

**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

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

MARCH 21, 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 On March 16, 2025, the Monitor issued its first report (the “**First Report**”) in connection with the Comeback Motion and the RioCan Motion (each as defined below), both of which were to be heard on March 17, 2025 (the “**March 17 Hearing**”).
- 1.4 As discussed further below, the Court granted certain interim relief at the March 17 Hearing, and further interim relief following an attendance on March 19, 2025 (the “**March 19 Hearing**”). At the March 19 Hearing, the Court adjourned the remainder of the relief sought in the Comeback Motion to March 21, 2025 (the “**March 21 Hearing**”).

- 1.5 On March 21, 2025, the Applicants served an affidavit (the “**Third Bewley Affidavit**”) setting out revised relief to be sought at the March 21 Hearing.
- 1.6 This report (the “**Supplemental Report**”) is a supplement to the First Report and should be read in conjunction with the First Report, the Third Bewley Affidavit and the materials filed in connection with the Comeback Motion and the RioCan Motion. A copy of the First Report (without appendices) is attached hereto as **Appendix “A”**. Materials filed in these CCAA Proceedings, including the reports of the Monitor, are available on the Monitor’s case website at www.alvarezandmarsal.com/HudsonsBay (the “**Case Website**”).
- 1.7 The purpose of this Supplemental Report is to provide this Court with information, and where applicable, the Monitor’s views, on:
- (a) events that have occurred in these CCAA Proceedings following the First Report;
 - (b) the relief that the Monitor understands the Applicants will seek at the March 21 Hearing; and
 - (c) the Monitor’s conclusions and recommendations in connection with the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

- 2.1 In preparing this Supplemental 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 Supplemental 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 Supplemental 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 Supplemental 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 Supplemental Report should be read in conjunction with the First Report and the Third Bewley Affidavit. Capitalized terms used and not defined in this Supplemental Report have the meanings ascribed in the First Report or the Third Bewley Affidavit.

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

3.0 UPDATES FOLLOWING THE FIRST REPORT

- 3.1 The relief sought in the Comeback Motion and the RioCan Motion, and the Monitor’s views regarding same, are described in detail in the First Report and are not repeated herein.
- 3.2 On March 16, 2025, after the issuance of the First Report, certain lenders to the JV Entities (the “**JV Lenders**”) served materials, among other things, opposing the RioCan-HBC JV Stay and requesting certain revisions to the forms of Order sought by the Applicants. Counsel to certain employees also served an aide memoire in advance of the March 17 Hearing.
- 3.3 At the March 17 Hearing, the Court heard submissions (including certain objections to the relief sought by the Applicants) on behalf of several parties, including the Applicants, the DIP Lenders, RioCan, the JV Lenders, various landlords of the Applicants, and the Monitor. At the conclusion of the March 17 Hearing, the Court extended the stay of proceedings pending further order of the Court, effective immediately, and directed that the KERP be sealed on a temporary basis. The Court otherwise reserved its decision on the motions, and directed: (i) the principal stakeholders with the key objections to engage immediately in good faith discussions with the Applicants, and with the active facilitation of the Monitor, to see if the parties could resolve some of the issues at least on an interim basis; and (ii) that the Monitor report to the Court on the progress of those discussions by no later than 2:00pm on March 18.

- 3.4 Shortly before that deadline, the Monitor advised the Court by email that progress with respect to the resolution of various issues was being made and that discussions were ongoing as of that time. The Monitor requested that the Court grant an extension of time to allow those discussions to continue. Shortly thereafter, the Court issued an endorsement, among other things, (i) directing that the hearing of the motions resume on March 19, 2025 at 2:00pm (the “**March 19 Hearing**”); (ii) ordering that the stay of proceedings continue until that time; and (iii) otherwise memorializing its ruling from the bench at the March 17 Hearing. The March 18 Endorsement is attached hereto as **Appendix “B”**.
- 3.5 At the March 19 Hearing, the Applicants advised that good faith discussions were continuing between the parties. In the interim, the Applicants sought an order (the “**Amended Initial Order**”), among other things:
- (a) extending the stay of proceedings to March 21, 2025;
 - (b) increasing the quantum of the Directors’ Charge to \$49.2 million;
 - (c) providing for the priority of the charges granted to date on the same basis as contemplated by the proposed ARIO;
 - (d) approving the engagement of Reflect and providing that Reflect shall have the benefit of the Administration Charge; and
 - (e) sealing the summary of the KERP appended to the First Report (which as noted above was sealed by the Court at the March 17 Hearing).

3.6 The Court granted the Amended Initial Order and issued an endorsement in connection therewith on March 20, 2025 (the “**March 20 Endorsement**”). The March 20 Endorsement provided that the remaining relief from the Comeback Motion would be adjourned to March 21, 2025. Copies of the Amended Initial Order and the March 20 Endorsement are attached hereto as Appendices “**C**” and “**D**”, respectively.

3.7 On March 21, 2025, the Applicants served the Third Bewley Affidavit, which described the revised relief that the Applicants are seeking at the March 21 Hearing. The Applicants are continuing to seek forms of ARIO, Lease Monetization Order, Liquidation Sale Approval Order, and SISP Order. The Monitor notes the following revisions to the forms of Order sought at the March 17 Hearing:

(a) the revised ARIO would, among other things:

- (i) authorize Hudson’s Bay to repay the interim DIP Facility and provide for the termination of the existing DIP Charge;
- (ii) approve the Restructuring Support Agreement (in substantially the form appended to the Third Bewley Affidavit) to be entered into between the Loan Parties, the ABL Agent, FILO Agent, and the Term Loan Agent (the “**Restructuring Support Agreement**”);
- (iii) amend the stay of the JV Rent such that Hudson’s Bay shall not pay rent or other amounts to RioCan-Hudson’s Bay JV, YSS 1, YSS 2, or RioCan-Hudson’s Bay Ottawa LP under any Lease (collectively, the “**JV Leases**”, and “**JV Lease**” means any of them) in excess of an aggregate amount of

