Court File No.: _______________

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 BBB CANADA LTD.

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

FEBRUARY 10, 2023

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1.0 INTRODUCTION

1.1 Alvarez & Marsal Canada Inc. ("**A&M**" or the "**Proposed Monitor**") understands that BBB Canada Ltd. (the "**Applicant**") intends to make an application to the Ontario Superior Court of Justice (Commercial List) (the "**Court**") for an order (the "**Initial Order**"), among other things, granting a stay 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 (the "**Monitor**"). The proceedings to be commenced by the Applicant under the CCAA are referred to herein as the "**CCAA Proceedings**".

1.2 The Applicant is a Canadian federal corporation with its registered head office in Toronto, Ontario. The Applicant is a wholly owned subsidiary of Bed Bath & Beyond Inc. ("**BBBI**", and together with its United States ("**U.S.**") and Canadian subsidiaries, the "**Bed Bath & Beyond Group**"), a publicly held corporation listed on the NASDAQ stock exchange.

1.3 The Applicant is the general partner of Bed Bath & Beyond Canada L.P. ("**BBB LP**", and together with the Applicant, "**BBB Canada**"), a limited partnership formed under the laws of the Province of Ontario with its principal place of business in Richmond Hill, Ontario. While BBB LP is not an applicant in the CCAA Proceedings, the Applicant seeks to have the stay of proceedings and other benefits and requirements of the Initial Order and the CCAA extend to BBB LP given that, as described in this pre-filing report (the "**Report**"), BBB LP is integral to the Applicant's business.

1.4 The purpose of this Report is to provide the Court with the following:

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

(b) an overview of the Bed Bath & Beyond Group, including BBB Canada, as well as its business and affairs and the events leading up to the CCAA Proceedings;

(c) an overview of BBB Canada's cash management system and the intercompany arrangements among BBB Canada and BBBI;

(d) A&M's comments regarding BBB Canada's consolidated cash flow projections (the "**Cash Flow Forecast**") for the 13-week period from February 10 to May 6, 2023 (the "**Cash Flow Period**") and the reasonableness thereof, in accordance with subsection 23(1)(b) of the CCAA;

(e) A&M's comments on the proposed stay of proceedings, including with respect to certain of BBBI's indemnification obligations, as well as the extension of the Initial Order's and the CCAA's benefits, protections, authorizations and restrictions to BBB LP;

(f) A&M's comments on the proposed Administration Charge and Directors' Charge (each as defined below) on the Property (as defined in the Initial Order);

(g) should the Initial Order sought by the Applicant be granted, the intended next steps in the CCAA Proceedings, including the proposed orderly wind-down of BBB Canada and the anticipated liquidation of its assets; and

(h) A&M's conclusions and recommendations in connection with 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, books and records and financial information prepared by BBB Canada and BBBI and has held discussions with management of BBB Canada and BBBI, as well as their legal counsel and financial advisors (collectively, the "**Information**"). Except as otherwise described in this Report in respect of BBB Canada's 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 ("**CASs**") 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 CASs 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 BBB Canada's estimates and assumptions. 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 Holly Etlin (the "**Etlin Affidavit**"), the Interim Chief Financial Officer of BBBI and a Managing Director of the financial advisor to the Bed Bath & Beyond Group, AlixPartners, LLP ("**AlixPartners**").

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 A&M, was engaged to act as consultant to BBB Canada on January 20, 2023, and, as such, the Proposed Monitor is familiar with the business and operations of BBB Canada, its personnel and the key issues and stakeholders in the proposed CCAA Proceedings. A&M is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"), 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, and whom have previously acted in CCAA matters of a similar nature and complexity in Canada.

3.3 The Proposed Monitor has retained Bennett Jones LLP ("**Bennett Jones**") to act as its independent legal counsel, and has consented to act as Monitor in the CCAA Proceedings should the Court grant the proposed Initial Order.

4.0 BACKGROUND INFORMATION

4.1 BBB Canada's corporate structure, business and operations are described extensively in the Etlin Affidavit. Certain key points are summarized below.

<u>Corporate Structure</u>

4.2 The Applicant is incorporated pursuant to the *Canada Business Corporations Act,* R.S.C. 1985, c. C-44, as amended, and has a registered office in Toronto, Ontario. It is the general partner of BBB LP, a limited partnership formed under the laws of the Province of Ontario, and a wholly owned subsidiary of BBBI.

4.3 BBBI is incorporated pursuant to the laws of the State of New York, with a head office in Union, New Jersey. BBBI is the ultimate parent corporation of the Bed Bath & Beyond Group. The Bed Bath & Beyond Group is an omni-channel retailer that sells a wide assortment of merchandise in the home, baby, beauty and wellness markets using multiple end-user customer platforms consisting of websites, applications, and physical retail stores.

4.4 A simplified version of BBB Canada's corporate structure can be found in **Appendix "A"**.

Stores

4.5 BBB Canada currently operates 54 stores under the "Bed Bath & Beyond" banner and 11 stores under the "buybuy BABY" banner across nine provinces. Additionally, BBB Canada operates one warehouse in British Columbia (the "**Warehouse**"). A Canadian store count by Province is set out in the table immediately below:

Province	**Open Stores**
Bed Bath & Beyond	
Alberta	13
British Columbia	10
Manitoba	1
New Brunswick	2
Newfoundland	1
Nova Scotia	2
Ontario	22
Prince Edward Island	1
Saskatchewan	2
TOTAL:	**54**
buybuy BABY	
Alberta	4
British Columbia	1
Manitoba	1
Ontario	5
TOTAL:	**11**

4.6 BBB Canada does not own any real property. Instead, BBB Canada's 54 Bed Bath & Beyond stores, 11 buybuy BABY stores, and Warehouse are leased by BBB LP. The Proposed Monitor understands that BBB LP's obligations under approximately 60 of its store leases are indemnified by BBBI.

Employees

4.7 As of January 31, 2023, BBB LP employed approximately 387 full-time employees and 1,038 part-time associates in its retail operations across Canada (collectively, the "**Store Associates**"). BBB LP also employs eight (8) employees in Canada in a corporate capacity (the "**Corporate Employees**"). BBB Canada does not have any independent contractors or consultants in Canada.

4.8 BBB LP's employee count by Province is approximately as follows:

Province / Territory	Full Time Employees	Part Time Employees	Total Employees
Alberta	101	303	404
British Columbia	65	172	237
Manitoba	11	23	34
New Brunswick	7	24	31
Newfoundland	5	12	17
Nova Scotia	10	25	35
Ontario	172	430	602
Prince Edward Island	5	15	20
Saskatchewan	11	34	45
TOTAL	**387**	**1,038**	**1,425**

4.9 BBB LP's employees are not unionized and do not have pension benefits. However, BBB LP offers various benefits to certain of its employees, including registered retirement savings plan matching (the "**RRSP**"), group health and welfare benefits (collectively, the "**Group Benefits**"), maternity/parental leave, and other benefits, all of which are current as of the filing date.

4.10 In addition, BBB LP sponsors a deferred profit-sharing plan for certain of its employees (the "**DPSP**", and together with the RRSP, the "**Retirement Plans**"). BBB LP's contributions to the DPSP are made out of BBB LP's profits and are subject to change at BBB LP's discretion. Contributions to the DPSP are remitted on an annual basis, typically in the first quarter of the year. The Proposed Monitor understands that the 2023 contributions are not yet owing in accordance with the terms of the DPSP and, as such, have not yet been paid.

