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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF HUDSON'S BAY COMPANY ULC COMPAGNIE DE LA BAIE D'HUDSON SRI, HBC CANADA PARENT HOLDINGS INC., HBC CANADA PARENT HOLDINGS 2 INC., HBC BAY HOLDINGS I INC., HBC BAY HOLDINGS II ULC, THE BAY HOLDINGS ULC, HBC CENTERPOINT GP INC., HBC YSS 1 LP INC., HBC YSS 2 LP INC., HBC HOLDINGS GP INC., SNOSPMIS LIMITED, 2472596 ONTARIO INC., and 2472598 ONTARIO INC.

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

MARCH 7, 2025

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1.0 INTRODUCTION

1.1 Alvarez & Marsal Canada Inc. ("**A&M**" or the "**Proposed Monitor**") understands that Hudson's Bay Company ULC Compagnie de la Baie D'Hudson SRI ("**Hudson's Bay**" or the "**Company**") and the other applicants listed on **Schedule "A"** attached hereto (together with Hudson's Bay, the "**Applicants**") intend to make an application to the Ontario Superior Court of Justice (Commercial List) (the "**Court**") for an order (the "**Initial Order**") granting, among other things, stays of proceedings pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), and appointing A&M as Monitor (in such capacity, the "**Monitor**"). The proceedings to be commenced by the Applicants under the CCAA are referred to herein as the "**CCAA Proceedings**".

1.2 Although HBC Holdings LP and the other non-Applicant entities listed on **Schedule "A"** (together with HBC Holdings LP, the "**Non-Applicant Stay Parties**") are not applicants in this proceeding, the Applicants seek to have the stay of proceedings and certain other benefits and protections of the Initial Order extended to the Non-Applicant Stay Parties, which are wholly or partially owned by certain of the Applicants and perform functions integral to the Applicants' business. Together, the Applicants and the Non-Applicant Stay Parties are referred to herein as "**Hudson's Bay Canada**".

1.3 The purpose of this pre-filing report (the "**Report**") is to provide the Court with information, and where applicable, the Proposed Monitor's views on:

(a) A&M's qualifications to act as Monitor (if appointed);

(b) limited background information with respect to Hudson's Bay Canada and events leading up to the CCAA Proceedings;

(c) an overview of Hudson's Bay Canada's secured debt obligations;

(d) Hudson's Bay Canada's cash management system;

(e) the stays of proceedings sought in the proposed Initial Order;

(f) Hudson's Bay Canada's 13-week cash flow forecast;

(g) the $16 million junior debtor-in-possession ("**DIP**") credit facility (the "**DIP Facility**") and corresponding charge in respect thereof (the "**DIP Lenders' Charge**") sought by the Applicants in the Initial Order during the 10-day period;

(h) the Administration Charge and the Directors' Charge (each as defined below) sought by the Applicants in the Initial Order; and

(i) the Proposed Monitor's conclusions and recommendations in respect of the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

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

(a) the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (the "**CAS**") pursuant to the *Chartered Professional Accountants Canada Handbook (*the "**CPA Handbook**") and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under the CAS in respect of the Information; and

(b) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

2.2 Future oriented financial information referred to in this Report was prepared based on the estimates and assumptions of Hudson's Bay Canada. Readers are cautioned that, since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

2.3 This Report should be read in conjunction with the Affidavit of Jennifer Bewley, sworn on March 7, 2025 (the "**Bewley Affidavit**"), in support of the Applicants' application for relief under the CCAA, which provides a detailed overview of the business, operations and financial circumstances of Hudson's Bay Canada as well as additional background and the purpose of these CCAA Proceedings. Capitalized terms used and not defined in this Report have meanings given to them in the Bewley Affidavit.

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

3.0 A&M’S QUALIFICATIONS TO ACT AS MONITOR

3.1 Alvarez & Marsal Canada ULC (an affiliate of the Proposed Monitor) was engaged to act as consultant to Hudson’s Bay and its subsidiaries on February 28, 2025, and since that time has worked extensively with the Company’s management and legal and financial advisors to become familiar with Hudson’s Bay Canada’s business and financial affairs. A&M is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada), R.S.C. 1985, C. B-3, as amended, and is not subject to any of the restrictions on who may be appointed as monitor set out in subsection 11.7(2) of the CCAA.

