

**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
1242939 B.C. UNLIMITED LIABILITY COMPANY, 1241423 B.C. LTD., 1330096 B.C.
LTD., 1330094 B.C. LTD., 1330092 B.C. UNLIMITED LIABILITY COMPANY, 1329608
B.C. UNLIMITED LIABILITY COMPANY, 2745263 ONTARIO INC., 2745270
ONTARIO INC., SNOSPMIS LIMITED, 2472596 ONTARIO INC., and 2472598
ONTARIO INC.**

Applicants

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

AUGUST 20, 2025

TABLE OF CONTENTS

| | | |
|-------------|---|-----------|
| 1.0 | INTRODUCTION..... | 1 |
| 2.0 | TERMS OF REFERENCE AND DISCLAIMER | 11 |
| 3.0 | LEASE MONETIZATION PROCESS AND CENTRAL WALK BID..... | 13 |
| 4.0 | CENTRAL WALK APA | 20 |
| 5.0 | BUSINESS PLAN | 24 |
| 6.0 | CENTRAL WALK APPROVAL MOTION | 32 |
| 7.0 | FILO MOTION..... | 58 |
| 8.0 | HILLCREST ROFR..... | 64 |
| 9.0 | CASH FLOW RESULTS RELATIVE TO FORECAST | 65 |
| 10.0 | CONCLUSIONS AND RECOMMENDATIONS..... | 68 |

INDEX TO SCHEDULES AND APPENDICES

Schedule A – Other Applicants and Non-Applicant Stay Parties

Schedule B – Updated Names for Hudson’s Bay Canada Entities

Appendix A – Endorsement dated July 22, 2025

Appendix B – List of Individuals Cross-Examined

Appendix C – Monitor’s Summary of Expert Reports

Appendix D – Letter from Counsel to Potential Lease Purchaser dated August 20, 2025

Appendix E – Sixth Report of the Monitor (Without Schedules or Appendices)

Appendix F – Emails between counsel to the Applicants and counsel to Oxford on August 13, 2025

Confidential Appendix A – Confidential Bid Summary (Subject Leases)

Confidential Appendix B – Confidential Secured Lender Recovery Analysis

1.0 INTRODUCTION

- 1.1 On March 7, 2025, 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”** 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”** hereto (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 In accordance with an Order granted by the Court on June 23, 2025, certain Hudson’s Bay Canada entities completed corporate name changes on August 6 and 7, 2025, and again on August 12, 2025. The current names of the Hudson’s Bay Canada entities after the name changes on August 12, 2025 are set out on **Schedule “B”** hereto.
- 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**”). A&M, then in its capacity as proposed Monitor, issued a pre-

¹ The CCAA Proceedings have since been terminated in respect of two Applicants (HBC YSS 1 LP Inc. and HBC YSS 2 LP Inc.), and the stay of proceedings no longer applies in respect of certain of the Non-Applicant Stay Parties (RioCan-HBC Limited Partnership, RioCan-HBC General Partner Inc., HBC YSS 1 Limited Partnership, HBC YSS 1 LP Inc., HBC YSS 2 Limited Partnership, HBC YSS 2 LP Inc., RioCan-HBC Ottawa Limited Partnership, RioCan-HBC (Ottawa) Holdings Inc. and RioCan-HBC (Ottawa) GP, Inc.). The defined terms “Applicants”, “Non-Applicant Stay Parties” and “Hudson’s Bay Canada” as used in this Report refer to the applicable entities at the relevant times.

filing Report dated March 7, 2025, to provide the Court with information and, where applicable, its views on the relief sought by the Applicants.

- 1.3 Since the Initial Order was granted, this Court has heard several motions and granted various Orders, and a significant volume of materials have been filed by interested parties in connection therewith. This Report (the “**Eighth Report**”) does not contain a detailed chronology of these proceedings or the various relief granted. Materials filed in the CCAA Proceedings, including the prior Reports of the Monitor (the “**Prior Reports**”) and all endorsements and orders made by the Court, are available on the Monitor’s case website at: www.alvarezandmarsal.com/HudsonsBay (the “**Case Website**”).

FILO Motion

- 1.4 On July 8, 2025, in connection with a hearing scheduled for July 15, 2025 (the “**July 15 Hearing**”), Restore Capital, LLC, in its capacity as the agent on behalf of various first in last out lenders (in such capacity, the “**FILO Agent**”, and such lenders, the “**FILO Lenders**”), served a motion record (the “**FILO Motion**”), including an affidavit sworn by Ian Fredericks, the CEO of the FILO Agent, of the same date (the “**Fredericks Affidavit**”) seeking an Order (the “**Expanded Powers Order**”), among other things:
- (a) expanding the powers of the Monitor to allow the Monitor to conduct the affairs and operations of the Applicants for the benefit of all of their stakeholders;
 - (b) authorizing and directing the Monitor to cause the Applicants to terminate the Central Walk APA and the Central Walk Transaction (each as defined therein);

- (c) authorizing and directing the Monitor to cause Hudson's Bay to immediately disclaim all of its remaining leases subject to the Central Walk APA for which a transaction has not closed and that are not subject to any other potential transactions;
 - (d) directing Hudson's Bay to distribute \$6 million to the FILO Agent (the "**Proposed Distribution**") within one day of the date of the Order; and
 - (e) granting certain related and ancillary relief.
- 1.5 On July 11, 2025, the FILO Agent served a supplemental motion record in support of the FILO Motion. No further relief was sought therein.
- 1.6 On July 13, 2025, the Applicants served a responding motion record taking issue with many of the assertions made in the Fredericks Affidavit, and opposing the relief sought on the FILO Motion.
- 1.7 The Monitor prepared its Sixth Report dated July 14, 2025 (the "**Sixth Report**"), among other things, providing its views on the FILO Motion and respectfully recommending that:
 - (a) no relief be granted in respect of the Proposed Distribution; and
 - (b) absent another party agreeing forthwith to fund the costs of pursuing the Central Walk Transaction or another consensual resolution being reached, the Central Walk APA should be terminated and the leases proposed to be acquired therein (the "**Subject Leases**") should be disclaimed.
- 1.8 The FILO Motion was adjourned at the July 15 Hearing, and a timetable was subsequently set by the Court to hear both the FILO Motion and the Applicants' motion to be filed seeking approval of the Central Walk APA and the transactions contemplated therein (the "**Central Walk Approval Motion**") concurrently on August 28 and, if necessary, August

29, 2025 (the “**August Hearing**”). A copy of the Court’s July 22, 2025 endorsement, which directed the timetable (the “**Litigation Timetable**”), is attached hereto as **Appendix “A”**.

August Hearing

- 1.9 On July 25, 2025, counsel to the FILO Agent served an amended notice of motion on the service list (the “**Amended Notice of Motion**”), amending the relief to be sought by the FILO Agent on the FILO Motion. Among other things, the Amended Notice of Motion amends the relief sought by requesting an Expanded Powers Order that would also:
- (a) authorize and direct the Monitor to disclaim the Subject Leases that are not subject to any other potential transaction (the “**Remaining Leases**”), unless the Pathlight Lenders or the Potential Lease Purchaser (as defined below) agree to bear any rent and other costs associated with the pursuit of the Central Walk Transaction (including, without limitation, any professional fees, Monitor fees and fees of legal counsel) (the “**Central Walk Costs**”);
 - (b) amend paragraph 10 of the Amended and Restated Initial Order to eliminate the requirement that the Applicants pay any rent on any Remaining Leases and direct that no rent on account of the Remaining Leases be paid from any ABL Priority Collateral (as defined therein) from the earlier of: (i) notice of disclaimer of any of the Remaining Leases, including for greater certainty, during any period of notice provided for in subsection 32(5) of the CCAA; and (ii) the date of any decision of the Court declining to approve the Central Walk Transaction;

- (c) require that if the Central Walk Transaction is terminated or not approved, that the Potential Lease Purchaser reimburse to the Applicants any Central Walk Costs incurred from and after July 15, 2025, and that any such amounts be deemed to be ABL Priority Collateral;
- (d) require, as a condition of any approval or implementation of the Central Walk Transaction, that a portion of any proceeds from the Central Walk APA equivalent to the Central Walk Costs incurred from and after July 15, 2025 be deemed to be ABL Priority Collateral; and
- (e) make such other orders as may be necessary, pursuant to section 11 of the CCAA, to ameliorate any prejudice that would otherwise be occasioned on the FILO Lenders as a result of the pursuit of the Central Walk Transaction.

1.10 On July 29, 2025, the Applicants served a motion record in connection with the Central Walk Approval Motion. The Applicants' motion record included affidavits sworn the same date by Franco Perugini, Senior Vice-President, Real Estate & Legal, and Elias Louis Ampas, Divisional Vice-President, Construction, of Hudson's Bay, and Adam Zalev, a managing director at Reflect Advisors, LLC. As set out therein, the Applicants are seeking an order (the "**CW Leases Assignment Order**"), among other things:

- (a) approving the Asset Purchase Agreement dated as of May 23, 2025, between Hudson's Bay and HBC Centrepont GP Inc., as vendors, Ruby Liu Commercial Investment Corp. (the "**Potential Lease Purchaser**"), as purchaser, and Weihong

(Ruby) Liu (“**Ms. Liu**”), as guarantor (as amended on June 13, 2025, July 21, 2025, and July 29, 2025, the “**Central Walk APA**”);²

- (b) assigning and vesting Hudson’s Bay’s and HBC Centrepont GP Inc.’s (as applicable) right, title, and interest in and to the Subject Leases, in and to the Potential Lease Purchaser, free and clear of all claims and encumbrances, other than certain permitted encumbrances (collectively, the “**CW Transactions**”);
- (c) declaring that certain portions of sections 3.05 and 3.05(A) of the IC Leases (as defined below) are unenforceable as *ipso facto* clauses and pursuant to section 34 of the CCAA; and
- (d) sealing Confidential Appendix “A” to this Report, which contains a summary of the economic terms of the bids received in the Lease Monetization Process for the Subject Leases, until closing of the CW Transactions.

1.11 On July 29, 2025, the Potential Lease Purchaser served a supporting motion record, including an affidavit sworn the same date by Ms. Liu, supporting approval of the CW Leases Assignment Order (the “**Liu Affidavit**”).

1.12 On July 31, 2025, counsel to the Potential Lease Purchaser served a supplemental supporting motion record to correct an exhibit to the Liu Affidavit, which had included a prior draft of the Business Plan (as defined below) as a result of an administrative error.

² The Monitor notes that the Applicants’ materials refer to the “Central Walk APA” and the “CW Transactions”, despite the fact that the Potential Lease Purchaser is not one of the Central Walk landlord entities. For simplicity, the Monitor uses these definitions throughout this Eighth Report.

1.13 On August 9, 2025, the following materials were served by the landlords of 24 of the 25 Subject Leases included in the Central Walk APA (the “**Opposing Landlords**”):

- (a) the responding motion record of Cadillac Fairview Corporation Limited (“**Cadillac Fairview**”), the landlord in respect of seven of the Subject Leases. The Cadillac Fairview record, which provides the basis for Cadillac Fairview’s opposition to the CW Leases Assignment Order, includes the affidavit of Rory MacLeod, the Executive Vice President, Operations with Cadillac Fairview, and the affidavit of Sharon Hamilton, President of Ernst & Young Inc., which appends thereto an expert report dated August 8, 2025 by Ernst & Young Inc. (the “**EY Report**”);
- (b) the responding motion record of Primaris Management Inc. (“**Primaris**”), the landlord in respect of five of the Subject Leases. The Primaris record, which provides the basis for Primaris’ opposition to the CW Leases Assignment Order, includes the affidavit of Patrick Sullivan, the President and Chief Operating Officer with Primaris;
- (c) the responding motion record of Morguard Investments Limited (“**Morguard**”), the landlord in respect of four of the Subject Leases. The Morguard record, which provides the basis for Morguard’s opposition to the CW Leases Assignment Order, includes the affidavit of David Wyatt, the Senior Vice President, Retail with Morguard;
- (d) the motion record of OPGI Management Limited Partnership by its general partner OPGI Management GP Inc. (“**Oxford**”), which, through its affiliates, is the landlord in respect of three of the Subject Leases. As set out in the Oxford record, Oxford seeks an Order, among other things: (i) dismissing the Central Walk Approval Motion; or,

in the alternative, (ii) declaring that Oxford's exercise of the option in its favour by way of a right of surrender (the "**Hillcrest ROFR**") under section 7.03 of the Hillcrest Lease (as defined below), as effected through its letters dated July 31, 2025, and August 1, 2025, the executed Landlord Election Form, and the payment of the \$450,000 deposit to the Monitor is valid. The Oxford record includes the separate affidavits of Nadia Corrado, the Vice-President, Asset Management with Oxford, and a clerical affidavit sworn by Natalie Longmore, a legal assistant for Oxford's counsel;

- (e) two responding motion records of various Ivanhoe Cambridge entities ("**Ivanhoe**"), the landlord in respect of two of the Subject Leases. The first Ivanhoe record, which provides the basis for Ivanhoe's opposition to the CW Leases Assignment Order generally, includes the affidavit of Ruby Paola, a managing director at Ivanhoe's parent company, and the affidavit of Scott R. Lee, the founding partner of Revesco Properties Ltd., which appended an expert opinion by Mr. Lee (the "**Lee Report**" and together with the EY Report, the "**Expert Reports**"). The second Ivanhoe record, which provides the basis for Ivanhoe's specific opposition to the relief sought regarding sections 3.05 and 3.05(A) of the IC Leases, includes the affidavit of Charles Saint-Pierre, internal counsel at Ivanhoe's parent company;
- (f) the responding motion record of Westcliff Management Ltd. ("**Westcliff**"), the landlord in respect of one of the Subject Leases. The Westcliff record, which provides the basis for Westcliff's opposition to the CW Leases Assignment Order, includes the affidavit of Alan Marcovitz, the President and Chairman of the board of Westcliff;

- (g) the responding motion record of KingSett Capital Inc. (“**KingSett**”), the landlord in respect of one of the Subject Leases. The KingSett record, which provides the basis for KingSett’s opposition to the CW Leases Assignment Order, includes the affidavit of Theresa Warnaar, the Senior Vice President, Retail & Asset Resilience at KingSett; and
 - (h) the responding motion record of QuadReal Property Group (“**QuadReal**”), the landlord in respect of one of the Subject Leases. The QuadReal record, which provides the basis for QuadReal’s opposition to the CW Leases Assignment Order, includes the affidavit of Jay Camacho, the Senior Vice President, Canadian Retail with QuadReal.
- 1.14 On August 12, 2025, the FILO Agent served a reply motion record in respect of the FILO Motion, including the affidavit of Ian Fredericks sworn the same date (the “**Fredericks Reply Affidavit**”).
- 1.15 On the same date, the Applicants served a reply motion record in respect of the Central Walk Approval Motion, including further affidavits sworn by Franco Perugini, Elias Louis Ampas, and Adam Zalev.
- 1.16 The Potential Lease Purchaser also served a reply motion record, including a further affidavit sworn by Ms. Liu (the “**Liu Reply Affidavit**”).
- 1.17 On August 13, counsel for the Potential Lease Purchaser delivered a certified Mandarin translation of the Liu Affidavit and the Business Plan. On August 14, counsel for the

Potential Lease Purchaser delivered a certified Mandarin translation of the Liu Reply Affidavit.

- 1.18 On August 14, 15 and 18, cross-examinations were conducted for various individuals in connection with the August Hearing. A list of the individuals cross-examined is attached hereto as **Appendix “B”**.
- 1.19 On the evening of August 18, 2025, counsel to the FILO Agent provided a letter to counsel to the Monitor setting out certain written interrogatories. On August 19, 2025, counsel to the Monitor responded to note that the Monitor would file this Eighth Report on August 20, 2025, in accordance with the Litigation Timetable and that after the Eighth Report was filed, it would then consider and answer any proper written interrogatories. Counsel to the Monitor invited the FILO Agent to confirm what, if any, written interrogatories it wished to pose to the Monitor following its review of the Eighth Report.
- 1.20 On August 19, 2025, counsel to the Monitor received a letter from counsel to the Potential Lease Purchaser that included additional information that the Potential Lease Purchaser requested be included in this Eighth Report. Among other things, the letter addressed various issues that had been canvassed by the Opposing Landlords’ counsel during Ms. Liu’s cross-examination.
- 1.21 As counsel to the Monitor advised counsel to the Potential Lease Purchaser, given the nature of the information contained in the letter, the Monitor does not believe that it would be appropriate to include that letter or the information therein in this Eighth Report given that evidence has closed and the statements in the letter have not been tested or cross-examined.

Purpose of this Report

1.22 This Eighth Report is being delivered in accordance with the Litigation Timetable. The purpose of this Eighth Report is to provide the Court with information and, where applicable, the Monitor's views on:

- (a) the Lease Monetization Process and the bid submitted by the Potential Lease Purchaser;
- (b) the CW Transactions;
- (c) the Business Plan;
- (d) the Central Walk Approval Motion;
- (e) the FILO Motion;
- (f) the Hillcrest ROFR issue;
- (g) the Applicants' cash flow results relative to forecast; and
- (h) the Monitor's conclusions and recommendations in connection with the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Eighth 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 the Applicants, the materials served by the various parties in connection with the August Hearing, and has held discussions with various parties, including advisors to

the Applicants (collectively, the “**Information**”). Except as otherwise described in this Eighth 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 Eighth Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

2.2 Future oriented financial information referred to in this Eighth Report was prepared based on the estimates and assumptions of the Applicants (and, in the case of the Business Plan, the Potential Lease Purchaser (each as defined below)). 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 and even if the assumptions materialize, the variations could be significant.

2.3 This Eighth Report should be read in conjunction with the materials filed with the Court in connection with the Central Walk Approval Motion and the FILO Motion.

2.4 Unless otherwise stated, all monetary amounts referenced herein are expressed in Canadian dollars.

3.0 LEASE MONETIZATION PROCESS AND CENTRAL WALK BID³

3.1 The Prior Reports describe the efforts to solicit bids under the Lease Monetization Process and have provided certain information on the bids received thereunder. In summary:

- (a) commencing on March 24, 2025, Oberfeld emailed the Teaser Letter to approximately 60 potentially interested parties, which list was developed by Oberfeld based on its market expertise and its consideration of parties that may have an interest in the Leases with input from the Applicants and the Monitor;
- (b) 31 parties executed an NDA and were provided with access to an electronic data room to conduct due diligence;⁴
- (c) on April 3, 2025, Oberfeld emailed a process letter to the Landlords and each party that had executed an NDA setting out, among other things, the information to be included by interested parties in their non-binding LOI submissions;
- (d) as of the Phase 1 Bid Deadline, 18 parties had submitted an LOI (including certain Landlords), expressing interest in a total of 65 individual Leases. Multiple LOIs included the same locations such that there was overlap of locations across multiple LOIs. Also, multiple LOIs described that the interested party would also be making a

³ Capitalized terms used but not otherwise defined in this section have the meanings ascribed in the Lease Monetization Process approved by this Court pursuant to the Lease Monetization Order dated March 21, 2025.

⁴ In accordance with the Lease Monetization Process, Landlords were not required to sign an NDA in respect of a bid for any of their own Leases.

submission in the SISP, such that the LOI was effectively a subset of a broader bid to be made in the SISP;

(e) as of the Qualified Bid Deadline:

- (i) 12 parties submitted a Qualified Bid (including bids submitted in the SISP that included Leases), bidding on a total of 39 individual Leases. Multiple Qualified Bids included the same locations such that there was overlap of locations across multiple bids;
- (ii) no Qualified Bid was submitted for 62 Leases; and
- (iii) no “Insider Bid” (as defined in the Insider Protocol) was submitted in either the Lease Monetization Process or the SISP, and the Insiders previously declared that they would not submit a bid in the Lease Monetization Process.

3.2 The Applicants, in consultation with Oberfeld, the Monitor and the Agents, and with the assistance of their advisors, worked with bidders to clarify aspects of the bids and to enter into definitive agreements suitable for tabling with the Landlords that are counterparties to the applicable Leases. As described in greater detail in the Monitor’s Fifth Report dated June 19, 2025, the Court granted an Order on June 23, 2025 approving the assignment of three leases to the Potential Lease Purchaser pursuant to the Affiliate Lease Assignment Agreement (as defined in the Fifth Report). In addition, the Court granted an Order on July 31, 2025, approving the assignment of six leases (five to YM Inc. (Sales) and one to an affiliate of the applicable Landlord) – this relief is discussed in greater detail in the Monitor’s Seventh Report dated July 29, 2025.

Execution of Central Walk APA and Related Developments

- 3.3 As discussed in the Prior Reports, on May 23, 2025, Hudson's Bay entered into the Central Walk APA, pursuant to which it would pursue the assignment of the Subject Leases in Ontario, Alberta and British Columbia to the Potential Lease Purchaser. The Potential Lease Purchaser provided a \$9.4 million deposit⁵ in connection with the Central Walk APA, which is currently being held by the Monitor in trust. The Applicants' advisors, the Monitor, the FILO Agent, and Pathlight all supported Hudson's Bay entering into the Central Walk APA at that time.
- 3.4 As discussed in greater detail below, the Central Walk APA provides that the assignment of the Subject Leases to the Potential Lease Purchaser is conditional upon, among other things, the receipt of satisfactory Landlord consents and/or approval of the Court.
- 3.5 The Monitor reported on certain developments and discussions with Landlords following the execution of the Central Walk APA in its Sixth Report prepared in connection with the FILO Motion that was originally scheduled to be heard on July 15, 2025. As set out in more detail therein:
- (a) during the week of June 2, 2025, initial meetings were coordinated by Oberfeld and took place between the Potential Lease Purchaser and most of the Landlords, which meetings were attended by the Monitor and (in most cases) its counsel;

⁵ The total deposit paid by Central Walk was \$10 million, of which \$600,000 was later allocated to the Affiliate Lease Assignment Transaction.

- (b) following those meetings, certain follow-up information was provided to the Landlords by the Potential Lease Purchaser's former legal counsel;
- (c) during the week of July 9, 2025, Landlords representing 23 of the 25 Subject Leases wrote, through their legal counsel, to the Applicants' counsel and/or the Monitor's counsel to advise that, based on the information provided to date, those Landlords would not consent to the assignment of their Subject Leases;
- (d) as of the date of the Sixth Report (July 14, 2025), despite repeated discussions, correspondence and follow-ups from the Applicants, the Monitor, and their counsel (including certain written communications from the Applicants' counsel), the Potential Lease Purchaser had failed to meaningfully respond to the issues and concerns raised by the Applicants and had not taken the basic and necessary steps to advance its bid; and
- (e) as of the date of the Sixth Report, the Monitor understood that the Potential Lease Purchaser was no longer represented by counsel.

3.6 As such, at the time of the Sixth Report, the Monitor expressed significant concerns with respect to the Potential Lease Purchaser meeting its obligations under the Central Walk APA and the likelihood of a transaction ultimately being completed.

3.7 As described above, the Court adjourned the FILO Motion at the July 15 Hearing, and subsequently endorsed the Litigation Timetable for the August Hearing.

3.8 At the July 15 Hearing, the Court noted that it had received certain direct correspondence from Ms. Liu and/or Ms. Qin (the "**Liu Correspondence**"), the principal and CEO,

respectively, of the Potential Lease Purchaser. Ms. Liu, Ms. Qin, and the Potential Lease Purchaser were not represented by counsel at the July 15 Hearing, and as such, the Court indicated it would hear from counsel for those parties once retained on that issue as appropriate.

3.9 The Potential Lease Purchaser subsequently retained counsel in connection with the Central Walk Transaction and the August Hearing. After discussions between that counsel, the Applicants' counsel, the Monitor's counsel, and certain Landlord counsel, a redacted copy of the Liu Correspondence was served on the service list for these CCAA Proceedings on July 29, 2025.

