

**Court File No. CV-17-11846-00CL**

**SEARS CANADA INC.,  
AND RELATED APPLICANTS**

**FORTY-SIXTH REPORT OF FTI CONSULTING CANADA INC., AS MONITOR**

**July 20, 2021**

## Contents

<b>Section</b>	<b>Page</b>
A. INTRODUCTION.....	2
B. PURPOSE .....	4
C. TERMS OF REFERENCE.....	5
D. UPDATE ON THE CCAA PROCEEDINGS AND ACTIVITIES OF THE SEARS CANADA ENTITIES AND THE MONITOR .....	6
E. RECEIPTS AND DISBURSEMENTS FOR THE 25 WEEK PERIOD ENDING JULY 10, 2021 .....	11
F. SUMMARY OF RECEIPTS AND DISBURSEMENTS .....	13

Court File No. CV-17-11846-00CL

**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  
SEARS CANADA INC., 9370-2751 QUÉBEC INC., 191020 CANADA INC., THE CUT INC.,  
SEARS CONTACT SERVICES INC., INITIUM LOGISTICS SERVICES INC., 9845488  
CANADA INC., INITIUM TRADING AND SOURCING CORP., SEARS FLOOR  
COVERING CENTRES INC., 173470 CANADA INC., 2497089 ONTARIO INC., 6988741  
CANADA INC., 10011711 CANADA INC., 1592580 ONTARIO LIMITED, 955041  
ALBERTA LTD., 4201531 CANADA INC., 168886 CANADA INC. AND  
3339611 CANADA INC.

APPLICANTS

**FORTY-SIXTH REPORT TO THE COURT  
SUBMITTED BY FTI CONSULTING CANADA INC.,  
IN ITS CAPACITY AS MONITOR**

**A. INTRODUCTION**

1. On June 22, 2017, Sears Canada Inc. ("**Sears Canada**") and a number of its operating subsidiaries (collectively, with Sears Canada, the "**Applicants**") sought and obtained an initial order (as amended and restated on July 13, 2017, the "**Initial Order**"), under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). The relief granted pursuant to the Initial Order was also extended to Sears Connect, a partnership forming part of the operations of the Applicants (and together with the Applicants, the "**Sears Canada Entities**"). The proceedings commenced under the CCAA by the Applicants are referred to herein as the "**CCAA Proceedings**".

2. The Initial Order, among other things:
  - (a) appointed FTI Consulting Canada Inc. as monitor of the Sears Canada Entities (the “**Monitor**”) in the CCAA Proceedings;
  - (b) granted an initial stay of proceedings against the Sears Canada Entities until July 22, 2017 (the “**Stay Period**”), which has subsequently been extended from time to time, most recently to July 31, 2021.

A copy of the Amended and Restated Initial Order, dated June 22, 2017, is attached hereto as Appendix “A”.

3. On July 18, 2017, the Court issued an order approving an agreement and a process for the liquidation of inventory and FF&E at certain initial closing Sears Canada locations.
4. On October 13, 2017, the Court issued, among other orders, an order approving an agreement and a process for the liquidation of the inventory and FF&E at all remaining Sears Canada retail locations. The liquidation of all inventory and FF&E was completed and all Sears Canada retail locations were closed.
5. On December 8, 2017, the Court issued an Order (the “**Claims Procedure Order**”) approving a claims process for the identification, determination, and adjudication of claims of creditors against the Sears Canada Entities and their Officers and Directors.
6. On February 22, 2018, the Court issued an Employee and Retiree Claims Procedure Order (the “**E&R Claims Procedure Order**” and, together with the Claims Procedure Order, the “**Claims Procedure Orders**”) approving a process for the identification, determination, and adjudication of claims of employees and retirees of the Sears Canada Entities.
7. On December 3, 2018, the Monitor and the Honourable J. Douglas Cunningham, Q.C., as Court-appointed litigation trustee (the “**Litigation Trustee**”), were authorized by the Court to pursue litigation against certain third parties on behalf of Sears Canada and its creditors, in connection with the payment of certain dividends (the “**2013 Dividend**”) by Sears Canada to its shareholders in 2013 (the “**Estate 2013 Dividend Litigation**”).

The Court also lifted the stay of proceedings in the Initial Order to allow the Estate 2013 Dividend Litigation, as well as a claim by Morneau Shepell Ltd., as pension plan administrator (the “**Pension Plan Administrator**”), and class action claims (collectively, the “**Dealer Class Action**”) by certain “Sears Hometown” store dealers, each also arising from the 2013 Dividend, to be commenced or continued.

