

Court File No. CV-23-00695619-00CL

**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 NORDSTROM CANADA RETAIL, INC.,  
NORDSTROM CANADA HOLDINGS, LLC AND  
NORDSTROM CANADA HOLDINGS II, LLC**

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

**SEPTEMBER 22, 2023**

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## **INDEX TO APPENDICES**

- A Fourth Report of the Monitor dated July 12, 2023 (without appendices)

## 1.0 INTRODUCTION

1.1 On March 2, 2023 (the “**Filing Date**”), Nordstrom Canada Retail, Inc. (“**Nordstrom Canada**”), Nordstrom Canada Holdings, LLC and Nordstrom Canada Holdings II, LLC (together the “**Applicants**”) were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an initial order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). The stay of proceedings and other protections and authorizations in the Initial Order were also extended to Nordstrom Canada Leasing LP (“**Canada Leasing LP**” and, collectively with the Applicants, the “**Nordstrom Canada Entities**”).

1.2 Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. was appointed as monitor of the Nordstrom Canada Entities (in such capacity, the “**Monitor**”) in these CCAA proceedings (the “**CCAA Proceedings**”).

1.3 The Initial Order, among other things:

- (a) granted a stay of proceedings in favour of the Nordstrom Canada Entities, a Co-Tenancy Stay and a Parent Stay, which stays of proceedings have been subsequently extended by the Court until and including September 29, 2023;
- (b) approved an employee trust agreement (the “**Employee Trust Agreement**”) among Nordstrom, Inc. (“**Nordstrom US**”), as settlor, the Monitor, as administrator (the “**Administrator**”), and Gale Rubenstein in her personal capacity as trustee (the “**Trustee**”), providing for the establishment of a trust funded by Nordstrom US for the benefit of employees of Nordstrom Canada (the “**Employee Trust**”);

- (c) approved the appointment of Ursel Phillips Fellows Hopkinson LLP as representative counsel (“**Employee Representative Counsel**”) to represent the interests of Nordstrom Canada employees other than: (i) non-store level employees eligible for a payment under the KERP (as defined below); (ii) directors and officers of the Nordstrom Canada Entities; and (iii) the Senior Vice President, Regional Manager for Canada (the “**Represented Employees**”); and
- (d) granted an Administration Charge and a Directors’ Charge over the Property (each as defined in the Initial Order).

1.4 On March 10, 2023, the Court granted an Amended and Restated Initial Order (the “**ARIO**”) which modified the Initial Order in certain respects. The ARIO, among other things:

- (a) approved the Applicants’ key employee retention plan (the “**KERP**”) and granted a charge over the Property in the maximum amount of \$2.6 million as security for the payments to be made in accordance with the KERP (the “**KERP Charge**”); and
- (b) increased the amount of the Administration Charge to \$1.5 million and increased the amount of the Directors’ Charge to \$13.25 million.

1.5 On March 20, 2023, the Court granted the Liquidation Sale Approval Order, which among other things:

- (a) approved an amended and restated consulting agreement (the “**Consulting Agreement**”) between Nordstrom Canada and Canada Leasing LP (together, the “**Merchant**”) and a contractual joint venture comprised of Hilco Merchant Retail

Solutions ULC, Gordon Brothers Canada, ULC, Tiger Asset Solutions Canada, ULC and B. Riley Retail Solutions LLC (collectively, the “**Consultant**”);

- (b) approved the sale guidelines (the “**Sale Guidelines**”) for the orderly liquidation of Merchandise and FF&E (each as defined in the Liquidation Sale Approval Order) at each of the Merchant’s Stores (the “**Liquidation Sale**”); and
- (c) authorized the Merchant, with the assistance of the Consultant, to undertake the Liquidation Sale in accordance with the terms of the Liquidation Sale Approval Order, the Consulting Agreement and the Sale Guidelines.

1.6 On May 31, 2023, the Court granted the Claims Procedure Order, which:

- (a) approved a claims process for the identification, quantification and resolution of Claims (as defined in the Claims Procedure Order) against the Nordstrom Canada Entities and their respective current and former directors and officers (the “**Claims Process**”);
- (b) authorized the Nordstrom Canada Entities, the Monitor and the Claims Officers (as defined in the Claims Procedure Order) to perform their respective obligations under the Claims Procedure Order; and
- (c) established the Claims Bar Date and the Restructuring Period Claims Bar Date (each as defined in the Claims Procedure Order).

1.7 On July 17, 2023, the Court granted two Orders (the “**Approval and Vesting Orders**”) approving assignment transactions in respect of certain of the Nordstrom Rack Leases (the

**“Lease Assignment Transactions”**): (a) an Approval and Vesting Order approving the transaction contemplated by an Assignment and Assumption of Lease between Canada Leasing LP and G2MC Inc. in respect of the Heartland Lease (the **“G2MC Agreement”**); and (b) an Approval and Vesting Order approving the transactions contemplated by an Assignment and Assumption of Leases between Canada Leasing LP and Winners Merchants International L.P. in respect of the Vaughan Mills Lease and the Deerfoot Meadows Lease (the **“Winners Agreement”**).

- 1.8 On August 3, 2023, the Monitor served on the Service List and filed with the Court the Fifth Report of the Monitor, which constitutes the **“Monitor’s Intercompany Claims Report”** for purposes of paragraph 44 of the Claims Procedure Order.
- 1.9 The purpose of this report (the **“Sixth Report”**) is to provide the Court with information concerning, and where applicable the Monitor’s views on, the following matters:
- (a) the activities of the Nordstrom Canada Entities in connection with their orderly wind-down, including the Liquidation Sale and employee matters;
  - (b) an update on the Lease Assignment Transactions;
  - (c) an update on the Claims Process;
  - (d) an update on the activities of the Monitor since July 12, 2023, being the date of the Fourth Report of the Monitor (the **“Fourth Report”**), a copy of which (without appendices) is attached as **Appendix “A”** hereto;

- (e) the Applicants' motion for an order (the "**Order**"), among other things:
  - (i) extending the Stay Period (as defined in the ARIO) to and including December 22, 2023;
  - (ii) terminating the Employee Trust upon delivery by the Monitor of the Employee Trust Termination Certificate (as defined below); and
  - (iii) terminating, releasing and discharging the KERP Charge; and
- (f) the Monitor's conclusions and recommendations in connection with the Applicants' motion and the relief sought therein.

## 2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Sixth Report, the Monitor has been provided with, and has relied upon, unaudited financial information and books and records prepared or provided by Nordstrom US and its affiliates, including the Nordstrom Canada Entities (collectively, the "**Nordstrom Group**"), and has held discussions with management of the Nordstrom Group and the Nordstrom Canada Entities' legal counsel (collectively, the "**Information**"). Except as otherwise described in this Sixth Report, in respect of the Nordstrom Canada Entities' cash flow forecast:

- (a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (the "**CAS**") pursuant to the *Chartered Professional*



*Accountants Canada Handbook* (the “**CPA Handbook**”) and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under the CAS in respect of the Information; and

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

2.2 Future oriented financial information referred to in this Sixth Report was prepared based on the estimates and assumptions of the Nordstrom Group. 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 Sixth Report should be read in conjunction with the affidavit of Misti Heckel, President of Nordstrom Canada, President and Treasurer of Nordstrom Canada Holdings, LLC and Nordstrom Canada Holdings II, LLC, and Vice President – Tax of Nordstrom US, sworn on September 20, 2023 (the “**Sixth Heckel Affidavit**”). Unless otherwise stated, capitalized terms used and not defined in this Sixth Report have the meanings given to them in the ARIO or the Sixth Heckel Affidavit, as applicable.

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

- 2.5 The reports of the Monitor and other Court-filed documents and notices in the CCAA Proceedings are available on the Monitor's case website at [www.alvarezmarsal.com/NordstromCanada](http://www.alvarezmarsal.com/NordstromCanada) (the "**Monitor's Website**").

### **3.0 UPDATE ON THE LIQUIDATION SALE**

- 3.1 A full update on the Liquidation Sale, including the dates on which the Stores were closed and vacated and the financial results of the Liquidation Sale, was provided in the Fourth Report.
- 3.2 Total receipts generated from the Liquidation Sale were approximately \$103.7 million from the sale of Merchandise and approximately \$6.6 million from the sale of FF&E (after the 15% FF&E Fee payable to the Consultant). The Nordstrom Canada Entities also earned approximately \$580,000, or 7.5% of the gross proceeds, from the sale of Additional Consultant Goods.
- 3.3 The Nordstrom Canada Entities, with the assistance of the Monitor, are in the process of finalizing the Final Reconciliation to determine the Merchandise Fee, Sales Costs, FF&E Fee, FF&E Costs and other fees, expenses and other amounts reimbursable or payable under the Consulting Agreement (as the foregoing terms are defined in the Consulting Agreement). The Monitor will report further to the Court once the Final Reconciliation is complete.

### **4.0 UPDATE ON EMPLOYEE MATTERS**

- 4.1 Capitalized terms used but not defined in this section of the Sixth Report have the meanings ascribed to them in the Employee Trust Agreement.

- 4.2 The Monitor has been in regular contact with Employee Representative Counsel and understands that Employee Representative Counsel has and continues to:
- (a) maintain a website to provide Represented Employees with up-to-date information regarding the CCAA Proceedings, guidance on common questions and access to relevant documents;
  - (b) maintain a toll-free telephone number and email address dedicated to Represented Employees to facilitate and respond to questions; and
  - (c) convene videoconference meetings with Nordstrom Canada's counsel and the Monitor and its counsel, on a recurring basis and as needed, in order to facilitate the resolution of issues arising during the CCAA Proceedings that have been brought to the attention of Employee Representative Counsel.
- 4.3 As of the Filing Date, Nordstrom Canada employed approximately 2,300 salaried and hourly employees. On March 21, 2023, substantially all employees were provided with written notice of termination with effective termination dates that occurred between May 16, 2023 and June 30, 2023 in order to align with the then-anticipated timing of the closure of the Stores. As of the date of the Fourth Report, only two employees continued to be employed by Nordstrom Canada, both of whom have since been terminated.
- 4.4 As described in the Second Report, the Trustee and the Monitor, in its capacity as Administrator under the Employee Trust, jointly opened the Nordstrom Canada Employee Trust bank account at Royal Bank of Canada (the “**Employee Trust Account**”) on March 6, 2023.

- 4.5 On March 13, 2023, the initial funding of the Employee Trust by Nordstrom US in the amount of \$14 million was received into the Employee Trust Account. Since that date, the Administrator has assisted Nordstrom Canada and the Trustee in preparing the calculations of: (a) Eligible Employee Regular Wages and Regular Work Weeks used to calculate Eligible Employee Claims and Top Up Claims; (b) Top Up Claims to be paid to Eligible Employees for each Pay Period; (c) Pay Period Reconciliations; (d) Benefit Claims; and (e) Statutory Termination and Severance Entitlements to be paid after termination.
- 4.6 On September 7, 2023, following a reconciliation and update of remaining amounts reimbursable by the Employee Trust to Nordstrom Canada, the Administrator requested an additional contribution of \$1.2 million from Nordstrom US to the Employee Trust. This additional funding from Nordstrom US was received into the Employee Trust Account on September 13, 2023, which increased the cumulative funding by Nordstrom US to the Employee Trust to a total of \$15.2 million. As of the date of this Sixth Report, approximately \$14.6 million has been reimbursed from the Employee Trust to Nordstrom Canada for Eligible Employee Claims paid by Nordstrom Canada to Employees.
- 4.7 The Administrator has had ongoing discussions with the Trustee and Employee Representative Counsel regarding the operation of the Employee Trust, including with respect to the calculation of Eligible Employee Claims, the resolution of Notices of Dispute (as described below), and the funding status of the Employee Trust.
- 4.8 Further, the Administrator and Nordstrom Canada have reconciled the payments made by Nordstrom Canada that were reimbursed by the Employee Trust to the calculations of each Eligible Employee Claim. As of the date of this Sixth Report, all reimbursements for

amounts paid to Beneficiaries have been made by the Employee Trust to Nordstrom Canada.