\$7,000,000 (plus applicable sales tax) in any calendar month (the “**JV Monthly Cap**”), which shall be payable on the same terms as all other Leases as provided for in the ARIO, provided that (a) to the extent any JV Lease is disclaimed or terminated, the JV Monthly Cap shall automatically be reduced by an amount equal to the pro rata amount attributable to such JV Lease based on the rent and other amounts payable under such JV Lease relative to all the other JV Leases, (b) rent payable under the Leases for Georgian Mall and Oakville Place shall not be subject to the JV Monthly Cap, and the Loan Parties shall be permitted to pay such rent in accordance with the terms of such Leases in effect as at the commencement of the CCAA Proceedings, (c) the JV Monthly Cap for March 2025 shall be reduced by the aggregate amount paid by the Loan Parties under the JV Leases for the period of March 1, 2025 to and including March 7, 2025, and (d) any amounts due and payable under any JV Lease during the CCAA Proceedings not permitted to be paid under that paragraph shall (A) accrue with interest at the same rate as the DIP Facility and (B) be secured by the JV Rent Charge (as defined below); and

- (iv) grant a priority charge over the Applicants’ Property in favour of RioCan-Hudson’s Bay JV, YSS1, YSS 2, or RioCan-Hudson’s Bay Ottawa LP, to secure any rent not paid by the Company after March 7, 2025, to RioCan-Hudson’s Bay JV, YSS1, YSS 2, or RioCan-Hudson’s Bay Ottawa LP (the “**JV Rent Charge**”); and (v) authorize Hudson’s Bay to enter into the continuous premium installment contract (the “**Financing Agreement**”) with Imperial PFS Payments Canada, ULC (“**IPFS**”), pursuant to which IPFS will

provide financing to the Company to purchase one or more property insurance policies;

- (b) the revised Lease Monetization Order would, among other things (i) approve a Lease Monetization Process incorporating certain amendments negotiated with relevant stakeholders; and (ii) approve the Oberfeld Consulting Agreement (as defined below) between Hudson's Bay and Oberfeld Snowcap Inc. ("**Oberfeld**") pursuant to which Oberfeld, rather than JLL, will be the Broker responsible for assisting in the marketing of Leases;
- (c) the revised Liquidation Sale Approval Order would, among other things, (i) approve a revised liquidation consulting agreement (the "**Amended Liquidation Consulting Agreement**"), among other things, which allowed for the removal of the Applicants' stores from the Liquidation Sale¹; and (ii) approve a revised Sale Guidelines incorporating certain amendments negotiated with key stakeholders; and
- (d) the revised SISP Order would, among other things, approve a revised SISP incorporating certain amendments negotiated with key stakeholders.

3.8 The Third Bewley Affidavit appends the forms of Order and related documents for which approval is sought, and where applicable, includes redlines to the materials appended to the Applicants' original motion record served in connection with the Comeback Motion.

¹ The stores that will not be immediately included in the Liquidation Sale are 176 Yonge Street, Toronto, ON; Yorkdale Shopping Center, Toronto, ON; Hillcrest Mall, Richmond Hill, ON; Downtown, Montreal, QC; Carrefour Laval, Laval, QC; and Pointe-Claire, QC. Pursuant to the Restructuring Support Agreement, in the event that the Loan Parties have not received a firm commitment in respect of a Permitted Restructuring Transaction (as defined therein) in connection with such excluded stores on or before April 4, 2025, then such excluded stores shall be included in the liquidation starting April 5, 2025.

4.0 RELIEF TO BE SOUGHT BY THE APPLICANTS AT THE MARCH 21 HEARING

4.1 The final forms of the materials that the Applicants seek approval of at the March 21 Hearing have been heavily negotiated between the Applicants, several major landlords, RioCan, the JV Lenders, the DIP Lenders, the ABL Lenders, the FILO Lenders, and the Term Loan Lenders, with the oversight of the Monitor. The Monitor is of the view that the relief sought by the Applicants is reasonable and appropriate in the circumstances, including (where applicable) for the reasons provided in the First Report. The Monitor's specific views on material changes in the relief to be sought by the Applicants are set out below.

Repayment of DIP Facility

4.2 As discussed in further detail below and shown in the cash flow variance report, sales of inventory since March 7 have been significantly higher than anticipated. As described in greater detail in the Second Updated Cash Flow Forecast (as defined below), the Applicants no longer require further DIP financing to commence the Liquidation Sale, Lease Monetization, and SISP. Further, the Applicants have sufficient funding to repay the outstanding DIP Obligations.

4.3 The Monitor understands that the Applicants intend to repay the DIP Obligations in the near term. The revised ARIO contemplates that the DIP Charge will be automatically discharged once the DIP Lenders confirm receipt of the full DIP Obligations. Given that the DIP Facility is no longer needed in connection with these CCAA Proceedings, the Monitor supports the relief sought by the Applicants to eliminate the interest expense associated therewith.

Approval of Restructuring Support Agreement

- 4.4 The Restructuring Support Agreement will allow the Company to continue to use its cash (which is subject to the security of the secured lenders party thereto, among others). The Monitor believes that the Restructuring Support Agreement will be constructive as the parties work together to advance these CCAA Proceedings in an orderly manner. The representations and warranties, covenants and other protections in favour of the ABL Lenders, FILO Lenders, and Term Loan Lenders are substantially similar to what was included in the DIP Term Sheet, which, as set out in the Pre-Filing Report, the Proposed Monitor (as it then was) was in favour of approving. The Monitor believes that the approval of the form of Restructuring Support Agreement is appropriate in the circumstances and will not materially prejudice any stakeholder.

Treatment of JV Payments

- 4.5 As discussed in greater detail in the Second Updated Cash Flow Forecast, subject to the approval of the Restructuring Support Agreement, Hudson's Bay is expected to have sufficient liquidity to pay the monthly aggregate amount of \$7,000,000, plus applicable taxes, in respect of the JV Rent. This amount is intended to approximate the rent payable under the head leases, as well as the monthly debt servicing requirements and administrative expenses incurred in the ordinary course payable under the applicable Leases related to the premises leases by the JV Entities to Hudson's Bay. In connection with the partial payment of the JV Rent, the Applicants are seeking approval of the JV Rent Charge in favour of the JV Entities to secure any post-filing rent not paid by the Company

to the JV Entities. The Monitor understands that RioCan and the JV Lenders do not oppose this relief.

4.6 The priority of the Charges in the ARIO is therefore proposed to be as follows:

With respect to all Property other than the Loan Parties' Property:

First – Administration Charge (to the maximum amount of \$2,800,000);

Second – KERP Charge (to the maximum amount of \$3,000,000);

Third – Directors' Charge (to the maximum amount of \$13,500,000);

Fourth – JV Rent Charge; and

Fifth – Directors' Charge (to the maximum amount of \$35,700,000).

