

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

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

FOURTH REPORT OF FTI CONSULTING CANADA INC., AS MONITOR

October 11, 2017

Contents

Section	Page
A. INTRODUCTION.....	2
B. TERMS OF REFERENCE.....	5
C. REQUEST FOR APPROVAL OF SECOND LIQUIDATION PROCESS AND SECOND LIQUIDATION AGREEMENT	6
D. ADDITIONAL LEASE SURRENDER TRANSACTION.....	14
E. CONCLUSION	16

**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., CORBEIL ÉLECTRIQUE INC., S.L.H. TRANSPORT 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

**FOURTH 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 “**Sears Canada Group**” or 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 LP, a partnership forming part of the operations of the Sears Canada Group. The proceedings commenced under the CCAA by the Sears Canada Group 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 Group (the “**Monitor**”) in the CCAA Proceedings;
 - (b) granted an initial stay of proceedings against the Sears Canada Group until July 22, 2017;
 - (c) authorized the Sears Canada Group to enter into the DIP Credit Agreements and access funds available under the facilities provided under these agreements (the “**DIP Facilities**”); and
 - (d) scheduled a comeback motion for July 13, 2017 (the “**Comeback Motion**”).
3. Following the Comeback Motion, the Court extended the stay of proceedings 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 Group (“**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 Group with respect to pension and post-employment benefit matters (“**Pension and Retiree Representative Counsel**”);
 - (d) an order (the “**PRB Suspension 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 Superintendent of Financial Services, as Administrator of the Pension Benefits Guarantee Fund (the “**Superintendent**”), Employee Representative Counsel, Pension and Retiree Representative Counsel, each of their respective representatives, and the Sears Canada Group (the “**Suspension Term Sheet**”); 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 (the “SISP Approval Order”).
4. On July 18, 2017, the Court issued a Liquidation Sale Approval Order, which approved (i) a process for the liquidation of inventory, furniture, fixtures and equipment (“**FF&E**”) at locations scheduled for closure (the “**First Liquidation Process**”); and (ii) in connection with the First Liquidation Process, an Amended and Restated Agency Agreement and a Consulting Agreement between Sears Canada and the agent and consultant described therein.
5. On October 4, 2017, the Court issued, among other orders, an Order extending the stay of proceedings to November 7, 2017 and Orders approving certain sales of businesses and assets of the Applicants, including:
- (a) the businesses of Corbeil Électrique Inc. and S.L.H. Transport Inc.;
 - (b) sales of owned real estate (“**Property Sale Transactions**”);
 - (c) transfers of leases to new tenants (“**Lease Transfer Transactions**”); and
 - (d) surrenders of leases to landlords (“**Lease Surrender Transactions**”).
6. The purpose of this fourth report of the Monitor (the “**Fourth Report**”) is to provide the Court with (i) updated information, and (ii) the Monitor’s comments and recommendations, regarding the Sears Canada Group’s motion returnable October 13, 2017 (the “**October 13 Motion**”) seeking:
- (i) to approve the Second Liquidation Process and the Second Liquidation Agreement, each as defined below; and
 - (ii) to approve an additional Lease Surrender Transaction, as described below.

7. The DIP Lenders and Sears Canada have agreed to certain additional amendments to the DIP Credit Agreements. Those amendments will be the subject of a supplemental report to the Court.

B. TERMS OF REFERENCE

8. In preparing this Fourth Report, the Monitor has relied upon audited and unaudited financial information of the Sears Canada Group, the Sears Canada Group's books and records, certain financial information and forecasts prepared by the Sears Canada Group, and discussions with various parties, including senior management ("**Management**") of, and advisors to, Sears Canada (collectively, the "**Information**").
9. Except as otherwise described in this Fourth 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 Fourth Report in a manner that would comply with the procedures described in the *Chartered Professional Accountants of Canada Handbook*.
10. Future-oriented financial information reported in or relied on in preparing this Fourth Report is based on Management's assumptions regarding future events. Actual results will vary from these forecasts and such variations may be material.
11. The Monitor has prepared this Fourth Report in connection with the October 13 Motions. The Fourth Report should not be relied on for any other purpose.
12. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

13. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the affidavit of Mr. Billy Wong, the Chief Financial Officer of Sears Canada, sworn on June 22, 2017 (the “**First Wong Affidavit**”), the affidavit of Mr. Mark Caiger, Managing Director, BMO Nesbitt Burns Inc., sworn on September 28, 2017, and the Affidavit of Mr. Caiger sworn October 10, 2017 (the “**Caiger Affidavit**”), the SISP and the prior reports of the Monitor in these proceedings.
14. This Report should be read together with the Third Report of the Monitor, dated October 2, 2017 (the “**Third Report**”) and the Supplement to the Third Report of the Monitor, dated October 3, 2017 (the “**Supplement to the Third Report**”), which provided a detailed description of the steps taken in connection with the SISP and the solicitation of Additional Liquidation Proposals. These descriptions are not repeated in this Fourth Report.

C. UPDATE ON GOING CONCERN PROPOSAL

15. Since the date of the Monitor’s Third Report, discussions in respect of a potential going concern transaction have not advanced materially. At the request of members of the Stranzl Group, substantially all of the deposit provided by the Stranzl Group in connection with the SISP has been returned. Discussions continue to the date of this report between certain members of the Stranzl Group and stakeholders of Sears Canada, counsel to Sears Canada and the Monitor with a view to exploring potential going concern solutions. However, in the Monitor’s view, no updated executable proposal has been presented by the Stranzl Group as of the date hereof.

D. REQUEST FOR APPROVAL OF SECOND LIQUIDATION PROCESS AND SECOND LIQUIDATION AGREEMENT

16. As described in the Third Report, the financial circumstances facing Sears Canada, including its continuing operating losses, increasing funding under the DIP Credit Agreements to fund such operating losses, the liquidity position of Sears Canada, and the upcoming holiday retail season placed significant pressure on the Applicants to determine as soon as possible whether the path forward for the Applicants would be a potential going concern solution or a liquidation of remaining assets.

17. The Seventh Amendments to the DIP Credit Agreements required that an acceptable agreement with a liquidation agent to undertake the liquidation of Sears Canada's remaining inventory and FF&E would need to be entered into and approved by the Court on or before October 13, 2017 and provide for a liquidation sale at the remaining Sears Canada locations to commence by October 19, 2017, which date could be extended to October 26, 2017 with the consent of the DIP Lenders.
18. In the circumstances, the Monitor reported in the Third Report that the Applicants would be returning to court in the coming days to seek approval of an Additional Liquidation Proposal that could be implemented in short order if a going concern solution for the business could no longer be pursued.
19. As contemplated in the Seventh Amendments to the DIP Credit Agreements and as anticipated in the Monitor's Third Report, the Applicants entered into an Agency Agreement with a contractual joint venture comprised of Gordon Brothers Canada ULC and Merchant Retail Solutions ULC (collectively, with Tiger Capital Group, LLC and GA Retail Canada ULC, the "**Second Liquidation Agent**"), dated October 7, 2017 (as amended and restated on October 10, 2017, the "**Second Liquidation Agreement**").
20. The Second Liquidation Agreement has resulted from an extensive solicitation and negotiation process through which BMO Nesbitt Burns Inc. ("**BMO**"), as financial advisor to the Applicants, solicited proposals from seven potential liquidators to assist the Sears Canada Group with the liquidation of the inventory and FF&E at all remaining stores across Canada (the "**Second Liquidation Process**").
21. The Monitor understands that BMO contacted parties that were determined to have the requisite expertise, qualifications and capability to implement a large scale liquidation of inventory and FF&E. This process was informed by the responses received by BMO in its initial solicitation for liquidation proposals at the first 45 closing store locations in July 2017.
22. On or about August 8, 2017, BMO sent a solicitation letter and related documents to potentially interested parties (either on an individual basis or in the context of a proposed