3.10 The Liu Correspondence included a letter from the Applicants' counsel to the Potential Lease Purchaser dated July 5, 2025 (the "**July 5 Letter**")⁶, which reiterated and expanded on issues identified in a prior letter from the Applicants' counsel dated May 29, 2025.⁷ Among other things, the July 5 Letter:

- (a) detailed the substantial efforts of the Applicants and their counsel to: (i) describe what would be needed for the Potential Lease Purchaser to comply with the clause in the Central Walk APA requiring the Potential Lease Purchaser to use "commercially reasonable efforts" to obtain from each Landlord under each Subject Lease a waiver in form and substance acceptable to Hudson's Bay and the Potential Lease Purchaser

⁶ Affidavit of Rory Macleod, Exhibit T ("**MacLeod Affidavit**"); Responding Motion Record of Cadillac Fairview Corporation Limited dated August 9, 2025 at Tab 1, Pg. 254 ("**CF Record**").

⁷ MacLeod Affidavit, Exhibit T; CF Record at Tab 1, Pg. 280.

(the “**Reasonable Efforts Clause**”); and (ii) provide assistance to the Potential Lease Purchaser in connection therewith;

- (b) noted that as of July 5, there was no agreement between the Potential Lease Purchaser, Hudson’s Bay, and the Monitor as to the claims of the Potential Lease Purchaser in respect of Cure Costs (as defined in the Central Walk APA);
- (c) noted that after adequate responses were not received to initial inquiries that were sent by the Landlords following the Initial Landlord Meetings, Landlords representing all or virtually all of the Subject Lease locations wrote to the Potential Lease Purchaser, Hudson’s Bay, and the Monitor seeking further information and/or advising that the Landlords did not or would not consent to the assignment of their Leases (the “**Landlord Communications**”);
- (d) asserted that the Potential Lease Purchaser, despite substantial offers of assistance and communications from Hudson’s Bay, had failed to take the steps necessary to comply with the Reasonable Efforts Clause, including by:
 - (i) failing to retain counsel in advance of the initial Landlord meetings held on June 2, 2025 (the “**Initial Landlord Meetings**”);
 - (ii) failing to prepare any substantive materials or presentation for the Initial Landlord Meetings;
 - (iii) failing to provide adequate responses to basic questions from the Landlords regarding matters such as the proposed tenant’s financial covenants, retail

operational experience, capital expenditure plan for each Lease location, and intended suppliers and product mix; and

(iv) failing to adequately respond to the initial information requests following the Initial Landlord Meetings, or to respond at all to the Landlord Communications, despite Hudson's Bay extending the date by which Landlord waivers needed to be obtained under the Central Walk APA by five business days; and

(e) set out the terms of a proposal offered by the Applicants that, without prejudice to Hudson's Bay's rights and remedies under the Central Walk APA, provided certain conditions for the Potential Lease Purchaser to agree to in order for the Applicants to continue to pursue the Central Walk Transaction.

3.11 The Monitor agreed with the assertions made by Hudson's Bay in the July 5 Letter. The Monitor understands that the FILO Agent and Pathlight reviewed and commented on a draft of the July 5 Letter and supported Hudson's Bay delivering the final July 5 Letter.

3.12 On July 7, 2025, counsel for the Applicants sought the Monitor's position with respect to a potential termination of the Central Walk APA. Counsel for the Monitor advised that in the circumstances, the Monitor would support a decision by the Applicants to terminate the agreement. The Applicants ultimately decided not to terminate the Central Walk APA.

3.13 As described above, the Applicants and Central Walk delivered their motion materials seeking approval of the Central Walk APA on July 29, 2025. The Applicants' motion materials appended the Central Walk APA, which was amended on June 13, July 21, and

July 29, 2025 to, among other things, reduce the Purchase Price (as defined therein) to allow certain funds to be used to retain professionals to advance and complete the CW Transactions, and extend the “Outside Closing Date” and “Target Closing Date” thereunder such that both fall after the August Hearing. The materials included a business plan from the Potential Lease Purchaser for the go-forward business that it intends to operate at the premises of the Subject Leases (the “**Business Plan**”), which is discussed further below.

3.14 In her affidavit sworn August 12, 2025, Ms. Liu indicated that she was prepared, on closing of the CW Transaction, to execute a personal guarantee (or guarantees) in favour of the Landlords guaranteeing the rent obligations under the Subject Leases for a period of one year following closing (the “**Guarantee**”).

3.15 A summary of the CW Transactions contemplated in the Central Walk APA, the positions of the parties on the CW Leases Assignment Order, and the views of the Monitor in respect of each are provided below.

4.0 CENTRAL WALK APA

4.1 On May 23, 2025, Hudson’s Bay entered into the Central Walk APA with the Potential Lease Purchaser or a permitted assignee thereof, which would be a corporation controlled by Ms. Liu, for the assignment of up to 25 Leases in Ontario, Alberta and British Columbia (i.e. the Subject Leases).

4.2 A chart summarizing each of the 25 Subject Leases proposed to be assigned to the Potential Lease Purchaser pursuant to the Central Walk APA is set out in the Affidavit of Franco Perugini dated July 29, 2025 (the “**Perugini Affidavit**”).

4.3 Certain key provisions of the Central Walk APA are summarized in the table below. Terms capitalized in the table below but not otherwise defined therein have the meaning ascribed to them in the Central Walk APA.

| SUMMARY OF THE CENTRAL WALK APA | |
|---------------------------------|--|
| Parties | <ul style="list-style-type: none">• Hudson’s Bay Company ULC and HBC Centrepont GP Inc., as Vendor• Ruby Liu Commercial Investment Corp, as Purchaser• Weihong Liu, as Guarantor |
| Structure of Agreement | <ul style="list-style-type: none">• Subject to obtaining Landlord Waivers and Approval and Vesting Order(s) or Assignment Orders, as applicable, and satisfaction of closing conditions, the Vendor agreed to sell to the Purchaser all of the Vendor’s right, title and interest in and to the Purchased Assets, free and clear of all Encumbrances (other than Permitted Encumbrances).• The Purchased Assets include the Assigned Leases and all Leasehold Improvements located on the Premises but exclude any of the following: (a) any Art, Artifacts and Archives including Art, Artifacts and Archives that are installed, embedded, incorporated, affixed or included or present on any of the Premises; (b) any trademarks or other intellectual property of any kind owned by the Vendor or its Affiliates (and all intellectual property rights therein); or (c) any property (other than the Assigned Leases) which is not owned by the Vendor, including any Leasehold Improvements sold by the liquidator in the CCAA Proceedings prior to the Execution Date (collectively, the “Excluded Property”).• The Vendor may exclude up to three (3) Leases from Schedule “D” at its sole discretion, provided the “Minimum Lease Condition” can otherwise be satisfied or waived. The Minimum Lease Condition means Leases equal to or greater than 11 Leases which satisfy the conditions in section 8.1, provided that such Leases must include each of the Key Leases in Schedule “G” of the Central Walk APA.• The Vendor may also, in the circumstances set out in Section 2.3(2) of the Central Walk APA, remove the IC Leases (being those listed in Schedule “D” of the Central Walk APA) from the Transaction. |
| Assigned Leases | <ul style="list-style-type: none">• For purposes of the Agreement, the “Assigned Leases” means the Leases listed on Schedule “C” of the Central Walk APA, subject to the above-noted right of the Vendor to exclude certain Leases, the provisions of Section 2.4 of the Central Walk APA dealing with the Hillcrest Mall Lease, and otherwise to the extent ultimately assigned to or vested in the Purchaser. |

SUMMARY OF THE CENTRAL WALK APA

Purchase Price and Closing Date

- The aggregate purchase price for the Vendor's right, title and interest in and to the Purchased Assets is \$69,100,000 (the "**Purchase Price**")⁸ in which the total Consideration is allocated as follows:

| Shopping Centre | Consideration |
|------------------------------|---------------|
| Coquitlam Centre | \$2,333,333 |
| Guildford Town Centre | \$3,500,000 |
| Orchard Park Shopping Centre | \$1,333,333 |
| Willowbrook Shopping Centre | \$2,833,333 |
| Richmond Centre | \$2,833,333 |
| Fairview Mall | \$2,833,333 |
| Sherway Gardens | \$4,333,333 |
| Centrepont Mall | \$3,833,333 |
| Hillcrest Mall | \$4,500,000 |
| Masonville Place | \$800,000 |
| Bayshore Shopping Centre | \$1,833,333 |
| St. Laurent Shopping Centre | \$5,000,000 |
| Mapleview Centre | \$2,500,000 |
| Oshawa Centre | \$2,000,000 |
| Conestoga Mall | \$633,333 |
| Bramalea City Centre | \$2,833,333 |
| Lime Ridge Mall | \$833,333 |

⁸ The estimated net proceeds from the proposed CW Transactions are approximately \$50 million, comprised of the Purchase Price of \$69.1 million, less (i) 50% of the Aggregate Accepted Cure Costs, being \$15 million; and (ii) commissions payable on the transaction of \$4.5 million.

SUMMARY OF THE CENTRAL WALK APA

| | | |
|-------------------|--|-------------|
| | Markville | \$2,833,333 |
| | Upper Canada Mall | \$833,334 |
| | Fairview Park | \$1,833,334 |
| | CF Market Mall | \$4,833,334 |
| | Chinook Centre | \$4,833,334 |
| | West Edmonton Mall | \$3,833,334 |
| | Southgate Shopping Centre | \$3,500,000 |
| | Southcentre Mall | \$1,833,334 |
| | <ul style="list-style-type: none"> • The Purchase Price is subject to adjustment for: (a) all Rent payable under each Assigned Lease which has been paid to the Landlord in respect of such Assigned Lease, with the Closing Date itself to be allocated to Central Walk; (b) charges and other fees payable for Utilities related to each Assigned Lease for the period to the Closing Date; and (c) fifty percent (50%) of the Aggregate Accepted Cure Costs allocated to each Assigned Lease (other than the Hillcrest Mall Lease). If any Lease becomes an Excluded Lease, the Purchase Price will be reduced by the portion of the Purchase Price allocated to such Excluded Lease. • “Closing Date” means seven (7) business days following the date that the Approval and Vesting Order and all necessary Assignment Orders, as applicable, become Final Orders. The date that the Approval and Vesting Order and all necessary Assignment Orders become Final Orders shall not be later than the “Outside Date” (First Business Day following issuance of the CW Leases Assignment Order and subject to extension in accordance with the terms of the Agreement). | |
| Cure Costs | <ul style="list-style-type: none"> • The Vendor, the Purchaser, and the Monitor agreed to Aggregate Accepted Cure Costs in the amount of \$30,000,000. • The Purchaser is entitled to a reduction in the Purchase Price on Closing equal to 50% of the Aggregate Accepted Cure Costs in relation to the Assigned Leases (provided that no portion of the Aggregate Accepted Cure Costs have been allocated to the Hillcrest Mall Lease so that the portion of the Purchase Price applicable to the Hillcrest Mall Lease shall not be reduced to less than \$4,500,000), which reduction shall be in full satisfaction of all rights and claims that the Purchaser may have for and on account of all Cure Costs and any defaults, conditions, or circumstances in respect of any CW Lease giving rise to such Aggregate Accepted Cure Costs relating to each of the Assigned Leases, whether arising before or after closing. | |

| SUMMARY OF THE CENTRAL WALK APA | |
|---------------------------------|---|
| | <ul style="list-style-type: none">• Purchaser shall pay and be responsible for all Assumed Liabilities in accordance with the terms of the Assigned Leases, inclusive of those included in the Aggregate Accepted Cure Costs. |

Confidential Bid Summary

4.4 The Monitor has prepared a summary of the bids received under the Lease Monetization Process for the Leases included in the Central Walk APA (the “**Confidential Bid Summary**”). As demonstrated in the Confidential Bid Summary, certain initial bids were received for certain Subject Leases in excess of the value allocated under the Central Walk APA; however, those bids did not advance to an executable stage. As such, the CW Transactions provide for the highest consideration for the Subject Leases of any executable bid received under the Lease Monetization Process and therefore would provide the greatest value for the Applicants. The Confidential Bid Summary is attached hereto as **Confidential Appendix “A”**.

4.5 The Applicants seek to seal the Confidential Bid Summary pending closing of the CW Transactions. The Confidential Bid Summary, among other things, shows the purchase prices offered by the other bidders on the Subject Leases. The Monitor is of the view that the limited sealing request is not prejudicial to stakeholders and is appropriate in the circumstances.

5.0 BUSINESS PLAN

5.1 On July 25, 2025, the Potential Lease Purchaser delivered the Business Plan to the Applicants in support of the Applicants’ motion for assignment of the Subject Leases. The

Business Plan contains financial information in respect of the Potential Lease Purchaser's proposed operations of a full-line department store under the "Ruby Liu" banner. A copy of the Business Plan is attached as "Exhibit A" to the Liu Affidavit.

5.2 As set out in the Liu Affidavit, Ms. Liu and the Potential Lease Purchaser have committed to the following in respect of the Business Plan: (a) Ms. Liu and her related companies have committed to invest \$375 million in equity capital in the Potential Lease Purchaser to complete the CW Transactions and to fund the launch of operations⁹; (b) the Potential Lease Purchaser commits to assuming the Subject Leases "as is, where is" and to comply with all terms and conditions; (c) the Potential Lease Purchaser will invest approximately \$120 million in store repairs and renovations; (d) the Potential Lease Purchaser will make an initial inventory investment of approximately \$135 million; (e) the Potential Lease Purchaser proposes to hire 1,800 employees at various levels, and plans to prioritize former Hudson's Bay employees; (f) the Potential Lease Purchaser intends to launch three different tiers of stores, organized around "Flagship", "Platinum", and "Standard" store formats; and (g) the Potential Lease Purchaser plans to have all locations open within twelve months of receiving building permits.

5.3 The Business Plan included financial forecasts in the form of a pro forma income statement, balance sheet, and cash flow statement (the "**Financial Model**"). A summary of the key assumptions contained in the Business Plan and Financial Model is provided below:

⁹ The Financial Model appears to contemplate \$375 million being injected immediately upon closing of the CW Lease Transactions, with \$50 million being utilized for transaction costs and other contingencies. The Monitor notes that the commitment letter included with the Liu Affidavit is for an aggregate amount of up to \$400 million.

| SUMMARY OF THE BUSINESS PLAN AND FINANCIAL MODEL | |
|--|--|
| (I) Business Plan | |
| Strategy & Store Formats | <ul style="list-style-type: none"> Operate a full-line department store chain under the ‘Ruby Liu’ banner. All lease obligations are to be assumed on an “as-is, where-is” basis, without modifications to existing lease terms. Stores will operate under three formats: Flagship, Platinum, and Standard. |
| Store Renovations & Leasehold Improvements | <ul style="list-style-type: none"> Renovation timelines are assumed to vary by format, with Standard/Platinum stores requiring approximately 6 months from receiving building permits, and Flagship stores requiring approximately 12 months from receiving building permits.¹⁰ Approximately \$120 million is budgeted for leasehold improvements, including among other things, upgrades to lighting, ceiling, signage, interior and exterior walls, flooring, HVAC, and security alarms. |
| Supply Chain & Merchandising | <ul style="list-style-type: none"> Product sourcing is expected to leverage relationships with Hudson’s Bay’s former suppliers alongside new supplier arrangements. Expressions of interest have been received from more than 60 suppliers. J2 Retail Management (“J2”) is expected to provide services, including supplier onboarding, category management, merchandising strategy, in-store execution, and warehousing/logistics.¹¹ No dedicated distribution centres are contemplated; inventory is expected to be delivered directly to stores by vendors or through a third-party logistics/warehouse provider (e.g. J2). |
| Management | <ul style="list-style-type: none"> The management team is anticipated to include Central Walk leadership from various entities associated with Ms. Liu and the Potential Lease Purchaser, including the Central Walk landlord entities, select former Hudson’s Bay executives, and external hires with retail experience. |
| (II) Financial Model | |
| Base Store P&L | <ul style="list-style-type: none"> The store-level income statement (the “Base Store P&L”) is based on a store-by-store roll-up of Hudson’s Bay’s fiscal 2025 forecast results for a 12-month period. The Base Store P&L is integrated into the Financial Model on a phased basis, aligned with estimated renovation timelines and expected opening dates by format; Flagship (6 stores in September 2026), Platinum (7 stores in March 2026), and Standard (12 stores in March 2026). |

¹⁰ The Monitor notes that although the Business Plan references the timing of store opening from the date building permits are received, the Financial Model assumes that stores will open within 6 months from closing of the CW Transactions for the Standard/Platinum stores and within 12 months from closing of the CW Transactions for the Flagship Stores.

¹¹ In her cross-examination, Ms. Liu later stated that the Potential Lease Purchaser no longer intends to engage J2. See the Transcript of the Cross-Examination of Weihong (Ruby) Liu dated August 15, 2025 (“**Liu Transcript**”), Pg. 155.

| SUMMARY OF THE BUSINESS PLAN AND FINANCIAL MODEL | |
|--|--|
| | <ul style="list-style-type: none"> • Occupancy costs are assumed to begin immediately on assignment of the Subject Leases in September 2025. • Underlying assumptions include:¹² <ul style="list-style-type: none"> ○ <u>Sales</u>: 3% same-store sales growth compared to actual Hudson’s Bay results during fiscal year 2024 (“FY2024”). ○ <u>Gross Margin</u>: 41.2%, compared to Hudson’s Bay’s actual FY2024 gross margin of 39.8%. ○ <u>Store Payroll</u>: 15.7% of net sales, compared to Hudson’s Bay’s actual FY2024 store payroll costs of 23.7%. ○ <u>Occupancy</u>: base rent, CAM, and property taxes consistent with Hudson’s Bay’s FY2024 costs; no rent escalations or inflation adjustments are included. |
| Corporate Costs | <ul style="list-style-type: none"> • The Financial Model includes high level run-rate amounts for the following corporate costs. No detailed information is included in the Financial Model to substantiate these run-rate amounts. <ul style="list-style-type: none"> ○ <u>Corporate Payroll</u>: \$6 million annually. ○ <u>Marketing</u>: \$10 million annually. ○ <u>IT</u>: \$3 million annually. ○ <u>Other</u>: \$7 million annually, consisting of professional fees (\$2 million), insurance (\$3 million), and a provision for other corporate costs (\$2 million). |
| Funding | <ul style="list-style-type: none"> • Net equity injection of \$375 million being injected immediately upon closing of the CW Lease Transactions, with \$50 million being utilized for transaction costs and other contingencies. |
| Capital Expenditures | <ul style="list-style-type: none"> • Store repair and renovation costs of approximately \$120 million are forecast to be incurred evenly over the 12-month period ending August 2026. |
| Inventory | <ul style="list-style-type: none"> • Target average owned inventory per store is \$4.5 million, compared to Hudson’s Bay’s average of approximately \$7 million per store based on the benchmark data provided in the Financial Model. • The Financial Model includes approximately \$122 million of inventory purchases between September 2025 to February 2026, in advance of the planned opening of the Platinum and Standard stores in March 2026. The peak inventory balance in the Financial Model is \$135 million. |

¹² FY2024 actual results were provided by the Applicants to the Opposing Landlords subsequent to the delivery of the Business Plan.

| SUMMARY OF THE BUSINESS PLAN AND FINANCIAL MODEL | |
|--|---|
| Accounts Payable | <ul style="list-style-type: none">35-day credit terms are assumed for inventory purchases as well as normal-course operating expenses, including utilities, repairs and maintenance, marketing, IT and professional fees. |

Monitor's Observations on the Business Plan

5.4 The Monitor notes the following in respect of some of the key components of the Business Plan:

- (a) the Potential Lease Purchaser is a start-up organization with no existing operations, no brand recognition, and no track record as a retail business. In addition, the proposed leadership team includes individuals from affiliated entities who similarly do not have any prior track record in retail operations. While proposals have been made to hire certain former Hudson's Bay executives and managers to support the standing up of operations, those efforts remain incomplete.¹³ The overall lack of experience at the leadership level represents a risk to the operational viability of launching and managing 25 large department stores in the contemplated timeline;
- (b) the Business Plan allocates approximately \$120 million for store repairs, renovations and leasehold improvements across 25 locations. The evidence led by certain of the Opposing Landlords suggests that this budget is low according to independent building assessments conducted by the consultants they retained.¹⁴ If the amount of store repairs and renovation spend proves to be closer to the projections of the

¹³ Transcript of the Cross-Examination of Franco Perugini dated August 14, 2025, Pg. 200, Line 13; Transcript of the Cross-Examination of Lou Ampas dated August 15, 2025, Pg. 97, Lines 2-12.

¹⁴ See, for example, MacLeod Affidavit at para 111; CF Record at Tab 1, Pg. 33.

Opposing Landlords, absent further funding, this would represent a risk to the financial viability of the Business Plan. It should also be noted that the contemplated store repairs and renovation budget nonetheless represents a significant capital investment in these stores that was not previously made by Hudson's Bay;

- (c) the Business Plan assumes that Standard and Platinum stores (19 of the 25 locations) will open within 6 months of lease assignment and that Flagship stores will open within 12 months. In the Monitor's view, the evidence led by the Opposing Landlords¹⁵, including expert evidence¹⁶, raises a risk that these timelines may not be achievable (taking into consideration, for example, the time required for the permitting process, which is not contemplated in the Financial Model). Any delay in store openings would increase the cash funding requirements of the business;
- (d) the Business Plan requires that the Potential Lease Purchaser build out its IT infrastructure and related systems. These various IT systems are critical to the operations of a retail department store and include, among others: point-of-sale ("**POS**"); enterprise resource planning ("**ERP**"); payment service provider ("**PSP**"); and order management system ("**OMS**"). The amount budgeted in the Business Plan of up to \$5 million to address one-time payments related to establishing IT systems has not been allocated to specific vendors, nor does the Business Plan detail the lead times required to implement the IT systems. Any meaningful delays in implementing the IT systems could have cascading effects on the Company's ability to, among other

¹⁵ See, for example, MacLeod Affidavit at para 111; CF Record at Tab 1, Pg. 33.

¹⁶ Affidavit of Sharon Hamilton sworn August 8, 2025 at Exhibit C, Expert Report of Ernst & Young Inc. dated August 8, 2025 paras 16-17; CF Record at Tab 3, Pg. 415. Affidavit of Scott R. Lee sworn August 9, 2025 at Exhibit B, Expert Opinion of Scott R. Lee at Pgs. 46-47; Responding Motion Record of Ivanhoe Cambridge at Pgs. 324-325.

things, procure inventory and open the stores in the timelines contemplated in the Business Plan;

- (e) the Business Plan assumes that the Potential Lease Purchaser will be able to begin issuing purchase orders and secure the requisite inventory needed to support the forecast sales levels. This function was expected to be primarily managed by third-party service provider J2, combined with additional expressions of interest from other potential suppliers. The Opposing Landlords have expressed concern that this plan may not be feasible to fully stock a department store of this size in accordance with the use clause obligations under the Subject Leases.¹⁷ Further, during her cross-examination, Ms. Liu testified that the Potential Lease Purchaser no longer intends to engage J2 to manage the Potential Lease Purchaser's supply chain and logistics functions. The Potential Lease Purchaser identifies no alternative to J2 in its evidence. The Monitor notes that the compressed timeline and scale of inventory ramp-up, and the Potential Lease Purchaser's ability to source adequate inventory (products and assortments consistent with the Business Plan), through its existing inventory procurement plan, represents a risk to the execution of the Business Plan;
- (f) the forecast store operating results are based on same-store sales performance achieved by Hudson's Bay in FY2024, adjusted upward for incremental sales increases of approximately 3%.¹⁸ This assumes that the Potential Lease Purchaser will exceed Hudson's Bay's actual 2024 results. Given the concerns highlighted above,

¹⁷ MacLeod Affidavit at Para 101(h); CF Record at Tab 1, Pg. 31.

