

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

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

**EIGHTEENTH REPORT OF FTI CONSULTING CANADA INC., AS MONITOR**

**May 7, 2018**

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**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., INITIUM  
COMMERCE LABS 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

**EIGHTEENTH 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;
  - (c) authorized the Sears Canada Entities to enter into the DIP Credit Agreements and access funds available under the facilities provided under these agreements; and
  - (d) scheduled a comeback motion for July 13, 2017 (the “**Comeback Motion**”).
3. Following the Comeback Motion, the Court extended the Stay Period to October 4, 2017. In addition, the following orders were issued:
- (a) the amended and restated Initial Order;
  - (b) an order setting out the terms of the appointment of Ursel Phillips Fellows Hopkinson LLP as representative counsel for the non-unionized active and former employees of the Sears Canada Entities (“**Employee Representative Counsel**”);
  - (c) an order setting out the terms of the appointment of Koskie Minsky LLP as representative counsel to the non-unionized retirees and non-unionized active and former employees of the Sears Canada Entities with respect to pension and post-employment benefit matters (“**Pension Representative Counsel**”);
  - (d) an order authorizing the eventual suspension of special payments under the Sears Canada Pension Plan, certain payments in connection with supplemental pension plans and certain payments under post-retirement benefit plans pursuant to a term sheet agreed to by the Ontario Superintendent of Financial Services, as Administrator of the Pension Benefits Guarantee Fund (the “**Superintendent**”), Employee Representative Counsel, Pension Representative Counsel, each of their respective representatives, and the Sears Canada Entities; and

- (e) an order approving a sale and investor solicitation process (the “**SISP**”) to solicit interest in potential transactions, including investment and liquidation proposals, involving the business, property, assets and/or leases of the Applicants.
4. 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, which liquidation process is now completed.
  5. On October 13, 2017, the Court issued, among other orders, an order (a) approving an agreement and a process (the “**Second Liquidation Process**”) for the liquidation of the inventory and FF&E at all remaining Sears Canada retail locations, which liquidation commenced shortly thereafter and is now completed.
  6. 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; and (ii) an Omnibus Approval and Vesting Order (the “**Omnibus Approval and Vesting Order**”) authorizing the Applicants to complete sales of residual assets (“**Residual Assets**”) not exceeding \$5 million in any one transaction without seeking further Court approval, and vesting those residual assets in the applicable purchaser free and clear of the claims and encumbrances against those assets.
  7. The Claims Procedure Order also directed the Monitor to assess in detail, with reasonably sufficient particulars and analysis, the validity and quantum of all intercompany claims, and to serve on the Service List and file with the Court a report detailing the work performed (the “**Intercompany Claims Report**”). The Monitor served the Intercompany Claims Report on the Service List on April 2, 2018 and filed it with the Court.
  8. On February 22, 2018, the Court issued an Employee and Retiree Claims Procedure Order (the “**E&R Claims Procedure Order**”) approving a process for the identification, determination and adjudication of claims of employees and retirees of the Sears Canada Entities.

9. On March 2, 2018, the Court issued an Order appointing Lax O’Sullivan Lisus Gottlieb LLP as Litigation Investigator (the “**Litigation Investigator Order**”), with a mandate to identify and report on certain rights and claims that the Sears Canada Entities and/or any creditors of the Sears Canada Entities may have against any parties.
10. The liquidation of assets at Sears Canada’s retail locations is now completed, all retail locations are closed, and leases in respect of such locations have been disclaimed. The monetization of Residual Assets is now substantially complete. The other major assets of the Sears Canada Entities that remain to be realized upon are the Applicants’ remaining real estate assets.
11. Since the date of the Comeback Motion, the stay period has been extended a number of times and currently expires on May 11, 2018.
12. In connection with the CCAA Proceedings, the Monitor has provided seventeen reports and eight 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 available on the Monitor’s website at [cfcanada.fticonsulting.com/searscanada/](http://cfcanada.fticonsulting.com/searscanada/) (the “**Monitor's Website**”).

**B. PURPOSE**

13. The purpose of this eighteenth report of the Monitor (the “**Eighteenth Report**”) is to provide the Court with information regarding:
  - (a) developments in the CCAA Proceedings since the date of the Monitor’s Seventeenth Report to the Court dated April 11, 2018 (the “**Seventeenth Report**”);
  - (b) the Applicants’ request for an order (the “**Stay Extension Order**”) extending the Stay Period to July 31, 2018;

- (c) the Applicants' request for an order (the "**Mediation Order**") approving an outline for the mediation of significant outstanding issues in these CCAA Proceedings; and
- (d) the Monitor's comments and recommendations in connection with the foregoing.

**C. TERMS OF REFERENCE**

- 14. In preparing this Eighteenth Report, the Monitor has relied upon audited and unaudited financial information of the Sears Canada Entities, the Sears Canada Entities' books and records, certain financial information and forecasts prepared by the Sears Canada Entities and discussions and correspondence with, among others, the senior management ("**Management**") of, and advisors to, the Sears Canada Entities (collectively, the "**Information**").
- 15. Except as otherwise described in this Eighteenth 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 Eighteenth Report in a manner that would comply with the procedures described in the *Chartered Professional Accountants of Canada Handbook*.
- 16. Future-oriented financial information reported in or relied on in preparing this Eighteenth Report is based on Management's assumptions regarding future events. Actual results will vary from these forecasts and such variations may be material.
- 17. The Monitor has prepared this Eighteenth Report in connection with the Applicants' motions for the Stay Extension Order and the Mediation Order. The Eighteenth Report should not be relied on for any other purpose.

18. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.
19. 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 Chief Financial Officer of Sears Canada; (ii) the affidavit of Ms. Becky Penrice, Executive Vice-President and Chief Operating Officer of Sears Canada; (iii) the affidavit of Mr. Philip Mohtadi, General Counsel and Corporate Secretary of Sears Canada; and (iv) the Prior Reports.

