Loan Parties' Property:

Priority Ranking	ABL Priority Collateral	Pathlight Priority Collateral	Other Collateral (as defined in the DIP Agreement)
1 st	Administration Charge (to the maximum amount of \$2,800,000)	Administration Charge (to the maximum amount of \$2,800,000)	Administration Charge (to the maximum amount of \$2,800,000)
2 nd	KERP Charge (to the maximum amount of \$3,000,000)	KERP Charge (to the maximum amount of \$3,000,000)	KERP Charge (to the maximum amount of

			\$3,000,000)
3 rd	All amounts owing under the Revolving Credit Facility and FILO Credit Facility (other than Excess ABL Obligations)	All amounts owing under the Pathlight Credit Facility (other than Excess Term Loan Obligations)	Directors' Charge (to the maximum amount of \$13,500,000)
4 th	Directors' Charge (to the maximum amount of \$13,500,000)	All amounts owing under the Revolving Credit Facility and FILO Credit Facility (other than Excess ABL Obligations)	DIP Lenders' Charge
5 th	DIP Lenders' Charge	Directors' Charge (to the maximum amount of \$13,500,000)	Directors' Charge (to the maximum amount of \$35,700,000)
6 th	Directors' Charge (to the maximum amount of \$35,700,000)	DIP Lenders' Charge	
7 th	Term Loan Obligations (Other than Excess Term Loan Obligations)	Directors' Charge (to the maximum amount of \$35,700,000)	

Extension of the Stay of Proceedings

8.3 Pursuant to the Initial Order, the Stay of Proceedings in favour of Hudson's Bay Canada continues to and including March 17, 2025, or such later date as this Court may order (the "**Stay Period**").

8.4 The Applicants are seeking an extension of the Stay Period to and including May 15, 2025.

8.5 The Monitor supports the Applicants' request to extend the Stay Period to and including May 15, 2025, for the following reasons:

- (a) the extension of the Stay Period will enable Hudson's Bay Canada to commence the orderly liquidation of the Liquidating Stores and commence the Lease Monetization Process and seek Court approval of any sale, assignment or transfer of Leases;

- (b) Hudson's Bay Canada has acted, and continues to act, in good faith and with due diligence to advance these CCAA Proceedings;
- (c) as provided in the Updated Cash Flow Forecast, Hudson's Bay Canada has sufficient liquidity to operate through the proposed extension of the Stay Period; and
- (d) the Monitor is not aware of any party that would be materially prejudiced by the proposed extension of the Stay Period.

Extension of the Co-Tenant Stay

- 8.6 As set out in the Pre-Filing Report, many retail leases provide that the tenant has certain rights against the landlord upon an anchor tenant's insolvency or upon an anchor tenant ceasing operations. This can include termination rights, rent abatement rights, or other rights and remedies against the landlord. If such a tenant exercised these rights against the landlord, the landlord could potentially have a claim against the anchor tenant, depending on the terms of the applicable leases and the applicable circumstances.
- 8.7 Such claims have the potential to disturb the *status quo* and could increase the quantum of claims against Hudson's Bay Canada at this critical juncture in the CCAA Proceedings in which Hudson's Bay Canada is attempting to initiate various processes to monetize their assets and business.
- 8.8 In recognition of this, Courts in prior CCAA proceedings involving anchor retail tenants have exercised their discretion to grant co-tenancy stays under their section 11 jurisdiction

to preserve the *status quo* where the benefits of the stay outweigh the deleterious effects on co-tenants.

- 8.9 In the *Target Canada CCAA* proceedings (*Target Canada Co. (Re)*, [2015 ONSC 303](#)), the CCAA Court granted a co-tenancy stay in the context of the wind-down and liquidation of the business to preserve the *status quo* while the wind-down was underway. The following paragraph sets out the basis upon which the Court exercised its jurisdiction to grant the co-tenancy stay in a wind-down situation:

In these proceedings, the Target Canada Entities propose, as part of the orderly wind-down of their businesses, to engage a financial advisor and a real estate advisor with a view to implementing a sales process for some or all of its real estate portfolio. The Applicants submit that it is premature to determine whether this process will be successful, whether any leases will be conveyed to third party purchasers for value and whether the Target Canada Entities can successfully develop and implement a plan that their stakeholders, including their landlords, will accept. The Applicants further contend that while this process is being resolved and the orderly wind-down is underway, the Co-Tenancy Stay is required to postpone the contractual rights of these tenants for a finite period. The Applicants contend that any prejudice to the third party tenants' clients is significantly outweighed by the benefits of the Co-Tenancy Stay to all of the stakeholders of the Target Canada Entities during the wind-down period.

- 8.10 A co-tenancy stay was also granted in the *Nordstrom Canada CCAA* proceedings (*Nordstrom Canada Retail, Inc.*, [2023 ONSC 1422](#)) where the Court indicated that, without a co-tenancy stay, the landlord claims against the applicants could potentially increase, and the exercise of co-tenants' rights could result in a multiplicity of proceedings which would be detrimental to an efficient and orderly wind-down.

- 8.11 At this early stage of these CCAA Proceedings, the Monitor is of the view that it is appropriate to continue the Co-Tenant Stay to preserve the *status quo*. The Monitor is of the view that in these circumstances, the benefits of the Co-Tenant Stay outweigh any potential prejudice to co-tenants for the following reasons:

- (a) the CCAA Proceedings are at an early stage and the Applicants are still working towards monetizing their business and assets, therefore, it is still unclear at this point how the claims of stakeholders will be addressed;
- (b) the exercise of co-tenant rights could increase the landlords' claims against Hudson's Bay Canada with potentially detrimental impacts on any restructuring or wind-down, including by impairing value and impacting other available options for the Applicants;
- (c) the Co-Tenant Stay is a temporary suspension of rights for a finite period of time that allows any affected co-tenants to seek relief from the Court on notice;
- (d) the Monitor has to-date not heard from any co-tenants raising concerns or objections with respect to the Co-Tenant Stay granted in the Initial Order; and
- (e) if co-tenants were able to terminate their leases, it could result in a ripple effect causing further job loss and detrimental economic impacts.

8.12 The above reasons have supported the exercise of the Court's jurisdiction under section 11 to grant a co-tenancy stay. The Monitor is of the view that it is reasonable and appropriate for this Court to similarly exercise its jurisdiction in this case to continue the Co-Tenant Stay, to be revisited at the time of the next stay extension request.

Extension of the RioCan-HBC JV Stay and the RioCan Motion

8.13 As part of the ARIO, the Applicants are seeking the extension of the RioCan-HBC JV Stay to and including May 15, 2025.

- 8.14 This Court’s Endorsement dated March 7, 2025 (the “**Endorsement**”) issued in connection with the Initial Order noted the following with respect to the RioCan-HBC JV Stay granted by the Court for the Initial Stay Period:

[57] The proposed stay of the payment of rent by Hudson’s Bay JV to the JV Sublandlords (other than any amount necessary to satisfy the amount of rent payable under any head leases), will mitigate any prejudice to the Landlords and is consistent with s.11.01 of the *CCAA*.

[58] A similar approach was endorsed by this Court in *Nordstrom*, where this Court stayed and suspended the payment of certain post-filing amounts arising from subleases between the debtor (as sublessee) and a non-applicant stay party (as sublessor). Basic rent was not stayed, but amounts incurred in constructing, fixturing, and furnishing the premises that would otherwise be due under the subleases were stayed.

- 8.15 In its Pre-Filing Report, the Monitor (then in its capacity as Proposed Monitor) supported the granting of the RioCan-HBC JV Stay for the Initial Stay Period because, among other things: (i) the RioCan-HBC JV Stay would provide the Applicants with time and stability to assess their restructuring options; and (ii) the RioCan-HBC JV Stay would still require rent to be paid in full to third-party landlords, while staying “rent payments” that the Proposed Monitor believes can be fairly characterized as financing arrangements (the “**JV Payments**”).
- 8.16 RioCan contacted the Company and the Monitor shortly after the Filing Date to indicate its opposition to the RioCan-HBC JV Stay. The Company, the Monitor, RioCan, and their respective counsel engaged in several discussions since the Filing Date; however, the parties have not been able to reach a consensual resolution.
- 8.17 Both the DIP Term Sheet and the A&R DIP Agreement specifically prohibit the Company from making the JV Payments.

- 8.18 In the evening of March 14, 2025, shortly before the Applicants' materials were served, RioCan's counsel emailed the Company's counsel and the Monitor's counsel with a proposed DIP term sheet contemplating DIP funding to be provided by RioCan (the "**RioCan DIP**"). RioCan's counsel indicated that the DIP term sheet was provided on a confidential basis, therefore the Monitor does not discuss its terms herein. But the Monitor can advise that it is presently of the view that the RioCan DIP is unworkable on its terms, and that the DIP Credit Facility offered by the DIP Lenders remains the only workable arrangement for the Company.
- 8.19 The Monitor supports the extension of the RioCan-HBC JV Stay. In particular, the Monitor is of the view that on a balancing of the relative prejudice to the parties involved, the RioCan-HBC JV Stay is appropriate in the circumstances. If the RioCan-HBC JV Stay is not granted, the Applicants will be in default of the terms of their only workable DIP.
- 8.20 In this case, where the Applicants have asserted that the substance of the arrangement is a financing arrangement, as opposed to a true lease where the debtor is solely paying for use of the property or, in this case, the premises, the Monitor is of the view that payment post-filing would have the effect of paying unsecured amounts in priority to the claims of other unsecured creditors. As such, the Monitor believes the relief sought by the Applicants is necessary and appropriate in the circumstances, and that the relief sought by RioCan should not be granted at the Comeback Hearing.
- 8.21 The Monitor's view is that if RioCan believes that the JV Payments are true lease payments and therefore are required to be paid as a cost of the CCAA Proceedings, that issue can be litigated following the Comeback Hearing. No distributions are proposed to be approved

at the Comeback Hearing, so to the extent RioCan is entitled to be paid, that cash will remain available to be paid from the proceeds of the liquidation.

Key Employee Retention Plan and KERP Charge

- 8.22 In order to retain the services of the Key Employees whose continued service will be critical to the success of any wind-down or restructuring, the Applicants are seeking approval of the KERP and the KERP Charge to secure the payments that are expected to become due to the Key Employees under the KERP.
- 8.23 The proposed KERP provides for a one-time lump sum payment to each Key Employee who has been identified by the Applicants, in consultation with the Monitor, as critical to an orderly wind-down. The proposed KERP retention payments are calculated as a percentage of the base salary of the Key Employees to ensure that such payments reflect the individual's level of duties and responsibilities.
- 8.24 The following table summarizes, on an aggregate basis, the roles of the Key Employees and their expected retention payments under the KERP:

KERP Summary

Position	# of Employees	Retention Range	Estimated Total
<i>Non-Store</i>			
Senior Leadership	10	7.5% - 50%	1,087,750
Other Non-Store	17	5% - 25%	413,880
Total Non-Store	27		1,501,630
<i>Store-Level</i>			
Store Managers	94	10% - 20%	1,223,586
Total Store	94		1,223,586
Total	121		2,725,216

- 8.25 There are a total of 121 Key Employees across the total employee base of over 9,300 employees. Approximately 78% of the Key Employees are store-level employees.
- 8.26 The KERP was developed by the Applicants in consultation with the Monitor. A summary of the proposed KERP is attached hereto as **Confidential Appendix “1”**.
- 8.27 The proposed KERP retention payments will be received at the earlier of: (a) the date on which the liquidation is completed and services are no longer required; or (b) September 30, 2025.
- 8.28 The Monitor supports the approval of the KERP as: (a) it will provide stability to, and facilitate, an orderly wind-down by encouraging key active employees to remain with Hudson’s Bay Canada, as required; (b) the Key Employees are considered to be critical to the execution of the Liquidation Sale and their participation will assist in maximizing realizations for the benefit of stakeholders; and (c) the Monitor, in consultation with certain of Hudson’s Bay Canada’s executives, have reviewed the Key Employees list and is satisfied that the list is appropriate, not unduly broad and includes the critical employees necessary to advance the Liquidation Sale and the CCAA Proceedings.
- 8.29 In the proposed ARIO, the Applicants are seeking a KERP Charge over the Property in an amount not to exceed \$3.0 million in favour of the Key Employees. The KERP Charge represents the maximum aggregate amount of retention payments payable to the Key Employees under the KERP.
- 8.30 In light of its support for the KERP, the Monitor is of the view that the KERP Charge is reasonable and appropriate in the circumstances. The KERP Charge will provide certainty

to Key Employees that retention payments will be paid in accordance with the terms of the KERP.

Increase/Addition of Beneficiary to Court-ordered Charges in the ARIO

- 8.31 The ARIO seeks the addition of Reflect as a beneficiary of the Administration Charge and an increase to the quantum of the Directors' Charge (collectively with the KERP Charge, the "**Charges**") over the Property of Hudson's Bay Canada, as described below.

Administration Charge

- 8.32 The Initial Order granted the Administration Charge in an amount not to exceed \$2.8 million in favour of the Monitor, counsel to the Monitor, and counsel to the Applicants. The Applicants are seeking to include Reflect as a beneficiary of the Administration Charge, but are not seeking to increase the quantum of the Administration Charge in the ARIO. The Monitor remains of the view that the Administration Charge is reasonable and necessary in the circumstances.

Directors' Charge

- 8.33 The Initial Order granted the Directors' Charge in two bifurcated super-priority charges over the Property each in the amount of \$13.5 million (\$27 million in aggregate) to secure Hudson's Bay Canada's indemnity of their directors and officers, in accordance with the Initial Order, for obligations and liabilities they may incur as directors or officers of Hudson's Bay Canada after commencement of the CCAA Proceedings. For the purposes of the Initial Order, the Directors' Charge was limited to the amount reasonably necessary during the Initial Stay Period.

- 8.34 In the ARIO, the Applicants are seeking an increase in the amount of the Directors' Charge to \$49.2 million. The Monitor assisted the Applicants in the calculation of the Directors' Charge, taking into consideration the amount of the Applicants' vacation pay liabilities, federal and provincial sales tax liabilities, and other potential sources of director and officer liability. The components of the proposed Directors' Charge are as follows:

Proposed D&O Charge	Methodology	\$000's
Sales taxes (HST, GST, PST)	Maximum exposure based on 2 remittance periods	\$29,700
Employee wages and source deductions	1 bi-weekly pay period, plus one week	15,200
Accrued vacation pay	Balance at Filing Date, plus accrual through June 2025	2,550
Employee benefits, EHT and other amounts	Estimate of benefits, EHT, WCB (remittance varies)	1,490
Employee termination	Estimate of Saskatchewan employee amounts only	250
Total		\$49,190

- 8.35 The Monitor notes that the proposed increase in the Directors' Charge relates primarily to forecast increases in: (a) sales tax collections during the peak of the CCAA Proceedings; and (b) an increase in the exposure period for employee wages and source deductions compared to the 10-day period in the Initial Order. The Monitor is of the view that the proposed increase to the Directors' Charge is required and reasonable in the circumstances having regard to the nature of the Applicants' business, including the significant number of employees and significant sales tax collections as a large-scale retailer.

Priority of Charges in the ARIO

- 8.36 The proposed ARIO provides that the Charges will have the following priority:
- With respect to all Property:

- (a) First – Administration Charge (to the maximum amount of \$2.8 million);
- (b) Second – KERP Charge (to the maximum amount of \$3.0 million); and
- (c) Third – Directors’ Charge (to the maximum amount of \$49.2 million).

With respect to the Loan Parties’ Property, the priority as outlined in para 8.2 above.

8.37 The proposed ARIO provides that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other Encumbrances (as defined in the ARIO). The Monitor is informed by counsel to Hudson’s Bay Canada that each person that has registered a security interest in respect of a Hudson’s Bay Canada entity under the applicable *Personal Property Security Act* of Ontario, Alberta or British Columbia has been served with a copy of the Applicant’s CCAA application record containing the form of ARIO sought by the Applicants.

Payment of Pre-Filing Obligations

8.38 The proposed ARIO authorizes the Applicants to pay certain pre-filing obligations in accordance with the DIP Term Sheet. The DIP Term Sheet provides that the Loan Parties may not use the proceeds of the DIP Facility to pay Pre-Filing Obligations without the prior written consent of the DIP Agent unless the payment of such Pre-Filing Obligations are specifically identified in the approved DIP Budget and authorized pursuant to the ARIO or any subsequent Court Order.

8.39 At the time of the Initial Order, Hudson’s Bay Canada intended to continue its relationship with third-party gift card providers (the “**Gift Cards**”) responsible for selling and

activating gift cards and to continue honouring outstanding gift cards in the Hudson's Bay Canada's continuing locations. However, because of the unavailability of DIP Financing that would permit the Company to execute on a longer-term restructuring strategy in these CCAA Proceedings, the proposed ARIO provides that pre-filing obligations relating to Gift Cards will be paid or satisfied up to April 6, 2025. Hudson's Bay Canada suspended all third-party sales and activations of new gift cards on March 13, 2025.

Approval of Financial Advisor Agreement

- 8.40 As part of the ARIO, the Applicants are seeking approval to retain Reflect as financial advisor to Hudson's Bay pursuant to the agreement dated February 14, 2025 (the "**Reflect Engagement Agreement**"). Reflect has assisted the Company in sourcing and negotiating the DIP Facility, developing the SISP, negotiating the Liquidation Consulting Agreement, developing the Lease Monetization Process, and other matters related to the CCAA Proceedings.
- 8.41 The Monitor notes that between July 18, 2023 and February 1, 2025, Reflect acted as financial Advisor to Pathlight. The Monitor understands that Reflect resigned as Pathlight's financial advisor on or about February 14, 2025 and that Pathlight has consented to Reflect acting as financial advisor to Hudson's Bay.
- 8.42 For the reasons outlined above, the Monitor is supportive of the relief contemplated by ARIO.

9.0 UPDATED CASH FLOW FORECAST

9.1 Hudson’s Bay, with the assistance of Reflect and the Monitor, has prepared an updated and extended cash flow forecast (the “**Updated Cash Flow Forecast**”) for the 13-week period from March 7 to June 6, 2025 (the “**Cash Flow Period**”). A copy of the Updated Cash Flow Forecast, together with a summary of assumptions (the “**Cash Flow Assumptions**”) and Management’s report on the cash flow statement required by section 10(2)(b) of the CCAA, are attached hereto as **Appendices “C” and “D”**, respectively.

9.2 The Updated Cash Flow Forecast has been prepared on the basis of an orderly wind-down of all retail locations as contemplated in the A&R DIP Agreement. A summary of the Updated Cash Flow Forecast is provided in the table below:

Updated Cash Flow Forecast		\$000's
		<u>13-Week Period</u>
Receipts		
Retail Receipts		430,155
Other Receipts ⁵		34,761
Total Receipts		464,916
Disbursements		
Payroll & Benefits		(66,797)
Occupancy Costs		(60,375)
Operating Expenses		(57,184)
Concession/Consignment Payments ⁵		(34,472)
Sales Tax Remittances		(32,061)
Liquidation Consultant Fees & Expenses		(21,703)
Professional Fees		(19,682)
Interest Payments		(11,704)
Shared Service Payments		(2,150)
Inventory Purchases		(1,010)
Total Disbursements		(307,139)
Net Cash Flow		157,777

⁵ These line items include Participating Concession Vendors, GB Consignment, and Additional Consultant Goods.