8. All claims in the Estate 2013 Dividend Litigation, as well as the claim by the Pension Plan Administrator and the Dealer Class Action are now the subject of settlement agreements that have been implemented.
9. On October 27, 2020, the Court issued an Order (the “**A&R Meetings Order**”) authorizing the Monitor to file an amended and restated joint plan of compromise and arrangement in respect of the Sears Canada Entities (the “**Plan**”) and to convene meetings of Affected Unsecured Creditors (the “**Meetings**”) for the purpose of considering and voting on the Plan. The Plan was approved by the requisite majorities of creditors voting at the Meetings held on November 16, 2020. The Plan was approved by the Court pursuant to a Plan Sanction Order granted on November 23, 2020 and the Plan Implementation Date (as defined in the Plan) occurred on December 14, 2020. A copy of the Plan Sanction Order and the Monitor’s certificate confirming the Plan Implementation Date are attached hereto as Appendices “**B**” and “**C**”.
10. In connection with the CCAA Proceedings, the Monitor has provided forty-five reports and twenty-five supplemental reports (collectively, the “**Prior Reports**”), and prior to its appointment as Monitor, FTI also provided to this Court a pre-filing report of the proposed Monitor dated June 22, 2017 (the “**Pre-Filing Report**”). The Pre-Filing Report, the Prior Reports, and other Court-filed documents and notices in these CCAA Proceedings are, or will be made, available on the Monitor’s website at [cfcanada.fticonsulting.com/searscanada](http://cfcanada.fticonsulting.com/searscanada).

## **B. PURPOSE**

11. The purpose of this forty-sixth report of the Monitor (the “**Forty-Sixth Report**”) is to provide the Court with information regarding:

- (a) the status of the CCAA Proceedings, including the claims process established pursuant to the Claims Procedure Orders and implementation of the Plan and distributions thereunder;
- (b) the Monitor’s motion for Orders (the “**Stay Extension and Fee Approval Order**”):
  - (i) extending the Stay Period (as defined in the Initial Order) until October 30, 2021; and
  - (ii) approving the fees and disbursements of the Monitor and its counsel, Norton Rose Fulbright Canada LLP, for the period from January 1, 2021 until May 31, 2021.

### C. TERMS OF REFERENCE

- 12. In preparing this Forty-Sixth Report, the Monitor has relied upon audited and unaudited financial information of the Sears Canada Entities, the Sears Canada Entities’ books and records, and discussions and correspondence with, among others, advisors to the Sears Canada Entities’ stakeholders (collectively, the “**Information**”).
- 13. Except as otherwise described in this Forty-Sixth Report:
  - (a) the Monitor has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*; and
  - (b) the Monitor has not examined or reviewed the financial forecasts or projections referred to in this Forty-Sixth Report in a manner that would comply with the procedures described in the *Chartered Professional Accountants of Canada Handbook*.

14. Future-oriented financial information reported in or relied on in preparing this Forty-Sixth Report is based on assumptions regarding future events. Actual results will vary from these forecasts and such variations may be material.
15. The Monitor has prepared this Forty-Sixth Report in connection with its request for the Stay Extension and Fee Approval Order. The Forty-Sixth Report should not be relied on for any other purpose.
16. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.
17. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the following documents filed as part of the CCAA Proceedings: (i) the affidavits of Mr. Billy Wong, the former Chief Financial Officer of Sears Canada; (ii) the affidavit of Ms. Becky Penrice, the former Executive Vice-President and Chief Operating Officer of Sears Canada; (iii) the affidavits of Mr. Philip Mohtadi, the former General Counsel and Corporate Secretary of Sears Canada; (iv) the Plan; and (v) the Prior Reports.

**D. UPDATE ON THE CCAA PROCEEDINGS AND ACTIVITIES OF THE SEARS CANADA ENTITIES AND THE MONITOR**

*The Plan*

18. In order to distribute the proceeds from the liquidation of the assets of the Sears Canada Entities to their creditors in accordance with their legal entitlements, and to distribute the proceeds of settlements in respect of the Estate 2013 Dividend Litigation, the Monitor developed the Plan.
19. A detailed description of the Plan is included in the Twenty-Ninth Report of the Monitor dated February 6, 2019 and the Supplements thereto.
20. As noted above, the Plan, as amended and restated, was voted upon and approved by the requisite majorities of creditors at Meetings held on November 16, 2020 and was approved by the Court pursuant to a Plan Sanction Order granted on November 23, 2020.
21. The Plan Implementation Date (as defined in the Plan) occurred on December 14, 2020.