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

20. A comprehensive update on the status of the CCAA Proceedings was provided in the Seventeenth Report. Set out below is a summary of material developments since the date of the Seventeenth Report.

*Claims Process*

21. As noted in the Seventeenth Report, in connection with the Claims Procedure Order, the Monitor has received in excess of 2000 proofs of claim in amounts totalling not less than \$36 billion<sup>1</sup>. This amount includes a significant number of claims where the claimant has filed multiple claims for the same amount under different claim types (e.g. Pre-Filing, Post-Filing, Restructuring and D&O) or against multiple Sears Canada Entities.
22. Examples of Claimants who have filed, pursuant to the Claims Procedure Order or the E&R Claims Procedure Order, multiple claims for the same amount include:
  - (a) Pension Representative Counsel, the Superintendent and Morneau Shepell Ltd. (in its capacity as administrator of the Sears Canada Inc. registered retirement plan (the “**Pension Plan**”)) have each filed claims in respect of the estimated \$262 million Sears Pension Claim. Ultimately, the pursuit or resolution of these claims

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<sup>1</sup> The amounts noted in this sentence do not include Claims of Employees and Retirees filed, or deemed filed, pursuant to the E&R Claims Procedure Order.

(in the context of the Mediation or otherwise) will need to be coordinated as they all relate to the same amount;

- (b) multiple landlords have filed claims against all Sears Canada Entities notwithstanding that in all cases except for one, the tenant under the applicable lease was Sears Canada Inc.; and
  - (c) multiple landlords have asserted unsubstantiated multi-million dollar Pre-Filing, Post-Filing **and** Restructuring Period Claims.
23. The Monitor, in consultation with the Sears Canada Entities, is conducting a summary review to identify those proofs of claim that:
- (a) appear to have been filed against Sears Canada Entities for which no claim could reasonably be asserted;
  - (b) contain Claims filed in duplicate or triplicate (for example, where a Claimant identified the same Claim as a Pre-Filing, Restructuring Period and Post-Filing Claim); or
  - (c) have been asserted without substantive supporting documentation or explanation.
24. As a result of this review so far, the Monitor has identified claims aggregating approximately \$30 billion that the Monitor believes should be disallowed.
25. The Monitor is in the process of delivering Notices of Revision or Disallowance with respect to those aspects of a claim that are either filed against an incorrect Sears Canada Entity or have been asserted without substantive supporting documentation or explanation while reserving rights to continue to review the remaining aspects of a creditor's claim. Those remaining portions of a creditor's claim may be the subject of a future Notice of Revision or Disallowance within the timelines specified in the Claims Procedure Order upon completion of the Monitor's review.

*Litigation Investigator Order*

26. On April 17, 2018, Pension Representative Counsel served a motion returnable April 18, 2018 seeking certain amendments to the Litigation Investigator Order. The amendments would increase the size of the Creditors' Committee (as defined in the Litigation Investigator Order) from seven to eight due to the inclusion of one additional landlord representative and provide for certain amendments to facilitate the Sears Canada Entities' disclosure of certain information to the Litigation Investigator in connection with the Litigation Investigator's mandate on a confidential basis, while providing the Sears Canada Entities with certain necessary protections in complying with such order.
27. Sears Holdings Corporation, ESL Investments Inc. ("**ESL**") and certain former directors of Sears Canada raised concerns regarding the amendment sought based upon, among other things, their view that the proposed amendment could prejudice any shared privilege that such parties may be able to claim over information that may be disclosed by Sears Canada to the Litigation Investigator.
28. Following extensive discussions, the interested parties agreed on a form of Amended Litigation Investigator Order that would both facilitate the delivery of information by the Sears Canada Entities to the Litigation Investigator on a confidential basis so that the Litigation Investigator can move forward with its mandate and that would provide certain protections for Sears Holdings Corporation, ESL and the current and former directors of Sears Canada in relation to Potentially Shared Privileged Documents (as defined in the Amended Litigation Investigator Order).
29. A copy of the Amended Litigation Investigator Order is attached hereto as **Appendix "A"**.

*Construction Lien Matters*

30. In accordance with the Claims Procedure Order, a Construction Claims Package was sent to all known Construction Claimants who are Construction Contractors (as evidenced by the books and records of the Sears Canada Entities) in December 2017.

31. The Construction Claims Package included a Notice of Construction Claim setting out the Sears Canada Entities' view of the quantum of the Construction Contractors' claims (including the claims of all Construction Sub-Contractors claiming under such Construction Contractors) against the Sears Canada Entities.
32. Notices of Dispute with respect to the amounts set out in each Notice of Construction Claim were due by February 15, 2018.
33. The review of Notices of Dispute relating to Construction Claims is ongoing.
34. The Sears Canada Entities and the Monitor have prepared a reconciliation of construction lien claims for which funds have been reserved, paid into court or otherwise held in escrow, pending determination of the validity of such lien claims in connection with completed real estate lease surrender or sale transaction. The Monitor and the Applicants are treating as a priority the distribution of funds to those construction lien holders who are determined to have valid secured claims.

*Key Employee Retention Plan*

35. Previously in these proceedings the Court approved an amended Key Employee Retention Plan (the "**Amended KERP**"), which reallocated a portion of the unpaid amounts under the original key employee retention plan (the "**Initial KERP**") to management and staff employees whose services would be required during the liquidation process approved in October 2017.
36. Amounts payable under the Initial KERP became due and were paid in 2017. The amounts payable under the Amended KERP became due on April 30, 2018 and have now been paid.
37. The Applicants, in consultation with the Monitor have identified 8 Sears Canada employees whose services are, in the Monitor's view, critical to the efficient completion of these CCAA Proceedings. These employees perform key accounting, legal, facilities, human resources and tax functions. Given the institutional and specialized knowledge of

these employees and the current status of the Sears Canada Entities, it would not likely be possible to replace these employees in a cost effective manner at the current time.