Updated Cash Flow Forecast	\$000's
Opening Cash Balance	5,266
Net Cash Flow	157,777
Cash Collateralization	(21,197)
DIP Facility Advance	23,000
Closing Cash Balance	164,845
Total Senior Debt⁶	257,564
DIP Facility Balance	23,000

9.3 The Monitor notes the following with respect to the Updated Cash Flow Forecast:

- (a) retail receipts reflect forecast sales taking into consideration the expected commencement date for the Liquidation Sale, subject to Court approval of the Liquidation Consulting Agreement and Sale Guidelines. Assumptions with respect to the cadence of forecast retail receipts will be updated based on input from the Liquidation Consultant, once engaged;
- (b) other receipts reflect gross proceeds from the sale of goods pursuant to: (i) existing agreements with Participating Concession Vendors and the GB Consignment goods; and (ii) Additional Consultant Goods;
- (c) payroll and benefits include salaries, wages, remittances, employee benefits and taxes for salaried and part-time employees across the stores, corporate office and distribution centres, as well as payments to Key Employees in accordance with the proposed KERP;

⁶ Represents: (i) FILO Credit Facility balance of approximately \$137 million, inclusive of a make-whole provision of approximately \$28 million which has been asserted by the FILO Lender; and (ii) the Pathlight Credit Facility balance of approximately \$92 million.

- (d) occupancy costs include third-party rents, property taxes and CAM for the stores, corporate office and distribution centres, while the applicable lease remains in effect;
- (e) operating expenses primarily include store-level, corporate and distribution centre operating costs, logistics and supply chain costs, credit card processing fees, insurance and utilities paid directly to municipalities;
- (f) concession/consignment payments represent payments to vendors related to the sale of goods pursuant to: (i) existing agreements with Participating Concession Vendors and the GB Consignment goods; and (ii) Additional Consultant Goods;
- (g) the Liquidation Consultant fees & expenses include the Liquidation Consultant's commission fee calculated as a percentage of Liquidation Sale receipts and a provision for costs relating to marketing, signage, labour and other expenses;
- (h) professional fees include the fees of the Applicants' legal counsel, financial advisor and Lease Monetization Consultant, the Monitor, the Monitor's legal counsel, legal counsel and financial advisors to the DIP Lender and legal counsel to certain other secured creditors;
- (i) interest payments relate to the DIP Facility, FILO Credit Facility and Pathlight Credit Facility;
- (j) shared service payments relate to cost reimbursement for Saks Global employees that provide support services to Hudson's Bay;

- (k) inventory purchases represent estimated disbursements to purchase inventory that is accretive to the Liquidation Sale; and
- (l) the Updated Cash Flow Forecast does not include any potential proceeds from the Lease Monetization Process or the SISP.

9.4 The Revolving Facility Lenders have requested that the obligations for their cash products be cash collateralized. Through negotiations, and only in an orderly wind-down scenario, these parties were amenable for the cash collateralization of these products to occur over a three-week period in an effort to reduce the Company's cash requirements and a substantial increase to the DIP Facility requirements in the first week of the Updated Cash Flow Forecast.

9.5 On March 14, 2025, occupancy rent was paid to Hudson's Bay Canada's various landlords covering the period from March 7-15. Subject to this Court's approval of the DIP Facility, Hudson's Bay Canada intends to pay rent for the period from March 16-31 no later than March 19, as has been discussed with counsel for certain of the landlords.

9.6 Provided the A&R DIP Agreement is approved by this Court, based on the Updated Cash Flow Forecast, the Monitor believes that the Applicants will have sufficient liquidity throughout the Cash Flow Period.

9.7 Based on the Monitor's review, nothing has come to its attention that causes it to believe, in all material respects that: (a) the Cash Flow Assumptions are not consistent with the purpose of the Updated Cash Flow Forecast; (b) as at the date of this First Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the

Applicants or do not provide a reasonable basis for the Updated Cash Flow Forecast, given the Cash Flow Assumptions; or (iii) the Updated Cash Flow Forecast does not reflect the Cash Flow Assumptions.

10.0 ACTIVITIES OF THE MONITOR SINCE THE FILING DATE

10.1 Since the Filing Date, the primary activities of the Monitor and its counsel, Bennett Jones LLP, have included the following:

- (a) activating the Case Website and coordinating the posting of Court-filed documents to the website;
- (b) assisting Hudson's Bay Canada in implementing accounting cut-off measures to ensure proper determination of pre- and post-filing obligations and liabilities as of the Filing Date;
- (c) extensive discussions with the DIP Agent, DIP Lenders and their financial advisor with respect to liquidity and iterations of the cash flow forecast, the DIP Budget, the A&R DIP Agreement, and the conduct and cash flow impacts of the Sale;
- (d) assisting in the preparation of the Updated Cash Flow Forecast;
- (e) monitoring cash receipts and disbursements, and coordinating with management to prepare for weekly cash flow variance reporting;
- (f) assisting in discussions and negotiations with key service providers to minimize disruption to store and distribution centre operations;

- (g) assisting in communicating with vendors regarding purchase orders to be fulfilled or cancelled, and inventory in transit to be delivered or retrieved;
- (h) assisting in the review and negotiation of the Liquidation Consulting Agreement and Sale Guidelines;
- (i) assisting with the development of the SISP and the Lease Monetization Process;
- (j) responding to numerous stakeholder inquiries regarding the CCAA Proceedings;
- (k) assisting in the review and negotiation of the Lease Monetization Consultant Agreement;
- (l) completing the noticing requirements pursuant to paragraph 46 of the Initial Order, including:
 - (i) arranging for publication of notice of the CCAA Proceedings, in the prescribed form, in *The Globe and Mail* (National Edition) on March 12, 2025;
 - (ii) arranging for notice of the CCAA Proceedings, in the prescribed manner, to be mailed on March 11, 2025, to all known creditors having a claim against the Applicants of more than \$1,000; and
 - (iii) preparing a list of creditors (other than individuals) and posting it to the Case Website within five days of the Filing Date;

- (m) activating the Monitor's toll-free number and email account for the CCAA Proceedings, and responding to creditor and other inquiries received through those and other contact points;
- (n) preparing Forms 1 and 2, and completing and uploading the forms and other documents to the Office of the Superintendent of Bankruptcy's CCAA Online Filing System; and
- (o) preparing this First Report with the assistance of counsel.

11.0 CONCLUSIONS AND RECOMMENDATIONS

- 11.1 For the reasons set out in this First Report, the Monitor respectfully recommends that: (i) the Court grant the relief to be sought by the Applicants; and (ii) the Court not grant the relief sought in the RioCan Motion at the Comeback Hearing.

All of which is respectfully submitted to the Court this 16th day of March, 2025.

**Alvarez & Marsal Canada Inc.,
in its capacity as Monitor of
Hudson's Bay Company ULC Compagnie de la Baie D'Hudson SRI, et al,
not in its personal or corporate capacity**



Per: _____
Alan J. Hutchens
Senior Vice-President



Per: _____
Greg A. Karpel
Senior Vice-President

SCHEDULE A

OTHER APPLICANTS

HBC Canada Parent Holdings Inc.

HBC Canada Parent Holdings 2 Inc.

HBC Bay Holdings I Inc.

HBC Bay Holdings II ULC

The Bay Holdings ULC

HBC Centerpoint GP Inc.

HBC YSS 1 LP Inc.

HBC YSS 2 LP Inc.

HBC Holdings GP Inc.

Snospmis Limited

2472596 Ontario Inc.

247598 Ontario Inc.

NON-APPLICANT STAY PARTIES

HBC Holdings LP

RioCan-HBC General Partner Inc.

RioCan-HBC Limited Partnership

RioCan-HBC (Ottawa) Holdings Inc.

RioCan-HBC (Ottawa) GP, Inc.

RioCan-HBC (Ottawa) Limited Partnership

HBC Centerpoint LP

The Bay Limited Partnership

HBC YSS 1 Limited Partnership

HBC YSS 2 Limited Partnership

APPENDIX A
PRE-FILING REPORT OF THE MONITOR (WITHOUT APPENDICES)

See attached.

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
HUDSON'S BAY COMPANY ULC COMPAGNIE DE LA BAIE D'HUDSON SRI, HBC
CANADA PARENT HOLDINGS INC., HBC CANADA PARENT HOLDINGS 2 INC.,
HBC BAY HOLDINGS I INC., HBC BAY HOLDINGS II ULC, THE BAY HOLDINGS
ULC, HBC CENTERPOINT GP INC., HBC YSS 1 LP INC., HBC YSS 2 LP INC., HBC
HOLDINGS GP INC., SNOSPMIS LIMITED, 2472596 ONTARIO INC., and 2472598
ONTARIO INC.**

**PRE-FILING REPORT OF THE PROPOSED MONITOR
ALVAREZ & MARSAL CANADA INC.**

MARCH 7, 2025

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Appendix B – Cash Flow Forecast for the 10-Day Period Ending March 17, 2025

Appendix C – Management’s Representation Letter Regarding the Cash Flow Forecast

1.0 INTRODUCTION

- 1.1 Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Proposed Monitor**”) understands that Hudson’s Bay Company ULC Compagnie de la Baie D’Hudson SRI (“**Hudson’s Bay**” or the “**Company**”) and the other applicants listed on **Schedule “A”** attached hereto (together with Hudson’s Bay, the “**Applicants**”) intend to make an application to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) for an order (the “**Initial Order**”) granting, among other things, stays of proceedings pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), and appointing A&M as Monitor (in such capacity, the “**Monitor**”). The proceedings to be commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
- 1.2 Although HBC Holdings LP and the other non-Applicant entities listed on **Schedule “A”** (together with HBC Holdings LP, the “**Non-Applicant Stay Parties**”) are not applicants in this proceeding, the Applicants seek to have the stay of proceedings and certain other benefits and protections of the Initial Order extended to the Non-Applicant Stay Parties, which are wholly or partially owned by certain of the Applicants and perform functions integral to the Applicants’ business. Together, the Applicants and the Non-Applicant Stay Parties are referred to herein as “**Hudson’s Bay Canada**”.
- 1.3 The purpose of this pre-filing report (the “**Report**”) is to provide the Court with information, and where applicable, the Proposed Monitor’s views on:
- (a) A&M’s qualifications to act as Monitor (if appointed);

- (b) limited background information with respect to Hudson's Bay Canada and events leading up to the CCAA Proceedings;
- (c) an overview of Hudson's Bay Canada's secured debt obligations;
- (d) Hudson's Bay Canada's cash management system;
- (e) the stays of proceedings sought in the proposed Initial Order;
- (f) Hudson's Bay Canada's 13-week cash flow forecast;
- (g) the \$16 million junior debtor-in-possession ("**DIP**") credit facility (the "**DIP Facility**") and corresponding charge in respect thereof (the "**DIP Lenders' Charge**") sought by the Applicants in the Initial Order during the 10-day period;
- (h) the Administration Charge and the Directors' Charge (each as defined below) sought by the Applicants in the Initial Order; and
- (i) the Proposed Monitor's conclusions and recommendations in respect of the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

- 2.1 In preparing this Report, A&M, in its capacity as the Proposed Monitor, has been provided with, and has relied upon, unaudited financial information and books and records prepared or provided by Hudson's Bay Canada, and has held discussions with various parties, including senior management of, and advisors to Hudson's Bay Canada (collectively, the "**Information**"). Except as otherwise described in this Report, in respect of the Applicants' cash flow forecast:

- (a) the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed 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 Proposed 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 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 Report was prepared based on the estimates and assumptions of Hudson’s Bay Canada. 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 Report should be read in conjunction with the Affidavit of Jennifer Bewley, sworn on March 7, 2025 (the “**Bewley Affidavit**”), in support of the Applicants’ application for relief under the CCAA, which provides a detailed overview of the business, operations and financial circumstances of Hudson’s Bay Canada as well as additional background and the purpose of these CCAA Proceedings. Capitalized terms used and not defined in this Report have meanings given to them in the Bewley Affidavit.

- 2.4 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars (“CAD”).

3.0 A&M’S QUALIFICATIONS TO ACT AS MONITOR

- 3.1 Alvarez & Marsal Canada ULC (an affiliate of the Proposed Monitor) was engaged to act as consultant to Hudson’s Bay and its subsidiaries on February 28, 2025, and since that time has worked extensively with the Company’s management and legal and financial advisors to become familiar with Hudson’s Bay Canada’s business and financial affairs. A&M is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada), R.S.C. 1985, C. B-3, as amended, and is not subject to any of the restrictions on who may be appointed as monitor set out in subsection 11.7(2) of the CCAA.
- 3.2 A&M is related to Alvarez & Marsal Holdings, LLC, which is an independent international professional services firm, providing, among other things, bankruptcy, insolvency and restructuring services. The senior A&M professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants (Chartered Accountants), Chartered Insolvency and Restructuring Professionals, and Licensed Insolvency Trustees, who have previously acted in CCAA matters of a similar nature and complexity in Canada, including in the retail sector.
- 3.3 A non-Canadian affiliate of Alvarez & Marsal Holdings, LLC, was previously engaged by an equity holder of Hudson’s Bay to provide advisory services in respect of same. This engagement was concluded in October 2023.

3.4 The Proposed Monitor has retained Bennett Jones LLP to act as its independent legal counsel in the CCAA Proceedings.

3.5 A&M has consented to act as Monitor of the Applicants should the Court grant the application to commence the CCAA Proceedings.

4.0 BACKGROUND INFORMATION

General

4.1 This Report summarizes certain background information regarding Hudson's Bay Canada as it relates to the application for the commencement of the CCAA Proceedings.

4.2 Hudson's Bay is the oldest company in North America and is Canada's most prominent department store. Hudson's Bay was founded in 1670 and evolved into a mercantile business selling a wide variety of products, such that it is now the largest department store retailer in Canada.

4.3 In November 2012, Hudson's Bay Company completed an initial public offering of its common shares, which traded on the Toronto Stock Exchange. However, in the past decade, Hudson's Bay was impacted by the evolving retail landscape and deteriorating brick-and-mortar environment, and a decline in foot traffic at its stores, which negatively affected its operating and financial results.

4.4 As a result of these operational and financial challenges, on March 3, 2020, a group of Hudson's Bay's then-existing shareholders completed the privatization of Hudson's Bay Canada in a \$1.1 billion cash transaction. The privatization was intended to, among other

things, permit Hudson's Bay Canada to restructure without public market pressures and focus on long-term growth strategies.

- 4.5 Shortly after the privatization transaction in March 2020, all of the provinces of Canada implemented lockdown measures in response to the COVID-19 pandemic, which resulted in a significant decline in foot traffic at Hudson's Bay's stores across Canada. The long-lasting impact of pandemic-related closures in Canada continued to reshape consumer behaviours and put additional pressure on the retail sector in Canada.
- 4.6 Hudson's Bay Canada's business has not recovered to the level it was operating at prior to the COVID-19 pandemic and the post-restructuring success that it had planned for has not materialized.
- 4.7 Hudson's Bay currently operates: (a) 80 retail locations as "Hudson's Bay"; (b) three retail locations as "Saks Fifth Avenue"; and (c) 13 retail locations as "Saks OFF 5th". The following table summarizes current store locations by province and banner:

	Hudson's Bay	Saks Fifth Avenue	Saks OFF 5TH	Total
Alberta	13	1	2	16
British Columbia	16	0	2	18
Manitoba	2	0	1	3
Nova Scotia	2	0	0	2
Ontario	32	2	7	41
Quebec	13	0	1	14
Saskatchewan	2	0	0	2
Total	80	3	13	96

- 4.8 All of Hudson's Bay retail stores are leased, with 68 leases with third-party landlords and 12 with the RioCan-HBC JV (as defined below). All of the Saks Fifth Avenue and Saks OFF 5th stores are leased with third-party landlords.

Corporate Organization

- 4.9 Hudson's Bay is the ultimate parent company of each of Hudson's Bay Canada's subsidiaries other than HBC Canada Parent Holdings Inc. ("**HBC Parent 1**") and HBC Canada Parent Holdings 2 Inc. ("**HBC Parent 2**").
- 4.10 Hudson's Bay Canada's corporate organization chart is attached hereto as "**Appendix A**".

Guarantors Under Credit Facilities

- 4.11 Each of HBC Parent 1, HBC Parent 2, The Bay Limited Partnership ("**The Bay LP**"), The Bay Holdings ULC ("**The Bay Holdings**"), HBC Bay Holdings I Inc. ("**HBC Holdings 1**"), and HBC Bay Holdings II ULC ("**HBC Holdings 2**", and collectively the "**Guarantors**") are guarantors under the Credit Facilities (as defined below), guaranteeing all obligations of Hudson's Bay under the Credit Facilities.
- 4.12 HBC Parent 1, HBC Parent 2, The Bay Holdings, HBC Holdings 1, and HBC Holdings 2 are holding companies that do not carry out any active operations. The Bay LP owns various trademarks, and/or other intellectual property rights including, among others, "Hudson North", "Bay Days", "Zellers" and "Zellers Marketplace", all of which are used by Hudson's Bay pursuant to a continued right to use.

RioCan-HBC JV

- 4.13 As part of a strategy to monetize its owned real estate assets while maintaining its retail business in those locations, Hudson's Bay and RioCan Real Estate Investment Trust ("**RioCan**") closed the first tranche of a real estate joint venture, RioCan-HBC Limited

Partnership (the “**RioCan-HBC JV**”) in July 2015 and the second tranche in November 2015.

- 4.14 The Non-Applicant Stay Parties, through the RioCan-HBC JV, own all the Companies’ freehold interests and certain of the Companies’ leasehold interests in real property. Hudson’s Bay and RioCan have approximately 78% and 22%, respectively, ownership interests in the RioCan-HBC JV.
- 4.15 The Bewley Affidavit describes the corporate organizational structure in detail.

Financial Information

- 4.16 Hudson’s Bay Canada does not prepare stand-alone financial statements for the Canadian business. A summary of the estimated value of Hudson’s Bay Canada’s assets and liabilities as at January 31, 2025 is at paragraph 128 of the Bewley Affidavit. The Monitor understands that for the twelve-month period ended January 31, 2025, Hudson’s Bay Canada generated a net loss of approximately \$329.7 million and EBITDA of approximately negative \$67.9 million.
- 4.17 As of January 31, 2025, Hudson’s Bay Canada had total net assets with a book value of approximately \$3.7 billion and total liabilities with a net book value of approximately \$3.2 billion.

Employees

- 4.18 As of February 28, 2025, the Applicants employ approximately 9,364 people. The approximate number of employees, by province, for each of the three retail banners, plus corporate personnel, are summarized at paragraph 105 of the Bewley Affidavit.

- 4.19 All of Hudson's Bay Canada's employees are employed by either Hudson's Bay or The Bay Holdings, other than with respect to seven employees that reside in the United States.
- 4.20 Approximately 647 employees participate in collective bargaining agreements, which are applicable to employees working in five of Hudson's Bay's retail stores, three of the Distribution Centres, and for certain other employees working in Ontario. A summary of the Companies' collective bargaining units is provided in the Bewley Affidavit.
- 4.21 Hudson's Bay sponsors a group registered combination pension plan (the "**Pension Plan**") that includes both a defined benefit and defined contribution component, which is subject to the *Pension Benefits Act (Ontario)*. In addition to the Pension Plan, Hudson's Bay also sponsors a full suite of group health and welfare benefits for eligible employees. The Proposed Monitor understands that the Pension Plan is in a surplus position.
- 4.22 Hudson's Bay also sponsors a partially funded supplemental retirement pension plan ("**SERP**"). As at the last accounting valuation report dated January 1, 2022, the SERP had a shortfall of approximately \$84.5 million. In addition, as of the last accounting valuation report dated January 1, 2024, the non-pension post employment and the other long-term employee benefits underfunded status was approximately \$13.5 million and \$6.1 million, respectively.

