

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

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

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

March 24, 2020

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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., 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

**THIRTY-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**”); and
 - (c) scheduled a comeback motion for July 13, 2017 (the “**Comeback Motion**”).
3. Following the Comeback Motion, the Court extended the Stay Period. In addition, the following orders were issued:
 - (a) 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**”);
 - (b) 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**”);
 - (c) an order authorizing the eventual suspension of special payments under the Sears Canada Pension Plan (the “**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
 - (d) an order approving a sale and investor solicitation process 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.
5. 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.
6. The liquidation of all inventory and FF&E is now completed and all Sears Canada retail locations are closed.
7. 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.
8. 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.
9. On March 2, 2018, the Court issued an Order appointing Lax O’Sullivan Lisus Gottlieb LLP as Litigation Investigator (as amended on April 26, 2018, the “**Litigation Investigator Order**”), with a mandate to identify and report on certain rights and claims that the Sears Canada Entities or any creditors of the Sears Canada Entities may have against any parties.
10. On March 29, 2018, the Superintendent issued an order winding-up the Pension Plan effective October 1, 2017.
11. On May 9, 2018, the Court issued an Order approving a process for a mediation among stakeholders with the goal of achieving a resolution of significant claim and distribution matters (the “**Mediation**”) as a preliminary step toward a global resolution of material estate matters. The Mediation commenced on June 13, 2018 with Regional Senior Justice Morawetz as mediator and resulted in settlements with major creditors as further described in Prior Reports (as defined below).

12. 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 administrator of the Pension Plan (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.
13. On February 15, 2019, the Court issued an Order (the “**Meetings Order**”) authorizing the Monitor to file a 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.
14. The Stay Period was most recently extended to March 31, 2020 by Order of the Court granted on September 19, 2019.
15. In connection with the CCAA Proceedings, the Monitor has provided thirty-five reports and twenty-three 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/.

B. PURPOSE

16. The purpose of this thirty-sixth report of the Monitor (the “**Thirty-Sixth Report**”) is to provide the Court with information regarding:
 - (a) the current status of various matters in the CCAA Proceedings, including the activities of the Monitor and the Sears Canada Entities since the date of the

Monitor's Thirty-Second Report to the Court dated September 13, 2019 (the "**Thirty-Second Report**");

- (b) an update on the status of the Plan and the Meetings;
- (c) the Monitor's request for an order (the "**Stay Extension Order**") extending the Stay Period (as defined in the Initial Order) to September 30, 2020, and providing a corresponding extension of the application period for the Employee Hardship Fund;
- (d) the Monitor's request for an order establishing the Reserve Amount in connection with the EPO (each as defined below); and
- (e) the Monitor's comments and recommendations in connection with the foregoing.

C. TERMS OF REFERENCE

- 17. In preparing this Thirty-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**").
- 18. Except as otherwise described in this Thirty-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 Thirty-Sixth Report in a manner that would comply with the procedures described in the *Chartered Professional Accountants of Canada Handbook*.

19. Future-oriented financial information reported in or relied on in preparing this Thirty-Sixth Report is based on assumptions regarding future events. Actual results will vary from these forecasts and such variations may be material.
20. The Monitor has prepared this Thirty-Sixth Report in connection with its request for the Stay Extension Order and an order establishing the Reserve Amount. The Thirty-Sixth Report should not be relied on for any other purpose.
21. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.
22. 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 THE ACTIVITIES OF THE SEARS CANADA ENTITIES AND THE MONITOR

23. Set out below is a summary of material developments since the date of the Thirty-Second Report.

Claims Process

24. 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.
25. To the extent that disputes in respect of Claims and D&O Claims were not able to 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.
26. 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.

27. There are approximately 16¹ claims against the Sears Canada Entities that have not yet been resolved, and 13 unresolved D&O Claims. Unresolved claims against the Sears Canada Entities are comprised mostly of (i) insurance claims, the resolution of which is being led by the Sears Canada Entities' insurance adjuster, (ii) environmental claims, including duplicative claims filed by various parties in respect of Sears Canada's former full-line store located at the North Hill Centre shopping mall in Calgary (the "**Calgary North Hill Claims**") described in greater detail below, (iii) certain landlord claims; (iv) claims related to the 2013 Dividend Litigation, and (v) certain employee-related claims.
28. As described in Prior Reports, the Mediation, with the assistance of Regional Senior Justice Morawetz, initially resulted in agreements with landlords representing 77% of all claims filed by landlords, excluding environmental and D&O Claims. In addition, on December 3, 2018, the Monitor entered into a settlement agreement with landlords (collectively, the "**Moving Landlords**") representing the remainder of landlord claims that were unresolved as at that time (excluding environmental and D&O Claims). However, the Moving Landlords subsequently took the position that the quantum of each Moving Landlord's claim remained to be agreed. Following a hearing on May 7, 2019, the Court directed that certain information be provided to the Moving Landlords regarding the Monitor's calculation of the Moving Landlords' claims under the December 3rd settlement agreement. The Monitor has provided the relevant information to the Moving Landlords. Since providing the information to the Moving Landlords the Monitor has engaged in further discussions with the Moving Landlords to seek to reach a resolution.

Calgary North Hill

29. The resolution of the Calgary North Hill Claims is interrelated with certain appeal proceedings in respect of an Environmental Protection Order ("**EPO**") before the Alberta Environmental Appeals Board (the "**EAB**").
30. The appeal proceedings for the EPO were heard December 3-5 in Calgary. The Applicants' primary issue in the appeal proceedings was the parameters of the EPO and remediation

¹ This number does not include the claims of the 22 Moving Landlords (as defined below).

plan to be established pursuant and responsive to the EPO. The remainder of the proceedings before the EAB involved appeals by the other parties to the EPO, Concord North Hill GP (“**Concord**”) and Suncor Energy Inc. (“**Suncor**”). Concord is the current landowner/developer. Suncor is a prior operator of a gas bar on the contaminated property. Each of Concord and Suncor appealed their status as parties to the EPO.

31. The EAB released a report and recommendations dated February 3, 2020. Those recommendations were implemented into a ministerial order dated February 5, 2020, by the Alberta Minister of Environment and Parks. In brief, the effects of those recommendations and order are to:
 - (a) Maintain the general parameters of the remediation plan under the EPO, subject to enhanced reporting and monitoring requirements;
 - (b) Remove Concord as a party to the EPO; and
 - (c) maintain Suncor as a party to the EPO, with equal obligations for conduct of the remediation plan.