4.11 BBB LP uses a payroll services provider to manage payroll functions on behalf of BBB Canada, including payroll processing and the collection and remittance of related source deductions. The Retirement Plans and the Group Benefits are administered through agreements with Manulife Financial and contracts of insurance with GreenShield Canada and Industrial Alliance, respectively.

Financial Information

4.12 As a publicly traded company, BBBI files consolidated financial statements with the U.S. Securities and Exchange Commission, which include the consolidated results of both its U.S. and Canadian operations. BBB Canada typically represents approximately 6% of BBBI's consolidated sales in any given period. BBB Canada prepares, but does not separately audit or release, stand-alone balance sheets and income statements for the Canadian operations.

4.13 For the nine month period ended November 26, 2022, BBB Canada generated a net loss of $99.5 million and EBITDA of negative $92.2 million, including certain accounting adjustments based on procurement and Shared Services (as defined below).

4.14 As at November 26, 2022, BBB Canada had total assets with a book value of approximately $480.1 million, and total liabilities with a book value of approximately $429.7 million, exclusive of the significant funded indebtedness guaranteed by BBB Canada under the Credit Facilities (as defined below).

Merchandise Sourcing and Distribution

4.15 BBB Canada sells home goods such as bed linens, cookware, electric appliances, home organization, baby care, and more. All merchandise is procured through Liberty Procurement Co., Inc. ("**Liberty Procurement**", f/k/a Bed Bath & Beyond Procurement Co., Inc.), a wholly owned subsidiary of BBBI, under a buying agency agreement dated March 17, 2015. The costs of merchandise purchased for BBB Canada's retail operations are generally paid by BBBI and recorded by BBBI as intercompany receivables. For this reason, among others, approximately $226 million was due from BBB Canada to Liberty Procurement and certain other U.S. affiliates as at November 26, 2022. As described in more detail below, all incoming funds collected in Canada are swept to Canadian Concentration Accounts that fund the Canadian Disbursement Accounts (each as defined below), from which BBB Canada's accounts payable are then funded by BBBI.

Shared Services

4.16 BBB Canada relies on BBBI for certain administrative and business support services provided primarily from BBBI's headquarters in Union, New Jersey. These services include executive, legal, accounting, finance, treasury, tax, insurance/risk management, real estate, human resources and information technology support services, among other services (collectively, the "**Shared Services**").

4.17 The Proposed Monitor understands that BBB Canada does not, and is not equipped to, operate independently from BBBI, as it does not have any head office or head office management employees in Canada other than the Corporate Employees, which primarily oversee the Canadian operations. The Proposed Monitor understands that BBBI provides certain of the management services required by BBB LP pursuant to a management services agreement between BBBI and BBB LP dated November 14, 2007 (the "**Management Agreement**"). The Proposed Monitor notes that the Management Agreement may be terminated by either BBBI or BBB LP on 30 days' prior notice to the other party.

Intellectual Property

4.18 BBB Canada uses the service marks "Bed Bath & Beyond" and "buybuy BABY". The Proposed Monitor understands that the intellectual property rights in respect of the "Bed Bath & Beyond" and "buybuy BABY" marks are owned by Liberty Procurement and BBBI and Buy Buy Baby Inc., respectively.

4.19 Pursuant to a license agreement between BBB LP and Buy Buy Baby Inc. dated November 30, 2014 (the "**buybuy Baby License Agreement**"), BBB LP was granted the non-exclusive right to make use of all of the trademarks, tradenames, service marks and logos "buybuy BABY", and related trademarks, copyrights and other intellectual property. Similarly, pursuant to a license agreement between BBB LP and Liberty Procurement dated November 14, 2007 (the "**Bed Bath & Beyond License Agreement**"), BBB LP was granted the non-exclusive right to make use of all of the trademarks, tradenames, service marks and logos "Bed Bath & Beyond", and related trademarks, copyrights and other intellectual property. The Proposed Monitor notes that each of the buybuy Baby License Agreement and the Bed Bath & Beyond License Agreement may be terminated by the parties thereto on 30 days' prior notice to the other party.

5.0 EVENTS PRECEDING THE CCAA PROCEEDINGS

5.1 As described in the Etlin Affidavit, the Bed Bath & Beyond Group's, including BBB Canada's, revenues have been declining since 2018 in the wake of rapid changes in the North American retail industry. In that time, the Bed Bath & Beyond Group reported significant net losses, and experienced significant financial challenges, which were exacerbated by the COVID-19 pandemic. Most recently, as set out above, BBB Canada generated a net loss of $99.5 million and EBITDA of negative $92.2 million for the nine month period ended November 26, 2022.

5.2 In an effort to address its liquidity challenges, the Bed Bath & Beyond Group underwent a change in leadership in 2022 and secured additional financing commitments under the Credit Facilities for more than US$500 million. Moreover, as described in the Etlin Affidavit, the Bed Bath & Beyond Group explored potential exchange offers, equity raises and a sale of parts or all of its business, with Lazard Frères & Co. LLC ("**Lazard**") leading the marketing process and engaging with several prospective strategic and financial counterparties (the "**Pre-Filing Marketing Process**").

5.3 After an unsuccessful 2022 holiday season, in January 2023, the Bed Bath & Beyond Group defaulted under the Credit Facilities. The Events of Default (as defined below) resulted in all amounts under the Credit Facilities becoming immediately due and payable and the imposition of cash dominion, impairing the Bed Bath & Beyond Group's ability to utilize its cash on hand.

5.4 As a result of the Pre-Filing Marketing Process, on February 6, 2023, BBBI announced an underwritten public offering of: (i) shares of BBBI's convertible preferred stock ("**Series A Convertible Preferred Stock**"); (ii) warrants to purchase shares of Series A Convertible Preferred Stock; and (iii) warrants to purchase BBBI's common stock (the "**Offering**"). The Offering is expected to raise approximately US$225 million of gross proceeds, together with an additional approximately US$800 million of gross proceeds through the issuance of securities requiring the holder thereof to exercise warrants to purchase shares of Series A Preferred Stock in future installments, assuming certain condition are met. The Proposed Monitor understands that the Offering is subject to certain conditions which, if not fully satisfied, could result in less than the full proceeds being received from the Offering. A failure to receive the full amount of proceeds from the Offering would likely force a bankruptcy filing by BBBI and its U.S. subsidiaries under the United States Bankruptcy Code.

5.5 While the Pre-Filing Marketing Process proved successful for the Bed Bath & Beyond Group's business in the U.S., no executable transaction for BBB Canada's business for an amount in excess of the anticipated liquidation value of BBB Canada's assets has materialized despite Lazard's efforts and engagement with third parties.

5.6 As discussed in the Etlin Affidavit, the Bed Bath & Beyond Group, in consultation with Hilco Merchant Resources, LLC, the proposed liquidator of BBB Canada (the "**Proposed Liquidator**") and AlixPartners, estimate that the aggregate net proceeds from the liquidation of BBB Canada's inventory/merchandise (the "**Merchandise**") and furniture, fixtures and equipment ("**FF&E**") would be approximately $40.5 million.

5.7 As a standalone business, BBB Canada is not profitable. With revenues of $453.7 million, $542.7 million, and $553.6 million in F2019, F2020, and F2021, BBB Canada had negative EBITDA of $4.1 million, $25.1 million, and $28.9 million, respectively. As noted above, in the nine months through November 26, 2022, BBB Canada contributed significant negative EBITDA margin to the Bed Bath & Beyond Group's consolidated business.