Continued Financial Distress

- 4.23 The Bewley Affidavit extensively describes the operational and financial challenges experienced by Hudson's Bay in recent years in addition to the various operational and

financial restructuring initiatives the Company has undertaken since the privatization transaction.

- 4.24 To address the challenging macroeconomic environment, liquidity constraints, and other operational challenges experienced by the Companies, on December 23, 2024, Hudson's Bay closed a transaction for the divestiture of the Neiman Marcus Group for a total enterprise value of US\$2.65 billion (the "**Neiman Marcus Transaction**").
- 4.25 Prior to the Neiman Marcus Transaction, the Canadian and U.S. businesses were under single credit facilities. As a result of the Neiman Marcus Transaction, Hudson's Bay's Canadian business and real estate became separately financed. The outstanding revolving credit exposure of the Canadian business was reduced to \$0 and the outstanding amount owed under the FILO Credit Facility was reduced to the principal amount of \$130 million. Similarly, the outstanding amounts owed under the former Pathlight Credit Facility reduced to approximately US\$64.3 million.
- 4.26 In light of its current financial crisis, as described in detail in the Bewley Affidavit, Hudson's Bay Canada has not been able to meet their obligations as they become due and urgently requires a stay of proceedings granted under the CCAA and other related relief.

5.0 SECURED DEBT OBLIGATIONS

- 5.1 As of March 7, 2025, Hudson's Bay Canada has approximately \$1.1 billion of outstanding secured debt obligations, comprised of approximately \$405 million in obligations under three credit facilities (the "**Credit Facilities**") and approximately \$724.4 million of mortgage debt.

- 5.2 The Credit Facilities share the same collateral and security package and are subject to two intercreditor agreements between the parties.
- 5.3 As described in the Bewley Affidavit, most of the freehold and leasehold interests that Hudson's Bay has, through its approximately 78% ownership interest in the RioCan-HBC JV, are subject to mortgages with third party lenders, and in some cases with RioCan.
- 5.4 The table below summarizes Hudson's Bay Canada's approximate current secured debt obligations:

Facility	Approximate Outstanding Principal Amount
Revolving / FILO Credit Facility	\$137.1 million
Pathlight Credit Facility ¹	\$91.9 million
Cadillac Credit Facility	\$176.0 million
Total Credit Facilities	\$405.0 million
Mortgage Debt	\$724.4 million
Total Secured Debt Obligations	\$1,129.4 million

- 5.5 Each of the Credit Facilities and the outstanding mortgage debt is described in detail in the Bewley Affidavit.

6.0 CASH MANAGEMENT SYSTEM

- 6.1 Certain of the Applicants maintain a centralized cash management system (the “**Cash Management System**”) in the ordinary course of business to, among other things, collect funds and pay expenses associated with the operations of Hudson's Bay Canada. The Cash Management system is administered by: (a) Hudson's Bay employees in the treasury

¹ Pathlight Credit Facility is converted at \$US: \$CAD \$1.00:\$1.43.

department at the head office in Toronto; and (b) certain employees of Saks Global based out of the U.S.

- 6.2 As part of its Cash Management System, Hudson's Bay Canada maintains 46 bank accounts with 28 accounts at Royal Bank of Canada ("**RBC**"), 16 at the Toronto-Dominion Bank ("**TD**"), and two at Bank of America.
- 6.3 Store receipts are deposited into the depository accounts at RBC and debit and credit card receipts (excluding American Express) are deposited daily into the TD depository accounts.
- 6.4 Hudson's Bay Canada maintains 22 bank accounts that process outgoing wires, Automatic Clearing House and cheque payments for disbursements to landlords, vendors, tax authorities, and employees. These accounts are funded by the main cash accounts in each respective entity. In addition, Hudson's Bay Canada holds nominal cash to ensure sufficient cash float at the stores. Excess cash is deposited into Hudson's Bay's main cash account as needed, which is typically twice a week.
- 6.5 Hudson's Bay Canada utilizes corporate credit cards for travel, store and other miscellaneous expenses.
- 6.6 In addition to its corporate credit cards, Hudson's Bay Canada utilizes credit cards through an e-payables system (the "**E-Payables Credit Cards**") to pay certain vendors. The E-Payables Credit Cards are utilized because they offer favourable working capital terms, allowing Hudson's Bay Canada to manage its cash flow more effectively. The E-Payables Credit Cards operate through the RBC banking facility and are capped at \$8 million.

6.7 In the proposed Initial Order, the Applicants are seeking authority to continue to use the Cash Management System during the CCAA Proceedings. The Cash Management System enables Hudson's Bay Canada to efficiently collect, manage and disburse cash. The Proposed Monitor has familiarized itself with the Cash Management System and is of the view that the appropriate processes, controls and reporting are in place to enable the Applicants, with the oversight of the Monitor, to continue to use the Cash Management System during the CCAA Proceedings.

7.0 STAYS OF PROCEEDINGS

7.1 In addition to a stay of proceedings in favour of the Applicants, the Applicants are seeking the following additional stays of proceedings in the proposed Initial Order:

- (a) a stay of proceedings in favour of the Non-Applicant Stay Parties;
- (b) a stay of the exercise of any rights or remedies by third-party tenants of commercial properties in which Hudson's Bay Canada operates a store (the "**Co-Tenant Stay**");
and
- (c) a stay of the exercise of any rights or remedies by the RioCan-HBC JV in respect of the rent obligations due within the Tri-Party Lease Structure (as defined below) other than the post-filing rent due to landlords under the head leases (the "**RioCan-HBC JV Stay**").

Extension of the Stay to the Non-Applicant Stay Parties

- 7.2 The Applicants are requesting that the stay of proceedings, and the benefits of the protections and authorizations provided by the Initial Order, be extended to the Non-Applicant Stay Parties. Certain of these parties are limited or general partnerships, and are therefore not “debtor companies” pursuant to the CCAA. In addition, the Applicants do not own 100% of the interests in certain of the Non-Applicant Stay Parties.
- 7.3 The Non-Applicant Stay Parties are closely intertwined with the operations of the Applicants. As referenced above, the Non-Applicant Stay Parties, through the RioCan-HBC JV own all of Hudson’s Bay Canada’s freehold real property interests and certain of its leasehold interests in real properties.

Co-Tenant Stay

- 7.4 Many retail leases provide that tenants have certain rights against their landlords upon an anchor tenant’s insolvency or upon an anchor tenant ceasing operations. To assist the landlords under the leases in dealing with the effects of the proposed CCAA Proceedings, the Applicants are requesting to stay rights that tenants or occupants may have against the owners, operators, managers and landlords of the commercial properties where Hudson’s Bay’s stores are located that arise as a result of the declarations of insolvency by Hudson’s Bay Canada, the granting of the Initial Order, or any actions taken by the Applicants pursuant to the Initial Order.

RioCan-HBC JV Stay

- 7.5 The Applicants are seeking to stay the payment of rent within the Tri-Party Lease Structure other than post-filing rent due to the landlords under the head leases.
- 7.6 As described in the Bewley Affidavit, under the Tri-Party Lease Structure, the RioCan-HBC JV uses the rent paid by Hudson's Bay to fund monthly rents to the landlords, administrative expenses, and to service the debt on property specific mortgages. The RioCan-HBC JV remits the remaining funds back to Hudson's Bay and RioCan-Hudson's Bay, approximately 78% to 22% as equity distributions.
- 7.7 The effect of the proposed relief will be to preserve the status quo by staying the payment of pre-filing secured debt and equity distributions, but continuing to pay the rent payable under the head leases while Hudson's Bay continues to occupy and use the leased premises. Given Hudson's Bay Canada's strained liquidity, the stay of these payments will provide additional liquidity.
- 7.8 The Proposed Monitor is of the view that the stays of proceedings sought by the Applicants in the proposed Initial Order, including the extension of the stay to Non-Applicant Stay Parties, the Co-Tenant Stay and the RioCan-HBC JV Stay, are appropriate in the circumstances. The Proposed Monitor notes the following:
- (a) a stay of proceedings in favour of Hudson's Bay Canada will provide the Applicants with the time and stability required to assess their restructuring and other options;
 - (b) the operations of the Non-Applicant Stay Parties are closely intertwined with the core business of Hudson's Bay. The extension of the stay of proceedings to the

Non-Applicant Stay Parties is necessary to prevent enforcement actions against the Non-Applicant Stay Parties;

- (c) the Co-Tenant Stay will preserve the status quo among all parties and prevent actions by third parties that could impair value and lead to claims against the Hudson's Bay Canada's estates; and
- (d) the RioCan-HBC JV Stay still requires that rent be paid in full to third-party landlords, but stays "rent payments" that the Proposed Monitor believes can be fairly characterized as financing arrangements.

8.0 CASH FLOW FORECAST

8.1 Hudson's Bay Canada, with the assistance of its financial advisor and the Proposed Monitor, has prepared a cash flow forecast (the "**Cash Flow Forecast**") for the period from March 7 to 17, 2025 (the "**Initial Period**"). A copy of the Cash Flow Forecast, together with a summary of assumptions (the "**Cash Flow Assumptions**") and Management's report on the cash flow statement required by section 10(2)(b) of the CCAA, are attached hereto as **Appendices "B" and "C"**, respectively.

8.2 The following table provides a summary of the Cash Flow Forecast:

Cash Flow Forecast	\$000's
	<u>Initial Period</u>
Receipts	20,979
Disbursements	
Inventory Purchases	(5,000)
Payroll & Benefits	(6,945)
Occupancy Costs	(7,359)
Operating Expenses	(7,551)

Cash Flow Forecast	\$000's
Professional Fees	(3,175)
Concession/Licensee Payments	(585)
Interest Payments	(1,032)
Total Disbursements	(31,647)
Net Cash Flow	(10,668)
Opening Cash Balance	--
Interim Borrowings	16,000
Closing Cash Balance	5,332
Total Senior Debt	229,070
Interim Borrowings Balance	16,000

8.3 During the Initial Period, total disbursements of approximately \$30.7 million are projected to be sufficiently funded by the Company's forecast cash receipts and the Interim Borrowings (as defined below) proposed to be provided by the DIP Lender of approximately \$16 million.

8.4 The Proposed Monitor notes the following with respect to the Cash Flow Forecast:

- (a) receipts reflect forecast sales from retail stores and e-commerce channels consistent with the Company's recent sales trends;
- (b) inventory purchases represent estimated disbursements to purchase inventory for continuing stores;
- (c) payroll and benefits are to be paid in the ordinary course;
- (d) occupancy costs include post-filing rent for the period March 7 to 17, 2025 for all store, corporate and distribution centre locations (i.e., during the Initial Period);

- (e) operating expenses primarily include store-level, corporate and distribution centre operating costs, logistics and supply chain costs, credit card processing fees, insurance and utilities;
- (f) professional fees include the fees of the Applicants' legal counsel and financial advisor, the Monitor, the Monitor's legal counsel, legal counsel and financial advisors to the DIP Lenders and legal counsel to certain other secured creditors;
- (g) concession payments relate to post-filing sales based on arrangements with concession partners; and
- (h) interest payments relate to amounts owing and due on the Pathlight Credit Facility and Revolving Credit Facility.

8.5 Provided the DIP Facility is approved by the Court, based on the Cash Flow Forecast, the Monitor believes that Hudson's Bay Canada will have sufficient liquidity during the Initial Period.

8.6 The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed Monitor by section 23(1)(b) of the CCAA. Section 23(1)(b) requires a Monitor to review the cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings. Pursuant to this standard, the Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by certain members of management. The Proposed Monitor reviewed information provided by management for the Cash Flow Assumptions. Since the Cash Flow Assumptions need not be supported, the Proposed

Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast.

8.7 Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe, in all material respects that:

- (a) the Cash Flow Assumptions are not consistent with the purpose of the Cash Flow Forecast;
- (b) as at the date of this Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of Hudson's Bay Canada or do not provide a reasonable basis for the Cash Flow Forecast, given the Cash Flow Assumptions; or
- (c) the Cash Flow Forecast does not reflect the Cash Flow Assumptions.

8.8 The Cash Flow Forecast has been prepared solely for the purpose and subject to the assumptions described above, and readers are cautioned that it may not be appropriate for other purposes.

9.0 DIP FINANCING

9.1 During the period immediately leading to the commencement of these CCAA Proceedings, the Applicants, with the assistance of its financial advisor, legal counsel and the Proposed Monitor, engaged in negotiations with various parties, including certain of the existing senior secured lenders of the Credit Facilities in furtherance of establishing a DIP financing facility to provide liquidity for the Applicants to finance the ongoing restructuring expenses and these CCAA Proceedings.

9.2 As discussed further in the Bewley Affidavit, the Applicants received two DIP financing proposals, including from the DIP Lenders (as defined below).

9.3 As a result of these negotiations, the Applicants, in consultation with their advisors, entered into the DIP Term Sheet with Restore Capital, LLC as DIP Agent, and various additional parties as lenders (collectively, the “**DIP Lenders**”) to establish the DIP Facility.

9.4 Key terms and components of the DIP Facility include the following:²

<u>DIP Facility</u> (capitalized terms have the meanings ascribed thereto in the Junior DIP Term Sheet)	
Agreement	<ul style="list-style-type: none"> Junior DIP Term Sheet dated as of March 7, 2025
Borrower	<ul style="list-style-type: none"> Hudson’s Bay Company ULC Compagnie de la Baie D’Hudson
Guarantors	<ul style="list-style-type: none"> HBC Canada Parent Holdings 2 Inc., HBC Canada Parent Holdings Inc., The Bay Holdings ULC, The Bay Limited Partnership, HBC Bay Holdings I Inc., and HBC Bay Holdings II ULC
Agent	<ul style="list-style-type: none"> Restore Capital, LLC
Lenders	<ul style="list-style-type: none"> Restore Capital, LLC HCS 102, LLC First Eagle PEI Fund SPV, LLC Tiger Asset Solutions Canada, ULC 1903 Partners, LLC Sixth Street Specialty Lending, Inc. GA Group Solutions, LLC
DIP Facility	<ul style="list-style-type: none"> A senior secured, super-priority, interim financing credit facility up to a maximum principal amount of \$16 million (including all interest accrued thereon, the “Interim Borrowings”), all of which shall be available prior to the Comeback Hearing. The Facility Amount may be increased on agreement of the DIP Agent, DIP Lenders, and Loan Parties with the approval of the Monitor and the Court at the Comeback Hearing (the “Increased Facility Amount”).
Interest	<ul style="list-style-type: none"> CORRA + 11.5% per annum, compounded monthly and payable monthly in arrears in cash on the last Business Day of each month
Default Rate	<ul style="list-style-type: none"> CORRA + 14.5%
Exit Fee	<ul style="list-style-type: none"> 3% of the DIP Facility, payable on the Maturity Date

² Capitalized terms used but not otherwise defined herein have the meanings ascribed in the DIP Facility.

DIP Facility (capitalized terms have the meanings ascribed thereto in the Junior DIP Term Sheet)	
Maturity Date	<ul style="list-style-type: none"> The earlier of: (a) the occurrence of any Event of Default which is continuing and has not been cured; (b) the completion of a Permitted Restructuring Transaction; (c) the effective date of any Plan which is proposed and filed with the Court in the CCAA Proceedings; and (d) the Outside Date (June 30, 2025).
Funding Structure/Advances	<ul style="list-style-type: none"> The Interim Borrowings shall be made available to an account designated by the Borrower prior to the Comeback Hearing. Up to \$8 million shall be made available to the Borrower in accordance with the terms hereof on Monday, March 10, 2025, with the balance of the Interim Borrowings to be made available pursuant to an agreed upon schedule between the DIP Agent, the Loan Parties and the Monitor. The Increased Facility Amount, if agreed upon and approved, shall be made available to the Borrower following the Comeback Hearing.
Milestones (Schedule “F”)	<ul style="list-style-type: none"> The Court shall have issued the DIP Approval Order by no later than March 7, 2025. By no later than the March 17, 2025, on the Comeback Date the Court shall have issued an order (including by way of amending and restating the Initial Order) approving borrowing up to the full amount of the Facility Amount under the Term Sheet, the Liquidation Services Agreement, and the Lease Solicitation Process. By no later than the March 24, 2025, the Court shall have issued an order (including by way of amendment to or amending and restating the Initial Order) approving the SISF. If a Permitted Restructuring Transaction is entered into, such Permitted Restructuring Transaction shall be subject to a binding commitment or agreement (subject to customary conditions precedent but for greater certainty shall not be subject to a third party financing condition) no later than the Business Day which is five (5) weeks after the date of the Initial Order (and if such day is not a Business Day, the next Business day) (unless, the Monitor in its reasonable business judgment, determines that a one week extension would materially increase the likelihood of the Loan Parties entering into a Permitted Restructuring Transaction, in which case the relevant date shall be extended by a further five (5) Business Days). All milestones contemplated by the Lease Solicitation Process and the SISF shall be complied with in all material respects by the Loan Parties. All milestones contemplated by the Lease Solicitation Process and the SISF shall be complied with in all material respects by the Loan Parties.
Prepayments	<ul style="list-style-type: none"> Provided the Monitor is satisfied that the Loan Parties have sufficient cash reserves to satisfy amounts due under the Priority Payables Reserve, the Borrower may prepay any amounts outstanding under the DIP Facility, in accordance with the Priority Waterfall, at any time prior to the Maturity Date. Subject to Section 23 of the DIP Term Sheet, any amount repaid may not be reborrowed.
DIP Collateral	<ul style="list-style-type: none"> To be secured in Canada by the DIP Lenders’ Charge.

9.5 The Proposed Monitor is of the view that the DIP Facility is appropriate in the circumstances for the following reasons:

- (a) Hudson's Bay Canada is in urgent need of liquidity;
- (b) the DIP Lenders are Hudson's Bay Canada's existing FILO ABL Agent and the Interim Borrowings are being provided on a subordinated basis to the Revolving / FILO Credit Facility and the Pathlight Credit Facility;
- (c) the interest rate of CORRA +11.5% (approximately 14.5%) is reasonable relative to the existing FILO Credit Facility rate of CORRA +9.75% (approximately 12.75%);
- (d) although the interest rate is on the higher end of the range for comparable DIP facilities of similar size, it is reasonable taking into consideration the existing FILO Credit Facility rate noted above and the ranking of the Interim Borrowings;
- (e) the DIP Facility does not contain any commitment fee and the exit fee of 3% is comparable to DIP facilities of similar size;
- (f) the Interim Borrowings provide the Company with the funding needed to continue operations in advance of the Comeback Hearing, at which the Increased Facility Amount (or an alternative DIP facility) may be approved; and
- (g) the DIP Facility being provided by the DIP Lenders is the result of extensive negotiations as between Hudson's Bay Canada, the DIP Lenders and their respective advisors, and represents the best DIP facility that Hudson's Bay Canada could negotiate in the circumstances.

10.0 COURT-ORDERED CHARGES SOUGHT IN THE INITIAL ORDER

- 10.1 The proposed Initial Order seeks the granting of the Administration Charge, the Directors' Charge, and the DIP Lenders' Charge (collectively, the "**Charges**") over the Property of the Applicants, as described below.

Administration Charge

- 10.2 The Initial Order provides for a super-priority charge over the Property in an amount not to exceed \$2.8 million in favour of the Monitor, counsel to the Monitor, financial advisor to Hudson's Bay Canada and legal counsel to Hudson's Bay Canada (the "**Administration Charge**").
- 10.3 The Proposed Monitor assisted Hudson's Bay Canada in the calculation of the Administration Charge and is of the view that the amount of the charge for the initial 10-day stay period is reasonable and appropriate in the circumstances, having regard to the nature of the proceedings, the scope and level of work expected to be required during the period, the size of charges approved in similar CCAA Proceedings, and the significant arrears incurred to date by the proposed beneficiaries of the Administration Charge.