32. Concord and Suncor previously alleged that the recent Supreme Court of Canada decision in *Orphan Well Association v. Grant Thornton Ltd* (“**Redwater**”) has the effect of precluding the distribution of funds that would otherwise be required for the conduct of the EPO. The Monitor and the Applicants disagree. As a result of these allegations, the Monitor brought a motion to set a reserve amount (the “**Reserve Amount**”) for the EPO activities (the “**Reserve Motion**”), to allow for a distribution from the estate, which was adjourned to a date to be scheduled following the hearing and determination of the EPO appeal proceedings described above, which could have an impact on the appropriate reserve amount for the EPO activities.

33. As a result of the conclusion of the EAB proceedings, the Monitor, in consultation with Sears Canada’s environmental consultant, has been able to update and finalize the Reserve Amount and now seeks to move ahead with the Reserve Motion to set the Reserve Amount. A copy of the Monitor’s Thirty-Third Report, providing the background to the Reserve Motion will be served with the Monitor’s Motion Record.

34. The Reserve Amount being sought has been updated to reflect the increased monitoring and reporting costs stemming from the changes to the EPO. The Monitor, in consultation with Sears Canada's environmental consultant, has verified the prior estimates based on guidance from the environmental consultant and added additional amounts for the increased monitoring and reporting costs, and contingency on top of those amounts. The Reserve Amount now being sought is \$8,433,000.00. This reflects an increase of \$697,000 over the Reserve Amount originally requested in the Reserve Motion. A copy of the revised costing for the Reserve Amount is attached as Appendix "A".
35. The updated Reserve Amount and the associated costing has been provided to Suncor and the Director of Alberta Environment and Parks ("**Director**"). The Director is the statutory body responsible for enforcement of and compliance with the EPO.
36. Suncor has confirmed to the Monitor that it is content with the quantum of the Reserve Amount. The Monitor understands that the Director takes no position on the Reserve Amount.
37. Suncor and the Director are the parties with direct interests in the Reserve Motion. As such, the Monitor understands that there is no opposition to the Reserve Motion and requests the granting of the order sought.
38. The Redwater issues that give rise to the requirement for the Reserve Amount are the subject of discussion among the Monitor, Suncor and the Director.
39. If the parties are unable to reach agreement on these Redwater issues, the Monitor or those parties may return to Court for a determination of the issue.

Real Estate Sale Process

40. At the time of the Monitor's Thirty-Second Report, the only remaining unsold real property asset of Sears Canada was the Barrie full-line store (Barrie, ON) (the "**Barrie Property**").
41. The marketing and sale of the Barrie Property to potentially interested third parties could not proceed until the expiry or termination of certain rights of the adjacent mall owner under a purchase option and right of first refusal, as described in the Prior Reports.

42. An agreement for the sale of the Barrie Property was entered into in October 2019 and was approved by the Court on January 13, 2020.
43. The sale of the Barrie Property closed on January 20, 2020.

Pension Support Agreement

44. As described in the Monitor's Thirty-First Report, the Monitor, the Pension Plan Administrator, the Superintendent and Pension Representative Counsel, entered into a Pension Support Agreement (the "PSA") on October 18, 2018. The PSA initially contemplated an April 30, 2019 outside date for the implementation of the Plan, which date has subsequently been extended to March 31, 2020. The parties to the PSA are currently discussing a further extension.

Employee Matters

45. As of the date of this Thirty-Sixth Report, the Applicants have four remaining employees working part time.
46. To date, the Monitor has received 102 applications for assistance from the Employee Hardship Fund, of which 74 have been approved. So far, approximately \$168,000 has been paid out of the Employee Hardship Fund. The time period for applications to the Employee Hardship Fund currently expires on March 31, 2020.
47. On October 16, 2018, the Court issued an order (as amended and restated, the "**Receivership Order**") pursuant to section 243(1) of the *Bankruptcy and Insolvency Act* appointing FTI Consulting Canada Inc. as receiver (the "**Receiver**") without security of specific bank accounts in the names of the Sears Canada Entities who currently employ, or previously employed, employees. In accordance with the Receivership Order, FTI issued its Receivership Certificate commencing the Receivership on January 7, 2019
48. The primary purpose of the Receivership Order is to allow for payments from the Federal Government to eligible former employees of the Sears Canada Entities pursuant to the *Wage Earner Protection Program Act* (the "**WEPPA**").

49. To date, Service Canada has made payments in the amount of \$44.5 million to former employees of the Sears Canada Entities in connection with the WEPPA.
50. On April 24, 2019, Employee Representative Counsel sought an order for directions with respect to approximately \$850,000 (the “**Surplus Funds**”) available for refund resulting from the termination of insurance coverage provided by Sun Life Assurance Company of Canada for the benefit of employees of Sears Canada and certain of its subsidiaries. Employee Representative Counsel proposed that these amounts be made available to former employee beneficiaries on a pro rata basis. On June 13, 2019, the Court directed that the Surplus Funds be distributed to participating employees pro rata based upon their premiums paid under the insurance arrangement (the “**Surplus Funds Order**”). Following the issuance of the Surplus Funds Order, the Monitor, Sears Canada and Employee Representative Counsel worked to identify eligible participating employees and develop and agree a methodology for allocating and distributing the Surplus Funds. Sears Canada, in consultation with the Monitor, distributed the Surplus Funds to eligible former employees in late October 2019.

Litigation Matters

51. On December 3, 2018, the Monitor and the Litigation Trustee were authorized by the Court to pursue 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 the Pension Plan Administrator and the Dealer Class Action, each arising from the 2013 Dividend (collectively, the “**2013 Dividend Litigation**”), to be commenced or continued.
52. On December 19, 2018, the Monitor commenced an action seeking, among other things, a declaration that the transfer of funds to Sears Canada’s shareholders by way of the 2013 Dividend was a “transfer at undervalue” for the purposes of section 96 of the *Bankruptcy and Insolvency Act*. This action, together with the other claims comprising the 2013 Dividend Litigation, are proceeding in the Commercial List court under the case management of Justice McEwen. Materials in connection with the 2013 Dividend Litigation are posted on the Monitor’s Website.

