

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

B E T W E E N:

**KLAUDIO LESHNJANI, WILLIAM R. HARKER, WILLIAM C. CROWLEY,
DONALD C. ROSS, JAMES McBURNEY, EPHRAIM J. BIRD, CALVIN R.
McDONALD, RONALD BOIRE, DEIDRA C. MERRIWETHER, AND
DOUGLAS CAMPBELL**

Applicants

- and -

SEARS HOLDINGS CORPORATION

Respondent

APPLICATION RECORD

September 5, 2018

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TAB 1

CV-18-604470-00CL

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**



BETWEEN:

**KLAUDIO LESHNJANI, WILLIAM R. HARKER, WILLIAM C. CROWLEY,
DONALD C. ROSS, JAMES McBURNEY, EPHRAIM J. BIRD, CALVIN R.
McDONALD, RONALD BOIRE, DEIDRA C. MERRIWETHER, AND
DOUGLAS CAMPBELL**

Applicants

- and -

SEARS HOLDINGS CORPORATION

Respondent

NOTICE OF APPLICATION

TO THE RESPONDENT:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicant. The Claim made by the Applicant appears on the following page.

THIS APPLICATION will come on for a hearing before a Judge of the Ontario Superior Court of Justice presiding over the Commercial List at 10 a.m. on Thursday, October 18, 2018 at 330 University Avenue, 8th Floor, Toronto, Ontario.


IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date SEP 04 2018

Issued by


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Lawyers for the Respondent, Sears Holdings Corporation

APPLICATION

1. The Applicants make an application for the following orders:
 - (a) upon the initial return of this application on October 18, 2018,
 - (i) if necessary, an order abridging the time for service of this application and dispensing with service on any person other than those served;
 - (ii) an interim order directing Sears Holdings Corporation ("**SHC**"), on an interim basis, to pay the legal fees incurred by the Former Directors (as defined herein), and reimburse any amounts already incurred, associated with the extant CCAA proceedings of Sears Canada Inc. (the "**Sears Canada CCAA Proceedings**"), including legal fees associated with defending against and responding to claims asserted in or arising out of the Sears Canada CCAA Proceedings, and costs of Coverage Counsel (as defined herein) (collectively, "**Funded Amounts**");
 - (iii) an order allowing SHC to recover from each Former Director any Funded Amounts previously paid by SHC to such Former Director, but only to the extent that such Funded Amounts are later reimbursed by XL Speciality Insurance Company ("**XL**"), or any other insurance company providing directors' and officers' insurance, to such Former Director;
 - (iv) the costs of the initial hearing, plus all applicable taxes;
 - (b) at a subsequent hearing of this application to be held only if a final judicial or arbitral determination has been made that there is no coverage or less than full coverage available to the Applicants under SHC XL Policy (as defined herein), the following final orders:

- (i) a declaration that, for a period of six years after October 15, 2014, SHC has an obligation to provide and continuously maintain directors' and officers' liability and fiduciary liability coverage for current and former directors of Sears Canada Inc. ("**Sears Canada**") for acts and omissions in their capacity as such occurring at or prior to the date of October 15, 2014 (the "**D&O Insurance**"), pursuant to the Cooperation Agreement (as defined herein) (the "**Insurance Obligation**");
- (ii) a declaration that SHC breached the Insurance Obligation;
- (iii) a final order directing SHC to compensate the Former Directors for SHC's breaches of the Insurance Obligation, including a final order directing SHC to pay to the Former Directors the Funded Amounts and other amounts (including indemnification for liability) that would have been covered by the D&O Insurance mandated by the Cooperation Agreement if SHC had, in fact, purchased such compliant coverage; and
- (iv) costs of this subsequent hearing, plus all applicable taxes.

2. The grounds for the application are:

Claims Against the Former Directors

- (a) On June 22, 2017, Sears Canada, along with certain of its affiliates (the "**Applicants**") and SearsConnect, was granted protection under the *Companies' Creditors Arrangement Act*;
- (b) Among the parties to the Sears CCAA Proceedings are certain former directors and officers of Sears Canada, ten of whom (namely, Klaudio Leshnjani, William R. Harker, William C. Crowley, Donald C. Ross, James McBurney, Ephraim J. Bird,

Calvin R. McDonald, Ronald Boire, Deidra C. Merriwether, and Douglas Campbell) are currently represented by Cassels Brock & Blackwell LLP ("**Cassels Brock**") in these proceedings (each a "**Former Director**" and, collectively, the "**Former Directors**");

- (c) On December 8, 2017, the Court issued an order (the "**Claims Procedure Order**") approving a claims process (the "**Claims Process**") for the purpose of identifying, determining, and adjudicating claims of creditors against the Applicants and their current and former officers and directors;
- (d) On February 22, 2018, the Court issued a further order establishing a claims procedure (the "**E&R Claims Process**") for the identification and quantification of Employee Claims and Retiree Claims (as defined therein) against (i) the Applicants and (ii) the current and former directors of the Applicants (the "**E&R Claims Procedure Order**");
- (e) Since the Claims Procedure Order and the E&R Claims Procedure Order were issued, a number of claims have been submitted to the Monitor against the Former Directors in accordance with the Claims Process and the E&R Claims Process (the "**Former D&O Claims**");
- (f) The Former D&O Claims are based on alleged acts and omissions of the Former Directors taking place while such Former Directors were acting as directors and/or officers of Sears Canada and generally relate to, *inter alia*, the following matters:
 - (i) the dividend paid to certain shareholders of Sears Canada on December 31, 2012 in the approximate amount of \$102 million;

- (ii) the dividend paid to certain shareholders of Sears Canada on December 6, 2013 in the approximate amount of \$509 million;
- (iii) Sears Canada's surrender of its exclusive right to use the Craftsman trademark in Canada in connection with the sale by SHC of the Craftsman business to Stanley Black & Decker in March 2017;
- (iv) alleged assurances and representations made by the Directors and others about the solvency of Sears Canada and its ability to continue to meet its obligations under various leases and other agreements;
- (v) alleged liability for environmental contamination/remediation and building rectification;
- (vi) allegations regarding misrepresentations regarding the detrimental consequences of not purchasing extended warranties;
- (vii) allegations of oppression, breaches of fiduciary duty, and transactions at undervalue, and alleged failure to ensure that Sears Canada adequately funded its contractual obligations, including lease obligations;
- (viii) alleged claims by employees of Sears Canada and its affiliates on account of wages, salaries, commissions, other compensation, benefits, and amounts payable pursuant to applicable employment standard statutes and corporate statutes (such as the *Canada Business Corporations Act*), including statutes of multiple Canadian provinces where Sears Canada carried on business;

- (ix) alleged liability under the claim brought by 1291079 Ontario Limited in the Ontario Superior Court of Justice (Milton) (Court File No. 4114/15) and an earlier action (Milton Court File No. CV-3769/13-CP) against Sears Canada, SHC, certain of the Former Directors (William C. Crowley, William R. Harker, Donald C. Ross, Ephraim J. Bird, and Douglas Campbell), and others relating to the Sears Hometown Dealer store program; and
 - (x) allegations of underfunding of Sears Canada's pension plan including a claim from Morneau Shepell Ltd. in its capacity as Administrator of Sears Canada's Registered Retirement Plan;
- (g) In addition, a number of the Former D&O Claims also allege, among other things, that, in connection with their acting as directors or officers of Sears Canada prior to October 15, 2014, the Former Directors:
- (i) engaged in negligent and/or wrongful conduct;
 - (ii) breached their fiduciary duties owed to Sears Canada, its creditors, and/or others;
 - (iii) approved dividends to shareholders to the corresponding detriment of creditors (oppressive conduct);
 - (iv) approved transaction(s) at under value to the detriment of Sears Canada and/or its creditors;
 - (v) conspired with others in furtherance of their negligent and/or wrongful conduct; and

- (vi) failed to ensure that Sears Canada adequately funded its obligations under its contractual agreements, including leases and pension plans, when they knew that failing to do so would be unjustifiably prejudicial to Sears Canada's creditors;

The Cooperation Agreement

- (h) On October 1, 2014, Sears Canada and SHC entered into a cooperation agreement setting out the terms and conditions on which Sears Canada would cooperate with SHC to facilitate SHC's offering (the "**Cooperation Agreement**");
- (i) The Cooperation Agreement is subject to Ontario law and proceedings relating to it must be brought in Ontario;
- (j) Among the terms of the Cooperation Agreement is a provision requiring SHC to put or maintain in place directors' and officers' insurance for the Former Directors for a period of six years following the Offering (as defined therein) in order to ensure that the Former Directors have sufficient insurance to cover their acts and omissions during the period that they served as directors and officers of Sears Canada prior to the closing of the Offering;
- (k) The Cooperation Agreement states the following, in relevant part:
- (i) SHC will agree to indemnify and hold harmless each of Sears Canada, its subsidiaries and their respective directors, officers, employees and representatives from and against all liabilities, claims, damages and costs (including settlement costs and reasonable fees of counsel) arising out of or based upon:
-
- all actions taken in connection with the Offering or at the request of SHC, provided such actions are taken in good faith and without negligence or willful misconduct; and
 - any breach by SHC of this letter agreement.

(hereafter the “**Indemnification Obligation**”);

- (ii) For a period of 6 years following the closing of the Offering, SHC will continuously maintain directors’ and officers’ liability and fiduciary liability coverage for current and former directors of Sears Canada for acts and omissions in their capacity as such occurring at or prior to the closing of the Offering...on terms no less favourable to such directors and officers in any material respect than those of the insurance policies providing such coverage in effect on the date hereof; provided that this requirement shall be deemed to be satisfied if SHC elects to obtain prepaid policies (i.e., “tail coverage”) which in the aggregate provide such directors and officers with the coverage described herein for an aggregate period of 6 years following closing of the Offering with respect to claims arising from acts or omissions that occurred at or before the Closing.

(hereafter, the “**Insurance Obligation**”);

The Directors’ and Officers’ Insurance Policies

- (l) XL is the issuer of primary director and officer coverage for both SHC (the “**SHC XL Policy**”) and Sears Canada (the “**Sears Canada XL Policy**”);
- (m) The SHC XL Policy and the Sears Canada XL Policy (collectively, the “**XL Policies**”) may each relate to a different policy period with the Sears Canada XL Policy covering claims based on facts occurring after October 15, 2014 and the SHC XL Policy covering claims based on events before such date;

The Former Directors’ Insurance Claim is Denied

- (n) On March 8, 2018, and March 19, 2018, the Former Directors provided notice of the Former D&O Claims to XL under the XL Policies (the “**XL Notices**”);
- (o) On May 4, 2018, XL issued coverage letters under the XL Policies (the “**Coverage Letters**”) that denied that XL has any obligation to provide coverage and reimbursement of defence costs to the Former Directors in respect of the Former D&O Claims;
- (p) Because XL has refused to reimburse defence costs or indemnify against liability pursuant to the SHC XL Policy, the Former Directors have engaged Covington &

Burling LLP (“**Coverage Counsel**”) to pursue coverage under the SHC XL Policy and, if necessary, by commencing proceedings in the United States. Coverage Counsel may also pursue coverage, including by commencing proceedings, if necessary, in relation to the Sears Canada XL Policy;

- (q) Unless and until there is a determination that the SHC XL Policy does provide coverage for defence costs and indemnification for liability, there is good reason to believe that SHC may not be in compliance with the Insurance Obligation including, in particular, the obligation undertaken by SHC to “continuously maintain directors’ and officers’ liability and fiduciary liability coverage”;
- (r) Given that XL has denied coverage and that defence costs are not being paid by XL, it does not appear that SHC “continuously” maintained the required coverage in place since as at present XL is asserting that the specified coverage does not exist;
- (s) Further, the Indemnification Obligation imposes a general obligation on SHC that is in addition to the Insurance Obligation, including the duty to fund defence costs and the costs of coverage counsel, at least on an interim basis;

Request for Indemnification from SHC

- (t) The Sears Canada XL Policy and the SHC XL Policy provide coverage that is stated to be secondary to amounts that the Former Directors are able to recover through corporate indemnification agreements provided by, respectively, Sears Canada and SHC. Any Sears Canada indemnification agreements are of little practical effect given that Sears Canada is insolvent. Further, SHC has taken the position that the indemnification provisions in its corporate Charter only require SHC to indemnify directors and officers of Sears Canada for periods when they

were also acting as directors or officers of SHC, and only if those Former Directors had been specifically asked by SHC to undertake a position with Sears Canada;

- (u) To date, SHC has taken the position that, at best, it may have an obligation to indemnify certain of the Former Directors, but only in respect of the limited period in which these Former Directors concurrently served as directors of Sears Canada and were employed by SHC. SHC has indicated that any such indemnity would be quite limited given that the relevant period of time appears to predate many of the Former D&O Claims. In any event, and as at the present date, SHC has not provided any indemnity to any of the Former Directors in respect of any time period;
- (v) SHC's conduct, including its failure to place insurance coverage that is responsive to the Former D&O Claims, is oppressive to the rights of the Former Directors;

Additional Grounds

- (w) The further grounds as set out in the Affidavit of William Richard Harker, dated August 10, 2018;
- (x) the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended;
- (y) Rules 1.04, 1.05, 2.03, 3.02, 16, 38 and 57 of the *Rules of Civil Procedure*, RRO 1990, Reg. 194;
- (z) Sections 96, 97, 99, 101 and 131 of the *Courts of Justice Act*, RSO 1990, c C-43;
- (aa) Section 242 of the *Canada Business Corporations Act*, RSC, 1985, c C-44; and
- (bb) Such further and other grounds as counsel may advise and this Court may permit.

3. The following documentary evidence will be used at the hearing of the application:
- (a) the Affidavit of William Richard Harker, dated August 10, 2018; and
 - (b) such further and other evidence as the lawyers may advise and this Honourable Court may permit.

September 4, 2018

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Sears Holdings Corporation

- and -

Applicants

Respondent

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

PROCEEDING COMMENCED AT TORONTO

NOTICE OF APPLICATION

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CV-18-604470

Court File No.

TAB 2

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

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

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

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

the Applicants

AFFIDAVIT OF WILLIAM RICHARD HARKER

(sworn August 10, 2018)

I, William Richard Harker, of the City of Old Tappan, in the State of New Jersey,
MAKE OATH AND SAY:

1. I am a former director of Sears Canada Inc. ("**Sears Canada**"), which, along with certain of its affiliates (the "**Applicants**") and SearsConnect, was granted protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**") in these proceedings (the "**Sears CCAA Proceedings**"). Among the parties to the Sears CCAA Proceedings are thirteen former directors and officers of Sears Canada, ten of whom (namely, Ronald D. Boire, William R. Harker, William C. Crowley, Deidra Merriwether, Ephraim J. Bird, Douglas Campbell, Klaudio Leshnjani, James McBurney, Calvin McDonald, and Donald Ross) are currently represented by Cassels Brock & Blackwell LLP ("**Cassels Brock**") in these proceedings (each a "**Former Director**" and, collectively, the "**Former Directors**").

Along with my seven years of experience on the Sears Canada board of directors, I have been involved with the Former Directors' day-to-day strategy regarding the Sears CCAA Proceedings and, accordingly, I have personal knowledge of the matters to which I hereafter depose. In addition, I have knowledge based on a review of the documents referred to herein, or, where indicated, the advice of others, in which case I verily believe such information to be true.

2. This affidavit is sworn on behalf of the Former Directors in support of their application for an order requiring Sears Holdings Corporation ("**SHC**") to provide the Former Directors with interim funding of defence costs.

I. Background Regarding the Former Directors

3. I also served as an officer of SHC from 2005 to 2012. I joined SHC as Vice-President and Chief Counsel in 2005, and became Senior Vice-President, General Counsel and Corporate Secretary in 2006. I also served as Senior Vice-President, Human Resources in 2008 and 2009. I began my tenure at Sears Canada in 2008 as a member of its board of directors. Over the following years, I held various roles on the board of directors, including Vice Chair of the Board, and Chair, Investment Committee and Chair, Human Resources and Compensation Committee. I ceased acting as a director of Sears Canada in May 2015.

4. Although I have held various legal counsel roles at SHC or corporations that are connected to it, nothing that I state in this affidavit is privileged information and it is clearly my intention not to disclose such information publicly.

5. The remaining Former Directors are all former directors and in some instances, former officers, of Sears Canada. Attached hereto and marked as **Exhibit "A"** is a chart setting out the dates the Former Directors served as directors of Sears Canada, as well as certain additional positions they occupied during their tenure at Sears Canada.

II. Relationship Between Sears Canada and SHC

6. Prior to the fall of 2014, and as SHC owned the majority of its common stock at that time, Sears Canada was a subsidiary of SHC.

7. On or about May 14, 2014, SHC announced that it was exploring strategic alternatives for its 51.0% interest in Sears Canada, including a sale of SHC's interest in Sears Canada, or of Sears Canada as a whole. Following this announcement, and at the request of SHC, Sears Canada announced that its board of directors and management intended to fully cooperate with SHC in the process in order to achieve value for all shareholders.

8. In connection therewith, Sears Canada established a committee made up of its independent directors to oversee its cooperation and engagement with SHC (the "**Committee**"). I was not a member of the Committee.

9. On or about September 28, 2014, SHC announced that its board of directors had determined that it was in SHC's best interests, and the best interests of its shareholders, to divest its ownership of Sears Canada by way of an offering (the "**Rights Offering**"). SHC requested the cooperation of Sears Canada in connection with the Rights Offering. Attached hereto and marked as **Exhibit "B"** is a copy of the Registration Statement

under the *Securities Act of 1933*, as filed with the Securities and Exchange Commission on October 15, 2014, setting out, in greater detail, the circumstances leading to the Rights Offering, as well as the details of the Rights Offering itself (the “**Registration Statement**”).

10. As further detailed in the Registration Statement, on or about October 1, 2014, the Board of Directors of Sears Canada, with the advice and on the recommendation of the Committee, approved SHC’s request for cooperation in connection with the Rights Offering, subject to a number of conditions which included, among others, the condition that SHC would “agree to maintain the directors and officers liability and fiduciary liability coverage for current and former directors and officers of Sears Canada relating to matters occurring at or prior to the closing of the Rights Offering for a period of six years thereafter.”

11. Accordingly, on October 1, 2014, Sears Canada and SHC entered into a cooperation agreement in the form of a letter agreement setting out the terms and conditions on which Sears Canada would cooperate with SHC to facilitate SHC’s offering (the “**Cooperation Agreement**”). Attached hereto and marked as **Exhibit “C”** is a copy of the Cooperation Agreement.

12. The Cooperation Agreement states (on page 5) that it is governed by the laws of Ontario and the federal laws of Canada applicable in Ontario. Further, in the Cooperation Agreement, SHC and Sears Canada agreed to submit to the exclusive jurisdiction of the Ontario courts sitting in Toronto in regard to “any action, application, reference, or other proceeding arising out of or related to this letter agreement.”

13. Among the terms of the Cooperation Agreement is a provision that SHC would provide directors' and officers' insurance for the benefit of the current and former directors and officers of Sears Canada until 2020. More specifically, the Cooperation Agreement requires SHC to

continuously maintain directors' and officers' liability and fiduciary liability coverage for current and former directors and officers of Sears Canada for acts and omissions in their capacity as such occurring at or prior to the closing of the Offering with insurer(s) that have at the time such coverage is written the same or higher A.M. Best rating as the current primary insurer on terms no less favourable to such directors and officers in any material respect than those of the insurance policies providing such coverage in effect on the date hereof; provided that this requirement shall be deemed to be satisfied if SHC elects to obtain prepaid policies (i.e., "tail coverage") which in the aggregate provide such directors and officers with the coverage described herein for an aggregate period of 6 years following the closing of the Offering with respect to claims arising from acts or omissions that occurred at or before the closing.

14. Because of this provision, I understood that SHC would put or maintain in place directors' and officers' insurance for me and all other directors and officers of Sears Canada for a period of six years following the Rights Offering. I further understood that the purpose of this provision was to ensure that the Former Directors had sufficient insurance to provide defence and indemnity coverage for alleged acts and omissions during the period that they served as directors and officers of Sears Canada prior to the closing of the Rights Offering (i.e., when Sears Canada was a subsidiary of SHC).

15. Accordingly, and following the execution of the Cooperation Agreement, it was my understanding that SHC would arrange for and maintain directors' and officers' insurance and that such insurance would provide defence and indemnity coverage for any Claims (as defined therein) arising prior to the date of October 15, 2014 (and while Sears Canada

was a subsidiary of SHC), and further, that this insurance would be in place for a period of six years following the closing of the Rights Offering.

16. The Former Directors have received from SHC a copy of the primary directors' and officers' ("**D&O**") insurance policy obtained by SHC for the policy year from May 15, 2017 to May 15, 2018 which was issued by XL Specialty Insurance Company ("**XL**") (the "**SHC XL Policy**"), relevant portions of which are attached as **Exhibit "D"** and irrelevant portions of which have been omitted or redacted.

17. It was also my understanding that, for the period after the Rights Offering, Sears Canada would arrange for and maintain my directors' and officers' insurance (and the directors' and officers' insurance for the Former Directors) for the period after the date of October 15, 2014 in respect of any Claims (as defined therein) arising thereafter. Attached hereto and marked as **Exhibit "E"** is a copy of the relevant portions of the primary D&O insurance policy that Sears Canada purchased from XL for the policy period from October 15, 2016 to October 15, 2017 (the "**Sears Canada XL Policy**"), in respect of which a run-off policy was later purchased.

18. The SHC XL Policy and the Sears Canada XL Policy (collectively, the "**XL Policies**"), may each relate to a different policy period in light of the specific endorsements in each policy. In particular, Endorsement 4 of the Sears Canada XL Policy states as follows:

In consideration of the premium charged, no coverage will be available under this Policy for Claims based upon, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving any fact, circumstance, situation, transaction, event or Wrongful Act, underlying or alleged in any prior and/or pending litigation or administrative or regulatory proceeding or arbitration which was brought prior to October 15, 2014.

19. As such, the Former Directors are concerned that the Sears Canada XL Policy will not cover any claims based on facts occurring prior to October 15, 2014 and thus they will have to rely on the SHC XL Policy in respect of any claims seeking to hold them liable for alleged acts or omissions of such Former Directors occurring before such date.

20. As is detailed further herein, a number of claims have been made against the Former Directors in the Sears CCAA Proceedings. Notice of these claims has been provided to XL in accordance with both the SHC XL Policy and the Sears Canada XL Policy. However, and as detailed further herein, XL has, to date, denied coverage (including payment of defence costs as incurred) to the Former Directors under both the SHC XL Policy and the Sears Canada XL Policy.

III. The Sears CCAA Proceedings

a. The Initial Order

21. On June 22, 2017, the Applicants and SearsConnect sought and obtained an initial order (as amended and restated on July 13, 2017, the “**Initial Order**”) under the CCAA which, among other things, appointed FTI Consulting Canada Inc. as monitor of the Applicants in the Sears CCAA Proceedings (the “**Monitor**”) and, further, granted an initial stay of proceedings against the Applicants until July 22, 2017 (the “**Stay Period**”). Attached hereto and marked as **Exhibit “F”** is a copy of the Initial Order.

22. The Stay Period has been extended numerous times, most recently on July 24, 2018, at which time the Stay Period was extended from July 31, 2018 to December 18, 2018.

b. The Claims Procedure Order

23. On December 8, 2017, the Court issued an order (the “**Claims Procedure Order**”) approving a claims process (the “**Claims Process**”) for purpose of identifying, determining, and adjudicating claims of creditors against the Applicants and their current and former officers and directors. Attached hereto and marked as **Exhibit “G”** is a copy of the Claims Procedure Order.

