

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

THE HONOURABLE MR. )  
 )  
JUSTICE HAINEY )  
 )  
FRIDAY, THE 15TH  
DAY OF FEBRUARY, 2019

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SEARS CANADA INC., 9370-2751 QUÉBEC INC., 191020 CANADA INC., THE CUT INC., SEARS CONTACT SERVICES INC., INITIUM LOGISTICS SERVICES INC., INITIUM COMMERCE LABS INC., INITIUM TRADING AND SOURCING CORP., SEARS FLOOR COVERING CENTRES INC., 173470 CANADA INC., 2497089 ONTARIO INC., 6988741 CANADA INC., 10011711 CANADA INC., 1592580 ONTARIO LIMITED, 955041 ALBERTA LTD., 4201531 CANADA INC., 168886 CANADA INC., AND 3339611 CANADA INC.



Applicants

**MEETINGS ORDER**

**THIS MOTION** made by FTI Consulting Canada Inc., in its capacity as Court-appointed monitor (the “**Monitor**”) pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), for an Order, *inter alia*:

- (a) accepting the filing of the Plan (as defined below);
- (b) authorizing the classification of creditors for purposes of voting on the Plan and the substantive consolidation of the Sears Parties and the SLH Parties (each as defined below) for the purposes of the Plan;

- (c) authorizing and directing the Monitor to call, hold and conduct the Meetings (as defined below) of two classes of affected creditors to consider and vote upon a resolution to approve the Plan;
- (d) approving the procedures to be followed for the calling, holding and conduct of the Meetings; and
- (e) setting a date for the hearing of the motion to this Court for approval of the Plan,

was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Notice of Motion, the Twenty-Ninth Report of the Monitor dated February 6, 2019 (the "**Plan Report**") and the Supplement to the Plan Report dated February 14, 2019 (the "**Supplementary Plan Report**"), and on hearing the submissions of counsel for the Monitor, Employee Representative Counsel, each of the Pension Parties and those other parties present, no one else appearing for any other person although duly served as appears from the affidavits of service of Catherine Ma sworn February 7, 2019 and February 14, 2019,

## **SERVICE**

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and further service thereof is hereby dispensed with.

## **DEFINITIONS**

2. **THIS COURT ORDERS** that, in addition to the capitalized terms defined in the Joint Plan of Compromise and Arrangement of the Sears Canada Entities attached as Appendix "A" to the Supplementary Plan Report (as it may be amended, supplemented, or restated or amended and

restated in accordance with its terms and the terms hereof, the “**Plan**”), the following capitalized terms shall have the following meanings:

- (a) “**Additional Information**” has the meaning given to it in paragraph 7 hereof;
- (b) “**Below-Threshold Creditors**” has the meaning given to it in paragraph 10 hereof;
- (c) “**Chair**” has the meaning given to it in paragraph 32 hereof;
- (d) “**Creditor Letter**” means the letter to be sent from the Monitor to certain Affected Unsecured Creditors substantially in the form attached as Schedule “**C**” hereto;
- (e) “**Creditor Proxy**” means the form of proxy for all Affected Unsecured Creditors substantially in the form attached as Schedule “**B**” hereto;
- (f) “**ERC Information Package**” means, together, the ERC Letter and the Notice of Meetings and Sanction Hearing;
- (g) “**ERC Letter**” means the letter to be sent by Employee Representative Counsel to all ERC Employees providing notice of the Plan and Meetings, such ERC Letter to be prepared by Employee Representative Counsel, in consultation with the Monitor;
- (h) “**General Creditor Information Package**” means, collectively, the Creditor Letter, the Notice of Meetings and Sanction Hearing, the Plan, the Plan Report, the Supplementary Plan Report, and the Creditor Proxy;

- (i) **“Governance Protocol Order”** means the Order made by the Court on December 3, 2018, among other things, establishing a governance protocol for the Sears Canada Entities;
  
- (j) **“Meeting Materials”** means:
  - (i) the Creditor Letter;
  
  - (ii) the Plan;
  
  - (iii) the Notice of Meetings and Sanction Hearing;
  
  - (iv) the Creditor Proxy;
  
  - (v) the ERC Letter;
  
  - (vi) the PRC Letter;
  
  - (vii) the Plan Report;
  
  - (viii) the Supplementary Plan Report; and
  
  - (ix) any Plan Modifications;
  
- (k) **“Meetings”** has the meaning given to it in paragraph 19 hereof;
  
- (l) **“Monitor’s Website”** means <http://cfcanada.fticonsulting.com/searscanada/>
  
- (m) **“Notice of Meetings and Sanction Hearing”** means the notice of the Meetings for Affected Unsecured Creditors and Sanction Hearing substantially in the form attached as Schedule **“A”** hereto;
  
- (n) **“Plan”** has the meaning given to it in paragraph 2 hereof;

- (o) **"Plan Modification"** has the meaning given to it in paragraph 4 hereof;
- (p) **"PRC Information Package"** means, together, the PRC Letter and the Notice of Meetings and Sanction Hearing;
- (q) **"PRC Letter"** means the letter to be sent by Pension Representative Counsel to PRC Retirees providing notice of the Plan and Meetings, such PRC Letter to be prepared by Pension Representative Counsel, in consultation with the Monitor;
- (r) **"Proxy Deadline"** has the meaning given to it in paragraph 22 hereof;
- (s) **"Sanction Hearing"** has the meaning given to it in paragraph 44 hereof;
- (t) **"Scrutineers"** has the meaning given to it in paragraph 33 hereof;
- (u) **"Sears Parties"** has the meaning given to it in subparagraph 16(a) hereof;
- (v) **"Secretary"** has the meaning given to it in paragraph 33 hereof;
- (w) **"SLH Parties"** has the meaning given to it in subparagraph 16(b) hereof; and
- (x) **"Unsecured Creditor Class"** has the meaning given to it in paragraph 17 hereof.

#### **PLAN OF COMPROMISE AND ARRANGEMENT**

3. **THIS COURT ORDERS** that the Plan is hereby accepted for filing with the Court, and that the Monitor is authorized to seek approval of the Plan by the Affected Unsecured Creditors holding Eligible Voting Claims at the Meetings in the manner set forth herein.

4. **THIS COURT ORDERS** that the Monitor is hereby authorized to file, in accordance with its terms, any amendment, restatement, modification of or supplement to the Plan (each a "**Plan Modification**"), in which case any such Plan Modification shall, for all purposes, be and be

deemed to form part of and be incorporated into the Plan. If the Monitor files a Plan Modification prior to the Meetings, the Monitor shall give notice of any such Plan Modification by service upon the Service List, posting on the Monitor's Website, and distribution to all parties in attendance at the Meetings.