53. On May 23, 2019, the United States Bankruptcy Court granted an Order in the proceedings of Sears Holdings Corporation, among others, under Chapter 11 of the United States Bankruptcy Code lifting the automatic stay in those proceedings for the purpose of joining Sears Holdings Corporation as a defendant in the Estate 2013 Dividend Litigation, as well as the claim by the Pension Plan Administrator, and for the purpose of allowing the 2013 Dividend Litigation to proceed as against Sears Holdings Corporation in the Ontario court. Each of the Litigation Trustee, the Monitor and the Pension Plan Administrator updated their respective statements of claim in the 2013 Dividend Litigation to include Sears Holdings Corporation as a defendant.
54. A timetable for the 2013 Dividend Litigation was approved by the Court in an endorsement dated July 12, 2019. Examinations for discovery proceeded in November and December 2019. The first phase of mediation took place in early February 2020. The second phase of mediation was scheduled for early April 2020.
55. On March 16, 2020, the Court heard a motion for an order approving a settlement of the 2013 Dividend Litigation as against Sears Holdings Corporation. That order has now been granted. Pursuant to this settlement, which remains subject to further approval by the United States Bankruptcy Court, the plaintiffs in the above litigation, collectively, will have an allowed Class 4 general unsecured claim in an amount equal to CDN\$200 million² under the Modified Second Amended Joint Chapter 11 Plan of Sears Holdings Corporation and its Affiliated Debtors under Chapter 11 of the United States Bankruptcy Code. The settlement with Sears Holdings Corporation is described in greater detail in the Thirty-Fifth Report of the Monitor.
56. The former director defendants in the 2013 Dividend Litigation initially received funding for defence costs through a 2015-2016 directors and officers insurance policy issued to Sears Holdings Corporation for the benefit of directors of Sears Canada, among others. The Monitor has been advised that the primary layer of coverage under this 2015-2016

² Using exchange rates applicable in the Modified Second Amended Joint Chapter 11 Plan of Sears Holdings Corporation and its Affiliated Debtors

policy is now exhausted and that the first excess insurer under this policy has denied coverage, asserting that a different policy period should respond. The question of the appropriate insurance policies to respond to this matter is the subject of a proceeding in the courts of Illinois.³

57. While these insurance coverage matters are under consideration in the Illinois court, the Monitor understands that certain insurers have agreed to provide coverage for the former director defendants' ongoing defence costs.
58. The Court has now advised that the trial of the Estate 2013 Dividend Litigation and the claim of the Pension Plan Administrator, previously scheduled to commence on May 19, 2020, is adjourned to a date to be fixed after June 1, 2020 for rescheduling in accordance with the Chief Justice's Notice to the Profession dated March 15, 2020 in light of the COVID-19 crisis. A copy of the Court's endorsement is attached as Appendix "B".
59. The Monitor will continue to post information regarding the 2013 Dividend Litigation to the Monitor's website.

Other Activities of the Monitor

60. The Monitor has also undertaken the following activities:
 - (a) monitored the Sears Canada Entities' receipts and disbursements;
 - (b) maintained the Service List for the CCAA Proceedings and posted regular updates of the Service List to the Monitor's Website;
 - (c) supervised and assisted in activities related to the completion of the sale of the remaining real estate asset;

³ These insurance coverage matters were also raised in the Ontario court, but are not proceeding in the Ontario court at this time.

- (d) worked with Employee Representative Counsel, Pension Representative Counsel, and their advisors to respond to questions and provide information to their respective constituents;
- (e) worked with the Sears Canada Entities to assist in appropriately accounting for pre-filing and post-filing obligations;
- (f) attended meetings and teleconferences with stakeholders, their counsel, and advisors;
- (g) responded to requests by former employees for financial assistance under the Employee Hardship Fund and the WEPP;
- (h) continued to operate and monitor its telephone hotline and email account for stakeholder inquiries and to respond to such inquiries; and
- (i) continued its work in connection with the claims processes contemplated pursuant to the Claims Procedure Orders.

E. THE PLAN

- 61. 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 facilitate pursuit of the Estate 2013 Dividend Litigation, the Monitor developed the Plan. The Plan was accepted for filing by the Court on February 15, 2019.
- 62. A detailed description of the Plan is included in the Twenty-Ninth Report of the Monitor dated February 6, 2019 and the Supplement thereto.
- 63. Pursuant to the Meetings Order, the date for the Meetings of the SLH Creditor Class and the Sears Creditor Class was set for March 28, 2019. In accordance with the Meetings Order, the Monitor notified all Affected Unsecured Creditors of the Meetings.
- 64. On March 25, 2019, the Monitor determined that an adjournment of the Meetings to a date to be communicated later by the Monitor was required. In accordance with the Meetings Order, a notice of the adjournment (the “**Adjournment Notice**”) was served on the Service

List and posted on the Monitor's Website. In addition, the Monitor sent a copy of the Adjournment Notice by email to all Affected Unsecured Creditors and employees represented by Employee Representative Counsel for which the Monitor had email addresses.

65. The primary impediments to moving forward with Meetings at the time of the Adjournment Notice were: (i) uncertainty on the quantum of a limited number of unresolved claims; and (ii) questions regarding the quantum and priority of the Calgary North Hill Claims. These matters could have affected the ability of Sears Canada to satisfy the distributable asset value thresholds and claim value thresholds that are conditions to implementation of the Plan in favour of the Pension Parties.
66. The Monitor now believes, based upon the status of the EPO and the related appeal proceedings and the status of other unresolved claims, that if the order to be sought on the Reserve Motion is granted, the Monitor will be in a position to proceed with the Meetings and hopes to provide notice to creditors of the new date for the Meetings in the near future. The Monitor is also considering the impact that COVID-19 related issues may have on the Meetings.

F. RECEIPTS AND DISBURSEMENTS FOR THE TWENTY-SEVEN WEEK PERIOD ENDING MARCH 14, 2020

67. The Sears Canada Entities' actual net cash inflow on a consolidated basis for the twenty-seven week period ended March 14, 2020 was approximately \$4.7 million⁴, compared to a forecast net cash outflow of \$11.2 million, resulting in a positive variance of approximately \$15.9 million as indicated in the table below:

⁴ Net cash flows before payments of professional fees incurred in respect of the Estate 2013 Dividend Litigation.

| VARIANCE REPORT | Actual | Forecast | Variance |
|--|---------------|-----------------|-----------------|
| (CAD in Millions) | | | |
| Receipts | 9.1 | - | 9.1 |
| Operating Disbursements | | | |
| Payroll and Employee Related Costs | (0.1) | (0.2) | 0.1 |
| Owned Real Property - Carrying Costs | (0.2) | (0.2) | - |
| Non-Merchandise Vendors | (1.3) | (6.4) | 5.1 |
| Rent and Property Taxes | (0.1) | (0.1) | - |
| Total Operating Disbursements | (1.7) | (6.9) | 5.2 |
| Net Operating Cash Inflows / (Outflows) | 7.4 | (6.9) | 14.3 |
| Professional Fees | (2.7) | (4.3) | 1.6 |
| Net Cash Inflows / (Outflows) | 4.7 | (11.2) | 15.9 |