- joint venture or other arrangement). BMO provided a template liquidation agency agreement for a liquidation of the Sears Canada stores to interested parties who had executed a non-disclosure agreement (an “**NDA**”) on or about August 22, 2017.
23. Parties who signed an NDA were provided with access to a virtual data room with relevant financial and operational data.
 24. The Sears Canada Group received three proposals for the Second Liquidation Process by the August 31st bid deadline. All proposals included net minimum guarantees with a sharing mechanism for recoveries above such minimum thresholds for merchandise at the Sears Canada stores, as well as a commission based structure for non-merchandise assets, including certain cosmetics, FF&E and designated consignment goods.
 25. The Sears Canada Group, BMO and the Monitor reviewed all proposals received and provided feedback to the bidders, following which the bidders chose to update their proposal.
 26. Following negotiation, the Sears Canada Group, in consultation with BMO and the Monitor, determined that the proposal of the Second Liquidation Agent (the “**Successful Bid**”) as described in the Second Liquidation Agreement was the highest or otherwise best liquidation proposal.
 27. A summary of the final proposals received for the Second Liquidation Process is attached hereto as Confidential Appendix “A”. While the financial terms of certain of the proposals were similar, various practical implementation considerations resulted in the Sears Canada Group selecting the Successful Bid. As noted in the Caiger Affidavit, the parties that have formed the Second Liquidation Agent through a contractual joint venture have conducted an extensive list of major retail liquidations in Canada in recent years and also were the parties to the joint venture that acted as agent in the Agency Agreement entered into in July 2017 by Sears Canada for the liquidation of the initial collection of 45 closing stores.

28. Before selecting the Successful Bid, the Sears Canada Group consulted extensively with the Monitor, the DIP Lenders, Employee Representative Counsel, Pension and Retiree Representative Counsel, the Superintendent and their respective financial advisors.
29. Subject to the approval of this Court, the liquidation of inventory and FF&E at the remaining Sears Canada locations (the “**Second Liquidation Sale**”) is to commence on October 19, 2017 or such other date as may be agreed to by Sears Canada and the Second Liquidation Agent with the approval of the Monitor and the consent of the DIP Lenders (the “**Sale Commencement Date**”).
30. The Second Liquidation Agreement contains a mechanism which permits the Applicants to continue to consider:
 - (a) alternative liquidation proposals received by 5:00 p.m. (Eastern time) on October 11, 2017 that may be superior to the Successful Bid, after considering the Break Fee and Expense Reimbursement described below; and
 - (b) until 5:00 p.m. (Eastern time) on the date that is one day immediately prior to the Sale Commencement Date, an alternative going concern transaction.
31. If, at the applicable times, Sears Canada elects to move forward with either of the alternative transactions described above, the Second Liquidation Agent shall be entitled to a fee of \$2,500,000 (the “**Break Fee**”) as well as certain expense reimbursements to a maximum of \$2,050,000 (the “**Expense Reimbursement**”).
32. The Second Liquidation Agreement, a copy of which is attached to the Caiger Affidavit, sets out the terms on which the Second Liquidation Agent has been engaged to conduct the Second Liquidation Process. The Second Liquidation Agreement is conditional upon Sears Canada obtaining an order approving the Second Liquidation Agreement no later than October 13, 2017.

33. A summary of terms of the Second Liquidation Agreement follows:¹

Stores Included	<ul style="list-style-type: none"> • All remaining Sears Canada full-line and home store locations. • The Agent shall also have access to Sears Canada’s distribution centres for the purpose of carrying out the liquidation sale.
Duration	<ul style="list-style-type: none"> • The outside date for completion of the liquidation sale is January 21, 2018, subject to extension on agreement by the Agent and Sears Canada, with the approval of the Monitor and the DIP Lenders² (the “Sale Termination Date”). Following the Sale Termination Date at each store, the Agent shall have up to an additional 14 days for full line stores and 5 days for home stores (the “FF&E Removal Period”) to proceed with the disposition of any remaining FF&E and deliver vacant possession of the applicable store to Sears Canada. • Individual stores may be subject to earlier completion dates, provided that the Agent gives Sears Canada not less than 21 days’ notice of such earlier completion.
Assets Included	<ul style="list-style-type: none"> • FF&E located at the stores and, at the election of the Applicants, FF&E located at the distribution centres;³ • Inventory in stores and inventory in distribution centres as well as certain in-transit inventory delivered to such stores provided that such inventory is received in stores on or before prescribed deadlines; • At the election of Sears Canada, certain cosmetic products; • Certain sundry goods that may be designated by Sears Canada; and • Certain consignment goods that may be designated by Sears Canada upon receipt of all necessary approvals and authorizations as may be required.