5. **THIS COURT ORDERS** that after the Meetings and both prior to and subsequent to the obtaining of the Sanction Order, the Monitor may effect a Plan Modification in accordance with the terms of the Plan. The Monitor shall forthwith serve on the Service List and post on the Monitor's Website any such Plan Modification.

#### **NOTICE OF MEETINGS**

6. **THIS COURT ORDERS** that the following documents are approved:

- (a) the Notice of Meetings and Sanction Hearing substantially in the form attached as Schedule "A" hereto;
- (b) the Creditor Proxy substantially in the form attached as Schedule "B" hereto; and
- (c) the Creditor Letter substantially in the form attached as Schedule "C" hereto.

7. **THIS COURT ORDERS** that the Monitor is hereby authorized to make such amendments, restatements, modifications and/or supplements of or to the Meeting Materials (other than the Plan, which may only be amended in accordance with its terms and the terms of this Order), as the Monitor may consider necessary or desirable to conform the content thereof to the terms of the Plan or this Order or any further Order of the Court ("**Additional Information**"), provided that notice of such Additional Information shall be distributed by the Monitor using the method most reasonably practicable in the circumstances, as the Monitor may determine.

8. **THIS COURT ORDERS** that on or before February 25, 2019, the Monitor shall cause the Notice of Meetings and Sanction Hearing to be published for a period of two (2) Business Days in *The Globe and Mail* (National Edition) and the electronic edition of *La Presse* and in such other publications and with such frequency as the Monitor may deem appropriate.

9. **THIS COURT ORDERS** that, as soon as practicable after the granting of this Order, the Monitor shall cause the Meeting Materials, any Additional Information and this Order to be posted on the Monitor's Website. The Monitor shall ensure that the Meeting Materials and any Additional Information remain posted on the Monitor's Website until at least one (1) Business Day after the Plan Implementation Date.

10. **THIS COURT ORDERS** that, as soon as practicable after the granting of this Order, the Monitor shall cause the General Creditor Information Package to be sent in English and in French (with the exception of the Plan Report and the Supplementary Plan Report, which shall both only be in English) to (a) Employee Representative Counsel, (b) Pension Representative Counsel and (c) all Affected Unsecured Creditors with Eligible Voting Claims, except for (w) ERC Employees, (x) PRC Retirees, (y) any Creditors in respect of their Warranty Claims, and (z) holders of Affected Unsecured Claims of less than \$5,000 (the "**Below Threshold Creditors**"). Subject to the last sentence of this paragraph, the Monitor shall send the General Creditor Information Package by regular mail, facsimile, courier or e-mail: (a) subject to subparagraph (b) below, if the Affected Unsecured Creditor duly filed a Proof of Claim that set out an address for such Affected Unsecured Creditor, to the address set out in such Proof of Claim; (b) if any address was subsequently provided to the Monitor in accordance with the applicable Claims Procedure Order, to such address; and (c) in all other cases, to the address on file for such Affected Unsecured Creditor in the books and records of the Sears Canada Entities. In the case of a Valid Transferee, the General Creditor Information Package shall be

sent by regular mail, facsimile, courier or e-mail to the address set out in such Valid Transferee's Notice of Transfer or Assignment.

11. **THIS COURT ORDERS** that, as soon as practicable after the granting of this Order: (a) the ERC Information Package shall be sent by Employee Representative Counsel to all ERC Employees; and (b) the PRC Information Package shall be sent by Pension Representative Counsel to all PRC Retirees. The ERC Information Package and the PRC Information Package shall be sent in English and in French to ERC Employees and PRC Retirees respectively by regular mail, facsimile, courier or e-mail: (a) subject to subparagraph (b), if the addressee duly filed a Proof of Claim that set out an address for such Creditor, to the address set out in such Proof of Claim; (b) if any address was subsequently provided to the Monitor in accordance with the applicable Claims Procedure Order, to such address; (c) if no address was provided to the Monitor under subparagraphs (a) and (b), and such addressee is a ERC Employee or PRC Retiree in respect of whom Employee Representative Counsel or Pension Representative Counsel, as applicable, has provided an address, to such address; and (d) in all other cases, to the address on file in the books and records of the Sears Canada Entities. In the case of a Valid Transferee of an Eligible Voting Claim of an ERC Employee or PRC Retiree, the ERC Information Package or the PRC Information Package, as applicable, should be sent by regular mail, facsimile, courier or e-mail to the address set out in such Valid Transferee's Notice of Transfer or Assignment.

12. **THIS COURT ORDERS** that upon request by any Affected Unsecured Creditor with an Eligible Voting Claim, received not less than seven (7) days before the Meetings, the Monitor shall provide hard copies of the applicable Meeting Materials to such Affected Unsecured Creditor.



13. **THIS COURT ORDERS** that the sending of the applicable Meeting Materials to Affected Unsecured Creditors in accordance with paragraphs 10 to 12 above, the posting of the Meeting Materials on the Monitor's Website and the publication of the Notice of Meetings and Sanction Hearing in accordance with paragraphs 8 and 9 above shall constitute good and sufficient notice of the Meeting Materials on all Persons who may be entitled to receive notice thereof, or who may wish to be present in person or by proxy at the Meetings or in these proceedings, and no other form of notice need be made on such Persons and no other document or material need be delivered to such Persons in respect of the Meetings or these proceedings. Notice shall be effective, in the case of mailing, three (3) Business Days after the date of mailing, in the case of delivery by courier, on the day after the courier was sent, and in the case of delivery by fax or e-mail, on the day the fax or e-mail was transmitted, unless such day is not a Business Day, or the fax or e-mail transmission was made after 5:00 p.m. (Toronto time), in which case, on the next Business Day.

14. **THIS COURT ORDERS** that the non-receipt by any Person of a copy of any of the Meeting Materials shall not invalidate any resolution passed or proceedings taken at the Meetings.

#### **EMPLOYEE ADDRESSES AND INFORMATION**

15. **THIS COURT ORDERS** that the Monitor is hereby authorized to deliver to Employee Representative Counsel and Pension Representative Counsel, for distribution to ERC Employees and PRC Retirees with Eligible Voting Claims, and directly to Non-ERC Employees and Non-PRC Retirees with Eligible Voting Claims, in each case for whom the Monitor does not have a social insurance number, a notice that such Employees and Retirees must provide their respective social insurance numbers to the Monitor as a condition to receiving any distribution under the Plan.

## SUBSTANTIVE CONSOLIDATION

16. **THIS COURT ORDERS** that the Sears Canada Entities except for Former Corbeil shall be partially substantively consolidated into two Debtor Group estates in the manner set out below for voting and distribution purposes under the Plan:

- (a) Sears Canada, 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., 3339611 Canada Inc. and SearsConnect (collectively, the "**Sears Parties**"); and
- (b) Former SLH and 168886 (together, the "**SLH Parties**").