24. As set out in the Claims Procedure Order, a “Claim” is defined to include the following:

any right or claim of any Person against one or more of the Directors and/or Officers howsoever arising, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety, or otherwise, and whether or not such right is executor or anticipatory in nature, including any Assessments and any right or ability of any person to advance a claim for contribution, indemnity or otherwise against any of the Directors and/or Officers with respect to any matter, action, cause or chose in action, however arising, for which any Director or Officer is alleged to be, by statute or otherwise by law or equity, liable to pay in his or her capacity as a Director or Officer (each a “**D&O Claim**”, and collectively, the “**D&O Claims**”).

25. The Claims Procedure Order further defines “Director” as “anyone who is or was or may deemed to be or have been, whether by statute, operation of law or otherwise, a director or *de facto* director of any of the [Applicants], in such capacity”.

26. The Claims Procedure Order provides a similar definition for “Officer”.

c. The Employee and Retiree Claims Procedure Order

27. On February 22, 2018, the Court issued a further order establishing a claims procedure (the “**E&R Claims Process**”) for the identification and quantification of Employee Claims and Retiree Claims (as defined therein) against (i) the Applicants and (ii) the current and former directors of the Applicants (the “**E&R Claims Procedure Order**”). Attached hereto and marked as **Exhibit “H”** is a copy of the E&R Claims Procedure Order.

d. The Litigation Investigator Order

28. In addition, on March 2, 2018, the Court issued an order appointing Lax O’Sullivan Lisus Gottlieb LLP as “Litigation Investigator” (the “**Litigation Investigator**”) in the Sears CCAA Proceedings (the “**Litigation Investigator Order**”). Attached hereto and marked as **Exhibit “I”** is a copy of the Amended Litigation Investigation Order in the amended form which it was issued on April 26, 2018 following a subsequent court hearing.

29. Pursuant to the Litigation Investigator Order, the Litigation Investigator has been appointed for the purpose of

investigating, considering, and reporting to the Creditors’ Committee (defined below), regarding any rights or claims, whether legal, equitable, statutory or otherwise, that the Sears Canada Entities and/or any creditor of any of the Sears Canada Entities may have as against any parties, including but not limited to current and former directors, officers, shareholders and advisors of any of the Sears Canada Entities.

30. The Litigation Investigator Order also provides that the Litigation Investigator “may investigate any and all claims regardless of whether such claims have been included by creditors’ proofs of claims filed pursuant to the Claims Procedure Order.”

IV. Claims Made Against the Former Directors & Officers

31. Since the Claims Procedure Order and the E&R Claims Procedure Order were issued, numerous Former D&O Claims have been submitted to the Monitor.

32. The Former D&O Claims seek to hold the Former Directors liable based on alleged acts and omissions taking place while such Former Directors were acting as directors and/or officers of Sears Canada and generally relate to the following matters, among others:

- (a) the dividend paid to certain shareholders of Sears Canada on December 31, 2012 in the approximate amount of \$102 million;
- (b) the dividend paid to certain shareholders of Sears Canada on December 6, 2013 in the approximate amount of \$509 million;
- (c) Sears Canada’s surrender of its exclusive right to use the Craftsman trademark in Canada in connection with the sale by SHC of the Craftsman business to Stanley Black & Decker in March 2017;
- (d) alleged assurances and representations made by the Directors and others about the solvency of Sears Canada and its ability to continue to meet its obligations under various leases and other agreements;

- (e) alleged liability for environmental contamination/remediation and building rectification;
- (f) allegations regarding misrepresentations regarding the detrimental consequences of not purchasing extended warranties;
- (g) allegations of oppression, breaches of fiduciary duty, and transactions at undervalue, and alleged failure to ensure that Sears Canada adequately funded its contractual obligations, including lease obligations;
- (h) alleged claims by employees of Sears Canada and its affiliates on account of wages, salaries, commissions, other compensation, benefits, and amounts payable pursuant to applicable employment standard statutes and corporate statutes (such as the *Canada Business Corporations Act*), including statutes of multiple Canadian provinces where Sears Canada carried on business;
- (i) alleged liability in the action brought by 1291079 Ontario Limited in the Ontario Superior Court of Justice (Milton) (Court File No. 4114/15) and an earlier action (Milton Court File No. CV-3769/13-CP) against Sears Canada, SHC, certain of the Former Directors (William C. Crowley, William R. Harker, Donald C. Ross, Ephraim J. Bird, and Douglas Campbell), and others relating to the Sears Hometown Dealer store program; and
- (j) allegations arising from alleged underfunding of Sears Canada's pension plan including allegations of liability therefor made by Morneau Shepell Ltd.

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in its capacity as Administrator of Sears Canada's Registered Retirement Plan).

33. A number of the Former D&O Claims also allege, among other things, that the Former Directors engaged in acts or omissions while serving as directors and/or officers of Sears Canada, including that they:

- (a) engaged in negligent and/or wrongful conduct;
- (b) breached their fiduciary duties owed to Sears Canada, its creditors, and/or others;
- (c) approved of dividends to shareholders to the corresponding detriment of creditors (oppressive conduct);
- (d) approved of transactions at under value to the detriment of Sears Canada and/or its creditors;
- (e) conspired with others in furtherance of their negligent and/or wrongful conduct; and
- (f) failed to ensure that Sears Canada adequately funded its obligations under its contractual agreements, including leases and pension plans, when they knew that failing to do so would be unjustifiably prejudicial to Sears Canada's creditors.

34. The quantum of the Former D&O Claims is significant. Indeed, a number of the Former D&O Claims individually assert pre-filing claims (for the period up to and including June 22, 2017) each in the amount of \$750 million.

V. Claims Against the Former Directors and Retaining of Legal Counsel

35. After the Claims Procedure Order was issued, I became aware that D&O Claims were going to be submitted against the Former Directors in accordance with the Claims Process ("**Former D&O Claims**").

36. Accordingly, around February 24, 2018, the Former Directors and three other former directors of Sears Canada retained Cassels Brock for the purpose of:

- (a) preparing and submitting proofs of claim on behalf of the Former Directors in accordance with the Claims Process;
- (b) reviewing and responding to any Former D&O Claims submitted during the Claims Process;
- (c) consulting with the Monitor in respect of any Former D&O Claims submitted during the Claims Process;
- (d) otherwise generally defending the claims against the Former Directors; and
- (e) preparing and submitting notifications to the insurance companies that provided directors' and officers' insurance during the time period that the Former Directors held director or officer positions with Sears Canada.

37. Since being retained by the Former Directors, Cassels Brock has been required to do, among other things, the following on behalf of the Former Directors:

- (a) prepare and file claims on behalf of the Former Directors against the Applicants and SearsConnect and against the other Directors and Officers in accordance with the Claims Procedure Order (including obtaining relevant documents from various sources because the Former Directors are no longer affiliated with Sears Canada and lack any access to its documents);
- (b) prepare for and attend hearings on behalf of the Former Directors, including in connection with the Claims Processes, the appointment of a litigation investigator (discussed below) and the preservation of privilege assertable by the Former Directors in connection with any litigation that may be brought;
- (c) review and investigate the Former D&O Claims;
- (d) consult and work with the Monitor to review the Former D&O Claims, in accordance with the terms of the Claims Procedure Order and the E&R Claims Procedure Order;
- (e) review the SHC XL Policy and the SHC Canada XL Policy and submit notices of claims for indemnity and payment of defence costs on behalf of the Former Directors thereunder; and

- (f) provide ongoing updates to XL and the other insurers as more information about claims was provided by the Monitor.

38. In connection with the foregoing, and given that the Former Directors did not have access to funding for the legal fees incurred in the Sears CCAA Proceeding, the Former Directors have instructed Cassels Brock to only take those steps reasonably necessary to protect the interests of the Former Directors and defend them against claims until XL agrees to reimburse defence costs and provide indemnification under the XL Policies. The Former Directors are individuals with different degrees of financial means and many of them do not have sufficient personal resources to pay even defence costs out of their own pocket (let alone any damages for which they may later be found liable).

VI. Claims Under the SHC XL Policy and the Sears Canada XL Policy are Made on behalf of the Former Directors

39. On or about March 8, 2018, and in order to, among other things, obtain payment of defence costs, John Birch ("**Mr. Birch**"), a partner of Cassels Brock, notified XL, pursuant to the Sears Canada XL Policy, of the Former D&O Claims (the "**Sears Canada XL Notice**").

40. The Sears Canada XL Notice set out, among other things, the following:

- (a) a detailed and particularized list of the nature of the claims and allegations that were being asserted against the Former Directors within the Sears CCAA Proceedings;
- (b) steps taken by the Former Directors to protect their position and obtain indemnification from the Applicants, including the filing of proofs of claim

against the Applicants in accordance with the Claims Process, as well as the filing of proofs of claim against the directors and officers of Sears Canada for the purposes of seeking contribution and indemnity from the other directors of the Applicants, to the extent that those directors may also be liable; and

- (c) a request that XL consent to incur, and agree to reimburse, the Defence Expenses (as that term is defined in the Sears Canada XL Policy), including Defence Expenses incurred as at the date of the Sears Canada XL Notice.

41. On or about March 19, 2018, Mr. Birch provided a substantially similar notice to XL pursuant to the SHC XL Policy (the “**SHC XL Notice**” and, together with the Sears Canada XL Notice, the “**XL Notices**”).

42. On April 5, 2018, Mr. Birch sent an email to Tammy Yuen of Skarzynski Black LLC (“**Skarzynski**”) to confirm that Skarzynski had been retained as counsel to XL in its capacity as the D&O insurance provider for both SHC and Sears Canada. In this email, Mr. Birch provided another copy of the XL Notices and a ZIP file containing all of the correspondence and other claims notices. Attached hereto and marked as **Exhibit “J”** is a copy of Mr. Birch’s email of April 5, 2018.

43. On May 1, 2018, Mr. Birch sent a further email to Ms. Yuen (among others) to provide an update on the Sears CCAA Proceedings, the manner in which supporting documents would be provided in connection with the Sears Canada XL Notice, as well as to request “that arrangements be made to pay the legal fees of [Cassels Brock] in connection with responding to the numerous claims and threatened claims of which

[Cassels Brock had] received notice and which have been reported to the insurers. Attached hereto and marked as **Exhibit “K”** is a copy of Mr. Birch’s email of May 1, 2018.

44. On May 4, 2018, Ms. Yuen sent an email to Mr. Birch, with a copy to XL’s Canadian counsel, Paul Stein of Gowling WLG (Canada) LLP (**“Gowlings”**), stating that it had not reviewed the materials provided in Mr. Birch’s email of May 1, 2018, but that coverage letters would be issued later that same date (**“Coverage Letters”**). Attached hereto and marked as **Exhibit “L”** is a copy of Ms. Yuen’s email of May 4, 2018.

45. On May 4, 2018, both Gowlings, in its capacity as counsel for XL in connection with the Sears Canada XL Notice, and Skarzynski, in its capacity as counsel for XL in connection with the SHC XL Notice, issued Coverage Letters. Attached hereto and collectively marked as **Exhibit “M”** are copies of the Coverage Letters.

46. The Coverage Letters acknowledge receipt of the SHC XL Notice and the Sears Canada XL Notice, and state, among other things, that “only two of the noticed matters currently constitute ‘Claims.’”

47. “Claim” is defined in both the SHC XL Policy and the Sears Canada XL Policy as follows:

- (1) a written demand for monetary or non-monetary relief;
- (2) any civil or criminal judicial proceeding in a court of law or equity, arbitration or other alternative dispute resolution; or
- (3) a formal civil, criminal, administrative, or regulatory proceeding or formal investigation.

48. The Coverage Letters go on to, in essence, deny that XL has any obligation to provide coverage for and pay the Former Directors' defence costs in respect of the Former D&O Claims.

49. On May 7, 2018, and following receipt of the Coverage Letters, Mr. Birch sent further email correspondence to both Ms. Yuen and Mr. Stein to advise that the Monitor had received additional Former D&O Claims. Attached hereto and marked as **Exhibit "N"** is a copy of Mr. Birch's email of May 7, 2018.

50. On May 28, 2018, Mr. Birch sent a further email to Ms. Yuen and Mr. Stein stating, among other things, that:

- (a) Ms. Yuen had previously advised that the coverage position taken in the Coverage Letters did not take into account the supplementary claims information provided to XL and the other insurers after March, 2018;
- (b) the Former Directors disagreed with the coverage position taken in the Coverage Letters and reserved all of their rights regarding seeking relief on the coverage issue;
- (c) it was evident from the additional information provided on May 1, 2018 and May 7, 2018 that numerous "Claims" within the meaning of the SHC XL Policy and the Sears Canada XL Policy have been asserted and need to be defended; and
- (d) Ms. Yuen and Mr. Stein should immediately review the additional claims information that had been provided to XL and the other insurers after

March, 2018, and confirm that XL would provide payment of defence costs, failing which the Former Directors would have coverage counsel seek the appropriate relief.

51. Attached hereto and marked as **Exhibit “O”** is a copy of Mr. Birch’s email of May 28, 2018.

52. On June 18, 2018, Mr. Stein sent a further letter to Mr. Birch stating, among other things, that “[n]one of the Additional Noticed Matters (as defined therein) presently appear to constitute a Claim under the A-Side Policy because those matters do not appear to fall within the definition of Claim as set out above” and further, that “...for any of the Additional Noticed Matters in connection with which notice was first provided to [XL] after February 12, 2018, [XL] cannot accept such Additional Noticed Matters as notice of Claim or Wrongful Act under the A-Side Policy.” Attached hereto and marked as **Exhibit “P”** is a copy of Mr. Stein’s letter of June 18, 2018.

53. On July 31, 2018 Mr. Stein sent a further letter to Mr. Birch asking for additional information about activities that had been undertaken to respond to the claims filed against the Former Directors in the Sears CCAA Proceedings.

54. On August 3, 2018, Mr. Birch sent a letter to both Mr. Stein and Ms Yuen to provide the information requested in Mr. Stein’s letter of July 31, 2018, and to advise that XL’s continued failure to acknowledge its defence obligations has negatively affected Cassels Brock’s ability to adequately defend and protect the interests of the Former Directors.

55. Notwithstanding this correspondence, and as at the present date, XL has not agreed to provide indemnification of liability or payment of defence costs, whether under the SHC XL Policy or under the Sears Canada XL Policy.

VII. Steps Taken by Former Directors and Officers Following Receipt of the Coverage Letters

56. Because XL has refused to reimburse defence costs or indemnify against liability pursuant to the SHC XL Policy, the Former Directors have unanimously decided to engage Covington & Burling LLP (“**Coverage Counsel**”) for the purposes of pursuing coverage under the SHC XL Policy and any related excess policies. Coverage Counsel may also seek similar relief in relation to the Sears Canada XL Policy and any related excess policies.

57. The SHC XL Policy was issued in the United States and therefore proceedings, if necessary, are likely to be brought in the United States. I have been advised by Coverage Counsel, and believe, that, in the best case, it could easily take a minimum of three to six months to obtain a ruling on the issue of coverage for defence costs. This timing assumes that Coverage Counsel is able to commence legal proceedings, prepare and file a summary judgment or other appropriate motion, and obtain a decision within that timeframe. If there is an appeal of the decision at first instance, the process will be considerably longer.

VIII. Defence Costs Incurred by the Former Directors to Date

58. On July 24, 2018, the Court granted an order extending the date by which the Monitor must complete its review of the Claims to October 1, 2018. Attached hereto and

marked as **Exhibit “Q”** is a copy of the Order extending the claims review date (the **“Claims Review Date”**) to October 1, 2018.

59. Given the estimated timelines provided by Coverage Counsel with respect to adjudicating coverage issues in the United States, I am concerned that the Former Directors (with the potential exception of Deidra Merriwether, as discussed further below), will not have any source of funding for the work that Cassels Brock will be required to perform on behalf of the Former Directors in the interim.

60. In this regard, I have been advised by Natalie Levine (**“Ms. Levine”**), a partner of Cassels Brock, and believe, that a significant amount of work is still required in connection with the Former D&O Claims, including, among other things, the following:

- (a) Cassels Brock must complete its review and analysis of the Former D&O Claims;
- (b) Cassels Brock must, pursuant to the Claims Procedure Order and the E&R Claims Procedure Order, consult with the Monitor on the Former D&O Claims to ensure a decision is rendered by the Monitor on or prior to the Claims Review Date;
- (c) Cassels Brock anticipates that, pursuant to the Litigation Investigator Order, the Litigation Investigator will release a report that may recommend further claims and/or proceedings against the Former Directors and others;
- (d) a motion has been filed by Representative Counsel to the court-appointed Representatives of employees and retirees seeking a declaration that the

amount of the pension plan wind up deficit is deemed to be held in trust for the beneficiaries of the Sears Canada Plan (as defined therein). I am advised by Ms. Levine, and believe, that this motion may necessitate participation by the Former Directors because the subject matter may be relevant to the Former D&O Claims; and

- (e) a motion has been filed to remove the current board of directors of Sears Canada, and I am advised by Ms. Levine and believe, that this motion will necessitate participation by the Former Directors because of its potential impact on the Former D&O Claims.

61. To date, the Former Directors have incurred in excess of \$300,000 in legal fees.

62. It was not my expectation when Cassels Brock was retained that I, and the other Former Directors, would personally be required to pay the legal fees incurred in the context of the Sears CCAA Proceeding. Rather, it was my expectation that payment of my and the other Former Directors' defence costs would be made by XL pursuant to the SHC XL Policy and the Sears Canada XL Policy shortly after notice of the claims was given to XL.

63. However, as coverage (including payment of defence costs as incurred) has been denied under both the SHC XL Policy and the Sears Canada XL Policy, the Former Directors have been required to personally pay for the legal fees incurred to date.

64. I am advised by Ms. Levine and believe, that of the thirteen individuals who initially retained Cassels Brock, two have since terminated their engagement of Cassels Brock

because they were unable to afford their share of Cassels Brock's fees, and one other individual has engaged other counsel for unrelated reasons.

IX. Request for Indemnification from SHC

65. It was my understanding at the time Cassels Brock was retained, and based on indemnification obligations of SHC and Sears Canada and the Cooperation Agreement, that the Former Directors would have valid, effective insurance coverage purchased by SHC that would cover liability and defence costs to the extent provided for in the Cooperation Agreement.

66. The Sears Canada XL Policy and the SHC XL Policy provide coverage that is stated to be secondary to amounts that the Former Directors are able to recover through corporate indemnification agreements provided by, respectively, Sears Canada and SHC. Although Sears Canada entered into Indemnification Agreements with at least some of the Former Directors, such indemnification is of little practical effect given that Sears Canada has not paid the costs to defend any of the Former Directors against the Former D&O Claims and is insolvent. Further, SHC has taken the position that the indemnification provisions in its corporate Charter only require SHC to indemnify directors and officers of Sears Canada for periods when they were concurrently acting as directors or officers of SHC and only if those Former Directors had been specifically asked by SHC to undertake a position with Sears Canada. SHC has therefore taken the position that it is only prepared to fully indemnify one Former Director, namely Deidra Merriwether, and only in respect of liability arising out of events occurring between February 3, 2008 and May 21, 2012. However, since all or substantially all of the claims against the Former

Directors are based on events after May 21, 2012, it appears that SHC's agreement to indemnify Ms. Merriwether for this period is of little practical significance.

67. A number of the other Former Directors (namely Ronald Boire, William Crowley, and I) held positions at SHC at various times, but SHC has taken the position that, at best, there may be an obligation to indemnify me and Mr. Crowley for the limited period in which each of us concurrently served as directors of Sears Canada and were employed by SHC. However, SHC has indicated that any such indemnity would be quite limited given that the relevant period of time appears to predate many of the Former D&O Claims. In any event, and as at the present date, SHC has not provided any indemnity to any of us in respect of any time period.

68. All other Former Directors (namely, Ephraim J. Bird, Douglas Campbell, Klaudio Leshnjani, James McBurney, Calvin McDonald, and Donald Ross) never held any officer or director position at SHC and therefore SHC takes the position that the SHC corporate indemnification obligation does not apply to them.

69. To date, SHC has declined our request that it provide reimbursement of defence costs to the Former Directors on an interim basis. SHC's refusal to do so has placed financial pressure on the Former Directors which has negatively affected Cassels Brock's ability to represent the Former Directors and defend against the Former D&O Claims. In this regard, Cassels Brock has not been able to meet with the Monitor to discuss the Former D&O Claims, and further, Cassels Brock has not been able to adequately pursue information-gathering from Sears Canada and its counsel concerning the Former D&O Claims.

70. I am advised by Mr. Birch, and believe, that SHC (through its Canadian counsel) has also refused or been unresponsive to his requests for interim funding of defence costs pending a final determination of coverage issues.

71. The Former Directors are not, at this stage, seeking any determination that SHC has breached the Cooperation Agreement. Rather, the fact that XL has so far denied coverage under the SHC XL Policy indicates that there is a potential question about whether SHC purchased the required insurance coverage for the Former Directors and, by extension, whether SHC complied with the insurance provisions of the Cooperation Agreement.

X. Conclusion

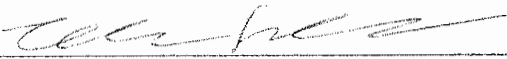
72. Accordingly, the Former Directors seek an order


- (a) directing SHC, on an interim basis, to pay the Former Directors' legal fees (and reimburse any amounts already incurred) associated with these CCAA proceedings of Sears Canada including legal fees associated with defending against and responding to claims asserted in or arising out of these proceedings, and costs of Coverage Counsel (collectively, "**Funded Amounts**"); and
- (b) allowing SHC to recover from each Former Director any Funded Amounts previously paid by SHC to such Former Director, but only to the extent that such Funded Amounts are later reimbursed by XL, or any other insurance

company providing directors' and officers' insurance, to such Former Director.

73. In bringing this motion, it is not the intention of the Former Directors to affect the rights of any party in regard to the XL Policies or obtain any determination of coverage under the XL Policies. Instead, the Former Directors seek this interim relief so that they may have funding for counsel until such time as coverage under the SHC XL Policy and related excess policies is finally determined. If the Former Directors wish to seek a final determination of rights as to whether SHC has complied with, or breached, the Cooperation Agreement, that will be the subject of a separate legal proceeding, if necessary. However, the Former Directors continue to hope that either or both of the XL Policies (and related excess insurance policies issued by other insurers) eventually will be determined to respond in order to reimburse defence costs and indemnify the Former Directors against any liability that they may ultimately be found to have.

SWORN BEFORE ME at the ___
of Westwood, in the State of
New Jersey on the 10th day of August 2018


A Notary Public in and for the State of New Jersey


William Richard Harker

JEREMY FORTUNATO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 4/27/2022

This is **Exhibit "A"** referred to in the Affidavit of William Richard Harker, sworn before me at Westwood, New Jersey, United States of America, on August 10, 2018.



(A Notary Public in and for the State of New Jersey)

JEREMY FORTUNATO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 4/27/2022



	Name	Position	Applicable Dates
1	Klaudio Leshnjani	Director	July 2014 – Feb 2016
		Executive Vice-President and Chief Operating Officer; Executive Vice-President and Chief Administrative Officer and General Counsel; Executive VP, Financial and Home Services, Human Resources and General Counsel; Senior Vice-President and General Counsel; Vice-President and General Counsel; Interim General Counsel; Senior Corporate Counsel; Legal Counsel	Various dates from 2002 to February 2016.
2	William Crowley	Director	March 2005 – April 2015
		Chairman of the Board; Member of the Human Resources and Compensation Committee	Various dates from March 2005 to April 2015.
3	William Harker	Director	November 2008 – April 2015
		Member of the Human Resources and Compensation Committee; Member of the Investment Committee	Various dates from November 2008 to April 2015.
4	James R.G. McBurney	Director	April 2010 – April 2015
		Member of the Audit Committee; Member of the Nominating and Corporate Governance Committee	Various dates from April 2010 to April 2015.
5	Ephraim J. Bird	Director	May 2006 – November 2013
		Member of the Audit Committee; Lead Director of the Board; Member of the Human Resources and Compensation Committee;	Various date from May 2006 to June 2016.