¹⁸ Transcript of the Cross-Examination of Sharon Hamilton dated August 18, 2025 at Pg. 110, Lines 20-25, Pg. 111, Lines 1-8.

there is a risk that the forecast results may not be achievable in the contemplated timeline; and

- (g) the Business Plan assumes reduced corporate overhead costs relative to Hudson's Bay's reported corporate overhead costs for FY2024 (\$26.3 million in the forecast for FY2027 vs. \$67.8 million). While the number of stores proposed to be operated by the Potential Lease Purchaser is significantly reduced relative to the number of stores operated by Hudson's Bay (25 versus 96), certain costs incurred by Hudson's Bay would have been fixed in nature and would not decrease proportionate to a reduction in store count. If the corporate overhead costs are materially higher, it would increase the cash funding requirements of the business.

5.5 In the Monitor's view, the observations outlined above should not be considered in isolation. There is risk that meaningful delays in executing on key areas of the Business Plan could have compounding effects. For example, delays in store repairs and renovations and/or in fully implementing the IT systems could impede inventory procurement and delay store openings. These types of execution risks are particularly relevant given the proposed 6-month timeline for opening the majority of the stores.

5.6 The Monitor further notes that the observations above highlight areas of risk that may also impact the Potential Lease Purchaser's required funding levels and business performance; but they do not on their own, in the Monitor's view, preclude the possibility that the Potential Lease Purchaser has the capacity to satisfy the obligations within the meaning of subsection 11.3(3)(b) under the CCAA and may be an appropriate person within the meaning of subsection 11.3(3)(c) of the CCAA. Further, in his cross-examination, Adam

Zalev referred to the forecast model showing a minimum liquidity amount in excess of \$30 million, which could provide a buffer for addressing cash flow shortfalls relative to forecast.¹⁹

6.0 CENTRAL WALK APPROVAL MOTION

Introduction

- 6.1 The Applicants seek approval of the CW Leases Assignment Order, with the support of the Potential Lease Purchaser and Pathlight.
- 6.2 As discussed above, the CW Leases Assignment Order would, among other things: (a) approve the Central Walk APA and the CW Transactions (the “**Sale Approval Relief**”) and assign the Subject Leases to the Potential Lease Purchaser (the “**Lease Assignment Relief**”); and (b) declare that certain provisions in the IC Leases are unenforceable (the “**IC Lease Relief**”).
- 6.3 The views of the interested parties and the Monitor on the relief sought follows below. The positions of the parties are summarized by the Monitor at a high-level, and the below should be read in conjunction with the materials filed with the Court.

Sale Approval – Generally

- 6.4 On a motion for disposition of assets outside of the ordinary course of business, subsection 36(3) of the CCAA sets out the following non-exhaustive list of factors for consideration:

¹⁹ Transcript of the Cross-Examination of Adam Zalev dated August 14, 2025 at Pgs. 151-158.

(3) In deciding whether to grant the authorization, the court is to consider, among other things,

(a) whether the process leading to the proposed sale or disposition was reasonable in the circumstances;

(b) whether the monitor approved the process leading to the proposed sale or disposition;

(c) whether the monitor filed with the court a report stating that in their opinion the sale or disposition would be more beneficial to the creditors than a sale or disposition under a bankruptcy;

(d) the extent to which the creditors were consulted;

(e) the effects of the proposed sale or disposition on the creditors and other interested parties; and

(f) whether the consideration to be received for the assets is reasonable and fair, taking into account their market value.

6.5 These factors overlap with the well-known *Soundair* factors that are also considered on such a motion. The *Soundair* factors consider, among other things, the interests of all parties and the efficacy and integrity of the process by which offers were obtained, including whether there was any unfairness in the process.

Lease Assignment – Generally

6.6 On a motion for assignment of an agreement, subsection 11.3(3) of the CCAA sets out the following non-exhaustive list of factors for consideration:

(3) In deciding whether to make the order, the court is to consider, among other things,

(a) whether the monitor approved the proposed assignment;

(b) whether the person to whom the rights and obligations are to be assigned would be able to perform the obligations; and

(c) whether it would be appropriate to assign the rights and obligations to that person.

- 6.7 Pursuant to subsection 11.3(4), the Court must also be satisfied that all monetary defaults in relation to the agreement, other than those arising by reason only of the company's insolvency, the commencement of proceedings under the CCAA, or the company's failure to perform a non-monetary obligation, will be remedied on or before the day fixed by the Court.
- 6.8 The Monitor is informed by its counsel that inherent in both subsections 11.3(3)(b) and (c) is a reasonableness threshold.
- 6.9 The Monitor is informed by its counsel that under subsection 11.3(3)(b), while a guarantee of meeting obligations is not required, the evidence on such a motion should demonstrate, on a reasonableness standard, that the proposed assignee can meet the financial obligations and other obligations such as "use" clauses, which may depending on the context require considerations relating to financial capacity, business plans, and industry experience of the proposed assignee or persons they have retained.
- 6.10 The Monitor is informed by its counsel that under subsection 11.3(3)(c), courts will consider the benefits of the proposed assignment in light of the policy objectives of the CCAA, examining whether the assignment furthers the CCAA process and treats stakeholders equitably. The potential impact of the assignment, or lack thereof, is to be considered, as well as impact on stakeholders, including in this case the Opposing Landlords.

Lease Assignment Relief – Applicants’ and Potential Lease Purchaser’s Motion Materials

- 6.11 The Applicants and the Potential Lease Purchaser support the Central Walk APA and the CW Transactions contemplated therein being approved and the Subject Leases being assigned to the Potential Lease Purchaser.
- 6.12 The Applicants and the Potential Lease Purchaser are of the view that the CW Transactions will generate significant benefits and create meaningful value for the Applicants and their stakeholders. They submit that it is in the best interests of the Applicants and their stakeholders that the CW Leases Assignment Order be granted. In their materials, the Applicants and the Potential Lease Purchaser submit that the following points favour the approval of the Central Walk APA and the assignment of the Subject Leases in connection therewith:
- (a) the Central Walk APA contemplates a Purchase Price of \$69 million and, if completed, the CW Transactions will result in a recovery of approximately \$50 million for the Applicants’ creditors;
 - (b) entities related to the Potential Lease Purchaser are landlords in the Canadian real estate industry, and although it does not have direct experience operating a retail business, its affiliates have extensive experience improving the retail experience at its three shopping centres;
 - (c) the Potential Lease Purchaser has proposed to hire certain of Hudson’s Bay’s former senior management, which will assist with launching the Potential Lease Purchaser’s new brand;

- (d) the Potential Lease Purchaser has indicated that it anticipates hiring approximately 1,800 employees, and that it will hire former Hudson's Bay employees wherever possible;
- (e) subject to the IC Lease Relief, the Potential Lease Purchaser has committed to assuming the Subject Leases on an "as-is, where is" basis and complying with the terms, use provisions, and obligations thereunder;
- (f) Ms. Liu has committed to capitalizing, through certain related entities, the Potential Lease Purchaser with an initial equity investment of \$375 million (and has advised she will invest further funds if necessary), of which approximately \$120 million will be utilized on repairs and renovations;
- (g) the Potential Lease Purchaser was in advanced discussions with various suppliers, and J2, a leading Canadian merchandising expert, which confirmed sufficient inventory is available to supplement inventory for all 25 department store locations;²⁰
- (h) the pro forma financial statements for the first two years subsequent to the CW Lease Transactions closing are reasonable and conservative;
- (i) immediately following closing of the CW Transactions, the Potential Lease Purchaser will start paying all rent, common area maintenance charges, property taxes, and any related charges in respect of the Subject Leases;

²⁰ As noted above, Ms. Liu has since indicated that the Potential Lease Purchaser no longer intends to engage J2.

- (j) the Potential Lease Purchaser anticipates that its stores will be ready to open on a rolling basis between six and twelve months following closing of the CW Transactions, which will result in the reopening of 25 stores, creating wide-ranging positive ripple effects in the economies of each mall; and
- (k) the only alternative to the approval of the CW Transactions will be the disclaimer of the 25 Subject Leases, which would likely result in several years (or longer) of many of such stores remaining “dark” or unoccupied.

6.13 In their reply materials, the Applicants and the Potential Lease Purchaser assert that the value to the Landlords of the Subject Leases lie in redevelopment opportunities, and highlight that none of the Opposing Landlords submitted a bid for the Subject Leases in the Lease Monetization Process.

6.14 The Applicants replied to various points raised by the Opposing Landlords regarding forecast revenues and spending (among other things), including in the Expert Reports, and emphasized that the figures provided were reasonable and defensible. The Applicants also noted that despite the complaints of the Opposing Landlords, the repair budget is significantly higher than what could have been achieved with Hudson’s Bay remaining as tenant.

6.15 Ms. Liu also submitted in the Liu Affidavit that the Opposing Landlords attempt to cast their concerns as fact, and emphasized that the Potential Lease Purchaser will abide by the terms of the Subject Leases. Specifically, Ms. Liu advised that her previous statements – which suggested an intention not to comply with the use clauses in the Subject Leases – were made prior to her undertaking diligence in respect of the lease terms.

Lease Assignment Relief – Objecting Landlord Materials

- 6.16 The Opposing Landlords strongly oppose the assignment of the Subject Leases to the Potential Lease Purchaser. The Opposing Landlords led evidence from senior management at the respective Opposing Landlord entities, as well as the two Expert Reports.
- 6.17 The Opposing Landlords emphasize that the Subject Leases are for significant premises within the malls in which Hudson's Bay was the "anchor tenant". The evidence filed by the Opposing Landlords stress the importance of an anchor tenant in a shopping mall, including that an anchor tenant shapes the shopping centre's identity. They assert, among other things, that anchor tenants assist overall mall stability and traffic and attract desirable co-tenants, and that a change in the business of an anchor tenant can cause widespread negative effects.
- 6.18 The Opposing Landlords also emphasize that the Subject Leases contain use clauses that the lessee will operate a "department store" or a "first class department store", and that a change to a tenant that is not a department store could erode the shopping mall's brand and identity.
- 6.19 The Opposing Landlords submit, among other things, that the Potential Lease Purchaser cannot perform the obligations under the Subject Leases and is not an appropriate person to assume the Subject Leases. In the affidavits filed by the senior management of the Opposing Landlords, the Opposing Landlords submit that the following factors, among others, provide a basis for their objection to the Lease Assignment Relief:

- (a) it is unprecedented and unrealistic for a start-up business to immediately launch a retail business of this scale in Canada in the timeline proposed by the Potential Lease Purchaser;
- (b) Ms. Liu and the Potential Lease Purchaser lack credibility, as evidenced by their conduct in meetings with the landlords (including as described in the July 5 Letter) and their many media appearances in which they described a business plan significantly at odds with the Hudson's Bay model and the Business Plan ultimately delivered on July 29, 2025;
- (c) the management team assembled by the Potential Lease Purchaser lacks relevant retail experience, key positions in the Business Plan remain vacant, and the overall staffing projections are insufficient for a business of the size the Potential Lease Purchaser will need to operate in the Subject Leases;
- (d) the Business Plan is not sufficiently developed or realistic, and does not present a clear concept for a go-forward business;
- (e) the Potential Lease Purchaser has significantly underestimated the capital required to launch a department store and the initial costs that it would be required to incur under the Subject Leases, including the costs required to complete various repairs and renovations;
- (f) at the time the Opposing Landlords' materials were filed, there was no third-party guarantee provided in respect of the Potential Lease Purchaser's obligations under the Subject Leases;

- (g) the Potential Lease Purchaser will fail to meet several lease clauses, including financial covenants, permitted use clauses, and clauses dealing with obligations for repairs, restrictions on subleasing, and continuous operations; and
- (h) there is a significant risk that the Potential Lease Purchaser will be insolvent in the near term.

6.20 As noted above, in addition to the various affidavits filed by senior management of the Opposing Landlords, the Opposing Landlords filed two Expert Reports: the Lee Report and the EY Report. A brief summary of the conclusions of each follows below. A more detailed summary of the Lee Report and the EY Report prepared by the Monitor is included at **Appendix “C”**.

6.21 Ivanhoe filed the Lee Report in support of the Opposing Landlords’ opposition to the Lease Assignment Relief. Scott R. Lee, a Managing Director at Revesco Properties Ltd. with over 35 years of specialized experience, prepared the Lee Report. As set out therein, based on his review of the Business Plan and supporting materials submitted by the Proposed Lease Purchaser, Mr. Lee is of the view that the retail concept proposed by the Proposed Lease Purchaser is not viable in its current form and carries a high likelihood of failure if implemented as described.

6.22 Cadillac Fairview filed the EY Report in support of the Opposing Landlords’ opposition to the Lease Assignment Relief. The EY Report was authored by Sharon Hamilton, President of Ernst & Young Inc. and a Chartered Professional Accountant, Chartered Insolvency and Restructuring Professional and Licensed Insolvency Trustee with over 30 years of experience in transaction advisory services. The EY Report, which assumes a 28-store

chain (including the three leases acquired by the Potential Lease Purchaser in connection with the Affiliate Lease Transaction) finds that the estimated costs to store opening presented in the financial model prepared by the Potential Lease Purchaser are unrealistic, and projects substantially higher actual expenses. Further, it finds the Business Plan overlooks the complexity and costs of launching a 28-department store chain as a start-up and provides a timeline for opening stores that is deemed unreasonable. Additionally, the EY Report finds that the anticipated financial outcomes appear overly optimistic, particularly when compared to the experiences of other retailers such as Hudson's Bay. Finally, the EY Report concludes that the equity commitment of \$375 million by Ms. Liu is not sufficient to support the Potential Lease Purchaser until it achieves positive cash flow.

Lease Assignment Relief – Conclusions of the Opposing Landlords

- 6.23 The Opposing Landlords emphasize that they would in no circumstances consensually choose the Potential Lease Purchaser as a tenant of the Subject Leases. They submit that they will suffer material prejudice if the Lease Assignment Relief is granted, and that the assignments will result in, among other things: depressed rents and property values; difficulty attracting and retaining quality tenants; potentially significant financial exposure and legal fees in the event of tenant defaults; potentially significant spending to repair damage to premises; and overall damage to the long-term health and reputation of the affected shopping centres. The Opposing Landlords are of the view that it would be less prejudicial to have the Subject Leases remain without a tenant for the time being than it would be to take on the Potential Lease Purchaser as a tenant.

Lease Assignment Relief – Monitor-Specific Issues Arising from Cross-Examinations

- 6.24 As noted above, cross-examinations were conducted of various individuals on August 14, 15, and 18, 2025. The transcripts from those examinations will be compiled into a compendium and made available on the Case Website in due course. While the Monitor does not intend to summarize or comment generally on the cross-examinations, the Monitor wishes to comment on certain statements made during the cross-examinations that relate specifically to the Monitor.
- 6.25 During the cross-examination of Ms. Liu on August 15, 2025, Ms. Liu gave evidence that she received assistance from the Monitor in preparing the Central Walk Phase II Qualified Bid, dated May 1, 2025 (the “**May 1 Bid**”).²¹ However, later in her examinations Ms. Liu suggested that she was referring to the Business Plan when she gave that evidence.²²
- 6.26 For clarity, the Monitor did not provide any assistance to Ms. Liu or the Potential Lease Purchaser in preparing the May 1 Bid or the Business Plan.
- 6.27 During the cross-examination of Adam Zalev on August 14, 2025, Mr. Zalev referred to an excel spreadsheet (the “**Security Position Analysis**”) that was sent by Reflect Advisors, LLC to the FILO Agent on May 23, 2025.²³ The Security Position Analysis projected that the FILO Lenders would be paid out in full (absent the Make-Whole (as defined in the Sixth Report)) by mid-June, 2025. Mr. Zalev gave evidence that he believed the Security

²¹ Transcript of the Cross-Examination of Ms. Liu, Pg. 92, Lines 8-23.

²² Transcript of the Cross-Examination of Ms. Liu, Pgs. 96-97.

²³ Transcript of the Cross Examination of Adam Zalev dated August 14, 2025 at p. 189, lines 23-25; Pg. 190, Lines 1-2.

Position Analysis was shown to the Monitor for its input before or at the time it was shared with the FILO Agent.²⁴

6.28 For clarity, the Monitor did not review or provide input on the Security Position Analysis before it was sent to the FILO Agent on May 23, 2025.

6.29 During the examination of Franco Perugini on August 14, 2021, Mr. Perugini gave evidence that could be taken to suggest Hudson's Bay had the support of the Monitor in deciding on July 8, 2025 to proceed with the Central Walk APA and related transactions.²⁵

6.30 For clarity, the Monitor did not communicate to the Applicant between July 5 and July 8, 2025 that it supported proceeding with the Central Walk APA and related transactions.

Sale Approval Relief – Views of the Monitor

6.31 In light of the Monitor's views on the Lease Assignment Relief below, the Monitor's views on the Sale Approval Relief are intentionally brief.

6.32 As noted above, the Court will have to consider, among other things, the factors set out in section 36 of the CCAA.

6.33 In respect of those factors, the Monitor approved the Lease Monetization Process leading to the Central Walk APA, which the Monitor believes was a thorough and rigorous sale process. The Lease Monetization Process was approved by the Court after significant negotiations with and input from various stakeholders, including many of the Opposing

²⁴ Transcript of the Cross Examination of Adam Zalev dated August 14, 2025 at Pg. 189, Lines 23-25; Pg. 190, Lines 1-2.

²⁵ Transcript of the Cross-Examination of Franco Perugini dated August 14, 2025, at Pgs. 184-187

Landlords. The Central Walk APA is the only option before the Court stemming from the Lease Monetization Process, and the Central Walk APA would provide approximately \$50 million of value for the Applicants and their stakeholders, which would be more beneficial than a sale or disposition under a bankruptcy (where it is assumed that the Subject Leases would be disclaimed with no consideration to the estate). The Monitor also believes the total consideration provided for in the Central Walk APA is fair and reasonable in the circumstances.

- 6.34 Under the non-exhaustive list of factors set out above, the Monitor would support the Sale Approval Relief, but for its view in respect of the Lease Assignment Relief which is necessarily integrated with the Sale Approval Relief.

Lease Assignment Relief – Views of the Monitor

- 6.35 In consideration of the evidence presented on this motion, and the relevant factors to be considered with respect to the Lease Assignment Relief as set out above, the Monitor does not approve the Lease Assignment Relief pursuant to subsection 11.3(3)(a) of the CCAA. In coming to this view, the Monitor has taken into consideration the factors relevant under subsections 11.3(3)(b) and (c), as noted above, and discussed further below. For greater certainty, the Monitor is not purporting to form a legal conclusion in respect of subsections 11.3(3)(b) or (c).
- 6.36 In reaching its conclusion, the Monitor is aware that no one factor in subsection 11.3(3) of the CCAA is determinative, including the recommendation of the Monitor. The Monitor also acknowledges that there is limited caselaw considering subsection 11.3(3) of the CCAA, and that the Court may consider other factors than those considered by the Monitor.

- 6.37 The Monitor notes that the Lease Assignment Relief is unique in the circumstances given that: (a) the Subject Leases are not being assigned as part of a broader acquisition of a business (in this case, aside from the Subject Leases and related FF&E, there are no assets being acquired); and (b) the Potential Lease Purchaser is not an established business with a track record of sustained operations.
- 6.38 The Monitor first considered whether, as contemplated under subsection 11.3(3)(b) of the CCAA, the Potential Lease Purchaser would be able to perform the obligations under the Subject Leases. In the Monitor's view, there is a reasonable evidentiary basis to conclude that the Potential Lease Purchaser would be able to meet the *financial* obligations under the Subject Leases on a reasonableness standard. However, the Monitor believes there are credible concerns about the Potential Lease Purchaser's ability to satisfy the non-monetary obligations under the Subject Leases, as discussed further below.
- 6.39 With respect to the ability to meet the financial obligations:
- (a) Ms. Liu and certain entities controlled by Ms. Liu have provided the Potential Lease Purchaser an equity commitment of \$375 million²⁶ and provided evidence of liquid holdings in Canada.²⁷ The Potential Lease Purchaser committed approximately \$120 million to improve the leased premises after assignment²⁸ and committed to pay the cure costs. In her reply affidavit, Ms. Liu also indicated she is prepared to provide the Guarantee for the rent obligations under the Subject Leases for a period of one year

²⁶ Affidavit of Weihong (Ruby) Liu sworn July 29, 2025 at Exhibit C ("**Liu Affidavit**"); Motion Record of Ruby Liu Commercial Investment Corp. dated July 29, 2025 ("**RLCI Record**") at Tab 1C, Pg. 185.

²⁷ Liu Affidavit at Exhibit D; RLCI Record at Tab 1D, Pg. 189.

²⁸ Liu Affidavit at Para 40; RLCI Record at Tab 1.

following closing.²⁹ The Applicants have also presented evidence of the extensive financial resources committed by the Potential Lease Purchaser;³⁰

- (b) the Opposing Landlords presented evidence that the cost estimates provided by the Potential Lease Purchaser were materially understated, including as described above in the Expert Reports;
- (c) the Applicants provided evidence in response to these submissions indicating, among other things, improper comparisons used in the Expert Reports, further information on the financial forecasts, and evidence that the Potential Lease Purchaser has the financial wherewithal to support the business;³¹
- (d) during the cross-examination of Ruby Liu on August 15, 2015, testimony was given in respect of certain additional related party loans and, separately, mortgages on properties of affiliates of the Potential Lease Purchaser that were not disclosed in the Liu Affidavit or Liu Reply Affidavit.³² During this cross-examination, there appeared to be some confusion on Ms. Liu's part regarding the existence of the equity commitment, and which entity was the beneficiary of the equity commitment.³³ There

²⁹ Affidavit of Weihong (Ruby) Liu sworn August 12, 2025 at Exhibit B ("**Liu Reply Affidavit**"); Reply Motion Record of Ruby Liu Commercial Investment Corp. dated August 12, 2025 at Tab 1B ("**RLCI Reply Record**").

³⁰ Affidavit of Franco Perugini sworn July 29, 2025 at Para 20 ("**Perugini Affidavit**"); Motion Record of the Applicants dated July 29, 2025 ("**Applicants' Record**") at Tab 2.

³¹ Affidavit of Adam Zalev sworn August 12, 2025 ("**Zalev Reply Affidavit**"); Reply Motion Record of the Applicants dated August 12, 2025 at Tab 4.

³² Liu Transcript, Pg. 35, Line 23; Pg. 38, Lines 2-3.

³³ Liu Transcript, Pgs. 79-83. On August 20, 2025, counsel for the Potential Lease Purchaser sent a letter to the Monitor's counsel. In that letter, counsel for the Potential Lease Purchaser identified a drafting error in the form of equity commitment provided by Ms. Liu and certain of her affiliated companies to the Potential Lease Purchaser and advised that counsel had delivered a revised form of equity commitment to the Applicants. A copy of the August 20, 2025 letter is attached as **Appendix "D"**.

also appeared to be some confusion on Ms. Liu's part regarding the structure of her companies³⁴ and she disputed certain aspects of the audited financial statements for Central Walk Mayfair Shopping Centre;³⁵ and

- (e) the Monitor is informed by its counsel that the caselaw provides that the Opposing Landlords are not entitled to a financial guarantee under subsection 11.3(3)(b) of the CCAA, but rather it must be considered whether there is a reasonable assurance the Potential Lease Purchaser will meet the financial obligations. There is no legal requirement to show that the new business will be able to operate and comply with the financial obligations indefinitely. On balance, the Monitor views there as being a reasonable basis upon which the Potential Lease Purchaser can meet the financial obligations in respect of the Subject Leases.