## AFFECTED UNSECURED CREDITORS CLASSES

17. **THIS COURT ORDERS** that for the purposes of considering and voting on the Plan, the Affected Unsecured Creditors shall be grouped into the following classes (in respect of their Eligible Voting Claims) (each an "**Unsecured Creditor Class**", and collectively, the "**Unsecured Creditor Classes**"):

- (a) **Sears Creditor Class:** Affected Unsecured Creditors of any Sears Parties; and
- (b) **SLH Creditor Class:** Affected Unsecured Creditors of any SLH Parties.

18. **THIS COURT ORDERS** that for the purposes of voting at the Meetings, each Affected Unsecured Creditor with an Eligible Voting Claim shall be entitled to one vote equal to the dollar value of its Eligible Voting Claim as a member of its Unsecured Creditor Class.

## THE MEETINGS

19. **THIS COURT ORDERS** that the Monitor is hereby authorized and directed to call, hold and conduct the following Meetings for the purpose of considering and voting on the resolution to approve the Plan and transacting such other business as may be properly brought before the Meetings:

- (a) **Meeting of the SLH Creditor Class:** March 28, 2019 at 10:00 a.m. (Toronto time) at the Metro Toronto Convention Centre, Room 602, 255 Front Street West, Toronto, Ontario, M5V 2W6; and
- (b) **Meeting of the Sears Creditor Class:** March 28, 2019 at 10:30 a.m. (Toronto time) at the Metro Toronto Convention Centre, Room 602, 255 Front Street West, Toronto, Ontario, M5V 2W6

(together, the “**Meetings**” and each such meeting, a “**Meeting**”).

20. **THIS COURT ORDERS** that the only Persons entitled to notice of, to attend or to speak at the Meetings are the Eligible Voting Creditors (or their respective duly-appointed proxyholders), representatives of the Monitor, the Sears Canada Entities, Employee Representative Counsel, the Pension Parties, the Pension Representatives, the Employee Representatives, all such parties’ financial and legal advisors, and the Chair, the Secretary and Scrutineers. Any other person may be admitted to the Meeting only by invitation of the Monitor or the Chair.

21. **THIS COURT ORDERS** that only those Eligible Voting Creditors who submit proxies in accordance with paragraph 22 below and those Eligible Voting Creditors who attend at a Meeting shall be entitled to vote their Eligible Voting Claims at such Meeting.

## VOTING BY PROXIES

22. **THIS COURT ORDERS** that all proxies submitted in respect of a Meeting (or any adjournment thereof) must be: (a) submitted to the Monitor so that they are received by the Monitor on or before 5:00 p.m. (Toronto time) five (5) Business Days before the Meeting (the “**Proxy Deadline**”); and (b) in substantially the form attached to this Order as **Schedule “B”** or in such other form acceptable to the Monitor or the Chair. The Monitor is hereby authorized to accept and rely upon any proxy or such other forms as may be acceptable to the Monitor and to use reasonable discretion as to the adequacy of compliance with respect to the manner in which any proxy is completed and executed, and may waive strict compliance with the requirements in connection with the deadlines imposed in connection therewith.

23. **THIS COURT ORDERS** that in respect of Eligible Voting Claims of ERC Employees and PRC Employees:

- (a) Employee Representative Counsel shall be deemed to be the proxy holder in respect of each Eligible Voting Claim of an ERC Employee that is an Employee Claim and shall be entitled to vote such Claims at the Meetings on the ERC Employee’s behalf, without the requirement for any ERC Employee to submit a Creditor Proxy to the Monitor; and
- (b) Pension Representative Counsel shall be deemed to be the proxy holder in respect of each Eligible Voting Claim of a PRC Retiree (other than relating to the Pension Claims or Employee Claims) and shall be entitled to vote such Claims at the Meetings on the PRC Retiree’s behalf, without the requirement for any PRC Retiree to submit a Creditor Proxy to the Monitor. For greater certainty, only the Pension Plan Administrator or its designated Proxy may vote the Pension Claims.

24. **THIS COURT ORDERS** that, for the purposes of tabulating the votes cast on any matter that may come before the Meetings, the Chair shall be entitled to rely on any vote cast by holders of all proxies that have been duly submitted to the Monitor in the manner set forth in this Order without independent investigation.

25. **THIS COURT ORDERS** that paragraph 22 hereof, and the instructions contained in the Creditor Proxy shall govern the submission of such documents and any deficiencies in respect of the form or substance of such documents filed with the Monitor.

26. **THIS COURT ORDERS** that in the absence of instruction to vote for or against the approval of the resolution to approve the Plan, any duly signed and returned proxy shall be deemed to include instructions to vote for the approval of the resolution to approve the Plan, provided the proxy holder does not otherwise exercise its right to vote at the Meeting.

#### **TRANSFERS OR ASSIGNMENTS OF CLAIMS**

27. **THIS COURT ORDERS** that a Creditor may transfer or assign the whole of its Claim prior to the Meeting, in accordance with the applicable Claims Procedure Order. If a Creditor transfers or assigns the whole of a Claim to another Person, such transferee or assignee shall not be entitled to attend and vote the transferred or assigned Claim at the applicable Meeting unless (a) the assigned Claim is a Voting Claim or an Unresolved Voting Claim, or a combination thereof, and (b) satisfactory notice of and proof of transfer or assignment has been delivered to the Monitor in accordance with the applicable Claims Procedure Order so that it is received by the Monitor no later than the Proxy Deadline.

#### **UNRESOLVED VOTING CLAIMS**

28. **THIS COURT ORDERS** that notwithstanding anything to the contrary herein, in the event that an Eligible Voting Creditor holds an Eligible Voting Claim that is an Unresolved Voting

Claim as at the date of a Meeting, such Eligible Voting Creditor may attend the Meeting and such Unresolved Voting Claim may be voted at such Meeting by such Eligible Voting Creditor (or its duly appointed proxy holder) in accordance with the provisions of this Order, without prejudice to the rights of the Monitor or the holder of the Unresolved Voting Claim with respect to the final determination of the Claim for distribution purposes, and such vote shall be separately tabulated from votes in respect of Voting Claims at (a) the dollar value of such Unresolved Voting Claim, to the extent a dollar value was ascribed to such claim in the corresponding Proof of Claim, or (b) at a value of \$10, if no value was ascribed to such claim in the corresponding Proof of Claim, provided that, other than as set out herein, the vote cast in respect of any Unresolved Voting Claim shall not be considered for any other purpose, unless, until and only to the extent that such Unresolved Claim is finally determined to be a Proven Claim.

#### **ENTITLEMENT TO VOTE AT THE MEETINGS**

29. **THIS COURT ORDERS** that, notwithstanding anything to the contrary herein, any Person with an Equity Claim shall have no right to, and shall not, vote at the Meetings.

