

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

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

**SUPPLEMENT TO THE FOURTH REPORT OF FTI CONSULTING CANADA INC.,
AS MONITOR**

October 12, 2017

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

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
SEARS CANADA INC., CORBEIL ÉLECTRIQUE INC., S.L.H. TRANSPORT INC., THE
CUT INC., SEARS CONTACT SERVICES INC., INITIUM LOGISTICS SERVICES INC.,
INITIUM COMMERCE LABS INC., INITIUM TRADING AND SOURCING CORP., SEARS
FLOOR COVERING CENTRES INC., 173470 CANADA INC., 2497089 ONTARIO INC.,
6988741 CANADA INC., 10011711 CANADA INC., 1592580 ONTARIO LIMITED, 955041
ALBERTA LTD., 4201531 CANADA INC., 168886 CANADA INC. AND
3339611 CANADA INC.

APPLICANTS

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

A. INTRODUCTION

1. On October 11, 2017, the Monitor filed the Fourth Report to the Court (the “**Fourth Report**”) in these CCAA Proceedings in relation to a motion by the Applicants, returnable October 13, 2017, for among other things, the approval of the Second Liquidation Process and the Second Liquidation Agreement. Capitalized terms used herein and not otherwise defined in this Supplement to the Fourth Report have the meanings given to them in the Fourth Report.
2. The purpose of this Supplement to the Fourth Report is to provide additional information to the Court on an additional motion by the Applicants, which is also returnable on October 13, 2017 for Orders:

- (a) extending the Stay Period (as defined in the Initial Order) to January 21, 2018;
- (b) amending and restating paragraph 54 of the Initial Order; and
- (c) approving a Ninth Amendment to the DIP Term Credit Agreement.

B. AMENDMENTS TO DIP CREDIT AGREEMENT

- 3. As previously reported in the Supplement to the Third Report, the DIP Lenders and the Applicants entered into Seventh Amendments to the DIP Credit Agreements on October 3, 2017.
- 4. The Seventh Amendments required that Sears Canada meet certain milestone dates leading to the successful selection of an acceptable liquidation arrangement and the approval of an updated DIP budget (the “**Seventh Amendment Milestones**”).
- 5. As described in the Fourth Report, the Applicants have now entered into the Second Liquidation Agreement. However, certain of the Seventh Amendment Milestones were not satisfied prior to entry into the Second Liquidation Agreement.
- 6. Following discussions regarding the Seventh Amendment Milestones, the Second Liquidation Agreement and the liquidity needs of the Applicants, the DIP Lenders and the Applicants have entered into Eighth Amendments to the DIP Credit Agreements (the “**Eighth Amendments**”). Copies of the Eighth Amendments are attached hereto as Appendix “A”.
- 7. The Eighth Amendments include the following material terms:
 - (a) The DIP Lenders have waived any defaults or forbearance terminating events arising as a result of the failure of the Applicants to satisfy certain Seventh Amendment Milestones in relation to the delivery or acceptance of budgets and liquidation agreements on or before prescribed deadlines;
 - (b) The lenders under the DIP ABL Credit Agreement have agreed to provide additional extensions of credit at the times set out in the Eighth Amendment to the DIP ABL Credit Agreement, in an aggregate amount up to \$18.9 million for the

week ending October 14, 2017, which is forecast to provide sufficient funding to the Applicants to operate until such time as the initial proceeds of the Second Liquidation Agreement are received, after which time the Applicants would use the Permitted Repayment Exception Amount (as defined below) to satisfy ongoing obligations. The DIP ABL Lenders have funded the entire \$18.9 million under the Eighth Amendment;

- (c) Applicable inventory threshold covenants are amended for the week ending October 7, 2017, consistent with past practice, to avoid defaults under such covenants. Both Eighth Amendments provide that, upon Court approval of the Second Liquidation Agreement, for the current week and subsequent weeks, certain inventory and operating cash flow covenants shall be deleted and replaced with covenants requiring compliance with an updated approved DIP budget, subject to permitted variances;
- (d) Upon repayment of the obligations under the DIP ABL Credit Agreement and termination of commitments thereunder, which is projected to occur upon receipt of the initial guaranty payment under the Second Liquidation Agreement, the cash in the L/C Collateral Account (as defined in the Initial Order) would be increased to provide cash collateral equal to 105% of the face amount of all letters of credit that remain outstanding at that time. This cash collateral would be held by the DIP ABL Agent as security for the obligations of Sears Canada in connection with such letters of credit until the obligations under such letters of credit shall have been satisfied or expired, at which point such cash collateral would be returned to Sears Canada. The amendments to the definition of L/C Collateral Account and the payment of these additional amounts into the L/C Collateral Account necessitate certain amendments to paragraph 54 of the Initial Order to ensure that the priority rights of the DIP ABL Lenders to the cash collateral in the L/C Collateral Account are preserved in a manner consistent with the cash collateral provided at the outset of these proceedings for the pre-filing letters of credit.

- (e) No fee will be charged in connection with the Eighth Amendments.
 - (f) Sears Canada acknowledges that the lenders under the DIP Credit Agreements have entered into the Eighth Amendments and the lenders under the DIP ABL Credit Agreement have agreed to continue funding in reliance upon Sears Canada's execution of the Second Liquidation Agreement. Sears Canada agrees it will not, without the prior written consent of the DIP Lenders, terminate the Second Liquidation Agreement (including as result of an Alternative Going Concern Bid or an Alternative Liquidation Bid (in each case as defined in the Second Liquidation Agreement)) or pay any break fee or other similar amount to any bidder.
 - (g) The effectiveness of the Eighth Amendments is conditional upon, among other things, Sears Canada's entry into the Ninth Amendment (as defined below).
8. The lenders under the DIP Term Credit Agreement and the Applicants also propose to enter into a Ninth Amendment to the DIP Term Credit Agreement (the "**Ninth Amendment**"). A copy of the Ninth Amendment without schedules is attached hereto as Appendix "B".
9. The Ninth Amendment is necessary because the current terms of the DIP Credit Agreements, without considering the Ninth Amendment, would require the Applicants to pay over all proceeds from the initial guaranty payment under the Second Liquidation Agreement and any other proceeds of dispositions to the DIP Lenders in repayment of the outstanding obligations under the DIP Credit Agreements. After such repayments, the Applicants would cease to have access to the facilities under the DIP ABL Credit Agreement and would have no mechanism to draw additional amounts under the DIP Term Credit Agreement. In such a circumstance, the Applicants would not have sufficient liquidity to continue to operate and complete the liquidation sale.
10. The Ninth Amendment assists in resolving the above liquidity issue by permitting the Applicants to retain an amount of \$67,700,000 (the "**Permitted Repayment Exception Amount**") of proceeds from the initial guaranty payment under the Second Liquidation

Agreement, which would otherwise be required to be paid over to the lenders upon receipt under the DIP Term Credit Agreement, to be used in accordance with the approved DIP budget during the continuation of these proceedings. With the Permitted Repayment Exception Amount, the Applicants forecast they will have sufficient cash to continue operations and, subject to the receipt of additional asset sale proceeds, repay all obligations outstanding under the DIP Term Credit Agreement and complete the liquidation sale under the Second Liquidation Agreement.

11. Other material terms of the Ninth Amendment are as follows:
 - (a) Expenditures must be in accordance with the updated approved DIP budget, subject to permitted variances;
 - (b) An additional event of default would occur if the Applicants fail to use the proceeds from dispositions of collateral (other than the Permitted Repayment Exception Amount) as and when received to repay the obligations under the DIP Term Credit Agreement;
 - (c) The Ninth Amendment and the Second Liquidation Agreement must be approved by the Court on or before October 13, 2017; and
 - (d) All outstanding obligations under the DIP ABL Credit Agreement shall be repaid not later than two business days after the date of receipt by Sears Canada or any other Applicant of the initial guarantee payment under the Second Liquidation Agreement.
12. The Ninth Amendment contemplates an amendment fee payable to the lenders under the DIP Term Credit Agreement equal to 0.5% of the Term DIP Loan Amount (which amendment fee is approximately US\$587,500).

Monitor's Recommendation

13. The Monitor supports the Applicants' request for approval of the Ninth Amendment. The Eighth Amendment and the Ninth Amendments were negotiated, collectively, as an arrangement to provide essential funding to the Applicants that will allow the Applicants

to complete their liquidation process and maximize recoveries for all stakeholders. The Monitor has considered the quantum of the amendment fee proposed in the Ninth Amendment and recognizes that the fee charged would impact the potential recoveries to other creditors. In the Monitor's view, the proposed fee is not unreasonable in the circumstances considering that the lenders under the DIP Term Credit Agreement have agreed to materially amend the terms of their financing arrangements with the Applicants and, as a result, have been asked to materially delay their repayment to provide the Applicants with certainty of continued funding. Any alternative funding would likely also result in material additional fees and would certainly result in additional professional costs to the Applicants.

14. The Monitor notes that the outside maturity date of the DIP Term Credit Agreement remains December 20, 2017. However, the Applicants will seek to complete sufficient asset sale transactions prior to that date (including under transaction agreements already entered into) to satisfy the obligations under the DIP Term Credit Agreement, including the repayment of the Permitted Repayment Exception Amount by that date.

C. STAY EXTENSION

15. The Stay Period (as defined in the Initial Order) currently expires on November 7, 2017.
16. The Stay Period was last extended by Order of the Court on October 4th. At that time, the Monitor reported that a shorter stay extension was appropriate while the Applicants continued to consider their next material steps. If the Court grants the Applicants' request to approve the Second Liquidation Agreement and the Second Liquidation Process, the Applicants will have a clearer path forward.
17. Since the date of the October 4th Order extending the Stay Period, the Applicants have worked diligently and in good faith to:
 - (a) negotiate and enter into the Second Liquidation Agreement on an expedited timeline;

- (b) negotiate certain amendments to the DIP Credit Agreements to provide for continued funding;
 - (c) complete a number of the Lease Surrender Transactions approved by the Court on October 4th;
 - (d) progress toward completion of all other transactions approved by the Court on October 4th;
 - (e) respond to the Stranzl Group's going concern bid and engage in communications with stakeholder groups in respect of the same; and
 - (f) prepare for the commencement of the liquidation process at the remaining Sears Canada locations.
18. The Applicants have requested an extension of the Stay Period to January 21, 2018.
19. Assuming the Ninth Amendment is approved and implemented, the Applicants will have sufficient liquidity to fund operations until at least January 21, 2018, which is also the stated Sale Termination Date under the Second Liquidation Agreement.
20. Based upon the terms of the Second Liquidation Agreement, the expected date for completion of the liquidation sale at the remaining Sears Canada locations is, at the latest, January 21, 2018.
21. The Applicants require the protection and stability provided by the stay of proceedings under the Initial Order until at least January 21, 2018 to, among other things: (i) complete the liquidation sale; (ii) commence a process to call for and quantify claims of creditors; (iii) continue efforts complete additional transactions for assets and businesses that were offered for sale in connection with the SISP including, without limitation, the assets and business of Corbeil and SLH and significant owned real estate assets; and (iv) determine a process to distribute funds to creditors and to administer any disputes that may arise through such process.