3.2 A&M is related to Alvarez & Marsal Holdings, LLC, which is an independent international professional services firm, providing, among other things, bankruptcy, insolvency and restructuring services. The senior A&M professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants (Chartered Accountants), Chartered Insolvency and Restructuring Professionals, and Licensed Insolvency Trustees, who have previously acted in CCAA matters of a similar nature and complexity in Canada, including in the retail sector.

3.3 A non-Canadian affiliate of Alvarez & Marsal Holdings, LLC, was previously engaged by an equity holder of Hudson’s Bay to provide advisory services in respect of same. This engagement was concluded in October 2023.

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

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

4.0 BACKGROUND INFORMATION

General

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

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

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

4.4 As a result of these operational and financial challenges, on March 3, 2020, a group of Hudson's Bay's then-existing shareholders completed the privatization of Hudson's Bay Canada in a $1.1 billion cash transaction. The privatization was intended to, among other things, permit Hudson's Bay Canada to restructure without public market pressures and focus on long-term growth strategies.

4.5 Shortly after the privatization transaction in March 2020, all of the provinces of Canada implemented lockdown measures in response to the COVID-19 pandemic, which resulted in a significant decline in foot traffic at Hudson's Bay's stores across Canada. The long-lasting impact of pandemic-related closures in Canada continued to reshape consumer behaviours and put additional pressure on the retail sector in Canada.

4.6 Hudson's Bay Canada's business has not recovered to the level it was operating at prior to the COVID-19 pandemic and the post-restructuring success that it had planned for has not materialized.

4.7 Hudson's Bay currently operates: (a) 80 retail locations as "Hudson's Bay"; (b) three retail locations as "Saks Fifth Avenue"; and (c) 13 retail locations as "Saks OFF 5th". The following table summarizes current store locations by province and banner:

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

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

Corporate Organization

4.9 Hudson's Bay is the ultimate parent company of each of Hudson's Bay Canada's subsidiaries other than HBC Canada Parent Holdings Inc. ("**HBC Parent 1**") and HBC Canada Parent Holdings 2 Inc. ("**HBC Parent 2**").

4.10 Hudson's Bay Canada's corporate organization chart is attached hereto as "**Appendix A**".

Guarantors Under Credit Facilities

4.11 Each of HBC Parent 1, HBC Parent 2, The Bay Limited Partnership ("**The Bay LP**"), The Bay Holdings ULC ("**The Bay Holdings**"), HBC Bay Holdings I Inc. ("**HBC Holdings 1**"), and HBC Bay Holdings II ULC ("**HBC Holdings 2**", and collectively the "**Guarantors**") are guarantors under the Credit Facilities (as defined below), guaranteeing all obligations of Hudson's Bay under the Credit Facilities.

4.12 HBC Parent 1, HBC Parent 2, The Bay Holdings, HBC Holdings 1, and HBC Holdings 2 are holding companies that do not carry out any active operations. The Bay LP owns various trademarks, and/or other intellectual property rights including, among others, "Hudson North", "Bay Days", "Zellers" and "Zellers Marketplace", all of which are used by Hudson's Bay pursuant to a continued right to use.

RioCan-HBC JV

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

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

4.14 The Non-Applicant Stay Parties, through the RioCan-HBC JV, own all the Companies' freehold interests and certain of the Companies' leasehold interests in real property. Hudson's Bay and RioCan have approximately 78% and 22%, respectively, ownership interests in the RioCan-HBC JV.

4.15 The Bewley Affidavit describes the corporate organizational structure in detail.

Financial Information

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

4.17 As of January 31, 2025, Hudson's Bay Canada had total net assets with a book value of approximately $3.7 billion and total liabilities with a net book value of approximately $3.2 billion.

Employees

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

4.19 All of Hudson's Bay Canada's employees are employed by either Hudson's Bay or The Bay Holdings, other than with respect to seven employees that reside in the United States.