4.9 Paragraph 28(a) of the ARIO contains a “**Deemed Release**” which provides that each Beneficiary of the Employee Trust shall be deemed to release the Releasees<sup>1</sup> in respect of the full amount of such Beneficiary’s Eligible Employee Claim, sixty (60) days after the final payment to such Beneficiary under the Employee Trust (or such later date as the Monitor, in its sole discretion, may designate), provided that such Beneficiary has not delivered a notice of dispute to the Monitor and Employee Representative Counsel, substantially in the manner and form attached as Schedule “A” to the ARIO (a “**Notice of Dispute**”), within forty-five (45) days of the final payment to such Beneficiary.

4.10 As of the date of this Sixth Report, the Monitor and Employee Representative Counsel have received 29 Notices of Dispute filed by employees in respect of their entitlements under the Employee Trust. All of these Notices of Dispute have been resolved. The Deemed Release has become effective for all Beneficiaries of the Employee Trust other than two employees.

#### **Termination of the Employee Trust**

4.11 The proposed Order sought by the Applicants provides that the Employee Trust shall be wound-up and terminated upon the Monitor delivering a certificate (the “**Employee Trust Termination Certificate**”) stating that the Monitor has received: (a) written confirmation

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<sup>1</sup> “Releasees” is defined in the Employee Trust Agreement as Nordstrom Canada Retail, Inc., Nordstrom, Inc. and all their respective affiliates (the “**Released Entities**”) and the present and former officers, directors, employees, representatives and agents of the Released Entities.

from the Trustee, the Administrator and the Settlor that there are no further actions required under the Trust Agreement; and (b) written confirmation of consent from the Trustee, the Administrator, the Settlor, Nordstrom Canada and Employee Representative Counsel, respectively, to the termination and wind-up of the Employee Trust.

- 4.12 The proposed Order also provides that, upon the delivery of the Employee Trust Termination Certificate, the Trustee, the Settlor and the Administrator shall be released and discharged from their respective obligations under the Employee Trust Agreement and from any and all claims relating to their activities as Trustee, Settlor and Administrator, respectively.
- 4.13 The Monitor supports the relief sought by the Applicants as it will provide an orderly process to terminate the Employee Trust upon the completion of remaining activities, including the completion of final accounting and reconciliation matters, the expiry of the period to file a Notice of Dispute for the final two employees, and the completion of tax filings and related payments (if any). The Monitor notes that the Employee Trust Termination Certificate can only be delivered with the written consent of the parties to the Employee Trust Agreement, as well as Nordstrom Canada and Employee Representative Counsel.

#### **Discharge of the KERP Charge**

- 4.14 The ARIQ approved the KERP and granted the KERP Charge up to a maximum aggregate amount of approximately \$2.6 million as security for payments under the KERP.

- 4.15 Payments totalling approximately \$2.3 million were made to 231 eligible employees under the KERP. No further amounts are due under the KERP. Accordingly, the proposed Order sought by the Applicants provides for the release and discharge of the KERP Charge. As no further amounts are payable under the KERP, the Monitor supports this request.

## **5.0 UPDATE ON THE LEASE ASSIGNMENT TRANSACTIONS**

- 5.1 As described in the Fourth Report, with respect to the six Full-Line Store Leases and seven Nordstrom Rack Store Leases:

- (a) notices to disclaim each of the six Nordstrom Full-Line Store Leases and related agreements were issued on June 22, 2023 and the disclaimers became effective on July 22, 2023;
- (b) notices to disclaim the Leases and related agreements for three Nordstrom Rack Stores (South Edmonton Common, Willowbrook Langley and One Bloor Street East) were issued on May 3, 2023 or May 5, 2023, as applicable, and the disclaimers became effective by early June 2023;
- (c) the Train Yards Lease was terminated effective September 1, 2023 by the Train Yards landlord as accepted by the Nordstrom Canada Entities and the Monitor; and
- (d) three Nordstrom Rack Leases (Heartland, Vaughan Mills and Deerfoot Meadows) were subject to the Lease Assignment Transactions approved by the Court on July 17, 2023 pursuant to the Approval and Vesting Orders.

- 5.2 The assignment of the Heartland Lease contemplated by the G2MC Agreement closed on July 20, 2023 and resulted in proceeds to Canada Leasing LP of approximately \$340,000,

net of applicable withholding taxes. The assignment of the Vaughan Mills Lease and the Deerfoot Meadows Lease is to occur on February 1, 2024 pursuant to the terms of the Winners Agreement.

## **6.0 UPDATE ON THE CLAIMS PROCESS**

- 6.1 Capitalized terms used but not defined in this section of the Sixth Report have the meanings ascribed to them in the Claims Procedure Order.
- 6.2 On May 31, 2023, the Court granted the Claims Procedure Order approving the Claims Process for the identification, quantification and resolution of Claims as against the Nordstrom Canada Entities and their respective current and former directors and officers.
- 6.3 Pursuant to the Claims Procedure Order, the deadline for the filing of:
- (a) Pre-Filing Claims, Pre-Filing D&O Claims and Notices of Dispute of Negative Notice Claims was August 4, 2023 (the “**Claims Bar Date**”); and
  - (b) Restructuring Period Claims and Restructuring Period D&O Claims is the later of:
    - (i) 30 days after the date on which the Monitor sends a Negative Notice Claims Package or General Claims Package, as appropriate, with respect to a Restructuring Period Claim or Restructuring Period D&O Claim; and
    - (ii) the Claims Bar Date (the “**Restructuring Period Claims Bar Date**”).

### **Pre-Filing Claims and Restructuring Period Claims**

- 6.4 As of the Claims Bar Date, the Monitor received 650 Proofs of Claim totalling approximately \$690.3 million of asserted Claims against the Nordstrom Canada Entities.



6.5 As at the date of this Sixth Report, the Monitor has received 33 late-filed claims totalling approximately \$1.9 million. The Nordstrom Canada Entities and the Monitor are reviewing the late-filed Claims, including the reasons why they were not filed in advance of the Claims Bar Date. The Monitor notes that the Claims Procedure Order permits the exercise of discretion by the Monitor and by the Court with respect to the treatment of late-filed Claims. The Monitor may, at a later date, seek advice and direction from the Court in this regard.

6.6 A summary of filed Claims as of the date of this Sixth Report (including Negative Notice Claims and late-filed Claims) is provided in the table below.

Summary of Claims as Filed Against the Nordstrom Canada Entities by Claim Type		
Total Claimants		683
Summary of Filed Claims <sup>(1)</sup>		
Claim Type	Claim Filed	Amount <sup>(2)</sup>
Landlord	12	647,599,929
Vendor and Supplier	541	42,311,466
Government	2	116,677
Litigation	2	430,422
Employee	110	1,761,157
Other	16	7,323
	683	692,226,973

**Notes:**

(1) The above summary does not include the potential impact of "marker claims" or Restructuring Period Claims that have yet to be filed.

(2) All amounts converted to CAD using exchange rates as of the Filing Date.

### **Landlord Claims**

6.7 Of the 650 Claims filed as of the Claims Bar Date, 12 Claims totaling approximately \$647.6 million were filed by landlords. Three of the 12 landlord Claims totalling approximately \$50.6 million are duplicative, in the sense that substantially identical claims were filed

against more than one of the Nordstrom Canada Entities. If the duplicative claims are excluded (for presentation purposes only), an adjusted view is that nine claims totaling \$597.0 million have been filed by landlords.

- 6.8 Under the Claims Process, Claims were asserted by Cadillac Fairview and its affiliates (collectively, “**Cadillac Fairview**”), the landlord of five of Nordstrom Canada’s former Full-Line Stores, and Oxford Properties Group (“**Oxford**”), the landlord of the former Yorkdale Full-Line Store. The Claims asserted by Cadillac Fairview and Oxford are collectively by far the largest third-party Claims filed in the Claims Process.
- 6.9 As described in the Sixth Heckel Affidavit, agreements in principle (subject to the execution of mutually agreeable definitive documentation) on: (a) the Claims of Cadillac Fairview in the CCAA estate and the claims associated with the indemnities granted by Nordstrom US to Cadillac Fairview; and (b) the Claims of Oxford in the CCAA estate and the claims associated with the indemnity granted by Nordstrom US to Oxford, in each case, have been reached to resolve such indemnity claims and to provide a framework for the resolution of the respective Claims in the CCAA estate. The agreements, once finalized through definitive documentation, are expected to resolve all issues involving the Leases for the Full-Line Stores.
- 6.10 Under the Claims Process, Claims were asserted by the former landlords of the three Nordstrom Rack Stores that were disclaimed by the Nordstrom Canada Entities (South Edmonton Common, Willowbrook Langley and One Bloor Street East). An agreement in principle (subject to the execution of mutually agreeable definitive documentation) has been reached with respect to the Claims of First Capital Holdings (Ontario) Corporation,

the former landlord of the One Bloor East location. The Nordstrom Canada Entities, with the assistance of the Monitor, are currently engaged in discussions with the two remaining former Nordstrom Rack landlords regarding resolutions of their Claims.

### **Vendor and Supplier Claims**

- 6.11 As at the date of this Sixth Report, 541 Claims totalling approximately \$42.3 million have been filed by trade vendors and suppliers, including 30 late-filed claims totalling approximately \$1.9 million and asserted priority Claims in an aggregate amount of approximately \$1.4 million. Of the 541 Claims filed, 210 Claims totalling approximately \$14.6 million have been reconciled, reviewed and admitted (including in circumstances where the Monitor has issued a Notice of Revision or Disallowance (a “**NORD**”) and the 30-day period to object to the NORD has elapsed without the Claimant delivering a Notice of Dispute of Revision or Disallowance, or the Claimant has expressly agreed with the NORD as issued).
- 6.12 Where appropriate, the Monitor, with the assistance of the Nordstrom Canada Entities, has been corresponding with Claimants with the intention of reconciling and admitting Claims without the need to deliver a NORD.
- 6.13 A further 108 Claims totalling approximately \$12.0 million have been reconciled and reviewed, and will be admitted in the very near term (including through NORDs to be issued, and NORDs that have already been issued where the 30-day objection period has not yet elapsed).

- 6.14 The remaining 223 vendor and supplier claims totalling approximately \$15.7 million are subject to ongoing reconciliation by the Nordstrom Canada Entities and review by the Monitor.