¹ Capitalized terms used in this section and not otherwise defined have the meanings given to them in the Second Liquidation Agreement. This summary is for information purposes only. In the case of any conflict between this summary and the Second Liquidation Agreement, the Second Liquidation Agreement governs.

² Subject to other earlier completion dates required as a result of limited post-closing access periods at certain stores that are the subject of Lease Surrender Transactions and Property Sale Transactions.

³ Any inventory or FF&E remaining at a store when the Second Liquidation Agent’s engagement at such store has terminated shall be removed by the Second Liquidation Agent from the store (unless otherwise directed by Sears

Excluded Items	<ul style="list-style-type: none"> • Third party owned or consignment goods (unless specifically designated to be included). • Certain defective merchandise. • Goods that were paid for in full or in part by customers prior to the Sale Commencement Date but for which delivery has been delayed.⁴ • Merchandise in distribution centres and in-transit that is not received in stores by prescribed deadlines unless otherwise included as designated sundry goods.
Sale Terms	<ul style="list-style-type: none"> • Inventory and FF&E will be sold free and clear of encumbrances and all sales will be final.
Proceeds Account	<ul style="list-style-type: none"> • Proceeds shall be collected through the Sears Canada point of sale system and shall be deposited in depository accounts designated by and in the name of Sears Canada and are to be held in trust for the Second Liquidation Agent and Sears Canada, as the case may be, to be dealt with in accordance with the terms of the Second Liquidation Agreement.
Payments by Agent	<p>Payments to be received by Sears Canada include:</p> <ul style="list-style-type: none"> • a guaranteed minimum recovery of 83% of the cost value of the inventory included in the liquidation sale at the full-line stores and 52.5% of the cost value of the inventory included in the liquidation sale at the Sears Home stores, subject to certain exceptions. The guaranteed minimum recovery will be paid in two tranches: <ul style="list-style-type: none"> (i) 80% of the estimated guaranteed amount attributable to inventory (other than in-transit inventory) based upon cost value reflected in the Sears Canada books and records, to be paid at the latest one business day prior to the Sale Commencement Date;

Canada) and, if subsequently sold, the proceeds of such sale shall be dealt with in a manner consistent with other proceeds under the Second Liquidation Agreement; provided, however, that Sears Canada may instruct the Second Liquidation Agent to abandon any remaining FF&E in place in a neat and orderly manner at the end of the liquidation sale at the store where such FF&E is located unless such store was the subject of a Lease Surrender Transaction or Property Sale Transaction prohibiting the abandonment of this FF&E.

⁴ The Second Liquidation Agreement provides the purchaser 60 days following the Sale Commencement Date to pick up such goods; provided, however, that this period is reduced to 30 days at certain locations that were the subject of Lease Surrender Transactions or Property Sale Transactions. If such goods are not picked up by the customer, such goods shall be retrieved by Sears Canada.

(ii) the balance of the guaranteed amount to be paid on the second business day following the final inventory report, subject to resolution of any disputes with respect to the inventory reconciliation process, provided that if the final inventory report is not mutually verified by the parties by the date that is thirty days after the Sale Termination Date, the Second Liquidation Agent shall pay the undisputed portion of the balance of the guaranteed amount;

Guaranteed amounts applicable to in-transit inventory that arrives at a store after the commencement of the liquidation sale will be reconciled on a weekly basis. The guarantee percentages are also subject to adjustment based upon a final reconciliation and determination of the cost value and retail mark up on the inventory sold.

- 75% of remaining proceeds of the inventory liquidation after accounting for (i) the guaranteed minimum amount described above; (ii) expenses of the sale; and (iii) the base fee of the Second Liquidation Agent equal to 4% of aggregate cost value of inventory, which shall be reconciled at completion of the liquidation sale.
- 85% of net proceeds of FF&E located in stores (and, at the election of the Applicants, proceeds of FF&E at the distribution centres) and designated sundry goods and designated consignment goods proceeds (net of the fee of the Agent equal to 15% of these proceeds).
- 92.5% of the proceeds of cosmetic products. Cosmetic products will be sold at full retail price during the first four weeks of the liquidation sale (net of the fee of the Second Liquidation Agent equal to 7.5% of these proceeds).