4.20 Approximately 647 employees participate in collective bargaining agreements, which are applicable to employees working in five of Hudson's Bay's retail stores, three of the Distribution Centres, and for certain other employees working in Ontario. A summary of the Companies' collective bargaining units is provided in the Bewley Affidavit.

4.21 Hudson's Bay sponsors a group registered combination pension plan (the "**Pension Plan**") that includes both a defined benefit and defined contribution component, which is subject to the *Pension Benefits Act (Ontario)*. In addition to the Pension Plan, Hudson's Bay also sponsors a full suite of group health and welfare benefits for eligible employees. The Proposed Monitor understands that the Pension Plan is in a surplus position.

4.22 Hudson's Bay also sponsors a partially funded supplemental retirement pension plan ("**SERP**"). As at the last accounting valuation report dated January 1, 2022, the SERP had a shortfall of approximately $84.5 million. In addition, as of the last accounting valuation report dated January 1, 2024, the non-pension post employment and the other long-term employee benefits underfunded status was approximately $13.5 million and $6.1 million, respectively.

Continued Financial Distress

4.23 The Bewley Affidavit extensively describes the operational and financial challenges experienced by Hudson's Bay in recent years in addition to the various operational and financial restructuring initiatives the Company has undertaken since the privatization transaction.

4.24 To address the challenging macroeconomic environment, liquidity constraints, and other operational challenges experienced by the Companies, on December 23, 2024, Hudson's Bay closed a transaction for the divestiture of the Neiman Marcus Group for a total enterprise value of US$2.65 billion (the "**Neiman Marcus Transaction**").

4.25 Prior to the Neiman Marcus Transaction, the Canadian and U.S. businesses were under single credit facilities. As a result of the Neiman Marcus Transaction, Hudson's Bay's Canadian business and real estate became separately financed. The outstanding revolving credit exposure of the Canadian business was reduced to $0 and the outstanding amount owed under the FILO Credit Facility was reduced to the principal amount of $130 million. Similarly, the outstanding amounts owed under the former Pathlight Credit Facility reduced to approximately US$64.3 million.

4.26 In light of its current financial crisis, as described in detail in the Bewley Affidavit, Hudson's Bay Canada has not been able to meet their obligations as they become due and urgently requires a stay of proceedings granted under the CCAA and other related relief.

5.0 SECURED DEBT OBLIGATIONS

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

5.2 The Credit Facilities share the same collateral and security package and are subject to two intercreditor agreements between the parties.

5.3 As described in the Bewley Affidavit, most of the freehold and leasehold interests that Hudson's Bay has, through its approximately 78% ownership interest in the RioCan-HBC JV, are subject to mortgages with third party lenders, and in some cases with RioCan.

5.4 The table below summarizes Hudson's Bay Canada's approximate current secured debt obligations:

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

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

6.0 CASH MANAGEMENT SYSTEM

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

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

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

6.2 As part of its Cash Management System, Hudson's Bay Canada maintains 46 bank accounts with 28 accounts at Royal Bank of Canada ("**RBC**") , 16 at the Toronto-Dominion Bank ("**TD**"), and two at Bank of America.

6.3 Store receipts are deposited into the depository accounts at RBC and debit and credit card receipts (excluding American Express) are deposited daily into the TD depository accounts.

6.4 Hudson's Bay Canada maintains 22 bank accounts that process outgoing wires, Automatic Clearing House and cheque payments for disbursements to landlords, vendors, tax authorities, and employees. These accounts are funded by the main cash accounts in each respective entity. In addition, Hudson's Bay Canada holds nominal cash to ensure sufficient cash float at the stores. Excess cash is deposited into Hudson's Bay's main cash account as needed, which is typically twice a week.

6.5 Hudson's Bay Canada utilizes corporate credit cards for travel, store and other miscellaneous expenses.

6.6 In addition to its corporate credit cards, Hudson's Bay Canada utilizes credit cards through an e-payables system (the "**E-Payables Credit Cards**") to pay certain vendors. The E-Payables Credit Cards are utilized because they offer favourable working capital terms, allowing Hudson's Bay Canada to manage its cash flow more effectively. The E-Payables Credit Cards operate through the RBC banking facility and are capped at $8 million.