### **Government Claims**

- 6.15 The two Claims filed by governmental entities are: (a) a “marker” Claim filed by the Canada Revenue Agency (the “CRA”) for any obligations owing by the Nordstrom Canada Entities to His Majesty the King in right of Canada, as represented by the Minister of National Revenue, including any obligations identified through the CRA’s ongoing audit activities and any obligations arising from the notices of reassessment issued by the CRA in respect of Nordstrom Canada Holdings, LLC; and (b) a Claim by His Majesty the King in Right of the Province of British Columbia for employee health tax, which has been reconciled and reviewed, and is expected to be resolved in the very near term.

### **Litigation Claims**

- 6.16 The two litigation Claims that were filed relate to litigation proceedings that were commenced by a former employee and a customer against the Nordstrom Canada Entities prior to the Filing Date.

### **Employee Claims**

- 6.17 The Claims filed by or in respect of employees consist of: (a) 94 Negative Notice Claims sent to Known Employee Claimants totalling approximately \$680,000 (none of which were formally disputed and all of which are admitted, as the time to dispute such Negative Notice Claims has elapsed); (b) 15 Claims filed by Employee Representative Counsel, on behalf of certain Represented Employees, totalling approximately \$464,000; and (c) one Negative

Notice Claim sent to an employee not represented by Employee Representative Counsel. The Nordstrom Canada Entities and the Monitor are actively reviewing the employee Claims and engaging with Employee Representative Counsel with respect to the Claims filed on behalf of Represented Employees.

### **Summary**

6.18 In summary, as of the date of this Sixth Report:

- (a) agreements in principle (subject to the execution of mutually agreeable definitive documentation) have been reached with Cadillac Fairview and Oxford that will provide a framework for the resolution of their respective Claims in the CCAA estate (which constitute all of the Claims in respect of the Full-Line Stores);
- (b) an agreement in principle (subject to the execution of mutually agreeable definitive documentation) has been reached with respect to the Claims of the landlord of the former Nordstrom Rack One Bloor East location, and discussions are ongoing with the two remaining former Nordstrom Rack landlords regarding resolutions of their Claims;
- (c) 306 Claims totalling \$15.3 million have been reconciled, reviewed and admitted (including 94 Employee Claims totalling approximately \$680,000 that have been admitted), and two Claims have been disallowed in full. A further 109 Claims totalling \$12.1 million have been reconciled and reviewed and will be admitted in the very near term (including through NORDs to be issued, and NORDs that have already been issued where the 30-day objection period has not yet elapsed); and

- (d) the Nordstrom Canada Entities, in consultation with the Monitor, are in the process of reviewing and adjudicating the remaining 268 unresolved Claims totalling approximately \$664.8 million and will provide updates in future Monitor's reports as the Claims Process continues to advance.

### **Director & Officer Claims**

- 6.19 Two Pre-Filing D&O Claims have been filed totalling approximately \$287,000. One of those Claims has been disallowed in full, and the Claimant did not object to the disallowance of the D&O Claim. The other D&O Claim in the amount of approximately \$65,000 remains under review by the Nordstrom Canada Entities and legal counsel to the Directors and Officers.

## **7.0 CASH FLOW RESULTS RELATIVE TO FORECAST AND UPDATED AND EXTENDED CASH FLOW FORECAST**

- 7.1 Receipts and disbursements for the cumulative 18-week period from July 2, 2023 to September 16, 2023 (the "**Reporting Period**"), as compared to the cash flow forecast that was attached as Appendix "A" to the Third Report (the "**Cash Flow Forecast**"), are summarized in the table below.

<b>Cash Flow Variance Reporting</b>		<b>Cumulative 18-Week Period Ended Sep 16, 2023</b>		
<i>(CAD \$000s, Unaudited)</i>		<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
<b>Receipts</b>		<b>\$ 33,069</b>	<b>\$ 26,743</b>	<b>\$ 6,327</b>
<b>Disbursements</b>				
Salaries and Benefits	14,064	9,602	(4,462)	
Occupancy & Other Costs	8,759	11,543	2,784	
Sales Tax Remittances	8,338	10,397	2,059	
Logistics, Transportation and Customs	1,373	2,006	633	
Liquidation Costs	3,585	7,669	4,083	
Professional Fees	5,704	4,779	(925)	
Shared Service Payments - Intercompany	2,746	2,700	(46)	
<b>Total Disbursements</b>	<b>\$ 44,569</b>	<b>\$ 48,696</b>	<b>\$ 4,126</b>	
<b>Net Cash Flow</b>	<b>\$ (11,500)</b>	<b>\$ (21,953)</b>	<b>\$ 10,453</b>	
Opening Cash Balance	100,223	100,223	-	
Net Cash Flow	(11,500)	(21,953)	10,453	
<b>Closing Cash Balance</b>	<b>\$ 88,723</b>	<b>\$ 78,270</b>	<b>\$ 10,453</b>	

7.2 During the Reporting Period, the Nordstrom Canada Entities' total receipts were approximately \$6.3 million greater than projected in the Cash Flow Forecast. The positive variance is largely attributable to higher than forecast FF&E sales, lower than forecast loyalty program redemptions, and interest income that was not included in the Cash Flow Forecast.

7.3 During the Reporting Period, the Nordstrom Canada Entities' total disbursements were approximately \$4.1 million less than projected in the Cash Flow Forecast. The net positive variance is primarily attributable to:

- (a) lower than forecast occupancy and other costs (by approximately \$2.8 million), which are primarily timing and expected to reverse in future weeks as certain vendor accounts are reconciled for goods and services provided after the Filing Date;

- (b) lower than forecast liquidation costs (by approximately \$4.1 million) which is due primarily to: (i) timing differences relating to payments to the Consultant; and (ii) lower than forecast FF&E removal costs (by approximately \$2.5 million) as a result of the Nordstrom Canada Entities retaining a subset of employees to assist with FF&E removals rather than contracting with third parties (which also accounts for a portion of the negative variance in salaries and benefits noted below);
- (c) lower than forecast sales tax remittances (by approximately \$2.0 million), which is anticipated to be a permanent difference; and
- (d) the above positive variances were partially offset by higher than forecast salaries and benefits (by \$4.5 million), which is due primarily to: (i) a subset of employees being retained for longer than forecast to assist with FF&E removals; and (ii) higher than forecast benefits costs.

7.4 The closing cash balance as of September 16, 2023 was approximately \$88.7 million, as compared to the forecast cash balance of \$78.3 million.

#### **Updated and Extended Cash Flow Forecast**

7.5 The Applicants have prepared an updated and extended cash flow forecast (the “**Updated Forecast**”) for the 14-week period from September 17, 2023 to December 23, 2023 (the “**Cash Flow Period**”). The Nordstrom Canada Entities are forecast to have significantly lower receipts and disbursements activity during the Cash Flow Period (as summarized in the table below) relative to earlier periods in the CCAA Proceedings.



- 7.6 Forecast receipts during the Cash Flow Period relate to interest income and customs fee returns, and exclude a total of approximately \$1.5 million of additional receipts beyond the timeframe of the Cash Flow Period related to the anticipated return of a customs bond and the anticipated proceeds from the assignment transactions under the Winners Agreement.
- 7.7 Forecast disbursements during the Cash Flow Period relate primarily to ongoing rents through the closing of the Winners Agreement, payments for post-filing goods and services as vendor accounts are reconciled, remaining amounts owing to the Consultant, professional fees and shared services.

<b>Cumulative 14-Week Period Ending December 23, 2023</b>	
<i>(CAD \$000s, Unaudited)</i>	
<b>Opening Cash Position, September 17, 2023</b>	<b>\$ 88,723</b>
<b>Forecast Receipts</b>	
Interest	894
Customs Fee Returns	225
<b>Total Receipts</b>	<b>\$ 1,119</b>
<b>Forecast Disbursements</b>	
Salaries and Benefits	170
Occupancy & Other Costs	1,716
Logistics, Transportation and Customs	50
Liquidation Costs	1,700
Professional Fees	5,086
Shared Service Payments - Intercompany	600
<b>Total Disbursements</b>	<b>\$ 9,322</b>
<b>Forecast Closing Cash Position, December 23, 2023</b>	<b>\$ 80,520</b>

- 7.8 The closing cash balance as of December 23, 2023 is forecast to be approximately \$80.5 million. Accordingly, the Nordstrom Canada Entities are expected to have sufficient liquidity to fund the CCAA Proceedings through the proposed extension of the Stay Period to and including December 22, 2023.

## 8.0 EXTENSION OF THE STAY PERIOD

8.1 The current Stay Period (which also applies to the Co-Tenancy Stay) extends to September 29, 2023. The Nordstrom Canada Entities are seeking an extension of the Stay Period to and including December 22, 2023.

8.2 The Monitor supports the Nordstrom Canada Entities' request to extend the Stay Period to December 22, 2023, including for the following reasons:

- (a) the Nordstrom Canada Entities have made meaningful progress in these CCAA Proceedings during the most recent Stay Period, and the extension of the Stay Period will enable the Nordstrom Canada Entities, with the assistance of the Monitor, to continue to advance the Claims Process and to continue efforts to develop the terms and framework of a CCAA plan of compromise or arrangement (a "**CCAA Plan**") to distribute the proceeds of realization to creditors;
- (b) the extension of the Co-Tenancy Stay will maintain stability while the Claims of landlords and other creditors are resolved in the Claims Process and the CCAA Plan is developed;
- (c) the Nordstrom Canada Entities have acted, and continue to act, in good faith and with due diligence to advance their orderly wind-down and the CCAA Proceedings;
- (d) as described above, the Nordstrom Canada Entities have sufficient liquidity to fund forecast disbursements through the proposed extension of the Stay Period; and
- (e) the Monitor is not aware of any party that would be materially prejudiced by the proposed extension of the Stay Period.

- 8.3 The Monitor notes that the Applicants are not seeking to extend the Parent Stay that had stayed derivative claims against Nordstrom US or its affiliated entities, including potential actions relating to the Lease Indemnities. As such, the Parent Stay will expire on September 29, 2023.

## **9.0 ACTIVITIES OF THE MONITOR**

- 9.1 Since the date of the Fourth Report (July 12, 2023), the primary activities of the Monitor and its counsel, Goodmans LLP, have included the following:

- (a) monitoring the Nordstrom Canada Entities' cash receipts and disbursements, and assisting in preparing weekly cash flow variance reporting, including tracking outstanding balances and commitments to service providers;
- (b) participating in final landlord walk-throughs of Full-Line Stores with respect to the removal of FF&E and related repair issues, and the return of locations in "broom swept" and clean condition in connection with Lease disclaimers;
- (c) with the assistance of counsel, undertaking an extensive review of Intercompany Claims (as defined in the Claims Procedure Order) and preparing the Monitor's Intercompany Claims Report, which was served on the Service List on August 3, 2023 and filed with the Court;
- (d) supporting the Nordstrom Canada Entities in connection with the Lease Assignment Transactions, including with respect to the closing of the transaction in respect of the Heartland Lease;


- (e) reviewing and participating in discussions with the Consultant, the Nordstrom Canada Entities and counsel regarding the Final Reconciliation;
- (f) assisting in the Claims Process, including reviewing and participating in the reconciliation of submitted Claims, and responding to questions from vendors and others regarding the Claims Process;
- (g) in its capacity as Administrator, assisting the Trustee in administering all aspects of the Employee Trust, including assisting in the calculations of entitlement amounts for Eligible Employees and working with Employee Representative Counsel and Nordstrom Canada to address disputes and questions;
- (h) assisting the Nordstrom Canada Entities in engaging with landlords with respect to the resolution of their asserted Claims;
- (i) assisting the Nordstrom Canada Entities in the development of a CCAA Plan;
- (j) responding to inquiries from stakeholders who contacted the Monitor on the toll-free number or e-mail account established by the Monitor; and
- (k) preparing this Sixth Report with the assistance of counsel.