6.40 With respect to the ability to perform the other obligations under the Subject Leases:

- (a) the Potential Lease Purchaser presented evidence of the Business Plan within its materials, and also states that the business will be built in compliance with the use clauses and other provisions of the Subject Leases.³⁶ The Potential Lease Purchaser initially indicated that it has a proposal from J2 confirming it has sufficient inventory to support the Business Plan and to provide logistics support;³⁷

³⁴ Liu Transcript, Pgs. 33-37, 62-64, 85-87.

³⁵ Liu Transcript, Pgs. 28-29. See also the letter from counsel to the Potential Lease Purchaser dated August 20, 2025 at Appendix "D" hereto.

³⁶ Liu Affidavit at Paras 36-39, RLCI Record at Tab 1.

³⁷ Liu Affidavit at Para 45, RLCI Record at Tab 1.

- (b) the Potential Lease Purchaser provided evidence of its affiliates' experience with the Central Walk malls, including experience with renovations and relationships with major retailers.³⁸ The Potential Lease Purchaser also provided evidence that it had discussions with certain individuals that had experience at the Company regarding go-forward roles with the proposed business.³⁹ However, the Potential Lease Purchaser has not provided evidence that any of these individuals have yet been hired;
- (c) in support of the Lease Assignment Relief, the Applicants indicated that while the Potential Lease Purchaser may not have direct experience operating retail businesses, it has experience improving the retail experience at its shopping centres and has committed to hiring a team with the experience required to operate a retail business including former employees of the Company;⁴⁰
- (d) while the above stated evidence may present a reasonable assurance of compliance with the obligations in respect of the Subject Leases, the cross-examination of Ms. Liu subsequently raised concerns with respect to these assurances:
 - (i) while Ms. Liu testified that she was actively involved in preparing the Business Plan, she also testified that she does not speak English and that it was not translated into Mandarin until shortly before her cross-examination.⁴¹ This reasonably raises concerns as to Ms. Liu's involvement and understanding of the Business Plan upon which the proposed CW

³⁸ Liu Affidavit at Paras 56-66, RLCI Record at Tab 1.

³⁹ Liu Affidavit at Paras 49-52, RLCI Record at Tab 1.

⁴⁰ Perugini Affidavit at Para 18; Applicants' Record at Tab 2.

⁴¹ Liu Transcript, Pgs. 119-121.

Transactions are premised;

- (ii) while the evidence of the Potential Lease Purchaser suggested that it had agreed to retain individuals with institutional experience, Ms. Liu testified during her cross-examination that the Potential Lease Purchaser had not entered into contracts with these individuals and that she has had limited interactions with them.⁴² In addition, Ms. Liu also indicated that she retained Wayne Drummond as a consultant, but for only two days and that he would not be involved in the Potential Lease Purchaser's operations;⁴³ and
- (iii) while the evidence of the Potential Lease Purchaser indicated that discussions were continuing with J2, and that J2 would be able to provide the requisite inventory and logistics supports for the Subject Leases, the cross-examination of Ms. Liu indicated that the Potential Lease Purchaser will not be using J2 (and no alternative was identified in the evidence);⁴⁴
- (e) the Lee Report also raises concerns about the ability of the Potential Lease Purchaser to execute on the Business Plan in light of, among other things, the lack of retail experience and brand identity;
- (f) without: (i) a track record of retail operations, and without the firm commitment of a team with that experience; and (ii) a demonstrated inventory procurement plan, the Monitor is concerned that there is a material risk that the Potential Lease Purchaser

⁴² Liu Transcript, Pg. 130-134.

⁴³ Liu Transcript, pg. 114-116.

⁴⁴ Liu Transcript, pg. 155.

may be unable to execute on the Business Plan and thereby comply with all obligations under the Subject Leases, including the use clauses as detailed by the Opposing Landlords. In coming to this view, the Monitor notes that the Subject Leases are unique “anchor tenant” leases that contain additional requirements and considerations that may be taken into account in this situation; and

- (g) the Monitor also notes the concerns raised by the Opposing Landlords with respect to Ms. Liu directly writing to the Court after being told not to do so,⁴⁵ the July 5 Letter in respect of potential breaches of the Central Walk APA, lack of preparation for the Initial Landlord Meetings and the prior public statements made by Ms. Liu with respect to her intentions for the Subject Leases which are inconsistent with the use clauses (while acknowledging that Ms. Liu indicated in her affidavit that these statements were made prior to conducting diligence on the Subject Leases).⁴⁶

6.41 The Monitor also considered whether, as contemplated under subsection 11.3(3)(c) of the CCAA, it would be appropriate to assign the Subject Leases to the Potential Lease Purchaser. The Monitor recognizes the significant benefit to the Applicants, their stakeholders (including the Opposing Landlords) and their creditors of the Sale Approval and Lease Assignment Relief, including:

- (a) the recovery of approximately \$50 million for the Applicants’ creditors, and additional consideration of approximately \$680,000 from the sale of FF&E (along

⁴⁵ Liu Transcript, Pg. 112.

⁴⁶ MacLeod Affidavit at Exhibit T; CF Record at Tab 1, Pg. 253.

with the avoidance of incurring FF&E removal costs that would be incurred if the Subject Leases were otherwise disclaimed);

- (b) potential employment for up to 1,800 individuals directly by the Potential Lease Purchaser, and additional indirect employment opportunities for suppliers and lenders;
- (c) the payment of cure costs, the immediate and ongoing payment of rent, guaranteed for one year, the payment of property taxes and related charges, and repairs and renovations for the Subject Leases in the amount of approximately \$120 million; and
- (d) there is no alternative to the Sale Approval and Lease Assignment Relief that would provide material value to the Applicants and their stakeholders. Without the Lease Assignment Relief, the Subject Leases are expected to be disclaimed back to the Opposing Landlords for no consideration, and the properties may remain vacant for a significant period of time.⁴⁷ The Monitor also notes the evidence presented by the Applicants that the Opposing Landlords would obtain significant value through the disclaimer or termination of the Subject Leases as a result of redevelopment opportunities and that the Opposing Landlords did not choose to participate in the Lease Monetization Process.⁴⁸

⁴⁷ Perugini Affidavit at paras 26-30; Applicants' Record at Tab 2.

⁴⁸ Affidavit of Franco Perugini sworn August 12, 2025 at paras 5-15; Reply Motion Record of the Applicants dated August 12, 2025 at Tab 2.

- 6.42 If the Sale Approval Relief and Lease Assignment Relief is not approved, the Applicants and their creditors will suffer material prejudice – as they would recover nothing, rather than approximately \$50 million, for the Subject Leases.
- 6.43 In contrast, if the Sale Approval Relief and Lease Assignment Relief is approved, it is not clear that the Opposing Landlords will suffer material prejudice. If the CW Transactions are completed, the Opposing Landlords will continue to receive rent and will see funds invested for repairs and renovations. Further, the Opposing Landlords will retain the same rights of termination under the Subject Leases that they bargained for with the Applicants, such that they can terminate if the Proposed Lease Purchaser breaches the terms of the Subject Leases. Finally, if the Potential Lease Purchaser ultimately becomes insolvent, the Opposing Landlords would be in the same position they are in today – as noted above, the Opposing Landlords cannot expect to improve their position through the lease assignments.
- 6.44 However, the Monitor acknowledges the potential impacts (or prejudice) on the Opposing Landlords should the Lease Assignment Relief be granted and the Potential Lease Purchaser is unable to comply with the obligations under the Subject Leases and execute on the Business Plan (which, as noted above, the Monitor believes there is a risk of):
- (a) many of the Subject Leases have very long terms remaining (after considering renewals),⁴⁹ which could potentially increase any prejudicial impacts on the Opposing Landlords;

⁴⁹ See, for example, Affidavit of Theresa Warnaar sworn August 9, 2025 at Para 23; Responding Motion Record of KingSett Capital Inc., Tab 1, Pg. 47.

- (b) the Subject Leases are “anchor tenant” leases in larger shopping malls, which the Opposing Landlords submit, among other things, reflect the unique bargaining power and strategic value and importance of an anchor tenant and require considerations of the other tenants in the mall. However, the Monitor notes that reasonable doubts were raised about the importance of an anchor tenant in a current mall through the examinations of the Opposing Landlords’ affiants;
- (c) as noted above, the evidence raises reasonable concerns with respect to the Business Plan and the Potential Lease Purchaser’s ability to execute same; and
- (d) the Monitor notes that landlords for 24 of the 25 Subject Leases are opposing the Lease Assignment Relief. While not determinative, the near unanimous opposition to the Lease Assignment Relief is notable.

6.45 In consideration of all of the foregoing, and recognizing that no one factor is determinative, the Monitor does not approve the Lease Assignment Relief pursuant to subsection 11.3(3)(a) of the CCAA because, among other things:

- (a) the Potential Lease Purchaser is a start-up with no retail operating experience, no infrastructure, and no personnel with retail operating experience definitively in place to support the scale of operations that would be necessary to comply with all obligations under the Subject Leases;
- (b) the Subject Leases are generally long-term (including renewals) and, on their face, have unique “anchor tenant” provisions;

- (c) there are credible and reasonable concerns with respect to the Business Plan and the Potential Lease Purchaser's ability to execute same;
- (d) there are credible and reasonable concerns raised with respect to Ms. Liu's conduct since the time the Central Walk APA was entered into; and
- (e) there is near unanimous opposition to the Lease Assignment Relief by the Landlords of the Subject Leases.

IC Lease Relief

- 6.46 The Applicants seek a declaration that the IC leases should be assigned to Central Walk without the impugned portions of sections 3.05 and 3.05(A) of the IC Leases on the basis that they are invalid and unenforceable as *ipso facto* clauses (which the Monitor understands to be clauses that are found to violate the common law anti-deprivation rule) and pursuant to section 34 of the CCAA. The proposed IC Lease Relief is set out in section 10 of the draft Order within the Applicants' motion record.
- 6.47 The impugned portions of sections 3.05 and 3.05(A) (the "**Impugned Provisions**") provide, in part:

Tenant and Landlord hereby agree that if at November 13, 2028 (the "Original Lease Reinstatement Date") no Event (as such term is hereinafter defined) has occurred or is continuing, and there is not then any default occurring of the Tenant's obligations under this Lease, failing which this provision shall not apply and be null and void..., then the parties shall execute and deliver to one another the Reinstated Original Lease...

"Event" means the occurrence of any of the following:

- (1) Tenant (or any of its affiliates) defaulting under any of its monetary obligations (beyond any applicable cure period) under this Lease or any HBC IC Lease (as hereinafter defined); or

(2) Tenant (a) is insolvent, (b) has committed an act of bankruptcy, and/or (c) has become bankrupt.⁵⁰

6.48 As such, based on a plain reading of the above provision, if an “Event” occurs as defined above prior to November 13, 2028, the provision would become null and void, and the Tenant would no longer have the option to revert back to the Reinstated Original Lease. The evidence presented by the Applicants indicates that the Reinstated Original Lease has material benefits to the Tenant. As stated in the affidavit of Franco Perugini, sworn July 29, 2025, on behalf of the Applicants, the Reinstated Original Leases have substantially more value than the current leases.⁵¹

6.49 Both the Applicants and Ivanhoe have briefed this issue and, as noted above, the second Ivanhoe record provides the basis for Ivanhoe’s opposition to the IC Lease Relief. Among other things, the affidavit of Charles Saint-Pierre, sworn August 9, 2025, submitted on behalf of Ivanhoe, explains how the Impugned Provisions are part of a larger contractual arrangement between Ivanhoe and HBC.

6.50 While the Applicants and Ivanhoe have provided the background and context for the Impugned Provisions within their materials on this motion, in the Monitor’s view, the basis for the IC Lease Relief turns more specifically on the effect of the Impugned Provisions themselves, rather than the background for those provisions. The two grounds presented by the Applicants for the IC Lease Relief are considered in turn below.

⁵⁰ Affidavit of Charles Saint-Pierre sworn August 9, 2025 at Exhibit P; Responding Motion Record of Ivanhoe Cambridge Inc. (IC Lease Issue) dated August 9, 2025 at Pg. 1148.

⁵¹ Perugini Affidavit at Para 57; Applicants’ Record at Tab 2.

The Common Law Anti-Deprivation Rule

- 6.51 The Monitor is informed by its counsel that the most recent pronouncement from the Supreme Court of Canada on this issue provides that the anti-deprivation rule is an effects-based test, not a purpose or intention-based test.⁵² In other words, the Monitor understands that the intention behind the Impugned Provisions is not relevant for purposes of the anti-deprivation rule; rather, the relevant considerations for application of the anti-deprivation rule are: (a) the trigger for the Impugned Provisions; and (b) the effect of the Impugned Provisions.
- 6.52 With respect to the trigger, the Monitor is informed by its counsel that for purposes of the anti-deprivation rule, a key consideration is whether the clause at issue is triggered by bankruptcy or insolvency. The definition of “Event” in the Impugned Provisions is comprised of bankruptcy or insolvency or, separately, a default of monetary obligations beyond the cure period. In this respect, the Monitor notes that the affidavit of Charles Saint-Pierre, sworn August 9, 2025, submitted on behalf of Ivanhoe, states that the CCAA “application appears to have been made well after HBC was unable to meet its obligations as they become due” under the applicable IC Leases. However, if the IC Lease Relief is sought as a result of the triggering of the Impugned Provisions based on bankruptcy or insolvency, then it would appear to fall within the parameters of the common law anti-deprivation rule.
- 6.53 With respect to the effect of the Impugned Provisions, the Monitor is informed by its counsel that the key consideration is whether the effect of the clause is to remove value

⁵² *Chandos Construction Ltd. v. Deloitte Restructuring Inc.*, 2020 SCC 25.

from what would otherwise be available to stakeholders. As noted above, the Applicants' evidence, as well as certain of the evidence presented through cross-examinations, supports that there is value to the ability to revert to the Reinstated Original Lease and therefore, the Applicants' materials support that value would be lost if that provision was removed.

- 6.54 The Monitor further notes that the fact the Potential Lease Purchaser is not willing to accept the IC Leases without the IC Lease Relief is demonstrative of value; as noted in the Chart above, there is an increased value attributable to the IC Leases without the Impugned Provisions.

Section 34 of the CCAA

- 6.55 The relevant provisions of section 34 of the CCAA provide:

34 (1) No person may terminate or amend, or claim an accelerated payment or forfeiture of the term under, any agreement, including a security agreement, with a debtor company by reason only that proceedings commenced under this Act or that the company is insolvent.

(2) If the agreement referred to in subsection (1) is a lease, the lessor may not terminate or amend the lease by reason only that proceedings commenced under this Act, that the company is insolvent or that the company has not paid rent in respect of any period before the commencement of those proceedings.

...

(5) Any provision in an agreement that has the effect of providing for, or permitting, anything that, in substance, is contrary to this section is of no force or effect.

...

- 6.56 Based on a plain reading of this provision, a landlord cannot amend its leases by reason only of insolvency or the lack of payment of rent prior to commencement of the CCAA Proceedings. The trigger under section 34 of the CCAA is not limited solely to insolvency.

6.57 The excerpt from section 3.05(A) set out above provides that the Impugned Provision becomes null and void if an “Event” occurs. An Event includes both default of monetary obligations and insolvency. Therefore, to the extent that the effect of a provision becoming null and void is viewed as an amendment to the lease as contemplated in section 34 above, the Monitor believes a plain reading of section 34 would indicate it captures the Impugned Provisions.

7.0 FILO MOTION

7.1 The FILO Agent previously brought a motion seeking the Expanded Powers Order on July 15, 2025. The Monitor’s Sixth Report dated July 14, 2025 discussed the relief sought and provided the Monitor’s views in respect thereof at Section 5. The background on that motion and those views are not repeated herein. A copy of the Sixth Report (without schedules and appendices) is attached hereto as **Appendix “E”**.

7.2 As discussed above, the relief sought by the FILO Agent was adjourned by the Court, and the FILO Agent has since filed the Amended Notice of Motion and the Fredericks Reply Affidavit. The Fredericks Reply Affidavit clarifies that the FILO Agent is not taking a position on the approval of the CW Leases Assignment Order. The remainder of the relief sought by the FILO Agent is discussed below.

Monitor’s Views on Certain Assertions Made in the Reply Fredericks Affidavit

7.3 The Monitor does not intend to comment on every assertion made in the Fredericks Reply Affidavit, which are similar in nature to the assertions made in the July 8, 2025 Fredericks Affidavit, which the Monitor commented on in its Sixth Report. However, the Monitor

believes that certain assertions in the Fredericks Reply Affidavit require further clarification and context.

- 7.4 Paragraph 19 of the Fredericks Reply Affidavit asserts that the FILO Lenders' cash collateral and expected recoveries has deteriorated throughout the course of the CCAA Proceedings. To support this assertion, the Fredericks Reply Affidavit compares the cumulative cash flow performance (actuals from March 7 to July 18, 2025, and forecast from July 19 to October 31, 2025) from the Fifth Updated Cash Flow Forecast appended to the Seventh Report, against the Updated Cash Flow Forecast originally filed by the Monitor on March 16, 2025, which covered the 13-week period ending June 6, 2025. This comparison is presented in a table that sets out the increase in the FILO Lenders' projected loan shortfall.
- 7.5 The Monitor acknowledges that the cash position of the Company has decreased between the Updated Cash Flow Forecast and the Fifth Updated Cash Flow Forecast. However, this comparison, in and of itself, does not illustrate the FILO Lender's security position. A cash flow forecast is not a security position analysis. As discussed in the Sixth Report, the Company has and continues to incur costs in order to: (a) monetize its remaining assets, including related to the Central Walk APA, the art collection and the pension surplus (with the corresponding potential realizations not forecast in the referenced period); (b) wind-down its business and remove remaining FF&E; and (c) administer the estate (including a very high volume process related to the Wage Earner Protection Program).
- 7.6 Paragraphs 20(a) to (c) of the Fredericks Reply Affidavit reference cost increases of over \$350 million, including: (a) increases in corporate payroll and benefits of \$18 million; (b)

increases in professional fees of the Applicants and Monitor of \$29 million; and (c) increases in occupancy costs post June 15, 2025 of \$16 million, on top of incremental store closure costs in excess of \$12 million. This comparison does not account for the fact that the Fifth Cash Flow (as referenced in the Fredericks Reply Affidavit) covers a 34-week period (including actuals and forecast) as compared to the 13-week period in the Updated Cash Flow Forecast. The additional 21 weeks necessarily result in further costs associated with the liquidation and closure of the stores (including significant trailing timing differences in payments to concession vendors and for sales taxes), ongoing realization efforts and the administration of the estate. Further, corporate payroll and benefits have been decreasing steadily over the course of the CCAA proceedings, as evidenced by the declining weekly-run rate of disbursements reflecting the ongoing workforce reductions undertaken by the Company.

- 7.7 Similarly, the referenced increase in professional fees reflects 21 additional weeks of these CCAA Proceedings. Professional fees and the related variances by firm are reported to the FILO Lenders and their advisors on a weekly basis.

Disclaimer of Subject Leases

- 7.8 In its Sixth Report, the Monitor provided its view that, unless the associated costs were funded by a source other than the FILO Lenders or another consensual resolution is reached between the parties, the Central Walk APA should be terminated and the Subject Leases should be disclaimed. To the extent that the CW Leases Assignment Order is not granted, the Monitor believes that the Subject Leases should be disclaimed forthwith to prevent further costs from being expended in connection therewith.

Allocation of Costs and Payment of Rent

- 7.9 The FILO Agent seeks various relief related to the allocation of the Central Walk Costs and certain relief related to the Applicants' requirement to pay rent on the Remaining Leases. The Monitor does not believe it would be fair to the Landlords or consistent with the provisions of the ARIO for the Court to order the Applicants not to pay rent on any Remaining Leases.
- 7.10 The Monitor believes that if the allocation of the Central Walk Costs incurred in respect of the Subject Leases since July 15, 2025 cannot be resolved consensually, it should be dealt with at a subsequent hearing on a full record after the Court has made a decision in respect of the Central Walk Approval Motion.
- 7.11 The Monitor does not support the FILO Agent's request that the Potential Lease Purchaser reimburse the Applicants for any Central Walk Costs incurred from and after July 15, 2025, if the Central Walk Transaction is terminated or not approved. The Monitor believes that it would be unprecedented (and inappropriate) for a Court to require a potential purchaser, absent its consent, to pay costs associated with pursuing a failed transaction.

Proposed Distribution

- 7.12 The FILO Agent continues to seek the Proposed Distribution in the Amended Notice of Motion. The Monitor continues to believe that this relief is unnecessary for the reasons discussed in the Sixth Report – namely: the Applicants are already authorized to make distributions to the FILO Agent as necessary; the Proposed Distribution approximates the full proceeds from the Affiliate Lease Assignment Transaction, two-thirds of which are

Pathlight's priority collateral; and the Monitor will support (and has supported) making distributions to the FILO Agent when appropriate. The Monitor notes that since the date of the Sixth Report, it has approved distributions to the FILO Agent on August 1, 2025 in the amount of \$2.0 million in respect of the Affiliate Lease Assignment Transaction and on August 8, 2025 in the amount of \$5.025 million, representing the proceeds from the YM Transactions (as defined in the Seventh Report).⁵³

Collateral Shortfall

- 7.13 The FILO Agent asserts that the FILO Lenders are projected to experience a shortfall in their recovery and are therefore the fulcrum creditors of the Applicants.⁵⁴ The Applicants believe that Pathlight is more likely than not the fulcrum creditor.⁵⁵
- 7.14 The Monitor previously noted in the Sixth Report that the ultimate repayment of the FILO Obligations (as defined in the Amended ABL Credit Agreement to which the FILO Lenders are party) remains uncertain, as the enforceability of the Make-Whole has not yet been determined and potential recoveries relating to the pension surplus are highly contingent. The Monitor therefore provided its view that it was too early to conclude that the FILO Obligations will ultimately be repaid in full.

⁵³ The Monitor also approved a distribution in the amount of \$100,000 to the FILO Agent on August 7, 2025 in connection with a sale of Zellers brand intellectual property (which sale was approved by the Applicants' secured creditors).

⁵⁴ Affidavit of Ian Fredericks sworn July 8, 2025 at para 87; Motion Record of Restore Capital LLC dated July 8, 2025 at Tab 2, Pg. 38.

⁵⁵ Affidavit of Michael Culhane sworn July 13, 2025 at 16; Responding Motion Record of the Applicants dated July 13, 2025 at Tab 1.

- 7.15 Since the date of the Sixth Report, the Monitor has prepared an analysis estimating the projected secured lender collateral shortfall under various scenarios (the “**Confidential Secured Lender Recovery Waterfall Analysis**”). As demonstrated in that analysis, it remains uncertain as to whether the FILO Obligations will be repaid in full. The determination of which secured lender is ultimately the fulcrum creditor continues to be highly dependent on the resolution of the pension surplus recovery. The Confidential Secured Lender Recovery Analysis is attached hereto at **Confidential Appendix “B”**.
- 7.16 The Monitor believes that it is appropriate in the circumstances for the Confidential Secured Lender Recovery Analysis to be sealed pending further order of the Court. The treatment of the pension surplus will be subject to a mediation and/or litigation, and the public disclosure of that information could prejudice stakeholders. The Monitor believes no stakeholder will be materially prejudiced by the requested sealing order.

Enhanced Powers of the Monitor

- 7.17 The issue as to whether the Monitor should be granted enhanced powers is being fully briefed by the FILO Agent and the Applicants, and in the circumstances, the Monitor does not believe it is appropriate for it to provide a view.
- 7.18 The Monitor takes its direction from the Court, and will defer to the Court’s judgment. In the event the Court is of the view that such relief is appropriate in the circumstances, the Monitor is prepared to act in accordance with the Enhanced Powers Order.⁵⁶

⁵⁶ Notwithstanding that the Monitor is prepared to act in accordance with the Enhanced Powers Order, it believes the distribution relief sought is unnecessary and should not be authorized if the Court is prepared to grant the Enhanced Powers Order.