D. RECEIPTS AND DISBURSEMENTS FOR THE ONE-WEEK ENDING SEPTEMBER 30, 2017

22. The Sears Canada Group's actual net cash outflow on a consolidated basis for the one-week ended September 30, 2017 was approximately \$7.5 million, compared to a forecast net cash outflow of \$7.7 million resulting in a positive variance of approximately \$0.2 million as indicated in the table below:

VARIANCE REPORT	Actual	Forecast	Variance
(CAD in Millions)	For the 1 Week Ending September 30, 2017		
Operating Receipts	32.4	30.9	1.5
Operating Disbursements			
Payroll and Employee Related Costs	(11.2)	(8.5)	(2.7)
Merchandise Vendors	(11.7)	(17.6)	5.9
Non-Merchandise Vendors	(5.9)	(3.7)	(2.2)
Rent and Property Taxes	(5.2)	(0.9)	(4.3)
Sales Taxes	(1.7)	(1.7)	-
Pension	(3.7)	(3.7)	-
IT Costs	(0.4)	(0.4)	-
Capital Expenditures	(0.1)	(0.1)	-
Total Operating Disbursements	(39.9)	(36.6)	(3.3)
Net Operating Cash Inflows / (Outflows)	(7.5)	(5.7)	(1.8)
Professional Fees	-	(2.0)	2.0
DIP Fees and Interest Paid	-	-	-
Net Cash Inflows / (Outflows)	(7.5)	(7.7)	0.2
Cash			
Beginning Balance	43.2	43.2	-
Net Cash Inflows / (Outflows)	(7.5)	(7.7)	0.2
DIP Draws / (Repayments)	-	-	-
Others incl. FX Valuation	-	-	-
Ending Balance	35.7	35.5	0.2

23. Explanations for the key variances are as follows:
- (a) the positive variance in Operating Receipts of approximately \$1.5 million is believed to be a permanent difference due to higher -than-forecasted sales;
 - (b) the negative variance in Payroll and Employee Related Costs of approximately \$2.7 million is a permanent difference related to the remittance of government source deductions from the previous period that was not in the forecast;
 - (c) the positive variance in Merchandise Vendor disbursements of \$5.9 million is a timing difference that is expected to reverse in future forecast periods;
 - (d) the negative variance in Non-Merchandise Vendor disbursements of approximately \$2.2 million is a timing difference which may include certain merchandise vendor payments (which is to be offset against the positive variance in Merchandise Vendor disbursements above) that is expected to reverse in future forecast periods;
 - (e) the negative variance in Rent and Property Taxes of approximately \$4.3 million is a timing difference resulting from the processing of rent and property tax payments before the October 1 due date whereas the Cash Flow Forecast assumed these payments would be made in the week ending October 7, 2017; and
 - (f) the positive variance in Professional Fees is a timing difference that is expected to reverse in future forecast periods.
24. The Initial Order allowed the Sears Canada Group to continue to utilize their existing Cash Management System as described in the First Wong Affidavit and the pre-filing report of the Monitor. After the commencement of the CCAA Proceedings, the Sears Canada Group has continued to utilize its Cash Management System in a manner consistent with past practice.

E. REVISED CASH FLOW FORECAST

25. The Revised Cash Flow Forecast covers the period until January 21, 2018 and is attached to hereto as Appendix “C”.
26. Pursuant to section 23(1)(b) of the CCAA¹ and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1, the Monitor hereby reports to the Court as follows:
- (a) the Monitor has reviewed the Revised Cash Flow Forecast, which was prepared by Management for the purpose described in notes to the Cash Flow Forecast (the “**Forecast Notes**”), using the Probable Assumptions and Hypothetical Assumptions set out therein;
 - (b) the review consisted of inquiries, analytical procedures and discussion related to information provided by certain members¹ of Management and employees of the Sears Canada Group. Since Hypothetical Assumptions need not be supported, the Monitor’s procedures with respect to the Hypothetical Assumptions were limited to evaluating whether the Hypothetical Assumptions were consistent with the purpose of the Revised Cash Flow Forecast. The Monitor has also reviewed the support provided by Management for the Probable Assumptions and the preparation and presentation of the Revised Cash Flow Forecast;
 - (c) based on that review, and as at the date of this Supplement to the Fourth 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 Group or do not provide a reasonable basis for the Revised Cash Flow Forecast, given the Hypothetical Assumptions; or

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

- (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 Supplement to the Fourth Report, or relied upon by the Monitor in preparing this Supplement to the Fourth Report.
- 27. 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.
- 28. The Revised Cash Flow Forecast shows total receipts of approximately \$620.2 million, which includes approximately \$500.6 million from the Second Liquidation Process and certain lease and asset sale transactions. Net operating cash inflows during the forecast period are approximately \$380.3 million, before professional fees of approximately \$34 million and DIP interest and fees of approximately \$7.1 million, such that net cash inflows for the period are forecast to be \$339.2 million before net forecast repayments of the DIP credit facilities of approximately \$237.2 million.
- 29. The Revised Cash Flow Forecast shows, subject to the assumptions set out therein, that the Applicants are forecasted to have sufficient liquidity to continue operations until the completion of the second liquidation sale process.
- 30. The Applicants intend to make a payment in the amount of US\$1,500,000 in connection with a 120 day extension of the existing directors' insurance policy. The Monitor has consulted with the DIP Term Lenders, counsel to the Superintendent, Employee Representative Counsel and Pension and Retiree Representative counsel on this matter. The Monitor is not aware of any objections to the payment.

F. CONCLUSION

31. For the reasons set out in the Fourth Report and this Supplement to the Fourth Report, the Monitor supports the Applicants' request for (i) an extension of the Stay Period to January 21, 2018; (ii) approval of the Ninth Amendment; and (iii) the amendment and restatement of paragraph 54 of the Initial Order.

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

Dated this 12th day of October, 2017.

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

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

Paul Bishop
Senior Managing Director

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

Greg Watson
Senior Managing Director

APPENDIX "A"
EIGHTH AMENDMENTS

THIS EIGHTH AMENDING AGREEMENT made as of the 11th day of October, 2017

B E T W E E N:

SEARS CANADA INC., as Borrower

and

THE LENDERS NAMED HEREIN

and

THE L/C ISSUING BANK NAMED HEREIN

and

**WELLS FARGO CAPITAL FINANCE CORPORATION CANADA
as Administrative Agent, Collateral Agent and Swingline Lender**

WHEREAS Sears Canada Inc., as borrower (the “**Borrower**”), the banks, financial institutions and other institutional lenders listed on the signature pages thereto (the “**Lenders**”), the L/C Issuing Bank party thereto, and Wells Fargo Capital Finance Corporation Canada, as administrative agent and collateral agent (the “**Agent**”), entered into that certain senior secured superpriority debtor-in-possession amended and restated credit agreement dated as of June 22, 2017, as amended pursuant to a first amending agreement dated as of July 12, 2017, a second amending agreement dated as of August 18, 2017, a third amending agreement dated as of September 1, 2017, a fourth amending agreement dated as of September 8, 2017, a fifth amending agreement dated as of September 15, 2017, a sixth amending agreement dated as of September 22, 2017 and a seventh amending agreement, extension and forbearance (the “**Seventh Amendment**”) dated as of October 3, 2017 (the “**Credit Agreement**”) pursuant to which certain credit facilities continued to be made available to the Borrower during the pendency of its proceedings under the *Companies’ Creditors Arrangement Act* (Canada);

AND WHEREAS, the Borrower, the Agent and the Lenders have agreed to make certain amendments to the Credit Agreement on the terms and conditions set forth in this amending agreement (this “**Amending Agreement**”).

NOW THEREFORE THIS AMENDING AGREEMENT WITNESSES THAT in consideration of the covenants and agreements contained herein and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

Section 1 General

In this Amending Agreement (including the recitals) unless otherwise defined or the context otherwise requires, all capitalized terms shall have the respective meanings specified in the Credit Agreement, as amended hereby.

Section 2 To be Read with Credit Agreement

This Amending Agreement is an amendment to the Credit Agreement. Unless the context of this Amending Agreement otherwise requires, the Credit Agreement and this Amending Agreement shall be read together and shall have effect as if the provisions of the Credit Agreement and this Amending Agreement were contained in one agreement. The term “**Agreement**” when used in the Credit Agreement means the Credit Agreement and the schedules thereto, as previously amended and as amended by this Amending Agreement and as may be further amended, revised, replaced, supplemented or restated from time to time. This Amending Agreement constitutes a Loan Document.

Section 3 Headings

The division of this Amending Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Amending Agreement. The terms “**this Amending Agreement**”, “**hereof**”, “**hereunder**” and similar expressions refer to this Amending Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless otherwise specified, references herein to Articles and Sections are to Articles and Sections of this Amending Agreement.

Section 4 Number

Words importing the singular number only shall include the plural and *vice versa*, words importing the masculine gender shall include the feminine and neuter genders and *vice versa*.

Section 5 Amendments

- 5.1 Amendment to Section 5(a)(ii)(C) of the Seventh Amendment. Section 5(a)(ii)(C) of the Seventh Amendment is hereby amended by deleting the reference therein to “October 9, 2017” and replacing it with a reference to “October 11, 2017, or such later date as the Agent and the Lenders may approve in their sole and absolute discretion”.
- 5.2 Amendment to Section 5(a)(v) of Seventh Amendment. Section 5(a)(v) of the Seventh Amendment is hereby amended by deleting the reference therein to “October 6, 2017” and replacing it with a reference to “October 11, 2017, or such later date as the Agent and the Lenders may approve in their sole and absolute discretion”.
- 5.3 Amendment to Section 5(d) of Seventh Amendment. Section 5(d) of the Seventh Amendment is hereby deleted in its entirety and the following is substituted in its stead:

“Notwithstanding the existence of the Existing Defaults, in reliance on the Borrower’s execution of an amended and restated liquidation agreement dated as of October 10, 2017

with a contractual joint venture comprised of Gordon Brothers Canada ULC, Merchant Retail Solutions ULC, Tiger Capital Group, LLC and GA Retail Canada ULC (the “**Liquidation Agreement**”), following the effectiveness of this Agreement and until the occurrence of a Forbearance Termination Event, the Lenders agree to provide Extensions of Credit in accordance with the terms and conditions of the Credit Agreement (as amended and supplemented hereby), solely in respect of the week ending October 14, 2017 in accordance with the amended DIP Budget delivered by the Borrower on October 10, 2017 in an amount not to exceed (i) \$10,000,000 in the aggregate up to and including October 11, 2017 and (iv) \$18,900,000 in the aggregate for such week; provided that, in each case, all conditions precedent set out in Section 4.03 of the Credit Agreement to each Extension of Credit are met (other than the condition set out in Section 4.03(b) of the Credit Agreement, to the extent it cannot be met solely as a result of the Existing Defaults).”