22. Initial Plan Distributions to substantially all unsecured creditors with proven claims against the Sears Canada Entities have been made pursuant to the Plan. As of the date of this Forty-Sixth Report, there are approximately 115 unsecured creditors with allowed claims that have not received an initial Plan Distribution including 88 retirees for whom the Monitor does not have information required to make a Plan Distribution including social insurance number, mailing address and/or banking information. With respect to the pending distributions to retirees, the Monitor is working with the Pension Plan Administrator and Pension Representative Counsel to obtain the missing information. Initial Plan Distributions in respect of Federal and Provincial tax authorities are pending resolution of certain tax-related matters.
23. In total, \$179.0 million has been distributed to unsecured creditors of the Sears Parties; \$9.9 million has been distributed to unsecured creditors of the SLH Parties and \$41,867 has been distributed to unsecured creditors of 9370-2751 Québec Inc. (formerly Corbeil Électrique Inc.). These initial Plan Distribution amounts include approximately \$3.3 million in distributions to former employees and retirees that have been returned to the Monitor due to outdated banking information or mailing addresses. As of the date of this report, the Monitor has successfully re-issued approximately \$1.2 million of such payments. In addition to the amounts that were distributed directly to creditors, the Monitor holds approximately \$16.5 million for payment to the Government of Canada in respect of its subrogated claim under the Wage Earner Protection Program and Employment Insurance overpayments resulting from the initial Plan Distributions.
24. Set out below is a summary of the percentage recovery of each unsecured creditor of the Sears Canada Entities who has received a distribution on account of their proven unsecured claims against the Sears Canada Entities as of the date of this Report:
- (a) unsecured creditors of 9370-2751 Québec Inc. (formerly Corbeil Électrique Inc.): 100%;
  - (b) unsecured creditors of 191020 Canada Inc. (formerly S.L.H. Transport Inc.) and 168886 Canada Inc.: 23.06%; and



- (c) unsecured creditors of all other Sears Canada Entities: 8.97% for those unsecured creditors who opted out of participation in the Estate 2013 Dividend Litigation; and 10.38% for those unsecured creditors who did not opt out of participation in the Estate 2013 Dividend Litigation.
25. The Monitor estimates that a final distribution will be made to the unsecured creditors of the Sears Canada Entities, other than the creditors of 9370-2751 Québec Inc., in the near future. The remaining distributions are not expected to materially increase recoveries to those unsecured creditors. The timing and amount of such distributions will depend upon: (i) the resolution of remaining disputed claims in the claims process, as discussed in greater detail below; and (ii) the estimated costs of the remaining administrative steps to complete the CCAA Proceedings.

#### *Claims Process*

26. As noted in Prior Reports, in connection with the Claims Procedure Orders, the Monitor has received nearly 3,000 Proofs of Claim and D&O Proofs of Claim.
27. To the extent that disputes in respect of Claims and D&O Claims could not be resolved consensually and expeditiously, the Monitor has referred those claims to the Honourable James Farley (the “**Claims Officer**”), one of the two claims officers appointed pursuant to the Claims Procedure Orders, for adjudication.
28. In total, eight disputed claims have been referred to the Claims Officer so far, all of which have now been finally determined by the Claims Officer, or consensually resolved.
29. There are 22 claims against the Sears Canada Entities that have not yet been resolved. Unresolved claims against the Sears Canada Entities are comprised mostly of (i) vendor claims; and (ii) insurance claims, the resolution of which is being led by the Sears Canada Entities’ insurance adjuster. These claims are asserted in a maximum aggregate amount of \$16,140,953.