## **10.0 CONCLUSIONS AND RECOMMENDATIONS**

- 10.1 For the reasons set out in this Sixth Report, the Monitor respectfully recommends that the Court grant the Applicants' motion and the relief sought therein.

All of which is respectfully submitted to the Court this 22<sup>nd</sup> day of September, 2023.

**Alvarez & Marsal Canada Inc., in its capacity as Monitor of  
Nordstrom Canada Retail, Inc.,  
Nordstrom Canada Holdings, LLC,  
Nordstrom Canada Holdings II, LLC, and  
Nordstrom Canada Leasing LP,  
not in its personal or corporate capacity**

Per:   
\_\_\_\_\_  
Alan Hutchens  
Senior Vice-President

**APPENDIX “A”**  
**FOURTH REPORT OF THE MONITOR (WITHOUT APPENDICES)**

Court File No. CV-23-00695619-00CL

**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 NORDSTROM CANADA RETAIL, INC.,  
NORDSTROM CANADA HOLDINGS, LLC AND  
NORDSTROM CANADA HOLDINGS II, LLC**

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

**JULY 12, 2023**

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B       Affidavit of Brendan O'Neill sworn July 12, 2023

## 1.0 INTRODUCTION

- 1.1 On March 2, 2023 (the “**Filing Date**”), Nordstrom Canada Retail, Inc. (“**Nordstrom Canada**”), Nordstrom Canada Holdings, LLC and Nordstrom Canada Holdings II, LLC (together the “**Applicants**”) were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an initial order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). The stay of proceedings and other protections and authorizations in the Initial Order were also extended to Nordstrom Canada Leasing LP (“**Canada Leasing LP**” and, collectively with the Applicants, the “**Nordstrom Canada Entities**”).
- 1.2 Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. was appointed as monitor of the Nordstrom Canada Entities (in such capacity, the “**Monitor**”) in these CCAA proceedings (the “**CCAA Proceedings**”).
- 1.3 The Initial Order, among other things:
- (a) granted a stay of proceedings in favour of the Nordstrom Canada Entities, a Co-Tenant Stay and a Parent Stay, which stays of proceedings have been subsequently extended by the Court until and including September 29, 2023;
  - (b) authorized the Nordstrom Canada Entities, in consultation with, and with the oversight of, the Monitor, to:
    - (i) solicit proposals and agreements from third parties in respect of the liquidation of the inventory, furniture, equipment and fixtures located in

and/or forming part of the Property (as defined in the Initial Order) of the Nordstrom Canada Entities; and

- (ii) with the assistance of any real estate advisor or other assistants as may be desirable, pursue all avenues and offers for the sale, transfer or assignment of the Leases (as defined in the Initial Order) to third parties (the “**Lease Transaction Process**”);
- (c) approved an employee trust agreement (the “**Employee Trust Agreement**”) among Nordstrom US, as settlor, the Monitor, as administrator (the “**Administrator**”), and Gale Rubenstein in her personal capacity as trustee (the “**Trustee**”), providing for the establishment of a trust funded by Nordstrom US for the benefit of employees of Nordstrom Canada (the “**Employee Trust**”);
- (d) approved the appointment of Ursel Phillips Fellows Hopkinson LLP as representative counsel (“**Employee Representative Counsel**”) to represent the interests of Nordstrom Canada employees other than: (a) non-store level employees who are eligible for a payment under the KERP (as defined below); (b) directors and officers of the Nordstrom Canada Entities; and (c) the Senior Vice President, Regional Manager for Canada (the “**Represented Employees**”); and
- (e) granted an Administration Charge and a Directors’ Charge over the Property (each as defined in the Initial Order).

- 1.4 On March 10, 2023, the Court granted an Amended and Restated Initial Order (the “**ARIO**”) which modified the Initial Order in certain respects. The ARIO, among other things:
- (a) approved the Applicants’ key employee retention plan (the “**KERP**”) and granted a charge over the Property in the maximum amount of \$2.6 million as security for the payments to be made in accordance with the KERP; and
  - (b) increased the amount of the Administration Charge to \$1.5 million and increased the amount of the Directors’ Charge to \$13.25 million.
- 1.5 On March 20, 2023, the Court granted the Sale Approval Order, which among other things:
- (a) approved an amended and restated consulting agreement (the “**Consulting Agreement**”) between Nordstrom Canada and Canada Leasing LP (together, the “**Merchant**”) and a contractual joint venture comprised of Hilco Merchant Retail Solutions ULC, Gordon Brothers Canada, ULC, Tiger Asset Solutions Canada, ULC and B. Riley Retail Solutions LLC (collectively, the “**Consultant**”);
  - (b) approved the sale guidelines (the “**Sale Guidelines**”) for the orderly liquidation of Merchandise and FF&E (each as defined in the Sale Approval Order) at each of the Merchant’s stores (the “**Liquidation Sale**”); and
  - (c) authorized the Merchant, with the assistance of the Consultant, to undertake the Liquidation Sale in accordance with the terms of the Sale Approval Order, the Consulting Agreement and the Sale Guidelines.

1.6 On May 31, 2023, the Court granted the Claims Procedure Order, which:

- (a) approved a claims process for the identification, quantification and resolution of Claims (as defined in the Claims Procedure Order) against the Nordstrom Canada Entities and their respective current and former directors and officers;
- (b) authorized the Nordstrom Canada Entities, the Monitor and the Claims Officers (as defined in the Claims Procedure Order) to perform their respective obligations under the Claims Procedure Order; and
- (c) established the Claims Bar Date and the Restructuring Period Claims Bar Date (each as defined in the Claims Procedure Order).

1.7 The purpose of this report (the “**Fourth Report**”) is to provide the Court with information concerning, and where applicable the Monitor’s views on, the following matters:

- (a) the activities of the Nordstrom Canada Entities in connection with their orderly wind-down, including the Liquidation Sale and employee matters;
- (b) an update on the Claims Process;
- (c) an update on the Lease Transaction Process;
- (d) an update on the activities of the Monitor since May 24, 2023, being the date of the Third Report of the Monitor (the “**Third Report**”); and
- (e) the Applicants’ motion for orders, among other things:

- (i) approving the transactions contemplated by the Omnibus Assignment and Assumption of Leases dated as of June 5, 2023 (as amended, the “**Winners Agreement**”) between Canada Leasing LP and Winners Merchants International L.P. (“**Winners LP**”) solely with respect to the Vaughan Mills Lease and the Deerfoot Meadows Lease (each as defined below) and vesting Canada Leasing LP’s right, title and interest in and to such leases and the other purchased assets and rights described in the Winners Agreement in and to Winners LP, free and clear of all claims and encumbrances other than permitted encumbrances identified in, or assumed pursuant to, the Winners Agreement;
- (ii) approving the transaction contemplated by the Assignment and Assumption of Lease dated as of June 8, 2023 (as amended, the “**G2MC Agreement**”) between Canada Leasing LP and G2MC Inc. (“**G2MC**”) with respect to the Heartland Lease (as defined below) and vesting Canada Leasing LP’s right, title and interest in and to such lease and the other rights described in the G2MC Agreement in and to G2MC, free and clear of all claims and encumbrances other than permitted encumbrances identified in, or assumed pursuant to, the G2MC Agreement;
- (iii) approving the Pre-Filing Report of the Proposed Monitor dated March 1, 2023, the First Report of the Monitor dated March 8, 2023, the Second Report of the Monitor dated March 16, 2023 (the “**Second Report**”), the Third Report and this Fourth Report (collectively, the “**Monitor’s**

**Reports**”), and the activities and conduct of the Monitor set out in such reports; and

(iv) approving the fees and expenses of the Monitor and its legal counsel as set out in this Fourth Report, and the affidavits attached hereto; and

(f) the Monitor’s conclusions and recommendations in connection with the Applicants’ motion and the relief sought therein.

## **2.0 TERMS OF REFERENCE AND DISCLAIMER**

2.1 In preparing this Fourth Report, the Monitor has been provided with, and has relied upon, unaudited financial information and books and records prepared or provided by Nordstrom US and its affiliates, including the Nordstrom Canada Entities (collectively, the “**Nordstrom Group**”), and has held discussions with management of the Nordstrom Group and the Nordstrom Canada Entities’ legal counsel (collectively, the “**Information**”). Except as otherwise described in this Fourth Report, in respect of the Nordstrom Canada Entities’ cash flow forecast:

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

- (b) some of the information referred to in this Fourth 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 Fourth Report was prepared based on the estimates and assumptions of the Nordstrom Group. 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 Fourth Report should be read in conjunction with the affidavit of Misti Heckel, President of Nordstrom Canada, President and Treasurer of Nordstrom Canada Holdings, LLC and Nordstrom Canada Holdings II, LLC, and Vice President – Tax of Nordstrom US, sworn on July 11, 2023 (the “**Fifth Heckel Affidavit**”). Capitalized terms used and not defined in this Fourth Report have the meanings given to them in the ARIO or the Fifth Heckel Affidavit, as applicable.
- 2.4 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
- 2.5 The Monitor’s Reports and other Court-filed documents and notices in the CCAA Proceedings are available on the Monitor’s case website at [www.alvarezandmarsal.com/NordstromCanada](http://www.alvarezandmarsal.com/NordstromCanada) (the “**Monitor’s Website**”).



### **3.0 UPDATE ON THE LIQUIDATION SALE**

- 3.1 The Liquidation Sale commenced at each of the Nordstrom Canada Entities' 13 Stores on March 21, 2023, being the day immediately following the granting of the Sale Approval Order.

#### **Nordstrom Rack Stores**

- 3.2 As described in the Third Report, the Liquidation Sale at the seven Nordstrom Rack Stores concluded on May 14, 2023, approximately eight weeks from the commencement date, at which time the Nordstrom Rack Stores were closed to the public. Thereafter, there was a two-week period to facilitate the retrieval and removal of sold and unsold FF&E and to prepare the Nordstrom Rack Stores to be vacated in appropriate "broom swept" condition.
- 3.3 For the three Nordstrom Rack Stores where notices to disclaim the related Leases were delivered in May 2023, the Stores were turned over to the applicable landlords prior to the end of May 2023. Of the remaining four Nordstrom Rack Stores: (a) three Leases are subject to proposed lease transactions that have been developed through the Lease Transaction Process (as described below); and (b) the Train Yards Lease (as defined below) will terminate on September 1, 2023, as a result of the Train Yards Landlord (as defined below) rejecting the proposed assignment of the lease to Winners LP and exercising its right to terminate the lease. Additional information with respect to the Lease Transaction Process for all of the Nordstrom Rack Stores and the three proposed lease assignment transactions emerging from that process is provided below.