- 5.4 Amendment to Section 3.11 of Credit Agreement. Section 3.11 of the Credit Agreement is hereby deleted in its entirety and the following is substituted in its stead:

“The Borrower has cash collateralized all Prepetition L/Cs in accordance with the DIP Budget. Prior to the Termination Date, all cash collateral for the Prepetition L/Cs shall be held as additional collateral security for the Obligations in an account in the name of the Agent and for the benefit of the Lenders (the “**L/C Collateral Account**”) and the Liens in favour of the Agent on behalf of the Credit Parties shall rank in priority to all other Liens and the Court Charges on such cash collateral and the L/C Collateral Account in accordance with Paragraph 54 of the Initial Order. On the Termination Date, but subject to the last paragraph of Section 7.01 of the Credit Agreement, all Letters of Credit shall be cash collateralized in accordance with Section 6.01(p), and such cash collateral shall be deposited into the L/C Collateral Account, and the Liens in favour of the Agent on behalf of the Credit Parties shall rank in priority to all other Liens and the Court Charges on such cash collateral and the L/C Collateral Account in accordance with Paragraph 54 of the Initial Order.”

- 5.5 Amendment to Section 6.01(y) of Credit Agreement. Section 6.01(y) of the Credit Agreement is hereby amended by deleting paragraph (ii) thereof in its entirety, and by substituting the following in its stead:

“(ii) the actual amount of the Loan Parties’ Total Eligible Inventory Available shall be equal to at least (each a “Minimum Inventory Amount”): (A) solely in respect of the week ending September 2, 2017, 80% of the amount of Total Eligible Inventory Available reflected in the DIP Budget for such week, (B) solely in respect of the week ending September 9, 2017, 82% of the amount of Total Eligible Inventory Available reflected in the DIP Budget for such week, (C) solely in respect of the week ending September 16, 2017, 70% of the amount of Total Eligible Inventory Available reflected in the DIP Budget for such week, (D) solely in respect of the weeks ending September 23, 2017, September 30, 2017 and October 7, 2017, 65% of the amount of Total Eligible Inventory Available reflected in the DIP Budget for such week and (E) in respect of any other Testing Period, 90% of the amount of Total Eligible Inventory Available reflected in the DIP Budget for such Testing Period, provided that, if for any relevant period the actual amount of Total Eligible Inventory Available is less than the Minimum Inventory Amount for such period (the amount of such shortfall being, the “Inventory Shortfall Amount”) and such Inventory

Shortfall Amount is a result of any store closure not set out in the DIP Budget and set out on Schedule 1.01C as of the Effective Date, the Permitted Net Cash Variance Amount in effect at such time shall be decreased by the amount of the Inventory Shortfall Amount and if, after giving effect to such decrease in the Permitted Net Cash Variance Amount the Loan Parties remain in compliance with the covenant in paragraph (i) above, it shall not constitute an Event of Default pursuant to this paragraph (ii).”

Section 6 Amendments to Credit Agreement following approval of Liquidation Agreement.

If the Liquidation Agreement is approved by the CCAA Court on or before October 13, 2017, concurrently with the issuance of such approval order by the CCAA Court, the following additional amendments to the Credit Agreement shall be made:

- 6.1 Amendment to Section 1.01 of the Credit Agreement. Section 1.01 of the Credit Agreement shall be amended by deleting the definition of “Permitted Net Cash Variance Amount” in its entirety, and by substituting the following in its stead:

““Permitted Net Cash Variance Amount” means, as at the date of determination, CAN\$10,000,000.”

- 6.2 Amendment to Section 1.01 of the Credit Agreement. Section 1.01 of the Credit Agreement shall be amended by deleting the definition of “Permitted Variance” in its entirety, and by substituting the following in its stead:

““Permitted Variance” means the cumulative (taking into account the period from October 1, 2017 to October 10, 2017) negative variance (if any) in the amount of the Loan Parties’ Operating Net Cash Flow, excluding proceeds from the Disposition of the Collateral on or after October 10, 2017 not to exceed the Permitted Net Cash Variance Amount for the relevant Testing Period, as compared to the DIP Budget, excluding proceeds from the Disposition of the Collateral on or after October 10, 2017.”

- 6.3 Amendment to Section 6.01(j) of the Credit Agreement. Section 6.01(j) of the Credit Agreement shall be amended by deleting clause (xiii) thereof in its entirety, and by substituting the following in its stead:

“(xiii) on the Wednesday of each week: (i) an updated weekly cash flow forecast for the subsequent 13 week period on a rolling basis which shall be in form and substance satisfactory to the Agent, and (ii) a variance calculation (the “Variance Report”) setting forth actual cash receipts, disbursements, net cash flows, Eligible Inventory, Total Eligible Inventory Available and Excess Availability of the Loan Parties for the preceding calendar week (the “Testing Period”) and on a cumulative basis, and setting forth all the variances, on a line-item and aggregate basis in comparison to the amounts set forth in respect thereof for such Testing Period in the DIP Budget; each such Variance Report to be promptly discussed on a telephone call with the Lender FA;”

6.4 Amendment to Section 6.01 of the Credit Agreement. Section 6.01 of the Credit Agreement shall be amended by deleting paragraph (y) thereof in its entirety, and by substituting the following in its stead:

“(y) Compliance with DIP Budget. Adhere to the DIP Budget subject to Permitted Variances.

Section 7 Termination of Liquidation Agreement

The Borrower acknowledges that the Agent and the Lenders have entered into this Amending Agreement, have agreed to extend the Forbearance and have agreed to fund in accordance with Section 5.3 above in reliance on the Borrower’s execution and delivery of the Liquidation Agreement. The Borrower agrees that it shall not, without the prior written consent of the Agent and the Lenders in their sole and absolute discretion, (i) terminate the Liquidation Agreement, (ii) accept any Alternative Going Concern Bid or Alternative Liquidation Bid (as such terms are defined in the Liquidation Agreement) or (iii) pay any break fee or other similar fees or any expense reimbursement to any bidder in the SISP or to any other third party. Failure to comply with this covenant shall automatically constitute a Forbearance Termination Event and an Event of Default without any action or notice required whatsoever.

Section 8 Matters relating to Seventh Amendment

8.1 Existing Forbearance Events of Default. The Borrower, the Agent and the Lenders hereby acknowledge that, as of the date of this Agreement, the following Forbearance Termination Events (collectively, the “**Existing Forbearance Termination Events**”) have occurred and are continuing:

- (a) As required pursuant to Section 5(a)(ii)(A) and Section 5(a)(iii) of the Seventh Amendment, the Borrower failed to deliver satisfactory October Liquidation Bids to the Agent and the Lenders on or before October 6, 2017;
- (b) As required pursuant to Section 5(a)(ii)(B) of the Seventh Amendment, the Borrower failed to deliver a satisfactory October Liquidation Agreement to the Agent and the Lenders on or before October 7, 2017;
- (c) As required pursuant to Section 5(a)(ii)(C) of the Seventh Amendment, the Borrower failed to serve the motion record to the CCAA Proceedings service list for approval of the October Liquidation Agreement on or before October 9, 2017;
- (d) As required pursuant to Section 5(a)(iv)(A) and (B) of the Seventh Amendment, the Borrower failed to (A) solicit Store Closure Liquidation Bids on or before October 4, 2017; and (B) receive one or more satisfactory Store Closure Liquidation Bids on or before October 6, 2017; and
- (e) As required pursuant to Section 5(a)(v) of Seventh Amendment, the Borrower failed to submit a revised DIP Budget to the Agent and the Lenders on or before October 6, 2017.

7.2 Waiver of Existing Forbearance Events of Default. The Lenders and the Agent hereby waive the Existing Forbearance Termination Events. Notwithstanding this waiver, the Borrower, the Agent and the Lenders expressly agree that the Seventh Amendment shall continue in full force and effect and is hereby confirmed and the rights and obligations of all parties thereunder shall not be affected or prejudiced in any manner except as specifically provided for herein.

Section 9 Cash Collateralization of Letters of Credit

The Agent and the Lenders hereby confirm that upon repayment in full of all Obligations owing on the Termination Date (other than the undrawn and unexpired amount of all Letters of Credit which remain outstanding after the Termination Date), it shall not require the Borrower to provide cash collateral in excess of 105% of the face amount of all such Letters of Credit which remain outstanding after the Termination Date, and the parties acknowledge and agree that such cash collateral shall be held in the L/C Collateral Account on account of and applied solely to Reimbursement Obligations in respect of such Letters of Credit and to the payment of all fees and other charges owing in respect thereof in accordance with Section 3.03 of the Credit Agreement. Any unused portion of such cash collateral remaining after all such Letters of Credit have been fully drawn or have expired and all Reimbursement Obligations and other obligations in respect of such Letters of Credit have been satisfied shall be returned to the Borrower in accordance with the last paragraph of Section 7.01 of the Credit Agreement. In furtherance of the foregoing, the Borrower hereby agrees to seek a CCAA Court Order amending and restating Paragraph 54 of the Initial Order in the form of Schedule A hereto and agrees that failure to obtain such CCAA Court Order shall constitute an Event of Default.

Section 10 Representations and Warranties

In order to induce the Agent and the Lenders to enter into this Amending Agreement, the Borrower represents and warrants to the Agent and to the Lenders as follows:

- (a) the representations and warranties made by each Loan Party in or pursuant to the Loan Documents are true and correct on and as of the date hereof in all material respects, except to the extent that (A) such representations or warranties are qualified by a materiality standard, in which case they shall be true and correct in all respects, (B) such representations or warranties expressly relate to an earlier date (in which case such representations and warranties were true and correct in all material respects as of such earlier date), and (C) such representations and warranties relate to Section 5.01(f) of the Credit Agreement, in which case such representation and warranties shall be limited to clause (c) of the definition of “Material Adverse Effect”;
- (b) all necessary corporate, company or partnership action has been taken to authorize the execution, delivery and performance of this Amending Agreement by the applicable Loan Parties and each has duly executed and delivered this Amending Agreement;
- (c) each of (i) this Amending Agreement and (ii) the Credit Agreement, as amended by this Amending Agreement, is a legal, valid and binding obligation of each of the

applicable Loan Parties enforceable against them in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by principles of equity); and

- (d) as of the date hereof and after giving effect to this Amending Agreement, no Event of Default or Default under the Credit Agreement exists.

Section 11 Amendment Fee

The Agent and the Lenders confirm and the Borrower acknowledges that the Agent and the Lenders have elected to not require the Borrower to pay an amendment fee as consideration for the Agent and the Lenders entering into this Amending Agreement. The Agent and the Lenders reserve their rights, in their sole discretion, to require the Borrower to pay an amendment fee for any future amendments of the Credit Agreement which may be requested by the Borrower including without limitation in connection with any amendment to the Credit Agreement, the DIP Budget, or otherwise.