8.0 HILLCREST ROFR

- 8.1 As set out above, Oxford served a notice of motion seeking a declaration regarding the validity of Oxford's exercise of the Hillcrest ROFR at the August Hearing as part of its responding motion record served on August 11, 2025. Neither the Monitor nor the Applicants were provided advanced notice that the notice of motion would be forthcoming.
- 8.2 On August 13, 2025, counsel to the Applicants wrote to counsel to Oxford to: (a) advise that the Litigation Timetable did not contemplate Oxford's motion; (b) confirm that the Applicants had not responded and did not intend to respond to the motion at this time; and (c) note that a future motion should be scheduled through the Commercial List Office or pursuant to a case conference with Justice Osborne. Counsel to Oxford replied on the same date, taking the position that the issue is properly before the Court at the August Hearing, but agreeing that the determination of the issue may be moot depending on the outcome of the approval of the Central Walk APA. That exchange between counsel is attached hereto as **Appendix "F"**.
- 8.3 The Monitor agrees with the Applicants that the Litigation Timetable did not contemplate the delivery of a notice of motion with respect to the Hillcrest ROFR, and is of the view that this issue should not be determined on the basis of an incomplete record at the August Hearing. To the extent it is ultimately necessary for this issue to be determined (i.e. if the Lease Assignment Relief is granted), the Monitor will provide its views in a Report to the Court at a future hearing.

9.0 CASH FLOW RESULTS RELATIVE TO FORECAST⁵⁷

9.1 Actual receipts and disbursements for the four-week period from July 19 to August 15, 2025 (the “**Reporting Period**”), as compared to the cash flow forecast attached as **Appendix “J”** to the Seventh Report, are summarized in the following table:

| Cash Flow Variance Report | | | \$000's |
|-------------------------------------|----------------------|----------------------|------------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
| Receipts | | | |
| Lease Monetization Process Proceeds | 7,078 | 2,020 | 5,058 |
| Other Receipts | 1,171 | -- | 1,171 |
| Total Receipts | 8,249 | 2,020 | 6,229 |
| Disbursements | | | |
| Payroll & Benefits | (1,274) | (2,055) | 781 |
| Occupancy Costs | (3,722) | (4,056) | 334 |
| Operating Expenses | (2,375) | (8,497) | 6,122 |
| Store Closure & Exit Costs | (1,437) | (6,274) | 4,837 |
| Sales Tax Remittances | (4,127) | (4,200) | 73 |
| Consultant Fees & Expenses | (1,000) | (1,280) | 280 |
| Professional Fees | (5,499) | (6,740) | 1,241 |
| Shared Service Payments | (655) | (4,029) | 3,375 |
| Interest Payments & Fees | (997) | (781) | (216) |
| Total Disbursements | (21,086) | (37,912) | 16,827 |
| Net Cash Flow | (12,837) | (35,892) | 23,056 |
| Opening Cash Balance | 82,034 | 82,026 | 8 |
| Net Cash Flow | (12,837) | (35,892) | 23,056 |
| FILO Credit Facility Paydown | (7,125) | (2,000) | (5,125) |
| Closing Cash Balance | 62,072 | 44,134 | 17,938 |

⁵⁷ Capitalized terms used in this section and not otherwise defined have the meanings ascribed in the First Report of the Monitor dated March 16, 2025.

9.2 Pursuant to paragraph 22(c) of the Court's endorsement in these proceedings dated March 29, 2025, the Monitor is required to advise the Court if, at any time, actual results vary as compared to the applicable Cash Flow Forecast by 15% or more. Since the filing of the applicable Cash Flow Forecast, the Monitor notes that, on a net cash flow basis, actual cash flow results have not negatively varied from the applicable Cash Flow Forecast.

9.3 Explanations for the variances during the Reporting Period are as follows:

- (a) the positive variance in Lease Monetization Process proceeds relates to timing differences primarily as a result of the YM Transactions closing earlier than forecast. Upon receipt of the proceeds from the YM Transactions of \$5.025 million, the Company concurrently made an interim distribution to the FILO Agent. The YM Transactions proceeds and corresponding distribution had been forecast to occur during the week ending August 22;
- (b) the positive variance in other receipts of \$1.2 million relates to: (i) the return of post-filing vendor deposits (\$839,000); (ii) interest earned on cash balances held in the Company's bank accounts (\$219,000); and (iii) gross proceeds from the closing of the sale of Zellers intellectual property (\$113,000). These receipts were not included in the forecast and are permanent positive variances;
- (c) the positive variance in payroll and benefits is primarily attributable to the following timing variances which are expected to reverse in future weeks: (i) outstanding arrears owing to HBC India, an affiliated entity, for personnel providing support and administrative services to the Company; and (ii) forecast KERP and liquidation retention payments which have not yet been paid;

- (d) the positive variance in store closure & exit costs of approximately \$4.8 million is a timing variance as FF&E removal work continues to advance;
- (e) the positive variance in professional fees of approximately \$1.2 million is primarily considered to be a timing variance that is expected to reverse in future weeks;
- (f) the positive variance in shared service payments of \$3.4 million is a timing variance relating to ongoing reconciliations for services incurred during June and July that have not yet been paid; and
- (g) the remaining net positive variance in total disbursements of approximately \$6.6 million is primarily due to timing differences in certain operating expenses. The Monitor anticipates that the positive variances will reverse as the Company continues to receive invoices and related reconciliations from vendors for post-filing services.

9.4 During the Reporting Period and in accordance with the Stay Extension and Distribution Order, the Company made the following distributions:

- (a) on August 1, 2025, the Monitor transferred \$2.0 million to the Company from the \$6.0 million of funds held in trust in respect of the proceeds from the closing of the Affiliate Lease Assignment Transaction. The funds transferred to the Company represent proceeds related to the lease in which the FILO Lenders held a first-ranking priority charge. Upon receipt of these funds, the Company concurrently distributed \$2.0 million to the FILO Lenders as an interim distribution;

- (b) on August 7, 2025, concurrent with the closing of the sale of Zellers brand intellectual property, the Company distributed the net proceeds of \$100,000 (excluding HST) to the FILO Lenders as an interim distribution; and
- (c) on August 8, 2025, concurrent with the closing of the YM Transactions, the Company distributed gross proceeds of \$5.025 million to the FILO Lenders as an interim distribution.

9.5 The principal balance owing to the FILO Lenders under the FILO Credit Facility after accounting for the distributions noted above and excluding the Make-Whole is approximately \$57.1 million.

9.6 Overall, during the Reporting Period, the Company experienced a positive net cash flow variance of approximately \$23.1 million, before considering the distributions to the FILO Agent. The closing cash balance as of August 15, 2025, was approximately \$62.1 million, as compared to the projected cash balance of \$44.1 million.

9.7 As noted above, the Monitor is holding the remaining proceeds from the closing of the Affiliate Lease Assignment Transaction of \$4.0 million in trust (received on June 26). These funds are incremental to the Company's closing cash balance as of August 15, 2025.

10.0 CONCLUSIONS AND RECOMMENDATIONS

10.1 The Monitor does not approve the proposed assignment to the Potential Lease Purchaser under subsection 11.3(3)(a) of the CCAA. However, as noted above, no one factor in subsection 11.3(3) of the CCAA is determinative, including the recommendation of the Monitor.

- 10.2 To the extent the Court determines that the Lease Assignment Relief is not appropriate in these circumstances, the Monitor supports the disclaimer of the Subject Leases.
- 10.3 To the extent the Court determines that the Lease Assignment Relief is appropriate in these circumstances, the Monitor recommends that the CW Leases Assignment Order be granted given the Monitor's view that the Sale Approval Relief and the IC Lease Relief are appropriate.
- 10.4 With respect to the relief sought by the FILO Agent, the Monitor: (a) is not taking any position with respect to its proposed enhanced powers; and (b) believes that no relief should be granted at the August Hearing in respect of the Central Walk Costs or the Proposed Distribution.

All of which is respectfully submitted to the Court this 20th day of August, 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 A⁵⁸

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

⁵⁸ This schedule lists the Applicants and Non-Applicant Stay Parties as of the Initial Order. As noted within the Report, the CCAA Proceedings were terminated in respect of certain of the Applicants, and the stay of proceedings no longer applies in respect of several of the Non-Applicant Stay Parties.

The Bay Limited Partnership

HBC YSS 1 Limited Partnership

HBC YSS 2 Limited Partnership

SCHEDULE B

Name Changes for Hudson's Bay Canada Entities

| Former Name | New Name | CCAA Status | Effective Date of Name Change |
|--|---|-------------|-------------------------------|
| HBC Centrepont GP Inc. | 2745263 Ontario Inc. | Applicant | August 12, 2025 |
| HBC Holdings GP Inc. | 2745270 Ontario Inc. | Applicant | August 12, 2025 |
| Hudson's Bay Company ULC Compagnie de la Baie d'Hudson SRI | 1242939 B.C. Unlimited Liability Company | Applicant | August 12, 2025 |
| HBC Canada Parent Holdings Inc. | 1241423 B.C. Ltd. | Applicant | August 12, 2025 |
| HBC Canada Parent Holdings 2 Inc. | 1330096 B.C. Ltd. | Applicant | August 12, 2025 |
| HBC Bay Holdings I Inc. | 1330094 B.C. Ltd. | Applicant | August 12, 2025 |
| HBC Bay Holdings II ULC | 1330092 B.C. Unlimited Liability Company | Applicant | August 12, 2025 |
| The Bay Holdings ULC | 1329608 B.C. Unlimited Liability Company | Applicant | August 12, 2025 |
| 2472596 Ontario Inc. | -- | Applicant | -- |
| 2472598 Ontario Inc. | -- | Applicant | -- |
| Snospmis Limited | -- | Applicant | -- |

APPENDIX A
Endorsement dated July 22, 2025

See attached.



ONTARIO SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

COUNSEL SLIP/ENDORSEMENT

COURT FILE
NO.:

CV-25-00738613-00CL

DATE:

July 22, 2025

NO. ON LIST: 1

TITLE OF PROCEEDING:
BEFORE JUSTICE:
In Re: HUDSON'S BAY COMPANY
Justice OSBORNE

PARTICIPANT INFORMATION

For Plaintiff, Applicant, Moving Party, Crown:

| Name of Person Appearing | Name of Party | Contact Info |
|--------------------------|--------------------------|--|
| Ashley Taylor | Counsel for Hudson's Bay | ataylor@stikeman.com |

For Defendant, Respondent, Responding Party, Defence:

| Name of Person Appearing | Name of Party | Contact Info |
|---|---|--|
| David Bish Jeremy Opolsky | Counsel for Cadillac Fairview | dbish@torys.com jopolsky@torys.com |
| D.J. Miller Andrew Nesbitt | Counsel for Oxford Properties et al | djmiller@tgf.ca anesbitt@tgf.ca |
| Janet Lee Micah Ryu Graham Phoenix | Counsel for Ruby Liu Commercial Corp. | janetlee@mbb.ca micahryu@mbb.ca gphoenix@ln.law |
| Emily Lewsen | Counsel for Employee Representatives | elewsen@upfhlaw.ca |
| Jeremy Dacks Dave Rosenblat | Counsel for Pathlight Capital | jdacks@osler.com drosenblat@osler.com |
| Brendan Jones John Wolf | Counsel for landlords QuadReal Property Group and Primaris REIT | bjones@blaney.com jwolf@blaney.com |
| Matthew Lerner Brian Kolenda Christopher Yung Julien Sicco | Counsel for ReStore Capital LLC | mlerner@litigate.com bkolenda@litigate.com cyung@litigate.com jsicco@litigate.com |
| Matthew Gottlieb | Counsel for KingSett Capital | mgottlieb@lolg.ca |

| | | |
|------------------|--|--|
| Annency Pang | | apang@lolg.ca |
| Angela Hou | Counsel for Telus Health | ahou@mintz.com |
| Linda Galessiere | Counsel for Ivanhoe Cambridge and Morguard Investments (Landlords) | lgalessiere@cglegal.ca |
| Lindsey Miller | Counsel for West Edmonton Mall Property Inc. | lmiller@fieldlaw.com |

For Other, Self-Represented:

| Name of Person Appearing | Name of Party | Contact Info |
|----------------------------|------------------------|--|
| Doug Fenton Mike Shakra | Counsel to the Monitor | fentond@bennettjones.com shakram@bennettjones.com |

ENDORSEMENT OF JUSTICE OSBORNE:

1. This case conference was requested to address scheduling of two motions: the motion of the FILO Agent (for an order terminating the Central Walk Asset Purchase Agreement, directing the Monitor to disclaim the leases and other relief); and the motion of the Applicants for approval of the Central Walk APA.
2. The Central Walk parties have now retained counsel who was present in Court today. A Notice of Appearance will be delivered forthwith.
3. Having reviewed the aides memoire filed and considered the submissions of the parties, the following schedule is endorsed:
 - a. Applicants' motion record, together with any evidence from Central Walk and other supporting parties, to be delivered by July 29;
 - b. all responding materials, including for greater certainty responding materials in respect of both the motion of the FILO Agent and the Applicants, to be delivered no later than 12 PM noon on August 9;
 - c. any reply materials to be delivered by August 12;
 - d. all examinations, including cross examinations and rule 39.03 examinations if any, to be conducted on August 14, 15 and 18 as necessary according to a schedule agreed upon by the parties acting reasonably, and coordinated by the Monitor;
 - e. Monitor's Report to be delivered no later than August 20;
 - f. facta of the Applicants and any supporting parties in respect of the Applicants' Motion and facta of the FILO Agent in respect of its motion to be delivered no later than August 21;
 - g. facta of responding parties on either or both motions to be delivered no later than August 25;
 - h. reply facta, if any, not to exceed five pages in length, to be delivered no later than August 27; and
 - i. both motions to be heard on August 28, and if necessary, August 29 commencing at 10 AM at the Courthouse.
4. All parties will ensure that their materials are uploaded to Case Centre by the above noted deadlines.

5. I am advised that the “Outside Date” defined in the Central Walk APA, which is apparently the date by which that transaction is required as a term of the APA to close (which in turn assumes prior Court approval) currently expires on August 7, 2025. The above schedule is made on the basis that the Applicants and the Central Walk counterparties will consent to an extension of the Outside Date to accommodate the above schedule and a reasonable opportunity for the Court to render a decision thereafter. Those parties are seeking instructions in that regard. If the Outside Date is not agreed to be extended, the Monitor may schedule a case conference before me to amend the schedule as appropriate.
6. The Central Walk parties have undertaken to deliver a revised business plan to the Applicants by July 25, and confirmed to the Court that it will be delivered by that date.
7. Counsel for the Central Walk parties is considering their position with respect to whether the correspondence from those parties to the Court on July 11 can be produced in full or whether there are any concerns of privilege attached thereto.
8. Questions of the Monitor will be put and answered in writing.
9. If directions are required with respect to any rule 39.03 examination, a case conference to address that issue only may be scheduled through counsel to the Monitor and the Commercial List office.

Oliver J.

Appendix B
List of Individuals Cross-Examined

See attached.

List of Individuals Cross-Examined

August 14

Adam Zalev – *Reflect Advisors, LLC*

Theresa Warnaar – *KingSett Capital Inc.*

Michael Culhane – *formerly Hudson's Bay*

Franco Perugini – *Hudson's Bay*

August 15

Jay Camacho – *QuadReal Property Group*

Elias Lou Ampas – *Hudson's Bay*

Patrick Sullivan – *Primaris Management Inc.*

Weihong (Ruby) Liu – *Potential Lease Purchaser*

August 18

Ruby Paola – *La Caisse (Ivanhoe Cambridge)*

David Wyatt – *Morguard Investments Limited*

Nadia Corrado – *Oxford*

Rory MacLeod – *Cadillac Fairview*

Scott R. Lee – *Revesco Properties Ltd.*

Sharon Hamilton – *Ernst & Young Inc.*

APPENDIX C
Monitor's Summary of Expert Reports

See attached.

Monitor's Summary of Expert Reports

- 1.1 The Monitor has reviewed the Expert Reports and summarized key conclusions below. The Monitor has not undertaken a qualitative review of the conclusions in the Expert Reports, nor is the Monitor commenting – positively or negatively – on the validity of any analysis or conclusions presented therein.

Lee Report

- 1.2 Capitalized terms in this section not otherwise defined herein have the meanings ascribed to them in the Lee Report.
- 1.3 Scott R. Lee is a Managing Director at Revesco Properties Ltd. with over 35 years of specialized experience. Mr. Lee has led or overseen more than 1,000 sale and lease transactions, accounting for over 20 million square feet of retail space, and has held senior leadership roles at prominent firms such as JLL Canada and Northwest Atlantic (Canada) Inc.
- 1.4 The Lee Report attempts to provide an industry-based framework regarding the significance of anchor tenancies, the typical practices and standards governing their assignment, and the potential legal and financial implications that could arise if the Lease Assignment Relief is granted.
- 1.5 The Lee Report considers prevailing market practices, relevant lease provisions, and the broader ecosystem of shopping centre operations, including impacts on landlords, subordinate tenants, lenders, and the shopping centre value and concludes by outlining

various deficiencies Mr. Lee believes exist with the Potential Lease Purchaser's proposed Business Plan and ability to carry out successful operations.

1.6 Focusing specifically on the role of an anchor tenant, Mr. Lee contends that:

- (a) anchor tenants are defined by their substantial physical footprint within a retail property which routinely exceed 100,000 square feet, with some department store anchors occupying 150,000 to 200,000 square feet or more. These premises are strategically located to maximize shopper circulation, often at prominent end-cap or corner locations, and are typically entitled to extensive exterior and interior signage, exclusive entrances, and dedicated loading and storage facilities;
- (b) anchor tenants are nationally or internationally recognized brands (e.g., HBC, Walmart, Canadian Tire) with established reputations for retail excellence, financial stability, and market draw. Their ability to attract sustained customer traffic is integral to the design and success of the shopping centre;
- (c) anchor leases are unique, reflecting the tenant's bargaining power and strategic value. Key technical distinctions include:
 - (i) Longer Lease Terms: Often 20–30 years, with multiple renewal options;
 - (ii) Favourable Economic Terms: Lower base rent per square foot compared to in-line tenants, frequently offset by landlord contributions to tenant improvements, capital expenditures, or co-investment in property upgrades;
 - (iii) Operational Rights: Broad operating hours, control over adjacent common

areas, and enhanced signage/branding rights; and

- (iv) Covenants and Restrictions: Co-tenancy clauses (rights for other tenants to abate rent or terminate if the anchor departs), exclusive use provisions, and assignment/change of control restrictions to protect the integrity of the tenant mix.

1.7 With respect to the economic and legal importance of anchor tenants, Mr. Lee notes:

- (a) Traffic Generation and Synergy: The anchor's primary function is to generate customer traffic, which benefits the entire shopping centre ecosystem. Anchor-generated footfall is a key metric in leasing negotiations and is important in attracting and retain in-line and specialty tenants.
- (b) Impact on Tenant Mix and Leasing: The presence of a reputable anchor is a significant inducement for other tenants to lease space. Anchor departures or downgrades can "destabilize" the tenancy mix, reduce sales volumes, and lead to increased vacancy or rent concessions.
- (c) Asset Value and Financing: Anchor leases are fundamental to a shopping centre valuation and the underwriting of mortgage financing. The loss or impairment of an anchor lease can trigger loan covenant breaches, require lender consent for lease amendments, and prompt revaluations or refinancing challenges.
- (d) Co-Tenancy and Cross-Default Provisions: Many anchor leases contain co-tenancy clauses, allowing those tenants to reduce rent or terminate their leases if the anchor ceases operation or is replaced by a non-comparable entity. This creates a "domino

effect” risk in the event of anchor lease assignment, which can jeopardize shopping centre cash flows and long-term viability.

1.8 With respect to lease assignment practices and market standards, Mr. Lee notes:

- (a) Assignment Provisions in Anchor Leases: Anchor leases generally contain stringent assignment and change-of-control provisions. Landlords and their lenders generally require that any prospective assignee demonstrate:
 - (i) Comparable financial strength and operating track record to the original anchor.
 - (ii) Comparable or superior brand recognition and market presence.
 - (iii) An operational business model aligned with the property’s retail positioning and co-tenancy requirements.
- (b) Industry Due Diligence: In standard market practice, assignment proposals are subject to rigorous vetting, including:
 - (i) Review of the assignee’s financial statements, business plan, and retail experience.
 - (ii) Evidence of continued ability to generate customer traffic and maintain brand standards.
 - (iii) Assessment of potential impacts on in-line tenant co-tenancy rights and overall centre economics.

1.9 The Lee Report concludes with an analysis of the Proposed Lease Purchaser's Business Plan and ability to carry out retail operations:

- (a) Existing Experience not Sufficient: While the Potential Lease Purchaser currently operates three shopping centres and a golf course, this experience does not translate to the operational demands of operating department stores.
- (b) No Existing Precedent: No retailer (domestic or foreign) has ever successfully opened 11 to 28 department-sized locations in Canada within an 18-month window in an anchor premises. The absence of retail experience in Canada raises concerns about the ability of the Potential Lease Purchaser to execute such a large-scale rollout successfully.
- (c) Lack of Brand Recognition: While the Business Plan outlines a conceptual framework for the Ruby Liu brand, it remains aspirational, and the brand does not currently hold any recognition, credibility, or equity among Canadian consumers. This lack of brand identity is particularly problematic when fulfilling the role of an anchor tenant, as anchors must be proven traffic drivers with established consumer pulling power.
- (d) Management Does not Have Experience: Neither Ms. Liu nor Linda Qin has any direct department store operating experience or a proven track record in managing a large-scale, multilocation retail operation in Canada. Several key positions within the Proposed Lease Purchaser's organization such as the chief financial officer and the chief technology officer are not accounted for.

- (e) Distribution Model is Unproven: While J2 appears to offer a platform for warehousing, logistics, and field services, an outsourced distribution model places substantial operational reliance on a third party that does not have a proven track record of executing at the scale and complexity required for a multi-regional department store chain. Outsourcing logistics in retail is not uncommon for smaller retailers, but for a large retailer with no in-house team, no Canadian operational history, and no internal oversight mechanisms, this approach introduces execution risk.
- (f) Merchandising: The business plan lacks a detailed, evidence-based merchandising strategy. There is no discussion of product category allocation, pricing architecture, gross margin targets, or positioning versus comparable retailer.
- (g) Product Mix: The proposed product assortment spans a wide range of categories - from apparel and cosmetics to electronics and home goods, but lacks a clearly defined customer.

EY Report

- 1.10 Capitalized terms in this section not otherwise defined herein have the meanings ascribed to them in the EY Report.
- 1.11 The EY Report was led by Sharon Hamilton, President of Ernst & Young Inc. Ms. Hamilton is a Chartered Professional Accountant Chartered Insolvency and Restructuring Professional and Licensed Insolvency Trustee with over 30 years of experience in transaction advisory services. In preparing the EY Report, Ms. Hamilton relied on

professionals from Ernst & Young LLP with knowledge and/or experience in the retail sector and in real estate matters to provide sector specific research and information.

1.12 The EY Report provides a lengthy analysis of, and commentary on, the Business Plan and financial projections of the Potential Lease Purchaser. Key areas of focus of the EY Report include the: (i) viability of the Business Plan and strategic approach; (ii) estimated timeframe to opening stores/commencing operations; (iii) estimated pre-opening and build out costs (including leasehold improvements and land transfer taxes); (iv) projected store level and consolidated operating results (revenues, gross margins, profitability and cash flows); and (iv) adequacy of the proposed equity commitment of the Potential Lease Purchaser and overall funding requirements.