38. The Applicants intend to offer these additional 8 employees retention and incentive payments in an aggregate amount of approximately \$230,000. The Monitor has reviewed the proposed payments and the contributions and circumstances of the proposed beneficiaries of these payments. The Monitor supports the payment of these incentive and retention amounts. The Monitor notes that the Applicants are not seeking to include these individuals in the key employee retention plan approved by the Court at this time and are not seeking to have the payments to these employees secured by the Court-ordered charge established in connection with the key employee retention plan.

#### *Mediation*

39. Please refer to Section H below for an update on the Applicants' and Monitor's activities in relation to the Mediation (as such term is defined below).

#### **E. RECEIPTS AND DISBURSEMENTS FOR THE FOUR-WEEK PERIOD ENDING APRIL 28, 2018**

40. The Sears Canada Entities' actual net cash outflow on a consolidated basis for the four-week period ended April 28, 2018 was approximately \$6.2 million, compared to a forecast net cash outflow of \$8.1 million disclosed in the Monitor's Eleventh Report dated January 15, 2018, resulting in a positive variance of approximately \$1.9 million as indicated in the table below:

<b>VARIANCE REPORT</b>			
	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
(CAD in Millions)	<b>For the 4 Week Period Ending April 28, 2018</b>		
<b>Receipts</b>	<b>1.5</b>	<b>-</b>	<b>1.5</b>
<b>Operating Disbursements</b>			
Payroll and Employee Related Costs	(3.4)	(0.7)	(2.7)
Merchandise Vendors	0.5	-	0.5
Non-Merchandise Vendors	(0.4)	(3.1)	2.7
Rent and Property Taxes	(0.2)	(0.6)	0.4
IT Costs	(0.1)	(0.6)	0.5
<b>Total Operating Disbursements</b>	<b>(3.6)</b>	<b>(5.0)</b>	<b>1.4</b>
<b>Net Operating Cash Inflows / (Outflows)</b>	<b>(2.1)</b>	<b>(5.0)</b>	<b>2.9</b>
Professional Fees	(4.1)	(3.1)	(1.0)
<b>Net Cash Inflows / (Outflows)</b>	<b>(6.2)</b>	<b>(8.1)</b>	<b>1.9</b>
<b>Cash</b>			
Beginning Balance	132.4	65.8	66.6
Net Cash Inflows / (Outflows)	(6.2)	(8.1)	1.9
<b>Ending Balance</b>	<b>126.2</b>	<b>57.7</b>	<b>68.5</b>

41. Explanations for the key variances are as follows:

- (a) the positive variance in the Beginning Balance for cash of \$66.6 million is explained in the Fourteenth Report and Seventeenth Report of the Monitor respectively;
- (b) the positive variance in Receipts of \$1.5 million is a permanent difference related to proceeds from the sale of residual assets which were not included in the forecast due to uncertainty surrounding the timing and amount of the proceeds;
- (c) the negative variance in Payroll and Employee Related Costs of \$2.7 million consists primarily of a timing difference of \$2.4 million due to the funding of key employee retention plan payments prior to April 30<sup>th</sup> forecast payment date to meet the payroll processing cut-off date, combined with a permanent difference of

\$0.3 million due to higher-than-forecast employee headcount and related base payroll;

- (d) the positive variance in Merchandise Vendor disbursements of \$0.5 million consists of a permanent difference due to refunds and collections received from vendors which were not included in the forecast due to uncertainty of the amounts and timing of these refunds;
  - (e) the positive variance in Non-Merchandise Vendor disbursements of \$2.7 million consists of a permanent difference of \$1.3 million due to a combination of refunds received from vendors and lower-than-forecast non-merchandise payments and a positive timing difference of \$1.4 million that is expected to reverse in future forecast periods;
  - (f) the positive variance in Rent and Property Taxes of \$0.4 million consists of a permanent difference of \$0.2 million due to property tax refunds received combined with a positive timing difference of \$0.2 million due to differences between actual and forecast property tax payment schedules which are expected to reverse in future forecast periods;
  - (g) the positive variance in IT Costs of \$0.5 million is a timing difference that is expected to reverse in future forecast periods; and
  - (h) the negative variance in Professional Fees of \$1.0 million consists primarily of the reversal of positive timing differences in previous reporting periods.
42. The Sears Canada Group's cumulative receipts and disbursements since the commencement of the CCAA proceedings through the week ended April 28, 2018 are reflected in the table below:

<b>CUMULATIVE RECEIPTS AND DISBURSEMENTS</b>	
(CAD in Millions)	
<b>For the 45 Week Period Ending April 28, 2018</b>	
<b>Receipts</b>	<b>1,247.0</b>
<b>Operating Disbursements</b>	
Payroll and Employee Related Costs	(263.4)
Merchandise Vendors	(291.9)
Non-Merchandise Vendors	(175.2)
Rent and Property Taxes	(84.9)
Sales Taxes	(71.7)
Pension	(14.7)
IT Costs	(25.5)
Recovery of Expenses from Agent	83.6
Capital Expenditures	(0.8)
<b>Total Operating Disbursements</b>	<b>(844.5)</b>
<b>Net Operating Cash Inflows / (Outflows)</b>	<b>402.5</b>
Professional Fees	(64.9)
Repayments of Existing Credit Facilities	(283.3)
DIP Fees and Interest Paid	(19.7)
<b>Net Cash Inflows / (Outflows)</b>	<b>34.6</b>
<b>Cash</b>	
Beginning Balance	126.5
Net Cash Inflows / (Outflows)	34.6
DIP Draws / (Repayments)	(32.0)
Others incl. FX Valuation	(2.9)
<b>Ending Balance</b>	<b>126.2</b>

43. The Initial Order allowed the Sears Canada Group to continue to utilize their existing Cash Management System as described in the First Wong Affidavit and the pre-filing report of the Monitor. After the commencement of the CCAA Proceedings, the Sears Canada Group has continued to utilize its Cash Management System in a manner consistent with past practice.