		Executive Vice President and Chief Financial Officer	
6	Calvin McDonald	Director	June 2011 – September 2013
		President; Chief Executive Officer	Various dates from June 2011 to September 2013.
7	Danita Stevenson	Director	April 2014 – April 2015
		Senior Vice-President, Apparel and Accessories; Senior Vice-President, Apparel; Senior Vice-President, Private Brands, Dresses	Various dates from January 2013 to April 2015.
8	Ronald Boire	Director	January 2015 – August 2015
		President; Chief Executive Officer	Various dates from October 2014 to August 2015.
9	Timothy Earl Flemming	Director	February 2014 – March 2015
		Senior Vice-President, Procurement and Supply Chain; Vice-President Procurement and Supply Chain; Vice-President Corporate Procurement and Speciality Business	Various dates from October 2001 to March 2015.
10	Sam Jeffrey Stollenwerck	Director	April 2014 – June 2017
11	Deidra Cheeks Merriwether	Director	April 2007 – May 2012
		Member of the Investment Committee; Member of the Nominating and Corporate Governance Committee	Various dates from April 2007 to May 2012.
12	Donald Campbell Ross	Director	May 2012 – April 2014

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		Member of the Audit Committee; Member of the Nominating and Corporate Governance Committee; Member of the Human Resources and Compensation Committee	Various dates from May 2012 to April 2014.
13	Douglas Campbell	Director	September 2013 – October 2014
		President and Chief Executive Officer; Executive Vice-President and Chief Operating Officer; Senior Vice-President, Major Appliances; Vice-President, Major Appliances and Electronics; Other Executive Vice-President roles	Various dates from March 2011 to October 2014.

This is Exhibit "B" referred to in the Affidavit of William Richard Harker, sworn before me at Westwood, New Jersey, United States of America, on August 10, 2018.



(A Notary Public in and for the State of New Jersey)

JEREMY FORTUNATO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 4/27/2022

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As filed with the Securities and Exchange Commission on October 15, 2014.

Registration No. 333-199198

**UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION**
 WASHINGTON, D.C. 20549

**AMENDMENT NO. 1
 TO
 FORM F-10**

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

SEARS CANADA INC.

(Exact name of Registrant as specified in its charter)

<p>Canada (Province or other jurisdiction of incorporation or organization)</p>	<p>5311 (Primary Standard Industrial Classification Code Number (if applicable))</p>	<p>Not Applicable (I.R.S. Employer Identification No. (if applicable))</p>
--	--	--

290 Yonge Street
 Suite 700
 Toronto, Ontario, Canada, M5B 2C3
 (416) 941-4413

(Address and telephone number of Registrant's principal executive offices)

Torys LLP
 Attn: Mile T. Kurta
 1114 Avenue of the Americas
 23rd Floor
 New York, New York 10036-7703
 (212) 880-6000

(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Copies to:

Franco Perugini
 General Counsel and
 Corporate Secretary
 Sears Canada Inc.
 290 Yonge Street, Suite 700
 Toronto, Ontario,
 Canada M5B 2C3
 (416) 941-4421

Patricia A. Koval
 Andrew J. Beck
 Mile T. Kurta
 Torys LLP
 1114 Avenue of the Americas
 23rd Floor
 New York, New York 10036-
 7703
 (212) 880-6000

Robert C. Lando
 Osler, Hoskin &
 Harcourt LLP
 620 8th Avenue
 36th Floor
 New York, New York 10018
 (212) 867-5800

David E. Shapiro
 Wachtel, Lipton,
 Rosen & Katz
 51 West 52nd Street
 New York, New York 10019
 (212) 403-1000

Kristin M. Coleman
 Senior Vice President, General
 Counsel and Corporate
 Secretary
 Sears Holdings Corporation
 3333 Beverly Road
 Hoffman Estates, Illinois
 60179
 (847) 286-2500

Approximate date of commencement of proposed sale of the securities to the public:
 As soon as practicable after this registration statement becomes effective.

Province of Ontario, Canada
 (Principal jurisdiction regulating this offering)

It is proposed that this filing shall become effective (check appropriate box):

- A. upon filing with the Commission pursuant to Rule 467(a) (if in connection with an offering being made contemporaneously in the United States and Canada).
- B. at some future date (check the appropriate box below)
1. pursuant to Rule 467(b) on () at () (designate a time not sooner than 7 calendar days after filing).
 2. pursuant to Rule 467(b) on () at () (designate a time 7 calendar days or sooner after filing) because the securities regulatory authority in the review jurisdiction has issued a receipt or notification of clearance on ().
 3. pursuant to Rule 467(b) as soon as practicable after notification of the Commission by the Registrant or the Canadian securities regulatory authority of the review jurisdiction that a receipt or notification of clearance has been issued with respect hereto.
 4. after the filing of the next amendment to this Form (if preliminary material is being filed).

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to the home jurisdiction's shelf prospectus offering procedures, check the following box.

PART I

INFORMATION REQUIRED TO BE DELIVERED TO OFFEREEES OR PURCHASERS

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The securities offered hereby are of a Canadian issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States and Canada, to prepare this short form prospectus in accordance with the disclosure requirements of Canada. Prospective investors should be aware that such requirements are different from those of the United States. Financial statements included in or incorporated by reference herein have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and thus may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition of the securities described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein.

The enforcement by investors of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Corporation is organized under the laws of Canada, that some or all of its officers and directors, and some or all of the experts named in this short form prospectus, may be residents of Canada or otherwise reside outside the United States, and that all or a substantial portion of the assets of the Corporation and said persons may be located outside the United States. See "ENFORCEABILITY OF CIVIL LIABILITIES".

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC") NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

Information has been incorporated by reference in this short form prospectus from documents filed with the securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Office of the Secretary of Sears Canada Inc., 290 Yonge Street, Suite 700, Toronto, Ontario, M5B 2C3, (416) 941-4428 and are also available electronically at www.secdar.com

SHORT FORM PROSPECTUS

Secondary Rights Offering

October 15, 2014

SEARS CANADA INC.

Up to 40,000,000 Outstanding Common Shares Deliverable Upon Exercise of the Subscription Rights Distributed by Sears Holdings Corporation

Sears Holdings Corporation ("Sears Holdings") is distributing, at no charge, to holders of its outstanding common stock ("SHC Stock") as at 5:00 p.m. (New York City time) on October 16, 2014 (the "Record Date"), transferable subscription rights ("subscription rights") entitling them to purchase common shares ("Common Shares") of Sears Canada Inc. ("Sears Canada" or the "Corporation") held by Sears Holdings at a price of U.S.\$9.50 per whole share (the "Rights Offering").

Sears Holdings will distribute to each holder of SHC Stock one subscription right for each share of SHC Stock held. Each subscription right will entitle the holder to purchase 0.375643 Common Shares any time following such holder's receipt of the subscription rights certificate and until 5:00 p.m. (New York City time) (the "Expiry Time") on November 7, 2014 (the "Expiry Date"). Each subscription right entitles the holder to a basic subscription right and an over-subscription privilege. Fractional shares or cash in lieu of fractional shares will not be delivered on the Rights Offering. Instead, fractional shares resulting from the exercise of the basic subscription right will be eliminated by rounding down to the nearest whole share. The subscription price was determined by Sears Holdings and is the U.S. dollar equivalent of the closing price of the Common Shares on the Toronto Stock Exchange (the "TSX") on September 26, 2014, being the last trading day before which Sears Holdings requested Sears Canada's cooperation with the filing of a prospectus qualifying the Common Shares deliverable upon the exercise of subscription rights. Further particulars concerning the attributes of the subscription rights are set out under "The Rights Offering—Description of the Rights Offering".

This prospectus qualifies the distribution of the Common Shares upon the exercise of the subscription rights in each of the provinces and territories of Canada.

Sears Holdings currently owns approximately 51.0% of the outstanding Common Shares. It owned approximately 95.5% of the Common Shares prior to November 14, 2012, when it distributed approximately 44.5% of the outstanding Common Shares on a *pro rata* basis to holders of SHC Stock in a partial spin-off. ESL Investments, Inc. and affiliated entities, including Edward S. Lampert, the Chairman and Chief Executive Officer of Sears Holdings (collectively "ESL"), own approximately 48.5% of Sears Holdings. As a result of the partial spin-off in 2012, ESL acquired approximately 27.6% of the Common Shares. Accordingly, Sears Holdings and ESL collectively own approximately 78.6% of the outstanding Common Shares. Edward S. Lampert and certain other ESL affiliates have advised Sears Holdings that they intend to exercise their *pro rata* portion of the subscription rights in full (representing approximately 17.5% to 19.0% of the outstanding Common Shares) as soon as practicable after the subscription rights have been distributed, although they have not entered into any agreement to do so. Accordingly, on completion of the exercise of the basic subscription rights in the Rights Offering, it is expected that ESL will own between approximately 45.0% and 47.0% of the Common Shares. ESL has also advised Sears Holdings that it may increase its ownership in Sears Canada through its exercise of the over-subscription privilege or through open market purchases of subscription rights or Common Shares, but only to the extent that such exercise would result in ESL continuing to own less than 50.0% of the Common Shares upon completion of the Rights Offering. However, ESL has not advised us of its intentions with respect to future purchases or sales of Common Shares. Notwithstanding ESL's stated

intentions, neither Sears Canada nor Sears Holdings has any agreement, arrangement or understanding with ESL as to the extent of ESL's exercise of its over-subscription privilege. If ESL exercised its basic subscription right as well as the over-subscription right in full, and no other stockholder exercised its subscription rights, ESL would own between approximately 67.2% and 69.2% of the Common Shares.

Upon the exercise by Mr. Lampert and the ESL entities of their subscription rights, as described above, Sears Canada will cease to be a subsidiary of, or to be controlled by, Sears Holdings under applicable Canadian laws. If all of the subscription rights are exercised in full in the Rights Offering, Sears Holdings will own approximately 11.7% of the outstanding Common Shares. Sears Holdings may dispose of any Common Shares that it continues to own after the Rights Offering, including through sales into the market or otherwise, subject to applicable laws.

There is currently no market through which the subscription rights may be sold and holders may not be able to resell subscription rights. This may affect the pricing of subscription rights in the secondary market, the transparency and availability of trading prices and liquidity of the subscription rights. The subscription rights are transferable during the course of the subscription period. Sears Holdings' application to list the subscription rights on the NASDAQ Stock Market ("NASDAQ") under the symbol "SHLDR" has been approved. Sears Canada's application to list its Common Shares on the NASDAQ under the symbol "SRSC" has been approved.

The Common Shares are listed for trading on the TSX under the symbol "SCC". On October 14, 2014, the U.S. dollar equivalent of the closing price of a Common Share on the TSX was U.S.\$7.65. See also "Market For Securities—Trading Price and Volume". The Common Shares are not currently listed for trading in the United States.

**Subscription Price: U.S.\$9.50
per whole Common Share**

Sears Holdings has agreed, among other things, to reimburse Sears Canada for all reasonable documented expenses incurred by it in connection with the Rights Offering.

Investing in the subscription rights and Common Shares involve certain risks. See "Risk Factors" and "Forward-Looking Statements".

Prospective investors should be aware that the acquisition or disposition of the securities described in this prospectus may have tax consequences in Canada, the United States, or elsewhere, depending on each particular prospective investor's specific circumstances. Such consequences may not be described fully herein. Prospective investors should consult their own tax advisors with respect to such tax considerations.

There is no managing or soliciting dealer for the Rights Offering and neither Sears Holdings nor Sears Canada will pay any fee for the solicitation of the exercise of

subscription rights. No underwriter has been involved in the preparation of this prospectus or performed any review of the contents of this prospectus.

Sears Canada's registered office is located at 290 Yonge Street, Suite 700, Toronto, Ontario, M5B 2C3

Certain Canadian legal matters in connection with the Rights Offering will be passed upon on behalf of Sears Canada by Torys LLP and on behalf of Sears Holdings by Osler, Hoskin & Harcourt LLP and certain legal matters relating to United States laws will be passed upon on behalf of Sears Canada by Torys LLP, New York, New York and on behalf of Sears Holdings by Wachtell, Lipton, Rosen and Katz LLP.

Sears Holdings is organized under the laws of a foreign jurisdiction and resides outside of Canada. Although Sears Holdings has appointed Osler, Hoskin & Harcourt LLP, 100 King Street West, Toronto, Ontario, as its agent for service of process in Canada, it may not be possible for investors to enforce judgments obtained in Canada against Sears Holdings. In addition, it may not be possible to enforce judgments against Sears Holdings obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

Certain of the officers and directors signing the certificates to this prospectus reside outside of Canada. Furthermore, substantially all of the assets of these individuals may be located outside of Canada. Although these individuals have appointed Sears Canada, 290 Yonge Street, Suite 700, Toronto, Ontario, as their respective agent for service of process in Canada, it may not be possible for investors to effect service of process within Canada upon these individuals. In addition, it may not be possible to enforce judgments against these individuals obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

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SUMMARY

The information set forth below is a summary only and is qualified in its entirety by the detailed information appearing elsewhere in this prospectus or incorporated by reference herein.

Description of Sears Canada	<p>Sears Canada is a multi-format retailer and, as of October 14, 2014, has a network total of 113 Full-Line department stores, 307 specialty stores (including 47 Sears Home stores, 11 Outlet stores, four Appliances and Mattresses stores, 211 Homestown Dealer stores operated under independent local ownership and 34 Corbett stores), 1,378 catalogue merchandise pick-up locations and 96 Sears Travel offices.</p> <p>Sears Canada's corporate website is located at www.sears.ca. Our Annual Reports are available, free of charge, through the "Reports" portion of the Investor Information section of the Sears Canada website.</p> <p>Sears Canada files documents with the securities commissions or similar authorities in Canada and files or furnishes documents with the SEC. See "Where You Can Find More Information".</p>
Description of Sears Holdings	<p>Sears Holdings is the parent company of Kmart and Sears Roebuck. Sears Holdings was formed as a Delaware corporation in 2004 in connection with the merger of Kmart and Sears Roebuck which took place on March 24, 2005. Sears Holdings is an integrated retailer with significant physical and intangible assets, as well as virtual capabilities enabled through technology. In August 2014, Sears Holdings operated a national network of stores with 1,870 full-line and specialty retail stores in the United States operating through Kmart and Sears Roebuck as well as full-line and specialty retail stores in Canada operating through the Corporation, currently an approximately 51.0%-owned subsidiary.</p> <p>Sears Holdings' corporate website is located at searsholdings.com. Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to these reports are available, free of charge, through the "SEC Filings"</p>

portion of the Investor Information section of the Sears Holdings website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC.

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Securities Offered	Sears Holdings is distributing, at no charge, to holders of shares of SHC Stock as of the Record Date, transferable subscription rights to purchase up to an aggregate of 40,000,000 Common Shares, at a price of U.S.\$9.50 per whole share. Sears Holdings will distribute to each holder of its SHC Stock, one subscription right for each full share of SHC Stock owned by that stockholder as of 5:00 p.m., New York City time, on October 16, 2014, the Record Date, except that holders of Sears Holdings' restricted stock that is invested as of the Record Date are expected to receive a cash award (equal to the value of the subscription rights that would have been distributed to such holder) in lieu of subscription rights. Each subscription right allows the holder thereof to subscribe for 0.375643 Common Shares at any time following the holder's receipt of a subscription rights certificate and prior to the expiration date. Each subscription right entitles the holder to a basic subscription right and an over-subscription privilege. The subscription rights will expire if they are not exercised by 5:00 p.m. New York City time, on November 7, 2014. Sears Holdings expects the gross proceeds from the Rights Offering and the exercise of the subscription rights will be up to approximately U.S.\$380 million, assuming that the subscription rights are exercised in full.
Basic Subscription Right	The basic subscription right gives holders of the subscription rights the right to purchase from Sears Holdings, in the aggregate, up to 40,000,000 Common Shares at a subscription price of U.S.\$9.50 per whole share. Sears Holdings will distribute to each stockholder of record on the Record Date one subscription right for every share of SHC Stock such stockholder owned at that time. Fractional shares or cash in lieu of fractional shares will not be delivered in the Rights Offering. Instead, fractional shares resulting from the exercise of the basic subscription right will be eliminated by rounding down to the nearest whole share. ESL beneficially owns approximately 48.5% of the SHC Stock and approximately 27.6% of the Common Shares. Edward S. Lampert and certain other ESL affiliates have advised Sears Holdings of their intent to exercise their <i>pro rata</i> portion of the subscription rights in full as soon as practicable after the subscription rights have been distributed, though they have not entered into any agreement to do so. Accordingly, on completion of the Rights Offering, it is expected that ESL will own between approximately 45.0% and 47.0% of the Common Shares. Notwithstanding ESL's stated intentions, neither Sears Canada nor Sears Holdings has any agreement, arrangement or understanding with ESL as to the extent of ESL's exercise of its over-subscription privilege. If ESL exercised its basic subscription right as well as the over-subscription right in full, and no other stockholder exercised its subscription rights, ESL would own between approximately 67.2% and 69.2% of the Common Shares.

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Over-subscription Privilege	If you purchase all of the Common Shares available to you pursuant to your basic subscription right, you may also choose to purchase a portion of any Common Shares that other holders of subscription rights do not purchase through the exercise of their basic subscription rights. ESL may exercise the over-subscription privilege if they exercise their <i>pro rata</i> portion of the subscription rights in full. ESL has advised Sears Holdings that it may exercise its over-subscription privilege, but only to the extent that exercising such privilege would result in ESL owning less than 50.0% of the Common Shares. Notwithstanding ESL's stated intentions, neither Sears Canada nor Sears Holdings has any agreement, arrangement or understanding with ESL as to the extent of ESL's exercise of its over-subscription privilege. If ESL exercised its basic subscription right as well as the over-subscription right in full, and no other stockholder exercised its subscription rights, ESL would own between approximately 67.2% and 69.2% of the Common Shares.
Subscription Price	U.S.\$9.50 per whole share. To be effective, any payment related to the exercise of a subscription right must be by cashier's or certified check drawn upon a United States bank payable to the subscription agent at the address set forth in this document. Personal checks will not be accepted. The subscription price is equal to the U.S. dollar equivalent of the closing price of Sears Canada's Common Shares on September 26, 2014, the last trading day before the Sears Holdings board of directors requested Sears Canada's cooperation with the filing of a prospectus regarding this Rights Offering. In determining the subscription price, the board of directors of Sears Holdings considered, among other things, (1) current and historical trading prices of Sears Canada's Common Shares, (2) the desirability of broad participation in the Rights Offering by Sears Holdings' stockholders and (3) Sears Holdings' liquidity needs and the aggregate amount of proceeds to be paid to Sears Holdings pursuant to the Rights Offering if the Rights Offering were fully subscribed. See "The Rights Offering—Determination of Subscription Price".
Record Date	5:00 p.m., New York City time, on October 16, 2014.
Expiration of the Rights Offering	5:00 p.m., New York City time, on November 7, 2014, unless Sears Holdings extends the Rights Offering period. If you do not exercise your subscription rights before that time, your subscription rights will expire and will no longer be exercisable.
Time Frame for Trading of Subscription Rights	Sears Holdings currently expects that the subscription rights will begin to trade on the NASDAQ on the first business day following the distribution of the subscription rights, and will continue to trade until close of business on November 4, 2014, the third business day prior to the scheduled expiration date of the Rights Offering (or if the offer is extended, on the fourth business day immediately prior to the extended expiration date).

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Use of Proceeds	Sears Canada will not receive any proceeds from the exercise of the rights or the sale of its Common Shares by Sears Holdings. Assuming the subscription rights are exercised in full, Sears Holdings expects to receive cash proceeds of up to approximately U.S.\$380 million as a result of the sale of 40,000,000 Common Shares. All of the gross proceeds of the sale of Common Shares upon exercise of the subscription rights, net of any selling expenses incurred by it, will be payable to and received by Sears Holdings. See "Use of Proceeds".
Ownership by Sears Holdings	<p>Sears Holdings owns approximately 51.0% of the issued and outstanding Common Shares and ESL owns approximately 48.5% of the outstanding SHC Stock.</p> <p>Edward S. Lampert and certain other ESL affiliates have advised Sears Holdings that they intend to exercise their <i>pro rata</i> portion of the basic subscription rights in full (representing approximately 17.5% to 19.0% of the outstanding Common Shares) as soon as practicable after the subscription rights have been distributed, although they have not entered into any agreement to do so. Accordingly, on completion of the exercise of the basic subscription rights in the Rights Offering, it is expected that ESL will own between approximately 45.0% to 47.0% of the Common Shares. ESL has also advised Sears Holdings that it may increase its ownership in Sears Canada through its exercise of the over-subscription privilege or through open market purchases of subscription rights or Common Shares, but only to the extent that such transactions would result in ESL continuing to own less than 50.0% of the Common Shares upon completion of the Rights Offering. However, ESL has not advised us or Sears Holdings of its intentions with respect to future purchases or sales of Common Shares. Notwithstanding ESL's stated intentions, neither Sears Canada nor Sears Holdings has any agreement, arrangement or understanding with ESL as to the extent of ESL's exercise of its over-subscription privilege. If ESL exercised its basic subscription right as well as the over-subscription right in full, and no other stockholder exercised its subscription rights, ESL would own between approximately 67.2% and 69.2% of the Common Shares.</p> <p>Upon the exercise by Edward S. Lampert and the other ESL affiliates of their subscription rights, as described above, Sears Canada will cease to be a subsidiary of, or to be controlled by, Sears Holdings under applicable Canadian laws, if all of the subscription rights are exercised in full in the Rights Offering. Sears Holdings will own approximately 11.7% of the outstanding Common Shares. To the extent that the subscription rights are not exercised in full and that shares not purchased through the exercise of basic subscription rights are not purchased pursuant to the over-subscription privilege, Sears Holdings will retain ownership of a larger portion of the Common Shares. Sears Holdings may dispose of any Common Shares that it continues to own after the Rights Offering, including through sales into the market or otherwise, subject to applicable laws.</p>

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	The change in Sears Holdings' ownership position in Sears Canada affects certain intercompany agreements, third party agreements and commercial arrangements. See "The Rights Offering—Background to the Rights Offering" and "Impacts on Sears Canada of the sale of Common Shares under the Rights Offering—Intercompany Agreements" for more detail on these effects.
Transferability of Subscription Rights	The subscription rights are transferable during the course of the subscription period. Sears Holdings' application to list the subscription rights on the NASDAQ under the symbol "SHLDR" has been approved. Sears Holdings will not apply to list the subscription rights on the TSX. Sears Canada's application to list its Common Shares on the NASDAQ has been approved. Sears Holdings currently expects that the subscription rights will begin to trade on the NASDAQ on the first business day following the distribution of the subscription rights, and will continue to trade until close of business on November 4, 2014, the third business day prior to the scheduled expiration date of the Rights Offering (or if the offer is extended, on the fourth business day immediately prior to the extended expiration date). As a result, you may transfer or sell your subscription rights if you do not want to exercise them to purchase Common Shares. However, the subscription rights are a new issue of securities with no prior public trading market, and there can be no assurances provided as to the liquidity of the trading market for the subscription rights or their market value. See "Description of the Rights Offering—Transferability of Subscription Rights".
No Revocation	All exercises of subscription rights are irrevocable, subject to applicable law, including statutory rights of rescission and withdrawal, even if you later learn of information about Sears Canada that you consider to be unfavorable. You should not exercise your subscription rights unless you are certain that you wish to purchase Common Shares at the subscription price.
Conditions, Withdrawal and Cancellation	Sears Holdings is not requiring an overall minimum subscription, or any other condition, to complete the Rights Offering and does not intend to withdraw or cancel the Rights Offering after the subscription period begins. You may exercise your subscription right and receive your Common Shares (other than Common Shares allocable through the over-subscription privilege) at any time following your receipt of a subscription rights certificate and prior to the expiration date of the Rights Offering. Sears Holdings may, in its discretion, extend the expiration date, and will announce any plans to do so by press release. See "Description of the Rights Offering—Conditions, Withdrawal and Cancellation".
Certain U.S. Federal Income Tax Considerations	A holder that receives a subscription right in respect of a share of SHC Stock should generally expect to have taxable dividend income equal to the fair market value (if any) of such right on the date of its distribution by Sears Holdings.