1.13 In particular, the EY Report asserts:

(a) Business Plan: The Business Plan is not a comprehensive business plan sufficient to enable the start up of a complex business. It is high level and conceptual. It does not contain detailed market analysis such as trends, addressable market, growth potential, barriers to entry and assessment of the competitive landscape. It does not account for the complex operating infrastructure that would be required to start a new department store chain effectively as a start up, including the merchandising function, supply chain, information technology requirements, workforce complement and other aspects.

(b) Time Frame to Opening: the Business Plan is premised on a fundamental underlying assumption that the Standard and Platinum stores can open within 6 months and Flagship stores within 12 months. The EY Report concludes that this is unrealistic

given the required functions for opening, including: (i) hiring corporate employees; (ii) implementing the necessary IT systems; (iii) developing a detailed product and target market strategy; (iv) setting up a merchandising function; and (v) acquiring inventory. A number of established retailers such as Target, Nordstrom Canada and Simons took two years or more to open stores despite having direct experience and an established operating model. The experience of these retailers suggests that a more realistic timeframe for opening new stores and establishing supporting functions is closer to two years or longer.

- (c) Cost to Open: The Business Plan contemplates a total budget for Leasehold Improvements of approximately \$117.7 million for 25 stores, which equates to \$30.60 per square foot. The Opposing Landlords have suggested, based on reports they have commissioned, that remediation costs alone at 18 locations as required by those Subject Leases would exhaust the Potential Lease Purchaser's budget. Each of Target Canada, Nordstrom Canada and Simons spent in the range of \$87 per square foot over a decade ago to approximately \$300 per square foot more recently, suggesting that the actual cost of remediation per square foot will be significantly higher than estimated by the Potential Lease Purchaser. In addition, the Potential Lease Purchaser's Financial Model underestimates other one-time costs to launch the business, including IT implementation costs, land transfer taxes and other costs.

- (d) Projected Operating Costs: The store operating results reflected in the Financial Model are better than Hudson's Bay's actual results for the same stores in 2024. The combination of the Potential Lease Purchaser: (i) being a new retailer; (ii) lacking an existing operating infrastructure or processes; (iii) lacking a detailed target market or product strategy; (iv) lacking established history, experience and relationships; and (v) attempting to open 28 locations within 6-12 months, gives rise to risk that the Potential Lease Purchaser will be unable to generate similar results to established retailers such as Hudson's Bay. The Financial Model also appears to underestimate or omit necessary corporate and overhead costs. These factors all give rise to risks that the Potential Lease Purchaser will generate annual operating losses and exhaust the equity commitment faster than anticipated.
- (e) Equity Commitment: given the foregoing, there is risk that the funding required to open the stores will be significantly greater than the \$375 million equity commitment offered. In addition, there is also a risk that even once the stores are opened, they will generate significant annual losses. Accordingly, the EY Report indicates that the equity commitment of \$375 million appears to be insufficient.

1.14 Based on its analysis, the EY Report concludes:

- (a) the estimated costs to store opening as set out in the Financial Model do not appear feasible, reasonable and realistic and are likely to be significantly higher;
- (b) the Business Plan is not comprehensive and does not address many key elements required to properly assess the feasibility of the plan to open a 28-department store

chain as start up. The Business Plan does not demonstrate an appreciation for the complexity of the work required and the cost of doing so;

- (c) the estimated timeframe for opening stores does not appear feasible, reasonable and realistic and is likely to be significantly longer leading to further increased cost;
- (d) the projected financial results do not appear reasonable and based upon the experience of other retailers, including Hudson's Bay, are at significant risk of being materially worse; and
- (e) the \$375 million equity commitment by Ms. Liu is unlikely to be sufficient to fund the Potential Lease Purchaser until it becomes cashflow positive.

APPENDIX D

Letter from Counsel to Potential Lease Purchaser dated August 20, 2025

See attached.



R. Graham Phoenix*

Tel: 416.748.4776

Email: gphoenix@LN.law

*Practicing as RGP Professional Corporation

DELIVERED VIA EMAIL

File code: 37828-0001

August 20, 2025

BENNETT JONES LLP

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

Attn: Sean Zweig (ZweigS@bennettjones.com)
Preet Gill (GillP@bennettjones.com)
Mike Shakra (ShakraM@bennettjones.com)
Thomas Gray (GrayT@bennettjones.com)
Doug Fenton (FentonD@bennettjones.com)

Dear Counsel:

RE: CCAA Proceedings of the Hudson's Bay Company et al.

Asset Purchase Agreement dated May 23, 2025 between Ruby Liu Commercial Investment Corp. ("**RLCI**"), as purchaser, Hudson's Bay Company ULC, as vendor, (the "**APA**"), pursuant to which the purchaser would acquire certain commercial leases (the "**Leases**")

We write to you as counsel to Alvarez & Marsal Canada Inc. (the "**Monitor**").

The purpose of this letter is two-fold.

First, we respond to your letter of August 19, 2022, requesting confirmation that the Monitor did not assist RLCI with either (i) the Central Walk Phase II Qualified Bid dated May 1, 2025 or (ii) the Business Plan included as Tab A in Ms. Liu's affidavit of July 29, 2025. We confirm that the Monitor did not assist RLCI with preparation of the above-referenced May 1 Qualified Bid nor the Business Plan (including the specific Business Plan referenced and any iteration thereof). Any statement by Ms. Liu to the contrary in cross-examination was a misstatement.



Second, we write to provide the Monitor with an update on the correction of an obvious error in RLCI materials.

As you are aware, the materials of RLCI included an equity commitment by Ms. Liu in the amount of \$400,000,000.00. There was a drafting oversight in the original form of that commitment. A corrected and freshly signed version was sent to HBC on August 18, 2025 to address this issue. A copy of the letter to counsel the HBC enclosing the update equity commitment is enclosed herewith as Appendix "A".

This was an obvious oversight that has been corrected, which should be brought to the Monitor's attention.

We are available to speak, should the Monitor have any questions.

Yours truly,

LOOPSTRA NIXON LLP

Per:



R. Graham Phoenix
Partner

RGP/aa

cc. Janet Lee & Micah Ryu, Metcalfe, Blainey & Burns LLP (janetlee@mbb.ca; micahryu@mbb.ca)
Greg Karpel, Alvarez & Marsal Canada Inc. – the Monitor (gkarpel@alvarezandmarsal.com)
Ashley Taylor, Stikeman Elliott LLP – counsel to the Applicants (ataylor@stikeman.com)

APPENDIX “A”



R. Graham Phoenix*

Tel: 416.748.4776

Email: gphoenix@LN.law

*Practicing as RGP Professional Corporation

DELIVERED VIA EMAIL (ataylor@stikeman.com)

File code: 37828-0001

August 18, 2025

STIKEMAN ELLIOTT LLP

199 Bay Street
Suite 5300, Commerce Court West
Toronto ON M5L 1B9

Dear Mr. Taylor

RE: In the Matter of a Plan of Compromise or Arrangement of Hudson's Bay Company ULC et al.

Court File No. CV-25-00738613-00CL

Asset purchase agreement dated May 23, 2025, between Hudson's Bay Company ULC ("HBC ULC") and Ruby Liu Commercial Investment Corp. ("RLCI"), as amended June 13, 2025, July 21, 2025, and July 29, 2025 (the "APA")

We write in connection with the transaction contemplated by the APA and the Applicants' motion returnable August 28, 2025 in the above noted proceedings (the "**Assignment Motion**") for, *inter alia*, an order assigning twenty-five (25) former HBC ULC leases to our client, RLCI.

We write to provide you with a revised version of the equity commitment letter previously delivered to you and forming part of RLCI's supporting motion record in respect of the Assignment Motion. The revision is to correct an oversight on the original letter – namely: the omission of "Investment" from the corporate name of the proposed purchaser. This was a drafting error. The correct party to which the equity commitment is made is "Ruby Liu Commercial Investment Corp". It has always been Ms. Liu's intention to fund RLCI in this venture.

Enclosed please find a revised version of the equity commitment letter, freshly signed, to correct this oversight.

Additionally, we wish to clarify the Personal Rent Guarantee (as defined in our letter to you dated August 12, 2025).

As stated in that letter, Ms. Liu remains committed to provide a personal guarantee of the rent obligations under each of the Leases for the period of one year following closing of the transaction contemplated by the APA. In cross-examination on her affidavits, Ms. Liu was asked by counsel



what was meant by “rent obligations” and there was some confusion as to the extent of the Personal Rent Guarantee.

For clarity, the Personal Rent Guarantee shall cover the following rent obligations under the various leases, for the period of one year following closing of the transaction contemplated by the APA:

- base rent;
- taxes;
- ordinary course maintenance; and
- insurance.

As stated previously, the Personal Rent Guarantee is proposed to be a closing deliverable under the APA, added to the APA by way of amendment and/or a condition to the requested draft Court order granting the assignment of the leases.

On cross-examination, counsel to the landlords also inquired if Ms. Liu was guaranteeing “arrears”. We don’t understand this question as any arrears shall be addressed as part of the assignment of the leases under the CCAA.

We are happy to discuss the rent guarantee and work to finalize an appropriate amendment to the APA or draft order as the Applicants deem appropriate.

Yours truly,

LOOPSTRA NIXON LLP

Per:

R. Graham Phoenix
Partner

RGP/aa

cc: *Elizabeth Pillon; Maria Konyukhova, Philip Yang, Stikeman Elliott LLP*
Ruby Liu Commercial Investment Corp.
Ruby Liu, in her personal capacity
Janet Lee & Micah Ryu, Metcalfe, Blainey & Burns LLP

August 18, 2025

To: RUBY LIU COMMERCIAL INVESTMENT CORP.

Reference is made to: (a) the asset purchase agreement (as amended from time to time, the "**Agreement**") dated May 23, 2025 between, inter alia, HUDSON'S BAY COMPANY ULC COMPAGNIE DE LA BAIE D'HUDSON SRI (the "**Vendor**") and Ruby Liu Commercial Investment Corp. ("**RLC**"), which was erroneously referred to as "Ruby Liu Commercial Corp." therein, to acquire the Assigned Leases (as the term is defined in the Agreement); and (b) the letter from the undersigned parties dated July 29, 2025 to "Ruby Liu Commercial Corp. (the "**Superceded Letter**")".

It has come to the attention of RCL and the undersigned parties that the Superceded Letter has a typographical error, being that "Ruby Liu Commercial Investment Corp." was erroneously referred to as "Ruby Liu Commercial Corp."

As such, RCL and the undersigned parties hereby enter into this letter agreement, which shall supercede and replace the Superceded Letter as of the date thereof, and the terms of such Superceded Letter are hereby restated as follows:

1. **Commitment and Use of Proceeds.** In connection with the Agreement, I, Weihong (Ruby) Liu and the undersigned entities controlled by me (collectively, "**Ruby**") hereby commit for the benefit of RLC, on the terms and subject to conditions set forth herein, to invest directly or indirectly in common shares or other equity securities of RLC from and after the closing of the transactions contemplated in the Agreement in an aggregate amount up to a maximum of CAD400,000,000.00 (the "**Commitment**") in one or more tranches as requested from time to time by RLC from and after such closing. Ruby shall not, under any circumstances, be obligated to contribute to, purchase equity or debt of, or otherwise provide funds to RLC in any amount in excess of the Commitment.
2. **Conditions to Funding.** The obligation of Ruby to fund the Commitment shall be subject to the closing of the purchase of the Assigned Leases pursuant to the Agreement.
3. **Termination.** This letter agreement and the obligation of Ruby to fund the Commitment pursuant to Section 1 shall terminate upon the earlier to occur of: (A) the direct or indirect investment by Ruby in common shares or other equity securities of RLC in an aggregate amount equal to the Commitment; (B) the termination of the Agreement in accordance with its terms; (C) failure by RLC and the Vendor to close the purchase of the Assigned Leases pursuant to the Agreement; and (D) the assertion by the Vendor or the Company or any of their respective affiliates or representatives of any litigation or other proceeding involving RLC or any of their respective directors, shareholders, affiliates or representatives (other than the motion relating to the Assigned Leases).
4. **No Third Party Rights.** This letter agreement shall not create any obligations of Ruby towards, or rights in favour of, any persons or entities which are not parties to this letter agreement. This letter agreement may only be enforced by RLC and Ruby (subject to the condition precedents and limitations set forth in this letter agreement).
5. **Governing law and attornment.** This letter agreement will be governed by and construed and enforced in accordance with the domestic substantive laws of Ontario and the federal laws of Canada applicable therein, without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction. The courts of Ontario located in Toronto will have exclusive jurisdiction to entertain any action arising under this letter agreement.
6. **The Superceded Letter is hereby superceded by this restated letter.**



Name: Ruby Liu

Techion Global Investments Ltd.



Name: Ruby Liu

Central Walk (Barbados) Company Ltd.



Name: Ruby Liu

Appendix E
Sixth Report of the Monitor (without Schedules or Appendices)

See attached.

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

**IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS
AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
HUDSON'S BAY COMPANY ULC COMPAGNIE DE LA BAIE D'HUDSON SRI, HBC
CANADA PARENT HOLDINGS INC., HBC CANADA PARENT HOLDINGS 2 INC.,
HBC BAY HOLDINGS I INC., HBC BAY HOLDINGS II ULC, THE BAY HOLDINGS
ULC, HBC CENTERPOINT GP INC., HBC HOLDINGS GP INC., SNOSPMIS
LIMITED, 2472596 ONTARIO INC., and 2472598 ONTARIO INC.**

Applicants

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

JULY 14, 2025

TABLE OF CONTENTS

| | | |
|------------|--|-----------|
| 1.0 | INTRODUCTION..... | 1 |
| 2.0 | TERMS OF REFERENCE AND DISCLAIMER | 12 |
| 3.0 | UPDATE ON THE LIQUIDATION SALE | 13 |
| 4.0 | UPDATE ON THE LEASE MONETIZATION PROCESS..... | 15 |
| 5.0 | THE FILO MOTION | 19 |
| 6.0 | CASH FLOW RESULTS RELATIVE TO FORECAST | 33 |
| 7.0 | ACTIVITIES OF THE MONITOR..... | 38 |
| 8.0 | CONCLUSIONS AND RECOMMENDATIONS..... | 40 |

INDEX TO SCHEDULES AND APPENDICES

Schedule A – Other Applicants and Non-Applicant Stay Parties

Appendix “A” – Fifth Report of the Monitor dated June 19, 2025 (without appendices)

1.0 INTRODUCTION

1.1 On March 7, 2025, 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”** 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”** hereto (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

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**”). A&M, then in its capacity as proposed Monitor, issued a pre-filing Report dated March 7, 2025, to provide the Court with information and, where applicable, its views on the relief sought by the Applicants.

Comeback Motion

1.3 The Applicants served a motion record on March 14, 2025, including an affidavit of Jennifer Bewley, the then Chief Financial Officer of Hudson’s Bay sworn March 14, 2025

¹ As noted within this Sixth Report, the CCAA Proceedings have been terminated in respect of certain of the Applicants, and the stay of proceedings no longer applies in respect of certain of the Non-Applicant Stay Parties. The defined terms “Applicants”, “Non-Applicant Stay Parties” and “Hudson’s Bay Canada” as used in this Report refer to the applicable entities at the relevant times.

in support of a comeback motion (the “**Comeback Motion**”) for:

- (a) an amended and restated Initial Order (the “**ARIO**”);
- (b) an order, among other things, approving a process to market Hudson’s Bay Canada’s real property leases (the “**Lease Monetization Process**”) and a related consulting agreement for a broker to conduct the Lease Monetization Process;
- (c) an order (the “**Liquidation Sale Approval Order**”), among other things, approving the Consulting Agreement and Sale Guidelines for the orderly liquidation of inventory and FF&E at each of the Stores (as such terms are defined in the Liquidation Sale Approval Order); and
- (d) an order (the “**SISP Order**”), among other things, approving a sale and investment solicitation process in respect of the Applicants’ business and property (the “**SISP**”) to be conducted by the Company’s financial advisor, Reflect Advisors, LLC (“**Reflect**”).

1.4 Certain parties filed materials in opposition to the Comeback Motion. The Court ultimately granted certain interim relief on March 17, 2025, 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 at the Comeback Motion to March 21, 2025 (the “**March 21 Hearing**”).

1.5 On March 21, 2025, the Applicants served a motion record, including an affidavit sworn by Jennifer Bewley, setting out revised relief to be sought at the March 21 Hearing. The

Applicants sought amended forms of the ARIO, the Lease Monetization Order, the Liquidation Sale Approval Order and the SISP Order, which included the following:

- (a) a revised ARIO, which 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 (each as defined in and approved by the Initial Order);
 - (ii) approve a Restructuring Support Agreement to be entered into between the Loan Parties, the ABL Agent, the FILO Agent, and the Term Loan Agent (each as defined therein) (the "**Restructuring Support Agreement**");
 - (iii) amend the stay of the JV Rent (as defined in the ARIO) and grant a related charge in favour of the JV Parties (as defined in the ARIO);
 - (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; and
 - (v) authorize Hudson's Bay to enter into the continuous premium installment contract with Imperial PFS Payments Canada, ULC ("**IPFS**"), pursuant to which IPFS would provide financing to the Company to purchase one or more property insurance policies;

- (b) a revised Lease Monetization Order which 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 therein) between Hudson's Bay and Oberfeld Snowcap Inc. ("**Oberfeld**") pursuant to which Oberfeld, rather than the previously proposed broker, would be the broker responsible for assisting in the marketing of leases;
- (c) a revised Liquidation Sale Approval Order, which would: (i) approve a revised liquidation consulting agreement between the Applicants and Hilco Merchant Retail Solutions ULC ("**Hilco**", or the "**Consultant**", and that agreement, the "**Consulting Agreement**"), among other things, which allowed for the removal of certain of the Applicants' stores from the liquidation process (the "**Liquidation Sale**"); and (ii) approve revised Sale Guidelines (as defined therein) governing the Liquidation Sale that incorporated certain amendments negotiated with key stakeholders; and
- (d) a revised SISP Order which would, among other things, approve a revised SISP incorporating certain amendments negotiated with key stakeholders.

1.6 As set out in its endorsement dated March 26, 2025 (the "**March 26 Endorsement**"),² the Court ultimately granted the Orders in substantially the form sought by the Applicants, subject to the following:

- (a) the Court declined to continue the co-tenancy stay; and

² The March 26 Endorsement was updated on April 4, 2025 to correct certain typographical errors.

- (b) the Court declined to approve the Restructuring Support Agreement and deferred the hearing of that relief to March 26, 2025 (the “**March 26 Hearing**”).

1.7 Following the March 26 Hearing, the Court issued an endorsement pursuant to which it, among other things, declined to approve the Restructuring Support Agreement and provided certain directions to the Monitor with respect to future reporting.

April 24 Motion

1.8 At a hearing before the Court on April 24, 2025, the Applicants sought:

- (a) an order (the “**Employee Representative Counsel Order**”), among other things: (i) appointing Ursel Phillips Fellows Hopkinson LLP (“**Ursel Phillips**”) as representative counsel (“**Employee Representative Counsel**”) for the Represented Employees (as defined therein); and (ii) amending the Administration Charge granted in the Initial Order to include the proposed Employee Representative Counsel; and
- (b) an order amending and restating the SISP Order (the “**A&R SISP Order**”), among other things, approving: (i) the removal of the Company’s art and artifacts collection (collectively, the “**Art Collection**”) from the Property (as defined in the SISP) available for sale pursuant to the SISP; (ii) the vesting of the sales of the Art Collection to Successful Art Bidders free and clear of all Claims (each as defined in the A&R SISP Order), subject to the delivery of an executed bill of sale or receipt;

and (iii) the engagement of Heffel Gallery Limited to conduct a separate auction for the sale of the Art Collection.³

1.9 At the conclusion of the hearing on April 24, at which certain opposition to the Employee Representative Counsel Order was raised, the Court:

- (a) dismissed the Applicants' motion and the competing cross motion with respect to the competing requests to appoint Employee Representative Counsel, and appointed the Honourable Herman Wilton-Siegel as independent third party (the "ITP") to evaluate the Representative Counsel proposals and make a recommendation to the Court; and
- (b) granted the A&R SISP Order on terms that reflected the unique nature of certain pieces within the Art Collection.

1.10 On May 5, 2025, the Court issued an endorsement accepting the recommendation of the ITP appointing Ursel Phillips as Employee Representative Counsel, and an Order of the same date setting out Employee Representative Counsel's powers and protections was subsequently granted by the Court.

Stay Extension and Distribution Order

1.11 On May 13, 2025, the Court granted an Order (the "**Stay Extension and Distribution Order**"), among other things:

³ Certain of the relief sought was revised by the Applicants in advance of the hearing, including that at the time the April 24 motion was heard, the Applicants were no longer seeking any relief with respect to vesting sales of Art Collection items free and clear of Claims.

- (a) extending the Stay Period (as defined in the ARIO) until and including July 31, 2025;
and
- (b) authorizing the Applicants to make certain distributions to the ABL Agent and the
FILO Agent.

June 3 Hearing

1.12 On June 3, following a motion brought by the Applicants, the Court granted:

- (a) an approval and vesting Order (the “**CTC AVO**”), among other things:
 - (i) approving the asset purchase agreement dated May 15, 2025, between The Bay Limited Partnership (“**The Bay LP**”), by its general partner, as vendor, and Canadian Tire Corporation, Limited (“**Canadian Tire**”) and authorizing The Bay LP, by its general partner, and Canadian Tire to take such additional steps and execute such additional documents as necessary or desirable to complete the contemplated transactions (the “**Canadian Tire Transaction**”);
and
 - (ii) sealing the Confidential Bid Summary (as defined therein); and
- (b) an Order, among other things, declaring that, pursuant to subsections 5(1)(b)(iv) and 5(5) of the *Wage Earner Protection Program Act*, SC 2005, c 47, s. 1, effective June 21, 2025, the Applicants meet the criteria prescribed by section 3.2 of the *Wage Earner Protection Program Regulations*, SOR/2008-222.

1.13 Separately, following a receivership application by RioCan Real Estate Investment Trust, RioCan Holdings Inc., RioCan Holdings (Oakville Place) Inc., RioCan Property Services Trust, RC Holdings II LP, RC NA GP 2 Trust, and RioCan Financial Services Limited (collectively, “**RioCan**”), the Court granted an Order, among other things:

- (a) appointing FTI Consulting Canada Inc. as receiver and manager, without security (in such capacity, the “**Receiver**”), over RioCan-HBC Limited Partnership, RioCan-HBC General Partner Inc., HBC YSS 1 Limited Partnership, HBC YSS 1 LP Inc., HBC YSS 2 Limited Partnership, HBC YSS 2 LP Inc., RioCan-HBC Ottawa Limited Partnership, RioCan-HBC (Ottawa) Holdings Inc. and RioCan-HBC (Ottawa) GP, Inc. (collectively, the “**JV Entities**”); and
- (b) granting various related relief to provide certain powers and protections in favour of the Receiver.

1.14 In addition, the Court granted an Order sought by the Applicants, among other things, terminating the stay of proceedings and the protections and authorizations provided for by the ARIO in favour of the JV Entities, and terminating the CCAA Proceedings with respect to HBC YSS 1 LP Inc. and HBC YSS 2 LP Inc. concurrently with the appointment of the Receiver over the JV Entities.