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

- (a) The positive permanent variance in Receipts of \$9.1 million consisting primarily of:
- i. Proceeds from the sale of the last real estate asset being the former Sears full-line store property in Barrie, Ontario, which was not included in the forecast due to uncertainty surrounding the timing and amount of the proceeds;
 - ii. The receipt of tax refunds which had not been included in the cash flow forecast due to uncertainty with respect to the timing of refunds; and
 - iii. Accrued interest on cash balances.
- (b) the positive variance in Non-Merchandise Vendor disbursements of \$5.1 million is a timing variance that is expected to reverse in future forecast periods and consists primarily of amounts owing in respect of post-filing warranty claims for which the form of payment is contemplated in the proposed Plan; and

- (c) the positive variance in professional fees is primarily a timing difference resulting from the postponement of the Meetings to consider the proposed Plan and the implementation of the Plan, which is expected to reverse in future forecast periods.
69. Actual ending cash as of March 14, 2020 was approximately \$204.1 million, which reflects payments of professional fees in respect of the Estate 2013 Dividend Litigation which will be recovered from future distributions to Opt-In creditors as contemplated in the proposed Plan.
70. The Sears Canada Entities' cumulative receipts and disbursements since the commencement of the CCAA Proceedings through the week ended March 14, 2020 are reflected in the table below:

| CUMULATIVE RECEIPTS AND DISBURSEMENTS | |
|--|----------------|
| (CAD in Millions) | |
| For the 143 Week Period Ending March 14, 2020 | |
| Receipts | 1,370.7 |
| Operating Disbursements | |
| Payroll and Employee Related Costs | (268.2) |
| Merchandise Vendors | (289.4) |
| Owned Real Property | (0.4) |
| Non-Merchandise Vendors | (179.5) |
| Rent and Property Taxes | (91.4) |
| Sales Taxes | (65.3) |
| Pension | (14.7) |
| IT Costs | (27.3) |
| Recovery of Expenses from Agent | 83.6 |
| Capital Expenditures | (0.8) |
| Total Operating Disbursements | (853.4) |
| Net Operating Cash Inflows / (Outflows) | 517.3 |
| Professional Fees | (101.7) |
| Repayments of Existing Credit Facilities | (283.3) |
| DIP Fees and Interest Paid | (19.7) |
| Net Cash Inflows / (Outflows) | 112.6 |
| Cash | |
| Beginning Balance | 126.5 |
| Net Cash Inflows / (Outflows) | 112.6 |
| DIP Draws / (Repayments) | (32.0) |
| Others incl. FX Valuation | (3.0) |
| Ending Balance | 204.1 |

71. 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, has closed bank accounts that were no longer needed and consolidated funds in the remaining operating accounts. Substantially all of these amounts were then 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 SEPTEMBER 30, 2020

72. A revised cash flow forecast for the period March 15, 2020 until September 30, 2020 has been prepared and is presented in the table below (the “**Revised Cash Flow Forecast**”):

Sears Canada Entities

CCAA Cash Flow Forecast

(CAD in thousands)

| Forecast: | March 15- Sep 30, 2020 |
|---|------------------------|
| Total Receipts | - |
| Operating Disbursements | |
| Payroll and Employee Related Costs ^[2] | (120) |
| Non-Merchandise Vendors ^[3] | (6,690) |
| IT and Data Storage Costs ^[4] | (20) |
| Total Operating Disbursements | (6,830) |
| Net Operating Cash Inflows / (Outflows) | (6,830) |
| Professional Fees ^[5] | (4,540) |
| Net Cash Inflows / (Outflows) | (11,370) |
| Cash | |
| Beginning Balance | 204,103 |
| Net Cash Inflows / (Outflows) | (11,370) |
| Ending Cash Balance | 192,733 |

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 warranties 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. Forecast professional fee disbursements do not include fees associated with the Estate 2013 Dividend Litigation.

73. 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 Thirty-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 Thirty-Sixth Report, or relied upon by the Monitor in preparing this Thirty-Sixth Report.

74. The Revised Cash Flow Forecast assumes a continuation of these CCAA Proceedings toward a resolution pursuant to a plan of compromise or arrangement. 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.

75. The Revised Cash Flow Forecast also assumes fees of legal counsel to the board of directors, Employee Representative Counsel, Pension Representative Counsel and their respective financial advisors remain consistent with prior periods.
76. 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.
77. 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.
78. The Revised Cash Flow Forecast shows total net operating cash outflows of approximately \$6.8 million, before professional fees of approximately \$4.5 million, such that net cash outflows for the period are forecasted to be approximately \$11.4 million.
79. Aside from professional fees, forecast disbursements consists primarily of disbursements in respect of post-Filing Warranty claims and potential amounts owing to provincial workers' compensation bodies.
80. The professional fee forecast has been prepared based on fee estimates provided by professional firms or based on observed run rates where no forecast was provided. The total forecast professional fee disbursements of \$4.5 million is primarily comprised of forecast future (and not currently accrued) fees to the end of the forecast period.
81. The Revised Cash Flow Forecast does not include any estimated professional fees or disbursements associated with the Estate 2013 Dividend Litigation.

H. STAY EXTENSION

82. The Stay Period currently expires on March 31, 2020.
83. The Monitor is requesting an extension of the Stay Period until and including September 30, 2020.

84. 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. However, additional time is required to complete necessary matters including holding the Meetings, seeking the Sanction Order and, if approved by creditors and the Court, implementing the Plan. Additional time is also required to continue to advance the Estate 2013 Dividend Litigation based upon the current approved litigation timetable.
85. The Applicants have sufficient liquidity to fund these proceedings during the proposed extension of the Stay Period.
86. The Monitor believes that an extension of the Stay Period is appropriate, and that the length of the extension requested will minimize the need for multiple Court appearances and is reasonable in the circumstances.
87. Consistent with past requests to extend the Stay Period, the Monitor also believes that a concurrent extension of the application period for the Employee Hardship Fund to September 30, 2020 is appropriate.