With respect to the Loan Parties' Property, subject in all cases to the priority waterfall set out in the Restructuring Support Agreement, as amongst themselves, as follows:

Priority Ranking	ABL Priority Collateral	Pathlight Priority Collateral	Other Collateral (as defined in the Restructuring Support 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	JV Rent Charge.

		Facility (other than Excess ABL Obligations).	
5 th	JV Rent 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).	JV Rent Charge.	
7 th	All amounts owing under the Pathlight Credit Facility (other than Excess Term Loan Obligations).	Directors' Charge (to the maximum amount of \$35,700,000).	

4.7 The Monitor supports the resolution of the dispute between HBC and RioCan on this basis.

As detailed further in the Second Updated Cash Flow Forecast, the Applicants are projected to have sufficient cash on a go-forward basis to pay the JV Rent contemplated to be paid in the ARIIO. The JV Rent Charge is only what is necessary to cover unpaid amounts that would otherwise have been paid to the RioCan-HBC JV in the ordinary course, and is consented to by the other material secured creditors party to the Restructuring Support Agreement. The Monitor therefore believes the relief sought by the Applicants in this regard is appropriate and will not materially prejudice any creditor.

Financing Agreement

4.8 The Monitor understands that Hudson's Bay currently owes approximately \$5,400,000 under its property insurance policy, which is due in full the week of March 24, 2025. The Financing Agreement will provide Hudson's Bay with additional liquidity by allowing it to finance its property insurance policies whereby \$1,600,000 would be paid initially, followed by monthly installments of \$431,000. The Monitor believes that the additional

liquidity will be helpful for the Applicants, and believes the relief sought is reasonable and appropriate in the circumstances.

Retention of Oberfeld

- 4.9 As discussed in the First Report, the Applicants intended to retain JLL as the Broker for the Lease Monetization Process. The Monitor noted therein that JLL had previously been engaged by the Pathlight Agent to conduct a comprehensive review 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 in June 2024 (the "**June 2024 Review**").
- 4.10 In the early morning of March 17, 2025, JLL informed the Applicants that it would no longer be in a position to market certain of the leases. By the end of the day on March 17, JLL advised the Monitor that it would not serve as Broker under the Lease Monetization Process.
- 4.11 After it was confirmed that JLL would not serve as Broker, the Applicants, the Monitor and Reflect immediately began to consider suitable replacement firms to serve as Broker, and Reflect contacted several firms in connection therewith.
- 4.12 The Applicants ultimately entered into a consulting services agreement with Oberfeld dated March 20, 2025 (the "**Oberfeld Consulting Services Agreement**"). Oberfeld is a real estate advisory firm with significant experience in the retail industry. The Oberfeld Consulting Services Agreement is on substantially the same terms as the prior JLL Consulting Services Agreement.

4.13 The Monitor supports the approval of the Oberfeld Consulting Services Agreement.

5.0 CASH FLOW RESULTS RELATIVE TO FORECAST

5.1 Actual receipts and disbursements for the period from March 8, 2025 to March 14, 2025 (the “**Reporting Period**”), as compared to the cash flow forecast attached as Appendix “C” to the First Report, are summarized in the following table:

Cash Flow Variance Report			\$000's
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Receipts	20,966	13,596	7,370
Disbursements			
Payroll & Benefits	(6,513)	(6,908)	395
Occupancy Costs	(4,066)	(6,948)	2,882
Operating Expenses	(679)	(5,071)	4,392
Concession/Consignment Payments	(165)	(425)	260
Sales Tax Remittances	-	-	-
Liquidation Consultant Fees & Expenses	-	-	-
Professional Fees	(3,214)	(3,211)	(3)
Interest Payments & Fees	(979)	(962)	(18)
Shared Service Payments	-	-	-
Inventory Purchases	(526)	(505)	(21)
Total Disbursements	(16,142)	(24,030)	7,888
Net Cash Flow	4,824	(10,433)	15,257
Opening Cash Balance	5,208	5,266	(58)
Net Cash Flow	4,824	(10,433)	15,257
Cash Collateralization	-	-	-
DIP Facility Advance	11,000	11,000	-
Closing Cash Balance	21,032	5,832	15,200

5.2 Explanations for material variances during the Reporting Period are as follows:

- (a) positive variance in total receipts of approximately \$7.4 million as sales were significantly higher than forecast. The forecast sales during the pre-liquidation period were estimated utilizing historical sales data for similar periods in prior years

and did not account for increased sales and foot traffic prior to the start of the Liquidation Sale;

- (b) the positive permanent variance in occupancy costs of approximately \$2.9 million is primarily attributable to payments of third-party rents, property taxes and CAM being lower than forecast as certain payments covering the occupancy period had been paid prior to the Filing Date;
- (c) the positive variance in operating expenses of \$4.4 million is a timing difference that is expected to reverse in future weeks; and
- (d) the components of the remaining net positive variance in total disbursements of approximately \$613,000 are primarily timing differences that are expected to reverse in future weeks.

5.3 During the Reporting Period, the Company experienced a positive net cash flow variance of approximately \$15.3 million.

5.4 The closing cash balance as of March 14, 2025, was approximately \$21.0 million, as compared to the projected cash balance of \$5.8 million.

6.0 SECOND UPDATED CASH FLOW FORECAST

6.1 Hudson's Bay, with the assistance of Reflect and the Monitor, has prepared an updated cash flow forecast (the "**Second Updated Cash Flow Forecast**") for the 13-week period from March 15 to June 13, 2025 (the "**Cash Flow Period**"). A copy of the Second Updated

Cash Flow Forecast, together with a summary of assumptions (the “**Cash Flow Assumptions**”) is attached hereto as **Appendix “E”**.

6.2 A summary of the Second Updated Cash Flow Forecast is provided in the table below:

Second Updated Cash Flow Forecast		\$000's
		<u>13-Week Period</u>
Receipts		
Retail Receipts		438,330
Other Receipts ²		50,689
Total Receipts		489,019
Disbursements		
Payroll & Benefits		(62,062)
Occupancy Costs		(73,171)
Operating Expenses		(61,095)
Concession/Consignment Payments ¹		(34,265)
Sales Tax Remittances		(32,656)
Liquidation Consultant Fees & Expenses		(26,161)
Professional Fees		(18,460)
Interest Payments & Fees		(10,571)
Shared Service Payments		(2,150)
Inventory Purchases		(1,010)
Total Disbursements		(321,600)
Net Cash Flow		167,420
Opening Cash Balance		21,032
Net Cash Flow		167,420
Cash Collateralization		(21,031)
DIP Facility Repayment		(11,000)
Closing Cash Balance		156,420
Total Senior Debt³		257,279
DIP Facility Balance		--

² These line items include Participating Concession Vendors, GB Consignment, and Additional Consultant Goods.