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

7.0 STAYS OF PROCEEDINGS

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

(a) a stay of proceedings in favour of the Non-Applicant Stay Parties;

(b) a stay of the exercise of any rights or remedies by third-party tenants of commercial properties in which Hudson's Bay Canada operates a store (the "**Co-Tenant Stay**"); and

(c) a stay of the exercise of any rights or remedies by the RioCan-HBC JV in respect of the rent obligations due within the Tri-Party Lease Structure (as defined below) other than the post-filing rent due to landlords under the head leases (the "**RioCan-HBC JV Stay**").

Extension of the Stay to the Non-Applicant Stay Parties

7.2 The Applicants are requesting that the stay of proceedings, and the benefits of the protections and authorizations provided by the Initial Order, be extended to the Non-Applicant Stay Parties. Certain of these parties are limited or general partnerships, and are therefore not "debtor companies" pursuant to the CCAA. In addition, the Applicants do not own 100% of the interests in certain of the Non-Applicant Stay Parties.

7.3 The Non-Applicant Stay Parties are closely intertwined with the operations of the Applicants. As referenced above, the Non-Applicant Stay Parties, through the RioCan-HBC JV own all of Hudson's Bay Canada's freehold real property interests and certain of its leasehold interests in real properties.

Co-Tenant Stay

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

RioCan-HBC JV Stay

7.5 The Applicants are seeking to stay the payment of rent within the Tri-Party Lease Structure other than post-filing rent due to the landlords under the head leases.

7.6 As described in the Bewley Affidavit, under the Tri-Party Lease Structure, the RioCan-HBC JV uses the rent paid by Hudson's Bay to fund monthly rents to the landlords, administrative expenses, and to service the debt on property specific mortgages. The RioCan-HBC JV remits the remaining funds back to Hudson's Bay and RioCan-Hudson's Bay, approximately 78% to 22% as equity distributions.

7.7 The effect of the proposed relief will be to preserve the status quo by staying the payment of pre-filing secured debt and equity distributions, but continuing to pay the rent payable under the head leases while Hudson's Bay continues to occupy and use the leased premises. Given Hudson's Bay Canada's strained liquidity, the stay of these payments will provide additional liquidity.

7.8 The Proposed Monitor is of the view that the stays of proceedings sought by the Applicants in the proposed Initial Order, including the extension of the stay to Non-Applicant Stay Parties, the Co-Tenant Stay and the RioCan-HBC JV Stay, are appropriate in the circumstances. The Proposed Monitor notes the following:

(a) a stay of proceedings in favour of Hudson's Bay Canada will provide the Applicants with the time and stability required to assess their restructuring and other options;

(b) the operations of the Non-Applicant Stay Parties are closely intertwined with the core business of Hudson's Bay. The extension of the stay of proceedings to the

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

(c) the Co-Tenant Stay will preserve the status quo among all parties and prevent actions by third parties that could impair value and lead to claims against the Hudson's Bay Canada's estates; and

(d) the RioCan-HBC JV Stay still requires that rent be paid in full to third-party landlords, but stays "rent payments" that the Proposed Monitor believes can be fairly characterized as financing arrangements.

8.0 CASH FLOW FORECAST

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

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

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

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

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

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

(a) receipts reflect forecast sales from retail stores and e-commerce channels consistent with the Company's recent sales trends;

(b) inventory purchases represent estimated disbursements to purchase inventory for continuing stores;

(c) payroll and benefits are to be paid in the ordinary course;

(d) occupancy costs include post-filing rent for the period March 7 to 17, 2025 for all store, corporate and distribution centre locations (i.e., during the Initial Period);

(e) operating expenses primarily include store-level, corporate and distribution centre operating costs, logistics and supply chain costs, credit card processing fees, insurance and utilities;

(f) professional fees include the fees of the Applicants' legal counsel and financial advisor, the Monitor, the Monitor's legal counsel, legal counsel and financial advisors to the DIP Lenders and legal counsel to certain other secured creditors;

(g) concession payments relate to post-filing sales based on arrangements with concession partners; and

(h) interest payments relate to amounts owing and due on the Pathlight Credit Facility and Revolving Credit Facility.