**Nordstrom Full-Line Stores**

- 3.4 The Liquidation Sale at the six Nordstrom Full-Line Stores concluded on June 11 and 12, 2023 (three Stores on each day), approximately 12 weeks from the commencement date, at which time the Nordstrom Full-Line Stores were closed to the public. Thereafter, there was a three-week period to facilitate the retrieval and removal of sold and unsold FF&E, including FF&E wholly- or partially-owned by third parties, and to prepare the Nordstrom Full-Line Stores to be vacated in appropriate “broom swept” and clean condition. A walkthrough was conducted at each Nordstrom Full-Line Store with representatives of the Nordstrom Canada Entities, the Consultant and the respective landlord to review the FF&E at such Store to be removed prior to the end of such three-week period, and a subsequent walkthrough was undertaken near the end of such three-week period to ensure that the Store would be vacated in an acceptable “broom swept” and clean condition. The Monitor also attended most of these walkthroughs. Notices to disclaim the Leases for all of the Nordstrom Full-Line Stores were issued to the applicable landlords on June 22, 2023. Additional information with respect to the Lease Transaction Process for the Nordstrom Full-Line Stores is provided below.

**Distribution Centre**

- 3.5 As described in the Third Report, inventory that was located at or in transit to the Distribution Centre owned and operated by National Logistics Services (2006) Inc. (“NLS”) was delivered to the Stores for inclusion in the Liquidation Sale. NLS worked cooperatively with Nordstrom Canada and the Monitor during the CCAA Proceedings to ensure inventory distributions to Stores continued without disruption during the

Liquidation Sale. On April 28, 2023, Nordstrom Canada provided notice to NLS of its intention to disclaim the related service agreement. Nordstrom Canada and NLS, in consultation with the Monitor, subsequently concluded a Settlement and Release Agreement dated May 31, 2023 to finalize the amount owed by Nordstrom Canada to NLS, net of a settlement with respect to FF&E located at the Distribution Centre.

### **Results of the Liquidation Sale**

- 3.6 The Merchant and the Consultant, in consultation with the Monitor, are in the process of completing the Final Reconciliation to determine the Merchandise Fee, Sales Costs, FF&E Fee, FF&E Costs and other fees, expenses and other amounts reimbursable or payable under the Consulting Agreement (as the foregoing terms are defined in the Consulting Agreement). The Consulting Agreement provides that the Final Reconciliation is to be completed by July 27, 2023, being 45 days following the date on which the Liquidation Sale terminated.
- 3.7 While the Final Reconciliation is not yet complete, the Monitor anticipates that overall sales of merchandise inventory during the Liquidation Sale were lower than the Consultant's initial budget, due primarily to lower than forecast sales for certain merchandise categories in the early weeks of the Liquidation Sale and lower inventory quantities in the Stores and the Distribution Centre than were originally forecast. However, that shortfall relative to the initial budget was largely made up for by lower than forecast loyalty program reward redemptions (a positive impact on cash flow) and higher than forecast sales of FF&E. Total receipts generated from the Liquidation Sale were

approximately \$103.7 million from the sale of merchandise inventory and approximately \$6.6 million from the sale of FF&E (after the 15% FF&E Fee payable to the Consultant).

#### **4.0 UPDATE ON EMPLOYEE MATTERS**

4.1 Capitalized terms used but not defined in this section of the Fourth Report have the meanings ascribed to them in the Employee Trust Agreement approved pursuant to the Initial Order.

4.2 The Monitor has been in regular contact with Employee Representative Counsel and understands that Employee Representative Counsel has and continues to:

- (a) maintain a website for Represented Employees to provide up-to-date information regarding the CCAA Proceedings, guidance on common questions and access to relevant documents;
- (b) maintain a toll-free telephone number and email address dedicated to Represented Employees to facilitate and respond to questions; and
- (c) convene videoconference meetings with Nordstrom Canada and the Monitor, on a weekly basis and as needed, in order to facilitate the resolution of issues arising during the CCAA Proceedings that have been brought to the attention of Employee Representative Counsel.

4.3 As described in the Second Report, the Trustee and the Monitor, in its capacity as Administrator under the Employee Trust, jointly opened the Nordstrom Canada Employee Trust bank account at Royal Bank of Canada (the “**Employee Trust Account**”) on March 6, 2023.

- 4.4 On March 13, 2023, the initial funding of the Employee Trust by Nordstrom US in the amount of \$14 million was received into the Employee Trust Account. Since that date, the Administrator has assisted Nordstrom Canada and the Trustee in preparing the calculations of: (a) Eligible Employee Regular Wages and Regular Work Weeks used to calculate Eligible Employee Claims and Top Up Claims; (b) Top Up Claims to be paid to Eligible Employees prior to each Pay Period; (c) Pay Period Reconciliations; and (d) Statutory Termination and Severance Entitlements to be paid after termination. As of the date of this Fourth Report, approximately \$12.8 million has been reimbursed from the Employee Trust to Nordstrom Canada for Eligible Employee Claims paid by Nordstrom Canada to Employees.
- 4.5 The Administrator has had ongoing discussions with Employee Representative Counsel regarding the operation of the Employee Trust, the calculation of Eligible Employee Claims, and matters raised by employees concerning the administration of the Employee Trust, in accordance with the authority of the Employee Representative Counsel as prescribed in the Initial Order.
- 4.6 As of the Filing Date, Nordstrom Canada employed approximately 2,300 salaried and hourly Employees. On March 21, 2023, substantially all Employees were provided with written notice of termination with effective termination dates to occur between May 16 and June 30, 2023 in order to align with the anticipated timing for closure of the Stores.
- 4.7 The effective termination dates for most Nordstrom Rack Store Employees (approximately 296 Employees) occurred on May 16, 2023. The effective termination dates for a further 15 Nordstrom Rack Store Employees who assisted with FF&E removal and store clean-up

activities occurred on May 31, 2023. The effective termination dates for most Nordstrom Full-Line Store Employees (approximately 1,390 Employees) occurred on June 13, 2023. The effective termination dates for a further 70 Nordstrom Full-Line Store Employees who were assisting with FF&E removal and store clean-up activities occurred on or before July 4, 2023.

- 4.8 During the CCAA proceedings, approximately 530 Employees resigned from their employment or were terminated with cause. As of the date of this Fourth Report, Nordstrom Canada continues to employ two Employees.

## 5.0 UPDATE ON THE CLAIMS PROCESS

- 5.1 Capitalized terms used but not defined in this section of the Fourth Report have the meanings ascribed to them in the Claims Procedure Order.
- 5.2 On May 31, 2023, the Court granted the Claims Procedure Order, which, among other things, approved a claims process for the identification, quantification and resolution of Claims as against the Nordstrom Canada Entities and their respective current and former directors and officers (the “**Claims Process**”).
- 5.3 Certain important dates incorporated in the Claims Process and Claims Procedure Order, and, in the case of noticing activities, the status of each, are summarized below:

Timing	Activity
As soon as practicable after the date of the Claims Procedure Order.	Monitor to cause a Notice to Claimants to be published once in <i>The Globe and Mail</i> (National Edition).

Timing	Activity
	<p><b>Status:</b> Complete – the Notice to Claimants was published in <i>The Globe and Mail</i> (National Edition) on June 8, 2023.</p>
<p>As soon as practicable after the date of the Claims Procedure Order, and no later than 5:00 p.m. on the tenth (10<sup>th</sup>) Business Day following the date of the Claims Procedure Order.</p>	<p>Monitor to cause (i) the Notice to Claimants, the General Claims Package and a blank form of Notice of Dispute of Negative Notice Claim to be posted to the Monitor’s Website; (ii) a Negative Notice Claims Package to be sent to every Negative Notice Claimant other than Employees; and (iii) a General Claims Package to be sent to applicable Persons.</p> <p><b>Status:</b> Complete – (i) the required materials were posted to the Monitor’s Website on June 9, 2023; (ii) Negative Notice Claims Packages were mailed on June 13, 2023; and (iii) General Claims Packages were mailed on June 13, 2023.</p>
<p>On the fifteenth (15<sup>th</sup>) Business Day following the date of the Claims Procedure Order, or as soon as practicable thereafter.</p>	<p>Monitor to cause the applicable Negative Notice Claims Package to be sent to each Employee employed at the Filing Date.</p> <p><b>Status:</b> Substantially complete – the vast majority of Negative Notice Claims Packages were sent to Employees, with \$nil Claims, on June 20, 2023. Negative Notice Claims Packages have not yet been mailed to five Known Employee Claimants whose circumstances require additional time until their claims can be finalized. The remaining Negative Notice Claims Packages are anticipated to be mailed on or before July 21, 2023.</p>
<p>August 4, 2023 at 5:00 p.m. (the “<b>Claims Bar Date</b>”).</p>	<p>Deadline for the filing of (i) Pre-Filing Claims, (ii) Pre-Filing D&amp;O Claims, and (iii) Notices of Dispute of Negative Notice Claim.</p> <p>Deadline for the service of the Monitor’s Intercompany Claims Report.</p>
<p>The later of: (i) 30 days after the date on which the Monitor sends a Negative Notice Claims Package or General Claims Package, as appropriate, with respect to a Restructuring Period Claim or Restructuring Period D&amp;O Claim; and (ii) the Claims Bar Date (the “<b>Restructuring Period Claims Bar Date</b>”).</p>	<p>Deadline for the filing of Restructuring Period Claims and Restructuring Period D&amp;O Claims.</p>

- 5.4 As of July 11, 2023, the Monitor has received 101 Proofs of Claim asserting Claims against the Nordstrom Canada Entities. The Nordstrom Canada Entities and the Monitor are reviewing these claims and they remain subject to determination. Further, nine Statements of Negative Notice Claim have been sent to claimants, and 138 Statements of Negative Notice Claims have been sent to Known Employee Claimants and Employees who were not Employee Letter Recipients.
- 5.5 The Nordstrom Canada Entities, in consultation with the Monitor, are working to reconcile the Claims asserted in Proofs of Claims received to date and are engaging with Employee Representative Counsel to address Employee-related claims matters. The Nordstrom Canada Entities and the Monitor have also been responding to questions raised by vendors and other contract counterparties with respect to the Claims Process.
- 5.6 The Claims Process is in an early stage. Further updates on the Claims Process will be provided in future Monitor's reports as the process advances.

## **6.0 UPDATE ON THE LEASE TRANSACTION PROCESS**

- 6.1 The ARIO authorized the Nordstrom Canada Entities, in consultation with the Monitor and with the assistance of any real estate advisor or other Assistants as may be desirable, to pursue all avenues and offers for the sale, transfer or assignment of the Leases to third parties, in whole or in part, and to return to Court for approval of any such sale, transfer or assignment.
- 6.2 On March 22, 2023, in consultation with the Monitor, Canada Leasing LP entered into a Consulting Services Agreement with Jones Lang Lasalle Real Estate Services, Inc. ("JLL") under which JLL was retained to engage its landlord, tenant, distribution and



potential purchaser relationships as well as its knowledge of the Canadian leasing market in support of the potential sale, assignment, or transfer of the Leases, among other things.