5.8 The Proposed Monitor understands that after consideration of all strategic alternatives, including an unsuccessful attempt to achieve a going concern solution for the Canadian business, the Bed Bath & Beyond Group has determined that it is no longer in a position to provide financial and operational support to BBB Canada.

5.9 As noted above, the Management Agreement, buybuy Baby License Agreement and the Bed Bath & Beyond License Agreement are each terminable on 30 days' prior notice by BBBI, Buy Buy Baby Inc. and Liberty Procurement, respectively. As such, and apart from the amount that any theoretical bidder may be prepared to pay for BBB Canada's business on a going concern basis, a going concern sale is not possible without the agreement of BBBI and certain of its wholly owned U.S. subsidiaries. In any event, no proposal for an amount even approximating the anticipated liquidation value of BBB Canada's assets in the Canada-specific sale efforts directed by Lazard has materialized to date.

5.10 At this time, BBB Canada is insolvent from a balance sheet and cash flow perspective and, absent BBBI's support, does not have the capacity or ability to independently effect a recapitalization or restructuring of the Canadian operations. Given its financial circumstances and performance, the loss of BBBI's critical support, and the failure of the Pre-Filing Marketing Process to identify an executable transaction superior to estimated liquidation value, BBB Canada has commenced the CCAA Proceedings to facilitate a timely, value-maximizing and orderly wind-down (the "**Orderly Wind-Down**") of its business and the liquidation of its remaining inventory.

5.11 Given the proposed Orderly Wind-Down, the Proposed Monitor has requested from, and reviewed information provided by, Lazard concerning the Pre-Filing Marketing Process. Additionally, the Proposed Monitor has engaged in discussions with Lazard concerning its Canada-specific marketing efforts and the expressions of interest received in same. The Proposed Monitor understands that no expression of interest received contemplated an executable transaction for BBB Canada's business for an amount in excess of the anticipated liquidation value of BBB Canada's assets.

6.0 DEBT OBLIGATIONS

6.1 The Bed Bath & Beyond Group's debt obligations consist principally of the Credit Facilities and the Senior Notes (as defined below). An overview of the Credit Facilities and the Senior Notes is set out below.

<u>The Credit Facilities</u>[1]

6.2 BBB LP and the Applicant are party to a second amendment to the amended and restated credit agreement and waiver dated February 7, 2023 (the "**Amendment**"), among, *inter*

[1] Capitalized terms used and not otherwise defined in this section have the meaning ascribed to them in the Credit Agreement (as defined herein).

alios, BBBI, the other U.S. Borrowers party thereto, the Canadian Borrowers party thereto, the other Loan Parties party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "**Administrative Agent**"), Sixth Street Specialty Lending, Inc., as "first-in, last-out" agent (in such capacity, the "**FILO Agent**"), amending that certain amended and restated credit agreement dated as of August 9, 2021 (as amended, the "**Credit Agreement**"). Among other things, the Credit Agreement provides for:

(a) an asset-based revolving credit facility with aggregate revolving commitments of US$565 million (the "**ABL Facility**"); and

(b) "first-in, last-out" term loans in an aggregate principal amount of up to US$475 million (the "**FILO Facility**", and together with the ABL Facility, the "**Credit Facilities**").

6.3 The salient features of the Credit Facilities under the Credit Agreement are set out in the following table:

Overview of the Credit Facilities under the Credit Agreement	
Borrowers	• *U.S. Borrowers* – BBBI, BUY BUY BABY, INC., Decorist, LLC, Harmon Stores, Inc., BED BATH & BEYOND OF CALIFORNIA LIMITED LIABILITY COMPANY. • *Canadian Borrowers* – BBB LP; provided that, solely for the purposes of funding any FILO Term Loan, "Borrower" shall mean a U.S. Borrower and "Borrowers" means all U.S. Borrowers collectively.
Loan Guarantors	• The Borrowers and the Applicant, BBB Canada LP Inc., BBB Value Services Inc., BBBY Management Corporation, bed 'n bath Stores Inc., Liberty Procurement, BBBYCF LLC, BBBYTF LLC, BWAO LLC, CHEF C HOLDINGS LLC. • In addition to being Loan Guarantors under the Credit Agreement, the Applicant and BBB LP are party to a Canadian guarantee dated June 19, 2020,

Overview of the Credit Facilities under the Credit Agreement	
	pursuant to which, among other things, they have jointly and severally guaranteed the prompt payment when due, of the Secured Obligations and all reasonable and documented costs and expenses, including, without limitation, the reasonable fees, charges and disbursements of one primary counsel to the Administrative Agent, plus, if reasonably necessary, one specialist counsel and one local counsel in each applicable jurisdiction (in each case taken as a whole and excluding allocated costs of in-house counsel and paralegals) and reasonable expenses paid or incurred by the Administrative Agent, the Issuing Bank and the Lenders in endeavoring to collect all or any part of the Secured Obligations from, or in prosecuting any action against, any Borrower, any Loan Guarantor or any other guarantor of all or any part of the Secured Obligations.
Administrative Agent	• JPMorgan Chase Bank, N.A.
FILO Agent	• Sixth Street Specialty Lending, Inc.
Lenders[2]	• *Revolving Lenders* – JPMorgan Chase Bank, N.A., Wells Fargo Bank, National Association, PNC Bank, National Association, Bank of Montreal, MUFG Bank, Ltd., Bank of America, N.A., Capital One, National Association, TD Bank, N.A., Truist Bank, Siemens Financial Services, Inc., and Webster Bank. • *FILO Term Loan Lenders* – Sixth Street Specialty Lending, Inc., Sixth Street Lending Partners, TAO Talents, LLC, GB Funding, LLC, WhiteHawk Finance LLC, Second Avenue Capital Partners LLC, Callodine Commercial Finance SPV, LLC, and Callodine Perpetual ABL Fund SPV, LLC.
Revolving Commitment & Borrowing Availability	• The aggregate revolving commitment (the "**Aggregate Revolving Commitment**") under the Credit Agreement is US$565 million, with such commitment having a Canadian sublimit of US$75 million (the "**Canadian Sublimit**"). From and after the commencement of the Canadian Proceeding Date the Canadian Sublimit is reduced to $0. • Subject to the terms and conditions of the Credit Agreement, the Aggregate Revolving Exposure cannot exceed the lesser of (x) the Aggregate Revolving Commitment and (y) the Revolving Borrowing Base (as calculated in accordance with the terms of the Credit Agreement) and the Canadian Revolving Exposure cannot exceed the Canadian Sublimit.
FILO Term Loan & Borrowing Availability	• The aggregate commitment under the FILO Facility is US$475 million. • The FILO Facility is subject to the FILO Borrowing Base (as calculated in accordance with the terms of the Credit Agreement).

[2] Pursuant to the Credit Agreement, the term "Lenders" includes the Swingline Lender and each Issuing Bank unless the context requires otherwise.