Directors' Charge

- 10.4 The Initial Order provides that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors and officers of Hudson's Bay Canada after commencement of the CCAA Proceedings, except to the extent that the obligation or liability was incurred as a result of an officer's or director's gross negligence or wilful misconduct. The Initial Order provides for two bifurcated super-priority charges

over the Property each in the amount of \$13.5 million (\$26 million in aggregate) in favour of the directors and officers of the Applicants as security for that indemnity (the “**Directors’ Charge**”). The Applicants intend to seek an increase in the aggregate amount of the Directors’ Charge to \$49.2 million at the Comeback Hearing.

- 10.5 The Proposed Monitor assisted the Applicants in the calculation of the initial amount of the Directors’ Charge, taking into consideration the amount of their payroll source deductions, vacation pay, federal and provincial sales tax liabilities, and other potential sources of director or officer liability during the initial 10-day stay period. The Proposed Monitor is of the view that the Directors’ Charge is required and that the quantum of the charge is reasonable having regard to the significant employment and sales tax liabilities arising in the operation of the business. The Proposed Monitor notes that the quantum of potential director and officer liabilities will increase in the early stages of the CCAA Proceedings as sales are processed and sales taxes are collected, and then decline over time as sales volumes and employment levels decrease with a reduced store footprint.

DIP Lenders’ Charge

- 10.6 The Initial Order provides for a super-priority charge in favour of the DIP Lenders to secure obligations owing under the DIP Facility. The proposed ranking of the DIP Lenders’ Charge is set out immediately below.

Priority of Charges Created by the Proposed Initial Order

- 10.7 The proposed priorities of the Charges, as between them, are as follows:

With respect to all Property:

- (a) First – Administration Charge, to the maximum amount of \$2.8 million;
- (b) Second – Directors’ Charge, to the maximum amount of \$26.3 million;

With respect to the DIP Obligors’ Property:

Priority Ranking	ABL Priority Collateral	Pathlight Priority Collateral	Other Collateral (as defined in the DIP Agreement)
1 st	Administration Charge (to the maximum amount of \$2,800,000).	Administration Charge (to the maximum amount of \$2,800,000).	Administration Charge (to the maximum amount of \$2,800,000).
2 nd	All amounts owing under the Revolving Credit Facility and FILO Credit Facility (other than Excess ABL Obligations).	All amounts owing under the Pathlight Credit Facility (other than Excess Term Loan Obligations).	Directors’ Charge (to the maximum amount of \$13,500,000).
3 rd	Directors’ Charge (to the maximum amount of \$13,500,000).	All amounts owing under the Revolving Credit Facility and FILO Credit Facility (other than Excess ABL Obligations).	DIP Lenders’ Charge.
4 th	DIP Lenders’ Charge.	Directors’ Charge (to the maximum amount of \$13,500,000).	Directors’ Charge (to the maximum amount of \$13,500,000).
5 th	Directors’ Charge (to the maximum amount of \$13,500,000).	DIP Lenders’ Charge.	
6 th	Term Loan Obligations (other than Excess Term Loan Obligations).	Directors’ Charge (to the maximum amount of \$13,500,000).	


Except as otherwise provided for under the proposed Initial Order, the Charges shall rank in priority to all other Encumbrances (as defined in the Initial Order) in favour of any person, except for any secured creditor that did not receive notice of the CCAA application. At the Comeback Hearing, the Applicants intend to seek priority of the Charges ahead of all Encumbrances, except as otherwise provided for under the Initial Order.

11.0 CONCLUSIONS AND RECOMMENDATIONS


11.1 For the reasons set out in this Report, the Proposed Monitor is of the view that the relief requested in the proposed Initial Order is reasonable, appropriate and necessary having regard to the current circumstances of Hudson's Bay Canada. As such, the Proposed Monitor respectfully recommends that the Court grant the proposed Initial Order containing the relief requested by the Applicants.

All of which is respectfully submitted to the Court this 7th day of March 2025.

**Alvarez & Marsal Canada Inc.,
in its capacity as Proposed Monitor of
Hudson Bay Company ULC, et al,
and not in its personal or corporate capacity**

Per: 

Alan J. Hutchens
Senior Vice-President

Per: 

Greg A. Karpel
Senior Vice-President

APPENDIX B
A&R DIP AGREEMENT

See attached.

AMENDED AND RESTATED JUNIOR DIP TERM SHEET

Hudson Bay Company ULC

Dated as of March 17, 2025

WHEREAS on March 7, 2025 (the “**Filing Date**”) the Loan Parties, together with certain affiliated entities, commenced proceedings (the “**CCAA Proceedings**”) pursuant to the *Companies’ Creditors Arrangement Act* (Canada) (“**CCAA**”) before the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) and Alvarez & Marsal Canada Inc. was appointed as monitor (the “**Monitor**”).

AND WHEREAS, pursuant to the Initial Order, the Court, among other things, (i) approved the terms of a DIP Term Sheet entered into by the DIP Agent, the DIP Lenders and the Loan Parties dated March 7, 2025, as amended by a First Amending Agreement to DIP Term Sheet dated March 7, 2025 (collectively, the “**Original Term Sheet**”) and authorized the Borrower to borrow amounts provided for thereunder in the total aggregate principal amount of \$16,000,000 (the “**Interim Borrowings**”), and (ii) granted the DIP Agent and DIP Lenders a super priority charge (subject to certain Permitted Priority Liens) on the Collateral as security for all DIP Financing Obligations (the “**DIP Charge**”).

AND WHEREAS, in addition to the Interim Borrowings, the Loan Parties require financing to fund certain obligations of the Loan Parties for the purposes of pursuing and implementing an Orderly Liquidation;

AND WHEREAS the DIP Lenders have agreed to provide such additional financing to the Loan Parties pursuant to this Term Sheet, which amends and restates the Original Term Sheet as provided herein;

NOW THEREFORE, the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged), agree as follows:

1. **BORROWER:** Hudson Bay Company ULC (the “**Borrower**”).
2. **GUARANTORS:** HBC Canada Parent Holdings 2 Inc., HBC Canada Parent Holdings Inc., The Bay Holdings ULC, The Bay Limited Partnership, HBC Bay Holdings I Inc., and HBC Bay Holdings II ULC (collectively, the “**Guarantors**”).
3. **LOAN PARTIES:** The Borrower and the Guarantors (collectively, the “**Loan Parties**”, and “**Loan Party**” means each of them).
4. **DIP AGENT:** Restore Capital, LLC (the “**DIP Agent**”).
5. **DIP LENDERS:** Restore Capital, LLC and the other Persons listed on Schedule “A”, and any permitted assignee thereof in accordance with Section 37 (collectively, the “**DIP Lenders**”, and “**DIP Lender**” means each of them).

Subject to the terms and conditions set forth herein, each DIP Lender commits to make Advances to the Borrower in an aggregate principal amount outstanding up to the amount set forth beside such DIP Lender’s name in Schedule “A” under the heading “Commitment”, as such Schedule may be updated from time to time by the DIP Agent to reflect any

modifications to the Commitments, DIP Lenders and their Applicable Percentages made in accordance with this Term Sheet.

6. **DEFINED TERMS:** Unless otherwise defined herein, capitalized words and phrases used in this Term Sheet have the meanings given thereto in Schedule “B”.
7. **CURRENCY:** Unless otherwise stated, all monetary denominations shall be in the lawful currency of Canada and all payments made by any of the Loan Parties under this Term Sheet shall be in Canadian dollars.
8. **DIP FACILITY;
DRAWDOWNS:**
 - (a) DIP Facility. A debtor-in-possession, interim, credit facility (the “**DIP Facility**”) up to a maximum principal amount of \$23 million (inclusive of, and not additional to, the Interim Borrowings) (as such amount may be increased or decreased in accordance herewith, the “**Facility Amount**”), subject to the terms and conditions contained herein.
 - (b) Monitor’s Trust Account. Within one Business Day of the Comeback Hearing, the DIP Agent shall transfer into an interest-bearing trust account in the name of, and designated by, the Monitor (the “**Monitor’s Trust Account**”) an amount of \$3,000,000 under the DIP Facility (the “**Initial Monitor Transfer**”). The Monitor shall be entitled to provide written notice to the DIP Agent requesting a further transfer of up to \$4,000,000 (provided that no individual transfer shall be less than \$500,000) under the DIP Facility into the Monitor’s Trust Account (the “**Subsequent Monitor Transfer**”) and, following receipt of such notice (if any), the DIP Agent shall be required to make any Subsequent Monitor Transfer within one Business Day of receipt of such notice. Notwithstanding the foregoing, the Monitor shall not be entitled to make any requests for Subsequent Monitor Transfers after 4:00 p.m. (Toronto time) on April 4, 2025. After this time, the DIP Agent and the DIP Lenders shall have no obligation to make any further Subsequent Monitor Transfers and the total Commitments shall be automatically reduced by the undrawn amount of the DIP Facility effective as at 4:00 p.m. (Toronto time) on April 4, 2025.
 - (c) Advances. The DIP Facility shall be made available to the Borrower by way of advances (each an, “**Advance**”) from the Monitor’s Trust Account, which, in the aggregate, shall not exceed the Facility Amount or such higher or lower amount as may be authorized by the ARIO at the Comeback Hearing and agreed to by the DIP Agent (including all interest accrued thereon). The timing for each Advance shall be determined based on the funding needs of the Loan Parties as set forth in the DIP Budget and as agreed among the DIP Agent and the Borrower and consented to by the Monitor. Each Advance (other than the final Advance) shall

be in a principal amount of not less than \$200,000.

- (d) Advance Request Certificate. In order to receive an Advance the Borrower shall deliver to the DIP Agent, with a copy to the Monitor, an Advance request certificate in the form of Schedule “C” (an “**Advance Request Certificate**”). The Advance Request Certificate shall certify that (i) all representations and warranties of the Borrower contained in this Term Sheet remain true and correct in all material respects both before and after giving effect to the use of such Advance and (ii) no Default or Event of Default then exists and is continuing or would result therefrom.
- (e) Advance Release Consent. If the DIP Agent is satisfied that the Advance Conditions are met as of the date on which such Advance Request Certificate is delivered and will remain satisfied on the date the Advance is to be made, as soon as reasonably practicable, the DIP Agent shall deliver to the Monitor, with a copy to the Borrower, a consent to the immediate release of an Advance to the Borrower (“**Advance Release Consent**”). The DIP Agent may make further inquiry of the Borrower and/or the Monitor should it have any concerns with the form or content of the Advance Release Consent, or any representations made therein.

The Monitor shall be entitled to release the Advance to the Operating Account of the Borrower, as requested in the Advance Request Certificate, immediately upon receipt of the Advance Release Consent. For greater certainty, the Monitor shall not be entitled to release the Advance to the Operating Account of the Borrower unless and until such Advance Release Consent is received by the Monitor.

9. **PURPOSE AND
PERMITTED
PAYMENTS:**

The Borrower shall use proceeds of the DIP Facility solely for the following purposes and in the following order, in each case in accordance with the DIP Budget, the Initial Order and the ARIO and for the purpose of advancing and implementing an Orderly Liquidation or a Permitted Restructuring Transaction:

- (a) to pay the reasonable and documented legal and financial advisory fees and expenses of (i) the Loan Parties, (ii) the Monitor (i.e. the Monitor’s fees and those of its legal counsel), (iii) the DIP Agent and DIP Lenders, (iv) the Pre-Filing ABL Agent, and (v) the Pre-Filing Term Loan Agent, in each case pursuant to the terms hereof, it being acknowledged by the Loan Parties and the DIP Agent and DIP Lenders that those fees and expenses incurred to the date hereof and those provided for in the DIP Budget as of the date hereof are reasonable;
- (b) to pay the interest, fees and other amounts owing to the DIP

Agent and DIP Lenders under this Term Sheet;

- (c) to pay the interest on the amounts owing in connection the Pre-Filing ABL Credit Agreement and the Pre-Filing Term Loan Credit Agreement at the default rates currently being charged under such agreements and provided for in the DIP Budget and to pay fees and expenses owing in connection with the Pre-Filing ABL Credit Agreement (including without limitation any costs, expenses and exposure resulting from fluctuations in exchange rates affecting any Revolving Obligations (as defined in the Pre-Filing ABL Credit Agreement)) and the Pre-Filing Term Loan Credit Agreement; and
- (d) to fund, in accordance with the DIP Budget, the Loan Parties' operating expenditures during the CCAA Proceedings, including the working capital and other general corporate funding requirements of the Loan Parties during such period, including any post filing obligations under any Liquidation Services Agreement, the Memo Consignment Agreement and with the Participating Concession Vendors.

For greater certainty, and other than as expressly set out above, the Loan Parties may not use the proceeds of the DIP Facility to pay any obligations of the Loan Parties and Non-Applicant Stay Parties arising or relating to the period prior to the Filing Date (including, for greater certainty, Sales Taxes accrued prior to the Filing Date, whether or not due and payable after the Filing Date) without the prior written consent of the DIP Agent unless the payment of such pre-Filing Date obligations are specifically identified in the approved DIP Budget and authorized pursuant to the Initial Order or any subsequent Court Order.

10. **ADVANCE
CONDITIONS**

The DIP Agent's and DIP Lenders' agreement to make the Facility Amount available to the Borrower and to advance any Advance to the Borrower is subject to the satisfaction, as determined by the DIP Agent, of each of the following conditions precedent (collectively, the "**Advance Conditions**"), each of which is for the benefit of the DIP Agent and DIP Lenders and may be waived by the DIP Agent on behalf of the DIP Lenders:

- (a) With respect to the first Advance:
 - (i) The Loan Parties shall have executed and delivered this Term Sheet, and the Guarantee.
 - (ii) The Court shall have issued an amended and restated Initial Order, which amends, replaces, restates and supersedes the Initial Order ("**ARIO**");

- (A) approving this Term Sheet (subject only to such modifications as may be acceptable to the DIP Agent and DIP Lenders);
- (B) authorizing the Borrower to borrow up to the Facility Amount by way of Advances;
- (C) granting the DIP Charge on the Collateral as security for all DIP Financing Obligations, which DIP Charge shall have priority over all Liens on the Collateral other than the Permitted Priority Liens;
- (D) authorizing the DIP Agent to effect registrations, filings and recordings wherever it deems appropriate regarding the DIP Charge;
- (E) providing that the DIP Charge shall be valid and effective to secure all of the DIP Financing Obligations without the necessity of making any registrations or filings and whether or not any other documents have been executed by the Loan Parties;
- (F) declaring that the granting of the DIP Charge and all other documents executed and delivered to the DIP Lenders as contemplated herein, including, without limitation, all actions taken to perfect, record and register the DIP Charge, do not constitute conduct meriting oppression, fraudulent preference, fraudulent conveyance or other challengeable or reviewable transactions under any applicable federal or provincial legislation;
- (G) restricting the granting of additional Liens on the Collateral other than the DIP Charge and as permitted herein;
- (H) authorizing the Monitor to hold the Monitor Transfer in accordance with the terms of this Term Sheet; and
- (I) authorizing and requiring the cash collateralization set forth under Section **Error! Reference source not found.** hereof and, upon confirmation of the validity and enforceability of the security interests of the Pre-Filing ABL Agent by

the Monitor's independent counsel, the repayment set forth under Section **Error! Reference source not found.** hereof.

- (iii) the Pre-Filing Term Loan Agent shall have consented to the Facility Amount.
 - (iv) the Court shall have issued an order approving the Liquidation Services Agreement.
 - (v) the Court shall have issued an order approving the Lease Solicitation Process.
 - (vi) the Court shall have issued an order approving the SISF.
- (b) With respect to all Advances:
- (i) The Loan Parties' cash management system shall continue in the manner approved by the Initial Order unless otherwise consented to in writing by the DIP Agent and the Monitor in their reasonable discretion.
 - (ii) The ARIO shall not have been stayed, vacated or otherwise amended, restated or modified in any manner relating to the DIP Facility, the DIP Lenders or the DIP Charge without the written consent of the DIP Agent.
 - (iii) The Shared Services Agreement shall be continuing in full force and effect and all services provided thereunder shall be ongoing.
 - (iv) There shall be no Liens ranking *pari passu* with or in priority to the DIP Charge over the Collateral other than the Permitted Priority Liens.
 - (v) No Default or Event of Default shall have occurred or will occur as a result of the requested Advance.
 - (vi) Such Advance shall not cause the aggregate amount of all outstanding Advances to exceed the amount then authorized by the ARIO.
 - (vii) There shall be no order of the Court in the CCAA Proceedings that contravenes this Term Sheet or the Guarantee so as to materially adversely impact the rights or interests of the DIP Agent or any DIP Lender, as determined by the DIP Agent and DIP

Lenders.

- (viii) The Borrower shall have delivered any Updated DIP Budget then requested and such Updated DIP Budget shall have been approved by the DIP Agent and, until the cash collateralization and/or repayment of obligations pursuant to Section 10(a)(ii)(I), the Pre-Filing ABL Agent.
- (ix) The Borrower shall have delivered all Variance Reports required under Section 18 hereof.
- (x) The Borrower shall have delivered an Advance Request Certificate in respect of such Advance.

For greater certainty, no DIP Lender shall be obligated to make a further Advance or otherwise make available funds pursuant to this Term Sheet unless and until all the foregoing conditions have been satisfied or waived in accordance with this Term Sheet.

11. **COSTS AND EXPENSES**

The Loan Parties shall reimburse the DIP Agent and DIP Lenders for all reasonable and documented fees and expenses incurred (including reasonable and documented legal, financial advisory and professional fees and expenses on a full indemnity basis) (the “**DIP Lender Expenses**”) by the DIP Agent and DIP Lenders or any of their affiliates in connection with the negotiation, development, and implementation of DIP Facility (including the administration of the DIP Facility). The DIP Lender Expenses shall form part of the DIP Financing Obligations secured by the DIP Charge.

12. **DIP FACILITY SECURITY:**

All DIP Financing Obligations shall be secured by the DIP Charge.

13. **INTER-COMPANY ADVANCES:**

No intercompany advances, distributions, or other payments may be made unless provided for in the DIP Budget or consented to in writing by the DIP Agent and for greater certainty, no intercompany advances, distributions or other payments shall be made to Non-Loan Party Applicants.

14. **PERMITTED LIENS: AND PRIORITY:**

All of the Collateral will be free and clear of all Liens except for Permitted Liens.

The DIP Charge shall rank in priority to any and all Liens on the Collateral other than the Permitted Priority Liens. As among the DIP Charge, the Administration Charge, the Directors’ Charge, and the KERP Charge the relative priority shall be as follows:

- (a) *first*, the Administration Charge;
- (b) *second*, the KERP Charge;
- (c) *third*, the Directors’ Charge up to \$13.5 million;

(d) *fourth*, the DIP Charge; and

(e) *fifth*, the Directors' Charge up to \$35.7 million.

15. **APPLICATION OF PROCEEDS:** Proceeds of Collateral (for the avoidance of doubt, net of any fees or commissions arising under any Liquidation Services Agreement) shall be applied in accordance with priority waterfall set on Schedule "**D**" (the "**Priority Waterfall**") and all proceeds applied to ABL Obligations shall be applied as set forth in Section 8.03 of the Pre-Filing ABL Credit Agreement.