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If a subscription right expires without being exercised by a U.S. holder, the U.S. holder should generally expect to recognize a short-term capital loss equal to such U.S. holder's adjusted tax basis in such right.

Under certain circumstances, information reporting and/or backup withholding may apply to holders with respect to the distribution of the subscription rights, unless an applicable exemption is satisfied. If withholding tax or backup withholding tax applies to the distribution of the subscription rights to a holder, the holder's broker (or other applicable withholding agent) will be required to remit any such withholding tax or backup withholding tax in cash to the Internal Revenue Service. Depending on the circumstances, the broker (or other applicable withholding agent) may obtain the funds necessary to remit any such withholding tax by asking the holder to provide the funds, by using funds in the holder's account with the broker or by selling (on the holder's behalf) all or a portion of the subscription rights.

For a detailed discussion of certain U.S. federal income tax considerations relating to the receipt, sale, exercise and expiration of the subscription rights, see "Certain United States Federal Income Tax Considerations". Stockholders should consult their own tax advisors regarding the U.S. federal, state and local and non-U.S. income, estate and other tax considerations relating to the receipt, sale, exercise and expiration of the subscription rights in light of their particular circumstances.

Extension and Cancellation Sears Holdings will keep the Rights Offering open until the expiration date, and does not intend to cancel, withdraw or terminate the Rights Offering after the subscription period begins. You may exercise your subscription right and receive your Common Shares (other than Common Shares allocable through the over-subscription privilege) at any time following your receipt of a subscription rights certificate and prior to the expiration date of the Rights Offering. Sears Holdings may, in its discretion, extend the expiration date, and will announce any plans to do so by press release.

Procedures for Exercising Subscription Rights

To exercise your subscription rights, you must take the following steps:

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- * If you are a registered holder of SHC Stock and you wish to participate in the Rights Offering, you must deliver payment and a properly completed and duly executed rights certificate to the subscription agent to be received before 5:00 p.m., New York City time, on November 7, 2014. In certain cases, you may be required to provide additional documentation or signature guarantees. Promptly after the date of this prospectus, the subscription agent will send a subscription rights certificate to each registered holder of SHC Stock as of the close of business on the Record Date, based on the stockholder registry maintained at the transfer agent for SHC Stock. You may deliver the documents and payments by hand delivery, first class mail or courier service. If you use first class mail for this purpose, Sears Canada recommends using registered mail, properly insured, with return receipt requested. You may exercise your subscription right and receive your Common Shares (other than Common Shares allocable through the over-subscription privilege) at any time following your receipt of a subscription rights certificate and prior to the expiration date.
- * If you are a beneficial owner of shares of SHC Stock that are registered in the name of a broker, dealer, custodian bank or other nominee, or if you would rather have an institution conduct the transaction on your behalf, you should instruct your broker, dealer, custodian bank or other nominee to exercise your subscription rights on your behalf. Although you will not receive a rights certificate, the Depository Trust Company ("DTC") will electronically issue one subscription right to your nominee record holder for every share of SHC Stock that you own as of the Record Date. If you are not contacted by your nominee, you should promptly contact your nominee in order to subscribe for Common Shares in the Rights Offering. Please follow the instructions of your nominee, who may require that you meet a deadline earlier than 5:00 p.m., New York City time, on November 7, 2014.
- * If you purchased subscription rights during the subscription period through a broker, dealer, custodian bank or other nominee, you will not receive a rights certificate. Instead, your broker, dealer, custodian bank or other nominee must exercise the subscription rights on your behalf. If you wish to exercise your subscription rights and purchase Common Shares of Sears Canada through the Rights Offering, you should contact your nominee as soon as possible. Please follow the instructions of your nominee. Your nominee may establish a deadline that may be before the expiration date of the Rights Offering. See "Description of the Rights Offering—Method of Exercising Subscription Rights".

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- * If you purchased subscription rights during the subscription period directly from a registered holder of SHC Stock, you should contact the subscription agent as soon as possible regarding the exercise of your subscription rights. Please follow the instructions of the subscription agent in order to properly exercise your subscription rights. See "Description of the Rights Offering—Method of Exercising Subscription Rights".

Background to the Rights Offering

Sears Holdings has over the past year extensively considered strategic alternatives to maximize the value of its interest in Sears Canada, including the engagement of BofA Merrill Lynch to pursue a sale of such interest or Sears Canada as a whole and engaging in discussions with Canadian financial institutions to explore the possibility of an underwritten secondary offering of Sears Holdings' interest. Sears Holdings board of directors has determined that the Rights Offering is in the best interests of Sears Holdings and its stockholders as a way to dispose of a non-core asset, and would provide, among other things, financial and operational benefits for Sears Holdings. Sears Holdings requested Sears Canada's cooperation including, in particular, that Sears Canada use commercially reasonable efforts to prepare and file a preliminary short form prospectus in Canada and a registration statement in the United States to qualify for distribution the Common Shares deliverable upon exercise of the subscription rights, and to make application to list the Common Shares on the NASDAQ, as soon as practicable, and in any event, subject to the approval of the Board of Directors. The Board of Directors requested that the Committee review this request.

The Board of Directors, together with its advisors and the independent legal and financial advisors to the Committee, considered the request and the effect of the Rights Offering on Sears Canada and the requested cooperation. The Board of Directors of Sears Canada, with the advice, and the recommendation of the Committee, approved the request for cooperation made by Sears Holdings on and subject to the following terms, to which Sears Holdings and ESL agreed:

- Sears Holdings will reimburse Sears Canada for all reasonable and documented expenses incurred or paid by Sears Canada in connection with the Rights Offering;
- Sears Holdings and Sears Canada will amend the existing license agreement under which Sears Canada has the right to use the "Sears" name and certain other trademarks and brand names to provide for the continuance of that agreement for so long as Sears Holdings holds 10.0% of the outstanding voting shares of Sears Canada (replacing the current trigger of 25.0%) and to give Sears Canada the continued right to use the trademarks on a royalty-free basis after any such termination for a period of five years following the termination (replacing the current period of three years);

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	<ul style="list-style-type: none"> • Sears Holdings and Sears Canada will amend the existing information technology agreement between them to continue the terms of the agreement for a period of three years following the closing of the Rights Offering; • Sears Holdings will use commercially reasonable efforts to assist Sears Canada in negotiations with third parties to preserve the benefits that Sears Canada currently enjoys under certain agreements involving Sears Canada, Sears Holdings and third parties that will terminate when Sears Holdings' ownership of Sears Canada falls below 50.0%; • each of Sears Canada and Sears Holdings will indemnify and hold harmless the other and its subsidiaries, their respective directors, officers, employees and representatives from liability relating to disclosure provided by each party to the other for purposes of this prospectus; • Sears Holdings and ESL will release Sears Canada's directors, officers, employees and representatives from any claims that Sears Holdings or ESL may have arising out of or in connection with, the Rights Offering or for the matters referred to above; and • Sears Holdings will agree to maintain the directors and officers liability and fiduciary liability coverage for current and former directors and officers of Sears Canada relating to matters occurring at or prior to the closing of the Rights Offering for a period of six years thereafter.
Fees and Expenses	<p>See "The Rights Offering—Background to the Rights Offering" and "Description of the Rights Offering—Reasons for the Rights Offering".</p> <p>Sears Holdings is not charging any fee or sales commission to distribute the subscription rights to you or to issue shares to you if you exercise your rights. If you exercise your subscription rights through the record holder of your shares, you are responsible for paying any commissions, fees, taxes or other expenses your record holder may charge you.</p>
Trading Market and Symbol	<p>Sears Holdings' application to list the subscription rights on the NASDAQ under the symbol "SHLDR" has been approved. Sears Holdings will not apply to list the subscription rights on the TSX. The Common Shares are listed for trading on the TSX under the symbol "SCC". Sears Canada's application to list its Common Shares on the NASDAQ under the symbol "SRSC" has been approved.</p>

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No Recommendation to Rights Holders	<p>The Sears Holdings board of directors is not making any recommendation regarding your exercise of the subscription rights. The Sears Canada Board of Directors did not consider, evaluate, or make any decision whatsoever regarding the structuring or pricing of the Rights Offering. The Sears Canada Board of Directors is making no recommendation whatsoever regarding your exercise of the subscription rights. Stockholders who exercise subscription rights will incur investment risk on new money invested. Neither Sears Holdings nor Sears Canada can predict the price at which Common Shares will trade after the Rights Offering. The market price for the Common Shares may decrease to an amount below the subscription price, and if you purchase Common Shares at the subscription price, you may not be able to sell the shares in the future at the same price or a higher price. Moreover, the market price for the Common Shares may be trading at an amount above the subscription price, and if you do not exercise your rights you will be unable to participate in this appreciation. You should make your investment decision based on your assessment of the business and financial condition of Sears Canada, its prospects for the future, the terms of the Rights Offering and the information contained in, or incorporated by reference into, this prospectus. See "Risk Factors" for a discussion of some of the risks involved in investing in the Common Shares.</p> <p>ESL beneficially owns approximately 48.5% of SHC Stock. Edward S. Lampert is the Chairman of the Board and Chief Executive Officer of Sears Holdings and Chairman and Chief Executive Officer of ESL Investments, Inc. After the completion of the Rights Offering, ESL is expected to own between approximately 45.0% and 47.0% of Sears Canada. ESL has also advised Sears Holdings that it may exercise the over-subscription privilege, but only to the extent that such exercise would result in ESL owning less than 50.0% of the Common Shares. You should not view the intentions of ESL, including the intentions of Mr. Lampert, as a recommendation or other indication, by ESL or any member of the Sears Holdings board of directors or of the Sears Canada Board of Directors, regarding whether the exercise of the subscription rights is or is not in your best interests. Notwithstanding ESL's stated intentions, neither Sears Canada nor Sears Holdings has any agreement, arrangement or understanding with ESL as to the</p>
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	extent of ESL's exercise of its over-subscription privilege. If ESL exercised its basic subscription right as well as the over-subscription right in full, and no other stockholder exercised its subscription rights, ESL would own between approximately 67.2% and 69.2% of the Common Shares.
Risk Factors	Before you exercise your subscription rights to purchase Common Shares, you should carefully consider the risks described in the section entitled "Risk Factors".
Transfer Agent and Registrar	The transfer agent and registrar for the Common Shares is CST Trust Company. The U.S. transfer agent for the Common Shares is American Stock Transfer & Trust Company LLC.
Subscription Agent	Computershare, Inc.

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Information Agent	Georgeson Inc. If you have questions about the Rights Offering or need additional copies of the Rights Offering documents, please contact Georgeson Inc., Sears Holdings' information agent, by calling (866) 741-9588 (toll-free) or emailing SearsCanadaOffer@georgeson.com .
Dividend Policy	Sears Canada does not pay quarterly dividends. Sears Canada regularly monitors its sources and uses of cash and its level of cash on hand, and considers the most effective use of cash on hand including, among other options, the payment of dividends.

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QUESTIONS AND ANSWERS RELATING TO THE RIGHTS OFFERING

Set forth below are examples of what Sears Holdings anticipate will be commonly asked questions about the Rights Offering and the transactions contemplated thereby. The answers are based on selected information included elsewhere in this prospectus. The following questions and answers do not contain all of the information that may be important to you and may not address all of the questions that you may have about the Rights Offering. This prospectus contains more detailed descriptions of the terms and conditions of the Rights Offering and provides additional information about Sears Canada and our business, including potential risks related to the Rights Offering, Common Shares and Sears Canada's business.

Exercising the rights and investing in the Common Shares involves a high degree of risk. Sears Holdings and Sears Canada urge you to carefully read the section entitled "Risk Factors" and all other information in this prospectus and in the documents incorporated by reference herein, in their entirety before you decide whether to exercise your rights.

What is the Rights Offering?

Sears Holdings is distributing, at no charge, to holders of shares of SHC Stock as of the Record Date, transferable subscription rights to purchase, in aggregate, up to 40,000,000 Common Shares that it owns, except that holders of Sears Holdings' restricted stock that is unvested as of the Record Date are expected to receive cash awards in lieu of subscription rights. Each subscription right will entitle its holder to purchase from Sears Holdings 0.375643 of a Common Share from Sears Holdings. Holders may exercise their subscription rights and receive Common Shares (other than Common Shares allocable through the over-subscription privilege) at any time following receipt of a subscription rights certificate and prior to the expiration date. Each subscription right entitles the holder to a basic subscription right and an over-subscription privilege, as described below. Sears Canada's application to list its Common Shares on the NASDAQ under the ticker symbol "SRSC" has been approved. Sears Holdings' application to list the subscription rights for trading on the NASDAQ has been approved. Sears Holdings will not apply to list the subscription rights on the TSX.

What is the basic subscription right?

Holders of the basic subscription rights will have the opportunity to purchase from Sears Holdings, in the aggregate, up to 40,000,000 Common Shares at a subscription price of U.S.\$9.50 per whole share. Sears Holdings has granted to you, as a stockholder of record on the Record Date, one subscription right for every share of SHC Stock you owned at that time. Fractional shares or cash in lieu of fractional shares will not be delivered in the Rights Offering. Instead, fractional shares resulting from the exercise of the basic subscription right will be eliminated by rounding down to the nearest whole share.

Sears Holdings determined the number of rights required to purchase one Common Share by dividing the number of shares of SHC Stock outstanding on the Record Date by the number of Common Shares which are to be sold by Sears Holdings pursuant to the Rights Offering. Accordingly, each subscription right allows the holder thereof to subscribe for 0.375643 of a Common Share at the cash price of U.S.\$9.50 per whole share. As an example, if you owned 1,000 shares of SHC Stock on the Record Date, you would receive 1,000 subscription rights pursuant to your basic subscription right that would entitle you to purchase 375 Common Shares (375.643 rounded down to the nearest whole share) at a subscription price of U.S.\$9.50 per whole share. The subscription price equals the U.S. dollar equivalent of the closing price of Sears Canada's Common Shares at the close of business on September 26, 2014, the last trading day before Sears Holdings notified Sears Canada of its intent to pursue the Rights Offering and requested Sears Canada's cooperation. See "How was the U.S.\$9.50 per share subscription price determined?"

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You may exercise all or a portion of your basic subscription right or you may choose not to exercise any subscription rights at all. However, if you exercise less than your full basic subscription right, you will not be entitled to purchase Common Shares pursuant to the over-subscription privilege.

If you are a registered holder of SHC Stock, the number of Common Shares you may purchase pursuant to your basic subscription right will be indicated on the rights certificate that you receive. You may exercise your subscription right and receive your Common Shares (other than Common Shares allocable through the over-subscription privilege) at any time following your receipt of the subscription rights certificate and prior to the expiration date.

If you hold your SHC Stock in the name of a broker, dealer, custodian bank or other nominee who uses the services of DTC you will not receive a rights certificate. Instead, DTC will electronically issue one subscription right to your nominee record holder for every share of SHC Stock that you own as of the Record Date. If you are not contacted by your nominee, you should contact your nominee as soon as possible.

What is the over-subscription privilege and how will Common Shares be allocated in the Rights Offering?

If you purchase all Common Shares available to you pursuant to your basic subscription rights, you may also choose to purchase a portion of any Common Shares that other holders of subscription rights do not purchase through the exercise of their basic subscription rights. Only holders who fully exercise all of their basic subscription rights, after giving effect to any purchases or sales of subscription rights prior to the time of such exercise, may participate in the over-subscription privilege. If you wish to exercise your over-subscription privilege, you must indicate on your rights certificate, or the form provided by your nominee if your shares are held in the name of a nominee, how many additional Common Shares you would like to purchase pursuant to your over-subscription privilege, and provide payment as described below.

Edward S. Lampert and certain other ESL affiliates have indicated to Sears Holdings that they intend to exercise their *pro rata* portion of the basic subscription rights in full as soon as practicable after the subscription rights have been distributed, although they have not entered into any agreement to do so. ESL has also indicated that it may exercise its over-subscription privilege, but only to the extent that exercising such privilege would result in ESL continuing to own less than 50.0% of the outstanding Common Shares. Notwithstanding ESL's stated intentions, neither Sears Canada nor Sears Holdings has any agreement, arrangement or understanding with ESL as to the extent of ESL's exercise of its over-subscription privilege. If ESL exercised its basic subscription right as well as the over-subscription right in full, and no other stockholder exercised its subscription rights, ESL would own between approximately 67.2% and 69.2% of the Common Shares.

Common Shares will be allocated in the Rights Offering as follows:

- First, Common Shares will be allocated to holders of rights who exercise their basic subscription rights at a ratio of 0.375643 of a Common Share per exercised subscription right.
- Second, any remaining Common Shares that were eligible to be purchased in the Rights Offering will be allocated among the holders of rights who exercise the over-subscription privilege, in accordance with the following formula:
- Each holder who exercises the over-subscription privilege will be allocated a percentage of the remaining Common Shares equal to the percentage that results from dividing (i) the number of basic subscription rights which that holder exercised by (ii) the number of basic subscription rights which all holders who wish to participate in the over-subscription privilege exercised. Such percentage could result in the allocation of more or fewer over-subscription Common Shares than the holder requested to purchase through the exercise of the over-subscription privilege.

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- For example, if Stockholder A holds 200 subscription rights and Stockholder B holds 300 subscription rights and they are the only two stockholders who exercise the over-subscription privilege, and they each exercise it in full, Stockholder A will be allocated 40.0% and Stockholder B will be allocated 60.0% of all remaining Common Shares available. (Example A)
- Third, if the allocation of remaining shares pursuant to the formula described above in the second step would result in any holder receiving a greater number of Common Shares than that holder subscribed for pursuant to the over-subscription privilege, then such holder will be allocated only that number of Common Shares for which the holder over-subscribed.
- For example, if Stockholder A is allocated 100 Common Shares pursuant to the formula described above but subscribed for only 40 additional Common Shares pursuant to the over-subscription privilege, Stockholder A's allocation would be reduced to 40 Common Shares. (Example B)
- Fourth, any Common Shares that remain available as a result of the allocation described above being greater than a holder's over-subscription request (the 60 additional Common Shares in Example B above) will be allocated among all remaining holders who exercised the over-subscription privilege and whose initial allocations were less than the number of shares they requested. This second allocation will be made pursuant to the same formula described above and repeated, if necessary, until all available Common Shares have been allocated or all over-subscription requests have been satisfied in full.

To properly exercise your over-subscription privilege, you must deliver the subscription payment related to your over-subscription privilege before the Rights Offering expires. Because Sears Holdings will not know the total number of unsubscribed Common Shares before the Rights Offering expires, if you wish to maximize the number of Common Shares you purchase pursuant to your over-subscription privilege, you will need to deliver payment in an amount equal to the aggregate subscription price for the maximum number of Common Shares that could be available to you at the time you exercise your basic subscription rights (i.e., the aggregate payment for both your basic subscription right and for all additional Common Shares you desire to purchase pursuant to your over-subscription request). See "Description of the Rights Offering—The Subscription Rights". Any excess subscription payments received by the subscription agent, including payments for additional Common Shares you requested to purchase pursuant to the over-subscription privilege but which were not allocated to you, will be returned, without interest or penalty, promptly following the expiration of the Rights Offering.

Fractional shares or cash in lieu of fractional shares will not be issued on the Rights Offering. Instead, fractional Common Shares resulting from the exercise of the over-subscription privilege will be eliminated by rounding down to the nearest whole Common Share. Computershare, Inc., Sears Holdings' subscription agent for the Rights Offering, will determine, in its sole discretion, the over-subscription allocation based on the formula described above.

Why is Sears Holdings conducting the Rights Offering?

Over the past year, Sears Holdings has extensively considered strategic alternatives to maximize the value of its interest in Sears Canada, including the engagement of BofA Merrill Lynch to pursue a sale of such interest or Sears Canada as a whole and engaging in discussions with Canadian financial institutions to explore the possibility of an underwritten secondary offering of Sears Holdings' interest. Sears Holdings' board of directors has determined that the Rights Offering is in the best interests of Sears Holdings and its stockholders as way to dispose of a non-core asset, and would provide, among

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other things, financial and operational benefits to Sears Holdings, including but not limited to the following expected benefits:

- **Strategic Focus and Flexibility.** Sears Holdings' board of directors believes that following the Rights Offering, Sears Holdings will have a more focused business and be better able to dedicate resources to pursue appropriate growth opportunities and execute strategic plans best suited to its business in an

efficient manner.

- **Additional Liquidity.** The Rights Offering is expected to provide Sears Holdings with up to U.S.\$380 million in gross proceeds, strengthening its balance sheet and liquidity. Of this amount, Sears Holdings expects to receive at least U.S.\$168 million in mid-to-late October 2014 from the early exercise of the rights distributed to ESL.
- **Stockholder Flexibility to Avoid Dilution.** Since the subscription rights are being distributed, at no charge, to Sears Holdings' existing stockholders, stockholders will have the choice to hold shares in both companies or in either company separately. However, stockholders may wish to sell their subscription rights to fund any tax incurred upon the receipt of the subscription rights, which would decrease the amount of Common Shares available to such stockholders. If the distribution of the rights to a stockholder is subject to withholding tax, the stockholder's broker (or other applicable withholding agent) may sell all or a portion of the subscription rights to fund the withholding tax, which would decrease the number of Common Shares available to such stockholder. See "Certain United States Federal Income Tax Considerations".

How was the U.S.\$9.50 per share subscription price determined?

The Sears Holdings board of directors has determined that the subscription price will be U.S.\$9.50 per whole share. The subscription price is equal to the U.S. dollar equivalent of the closing price of the Common Shares on September 26, 2014, the last trading day before the Sears Holdings board of directors requested Sears Canada's cooperation with the filing of a prospectus regarding this Rights Offering. The board of directors of Sears Holdings applied the Noon Exchange Rate as of September 26, 2014 to calculate this equivalent value. In determining the subscription price, the board of directors of Sears Holdings considered, among other things, (1) current and historical trading prices of Common Shares, (2) the desirability of broad participation in the Rights Offering by Sears Holdings' stockholders and (3) Sears Holdings' liquidity needs and the aggregate amount of proceeds to be paid to Sears Holdings pursuant to the Rights Offering if the Rights Offering were fully subscribed. See "The Rights Offering—Determination of Subscription Price".

There can be no assurance that Common Shares will trade at prices near or above the subscription price after the date of this prospectus. You should not consider the subscription price to be an indication of the price at which Common Shares will trade following the Rights Offering.

Am I required to exercise all of the subscription rights I receive in the Rights Offering?

No. You may exercise any number of your subscription rights or you may choose not to exercise any subscription rights.

If you do not exercise any subscription rights, you will not receive any Common Shares. If you exercise all of your basic subscription rights, your ownership interest in Sears Canada will be equivalent to the ownership interest you currently have in Sears Holdings times approximately 39.3%, which is the percentage of Sears Canada's outstanding Common Shares being offered by Sears Holdings. For example, assuming that the subscription rights are exercised in full by all holders of subscription rights, if you own 1.0% of SHC Stock on the Record Date and exercise your basic subscription rights in full you will own 0.393% of the Common Shares following the Rights Offering. If you choose to exercise your basic subscription rights in part, your ownership interest in Sears Canada will be diluted by other

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stockholders who exercise their subscription rights in full. In addition, if you do not fully exercise all your basic subscription rights, after giving effect to any purchases or sales of subscription rights by you prior to such exercise, you will not be entitled to participate in the over-subscription privilege, and you may be subject to adverse tax consequences. See "—What are the U.S. federal income tax consequences if I receive and do not sell or exercise the right before it expires?"