1.15 The Canadian Tire Transaction closed on June 25, 2025.

June 23 Motion

1.16 On June 23, 2025, following a motion by the Applicants, the Court granted the following Orders:

- (a) an Order, among other things:
 - (i) approving the Assignment and Assumption of Leases dated as of May 23, 2025, between the Company, as assignor, Ruby Liu Commercial Investment Corp., as assignee, Central Walk Tsawwassen Mills Inc., Central Walk Mayfair Shopping Centre Inc., and Central Walk Woodgrove Shopping Centre Inc., as landlords, and Weihong Liu, as guarantor (the “**Affiliate Lease Assignment Agreement**”);
 - (ii) approving the transactions contemplated by the Affiliate Lease Assignment Agreement (the “**Affiliate Lease Assignment Transaction**”);
 - (iii) vesting the Company’s right, title, and interest in and to the CW Leases (as defined therein), all related rights, benefits and advantages, and any right, title, and interest of the Company in the Leasehold Improvements (as defined and described in the Affiliate Lease Assignment Agreement), in and to Central Walk, free and clear of all claims and encumbrances; and
 - (iv) sealing the Confidential Bid Summary (as defined therein); and
- (b) an Order (the “**CTC AVO Amendment Order**”), among other things, amending the CTC AVO to authorize the Applicants to execute and file articles of amendment or such other documents as may be required to change their respective legal names and revise the style of cause in these CCAA Proceedings.

- 1.17 The Affiliate Lease Assignment Transaction closed on June 26, 2025. The Applicants have not yet executed and filed articles of amendment pursuant to the CTC AVO Amendment Order.

FILO Motion

- 1.18 On July 8, 2025, Restore Capital, LLC, in its capacity as the agent on behalf of various first in last out lenders (in such capacity, the “**FILO Agent**”, and such lenders, the “**FILO Lenders**”) under a second amended and restated credit agreement with Hudson’s Bay as borrower dated December 23, 2024 (the “**Amended ABL Agreement**”), served a motion record (the “**FILO Motion**”), including an affidavit sworn by Ian Fredericks of the same date (the “**Fredericks Affidavit**”) seeking an Order (the “**Expanded Powers Order**”), among other things:
- (a) expanding the powers of the Monitor to allow the Monitor to conduct the affairs and operations of the Applicants for the benefit of all of their stakeholders;
 - (b) authorizing and directing the Monitor to cause the Applicants to terminate the Central Walk APA and the Central Walk Transaction (each as defined below);
 - (c) authorizing and directing the Monitor to cause Hudson’s Bay to immediately disclaim all of its remaining leases subject to the Central Walk APA for which a transaction has not closed and that are not subject to any other potential transaction;
 - (d) directing Hudson’s Bay to distribute \$6 million to the FILO Agent (the “**Proposed Distribution**”) within one day of the date of the Order; and

(e) granting certain related and ancillary relief.

- 1.19 On July 11, 2025, the FILO Agent served a supplemental motion record in support of the FILO Motion (the “**Supplemental Record**”). No further relief was sought therein.
- 1.20 On July 13, 2025, the Applicants served a responding motion record, including the affidavit of Michael Culhane sworn on the same date (the “**Third Culhane Affidavit**”). As set out in the Third Culhane Affidavit, the Applicants take issue with many of the assertions made in the Fredericks Affidavit, and oppose the relief sought on the FILO Motion.
- 1.21 Materials filed in the CCAA Proceedings, including the prior Reports of the Monitor (the “**Prior Reports**”) and all endorsements and orders made by the Court, are available on the Monitor’s case website at: www.alvarezandmarsal.com/HudsonsBay (the “**Case Website**”).

Purpose of this Report

- 1.22 The purpose of this Report (the “**Sixth Report**”) is to provide the Court with information and, where applicable, the Monitor’s views on:
- (a) an update on the results of the Liquidation Sale;
 - (b) the status of certain bids received under the Lease Monetization Process, including an update on developments in respect of the Central Walk APA;
 - (c) the FILO Motion;
 - (d) the Applicants’ cash flow results relative to forecast;

- (e) the activities of the Monitor since its Fifth Report dated June 19, 2025 (the “**Fifth Report**”); and
- (f) the Monitor’s conclusions and recommendations in connection with the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Sixth 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 the Applicants, and has held discussions with various parties, including senior management of, and advisors to, the Applicants (collectively, the “**Information**”). Except as otherwise described in this Sixth 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 Sixth 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 Sixth Report was prepared based on the estimates and assumptions of the Applicants. 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 and even if the assumptions materialize, the variations could be significant.
- 2.3 This Sixth Report should be read in conjunction with the Fredericks Affidavit, the Third Culhane Affidavit and the Supplemental Record. Capitalized terms used and not defined in this Sixth Report have the meanings ascribed in the Fredericks Affidavit or the Third Culhane Affidavit, as applicable.
- 2.4 Unless otherwise stated, all monetary amounts referenced herein are expressed in Canadian dollars.

3.0 UPDATE ON THE LIQUIDATION SALE⁴

- 3.1 A fulsome update on the Liquidation Sale, including the dates on which the Stores were closed and vacated, was provided in the Fifth Report, which is attached as **Appendix “A”** hereto.
- 3.2 As described in the Fifth Report, the total receipts generated from the Liquidation Sale were subject to a Final Reconciliation, which was to be completed within 45 days following the Sale Termination Date for the last store.

⁴ Capitalized terms not otherwise defined herein have the meanings ascribed in the Consulting Agreement.

3.3 The Applicants, with the assistance of the Monitor, completed the Final Reconciliation in July 2025 to determine the fees, expenses, and other amounts payable under the Consulting Agreement. As of the date of this Report, all amounts due to the Consultant related to the Liquidation Sale have now been paid, with the exception of approximately \$1.2 million of incurred costs and expenses which are subject to ongoing review and reconciliation by the Company and expected to be paid in future weeks.

3.4 A summary of the results of the Liquidation Sale, by type of sale, for the period March 25 (the Liquidation Sale commencement date) to June 15, 2025, is provided below:

| Results of the Liquidation Sale | | | |
|---|----------------|------------------------------------|--------------------|
| \$000's | Sales | Consultant Fees¹ | HBC's Share |
| Merchandise ² | 320,614 | 6,412 | 298,176 |
| Participating Concession/Consignment | 105,541 | 7,423 | 15,151 |
| Consultant Consignment Goods ³ | 43,374 | - | 2,819 |
| Additional Consultant Goods ⁴ | 43,872 | - | 2,852 |
| FF&E | 13,270 | 1,990 | 11,279 |
| Total | 526,670 | 15,826 | 330,277 |

1. Consultant Fees do not include fees paid on Consultant Consignment Goods or Additional Consultant Goods. The Consultant's profit margins on these sales are not disclosed to Hudson's Bay or the Monitor.

2. Represents the Company's owned inventory and inventory purchased through regular consignment programs excluding the Consultant Consignment goods.

3. Represents inventory purchases under pre-CCAA programs whereby a Gordon Brothers led syndicate (the "**GB Syndicate**") supplied inventory where title to the merchandise was retained by the GB Syndicate and Hudson's Bay Canada earned a commission on the sale of the goods.

4. The Liquidation Consulting Agreement provided the Consultant with the ability to include up to \$35 million of augmented merchandise (at cost).

3.5 Total receipts generated from the Liquidation Sale were approximately \$526.7 million (excluding sales taxes), comprised of:

- (a) approximately \$320.6 million from the sale of Merchandise at the Liquidating Stores (as compared to \$287.7 million forecast in the Consultant's initial forecast);

- (b) approximately \$192.8 million from the sale of merchandise where Hudson's Bay Canada did not hold title to the goods but rather earned a sales commission. These sales include: (i) \$105.5 million from the sale of the merchandise of Participating Concession/Consignment Vendors⁵; (ii) \$43.4 million from the sale of Consultant Consignment Goods (as compared to \$50.8 million in the Consultant's initial forecast); and (iii) \$43.9 million from the sale of Additional Consultant Goods (as compared to \$39.9 million in the Consultant's initial forecast); and
- (c) approximately \$13.3 million from the sale of FF&E (as compared to \$18.9 million in the Consultant's initial forecast), comprised of \$10.7 million of Store FF&E sales and \$2.6 million of distribution FF&E sales.

3.6 Total fees paid to the Consultant pursuant to the Consulting Agreement were approximately \$15.8 million, comprised of fees earned in respect of Merchandise and FF&E Commission of \$13.8 million and \$2.0 million, respectively (which amounts exclude commissions and margins earned by the Consultant on the non-Company owned inventory described above). In addition, the Consultant has been paid \$13.5 million for Costs it incurred conducting the Liquidation Sale, with the remaining \$1.2 million forecast to be paid in future weeks (subject to ongoing review and reconciliation).

4.0 UPDATE ON THE LEASE MONETIZATION PROCESS⁶

4.1 The Prior Reports described the efforts to solicit bids under the Lease Monetization Process

⁵ The Liquidator did not provide a forecast for the sale of Participating Concession/Consignment merchandise.

⁶ Capitalized terms used but not otherwise defined in this section have the meanings ascribed in the Lease Monetization Process.

and provided certain information on the bids received thereunder; the Fifth Report described the Affiliate Lease Assignment Transaction which, as noted above, has since been approved by the Court and has closed. Those details are not repeated herein.

- 4.2 There are no lease transaction agreements before the Court for approval on this motion but, as noted above, the FILO Agent seeks to terminate the Central Walk APA. The remainder of this section provides an update on the potential lease transactions that have been referenced in the Prior Reports but have not yet been brought before the Court for approval.

Central Walk APA

- 4.3 As discussed in the Monitor's Fourth Report dated May 29, 2025 and the Fifth Report, in addition to the Affiliate Lease Assignment Agreement, Hudson's Bay entered into a definitive agreement (the "**Central Walk APA**", and the transactions contemplated thereunder, the "**Central Walk Transaction**") pursuant to which it would pursue the assignment of up to 25 Leases (the "**Subject Leases**") in Ontario, Alberta and British Columbia to Ruby Liu Commercial Investment Corp. or a permitted assignee thereof, which would be a corporation controlled by Ms. Ruby Weihong Liu (the "**Potential Lease Purchaser**"). The Potential Lease Purchaser provided a \$9.4 million deposit⁷ in connection with the Central Walk APA, which is currently being held by the Monitor in trust. The Applicants' advisors, the Monitor, the FILO Agent, and Pathlight all supported Hudson's Bay entering into the Central Walk APA.

- 4.4 Pursuant to the Central Walk APA, the assignment of the Subject Leases to the Potential

⁷ The total deposit paid by Central Walk was \$10 million, of which \$600,000 was allocated to the Affiliate Lease Assignment Transaction.

Lease Purchaser is conditional upon (among other things) the receipt of satisfactory Landlord consents and/or approval of the Court, and certain other terms and conditions, including settlement of the purchase price for the Subject Leases. The Monitor notes that the Central Walk APA does not form part of the public record for this motion and has been filed with the Court by the FILO Agent subject to a request for a sealing order.

4.5 As noted in the Fifth Report, discussions in respect of the Subject Leases between the Potential Lease Purchaser and the Landlords commenced the week of June 2, 2025 (the “**Initial Landlord Meetings**”). As the Monitor previously reported, the Initial Landlord Meetings took place and the Potential Lease Purchaser, through its legal counsel, subsequently provided additional information to the Landlords for the Subject Leases. The Monitor (in most cases, together with its legal counsel) attended each of the Initial Landlord Meetings.

4.6 As the Monitor reported in the Fifth Report, during the week of June 9, 2025, several Landlords, representing 23 of the 25 Subject Leases, through their legal counsel, wrote to the Applicants’ counsel and/or the Monitor’s counsel to advise that based on the information provided to date, those Landlords would not consent to the assignment of their Leases to the Potential Lease Purchaser and would oppose any potential future forced assignment.

4.7 As of the date hereof, the Potential Lease Purchaser has not: (a) provided additional information or responses to the various letters received from the Landlords’ counsel; nor (b) obtained consent to the assignment from any of the Landlords.

4.8 The Applicants, the Monitor and their counsel have participated in multiple discussions

with, and the Applicants' counsel have written on multiple occasions to, the Potential Lease Purchaser and its then counsel regarding: (a) the Potential Lease Purchaser's obligations under the Central Walk APA; and (b) the information and materials required from the Potential Lease Purchaser in order for the Applicants to prepare a forced assignment motion, including, among other things, information requested by Landlords following the Initial Landlord Meetings.

- 4.9 Despite the many weeks that have passed since the Initial Landlord Meetings and the extensive efforts on the part of the Applicants and their advisors to work with the Potential Lease Purchaser, to date the Potential Lease Purchaser has not meaningfully responded to the issues and concerns raised by the Applicants and not taken the basic and necessary steps to advance its bid.
- 4.10 On July 13, 2025, the Monitor was advised by Miller Thomson LLP that it is no longer acting as counsel to the Potential Lease Purchaser. On July 14, a representative of the Potential Lease Purchaser informed the Monitor that it is no longer represented by counsel, but that it is actively looking to retain replacement counsel.
- 4.11 Based on the foregoing, the Monitor has significant concerns with respect to the Potential Lease Purchaser meeting its obligations under the Central Walk APA and the likelihood of a transaction ultimately being completed.
- 4.12 The Monitor's views on the FILO Motion, including the FILO Agent's proposed treatment of the Central Walk APA and the Subject Leases, are discussed in further detail in Section 5 below.

Other Potential Lease Transaction

4.13 As noted in the Monitor's Fifth Report:

- (a) Hudson's Bay entered into an agreement with a third-party purchaser contemplating an assignment of up to eight leases in Ontario, Alberta, Saskatchewan and Manitoba. The Monitor understands that the proposed purchaser and Hudson's Bay have agreed to remove one of the leases from the transaction. Discussions with the other applicable Landlords remain ongoing in respect of this transaction; and
- (b) the Applicants were negotiating an assumption and assignment agreement whereby a Landlord would acquire one of its own Leases for a cash purchase price of less than \$250,000. The terms of that agreement have since been settled. The Monitor expects Court approval of this agreement will be sought at a future hearing.

5.0 THE FILO MOTION

Key Background and Relief Sought

5.1 The FILO Agent is seeking the Expanded Powers Order which would, among other things, enhance the powers of the Monitor, authorize and direct the Monitor to terminate the Central Walk APA and immediately issue disclaimers for the Subject Leases, and authorize and direct the Monitor to make the Proposed Distribution within one day of the date of the Order. The FILO Agent's basis for seeking the Expanded Powers Order is described in the Fredericks Affidavit. The following does not repeat all of the background or justifications

provided in the Fredericks Affidavit, but summarizes the points that the Monitor believes are most relevant to the FILO Motion.

- 5.2 Pursuant to the Amended ABL Agreement, the FILO Lenders provided an asset-based term loan credit facility up to a maximum amount of \$151,347,000 (the “**FILO Credit Facility**”). Amounts owing to the FILO Lenders under the FILO Credit Facility are secured by a first-priority security interest over many of the Applicants’ assets, including all inventory, FF&E, intellectual property, art, artifacts and any pension surplus and other real property interests, as well as real property interests that are not secured in favour of Pathlight (as defined in the Fredericks Affidavit). The FILO Lenders and Pathlight, among others, are subject to an amended and restated intercreditor agreement between Bank of America, N.A. and Pathlight dated December 23, 2024 (the “**Intercreditor Agreement**”), which is governed by New York State law.
- 5.3 As noted in the Monitor’s Third Report dated May 9, 2025 (the “**Third Report**”), the Monitor supported the Applicants’ motion for the Stay Extension and Distribution Order, which authorized certain distributions to the FILO Agent. At the time of the Third Report, there was approximately \$140 million outstanding under the FILO Credit Facility, excluding a make-whole provision of approximately \$28 million asserted by the FILO Agent (the “**Make-Whole**”). Pursuant to the Stay Extension and Distribution Order, the Court authorized the Applicants to make distributions to the FILO Agent from time to time from the cash proceeds of the ABL Priority Collateral (as defined in the Stay Extension and Distribution Order) held by the Applicants in such amounts and at such times as are acceptable to the Applicants and the Monitor to repay the FILO Obligations (as defined in the Stay Extension and Distribution Order), excluding the Make-Whole.

- 5.4 In accordance with the Stay Extension and Distribution Order, the Applicants, with the oversight of the Monitor, have distributed approximately \$72.7 million to the FILO Agent.
- 5.5 The Fredericks Affidavit sets out the FILO Agent's views with respect to various matters, including the results of the Liquidation Sale, the Company's cash flow performance, and the draft cash flow forecast that was provided to the FILO Lenders' financial advisor, Richter Consulting Inc. ("**Richter**") on June 17, 2025 (the "**Draft Fifth Cash Flow Forecast**"). The FILO Agent asserts that the Applicants have mismanaged their liquidation in several ways that have "siphoned value away from the FILO Lenders' collateral for the benefit of other parties not entitled to receive such value ahead of the FILO Lenders", and expresses concern that despite an increase in actual receipts in connection with the Liquidation Sale, the projected collateral shortfall for the FILO Lenders has increased from \$43 million to \$72 million. It further submits that the FILO Lenders have been prejudiced by the actions and inactions of the Applicants, and the relief sought in the Expanded Powers Order is necessary because, among other things, the Applicants have:
- (a) failed to deliver disclaimer notices in a timely fashion;
 - (b) failed to properly close stores and remove FF&E;
 - (c) unnecessarily paid for the removal of signage; and
 - (d) continued to actively pursue the Central Walk APA resulting in significant rent and professional fee costs being incurred in connection therewith.
- 5.6 The FILO Agent asserts that these actions and inactions have resulted in the erosion of the FILO Lenders' cash collateral and that the primary beneficiary of the Central Walk

Transaction is Pathlight, given that 21 of the Subject Leases form the priority collateral of Pathlight. The FILO Agent therefore contends that unless the Potential Lease Purchaser or Pathlight agrees to cover the costs related to the pursuit of the Central Walk Transaction, the Central Walk Transaction should be terminated and no further funds should be spent in its pursuit.

5.7 The enhanced powers that the FILO Agent proposes to be granted to the Monitor include “super monitor” powers seen and granted in other CCAA proceedings. Among other things, the FILO Agent is seeking to authorize and empower, but not require, the Monitor, on behalf of the Applicants and their respective boards of directors, to:

- (a) conduct and control the financial affairs and operations of the Applicants and carry on business of any of the Applicants;
- (b) preserve, protect and exercise control over the Applicants’ business or property, or any parts thereof; and
- (c) take any steps, enter into any agreements, execute any documents, incur any obligations, or take any other action necessary, useful or incidental to the exercise of any of the expanded powers.

5.8 The Expanded Powers Order would also authorize the Monitor to operate and control the Applicants’ existing accounts (subject to the Applicants’ cash management system), provides that the Monitor shall use commercially reasonable efforts to cause the Applicants to comply with a budget that is agreed upon by the Applicants, the Monitor, the FILO Agent, and Pathlight and sets out various reporting requirements to the Court in connection

therewith. Finally, the Expanded Powers Order contains various reasonable protections in favour of the Monitor.

Responses to the FILO Motion

- 5.9 The Applicants oppose the FILO Motion and request that it be dismissed entirely. In the Third Culhane Affidavit, the Applicants note that the FILO Agent and the lead liquidator in the joint venture forming the Consultant (collectively, “**Hilco**”) are under common control. The Applicants assert that in these capacities, Hilco has had significant involvement in, and has at times exerted significant influence over, these CCAA proceedings, and assert that many of Hilco’s complaints are a direct consequence of Hilco’s own actions in its various capacities, or were outcomes Hilco expressly or presumably knew could occur when Hilco agreed to and participated in the various processes. Among other things, the Applicants submit that, in the Fredericks Affidavit, the FILO Agent:
- (a) mischaracterized much of the financial results presented in the Fredericks Affidavit;
 - (b) failed to outline the significant profits earned by Hilco in its capacity as Consultant;
 - (c) inappropriately blamed the Applicants for the Liquidation Sale results despite Hilco’s involvement as Consultant; and
 - (d) failed to note that significant expenditures have been required by the Applicants to properly close stores and remove FF&E following the Liquidation Sale as a result of the Consultant’s actions.

- 5.10 The Applicants argue that the Central Walk APA should continue to be pursued for the benefit of the Applicants' stakeholders, and characterize the dispute regarding the Central Walk APA as an intercreditor matter that should be determined as amongst the parties to the Intercreditor Agreement, and not a dispute that is arising as a result of the Applicants' mismanagement.
- 5.11 The Applicants state that their management has acted in good faith, maintained transparency, and has worked in consultation with the Monitor throughout these proceedings and that it is therefore unnecessary for the Monitor's powers to be expanded at this time.

Monitor's Views on Certain Assertions Made in the Fredericks Affidavit

- 5.12 The Monitor does not intend to comment on every assertion made in the Fredericks Affidavit. However, the Monitor believes that it is important to provide its views on certain assertions with respect to the Draft Fifth Cash Flow Forecast and/or financial matters that it views as incomplete or requiring further clarification and context.

Draft Fifth Cash Flow Forecast

- 5.13 The Draft Fifth Cash Flow Forecast referenced in the Fredericks Affidavit was prepared by the Company, with the assistance of the Monitor, and was provided to Richter for discussion purposes only. Richter was advised by the Monitor that several disbursement line items continue to be worked on by the Company, with the assistance of the Monitor, including ongoing operating expenses, store closure and exit costs (largely FF&E and signage removal costs), and shared service payments.

- 5.14 The Draft Fifth Cash Flow Forecast was not finalized and was not intended to be submitted to the Court in its then draft form. The Draft Fifth Cash Flow Forecast was prepared and provided to the FILO Agent to, among other things, illustrate: (a) the amounts that would be distributed to the FILO Agent at the end of June; and (b) the costs that would be incurred in continuing to pursue the Central Walk Transaction.
- 5.15 The Fredericks Affidavit asserts that, notwithstanding the fact that the Liquidation Sale materially exceeded expectations, the Company's actual and forecast disbursements for the period May 3 to August 1, 2025 were 'inexplicably' higher than anticipated by the FILO Lenders, resulting in a material deterioration in the FILO Lenders' anticipated recovery.⁸
- 5.16 The Monitor notes that Richter has been provided with weekly cash flow variance reports comparing actual results to the applicable Court-filed cash flow forecast from the beginning of these CCAA Proceedings. The Monitor has had ongoing communications with Richter on the variance reporting each week and has responded to numerous questions and information requests related to same.
- 5.17 In a number of instances, the Fredericks Affidavit references dollar amounts related to specific time periods, without taking into consideration the significant impact of timing delays in related disbursements, which can lag the related receipts by up to three weeks (or in the case of sales taxes much longer). In the Monitor's view, this does not provide a

⁸ Fredericks Affidavit at paragraph 9, which states: "*Inexplicably, and notwithstanding this substantial increase in actual receipts relative to forecast, in the past few weeks, the projected collateral shortfall for the FILO Lenders has, between the Fourth Cash Flow dated May 9, 2025 (the 'Fourth Cash Flow') and the Fifth Cash Flow dated June 17, 2025 (the 'Fifth Cash Flow'), increased from \$43 million to \$72 million, (in each case, excluding the 'make-whole' and also excluding proceeds from the sale of CT APA). Despite realizing over \$54 million more in proceeds from the GOB Sale, the FILO Lenders' anticipated recovery decreased by at least \$29 million.*"

complete view of the Company's cash flow. Certain examples of this, which are not exhaustive, are described below.

Example 1

- 5.18 Paragraph 8 of the Fredericks Affidavit states: *The results of the GOB Sale, as run by the Liquidator, have generated \$54 million more in net receipts than forecasted[...]*. However, this amount only represents a receipts variance for the period May 3 to June 1, 2025, and not a variance for the full duration of the Liquidation Sale. Over the full Liquidation Sale, sales from owned inventory merchandise exceeded the forecast by approximately \$32.9 million (excluding sales tax) for the Liquidating Store locations.

Example 2

- 5.19 Paragraph 9 of the Fredericks Affidavit also references a \$54 million more in proceeds from the GOB Sale, but does not reference trailing disbursements related to those receipts and the impact on net cash flow. During that same time period, there were obligations incurred that had not yet been paid, including higher than forecast sales tax remittances of approximately \$10 million (excluding sales taxes related to the Canadian Tire Transaction), and timing variances related to shared services, operating expenses and other costs incurred during the period but not paid of approximately \$11 million. After considering these items, the favourable net cash flow variance during the period was approximately \$33 million.