16. **MONITOR:** The monitor in the CCAA Proceedings shall remain Alvarez and Marsal Canada Inc. (the "**Monitor**").

17. **MATURITY DATE:** The DIP Facility shall mature and the DIP Financing Obligations shall be due and repayable in full on the earlier of: (i) the occurrence of any Event of Default which is continuing and has not been cured; (ii) the completion of a Permitted Restructuring Transaction; (iii) the effective date of any Plan which is proposed and filed with the Court in the CCAA Proceedings; and (iv) the Outside Date (the earliest of such dates being the "**Maturity Date**"). The Maturity Date may be extended from time to time at the request of the Borrower and with the prior written consent of the DIP Agent and the Monitor for such period and on such terms and conditions as the DIP Agent may agree in its sole discretion.

Without the consent of the DIP Agent, no Court Order sanctioning a Plan shall discharge or otherwise affect in any way the DIP Financing Obligations, other than after the permanent and indefeasible payment in cash of all DIP Financing Obligations on or before the date such Plan is implemented.

18. **DIP BUDGET AND VARIANCE REPORTING:** Attached hereto as Schedule "**E**" is a copy of the agreed summary budget (excluding the supporting documentation provided to the DIP Agent in connection therewith) as in effect on the date hereof (the "**DIP Budget**"), which the DIP Agent acknowledges and agrees is in form and substance satisfactory to the DIP Agent. Such DIP Budget shall be the DIP Budget referenced in this Term Sheet unless and until such time as an Updated DIP Budget has been approved by the DIP Agent in accordance with this Section 18.

(a) At the written request of the DIP Agent (including by email), (b) at the election of the Borrower, or (c) upon a material change, or a material change reasonably anticipated by the Borrower, to any item set forth in the DIP Budget, the Borrower shall update and propose a revised 13-week DIP Budget to the DIP Agent (the "**Updated DIP Budget**"). The DIP Agent may make such request up to once every two weeks, and if such request is made, the Borrower shall submit the Updated DIP Budget no later than five Business Days following receipt of the request. Such Updated DIP Budget shall have been reviewed and approved by the Monitor, prior to submission to the DIP Agent. If the DIP Agent determines that the Updated DIP Budget is not acceptable, it shall provide written notice to the Borrower and the Monitor within three Business Days following receipt of the Updated DIP

Budget stating that the Updated DIP Budget is not acceptable and setting out the reasons why such Updated DIP Budget is not acceptable. For greater certainty, until the Borrower has delivered a revised Updated DIP Budget acceptable to the DIP Agent, the prior DIP Budget shall remain in effect, and if the DIP Agent does not respond within three Business Days to a submitted Updated DIP Budget, it shall be deemed to have accepted such Updated DIP Budget.

At any time, the Updated DIP Budget acceptable to the DIP Agent at such time shall be the DIP Budget for the purpose of this Term Sheet.

On or before 3:00 p.m. Eastern Time on the Wednesday of every week commencing with the first full week after the date of issuance of the Initial Order (provided that such day is a Business Day and, if not, on the next Business Day) the Borrower shall deliver to the Monitor and the DIP Agent and its legal and financial advisors a variance calculation (the “**Variance Report**”) setting forth actual receipts and disbursements for the preceding week and on a cumulative basis (each a “**Testing Period**”) as against the then-current DIP Budget, and setting forth all the variances, on a line-item and aggregate basis in comparison to the amounts set forth in respect thereof for such Testing Period in the DIP Budget; each such Variance Report to be promptly discussed with the DIP Agent and its legal and financial advisors, if so requested. Each Variance Report shall include reasonably detailed explanations for any material variances during the relevant Testing Period. Notwithstanding the above, the delivery of the first Variance Report shall be due on or before 3:00 p.m. Eastern Time on the Thursday of the second full week after the date of issuance of the Initial Order.

19. **EVIDENCE OF INDEBTEDNESS:** The DIP Agent’s accounts and records constitute, in the absence of manifest error, *prima facie* evidence of the DIP Financing Obligations.
20. **PREPAYMENTS:** Provided the Monitor is satisfied that the Loan Parties have sufficient cash reserves to satisfy (a) amounts secured by any Permitted Priority Liens, and (b) other obligations incurred by the Loan Parties from and after the Filing Date for which payment has not been made (collectively, the “**Priority Payables Reserve**”), the Borrower may prepay any amounts outstanding under the DIP Facility, in accordance with the Priority Waterfall, at any time prior to the Maturity Date. Subject to Section 23, any amount repaid may not be reborrowed.
21. **INTEREST RATE:** Interest shall be payable on the aggregate outstanding amount of the Facility Amount that has been deposited in the Monitor’s Trust Account from the date of the funding thereof at a rate equal to Term CORRA (as defined in the Pre-Filing ABL Credit Agreement) plus 11.5% *per annum*, compounded monthly and payable monthly in arrears in cash on the last Business Day of each month, with the first such payment being made on March 31, 2025. Upon the occurrence and during the continuation of an Event of Default, all overdue amounts shall bear interest at a rate equal to Term CORRA plus 14.5% *per annum* payable on demand in arrears in cash. All interest shall be computed on the basis of a 365-day year, provided that, whenever any interest is calculated on the basis of a period of time other than a calendar

year, the annual rate of interest to which each rate of interest determined pursuant to such calculation is equivalent for the purposes of the *Interest Act* (Canada) is such rate as so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days used in the basis for such determination.

22. **MANDATORY
REPAYMENTS:**

Unless otherwise consented to in writing by the DIP Agent, the DIP Facility shall, subject to retention of the Priority Payables Reserve, the terms of the Liquidation Services Agreement and the Priority Waterfall, be promptly repaid and the Facility Amount shall be permanently reduced upon a sale, realization or disposition of or with respect to any assets or property of the Loan Parties (including obsolete, excess or worn-out Collateral) outside of the ordinary course of business, including any sale or disposition of any Real Property Leases, intellectual property, equipment, machinery and other operating or fixed assets in each case, in an amount equal to the net cash proceeds of such sale, realization or disposition (for greater certainty, net of applicable fees costs and expenses in connection with such sale, realization or disposition and net of payments to holders of Permitted Priority Liens on the assets subject to such disposition) and applicable taxes in respect thereof). Any amount repaid may not be reborrowed.

23. **EXCESS CASH:**

In the event the Loan Parties have Excess Cash, the Excess Cash shall be deposited in the Monitor's Trust Account and will remain available to be reborrowed by the Borrower, by way of Advances, subject to and in accordance with the terms of this Term Sheet.

24. **REPRESENTA-
TIONS AND
WARRANTIES:**

The Loan Parties represent and warrant to the DIP Agent and DIP Lenders upon which the DIP Agent and DIP Lenders are relying in entering into this Term Sheet and the Guarantee, that:

- (b) The transactions contemplated by this Term Sheet and the Guarantee, upon the granting of the Initial Order (or any amendment and restatement thereof on the Comeback Date, as applicable):
 - (i) are within the powers of the Loan Parties;
 - (ii) have been duly executed and delivered by or on behalf of the Loan Parties;
 - (iii) constitute legal, valid and binding obligations of the Loan Parties, enforceable against the Loan Parties in accordance with their terms;
 - (iv) do not require any material authorization from, the consent or approval of, registration or filing with, or any other action by, any Governmental Authority or any third party; and
 - (v) will not violate the charter documents, articles by-laws or other constating documents of the Loan Parties or any

Applicable Law relating to the Loan Parties;

- (c) The business operations of the Loan Parties have been and will continue to be conducted in material compliance with all laws of each jurisdiction in which the business has been or is carried out;
- (d) The Loan Parties own their assets and undertaking free and clear of all Liens other than Permitted Liens;
- (e) The only assets of the Non-Loan Party Applicants are registered title as nominee to certain real property assets (in the case of Snospmis Limited, 2472596 Ontario Inc. and 2472598 Ontario Inc.), general partnership interests in HBC Holdings LP (in the case of HBC Holdings GP Inc.), general partnership interests in HBC Centrepont LP (in the case of HBC Centrepont GP Inc.) certain non-material limited partnership interests in HBC YSS 1 Limited Partnership (in the case of HBC YSS 1 LP Inc.) and non-material limited partnership interests in HBC YSS 2 Limited Partnership (in the case of HBC YSS 2 LP Inc.) and cash in bank accounts up to \$1,000 in the aggregate, and such assets in the aggregate do not have material value relative to the assets of the Loan Parties collectively.
- (f) The Loan Parties have been duly formed and are validly existing under the laws of their jurisdictions of incorporation or formation;
- (g) All Material Contracts are in full force and effect and are valid, binding and enforceable by the Loan Parties in accordance with their terms and the Loan Parties have no knowledge of any material default that has occurred and is continuing thereunder (other than those defaults arising as a result of the commencement of the CCAA Proceedings) or are not otherwise stayed by the Initial Order;
- (h) The Loan Parties are not aware of any introduction, amendment, repeal or replacement of any law or regulation being made or proposed which could reasonably be expected to have a material adverse effect on the Loan Parties or their business;
- (i) No Default or Event of Default has occurred and is continuing; and
- (j) *Pension Plans*
 - (i) Each Pension Plan is duly registered under the ITA and applicable pension standards legislation. Each Pension Plan is and has been administered in

accordance with Applicable Law and the terms of such plan, and no event has occurred which could cause the loss of the registered status of any such Pension Plan. All obligations of each Loan Party (including fiduciary, funding, investment and administration obligations) required to be performed in connection with the Pension Plans and the funding agreements thereunder have been performed on a timely basis.

- (ii) All employee and employer contributions (including special payments and any other payments in respect of any funding deficiencies or shortfalls) or premiums required to be made or remitted by any Loan Party to the Pension Plans under the terms of the applicable plan and Applicable Law have been properly made, or withheld and remitted to the funding arrangement for the plan in accordance with the terms of the applicable plan and Applicable Law, and no unfunded liability or solvency deficiency exists under any Pension Plans.

25. **AFFIRMATIVE
COVENANTS:**

The Loan Parties agree to do, or cause to be done, the following:

- (a) In connection with matters reasonably related to the DIP Facility, the CCAA Proceedings or compliance of the Loan Parties with their obligations pursuant to this Term Sheet, (i) allow representatives or advisors of the DIP Agent reasonable access to the books, records, financial information and electronic data rooms of or maintained by the Loan Parties, and (ii) cause management, the financial advisor and/or legal counsel of the Loan Parties to cooperate with reasonable requests for information by the DIP Agent and its legal and financial advisors, in each case subject to (A) solicitor-client privilege, (B) all Court Orders and (C) applicable privacy laws;
- (b) Deliver to the DIP Agent the reporting and other information from time to time reasonably requested by it and as set out in this Term Sheet including, without limitation, the Variance Reports at the times set out herein;
- (c) Use the proceeds of the DIP Facility and any cash receipts received from and after the Filing Date only in accordance with the restrictions set out in this Term Sheet and pursuant to the DIP Budget and the Court Orders;
- (d) Comply with the provisions of the Initial Order, ARIIO and all other Court Orders;

- (e) Within three weeks of the Comeback Date, in accordance with the DIP Budget, utilize cash receipts from the sale of inventory to (i) cash collateralize all L/C Obligations (in an amount equal to 104% of the face amounts thereof) and to provide cash collateral for Bank Product Obligations, cash management obligations, costs, expenses, fee amounts and contingent reimbursement or unasserted contingent indemnification obligations in an amount reasonably agreed to by the Pre-Filing ABL Agent, and (ii) (subject to prior confirmation of the validity and enforceability of the security interests of the Pre-Filing ABL Agent by the Monitor's independent counsel) repay (including authorizing the Pre-Filing ABL Agent to apply all cash held in the bank account ending in xx8203 to the foregoing cash collateralization and repayment) all such obligations as they become due and owing (other than Excess ABL Obligations). In the event the Pre-Filing Agent releases cash collateral back to the Loan Parties, such cash collateral will be deposited into the Monitor's Trust Account and will not be available to be reborrowed and will not be made available to the company through Advances and will be distributed in accordance with the Priority Waterfall following Court approval.
- (f) The Loan Parties shall bring a motion before the Court returnable no later than May 9, 2025 (subject to Court availability) for the Distribution Order;
- (g) Preserve, renew and keep in full force their corporate existence subject to the liquidations pursuant to the Liquidation Services Agreement;
- (h) Preserve, renew and keep in full force and effect all licenses and permits necessary to carry on their business;
- (i) Conduct their businesses in accordance with, and otherwise comply with, the DIP Budget, subject to the Permitted Variance;
- (j) Promptly notify the DIP Agent of the occurrence of any Default or Event of Default;
- (k) Comply, in all material respects, with Applicable Law, except to the extent not required to do so pursuant to any Court Order;
- (l) Provide the DIP Agent and its counsel draft copies of all motions, applications, proposed Court Orders and other materials or documents that the Loan Parties intend to file in the CCAA Proceedings at least two Business Days prior to any such filing or, where it is not practically possible to do

so within such time, as soon as possible and in any event not less than one day prior to the date on which such motion, application, proposed Court Order or other materials or documents are served on the service list in respect of the applicable CCAA Proceedings; *provided* that motion materials and similar pleadings that affect the DIP Agent or DIP Lenders shall be reasonably satisfactory to the DIP Agent;

- (m) Take all actions necessary or available to defend the Court Orders that affect the DIP Agent, the DIP Lenders or the Collateral from any appeal, reversal, modifications, amendment, stay or vacating, unless expressly agreed to in writing in advance by the DIP Agent in its reasonable discretion;
- (n) Promptly provide notice to the DIP Agent and its counsel, and keep them otherwise apprised, of any material developments in respect of any Material Contract;
- (o) Complete all necessary Lien and other searches against the Loan Parties, together with all registrations, filings and recordings wherever the DIP Agent deems appropriate, to satisfy the DIP Agent that there are no Liens affecting the Collateral except Permitted Liens;
- (p) At all times maintain adequate insurance coverage of such kind and in such amounts and against such risks as is customary for the business of the Loan Parties with financially sound and reputable insurers in coverage and scope acceptable to the DIP Agent;
- (q) Pay the amounts specified in Section 9 and all DIP Lender Expenses no less frequently than every week and in accordance with the DIP Budget;
- (r) Consult with the DIP Agent with respect to any proposed termination or disclaimer of any Real Property Lease;
- (s) Promptly, upon becoming aware thereof, provide details of the following to the DIP Agent:
 - (i) any pending, or threatened claims, potential claims, litigation, actions, suits, arbitrations, other proceedings or notices received in respect of same, against the Loan Parties, by or before any court, tribunal, Governmental Authority or regulatory body, which are not stayed by the Initial Order and would be reasonably likely to result, individually or in the aggregate, in a judgment not covered by insurance in excess of \$1,000,000;

- (ii) any existing (or threatened in writing) default or dispute with respect to any of the Material Contracts which are not stayed by the Initial Order; and
- (iii) subject to appropriate confidentiality arrangements, any indications of interest, proposals or offers for any of the Collateral received by any Loan Party or the Monitor outside the ordinary course of business.
- (t) Strictly comply with the terms of all Court Orders; and
- (u) Deliver the DIP Budgets and Variance Reports required under Section 18.

26. NEGATIVE COVENANTS:

The Loan Parties covenant and agree not to do, or cause not to be done the following, other than with the prior written consent of the DIP Agent or with the express consent required as outlined below:

- (a) Transfer, lease or otherwise dispose of all or any part of its property, assets or undertaking outside of the ordinary course of business, except for any disposition permitted under any Liquidation Services Agreement or the disposition of obsolete or worn-out equipment or assets consistent with past practice, or assets of nominal value unless in accordance with the Initial Order or any subsequent Court Order and this Term Sheet;
- (b) Make any payment, including, without limitation, any payment of principal, interest or fees, in respect of pre-Filing Date indebtedness, or in respect of any other pre-Filing Date liabilities, including payments with respect to pre-Filing Date trade or unsecured liabilities of the Borrower, other than in accordance with the Initial Order or any subsequent Court Order and the DIP Budget; provided that the Loan Parties shall (i) pay the DIP Lender Expenses pursuant to the terms of this Term Sheet, (ii) remit (x) any fees owing under the Liquidation Services Agreement or Memo Consignment Agreement, or (y) proceeds in respect of Consigned Goods, (iii) pay interest on the amounts owing in connection with the Pre-Filing ABL Credit Agreement and the Pre-Filing Term Loan Credit Agreement at the default rates currently being charged under such agreements and provided for in the DIP Budget and fees and expenses of the Pre-Filing ABL Agent pursuant to the terms of this Term Sheet, and (iv) pay the expenses of the Pre-Filing Term Loan Agent pursuant to the terms of this Term Sheet and provided for in the DIP Budget.
- (c) (i) Create or permit to exist any indebtedness other than (A) the indebtedness existing as of the date of this Term Sheet, including fees, interest and expenses that may be

capitalized from time to time to the principal amount of the Term Loan Obligations or the ABL Obligations, (B) the DIP Financing Obligations, (C) post-filing trade payables or other unsecured obligations incurred in the ordinary course of business on or following the Filing Date in accordance with the DIP Budget and the Initial Order, or (ii) make or give any financial assurances, in the form of bonds, letter of credit, financial guarantees or otherwise to any Person or Governmental Authority other than those existing as of the date of this Term Sheet or with the prior written consent of the DIP Agent;

- (d) Other than with the prior written consent of the DIP Agent or as provided for in the DIP Budget make (i) any distribution, dividend, return of capital or other distribution in respect of equity securities (in cash, securities or other property or otherwise); or (ii) a retirement, redemption, purchase or repayment or other acquisition of equity securities or indebtedness (including any payment of principal, interest, fees or any other payments thereon) ;
- (e) Other than in accordance with the DIP Budget or with the prior written consent of the DIP Agent, make any investments or acquisitions of any kind, direct or indirect, in any other business or otherwise;
- (f) Pay, incur any obligation to pay, or establish any retainer with respect to the fees, expenses or disbursements of a legal, financial or other advisor of any party, (other than (i) the Monitor and its legal counsel, (ii) the respective legal, financial and other advisors of the Loan Parties and the DIP Agent, in each case engaged as of the date hereof, (iii) respective legal advisors of the Pre-Filing Term Loan Agent and Pre-Filing ABL Agent pursuant to the terms of this Term Sheet and provided for in the DIP Budget (or paid out of proceeds of ABL Priority Collateral and Term Loan Priority Collateral respectively) unless such fees, expenses or disbursements, as applicable, are reviewed and confirmed in advance by the DIP Agent, and (iv) any advisor other than in accordance with the Liquidation Services Agreement or the Lease Solicitation Process approved by the Court;
- (g) Create or permit to exist any Liens on any of their properties or assets other than the Permitted Liens;
- (h) Challenge or fail to support the Liens and claims of the DIP Agent and DIP Lenders;
- (i) Create or establish any employee retention plan or similar benefit plan for any employees of the Loan Parties, except as reflected in the approved DIP Budget;

- (j) Make any payments or expenditures (including capital expenditures) other than in accordance with this Term Sheet and the DIP Budget, subject to the Permitted Variance;
- (k) Terminate or disclaim any Material Contract or amend any Material Contract in any material adverse manner except with the prior consent of the DIP Agent, acting reasonably;
- (l) Pay any rent payable to RioCan-HBC Limited Partnership, HBC YSS 1 Limited Partnership, or HBC YSS 2 Limited Partnership under a Real Property Lease, provided however that the Loan Parties shall be permitted to pay any rent payable by to RioCan-HBC Limited Partnership, HBC YSS 1 Limited Partnership, or HBC YSS 2 Limited Partnership as applicable to its landlord under a head lease that the property subject to such Real Property Lease is subject to;
- (m) Seek to obtain, or consent to or fail to oppose a motion brought by any other Person for, approval by the Court of any Restructuring Transaction other than a Permitted Restructuring Transaction without the prior written consent of the DIP Agent;
- (n) Amalgamate, consolidate with or merge into or sell all or substantially all of its assets to another entity, or change its corporate or capital structure (including its organizational documents) or enter into any agreement committing to such actions except pursuant to (i) a Permitted Restructuring Transaction or (ii) a Restructuring Transaction other than a Permitted Restructuring Transaction with the prior written consent of the DIP Agent;
- (o) Make an announcement in respect of, enter into any agreement or letter of intent with respect to, or attempt to consummate, or support an attempt to consummate by another party, any transaction or agreement outside the ordinary course of business except in connection with the Lease Solicitation Process, a Permitted Restructuring Transaction or the Liquidation Services Agreement;
- (p) Seek, obtain, support, make or permit to be made any Court Order or any change, amendment or modification to any Court Order in respect of any amendment relating to the DIP Facility or any other matter that affects the DIP Agent or DIP Lenders, except with the prior written consent of the DIP Agent, acting reasonably;
- (q) Seek or obtain an order from the Court that materially adversely affects the DIP Agent or DIP Lenders except with the prior written consent of the DIP Agent;

- (r) Enter into any settlement agreement or agree to any settlement arrangements in an amount involving a payment of \$1,000,000 or greater with any Governmental Authority or regulatory authority in connection with any litigation, arbitration, other investigations, proceedings or disputes or other similar proceedings which are (to the knowledge of the Borrower) threatened or pending against any one of them, or make any payments or refunds to retail customers outside the ordinary course of business, in either case, other than those set out in the DIP Budget or except with the prior written consent of the DIP Agent;
- (s) Without the approval of the Court or the prior written consent of the DIP Agent, cease to carry on its business or activities or any material component thereof as currently being conducted or modify or alter in any material manner the nature and type of its operations or business except liquidations contemplated by the Liquidation Services Agreement;
- (t) Seek, or consent to the appointment of, a receiver, interim receiver, or trustee in bankruptcy or any similar official in any jurisdiction;
- (u) Remove any stores from the liquidation subject to the Liquidation Services Agreement; or
- (v) Unless and until all Senior Indebtedness is repaid in full, notwithstanding anything else in this Term Sheet, pay any Sales Taxes accrued prior to the Filing Date (whether or not due or payable after the Filing Date) in excess of \$6.8 million.