A letter of credit is to be posted by the Second Liquidation Agent (the “**Agent L/C**”) to cover its payment obligations under the Second Liquidation Agreement. The Agent L/C will have an expiry date not earlier than 60 days after the Sale Termination Date, subject to extension. The Agent L/C will be in an amount equal to 20% of the estimated guaranteed amount plus three weeks estimated expenses payable by the Agent.

Net proceeds not paid to Sears Canada as set out above will be received by the Agent.

Returns and Credits	<ul style="list-style-type: none"> • Gift cards, gift certificates and merchandise credits will be honoured. No gift cards or gift certificates shall be sold as and from the Sale Commencement Date. Returns will not be permitted in the case of any merchandise sold during the Second Liquidation Process or during the liquidation approved by the Court on July 18, 2017. Returns will be accepted for goods sold in other circumstances for a period of thirty days following the Sale Commencement Date in compliance with Sears Canada's return policy in effect at the time of purchase and further provided that an original receipt of purchase for the item(s) is presented.
Expenses	<ul style="list-style-type: none"> • Store level operating expenses at liquidating stores will be paid out of liquidation sale proceeds. To the extent such proceeds are insufficient to pay these expenses, these expenses are to be paid by the Second Liquidation Agent.
Intellectual Property	<ul style="list-style-type: none"> • The Agent shall have the right to use all logos, trademarks, brand names and other intellectual property utilized by Sears Canada in connection with the business.
Agent's Charge	<ul style="list-style-type: none"> • The Second Liquidation Agreement requires that the Agent have the benefit of a Court-ordered first ranking charge on the merchandise and certain proceeds of the liquidation sale to cover amounts owed to the Agent under the Second Liquidation Agreement, including any Break Fee or Expense Reimbursement.

34. In connection with the commencement of the Second Liquidation Process, Sears Canada online shopping site will cease to operate except for store locator functions.
35. The Second Liquidation Agent acknowledges that Sears Canada has entered into agreements with various third parties, including licensees, concession vendors and subleasees and undertakes not to interfere or disrupt the continued access and peaceful occupation of the premises by such parties.
36. The Second Liquidation Agreement may be terminated if Sears Canada becomes bankrupt and the Second Liquidation Agent's rights under the Second Liquidation Agreement are terminated or materially impaired.

37. The Second Liquidation Agreement provides the Second Liquidation Agent with the right to syndicate the transactions contemplated by the Second Liquidation Agreement to Tiger Capital Group, LLC and GA Retail Canada ULC. On October 10, 2017, notice was provided by Gordon Brothers Canada ULC and Merchant Retail Solutions ULC that the transactions contemplated by the Second Liquidation Agreement will be syndicated with Tiger Capital Group, LLC and GA Retail Canada ULC and the Second Liquidation Agreement was amended and restated to reflect this syndication.
38. The Second Liquidation Agreement incorporates certain sale guidelines that describe the process for conducting the liquidation sale at the stores (the “**Sale Guidelines**”). The Sale Guidelines were developed in consultation with the Monitor and are, in all material respects, consistent with the sale guidelines used in the liquidation sale approved by this Court on July 18, 2017.
39. There are a number of remaining Sears Hometown stores operated by independent dealers. Inventory and FF&E at these stores is not included in the Second Liquidation Agreement. These locations are intended to be liquidated by the dealers who operate these locations in a manner consistent with the Sale Guidelines. This is consistent with the process followed in the initial July 2017 liquidation.

Monitor’s Recommendation

40. The Monitor considered the process leading to the Second Liquidation Agreement and the consideration to be received in light of the requirements of, *inter alia*, section 36 of the CCAA. The Monitor is of the view that the Second Liquidation Agreement provide the best guaranteed realization on the inventory and FF&E at the remaining Full Line and Home Stores and distribution centres (if so included at the election of the Monitor and the Lenders).