30. The Monitor is not aware of any unresolved D&O Proof of Claim that now advances a claim in a specified amount against any current or former directors or officers of the Sears Canada Entities.<sup>1</sup>
31. The Monitor previously reported that certain landlord claims remained unresolved. One of the issues in connection with those claims was the treatment of claims by co-tenants against the landlords. Certain landlords took the position that the potential claims by co-tenants for the reduction of rent and or other remedies available under their respective leases with the landlords, constituted a provable claim against Sears Canada. The settlement reached with the landlords of Sears Canada did not provide a dollar amount compensating the landlords for co-tenancy claims but recognized that this was a category of damage that was accounted for, allowed, and given value, in reaching a global resolution. All landlord claims are now resolved.
32. Under the Plan, holders of claims asserted on account of product warranty entitlements under warranties purchased during the period prior to the CCAA Proceedings were entitled to assert their claims against a pool of funds in an aggregate amount of \$9 million established exclusively to satisfy such claims and the costs of administering the warranty claim process (the “**Warranty Reimbursement Pool**”). The deadline to file such warranty claims with the appointed warranty claims administrator was 5:00 p.m. (Eastern time) on June 12, 2021 (the “**Warranty Claims Bar Date**”). The Monitor took the following steps to provide notice to potential claimants of the process to file pre-filing warranty claims and the Warranty Claims Bar Date:
- (a) Following the Plan Implementation Date, published in The Globe and Mail (National Edition) and the electronic edition of La Presse notice of the establishment of the Warranty Reimbursement Pool and the opportunity to submit an application for recovery on a Reimbursable Warranty Claim;

---

<sup>1</sup> The Monitor notes that certain ‘marker’ proofs of claim were filed against the current and former directors and officers of the Sears Canada Entities. However, these proofs of claim do not claim a specific amount against any particular current or former director or officer.

- (b) Issued press releases, both in English and French, to over 80 media outlets representing a potential audience of 19 million consumers advising and reminding potential claimants of the warranty claims process and the deadline to file warranty claims; and
- (c) Launched a bi-lingual Facebook noticing campaign that is estimated to have reached between 6 and 9 million Canadians.

In total, 490 claims have been submitted for consideration to the Warranty Claims Administrator of which approximately 280 claims totalling approximately \$145,000 have been allowed, in whole or in part, in accordance with the Plan. As a result, all allowed pre-filing warranty claims will be satisfied in full from the cash in the Warranty Reimbursement Pool and the residual balance of the Warranty Reimbursement Pool, after costs, estimated at \$8.4 million will be available for distribution to the unsecured creditors of the Sears Parties under the Plan.

*Other Activities of the Monitor*

- 33. The Monitor, in addition to assisting in the matters detailed above, has also undertaken the following activities:
  - (a) Continued to review and monitor disbursements;
  - (b) Updated the claims database for changes in creditor status and contact details;
  - (c) Issued Notices of Revision or Disallowance in connection with claims filed;
  - (d) Participated on multiple calls and corresponded with representatives from Canada Revenue Agency to discuss and coordinate tax related matters in respect of Plan distributions;
  - (e) Developed a detailed distribution model in support of Plan Distributions in accordance with the Plan;

- (f) Held numerous calls and worked closely with Service Canada to confirm and coordinate initial Plan Distributions, including applicable adjustments, in respect of former employees and retirees;
- (g) Participated in webinars organized by Employee Representative Counsel and Pension Representative Counsel to explain how the initial Plan Distributions were determined;
- (h) Coordinated and managed initial Plan Distributions with the Sears Canada Entities' payroll administrator in respect of approximately 22,200 former employees and retirees;
- (i) Responded to over 3,500 calls and emails from former employees and retirees inquiring as to the status of, and other matters related to, their initial Plan Distributions;
- (j) Coordinated reissuing approximately 450 initial Plan Distributions to former employee and retiree creditors, the majority of which had been rejected due to outdated mailing or banking information; and
- (k) Corresponded with Pension Representative Counsel and the Financial Services Tribunal regarding certain matters involving the Sears Canada Inc. Registered Retirement Plan (the "**Pension Plan**") and the application of the Pension Benefit Guarantee Fund to certain members of the Pension Plan.