Section 12 Conditions Precedent

This Amending Agreement shall be subject to and conditional upon the following conditions precedent being satisfied:

- (a) execution and delivery of this Amending Agreement by the Loan Parties, the Agent and the Required Lenders;
- (b) all action on the part of the Loan Parties necessary for the valid execution, delivery and performance by the Loan Parties of this Amending Agreement shall have been duly and effectively taken;
- (c) the 8th amendment to the DIP Term Loan Agreement shall have become effective concurrently with this Amending Agreement and the 9th amendment to the DIP Term Loan Agreement shall have been executed and delivered each in form and substance satisfactory to the Agent and the Lenders; and
- (d) payment of fees and expenses incurred and due pursuant to the Credit Agreement and the other Loan Documents as at the date hereof (including legal fees and disbursements and fees of the Lender FA), including those owing pursuant to Section 13 hereof.

Section 13 Expenses

The Borrower agrees to pay all reasonable, documented out-of-pocket expenses of the Agent incurred in connection with this Amending Agreement, including but not limited to preparation, negotiation, execution, documentation and enforcement of this Amending Agreement and the Credit Agreement and all legal fees and disbursements related thereto, all in accordance with Section 9.04 of the Credit Agreement.

Section 14 Continuance of Credit Agreement and Loan Documents

The Credit Agreement and Loan Documents, except as expressly amended by this Amending Agreement, shall be and continue in full force and effect and are hereby confirmed and the rights and obligations of all parties thereunder shall not be affected or prejudiced in any manner except as specifically provided for herein.

Section 15 No Waiver

The Borrower acknowledges and confirms that, except for (i) the Forbearance in respect of the Existing Defaults which shall terminate upon the occurrence of a Forbearance Termination Event, without any action or notice required whatsoever and (ii) the waivers specifically set out herein in respect of the Existing Forbearance Termination Events, none of the terms contained in this Agreement shall operate or be construed as a waiver of any of the provisions of the Loan Documents, and this Agreement shall not operate and shall not be construed as a waiver of any Default or Event of Default existing on or prior to the date hereof (including the Existing Defaults) or any future Default or Event of Default.

At any time on or after the occurrence of a Forbearance Termination Event, and for certainty without any action or notice required whatsoever, the Agent, on behalf of itself and the Lenders, may enforce all of its rights and remedies under the Credit Agreement, the Security Documents and any other Loan Documents against the Borrower and the other Loan Parties in accordance with applicable law and the Initial Order, whether as a result of the occurrence of the Existing Defaults or any other Event of Default. Without limitation and for certainty, the Borrower acknowledges and agrees to and in favour of the Agent and the Lenders that the terms of Section 5 of the Seventh Amendment continue in full force and effect except as expressly amended by this Amending Agreement.

Section 16 Counterparts

This Amending Agreement may be executed in any number of separate counterparts, each of which shall be deemed an original and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amending Agreement by telecopier or by direct electronic transmission of a pdf formatted counterpart shall be effective as delivery of a manually executed counterpart of this Amending Agreement.

Section 17 Governing Law

This Amending Agreement shall be construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the parties hereto irrevocably attorns to the jurisdiction of the courts of the Province of Ontario.


Section 18 Successors and Assigns

This Amending Agreement shall be binding on and enure to the benefit of the respective successors and permitted assigns of each of the parties hereto in accordance with the terms of the Credit Agreement.

[Signature Pages to Follow]

IN WITNESS WHEREOF the parties hereto have executed this Amending Agreement as of the day and year first above written.

SEARS CANADA INC., as Borrower

By: 
Name: Billy Wong
Title: CFO

WELLS FARGO CAPITAL FINANCE CORPORATION CANADA, as Agent, a Lender and Swingline Lender


By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF the parties hereto have executed this Amending Agreement as of the day and year first above written.

SEARS CANADA INC., as Borrower

By: _____
Name:
Title:

WELLS FARGO CAPITAL FINANCE CORPORATION CANADA, as Agent, a Lender and Swingline Lender

By:  _____
Name:
Title: **David G. Phillips
Senior Vice President
Credit Officer, Canada
Wells Fargo Capital Finance Corporation Canada**

**BANK OF AMERICA, N.A., CANADA
BRANCH, as a Lender**

By: 

Name: Sylwia Durkiewicz

Title: Vice President

**CANADIAN IMPERIAL BANK OF
COMMERCE, as a Lender**

By: 
Name: _____
Title: **Italo Fortino**
Authorized Signatory


Anthony Tsuen
Authorized Signatory

SCHEDULE A

“54. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order, the L/C Collateral Account (as defined in the DIP ABL Credit Agreement) shall be deemed to be subject to a lien, security, charge and security interest in favour of the DIP ABL Agent for (i) the reimbursement obligation of SCI related to any letters of credit issued under the Wells Fargo Credit Agreement or under the DIP ABL Credit Agreement which remain undrawn from and after the October 18, 2017, and (ii) any fees and other charges accruing and payable with respect to such letters of credit under the DIP ABL Credit Agreement. The Charges as they may attach to the L/C Collateral Account, including by operation of law or otherwise: (a) shall rank junior in priority to the lien, security, charge and security interest in favour of the DIP ABL Agent in respect of the L/C Collateral Account; and (b) shall attach to the L/C Collateral Account only to the extent of the rights, if any, of any Sears Canada Entity to the return of any cash from the L/C Collateral Account in accordance with the DIP ABL Credit Agreement.”

AMENDMENT #8 TO SENIOR SECURED SUPERPRIORITY CREDIT AGREEMENT

This Amendment #8 to Senior Secured Superpriority Credit Agreement is dated as of October 11, 2017.

B E T W E E N:

SEARS CANADA INC., as Borrower

and

THE TERM DIP LENDERS NAMED HEREIN

and

**GACP FINANCE CO., LLC
as Term DIP Agent**

and

**GACP FINANCE CO., LLC
as Lead Arranger**

and

**GACP FINANCE CO., LLC
as Syndication Agent**

and

**TPG SPECIALTY LENDING, INC.
as Documentation Agent**

WHEREAS Sears Canada Inc., as borrower (the “**Borrower**”), the banks, financial institutions and other institutional lenders listed on the signature pages thereto (the “**Term DIP Lenders**”), GACP Finance Co., LLC, as administrative agent and syndication agent (the “**Term DIP Agent**”), entered into that certain senior secured superpriority credit agreement dated as of June 22, 2017 (the “**Original Term DIP Credit Agreement**”) pursuant to which the Term DIP Lenders agreed to extend the Term DIP Loan to the Borrower during the pendency of its proceedings under the CCAA subject to and in accordance with the terms of such Term DIP Credit Agreement.

AND WHEREAS the Borrower, the Term DIP Lenders, and the Term DIP Agent, entered into that certain amendment #1 to senior secured superpriority credit agreement dated as of July 12, 2017 to amend the Original Term DIP Credit Agreement (the “**Term DIP Credit Agreement First Amendment**”), that certain amendment #2 to senior secured superpriority credit agreement dated as of August 18, 2017 to amend the Original Term DIP Credit Agreement as amended by the Term DIP Credit Agreement First Amendment (the “**Term DIP Credit Agreement Second Amendment**”), that certain amendment #3 to senior secured superpriority credit agreement dated as of September 1, 2017 to amend the Original Term DIP Credit Agreement as amended by the Term DIP Credit Agreement First Amendment and the Term DIP Credit Agreement Second Amendment (the “**Term DIP Credit Agreement Third Amendment**”), that certain amendment #4 to senior secured superpriority credit agreement dated as of September 8, 2017 to amend the

Original Term DIP Credit Agreement as amended by the Term DIP Credit Agreement First Amendment, the Term DIP Credit Agreement Second Amendment and the Term DIP Credit Agreement Third Amendment (the “**Term DIP Credit Agreement Fourth Amendment**”), that certain amendment #5 to senior secured superpriority credit agreement dated as of September 15, 2017 to amend the Original Term DIP Credit Agreement as amended by the Term DIP Credit Agreement First Amendment, the Term DIP Credit Agreement Second Amendment, the Term DIP Credit Agreement Third Amendment, and the Term DIP Credit Agreement Fourth Amendment (the “**Term DIP Credit Agreement Fifth Amendment**”), that certain amendment #6 to senior secured superpriority credit agreement dated as of September 22, 2017 to amend the Original Term DIP Credit Agreement as amended by the Term DIP Credit Agreement First Amendment, the Term DIP Credit Agreement Second Amendment, the Term DIP Credit Agreement Third Amendment, the Term DIP Credit Agreement Fourth Amendment, and the Term DIP Credit Agreement Fifth Amendment (the “**Term DIP Credit Agreement Sixth Amendment**”) and that certain amendment #7, extension and forbearance to senior secured superpriority credit agreement dated as of October 3, 2017 to amend the Original Term DIP Credit Agreement as amended by the Term DIP Credit Agreement First Amendment, the Term DIP Credit Agreement Second Amendment, the Term DIP Credit Agreement Third Amendment, the Term DIP Credit Agreement Fourth Amendment, the Term DIP Credit Agreement Fifth Amendment and the Term DIP Credit Agreement Sixth Amendment (the “**Term DIP Credit Agreement Seventh Amendment**”) (the Original Term DIP Credit Agreement as amended by the Term DIP Credit Agreement First Amendment, the Term DIP Credit Agreement Second Amendment, the Term DIP Credit Agreement Third Amendment, the Term DIP Credit Agreement Fourth Amendment, the Term DIP Credit Agreement Fifth Amendment, the Term DIP Credit Agreement Sixth Amendment, and the Term DIP Credit Agreement Seventh Amendment is collectively called the “**Term DIP Credit Agreement**” or the “**Credit Agreement**”);

AND WHEREAS, the Term DIP Agent and the Term DIP Lenders have agreed to make certain amendments to the Credit Agreement, all on and subject to the terms and conditions set forth in this Amendment #8 to Senior Secured Superpriority Credit Agreement (this “**Agreement**” or this “**Amending Agreement**”);

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the covenants and agreements contained herein and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

Section 1 General

In this Agreement (including the recitals) unless otherwise defined or the context otherwise requires, all capitalized terms shall have the respective meanings specified in the Term DIP Credit Agreement, as amended hereby. This Agreement constitutes a Loan Document.

Section 2 To be Read with Term DIP Credit Agreement

This Agreement is an amendment to the Term DIP Credit Agreement. Unless the context of this Agreement otherwise requires, the Term DIP Credit Agreement and this Agreement shall be read together and shall have effect as if the provisions of the Term DIP Credit Agreement and this Agreement were contained in one agreement. The term “**Agreement**” when used in the Term DIP Credit Agreement means the Term DIP Credit Agreement and the schedules thereto, as previously amended and as amended by this Agreement and as may be further amended, revised, replaced, supplemented or restated from time to time.

Section 3 Headings

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms “**this Agreement**”, “**hereof**”, “**hereunder**” and similar expressions refer to this Agreement and not to

any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless otherwise specified, references herein to Articles and Sections are to Articles and Sections of this Agreement.

Section 4 Number

Words importing the singular number only shall include the plural and *vice versa*, words importing the masculine gender shall include the feminine and neuter genders and *vice versa*.