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

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

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

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

(a) the Cash Flow Assumptions are not consistent with the purpose of the Cash Flow Forecast;

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

(c) the Cash Flow Forecast does not reflect the Cash Flow Assumptions.

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

9.0 DIP FINANCING

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

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

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

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

DIP Facility (capitalized terms have the meanings ascribed thereto in the Junior DIP Term Sheet)	
Agreement	• Junior DIP Term Sheet dated as of March 7, 2025
Borrower	• Hudson's Bay Company ULC Compagnie de la Baie D'Hudson
Guarantors	• HBC Canada Parent Holdings 2 Inc., HBC Canada Parent Holdings Inc., The Bay Holdings ULC, The Bay Limited Partnership, HBC Bay Holdings I Inc., and HBC Bay Holdings II ULC
Agent	• Restore Capital, LLC
Lenders	• Restore Capital, LLC • HCS 102, LLC • First Eagle PEI Fund SPV, LLC • Tiger Asset Solutions Canada, ULC • 1903 Partners, LLC • Sixth Street Specialty Lending, Inc. • GA Group Solutions, LLC
DIP Facility	• A senior secured, super-priority, interim financing credit facility up to a maximum principal amount of $16 million (including all interest accrued thereon, the "**Interim Borrowings**"), all of which shall be available prior to the Comeback Hearing. The Facility Amount may be increased on agreement of the DIP Agent, DIP Lenders, and Loan Parties with the approval of the Monitor and the Court at the Comeback Hearing (the "**Increased Facility Amount**").
Interest	• CORRA + 11.5% per annum, compounded monthly and payable monthly in arrears in cash on the last Business Day of each month
Default Rate	• CORRA + 14.5%
Exit Fee	• 3% of the DIP Facility, payable on the Maturity Date

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

DIP Facility (capitalized terms have the meanings ascribed thereto in the Junior DIP Term Sheet)	
Maturity Date	• The earlier of: (a) the occurrence of any Event of Default which is continuing and has not been cured; (b) the completion of a Permitted Restructuring Transaction; (c) the effective date of any Plan which is proposed and filed with the Court in the CCAA Proceedings; and (d) the Outside Date (June 30, 2025).
Funding Structure/ Advances	• The Interim Borrowings shall be made available to an account designated by the Borrower prior to the Comeback Hearing. Up to $8 million shall be made available to the Borrower in accordance with the terms hereof on Monday, March 10, 2025, with the balance of the Interim Borrowings to be made available pursuant to an agreed upon schedule between the DIP Agent, the Loan Parties and the Monitor. • The Increased Facility Amount, if agreed upon and approved, shall be made available to the Borrower following the Comeback Hearing.
Milestones (Schedule "F")	• The Court shall have issued the DIP Approval Order by no later than March 7, 2025. • By no later than the March 17, 2025, on the Comeback Date the Court shall have issued an order (including by way of amending and restating the Initial Order) approving borrowing up to the full amount of the Facility Amount under the Term Sheet, the Liquidation Services Agreement, and the Lease Solicitation Process. • By no later than the March 24, 2025, the Court shall have issued an order (including by way of amendment to or amending and restating the Initial Order) approving the SISP. • If a Permitted Restructuring Transaction is entered into, such Permitted Restructuring Transaction shall be subject to a binding commitment or agreement (subject to customary conditions precedent but for greater certainty shall not be subject to a third party financing condition) no later than the Business Day which is five (5) weeks after the date of the Initial Order (and if such day is not a Business Day, the next Business day) (unless, the Monitor in its reasonable business judgment, determines that a one week extension would materially increase the likelihood of the Loan Parties entering into a Permitted Restructuring Transaction, in which case the relevant date shall be extended by a further five (5) Business Days). All milestones contemplated by the Lease Solicitation Process and the SISP shall be complied with in all material respects by the Loan Parties. • All milestones contemplated by the Lease Solicitation Process and the SISP shall be complied with in all material respects by the Loan Parties.
Prepayments	• Provided the Monitor is satisfied that the Loan Parties have sufficient cash reserves to satisfy amounts due under the Priority Payables Reserve, the Borrower may prepay any amounts outstanding under the DIP Facility, in accordance with the Priority Waterfall, at any time prior to the Maturity Date. Subject to Section 23 of the DIP Term Sheet, any amount repaid may not be reborrowed.
DIP Collateral	• To be secured in Canada by the DIP Lenders' Charge.