**E. RECEIPTS AND DISBURSEMENTS FOR THE 25 WEEK PERIOD ENDING JULY 10, 2021**

34. The Sears Canada Entities' actual net operating cash flows, before Plan Distributions, for the twenty-five week period ending July 10, 2021 totalled approximately \$6.1 million resulting in a positive variance of \$9.6 million compared to forecast net operating cash out flows of \$3.6 million. During the period, the Monitor, on behalf of the Sears Canada Entities, administered Plan Distributions totaling \$182.9 million. A comparison of the actual versus forecast cash flows for the period ending July 10, 2021 is presented in the table below:

<b>VARIANCE REPORT</b>	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
(CAD in Millions)			
<b>Receipts</b>	<b>7.8</b>	<b>-</b>	<b>7.8</b>
<b>Operating Disbursements</b>			
Payroll and Employee Related Costs	(0.0)	(0.1)	0.1
Owned Real Property - Carrying Costs	-	-	-
Non-Merchandise Vendors	(1.7)	(3.5)	1.7
IT and Data Storage Costs	(0.0)	(0.0)	0.0
<b>Total Operating Disbursements</b>	<b>(1.8)</b>	<b>(3.6)</b>	<b>1.8</b>
<b>Net Operating Cash Inflows / (Outflows)</b>	<b>6.1</b>	<b>(3.6)</b>	<b>9.6</b>
Professional Fees	(2.2)	(2.1)	(0.1)
CCAA Plan Distributions	(182.9)	-	(182.9)
<b>Net Cash Inflows / (Outflows)</b>	<b>(179.0)</b>	<b>(5.7)</b>	<b>(173.3)</b>

35. Explanations for the key variances in actual cash flows are as follows:

- (a) The positive variance in Receipts of \$7.8 million is a permanent difference compared to the forecast and consists primarily of:
  - (i) The return of unclaimed dividend funds held by AST Trust Company (Canada) in the amount of \$3.4 million;
  - (ii) The receipt of settlement proceeds totaling \$1.0 million;
  - (iii) Net sales tax refunds totalling approximately \$2.9 million; and
  - (iv) Interest on cash balances held in bank accounts.
- (b) The positive variance in non-merchandise vendors of \$1.7 million consists primarily of differences between actual and forecast disbursements in respect of post-filing obligations including primarily, physical data storage fees.
- (c) As noted above, actual cash flow results include initial Plan Distributions to creditors with proven unsecured claims in accordance with the Plan.

## F. SUMMARY OF RECEIPTS AND DISBURSEMENTS

36. The Sears Canada Entities' cumulative receipts and disbursements since the commencement of the CCAA Proceedings through the week ended July 10, 2021 are reflected in the table below:

<b>CUMULATIVE RECEIPTS AND DISBURSEMENTS</b>	
(CAD in Millions)	
<b>For the Period Ending July 10, 2021</b>	
<b>Receipts</b>	<b>1,426.4</b>
<b>Operating Disbursements</b>	
Payroll and Employee Related Costs	(268.3)
Merchandise Vendors	(289.4)
Owned Real Property - Carrying Costs	(4.5)
Non-Merchandise Vendors	(186.5)
Rent and Property Taxes	(91.3)
Sales Taxes	(65.3)
Pension	(14.7)
IT Costs	(27.3)
Recovery of Expenses from Agent	83.6
Capital Expenditures	(0.8)
<b>Total Operating Disbursements</b>	<b>(864.5)</b>
<b>Net Operating Cash Inflows / (Outflows)</b>	<b>561.9</b>
Professional Fees	(112.8)
Repayments of Existing Credit Facilities	(283.3)
DIP Fees and Interest Paid	(19.7)
CCAA Plan Distributions	(183.3)
<b>Net Cash Inflows / (Outflows)</b>	<b>(37.2)</b>
<b>Cash</b>	
Beginning Balance	126.5
Net Cash Inflows / (Outflows)	(37.2)
DIP Draws / (Repayments)	(32.0)
Others incl. FX Valuation	(3.0)
<b>Ending Balance</b>	<b>54.2</b>

37. The Initial Order allowed the Sears Canada Entities to continue to use their existing Cash Management System as described in the First Wong Affidavit and the Pre-Filing Report. After the commencement of the CCAA Proceedings, the Sears Canada Entities continued to use their Cash Management System in a manner consistent with past practice. Sears Canada, in consultation with the Monitor, continues to close bank accounts that are no longer needed and consolidate funds in the remaining operating accounts. Substantially all of these amounts will be transferred to the Monitor’s trust account. The Monitor continues to permit these funds to be made available to Sears Canada to the extent necessary to fund remaining ordinary course costs.