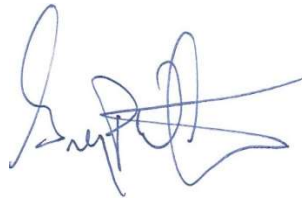
The Monitor respectfully submits to the Court this, its Thirty-Sixth Report.

Dated this 24th day of March, 2020.

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



Paul Bishop
Senior Managing Director



Greg Watson
Senior Managing Director

APPENDIX "A"

North Hill Total Remediation Estimate

| Task No. | Description | Sears Canada Costs | | | Previous Estimate (v3 10/09/2019) 2020 - 2049 (NPV) | Revised Estimated Cost Reserve re EAB Report 2020 - 2049 (NPV) | Increase / (Decrease) | Notes |
|--|--|--------------------|-----------------------|------------------|---|--|--------------------------|---|
| | | Actual / Estimates | | Total | | | | |
| | | Jan. - Sep. 2019 | Sep. 2019 - Jan. 2020 | | | | | |
| Task 1 | Q1 Spring Groundwater Monitoring | 73,487 | - | 73,487 | 1,257,000 | 1,257,000 | - | |
| Task 2 | Q2 Summer Soil Vapour Monitoring | 80,000 | - | 80,000 | 786,000 | 786,000 | - | |
| Task 3 | Q3 Fall Groundwater Monitoring | 17,190 | 80,000 | 97,190 | 1,257,000 | 1,257,000 | - | |
| Task 4 | Q4 Winter Soil Vapour Monitoring | 36,086 | 50,000 | 86,086 | 786,000 | 786,000 | - | |
| Task 5 | DPVE Operational Budget (Maintenance / Repairs) | 63,690 | 15,000 | 78,690 | 1,180,000 | 1,180,000 | - | |
| Task 6 | DPVE Utility Budget | 8,035 | 4,150 | 12,185 | 197,000 | 197,000 | - | |
| Task 7 | DPVE Retrofit | 80,235 | 8,000 | 88,235 | 82,000 | 82,000 | - | |
| Task 8 | Annual Report | 17,788 | - | 17,788 | 200,000 | 200,000 | - | |
| Task 9 | PlumeStop Remediation Budget | 1,152,012 | - | 1,152,012 | - | - | - | |
| Contingency: Periodic Borehole Repair and/or Additional | | | | | | | | |
| Task 10 | Site Delineation | 120,392 | 65,000 | 185,392 | 52,000 | 52,000 | - | |
| Contingency: Consultant - Communication, Planning, Meetings, Misc. Budget. Increased resources for responding to community | | | | | | | | |
| Task 11 | | 54,901 | 9,000 | 63,901 | 708,000 | 1,177,000 | 469,000 | Increase in resources required to respond to information requests from the community. |
| Task 12 | Contingency: Plume Stop Installation (Task 9) + Other | - | 50,750 | 50,750 | 63,000 | 63,000 | - | |
| Task 13 | Decommissioning wells at the end of project | - | - | - | 10,000 | 10,000 | - | |
| Task 14 | NEW - Annual Updated RAP | - | - | - | - | 135,000 | 135,000 | Updated RAP to be provided on an annual basis. Assumes one week (40 hours) per year. |
| Task 15 | NEW - Development of Communication Plan (one time) | - | - | - | - | 30,000 | 30,000 | Estimated one-time costs to develop 2-way communication plan and protocol with community. |
| TOTAL - Base Case | | 1,703,814 | 281,900 | 1,985,714 | 6,578,000 | 7,212,000 | 634,000 | |
| Additional Contingency: 2020 - 2049 Estimated Costs | | | | 10% | 658,000 | 721,000 | 63,000 | |
| Provision for Costs of Administration | | | | | 500,000 | 500,000 | - | |
| TOTAL - Including Additional Contingency + Costs of Administration | | | | | 7,736,000 | 8,433,000 | 697,000 | |