Section 5 Amendments

- 5.1 Amendment to Section 5(a)(ii)(C) of Term DIP Credit Agreement Seventh Amendment. Section 5(a)(ii)(C) of the Term DIP Credit Agreement Seventh Amendment is hereby amended by deleting the reference therein to “October 9, 2017” and replacing it with a reference to “October 11, 2017, or such later date as the Agent and the Lenders may approve in their sole and absolute discretion”.
- 5.2 Amendment to Section 5(a)(v) of Term DIP Credit Agreement Seventh Amendment. Section 5(a)(v) of the Term DIP Credit Agreement Seventh Amendment is hereby amended by deleting the reference therein to “October 6, 2017” and replacing it with a reference to “October 11, 2017, or such later date as the Agent and the Lenders may approve in their sole and absolute discretion”.
- 5.3 Amendments to Section 5.01(cc)(ii) of the Credit Agreement. Section 5.01(cc) of the Credit Agreement is hereby amended by deleting paragraph (ii) thereof in its entirety, and by substituting the following in its stead:

“(ii) the actual amount of the Loan Parties’ Total Eligible Inventory Available shall be equal to at least (each a “Minimum Inventory Amount”): (A) solely in respect of the week ending September 2, 2017, 80.0% of the amount of Total Eligible Inventory Available reflected in the DIP Budget as of the Effective Date for such week, (B) solely in respect of the week ending September 9, 2017, 82.0% of the amount of Total Eligible Inventory Available reflected in the DIP Budget as of the Effective Date for such week, (C) solely in respect of the week ending September 16, 2017, 70.0% of the amount of Total Eligible Inventory Available reflected in the DIP Budget as of the Effective Date for such week, (D) solely in respect of the weeks ending September 23, 2017 and September 30, 2017, 65.0% of the amount of Total Eligible Inventory Available reflected in the DIP Budget as of the Effective Date for such week, (E) solely in respect of the week ending October 7, 2017, 65.0% of the amount of Total Eligible Inventory Available reflected in the DIP Budget as of the Effective Date for such week, and (F) in respect of any other Testing Period, 90% of the amount of Total Eligible Inventory Available reflected in the DIP Budget for such Testing Period, provided that, if for any relevant period the actual amount of Total Eligible Inventory Available is less than the Minimum Inventory Amount for such period (the amount of such shortfall being, the “Inventory Shortfall Amount”) and such Inventory Shortfall Amount is a result of any store closure not set out in the DIP Budget and set out on Schedule 1.01D as of the Effective Date, the Permitted Net Cash Variance Amount in effect at such time shall be decreased by the amount of the Inventory Shortfall Amount and if, after giving effect to such decrease in the Permitted Net Cash Variance Amount the Loan Parties remain in compliance with the covenant in paragraph (i) above, it shall not constitute an Event of Default pursuant to this paragraph (ii).”

Section 6 Additional Amendments to Credit Agreement Following Approval of Liquidation Agreement.

If the Liquidation Agreement is approved by the CCAA Court on or before October 13, 2017, concurrently with the issuance of such approval order by the CCAA Court, the following amendments shall be made to the Credit Agreement:

- 6.1 Amendment to Section 1.01 of the Credit Agreement. Section 1.01 of the Credit Agreement is hereby amended by deleting the definition of “Permitted Net Cash Variance Amount” in its entirety, and by substituting the following in its stead.

““Permitted Net Cash Variance Amount” means, as at the date of determination, CAN\$10,000,000.”

- 6.2 Amendment to Section 1.01 of the Credit Agreement. Section 1.01 of the Credit Agreement is hereby amended by deleting the definition of “Permitted Variance” in its entirety, and by substituting the following in its stead.

““Permitted Variance” means the cumulative (taking into account the period October 1, 2017 to October 10, 2017 (inclusive)) negative variance (if any) in the amount of the Loan Parties’ Operating Net Cash Flow, excluding proceeds from the Disposition of the Collateral on or after October 10, 2017 not to exceed the Permitted Net Cash Variance Amount for the relevant Testing Period, as compared to the DIP Budget, excluding proceeds from the Disposition of the Collateral on or after October 10, 2017”

- 6.3 Amendments to Section 5.01(k)(xiii) of the Credit Agreement. Section 5.01(k)(xiii) of the Credit Agreement shall be amended by deleting it in its entirety, and by substituting the following in its stead:

“(xiii) on the Wednesday of each week: (i) an updated weekly cash flow forecast for the subsequent 13 week period on a rolling basis which shall be in form and substance satisfactory to the Term DIP Agent, and (ii) a variance calculation (the “Variance Report”) setting forth actual cash receipts, disbursements, net cash flows, Eligible Inventory, Total Eligible Inventory Available and Excess Availability of the Loan Parties for the preceding calendar week (the “Testing Period”) and on a cumulative basis, and setting forth all the variances, on a line-item and aggregate basis in comparison to the amounts set forth in respect thereof for such Testing Period in the DIP Budget; each such Variance Report to be promptly discussed on a telephone call with the Lender FA;”

- 6.4 Amendment to Section 5.01(cc) of the Credit Agreement. Section 5.01(cc) of the Credit Agreement shall be amended by deleting it in its entirety, and by substituting the following in its stead:

“Compliance with DIP Budget. Adhere to the DIP Budget subject to Permitted Variances.

Section 7 Termination of Liquidation Agreement

The Borrower acknowledges that the Term DIP Agent and the Term DIP Lenders have entered into this Amending Agreement and agreed to extend the Forbearance in reliance on the Borrower’s execution and delivery of the amended and restated liquidation agreement dated as of October 10, 2017 with Gordon Brothers Canada ULC and Merchant Retail Solutions ULC (the “**Liquidation Agreement**”). The Borrower agrees that it shall not, without the prior written consent of the Agent and the Lenders in their sole and absolute discretion, (i) terminate the Liquidation Agreement, (ii) accept any Alternative Going Concern Bid or Alternative Liquidation Bid (as such terms are defined in the Liquidation Agreement) or (iii) pay any break fee or other similar fees or any expense reimbursement to any bidder in the SISP or to any other third party. Failure to comply with this covenant shall automatically constitute a Forbearance Termination Event and an Event of Default without any action or notice required whatsoever.

Section 8 Matters relating to the Term DIP Credit Agreement Seventh Amendment

- 8.1 Existing Forbearance Events of Default. The Borrower, the Term DIP Agent and the Term DIP Lenders hereby acknowledge that, as of the date of this Agreement, the following Forbearance

Termination Events (as such term is defined in the Term DIP Credit Agreement Seventh Amendment) (collectively, the “**Existing Forbearance Termination Events**”) have occurred and are continuing:

- (a) As required pursuant to Section 5(a)(ii)(A) and Section 5(a)(iii) of the Term DIP Credit Agreement Seventh Amendment, the Borrower failed to deliver satisfactory October Liquidation Bids (as such term is defined in the Term DIP Credit Agreement Seventh Amendment) to the Term DIP Agent and the Term DIP Lenders on or before October 6, 2017;
- (b) As required pursuant to Section 5(a)(ii)(B) of the Term DIP Credit Agreement Seventh Amendment, the Borrower failed to deliver a satisfactory October Liquidation Agreement (as such term is defined in the Term DIP Credit Agreement Seventh Amendment) to the Term DIP Agent and the Term DIP Lenders on or before October 7, 2017;
- (c) As required pursuant to Section 5(a)(ii)(C) of the Term DIP Credit Agreement Seventh Amendment, the Borrower failed to serve the motion record to the CCAA Proceedings service list for approval of the October Liquidation Agreement (as such term is defined in the Term DIP Credit Agreement Seventh Amendment) on or before October 9, 2017;
- (d) As required pursuant to Section 5(a)(iv)(A) and (B) of the Term DIP Credit Agreement Seventh Amendment, the Borrower failed to: (A) solicit Store Closure Liquidation Bids (as such term is defined in the Term DIP Credit Agreement Seventh Amendment) on or before October 4, 2017; and (B) receive one or more satisfactory Store Closure Liquidation Bids on or before October 6, 2017; and
- (e) As required pursuant to Section 5(a)(v) of Term DIP Credit Agreement Seventh Amendment, the Borrower failed to submit a revised DIP Budget to the Term DIP Agent and the Term DIP Lenders on or before October 6, 2017, and the Term DIP Agent and the Term DIP Lenders did not approve the revised DIP Budget in writing on or before October 6, 2017.

8.2 Waiver of Existing Forbearance Events of Default. The Term DIP Lenders and the Term DIP Agent hereby waive the Existing Forbearance Termination Events. Notwithstanding this waiver, the Term DIP Lenders, the Borrower and the Term DIP Agent and the Term DIP Lenders expressly agree that the Term DIP Credit Agreement Seventh Amendment shall continue in full force and effect and is hereby confirmed and the rights and obligations of all parties thereunder shall not be affected or prejudiced in any manner except as specifically provided for herein.

Section 9 Representations and Warranties

In order to induce the Term DIP Agent and the Term DIP Lenders to enter into this Agreement, the Borrower represents and warrants to the Term DIP Agent and to the Term DIP Lenders as follows:

- (a) the representations and warranties made by each Loan Party in or pursuant to the Loan Documents are true and correct on and as of the date hereof in all material respects, except to the extent that (A) such representations or warranties are qualified by a materiality standard, in which case they shall be true and correct in all respects, (B) such representations or warranties expressly relate to an earlier date (in which case such representations and warranties were true and correct in all material respects as of such earlier date), and (C) such representations and warranties relate to Section 5.01(f) of the Term DIP Credit Agreement, in which case such representation and warranties shall be limited to clauses (c) and (d) of the definition of “Material Adverse Effect”;

- (b) all necessary corporate, company or partnership action has been taken to authorize the execution, delivery and performance of this Agreement by the applicable Loan Parties and each has duly executed and delivered this Agreement;
- (c) each of (i) this Agreement, and (ii) the Term DIP Credit Agreement as amended by this Agreement, is a legal, valid and binding obligation of each of the applicable Loan Parties enforceable against them in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by principles of equity); and
- (d) as of the date hereof and after giving effect to this Agreement, no Event of Default or Default under the Term DIP Credit Agreement exists, other than the Existing Defaults.

Section 10 Amendment Fee

The Term DIP Agent and the Term DIP Lenders confirm and the Borrower acknowledges that the Term DIP Agent and the Term DIP Lenders have elected to not require the Borrower to pay an amendment fee as consideration for the Term DIP Agent and the Term DIP Lenders entering into this Amending Agreement. The Term DIP Agent and the Term DIP Lenders reserve their rights, in their sole discretion, to require the Borrower to pay an amendment fee for any future amendments of the Credit Agreement which may be requested by the Borrower including without limitation in connection with an amendment to Section 5.01(cc) of the Credit Agreement, the DIP Budget, or otherwise.