The number of shares of SHC Stock that you own, and your percentage ownership in Sears Holdings, will not change as a result of the Rights Offering. If you do not exercise your subscription rights to purchase Common Shares, following the Rights Offering you will no longer retain the same indirect ownership interest in the Sears Canada businesses and as well, the SHC Stock that you hold will not reflect the earnings, assets or liabilities of Sears Canada. In addition, the trading price of SHC Stock immediately following the Rights Offering may be higher or lower than immediately prior to the Rights Offering because Sears Holdings will own fewer shares of Sears Canada, the ongoing earnings of Sears Canada will no longer be consolidated in Sears Holdings' earnings and Sears Holdings will receive cash proceeds of up to U.S.\$380 million as a result of the sale of Sears Canada's Common Shares (assuming the subscription rights are exercised in full).

See "Risk Factors—Risks Relating to the Rights Offering—If you receive and exercise the subscription rights, you may be subject to adverse U.S. federal income tax consequences" and "Risk Factors—Risks Relating to the Rights Offering—If you are a U.S. taxpayer and receive but do not sell or exercise the subscription rights before they expire, you may be subject to adverse U.S. federal income tax consequences".

How soon must I act to exercise my subscription rights?

If you received a rights certificate and elect to exercise any or all of your subscription rights, the subscription agent must receive your completed and signed rights certificate and payments before the Rights Offering expires on November 7, 2014, at 5:00 p.m., New York City time. You may, however, exercise your subscription rights prior to the expiration date. If you hold your shares in the name of a broker, dealer, custodian bank or other nominee, your nominee may establish a deadline before the expiration of the Rights Offering by which you must provide it with your instructions to exercise your subscription rights. Sears Holdings may, in its discretion, extend the expiration date of the Rights Offering, and will announce any plans to do so by press release. Sears Holdings will keep the Rights Offering open until the expiration date, and does not intend to cancel, withdraw or terminate the Rights Offering after the subscription period begins. See "Description of the Rights Offering—Conditions, Withdrawal, and Cancellation" and "Risk Factors".

Although Sears Holdings will make reasonable attempts to provide this prospectus to Sears Holdings stockholders, the Rights Offering and all subscription rights will expire on the expiration date, whether or not Sears Holdings has been able to locate each person entitled to subscription rights.

May I transfer my subscription rights?

Yes. The subscription rights are transferable during the course of the subscription period and Sears Holdings' application to list the subscription rights for trading on the NASDAQ under the symbol "SHLDR" has been approved. Sears Canada's application to list its Common Shares on the NASDAQ has been approved. Sears Holdings currently expects that the subscription rights will begin to trade on the first business day following the distribution of the subscription rights, and will continue to trade until close of business on November 4, 2014, the third business day prior to the scheduled expiration date of the Rights Offering (or, if the offer is extended, on the fourth business day immediately prior to the extended expiration date). As a result, you may transfer or sell your subscription rights if you do not want to exercise them to purchase Common Shares. However, the subscription rights are a new issue of securities with no prior trading market, and Sears Holdings cannot provide you with any

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assurances as to the liquidity of any trading market for the subscription rights or the market value of the subscription rights.

If you hold your shares through a broker, custodian bank or other nominee, you may sell your subscription rights by contacting your broker, custodian bank or other

nominee until the close of business on the fourth business day preceding the expiration date of this Rights Offering. To sell your subscription rights, in addition to any other procedures your broker, custodian bank or other nominee may require, you must deliver your order to sell to your broker, custodian bank or other nominee such that it will be actually received prior to close of business on November 4, 2014, the third business day prior to the expiration date of this Rights Offering. If you are a record holder of a subscription rights certificate, you may take your subscription rights certificate to a broker who can sell your subscription rights for you. To do so, you must deliver your properly executed subscription rights certificate, with appropriate instructions, and any additional documentation required by the broker. Commissions and applicable taxes or broker fees may apply if you sell your subscription rights. See "Description of the Rights Offering—Transferability of Subscription Rights".

What is the effect of transferring subscription rights?

Sears Canada currently expects that the subscription rights will begin to trade on the first business day following the distribution of the subscription rights, and will continue to trade on the NASDAQ until close of business on November 4, 2014, the third business day prior to the scheduled expiration date of the Rights Offering (or, if the offer is extended, on the fourth business day immediately prior to the extended expiration date). As a result, you may transfer or sell your subscription rights if you do not want to exercise them to purchase Common Shares. However, if you transfer all or a portion of your subscription rights, you will be unable to purchase the Common Shares underlying such rights. In addition, if you transfer all or a portion of your subscription rights, you will not be entitled to exercise the over-subscription privilege with respect to the portion of your rights so transferred.

What is the effect of purchasing subscription rights?

The subscription rights are transferable during the course of the subscription period and Sears Holdings' application to list the subscription rights for trading on the NASDAQ under the symbol "SHLDR" has been approved. Sears Holdings will not apply to list the subscription rights on the TSX. Sears Canada's application to list its Common Shares on the NASDAQ under the symbol "SRSC" has been approved. In addition, the subscription rights are a new issue of securities with no prior trading market, and Sears Holdings cannot provide you with any assurances as to the liquidity of the trading market for the subscription rights or the market value of the subscription rights after your purchase.

Have any stockholders indicated that they will exercise their rights?

Yes. Edward S. Lampert and certain other ESL affiliates have advised Sears Holdings of their intent to exercise their *pro rata* portion of the basic subscription rights in full as soon as practicable after the subscription rights have been distributed, though they have not entered into any agreement to do so. As a result, following the completion of the exercise of the basic subscription rights in the Rights Offering, Sears Holdings expects that ESL will beneficially own between approximately 45.0% to 47.0% of the Common Shares. As further described in "Description of the Rights Offering—Principal Shareholder", ESL has advised Sears Holdings that it may exercise the over-subscription privilege, but only to the extent that such exercise would result in ESL continuing to own less than 50.0% of the Common Shares. Fairholme Capital Management, L.L.C., which owns approximately 24.0% of Sears Holdings' outstanding common stock as of October 14, 2014, has also advised Sears Holdings that it expects that certain of its clients will participate in the Rights Offering at levels to be determined, subject to review of the terms and conditions of the Rights Offering and regulatory considerations. Notwithstanding ESL's stated intentions, neither Sears Canada nor Sears Holdings has any agreement.

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arrangement or understanding with either ESL or Fairholme as to the extent of the exercise of any over-subscription privilege. If ESL exercised its basic subscription right as well as the over-subscription right in full, and no other stockholder exercised its subscription rights, ESL would own between approximately 67.2% and 69.2% of the Common Shares. If Fairholme exercised its basic subscription rights as well as the over-subscription right in full, ESL exercised its basic subscription right and no other stockholder exercised its subscription rights, Fairholme would own approximately 20.2% of the Common Shares.

Are there any conditions to closing the Rights Offering?

No. Sears Holdings is not requiring an overall minimum subscription, or any other condition, to complete the Rights Offering. Sears Holdings does not intend to terminate or withdraw the Rights Offering. Sears Holdings may, in its discretion, extend the expiration date of the Rights Offering, and will announce any plans to do so by press release.

Can Sears Holdings cancel or extend the Rights Offering?

Sears Holdings does not intend to terminate or withdraw the Rights Offering. Sears Holdings may, in its discretion, extend the expiration date of the Rights Offering, and will announce any plans to do so by press release.

Will officers and directors of Sears Holdings and Sears Canada be able to exercise their subscription rights?

Sears Holdings' officers and directors that hold shares of SHC Stock, excluding shares of Sears Holdings' restricted stock that is unvested as of the Record Date, may participate in the Rights Offering at the same subscription price per share as all other holders of subscription rights, but none of their officers or directors is obligated to participate.

Sears Canada officers and directors that hold shares of SHC Stock may participate in the Rights Offering at the same subscription price per share as all other holders of subscription rights but none of our officers or directors are obligated to participate. Two members of our Board of Directors hold SHC Stock and have advised us of their intentions to exercise some or all of the subscription rights that they will receive under the Rights Offering.

Holders of Sears Holdings' restricted stock that is unvested as of the Record Date are expected to receive a cash award in lieu of any right such holder may have to receive subscription rights with respect to such unvested restricted stock. Such cash awards will represent the right to receive, subject to the same vesting requirements and other terms set forth in the underlying Restricted Stock Award Agreement, a cash payment from Sears Holdings equal to the value of the subscription rights that would have been distributed to such holder had such holder's unvested restricted stock been unrestricted shares of SHC Stock, calculated on the basis of the volume-weighted average trading price per subscription right for the 10 trading-day period beginning on the first day on which the subscription rights trade on the NASDAQ. The subscription rights are expected to begin to trade on the NASDAQ on the first business day following the distribution of the subscription rights.

Edward S. Lampert is the Chairman of the Board and Chief Executive Officer of Sears Holdings and Chairman and Chief Executive Officer of ESL Investments Inc. Edward S. Lampert and certain other ESL affiliates have advised Sears Holdings that they intend to exercise their *pro rata* portion of the subscription rights in full as soon as practicable after the subscription rights have been distributed, though they have not entered into any agreement to do so. As further described in "The Rights Offering—Principal Stockholder," ESL may increase its percentage beneficial ownership of Sears Canada through its exercise of the over-subscription privilege, through open market purchases of subscription rights or Common Shares or otherwise, but only to the extent that such transactions would result in ESL owning less than 50.0% of the Common Shares upon completion of the Rights Offering.

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However, ESL has not advised us or Sears Holdings of its intentions with respect to future purchases or sales of Common Shares. Notwithstanding ESL's stated intentions, neither Sears Canada nor Sears Holdings has any agreement, arrangement or understanding with ESL as to the extent of ESL's exercise of its over-subscription privilege. If

ESL exercised its basic subscription right as well as the over-subscription right in full, and no other stockholder exercised its subscription rights. ESL would own between approximately 67.2% and 69.2% of the Common Shares. You should not view the intentions of ESL, including intentions of Mr. Lampert, as a recommendation or other indication, by them or any member of the Sears Holdings board of directors or the Sears Canada Board of Directors, regarding whether the exercise of the subscription rights or the over-subscription privilege is or is not in your best interests. See "Description of the Rights Offering—Principal Shareholder".

Has the Sears Holdings board of directors made a recommendation to Sears Holdings stockholders regarding the Rights Offering?

No. The Sears Holdings board of directors is making no recommendation regarding your exercise of the subscription rights. The Sears Canada Board of Directors did not consider, evaluate, or make any decision whatsoever, regarding the structuring or pricing of the Rights Offering or any other attributes of the subscription rights. The Sears Canada Board of Directors is making no recommendation whatsoever regarding your exercise of the subscription rights. Stockholders who exercise subscription rights will incur investment risk on new money invested. Neither Sears Canada nor Sears Holdings can predict the price at which Common Shares will trade after the Rights Offering. The market price for Common Shares may decrease to an amount below the subscription price, and, if you purchase shares of Common Shares at the subscription price, you may not be able to sell the shares in the future at the same price or a higher price. Moreover, the market price for the Common Shares may increase to an amount above the subscription price, and if you do not exercise your rights you will be unable to participate in this appreciation. You should make your decision based on your assessment of the business and financial condition of Sears Canada, its prospects for the future, the terms of the Rights Offering and the information contained in this prospectus and in the documents incorporated by reference into this prospectus. See "Risk Factors" for a discussion of some of the risks involved in investing in Common Shares.

ESL beneficially owns approximately 48.5% of SHC Stock. Edward S. Lampert is the Chairman of the Board and Chief Executive Officer of Sears Holdings and Chairman and Chief Executive Officer of ESL Investments, Inc. After completion of the exercise of the basic subscription rights in the Rights Offering, ESL is expected to own between approximately 45.0% and 47.0% of Sears Canada. Notwithstanding ESL's stated intentions, neither Sears Canada nor Sears Holdings has any agreement, arrangement or understanding with ESL as to the extent of ESL's exercise of its over-subscription privilege. If ESL exercised its basic subscription right as well as the over-subscription right in full, and no other stockholder exercised its subscription rights, ESL would own between approximately 67.2% and 69.2% of the Common Shares. You should not view the intentions of ESL, including the intentions of Mr. Lampert, as a recommendation or other indication, by them or any member of the Sears Holdings board of directors or the Sears Canada Board of Directors, regarding whether the exercise of the subscription rights is or is not in your best interests.

How do I exercise my subscription rights if I am a registered holder of SHC Stock?

If you are a registered holder of SHC Stock and you wish to participate in the Rights Offering, you must take the following steps:

- deliver payment (as set forth below) to the subscription agent before 5:00 p.m. New York City time, on November 7, 2014; and

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- deliver a properly completed and duly executed rights certificate to the subscription agent before 5:00 p.m. New York City time, on November 7, 2014.

In certain cases, you may be required to provide additional documentation or signature guarantees.

You may exercise your subscription rights any time after your receipt of the subscription rights certificate and before the expiration date. Please follow the delivery instructions on the rights certificate. Do not deliver subscription documents, the rights certificate or payment to Sears Holdings or to Sears Canada. The risk of delivery to the subscription agent of your subscription documents, rights certificate and payment is borne by you, and not by Sears Canada, Sears Holdings or the subscription agent. You should allow sufficient time for delivery of your subscription materials to the subscription agent so that the subscription agent receives them prior to 5:00 p.m. New York City time, on November 7, 2014.

You must timely pay the full subscription price in U.S. dollars for the full number of shares of Common Shares you wish to acquire in the Rights Offering, including any shares you wish to acquire pursuant to the over-subscription privilege. You must deliver to the subscription agent payment in full, by cashier's or certified check drawn upon a United States bank payable to the subscription agent at the address set forth below before the expiration of the Rights Offering period. Personal checks will not be accepted.

How do I participate in the Rights Offering if my shares are held in the name of a broker, dealer, custodian bank or other nominee?

If you hold your shares of SHC Stock in the name of a broker, dealer, custodian bank or other nominee, then your nominee is the record holder of the shares you own. The record holder must exercise the subscription rights on your behalf in accordance with your instructions. If you wish to purchase Common Shares through the Rights Offering, you should contact your broker, dealer, custodian bank or nominee as soon as possible. Please follow the instructions of your nominee. Your nominee may establish a deadline that may be before the expiration date of the Rights Offering. If you receive but do not sell or exercise the subscription rights before they expire you may be subject to adverse consequences. See "Risk Factors—Risks Relating to the Rights Offering—If you are a U.S. taxpayer and receive but do not sell or exercise the subscription right before they expire, you may be subject to adverse U.S. federal income tax consequences".

How do I exercise subscription rights that were purchased during the subscription period?

If you purchased subscription rights during the subscription period through a broker, dealer, custodian bank or other nominee, you will not receive a rights certificate. Instead, your broker, dealer, custodian bank or other nominee must exercise the subscription rights on your behalf. If you wish to exercise your subscription rights and purchase Common Shares through the Rights Offering, you should contact your nominee as soon as possible. Please follow the instructions of your nominee. Your nominee may establish a deadline that may be before the expiration date of the Rights Offering.

If you purchased subscription rights during the subscription period directly from a registered holder of SHC Stock, you should contact the subscription agent as soon as possible regarding the exercise of your subscription rights. Please follow the instructions of the subscription agent in order to properly exercise your subscription rights. See "Description of the Rights Offering—Method of Exercising Subscription Rights".

When will I receive my subscription rights certificate?

Promptly after the date of this prospectus, the subscription agent will send a subscription rights certificate to each registered holder of SHC Stock as of the close of business on the Record Date.

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based on the stockholder registry maintained by the transfer agent for SHC Stock. If you hold your SHC Stock in the name of a broker, dealer, custodian bank or other nominee, you will not receive an actual subscription rights certificate. Instead, DTC will electronically issue one subscription right to your nominee record holder for every share of SHC Stock that you beneficially own as of the Record Date.

What form of payment must I use to pay the subscription price?

You must timely pay the full subscription price in U.S. dollars for the full number of Common Shares you wish to acquire in the Rights Offering, including any shares you wish to acquire pursuant to the over-subscription privilege. You must deliver to the subscription agent payment in full, by cashier's or certified check drawn upon a United States bank payable to the subscription agent at the address set forth below before the expiration of the Rights Offering period. Personal checks will not be accepted.

If you send a subscription payment that is insufficient to purchase the number of Common Shares you requested, or if the number of shares you requested is not specified in the rights certificate or subscription documents, the payment received will be applied to exercise your subscription rights to the fullest extent possible based on the amount of the payment received, subject to the availability of Common Shares under the over-subscription privilege and the elimination of fractional shares.

If you send a subscription payment that exceeds the amount necessary to purchase the number of Common Shares for which you have indicated an intention to purchase, then the remaining amount will be returned to you by the subscription agent, without interest or penalty, as soon as practicable following the expiration of the Rights Offering.

What is the Record Date for the Rights Offering?

Record ownership will be determined as of the close of business on October 16, 2014.

When will I receive my Common Shares?

The distribution of the Common Shares will be made by way of direct registration in book-entry form. No share certificates will be issued. If you purchase Common Shares prior to the expiration of the Rights Offering, (i) as soon as practicable after your exercise of subscription rights pursuant to the basic subscription right and over-subscription privilege, the transfer agent will credit your account or the account of your record holder with the number of Common Shares that you purchased pursuant to the basic subscription right, and (ii) as soon as possible after the closing of the Rights Offering, and after all allocations and adjustments contemplated by the terms of the Rights Offering have been effected, the transfer agent will credit your account or the account of your record holder with the number of Common Shares that you purchased pursuant to the over-subscription privilege and mail to each holder of subscription rights who exercises the over-subscription privilege any excess amount, without interest or penalty, received in payment of the subscription price for excess Common Shares that are subscribed for by such holder of subscription rights but not allocated to such holder of subscription rights pursuant to the over-subscription privilege.

After I exercise my subscription rights and send in my payment, may I withdraw or cancel my exercise of subscription rights?

No. All exercises of subscription rights are irrevocable, subject to applicable law, including statutory rights of rescission and withdrawal, even if you later learn information that you consider to be unfavorable to the exercise of your subscription rights. You should not exercise your subscription rights unless you are certain that you wish to purchase Common Shares at a price of or U.S.\$9.50 per whole share.

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Table of Contents***What effect does the Rights Offering have on the outstanding SHC Stock?***

The sale of Common Shares in the Rights Offering will not affect the amount of SHC Stock you own or your percentage ownership of Sears Holdings. If you do not exercise your subscription rights to purchase Common Shares, following the Rights Offering you will no longer retain the same indirect ownership interest in the Sears Canada businesses and as well, the SHC Stock that you hold will not reflect the earnings, assets or liabilities of Sears Canada. In addition, the trading price of SHC Stock immediately following the Rights Offering may be higher or lower than immediately prior to the Rights Offering because Sears Holdings will own fewer shares of Sears Canada, the ongoing earnings of Sears Canada will no longer be consolidated in Sears Holdings' earnings and Sears Holdings will receive cash proceeds of up to U.S.\$380 million as a result of the sale of Sears Canada's Common Shares (assuming the subscription rights are exercised in full).

What will Sears Holdings and Sears Canada receive from the Rights Offering?

If all of the subscription rights are exercised in full, Sears Holdings estimates that the proceeds to Sears Holdings from the Rights Offering, before deducting estimated offering expenses, will be up to approximately U.S.\$380 million. Sears Canada will not receive any proceeds from the Rights Offering.

In connection with the Rights Offering, Sears Holdings has agreed, among other things, to reimburse Sears Canada for all reasonable documented expenses incurred by it in connection with the Rights Offering. See "The Rights Offering—Background to the Rights Offering".

Are there risks in exercising my subscription rights?

Yes. The exercise of your subscription rights involves risks. Exercising your subscription rights involves the purchase of Common Shares. You should consider this investment as carefully as you would consider any other equity investment. Among other things, you should carefully consider the risks described under the heading "Risk Factors" in this prospectus.

Will the rights be listed on a securities exchange?

No public market currently exists for the subscription rights. The subscription rights are transferable during the course of the subscription period and Sears Holdings' application to list the subscription rights for trading on the NASDAQ under the symbol "SHLDR" has been approved. Sears Canada's application to list its Common Shares on the NASDAQ under the symbol "SRSC" has been approved. Sears Holdings currently expects that the subscription rights will begin to trade on the NASDAQ on the first business day following the distribution of the subscription rights, and will continue to trade until close of business on November 4, 2014, the third business day prior to the scheduled expiration date of this Rights Offering (or if the offer is extended, on the fourth business day immediately prior to the extended expiration date). As a result, you may transfer or sell your subscription rights if you do not want to purchase any Common Shares through the Rights Offering. However, the subscription rights are a new issue of securities with no prior trading market, and Sears Holdings cannot provide you with any assurances as to the liquidity of any trading market for the subscription rights or the market value of the subscription rights.

On what securities exchange(s) will Sears Canada's Common Shares be listed?

The Common Shares are listed on the TSX. See "Market for Securities". In connection with the Rights Offering, Sears Canada's application to list its Common Shares on the NASDAQ under the symbol "SRSC" has been approved. Sears Holdings cannot predict the trading prices for Sears Canada's Common Shares following the Rights Offering. See "Risk Factors—Risks Relating to SHC Stock".

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Table of Contents***What will happen to the listing of Sears Holdings shares?***

Nothing. Sears Holdings shares will continue to be traded on the NASDAQ under the symbol "SHLD".

What if I want to sell my SHC Stock or my Common Shares?

You should consult with your financial advisors, such as your stockbroker, bank or tax advisor. Neither Sears Holdings nor Sears Canada makes any recommendations on the purchase, retention or sale of SHC Stock or Common Shares. In addition, the trading price of SHC Stock immediately following the Rights Offering may be higher or lower than immediately prior to the Rights Offering because Sears Holdings will own fewer shares of Sears Canada, the ongoing earnings of Sears Canada will no longer be consolidated in Sears Holdings' earnings and Sears Holdings will receive cash proceeds of up to U.S.\$380 million as a result of the sale of Sears Canada's Common Shares (assuming the subscription rights are exercised in full).

If you decide to sell any shares of SHC Stock before the Record Date, you will not receive any subscription rights described in this prospectus in respect of the shares sold. If you own SHC Stock at the close of business on the Record Date and sell those shares after the Record Date, you will still receive the subscription rights that you would be entitled to receive in respect of the SHC Stock you owned at the close of business on the Record Date and you may be subject to adverse consequences if you choose not to exercise them. See "Risk Factors—Risks Relating to the Rights Offering—If you are a U.S. taxpayer and receive but do not sell or exercise the subscription right before they expire, you may be subject to adverse U.S. federal income tax consequences".

What fees or charges apply if I purchase Common Shares in the Rights Offering?

Sears Holdings is not charging any fee or sales commission to issue subscription rights to you or to deliver shares to you if you exercise your subscription rights. If you exercise your subscription rights through your broker, dealer, custodian bank or other nominee, you are responsible for paying any fees your intermediary may charge you.

What are the U.S. federal income tax consequences if I receive and exercise a subscription right?

You should discuss with your tax advisor the tax consequences of receiving and exercising a subscription right. However, if you receive a subscription right and exercise that right, you should generally expect to have (1) taxable dividend income equal to the fair market value (if any) of the subscription right on the date of its distribution by Sears Holdings and (2) no additional income upon the exercise of the subscription right. As a result, you may need to fund any tax resulting from the receipt of the subscription right with cash from other sources.

See "Certain United States Federal Income Tax Considerations".

What are the U.S. federal income tax consequences if I receive and sell a subscription right?

You should discuss the tax consequences of receiving and selling a subscription right with your tax advisor. However, if you are a U.S. taxpayer and receive a subscription right and sell that right, you should generally expect to have (1) taxable dividend income equal to the fair market value (if any) of the subscription right on the date of its distribution by Sears Holdings and (2) short-term capital gain or loss on the sale of the subscription right equal to the difference between the proceeds received upon the sale and your adjusted basis in such right on the date of its distribution by Sears Holdings.

See "Certain United States Federal Income Tax Considerations".

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What are the U.S. federal income tax consequences if I receive and do not sell or exercise the right before it expires?