E. ADDITIONAL LEASE SURRENDER TRANSACTION

41. Sears Canada entered into a Lease Surrender Agreement on October 3, 2017 with Promenade Limited Partnership (“**Promenade LP**”), the landlord at the Sears Canada location at Promenade Mall in Thornhill, Ontario (the “**Promenade Agreement**”).

42. The terms of the Promenade Agreement are substantially similar to the template Lease Surrender Transaction terms described in the Monitor's Third Report. Modifications to the template transaction terms include:
- (a) Neither Sears Canada nor Promenade LP will provide releases in respect of claims related to the lease of the property; provided, however, that Promenade LP agrees that Sears Canada will have no obligation or responsibility to Promenade LP after the Closing with respect to any matter relating the Real Property Interests, the Lease, the Premises or the Property (in each case as defined in the Promenade Agreement) or the condition thereof other than as expressly provided in the Promenade Agreement;
 - (b) Promenade LP does not assume any liabilities of Sears Canada unless they otherwise pass to Promenade LP by operation of law as a consequence of the Promenade Agreement;
 - (c) Promenade LP shall have no obligation with respect to letters of credit in connection with this property;
 - (d) On or before Closing, Sears Canada must terminate all licenses or other agreements providing a right of occupancy in all or any portion of the Premises, including the license agreement relating to the third-party auto centre at the premises;
 - (e) The post-closing access period during which Sears Canada may liquidate inventory, FF&E and remove other excluded assets shall run for 15 weeks on the upper level of the premises. However, the post-closing access period will run for only six weeks on the lower level of the premises to provide Sears Canada the time to remove inventory, FF&E and other excluded assets from the lower level of the premises;
 - (f) The outside date for completion of the transaction is November 3, 2017 unless the parties otherwise agree;

- (g) The draft Approval and Vesting Order provides for a “Construction Lien Claim Reserve” in the maximum amount of all construction liens registered against the Promenade location. These proceeds will be held pending resolution of any priority claims to such proceeds by the holders of construction liens, the DIP Lenders or any other parties with an interest in such proceeds. The purpose of the Construction Lien Claim Reserve is to allow construction liens to be vacated from the premises and to ensure that no holder of such construction lien claim is prejudiced by such discharge.

Monitor’s Recommendation

- 43. Based upon the considerations set out in the Third Report, as well as the fact that the Promenade Agreement provides the highest or otherwise best available recovery from this asset, the Monitor supports the Applicants’ request for approval of the transaction contemplated by the Promenade Agreement.

F. CONCLUSION

- 44. For the reasons stated above, the Monitor supports the Applicants’ requests for orders:
 - (a) Approving the Second Liquidation Agreement and the transactions and charges contemplated therein; and
 - (b) Approving the Promenade Agreement and the transactions contemplated therein as well as the Construction Lien Claim Reserve and the proposed distributions to the DIP Lenders.

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

Dated this 11th day of October, 2017.

FTI Consulting Canada Inc.
In its capacity as Monitor of
Sears Canada Inc. and the other corporations in the Sears Canada Group



Paul Bishop
Senior Managing Director



Greg Watson
Senior Managing Director

CONFIDENTIAL APPENDIX "A"

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

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

NORTON ROSE FULBRIGHT CANADA LLP

Royal Bank Plaza, South Tower, Suite 3800
200 Bay Street, P.O. Box 84
Toronto, Ontario M5J 2Z4 CANADA

Orestes Pasparakis, LSUC#: 36851T

Tel: +1 416.216.4815

Virginie Gauthier, LSUC#: 41097D

Tel: +1 416.216.4853

Alan Merskey, LSUC#: 41377I

Tel: +1 416.216.4805

Evan Cobb, LSUC#: 55787N

Tel: +1 416.216.1929

Fax: +1 416.216.3930

orestes.pasparakis@nortonrosefulbright.com

virginie.gauthier@nortonrosefulbright.com

alan.merskey@nortonrosefulbright.com

evan.cobb@nortonrosefulbright.com

Lawyers for FTI Consulting Canada Inc., in its capacity as
Monitor