- 6.3 Pursuant to the Consulting Services Agreement, JLL contacted a wide variety of parties to gauge their interest in acquiring the Leases, including retail organizations in and outside of Canada and commercial real estate brokerages known to represent organizations that could have potential interest in the Leases. In total, JLL contacted or was contacted by 213 parties, of which 28 executed a non-disclosure agreement (“**NDA**”) and were provided with access by the Monitor to a confidential data room established specifically for conducting due diligence in respect of the Leases.

#### **Nordstrom Rack Stores**

- 6.4 As described in the Third Report, in consultation with the Monitor, JLL requested that each potential acquirer submit an expression of interest with respect to the Nordstrom Rack Leases it was interested in acquiring (each a “**Nordstrom Rack EOI**”) by no later than 5:00 p.m. Eastern Time on April 28, 2023 (the “**Rack EOI Deadline**”). The Rack EOI Deadline was selected based on a balancing of considerations, including: (a) the expected completion of the Liquidation Sale at Nordstrom Rack Stores on May 14, 2023 and subsequent FF&E removal period; and (b) aligning the 30-day notice period for potential Lease disclaimers as much as practicable with anticipated Store vacate dates in order to minimize rent costs beyond the end of the Liquidation Sale in the event that executable Nordstrom Rack EOIs were not received for certain of the Leases.

- 6.5 The Nordstrom Canada Entities received Nordstrom Rack EOIs from third-party retailers for the assignment and assumption of four of the seven Nordstrom Rack Leases. In

consultation with JLL and the Monitor, the Nordstrom Canada Entities negotiated transaction terms and draft assignment agreements with potential Lease assignees. Those negotiations culminated in the execution of: (a) the Winners Agreement relating to the Vaughan Mills Lease, the Deerfoot Meadows Lease, and the Train Yards Lease; and (b) the G2MC Agreement relating to the Heartland Lease. As described further below, the transaction with respect to the Train Yards Lease under the Winners Agreement has since been terminated, but the remainder of the transactions under the Winners Agreement remain valid and in full force and effect.

#### **Nordstrom Full-Line Stores**

- 6.6 In consultation with the Monitor, JLL sent potentially interested parties an email requesting that each party confirm which Nordstrom Full-Line Store Leases it was interested in, among other details (each a “**Nordstrom FLS EOI**”), by no later than 5:00 p.m. Eastern Time on June 8, 2023 (the “**FLS EOI Deadline**”). The FLS EOI Deadline was selected based on a balancing of considerations, including: (a) the expected completion of the Liquidation Sale at the Nordstrom Full-Line Stores on or about June 12, 2023 and subsequent FF&E removal period; and (b) aligning the 30-day notice period for potential Lease disclaimers as much as practicable with anticipated Store vacate dates in order to minimize rent costs beyond the end of the Liquidation Sale in the event that executable Nordstrom Full-Line Store EOIs were not received for some or all of the Leases.
- 6.7 As of the FLS EOI Deadline, Nordstrom Full-Line Store EOIs were received from third parties for potential transactions involving each of the Nordstrom Full-Line Store Leases. The Nordstrom Canada Entities discussed the Nordstrom Full-Line EOIs with JLL, the

Monitor, the parties that submitted the Nordstrom Full-Line Store EOIs, and the applicable landlords. However, no executable transactions acceptable to the applicable landlords for the assignment of the Leases for the Nordstrom Full-Line Stores emerged as a result of those discussions.

**Lease Disclaimers – Nordstrom Rack Stores**

6.8 As described in the Third Report:

- (a) no Nordstrom Rack EOIs were received for the Leases for the South Edmonton Common and Willowbrook Langley Nordstrom Rack Stores by the Rack EOI Deadline. As such, the Nordstrom Canada Entities, with the consent of the Monitor, promptly issued notices to disclaim the Leases and related agreements on May 3, 2023. The disclaimers became effective on June 2, 2023; and
- (b) no Nordstrom Rack EOIs were received for the Lease for the One Bloor Street East Store in Toronto, Ontario by the Rack EOI Deadline. As such, the Nordstrom Canada Entities, with the consent of the Monitor, promptly issued a notice to disclaim this Lease and related agreements on May 5, 2023, which disclaimer became effective on June 4, 2023. Issuance of the notice to disclaim the One Bloor Street East Lease was delayed slightly (by two days) as JLL worked to confirm that one party that had executed an NDA and was viewed as a potential candidate for that location was indeed not interested in submitting a Nordstrom Rack EOI for this Lease, as proved to be the case.

### **Lease Termination – Nordstrom Rack Train Yards Store**

- 6.9 As executed, the Winners Agreement contemplated a transaction for the assignment of the Train Yards Lease (in addition to the Vaughan Mills Lease and the Deerfoot Meadows Lease). Following execution of the Winners Agreement, counsel for the Nordstrom Canada Entities informed the landlord under the Train Yards Lease (the “**Train Yards Landlord**”) and its counsel of the Winners Agreement and provided the draft Landlord Waiver and Amendment of Lease for their review. However, following discussions with the Train Yards Landlord and its counsel, the parties were unable to negotiate a Landlord Waiver and Amendment of Lease. As a result, and instead, the Train Yards Landlord exercised its right under the Train Yards Lease to terminate the Lease within 30 days of receiving notice of the proposed assignment to Winners LP, effective September 1, 2023 (being the date of the proposed assignment to Winners LP under the Winners Agreement).
- 6.10 Canada Leasing LP will pay approximately \$270,000 in rent pursuant to the Train Yards Lease from June 5, 2023 (the date the Winners Agreement was executed) until the termination of the lease on September 1, 2023. However, termination of the Train Yards Lease by the Train Yards Landlord will result in the elimination of the claim that would otherwise have arisen from a disclaimer of the Train Yards Lease by Canada Leasing LP. Accordingly, the Monitor is of the view that the ultimate outcome with respect to the Train Yards Lease arising from the Lease Transaction Process – which will result in Canada Leasing LP paying rent under the Lease until it is terminated by the Train Yards Landlord effective September 1, 2023 – is a superior outcome for the Nordstrom Canada Entities and their creditors generally than a situation in which the Train Yards Lease was disclaimed at first instance by Canada Leasing LP.

6.11 In summary, with respect to the seven Nordstrom Rack Store Leases:

- (a) three Leases (South Edmonton Common, Willowbrook Langley and One Bloor Street East) have been disclaimed as a result of no Nordstrom Rack EOIs having been received for any of these Leases;
- (b) the Train Yards Lease is terminated effective September 1, 2023 by the Train Yards Landlord as accepted by the Nordstrom Canada Entities and the Monitor; and
- (c) three Leases (Vaughan Mills, Deerfoot Meadows and Heartland) are subject to the proposed lease assignment transactions.

**Lease Disclaimers – Nordstrom Full-Line Stores**

6.12 As discussed above, while Nordstrom FLS EOIs were received in respect of each of the six Nordstrom Full-Line Stores by the FLS EOI Deadline, no executable transactions for the assignment of any of these six Leases emerged from the various follow-on discussions that took place as among the Nordstrom Canada Entities, JLL, the Monitor, and the applicable landlord for each such Nordstrom Full-Line Store. As such, the Nordstrom Canada Entities, with the consent of the Monitor, promptly issued notices to disclaim each of the Nordstrom Full-Line Store Leases and related agreements on June 22, 2023. The disclaimers will become effective on July 22, 2023.

**7.0 PROPOSED WINNERS TRANSACTION**

7.1 Winners LP submitted a Nordstrom Rack EOI in the Lease Transaction Process pursuant to which it offered to purchase and assume all of Canada Leasing LP's, right, title and interest in and to the following Leases:

- (a) the lease between Ivanhoe Cambridge II Inc., as landlord (the “**Vaughan Mills Landlord**”) and Canada Leasing LP, as tenant, dated May 5, 2016 in respect of the Vaughan Mills premises in Vaughan, Ontario (the “**Vaughan Mills Lease**”);
- (b) the lease between 6914861 Canada Inc., as landlord (the “**Deerfoot Meadows Landlord**”), and Canada Leasing LP, as tenant, dated May 31, 2016 in respect of the Deerfoot Meadows premises in Calgary, Alberta (the “**Deerfoot Meadows Lease**”); and
- (c) the lease between 1221986 Ontario Inc., as landlord, and Canada Leasing LP, as tenant, dated May 16, 2016 in respect of the Train Yards premises in Ottawa, Ontario (the “**Train Yards Lease**”).

7.2 Following the Rack EOI Deadline, JLL continued to negotiate with Winners LP and facilitated discussions and negotiations between Winners LP and the landlords under the respective Leases.

7.3 After consideration by the Nordstrom Canada Entities, and in consultation with the Monitor, Canada Leasing LP entered into the Winners Agreement. A copy of the executed Winners Agreement is attached as an exhibit to the Fifth Heckel Affidavit.

7.4 As described above, the transaction with Winners LP in respect of the Train Yards Lease was terminated as a result of the Train Yards Landlord rejecting the proposed assignment and exercising its right to terminate the lease. The Winners Agreement remains in full force and effect with respect to the proposed assignments of the Vaughan Mills Lease and the Deerfoot Meadows Lease.

7.5 Certain key provisions of the Winners Agreement are summarized in the table below.

Terms capitalized in the table below but not otherwise defined therein have the meaning ascribed to them in the Winners Agreement.

<b>SUMMARY OF THE WINNERS AGREEMENT</b>	
<b>Parties</b>	<ul style="list-style-type: none"> <li>• Nordstrom Canada Leasing LP, as Assignor</li> <li>• Winners Merchants International L.P., as Assignee</li> </ul>
<b>Purpose and Closing Date</b>	<ul style="list-style-type: none"> <li>• Subject to the release of the Consideration from escrow and satisfaction of the conditions required to complete the transactions with respect to such applicable Assigned Leases, the Assignor assigns and transfers to the Assignee, as of February 1, 2024 (“<b>Closing Date</b>”), all of the Assignor’s obligations, rights, title and interest in and to each Assigned Lease, the Assigned Premises and at no additional cost to the Assignee, the FF&amp;E and Trade Fixtures that the Assignor, in its sole discretion, leaves in the Assigned Premises on the Closing Date, and all related rights, benefits and advantages, including the residue of the term of the Lease, any rights of renewal and/or extension, any rights of first refusal, rights of first offer and similar pre-emptive rights, and rights to purchase, if any, contained in the Lease (collectively, the “<b>Assigned Interest</b>”).</li> <li>• The Assignee accepts the assignment of the Assigned Interest and assumes all of the Assignor’s obligations with respect to the Assigned Interest arising or in respect of the period of time from and after the Closing Date.</li> <li>• The Agreement constitutes three separate agreements, being separate agreements for: (i) the Assignment in respect of the Vaughan Mills Lease; (ii) the Assignment in respect of the Train Yards Lease; and (iii) the Assignment in respect of the Deerfoot Meadows Lease. If this Agreement terminates in respect of any Assignment, it will remain valid and in full force and effect for the other Assignments.</li> </ul>
<b>Assigned Leases and Assigned Premises</b>	<ul style="list-style-type: none"> <li>• For purposes of the Agreement, the “<b>Assigned Leases</b>” means the Vaughan Mills Lease and the Deerfoot Meadows Lease, being the Leases in respect of which a Landlord Waiver has been obtained by the Closing Date.</li> <li>• “<b>Assigned Premises</b>” means the Premises which have been demised pursuant to the Assigned Leases.</li> </ul>
<b>Consideration</b>	<ul style="list-style-type: none"> <li>• The consideration for the assignment of the Assigned Interest is \$150,000 in respect of the Vaughan Mills Lease and \$200,000 in respect of the Deerfoot Meadows Lease (the “<b>Consideration</b>”).</li> </ul>
<b>Cure Costs</b>	<ul style="list-style-type: none"> <li>• The Assignor will not be responsible for any costs which may be necessary to cure any Tenant defaults under any Assigned Lease which exist as of the Closing Date for such Assigned Lease (collectively, the “<b>Cure Costs</b>”) except for those which relate to monetary defaults existing as of the Closing Date and which relate solely to the period prior to the Closing Date.</li> </ul>