Remediation Estimate 2020 - 2049

| Task | Description | Estimate | Estimate Source | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|------------|--|---------------------|----------------------|------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Task 1 | Q1 Spring Groundwater Monitoring and Sampling (110 Wells) | \$ 80,000 | Clifton | | x | x | x | x | x | x | x | x | x | x | x |
| | | | | \$ - | \$ 81,600 | \$ 83,232 | \$ 84,897 | \$ 86,595 | \$ 88,326 | \$ 90,093 | \$ 91,895 | \$ 93,733 | \$ 95,607 | \$ 73,140 | \$ 74,602 |
| Task 2 | Q2 Summer Soil Vapour Monitoring (40 Wells) | \$ 50,000 | Clifton | | x | x | x | x | x | x | x | x | x | x | x |
| | | | | \$ - | \$ 51,000 | \$ 52,020 | \$ 53,060 | \$ 54,122 | \$ 55,204 | \$ 56,308 | \$ 57,434 | \$ 58,583 | \$ 59,755 | \$ 45,712 | \$ 46,627 |
| Task 3 | Q3 Fall Groundwater Monitoring and Sampling (110 Wells) | \$ 80,000 | Clifton | x | x | x | x | x | x | x | x | x | x | x | x |
| | | | | \$ - | \$ 81,600 | \$ 83,232 | \$ 84,897 | \$ 86,595 | \$ 88,326 | \$ 90,093 | \$ 91,895 | \$ 93,733 | \$ 95,607 | \$ 73,140 | \$ 74,602 |
| Task 4 | Q4 Winter Soil Vapour Monitoring (40 Wells) | \$ 50,000 | Clifton | x | x | x | x | x | x | x | x | x | x | x | x |
| | | | | \$ - | \$ 51,000 | \$ 52,020 | \$ 53,060 | \$ 54,122 | \$ 55,204 | \$ 56,308 | \$ 57,434 | \$ 58,583 | \$ 59,755 | \$ 45,712 | \$ 46,627 |
| Task 5 | DPVE Operational Budget (Maintenance / Repairs) | \$ 60,000 | Clifton Sequoia | x | x | x | x | x | x | x | x | x | x | x | x |
| | | | | \$ - | \$ 61,200 | \$ 62,424 | \$ 63,672 | \$ 64,946 | \$ 66,245 | \$ 67,570 | \$ 68,921 | \$ 70,300 | \$ 71,706 | \$ 73,140 | \$ 74,602 |
| Task 6 | DPVE Utility Budget | \$ 10,000 | Sears ENMAX | x | x | x | x | x | x | x | x | x | x | x | x |
| | | | | \$ - | \$ 10,200 | \$ 10,404 | \$ 10,612 | \$ 10,824 | \$ 11,041 | \$ 11,262 | \$ 11,487 | \$ 11,717 | \$ 11,951 | \$ 12,190 | \$ 12,434 |
| Task 7 | DPVE Retrofit | \$ 100,000 | Clifton Sequoia | | | | | | | | | | | x | |
| | | | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 131,899 | \$ - |
| Task 8 | Annual Report | \$ 10,000 | Clifton | | x | x | x | x | x | x | x | x | x | x | x |
| | | | | \$ - | \$ 10,200 | \$ 10,404 | \$ 10,612 | \$ 10,824 | \$ 11,041 | \$ 11,262 | \$ 11,487 | \$ 11,717 | \$ 11,951 | \$ 12,190 | \$ 12,434 |
| Task 9 | PlumeStop Remediation Budget | \$ 1,050,000 | Regenesis Clifton | | | | | | | | | | | | |
| | | | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Task 10 | CONTINGENCY: Periodic Borehole Repair and/or Additional Site Delineation | \$ 15,000 | Sears Clifton | | | | | x | | | | | x | | |
| | | | | \$ - | \$ - | \$ - | \$ - | \$ 16,236 | \$ - | \$ - | \$ - | \$ - | \$ 17,926 | \$ - | \$ - |
| Task 11 | CONTINGENCY: Consultant - Communication, Planning, Meetings, Misc. Budget | \$ 61,000 | Clifton Sears | x | x | x | x | x | x | x | x | x | x | x | x |
| | | | | \$ - | \$ 61,000 | \$ 62,220 | \$ 63,464 | \$ 64,734 | \$ 66,028 | \$ 67,349 | \$ 68,696 | \$ 70,070 | \$ 71,471 | \$ 72,901 | \$ 74,359 |
| Task 12 | CONTINGENCY: Major Projects | 5% of Tasks 5, 7, 9 | Clifton Sears | | x | x | x | x | x | x | x | x | x | x | x |
| | | | | \$ - | \$ 3,060 | \$ 3,121 | \$ 3,184 | \$ 3,247 | \$ 3,312 | \$ 3,378 | \$ 3,446 | \$ 3,515 | \$ 3,585 | \$ 10,252 | \$ 3,730 |
| Task 13 | Decommissioning wells at the end of project (16 Wells - Bentall & Concord) | \$ 24,000 | Clifton Sears | | | | | | | | | | | | |
| | | | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Task 14 | Amended and Updated RRP | \$ 7,000 | Clifton Sears | x | x | x | x | x | x | x | x | x | x | x | x |
| | | | | \$ - | \$ 7,000 | \$ 7,140 | \$ 7,283 | \$ 7,428 | \$ 7,577 | \$ 7,729 | \$ 7,883 | \$ 8,041 | \$ 8,202 | \$ 8,366 | \$ 8,533 |
| Task 15 | Development of Communication Plan (one time) | \$ 30,000 | Clifton Sears | | | | | | | | | | | | |
| | | | | \$ - | \$ 30,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| All | Go forward Remediation Estimate | | | \$ - | \$ 447,860 | \$ 426,217 | \$ 434,742 | \$ 459,673 | \$ 452,305 | \$ 461,351 | \$ 470,578 | \$ 479,990 | \$ 507,516 | \$ 558,641 | \$ 428,550 |

Remediation Estimate 2020 - 2049

| Task | Description | Estimate | Estimate Source | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 |
|------------|--|---------------------|----------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Task 1 | Q1 Spring Groundwater Monitoring and Sampling (110 Wells) | \$ 80,000 | Clifton | x | x | x | x | x | x | x | x | x | x | x | x |
| | | | | \$ 76,095 | \$ 77,616 | \$ 79,169 | \$ 80,752 | \$ 82,367 | \$ 84,014 | \$ 85,695 | \$ 87,409 | \$ 66,868 | \$ 68,205 | \$ 69,569 | \$ 70,960 |
| Task 2 | Q2 Summer Soil Vapour Monitoring (40 Wells) | \$ 50,000 | Clifton | x | x | x | x | x | x | x | x | x | x | x | x |
| | | | | \$ 47,559 | \$ 48,510 | \$ 49,480 | \$ 50,470 | \$ 51,479 | \$ 52,509 | \$ 53,559 | \$ 54,630 | \$ 41,792 | \$ 42,628 | \$ 43,481 | \$ 44,350 |
| Task 3 | Q3 Fall Groundwater Monitoring and Sampling (110 Wells) | \$ 80,000 | Clifton | x | x | x | x | x | x | x | x | x | x | x | x |
| | | | | \$ 76,095 | \$ 77,616 | \$ 79,169 | \$ 80,752 | \$ 82,367 | \$ 84,014 | \$ 85,695 | \$ 87,409 | \$ 66,868 | \$ 68,205 | \$ 69,569 | \$ 70,960 |
| Task 4 | Q4 Winter Soil Vapour Monitoring (40 Wells) | \$ 50,000 | Clifton | x | x | x | x | x | x | x | x | x | x | x | x |
| | | | | \$ 47,559 | \$ 48,510 | \$ 49,480 | \$ 50,470 | \$ 51,479 | \$ 52,509 | \$ 53,559 | \$ 54,630 | \$ 41,792 | \$ 42,628 | \$ 43,481 | \$ 44,350 |
| Task 5 | DPVE Operational Budget (Maintenance / Repairs) | \$ 60,000 | Clifton Sequoia | x | x | x | x | x | x | x | x | x | x | x | x |
| | | | | \$ 76,095 | \$ 77,616 | \$ 79,169 | \$ 80,752 | \$ 82,367 | \$ 84,014 | \$ 85,695 | \$ 87,409 | \$ 89,157 | \$ 90,940 | \$ 92,759 | \$ 94,614 |
| Task 6 | DPVE Utility Budget | \$ 10,000 | Sears ENMAX | x | x | x | x | x | x | x | x | x | x | x | x |
| | | | | \$ 12,682 | \$ 12,936 | \$ 13,195 | \$ 13,459 | \$ 13,728 | \$ 14,002 | \$ 14,282 | \$ 14,568 | \$ 14,859 | \$ 15,157 | \$ 15,460 | \$ 15,769 |
| Task 7 | DPVE Retrofit | \$ 100,000 | Clifton Sequoia | - | - | - | - | - | - | - | - | - | - | - | - |
| Task 8 | Annual Report | \$ 10,000 | Clifton | x | x | x | x | x | x | x | x | x | x | x | x |
| | | | | \$ 12,682 | \$ 12,936 | \$ 13,195 | \$ 13,459 | \$ 13,728 | \$ 14,002 | \$ 14,282 | \$ 14,568 | \$ 14,859 | \$ 15,157 | \$ 15,460 | \$ 15,769 |
| Task 9 | PlumeStop Remediation Budget | \$ 1,050,000 | Regenesis Clifton | - | - | - | - | - | - | - | - | - | - | - | - |
| Task 10 | CONTINGENCY: Periodic Borehole Repair and/or Additional Site Delineation | \$ 15,000 | Sears Clifton | x | | | | | | | x | | | | |
| | | | | \$ - | \$ - | \$ 19,792 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 21,852 | \$ - | \$ - | \$ - |
| Task 11 | CONTINGENCY: Consultant - Communication, Planning, Meetings, Misc. Budget | \$ 61,000 | Clifton Sears | x | x | x | x | x | x | x | x | x | x | x | x |
| | | | | \$ 75,846 | \$ 77,363 | \$ 78,910 | \$ 80,488 | \$ 82,098 | \$ 83,740 | \$ 85,415 | \$ 87,123 | \$ 88,865 | \$ 90,643 | \$ 92,456 | \$ 94,305 |
| Task 12 | CONTINGENCY: Major Projects | 5% of Tasks 5, 7, 9 | Clifton Sears | x | x | x | x | x | x | x | x | x | x | x | x |
| | | | | \$ 3,805 | \$ 3,881 | \$ 3,958 | \$ 4,038 | \$ 4,118 | \$ 4,201 | \$ 4,285 | \$ 4,370 | \$ 4,458 | \$ 4,547 | \$ 4,638 | \$ 4,731 |
| Task 13 | Decommissioning wells at the end of project (16 Wells - Bentall & Concord) | \$ 24,000 | Clifton Sears | - | - | - | - | - | - | - | - | - | - | - | - |
| | | | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Task 14 | Amended and Updated RRP | \$ 7,000 | Clifton Sears | x | x | x | x | x | x | x | x | x | x | x | x |
| | | | | \$ 8,704 | \$ 8,878 | \$ 9,055 | \$ 9,236 | \$ 9,421 | \$ 9,609 | \$ 9,802 | \$ 9,998 | \$ 10,198 | \$ 10,402 | \$ 10,610 | \$ 10,822 |
| Task 15 | Development of Communication Plan (one time) | \$ 30,000 | Clifton Sears | - | - | - | - | - | - | - | - | - | - | - | - |
| | | | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| All | Go forward Remediation Estimate | | | \$ 437,121 | \$ 445,863 | \$ 474,573 | \$ 463,876 | \$ 473,153 | \$ 482,617 | \$ 492,269 | \$ 523,966 | \$ 439,717 | \$ 448,511 | \$ 457,481 | \$ 466,631 |