Overview of the Credit Facilities under the Credit Agreement	
Maturity Date	• Unless required to mature earlier pursuant to the terms of the Credit Agreement, the ABL Facility matures on August 9, 2026, provided, however, that the maturity date will instead be May 1, 2024, if any of the 2024 Notes (as defined below) are outstanding as of such date. • Unless required to mature earlier pursuant to the terms of the Credit Agreement, the FILO Facility matures on August 31, 2027, provided, however, that the maturity date will instead be May 1, 2024, if any of the 2024 Notes are outstanding as of such date.
Interest Rate	• Outstanding amounts under the Credit Agreement bear interest at a rate per annum equal to, at the applicable Borrower's election: (i) in the case of loans denominated in U.S. dollars, such loans shall be comprised entirely of Alternate Base Rate ("**ABR**") loans and London Inter-Bank Offered ("**LIBO**") Rate loans and (ii) in the case of loans denominated in Canadian dollars, such loans shall be comprised entirely of Canadian Prime Rate loans and Canadian Dollar Offered Rate ("**CDOR**") loans, in each case as set forth in the Credit Agreement, plus an interest rate margin based on average quarterly availability ranging from (x) in the case of ABR loans and Canadian Prime Rate loans, 1.25% to 1.75%; provided that if ABR or the Canadian Prime Rate is less than 1.00%, such rate shall be deemed to be 1.00%, as applicable, and (y) in the case of LIBO Rate loans and CDOR loans, 2.25% to 2.75%; provided that if the CDOR or LIBO Rate is less than 0.00%, such rate shall be deemed to be 0.00%, as applicable.
Collateral & Certain Intercreditor Arrangements	• To secure the payment and performance of the Secured Obligations, the Administrative Agent, for itself and the Secured Parties, was granted a security interest in substantially all of the assets of BBBI and its subsidiaries that are borrowers or guarantors under the Credit Agreement, exclusive of any real property or equipment located within the U.S. that is owned by, or leased to, BBBI or any of its subsidiaries and that has a net book value (after deduction of accumulated depreciation) in excess of 1.0% of consolidated net tangible assets. • Subject to certain exclusions, the assets in which a security interest was granted to secure the Secured Obligations include, among others, all of BBB LP's and the Applicant's right, title, and interest in, to and under all present and after-acquired personal property, including, without limitation, all accounts and credit card receivables, inventory, cash and cash equivalents, deposit and securities accounts, equipment and intellectual property. • The Revolving Lenders and the FILO Term Lenders are party to an agreement included as Schedule 9.23 to the Credit Agreement, the terms of which apply both before and after the institution of any insolvency proceeding involving any Borrower or any other Loan Party and govern, among other things, the parties' provision or participation in any post-petition financing to the Loan Parties, relief from certain stays and credit bidding.

6.4 As of February 7, 2023, the Proposed Monitor understands that approximately US$191 million in borrowings, and approximately US$172 million of letters of credit remain outstanding under the ABL Facility and approximately US$529 million in borrowings remain outstanding under the FILO Facility.

6.5 Prior to the Amendment, BBBI disclosed that certain events of default were triggered under the Credit Facilities on or around January 13, 2023, as a result of, among other things, the failure to prepay an over advance and satisfy a financial covenant (collectively, the "**Events of Default**"). As described in the Etlin Affidavit, the Administrative Agent advised the Bed Bath & Beyond Group that, as a result of the Events of Default, a cash dominion period (a "**Cash Dominion Period**") had occurred pursuant to the terms of the Credit Agreement. During a Cash Dominion Period, the Bed Bath & Beyond Group is required to seek approval of the Administrative Agent and the FILO Agent prior to spending any cash on-hand.

6.6 Due to the continuance of the Events of Default, the Proposed Monitor understands that on January 25, 2023, the Administrative Agent advised that, among other things:

(a) the principal amount of all outstanding loans under the Credit Facilities, together with accrued interest thereon, the FILO Applicable Premium and all fees and other obligations under the Credit Agreement, were due and payable immediately (the "**Acceleration**");

(b) effective immediately, the letter of credit obligations under the Credit Facilities were required to be cash collateralized (the "**Cash Collateral Obligation**"); and

(c) effective as of January 25, 2023, all outstanding loans and obligations under the Credit Facilities would bear interest at an additional default rate of 2% per annum (the "**Default Interest**").

6.7 Pursuant to the Amendment, which was executed in connection with the Offering, the Lenders agreed to: (i) waive the Events of Default; and (ii) rescind the Acceleration, the Cash Collateral Obligation and the Default Interest. Additionally, the parties to the Amendment agreed to:

(a) decrease the Aggregate Revolving Commitment from US$1.13 billion to US$565 million;

(b) the sum of the Existing FILO Term Loan Indebtedness immediately prior to the Second Amendment Effective Date, being US$428,897,500;

(c) provide for an additional 2023 FILO Term Loan in the amount of US$100 million; and

(d) carve out the commencement of the CCAA Proceedings from the events of default under the Credit Agreement (albeit the Credit Agreement provides that the Canadian Sublimit is reduced to $0 at such time).

6.8 Notwithstanding the Amendment and the waiver of the Events of Default, the Proposed Monitor understands that the Bed Bath & Beyond Group, including BBB Canada, will remain under cash dominion until all of the obligations under the Credit Facilities are repaid and the commitments thereunder are terminated.

6.9 The Proposed Monitor also understands that pursuant to the Amendment, the terms of any orders granted in the CCAA Proceedings must be in form and substance acceptable to the Administrative Agent and FILO Agent, each acting reasonably, which expressly includes the requirement that any such orders approve cash management arrangements acceptable to the Administrative Agent and the FILO Agent in their sole discretion. This includes the application of any proceeds of any store closing sale or liquidation to the repayment of the Obligations under the Credit Facilitates, subject only to such reserves for the expenses of the CCAA Proceedings as are acceptable to the Administrative Agent and the FILO Agent.

Senior Unsecured Notes of BBBI

6.10 On July 17, 2014, BBBI issued US$300 million aggregate principal amount of 3.479% senior unsecured notes due August 1, 2024 (the "**2024 Notes**"), US$300 million aggregate principal amount of 4.915% senior unsecured notes due August 1, 2034 (the "**2034 Notes**") and US$900 million aggregate principal amount of 5.165% senior unsecured notes due August 1, 2044 (collectively with the 2024 Notes and the 2034 Notes, the "**Senior Notes**") pursuant to an Indenture and First Supplemental Indenture, each dated July 17, 2014 (the "**Indenture**"), by and between Bed Bath & Beyond Inc. and The Bank of New York Mellon, as trustee. Interest on the Senior Notes is payable in cash semi-annually in arrears on February 1 and August 1 of each year. Neither the Applicant nor BBB LP is an issuer or guarantor under the Senior Notes.

6.11 The Proposed Monitor understands that BBBI elected to forego its approximately US$28 million interest payment under the Senior Notes on February 1, 2023 (the "**Senior Notes Interest Payment**") and enter into a 30 day grace period under the Indenture, expiring on

March 3, 2023. The Proposed Monitor understands that BBBI intends to use its availability under the Credit Facilities to make the Senior Notes Interest Payment by March 3, 2023.

Other Unsecured Debt Obligations

6.12 As at November 26, 2022, BBB Canada had liabilities for accounts payable and accrued expenses of approximately $233 million relating to the Bed Bath & Beyond banner and approximately $63 million relating to the buybuy BABY banner. Of these amounts, approximately $189 million and approximately $37 million under the Bed Bath & Beyond and buybuy BABY banners, respectively, were amounts due to affiliates.