Section 11 Conditions Precedent

This Agreement shall be subject to and conditional upon the following conditions precedent being satisfied:

- (a) execution and delivery of this Agreement by the Loan Parties, the Term DIP Agent and the Required Lenders;
- (b) all action on the part of the Loan Parties necessary for the valid execution, delivery and performance by the Loan Parties of this Agreement shall have been duly and effectively taken;
- (c) the ABL DIP Credit Agreement shall be concurrently amended to reflect the same amendments to the ABL DIP Credit Agreement as the amendments to the Term DIP Credit Agreement contained in this Agreement in form and substance satisfactory to the Term DIP Agent and the Term DIP Lenders; and
- (d) payment of fees and expenses incurred by the Term DIP Agent and/or the Term DIP Lenders and due pursuant to the Term DIP Credit Agreement and the other Loan Documents as at the date hereof, including those owing pursuant to Section 12 hereof.

Section 12 Expenses

The Borrower agrees to pay all reasonable costs and expenses of the Term DIP Agent incurred in connection with this Agreement and all related matters, including but not limited to preparation, negotiation, execution, documentation and enforcement of this Agreement and the Term DIP Credit Agreement and all legal fees and disbursements related thereto, all in accordance with Section 8.04 of the Credit Agreement.

Section 13 Continuance of Term DIP Credit Agreement and Loan Documents

The Term DIP Credit Agreement and Loan Documents, except as expressly amended by this Agreement, shall be and continue in full force and effect and are hereby confirmed and the rights and obligations of all parties thereunder shall not be affected or prejudiced in any manner except as specifically provided for herein. The Borrower confirms and agrees that (i) all of its covenants and obligations under the Term DIP Credit Agreement and each other Loan Document to which it is a party are reaffirmed and remain in full force and effect on a continuous basis and (ii) the execution of this Agreement shall not operate as a waiver of any right, power or remedy of Term DIP Agent or any Term DIP Lender, constitute a waiver of any provision of any of the Loan Documents or serve to effect a novation of the Obligations.

At any time on or after the occurrence of a Forbearance Termination Event (as that term is defined in the Term DIP Credit Agreement Seventh Amendment), and for certainty without any action or notice required whatsoever, the Term DIP Agent, on behalf of itself and the Term DIP Lenders, may enforce all of its rights and remedies under the Credit Agreement, the Security Documents and any other Loan Documents against the Borrower and the other Loan Parties in accordance with applicable law and the Initial Order, whether as a result of the occurrence of the Existing Defaults (as that term is defined in the Term DIP Credit Agreement Seventh Amendment) or any other Event of Default. Without limitation and for certainty, the Borrower acknowledges and agrees to and in favour of the Term DIP Agent and the Term DIP Lenders that the terms of Section 5 of the Term DIP Credit Agreement Seventh Amendment continue in full force and effect except as expressly amended by this Amending Agreement.

Section 14 No Waiver

The Borrower acknowledges and confirms that except for (i) the Forbearance in respect of the Existing Defaults which shall automatically terminate upon the occurrence of a Forbearance Termination Event without any action or notice required whatsoever and (ii) the waivers of the Existing Forbearance Termination Events in 8 hereof, none of the terms contained in this Agreement shall operate or be construed as a waiver of any of the provisions of the Loan Documents, and this Agreement shall not operate and shall not be construed as a waiver of any Default or Event of Default existing on or prior to the date hereof (including the Existing Defaults) or any future Default or Event of Default.

Section 15 Counterparts/Electronic Signatures

This Agreement may be executed in any number of separate counterparts, each of which shall be deemed an original and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by telecopier or by direct electronic transmission of a pdf formatted counterpart shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 16 Governing Law

This Agreement shall be construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the parties hereto irrevocably attorns to the jurisdiction of the courts of the Province of Ontario.

Section 17 Successors and Assigns

This Agreement shall be binding on and enure to the benefit of the respective successors and permitted assigns of each of the parties hereto in accordance with the terms of the Term DIP Credit Agreement.

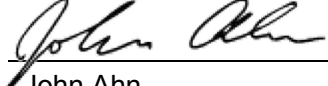
[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SEARS CANADA INC., as Borrower

By: 
Name: Billy Woney
Title: CEO

GACP FINANCE CO., LLC,
as Term DIP Agent and a Term DIP Lender

By: 
Name: John Ahn
Title: President

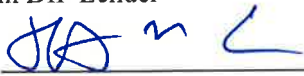
TPG SPECIALTY LENDING, INC.,
as Documentation Agent and a Term DIP Lender

By: 

Name: Josh Easterday

Title: Co-CEO

CORPORATE CAPITAL TRUST, INC.,
as a Term DIP Lender

By: 
Name: JEFFREY M SMITH
Title: AUTHORIZED SIGNATORY

**CANYON VALUE REALIZATION FUND, L.P.,
as a Term DIP Lender
By: Canyon Capital Advisors LLC,
its investment Advisor**

By: _____
Name: **Jonathan M. Kaplan**
Title: **Authorized Signatory**

**CANYON BLUE CREDIT INVESTMENT FUND,
L.P., as a Term DIP Lender
By: Canyon Capital Advisors LLC,
its Co-Investment Advisor**

By: _____ **Jonathan M. Kaplan**
Name: **Authorized Signatory**

**By: Canyon Partners Real Estate LLC,
its Co-investment Advisor**

By: _____
Name: **Jonathan M. Kaplan**
Title: **Authorized Signatory**

APPENDIX "B"
NINTH AMENDMENT

AMENDMENT #9 TO SENIOR SECURED SUPERPRIORITY CREDIT AGREEMENT

This Amendment #9 to Senior Secured Superpriority Credit Agreement is dated as of October 11, 2017.

B E T W E E N:

SEARS CANADA INC., as Borrower

and

THE TERM DIP LENDERS NAMED HEREIN

and

**GACP FINANCE CO., LLC
as Term DIP Agent**

and

**GACP FINANCE CO., LLC
as Lead Arranger**

and

**GACP FINANCE CO., LLC
as Syndication Agent**

and

**TPG SPECIALTY LENDING, INC.
as Documentation Agent**

WHEREAS Sears Canada Inc., as borrower (the “**Borrower**”), the banks, financial institutions and other institutional lenders listed on the signature pages thereto (the “**Term DIP Lenders**”), GACP Finance Co., LLC, as administrative agent and syndication agent (the “**Term DIP Agent**”), entered into that certain senior secured superpriority credit agreement dated as of June 22, 2017 (the “**Original Term DIP Credit Agreement**”) pursuant to which the Term DIP Lenders agreed to extend the Term DIP Loan to the Borrower during the pendency of its proceedings under the CCAA subject to and in accordance with the terms of such Term DIP Credit Agreement.

AND WHEREAS the Borrower, the Term DIP Lenders, and the Term DIP Agent, entered into that certain amendment #1 to senior secured superpriority credit agreement dated as of July 12, 2017 to amend the Original Term DIP Credit Agreement (the “**Term DIP Credit Agreement First Amendment**”), that certain amendment #2 to senior secured superpriority credit agreement dated as of August 18, 2017 to amend the Original Term DIP Credit Agreement as amended by the Term DIP Credit Agreement First Amendment (the “**Term DIP Credit Agreement Second Amendment**”),

that certain amendment #3 to senior secured superpriority credit agreement dated as of September 1, 2017 to amend the Original Term DIP Credit Agreement as amended by the Term DIP Credit Agreement First Amendment and the Term DIP Credit Agreement Second Amendment (the “**Term DIP Credit Agreement Third Amendment**”), that certain amendment #4 to senior secured superpriority credit agreement dated as of September 8, 2017 to amend the Original Term DIP Credit Agreement as amended by the Term DIP Credit Agreement First Amendment, the Term DIP Credit Agreement Second Amendment and the Term DIP Credit Agreement Third Amendment (the “**Term DIP Credit Agreement Fourth Amendment**”), that certain amendment #5 to senior secured superpriority credit agreement dated as of September 15, 2017 to amend the Original Term DIP Credit Agreement as amended by the Term DIP Credit Agreement First Amendment, the Term DIP Credit Agreement Second Amendment, the Term DIP Credit Agreement Third Amendment, and the Term DIP Credit Agreement Fourth Amendment (the “**Term DIP Credit Agreement Fifth Amendment**”), that certain amendment #6 to senior secured superpriority credit agreement dated as of September 22, 2017 to amend the Original Term DIP Credit Agreement as amended by the Term DIP Credit Agreement First Amendment, the Term DIP Credit Agreement Second Amendment, the Term DIP Credit Agreement Third Amendment, the Term DIP Credit Agreement Fourth Amendment, and the Term DIP Credit Agreement Fifth Amendment (the “**Term DIP Credit Agreement Sixth Amendment**”), that certain amendment #7, extension and forbearance to senior secured superpriority credit agreement dated as of October 3, 2017 to amend the Original Term DIP Credit Agreement as amended by the Term DIP Credit Agreement First Amendment, the Term DIP Credit Agreement Second Amendment, the Term DIP Credit Agreement Third Amendment, the Term DIP Credit Agreement Fourth Amendment, the Term DIP Credit Agreement Fifth Amendment and the Term DIP Credit Agreement Sixth Amendment (the “**Term DIP Credit Agreement Seventh Amendment**”), and that certain amendment #8, extension and forbearance to senior secured superpriority credit agreement dated as of October 11, 2017 to amend the Original Term DIP Credit Agreement as amended by the Term DIP Credit Agreement First Amendment, the Term DIP Credit Agreement Second Amendment, the Term DIP Credit Agreement Third Amendment, the Term DIP Credit Agreement Fourth Amendment, the Term DIP Credit Agreement Fifth Amendment, the Term DIP Credit Agreement Sixth Amendment and the Term DIP Credit Agreement Seventh Amendment (the “**Term DIP Credit Agreement Eighth Amendment**”) (the Original Term DIP Credit Agreement as amended by the Term DIP Credit Agreement First Amendment, the Term DIP Credit Agreement Second Amendment, the Term DIP Credit Agreement Third Amendment, the Term DIP Credit Agreement Fourth Amendment, the Term DIP Credit Agreement Fifth Amendment, the Term DIP Credit Agreement Sixth Amendment, the Term DIP Credit Agreement Seventh Amendment and the Term DIP Credit Agreement Eighth Amendment is collectively called the “**Term DIP Credit Agreement**” or the “**Credit Agreement**”);

AND WHEREAS, the Term DIP Agent and the Term DIP Lenders have agreed to make certain amendments to the Credit Agreement, all on and subject to the terms and conditions set forth in this Amendment #9 to Senior Secured Superpriority Credit Agreement (this “**Agreement**” or this “**Amending Agreement**”);

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the covenants and agreements contained herein and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

Section 1 General

In this Agreement (including the recitals) unless otherwise defined or the context otherwise requires, all capitalized terms shall have the respective meanings specified in the Term DIP Credit Agreement, as amended hereby. This Agreement constitutes a Loan Document.