**F. REVISED CASH FLOW FORECAST FOR THE PERIOD ENDING AUGUST 4, 2018**

44. A revised cash flow forecast for the period until August 4, 2018 has been prepared and is attached to hereto as **Appendix “B”** (the “**Revised Cash Flow Forecast**”).

45. Pursuant to section 23(1)(b) of the CCAA<sup>2</sup> and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1, the Monitor hereby reports to the Court as follows:

- (a) the Monitor has reviewed the Revised Cash Flow Forecast, which was prepared by Management for the purpose described in notes to the Revised Cash Flow Forecast (the “**Forecast Notes**”), using the Probable Assumptions and Hypothetical Assumptions set out therein;
- (b) the review consisted of inquiries, analytical procedures and discussion related to information provided by certain members of Management and employees of the Sears Canada Entities. 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 provided by Management for the Probable Assumptions and the preparation and presentation of the Revised Cash Flow Forecast;
- (c) based on that review, and as at the date of this Eighteenth 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

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<sup>2</sup> Section 23(1)(b) of the CCAA requires the Monitor to review the Sears Canada Group’s cash-flow statements as to its reasonableness and file a report with the court on the Monitor’s findings.

(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 Eighteenth Report, or relied upon by the Monitor in preparing this Eighteenth Report.

46. 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.
47. The Revised Cash Flow Forecast shows total net operating cash outflows of approximately \$13.9 million, before professional fees of approximately \$12.0 million, such that net cash outflows for the period are forecasted to be \$25.9 million.

#### **G. STAY EXTENSION**

48. The Stay Period currently expires on May 11, 2018.
49. In the Seventeenth Report, the Monitor advised that the Applicants intended to return to Court, subject to confirmation of court availability, in early May to provide a further update to the stakeholders and the Court on the proposed path forward for these proceedings, and seek an extension to the Stay Period that will reflect such proposed path forward.
50. As discussed above, the next step in the proposed path forward is the Mediation, scheduled for June 13<sup>th</sup> and 14<sup>th</sup>.
51. The Applicants are requesting an extension of the Stay Period to July 31, 2018. The Monitor believes that by July 31, 2018 the results of the Mediation will be known and the likelihood of resolving these proceedings through a plan of compromise and arrangement will be clearer. The Monitor does not expect that all matters in these proceedings will be resolved by July 31<sup>st</sup>. However, at that point, a further determination can be made as to

whether the continuation of these proceedings toward a mediated resolution is warranted or if an alternative expedited path to distribute remaining estate funds should be pursued.

52. During the proposed extended Stay Period, the Monitor will continue to facilitate discussions among stakeholders on a resolution for these proceedings, continue to evaluate claims that have been filed in the claims process, and continue to oversee steps to monetize Sears Canada's remaining owned real property. For all of these purposes, the continued stability of the stay of proceedings granted in the Initial Order is required.
53. The Sears Canada Entities no longer have any operations and currently hold cash balances of approximately \$126.2 million.
54. The Revised Cash Flow Forecasts demonstrate that, subject to the underlying assumptions, the Applicants will have sufficient liquidity to fund operations during the proposed extension of the Stay Period.
55. The Monitor believes that the Applicants have acted and continue to act in good faith and with due diligence and that circumstances exist that make an extension of the Stay Period appropriate.

#### **H. MEDIATION ORDER**

56. As reported in the Seventeenth Report, the Sears Canada Entities believe that the CCAA Proceedings are currently at a critical juncture. The majority of the asset realizations have been completed and the most significant claims bar dates have passed. As such, during the week of March 26, 2018, the Monitor and the Sears Canada Entities met with counsel representing clients with significant claims in the estate including landlords, Employee Representative Counsel, Pension Representative Counsel, the Superintendent, the Plan Administrator, the Hometown Dealers, and their respective advisors to discuss ways to bring about a timely and efficient conclusion to these CCAA Proceedings. During the course of these discussions, it became clear that there was support for considering the potential resolution of significant estate matters in the context of a mediation (the "**Mediation**"), and completion of the distributions to the creditors of the

Sears Canada Entities through a possible plan of compromise or arrangement pursuant to the CCAA.

57. During the week of April 2, 2018, the above-noted parties confirmed to the Monitor that they wished to participate in a Mediation and, accordingly, the Monitor worked with counsel to identify a Mediator and dates for the Mediation acceptable to all.
58. Details regarding the Mediation have now been confirmed as follows:
  - (a) Mediation dates: June 13-14, 2018;
  - (b) Mediator: The Honourable Regional Senior Justice Morawetz;
  - (c) Procedure: Procedural matters will be determined by Justice Morawetz.
  - (d) Confidentiality: All communications at the mediation and the mediator's notes and records will be deemed to be confidential and without prejudice.
59. The Monitor will deliver a mediation brief and preliminary claims and recovery analysis to all participants in advance of the Mediation. In addition, participants in the Mediation will have an opportunity to also deliver a short brief setting out matters they believe will be relevant to the Mediation.
60. The proposed Mediation will be focused on the most significant issues relevant to allocation of recoveries in the CCAA Proceedings.
61. When considering the participation of parties in the Mediation, it is important to balance the desire to include interested stakeholders with the need to ensure the Mediation proceeds efficiently, suggesting participation should be limited to only those parties whose participation is essential to a determination of the preliminary allocation issues that would be included in a proposed CCAA Plan.
62. All stakeholders attending the Mediation have entered into confidentiality undertakings with Sears Canada and have received a copy of a document setting out the framework for a proposed plan of compromise or arrangement (the "**Term Sheet**"). These documents

have been shared on a confidential basis as the proposed Term Sheet structure is at a very preliminary stage of development and until the proposed Term Sheet is further developed into a proposed CCAA Plan that has the support of key stakeholder groups on key threshold issues, there would be no material benefit to sharing this information with creditors generally.<sup>3</sup>