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

(a) Hudson's Bay Canada is in urgent need of liquidity;

(b) the DIP Lenders are Hudson's Bay Canada's existing FILO ABL Agent and the Interim Borrowings are being provided on a subordinated basis to the Revolving / FILO Credit Facility and the Pathlight Credit Facility;

(c) the interest rate of CORRA +11.5% (approximately 14.5%) is reasonable relative to the existing FILO Credit Facility rate of CORRA +9.75% (approximately 12.75%);

(d) although the interest rate is on the higher end of the range for comparable DIP facilities of similar size, it is reasonable taking into consideration the existing FILO Credit Facility rate noted above and the ranking of the Interim Borrowings;

(e) the DIP Facility does not contain any commitment fee and the exit fee of 3% is comparable to DIP facilities of similar size;

(f) the Interim Borrowings provide the Company with the funding needed to continue operations in advance of the Comeback Hearing, at which the Increased Facility Amount (or an alternative DIP facility) may be approved; and

(g) the DIP Facility being provided by the DIP Lenders is the result of extensive negotiations as between Hudson's Bay Canada, the DIP Lenders and their respective advisors, and represents the best DIP facility that Hudson's Bay Canada could negotiate in the circumstances.

10.0 COURT-ORDERED CHARGES SOUGHT IN THE INITIAL ORDER

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

Administration Charge

10.2 The Initial Order provides for a super-priority charge over the Property in an amount not to exceed $2.8 million in favour of the Monitor, counsel to the Monitor, financial advisor to Hudson's Bay Canada and legal counsel to Hudson's Bay Canada (the "**Administration Charge**").

10.3 The Proposed Monitor assisted Hudson's Bay Canada in the calculation of the Administration Charge and is of the view that the amount of the charge for the initial 10-day stay period is reasonable and appropriate in the circumstances, having regard to the nature of the proceedings, the scope and level of work expected to be required during the period, the size of charges approved in similar CCAA Proceedings, and the significant arrears incurred to date by the proposed beneficiaries of the Administration Charge.

Directors' Charge

10.4 The Initial Order provides that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors and officers of Hudson's Bay Canada after commencement of the CCAA Proceedings, except to the extent that the obligation or liability was incurred as a result of an officer's or director's gross negligence or wilful misconduct. The Initial Order provides for two bifurcated super-priority charges over the Property each in the amount of $13.5 million ($26 million in aggregate) in favour of the directors and officers of the Applicants as security for that indemnity (the "**Directors' Charge**"). The Applicants intend to seek an increase in the aggregate amount of the Directors' Charge to $49.2 million at the Comeback Hearing.

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

<u>DIP Lenders' Charge</u>

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

<u>Priority of Charges Created by the Proposed Initial Order</u>

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

With respect to all Property:

(a) First – Administration Charge, to the maximum amount of $2.8 million;

(b) Second – Directors' Charge, to the maximum amount of $26.3 million;

With respect to the DIP Obligors' Property:

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

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

11.0 CONCLUSIONS AND RECOMMENDATIONS

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

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

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

Per: ______________________	Per: ______________________
Alan J. Hutchens	Greg A. Karpel
Senior Vice-President	Senior Vice-President

SCHEDULE A

OTHER APPLICANTS

HBC Canada Parent Holdings Inc.

HBC Canada Parent Holdings 2 Inc.

HBC Bay Holdings I Inc.

HBC Bay Holdings II ULC

The Bay Holdings ULC

HBC Centerpoint GP Inc.

HBC YSS 1 LP Inc.

HBC YSS 2 LP Inc.

HBC Holdings GP Inc.

Snospmis Limited

2472596 Ontario Inc.

247598 Ontario Inc.

NON-APPLICANT STAY PARTIES

HBC Holdings LP

RioCan-HBC General Partner Inc.