³ 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.

- 6.3 As noted above, Hudson's Bay had a cash balance of approximately \$21 million as of March 14, 2025, which combined with the forecast net cash flows in the initial weeks of the Cash Flow Period, is projected to be sufficient to repay the outstanding DIP Facility balance in full, with no future DIP Facility funding required.
- 6.4 The Second Updated Cash Flow Forecast should be read in conjunction with the summary of assumptions as referred to in Appendix "C" of the First Report. The Monitor notes the following with respect to the Second Updated Cash Flow Forecast:
- (a) retail receipts reflect forecast sales taking into consideration increased sales experienced since the Filing Date and the revised commencement date for the Liquidation Sale, subject to Court approval of the Liquidation Consulting Agreement and Sale Guidelines;
 - (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) disbursements include payroll, occupancy costs, operating expenses, concession/consignment payments, sales tax remittances, liquidation fees and expenses, professional fees, interest payments, shared service payments and inventory purchases;

- (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. The Monitor notes that forecast occupancy costs have been revised to include a monthly aggregate payment of \$7 million, plus any applicable taxes, in respect of occupation rent owing under the terms of the RioCan-HBC JV leases (10 JV stores);
- (e) inventory purchases represent estimated disbursements to purchase inventory that is expected to be accretive to the Liquidation Sale;
- (f) the Company forecasts that it will have sufficient liquidity to repay the DIP Facility in the second week of the forecast; and
- (g) the Revolving Credit Facility Lenders have requested that the obligations for their cash products be cash collateralized. The Company forecasts that it will have sufficient liquidity to cash collateralize these cash products in the second week of the forecast.

6.5 On March 19, 2025, the Company paid rents to its landlords for the period March 16 to 31, 2025.

6.6 Provided the Liquidation Sale pursuant to the Amended Liquidation Consulting Agreement and the Sale Guidelines is approved by this Court, based on the Second Updated Cash Flow Forecast, the Monitor is of the view that the Applicants will have sufficient liquidity throughout the Cash Flow Period, without a need for further DIP financing.

6.7 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 Second Updated Cash Flow Forecast; (b) as at the date of this Supplemental 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 Second Updated Cash Flow Forecast, given the Cash Flow Assumptions; or (c) the Second Updated Cash Flow Forecast does not reflect the Cash Flow Assumptions.

7.0 CONCLUSIONS AND RECOMMENDATIONS

7.1 For the reasons set out in this Supplemental Report, the Monitor respectfully recommends that this Court grant the relief sought by the Applicants.

All of which is respectfully submitted to the Court this 21st 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
FIRST REPORT (WITHOUT APPENDICES)

See attached.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS*
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**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.,
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HOLDINGS GP INC., SNOSPMIS LIMITED, 2472596 ONTARIO INC., and 2472598
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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

APPENDIX B
MARCH 18 ENDORSEMENT

See attached.

CITATION: *Re Hudson's Bay Company*, 2025 ONSC 1736
COURT FILE NO.: CV-25-00738613-00CL
DATE: 20250318

**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

BEFORE: Peter J. Osborne J.

COUNSEL: *Ashley Taylor, Elizabeth Pillon, Maria Konyukhova, Britnney Ketwaroo, Philip Yang and Nick Avis*, for the Applicants
Davis Bish, for Cadillac Fairview
Evan Cobb, for Bank of America
Linc Rogers and Caitlin McIntyre for Restore Capital LLC
Chad Kopach, for EY in the Receivership of Woodbine Mall Holdings Inc.
Lou Brzezinski, Alexandra Teodorescu and Nadav Amar, for TK Elevator (Canada) Ltd.
Haddon Murray, for Cominar Real Estate Investment Trust & Chanel ULC
Andrew Winton and Annecy Pang, for KingSett Capital Inc.
Sean Zweig, Michael Shakra and Thomas Gray, for the Court-appointed Monitor
Trevor Courtis and Heather Meredith, for Bank of Montreal and Desjardins Financial Security Life Assurance Company
Gilles Benchaya and Mandy Wu, for Restore Capital LLC and Bank of America
James D. Bunting, for Ivanhoe Cambridge Inc.
Robert J. Chadwick, Joseph Pasquariello and Andrew Harmes, for RioCan Real Estate Investment Trust
Tushara Weerasooriya, Jeffrey Levine and Guneev Bhinder, for B.H. Multi Com Corporation, B.H. Multi Color Corporation & Richline Group Canada Inc.
Gregg Galardi, US Counsel for File Agent (Restore Capital LLC) as DIP Lender
Isaac Belland, for LVMH Moet Hennessy Louis Vuitton SA
Jake Harris, for the DIP Lenders
Matthew Cressatti, for the Trustees of the Congregation of Knox's Church, Toronto
D.J. Miller and Andrew Nesbitt, for Oxford Properties Group, OMERS Realty Management Corporation, Yorkdale Shopping Centre Holdings Inc., Scarborough Town Centre Holdings Inc., Montez Hillcrest Inc., Hillcrest Holdings Inc.,

Kingsway Garden Holdings Inc. Oxford Properties Retail Holdings Inc., Oxford Properties Retail Holdings II Inc., OMERS Realty Corporation, Oxford Properties Retail Limited Partnership, CPPIB Upper Canada Mall Inc., CPP Investment Board Read Estate Holdings Inc.

Calvin Horsten, for Toronto-Dominion Bank

George Benchetrit, for Nike Retail Services Inc. and PVH Canada Inc.

Linda Galessiere, for Ivanhoe Cambridge II Inc./Jones Lang LaSalle Incorporation, Morguard Investments Limited and Salthill Property Managements Inc.

Steven Weitz and Dilina Lallani, for Ferragamo Canada Inc.