63. The Monitor has notified the parties on the Service List that should they wish to discuss the Mediation with the Monitor, they can communicate with the Monitor through its counsel, NRFC.
64. The Monitor is supportive of the proposed Mediation Order.
65. The goal of the Mediation is to achieve consensus on preliminary proceeds allocation issues necessary to allow the Sears Canada Entities, in consultation with the Monitor, to pursue a proposed CCAA plan for the purpose of dividing and distributing estate proceeds as efficiently and quickly as possible.
66. An efficient and expedited distribution process is essential in the current proceedings where the Monitor expects recoveries from the sales of the Sears Canada assets will be very low relative to the claims filed against Sears Canada.
67. Absent an outcome that allows a proposed CCAA plan to proceed quickly and without material objection, the Monitor believes the Applicants will need to move to an expedited alternative process, such as bankruptcy, to salvage remaining recoveries for creditors.
68. The Mediation Order will facilitate the mediation process and provides for timelines that the Monitor believes are appropriate in the circumstances while reasonably deferring procedural matters in connection with the mediation to the discretion of The Honourable Regional Senior Justice Morawetz. Justice Morawetz has extensive experience in the matters of interest in the Mediation and, in the Monitor's view, a flexible approach to the

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<sup>3</sup> Each creditor in possession of such confidential information, with the exception of the employee representatives and pension representatives, where such issues are unlikely to be a material concern, have confirmed that they will not trade their claims while such information remains confidential.

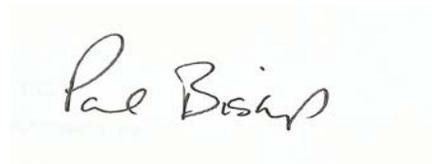
Mediation that defers to the judgment and experience of Justice Morawetz is appropriate in the circumstances.

69. The Monitor notes that the proposed Mediation may not resolve all material issues associated with the development of a CCAA plan for the Sears Canada Entities. There may be subsequent issues requiring additional mediation. However, the initial proposed Mediation should be sufficient to determine if sufficient stakeholder support can be achieved on key threshold issues for any CCAA plan that could be implemented in the circumstances.

The Monitor respectfully submits to the Court this, its Eighteenth Report.

Dated this 7th day of May, 2018.

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

A handwritten signature in blue ink that reads "Paul Bishop". The signature is written in a cursive style and is placed on a light yellow rectangular background.

Paul Bishop  
Senior Managing Director

A handwritten signature in blue ink that reads "Greg Watson". The signature is written in a cursive style and is placed on a light yellow rectangular background.

Greg Watson  
Senior Managing Director

## Appendix “A”

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

THE HONOURABLE  
MR. JUSTICE HAINEY

)  
)  
)

THURSDAY, THE 26TH  
DAY OF APRIL, 2018



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., INITIUM COMMERCE LABS 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.

(each, an “**Applicant**”, and collectively, the “**Applicants**”)

**AMENDED LITIGATION INVESTIGATOR ORDER**

**THIS MOTION**, made by Representative Counsel to the court-appointed Representatives of employees and retirees with respect to pension and post-retirement benefits of the Applicants (“**Retiree Representative Counsel**”) pursuant to the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36, (the “**CCAA**”) for an order appointing a Litigation Investigator to identify and report on certain rights and claims of the Applicants and SearsConnect (collectively, the “**Sears Canada Entities**”) and/or any creditors of the Sears Canada Entities, was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Affidavit of William Turner sworn on February 12, 2018 including the exhibits thereto, the Affidavit of William Turner sworn on August 11, 2017, including the exhibits thereto, the Affidavit of William Turner sworn on February 14, 2018 including the exhibits thereto, the Affidavit of Jules Monteyne sworn on February 14, 2018 including the exhibits thereto, the Affidavit of Leanne M. Williams sworn on February 14, 2018 including the exhibits annexed thereto, the Monitor's Fourteenth Report to the Court dated March 1, 2018, and on hearing the submissions of Retiree Representative Counsel, Representative Counsel for the employees of the Sears Canada Entities ("**Employee Representative Counsel**"), counsel for the Applicants, counsel for the Monitor, and such other counsel for various creditors and stakeholders as were present, no one else appearing although duly served as appears from the Affidavit of Service of Veronica de Leoz, sworn February 12, 2018:

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record herein is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that Lax O'Sullivan Lisus Gottlieb LLP is hereby appointed as Litigation Investigator (the "**Litigation Investigator**") in these CCAA proceedings for the benefit of the estates of the Sears Canada Entities and its creditors. The Litigation Investigator shall be an officer of this Court, and is appointed for the purpose of investigating, considering, and reporting to the Creditors' Committee (defined below), regarding any rights or claims, whether legal, equitable, statutory or otherwise, that the Sears Canada Entities and/or any creditors of any of the Sears Canada Entities may have as against any parties, including but not limited to current and former directors, officers, shareholders and advisors of any of the Sears Canada Entities (the "**Mandate**"). For greater certainty, the Litigation Investigator may

investigate any and all claims regardless of whether such claims have been included by creditors' proofs of claims filed pursuant to the Claims Procedure Order and E&R Claims Procedure Order (defined below), however, the Litigation Investigator shall have no role in determining, advising on, opposing, supporting, or articulating any claim of any creditor or stakeholder in the Claims Process, as defined in the Order of this Court dated December 8, 2017 as amended by Order dated February 22, 2018 or as further amended by Order of the Court (as amended, the "**Claims Procedure Order**") or any Claim as defined in the Employee and Retiree Claims Procedure Order dated February 22, 2018 (the "**E&R Claims Procedure Order**") and shall have no role in the distribution or allocation of estate funds.