RioCan-HBC Limited Partnership

RioCan-HBC (Ottawa) Holdings Inc.

RioCan-HBC (Ottawa) GP, Inc.

RioCan-HBC (Ottawa) Limited Partnership

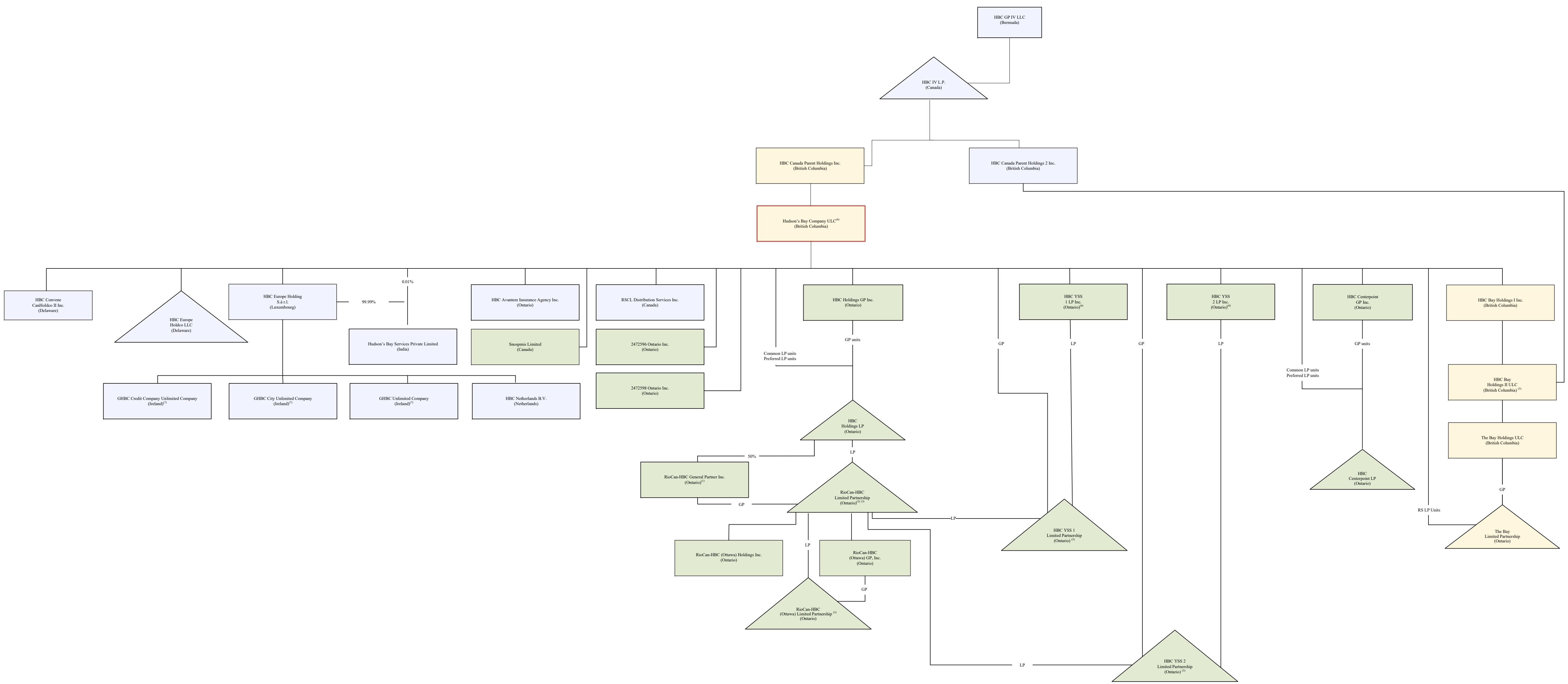
HBC Centerpoint LP

The Bay Limited Partnership

APPENDIX A
ORGANIZATION CHART

See attached.