6.13 As discussed further above, one of the Shared Services administered by BBBI on behalf of BBB Canada is accounts payable. Specifically, BBBI remits payment to all suppliers, vendors, and other accounts payable due and owing by BBB Canada, and then records such payment as an affiliate obligation on the balance sheet. Also included as an "affiliate obligation" are the monthly fees allocated to BBB Canada with respect to the Shared Services. Such intercompany obligations are booked, but not regularly settled, by BBBI and so continue to accumulate on a monthly basis. For certainty, such amounts are not reflective of sums due and owing to third party vendors and suppliers.

Security Review

6.14 The Proposed Monitor requested that Bennett Jones, and its counsel's local provincial agents, conduct a review of the security granted by BBB Canada to the Administrative Agent, for itself and the Secured Parties, in connection with the Credit Facilities. Subject to customary qualifications and assumptions set out therein, the Proposed Monitor's counsel, and its counsel's local provincial agents, have provided written opinions (collectively, the "**Opinions**") to the Proposed Monitor, that the security granted by BBB Canada in respect of the Credit Facilities constitutes valid security enforceable in accordance with its terms, and perfected by registration in the Provinces of Ontario, British Columbia, Alberta, Manitoba, Saskatchewan, Newfoundland, Prince Edward Island, New Brunswick and Nova Scotia to the extent capable under applicable law. The Opinions will be made available to the Court upon request.[3]

6.15 The Proposed Monitor notes that the Opinions were delivered several days prior to execution of the Amendment. However, as the Amendment does not alter the security granted by BBB Canada in respect of the Credit Facilities prior to the date of the Amendment, Bennett Jones has advised that it does not change its opinion concerning the security.

7.0 CASH MANAGEMENT SYSTEM

7.1 BBBI currently maintains a centralized cash management system (the "**Cash Management System**"), which is managed from BBBI's headquarters for cash collections, disbursements and intercompany payments.

[3] As set out within the Opinions, a registration in favour of Papyrus-Recycled Greetings Canada Ltd. ("**Papyrus**") was filed prior in time in the Provinces of Ontario, British Columbia, Alberta, Manitoba, Saskatchewan, Newfoundland, Prince Edward Island, New Brunswick and Nova Scotia. The Proposed Monitor understands that such registrations are limited to products of Papyrus sold, shipped or delivered on consignment by Papyrus to BBB Canada on a direct to store delivery basis from time to time wherever located, including (i) all Recycled Paper Greetings brand, Papyrus brand and Paper Rebel brand everyday counter cards and seasonal counter cards, and (ii) all Recycled Paper Greetings brand and Papyrus brand everyday and seasonal non-card related products including gift packaging, stationery, boxed cards, stickers, desk accessories and party accessories.

7.2 The Cash Management System is comprised of 77 bank accounts that are owned by BBBI and non-BBBI affiliates and are maintained at various branches of 12 banks. Of the 77 total bank accounts, 22 are maintained by the Applicant for purposes of managing cash for Canadian operations, at various branches of two banks (18 with JPMorgan and four with Scotiabank), of which 12 are CAD accounts and 10 are USD accounts (collectively, the "**BBB Canada Accounts**"). An overview of the BBB Canada Accounts is provided in the Etlin Affidavit. Certain key points are summarized below:

(a) there are currently nine concentration accounts for BBB Canada (collectively, the "**Canadian Concentration Accounts**"), all of which are with JPMorgan. The Canadian Concentration Accounts pool funds, via daily sweeps, from the Canadian Collection Accounts and Canadian Store Depository Accounts (each as defined below). As further described below, the Canadian Concentration Accounts, in turn, fund the Canadian Disbursement Accounts as needed to fund operating disbursements;

(b) BBB Canada maintains four store-level deposit accounts with Scotiabank (collectively, the "**Canadian Store Depository Accounts**"), where, on a daily basis, cash collections from sales are deposited. Cash deposited at the Canadian Store Depository Accounts is either moved to Canadian Collection Accounts or automatically swept to the Canadian Concentration Accounts on a daily basis;

(c) all other funds received are deposited into two primary Canadian collection accounts (together, the "**Canadian Collection Accounts**"), which are maintained with JPMorgan. The receipts primarily consist of sales proceeds from stores (including those mentioned above), credit card receipts, and e-commerce and website receipts. Funds from the Canadian Collection Accounts are swept daily to the respective Canadian Concentration Accounts; and

(d) the Canadian Concentration Accounts fund each of BBB Canada's seven disbursement accounts (collectively, the "**Canadian Disbursement Accounts**"), which are maintained by JPMorgan. These accounts are used to make disbursements to fund BBB Canada's operations, such as accounts payable (including payments made to vendors and freight providers), payroll (including benefits), sales tax and other tax obligations, employee obligations, and rent. Each of the seven Canadian Disbursement Accounts is a zero balance account maintained at JPMorgan and is funded by the Canadian Concentration Accounts on an as-needed basis.

7.3 BBB Canada provides credit cards to a select number of the Store Associates and Corporate Employees. The credit cards are used by BBB Canada's Corporate Employees for a variety of expenses, including business travel and business expenses, and by certain of the Store Associates as an alternative to petty cash.

7.4 As noted above, notwithstanding the Amendment and the waiver of the Events of Default, all of the BBB Canada Accounts are currently under cash dominion. During the Orderly Wind-Down, proceeds from liquidation sales will be available to cover disbursements required to be paid throughout the CCAA Proceedings (as detailed in the Cash Flow Forecast).

7.5 The Applicant has advised the Proposed Monitor that BBB Canada requires the continued use of the Cash Management System during the CCAA Proceedings and that such continued use is critical to the Orderly Wind-Down. The Proposed Monitor also understands that BBB Canada requires the use of cash on hand to fund the CCAA Proceedings. For this reason, subject to the Sweep Limitations (as defined and described below), the Applicant is seeking to continue to utilize the Cash Management System in the manner described above, whereby liquidation costs will be funded by liquidation proceeds pursuant to the proposed Initial Order.

7.6 To ensure that BBB Canada has sufficient funding during the CCAA Proceedings, the proposed Initial Order provides that cash sweep rights in respect of BBB Canada pursuant to the Credit Agreement may continue to be exercised provided that: (i) any swept funds shall constitute repayment of the obligations under, and subject to the terms of the Credit Agreement; and (ii) such sweep rights may only be exercised if BBB Canada continues to hold at least $7.5 million immediately after the applicable sweep (together, the "**Sweep Limitations**").

7.7 The Proposed Monitor is supportive of the Applicant's request to continue to use the Cash Management System and believes that such continued use is appropriate and necessary in the circumstances.

8.0 CASH FLOW FORECAST

8.1 BBB Canada has prepared the Cash Flow Forecast for the Cash Flow 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 subsection 10(2)(b) of the CCAA are attached hereto as **Appendices "B"** and **"C"**, respectively.