Remediation Estimate 2020 - 2049

| Task | Description | Estimate | Estimate Source | 2043 | 2044 | 2045 | 2046 | 2047 | 2048 | Ending March 2049 | Total | NPV (5%) |
|------------|--|---------------------|----------------------|------------|------------|------------|------------|------------|------------|-------------------|---------------|--------------|
| Task 1 | Q1 Spring Groundwater Monitoring and Sampling (110 Wells) | \$ 80,000 | Clifton | x | x | x | x | x | x | | \$ 2,329,019 | \$ 1,257,000 |
| | | | | \$ 72,380 | \$ 73,827 | \$ 75,304 | \$ 76,810 | \$ 78,346 | \$ 79,913 | \$ - | | |
| Task 2 | Q2 Summer Soil Vapour Monitoring (40 Wells) | \$ 50,000 | Clifton | x | x | x | x | x | x | | \$ 1,455,637 | \$ 786,000 |
| | | | | \$ 45,237 | \$ 46,142 | \$ 47,065 | \$ 48,006 | \$ 48,966 | \$ 49,946 | \$ - | | |
| Task 3 | Q3 Fall Groundwater Monitoring and Sampling (110 Wells) | \$ 80,000 | Clifton | x | x | x | x | x | x | | \$ 2,329,019 | \$ 1,257,000 |
| | | | | \$ 72,380 | \$ 73,827 | \$ 75,304 | \$ 76,810 | \$ 78,346 | \$ 79,913 | \$ - | | |
| Task 4 | Q4 Winter Soil Vapour Monitoring (40 Wells) | \$ 50,000 | Clifton | x | x | x | x | x | x | | \$ 1,455,637 | \$ 786,000 |
| | | | | \$ 45,237 | \$ 46,142 | \$ 47,065 | \$ 48,006 | \$ 48,966 | \$ 49,946 | \$ - | | |
| Task 5 | DPVE Operational Budget (Maintenance / Repairs) | \$ 60,000 | Clifton Sequoia | x | x | x | x | x | x | x | \$ 2,401,255 | \$ 1,180,000 |
| | | | | \$ 96,506 | \$ 98,436 | \$ 100,405 | \$ 102,413 | \$ 104,461 | \$ 106,551 | \$ 27,170 | | |
| Task 6 | DPVE Utility Budget | \$ 10,000 | Sears ENMAX | x | x | x | x | x | x | x | \$ 400,209 | \$ 197,000 |
| | | | | \$ 16,084 | \$ 16,406 | \$ 16,734 | \$ 17,069 | \$ 17,410 | \$ 17,758 | \$ 4,528 | | |
| Task 7 | DPVE Retrofit | \$ 100,000 | Clifton Sequoia | | | | | | | | \$ 131,899 | \$ 82,000 |
| Task 8 | Annual Report | \$ 10,000 | Clifton | x | x | x | x | x | x | x | \$ 413,794 | \$ 200,000 |
| | | | | \$ 16,084 | \$ 16,406 | \$ 16,734 | \$ 17,069 | \$ 17,410 | \$ 17,758 | \$ 18,114 | | |
| Task 9 | PlumeStop Remediation Budget | \$ 1,050,000 | Regenesis Clifton | | | | | | | | \$ - | \$ - |
| Task 10 | CONTINGENCY: Periodic Borehole Repair and/or Additional Site Delineation | \$ 15,000 | Sears Clifton | x | | | | | | | \$ 99,934 | \$ 52,000 |
| | | | | \$ 24,127 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | | |
| Task 11 | CONTINGENCY: Consultant - Communication, Planning, Meetings, Misc. Budget | \$ 61,000 | Clifton Sears | x | x | x | x | x | x | x | \$ 2,393,408 | \$ 1,177,000 |
| Task 12 | CONTINGENCY: Major Projects | 5% of Tasks 5, 7, 9 | Clifton Sears | x | x | x | x | x | x | x | \$ 126,658 | \$ 63,000 |
| | | | | \$ 4,825 | \$ 4,922 | \$ 5,020 | \$ 5,121 | \$ 5,223 | \$ 5,328 | \$ 1,359 | | |
| Task 13 | Decommissioning wells at the end of project (16 Wells - Bentall & Concord) | \$ 24,000 | Clifton Sears | | | | | | | x | \$ 43,473 | \$ 10,000 |
| | | | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 43,473 | | |
| Task 14 | Amended and Updated RRP | \$ 7,000 | Clifton Sears | x | x | x | x | x | x | x | \$ 274,653 | \$ 135,000 |
| | | | | \$ 11,038 | \$ 11,259 | \$ 11,484 | \$ 11,714 | \$ 11,948 | \$ 12,187 | \$ 3,108 | | |
| Task 15 | Development of Communication Plan (one time) | \$ 30,000 | Clifton Sears | | | | | | | x | \$ 30,000 | \$ 30,000 |
| | | | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | | |
| All | Go forward Remediation Estimate | | | \$ 500,090 | \$ 485,483 | \$ 495,192 | \$ 505,096 | \$ 515,198 | \$ 525,502 | \$ 124,833 | \$ 13,884,594 | \$ 7,212,000 |