Example 3

- 5.20 Paragraph 73 of the Fredericks Affidavit states: [...] *the cumulative cash flow forecast for the period from May 3 2025, to September 12, 2025, indicates that HBC will have spent*

\$100 million more by the end of that period than it will have generated in proceeds for the benefit of its creditors. The foregoing is used to highlight what is later described as a material increase in costs relative to the prior Fourth Updated Cash Flow Forecast. However, again, the selected time period (May 3 to September 12, 2025), among other things, does not consider obligations incurred by the Applicants prior to May 3, 2025 that were paid thereafter. The “*\$100 million more*” in disbursements includes, among other things:

- (a) sales tax remittances made after May 3, 2025, for the periods March and April 2025 totaling approximately \$32.3 million owing from sales of both owned and non-owned merchandise;
- (b) payments to Participating Concession Venders and the Consultant for their share of concession/consignment and Additional Consultant Goods, estimated to be in excess of \$30 million⁹ which relate to sales generated prior to May 3, 2025. Payments for these sales are typically made one to three weeks after the corresponding sales occur; and
- (c) other lagging disbursements in respect of operating expenses and shared service costs incurred but not yet paid (estimated to be in excess of \$7 million in the aggregate).

5.21 In addition to the timing variances noted above, the *\$100 million more in disbursements than receipts generated* includes forecast disbursements beyond the end date of the Fourth

⁹ The Monitor notes that these amounts are difficult to estimate precisely without a detailed analysis by vendor.

Updated Cash Flow Forecast of August 1, 2025. The Draft Fifth Updated Cash Flow Forecast covers the period June 14 to September 12, 2025, whereas the Fourth Updated Cash Flow Forecast ends August 1, 2025, thus there is an additional six weeks of forecast disbursements (totaling approximately \$11.1 million) included in the *\$100 million*.

5.22 In addition, during the period through September 12, 2025, the Company will be incurring necessary costs either to advance workstreams anticipated to generate future recoveries or to properly administer remaining aspects of the wind-down, including, for example:

- (a) disbursements for costs to be incurred to monetize the remaining assets of the estate, including the potential realization of value from certain leases, the Art Collection, and the pension surplus, with the corresponding realizations not forecast in the referenced period; and
- (b) disbursements for costs to be incurred to administer and wind-down the estate in accordance with the Company's statutory requirements and the Monitor's duties in the CCAA Proceedings, including costs associated with employee matters, the Wage Earner Protection Program ("WEPP"), data retention and other obligations.

5.23 The Monitor further notes that there is a portion of the increase in disbursements in the period referenced in the Fredericks Affidavit for incremental costs that were not contemplated in the Fourth Updated Cash Flow Forecast. These include costs associated with the removal of FF&E and Store signage¹⁰ and other store-level closure activities. In addition, carrying costs associated with pursuing the sale of certain leases under the Lease

¹⁰ These estimated forecast costs total \$14 million and are broken down as follows: FF&E removal cost of \$8 million, store signage removal cost of \$4 million and record destruction costs of \$2 million.

Monetization Process beyond July 1 were not included in the Fourth Updated Cash Flow Forecast as the timeline to pursue lease assignment agreements was fluid at that time.

- 5.24 With respect to the incremental FF&E removal costs, the Company did not anticipate the volume of FF&E that would remain unsold following the conclusion of the Liquidation Sale. The Consultant's efforts to sell Store FF&E generated proceeds that were below forecast and resulted in a greater quantity of unsold FF&E that the Company is now addressing at its own expense.
- 5.25 The increased carrying and operating costs associated with certain leases that were not disclaimed are attributable to the Company's decision to retain those leases in furtherance of its ongoing Lease Monetization Process. In particular, as noted above, the Company is continuing to pursue a proposed transaction with the Potential Lease Purchaser, which it believes would yield significant value for the estate and for which no alternative use or monetization path exists for the leases. The Monitor notes that notwithstanding that potential transaction, the decision to retain other locations also facilitated the completion of the Affiliate Lease Assignment Agreement with Central Walk for proceeds of approximately \$6 million, and a further lease transaction involving 7 locations, which is anticipated to close in the near term. At the time of preparing the Draft Fifth Updated Cash Flow Forecast, it was uncertain if these transactions would close and, as such, the associated receipts were not included in the forecast.

Collateral Shortfall

- 5.26 The FILO Agent refers repeatedly to projected collateral shortfall in the amount of \$72 million (excluding the Make-Whole), which projections are set out in the Draft Fifth Cash

Flow Forecast. However, as a result of the distributions made to date, the current principal balance outstanding to the FILO Agent under the FILO Credit Facility (excluding the Make-Whole) is approximately \$64.2 million. The Monitor is of the view that given that the validity of the Make-Whole has not yet been determined and that recoveries with respect to the pension surplus are highly contingent, it is too early to conclude that the FILO Obligations will ultimately be repaid in full.

Termination of Central Walk APA and Disclaimer of Subject Leases

- 5.27 As set out above, the Monitor has significant concerns with respect to the Potential Lease Purchaser meeting its obligations under the Central Walk APA, and that to date, Central Walk has not made material progress in resolving the issues necessary to bring that agreement before this Court for approval since it was signed on May 23, 2025.
- 5.28 The monthly costs of continuing to pursue the Central Walk Transaction are in excess of \$4.7 million, which is the amount for rent, CAM, property taxes and estimated utilities. There have been, and are expected to be, significant professional fees incurred as well in connection with pursuing the Central Walk Transaction. Given the strong objections that are expected from the Landlords of some or all of the Subject Leases, the Monitor expects that it would take a minimum of one month from the date hereof to obtain a decision of the Court in respect of the Central Walk APA, and potentially materially longer. There is also the potential for leave to appeal to be sought by any of the parties. In addition, if Hudson's Bay is ultimately unable to obtain approval of the Central Walk Transaction, the Subject Leases will then need to be disclaimed with the statutory 30-day notice period resulting in another month of rent being paid at that time.

5.29 The Monitor acknowledges that the costs of pursuing the Central Walk Transaction, including continuing to pay the post-filing rent owing under the Subject Leases, erodes the FILO Agent's collateral. Although the FILO Agent may ultimately be able to recover funds from the Applicants' other assets, including the pension surplus, in order to be repaid in full, certain of such recoveries are highly contingent, and to the extent the pension surplus in particular is ultimately realized, may take considerable time to realize.

5.30 Taking into consideration:

- (a) the likely protracted timeline to obtain a final court determination regarding the Central Walk APA;
- (b) the carrying costs of the Subject Leases and the ongoing professional fees related to pursuing the Central Walk Transaction;
- (c) the significant risk that the Central Walk Transaction does not ultimately close;
- (d) the lack of agreement as between the FILO Agent and Pathlight as to who should bear the costs and risks of pursuing the Central Walk Transaction; and

(e) the FILO Agent's objections to continuing to pursue the Central Walk Transaction, the Monitor does not think it is fair nor equitable for the FILO Agent's priority collateral to continue to be used to fund the pursuit of the Central Walk Transaction, particularly in circumstances where Pathlight is the lender that stands to gain the most from the transaction being completed. The Monitor's view is that unless such costs are funded by another source

or another consensual resolution is reached between the parties, the Central Walk APA should be terminated and the Subject Leases should be disclaimed.

Monitor's Enhanced Powers

5.31 As discussed above, the Monitor does not agree with many of the FILO Agent's assertions made in the Fredericks Affidavit, and it does not agree that the Applicants have been mismanaged during these CCAA Proceedings. As set out in the Prior Reports, the Monitor has supported the relief sought by the Applicants at each of the previously attended motions in these proceedings. However, the Monitor notes that it may be appropriate at some point in these CCAA Proceedings for its powers to be expanded given that, among other things, the Company is no longer operating an active business or pursuing a going concern restructuring.

5.32 Should the Court determine that a change in the Applicants' governance is necessary, the Monitor is prepared to act in accordance with the terms of the Expanded Powers Order.

5.33 The FILO Agent is seeking, in the alternative, for Richter to be appointed as the receiver of the Applicants. The FILO Agent did not file a receivership application in connection with this alternative relief and the Monitor does not believe it is necessary nor in the best interests of the Applicants' stakeholders for Richter to be appointed as receiver of the Applicants at this time.

Proposed Distribution

5.34 The Monitor does not believe that it is necessary nor appropriate for the Expanded Powers Order to require the Applicants to make the Proposed Distribution. The Stay Extension and

Distribution Order already provides the Applicants with the authority to make distributions to the FILO Agent as necessary, and the Monitor would support making distributions to the FILO Agent when appropriate. In particular, the Monitor does not believe that it would be appropriate or fair to Pathlight to make an immediate distribution to the FILO Agent of an amount approximating the proceeds of the Affiliate Lease Assignment Transaction, given that two-thirds of the proceeds are Pathlight's priority collateral. The Monitor expects that there will be a dispute between the FILO Agent and Pathlight as to what those funds should be used for which, if not capable of being resolved consensually, will require the assistance of the Court.

6.0 CASH FLOW RESULTS RELATIVE TO FORECAST¹¹

6.1 Actual receipts and disbursements for the period from May 3 to July 4, 2025 (the “**Reporting Period**”), as compared to the cash flow forecast attached as Appendix “E” to the Third Report, are summarized in the following table:

¹¹ Capitalized terms used in this section and not otherwise defined have the meanings ascribed in the First Report of the Monitor dated March 16, 2025.

| Cash Flow Variance Report | | | \$000's |
|---|----------------------|----------------------|------------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
| Receipts | | | |
| Retail Receipts | 340,951 | 223,486 | 117,465 |
| Canadian Tire Sale Transaction Proceeds | 33,902 | -- | 33,902 |
| Lease Monetization Process Proceeds | -- | -- | -- |
| Total Receipts | 374,853 | 223,486 | 151,367 |
| Disbursements | | | |
| Concession/Consignment Payments | (127,162) | (60,409) | (66,753) |
| Payroll & Benefits | (53,584) | (41,318) | (12,266) |
| Consultant Share of Additional Consultant Goods | (45,587) | (43,126) | (2,462) |
| Occupancy Costs | (28,668) | (24,691) | (3,978) |
| Operating Expenses | (26,096) | (27,110) | 1,014 |
| Sales Tax Remittances | (49,405) | (39,415) | (9,990) |
| Consultant Fees & Expenses | (26,467) | (23,478) | (2,989) |
| Professional Fees | (15,680) | (12,397) | (3,283) |
| Shared Service Payments | (2,208) | (6,320) | 4,112 |
| Inventory Purchases | (214) | (500) | 286 |
| Interest Payments & Fees | (6,471) | (7,881) | 1,411 |
| Total Disbursements | (381,543) | (286,645) | (94,898) |
| Net Cash Flow | (6,689) | (63,159) | 56,469 |
| Opening Cash Balance | 194,276 | 193,981 | 295 |
| Net Cash Flow | (6,689) | (63,159) | 56,469 |
| Cash Collateralization | (24,372) | (24,576) | 204 |
| FILO Credit Facility Paydown | (72,704) | (40,922) | (31,782) |
| Closing Cash Balance | 90,511 | 65,325 | 25,186 |

6.2 Pursuant to paragraph 22(c) of the Court's endorsement in these proceedings dated March 29, 2025, the Monitor is required to advise the Court if, at any time, actual results vary as compared to the applicable Cash Flow Forecast by 15% or more. Since the filing of the applicable Cash Flow Forecast, the Monitor notes that, on a net cash flow basis, actual cash flow results have not negatively varied from the applicable Cash Flow Forecast.

6.3 Explanations for the variances during the Reporting Period are as follows:

- (a) the positive variance in retail receipts of approximately \$117.5 million is primarily due to higher than forecast sales of Participating Concession Vendors' consignment goods and Additional Consultant Goods, which were partially offset by corresponding negative variances of approximately \$66.8 million and approximately \$2.5 million in disbursements to Participating Concession Vendors for consignment goods sold and to the Consultant for its share of Additional Consultant Goods sold, respectively. The remaining positive variance of approximately \$48.2 million between these amounts is attributable to: (i) higher than forecast sales of Hudson's Bay's owned inventory (\$43.3 million);¹² (ii) Hudson's Bay's share of Participating Concession Vendors and Additional Consultant Goods sales and the collection of other non-retail receipts that were not included in the forecast (\$10.5 million); partially offset by (iii) a negative variance related to the sale of FF&E (\$5.6 million);
- (b) Canadian Tire Transaction proceeds of \$33.9 million which represents proceeds from the intellectual property sale transaction that closed on June 25, 2025 (inclusive of \$3.9 million of sales tax);
- (c) the negative variance in payroll and benefits of \$12.3 million relates to: (i) the extended timeline to vacate stores; (ii) higher than forecast commission payments due to the higher than forecast gross receipts realized during the Liquidation Sale (as referenced above); and (iii) payment of accrued benefits and liquidation

¹² As compared to revised Liquidation Forecast utilized in preparing the applicable Cash Flow Forecast.

retention bonuses¹³ for store and distribution centre employees which were not included in the Fourth Updated Cash Flow Forecast;

- (d) the negative variance in occupancy costs of approximately \$4 million relate to carrying costs for leases that are continuing to be retained in connection with the ongoing Lease Monetization Process;
- (e) the negative variances in sales tax remittances (approximately \$10 million) and Consultant fees and expenses (approximately \$3 million) are due to the higher than forecast gross receipts realized during the Liquidation Sale (as referenced above);
- (f) the negative variance in professional fees of \$3.3 million is primarily due to the Company's financial and legal advisor fees being higher than forecast due to increased costs related to the various asset monetization streams and administration of estate wind-down efforts; and
- (g) the remaining net positive variance in total disbursements of approximately \$6.8 million is primarily due to timing differences in certain operating expenses and shared services, largely resulting from the timing of receipt of invoices and related reconciliations. The Monitor anticipates that the positive variances will reverse as the associated disbursements are processed in the normal course.

6.4 During the Reporting Period, in accordance with the Stay Extension and Distribution Order:

¹³ The liquidation retention bonuses paid by the Company were developed in consultation with Hilco to incentivize store and DC employees to work through the Liquidation Sale and are separate from the KERP.

- (a) on May 23, 2025, approximately \$24.4 million was distributed to the ABL Agent to repay or cash collateralize, as applicable, the Revolving Obligations including the Cash Management Services obligations, the Bank Products obligations, and 104% of the sum of the L/C Obligations (in each case, as defined in the Amended ABL Credit Agreement), owing to the ABL Agent pursuant to the Amended ABL Credit Agreement (the “**ABL Distribution**”); and
- (b) approximately \$72.7 million (\$31.8 million higher than forecast repayments of \$40.9 million) has been paid to the FILO Agent to partially repay the FILO Obligations (as defined in the Amended ABL Credit Agreement) owing to the FILO Lenders pursuant to the Amended ABL Credit Agreement, excluding the Make-Whole. The repayments to the FILO Lenders were initiated by the Company in two distributions: (i) on May 23, 2025, concurrent with the completion of the ABL Distribution, approximately \$46.8 million was paid to the FILO Agent in a first interim distribution; and (ii) on June 30, 2025, a second interim distribution of \$25.9 million¹⁴ was made to the FILO Agent. The principal balance owing to the FILO Lenders under the FILO Credit Facility after accounting for the distributions and excluding the Make-Whole is approximately \$64.2 million.

6.5 Overall, during the Reporting Period, the Company experienced a positive net cash flow variance of approximately \$56.5 million, before considering the second interim distribution

¹⁴ Distribution of \$27.7 million comprising of a partial repayment of the FILO Obligations of \$25.9 million and accrued interest and fees of \$1.8 million.

to the FILO Agent. The closing cash balance as of July 4, 2025, was approximately \$90.5 million, as compared to the projected cash balance of \$65.3 million.

- 6.6 In addition, the Monitor is holding \$6.0 million in trust (received on June 26, 2025) from the closing of the Affiliate Lease Assignment Agreement with Central Walk. These funds are incremental to the Company's closing cash balance as of July 4, 2025.

7.0 ACTIVITIES OF THE MONITOR

- 7.1 Since the granting of the Initial Order on March 7, 2025, the Monitor has worked closely with the Applicants to assist in stabilizing its business and operations. As summarized in the Prior Reports and below, this has included concerted efforts to address urgent operational and logistical issues essential to the orderly liquidation of inventory and FF&E at each of the stores, extensive communications with stakeholders, as well as assisting with other activities essential to the Liquidation Sale, the Lease Monetization Process and the SISP.

- 7.2 Since the date of the Fifth Report, the primary activities of the Monitor and its counsel, Bennett Jones LLP, have included the following:

- (a) continuing to assist in discussions and negotiations with key service providers to facilitate ongoing service and/or termination of services, and to reconcile and settle all outstanding post-filing obligations;
- (b) monitoring cash receipts and disbursements, coordinating with management in preparing weekly cash flow variance reporting, and assisting the Applicants in preparing the Draft Fifth Updated Cash Flow Forecast, including consideration of

an estimated reserve to fund the remaining costs of the wind-down and CCAA Proceedings thereafter;

- (c) liaising with Hilco and the Company regarding the preparation of the Final Reconciliation related to the Liquidation Sale, and assisting in the settlement of post-Liquidation Sale accounts and balances with the Consultant and Participating Concession Vendors;
- (d) liaising with the FILO Lenders and their financial advisor in respect of the Draft Fifth Updated Cash Flow Forecast and the second interim distribution, ongoing variance reporting, and responding to related information requests and questions;
- (e) working with the Applicants and Saks Global on shared services cost allocations and reviewing/analyzing related supporting information and documentation;
- (f) assisting Reflect in conducting the SISP as it pertains to the Art Collection, including participating in discussions and meetings with the auction services provider and other parties in respect of the Art Collection;
- (g) assisting Oberfeld in conducting the Lease Monetization Process, including the closing of the Affiliate Lease Assignment Transaction, reviewing draft lease assignment documentation, and participating in discussions with potential assignees and landlords;
- (h) assisting the Applicants in vacating the stores and assessing and responding to the Applicants' requests for Monitor consents to notices to disclaim contracts, leases and agreements;

- (i) assisting the Applicants in obtaining quotes from third-party contractors and coordinating the removal of FF&E and store signage;
- (j) working with the Applicants and Employee Representative Counsel to advance employee issues arising during the CCAA Proceedings and liaising with the Applicants, Employee Representative Counsel and Service Canada in relation to the WEPP process;
- (k) assisting the Applicants and the Receiver in matters pertaining to the JV Entities' receivership proceedings;
- (l) responding to a high volume of enquiries from stakeholders, including addressing questions or concerns of parties who contacted the Monitor on the toll-free number or email account established for the case by the Monitor;
- (m) posting non-confidential materials filed with the Court to the Case Website; and
- (n) with the assistance of Bennett Jones, preparing this Sixth Report.

8.0 CONCLUSIONS AND RECOMMENDATIONS

8.1 For the reasons set out in this Sixth Report, the Monitor respectfully recommends that:

- (a) no relief should be granted in respect of the Proposed Distribution; and
- (b) absent another party forthwith agreeing to fund the costs of pursuing the Central Walk Transaction or another consensual resolution being reached, the Central Walk APA should be terminated and the Subject Leases should be disclaimed.

All of which is respectfully submitted to the Court this 14th day of July, 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 F
Emails between counsel to the Applicants and counsel to Oxford on August 13, 2025

See attached.

From: [D. J. Miller](#)
To: [Ashley Taylor](#)
Cc: [Elizabeth Pillon](#); [Maria Konyukhova](#); [Jonah Mann](#); [Sean Zweig](#); [Mike Shakra](#); [Doug Fenton](#); [Thomas Gray](#)
Subject: RE: CCAA Proceedings of Hudson's Bay Company ULC Compagnie De La Baie D'Hudson SRI (Court File No. CV-25-00738613-00CL)
Date: Wednesday, August 13, 2025 1:36:04 PM

Ash:

The litigation schedule established by Justice Osborne addresses the forced assignment of 25 leases, which includes the Hillcrest Lease. Where issues have been raised (such as by IC's counsel Jim Bunting at the most recent court attendance) to the effect that particular aspects affecting certain leases should be bifurcated and heard on a different schedule outside of the August 28-29 motion dates, His Honour said that everything would be addressed on August 28-29. That was notwithstanding Jim's submissions that, prior to service of HBC's motion materials on July 29, his client was not aware that HBC was seeking to amend the terms of the IC leases since all indications had been that the APA transaction was "as is, where is" on the 25 leases. That is also consistent with Justice Osborne's response when I raised issues relating to the ROFR at the July 15 court attendance, and His Honour's response was that arguments relating to the ROFR would be made when the assignment motion is brought.

The parties already have Justice Osborne's view on the filing of all materials on all issues relating to these 25 leases in advance of the August 28-29 hearing date, and the litigation schedule covers all matters relating to the 25 leases subject to the APA. We included a Notice of Motion so that no one can assert in future that Oxford did not put its position squarely before the Court. If HBC believed that a case conference was needed, you could have raised that and we could have used the time that had been set aside for a case conference yesterday morning at 9:30 that was ultimately not used.

HBC has both put the ROFR Notice in issue in its own materials (including the APA for which it is seeking court approval, that specifically refers to it), and has delivered evidence in response to Oxford's materials on it.

Our materials make clear (as does para 15 of Justice Osborne's June 29 Endorsement) that the ROFR Notice is **moot** if the APA does not proceed, or court approval is not obtained. Accordingly, we agree that the issue of whether the APA will be approved must be heard first, because only if court approval of the APA is granted does any aspect of the ROFR need to be argued. That is a timing / sequencing matter for the hearing – it does not go to the issue of the materials and what issues are before the Court. The matter is before the Court on August 28-29 and we will be ready to proceed if the issue is determined to not be moot or the Court otherwise wants to hear from the parties.

Regards,

D.J.



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From: Ashley Taylor <ATAYLOR@stikeman.com>

Sent: Wednesday, August 13, 2025 11:25 AM

To: D. J. Miller <DJMiller@tgf.ca>

Cc: Elizabeth Pillon <LPillon@stikeman.com>; Maria Konyukhova <MKonyukhova@stikeman.com>; Jonah Mann <JMann@stikeman.com>; zweigs@bennettjones.com; Mike Shakra <shakram@bennettjones.com>; Doug Fenton <fentond@bennettjones.com>; Thomas Gray <grayt@bennettjones.com>

Subject: CCAA Proceedings of Hudson's Bay Company ULC Compagnie De La Baie D'Hudson SRI (Court File No. CV-25-00738613-00CL)

DJ,

We were quite surprised to receive your Notice of Motion (Hillcrest ROFR) on Saturday asserting a return date of August 28 and 29, particularly without any prior notice whatsoever that Oxford intended to bring such a motion notwithstanding that the issue of the validity of Oxford's purported conditional exercise of the ROFR had been known for over a week. The litigation schedule ordered by Justice Osborne on July 22 does not contemplate such a motion. The Applicants have not responded, and do not intend to respond, to Oxford's Notice of Motion at this time. If Oxford wishes to bring such a motion, it is required to schedule the motion through the Commercial List Office or pursuant to a case conference with Justice Osborne.

Ashley Taylor

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CONFIDENTIAL APPENDIX A
Confidential Bid Summary (Subject Leases)

[Intentionally omitted – filed with Court subject to sealing request]

CONFIDENTIAL APPENDIX B
Confidential Secured Lender Recovery Analysis

[Intentionally omitted – filed with Court subject to sealing request]

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED, AND IN THE MATTER OF 1242939 B.C.
UNLIMITED LIABILITY COMPANY et al.

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

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

EIGHTH REPORT OF THE MONITOR

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