27. EVENTS OF DEFAULT:

The occurrence of any one or more of the following events shall constitute an event of default (each an “**Event of Default**”) under this Term Sheet:

- (a) Failure of the Loan Parties to pay principal, interest or other amounts when due pursuant to this Term Sheet or the Guarantee;
- (b) Failure of the Loan Parties to perform or comply with any covenant under Section 26 hereof;
- (c) Any representation or warranty by the Loan Parties made or deemed to be made in this Term Sheet or the Guarantee is or proves to be incorrect or misleading in any material respect as of the date made or deemed to be made;
- (d) Failure of the Loan Parties to perform or comply with any term, condition, covenant or obligation pursuant to this Term Sheet or the Guarantee and such failure remains unremedied for more than five Business Days, *provided that*, where another provision in this

Section 27 provides for a shorter or no cure period in respect of a particular Event of Default, such other provision shall apply;

- (e) Issuance of any Court Order (i) dismissing the CCAA Proceedings or lifting the stay of proceedings therein to permit the enforcement of any security against the Loan Parties or the Collateral, the appointment of a receiver, interim receiver or similar official, an assignment in bankruptcy, or the making of a bankruptcy order or receivership order against or in respect of any of the Loan Parties, in each case which order is not stayed pending appeal thereof, and other than in respect of non-material assets not required for the operations of the Loan Parties business and which is subject to a Permitted Priority Lien, (ii) granting any other Lien in respect of the Collateral that is in priority to or *pari passu* with the DIP Charge other than as permitted pursuant to this Term Sheet, (iii) modifying this Term Sheet or the Guarantee without the prior written consent of the DIP Agent, (iv) approving a Restructuring Transaction, other than a Permitted Restructuring Transaction, that has not been previously consented to in writing by the DIP Agent, or (v) staying, reversing, vacating or otherwise modifying any Court Order relating to the DIP Facility, or any other matter that affects the DIP Agent or DIP Lenders without the prior written consent of the DIP Agent;
- (f) Unless consented to in writing by the DIP Agent, the expiry without further extension of the stay of proceedings provided for in the Initial Order;
- (g) (i) a Variance Report or Updated DIP Budget is not delivered when due under this Term Sheet or (ii) in respect of any Testing Period, there shall exist a variance in excess of the Permitted Variance for the period for which the Variance Report is prepared;
- (h) Unless the DIP Agent has consented thereto in writing, the filing by any Loan Party of any motion or proceeding that (i) is not consistent with any provision of this Term Sheet, the Guarantee or the Initial Order, as applicable, (ii) could otherwise be expected to have a material adverse effect on the interests of the DIP Agent or DIP Lenders, (iii) seeks to continue the CCAA Proceedings under the jurisdiction of a court other than the Court, or (iv) seeks to initiate any restructuring or insolvency proceedings other than the CCAA Proceedings in any court or jurisdiction;
- (i) Any proceeding, motion or application shall be commenced or filed by any Loan Party, or if commenced by another party, supported, remain unopposed or otherwise consented to by any Loan Party, seeking approval of any Restructuring Transaction (other than a Permitted Restructuring Transaction) without the prior written consent of the DIP Agent;
- (j) The making by any Loan Party of a payment of any kind that is not permitted by this Term Sheet or is not in accordance with the DIP

Budget, subject to the Permitted Variance;

- (k) Except as stayed by the Initial Order or consented to by the DIP Agent, a default under, revocation or cancellation of, any Material Contract;
- (l) The denial or repudiation by the Borrower of the legality, validity, binding nature or enforceability of this Term Sheet or the Guarantee;
- (m) Except as stayed by Court Order, the entry of one or more final judgements, writs of execution, garnishment or attachment representing a claim in excess of \$1,000,000 in the aggregate, against any Collateral or any Loan Party that is not released, bonded, satisfied, discharged, vacated, stayed or accepted for payment by an insurer within 30 days after their entry, commencement or levy;
- (n) Any creditor, encumbrancer or other Person seizes or levies upon any Collateral or exercises any right of distress, execution, foreclosure or similar enforcement process against any Collateral, in each case, with an aggregate value in excess of \$1,000,000; or
- (o) Any Milestone set forth on Schedule “F” hereof shall not be satisfied.

**28. UNAFFECTED
CREDITOR
STATUS**

The DIP Agent and DIP Lenders shall at all times be treated as “unaffected creditors” and “unimpaired” in any plan of compromise or arrangement filed pursuant to the CCAA Proceedings and/or in any other plan, compromise, arrangement and/or proposal filed in any insolvency, restructuring, reorganization and/or arrangement or any other similar proceeding with respect to any Loan Party thereafter, including, without limitation, in any proceedings under the CCAA, the *Bankruptcy and Insolvency Act* (Canada) or any other legislation of any jurisdiction pertaining to insolvency or creditors’ rights.

29. REMEDIES:

Upon the occurrence of an Event of Default, and subject to the Court Orders, the DIP Agent may elect to terminate the commitments hereunder and declare the DIP Financing Obligations to be immediately due and payable and refuse to permit further Advances and direct that the Monitor return any remaining portion of the Monitor Transfers to the DIP Agent to such account as the DIP Agent may designate. In addition, upon the occurrence of an Event of Default, the DIP Agent may, subject to the Court Orders including any notice provision contained therein:

- (a) apply to the Court for the appointment of a receiver, an interim receiver or a receiver and manager over any of the Loan Parties or the Collateral, or for the appointment of a trustee in bankruptcy of any of the Loan Parties;
- (b) with the Monitor’s consent, apply to the Court to seek to expand the powers of the Monitor to take management and control of the Loan

Parties or any of the Collateral, on such terms as the Court may direct and the DIP Agent may agree;

- (c) set-off or combine any amounts then owing by the DIP Agent or the DIP Lenders to the Loan Parties against the obligations of the Loan Parties to the DIP Agent and DIP Lenders hereunder;
- (d) exercise the powers and rights of a secured party under the *Personal Property Security Act* (Ontario), or any federal, provincial, territorial legislation of similar effect; and/or
- (e) exercise all such other rights and remedies under this Term Sheet, the Court Orders and Applicable Law.

30. **DIP LENDER APPROVALS:**

All consents, approvals, waivers, or instructions of the DIP Agent or DIP Lenders hereunder shall be in their sole and absolute discretion and shall be in writing unless otherwise expressly set out herein. Any consent, approval, instruction or other expression of the DIP Lenders or DIP Agent to be delivered in writing may be delivered by a written instrument, including by way of electronic mail.

31. **EXIT FEE:**

The Loan Parties shall pay an Exit Fee to the DIP Agent, on behalf of the DIP Lenders, in the aggregate amount of 3% of the DIP Facility on the Maturity Date (the “**Exit Fee**”), which Exit Fee is fully earned on execution of this Term Sheet.

32. **INDEMNITY AND RELEASE:**

The Loan Parties agree to indemnify and hold harmless the DIP Agent and the DIP Lenders and their respective directors, officers, employees, agents, attorneys, counsel and advisors (all such persons and entities being referred to hereafter as “**Indemnified Persons**”) from and against any and all actions, suits, proceedings, claims, losses, damages, liabilities or expenses of any kind or nature whatsoever (excluding indirect or consequential damages and claims for lost profits) which may be incurred by or asserted against any Indemnified Person (collectively, “**Claims**”) as a result of or arising out of or in any way related to the DIP Facility or this Term Sheet and, upon demand, to pay and reimburse any Indemnified Person for any reasonable legal or other expenses incurred in connection with investigating, defending or preparing to defend any such action, suit, proceeding or claim; *provided, however*, that the Loan Parties shall not be obligated to indemnify pursuant to this paragraph any Indemnified Person against any loss, claim, damage, expense or liability (a) to the extent it resulted from the gross negligence, wilful misconduct or bad faith of any Indemnified Person as finally determined by a court of competent jurisdiction, or (b) to the extent arising from any dispute solely among Indemnified Persons other than any Claims arising out of any act or omission on the part of the Loan Parties. None of the DIP Agent, DIP Lenders, the Indemnified Persons, nor the Loan Parties shall be responsible or liable to any other person for consequential or punitive damages.

Notwithstanding anything to the contrary herein, the indemnities granted

under this Term Sheet shall survive any termination of the DIP Facility.

33. **TAXES:**

All payments by the Loan Parties under this Term Sheet to the DIP Agent or DIP Lenders, including any payments required to be made from and after the exercise of any remedies available to the DIP Agent or DIP Lenders upon an Event of Default, shall be made free and clear of, and without reduction for or on account of, any present or future taxes, levies, imposts, duties, charges, fees, deductions or withholdings of any kind or nature whatsoever or any interest or penalties payable with respect thereto now or in the future imposed, levied, collected, withheld or assessed by any Governmental Authority country or any political subdivision of any country (collectively “**Taxes**”); provided, however, that if any Taxes are required by Applicable Law to be withheld (“**Withholding Taxes**”) from any amount payable to the DIP Agent or DIP Lenders under this Term Sheet, the amount so payable to such DIP Agent or DIP Lenders shall be increased by an amount necessary to yield to such DIP Agent or DIP Lender on a net basis after payment of all Withholding Taxes, the amount payable under this Term Sheet at the rate or in the amount specified herein and the Loan Parties shall provide evidence satisfactory to such DIP Agent or DIP Lenders, as applicable, that the Taxes have been so withheld and remitted.

If the Loan Parties pay an additional amount to the DIP Agent or any DIP Lender to account for any deduction or withholding, the DIP Agent or DIP Lender shall, at the sole cost and expense of the Loan Party, reasonably cooperate with the Loan Party to obtain a refund of the amounts so withheld and paid to the DIP Agent or DIP Lender. Any refund of an additional amount so received by the DIP Agent or any DIP Lender, without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund which the DIP Agent or any DIP Lender determines in its sole discretion will leave it, after such payment, in no better or worse position than it would have been if no additional amounts had been paid to it), net of all out of pocket expenses of the DIP Agent or any DIP Lender, shall be paid over by the DIP Agent or any DIP Lender to the Loan Party promptly. If reasonably requested by the Loan Party, the DIP Agent or DIP Lender shall apply to the relevant Governmental Authority to obtain a waiver from such withholding requirement, and the DIP Agent or DIP Lender shall reasonably cooperate, at the sole cost and expense of the Loan Parties, with the Loan Parties and assist the Loan Parties to minimize the amount of deductions or withholdings required. The Loan Parties, upon the request of the DIP Agent, shall repay any portion of the amount repaid by the DIP Agent or DIP Lender pursuant to this Section 33 (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that the DIP Agent or DIP Lender is required to repay such portion of the refund to such Governmental Authority. This Section 33 shall not be construed to require the DIP Agent or DIP Lenders to make available their tax returns (or any other information relating to its Taxes that it deems confidential) to the Loan Parties or any other Person. Neither the DIP Agent nor the DIP Lenders shall by virtue of anything in this Term Sheet be under any obligation to arrange their tax affairs in any particular manner so as to claim any refund on behalf of any of the Loan Parties.

34. **FURTHER ASSURANCES:** The Loan Parties shall, at their expense, from time to time do, execute and deliver, or will cause to be done, all such further acts and things as the DIP Agent may reasonably request for the purpose of giving effect to this Term Sheet.
35. **ENTIRE AGREEMENT; CONFLICT:** This Term Sheet, including the schedules hereto and the Guarantee delivered in connection with this Term Sheet, constitute the entire agreement between the parties relating to the subject matter hereof.
36. **AMENDMENTS, WAIVERS, ETC.:** No waiver or delay on the part of the DIP Agent or DIP Lenders in exercising any right or privilege hereunder will operate as a waiver hereof or thereof unless made in writing (including by e-mail) by the DIP Agent or DIP Lenders and delivered in accordance with the terms of this Term Sheet, and then such waiver shall be effective only in the specific instance and for the specific purpose given.
37. **ASSIGNMENT:** Any DIP Lender may assign their rights and obligations hereunder, in whole or in part, to (a) any affiliate of such DIP Lender in its discretion, (b) any other DIP Lender, or (c) any other Person with the DIP Agent's prior written consent and, provided that no Event of Default has occurred and is then continuing, the Monitor's prior written consent (such consent not to be unreasonably withheld or delayed), or with the authorization of the Court, subject in each case to (i) other than in the case of clause (b) above, providing the DIP Agent, the Borrower and the Monitor with reasonable evidence that such assignee has the financial capacity to fulfill the obligations of the DIP Lender hereunder, and (ii) the assignee providing notice to the DIP Agent (other than in the case of clause (c) above) and the Borrower to confirm such assignment). Neither this Term Sheet nor any right or obligation hereunder may be assigned by the Loan Parties.
38. **NO THIRD PARTY BENEFICIARY:** No Person, other than the Loan Parties, the DIP Agent, the DIP Lenders, the Indemnified Persons, the Monitor, the Pre-Filing ABL Agent, and the Pre-Filing Term Loan Agent is entitled to rely upon this Term Sheet, and the parties expressly agree that this Term Sheet does not confer rights upon any other party.
39. **APPOINTMENT OF DIP AGENT:** Each DIP Lender hereby designates Restore Capital, LLC as administrative agent to act as herein specified and as specified in the Guarantee. Each DIP Lender hereby irrevocably authorizes the DIP Agent to take such action on its behalf and to exercise such powers and to perform such duties thereunder as are specifically delegated to or required of the DIP Agent by the terms thereof and such other powers as are reasonably incidental thereto. The DIP Agent may perform any of its duties hereunder by or through its agents or employees. The provisions of this Section 39 are solely for the benefit of the DIP Agent and the DIP Lenders, and no Loan Party shall have rights as a third party beneficiary of any of such provisions. It is understood and agreed that the use of the term "agent" as used herein or in the Guarantee (or any similar term) with reference to the DIP Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used as a matter of market custom, and is intended to create or reflect only an administrative

relationship between independent contracting parties.

The DIP Agent shall have no duties or responsibilities except those expressly set out with respect to the DIP Agent in this Agreement and as specified in the Guarantee. None of the DIP Agent, its affiliates nor their respective directors, officers, employees, agents and advisors shall be liable for any action taken or omitted by it as such hereunder or in connection herewith, unless caused by its or their gross negligence or willful misconduct. The duties of the DIP Agent shall be mechanical and administrative in nature; the DIP Agent shall not have, by reason of this Term Sheet or the Guarantee, a fiduciary relationship in respect of any DIP Lender. The DIP Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to this Term Sheet or the Guarantee unless it is requested in writing to do so by the Required DIP Lenders.

Each DIP Lender acknowledges and agrees that the extensions of credit made hereunder are commercial loans and not investments in a business enterprise or securities. Independently, and without reliance upon the DIP Agent, each DIP Lender, to the extent it deems appropriate, has made and shall continue to make (a) its own independent investigation of the financial condition and affairs of the Loan Parties in connection with the taking or not taking of any action in connection herewith, and (b) its own appraisal of the creditworthiness of the Loan Parties and, except as expressly provided in this Term Sheet and the Guarantee, the DIP Agent shall have no duty or responsibility to provide any DIP Lender with any credit or other information with respect thereto.

The DIP Agent shall not be responsible to any DIP Lender for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith or for the execution, effectiveness, genuineness, validity, enforceability, collectability, priority or sufficiency of this Term Sheet or the Guarantee or the financial condition of the Loan Parties or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Term Sheet or the Guarantee, or the financial condition of the Loan Parties, or the existence or possible existence of any Default or Event of Default.

If the DIP Agent shall request instructions from the DIP Lenders or the Required DIP Lenders (as the case may be) with respect to any act or action (including the failure to act) in connection with this Term Sheet or the Guarantee, the DIP Agent shall be entitled to refrain from such act or taking such action unless and until the DIP Agent shall have received written instructions from the DIP Lenders or the Required DIP Lenders, as applicable, and the DIP Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, no DIP Lender shall have any right of action whatsoever against the DIP Agent as a result of the DIP Agent acting or refraining from acting under this Term Sheet and the Guarantee in accordance with the instructions of the Required DIP

Lenders or all of the DIP Lenders.

The DIP Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, electronic mail, telephone message, Internet or intranet website posting or other distribution believed by it to be genuine and correct and to have been signed, sent or made by the proper Person. The DIP Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of any Advance that by its terms must be fulfilled to the satisfaction of a DIP Lender, the DIP Agent may presume that such condition is satisfactory to such DIP Lender unless the DIP Agent shall have received notice to the contrary from such DIP Lender prior to the making of such Advance. The DIP Agent may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

To the extent the DIP Agent is not reimbursed and indemnified by the Loan Parties, each DIP Lender shall reimburse and indemnify the DIP Agent, in proportion to its aggregate Applicable Percentage, for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including reasonable counsel fees and disbursements) or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the DIP Agent in performing its duties hereunder, in any way relating to or arising out of this Term Sheet or the Guarantee; provided that no DIP Lender shall be liable to the DIP Agent for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the DIP Agent's gross negligence (it being acknowledged that ordinary negligence does not necessarily constitute gross negligence) or willful misconduct. For the avoidance of doubt, the Loan Parties shall reimburse a DIP Lender for any payment pursuant to this Section 39.