30. **THIS COURT ORDERS** that, in accordance with the CCAA, the Sears Canada Entities, as related parties and as Affected Unsecured Creditors, shall only be permitted to vote their Eligible Voting Claims, if any, against, but not for, the Plan.

31. **THIS COURT ORDERS** that no holder of an Affected Unsecured Claim against Former Corbeil shall be entitled to vote on the Plan or attend at any Meeting in respect of such Affected Unsecured Claim.

## PROCEDURE AT THE MEETINGS

32. **THIS COURT ORDERS** that a representative of the Monitor shall preside as the chair of each of the Meetings (the “**Chair**”) and, subject to this Order or any further Order of the Court, shall decide all matters relating to the conduct of the Meetings.

33. **THIS COURT ORDERS** that a person designated by the Monitor shall act as secretary at each of the Meetings (the “**Secretary**”) and the Monitor may appoint scrutineers for the supervision and tabulation of the attendance, quorum and votes cast at the Meetings (the “**Scrutineers**”). The Scrutineers shall tabulate the votes in respect of all Eligible Voting Claims at the Meetings.

34. **THIS COURT ORDERS** that an Eligible Voting Creditor that is not an individual may only attend and vote at a Meeting if it has appointed a proxy holder to attend and act on its behalf at such Meeting.

35. **THIS COURT ORDERS** that the quorum required at each Meeting shall be one Affected Unsecured Creditor with a Voting Claim present at such Meeting in person or by proxy.

36. **THIS COURT ORDERS** that a Meeting shall be adjourned on one or more occasions to such date, time and place as may be designated by the Chair or the Monitor as the Chair or the Monitor deems necessary or advisable, if:

- (a) the requisite quorum is not present at such Meeting;
- (b) such Meeting is postponed by a vote of the majority in value of the Affected Unsecured Creditors with Eligible Voting Claims for such Unsecured Creditor Class present in person or by proxy at the Meeting; or
- (c) prior to or during such Meeting, the Chair or the Monitor otherwise decides to adjourn such Meeting.

The announcement of the adjournment by the Chair at such Meeting (if the adjournment is during the Meeting), the posting of a notice of such adjournment on the Monitor's Website and the service of notice on the Service List shall constitute sufficient notice of the adjournment and neither the Applicants nor the Monitor shall have any obligation to give any other or further notice to any Person of the adjourned Meeting. Any proxies validly delivered in connection with the adjourned Meeting shall be acceptable as proxies in respect of any Meeting held after an adjournment.

37. **THIS COURT ORDERS** that the Chair be and is hereby authorized to direct a vote at the Meetings, by confidential written ballot or by such other means as the Chair may consider appropriate, with respect to: (i) a resolution to approve the Plan and any amendments thereto; and (ii) any other resolutions as the Monitor may consider appropriate.

38. **THIS COURT ORDERS** that in order to be approved, the Plan must receive the affirmative vote by the Required Majority from each Unsecured Creditor Class.

39. **THIS COURT ORDERS** that following the votes at the Meetings, the Scrutineers shall tabulate the votes and the Monitor shall determine whether the Plan has been approved by the Required Majority from each Unsecured Creditor Class.

40. **THIS COURT ORDERS** that the Monitor shall file a report to this Court by no later than two (2) Business Days after the Meetings or any adjournment thereof, as applicable, with respect to the results of the vote, including whether:

- (a) the Plan has been approved by the Required Majority in each Unsecured Creditor Class; and
- (b) the votes cast in respect of Unresolved Voting Claims, if applicable, would affect the result of the vote.



41. **THIS COURT ORDERS** that a copy of the Monitor's report regarding the Meetings and the Plan shall be posted on the Monitor's Website prior to the Sanction Hearing.

42. **THIS COURT ORDERS** that if the votes cast by the holders of Unresolved Voting Claims would affect whether the Plan has been approved by the Required Majority, the Monitor shall report this to the Court in accordance with paragraph 40 of this Order, in which case the Monitor may: (a) request this Court to direct an expedited determination of any material Unresolved Voting Claims, (b) request that this Court defer the date of the Sanction Hearing, (c) request that this Court defer or extend any other time periods in this Order or the Plan, and/or (d) seek such further advice and direction as may be considered appropriate.

#### **TREATMENT OF CREDITORS**

43. **THIS COURT ORDERS** that the result of any vote conducted at a Meeting shall be binding upon all Affected Unsecured Creditors of each Unsecured Creditor Class, whether or not any such Affected Unsecured Creditor was present or voted at such Meeting.

#### **SANCTION HEARING AND ORDER**

44. **THIS COURT ORDERS** that if the Plan has been accepted by the Required Majority of each Unsecured Creditor Class, the Monitor may bring a motion seeking the Sanction Order on April <sup>5</sup> 1, 2019, or such later date as the Monitor may advise the Service List (the "**Sanction Hearing**").

45. **THIS COURT ORDERS** that service of the Notice of Meetings and Sanction Hearing to the parties on the Service List, the delivery of the applicable Meeting Materials in accordance with paragraphs 10 to 12 above and publication of the Notice of Meetings and Sanction Hearings and posting of the Meeting Materials and this Order to the Monitor's Website pursuant to paragraphs 8 and 9 hereof shall constitute good and sufficient service and notice of the

Sanction Hearing upon all Persons who may be entitled to receive such service and notice and no other form of service or notice need be made on such Persons and no other materials need be served on such Persons in respect of the Sanction Hearing.

46. **THIS COURT ORDERS** that any Person wishing to receive materials in connection with the Sanction Hearing shall, if they have not already done so, serve upon the lawyers for the Monitor and all other parties on the Service List and file with this Court a Notice of Appearance by no later than 5:00 p.m. (Toronto time) on the date that is seven (7) days prior to the Sanction Hearing.

47. **THIS COURT ORDERS** that any Person who wishes to oppose the motion for the Sanction Order shall serve upon the lawyers for the Monitor and upon all other parties on the Service List, and file with this Court, a copy of the materials to be used to oppose the motion for the Sanction Order by no later than 5:00 p.m. (Toronto time) on the date that is four (4) Business Days prior to the Sanction Hearing.

48. **THIS COURT ORDERS** that if the Sanction Hearing is adjourned, only those Persons who are listed on the Service List (including those Persons who have complied with paragraph 46 of this Order) shall be served with notice of the adjourned date of the Sanction Hearing.

#### **MONITOR'S ROLE**

49. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under (a) the CCAA; (b) the Initial Order; (c) the Claims Procedure Orders, and (d) the Governance Protocol Order, is hereby directed and empowered to take such other actions and fulfill such other roles as are authorized by this Order.