SUMMARY OF THE WINNERS AGREEMENT	
	<ul style="list-style-type: none"> <li>The Assignee will be responsible for and assumes the obligations for Cure Costs related to non-monetary defaults under the Assigned Leases, save and except for any non-monetary default arising by reason of the Nordstrom Canada Entities' CCAA proceedings or the insolvency of the Assignor.</li> </ul>
<b>Other Selected Terms and Conditions</b>	<ul style="list-style-type: none"> <li>The Assignment of the Assigned Interest relating to each Lease is conditional upon receipt by the Assignor and Assignee from the Landlord of a waiver and amending agreement acceptable to the Assignor and the Assignee (the "<b>Landlord Waiver</b>").</li> <li>The completion of the Assignment of the Deerfoot Meadows Lease is conditional upon the Assignee receiving a waiver from Loblaws Inc. or its affiliate granting consent to the Assignee selling non-perishable food items in up to 375 linear shelf feet, if such use would otherwise be prohibited by the Deerfoot Meadows Lease (the "<b>Loblaws Waiver</b>"). As of the date of this Fourth Report, the Loblaws Waiver has been received and the condition has been waived by Winners LP.</li> <li>The Assignment of the Assigned Interest is conditional upon receipt by the Assignee of a valid and enforceable order issued by the Court (that is not subject to a pending appeal or a stay) approving the assignment and assumption of the Assigned Interest and the transactions contemplated with respect to each Lease, and conveying to the Assignee all of the Assignor's right, title and interest in and to the Assigned Interest with respect to such Lease, which order shall be in form and substance satisfactory to each of the Assignor and the Assignee.</li> <li>The Assignor represents and warrants that upon or prior to the Closing Date for such Lease, all subleases of the Assigned Premises shall have been terminated.</li> </ul>

7.6 As described in the Fifth Heckel Affidavit, each of the Vaughan Mills Landlord and the Deerfoot Meadows Landlord has entered into a Landlord Waiver and Amendment of Lease with Canada Leasing LP, Nordstrom Canada and Winners LP setting out the terms on which they have agreed to the assignment of the Vaughan Mills Lease and the Deerfoot Meadows Lease, respectively. Accordingly, the condition under the Winners Agreement to obtain the "Landlord Waiver" has been satisfied.

7.7 Under the Winners Agreement, the closing date for the assignment of the Vaughan Mills Lease and the Deerfoot Meadows Lease is February 1, 2024. This delayed closing date was required by Winners LP. For the period from June 5, 2023 (the date the Winners Agreement



was executed) to February 1, 2024, Canada Leasing LP will pay approximately \$1.68 million in combined rent under the Vaughan Mills Lease and the Deerfoot Meadows Lease, which is greater than the \$300,000 in aggregate consideration to be paid by Winners LP for the assignment of such leases. However, the assignment of the Vaughan Mills Lease and the Deerfoot Meadows Lease will result in the significant reduction of landlord claims in the estate that would otherwise have arisen from a disclaimer of such leases by Canada Leasing LP. In the Monitor's view, the overall transaction is value accretive to the Nordstrom Canada Entities' estate and is a superior outcome for creditors generally than a scenario in which the Vaughan Mills Lease and the Deerfoot Meadows Lease were disclaimed or where the transaction was completed in bankruptcy (to the extent possible). Accordingly, the Monitor supports approval of the proposed assignments of the Vaughan Mills Lease and the Deerfoot Meadows Lease.

## **8.0 PROPOSED G2MC TRANSACTION**

- 8.1 G2MC submitted a Nordstrom Rack EOI in the Lease Transaction Process pursuant to which G2MC offered to purchase and assume all of Canada Leasing LP's, right, title and interest in and to lease between Orlando Corporation (the "**Heartland Landlord**"), as landlord, and Canada Leasing LP, as tenant, dated November 21, 2016 in respect of the Heartland Town Centre premises located in Mississauga, Ontario (the "**Heartland Lease**").
- 8.2 After consideration by the Nordstrom Canada Entities, and in consultation with the Monitor, Canada leasing LP entered into the G2MC Agreement for the assignment and

assumption of the Heartland Lease. A copy of the executed G2MC Agreement is included as an exhibit to the Fifth Heckel Affidavit.

8.3 Certain key provisions of the G2MC Agreement are summarized in the table below. Terms capitalized in the table below but not otherwise defined therein have the meaning ascribed to them in the G2MC Agreement.

SUMMARY OF THE G2MC AGREEMENT	
<b>Parties</b>	<ul style="list-style-type: none"> <li>• Nordstrom Canada Leasing LP, as Assignor</li> <li>• G2MC Inc., as Assignee</li> </ul>
<b>Purpose and Closing Date</b>	<ul style="list-style-type: none"> <li>• Subject to the release of the Consideration from escrow and satisfaction of the conditions required to complete the transactions, the Assignor assigns, sets over and transfers to the Assignee, as of and from the Closing Date, the Assignor's right, title and interest in and to the Lease and all privileges and appurtenances thereto belonging, together with the unexpired residue of the Term. The assignment shall include all rights, benefits and advantages to be derived by the Tenant from the Lease and the Premises, including any rights of renewal and/or extension, any rights of first refusal, rights of first offer and similar pre-emptive rights, and rights to purchase, if any, contained in the Lease (collectively, the "<b>Assigned Interest</b>").</li> <li>• The "<b>Closing Date</b>" is the date that is two Business Days immediately following the date on which all conditions to closing have been satisfied or waived by the Assignor and the Assignee.</li> <li>• Subject to satisfaction of the closing conditions, the Assignee covenants with the Assignor that the Assignee will from and after the Closing Date pay the Rent and all applicable taxes thereon due and payable under the Lease and assume, observe and perform all of the other terms, covenants and conditions contained in the Lease, as amended by the Landlord Waiver, contained on the part of the tenant therein to be observed and performed.</li> </ul>
<b>Lease and Premises</b>	<ul style="list-style-type: none"> <li>• The "<b>Lease</b>" means the Heartland Lease and the other documents listed on Schedule "A" to the Agreement.</li> <li>• The "<b>Premises</b>" means the premises at Heartland Town Centre in the City of Mississauga, Ontario as more particularly described in the Lease.</li> </ul>
<b>Consideration</b>	<ul style="list-style-type: none"> <li>• The consideration for the assignment of the Assigned Interest is \$808,734 (the "<b>Consideration</b>") plus any and all applicable taxes.</li> <li>• On July 10, 2023, the Assignor and the Assignee, with the consent of the Monitor, entered into a First Amendment to the G2MC Agreement to reduce the Consideration to \$588,734 (a reduction of \$220,000) on account of the cost of certain repairs and</li> </ul>

SUMMARY OF THE G2MC AGREEMENT	
	<p>alterations to the Premises required by the Assignee and potential post-closing realty tax adjustments.</p> <ul style="list-style-type: none"> <li>The Consideration, excluding the Withheld Funds, shall be paid and released to the Assignor on the Closing Date in accordance with a joint instruction provided by the parties.</li> </ul>
<b>Clearance Certificate Holdback</b>	<ul style="list-style-type: none"> <li>At the Closing Date, the Assignor will deliver to the Assignee a clearance certificate issued by the CRA pursuant to section 116 of the <i>Income Tax Act</i> (Canada) addressed to the Assignor with a certificate limit equal to the total fair market value of the Consideration (the “<b>Clearance Certificate</b>”) provided that, if the Assignor does not deliver such Clearance Certificate, the Assignee shall be entitled to withhold 50% of the total fair market value of the Consideration (the “<b>Withheld Funds</b>”) and the Assignor’s counsel shall release the Withheld Funds to the Assignee’s Solicitors, in trust, on their undertaking to keep the Withheld Funds in their trust account and make no use of them except in accordance with the terms of the Agreement relating to the Clearance Certificate.</li> </ul>
<b>Cure Costs</b>	<ul style="list-style-type: none"> <li>The Assignee will not be responsible for any costs (the “<b>Cure Costs</b>”) required to cure any outstanding Rent defaults with respect to the period prior to the Closing Date to the extent the Rent defaults have not been waived by the Landlord, vested away by way of the Approval and Vesting Order or otherwise waived in conjunction with the Assignor’s CCAA proceedings.</li> <li>The Assignor may, in its sole discretion either: (i) pay the Cure Costs prior to the Closing Date; or (ii) with the consent of the Monitor, terminate the Agreement.</li> <li>If on Closing there are known unpaid Cure Costs and the Assignor has not terminated the Agreement, then the Assignee may, in its sole discretion, terminate the Agreement.</li> </ul>
<b>Other Selected Terms and Conditions</b>	<ul style="list-style-type: none"> <li>The Agreement and the assignment and assumption of the Lease is conditional upon receipt by the Assignor and the Assignee from the Landlord of a duly executed and delivered Landlord waiver and amending agreement to lease in a form acceptable to the Assignor and the Assignee (the “<b>Landlord Waiver</b>”).</li> <li>The Agreement and the assignment and assumption of the Lease is also conditional on (a) the Closing Date occurring on or before August 1, 2023 (or such later date as the Assignor and the Assignee may agree in writing, each in its sole discretion), and (b) the Court having granted and entered an order approving the Agreement and the assignment and assumption of the Assigned Interest in form and substance satisfactory to the Assignee and the Assignor, both acting reasonably (the “<b>Approval and Vesting Order</b>”), and the Approval and Vesting Order shall not have been vacated, stayed or modified and the applicable period to seek leave to appeal the Approval and Vesting Order shall have expired with no appeal or leave to appeal having been sought.</li> <li>The Assignor shall remove from the Premises, at its sole cost and expense, no later than the Closing Date, all Personal Property (as defined in the Lease) and its logo and signage. The Assignor agrees to otherwise deliver the Premises to the Assignee in a vacant and broom-swept condition.</li> </ul>

SUMMARY OF THE G2MC AGREEMENT	
	<ul style="list-style-type: none"> <li>On or prior to the Closing Date, the Assignor shall terminate all subleases of the Premises, including the existing sublease dated December 27, 2016 between the Assignor, as sublandlord and Nordstrom Canada Retail, Inc. as subtenant.</li> </ul>

8.4 In addition to the terms described above, the amendment to the G2MC Agreement provides, among other things, that: (a) G2MC is responsible to the Heartland Landlord for all reconciliations for Additional Rent under the Heartland Lease; and (b) G2MC will accept the Premises in an as is, where is condition as of the date of the amendment to the G2MC Agreement, subject to removal of Canada Leasing LP's logos and signage in accordance with the G2MC Agreement.