You should discuss with your tax advisor the tax consequences of receiving a subscription right and neither selling nor exercising that right. However, if you are a U.S. taxpayer and receive a subscription right from Sears Holdings and do not sell or exercise that right before it expires, you should generally expect to have (1) taxable dividend income equal to the fair market value (if any) of the subscription right on the date of its distribution by Sears Holdings and (2) a short-term capital loss upon the expiration of such right in an amount equal to your adjusted tax basis (if any) in such right. In general, capital losses are available to a U.S. taxpayer only to offset capital gains and may not be used to offset dividend or other income (except, to the extent of up to \$3,000 of capital loss per year, in the case of a non-corporate U.S. stockholder). Accordingly, if you receive a subscription right from Sears Holdings and take no action, you may owe tax and need to fund that tax with cash from other sources.

See "Certain United States Federal Income Tax Considerations" and "Risk Factors—Risks Relating to the Rights Offering—If you are a U.S. taxpayer and receive but do not sell or exercise the subscription right before they expire, you may be subject to adverse U.S. federal income tax consequences".

How will I be impacted if the distribution of rights to me is subject to U.S. Federal withholding tax?

In certain circumstances, withholding tax or backup withholding tax may apply to the distribution by Sears Holdings of the subscription rights. If withholding tax or backup withholding tax applies to the distribution of the subscription rights to you, your broker (or other applicable withholding agent) will be required to remit any such withholding tax or backup withholding tax in cash to the U.S. Internal Revenue Service ("IRS"). Depending on the circumstances, the broker (or other applicable withholding agent) may obtain the funds necessary to remit any such withholding tax by asking you to provide the funds, by using funds in your account with the broker or by selling (on your behalf) all or a portion of the subscription rights or by another means (if any) available.

See "Certain United States Federal Income Tax Considerations".

How do I exercise my subscription rights if I live outside of the United States or have an army post office or fleet post office address?

The subscription agent will hold rights certificates for holders of SHC Stock having an address outside the United States and Canada, or who have an Army Post Office (APO) address or Fleet Post Office (FPO) address. In order to exercise subscription rights, such stockholders must notify the subscription agent and timely follow the additional procedures described under the heading "Description of the Rights Offering—Foreign Stockholders".

To whom should I send my forms and payment?

If your shares are held in the name of a broker, dealer or other nominee, you should send your subscription documents and subscription payment to that nominee. If you are the record holder, you should send your subscription documents, rights certificate and subscription payment by first class mail, hand delivery or courier service to:

By first class mail:
Computershare, Inc.
c/o Voluntary Corporate Actions
PO Box 43011
Providence, RI 02940-3011

By hand or overnight courier:
Computershare, Inc.
c/o Voluntary Corporate Actions
250 Royall Street Suite V
Canton, MA 02021

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The risk of delivery to the subscription agent of subscription documents, rights certificates and subscription payments is borne by the holders of subscription rights, and not by Sears Holdings, Sears Canada or the subscription agent. You should allow sufficient time for delivery of your subscription materials to the subscription agent.

How will the Rights Offering affect participants of the savings plans sponsored within the Sears Holdings controlled group of corporations?

The Sears Holdings Savings Plan and the Sears Holdings Puerto Rico Savings Plan (collectively, the "Savings Plans"), each offer an employer stock fund through which participants (current and former Sears Holdings employees) may invest in SHC Stock. The Sears Holdings Corporation Savings Plan Master Trust ("Savings Plan Trust"), which holds the assets of the Savings Plans will receive one subscription right for each full share of SHC Stock held in the Savings Plan Trust as of the Record Date. Sears Holdings is applying to the U.S. Department of Labor for a prohibited transaction exemption on a retroactive basis, effective as of the date of the distribution of the subscription rights, providing relief for the acquisition, holding and disposition of the subscription rights by the Savings Plans. It is anticipated that an independent fiduciary will be engaged for each Savings Plan to determine whether and/or when to exercise or sell the subscription rights on behalf of the trusts of the Savings Plans, subject to the terms of the prohibited transaction exemption. Proceeds from the exercise or sale of the subscription rights will be allocated to Savings Plan accounts that have a holding in the Sears Holdings stock fund as of the record date.

Whom should I contact if I have other questions?

If you have more questions about the Rights Offering or need additional copies of the Rights Offering documents, please contact Georgeson Inc., Sears Holdings information agent, by calling (866) 741-9588 (toll-free) or emailing SearsCanadaOffer@georgeson.com.

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Table of Contents**ABOUT THIS PROSPECTUS AND GENERAL DISCLOSURE MATTERS**

Prospective investors should rely only on information contained or incorporated by reference in this prospectus. Neither the Corporation nor Sears Holdings have authorized any other person to provide prospective investors with different information. If a prospective investor is provided with different or inconsistent information, the investor should not rely on such information. The information contained on the Corporation's website is not intended to be included in or incorporated by reference into this prospectus and prospective purchasers should not rely on such information when deciding whether or not to invest in the Common Shares.

Neither the Corporation nor Sears Holdings are making an offer to sell in any jurisdiction where the offer or sale is not permitted.

In this prospectus, references to the "Corporation", "we", "us" and "our" refer to Sears Canada and its subsidiaries together with its investment in joint arrangement interests unless the context otherwise requires. All references in this prospectus to "fiscal year" are to the 52 or 53-week period ended on the Saturday closest to January 31 of each year. "Fiscal 2014" refers to the 52-week period ending January 31, 2015. "Fiscal 2013" refers to the 52-week period ended February 1, 2014. "Fiscal 2012" refers to the 53-week period ended February 2, 2013. "Fiscal 2011" refers to the 52-week period ended January 28, 2012. Sears Canada financial information included or incorporated by reference in this prospectus for periods prior to January 29, 2010 was prepared in accordance with Canadian generally accepted accounting principles before the adoption of IFRS.

This prospectus includes information specifically provided by Sears Holdings for inclusion in this prospectus, including the information about Sears Holdings and the Rights Offering. See "Questions and Answers Relating to the Rights Offering", "The Rights Offering", "Description of the Rights Offering", "Risk Factors—Risks Related to the Rights Offering" and "Certain United States Federal Income Tax Considerations". Although we believe this information to be reliable, we have not independently verified any of the information and do not provide any representation or assurance as to the accuracy or completeness of the information, or appropriateness of the information for any particular purpose and, accordingly, disclaim any liability in relation to such information. We have no intention and undertake no obligation to update or revise any such information, whether as a result of new information, future events or otherwise.

This prospectus forms part of a registration statement on Form F-10 relating to the Common Shares that we filed with the SEC. Before you invest, you should read this prospectus together with additional information described under the heading "Where You Can Find More Information".

CURRENCY AND EXCHANGE RATE INFORMATION

All references in this prospectus to "dollars" or "\$" are to Canadian dollars unless otherwise noted. All references to "U.S. dollars" or "U.S.\$" are to United States dollars. The Corporation's financial statements incorporated herein by reference have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. The Corporation publishes its financial statements in Canadian dollars. All references to exchange rates herein are to the exchange rate published by the Bank of Canada.

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The Bank of Canada noon exchange rates (the "Noon Exchange Rate") for the conversion of one Canadian dollar using U.S. dollars were as follows during the indicated periods:

	(Stated in U.S. dollars)			
	26-week period ended August 2, 2014	2013	2012	2011
End of period	0.9158	0.8994	1.0013	0.9987
High for the period	0.9404	1.0040	1.0299	1.0583
Low for the period	0.8888	0.8952	0.9999	0.9430
Average for the period	0.9146	0.9626	1.0021	1.0094

The Noon Exchange Rate on October 15, 2014 for the conversion of Canadian dollars into U.S. dollars, was \$1.00 equals U.S.\$1.1289 and for the conversion of U.S. dollars into Canadian dollars, was U.S.\$1.00 equals \$0.8858. The subscription price per whole Common Share was determined using the Noon Exchange Rate as of September 26, 2014, which for the conversion of Canadian dollars into U.S. dollars, was \$1.00 equals U.S.\$1.1164 and for the conversion of U.S. dollars into Canadian dollars, was U.S.\$1.00 equals \$0.8957.

WHERE YOU CAN FIND MORE INFORMATION

Sears Canada has filed with the SEC under the U.S. Securities Act a registration statement on Form F-10 relating to the Common Shares being offered hereunder and of

which this prospectus forms a part. This prospectus, which constitutes part of the registration statement, does not contain all of the information set forth in such registration statement, certain items of which are contained in the exhibits to the registration statement as permitted or required by the rules and regulations of the SEC. Items of information omitted from this prospectus but contained in the registration statement will be available on the SEC's website at www.sec.gov.

Sears Canada files with the securities commissions or similar authorities in Canada material change reports, annual and quarterly reports and other information. You may access our disclosure documents and any reports, statements or other information that we file with the securities commissions or similar authorities in Canada through the Internet on the Canadian System for Electronic Document Analysis and Retrieval, which is commonly known by the acronym SEDAR and which may be accessed at www.sedar.com. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Office of the Secretary of Sears Canada Inc., 290 Yonge Street, Suite 700, Toronto, Ontario, M5B 2C3, (416) 941-4428 and are also available electronically at www.sedar.com.

Sears Canada is subject to the informational requirements of the *U.S. Exchange Act of 1934*, as amended (the "**U.S. Exchange Act**"), and, in accordance with the U.S. Exchange Act, Sears Canada files certain reports with and furnishes other information to the SEC. You may read any document Sears Canada files with or furnishes to the SEC at the SEC's public reference room at Room 1580, 100 F Street N.E., Washington, D.C. 20549. You may also obtain copies of the same documents from the public reference room of the SEC at 100 F Street, N.E., Washington, D.C. 20549 by paying a fee. Please call the SEC at 1-800-SEC-0330 or contact them at www.sec.gov for further information on the public reference rooms. You may also access Sears Canada's disclosure documents and any reports, statements or other information that Sears Canada files with the SEC through the Internet on the SEC's Electronic Document Gathering Analysis and Retrieval System, or EDGAR, and which may be accessed at www.sec.gov.

IFRS AND NON-IFRS MEASURES

Certain documents incorporated herein by reference make reference to certain financial and operating performance measures to assist in assessing the Corporation's financial performance.

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including "same store sales" and "Adjusted EBITDA". Adjusted EBITDA and same store sales are not recognized measures in accordance with IFRS. Such financial measures do not have standard meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For information regarding the financial measures used by the Corporation, see the Corporation's management's discussion and analysis relating to the audited consolidated financial statements of the Corporation for Fiscal 2013 (the "**2013 MD&A**"), which is incorporated herein by reference. See "Documents Incorporated by Reference".

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, as filed with the various securities commissions or similar authorities in the provinces and territories of Canada and, subject to certain exceptions described below, with the SEC, are specifically incorporated by reference into and form an integral part of this prospectus:

1. the annual information form of Sears Canada dated March 13, 2014 (the "**AIF**");
2. management proxy circular of Sears Canada dated March 13, 2014 in respect of Sears Canada's annual and special meeting of shareholders held on April 24, 2014;
3. the audited consolidated financial statements of Sears Canada together with the Report of Independent Registered Public Accounting Firm thereon and the notes thereto for Fiscal 2013 (the "**2013 Annual Financial Statements**") and Fiscal 2012 (the "**2012 Annual Financial Statements**");
4. the 2013 MD&A;
5. the unaudited consolidated financial statements of Sears Canada together with the notes thereto as at and for the 13 and 26-week periods ended August 2, 2014 (the "**Q2 Financial Statements**" and together with the 2013 Annual Financial Statements and the 2012 Annual Financial Statements, the "**Financial Statements**");
6. management's discussion and analysis of Sears Canada for the 13 and 26-week periods ended August 2, 2014 (the "**Q2 MD&A**", and together with the 2013 MD&A, the "**MD&A**"); and
7. the material change report of Sears Canada dated October 6, 2014 in respect of the Offering.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus will be deemed to be modified or superseded, for the purposes of this prospectus, to the extent that a statement contained herein, or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not, except as so modified or superseded, be deemed to constitute a part of this prospectus.

Any documents of the types referred to in the preceding paragraphs 1 through 7, all material change reports (excluding confidential material change reports), comparative interim financial statements, comparative annual financial statements and the auditor's reports thereon, all management discussion and analysis of the financial condition and results of operation and information circulars which are filed by the Corporation with a securities commission or similar regulatory authority in any of the provinces or territories of Canada after the date of this prospectus and prior to the termination of the distribution of the Rights Offering shall be deemed to be incorporated by reference into this

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prospectus. In addition, to the extent that any document or information incorporated by reference in this prospectus is included in any report on Form 6-K, Form 40-F, Form 20-F, Form 10-K, Form 10-Q or Form 8-K (or any respective successor form) that is filed with or furnished to the SEC after the date of this prospectus, such document or information shall be deemed to be incorporated by reference as an exhibit to the registration statement of which this prospectus forms a part. In addition, we may incorporate by reference into this prospectus information from documents that we file with or furnish to the SEC pursuant to Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*, as amended.

FORWARD-LOOKING STATEMENTS

Certain information in this prospectus and the documents incorporated by reference in this prospectus is forward-looking and is subject to important risks and uncertainties. Forward-looking information concerns, among other things, the Corporation's future financial performance, business strategy, plans, expectations, goals and objectives, and includes statements concerning possible or assumed future results set out under "Description of the Business of Sears Canada—Business Strategy", and "—Other Recent Developments" and "Impact on Sears Canada of the Sale of Common Shares under the Rights Offering". Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "scheduled", "estimates", "intends", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Although the Corporation believes that the estimates reflected in such forward-looking information are reasonable, such forward-looking information involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information, and undue reliance should not be placed on such information.

Factors which could cause actual results to differ materially from current expectations include, but are not limited to: the Corporation's inability to compete effectively in the highly competitive retail industry; weaker business performance in the fourth quarter; the ability of the Corporation to successfully implement its strategic initiatives; changes in consumer spending; ability to retain senior management and key personnel; ability of the Corporation to successfully manage its inventory levels; customer preference toward product offerings; the results achieved pursuant to the Corporation's credit card marketing and servicing alliance with JPMorgan Chase Bank, N.A. (Toronto Branch), ("JPMorgan Chase"); ability to secure an agreement with a financial institution for the management of the credit and financial services operations on terms and conditions as favorable to us as those we currently have under our credit card marketing and servicing alliance with JPMorgan Chase; disruptions to the Corporation's computer systems; economic, social, and political instability in jurisdictions where suppliers are located; structural integrity and fire safety of foreign factories; increased shipping costs, potential transportation delays and interruptions; damage to the reputations of the brands the Corporation sells; changes in the Corporation's relationship with its suppliers; the Corporation's reliance on third parties in outsourcing arrangements; willingness of the Corporation's vendors to provide acceptable payment terms; the outcome of product liability claims; any significant security compromise or breach of the Corporation's customer, associate or Corporation information; the credit worthiness and financial stability of tenants, partners and co-arrangers, with respect to the Corporation's real estate joint arrangements; the outcome of pending legal proceedings; compliance costs associated with environmental laws and regulations; maintaining adequate insurance coverage; seasonal weather patterns; ability to make, integrate and maintain acquisitions and investments; general economic conditions; liquidity risk and failure to fulfill financial obligations; fluctuations in foreign currency exchange rates; the credit worthiness and financial stability of the Corporation's licensees and business partners; possible limits on our access to capital markets and other financing sources; interest rate fluctuations and other changes in funding costs and investment income; the possibility of negative

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investment returns in the Corporation's pension plan or an increase to the defined benefit obligation; the impairment of intangible and other long-lived assets; the possible future termination of certain intellectual property rights associated with the "Sears" name and brand names if Sears Holdings reduces its interest in the Corporation to less than 10.0%; potential conflict of interest of some of directors and executive officers of the Corporation owing to their ownership of SHC Stock; possible changes in the Corporation's ownership by Sears Holdings and other significant shareholders; productivity improvement and cost reduction initiatives and whether such initiatives will yield the expected benefits; competitive conditions in the businesses in which the Corporation participates; new accounting pronouncements, or changes to existing pronouncements, that impact the methods we use to report our financial position and results from operations; uncertainties associated with critical accounting assumptions and estimates; and changes in laws, rules and regulations applicable to the Corporation. Information about these factors, other material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in preparing forward-looking information, may be found in this prospectus, and elsewhere in the Corporation's filings with securities regulators.

All of the forward-looking statements included or incorporated by reference in this prospectus are qualified by these cautionary statements and those made in the "Risk Factors" section of this prospectus, those made in the "Risk Factors" section of our AIF and those made in the "Risks and Uncertainties" section of the MD&A, and our other filings with the securities commissions or similar authorities in Canada that are incorporated by reference in this prospectus. These factors are not intended to represent a complete list of the factors that could affect us; however, these factors should be considered carefully, and readers should not place undue reliance on forward-looking statements made herein or in the documents incorporated herein by reference. The forward-looking information in this prospectus, unless otherwise indicated, stated as of the date hereof and are presented for the purpose of assisting investors and others in understanding the Corporation's financial position and results of operations as well as the Corporation's objectives and strategic priorities, and may not be appropriate for other purposes. The Corporation does not undertake any obligation to update publicly or to revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

ENFORCEMENT OF CANADIAN JUDGMENTS

Sears Holdings is organized under the laws of a foreign jurisdiction and resides outside of Canada. Although Sears Holdings has appointed Osler, Hoskin & Harcourt LLP, 100 King Street West, Toronto, Ontario, as its agent for service of process in Canada, it may not be possible for investors to enforce judgments obtained in Canada against Sears Holdings. In addition, it may not be possible to enforce judgments against Sears Holdings obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

Certain of the officers and directors signing the certificate to this prospectus reside outside of Canada. Furthermore, substantially all of the assets of these individuals may be located outside of Canada. Although these individuals have appointed Sears Canada, 290 Yonge Street, Suite 700, Toronto, Ontario, as their respective agent for service of process in Canada, it may not be possible for investors to effect service of process within Canada upon these individuals. In addition, it may not be possible to enforce judgments against these individuals obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

ENFORCEABILITY OF U.S. CIVIL LIABILITIES

The Corporation is a corporation incorporated under the *Canada Business Corporations Act* ("CBCA"). Certain of the Corporation's directors, and some of the experts named in this prospectus, are residents of Canada or otherwise reside outside the United States. Concurrent with the filing of this

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prospectus, the Corporation has appointed an agent for service of process in the United States (described below), but it may be difficult for shareholders that reside in the United States to effect service within the United States upon those directors and experts that are not resident in the United States. It may also be difficult for shareholders that reside in the United States to realize in the United States upon judgments of courts of the United States predicated upon the Corporation's civil liability and the civil liability of its directors, officers and experts under the U.S. federal securities laws. The Corporation has been advised by its Canadian counsel, Torys LLP, that a judgment of a U.S. court predicated solely upon civil liability under U.S. federal securities laws or the securities or "blue sky" laws of any state within the United States, would probably be enforceable in Canada if the U.S. court in which the judgment was obtained assumed jurisdiction on the same basis that a court in Canada would assume jurisdiction. The Corporation has also been advised by Torys LLP, however, that there is substantial doubt whether an action could be maintained in Canada in the first instance on the basis of liability predicated solely upon U.S. federal securities laws.

The Corporation has filed with the SEC, concurrently with its registration statement on Form F-10 of which this prospectus is a part, an appointment of agent for service of process on Form F-X. Under the Form F-X, the Corporation has appointed Torys LLP as its agent for service of process in the United States in connection with any investigation or administrative proceeding conducted by the SEC, and any civil suit or action brought against or involving the Corporation in a U.S. court arising out of or related to or concerning the offering of the securities under this prospectus.

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DESCRIPTION OF THE SEARS CANADA BUSINESS

Description of the Business

Company Overview

Sears Canada is a multi-format retailer and, as of October 14, 2014, has a network total of 113 Full-Line department stores, 307 specialty stores (including 47 Sears Home stores, 11 Outlet stores, four Appliances and Mattresses stores, 222 Hometown Dealer stores operated under independent local ownership and 34 Corbeil stores), 1,378 catalogue merchandise pick-up locations and 96 Sears Travel offices.

Sears Canada's corporate website is located at www.sears.ca. Our Annual Reports are available, free of charge, through the "Reports" portion of the Investor Information section of the Sears Canada website. See "Where You Can Find More Information".

Business Overview

Merchandising Operations

The Corporation's merchandising segment includes the sale of goods and services through the Corporation's retail channels, which includes its Full-Line, Sears Home, Hometown Dealer, Outlet, Appliances and Mattresses, Corbeil Electric Inc. ("**Corbeil**") stores and its Direct (catalogue/internet) channel. Commission revenue includes travel, home improvement services, insurance and performance payments received from JPMorgan Chase under the Corporation's long-term credit card marketing and servicing alliance with JPMorgan Chase. The Corporation has a multi-year licensing arrangement with TravelBrands Inc. ("**TravelBrands**"), (formerly known as Thomas Cook Canada Inc.), under which TravelBrands owns and manages the day-to-day operations of all Sears Travel offices and provides commissions to the Corporation. Licensee fee revenues are comprised of payments received from licensees that operate primarily within the Corporation's stores.

Retail Channel

Full-Line Department stores—Sears Canada's Full-Line Department stores are located in urban and suburban enclosed shopping centres. The major merchandise categories include the following:

- **Apparel & Accessories**—women's, men's and children's apparel, nursery products, cosmetics, jewelry, footwear and accessories.
- **Home & Hardlines**—major appliances, including refrigeration, laundry, ranges, dishwashers and microwaves, as well as home furnishings and mattresses, home décor, outdoor power, hardware, electronics, toys, fitness & recreation, floor care and seasonal products.

Although merchandise varies by store, over Fiscal 2013, the merchandise sales mix between the two major categories are approximately 60.0% Apparel & Accessories and 40.0% Home & Hardlines.

Full-Line Department stores include a Sears Canada catalogue merchandise pick-up location. Sears Travel offices and licensed businesses, such as optical centres and portrait studios, are also located in many of the Corporation's Full-Line Department stores.

Sears Home stores—Sears Home stores are typically located in power centres and present an extensive selection of furniture, mattresses and box-springs, and major appliances, as well as a limited selection of electronics. The majority of these stores range in size from 35,000 to 60,000 square feet. During Fiscal 2013, almost all sales in Sears Home stores were in the Home and Hardlines category.

Hometown Dealer stores—Sears Hometown Dealer locations are primarily independently operated and offer major appliances, furniture, mattresses and box-springs, electronics, outdoor power equipment as well as a catalogue merchandise pick-up location. Most Hometown Dealer stores are located in

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markets that lack the population to support a Full-Line department store. During Fiscal 2013, almost all sales in Hometown Dealer stores were in the Home and Hardlines category.

Outlet stores—Sears Outlet stores offer clearance merchandise, particularly from the Corporation's Full-Line Department stores and Direct channel, as well as surplus big-ticket items from all channels.

Corbeil—Corbeil is a chain of major appliance specialty stores located throughout Québec, the Greater Toronto Area and Eastern Ontario. There are 34 stores in the chain, 16 of which are franchised. The chain also includes one liquidation centre and one distribution centre in Montreal. Stores average approximately 6,500 square feet in size.

Sears Travel—Sears Travel service operates within 96 Sears Canada locations across Canada, an online travel service at www.searstravel.ca and 1-866-FLY-SEARS, which connects customers to the nearest geographical branch. From January 30, 2011, TravelBrands commenced management of the day-to-day operations of all Sears Travel offices and the Sears Travel website.

Sears Home Services

In 2012, Sears Canada combined Sears Home Installed Products and Services ("**HIPS**"), and Repair Services and Parts, under the brand name Sears Home Services. In March 2013, the HIPS business was licensed to SHS Services Management Inc. ("**SHS**"), an independent third party, which continued to operate under the Sears Home Services brand. In December 2013, SHS entered receivership and all offers of services provided by SHS ceased. In January 2014, pursuant to an order of the Ontario Superior Court of Justice (Commercial List), PricewaterhouseCoopers Inc. was appointed receiver, without security, of all of the assets, undertakings and property of SHS. Sears Home Services no longer offers HIPS services, Repair Services and Parts, carpet and upholstery cleaning services, and installation and assembly of products purchased at Sears Canada stores continue to be offered by Sears Canada under the Sears Home Services brand.