40. **AMENDMENTS,
WAIVERS,
CONSENTS:**

Except as set out in the immediately following paragraph, no amendment or waiver of any provision of this Term Sheet or the Guarantee, and no consent to any departure by any Loan Party therefrom, shall be effective unless in writing signed by the DIP Agent, with the consent of the Required DIP Lenders, and (in the case of any amendment) the Borrower or the applicable Loan Party and the Monitor, as the case may be. Any amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

Any amendment to this Term Sheet or any other Credit Agreement relating to the following matters shall require the unanimous consent of the DIP Lenders:

- (a) decreases in interest rates and fees in respect of the DIP Facility;

- (b) increases in any DIP Lender's Commitment;
- (c) extensions of the Maturity Date;
- (d) extensions of the scheduled or mandatory dates or decreases in the scheduled or mandatory amounts for repayments hereunder;
- (e) releases of all or any material portion of the Collateral and the DIP Charge (including, for certainty release of any of the guarantees), except to the extent otherwise permitted pursuant to this Term Sheet;
- (f) the definitions of "Permitted Priority Liens" and "Required DIP Lenders";
- (g) except as expressly permitted hereunder or under the Guarantee, release, or limit the liability of, any Loan Party without the written consent of each DIP Lender affected thereby;
- (h) modify the priority of (i) the DIP Charge set forth in Section 14, or (ii) the DIP Financing Obligations under the Priority Waterfall, in each case in any way that is adverse to the DIP Lenders; and
- (i) this Section 40.

**41. AMENDMENT
AND
RESTATEMENT**

This Term Sheet amends and restates the Original Term Sheet and represents the entire agreement currently constituted between the Loan Parties, the DIP Agent and the DIP Lenders respecting the subject matter of the Original Term Sheet. The parties hereto acknowledge and agree that (i) this Term Sheet and the other agreements, documents and instruments executed and delivered in connection herewith do not constitute a novation or termination of the obligations and liabilities of any of the parties under the Original Term Sheet as in effect prior to the date hereof, and (ii) such obligations and liabilities are in all respects continuing (as amended and restated hereby) with the terms of the Original Term Sheet being modified only as provided in this Term Sheet. Any and all references to the Original Term Sheet in the Guarantee shall mean and be a reference to this Term Sheet as this Term Sheet may from time to time in the future be further amended, supplemented, restated or replaced. On the date hereof, the DIP Agent shall make all usual and customary adjustments to ensure that all outstanding Advances under the Original Term Sheet are outstanding in accordance with the rateable portion of each DIP Lender, and each DIP Lender agrees to take all actions as are necessary to give effect to such adjustments.

**42. INTERCREDITOR
AGREEMENT**

Except as explicitly set forth in the consent to this Term Sheet delivered by the Pre-Filing Term Loan Agent to the DIP Agent, this Term Sheet is subject to the terms of the Intercreditor Agreement in all respects. In the event of any conflict between the provisions of this Term Sheet and the provisions of the Intercreditor Agreement, subject to the terms of the consent to this Term Sheet delivered by the Pre-Filing Term Loan Agent to

the DIP Agent, the provisions of the Intercreditor Agreement shall govern and control.

43. **COUNTERPARTS
AND
SIGNATURES:**

This Term Sheet may be executed in any number of counterparts and delivered by electronic transmission including “pdf email”, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument.

44. **NOTICES:**

Any notice, request or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered personally or sent email to such Person at its address set out in Schedule “G”, with a copy to counsel. Any such notice, request or other communication hereunder shall be concurrently sent to the Monitor and its counsel.

Any such notice shall be deemed to be given and received when received, unless received after 5:00 p.m. Eastern Time or on a day other than a Business Day, in which case the notice shall be deemed to be received the next Business Day.

45. **ENGLISH
LANGUAGE:**

The parties hereto confirm that this Term Sheet and all related documents have been drawn up in the English language at their request. *Les parties aux présentes confirment que le présent acte et tous les documents y relatifs furent rédigés en anglais à leur demande.*

46. **GOVERNING
LAW AND
JURISDICTION:**

This Term Sheet shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein. Without prejudice to the ability of the DIP Agent and DIP Lenders to enforce this Term Sheet in any other proper jurisdiction, the Loan Parties irrevocably submit and attorn to the non-exclusive jurisdiction of the Court.

IN WITNESS HEREOF, the parties hereby execute this Term Sheet as at the date first above mentioned.

RESTORE CAPITAL, LLC, as DIP Agent

By: T. Kellan Grant

Name: T. Kellan Grant

Title: EVP Commercial Counsel

HCS 102, LLC, as DIP Lender

By: T. Kellan Grant

Name: T. Kellan Grant

Title: EVP Commercial Counsel

TIGER ASSET SOLUTIONS CANADA, ULC, as DIP
Lender


By: 

Name: Andy Cerussi

Title: Managing Director

1903 PARTNERS, LLC as DIP Lender

By: DocuSigned by:
Patricia Parent

Name: 5469A6860B3840D...

Title: Vice President and Treasurer

GA GROUP SOLUTIONS, LLC as DIP Lender

By: Scott Carpenter

Name: Scott Carpenter

Title: Authorized Signatory

HUDSON BAY COMPANY ULC, as Borrower

By: Signed by: Jennifer Bewley
Name: Jennifer Bewley
Title: Chief Financial Officer

HBC CANADA PARENT HOLDINGS 2 INC., as

Guarantor
By: Signed by: Jennifer Bewley
Name: Jennifer Bewley
Title: Chief Financial Officer

HBC CANADA PARENT HOLDINGS INC., as

Guarantor
By: Signed by: Jennifer Bewley
Name: Jennifer Bewley
Title: Treasurer

THE BAY HOLDINGS ULC, as Guarantor

By: Signed by: Jennifer Bewley
Name: Jennifer Bewley
Title: Chief Financial Officer

THE BAY LIMITED PARTNERSHIP, as Guarantor

By: its general partner, THE BAY HOLDINGS ULC

By: Signed by: Jennifer Bewley
Name: Jennifer Bewley
Title: Chief Financial Officer

HBC BAY HOLDINGS I INC., as Guarantor

By: Signed by: Jennifer Bewley
Name: Jennifer Bewley
Title: Assistant Treasurer

HBC BAY HOLDINGS II ULC, as Guarantor

By:

Signed by:

Name: Jennifer Bewley

Title: Assistant Treasurer

**SCHEDULE “A”
DIP LENDERS AND COMMITMENTS**

DIP Lender	Commitment	Applicable Percentage
HCS 102, LLC	\$13,133,000	57.1%
Tiger Asset Solutions Canada, ULC	\$3,289,000	14.3%
1903 Partners, LLC	\$3,289,000	14.3%
GA Group Solutions, LLC	\$3,289,000	14.3%
Total Commitments:	\$23,000,000	100%

SCHEDULE “B” DEFINED TERMS

“**ABL Obligations**” has the meaning given thereto in the Intercreditor Agreement.

“**ABL Priority Collateral**” has the meaning given thereto in the Intercreditor Agreement.

“**ABL Priority Liens**” means the Liens in favour of the Pre-Filing ABL Agent securing the ABL Obligations.

“**Administration Charge**” means a priority charge over the Collateral granted by the Court pursuant to the Initial Order in an aggregate amount not exceeding \$2,800,000 to secure the fees and expenses of (i) the legal and financial advisors of the Loan Parties and (ii) the Monitor and its counsel, in each case in connection with the CCAA Proceedings.

“**Advance**” has the meaning given thereto in Section 8.

“**Advance Conditions**” has the meaning given thereto in Section 10.

“**Advance Release Consent**” has the meaning given thereto in Section 8.

“**Advance Request Certificate**” has the meaning given thereto in Section 8.

“**Applicable Law**” means, in respect of any Person, property, transaction or event, all applicable laws, statutes, rules, by-laws and regulations and all applicable official directives, orders, judgments and decrees of any Governmental Authority having the force of law.

“**Applicable Percentage**” means, in respect of any DIP Lender at any time, the percentage of the DIP Facility which such DIP Lender has agreed to make available to the Borrower at such time, determined by dividing such DIP Lender’s Commitment by the aggregate of all of the DIP Lenders’ Commitments.

“**ARIO**” has the meaning given thereto in Section 10.

“**Borrower**” has the meaning given thereto in Section 1.

“**Business Day**” means any day other than a Saturday, Sunday or any other day on which banks in Toronto, Ontario are not open for business.

“**CCAA**” has the meaning given thereto in the Recitals.

“**CCAA Proceedings**” has the meaning given thereto in the Recitals.

“**Claims**” has the meaning given thereto in Section 32.

“**Collateral**” means all current or future assets, businesses, undertakings and properties of the Loan Parties, real and personal, tangible or intangible, including all proceeds thereof. For greater certainty, Collateral excludes any Consigned Goods and merchandise subject to arrangements with Participating Concession Vendors.

“Comeback Date” means the date scheduled by the Court, to be within 10 days of the Filing Date, to consider additional relief requested by the Loan Parties relating to the Term Sheet and the Liquidation Services Agreement, among other things.

“Comeback Hearing” means the hearing scheduled on the Comeback Date to consider additional relief requested by the Loan Parties relating to the Term Sheet and the Liquidation Services Agreement, among other things.

“Commitment” means, with respect to each DIP Lender, the commitment of such DIP Lender to make Advances under the DIP Facility hereunder. The initial amount of each DIP Lender’s Commitment is set out in Schedule “A”.

“Consigned Goods” means inventory on order from, in transit to, or in the possession of, a Loan Party pursuant to the terms of a true consignment agreement and the proceeds thereof; provided that such proceeds (i) are held in trust for the benefit of such true consignor or otherwise separate and apart so that such proceeds are identifiable and traceable, or (ii) the DIP Agent has otherwise agreed that the DIP Charge does not attach to such proceeds. For greater certainty, all Memo Merchandise and inventory supplied to the Loan Parties from time to time pursuant to the Memo Consignment Agreement shall constitute Consigned Goods.

“Court” has the meaning given thereto in the Recitals.

“Court Order” means any order, judgment, direction, endorsement or opinion issued by the Court in the CCAA Proceedings.

“Default” means an event or circumstance which, after the giving of notice or the passage of time, or both, will result in an Event of Default.

“DIP Agent” has the meaning given thereto in Section 4.

“DIP Budget” has the meaning given thereto in Section 18. For greater certainty, for purposes of this Term Sheet, the DIP Budget shall include all supporting documentation provided in respect thereof to the DIP Agent.

“DIP Charge” has the meaning given thereto in the Recitals.

“DIP Facility” has the meaning given thereto in Section 8.

“DIP Facility Exposure” means, with respect to any DIP Lender at any time, the outstanding principal amount of such DIP Lender’s Advances at such time.

“DIP Financing Obligations” means, collectively, all indebtedness, liabilities and other obligations owing by each of the Loan Parties from time to time to the DIP Agent and the DIP Lenders (or any of them) pursuant to this Term Sheet and the Guarantee, including, without limitation, all principal, interest, fees, costs, expenses, disbursements and DIP Lender Expenses.

“DIP Lenders” has the meaning given thereto in Section 5.

“DIP Lender Expenses” has the meaning given thereto in Section 11.

“Directors’ Charge” means a priority charge over the Collateral granted by the Court pursuant to the Initial Order securing the indemnity granted by the Loan Parties in favour of the directors and officers of the Loan Parties, on such terms more particularly set out in the Initial Order, in an aggregate amount not exceeding \$27,000,000.

“Distribution Order” means an order of the Court authorizing the Monitor to make a distribution of Surplus Cash in accordance with the Priority Waterfall.

“Event of Default” has the meaning given thereto in Section 27.

“Excess ABL Obligations” has the meaning given thereto in the Intercreditor Agreement.

“Excess Cash” means cash proceeds from the sale of inventory of the Loan Parties, including any inventory sold in accordance with the Orderly Liquidation, in excess of \$15 million, as tested on the last Business Day of each week but calculated on the Monday thereafter (and for the avoidance of doubt, such proceeds shall be net of any fees or commissions due but not yet paid to any advisor in accordance with the Liquidation Services Agreement), starting on the week of March 31, 2025.

“Excess Term Loan Obligations” has the meaning given thereto in the Intercreditor Agreement.

“Exit Fee” has the meaning given thereto in Section 31.

“Facility Amount” has the meaning given thereto in Section 8.

“Filing Date” has the meaning given thereto in the Recitals.

“Governmental Authority” means any federal, provincial, state, municipal, local or other government, governmental or public department, commission, board, bureau, agency or instrumentality, domestic or foreign and any subdivision, agent, commission, board or authority of any of the foregoing.

“Guarantee” means a Guarantee of the DIP Financing Obligations to be provided by all Guarantors in form and substance satisfactory to the DIP Agent.

“Guarantors” has the meaning given thereto in Section 2.

“Indemnified Persons” has the meaning given thereto in Section 32.

“Initial Monitor Transfer” has the meaning given thereto in Section 8.

“Initial Order” has the meaning given thereto in the Recitals.

“ITA” means the *Income Tax Act* (Canada), as amended from time to time.

“Intercreditor Agreement” means the Second Amended and Restated Intercreditor Agreement dated as of December 23, 2024 between the Pre-Filing ABL Agent and the Pre-Filing Term Loan Agent.

“Interim Borrowings” has the meaning given thereto in the Recitals.

“KERP” means a key employee retention plan the terms and conditions of which shall be satisfactory to the DIP Agent acting reasonably.

“KERP Charge” means a priority charge over the Collateral granted by the Court pursuant to the Initial Order or subsequent Court Order in an amount not to exceed \$3 million to secure the obligations of the Loan Parties to certain key employees pursuant to the terms of a KERP in an amount to be set forth in the amended and restated Initial Order in an amount acceptable to the DIP Agent acting reasonably.

“Lease Solicitation Process” means the process approved by the Court and consented and agreed to by the DIP Agent, pursuant to which the Loan Parties seek offers related to the assignment and assumption of their Real Property Leases or a certain subset thereof.

“Liens” means (a) all liens, hypothecs, charges, mortgages, deeds of trusts, trusts, deemed trusts (statutory or otherwise), constructive trusts, encumbrances, security interests, and statutory preferences of every kind and nature whatsoever that secured payment or performance of an obligation, and (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset.

“Liquidation Services Agreement” means an agreement in form and substance satisfactory to the DIP Agent and approved by the Court at the Comeback Hearing providing for the liquidation of the inventory in all of the Loan Parties’ retail stores (or such lower number of stores as may be consented to by the DIP Agent and reduced in accordance with the terms of the Liquidation Services Agreement).

“Loan Parties” has the meaning given to it in Section 3.

“Material Contract” means any contract, licence, agreement or Real Property Lease (i) to which any Loan Party is a party or is bound, (ii) which is necessary in the operation of the business of the Loan Parties, and (iii) the breach or termination of, or default under, would reasonably be expected to have a material adverse effect on the Loan Parties taken as a whole if such contract, licence, agreement or Real Property Lease was not replaced by an alternative comparable contract with comparable commercial terms in a commercially reasonable timeframe.

“Maturity Date” has the meaning given thereto in Section 17.

“Memo Consignment Agreement” means that certain Master Service Agreement for Consignment of Memo Merchandise dated as of April 4, 2024, between the Borrower and Gordon Brothers Canada ULC as and as may be amended, restated, supplemented or otherwise modified and in effect from time to time.

“Memo Merchandise” has the meaning given to it in the Memo Consignment Agreement.

“Monitor” has the meaning given thereto in Section 16.

“Monitor’s Trust Account” has the meaning given thereto in Section 8.

“Non-Applicant Stay Parties” has the meaning given thereto in the Initial Order.

“Non-Loan Party Applicant” means HBC Centrepont GP Inc., HBC YSS 1 LP Inc., HBC YSS 2 LP Inc., HBC Holdings GP Inc. Snospmis Limited, 2472596 Ontario Inc. and 2472598 Ontario Inc.

“Operating Account” means a bank account of the Borrower designated by the Borrower to receive Advances acceptable to the DIP Agent.

“Orderly Liquidation” means the liquidation of the retail inventory of the Loan Parties and certain related Collateral (including furniture, fixtures and equipment), pursuant to the terms of the Liquidation Services Agreement, as approved by the Court.

“Original DIP Term Sheet” has the meaning given thereto in the Recitals.

“Other Collateral” means any and all Collateral other than the ABL Priority Collateral and the Term Loan Priority Collateral.

“Outside Date” means June 30, 2025.

“Participating Concession Vendors” means such vendors providing merchandise to the Loan Parties for in-store sales pursuant to one or more concession or licensor agreements (other than pursuant to the Memo Consignment Agreement) in respect of Consigned Goods or other goods title to which remains with such vendors at all times, who have continued to provide merchandise post filing, including during the inventory liquidation process.

“Pension Plan” means a “registered pension plan”, as such term is defined in subsection 248(1) of the ITA, which is sponsored, administered or contributed to, or required to be contributed to, by any Loan Party or under which any Loan Party has any actual or contingent liability.

“Permitted Liens” means: (i) the DIP Charge; (ii) any other charges created under the Initial Order or other Court Order subsequent in priority to the DIP Charge and approved in writing by the DIP Agent acting in its, reasonable discretion; (iii) validly perfected Liens existing prior to the date hereof; (iv) inchoate statutory Liens arising after the Filing Date in respect of any accounts payable arising after the Filing Date in the ordinary course of business, subject to the obligation to pay all such amounts as and when due; and (v) the Permitted Priority Liens.

“Permitted Priority Liens” means: (i) the Administration Charge, the Directors Charge and the KERP Charge; (ii) ABL Priority Liens; (iii) the Term Loan Priority Liens; (iv) any amounts payable by the Loan Parties for wages, vacation pay, employee deductions, sales tax, excise tax, tax payable pursuant to Part IX of the *Excise Tax Act* (Canada) (net of input credits), income tax and workers compensation claims, in each case solely to the extent such amounts are given priority by Applicable Law and only to the extent that the priority of such amounts has not been subordinated to the DIP Charge; and (v) obligations of the Loan Parties to any defined benefit or defined contribution pension plan sponsored by the Loan Parties solely to the extent that (a) such amounts are given priority by Applicable Law and (b) the priority of such amounts has not been subordinated to the DIP Charge.

“Permitted Restructuring Transaction” means a transaction that provides for repayment in full in cash on closing of the amounts reasonably anticipated by (i) the Loan Parties (in consultation with the Monitor and the Financial Advisor), (ii) the Pre-Filing Term Loan Agent, (iii) the Pre-Filing ABL Agent, and (iv) the DIP Agent to be outstanding under the Senior Indebtedness following completion of the Lease Solicitation Process and the liquidation under the Liquidation Services Agreement and is otherwise satisfactory to the DIP Agent.

“Permitted Variance” means an adverse variance of not more than 15%, measured for on an individual and cumulative basis for disbursements being Payroll – Non Corp, Payroll - Corp./Shared Svcs, Occupancy Costs, Accrued Vacation, Corporate KERP, Chargeback Reserve/Deposits, Store Ops, and interest, For certainty this shall exclude all fees and expenses of all Loan Parties’ professional advisors, the Monitor and its counsel, the fees and expenses of the DIP Agent and the DIP Lenders and all other

professional fees and expenses for which the Loan Parties are responsible. The Permitted Variance shall be tested starting the Monday of the first full week after the Comeback Hearing.

“Person” means an individual, partnership, corporation, business trust, joint stock company, limited liability company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

“Plan” means any plan of compromise, arrangement, reorganization or similar arrangement filed pursuant to the CCAA or any other statute in any jurisdiction, in respect of the Loan Parties.