**Litigation Investigator Reporting**

3. **THIS COURT ORDERS** that the Litigation Investigator's Mandate shall include reporting to the Creditors' Committee with such details as the Litigation Investigator considers advisable (all such reporting being collectively defined herein as the "**Report**"), taking into account any concerns of privilege and confidentiality. All Reports by the Litigation Investigator and all communications among the Creditors' Committee members and the Litigation Investigator shall be subject to common interest privilege. A Report by the Litigation Investigator will include recommendations regarding a proposed litigation plan that includes, but is not limited to:

- (a) those potential rights or claims of the Sears Canada Entities or any creditors of the Sears Canada Entities that should be pursued (if any); and
- (b) describing how and by whom such rights or claims (if any) can best be pursued or continued, including, but not limited to:

- (i) the coordination of the prosecution of such rights or claims with similar or related facts, rights or other claims that may be asserted by different parties;
- (ii) if necessary or desirable, a proposed governance structure for the Creditors' Committee created pursuant to this Order (or as same may be amended, expanded or reconstituted in future, in accordance with the terms of this Order) for the purpose of providing input to the Litigation Investigator in the prosecution of such rights, claims or causes of action; and
- (iii) consideration as to the various options available for funding the prosecution of such rights, claims or causes of action.

A confidential briefing ("**Investigator Briefing**") regarding all Reports prepared by the Litigation Investigator shall be given to the Monitor; provided that such Investigator Briefing shall be kept confidential by the Monitor and shall remain subject to privilege.

4. **THIS COURT ORDERS** that following delivery of a Report to the Creditors' Committee in accordance with its Mandate, the Litigation Investigator shall not take any further steps without a further Order of the Court. For greater certainty, nothing herein shall prevent the Litigation Investigator from seeking an Order of the Court authorizing it to pursue any claims identified pursuant to the Mandate.

*The Committee*

5. **THIS COURT ORDERS** that the Litigation Investigator shall fulfil his Mandate in consultation with a creditors' committee (the "**Creditors' Committee**") comprised of no more than eight (8) members (inclusive of two members on behalf of landlords) at any one time appointed by, or on behalf of the following creditor groups of the Sears Canada Entities: (i) Retiree Representative Counsel; (ii) Employee Representative Counsel; (iii) landlords; (iv) Hometown Dealers Class Action plaintiff counsel; (v) Morneau Shepell Ltd. in its capacity as Administrator for the Sears Canada Inc. Registered Retirement Plan; (vi) the Ontario Superintendent of Financial Services as Administrator of the Pension Benefits Guarantee Fund; and (vii) such other unsecured creditors of the Sears Canada Entities not represented in (i) through (vi) above as the majority of the Creditors' Committee may agree be included, in consultation with the Monitor, or as may be directed by the Court. The Creditors' Committee and the Litigation Investigator shall cooperate with the Monitor, and the Monitor shall cooperate with the Litigation Investigator and the Creditors' Committee in connection with the Mandate. The Creditors' Committee shall consult with and provide input to the Litigation Investigator with respect to the Mandate.

6. **THIS COURT ORDERS** that each member of the Creditors' Committee (including any alternates or replacements from the same stakeholder group as may be appointed by an existing member) may be a creditor itself or counsel/advisor representing that stakeholder interest, but in either case each member shall execute a Confidentiality Agreement in a form acceptable to the Litigation Investigator, the Sears Canada Entities and the Monitor prior to being entitled to participate in any discussions or meetings of the Creditors' Committee, receive any information from the Monitor, the Litigation Investigator or any other member of the Creditors' Committee,

or to receive the Report. The Litigation Investigator will meet with the Creditors' Committee at least monthly, or such other times as may be agreed by the Litigation Investigator and the Creditors' Committee. Meetings will only be conducted in person, to ensure the confidentiality of all discussions.

7. **THIS COURT ORDERS** that the Monitor shall provide to the Litigation Investigator (and, upon execution of appropriate Confidentiality Agreements, for delivery by the Litigation Investigator to the Creditors' Committee) a confidential briefing regarding the "Transactions of Interest" as identified in the Monitor's 11<sup>th</sup> Report to the Court (the "**Monitor Briefing**"). To the extent that the Litigation Investigator requests documents or information from the Sears Canada Entities and such requests are consistent with the Mandate (the "**Additional Company Information**"), then, subject to satisfactory resolution of issues of privilege and confidentiality (including any terms regarding sharing of information with the Creditors' Committee), the Sears Canada Entities shall cooperate with the Monitor to provide the Additional Company Information to the Litigation Investigator. The Monitor's delivery of the Monitor Briefing pursuant to the terms of this Order shall be subject to common interest privilege and strict confidentiality, and the Monitor is protected for so doing pursuant to section 142 of the *Courts of Justice Act* (Ontario). The Sears Canada Entities' delivery of the Additional Company Information pursuant to the terms of this Order shall be subject to strict confidentiality, and the Sears Canada Entities and their directors and officers are protected for so doing pursuant to section 142 of the *Courts of Justice Act* (Ontario). In the event of any concerns being raised regarding the delivery by the Monitor of any particular aspect of the Monitor Briefing that cannot be resolved without breaching the underlying basis for the concern, such concerns shall be resolved following a review by an independent party appointed by the Monitor and the

Litigation Investigator (or, absent agreement on the identity of such party, by the Court). Notwithstanding the foregoing, any document provided by the Sears Canada Entities as part of the Additional Company Information may be submitted by a party in receipt of such document to the court under seal for the purposes of resolving any dispute over whether such document should be produced in litigation.

8. **THIS COURT ORDERS** that the Monitor or the Sears Canada Entities, as the case may be, shall maintain copies and a record of all documents: (i) received by the Monitor from the Sears Canada Entities and provided to the Litigation Investigator in accordance with this Order; or (ii) provided by the Sears Canada Entities to the Litigation Investigator in accordance with this Order.