#### **G. REVISED CASH FLOW FORECAST FOR THE PERIOD ENDING OCTOBER 30, 2021**

38. A revised cash flow forecast for the period July 11, 2021 to October 30, 2021 has been prepared and is presented in the table below (the “**Revised Cash Flow Forecast**”):

<b>Revised Cash Flow Forecast</b>	<b>Jul 11, 2021 - Oct 30, 2021</b>
(CAD in thousands)	
<b>Receipts</b>	-
<b>Operating Disbursements</b>	
Payroll and Employee Related Costs <sup>[2]</sup>	(40)
Non-Merchandise Vendors <sup>[3]</sup>	(780)
IT and Data Storage Costs <sup>[4]</sup>	(10)
<b>Total Operating Disbursements</b>	<b>(830)</b>
<b>Net Operating Cash Inflows / (Outflows)</b>	<b>(830)</b>
Professional Fees <sup>[5]</sup>	(660)
<b>Net Cash Inflows / (Outflows)</b>	<b>(1,490)</b>
<b>Cash</b>	
Beginning Balance	54,214
Net Cash Inflows / (Outflows)	(1,490)
<b>Ending Cash Balance</b>	<b>52,724</b>

**Notes:**

[1] The purpose of this cash flow forecast is to estimate the liquidity requirements of the Sears Canada Entities during the forecast period.

[2] Forecast Payroll and Employee Related Costs are based on recent payroll amounts.

[3] Forecast Non-Merchandise Vendor disbursements primarily relate to the payment of post-filing obligations and potential amounts owing to provincial workers' compensation bodies.

[4] Forecast IT and Data Storage Costs reflect disbursements made to certain IT-related vendors for usage of IT services and storage of data based on existing terms and conditions of the contract.

[5] Forecast Professional Fees include legal and financial advisor fees associated with the CCAA proceedings payable by the Applicants including fees of Employee Representative Counsel, Pension Representative counsel and their advisors.

39. Pursuant to section 23(1)(b) of the CCAA, the Monitor hereby reports to the Court as follows:
- (a) the Revised Cash Flow Forecast was prepared for the purpose described in the notes to the Revised Cash Flow Forecast (the “**Forecast Notes**”), using the Probable Assumptions and Hypothetical Assumptions set out therein;
  - (b) since Hypothetical Assumptions need not be supported, the Monitor’s procedures with respect to the Hypothetical Assumptions were limited to evaluating whether the Hypothetical Assumptions were consistent with the purpose of the Revised Cash Flow Forecast. The Monitor has also reviewed the support for the Probable Assumptions;
  - (c) based on that review, and as at the date of this Forty-Sixth Report, nothing has come to the attention of the Monitor that causes it to believe that:
    - (i) the Hypothetical Assumptions are inconsistent with the purpose of the Revised Cash Flow Forecast;
    - (ii) the Probable Assumptions are not suitably supported or consistent with the plans of the Sears Canada Entities or do not provide a reasonable basis for the Revised Cash Flow Forecast, given the Hypothetical Assumptions; or
    - (iii) the Revised Cash Flow Forecast does not reflect the Probable and Hypothetical Assumptions; and
  - (d) since the Revised Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the forecast even if the Hypothetical Assumptions occur. Those variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Revised Cash Flow Forecast will be achieved. The Monitor also expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Forty-Sixth Report, or relied upon by the Monitor in preparing this Forty-Sixth Report.



40. The Revised Cash Flow Forecast assumes that the remaining steps in the CCAA Proceedings will include primarily implementation of the Plan. If it appears to the Monitor that this assumption ceases to be reasonable, the Monitor will report to the Court regarding any adjustments to the Revised Cash Flow Forecast that may be required to reflect an alternative path to completion of these proceedings.
41. The Revised Cash Flow Forecast may be updated if developments occur that have a material impact on the forecasted cash flows of the Sears Canada Entities.
42. The Revised Cash Flow Forecast has been prepared solely for the purpose described in the Forecast Notes. The Revised Cash Flow Forecast should not be relied upon for any other purpose.
43. The Revised Cash Flow Forecast shows total net operating cash outflows of approximately \$0.8 million, before professional fees of approximately \$0.7 million, such that net cash outflows for the period are forecasted to be approximately \$1.5 million.
44. Aside from professional fees, forecast disbursements consist primarily of disbursements in respect of post-Filing services and amounts owing to provincial workers' compensation bodies.
45. The professional fee forecast has been prepared based on observed run rates and expected milestones and other activities associated with the administration of the Sears Canada Entities' estates. The total forecast professional fee disbursements of \$0.7 million is primarily comprised of forecast future (and not currently accrued) fees to the end of the forecast period.
46. Notwithstanding the Monitor's intention to issue further Plan Distributions in the near term, due to the uncertainty in respect of the timing of these distributions, they have not been included in the Revised Cash Flow Forecast.