8.2 As summarized in the table below, during the Cash Flow Period, the Cash Flow Forecast shows net cash flows of approximately $30.7 million:

13-Week Cash Flow Forecast *(Unaudited, in 000s CAD)*	
Receipts	**$ 75,239**
Disbursements	
Payroll	14,969
Occupancy Costs	6,983
Liquidation Expenses	5,647
Sales Tax Remittances	12,167
Liquidation Fees	-
Professional Fees	4,762
Total Disbursements	**44,528**
Net Cash Flow	**30,712**
Opening Cash Balance / Deficit	(3,706)
Net Cash Flow	30,712
Initial Transfer from Parent	9,400
Senior Debt Payments	(23,248)
Closing Cash Balance / Deficit	**13,157**

8.3 Due to the transitional impacts of cash dominion, management and its financial advisors have been and continue to work with the Administrative Agent for full visibility on the daily cash balances. As such, the parties are continuing to reconcile the opening cash position for BBB Canada. The Proposed Monitor understands that BBBI will transfer sufficient funds to increase the closing cash position for week one to approximately $4.0 million. As discussed above, cash on hand in excess of $7.5 million is expected to be periodically swept by the Administrative Agent after the commencement of the liquidation of BBB Canada's assets.

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

Forecast Receipts

(a) Gross Sales reflect forecast receipts from liquidation sales including HST, net of gift card redemptions.

Forecast Disbursements

(b) Payroll includes salary, wages and benefits for employees up to and during the liquidation sale.

(c) Occupancy Costs include all occupancy costs to be paid (i.e., rent, tax, CAM, utilities, insurance) during the Orderly Wind-Down based on historical run-rates, split to be paid on the 1st and 15th of each month in accordance with the proposed Initial Order.

(d) Liquidation Expenses reflect the estimated bank and credit card charges, and advertising, supervision, and other supply costs to be incurred during the liquidation.

(e) Sales Tax Remittances reflect sales taxes collected less sales taxes paid, to be remitted monthly.

(f) Liquidation Fees include fees payable to the Proposed Liquidator, which are largely paid in advance of the sale and will be adjusted at completion of the liquidation sale based on the difference between forecast and actual receipts.

(g) Professional Fees include the fees of the Applicant's Canadian legal counsel, the Monitor and the Monitor's counsel.

8.5 The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed Monitor under subsection 23(1)(b) of the CCAA. Subsection 23(1)(b) of the CCAA requires a Monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings. In accordance with 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 key 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.

8.6 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 the Applicant 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.

8.7 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 ESSENTIAL SUPPLIERS

9.1 Under the proposed Initial Order, the Applicant is requesting authorization to pay pre-filing amounts with the consent of the Monitor to certain suppliers, including:

(a) providers of payroll services;

(b) providers of credit, debit and gift card processing related services; and

(c) other third-party suppliers up to a maximum amount $500,000, if, in the opinion of BBB Canada, such supplier is critical to the Orderly Wind-Down

9.2 The Proposed Monitor is of the view that the above relief is reasonable and appropriate in the circumstances having regard to the proposed Orderly Wind-Down.

10.0 STAY OF PROCEEDINGS

10.1 The proposed Initial Order contemplates the granting of an initial 10-day stay of proceedings in respect of the Applicant, its business and the Property. Relatedly, the proposed Initial Order also contemplates the following:

(a) the extension of the stay of proceedings, together with the benefits, protections, authorizations and restrictions under the proposed Initial Order to BBB LP; and

(b) a stay in respect of the commencement or continuation of any proceedings against BBBI arising out of or in connection with any indemnity, guarantee, or surety relating to a lease of real property by the Applicant or BBB LP without the consent of BBB Canada and the Monitor or leave of the Court (the "**Landlord Stay**").

10.2 In the circumstances, the Proposed Monitor is of the view that the stay of proceedings, including its extension to BBB LP and the Landlord Stay, is appropriate and is in the best interests of BBB Canada and its stakeholders given that:

(a) the proposed stay of proceedings will provide the breathing space required for BBB Canada to stabilize its business and maximize value for its stakeholders through the proposed Orderly Wind-Down;

(b) the proposed stay of proceedings will prevent disruption to the proposed Orderly Wind-Down;

(c) the commencement of enforcement steps against either the Applicant or BBB LP would be detrimental to the stability and success of the CCAA Proceedings;

(d) as BBB Canada's principal operating company, the employer of BBB Canada's employees and the lessee of BBB Canada's leased locations, BBB LP is integral to BBB Canada's business and the Orderly-Wind Down;

(e) the Proposed Monitor understands that stays of proceedings similar to the Landlord Stay have previously been granted in complex CCAA proceedings not dissimilar to the CCAA Proceedings; and

(f) pursuant to the proposed Initial Order, any claim of a landlord of the Applicant or BBB LP pursuant to a guarantee in relation to BBB Canada will be unaffected and will not be released in any plan filed by the Applicant under the CCAA or any proposal filed by BBB Canada under the BIA.

11.0 COURT-ORDERED CHARGES SOUGHT IN THE INITIAL ORDER

11.1 The proposed Initial Order seeks the granting of the Administration Charge and the Directors' Charge over the Property of the Applicant (collectively, the "**Charges**"). The proposed Charges and their respective priorities are discussed below.

<u>Administration Charge</u>

11.2 The proposed Initial Order provides for a superpriority charge over the Property in an amount not to exceed $550,000 in favour of the Monitor, counsel to the Monitor and Canadian counsel to BBB Canada (the "**Administration Charge**").

11.3 The quantum of the proposed Administration Charge was determined by the Applicant, with the assistance of the Proposed Monitor. The Proposed Monitor is of the view that the amount of the proposed Administration Charge is reasonable and appropriate in the circumstances, having regard to the nature, scope and complexity of the CCAA Proceedings, the significant work expected to be undertaken by the beneficiaries of the Administration Charge, and the size of charges approved in similar CCAA proceedings. The Proposed Monitor does not believe that there will be any unnecessary duplication of roles as between the beneficiaries of the proposed Administration Charge, each of which will be necessary throughout the CCAA Proceedings.

11.4 The Proposed Monitor understands that, should the proposed Initial Order be granted, the Applicant intends to seek an increase in the amount of the Administration Charge pursuant to an amended and restated Initial Order (the "**ARIO**") at the comeback hearing (the "**Comeback**").

<u>Directors' Charge</u>

11.5 The proposed Initial Order provides that the Applicant and BBB LP shall indemnify their respective directors and officers against obligations and liabilities that they may incur as directors and officers after commencement of the CCAA Proceedings, except to the extent that the obligation or liability was incurred as a result of such officer's or director's gross negligence or wilful misconduct. Pursuant to the proposed Initial Order, such indemnity will be secured by a superpriority charge over the Property in the amount of $7.5 million in favour of the Applicant's and BBB LP's respective directors and officers (the "**Directors' Charge**").

11.6 The Proposed Monitor understands that, should the proposed Initial Order be granted, the Applicant intends to seek an increase in the amount of the Directors' Charge pursuant to the ARIO.

11.7 As outlined in the Etlin Affidavit, neither the Applicant nor BBB LP has adequate liability insurance coverage for the benefit of its present or former directors and officers. Accordingly, the Proposed Monitor understands that the directors and officers of the Applicant and BBB LP have advised that their continued service during the CCAA Proceedings is contingent upon the granting of the proposed Directors' Charge.

11.8 The Proposed Monitor assisted the Applicant in calculating the quantum of the Directors' Charge, taking into consideration the amount of BBB Canada's payroll, source deductions, vacation pay and federal and provincial sales tax liabilities during the initial 10-day stay period. The Proposed Monitor is of the view that the proposed Directors' Charge is required and reasonable in the circumstances.

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

11.9 The priorities of the Charges are proposed to be as follows:

(a) First – Administration Charge (to the maximum amount of $550,000); and

(b) Second – Directors' Charge (to the maximum amount of $7.5 million).