David Ullman and Brendan Jones, for Bentall Green Oak, Primaris REIT, Quadreal Property Group

David Preger and Stephen Posen, for 100 Metropolitan Portfolio, Mantella & Sons

Shayne Kukulowicz and Monique Sassi, for the Proposed Liquidator

Andrew J. Hatnay, Robert Drake and Abir Shamim, for certain HBC Employees and Retirees

Ken Rosenberg, Max Starnino, Emily Lawrence and Evan Snyder, for The Financial Services Regulatory Authority of Ontario

Sam Rogers, for Investment Management Corporation of Ontario

Kelly Smith Wayland, for the Department of Justice (Canada)

Jodi Nesbitt, for UNIFOR Local 240

HEARD: March 17, 2025

ENDORSEMENT

OSBORNE J.

1. Yesterday, March 17, 2025, at the comeback hearing in this matter that was directed in my Order of March 10, 2025, two motions were before the Court:
 - a. a motion of the Applicants for four Orders:
 - i. an Amended and Restated Initial Order (“ARIO”):
 1. extending the stay of proceedings to and including May, 15, 2025;
 2. continuing the stay of proceedings of rights of third-party tenants of commercial shopping centres or other properties where premises operated by Hudson’s Bay are located;
 3. continuing to stay the payment of rent from Hudson’s Bay to the HB-RioCan Joint Venture Entities (collectively, the “HB-JV Entities”) as described in the Notice of Motion;
 4. approving a Key Employee Retention Plan (“KERP”) and related charge;

5. sealing the unredacted KERP with individual employee information;
 6. approving the Debtor-In-Possession (“DIP”) Facility and related charge;
 7. approving the engagement letter of Reflect Advisors, LLC and adding that party to the Administration Charge; and
 8. continuing and increasing the existing Charges previously ordered;
- ii. a Liquidation Sale Approval Order approving the agreement between Hudson’s Bay and the Liquidation Consultant to provide for the Liquidation Sale of the Company’s inventory, fixtures and equipment; approving the Sale Guidelines; and authorizing the Company to undertake the Liquidation Sale;
 - iii. a Lease Monetization Order approving the Lease Monetization Process and authorizing the Applicants to undertake the monetization of their leases; and
 - iv. a Sales and Investment Solicitation Process (“SISP”) Order approving the proposed SISP and authorizing the Applicants to commence that Process immediately; and
- b. a motion of RioCan Real Estate Investment Trust (“RioCan”) for an order requiring the Applicants to pay to the HB-JV Entities all rent and other obligations owing under the terms of the joint venture leases; and an order declaring that any DIP financing commitment not require or permit the withholding of such rents.
2. The Applicants advised the Court of events that had taken place since the initial hearing in this Application on March 10, 2025. Those are set out in the First Report of the Court-appointed Monitor and in the motion record of the Applicants.
 3. Regrettably, the position of the Applicants is such that contrary to their earlier stated objectives and best efforts, they had been unable to raise sufficient funds by way of a DIP facility to provide the required liquidity to enable a going concern outcome at the present time.
 4. The Company submitted that, as a result, it was seeking the relief summarized above, which would authorize an immediate liquidation of all inventory at all stores and distribution centres, but do so concurrently with a SISP such that the market could be canvassed in an expedited but fair manner to explore whether there is sufficient interest from any party in purchasing and/or financing some or all of the business of Hudson’s Bay.
 5. The objective is to canvass the marketplace for any type of transaction that would maximize the chances of a successful outcome for stakeholders.
 6. Extensive submissions were made at the hearing yesterday by the Applicants and multiple other parties and stakeholders. Numerous objections to various components of the relief

sought by the Applicants as summarized above were made by various stakeholders, including but not limited to RioCan, numerous landlords and other creditors.

7. Counsel for certain employees advised the Court of various issues that were being considered on behalf of the employees and which may well be the subject of future motions.
8. At the conclusion of the hearing yesterday, it was clear to me that there were many issues about which there was vigorous disagreement. However, two additional things were also clear to me.
9. First, given the speed with which events were occurring and matters were developing, numerous parties had not had time to fully digest the relevant events, the complex and voluminous motion materials before the Court, and their position with respect to all of the issues.
10. Second, and notwithstanding the different positions of the parties, there was a preparedness to engage in good faith discussions to see if at least some of the issues could not be narrowed or resolved. It was evident from the submissions made that some of the Orders sought were opposed entirely, and others were not opposed but certain parties had issues relating to particular terms of the draft Orders.
11. Accordingly, and given the importance of the issues and the number of stakeholders affected, I reserved my decision on the motions (subject to two exceptions described below), and directed the principal stakeholders with the key objections to engage immediately in good faith discussions with the Company, and with the active facilitation of the Court-appointed Monitor, to see if the parties could resolve some of the issues at least on an interim basis.
12. I directed that the Court-appointed Monitor advise me, no later than this afternoon, as to whether or not progress had been made. If the parties were unable to resolve the issues, I would render my decision on the basis of the record before the Court.
13. The two exceptions referred to above were these:
 - a. first, I extended the stay of proceedings pending further order of the Court, effective immediately; and
 - b. second, I directed that the confidential KERP be sealed on a temporary basis pending further order of the Court given that it contained personal information of employees. I was satisfied that the test for a sealing order set out by the Supreme Court of Canada in *Sierra Club of Canada v. Canada (Minister of Finance)*, 2002 SCC 41 and refined in *Sherman Estate v. Donovan*, 2021 SCC 25, was satisfied.
14. Earlier this afternoon, the Court-appointed Monitor advised the Court that significant progress with respect to the resolution of various issues was being made, and that discussions were continuing. The Monitor requested that I grant an extension of time to allow those discussions to continue to see if issues could not be resolved.

15. In the circumstances, I am prepared to do that, albeit for a very brief period of time.
16. Accordingly, the hearing of these motions shall resume tomorrow, March 19, 2025, at 2:00 PM at the Courthouse, at which time I will receive an update on status and make further directions and orders as are appropriate at that time.
17. The continuation of the stay of proceedings and the balance of the relief sought on the motions summarized above will be addressed at that time.
18. I am conscious of the number of parties involved. Those parties unable to attend in person at the Courthouse tomorrow may attend remotely via Zoom link (the same zoom link used for the hearing yesterday).
19. I direct the Monitor to make this Endorsement available to all parties and stakeholders immediately.

A handwritten signature in green ink, appearing to read "Osborne J.", with a stylized flourish at the end.