## H. STAY EXTENSION AND FEE APPROVAL ORDER

### *Stay Extension*

47. The Stay Period currently expires on July 31, 2021.
48. The Monitor believes that additional time will be required to complete the following matters:
  - (a) Resolve all remaining disputed claims;
  - (b) Administer final Plan Distributions to unsecured creditors with Allowed Claims;
  - (c) Resolve all Pre-Filing Warranty Claims and administer distributions from the Warranty Reimbursement Pool in respect of Reimbursable Warranty Claims;
  - (d) Continue to respond to information requests from former employees, retirees, and other creditors and stakeholders with respect to the CCAA Proceedings and Plan Distribution matters; and
  - (e) Coordinate the preparation, distribution and filing of tax-related information slips and information returns pursuant to applicable tax legislation.
49. The Monitor is seeking an extension of the Stay Period under the Initial Order to October 30, 2021.
50. The Applicants have proceeded in good faith and with due diligence under the supervision of the Monitor in accordance with the Governance Protocol since the date of the last extension of the Stay Period.
51. The Applicants have sufficient liquidity to fund these proceedings during the extended Stay Period.
52. The Monitor does not believe any creditor would be materially prejudiced by the extension of the Stay Period.

*Fee Approvals*

53. The Monitor and its counsel, Norton Rose Fulbright Canada LLP (“**NRFC**”) have each maintained detailed records of their time and disbursements with respect to the CCAA Proceedings.
54. The fees and disbursements of the Monitor and NRFC in connection with the CCAA Proceedings were most recently approved for the period up to and including December 31, 2020.
55. Attached as Exhibit “A” to the Affidavit of Steven Bissell sworn July 15, 2021 that is attached as Appendix “D” to this Forty-Sixth Report (the “**Bissell Affidavit**”) are copies of the invoices rendered by the Monitor in respect of the CCAA Proceedings. The Monitor’s accounts for the period from January 1, 2021 to May 31, 2021 total \$807,702.50 in fees, \$1,644.06 in disbursements, and \$105,215.06 in HST for a total amount of \$914,561.62. Exhibit “C” to the Bissell Affidavit contains a summary of the personnel, hours and hourly rates charged by the Monitor in respect of the CCAA Proceedings during the applicable period.
56. Attached as Appendix “E” to this Forty-Sixth Report is the Affidavit of Alan Merskey, sworn July 15, 2021 (the “**Merskey Affidavit**” and, together with the Bissell Affidavit, the “**Fee Affidavits**”). NRFC’s accounts in connection with the CCAA Proceedings for the period from January 1, 2021 to May 31, 2021 total \$345,741.50 in fees, \$1,859.41 in disbursements and \$45,029.95 in HST for a total amount of \$392,630.86. At Exhibit “C” to the Merskey Affidavit are copies of the invoices rendered by NRFC as counsel to the Monitor for such amounts, while Exhibits “A” and “B” to the Merskey Affidavit contain a summary of the personnel, hours, and hourly rates charged by NRFC in respect of the CCAA Proceedings during the applicable period.
57. As indicated in the invoices included in the Fee Affidavits and the description of activities contained in this Forty-Sixth Report and the Prior Reports, the Monitor has played a central role in these proceedings, including in connection with the Plan, distributions to creditors, monetizing remaining assets, the Governance Protocol, the

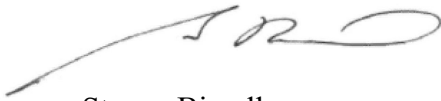
Wage Earner Protection Program, tax matters and leading the claims processes contemplated by the Claims Procedure Orders.

58. The Monitor respectfully submits that the respective fees and disbursements of the Monitor and NRFC are reasonable in the circumstances and have been validly incurred in accordance with the provisions of the Orders issued in these CCAA Proceedings. Accordingly, the Monitor respectfully seeks the approval of its fees and disbursements and the fees and disbursements of NRFC.

The Monitor respectfully submits to the Court this, its Forty-Sixth Report.

Dated this 20th day of July, 2021.

FTI Consulting Canada Inc.  
in its capacity as Monitor of  
the Sears Canada Entities



Steven Bissell  
Managing Director