11.10 Pursuant to the proposed Initial Order, notwithstanding the order of perfection of the Charges, the Charges shall rank behind all Encumbrances (as defined in the Initial Order), for which the beneficiaries thereof have not been served with notice of the application for the Initial Order. The Proposed Monitor understands that the Applicant intends to seek priority of the Charges ahead of such Encumbrances at the Comeback on notice to parties to be affected.

11.11 As set out above, the Proposed Monitor believes that the Charges are reasonable in the circumstances.

12.0 THE ORDERLY WIND-DOWN AND INTENDED NEXT STEPS IN THE CCAA PROCEEDINGS

12.1 Given the continuance of cash dominion, BBBI’s decision to exit the Canadian market and cease supporting BBB Canada outside of the framework of the CCAA Proceedings, and BBB Canada’s lack of alternative funding options and inability to find a going concern alternative that provides value superior to what can be realized in a liquidation, the proposed Initial Order provides a preliminary framework for the Orderly-Wind Down.

12.2 The proposed Orderly Wind-Down is intended to allow BBB Canada to liquidate Merchandise and FF&E in a timely and orderly fashion to maximize realizations for the benefit of its creditors. The Proposed Monitor is of the view that an immediate cessation of operations through a bankruptcy would be value destructive and could result in increased claims against BBB Canada’s estates and decreased creditor recoveries, relative to the proposed Orderly Wind-Down.

12.3 The Proposed Monitor understands that BBB Canada intends to seek approval of a realization process, sale guidelines and consulting agreement on or around February 20, 2023, and that the liquidation contemplated therein is intended to be completed by the end of April.

12.4 To facilitate the Orderly Wind-Down, the proposed Initial Order, if granted, will allow BBB Canada to, among other things:

(a) terminate the employment of employees or temporarily lay off employees as BBB Canada deems appropriate;

(b) apply to the Court for such approval, vesting or other orders as may be necessary to consummate sale transactions for all or any part of the Property, including, without limitation, approval of a consulting or liquidation agreement concerning the liquidation of the Merchandise and FF&E forming part of the Property, and any related relief;

(c) permanently or temporarily cease, downsize or shut down any of BBB Canada's businesses or operations, and to dispose of redundant or non-material assets not exceeding $500,000 in any one transaction or $2.5 million in the aggregate; provided that, with respect to any leased premises, BBB Canada may, subject to the requirements of the CCAA, vacate, abandon or quit the whole but not part of any leased premises;

(d) pay all outstanding or future amounts owing in respect of existing return policies and refunds; and

(e) until February 25, 2023, pay outstanding amounts related to honouring gift cards issued before or on the date of the Proposed Initial Order, discounts or other amounts on account of customer programs or obligations existing before or on the date of the Proposed Initial Order.

12.5 In addition, following the granting of the Initial Order, BBB Canada, with the assistance of the Monitor, intends to:

(a) contact the landlord stakeholder group to notify them of the Orderly Wind-Down and begin planning for a liquidation of the Merchandise and FF&E; and

(b) contact vendors and suppliers who will provide services during the Orderly Wind-Down and anticipated liquidation sale, to confirm the services required and enter into agreements regarding any additional services to be provided.

12.6 At the Comeback, the Proposed Monitor understands that the Applicant intends to seek:

(a) the ARIO, among other things, extending the stay of proceedings, increasing the Charges and altering the priority of the Charges to rank ahead of all Encumbrances; and

(b) an order approving (i) a consulting agreement (the "**Canadian Hilco Agreement**") with the Proposed Liquidator, regarding the liquidation of the Merchandise and FF&E located in BBB Canada's retail stores, and (ii) sale guidelines (the "**Sale Guidelines**") for the orderly liquidation of the Merchandise and FF&E in Canada.

12.7 If the proposed Initial Order is granted, the views of the Monitor on the qualifications and selection of the Proposed Liquidator and the terms of the Canadian Hilco Agreement and Sale Guidelines are expected to be provided in the Monitor's first report to the Court.

13.0 CONCLUSIONS AND RECOMMENDATIONS

13.1 For the reasons set out in this Report, if the Court is satisfied that the Applicant is a company to which the CCAA applies, the Proposed Monitor is of the view that the relief requested by the Applicant in the proposed Initial Order is reasonable, appropriate and necessary having regard to the current circumstances of BBB Canada. As such, the Proposed Monitor supports the Applicant's application for CCAA protection and respectfully recommends that the Court grant the proposed Initial Order containing the relief requested by the Applicant.

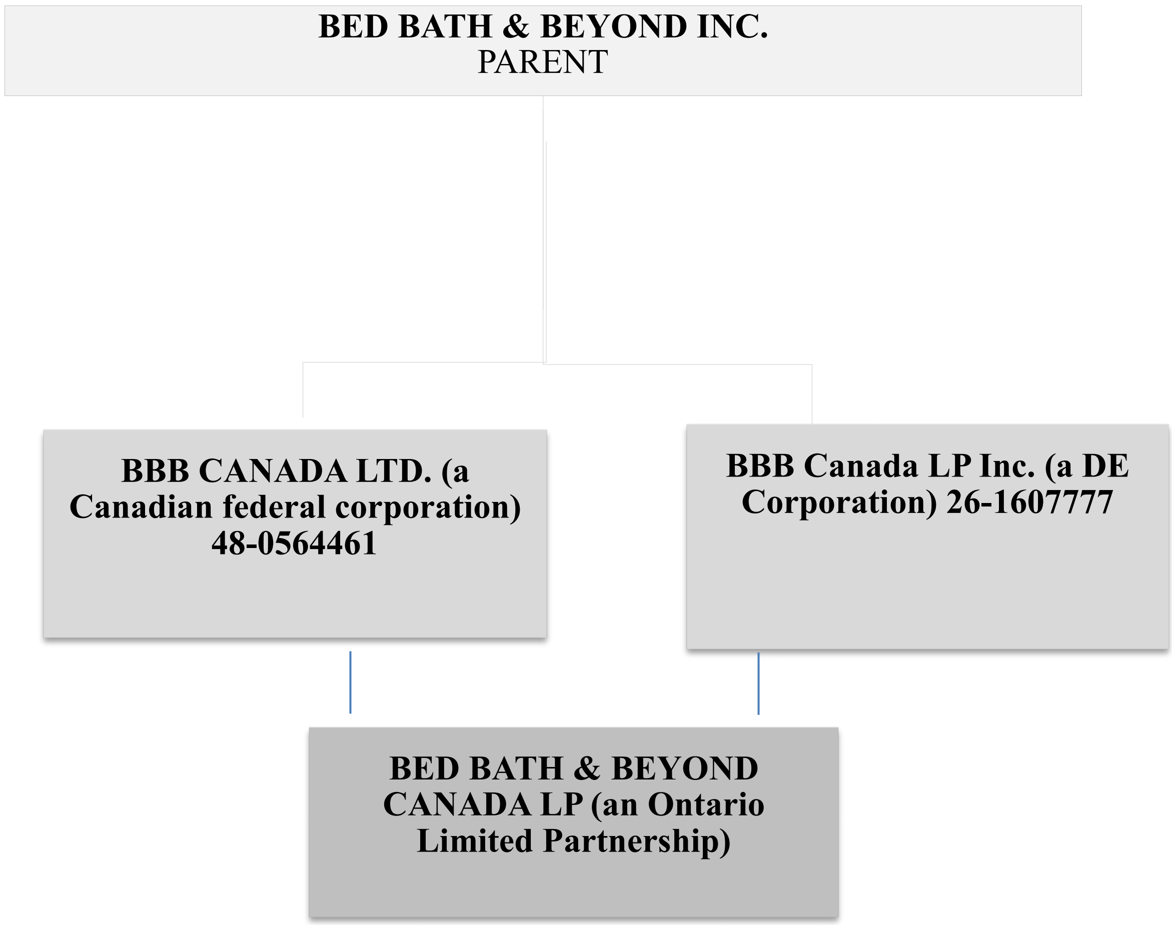
All of which is respectfully submitted to the Court this 10th day of February, 2023.