Justice Peter Osborne

APPENDIX C
AMENDED INITIAL ORDER

See attached.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE MR)	WEDNESDAY, THE 19 TH DAY
)	
JUSTICE OSBORNE)	OF MARCH, 2025

**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.**

AMENDMENT TO INITIAL ORDER

THIS MOTION, made by Hudson's Bay Company ULC Compagnie de la Baie D'Hudson SRI ("**Hudson's Bay**"), 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. (collectively, the "**Applicants**") for an Order extending the stay of proceedings, increasing the amount of the Court-ordered Directors' Charge (as defined in the Initial Order granted in these proceedings on March 7, 2025, the "**Initial Order**"), and sealing a confidential appendix to the First Report of Alvarez & Marsal Canada Inc. ("**A&M**"), in its capacity as monitor of the Applicants (in such capacity, the "**Monitor**") dated March 16, 2025 (the "**First Report**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario, and by videoconference via Zoom.

ON READING the affidavits of Jennifer Bewley sworn March 7, 2025, and March 14, 2025 (the "**Second Bewley Affidavit**"), and the Exhibits thereto, the pre-filing report of A&M in its capacity as proposed monitor of the Applicants dated March 7, 2025, the First Report, on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel to the Applicants, counsel to the

Monitor, and such other parties as listed on the Counsel Slip, with no one else appearing although duly served as appears from the affidavit of service of Brittney Ketwaroo sworn March 17, 2025,

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that capitalized terms used but not defined in this Order shall have the meanings given to them in the Initial Order.

EXTENSION OF STAY PERIOD

3. **THIS COURT ORDERS** that the Stay Period is extended until and including March 21, 2025, or such later date as this Court may order.

INCREASE TO DIRECTORS' CHARGE

4. **THIS COURT ORDERS** that paragraph 21 of the Initial Order shall be deleted and replaced with the following:

“21. **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the “**Directors' Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$49,200,000, as security for the indemnity provided in paragraph 19 of this Order. The Directors' Charge shall have the priority as set out in paragraphs 40 and 42 herein.”

5. **THIS COURT ORDERS** that paragraph 40 of the Initial Order shall be deleted and replaced with the following:

“40 **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge and the DIP Charge (collectively, the “**Charges**”), as among them, shall be as follows:

With respect to all Property other than the Loan Parties' Property:

First – Administration Charge (to the maximum amount of \$2,800,000); and

Second – Directors’ Charge (to the maximum amount of \$49,200,000).

With respect to the Loan Parties’ Property, subject in all cases to the Priority Waterfall (as defined in the DIP Term Sheet), as amongst themselves, the priorities of the Charges shall be as follows:

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 \$35,700,000).
5 th	Directors’ Charge (to the maximum amount of \$35,700,000).	DIP Lenders’ Charge.	
6 th	Term Loan Obligations (other than Excess Term Loan Obligations).	Directors’ Charge (to the maximum amount of \$35,700,000).	

6. **THIS COURT ORDERS** that paragraph 42 of the Initial Order shall be deleted and replaced with the following:

“42. **THIS COURT ORDERS** that the Charges shall constitute a charge on the Property and shall rank in accordance with the waterfall set forth in paragraph 40.”

APPROVAL OF ADVISOR ENGAGEMENT

7. **THIS COURT ORDERS** that the agreement dated February 14, 2025, engaging Reflect Advisors, LLC ("**Reflect**") as financial advisor to Hudson's Bay in the form attached as Exhibit "F" to the Second Bewley Affidavit (the "**Reflect Engagement Agreement**"), and the retention of Reflect under the terms thereof, is hereby approved and ratified and the Applicants are authorized and directed to make the payments contemplated thereunder in accordance with the terms and conditions of the Reflect Engagement Agreement.

8. **THIS COURT ORDERS** that paragraph 31 of the Initial Order shall be deleted and replaced with the following:

"31. **THIS COURT ORDERS** that the Applicants' counsel, Reflect, the Monitor and its counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$2,800,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority as set out in paragraphs 40 and 42 hereof."

SEALING PROVISION

9. **THIS COURT ORDERS** that Confidential Appendix "1" to the First Report is hereby sealed pending further order of the Court, and shall not form part of the public record.

GENERAL

10. **COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of their powers and duties hereunder.

11. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this

Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

12. **THIS COURT ORDERS** that each of the Applicants and the Monitor shall be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

13. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

14. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**AMENDMENT TO INITIAL ORDER
(MARCH 19, 2025)**

STIKEMAN ELLIOTT LLP
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Lawyers for the Applicants

APPENDIX D
MARCH 20 ENDORSEMENT

See attached.

COURT FILE NO.: CV-25-00738613-00CL

DATE: 20250319

**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
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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

BEFORE: Peter J. Osborne J.

COUNSEL: *Ashley Taylor, Elizabeth Pillon, Maria Konyukhova, Britnney Ketwaroo, Philip Yang and Nick Avis*, for the Applicants
Davis Bish, for Cadillac Fairview
Evan Cobb, for Bank of America
Linc Rogers and Caitlin McIntyre for Restore Capital LLC
Chad Kopach, for EY in the Receivership of Woodbine Mall Holdings Inc.
Lou Brzezinski, Alexandra Teodorescu and Nadav Amar, for TK Elevator (Canada) Ltd.
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Trevor Courtis and Heather Meredith, for Bank of Montreal and Desjardins Financial Security Life Assurance Company
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James D. Bunting, for Ivanhoe Cambridge Inc.
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Tushara Weerasooriya, Jeffrey Levine and Guneev Bhinder, for B.H. Multi Com Corporation, B.H. Multi Color Corporation & Richline Group Canada Inc.
Gregg Galardi, US Counsel for File Agent (Restore Capital LLC) as DIP Lender
Isaac Belland, for LVMH Moët Hennessy Louis Vuitton SA
Jake Harris, for the DIP Lenders
Matthew Cressatti, for the Trustees of the Congregation of Knox's Church, Toronto
D.J. Miller and Andrew Nesbitt, for Oxford Properties Group, OMERS Realty Management Corporation, Yorkdale Shopping Centre Holdings Inc., Scarborough Town Centre Holdings Inc., Montez Hillcrest Inc., Hillcrest Holdings Inc., Kingsway Garden Holdings Inc. Oxford Properties Retail Holdings Inc., Oxford

Properties Retail Holdings II Inc., OMERS Realty Corporation, Oxford Properties Retail Limited Partnership, CPPIB Upper Canada Mall Inc., CPP Investment Board Read Estate Holdings Inc.