Remediation Estimate 2020 - 2049

| Task | Description | Estimate | Estimate Source | Comments |
|---------|--|---------------------|---------------------|---|
| Task 1 | Q1 Spring Groundwater Monitoring and Sampling (110 Wells) | \$ 80,000 | Clifton | Assumes monitoring and sampling of 110 wells at an estimated cost of \$700/well. Further, assumes that the # of wells sampled will reduce by 25% in yr 10 followed by a further decrease of 25% in yr 20 due to declining contaminants |
| Task 2 | Q2 Summer Soil Vapour Monitoring (40 Wells) | \$ 50,000 | Clifton | Assumes monitoring and sampling of 40 wells at an estimated cost of \$1,250/well. Further, assumes that the # of wells sampled will reduce by 25% in yr 10 followed by a further decrease of 25% in yr 20 due to declining contaminants |
| Task 3 | Q3 Fall Groundwater Monitoring and Sampling (110 Wells) | \$ 80,000 | Clifton | Assumes monitoring and sampling of 110 wells at an estimated cost of \$700/well. Further, assumes that the # of wells sampled will reduce by 25% in yr 10 followed by a further decrease of 25% in yr 20 due to declining contaminants |
| Task 4 | Q4 Winter Soil Vapour Monitoring (40 Wells) | \$ 50,000 | Clifton | Assumes monitoring and sampling of 40 wells at an estimated cost of \$1,250/well. Further, assumes that the # of wells sampled will reduce by 25% in yr 10 followed by a further decrease of 25% in yr 20 due to declining contaminants |
| Task 5 | DPVE Operational Budget (Maintenance / Repairs) | \$ 60,000 | Clifton Sequoia | Estimated costs based on proposal provided by third-party (Sequoia) and includes other work done by Consultant. If DPVE is not required after 2029, the operating + utility + retrofit budget could be available to fund other remediation technique |
| Task 6 | DPVE Utility Budget | \$ 10,000 | Sears ENMAX | Estimated cost based on average of actual costs incurred by Sears in the last 2 years increased for inflation. If DPVE is not required after 2029, the operating + utility + retrofit budget could be available to fund other remediation technique |
| Task 7 | DPVE Retrofit | \$ 100,000 | Clifton Sequoia | Estimated costs based on proposal provided by third-party (Sequoia) and includes other work done by Consultant. If DPVE is not required after 2029, the operating + utility + retrofit budget could be available to fund other remediation technique |
| Task 8 | Annual Report | \$ 10,000 | Clifton | Estimated costs are based on actual costs incurred by Sears. Going forward costs increased annually for inflation. |
| Task 9 | PlumeStop Remediation Budget | \$ 1,050,000 | Regensis Clifton | As per the draft Remediation Plan prepared by Sears and submitted to AEP on December 17, 2018, assumes the installation of a single plumestop along 11th Ave. |
| Task 10 | CONTINGENCY: Periodic Borehole Repair and/or Additional Site Delineation | \$ 15,000 | Sears Clifton | Existing wells are fairly new & will not require repairs for a few more years. Therefore we have budgeted for periodic repairs and/or site delineation every 5 years. |
| Task 11 | CONTINGENCY: Consultant - Communication, Planning, Meetings, Misc. Budget | \$ 61,000 | Clifton Sears | Estimated costs based on actual costs incurred by Sears which, on average have totaled approximately \$3,000 per month, increased annually for inflation. Adjusted to include revised and updated assumption based on EAB report of an additional |
| Task 12 | CONTINGENCY: Major Projects | 5% of Tasks 5, 7, 9 | Clifton Sears | The budgeted contingency cost is forecast to be 5% of major projects including upgrades/operation of DPVE and installation of PlumeStop. The Groundwater/Soil Vapour/Annual reports are very well known and do not require additional contingency factor. |
| Task 13 | Decommissioning wells at the end of project (16 Wells - Bentall & Concord) | \$ 24,000 | Clifton Sears | Forecast cost to decommission 16 wells at an average current cost of \$1,500/well, increased annually for inflation. The decommissioning of wells on city property is covered by an agreement with the City of Calgary for which they hold \$270k as |
| Task 14 | Amended and Updated RRP | \$ 7,000 | Clifton Sears | Assumes approximately one (1) week or 40 hours to prepare. |
| Task 15 | Development of Communication Plan (one time) | \$ 30,000 | Clifton Sears | Assumes a one-time cost in 2020 based on an estimated 160 hours to develop the communication plan with the community. |
| All | Go forward Remediation Estimate | | | |

APPENDIX "B"

CV-17-11846-00CL

March 18, 2020

Re SEARS

This trial that was scheduled to commence on May 19, 2020 for 8 weeks is adjourned to a date to be fixed after June 1, 2020 for rescheduling in accordance with the Chief Justice's Notice to the Profession dated March 15, 2020 in light of the Covid-19 Crisis

Hainey J.

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., *et al.*

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at TORONTO

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

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Monitor