9. **THIS COURT ORDERS** that prior to any production of documents by the Monitor or the Sears Canada Entities to the Litigation Investigator to facilitate the fulfillment of the Mandate, the Monitor or Sears Canada Entities, as the case may be, shall take reasonable steps to review such documents to identify any:

- (a) documents that contain any communication that is between a lawyer and the ESL parties and/or Sears Holdings Corporation;
- (b) documents containing any communication by or to the ESL parties and/or Sears Holdings Corporation and/or any current or former directors or officers of the Sears Canada Entities (a "**Current or Former D&O**") created on or after November 26, 2013 and related to the 1291079 Ontario Ltd and Sears Canada Inc. et. al. class action of November 6, 2015 (Ontario Superior Court of Justice) File No. 4114/15); and

- (c) documents containing communications between a law firm and a Current or Former D&O for which privilege could reasonably be asserted, or documents that reflect legal advice or litigation work product prepared for the benefit of a Current or Former D&O, whether alone or as part of a joint retainer.

Hereafter, items a), b), and c) shall be referred to collectively as the “**Potentially Shared Privileged Documents**”). No waiver of any privilege shall have occurred by the inadvertent delivery of documents to the Litigation Investigator should a Potentially Shared Privileged Document not be identified or if any other document subject to privilege (including solicitor-client privilege, litigation privilege, and common interest privilege) is produced or disclosed to the Litigation Investigator.

10. **THIS COURT ORDERS** that in the event that the Monitor and/or Sears Canada Entities intend to produce any Potentially Shared Privileged Documents to the Litigation Investigator in facilitation of the fulfillment of the Mandate, the Monitor or the Sears Canada Entities, as the case may be, shall provide a list of such documents on reasonable notice, which shall be no less than seven days, to the ESL parties, Sears Holdings Corporation and/or the Current or Former D&Os to the extent that such parties may be able to assert privilege over the documents, so that any issue regarding privilege may be resolved by the parties or determined by this Court.

11. **THIS COURT ORDERS** that the Litigation Investigator shall create and maintain a detailed list (including creation date, sender, recipient and subject) of those document(s) received from the Sears Canada Entities (either directly or through the Monitor) that it provides to the Creditors’ Committee or their counsel or agents.

12. **THIS COURT ORDERS** that, for greater certainty, any right, claim or cause of action identified by the Litigation Investigator as capable of being advanced and that is advanced with approval of the Court, whether by the Litigation Investigator or otherwise, may be removed from the claims process established under the Claims Procedure Order or the E&R Claims Procedure Order.

13. **THIS COURT ORDERS** that the Claims Procedure Order is hereby amended as follows:

- (i) subparagraph (vii) in the definition of “Excluded Claim” is hereby amended to read as follows: “Claim that may be asserted by any of the Sears Canada Entities or that are advanced by the Litigation Investigator or any creditors, in each case, as may be permitted or directed by further Order of the Court, against the Sears Canada Entities or any Directors and/or Officers, which for greater certainty shall include any Claim that may be identified, reviewed or investigated as part of the Litigation Investigator’s Mandate (as defined in an Order of the Court dated March 2, 2018)”.

14. **THIS COURT ORDERS** that the E&R Claims Procedure Order is hereby amended as follows:

- (i) the definition of “Excluded Claim” is hereby amended to add a new subparagraph (vi) that shall read as follows: “Claim that is advanced by the Litigation Investigator or any creditors, in each case, as may be permitted or directed by further Order of the Court, against the Sears Canada Entities or any Directors and/or Officers, which for greater certainty shall include any Claim that may be identified, reviewed or

investigated as part of the Litigation Investigator's Mandate (as defined in an Order of the Court dated March 2, 2018)".

**Litigation Investigator Costs**

15. **THIS COURT ORDERS** that the Litigation Investigator shall be paid from the funds of the Applicants its reasonable fees and disbursements, including the fees of any counsel retained by the Litigation Investigator in respect of the Mandate, the amount of which is not to exceed a budget approved by the Creditors' Committee in consultation with the Monitor prior to the Litigation Investigator commencing work in respect of fulfilling its Mandate in accordance with this Order. The Litigation Investigator and any counsel it retains shall be paid forthwith upon rendering fully-redacted versions of their accounts to the Applicants and the Monitor. Un-redacted versions of accounts rendered by the Litigation Investigator shall be made available to the Creditors' Committee and, upon request of the Court and subject to a sealing order to protect privilege and confidentiality, to the Court. In the event of any disagreement with respect to a proposed budget, any requested increased to such budget, or any accounts rendered by the Litigation Investigator, such disagreement may be remitted to this Court for determination.

16. **THIS COURT ORDERS** that the Litigation Investigator shall be entitled to the benefit of the Administrative Charge, as defined in the Initial Order issued by the Court dated June 22, 2017 as amended, for the Litigation Investigator's costs, as security for its professional fees, taxes, and disbursements reasonably incurred.

17. **THIS COURT ORDERS** that the Litigation Investigator is hereby authorized to take all appropriate steps and do all appropriate acts necessary or desirable to carry out its Mandate in accordance with the terms of this Order.

18. **THIS COURT ORDERS** that the Litigation Investigator shall be at liberty, and is hereby authorized, at any time, to apply to this Court for advice and directions in respect of its Mandate or any variation or expansion of the powers and duties of the Litigation Investigator, which shall be brought on at least seven (7) business days' notice to the Service List in these CCAA proceedings, unless time for service is otherwise abridged.

19. **THIS COURT ORDERS** that the Litigation Investigator shall have no personal liability as a result of the performance of its duties in carrying out the provisions of this Order, save and except for liability arising out of gross negligence or wilful misconduct. The Creditors' Committee members shall have no liability as a result of their participation on the Creditors' Committee or in providing input to the Litigation Investigator, save and except for liability arising out of gross negligence or wilful misconduct.

20. **THIS COURT ORDERS** that no action or proceeding may be commenced against the Litigation Investigator or any Creditors' Committee member in respect of the performance of its or their duties under this Order without leave of this Court on seven (7) business days' notice to the Litigation Investigator and the Creditors' Committee.