50. **THIS COURT ORDERS** that: (a) in carrying out the terms of this Order, the Monitor shall have all the protections given to it by the CCAA, the Initial Order, the Claims Procedure Orders,

and the Governance Protocol Order, or as an officer of the Court, including the stay of proceedings in its favour; (b) the Monitor may, if it deems it advisable to do so, waive strict compliance with the requirements of this Order, including by waiver of any time limit imposed on any Creditor under this Order; (c) the Monitor and any Authorized Representative (as defined in the Governance Protocol Order) shall incur no liability or obligation as a result of carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its or their parts; (d) the Monitor shall be entitled to rely on the books and records of the Applicants and any information provided by the Applicants without independent investigation; and (e) the Monitor shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

#### **AMENDMENT TO STYLE OF CAUSE**

51. **THIS COURT ORDERS** that the title of these proceedings is hereby changed to:

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.

#### **GENERAL**

52. **THIS COURT ORDERS** that any notice or other communication to be given pursuant to this Order by or on behalf of any Person to the Monitor shall be in writing and will be sufficiently given only if by mail, courier, e-mail, facsimile or hand-delivery addressed to:

FTI Consulting Canada Inc., Court-appointed Monitor  
of the Sears Canada Entities

TD South Tower

79 Wellington Street West, Suite 2010, P.O. Box 104  
Toronto, Ontario M5K 1G8

Attention: Elizabeth Pearson

E-mail: [searscanada@fticonsulting.com](mailto:searscanada@fticonsulting.com)

Fax: 416 649 8101

53. **THIS COURT ORDERS** that notwithstanding any provision herein to the contrary, the Monitor shall be entitled to rely upon any communication given pursuant to this Order (including any delivery of Creditor Proxies) by e-mail.

54. **THIS COURT ORDERS** that if any deadline set out in this Order falls on a day other than a Business Day, the deadline shall be extended to the next Business Day.

55. **THIS COURT ORDERS** that all references to time herein shall mean local time in Toronto, Ontario, Canada, and any reference to an event occurring on a Business Day shall mean prior to 5:00 P.M. (Toronto time) on such Business Day unless otherwise indicated herein.

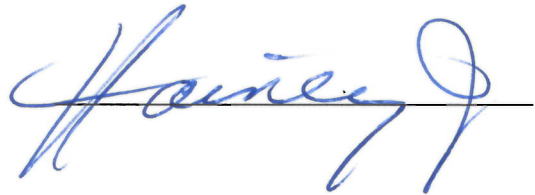
56. **THIS COURT ORDERS** that the Monitor may from time to time apply to this Court to amend, vary, supplement or replace this Order or for advice and directions concerning the discharge of its powers and duties under this Order or the interpretation or application of this Order.

57. **THIS COURT ORDERS** that subject to any further Order of this Court, in the event of any conflict, inconsistency or ambiguity between the provisions of the Plan and this Order, the provisions of the Plan, if sanctioned by the Court and implemented, shall govern and be paramount.

**EFFECT, RECOGNITION AND ASSISTANCE**

58. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada, outside Canada and against all Persons against whom it may be enforceable.

59. **THIS COURT REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or elsewhere to give effect to this Order and to assist the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Monitor and their respective agents in carrying out the terms of this Order.



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

FEB 15 2019

PER / PAR: 

## Schedule "A"

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.

### NOTICE OF MEETINGS AND SANCTION HEARING

**NOTICE IS HEREBY GIVEN** that a joint plan of compromise and arrangement (as amended, supplemented, restated or amended and restated from time to time, the "**Plan**") under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**") has been filed with the Ontario Superior Court of Justice (Commercial List) in respect of Sears Canada Inc. and certain of its affiliates (collectively, the "**Sears Canada Entities**"). Capitalized terms used and not otherwise defined in this notice are as defined in the Plan. A copy of the Plan and the report (the "**Report**") of FTI Consulting Canada Inc., in its capacity as Monitor (the "**Monitor**"), in respect of the Plan, can be found on the website of the Monitor at: <http://cfcanada.fticonsulting.com/searscanada/> (the "**Monitor's Website**").

**NOTICE IS ALSO HEREBY GIVEN** that Meetings of each of the following Unsecured Creditor Classes of Affected Unsecured Creditors of the Sears Canada Entities will be held at the following date, times and location for the purpose of considering and voting to approve the Plan:

Unsecured Creditor Class	Meeting Information
<b>SLH Creditor Class:</b> Affected Unsecured Creditors of any SLH Parties <sup>1</sup>	<b>March 28, 2019 at 10:00 a.m.</b> Metro Toronto Convention Centre, Room 602 255 Front Street West, Toronto, Ontario, M5V 2W6
<b>Sears Creditor Class:</b> Affected Unsecured Creditors of any of the Sears Parties <sup>2</sup>	<b>March 28, 2019 at 10:30 a.m.</b> Metro Toronto Convention Centre, Room 602 255 Front Street West, Toronto, Ontario, M5V 2W6

The Meetings are being held pursuant to the Order of the Ontario Superior Court of Justice (Commercial List) made on ●, 2019 (the "**Meetings Order**"), a copy of which is available on the Monitor's Website.

The Plan provides for the compromise of the Affected Claims of Affected Unsecured Creditors of any of the SLH Parties or Sears Parties. The quorum for each Meeting will be one Affected Unsecured Creditor holding a Voting Claim present in person or by proxy.

The Plan must receive an affirmative vote of the Required Majority of each Unsecured Creditor Class in

<sup>1</sup> The "**SLH Parties**" are 191020 Canada Inc. (formerly known as SLH Transport Inc.) and 168886 Canada Inc.

<sup>2</sup> The "**Sears Parties**" are Sears Canada Inc., The Cut Inc., Sears Contact Services Inc., Initium Logistics Services Inc., 9845488 Canada Inc. (formerly "Initium Commerce Lab 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., 3339611 Canada Inc. and SearsConnect.

order to be approved by the Affected Unsecured Creditors. The Required Majority is, for each Unsecured Creditor Class, a majority in number of Affected Unsecured Creditors representing at least two-thirds in value of the Voting Claims of Affected Unsecured Creditors, in each case, voting in person or by proxy at the applicable Meeting. The Plan must also be sanctioned by a final order of the Court (the "**Sanction Order**") pursuant to the CCAA.

**NOTICE IS ALSO GIVEN** that, if the Plan is approved by the Required Majority of each Unsecured Creditor Class at the Meetings, the Monitor intends to bring a motion before the Court on **[April 3, 2019]** at 10:00 a.m. (Toronto time) (or such other date or time as may be set in accordance with the Meetings Order) seeking the granting of the Sanction Order and for relief ancillary to such sanction. Any person wishing to oppose the motion for the Sanction Order must serve upon the parties on the Service List (as posted on the Monitor's Website) and file with the Court, a copy of the materials to be used to oppose the Sanction Order by no later than 5:00 p.m. (Toronto Time) on **[●]**, 2019.