Calvin Horsten, for Toronto-Dominion Bank

George Benchetrit, for Nike Retail Services Inc. and PVH Canada Inc.

Linda Galessiere, for Ivanhoe Cambridge II Inc./Jones Lang LaSalle Incorporation, Morguard Investments Limited and Salthill Property Managements Inc.

Steven Weitz and Dilina Lallani, for Ferragamo Canada Inc.

David Ullman and Brendan Jones, for Bentall Green Oak, Primaris REIT, Quadreal Property Group

David Preger and Stephen Posen, for 100 Metropolitan Portfolio, Mantella & Sons

Shayne Kukulowicz and Monique Sassi, for the Proposed Liquidator

Andrew J. Hatnay, Robert Drake and Abir Shamim, for certain HBC Employees and Retirees

Ken Rosenberg, Max Starnino, Emily Lawrence and Evan Snyder, for The Financial Services Regulatory Authority of Ontario

Sam Rogers, for Investment Management Corporation of Ontario

Kelly Smith Wayland, for the Department of Justice (Canada)

Jodi Nesbitt, for UNIFOR Local 240

HEARD: March 19, 2025

ENDORSEMENT

OSBORNE J.

1. This is further to my Endorsement made in this matter on March 17, 2025, and further to the continuation of the comeback hearing yesterday, March 19, 2025.
2. Counsel for the Applicants advised the Court that good faith discussions between the Applicants on the one hand, and creditors, landlords and other stakeholders on the other hand, were continuing as facilitated by the Court-appointed Monitor.
3. Counsel advised that the parties were attempting to resolve a number of the matters that were contested at the hearing earlier this week related to the scope of relief sought by the Applicants at the comeback hearing. As a result, the Applicants requested, with the concurrence and support of other parties and with the recommendation of the Monitor, a further brief adjournment of this matter to conclude those discussions.
4. The Service List has been served. No party opposes the request, and several parties actively support it.

5. Defined terms in this Endorsement have the meaning given to them in my earlier Endorsements made in this proceeding or the motion materials unless otherwise stated.
6. In the circumstances, I am prepared to grant a brief adjournment. As indicated in Court at the conclusion of the hearing today, this matter will be continued on **Friday, March 21, 2025 at 10:00 AM at the Courthouse.**
7. As with earlier hearings in this matter, and with a view to maximizing accessibility and minimizing cost, those parties unable to attend in person at the Courthouse tomorrow may attend remotely via Zoom link (the same zoom link used for the hearing yesterday).
8. The continuation of the stay of proceedings and the balance of the relief sought on the motions summarized above will be addressed at that time.
9. In the interim, the Applicants request certain relief by way of amendments to the Initial Order. All of the relief sought is included in the prayer for relief in the Notice of Motion of the Applicants returnable March 17, 2025, supported by the Affidavit of Jennifer Bewley sworn March 14, 2025 (the “Second Bewley Affidavit”) on which the Applicants rely, and is fully described in the First Report of the Monitor dated March 16, 2025.
10. This relief is also unopposed by any party, supported by many stakeholders and recommended by the Monitor.
11. First, the stay of proceedings is extended to including March 21, 2025 or such later date as this Court may order, pursuant to sections 11.02(2) and (3) of the *CCAA*. The present circumstances are such that the proposed extension is appropriate. I am satisfied that the Applicants have acted and continue to act in good faith and with due diligence. The Applicants and the Monitor confirm that the Company has sufficient liquidity to fund operations through the proposed stay extension period.
12. Second, the quantum of the Directors’ Charge is increased to \$49,200,000 pursuant to sections 11.51 and 11.52 of the *CCAA*. While this amount is significant, it reflects, to a very large extent, the business of the Applicants as a major national retailer with the attendant HST remittance obligations, as well as payroll deduction remittance obligations in respect of the approximately 9,400 employees, and the maximum potential exposure related thereto. The Monitor supports the proposed increase and the quantum.
13. Third, the relative priorities of the Administration Charge, the Directors’ Charge and the DIP Charge as established in the Initial Order at paragraph 40, are amended, such that they shall be as follows:
 - a. with respect to Property other than the Loan Parties’ Property, the Administration Charge shall rank first to a maximum amount of \$2,800,000, and the Directors’ Charge shall rank second to a maximum amount of \$49,200,000; and
 - b. with respect to the Loan Parties’ Property, subject in all cases to the Priority Waterfall (as defined in the DIP Term Sheet), as amongst themselves, the priorities of the Charges shall be as follows:

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 \$35,700,000).
5 th	Directors' Charge (to the maximum amount of \$35,700,000).	DIP Lenders' Charge.	
6 th	Term Loan Obligations (other than Excess Term Loan Obligations).	Directors' Charge (to the maximum amount of \$35,700,000).	

14. Third, the proposed engagement of Reflect Advisors, LLC ("Reflect") as financial advisor to Hudson's Bay, according to the terms of the proposed Reflect Engagement Agreement, is approved, and the Applicants are authorized to enter into and perform that Agreement. Paragraph 31 of the Initial Order is amended to include Reflect within the existing Administration Charge as a beneficiary thereof.
15. The Court has the discretion pursuant to section 11 of the *CCAA* to permit debtor companies to enter into arrangements to facilitate a restructuring. Such arrangements may include the retention of expert advisors where necessary to assist with restructuring efforts: *Victorian Order of Nurses for Canada (Re)*, 2015 ONSC 7371 at para. 27.
16. Such agreements are often approved in the context of *CCAA* proceedings, where the Court is satisfied that such is appropriate, upon consideration of the following factors, among others:

- a. whether the debtor and the court officer overseeing the proceedings believe that the quantum in nature of the remuneration are fair and reasonable;
- b. whether the financial advisor has industry experience and/or familiarity with the business of the debtor;
- c. whether any proposed success fee is necessary to incentivize the financial advisor; and
- d. the complexity of the debtor's business, and whether that complicates any monetization or restructuring efforts.

See: *Just Energy Corp., Re*, 2021 ONSC 1793 at para 113; *Danier Leather Inc. Re*, 2016 ONSC 1044 at para 47, citing *Sino-Forest Corporation (Re)*, 2012 ONSC 2063 at paras 46–47; and *Colossus Minerals Inc (Re)*, 2014 ONSC 514 at paras 30–36.