21. **THIS COURT ORDERS** that notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the "BIA") in respect of any of the Applicants and any bankruptcy order issued pursuant to such applications; or
- (c) any assignment in bankruptcy made in respect of any of the Applicants;

the provisions of this Order shall be binding on any Investigator in bankruptcy or receiver that may be appointed in respect of any of the Applicants and any payments of fees and disbursements made to the Litigation Investigator in accordance with this Order shall not be void or voidable by creditors of any of the Applicants, nor shall any such payments constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or any reviewable transaction under the BIA or any other applicable federal or provincial legislation, nor constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

22. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative bodies having jurisdiction in Canada or in the United States of America, to give effect to this Order and to assist the Litigation Investigator in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Litigation Investigator as may be necessary or desirable to give effect to this Order, or to assist the Litigation Investigator in carrying out the terms of this Order.

  
HAINEY, J.

ENTERED AT / INSCRIT À TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO:

APR 26 2018

PER / PAR:

NB

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., INITIUM COMMERCE LABS 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.

(each, an "Applicant", and collectively, the "Applicants")

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

Proceeding commenced at Toronto

**AMENDED LITIGATION INVESTIGATOR ORDER**

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Representative Counsel for the Non-Unionized Retirees  
and Non-Unionized Active and Former Employees of the  
Sears Canada Entities

## Appendix “B”

## Sears Canada Group

### CCAA Cash Flow Forecast

(CAD in thousands)

Week Ending (Saturday)	5-May-18	12-May-18	19-May-18	26-May-18	2-Jun-18	9-Jun-18	16-Jun-18	23-Jun-18	30-Jun-18	7-Jul-18	14-Jul-18	21-Jul-18	28-Jul-18	4-Aug-18	Total
CCAA Filing Week	46	47	48	49	50	51	52	53	54	55	56	57	58	59	Total
<b>Total Receipts<sup>[2]</sup></b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Operating Disbursements</b>															
Payroll and Employee Related Costs <sup>[3]</sup>	(15)	(22)	(15)	(1,314)	(9)	(14)	(9)	(376)	(9)	(16)	(11)	(16)	(513)	(9)	(2,349)
Non-Merchandise Vendors <sup>[4]</sup>	(390)	(390)	(390)	(390)	(298)	(298)	(298)	(298)	(298)	(440)	(440)	(440)	(440)	(292)	(5,104)
Rent and Property Taxes <sup>[5]</sup>	(244)	-	(92)	-	(244)	-	(92)	-	-	(467)	-	(92)	-	(467)	(1,697)
IT Costs <sup>[6]</sup>	(44)	-	-	-	(2,135)	-	-	-	-	(2,235)	-	-	-	(354)	(4,766)
<b>Total Operating Disbursements</b>	<b>(693)</b>	<b>(412)</b>	<b>(497)</b>	<b>(1,704)</b>	<b>(2,685)</b>	<b>(312)</b>	<b>(398)</b>	<b>(674)</b>	<b>(307)</b>	<b>(3,158)</b>	<b>(451)</b>	<b>(548)</b>	<b>(954)</b>	<b>(1,122)</b>	<b>(13,916)</b>
<b>Net Operating Cash Inflows / (Outflows)</b>	<b>(693)</b>	<b>(412)</b>	<b>(497)</b>	<b>(1,704)</b>	<b>(2,685)</b>	<b>(312)</b>	<b>(398)</b>	<b>(674)</b>	<b>(307)</b>	<b>(3,158)</b>	<b>(451)</b>	<b>(548)</b>	<b>(954)</b>	<b>(1,122)</b>	<b>(13,916)</b>
Professional Fees <sup>[7]</sup>	(2,162)	(1,480)	(793)	(1,674)	(395)	(395)	(395)	(395)	(1,276)	(424)	(424)	(424)	(1,305)	(434)	(11,976)
<b>Net Cash Inflows / (Outflows)</b>	<b>(2,854)</b>	<b>(1,892)</b>	<b>(1,290)</b>	<b>(3,379)</b>	<b>(3,080)</b>	<b>(707)</b>	<b>(793)</b>	<b>(1,069)</b>	<b>(1,583)</b>	<b>(3,582)</b>	<b>(875)</b>	<b>(972)</b>	<b>(2,259)</b>	<b>(1,556)</b>	<b>(25,892)</b>
<b>Cash</b>															
Beginning Balance	126,176	123,321	121,429	120,139	116,760	113,680	112,973	112,180	111,111	109,528	105,946	105,071	104,099	101,840	126,176
Net Cash Inflows / (Outflows)	(2,854)	(1,892)	(1,290)	(3,379)	(3,080)	(707)	(793)	(1,069)	(1,583)	(3,582)	(875)	(972)	(2,259)	(1,556)	(25,892)
<b>Ending Cash Balance</b>	<b>123,321</b>	<b>121,429</b>	<b>120,139</b>	<b>116,760</b>	<b>113,680</b>	<b>112,973</b>	<b>112,180</b>	<b>111,111</b>	<b>109,528</b>	<b>105,946</b>	<b>105,071</b>	<b>104,099</b>	<b>101,840</b>	<b>100,284</b>	<b>100,284</b>

#### Notes:

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

[2] Forecast Total Receipts does not include the proceeds from the sale of any owned real estate properties.

[3] Forecast Payroll and Employee Related Costs are based on recent payroll amounts and reflect future forecasted headcount reductions.

[4] Forecast Non-Merchandise Vendor disbursements include selling, general, and administrative costs excluding rent, property taxes, sales taxes, pension costs, and some IT costs which are captured separately in the CCAA Cash Flow Forecast.

[5] Forecast Rent and Property Taxes includes lease, common-area maintenance, and property tax payments in respect of leased and owned real property.

[6] Forecast IT Costs reflect disbursements made to certain IT-related vendors based on existing terms and conditions of the contract.

[7] Forecast Professional Fees include legal and financial advisor fees associated with the CCAA proceedings. The amounts are based on estimates provided by the advisors.

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

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SEARS CANADA  
INC., *et al.*

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at TORONTO

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

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