### **Completion of Proxies**

Any Affected Unsecured Creditor with an Eligible Voting Claim who is unable to attend the applicable Meeting may appoint a proxy to vote on his or her behalf. To do so, such Creditor must complete, sign and return the form of proxy included in its creditor package and deliver its proxy to the Monitor in accordance with the enclosed instructions.

Proxies, once duly completed, dated and signed, must be sent by email to the Monitor, or if it cannot be sent by email, delivered to the Monitor at the address set out on the proxy form. Proxies must be received by the Monitor by no later than 5:00 p.m. (Toronto time) on **[●]**, 2019.

### **Creditors represented by Employee Representative Counsel or Pension Representative Counsel**

If you are an Employee or Retiree of any of the Sears Canada Entities and have not opted out of such representation, then you are represented by Employee Representative Counsel or Pension Representative Counsel, as applicable, and such representative counsel will be voting on your behalf and will be voting FOR approval of the Plan. Accordingly, you should not submit a separate proxy.

### **Creditors with Warranty Claims**

If you are a Creditor holding a customer warranty pursuant to a valid and unexpired protection agreement issued by Sears Canada, please be advised that any Claim you may have that results from that warranty will be addressed under the terms of the Plan.

This notice is given by the Sears Canada Entities pursuant to the Meetings Order. Copies of the Meeting Materials, including the Plan and the ● Report, may be obtained from the Monitor's Website (<http://cfcanada.fticonsulting.com/sears>), or by emailing the Monitor at [searscanada@fticonsulting.com](mailto:searscanada@fticonsulting.com)

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2019

**Schedule "B"**

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.

---

**CREDITOR PROXY**

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**Before completing this proxy, please read carefully the accompanying "Instructions For Completion of Proxy".**

Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the joint plan of compromise and arrangement of Sears Canada Inc. and certain of its affiliates (collectively, the "**Sears Canada Entities**")<sup>3</sup> dated [●], 2019 (as may be amended, restated, supplemented, or amended and restated from time to time, the "**Plan**") filed pursuant to the *Companies' Creditors Arrangement Act* with the Ontario Superior Court of Justice (Commercial List) (the "**Court**") or in the meetings order granted by the Court on [●], 2019 (the "**Meetings Order**").

**THIS FORM OF PROXY IS FOR USE BY ALL CREDITORS.** In accordance with the Plan and the Meetings Order, this proxy may only be filed by Affected Unsecured Creditors having a Voting Claim or an Unresolved Voting Claim ("**Eligible Voting Creditors**") in respect of the Sears Canada Entities other than 9370-2571 Québec Inc. (formerly Corbeil Électrique Inc.).

**PROXIES, ONCE DULY COMPLETED, DATED AND SIGNED, MUST BE SENT BY EMAIL TO THE MONITOR, OR IF NOT BY EMAIL, DELIVERED TO THE MONITOR, IN ALL CASES SO THAT IT IS RECEIVED BY NO LATER THAN 5:00 P.M. (TORONTO TIME) ON [●], 2019.**

THE UNDERSIGNED ELIGIBLE VOTING CREDITOR hereby revokes all proxies previously given, if any, and nominates, constitutes and appoints **[Mr. Paul Bishop]** of FTI Consulting Canada Inc. in its capacity Monitor of the Sears Canada Entities, or such other Person as **[he]**, in **[his]** sole discretion, may designate, or, instead of the foregoing, appoints:

---

Print name of proxy holder, if wishing to appoint  
someone other than **[Mr. Paul Bishop]**

to attend on behalf of and act for the undersigned Eligible Voting Creditor at the applicable Meeting(s) to be held in connection with the Plan and at any and all adjournments, postponements or other rescheduling of such Meeting(s), and to vote the dollar value of the Eligible Voting Claim(s) of the undersigned for voting purposes as determined by and accepted for voting purposes in accordance with the Meetings Order and as set out in the Plan as follows:

---

<sup>3</sup> The "**Sears Canada Entities**" are Sears Canada Inc., The Cut Inc., Sears Contact Services Inc., Initium Logistics Services Inc., 9845488 Canada Inc. (formerly "Initium Commerce Lab 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., 3339611 Canada Inc., SearsConnect, 191020 Canada Inc., 168886 Canada Inc. and 9370-2571 Québec Inc.



**VOTE**  
(mark one only):

FOR

**APPROVAL OF THE PLAN**

AGAINST

The nominee shall vote at the nominee's discretion and otherwise act for and on behalf of the undersigned Affected Unsecured Creditor with respect to any amendments, modifications, variations or supplements to the Plan and to any other matters that may come before the applicable Meeting or any adjournment, postponement or other rescheduling of such Meeting.

**In absence of instruction to vote for or against the approval of the resolution to approve the Plan, any duly signed and returned proxy shall be deemed to include instructions to vote for the approval of the resolution to approve the Plan, provided the proxy holder does not otherwise exercise its right to vote at the applicable Meeting.**

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2019.

\_\_\_\_\_  
Print Name of Sears Canada Entity the Eligible Voting Claim is held against

\_\_\_\_\_  
Claim Reference Number (if known further to a Notice of Revision or Disallowance sent to you by the Monitor)

\_\_\_\_\_  
Print Name of Eligible Voting Creditor

\_\_\_\_\_  
Print name and title of the authorized signing officer of the corporation, partnership or trust, if applicable signing this form

\_\_\_\_\_  
Signature of Eligible Voting Creditor or, if such creditor is a corporation, partnership or trust, signature of an authorized signing officer of the corporation, partnership or trust

\_\_\_\_\_  
Telephone number of Eligible Voting Creditor or authorized signing officer