- 17. Courts have considered similar factors when determining whether to grant a charge to secure the fees of a financial advisor: *Payless ShoeSource Canada Inc and Payless ShoeSource Canada GP Inc (Re)*, 2019 ONSC 1215 at paras 30–33; and *Target Canada Co., Re*, 2015 ONSC 303 at paras. 72-75.
- 18. Here, the Monitor supports the engagement of Reflect and its inclusion as a beneficiary in the Administration Charge. There will be no increase to the quantum of that Charge as a result thereof.
- 19. Reflect has worked extensively with the Company since its engagement in February, 2025 and has been involved in the consideration of strategic alternatives and restructuring options and the development of pro forma financial models.
- 20. I note that, as set out at paragraphs 86 – 90 of the Second Bewley Affidavit and Exhibit “F” thereto (being an unredacted copy of the Reflect Engagement Letter), the proposed Reflect Engagement Letter includes a monthly flat fee for the first two months and hourly fees thereafter, but Reflect does not earn any success fees or other fees contingent on certain milestones being achieved in any restructuring.
- 21. I am satisfied that, in the challenging and rapidly evolving circumstances of this case, its work will be accretive to the efforts of the Applicants, and that the above-noted factors are satisfied here.
- 22. For all of these reasons, the relief sought today is granted.
- 23. Order to go in the form signed by me which has immediate effect without the necessity of issuing and entering.


Justice Peter Osborne

APPENDIX E
SECOND UPDATED CASH FLOW FORECAST

See attached.

Hudson's Bay Canada
Second Updated Cash Flow Forecast
\$CAD 000's

Cash Flow Week: Week Ending:		Note	Week 1 21-Mar-25	Week 2 28-Mar-25	Week 3 04-Apr-25	Week 4 11-Apr-25	Week 5 18-Apr-25	Week 6 25-Apr-25	Week 7 02-May-25	Week 8 09-May-25	Week 9 16-May-25	Week 10 23-May-25	Week 11 30-May-25	Week 12 06-Jun-25	Week 13 13-Jun-25	Total
Receipts																
Store Receipts	1		54,691	39,095	44,825	45,124	42,340	41,757	36,475	33,095	28,609	25,139	22,737	19,650	4,794	438,330
Other Receipts ¹	2		-	3,273	4,140	3,948	3,704	3,653	3,191	2,895	2,503	2,199	1,989	10,246	8,946	50,689
Total Receipts			54,691	42,369	48,965	49,072	46,044	45,410	39,666	35,991	31,112	27,338	24,726	29,896	13,740	489,019
Disbursements																
Payroll & Benefits	3		(4,318)	(8,940)	(2,949)	(10,202)	(2,483)	(6,323)	(2,062)	(7,843)	(868)	(6,833)	(3,122)	(5,561)	(558)	(62,062)
Occupancy Costs	4		(8,706)	-	(12,893)	-	(12,893)	-	(12,893)	-	(12,893)	-	-	(12,893)	-	(73,171)
Operating Expenses	5		(13,071)	(14,738)	(9,982)	(5,894)	(3,590)	(2,743)	(1,489)	(1,742)	(1,486)	(1,813)	(1,704)	(1,932)	(912)	(61,095)
Concession/Consignment Payments ¹	6		(1,546)	(1,678)	(3,136)	(3,871)	(3,691)	(3,464)	(3,416)	(2,984)	(2,707)	(2,340)	(2,056)	(1,860)	(1,516)	(34,265)
Sales Tax Remittances			-	-	(6,800)	-	-	-	(10,923)	-	-	-	(14,933)	-	-	(32,656)
Liquidation Consultant Fees & Expenses	7		-	(4,392)	(2,077)	(1,239)	(2,077)	(1,239)	(2,756)	(1,069)	(2,708)	(1,069)	(2,153)	(2,531)	(2,851)	(26,161)
Professional Fees	8		(1,499)	(5,296)	(870)	(3,444)	(405)	(2,148)	(290)	(1,299)	(220)	(1,220)	(310)	(1,284)	(176)	(18,460)
Interest Payments & Fees	9		(160)	(480)	(2,291)	(1,100)	-	-	(2,170)	(1,100)	-	-	(2,170)	(1,100)	-	(10,571)
Shared Service Payments	10		-	(307)	-	(614)	-	(307)	-	(307)	-	(307)	-	(307)	-	(2,150)
Inventory Purchases	11		(505)	(505)	-	-	-	-	-	-	-	-	-	-	-	(1,010)
Total Disbursements			(29,804)	(36,335)	(40,997)	(26,364)	(25,140)	(16,224)	(35,999)	(16,343)	(20,882)	(13,583)	(26,448)	(27,468)	(6,013)	(321,600)
Net Cash Flow			24,887	6,034	7,968	22,708	20,904	29,186	3,667	19,648	10,230	13,755	(1,722)	2,428	7,727	167,420
Opening Cash Balance			21,032	50,919	19,921	27,889	50,597	71,501	100,687	104,355	124,002	134,232	147,987	146,265	148,693	21,032
Net Cash Flow			24,887	6,034	7,968	22,708	20,904	29,186	3,667	19,648	10,230	13,755	(1,722)	2,428	7,727	167,420
Cash Collateralization	12		-	(21,031)	-	-	-	-	-	-	-	-	-	-	-	(21,031)
DIP Facility Advance / (Repayment)			5,000	(16,000)	-	-	-	-	-	-	-	-	-	-	-	(11,000)
Closing Cash Balance			50,919	19,921	27,889	50,597	71,501	100,687	104,355	124,002	134,232	147,987	146,265	148,693	156,420	156,420
FILO Credit Facility Balance	13		165,330	165,330	165,330	165,330	165,330	165,330	165,330	165,330	165,330	165,330	165,330	165,330	165,330	165,330
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			257,279	257,279	257,279	257,279	257,279	257,279	257,279	257,279	257,279	257,279	257,279	257,279	257,279	257,279
Opening DIP Facility Balance			11,000	16,000	-	-	-	-	-	-	-	-	-	-	-	11,000
DIP Facility Advance / (Repayment)			5,000	(16,000)	-	-	-	-	-	-	-	-	-	-	-	(11,000)
Ending DIP Facility Balance			16,000	-	-	-	-	-	-	-	-	-	-	-	-	-

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. Also includes forecast proceeds from the sale of FF&E from the stores, corporate office and distribution centres.

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 & Fees

Includes interest payments and fees 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.

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

**SUPPLEMENT TO THE FIRST REPORT OF THE
MONITOR**

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