Direct Channel

The Corporation's Direct channel is comprised of its catalogue business, which is Canada's largest general merchandise catalogue business, and Sears.ca, one of Canada's leading online shopping destinations with over 100 million visits in Fiscal 2013. With two distribution centres exclusively dedicated to servicing the Direct channel and 1,378 catalogue merchandise pick-up locations nationwide, Sears Canada can deliver orders in most areas of the country. Orders can be placed by telephone at 1-800-26-

SEARS, by mail, by fax, online at Sears.ca or in person through Sears Canada stores and catalogue agents. As at October 14, 2014, 1,212 of the total 1,378 catalogue merchandise pick-up locations were independently operated under local ownership, with the remaining 166 units located within Sears Canada locations.

Catalogue—In Fiscal 2013, 16 different catalogues were distributed throughout Canada. In addition, during Fiscal 2013, Sears Canada distributed 11 Special catalogues designed to offer more seasonally relevant merchandise to specific customers.

Sears.ca—The Corporation's website, Sears.ca, enables the Corporation to provide new merchandise offers directly to internet customers and highlights the Corporation's extensive general merchandise selection. In Fiscal 2013, the Corporation continued to invest in its online capabilities to improve the user experience, and engage new customers and demographics. Sears Canada is committed to maintaining its reputation as a trusted Canadian retailer by focusing on customer privacy, security, and satisfaction when shopping on Sears.ca.

Logistics

National Logistics Centres ("NLCs")—Sears Canada operates six logistics centres located across the country. The logistics centres are comprised of seven owned and three leased warehouse facilities.

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which serve all channels of the business. The total floor area of these logistics centres was 6.5 million square feet at the end of Fiscal 2013, of which 5.6 million square feet is devoted to warehouse and logistics operations. The remainder of the space is utilized for other Sears Canada operations, including call centre services. One of our Regina, Saskatchewan, logistics centres is in the process of being replaced by a new logistics centre in Calgary, Alberta.

S.L.H. Transport Inc. ("SLH")—The Corporation's wholly-owned subsidiary, SLH transports merchandise to stores, catalogue merchandise pick-up locations, and directly to customers. SLH is responsible for providing logistics services for the Corporation's merchandising operations by operating a fleet of tractors and trailers to provide carrier services for Sears Canada and contract carrier services to commercial customers who are unrelated to Sears Canada. SLH also provides transportation services for Sears Canada suppliers both domestic and U.S. as well as a full range of asset and outsourced freight management solutions to a diverse third party customer base. The arrangements with third parties increase SLH's fleet utilization and improve the efficiency of its operations. SLH has developed a nationwide distribution network to provide better and more consistent service to its customers.

As at October 14, 2014 and the end of Fiscal 2013, Fiscal 2012, and Fiscal 2011, the Corporation's locations were distributed across the country as follows:

	Atlantic	Quebec	Ontario	Prairies	Pacific	As at October 14, 2014 Total	As at February 1, 2014 Total	As at February 2, 2013 Total	As at January 28, 2012 Total
Full-Line Department	12	27	40	20	14	113	118	118	122
Sears Home stores	2	11	19	10	5	47	48	48	48
Outlet stores	1	1	6	1	2	11	11	11	11
Specialty type: Appliances and Mattresses stores	—	—	5	1	—	4	4	4	4
Corporate stores	15	39	68	32	21	175	181	181	185
Hometown Dealer stores	45	21	47	59	39	211	234	261	285
Sears Home Services Showrooms	—	2	3	1	2	8	8	9	13
Corbel Franchise stores	—	13	2	—	—	15	16	17	19
Corbel Corporate stores	—	13	6	—	—	19	18	16	11
Corbell	—	26	8	—	—	34	34	31	30
NLCs	—	1	2	2	1	6	6	6	6
Travel offices	7	22	37	16	14	96	97	101	108
Catalogue merchandise pick-up locations	191	322	387	344	134	1,378	1,393	1,512	1,734

To date in Fiscal 2014, the Corporation has closed one Home Store, 23 Hometown Dealer stores, one Travel office, and 15 Catalogue merchandise pick-up locations.

In Fiscal 2013, the Corporation closed 28 Hometown Dealer stores, four Travel offices, and 66 Catalogue merchandise pick-up locations. The Corporation also opened a Hometown Dealer store. Five Full-Line stores were closed during the first quarter of 2014 as a result of lease terminations that occurred during Fiscal 2013 and an additional two Full-Line stores will be closed during the first quarter of 2015 as a result of lease terminations that occurred during Fiscal 2013.

In Fiscal 2012, the Corporation closed four Full-Line stores as a result of the lease terminations and lease amendments that occurred during the year. The Corporation also closed 222 Catalogue merchandise pick-up locations, 24 Hometown Dealer stores and 17 Floor Covering Centres. During the second quarter of 2012, Cantrex Group Inc. ("Cantrex") was sold.

In Fiscal 2011, the Corporation opened 30 Hometown Dealer stores and 3 Catalogue merchandise pick-up locations. The Corporation also closed three Hometown Dealer stores, three Floor Covering Centres and 91 Catalogue merchandise pick-up locations.

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Real Estate Joint Arrangements

As at February 1, 2014, the Corporation had joint arrangement interests in three shopping centres across Canada and recorded these interests in the Corporation's financial statements. Joint arrangement interests in the shopping centres ranged from 15.0% to 20.0%, and were co-owned with Ivanhoe Cambridge Properties ("Ivanhoe"). Sears Canada was not involved in the day-to-day management of the shopping centres, but the major decisions regarding these joint arrangements required the unanimous consent of Ivanhoe and the Corporation.

The primary objective of the Corporation's real estate joint arrangements was to maximize the returns on its investment in shopping centre real estate. Sears Canada reviewed the performance of these joint arrangements on a regular basis. Shopping centres were considered non-core assets.

During the fourth quarter of Fiscal 2013, the Corporation sold its interest in the properties co-owned with The Westell Group of Companies for total proceeds of \$315.4 million, recognizing a pre-tax gain of \$66.3 million on the sale. During the fourth quarter of 2012, the Corporation sold its share of assets in Medicine Hat for net proceeds of \$38.3 million, recognizing a pre-tax gain of \$8.6 million on the sale.

The jointly controlled entities and the Corporation's ownership interest in each as at February 1, 2014 are listed below:

Entity Name	Properties	Joint Arrangement Partner	Ownership Interest
Kildonan Place	Kildonan Place	Ivanhoe Cambridge	20.0%
Regionaux (Les Rivières Shopping Centre)	Les Rivières Shopping Centre	Ivanhoe Cambridge	15.0%
Regionaux (Les Galeries de Hull)	Les Galeries de Hull	Ivanhoe Cambridge	15.0%

During the second quarter of Fiscal 2014, the Corporation sold its 15.0% joint arrangement interest in Les Rivières Shopping Centre for total proceeds of \$33.5 million, recognizing a pre-tax gain of \$20.5 million on the sale which closed on June 2, 2014.

During the third quarter of Fiscal 2014, the Corporation sold its 20.0% joint arrangement interest in Kildonan Place to H&R Real Estate Investment Trust for total proceeds of \$27.7 million, recognizing a pre-tax gain of \$11.2 million on the sale which closed on September 17, 2014. The Corporation also sold its 15.0% joint arrangement in Les Galeries de Hull to Fonds de Placement Immobilier Cominar for total proceeds of \$10.5 million, recognizing a pre-tax gain of \$3.8 million on the sale which closed on September 30, 2014.

As a result of the transactions described above, which had no impact on the Sears Canada stores which operate in those locations, the Corporation no longer has any remaining joint arrangement interests.

Pension Fund Obligations

Sears Canada measures its accrued benefit obligations and the fair value of plan assets for its pension plans for accounting purposes as at January 31. The most recent actuarial valuation of the pension plans for funding purposes is dated December 31, 2013. Our aggregate pension funding obligations fluctuate from year to year. Some of our pension and supplemental pension plans are not fully funded. However, each of the pension and supplemental pension plans are funded in accordance with applicable law. As of December 31, 2013, the aggregate amount of the funding obligations associated with the registered pension plan that is not fully funded was \$1,373 million (\$1,445 million as of December 31, 2010), and the fair value of the plan assets associated with the plan was \$1,296 million (\$1,239 million as of December 31, 2010), resulting in a net deficit of approximately \$76 million (\$206 million as of December 31, 2010) with respect to the plan (in each case, calculated on a solvency

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basis). Our best estimate of Sears Canada's aggregate annual mandatory pension funding obligations is between 1.0% and 2.0% of aggregate plan assets which total \$14 million as at December 31, 2013, increasing to \$20 million at December 31, 2014, and would be payable over 5 years. A significant increase in the level of contributions could have a material adverse impact on our business, financial condition, results of operations and cash flows. See Note 20, "Retirement benefit plans" to the Financial Statements for a more detailed description of our pension plans and the obligations thereunder.

For a more detailed description of the Corporation's business operations and performance, see the documents incorporated by reference into this prospectus.

Business Strategy

During Fiscal 2012, Fiscal 2013 and the first half of Fiscal 2014, the Corporation undertook a number of strategic initiatives to improve the performance of the Corporation. These initiatives were designed to allow the Corporation to continue serving customers as a national retailer in stores and through its Direct channel.

Sears Canada's overarching goal is to maximize total value by using three value levers as follows:

Merchandising Value: Establishing a focus on the Sears value proposition that provides customers with a balance of quality, price, and service. The Corporation's buying and marketing strategies are designed with a view to delivering the value proposition consistently across all products, stores and formats.

Operating Efficiency Value: Managing expenses prudently and identifying inefficiencies within the business. The Corporation has undertaken "right-sizing" and outsourcing initiatives and will modify business models when appropriate to ensure the size of the Corporation is aligned to the current volume of business.

Network Optimization Value: Maximizing return on assets such as real estate and non-core businesses. The Corporation will evaluate opportunities to monetize non-core assets when the market value of those assets exceeds the retailing value, while seeking ways to optimize and unlock the value of the network.

Merchandising Value

The efforts to enhance the Corporation's merchandising value are driven by a value proposition consisting of better execution of retail fundamentals and a focus on product development as follows:

- *Authority in Basics:* by being consistently in-stock for high demand commodities while getting seasonally relevant items on the selling floor on a timely basis;
- *Great Value for Needs:* by offering customers better quality per dollar spent than they may be able to get from Sears Canada's competitors;
- *Fashion and Innovation at a Price:* by seeking to be "fashion relevant" as a reflector of current trends and styles, rather than a fashion leader; and
- *Easy to Shop:* by making store navigation easier through improved signage; having more edited but focused assortments; and offering more consistent quality and sizing for private brands across categories and seasons.

The Corporation is working to improve execution of retail fundamentals in:

- **Apparel and Accessories** by (i) growing private brands across categories, (ii) focusing quality and value on "Good" and "Better" price points, with a more balanced approach on "Best", and

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(iii) improving product development sourcing and quality with focus on duty free countries of origin;

- **Home and Hardlines** by (i) improving the positioning of the Home & Hardlines category with customers through greater clarity of marketing messages, (ii) rationalizing SKUs by category based on a productivity assessment, (iii) increased in-stock levels through better planning and allocation procedures and (iv) better execution of initiatives in stores;
- **Major Appliances** by (i) rationalizing SKUs based on a productivity assessment, (ii) driving sales through multiple item purchases by leveraging vendor expertise and online availability, and (iii) improving return on our marketing investments; and
- **Corporate** through investments in technology infrastructure. In the first quarter of 2014, the Corporation announced the purchase of the Oracle RMS suite of products to enable the Corporation to provide an improved in-stock position of its most popular items, better customize promotions and improve visibility to customers of store inventory online.

The Corporation intends to focus on product development to demonstrate its continuing commitment to provide customers with high quality products at competitive price points. These products include:

- National brands that are well-recognized and represent what the Corporation believes to be Canada's most popular offerings as well as exclusive arrangements that allow us to offer unique products to our customers; and
- Private brands that the Corporation believes resonate with its core customers, including the exclusive collection of Canada's Best products, such as Alpinetek™ winter jackets and our Pure NRG™ yoga wear.

Operating Efficiency Value

The Corporation has undertaken a number of initiatives which are ongoing and are aimed at reducing fixed costs while improving operating performance and efficiency:

Right-sized the Fixed Cost Base: Since the start of Fiscal 2013, the Corporation reduced staffing levels in its head office, the store management structure and logistics teams by 32.0%, 6.0% and 31.0%, respectively, to align our support structure with the size and volume of the organization and to take advantage of improved internal processes that have been implemented to increase efficiency.

Implemented a Cost Reduction Program: In Fiscal 2013, the Corporation also developed a cost reduction program with the intent of reducing administrative costs and other expenses by \$165 million by 2016. By the end of Fiscal 2014, the Corporation expects \$140-145 million of these savings to be realized through headcount reductions, the outsourcing of certain administrative functions such as accounting, payroll, call centres and IT, as well as process improvement initiatives.

Reduced Investment in Working Capital through Improved Inventory Management: The Corporation implemented an inventory reduction program that has successfully decreased investment in inventory by \$183 million to \$732 million as of August 2, 2014 as compared to the end of the same period in Fiscal 2013. This reduction includes approximately \$35 million related to the closure of 5 full-line stores. The Corporation also took action to eliminate inventory from store stockrooms and reduce the likelihood of inventory becoming distressed by clearing inventory while still in season, in addition to moving inventory directly to the selling floor upon receipt. In conjunction with this effort, the Corporation intends to focus more inventory investment on higher demand products to reduce the likelihood of being out of stock on key items.

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Network Optimization Value

During Fiscal 2012, Fiscal 2013 and the first half of Fiscal 2014, the Corporation undertook a number of initiatives designed with a view to improving the value of the Corporation's network:

Monetized Certain Real Estate and Other Non-core Assets: In Fiscal 2013, the Corporation received \$591 million from landlords for early termination of operating leases pertaining to six full-line stores as well as the retail floors at the Toronto Eaton Centre. In Fiscal 2012, the Corporation received \$175 million from landlords for early termination of operating leases pertaining to four full-line stores. Of this amount, \$170 million related to the early termination of our leases at Vancouver Pacific Centre, Chinook Centre (Calgary) and Rideau Centre (Ottawa). In addition, in Fiscal 2013, the Corporation received \$315.4 million in conjunction with the sale of its 50.0% joint interest arrangement in eight mall properties that it co-owned with the Westcliff Group of Companies. To date in Fiscal 2014, the Corporation has received \$71.7 million with respect to the sale of its ownership interests in three other properties co-owned with another joint arrangement partner.

Commenced Review of Home Store Footprint: The Corporation commenced the review of the Home store channel footprint, with a view to rationalize space in the channel, while optimizing space in the Full-Line store channel.

Leveraged Real Estate Portfolio to Create Development Opportunities: The Corporation entered into two agreements with Concord Pacific Group of Companies to pursue the develop of the site it owns in conjunction with our full-line stores at Metropolis at Metrotown in Burnaby, British Columbia as well as the site in conjunction with the North Hill Shopping Centre in Calgary, Alberta. These agreements contemplate the sale of a 50.0% interest in each site for consideration of \$140.0 million and \$15 million for the Burnaby and Calgary locations, respectively, as well as a 50.0% interest in the future profits from the development of each site, if any. Sears Canada is not required to provide any cash funding to the projects pursuant to either of these two agreements.

Other Recent Developments

Change of CEO

On September 25, 2014, our President and Chief Executive Officer, Douglas C. Campbell, informed the Corporation that he intends to resign from Sears Canada by no later than January 1, 2015 and return to the United States to tend to personal family issues.

On October 15, 2014, Ronald Boire was appointed as Acting President and Chief Executive Officer. Mr. Boire was most recently Executive Vice President, Chief Merchandising Officer and President, Sears and Kmart Formats, Sears Holdings. Prior to joining Sears Holdings in January, 2012, Mr. Boire was President and Chief Executive Officer at Brookstone, Inc., a position he held from October, 2009. Mr. Boire joined Toys R Us in 2006 eventually becoming President, North America. From 2003 to 2006, he served as Best Buy's Executive Vice President, Global Merchandise Manager and before that spent 17 years at Sony Electronics Inc. in a variety of increasingly senior roles.

Mr. Boire serves on the Board of Retail Industry Leaders Association, an advocate group in Washington, D.C. for the American retail industry. He is also Co-Founder and Director at Ferguson Noonan Foundation, a non-profit corporation and educational organization. He has MBAs from the Columbia Business School and the London Business School.

Mr. Campbell resigned as President and Chief Executive Officer and as a director effective on October 14, 2014. Mr. Campbell has agreed to work with the incoming Acting President and Chief Executive Officer on transition through to the end of 2014.

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Impairment of Montreal Distribution Facility

Management of the Corporation undertook a comprehensive evaluation of Sears Canada's logistics network for current and future needs, given its changing warehousing requirements. During the third quarter of 2014, management determined that the Montreal Distribution Facility (the "Facility") would likely be sold or otherwise disposed of. As such, management of the Corporation conducted market research as well as appraisals of the Facility's land and building with the assistance of independent qualified third party appraisers. As a result of completing this evaluation and likely sale of the Facility, the Corporation recorded a non-cash impairment loss of approximately \$45 million on the Facility during the third quarter of 2014, reducing the carrying value to approximately \$44 million. The valuation methods used included the direct

capitalization and discounted cash flow methods, and the direct sales comparison approach. The impairment loss will be included in "Selling, administrative and other expenses" in the Corporation's third quarter 2014 unaudited Condensed Consolidated Statements of Net (Loss) Earnings and Comprehensive (Loss) Income.

Commenced Study of Logistics Centre Network

Management of the Corporation has commenced a study of the Logistics Centre network with the aim of improving operating efficiencies in the network. Management of the Corporation believes that it may be determined that centres, in addition to Montreal (see "Other Recent Developments—Impairment of Montreal Distribution Facility") and Regina Broad Street (previously disclosed as held for sale), provide capacity that is in excess of the network's foreseeable needs. Accordingly, they could be considered for disposition.

Deferred Tax Asset Reduction

The Corporation accounts for income taxes in accordance with IAS 12: Income taxes, which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the financial reporting and tax bases of recorded assets and liabilities to the extent that it is probable that the Corporation will have sufficient taxable income in the same period as the reversal of the deductible timing differences. Accounting standards also require that deferred tax assets be reduced if it is no longer probable that sufficient taxable income will be available to allow the benefit of that deferred tax asset to be utilized.

Management of the Corporation assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. During the third quarter of 2014, management evaluated potential sources of income and determined that, as a result of profit before tax being less than anticipated, it was no longer probable that sufficient taxable income from operations would be available in the future to allow the Corporation's Deferred Tax Assets to be fully realized. Therefore, the Corporation recorded a non-cash reduction of Deferred Tax Assets of approximately \$90 million, being the full amount of the estimated net Deferred Tax asset balance at the end of Fiscal 2014 after consideration of the seasonality of profits, which are disproportionately higher in the fourth quarter. Of the \$90 million reduction, approximately \$57.0 million will be included in "Deferred income tax (expense) recovery" in the Corporation's third quarter 2014 unaudited Condensed Consolidated Statements of Net (Loss) Earnings and Comprehensive (Loss) Income and approximately \$33.0 million, which was initially recorded through "Other comprehensive income (loss), net of taxes" primarily related to the Corporation's adoption of IAS 19 (Revised), Employee Benefits, will be included in "Other comprehensive income (loss), net of taxes" in the Corporation's third quarter 2014 unaudited Condensed Consolidated Statements of Net (Loss) Earnings and Comprehensive (Loss) Income. Management of the Corporation will continue to assess the likelihood that the deferred tax assets will be realizable at each future reporting period, and the Deferred Tax Asset will be adjusted accordingly. This accounting treatment has no effect on the Corporation's actual ability to utilize deferred tax assets to reduce future tax payments.

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DESCRIPTION OF SEARS HOLDINGS

Sears Holdings is the parent company of Kmart Holding Corporation ("**Kmart**") and Sears, Roebuck and Co. ("**Sears Roebuck**"). Sears Holdings was formed as a Delaware corporation in 2004 in connection with the merger of Kmart and Sears Roebuck (the "**Merger**") which took place on March 24, 2005. Sears Holdings is an integrated retailer with significant physical and intangible assets, as well as virtual capabilities enabled through technology. In August 2014, Sears Holdings operated a national network of stores with 1,870 full-line and specialty retail stores in the United States operating through Kmart and Sears Roebuck, as well as full-line and specialty retail stores in Canada operating through the Corporation, currently an approximately 51.0%-owned subsidiary.

Sears Holdings' corporate website is located at searsholdings.com. Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to these reports are available, free of charge, through the "SEC Filings" portion of the Investor Information section of the Sears Holdings website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC.

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THE RIGHTS OFFERING

Background to the Rights Offering

Sears Holdings has advised us that the background to the Rights Offering is as follows.

On October 29, 2013, Sears Holdings announced that it intended to work with the board of directors (the "**Board of Directors**" or "**Board**") and management of Sears Canada with a goal of increasing the value of Sears Holdings' interest in Sears Canada and realizing significant cash proceeds to support its transformation and to create value for its stockholders.

On October 29, 2013, Sears Canada entered into an agreement with The Cadillac Fairview Corporation Limited to terminate its leases in respect of five stores for consideration of \$400 million. The transaction closed on November 13, 2013. On November 11, 2013, Sears Canada announced that it entered into an agreement with Montez Income Properties Corporation to sell its 50.0% joint arrangement interest in eight properties that it owned with The Westcliff Group of Companies for consideration of approximately \$315 million. On November 19, 2013, the Board of Directors declared an extraordinary cash dividend of \$5.00 per Common Share, or approximately \$509 million, which was paid on December 6, 2013.

On May 14, 2014, Sears Holdings announced that it was exploring strategic alternatives for its 51.0% interest in Sears Canada, including a sale of the interest or of Sears Canada as a whole, and Sears Holdings engaged Merrill, Lynch, Pierce, Fenner & Smith Incorporated ("**BofA Merrill Lynch**") to assist with those efforts. Sears Canada announced that the Board of Directors and management intended to cooperate fully with Sears Holdings in the process to achieve value for all shareholders. Sears Holdings and Sears Canada entered into a cooperation agreement providing for Sears Canada to make available to Sears Holdings certain confidential information, which would be disclosed to potential buyers who signed a customary confidentiality agreement, and to assist Sears Holdings in negotiating an acquisition transaction involving the Corporation. Sears Canada established a committee made up of its independent directors (the "**Committee**") to oversee its cooperation and engagement with Sears Holdings in this regard.

From May through August 2014, BofA Merrill Lynch contacted potential buyers, among them other retailers in the United States and Canada as well as financial sponsors, and BofA Merrill Lynch and Sears Holdings engaged in discussions regarding the transaction with several of those potential buyers. Management of Sears Canada made presentations to some of the potential buyers about the business of the Corporation. However, at the end of the process, Sears Holdings determined that a negotiated third party transaction on the terms that would likely be available to Sears Holdings would not be at an attractive price and would be subject to significant risks and uncertainties.

During late August through September 2014, Sears Holdings, together with its financial and legal advisors, examined other transaction structures to monetize Sears Holdings' interest in Sears Canada, including a secondary offering, and contacted several Canadian underwriters. On September 25, 2014, Sears Canada's chief executive officer announced that he intended to resign from Sears Canada by no later than January 1, 2015 and return to the United States to tend to personal family issues. At that

point in time it was determined that effecting a secondary offering would likely not be possible.