\_\_\_\_\_  
Mailing Address of Eligible Voting Creditor

\_\_\_\_\_  
E-mail address of Eligible Voting Creditor

\_\_\_\_\_  
Print Name of Witness

\_\_\_\_\_  
Signature of Witness

### INSTRUCTIONS FOR COMPLETION OF PROXY

1. This proxy should be read in conjunction with the joint plan of compromise and arrangement of Sears Canada Inc. and certain of its affiliates (collectively, the “**Sears Canada Entities**”) dated [●], 2019 (as may be amended, restated, supplemented, or amended and restated from time to time, the “**Plan**”) filed pursuant to the *Companies’ Creditors Arrangement Act* with the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) and in connection with the meetings order granted by the Court on [●], 2019 (the “**Meetings Order**”). Capitalized terms used herein that are not otherwise defined herein shall have the meanings ascribed to them in the Plan or Meetings Order.
2. Each Eligible Voting Creditor has the right to appoint as his or her proxy a person (who need not be a Creditor) to attend, act and vote for and on behalf of such Eligible Voting Creditor at the applicable Meeting, and such right may be exercised by inserting the name of the proxy holder in the blank space provided on the proxy.
3. If no name is inserted in the blank space provided in this proxy, the Eligible Voting Creditor will be deemed to have appointed **[Mr. Paul Bishop]** of FTI Consulting Canada Inc., in its capacity as Monitor or such other Person as **[he]**, in **[his]** sole discretion may designate, as the Eligible Voting Creditor’s proxy holder.
4. An Eligible Voting Creditor who has given a proxy may revoke it as to any matter on which a vote has not already been cast pursuant to its authority by delivering written notice to the Monitor at the contact details set out below prior to 5:00 pm. (Toronto time) on [●], 2019 (the “**Proxy Deadline**”).
5. If this proxy is not dated in the space provided, it shall be deemed to be dated as of the date on which it is received by the Monitor.
6. A valid proxy from the same Eligible Voting Creditor bearing or deemed to bear a later date shall revoke this proxy. If more than one valid proxy from the same Eligible Voting Creditor in the same capacity and bearing or deemed to bear the same date are received with conflicting instructions, such proxies shall not be counted for the purposes of the vote.
7. This proxy confers discretionary authority upon the proxy holder with respect to amendments or variations to matters identified in the Notice of Meetings and Sanction Hearing and other matters that may properly come before the applicable Meeting or any adjournment or postponement of the applicable Meeting.
8. The proxy holder shall vote the Voting Claim or Unresolved Voting Claim of the Eligible Voting Creditor in accordance with the direction of the Eligible Voting Creditor appointing him or her on any ballot that may be called for at the applicable Meeting or any adjournment or postponement of such Meeting.

**IF AN ELIGIBLE VOTING CREDITOR SUBMITS THIS PROXY AND FAILS TO INDICATE ON THIS PROXY A VOTE FOR OR AGAINST APPROVAL OF THE PLAN, AND [MR. PAUL BISHOP] OR [HIS] DESIGNATE IS APPOINTED AS PROXY HOLDER, THIS PROXY SHALL BE VOTED FOR APPROVAL OF THE PLAN, INCLUDING ANY AMENDMENTS, VARIATIONS OR SUPPLEMENTS THERETO.**

**IF AN ELIGIBLE VOTING CREDITOR SUBMITS THIS PROXY AND FAILS TO INDICATE ON THIS PROXY A VOTE FOR OR AGAINST APPROVAL OF THE PLAN, AND APPOINTS A PROXY HOLDER OTHER THAN [MR. PAUL BISHOP] OR [HIS] DESIGNATE, THE PROXY HOLDER MAY VOTE ON THE PLAN AS HE OR SHE DETERMINES AT THE APPLICABLE MEETING.**

9. If the Eligible Voting Creditor is an individual, this proxy must be signed by the Eligible Voting Creditor or by a person duly authorized (by power of attorney) to sign on the Eligible Voting Creditor’s behalf. If the Eligible Voting Creditor is a corporation, partnership or trust, this proxy must be signed by a duly authorized officer or attorney of the corporation, partnership or trust. If you are voting on behalf of a corporation, partnership or trust or on behalf of another individual at a Meeting, you must have been appointed as a proxy holder by a duly completed proxy submitted to the Monitor by the Proxy Deadline. You may be required to provide documentation evidencing your power and authority to sign this proxy.
10. **A PROXY, ONCE DULY COMPLETED, DATED AND SIGNED, MUST BE SENT BY EMAIL, OR IF IT CANNOT BE SENT BY EMAIL, DELIVERED, TO THE MONITOR IN EACH CASE SO THAT IT IS RECEIVED BY NO LATER THAN THE PROXY DEADLINE OF 5:00 P.M. (TORONTO TIME) ON ●, 2019.**

By email: [searscanada@fticonsulting.com](mailto:searscanada@fticonsulting.com)

By mail, courier, or fax: FTI Consulting Canada Inc., as Monitor of the Sears Canada Entities  
TD South Tower  
79 Wellington Street West, Suite 2010, P.O. Box 104  
Toronto, Ontario M5K 1G8  
Attention: Elizabeth Pearson

11. The Monitor is authorized to use reasonable discretion as to the adequacy of compliance with respect to the manner in which any proxy is completed and executed, and may waive strict compliance with the requirements in connection with the deadlines imposed by the Meetings Order.

## Schedule "C"

### [LETTERHEAD OF MONITOR]

[●], 2019

TO: Affected Unsecured Creditors of Sears Canada Inc., The Cut Inc., Sears Contact Services Inc., Initium Logistics Services Inc., 9845488 Canada Inc. (formerly "Initium Commerce Lab 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., 3339611 Canada Inc. and SearsConnect (collectively, the "**Sears Parties**"), 191020 Canada Inc. (formerly known as SLH Transport Inc.) and 168886 Canada Inc. (together, the "**SLH Parties**") and 9370-2571 Québec Inc. ("**Former Corbeil**"), and collectively with the Sears Parties and SLH Parties, the "**Sears Canada Entities**").

Dear Sirs/Mesdames:

#### **Proposed Joint Plan of Compromise and Arrangement of the Sears Canada Entities**

Please find enclosed the joint plan of compromise and arrangement (as may be amended, restated, supplemented or amended and restated from time to time, the "**Plan**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") as presented for filing with the Ontario Superior Court of Justice (Commercial List) (the "**Court**") on [●], 2019 by FTI Consulting Canada Inc., in its capacity as the independent Court-appointed Monitor in the CCAA proceedings of the Sears Canada Entities (the "**Monitor**"). Capitalized terms used in this letter that are not otherwise defined in this letter are as defined in the Plan.

#### Overview

As you may know, on June 22, 2017, Sears Canada Inc. and certain of its affiliates (as defined above, the "**Sears Canada Entities**") obtained creditor protection under the CCAA. The Sears Canada Entities have closed all of their stores, discontinued their operations and liquidated substantially all of their assets in an effort to maximize recoveries for their creditors.

In addition, the Monitor and the Honourable J. Douglas Cunningham, Q.C., as Court-appointed litigation trustee (the "**Litigation Trustee**"), were recently authorized by the Court to pursue litigation against certain third parties on behalf of Sears Canada Inc. and its creditors, in connection with the payment of certain dividends made by Sears Canada Inc. to its shareholders in 2013 (the "**Dividend Litigation**").

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 Dividend Litigation, the Monitor has developed the Plan, which is now proposed on behalf of the Sears Canada Entities.