Section 2 To be Read with Term DIP Credit Agreement

This Agreement is an amendment to the Term DIP Credit Agreement. Unless the context of this Agreement otherwise requires, the Term DIP Credit Agreement and this Agreement shall be read together and shall have effect as if the provisions of the Term DIP Credit Agreement and this Agreement were contained in one agreement. The term “**Agreement**” when used in the Term DIP Credit Agreement means the Term DIP Credit Agreement and the schedules thereto, as previously amended and as amended by this Agreement and as may be further amended, revised, replaced, supplemented or restated from time to time.

Section 3 Headings

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms “**this Agreement**”, “**hereof**”, “**hereunder**” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless otherwise specified, references herein to Articles and Sections are to Articles and Sections of this Agreement.

Section 4 Number

Words importing the singular number only shall include the plural and *vice versa*, words importing the masculine gender shall include the feminine and neuter genders and *vice versa*.

Section 5 Amendments to Credit Agreement

5.1 Amendment to Section 1.01 (Definitions). Section 1.01 of the Credit Agreement is hereby amended by adding the following new definitions in alphabetical order:

“Definitive Liquidation Agency Agreement” means the “Liquidation Agreement” as such term is defined in the Term DIP Credit Agreement Eighth Amendment.”

“Permitted Repayment Exception Amount” means the amount of up to CAN\$ 67,700,000 of the initial guarantee payment that the Borrower receives under the Definitive Liquidation Agency Agreement. For greater certainty, the Permitted Repayment Exception Amount is an exception to the terms and conditions in this Agreement (including, without limitation, Section 2.08 and 5.01(n)). As required by the Credit Agreement, the Loan Parties agree that they shall otherwise apply all amounts received in order to reduce the Obligations.”

- 5.2 Amendments to Section 2.08 (c) (Optional and Mandatory Prepayments). Section 2.08(c) of the Credit Agreement is hereby amended by adding a new paragraph at the end of this Section as follows:

“Notwithstanding the terms of this Section 2.08(c), until the Termination Date, the Borrower shall not be required to apply the Permitted Repayment Exception Amount to the Obligations pursuant to Section 2.08(c) and may utilize the Permitted Repayment Exception Amount to pay amounts otherwise due and payable by any Loan Party, provided that any such payment is in accordance with the DIP Budget and provided further that the Borrower shall be required to comply with Section 2.08(c) in all other respects.”

- 5.3 Amendments to Section 2.08 (d) (Optional and Mandatory Prepayments). Section 2.08(d) of the Credit Agreement is hereby amended by adding a new paragraph at the end of this Section as follows:

“Notwithstanding the terms of this Section 2.08(d), until the Termination Date, the Borrower shall not be required to apply the Permitted Repayment Exception Amount to the Obligations pursuant to Section 2.08(d) and may utilize the Permitted Repayment Exception Amount to pay amounts otherwise due and payable by any Loan Party, provided that any such payment is in accordance with the DIP Budget and provided further that the Borrower shall be required to comply with Section 2.08(d) in all other respects.”

- 5.4 Amendments to Section 5.01(n) (Cash Management). Section 5.01(n) of the Credit Agreement is hereby amended to add a new paragraph at the end of this Section as follows:

“Notwithstanding the terms of Section 5.01(n), until the Termination Date, the Borrower shall not be required to remit, transfer or apply the Permitted Repayment Exception Amount pursuant to Section 5.01(n)(iv) and the Permitted Repayment Exception Amount shall not be included in, deposited to or held in the Term DIP Agent’s Account pursuant to Section 5.01(n)(v), provided that the Borrower shall apply all other amounts (other than the Permitted Repayment Exception Amount) in accordance with the terms of Section 5.01(n).”

- 5.5 Amendments to Section 5.01(gg) (Payment of Term Prepetition Obligations). Section 5.01(gg) of the Credit Agreement is hereby amended by adding a new paragraph at the end of this Section as follows:

“Notwithstanding the terms of this Section 5.01(gg), until the Termination Date, the Borrower shall not be required to apply the Permitted Repayment Exception Amount to the Obligations pursuant to Section 5.01(gg) and may utilize the Permitted Repayment Exception Amount to pay amounts otherwise due and payable by any Loan Party, provided that any such payment is in accordance with the DIP Budget and provided further that the Borrower shall be required to comply with Section 5.01(gg) in all other respects.”

- 5.6 Amendments to Section 5.02(u) (Expenditures). Section 5.02(u) of the Credit Agreement is hereby amended by deleting it in its entirety, and by substituting the following in its stead:
 “Expenditures. (i) Subject to paragraph 5.02(u)(ii) below, make any expenditures inconsistent with the DIP Budget, subject to Permitted Variances.”
- 5.7 Amendments to Section 6.01 (Events of Default). Section 6.01 of the Credit Agreement is hereby amended by adding new paragraphs (s) and (t) thereof as follows:
 “(s) The Borrower and the other Loan Parties shall fail to use the proceeds from the Dispositions of Collateral, as and when received, to repay the Obligations in accordance with the Credit Agreement; or
 (t) The CCAA Court shall not issue an approval order in form and substance satisfactory to the Term DIP Agent and the Term DIP Lenders approving the October Liquidation Agreement (as such term is defined in the Term DIP Credit Agreement Seventh Amendment) on or before October 13, 2017.”
- 5.8 Amendments to Schedule 1.01D. The DIP Budget at Schedule 1.01D of the Credit Agreement is hereby deleted and replaced by the Schedule 1.01D attached hereto as Schedule A provided however that the approval of the DIP Budget or any other provisions of this Agreement shall not be deemed to be an approval by the Term DIP Agent or the Term DIP Lenders of the payment of any specific amount provided for in the DIP Budget (other than payment of all or any portion of (i) the Obligations, (ii) the “Obligations” (as that term is defined in the ABL DIP Credit Agreement), or (iii) or any fees and expenses of any advisors to the Term DIP Agent, the Term DIP Lenders, the ABL DIP Agent or the ABL DIP Lenders). .

Section 6 Representations and Warranties

In order to induce the Term DIP Agent and the Term DIP Lenders to enter into this Agreement, the Borrower represents and warrants to the Term DIP Agent and to the Term DIP Lenders as follows:

- (a) the representations and warranties made by each Loan Party in or pursuant to the Loan Documents are true and correct on and as of the date hereof in all material respects, except to the extent that (A) such representations or warranties are qualified by a materiality standard, in which case they shall be true and correct in all respects, (B) such representations or warranties expressly relate to an earlier date (in which case such representations and warranties were true and correct in all material respects as of such earlier date), and (C) such representations and warranties relate to Section 5.01(f) of the Term DIP Credit Agreement, in which case such representation and warranties shall be limited to clauses (c) and (d) of the definition of “Material Adverse Effect”;
- (b) all necessary corporate, company or partnership action has been taken to authorize the execution, delivery and performance of this Agreement by the applicable Loan Parties and each has duly executed and delivered this Agreement;

- (c) each of (i) this Agreement, and (ii) the Term DIP Credit Agreement as amended by this Agreement, is a legal, valid and binding obligation of each of the applicable Loan Parties enforceable against them in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by principles of equity); and
- (d) as of the date hereof and after giving effect to this Agreement, no Event of Default or Default under the Term DIP Credit Agreement exists, other than the Existing Defaults.

Section 7 Repayment of Obligations Under ABL DIP Credit Agreement

The Borrower covenants and agrees that it shall repay in full all "Obligations" (as that term is defined in the ABL DIP Credit Agreement) under the ABL DIP Credit Agreement and that the Termination Date (as that term is defined in the ABL DIP Credit Agreement) under the ABL DIP Credit Agreement shall have occurred, in each case not later than two (2) Business Days after the date of receipt by the Borrower (or any other Loan Party) of the initial guarantee payment under the Liquidation Agreement (as that term is defined in the Term DIP Credit Agreement Eighth Amendment); for certainty, as of such and after such date no further advances of credit shall be available under the ABL DIP Credit Agreement and the Borrower covenants that it shall not be permitted to request any advance of credit under the ABL DIP Credit Agreement on or after such date. Failure to comply with this covenant shall automatically constitute a Forbearance Termination Event and an Event of Default without any action or notice required whatsoever.

Section 8 Fees

In order to induce the Term DIP Agent and the Term DIP Lenders to enter into this Agreement, the Borrower covenants and agrees to pay to the Term DIP Agent, for and on behalf of the Term DIP Lenders, an amendment fee equal to 50 bps of the Term DIP Loan Amount (the "**Amendment Fee**"). The Amendment Fee is and shall be deemed to be fully earned and payable in full on the date that this Agreement is approved by the CCAA Court. The Borrower irrevocably covenants and agrees that it will request an Extension of Credit (as that term is defined in the ABL DIP Credit Agreement) under the ABL DIP Credit Agreement in an amount sufficient to ensure that the amount of ABL DIP Total Extensions of Credit is equal to the ABL DIP Line Cap. The Term DIP Agent and the Term DIP Lenders reserve their rights, in their sole discretion, to require the Borrower to pay an amendment fee for any future amendments of the Credit Agreement which may be requested by the Borrower including without limitation in connection with an amendment to any Sections, paragraphs, clauses, Exhibits or Schedules of the Credit Agreement, the DIP Budget, or otherwise.

Section 9 Conditions Precedent

This Agreement shall be subject to and conditional upon the following conditions precedent being satisfied:

- (a) on or before October 13, 2017, the CCAA Court shall have approved this Agreement;

- (b) execution and delivery of this Agreement by the Loan Parties, the Term DIP Agent and the Required Lenders;
- (c) all action on the part of the Loan Parties necessary for the valid execution, delivery and performance by the Loan Parties of this Agreement shall have been duly and effectively taken;
- (d) payment of the Amendment Fee by the Borrower to the Term DIP Agent for and on behalf of the Term DIP Lenders; and
- (e) payment of fees and expenses incurred by the Term DIP Agent and/or the Term DIP Lenders and due pursuant to the Term DIP Credit Agreement and the other Loan Documents as at the date hereof, including those owing pursuant to Section 10 hereof.

Section 10 Expenses

The Borrower agrees to pay all reasonable costs and expenses of the Term DIP Agent incurred in connection with this Agreement and all related matters, including but not limited to preparation, negotiation, execution, documentation and enforcement of this Agreement and the Term DIP Credit Agreement and all legal fees and disbursements related thereto, all in accordance with Section 8.04 of the Credit Agreement.

Section 11 Continuance of Term DIP Credit Agreement and Loan Documents

The Term DIP Credit Agreement and Loan Documents, except as expressly amended by this Agreement, shall be and continue in full force and effect and are hereby confirmed and the rights and obligations of all parties thereunder shall not be affected or prejudiced in any manner except as specifically provided for herein. The Borrower confirms and agrees that (i) all of its covenants and obligations under the Term DIP Credit Agreement and each other Loan Document to which it is a party are reaffirmed and remain in full force and effect on a continuous basis and (ii) the execution of this Agreement shall not operate as a waiver of any right, power or remedy of Term DIP Agent or any Term DIP Lender, constitute a waiver of any provision of any of the Loan Documents or serve to effect a novation of the Obligations.