HBC Canada



1. RioCan Financial Services Limited owns 50% of the common shares of RioCan-HBC General Partner Inc.
2. RioCan Real Estate Investment Trust holds a 21.9864% LP interest.
3. General Partner has a nominal interest (less than .01%).
4. Hudson's Bay Company ULC holds a warrant certificate, dated February 9, 2021, to purchase, subject to vesting conditions, up to 2,951,574 non-voting common shares in the capital of Neo Financial Technologies Inc.
5. HBC Bay Holdings I Inc. holds 100% of the voting preferred shares of HBC Bay Holdings II ULC, and 5% of the non-voting common shares of HBC Bay Holdings II ULC. HBC Canada Parent Holdings 2 Inc. holds 95% of the non-voting common shares of HBC Bay Holdings II ULC.
6. HBC YSS 1 LP Inc. (Ontario) and HBC YSS 2 LP Inc. (Ontario) each hold a nominal LP interest in HBC YSS 1 Limited Partnership (Ontario) and HBC YSS 2 Limited Partnership (Ontario).
7. Each entity is in the process of being liquidated or dissolved.

APPENDIX B
CASH FLOW FORECAST

See attached.

Appendix B – Cash Flow Forecast for the Initial Period

Hudson's Bay Company
$CAD 000's

Cash Flow Week: **Week Ending:**	**Note**	**Initial Period**
Receipts	1	**20,979**
Disbursements		
Inventory Purchases	2	(5,000)
Payroll & Benefits	3	(6,945)
Occupancy Costs	4	(7,359)
Operating Expenses	5	(7,551)
Professional Fees	6	(3,175)
Concession/Licensee Payments	7	(585)
Interest Payments	8	(1,032)
Total Disbursements		**(31,647)**
Net Cash Flow		**(10,668)**
Opening Cash Balance		-
Net Cash Flow		(10,668)
Cash Collateralization		-
DIP Facility Advance		16,000
Closing Cash Balance		**5,332**
FILO Credit Facility Balance		137,121
Pathlight Credit Facility Balance		91,949
Total Senior Debt		**229,070**
Opening DIP Facility Balance		-
DIP Facility Advance		16,000
Ending DIP Facility Balance		**16,000**

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

Disclaimer

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

The Forecast is presented in thousands of Canadian dollars.

1) **Receipts**
Represents forecast sales from retail stores and e-commerce channels consistent with the Company's recent sales trend, including HST/GST and net of anticipated returns and gift card redemptions.

2) **Inventory Purchases**
Represents estimated disbursements to purchase inventory for continuing stores.

3) **Payroll & Benefits**
Includes salaries, wages, remittances, employee benefits and taxes for salaried and part-time employees across the Company's stores, corporate office and distribution centres in the ordinary course.

4) **Occupancy Costs**
Occupancy costs includes post-filing rent for the period March 7 to March 17 for all store, corporate and distribution centre locations (i.e., during the Initial Period).

5) **Operating Expenses**
Represents payments to logistics and supply chain providers, customs brokers, non-landlord utilities, credit card processing fees, and other general operating costs.

6) **Professional Fees**
Represents payments to the Applicants' legal counsel and financial advisor, the Proposed Monitor, Proposed Monitor's legal counsel, legal counsel and financial advisors to the DIP Lender, and legal counsel to certain other secured creditors.

7) **Concession/Licensee Payments**
Represents forecast disbursements for post-filing sales based on arrangements with concession and licensee partners.

8) **Interest Payments**
Represents interest payment for the Pathlight Credit Facility and Revolving Credit Facility.

APPENDIX C
MANAGEMENT'S REPRESENTATION LETTER
REGARDING CASH FLOW FORECAST

See attached.

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

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

March 7, 2025

Dear Sirs:

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

In connection with the application by Hudson's Bay Canada for the commencement of proceedings under the *Companies' Creditors Arrangement Act*, the management of Hudson's Bay have prepared the cash flow forecast for the period March 7, 2025 to March 17, 2025 (the "**Cash Flow Forecast**") and the list of assumptions on which the Cash Flow Forecast is based. The purpose of the Cash Flow Forecast is to determine the liquidity requirements of the Applicants during the CCAA proceedings.

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

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

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

Yours truly,

Per: Name: Jennifer Bewley
Title: Chief Financial Officer

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

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

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

PRE-FILING REPORT OF THE PROPOSED MONITOR

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