8.5 As described in the Fifth Heckel Affidavit, the Heartland Landlord has entered into a Landlord Waiver and Amendment of Lease with Canada Leasing LP, Nordstrom Canada and G2MC setting out the terms on which it has agreed to the assignment of the Heartland Lease. Accordingly, the condition under the G2MC Agreement to obtain the "Landlord Waiver" has been satisfied.

8.6 The Monitor supports approval of the proposed assignment of the Heartland Lease pursuant to the G2MC Agreement on the basis that it will maximize the value of the lease, generate incremental proceeds for the Nordstrom Canada Entities, and mitigate any claim that would otherwise have arisen if the Heartland Lease were disclaimed.

## 9.0 CASH FLOW RESULTS RELATIVE TO FORECAST

9.1 Receipts and disbursements for the cumulative seven (7) week period from May 14, 2023 to July 1, 2023 (the "**Reporting Period**"), as compared to the cash flow forecast that was

attached as Appendix “A” to the Third Report (the “**Cash Flow Forecast**”), are summarized in the table below.

<b>Cash Flow Variance Reporting</b>	<b>Cumulative 7-Week Period Ended Jul 1, 2023</b>		
<i>(CAD \$000s, Unaudited)</i>	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
<b>Receipts</b>	<b>\$ 31,684</b>	<b>\$ 26,743</b>	<b>\$ 4,941</b>
<b>Disbursements</b>			
Salaries and Benefits	11,692	8,150	(3,541)
Occupancy & Other Costs	5,608	9,105	3,496
Sales Tax Remittances	8,517	9,197	680
Logistics, Transportation and Customs	1,336	2,006	670
Liquidation Costs	3,113	6,442	3,330
Professional Fees	1,549	1,748	198
Shared Service Payments - Intercompany	1,072	2,100	1,028
<b>Total Disbursements</b>	<b>\$ 32,887</b>	<b>\$ 38,748</b>	<b>\$ 5,861</b>
<b>Net Cash Flow</b>	<b>\$ (1,203)</b>	<b>\$ (12,005)</b>	<b>\$ 10,802</b>
Opening Cash Balance	100,223	100,223	-
Net Cash Flow	(1,203)	(12,005)	10,802
<b>Closing Cash Balance</b>	<b>\$ 99,020</b>	<b>\$ 88,218</b>	<b>\$ 10,802</b>

9.2 During the Reporting Period, the Nordstrom Canada Entities’ total receipts were approximately \$4.9 million greater than projected in the Cash Flow Forecast. The positive variance is largely attributable to higher than forecast FF&E sales and lower than forecast loyalty program redemptions.

9.3 During the Reporting Period, the Nordstrom Canada Entities’ total disbursements were approximately \$5.9 million less than projected in the Cash Flow Forecast. The net positive variance is primarily attributable to:

- (a) lower than forecast occupancy & other costs (by approximately \$3.5 million), which are primarily timing and expected to reverse in future weeks;

- (b) lower than forecast liquidation costs (by approximately \$3.3 million), which is primarily timing differences relating to the payment of Consultant and FF&E removal costs;
- (c) lower than forecast sales tax remittances, logistics and transportation costs, and shared services costs, each of which are primarily timing and expected to reverse in future weeks; and
- (d) the above positive variances were partially offset by higher than forecast salaries and benefits (by \$3.5 million), which is due to: (i) higher than forecast benefit costs; (ii) a subset of employees being retained for longer than forecast to assist with FF&E removals; and (iii) the timing of accrued vacation pay payments.

9.4 The closing cash balance as of July 1, 2023 was approximately \$99.0 million, as compared to the forecast cash balance of \$88.2 million.

## **10.0 ACTIVITIES OF THE MONITOR**

10.1 Since the date of the Third Report, being May 24, 2023, the primary activities of the Monitor and its counsel, Goodmans LLP, have included the following:

- (a) assisting the Nordstrom Canada Entities and the Consultant in coordinating with concession vendors for the orderly removal of third-party and jointly-owned merchandise and non-fixed FF&E from the Stores prior to the Store vacate dates, including addressing matters with respect to the ownership of FF&E and related sale, removal, repair and disposal issues;

- (b) monitoring the Nordstrom Canada Entities' cash receipts and disbursements, and assisting in preparing weekly cash flow variance reporting, including tracking outstanding balances and commitments to service providers;
- (c) participating in weekly videoconference meetings with the Consultant, management and counsel regarding the progression of the Liquidation Sale and related matters, and assisting the Consultant and the Nordstrom Canada Entities with addressing any stakeholder concerns with the conduct of the Liquidation Sale;
- (d) participating in Landlord walk-throughs of the Stores at various intervals throughout the process, including with respect to removal of FF&E and related repair issues, conduct of the Liquidation Sale, and disclaimer of the Leases and return of locations in "broom swept" and clean condition following or in connection with Lease disclaimers;
- (e) assisting and helping to coordinate the removal of FF&E from Nordstrom Full-Line Stores, including resolving competing claims among vendors, landlords and the Nordstrom Canada Entities to same;
- (f) supporting the Nordstrom Canada Entities and JLL in connection with the Lease Transaction Process, including establishing and coordinating the population of the data room and assisting in responding to questions and information requests;
- (g) assisting in the review and negotiation of potential Lease assignment transactions identified in the Lease Transaction Process and engaging in related discussions with landlords and potential assignees;

- (h) responding to inquiries from stakeholders who contacted the Monitor on the toll-free number or e-mail account established by the Monitor;
- (i) assisting in the Claims Process, including performing/coordinating the noticing activities required under the Claims Procedure Order, participating in the reconciliation of submitted Claims, and responding to questions from vendors and other third parties regarding the Claims Process;
- (j) in its capacity as Administrator, assisting the Trustee in administering all aspects of the Employee Trust, including assisting in the calculations of entitlement amounts for Eligible Employees and working with Employee Representative Counsel and Nordstrom Canada to address disputes and questions; and
- (k) preparing this Fourth Report with the assistance of counsel.

10.2 As detailed above, the Nordstrom Canada Entities and the Monitor, and their respective counsel and other advisors, including the Consultant in respect of the Liquidation Sale and JLL in respect of the Lease Transaction Process, have at this juncture in the CCAA Proceedings, completed a number of significant and substantive steps in what can be characterized as “Phase 1” of these CCAA Proceedings. Some of these key steps have included the following:

- (a) negotiating and establishing the various terms and conditions of the Initial Order and the ARIO with relevant stakeholders, including securing the support of Nordstrom US for the CCAA Proceedings, including through, among other matters, the Wind-Down Agreement and the Employee Trust;



- (b) negotiating the terms of the Liquidation Sale with relevant stakeholders and implementing and concluding the Liquidation Sale in an orderly and efficient manner;
- (c) developing and implementing the Lease Transaction Process to broadly canvass the market for potential lease assignment transactions, in conjunction with professional advisors and relevant stakeholders, and developing the proposed assignment transactions in respect of three Leases as discussed herein;
- (d) working with the Consultant in regards to administering the FF&E removal process with numerous differing stakeholders in an efficient manner, and implementing cleaning and rendering of the premises into a “broom swept” and clean condition and effecting follow-on lease disclaimers in an orderly and efficient manner;
- (e) establishing and implementing the Employee Trust, with funding from Nordstrom US for same;
- (f) developing and implementing the Claims Process governed by the Claims Procedure Order; and
- (g) addressing numerous other matters arising in the CCAA Proceedings to date, as detailed in the Monitor’s Reports.

10.3 At this juncture in the CCAA Proceedings, the Nordstrom Canada Entities and the Monitor have begun “Phase 2” of these CCAA Proceedings. During Phase 2, the Nordstrom Canada Entities and the Monitor, and their respective counsel and other advisors, will be focused on the following key steps and matters, among others:

- (a) completing the orderly and efficient closing of the Stores and the transfer of possession of the Stores to landlords (in the case of disclaimed Leases) or assignees (subject to the approval of the proposed assignment transactions);
- (b) carrying out and completing the Claims Process, including reconciliation of Claims and the preparation and filing of the Monitor's Intercompany Claims Report as contemplated by the Claims Procedure Order;
- (c) negotiating with landlords concerning the quantification of their significant claims against the estate;
- (d) developing the terms and conditions of a comprehensive plan of arrangement with relevant stakeholders; and
- (e) developing an appropriate meeting order in respect a plan of arrangement for approval by the Court, at the relevant time.

#### **11.0 APPROVAL OF THE FEES AND DISBURSEMENTS OF THE MONITOR AND THE MONITOR'S LEGAL COUNSEL**

- 11.1 Pursuant to paragraphs 51 and 52 of the ARIO: (a) the Monitor and its counsel shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, whether incurred prior to, on or subsequent to the Filing Date; and (b) the Monitor and its counsel shall pass their accounts from time to time before the Court.
- 11.2 Attached hereto as **Appendix "A"** is the Affidavit of Alan J. Hutchens sworn July 12, 2023 (the "**Hutchens Affidavit**"), attesting to the fees and disbursements of the Monitor for the period February 26, 2023 to July 1, 2023 in the aggregate amount of \$1,430,937.92

comprised of fees of \$1,235,252.50, disbursements of \$31,080.81 and taxes of \$164,604.61.

11.3 Attached hereto as **Appendix “B”** is the Affidavit of Brendan O’Neill, a partner with Goodmans LLP, counsel to the Monitor, sworn July 12, 2023 (the “**O’Neill Affidavit**”), attesting to the fees and disbursements of Goodmans LLP, for the period March 2, 2023 to June 28, 2023 in the aggregate amount of \$1,181,344.98, comprised of fees of \$1,035,732.00, disbursements of \$9,706.03, and taxes of \$135,906.95.

11.4 The Monitor confirms that the fees and disbursements set out in Goodmans’ invoices relate to advice sought by the Monitor and assistance provided in respect of the CCAA Proceedings, and that, in the Monitor’s view, Goodmans’ fees and disbursements are properly chargeable, reasonable and appropriate.


11.5 It is the Monitor’s view that the fees and disbursements of the Monitor and its counsel described in the Hutchens Affidavit and the O’Neill Affidavit, respectively, are reasonable and appropriate in the circumstances having regard to the scope of activity undertaken by the Monitor in the CCAA Proceedings.

## **12.0 CONCLUSIONS AND RECOMMENDATIONS**

12.1 For the reasons set out in this Fourth Report, the Monitor respectfully recommends that the Court grant the Applicants’ motion and the relief sought therein.

All of which is respectfully submitted to the Court this 12<sup>th</sup> day of July 2023.

**Alvarez & Marsal Canada Inc., in its capacity as Monitor of  
Nordstrom Canada Retail, Inc.,  
Nordstrom Canada Holdings, LLC,  
Nordstrom Canada Holdings II, LLC, and  
Nordstrom Canada Leasing LP,  
not in its personal or corporate capacity**

Per:   
\_\_\_\_\_  
Alan Hutchens  
Senior Vice-President

**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
NORDSTROM CANADA RETAIL, INC., NORDSTROM CANADA HOLDINGS, LLC  
AND NORDSTROM CANADA HOLDINGS II, LLC**

Court File No. CV-23-00695619-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**SIXTH REPORT OF THE MONITOR**

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