“Pre-Filing ABL Agent” means Bank of America, N.A. (including acting through branches and affiliates) in its capacity as administrative agent and collateral agent under the Pre-Filing ABL Credit Agreement.

“Pre-Filing ABL Credit Agreement” means that certain second amended and restated credit agreement dated as of December 23, 2024 among the Borrower, as “Lead Borrower”, the other “Borrowers” named therein, the “Guarantors” from time to time party thereto, the “Lenders” from time to time party thereto, the Pre-Filing ABL Agent and Restore Capital, LLC, as “FILO Agent”, as amended, restated, supplemented or otherwise modified and in effect from time to time.

“Pre-Filing Term Loan Agent” means Pathlight Capital LP, in its capacity as administrative agent under the Pre-Filing Term Loan Credit Agreement.

“Pre-Filing Term Loan Credit Agreement” means that certain amended and restated term loan credit Agreement dated as of December 23, 2024 among the Borrower, as “Lead Borrower”, the other “Borrowers” named therein, the “Guarantors” from time to time party thereto, the “Lenders” from time to time party thereto and the Pre-Filing Term Loan Agent, as amended, restated, supplemented or otherwise modified and in effect from time to time.

“Priority Payables Reserve” has the meaning given thereto in Section 20.

“Priority Waterfall” has the meaning given thereto in Section 15.

“Real Property Leases” means the real property leases under which a Loan Party is a tenant in connection with any retail store operated by a Loan Party.

“Required DIP Lenders” means, at any time, DIP Lenders having outstanding DIP Facility Exposures and unused and uncanceled Commitments representing more than 50% of the sum of the total DIP Facility Exposures and unused and uncanceled Commitments at such time.

“Restructuring Transaction” means any restructuring, financing, refinancing, recapitalization, sale, liquidation, workout, Plan or other material transaction of, or in respect of the Borrower or its respective assets and liabilities.

“Sales Taxes” means all goods and services taxes, harmonized sales taxes and other applicable sales taxes.

“Second Lien Obligations” has the meaning given thereto in the first lien/second lien intercreditor agreement dated as of December 23, 2024 among the Pre-Filing ABL Agent, the Pre-Filing Term Loan Agent and 2171948 Ontario Inc.

“Senior Indebtedness” means the ABL Obligations, the Term Loan Obligations and the DIP Financing Obligations.

“Shared Services Agreement” means the Shared Services Agreement dated December 23, 2024 by and among Saks Global Enterprises LLC, the Borrower and HBC Canada Parent Holdings 2 Inc. as amended February 28, 2025 and as amended, restated, supplemented or otherwise modified and in effect from time to time.

“SISP” means the sale and investment solicitation process, satisfactory to the DIP Agent, whereby the Loan Parties will seek to enter into a Permitted Restructuring Transaction, which process shall include any equity interest of the Loan Parties in RioCan HBC Limited Partnership and any intellectual property of the Loan Parties.

“Subsequent Monitor Transfer” has the meaning given thereto in Section 8.

“Surplus Cash” means amounts held by the Monitor on the Friday of the week ending immediately prior to the distribution contemplated by the Distribution Order that exceed \$35 million or such other amount as the parties may agree upon, acting reasonably, provided that, in the event that the forecasted Total Disbursements up to such date are greater than amounts actually disbursed up to such date, the difference between forecasted Total Disbursements up to such date in the DIP Budget and amounts actually disbursed up to such date shall be added to the \$35 million threshold amount.

“Taxes” has the meaning given thereto in Section 33.

“Term Loan Obligations” has the meaning given thereto in the Intercreditor Agreement.

“Term Loan Priority Collateral” has the meaning given thereto in the Intercreditor Agreement.

“Term Loan Priority Liens” means the Liens in favour of the Pre-Filing Term Loan Agent securing the Term Loan Obligations but only to the extent of such Liens are against the Term Loan Priority Collateral and not, for greater certainty the extent to which such Liens secure the Term Loan Obligations against the ABL Priority Collateral.

“Term Sheet” means this amended and restated term sheet, as further amended, restated or otherwise modified from time to time.

“Testing Period” has the meaning given thereto in Section 18.

“Updated DIP Budget” has the meaning given thereto in Section 18.

“Variance Report” has the meaning given thereto in Section 18.

“Withholding Taxes” has the meaning given thereto in Section 33.

**SCHEDULE “C”
FORM OF ADVANCE CONFIRMATION CERTIFICATE**

TO: The DIP Agent

AND TO: The Monitor

FROM: Hudson Bay Company

DATE: ●, 2025

1. This certificate is delivered to you, as DIP Agent, with a copy to the Monitor, in connection with a request for an Advance pursuant to the amended and restated term sheet made as of March ●, 2025 between the Loan Parties and the DIP Agent and DIP Lenders, as amended, supplemented, restated or replaced from time to time (the “**Term Sheet**”). All defined terms used, but not otherwise defined in this certificate shall have the respective meanings set forth in the Term Sheet, unless the context requires otherwise.

2. The Borrower hereby requests an Advance as follows in respect of the week commencing on ●, 2025:

Aggregate amount of Advance: \$●

3. All of the representations and warranties of the Loan Parties set forth in the Term Sheet are true and accurate in all material respects as at the date hereof, as though made on and as of the date hereof.

4. All of the covenants of the Loan Parties contained in the Term Sheet and the Guarantee and all other terms and conditions contained in the Term Sheet and the Guarantee to be complied with by the Loan Parties, not properly waived in writing by the DIP Agent, have been fully complied with.

5. No Default or Event of Default has occurred nor will any such event occur as a result of the Advance hereby requested.

HUDSON’S BAY COMPANY ULC, as Borrower

By: _____
Name:
Title:

**SCHEDULE “D”
WATERFALL**

Priority Ranking	ABL Priority Collateral	Term Loan Priority Collateral	Other Collateral
1 st	Administration Charge obligations	Administration Charge obligations	Administration Charge obligations
2 nd	KERP Charge obligations	KERP Charge Obligations	KERP Charge obligations
3 rd	ABL Obligations (other than Excess ABL Obligations)	Term Loan Obligations (other than Excess Term Loan Obligations)	Directors’ Charge indemnity obligations up to \$13.5 million
4 th	Directors’ Charge indemnity obligations up to \$13.5 million	ABL Obligations (other than Excess ABL Obligations)	DIP Financing Obligations
5 th	DIP Financing Obligations	Directors’ Charge indemnity obligations up to \$13.5 million	Directors’ Charge indemnity obligations up to \$35.7 million
6 th	Director’s Charge indemnity obligations up to \$35.7 million	DIP Financing Obligations	
7 th	Term Loan Obligations (other than Excess Term Loan Obligations)	Directors’ Charge indemnity obligations up to \$35.7 million	
8 th	Excess ABL Obligations	Excess Term Loan Obligations	
9 th	Excess Term Loan Obligations	Excess ABL Obligations	
10 th	Second Lien Obligations (to the extent that any ABL Priority Collateral secures any Second Lien Obligations)	Second Lien Obligations (to the extent that any Term Loan Priority Collateral secures any Second Lien Obligations)	

SCHEDULE “E”
DIP BUDGET

**SCHEDULE “F”
MILESTONES**

1. The Court shall have issued the ARIO by no later than March 17, 2025.
2. By no later than the March 17, 2025 the Court shall have issued an order approving the Liquidation Services Agreement, the Lease Solicitation Process and the SISP.
3. All milestones contemplated by the Lease Solicitation Process and the SISP shall be complied with in all material respects by the Loan Parties.
4. By no later than May 9, 2025, the Court shall have issued the Distribution Order and the distribution contemplated thereby shall be made within two Business Days of the issuance of the Distribution Order.

Notwithstanding the above, a specific Milestone may be (a) extended or waived with the express prior written consent of the DIP Agent or (b) extended to the extent necessary to accommodate the Court’s calendar.

SCHEDULE "G"
NOTICE INFORMATION

If to Loan Parties

Stikeman Elliott
5300 Commerce Court West
199 Bay St.
Toronto, ON
M5L 1B9

Attention: Ashley Taylor
Email: ataylor@stikeman.com

If to DIP Agent

Restore Capital LLC

Attention: Dan Rubin
Email: dan.rubin@restore-cap.com

With copy to:

Blake, Cassels & Graydon LLP
199 Bay St, Suite 4000
Toronto, Ontario
M5L 1A9

Attention: Linc Rogers / Aimee Yee
Email: linc.rogers@blakes.com / aimee.yee@blakes.com

And to:

Ropes & Gray LLP
1211 Avenue of the Americas
New York, NY
10036-8704

Attention: Gregg Galardi / Max Silverstein
Email: Gregg.galardi@ropesgray.com /
max.silverstein@ropesgray.com

If to Monitor

Alvarez & Marsal Canada Inc.
2900 – 200 Bay St. South Tower
Royal Bank Plaza
Toronto ON
M5J 2J1

Attention: Greg Karpel
Email: gkarpel@alvarezandmarsal.com

With copy to:

Bennett Jones LLP
100 King St W, Suite 3400

Toronto, ON
M5X 1A4

Attention: Sean Zweig
Email: zweigs@bennettjones.com

APPENDIX C
UPDATED CASH FLOW FORECAST

See attached.

Appendix C – Updated Cash Flow Forecast

Hudson's Bay Canada
\$CAD 000's

Cash Flow Week: Week Ending:	Note	Week 1 14-Mar-25	Week 2 21-Mar-25	Week 3 28-Mar-25	Week 4 04-Apr-25	Week 5 11-Apr-25	Week 6 18-Apr-25	Week 7 25-Apr-25	Week 8 02-May-25	Week 9 09-May-25	Week 10 16-May-25	Week 11 23-May-25	Week 12 30-May-25	Week 13 06-Jun-25	Total
Receipts															
Retail Receipts	1	13,596	22,078	43,657	46,491	43,834	43,834	41,178	41,178	37,193	34,536	28,337	19,482	14,759	430,155
Other Receipts ¹	2	-	-	4,067	4,067	3,835	3,835	3,603	3,603	3,254	3,022	2,479	1,704	1,291	34,761
Total Receipts		13,596	22,078	47,725	50,559	47,670	47,670	44,780	44,780	40,447	37,558	30,817	21,186	16,050	464,916
Disbursements															
Payroll & Benefits	3	(6,908)	(4,318)	(8,940)	(2,949)	(10,202)	(2,483)	(6,323)	(1,255)	(7,843)	(868)	(6,833)	(2,314)	(5,561)	(66,797)
Occupancy Costs	4	(6,948)	(8,912)	-	(8,903)	-	(8,903)	-	(8,903)	-	(8,903)	-	-	(8,903)	(60,375)
Operating Expenses	5	(5,071)	(12,168)	(10,515)	(7,464)	(4,318)	(4,088)	(2,731)	(1,583)	(1,824)	(2,072)	(1,877)	(1,638)	(1,834)	(57,184)
Concession/Consignment Payments ¹	6	(425)	(1,546)	(1,208)	(3,803)	(3,803)	(3,586)	(3,586)	(3,368)	(3,368)	(3,042)	(2,825)	(2,318)	(1,594)	(34,472)
Sales Tax Remittances		-	-	-	(6,800)	-	-	-	(8,787)	-	-	-	(16,474)	-	(32,061)
Liquidation Consultant Fees & Expenses	7	-	-	(5,582)	(1,916)	(997)	(1,916)	(964)	(2,645)	(964)	(2,645)	(964)	(2,146)	(964)	(21,703)
Professional Fees	8	(3,211)	(1,499)	(3,958)	(870)	(3,094)	(405)	(2,023)	(290)	(1,299)	(220)	(1,220)	(310)	(1,284)	(19,682)
Interest Payments	9	(962)	(160)	-	(2,379)	(1,100)	-	-	(2,452)	(1,100)	-	-	(2,452)	(1,100)	(11,704)
Shared Service Payments	10	-	-	(307)	-	(614)	-	(307)	-	(307)	-	(307)	-	(307)	(2,150)
Inventory Purchases	11	(505)	(505)	-	-	-	-	-	-	-	-	-	-	-	(1,010)
Total Disbursements		(24,030)	(29,107)	(30,509)	(35,085)	(24,128)	(21,382)	(15,935)	(29,283)	(16,704)	(17,751)	(14,026)	(27,653)	(21,547)	(307,139)
Net Cash Flow		(10,433)	(7,029)	17,215	15,473	23,542	26,288	28,846	15,498	23,743	19,807	16,791	(6,466)	(5,497)	157,777
Opening Cash Balance		5,266	5,832	4,565	15,542	22,295	45,837	72,125	100,970	116,468	140,211	160,017	176,808	170,342	5,266
Net Cash Flow		(10,433)	(7,029)	17,215	15,473	23,542	26,288	28,846	15,498	23,743	19,807	16,791	(6,466)	(5,497)	157,777
Cash Collateralization	12	-	(6,239)	(6,239)	(8,720)	-	-	-	-	-	-	-	-	-	(21,197)
DIP Facility Advance		11,000	12,000	-	-	-	-	-	-	-	-	-	-	-	23,000
Closing Cash Balance		5,832	4,565	15,542	22,295	45,837	72,125	100,970	116,468	140,211	160,017	176,808	170,342	164,845	164,845
FILO Credit Facility Balance	13	165,615	165,615	165,615	165,615	165,615	165,615	165,615	165,615	165,615	165,615	165,615	165,615	165,615	165,615
Pathlight Credit Facility Balance		91,949	91,949	91,949	91,949	91,949	91,949	91,949	91,949	91,949	91,949	91,949	91,949	91,949	91,949
Total Senior Debt		257,564	257,564	257,564	257,564	257,564	257,564	257,564	257,564	257,564	257,564	257,564	257,564	257,564	257,564
Opening DIP Facility Balance		-	11,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	-
DIP Facility Advance		11,000	12,000	-	-	-	-	-	-	-	-	-	-	-	23,000
Ending DIP Facility Balance		11,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000

1. These line items include Participating Concession Vendors, GB Consignment, and Additional Consultant Goods.

Hudson's Bay Canada
13-Week Cash Flow Forecast
Notes and Summary of Assumptions

Disclaimer

*In preparing this cash flow forecast (the "**Forecast**"), the Company has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast includes assumptions described below with respect to the requirements and impact of a filing under the Companies' Creditors Arrangement Act ("CCAA"). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast period will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.*

The Forecast is presented in thousands of Canadian dollars.

1) Retail Receipts

Represents receipts from the sale of goods through the store network and e-commerce sales taking into consideration the expected commencement date of the Liquidation Sale, subject to Court approval of the Liquidation Agreement and Sales Guidelines. Retail receipts include HST/GST and are net of anticipated returns and gift card redemptions.

2) Other Receipts

Represents gross proceeds from the sale of goods pursuant to: (i) existing agreements with Participating Concession Vendors and the GB Consignment goods; and (ii) Additional Consultant Goods.

3) Payroll & Benefits

Includes salaries, wages, remittances, employee benefits and taxes for salaried and part-time employees across the stores, corporate office and distribution centres. Includes payments to the KERP Participants in accordance with the proposed KERP.

4) Occupancy Costs

Occupancy costs include third-party rents, property taxes and CAM for the stores, corporate office and distribution centres, while the applicable lease remains in effect.

5) Operating Expenses

Represents payments to logistics and supply chain providers, customs brokers, utilities paid directly to municipalities, credit card processing fees, and other general operating costs.

6) Concession/Consignment Payments

Represent payment to vendors related to the sale of goods pursuant to: (i) existing agreements with Participating Concession Vendors and the GB Consignment goods; and (ii) Additional Consultant Goods.

7) Liquidation Consultant Fees & Expenses

Includes estimated fees and expenses to the Liquidation Consultant pursuant to the Liquidation Consulting Agreement.

8) Professional Fees

Represents payments to the Applicants' legal counsel, financial advisor and Lease Monetization Consultant, the Monitor, Monitor's legal counsel, legal counsel and financial advisors to the DIP Lender, legal counsel to certain other secured creditors, and other Company advisors.

9) Interest Payments

Includes interest payments on the DIP Facility, FILO Credit Facility and Pathlight Credit Facility.

10) Shared Service Payments

Relate to cost reimbursements for Saks Global employees that provide support services to Hudson's Bay.

11) Inventory Purchases

Represents estimated disbursements to purchase inventory that is accretive to the Liquidation Sale.

Hudson's Bay Canada
13-Week Cash Flow Forecast
Notes and Summary of Assumptions

12) Cash Collateralization

Represents cash collateralization of cash products (e.g., letters of credit, P-Cards, etc.) provided by the Revolving Facility Lenders.

13) FILO Credit Facility Balance

Represents the FILO Credit Facility balance of approximately \$137 million, inclusive of a make-whole provision of approximately \$28 million which has been asserted by the FILO Credit Facility lender.

APPENDIX D
MANAGEMENT'S REPRESENTATION LETTER REGARDING UPDATED CASH
FLOW FORECAST

See attached.

Alvarez & Marsal Canada Inc.
200 Bay Street, Suite 3501
Toronto ON M5J 2J1

Attention: Mr. Alan J. Hutchens and Mr. Greg A. Karpel

March 16, 2025

Dear Sirs:

Re: Hudson's Bay Company ULC Compagnie De La Baie D'Hudson SRI, HBC Canada Parent Holdings Inc., HBC Canada Parent Holdings 2 Inc., HBC Bay Holdings I Inc., HBC Bay Holdings II ULC, The Bay Holdings ULC, HBC Centerpoint GP Inc., HBC YSS 1 LP Inc., HBC YSS 2 LP Inc., HBC Holdings GP Inc., Snospmis Limited, 2472596 Ontario Inc., and 2472598 Ontario Inc. (together, "Hudson's Bay Canada" or the "Applicants") – CCAA section 10(2) Prescribed Representations with Respect to Updated Cash Flow Forecast

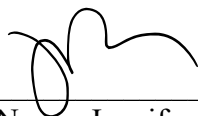
In connection with the Hudson's Bay Canada proceedings under the *Companies' Creditors Arrangement Act*, the management of Hudson's Bay have prepared the attached cash flow statement for the period March 8, 2025 to June 6, 2025 (the "**Updated Cash Flow Forecast**") and the list of assumptions on which the Updated Cash Flow Forecast is based. The purpose of the Updated Cash Flow Forecast is to determine the liquidity requirements of the Applicants during the CCAA proceedings.

Hudson's Bay Canada confirms that the hypothetical assumptions on which the Updated Cash Flow Forecast is based are reasonable and consistent with the purpose described herein, and the probable assumptions are suitably supported and consistent with the plans of the Applicants and provide a reasonable basis for the projections. All such assumptions are disclosed in notes to the Updated Cash Flow Forecast (the "**Notes**").

Since the projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projections have been prepared solely for the purpose described herein, using the probable and hypothetical assumptions set out in the Notes. Consequently, readers are cautioned that the Updated Cash Flow Forecast may not be appropriate for other purposes.

Yours truly,



Per: _____
Name: Jennifer Bewley
Title: Chief Financial Officer

CONFIDENTIAL APPENDIX “1” – KERP SUMMARY

Provided to the Court confidentially subject to proposed sealing Order.

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED, AND IN THE MATTER OF HUDSON'S BAY
COMPANY ULC COMPAGNIE DE LA BAIE D'HUSON SRI et al.

Court File No.: CV-25-738613-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at Toronto

FIRST REPORT OF THE MONITOR

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, ON M5X 1A4

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Tel: (416) 777-7924

Email: GrayT@bennettjones.com

Counsel for Alvarez & Marsal Canada Inc., solely in its capacity
as Monitor and not in its personal or corporate capacity