The Plan must be approved by a majority in number of Affected Unsecured Creditors in each of two Unsecured Creditor Classes, representing at least two-thirds in value of the Voting Claims of such Affected Unsecured Creditors, in each case who actually vote in person or by proxy at the applicable Meeting. Effectiveness of the Plan is also subject to the approval of the Court pursuant to the CCAA.

If the Plan is approved by the required majorities of creditors and sanctioned by the Court, the Plan will:

- (a) effect a compromise and settlement of all Affected Claims, in exchange for the distributions to Affected Unsecured Creditors with Proven Affected Unsecured Claims;

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- (b) facilitate the payment of distributions in respect of Proven Affected Unsecured Claims, Proven Priority Claims and Proven Secured Claims;
- (c) implement the resolution of a number of significant claims against the Sears Canada Entities, including (i) claims relating to the wind-up deficit in the Sears Canada Pension Plan, and (ii) certain class action claims; and
- (d) allow those Affected Unsecured Creditors of Sears Canada Inc. who have not opted out of participation in the Dividend Litigation (such litigation being referred to in the Plan as the “**TUV Claim**” and the “**LT Claims**”, with such Creditors being “**Sears Opt-In Creditors**”), to fund the costs of the Dividend Litigation, and receive the benefit from any potential recoveries that may be derived from the pursuit of such litigation,

all in the expectation that all persons with an economic interest in the Sears Canada Entities will derive a greater benefit from the implementation of the Plan than would result from any alternative, including and in particular, a bankruptcy.

Classes of Affected Unsecured Creditors and Voting

The Plan is a single joint Plan that will be subject to approval at the Meetings by the vote of each of two Unsecured Creditor Classes, being:

- (a) the Sears Creditor Class, being Affected Unsecured Creditors of any of the Sears Parties; and
- (b) the SLH Creditor Class, being Affected Unsecured Creditors of any of the SLH Parties.

Since Former Corbeil has sufficient funds to pay all of its Affected Unsecured Creditors in full, such creditors will have no shortfall on their claims and so will not be entitled to vote.

Affected Unsecured Creditors in each class will be entitled to vote the amount of their Affected Unsecured Claim as finally determined in accordance with the applicable Claims Procedure Order and the Plan. To the extent that an Affected Unsecured Claim, or any part thereof, remains unresolved, the Affected Unsecured Creditor will also be able to vote its Unresolved Voting Claim and such vote shall be tabulated separately from the votes of Affected Unsecured Creditors with Proven Claims.

Estimated Recoveries

While the value of distributions to Affected Unsecured Creditors cannot be calculated with certainty at this time, the current estimated range of recoveries for Affected Unsecured Creditors of the SLH Parties is approximately 15 to 20 cents on the dollar. For Affected Unsecured Creditors of the Sears Parties (including Sears Canada Inc.), this figure is estimated at approximately 6 to 8 cents on the dollar, although Sears Opt-In Creditors may receive additional recoveries if pursuit of the Dividend Litigation is successful.

Distributions on account of Proven Claims of Affected Unsecured Creditors in the SLH Creditor Class and Sears Creditor Class will be based on the pro rata share of the net funds available in the SLH Parties and Sears Parties' respective estates. As indicated above, Affected Unsecured Creditors of Former Corbeil will be paid in full.

Sears Opt-In Creditors will additionally be entitled to their pro rata share of the net recoveries resulting from the pursuit of the Dividend Litigation, if any. As a consequence, they will also be required to bear their pro rata share of the net costs of such pursuit.

### Pension Claims

The Sears Canada Entities, Monitor and the Pension Parties reached a settlement pursuant to which the Pension Claims will be allowed as Proven Affected Unsecured Claims at the value of \$624,480,000 against the Sears Parties and \$26,020,000 against the SLH Parties, subject to certain adjustments. As part of the settlement, the Pension Parties agreed to discontinue the Deemed Trust Motions upon implementation of the Plan.

In conjunction with the settlement, the Monitor reached a support agreement with the Pension Plan Administrator whereby the Pension Plan Administrator or its designated proxy will vote in favour of the Plan, provided that the conditions of the settlement are met.

### Releases

The Plan provides for customary releases in favour of the Sears Released Parties and the Third Party Released Parties as set out in greater detail in Article 9 of the Plan.

Notably, the Plan does not provide releases in respect of certain types of claims, including those relating to the matters being pursued by the Monitor, the Litigation Trustee or others in connection with the Dividend Litigation.

### Consideration of and Vote on the Plan

The information provided in this letter is intended to give a high level overview of the Plan. You should note, however, that the governing document is the Plan. Accompanying this letter are the following important documents:

- The Plan;
- The Notice of Meetings and Sanction Hearing;
- The Monitor's Report on the Plan; and
- A form of Creditor Proxy and instructions for its completion.

**You should read each of these documents carefully and in their entirety. You may wish to consult legal, financial, tax or other professional advisors regarding the Plan and should not construe the contents of this letter as investment, legal or tax advice.**

**The Meetings will be held on [March 28], 2019 in Toronto, Ontario.** Details of the Meetings and the Sanction Hearing are contained in the Notice of Meetings and Sanction Hearing.

Creditors that are corporations, partnerships or trusts wishing to vote on the Plan must submit a properly completed proxy so that it is received by no later than **5:00 p.m. (Toronto time) on ●, 2019** (the "**Proxy Deadline**") appointing a proxy holder to attend and vote at the applicable Meeting.

Creditors that are individuals wishing to vote on the Plan may (i) appoint a proxy holder to attend and vote at the applicable Meeting(s) by submitting a properly completed proxy so that it is received by no later than the Proxy Deadline; or (ii) vote in person at the applicable Meeting(s).

**As stated in the Monitor's Report on the Plan, the Monitor recommends that Affected Unsecured Creditors vote FOR approval of the Plan.**

Pursuant to the Meetings Order, Employee Representative Counsel and Pension Representative Counsel have been appointed as proxy holder for the Employees ("**ERC Employees**") and Retirees ("**PRC Retirees**") that they respectively represent.

Accordingly, **ERC Employees and PRC Employees do not need to complete a proxy**. Employee Representative Counsel and Pension Representative Counsel will be voting their proxies **FOR** approval of the Plan.

The Pension Plan Administrator, being the largest unsecured creditor in the estate, has also confirmed that, subject to satisfaction of the conditions contained in the Plan, it will vote **FOR** approval of the Plan.

Further Information

If you have any questions regarding the Plan, the vote, or matters with respect to the Meetings or Sanction Hearing, please contact the Monitor by email at [searscanada@fticonsulting.com](mailto:searscanada@fticonsulting.com).

Yours sincerely,

FTI Consulting Canada Inc., in its capacity as Court-appointed Monitor of the Sears Canada Entities

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

**MEETINGS ORDER**

**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 the Monitor, FTI Consulting Canada Inc.