Alvarez & Marsal Canada Inc., in its capacity as Proposed Monitor of BBB Canada Ltd. and Bed Bath & Beyond Canada L.P., and not in its personal or corporate capacity

Per: AHutchens

Alan J. Hutchens
Senior Vice-President

APPENDIX A
BED BATH & BEYOND INC. SIMPLIFIED CORPORATE CHART



APPENDIX B
CASH FLOW FORECAST

See attached.

BBB Canada
13-Week Cash Flow Forecast
(Unaudited, in $000s CAD)

		Week 1	*Week 2*	*Week 3*	*Week 4*	*Week 5*	*Week 6*	*Week 7*	*Week 8*	*Week 9*	*Week 10*	*Week 11*	*Week 12*	*Week 13*	**13 Week**
Week Ending	**Notes**	**Feb 11**	**Feb 18**	**Feb 25**	**Mar 4**	**Mar 11**	**Mar 18**	**Mar 25**	**Apr 1**	**Apr 8**	**Apr 15**	**Apr 22**	**Apr 29**	**May 6**	**Total**
Receipts	**1**	**1,042**	**1,687**	**4,877**	**8,710**	**8,912**	**9,433**	**9,433**	**8,509**	**7,199**	**5,495**	**4,438**	**3,722**	**1,784**	**75,239**
Disbursements															
Payroll & Benefits	**2**	-	2,967	-	2,228	-	2,444	-	2,444	-	2,444	-	2,444	-	14,969
Occupancy Costs	**3**	1,968	-	-	1,003	-	1,003	-	1,003	-	1,003	-	1,003	-	6,983
Liquidation Expenses	**4**	-	-	1,170	518	522	530	522	507	486	459	442	430	60	5,647
Sales Tax Remittances	**5**	-	-	1,708	1,676	-	-	-	4,954	-	-	-	-	3,830	12,167
Liquidation Fees	**6**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	**7**	750	-	669	-	669	-	669	-	669	-	669	-	669	4,762
Total Disbursements		**2,718**	**2,967**	**3,546**	**5,425**	**1,190**	**3,977**	**1,191**	**8,907**	**1,155**	**3,905**	**1,110**	**3,877**	**4,559**	**44,528**
Net Cash Flow		**(1,676)**	**(1,280)**	**1,330**	**3,285**	**7,722**	**5,456**	**8,242**	**(399)**	**6,044**	**1,590**	**3,327**	**(155)**	**(2,775)**	**30,712**
Opening Cash Balance	**8**	(3,706)	4,018	2,738	4,068	7,353	15,075	16,087	16,087	15,689	16,087	16,087	16,087	15,932	(3,706)
Net Cash Flow		(1,676)	(1,280)	1,330	3,285	7,722	5,456	8,242	(399)	6,044	1,590	3,327	(155)	(2,775)	30,712
Closing Cash Balance		**(5,382)**	**2,738**	**4,068**	**7,353**	**15,075**	**20,531**	**24,329**	**15,689**	**21,732**	**17,677**	**19,415**	**15,932**	**13,157**	**27,005**
Initial Transfer from Parent		9,400	-	-	-	-	-	-	-	-	-	-	-	-	9,400
Senior Debt Payments	**9**	-	-	-	-	-	(4,444)	(8,242)	-	(5,645)	(1,590)	(3,327)	-	-	(23,248)
Adjusted Closing Cash Balance		**4,018**	**2,738**	**4,068**	**7,353**	**15,075**	**16,087**	**16,087**	**15,689**	**16,087**	**16,087**	**16,087**	**15,932**	**13,157**	**13,157**

Cash Flow Forecast Assumptions

<u>Disclaimer</u>

*In preparing this cash flow forecast (the "**Forecast**"), BBB Canada Ltd (the "**Applicant**") and Bed Bath & Beyond Canada L.P. ("**BBB LP**" and together with the Applicant, "**BBB Canada**") has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast includes assumptions discussed 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 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. Disbursements denominated in U.S. currency have been converted into Canadian dollars at an exchange rate of C$1.00: US$0.75.

Notes

1. Receipts are based on estimated realizations during the 11-week wind-down period beginning on February 21, 2023 and concluding on April 30, 2023, plus sales tax to be collected, reduced by gift card redemptions that occur from the filing date through February 25, 2023 at a rate of 6%.

2. Payroll & Benefits includes salary, wages, benefits and vacation pay during the going out of business ("GOB") sale.

3. Rent includes disbursements for all store locations as well as the corporate office. Disbursements are inclusive of monthly rent, CAM, utilities and insurance.

4. Liquidation Expenses include all bank and credit card fees, advertising and liquidation supervision costs to be disbursed during the GOB sale.

5. Sales Tax Remittances include payment of all sales tax collected less any sales tax paid.

6. Liquidation Fees include fees payable to Hilco, which are largely paid in advance of the sale and will be adjusted upon completion of the GOB sale based on the difference between forecast and actual receipts.

7. Professional fees include the Applicant's legal counsel, the Monitor and the Monitor's legal counsel.

8. Due to transitional impacts of cash dominion, management and its financial advisor have been and continue to work with the lenders for full visibility on daily cash balances. As

such, the parties are continuing to reconcile the opening cash position for and Bed Bath & Beyond, Inc. or an affiliate will transfer sufficient funds to increase the closing cash position for week 1 to approximately $4.0 million.

9. The proposed Initial Order contemplates maintaining a minimum cash balance of US$12.0 million throughout the CCAA Proceedings. Negotiations are ongoing with the lenders on this minimum cash balance amount.

APPENDIX C
MANAGEMENT'S REPRESENTATION LETTER
REGARDING CASH FLOW FORECAST

See attached.

Alvarez & Marsal Canada Inc.
200 Bay Street, Suite 2900
Toronto ON M5J 2J1

<u>Attention: Mr. Alan Hutchens</u>

February 9, 2023

Dear Sirs:

Re: BBB Canada Ltd. ("BBB Canada") – CCAA section 10(2) Prescribed Representations with Respect to Cash Flow Forecast

In connection with the application by BBB Canada for the commencement of proceedings under the *Companies' Creditors Arrangement Act*, management of Bed Bath & Beyond Inc. ("**BBBI**"), BBB Canada's parent company, have prepared the attached 13-week projected cash flow statement for the period February 10, 2023 to May 6, 2023 (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 BBB Canada during the CCAA proceedings.

BBBI 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 BBB Canada 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,

Holly Etlin

Per: Holly Etlin
Interim Chief Financial Officer, Bed Bath & Beyond Inc.

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

Court File No.: ________________

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF BBB CANADA LTD.

Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

PRE-FILING REPORT OF THE PROPOSED MONITOR

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