At any time on or after the occurrence of a Forbearance Termination Event (as that term is defined in the Term DIP Credit Agreement Seventh Amendment) and subject to the waiver of the Existing Forbearance Termination Events (as that term is defined in the Term DIP Credit Agreement Eighth Amendment) contained in the Term DIP Credit Agreement Eighth Amendment, and for certainty without any action or notice required whatsoever, the Term DIP Agent, on behalf of itself and the Term DIP Lenders, may enforce all of its rights and remedies under the Credit Agreement, the Security Documents and any other Loan Documents against the Borrower and the other Loan Parties in accordance with applicable law and the Initial Order, whether as a result of the occurrence of the Existing Defaults (as that term is defined in the Term DIP Credit Agreement Seventh Amendment) or any other Event of Default. Without limitation and for certainty, the Borrower acknowledges and agrees to and favour of the Term DIP Agent and the Term DIP Lenders that the terms of Section 5 of the Term DIP Credit Agreement Seventh Amendment continue in full force and effect.

Section 12 No Waiver

The Borrower acknowledges and confirms that, except for the Forbearance in respect of the Existing Defaults which shall automatically terminate upon the occurrence of a Forbearance Termination Event without any action or notice required whatsoever, none of the terms contained in this Agreement shall operate or be construed as a waiver of any of the provisions of the Loan Documents, and this Agreement shall not operate and shall not be construed as a waiver of any Default or Event of Default existing on or prior to the date hereof (including the Existing Defaults) or any future Default or Event of Default.

Section 13 Counterparts/Electronic Signatures

This Agreement may be executed in any number of separate counterparts, each of which shall be deemed an original and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by telecopier or by direct electronic transmission of a pdf formatted counterpart shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 14 Governing Law

This Agreement shall be construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the parties hereto irrevocably attorns to the jurisdiction of the courts of the Province of Ontario.

Section 15 Successors and Assigns

This Agreement shall be binding on and enure to the benefit of the respective successors and permitted assigns of each of the parties hereto in accordance with the terms of the Term DIP Credit Agreement.

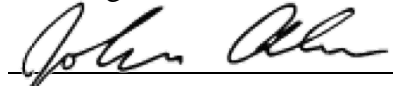
[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SEARS CANADA INC., as Borrower

By: 
Name: Billy Wong
Title: CEO

GACP FINANCE CO., LLC,
as Term DIP Agent and a Term DIP Lender

By: 
Name: John Ahn
Title: President

TPG SPECIALTY LENDING, INC.,
as Documentation Agent and a Term DIP Lender

By: _____

Name: *Josh Feasterly*

Title: *Co-CEO*

CORPORATE CAPITAL TRUST, INC.,
as a Term DIP Lender

By:



Name:

JEFFREY M SMITH

Title:

AUTHORIZED SIGNATORY

**CANYON VALUE REALIZATION FUND,
L.P.,
as a Term DIP Lender
By: Canyon Capital Advisors LLC,
its investment Advisor**

By: _____
Name: **Jonathan M. Kaplan**
Title: **Authorized Signatory**

**CANYON BLUE CREDIT INVESTMENT
FUND, L.P., as a Term DIP Lender
By: Canyon Capital Advisors LLC,
its Co-Investment Advisor**

By: _____ **Jonathan M. Kaplan**
Name: **Authorized Signatory**

**By: Canyon Partners Real Estate LLC,
its Co-investment Advisor**

By: _____
Name: **Jonathan M. Kaplan**
Title: **Authorized Signatory**

SCHEDULE A
DIP BUDGET

See attached.

APPENDIX "C"
REVISED CASH FLOW FORECAST

Sears Canada Group

CCAA Cash Flow Forecast [1]

(CAD in millions)

Week Ending CCAA Filing Week	7-Oct-17 16	14-Oct-17 17	21-Oct-17 18	28-Oct-17 19	4-Nov-17 20	11-Nov-17 21	18-Nov-17 22	25-Nov-17 23	2-Dec-17 24	9-Dec-17 25	16-Dec-17 26	23-Dec-17 27	30-Dec-17 28	6-Jan-18 29	13-Jan-18 30	21-Jan-18 31	Total Total
Receipts																	
Trade Receipts - Open Stores	[2]	28.0	28.0	27.6	4.5	4.5	4.5	4.5	4.5	4.5	4.5	-	-	-	-	-	119.6
Other Receipts - Closing Stores Liquidation	[3]	-	-	263.5	5.3	4.2	3.4	3.5	3.1	2.7	2.3	1.8	1.8	-	-	-	91.7
Proceeds - Asset Sales	[4]	0.0	41.0	-	0.4	15.4	-	-	-	-	7.0	51.1	-	-	-	-	114.9
Total Receipts		28.0	69.0	291.1	10.2	24.2	7.9	8.0	7.6	7.2	13.8	57.9	1.8	1.8	-	-	620.2
Operating Disbursements																	
Merchandise Vendors	[5]	(19.8)	(13.0)	(13.0)	(13.0)	(4.8)	(4.8)	(4.8)	(4.8)	-	-	-	-	-	-	-	(78.0)
Payroll and Employee Related Costs	[6]	(6.2)	(10.5)	(0.7)	(21.1)	(3.2)	(9.7)	(0.5)	(13.6)	(2.1)	(10.3)	(0.5)	(12.9)	(0.2)	(7.0)	(0.2)	(11.5)
Non-Merchandise Vendors	[7]	(9.5)	(9.5)	(9.5)	(9.2)	(8.4)	(6.4)	(4.9)	(4.1)	(4.1)	(3.5)	(3.5)	(3.0)	(3.0)	(3.0)	(2.0)	(89.0)
Rent and Property Taxes	[8]	-	(6.7)	-	-	(6.5)	-	(6.5)	-	(5.9)	-	(5.9)	-	-	(5.4)	-	(42.1)
Sales Taxes	[9]	-	-	(0.5)	(0.8)	-	-	-	(0.5)	-	-	-	-	-	-	-	(1.9)
IT Costs	[10]	-	(4.2)	-	-	(7.4)	-	-	-	-	-	-	-	-	-	-	(11.6)
Recovery/(Payment) of Expenses from/to Agent	[11]	-	-	-	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	93.7
Capital Expenditures	[12]	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.9)
Total Operating Disbursements		(35.5)	(44.0)	(23.9)	(37.1)	(23.1)	(13.7)	(9.5)	(16.7)	(5.0)	(7.2)	(9.2)	3.5	(8.2)	3.9	(11.7)	(239.9)
Net Operating Cash Inflows / (Outflows)		(7.5)	25.0	267.2	(26.9)	1.1	(5.8)	(1.5)	(9.1)	2.3	6.6	55.2	(7.4)	5.3	(8.2)	3.9	380.3
Professional Fees	[13]	(5.8)	(1.7)	-	(1.9)	(1.7)	(1.6)	(1.8)	(1.8)	(5.1)	(1.6)	(1.6)	(1.5)	(1.7)	(1.5)	(1.5)	(34.0)
DIP Fees and Interest Paid	[14]	(3.0)	(0.8)	-	-	(0.6)	-	-	(0.3)	-	(2.5)	-	-	-	-	-	(7.1)
Net Cash Inflows / (Outflows)		(16.2)	22.5	265.5	(28.8)	(1.2)	(7.4)	(3.1)	(11.0)	(3.1)	5.0	51.1	(8.9)	3.6	(9.7)	2.4	339.2
Cash																	
Beginning Balance		35.7	39.5	40.0	112.5	83.3	66.7	59.3	56.1	45.2	42.0	40.0	71.8	62.9	66.5	56.8	59.2
Net Cash Inflows / (Outflows)		(16.2)	22.5	265.5	(28.8)	(1.2)	(7.4)	(3.1)	(11.0)	(3.1)	5.0	51.1	(8.9)	3.6	(9.7)	2.4	78.6
DIP Draws / (Repayments)	[15]	20.0	(22.0)	(193.0)	(0.4)	(15.4)	-	-	-	(7.0)	(19.3)	-	-	-	-	-	(237.2)
Ending Cash Balance		39.5	40.0	112.5	83.3	66.7	59.3	56.1	45.2	42.0	40.0	71.8	62.9	66.5	56.8	59.2	137.8

Notes:

- [1] The purpose of this cash flow forecast is to estimate the liquidity requirements of the Sears Canada Group during the forecast period.
- [2] Forecast Trade Receipts includes collections from the sale of merchandise and services, net of returns, and includes sales taxes. The sales forecast is based on historical sales patterns, seasonality and management's current expectations. Commencing in the week ending October 28, 2017, Forecast Trade Receipts – Open Stores include receipts from the Corbeil and SLH businesses only.
- [3] Forecast Other Receipts includes collections from the third party liquidation agent for the liquidation of inventory and from the sale of merchandise and services relating to cosmetics and dealer stores. Forecast receipts include an initial, up-front payment in the week ending October 21, 2017 equal to approximately 80% of the net minimum guarantee contemplated under the Agency Agreement (which is subject to Court approval) with the balance owing forecast to be received in January 2018.
- [4] Forecast receipts in respect of Asset Sales includes proceeds from the sale of business lines, owned real property, lease transfers and lease surrender agreements approved by the Court on October 4th, or which are subject to Court approval on October 13, 2017.
- [5] Forecast Merchandise Vendor disbursements include payments to vendors for purchase of merchandise goods and other products.
- [6] Forecast Payroll and Employee Related Costs are based on recent payroll amounts. Forecast Payroll and Employee Related costs include final payments owing to eligible employees pursuant to the KERP approved by the Court on June 22, 2017 and retention payments (subject to Court Approval) in respect of key employees whose services will be required assuming the closing of the remaining Sears stores.
- [7] Forecast Non-Merchandise Vendor disbursements include selling, general, and administrative costs excluding rent, property taxes, sales taxes, pension costs, and some IT costs which are captured separately in the CCAA Cash Flow Forecast.
- [8] Forecast Rent and Property Taxes includes payment to landlords, common-area maintenance costs, and property taxes in respect of owned and leased properties.
- [9] Forecast Sales Taxes reflects net GST, HST, and PST amounts remitted to/from the federal and provincial governments. Payments are generally made one month in arrears.
- [10] Forecast IT Costs reflect disbursements made to certain IT-related vendors based on existing terms and conditions of the contract.
- [11] Forecast Recovery of Expenses from Agent reflect reimbursements provided by the third-party liquidator agent of certain costs incurred by Sears Canada Group relating to the closing stores.
- [12] Forecast Capital Expenditures reflect estimated critical capital spending required to maintain the stores during the liquidation period.
- [13] Forecast Professional Fees include legal and financial advisor fees associated with the CCAA proceedings and are based on estimates provided by the advisors.
- [14] Forecast DIP Fees and Interest Paid reflect all payments relating to the DIP facilities including interest and other fees during the forecast period.
- [15] Forecast DIP Draws / (Repayments) are based on funding requirements and maintaining a minimum \$40 million cash balance for the Sears Canada Group.

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

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

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