At a meeting of the Sears Holdings board of directors on September 28, 2014, the board reviewed a proposal to conduct a Rights Offering to its stockholders as a means of disposing of a non-core asset and meeting the objective of raising substantial cash proceeds for Sears Holdings. The board of directors of Sears Holdings determined at the board meeting that the proposed Rights Offering is in the best interests of Sears Holdings and its stockholders. The board of directors of Sears Holdings also considered the extent and nature of the cooperation that would be required from Sears Canada to effect the Rights Offering, including the filing of this prospectus, and instructed management to notify Sears Canada of the proposed Rights Offering and request their cooperation.

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Following the Sears Holdings' board meeting, the board contacted Sears Canada and communicated its intent to pursue a Rights Offering. It requested the cooperation of Sears Canada in that regard, including, in particular, that Sears Canada use commercially reasonable efforts to prepare and file a preliminary short form prospectus in Canada and a registration statement in the United States to qualify for distribution the Common Shares deliverable upon the exercise of the subscription rights, and to make application to list the Common Shares on the NASDAQ, as soon as practicable, and, in any event, subject to the approval of the Board of Directors. The Board requested that the Committee review this request. The Board of Directors, together with its advisors and the independent legal and financial advisors to the Committee, met on September 28, 2014 to consider the request and immediately after that meeting, the Committee met and considered the request and the effect of the Rights Offering on Sears Canada and the requested cooperation.

Between September 28 and October 1, 2014, representatives of Sears Holdings, Sears Canada, and the Committee discussed the proposed Rights Offering and the request for cooperation.

On October 1, 2014, the Board Directors of Sears Canada, with the advice, and on the recommendation of the Committee, approved the request for cooperation made by Sears Holdings in connection with the Rights Offering on and subject to the following terms, to which Sears Holdings and ESL agreed:

- (a) Sears Holdings will reimburse Sears Canada for all reasonable and documented expenses incurred or paid by Sears Canada in connection with the Rights Offering, including, without limitation, fees relating to the listing of the Common Shares on the NASDAQ, together with associated costs of listing and associated costs for the first 12 months thereafter;
- (b) Sears Holdings and Sears Canada will amend the existing license agreement under which Sears Canada has the right to use the "Sears" name and certain other trademarks and brand names, including, without limitation, Kenmore™, Craftsman™, and DieHard™ (the "**License Agreement**") to provide for the continuance of that agreement for so long as Sears Holdings holds 10.0% of the outstanding voting shares of Sears Canada (replacing the current trigger of 25.0%) and to give Sears Canada the continued right to use the trademarks on a royalty-free basis after any such termination for a period of five years following the termination (replacing the current period of three years). If, prior to the completion of the aforesaid five year period, Sears Canada reasonably determines that a longer transition period is necessary, Sears Holdings will extend the License Agreement for a further transition period not to exceed four years, at a royalty rate to be agreed equal to the lesser of a fair market rate based on the value of such mark or the lowest rate which will provide a reasonable incentive to induce Sears Canada to phase out the use of such mark during such extended period;
- (c) Sears Holdings and Sears Canada will amend the existing information technology agreement between them (the "**Technology Agreement**"), pursuant to which the companies exchange information technology services to continue the terms of the agreement for a period of three years following the closing of the Rights Offering;
- (d) Sears Holdings will use commercially reasonable efforts to assist Sears Canada in negotiations with third parties to preserve the benefits that Sears Canada currently enjoys under certain agreements involving Sears Canada, Sears Holdings and third parties relating to software and services, volume-buying arrangements and other services that will terminate when Sears Holdings' ownership of Sears Canada falls below 50.0% (the "**Intercompany Agreements**");
- (e) each of Sears Canada and Sears Holdings will indemnify and hold harmless the other and its subsidiaries, their respective directors, officers, employees and representatives from liability relating to disclosure provided by each party to the other for purposes of this prospectus;

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- (f) Sears Holdings and ESL will release Sears Canada's directors, officers, employees and representatives from any claims that Sears Holdings or ESL may have arising out of or in connection with, the Rights Offering or for the matters referred to above; and
- (g) Sears Holdings will agree to maintain the directors and officers liability and fiduciary liability coverage for current and former directors and officers of Sears Canada relating to matters occurring at or prior to the closing of the Rights Offering for a period of six years thereafter.

Determination of Subscription Price

Sears Holdings has advised us that the subscription price was determined as follows.

On September 28, 2014, the Sears Holdings board of directors determined that the exercise price per whole Common Share being distributed in the Rights Offering is U.S.\$9.50. The subscription price is equal to the U.S. dollar equivalent of the closing price of the Common Shares on the TSX on September 26, 2014, the last trading day before the Sears Holdings board of directors requested Sears Canada's cooperation with the filing of a prospectus regarding this Rights Offering. The board of directors of Sears Holdings applied the Noon Exchange Rate as of September 26, 2014 to calculate this value. In determining the subscription price, the Sears Holdings board of directors considered a number of factors, including those described below. There can be no assurance that the Common Shares will not trade below the subscription price or that it will trade at prices near or above the subscription price after the date of this prospectus. You should not consider the subscription price to be an indication of the price at which the Common Shares will trade following the Rights Offering.

In the course of reaching its determination on the subscription price, Sears Holdings' board considered a number of factors, including without limitation:

- the current and historical trading prices of Sears Canada's Common Shares;
- that the structure of the Rights Offering treats all stockholders of Sears Holdings equally through a distribution of transferable subscription rights on a *pro rata* basis to all stockholders;
- Sears Holdings' liquidity needs and the aggregate amount of proceeds to be paid to Sears Holdings pursuant to the Rights Offering if the Rights Offering were fully subscribed;
- the cost of capital from other sources;

- the desirability of the Rights Offering relative to other potential transaction structures involving the Sears Canada business, including the opportunity afforded by a Rights Offering to Sears Holdings' stockholders to participate in future growth of the Sears Canada business;
- the desirability of broad participation in the Rights Offering by Sears Holdings' stockholders and of the development of a trading market for the rights and an expansion of the trading market for the Common Shares; and
- the presentations by Sears Holdings management and its financial advisors and the information provided to the board of directors regarding management's exploration of strategic alternatives for maximizing the value of its interest in Sears Canada over the past year and the engagement of BofA Merrill Lynch to assist with those efforts.

The foregoing discussion of the information and factors considered by Sears Holdings' board of directors is not intended to be exhaustive, but includes the material factors considered by Sears Holdings' board of directors in setting the aggregate exercise price. In view of the wide variety of factors considered by Sears Holdings' board of directors in evaluating the Rights Offering and the aggregate exercise price, Sears Holdings' board of directors did not find it practicable, and did not attempt, to quantify, rank or otherwise assign relative weights to the foregoing factors in reaching its conclusion. In addition, individual members of Sears Holdings' board of directors may have given

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different weights to different factors and may have viewed some factors more positively or negatively than others. The Sears Holdings' board of directors' determinations and recommendations described above were based upon the totality of the information considered.

IMPACT ON SEARS CANADA OF THE SALE OF COMMON SHARES UNDER THE RIGHTS OFFERING

Ownership of Outstanding Common Shares

Edward S. Lampert and certain other ESL investment vehicles have advised Sears Holdings that they intend to exercise their pro rata portion of the basic subscription rights in full (representing approximately 17.5% to 19.0% of the outstanding Common Shares) as soon as practicable after the subscription rights have been distributed, although they have not entered into any agreement to do so. Accordingly, on completion of the basic subscription rights in the Rights Offering, it is expected that ESL will own between approximately 45.0% and 47.0% of the Common Shares. ESL has also advised Sears Holdings that it may increase its ownership in Sears Canada through its exercise of the over-subscription privilege or through open market purchases of subscription rights or Common Shares, but only to the extent that such exercise would result in ESL continuing to own less than 50.0% of the Common Shares upon the completion of the Rights Offering. ESL has not advised us or Sears Holdings as to its intentions with respect to future purchases or sales of Common Shares. Notwithstanding ESL's stated intentions, neither Sears Canada nor Sears Holdings has any agreement, arrangement or understanding with ESL as to the extent of ESL's exercise of its over-subscription privilege. If ESL exercised its basic subscription right as well as the over-subscription right in full, and no other stockholder exercised its subscription rights, ESL would own between approximately 67.2% and 69.2% of the Common Shares.

Upon the exercise by ESL of its subscription rights, as described above, Sears Canada will cease to be a subsidiary of, or to be controlled by, Sears Holdings under applicable Canadian laws. If all of the subscription rights are exercised in full in the Rights Offering, Sears Holdings will own approximately 11.7% of the outstanding Common Shares. Sears Holdings may dispose of any Common Shares that it continues to own after the Rights Offering, including through sales into the market or otherwise, subject to applicable laws.

Intercompany Agreements

On or prior to the Record Date, Sears Canada will put in place its own directors and officers and fiduciary liability insurance, and related insurance at an anticipated incremental cost of approximately \$500,000 to \$1 million per year.

Sears Canada does not expect to incur material costs in the event that it is unable to negotiate to preserve the benefits that Sears Canada currently enjoys under the terms of the Intercompany Agreements.

Other Agreements

Sears Canada is a party to certain other agreements pursuant to which the completion of the Rights Offering may require notices or consents. Sears Canada does not expect to incur material cost in connection with notices and obtaining any consents.

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DESCRIPTION OF THE RIGHTS OFFERING

Sears Holdings has advised us that the description of the Rights Offering is as follows.

The Subscription Rights

Sears Holdings is distributing to the record holders of its SHC Stock as of the Record Date, transferable subscription rights to purchase, in aggregate, up to 40,000,000 Common Shares owned by Sears Holdings at a price of U.S.\$9.50 per whole share. Each holder of record of SHC Stock will receive one subscription right for each share of SHC Stock owned by that holder as of 5:00 p.m. New York City time, on October 16, 2014, the Record Date. Each subscription right will entitle the holder to purchase 0.375643 of Common Shares. Holders may exercise their subscription rights and receive Common Shares (other than Common Shares allocable through the over-subscription privilege) at any time following receipt of a subscription rights certificate and prior to the expiration date. Each subscription right entitles the holder to a basic subscription right and an over-subscription privilege. The subscription rights entitle the holders of subscription rights to purchase an aggregate of 40,000,000 shares for an aggregate purchase price of up to U.S.\$380 million.

Sears Holdings will keep the Rights Offering open until the expiration date, and does not intend to cancel, withdraw or terminate the Rights Offering. Sears Holdings may, in its discretion, extend the expiration of the Rights Offering, and will announce any plans to do so by press release.

Basic Subscription Right. With your basic subscription right, you may purchase 0.375643 of a Common Share per subscription right, subject to delivery of the required documents and payment of the subscription price of U.S.\$9.50 per whole share, before the Rights Offering expires. You may exercise all or a portion of your basic subscription right, or you may choose not to exercise any of your subscription rights. If you do not exercise your basic subscription rights in full, you will not be entitled to purchase any shares under your over-subscription privilege.

Fractional shares resulting from the exercise of the basic subscription right will be eliminated by rounding down to the nearest whole share.

For example, if you owned 1,000 shares of SHC Stock on the Record Date, you would have received 1,000 subscription rights and would have the right to purchase 375 Common Shares (375.643 rounded down to the nearest whole share) for U.S.\$9.50 per whole share. No fractional Common Shares or cash in lieu of fractional shares will be delivered.

Sears Holdings will credit your account or the account of your nominee record holder with Common Shares that you purchased with the basic subscription right as soon as practicable after you exercise your subscription rights.

All Common Shares purchased pursuant to the exercise of the subscription rights will be issued by way of direct registration in book-entry form. Registration in book-entry form refers to a method of recording share ownership when no physical share certificates are issued.

Over-subscription Privilege. If you purchase all Common Shares available to you pursuant to your basic subscription rights, you may also choose to purchase a portion of any Common Shares that other holders of subscription rights do not purchase through the exercise of their basic subscription rights. Only holders who fully exercise all of their basic subscription rights, after giving effect to any purchases or sales of subscription rights by them prior to such exercise, may participate in the over-subscription privilege. If you wish to exercise your over-subscription privilege, you must indicate on your rights certificate, or the form provided by your nominee if your SHC Stock is held in the name of a nominee, how many additional Common Shares you would like to purchase pursuant to your over-subscription privilege, and provide payment as described below.

Edward S. Lampert and certain other ESL affiliates have indicated to Sears Holdings that they intend to exercise their *pro rata* portion of the basic subscription rights in full in the Rights Offering as

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soon as practicable after the subscription rights have been distributed, although they have not entered into any agreement to do so. ESL has also indicated that it may exercise its over-subscription privilege, but only to the extent that exercising such privilege would result in ESL continuing to own less than 50.0% of the Common Shares. Notwithstanding ESL's stated intentions, neither Sears Canada nor Sears Holdings has any agreement, arrangement or understanding with ESL as to the extent of ESL's exercise of its over-subscription privilege. If ESL exercised its basic subscription right as well as the over-subscription right in full, and no other stockholder exercised its subscription rights, ESL would own between approximately 67.2% and 69.2% of the Common Shares.

Common Shares will be allocated in the Rights Offering as follows:

- First, shares will be allocated to holders of rights who exercise their basic subscription rights at a ratio of 0.375643 of a Common Share per exercised subscription right.
- Second, any remaining shares that were eligible to be purchased in the Rights Offering will be allocated among the holders of rights who exercise the over-subscription privilege, in accordance with the following formula:
 - Each holder who exercises the over-subscription privilege will be allocated a percentage of the remaining Common Shares equal to the percentage that results from dividing (i) the number of basic subscription rights which that holder exercised by (ii) the number of basic subscription rights which all holders who wish to participate in the over-subscription privilege exercised. Such percentage could result in the allocation of more or fewer over-subscription shares than the holder requested to purchase through the exercise of the over-subscription privilege.
 - For example, if Stockholder A holds 200 subscription rights and Stockholder B holds 300 subscription rights and they are the only two stockholders who exercise the over-subscription privilege, Stockholder A will be allocated 40.0% and Stockholder B will be allocated 60.0% of all remaining Common Shares available. (Example A)
- Third, if the allocation of remaining Common Shares pursuant to the formula described above in the second step would result in any holder receiving a greater number of Common Shares than that holder subscribed for pursuant to the over-subscription privilege, then such holder will be allocated only that number of shares for which the holder over-subscribed.
 - For example, if Stockholder A is allocated 100 shares pursuant to the formula described above but subscribed for only 40 additional Common Shares pursuant to the over-subscription privilege, Stockholder A's allocation would be reduced to 40 Common Shares. (Example B)
- Fourth, any Common Shares that remain available as a result of the allocation described above being greater than a holder's over-subscription request (the 60 additional Common Shares in Example B above) will be allocated among all remaining holders who exercised the over-subscription privilege and whose initial allocations were less than the number of Common Shares they requested. This second allocation will be made pursuant to the same formula described above and repeated, if necessary, until all available Common Shares have been allocated or all over-subscription requests have been satisfied in full.

To properly exercise your over-subscription privilege, you must deliver the subscription payment related to your over-subscription privilege before the Rights Offering expires. Because we will not know the total number of unsubscribed Common Shares before the Rights Offering expires, if you wish to maximize the number of Common Shares you purchase pursuant to your over-subscription privilege, you will need to deliver payment in an amount equal to the aggregate subscription price for the maximum number of Common Shares that could be available to you at the time you exercise your basic subscription rights (i.e., the aggregate payment for both your basic subscription right and for all

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additional Common Shares you desire to purchase pursuant to your over-subscription request). See "Description of the Rights Offering—The Subscription Rights". Any excess subscription payments received by the subscription agent, including payments for additional Common Shares you requested to purchase pursuant to the over-subscription privilege but which were not allocated to you, will be returned, without interest or penalty, promptly following the expiration of the Rights Offering.

Fractional shares resulting from the exercise of the over-subscription privilege will be eliminated by rounding down to the nearest whole share. No fractional Common Shares or cash in lieu of fractional shares will be delivered. Computershare, Inc., Sears Holdings' subscription agent for the Rights Offering, will determine, in its sole discretion, the over-subscription allocation based on the formula described above.

We can provide no assurances that you will actually be entitled to purchase the number of Common Shares issuable upon the exercise of your over-subscription privilege in full at the expiration of the Rights Offering. Sears Holdings will not be able to satisfy any orders for shares pursuant to the over-subscription privilege if all

holders of rights exercise their basic subscription rights in full.

Reasons for the Rights Offering

Sears Holdings has over the past year extensively considered strategic alternatives to maximize the value of its interest in Sears Canada, including the engagement of BofA Merrill Lynch to pursue a sale of such interest or Sears Canada as a whole and engaging in discussions with Canadian financial institutions to explore the possibility of an underwritten secondary offering of Sears Holdings' interest. Sears Holdings' board of directors has determined that the Rights Offering is in the best interests of Sears Holdings and its stockholders as way to dispose of a non-core asset, and would provide, among other things, financial and operational benefits to Sears Holdings, including but not limited to the following expected benefits:

- *Strategic Focus and Flexibility.* Sears Holdings' board of directors believes that following the Rights Offering, Sears Holdings will have a more focused business and be better able to dedicate resources to pursue appropriate growth opportunities and execute strategic plans best suited to its business in an efficient manner.
- *Additional Liquidity.* The Rights Offering is expected to provide Sears Holdings with up to U.S.\$380 million in gross proceeds, strengthening its balance sheet and liquidity. Of this amount, Sears Holdings expects to receive at least U.S.\$168 million in mid-to-late October 2014 from the early exercise of the rights distributed to ESL.
- *Stockholder Flexibility to Avoid Dilution.* Since the subscription rights are being distributed, at no charge, to Sears Holdings' existing stockholders, stockholders will have the choice to hold shares in both companies or in either company separately. However, stockholders may wish to sell their subscription rights to fund any tax incurred upon the receipt of the subscription rights, which would decrease the amount of Common Shares available to such stockholders. If the distribution of the rights to a stockholder is subject to withholding tax, the stockholder's broker (or other applicable withholding agent) may sell all or a portion of the subscription rights to fund the withholding tax, which would decrease the number of Common Shares available to such stockholder. See "Certain United States Federal Income Tax Considerations".

Principal Shareholder

Sears Holdings owns approximately 51.0% of the issued and outstanding Common Shares and ESL owns approximately 48.5% of the outstanding SHC Stock.

Assuming the subscription rights are exercised in full, Sears Holdings will dispose of 40,000,000 of its 51,962,391 Common Shares as a result of the Rights Offering and will cease to own a majority of Sears Canada's outstanding shares. To the extent that the subscription rights are not exercised in full

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and that shares not purchased through the exercise of basic subscription rights are not purchased pursuant to the over-subscription privilege, Sears Holdings will retain ownership of a larger portion of Sears Canada's Common Shares. Sears Holdings may dispose of its remaining Common Shares, including through sales into the public market or otherwise, subject to applicable laws.

Edward S. Lampert and certain other ESL affiliates have advised Sears Holdings that they intend to exercise their *pro rata* portion of the basic subscription rights in full as soon as practicable after the subscription rights have been distributed, though they have not entered into any agreement to do so.

Certain of the investment vehicles affiliated with ESL ("SPEs") are liquidating vehicles which are not permitted by their terms to make new investments such as the exercise of the rights. The general partner of the SPEs has offered to sell to SPE investors their *pro rata* share of the rights. If such investors do not wish to purchase their *pro rata* share of the rights, other persons affiliated with ESL may purchase the rights from the SPEs. Persons affiliated with ESL intend to purchase all subscription rights from the SPEs to the extent such rights are not purchased by SPE investors and, assuming all other subscription rights are exercised in full by all other holders of rights, ESL may beneficially own between approximately 45.0% and 47.0% of Sears Canada's Common Shares following the exercise of basic subscription rights in the Rights Offering. ESL intends to exercise its subscription rights in full with respect to all subscription rights that it receives in the distribution, including all rights purchased from the SPEs, but only to the extent that such exercise would result in ESL continuing to own less than 50.0% of Sears Canada's Common Shares. Notwithstanding ESL's stated intentions, neither Sears Canada nor Sears Holdings has any agreement, arrangement or understanding with ESL as to the extent of ESL's exercise of its over-subscription privilege. If ESL exercised its basic subscription right as well as the over-subscription right in full, and no other stockholder exercised its subscription rights, ESL would own between approximately 67.2% and 69.2% of the Common Shares.

You should not view the intentions of ESL, including the intentions of Mr. Lampert as a recommendation or other indication, by them or any member of the Sears Holdings boards of directors, regarding whether the exercise of the subscription rights or the exercise of the over-subscription privilege is or is not in your best interests.

Conditions, Withdrawal and Cancellation

Sears Holdings is not requiring an overall minimum subscription, or any other condition, to complete the Rights Offering. Sears Holdings will keep the Rights Offering open until the expiration date, and does not intend to cancel, withdraw or terminate the Rights Offering. Sears Holdings may, in its discretion, extend the expiration date of the Rights Offering, and will announce any plans to do so by press release.

Effect of the Rights Offering on Outstanding SHC Stock

The Rights Offering will not affect the number of shares of SHC Stock you own or your percentage ownership of Sears Holdings. If you do not exercise your subscription rights to purchase Common Shares, following the Rights Offering you will no longer retain the same indirect ownership interest in the Sears Canada businesses and as well, the SHC Stock that you hold will not reflect the earnings, assets or liabilities of Sears Canada.

The trading price of SHC Stock immediately following the Rights Offering may be higher or lower than immediately prior to the Rights Offering because Sears Holdings will own a lower proportional share of the assets and liabilities of Sears Canada, the ongoing earnings of Sears Canada will no longer be consolidated in Sears Holdings' earnings and Sears Holdings will receive cash proceeds of up to U.S.\$380 million as a result of the sale of Sears Canada's Common Shares (assuming the subscription rights are exercised in full).

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Method of Exercising Subscription Rights

The exercise of subscription rights is irrevocable subject to applicable law, including statutory rights of rescission and withdrawal, and may not be cancelled or modified. You may exercise your subscription rights as follows:

Subscription by Registered Holders. If you are a registered holder of SHC Stock, the number of Common Shares you may purchase pursuant to your basic subscription right will be indicated on the rights certificate that you receive. You may exercise your subscription rights any time after your receipt of the subscription rights

certificate and before the expiration date by properly completing and duly executing the rights certificate and forwarding it, together with your full payment, to the subscription agent at the address given below under "—Subscription Agent and Information Agent," to be received before 5:00 p.m., New York City time, on November 7, 2014.

Subscription by Beneficial Owners. If you are a beneficial owner of shares of SHC Stock that are registered in the name of a broker, dealer, custodian bank or other nominee, you will not receive a rights certificate. Instead, DTC will electronically issue one subscription right to your nominee record holder for every share of SHC Stock that you own as of the Record Date. If you are not contacted by your nominee, you should promptly contact your nominee in order to subscribe for Common Shares in the Rights Offering.

Subscription by Purchasers of Subscription Rights. If you purchase subscription rights during the subscription period through a broker, dealer, custodian bank or other nominee, you will not receive a rights certificate. Instead, your broker, dealer, custodian bank or other nominee must exercise the subscription rights on your behalf. If you wish to exercise your subscription rights and purchase Common Shares through the Rights Offering, you should contact your nominee as soon as possible. Please follow the instructions of your nominee. Your nominee may establish a deadline that may be before the expiration date of the Rights Offering.

If you purchase subscription rights during the subscription period directly from a registered holder of SHC Stock, you should contact the subscription agent as soon as possible regarding the exercise of your subscription rights. Please follow the instructions of the subscription agent in order to properly exercise your subscription rights.

Payment Method

Your payment of the subscription price must be made in U.S. dollars for the full number of Common Shares that you wish to acquire in the Rights Offering by cashier's or certified check drawn upon a United States bank payable to the subscription agent at the address set forth below under the heading "Subscription Agent and Information Agent". Your payment must be delivered to the subscription agent prior to the expiration of the Rights Offering. Personal checks will not be accepted. Payment received after the expiration of the Rights Offering will not be honored, and the subscription agent will return your payment to you, without interest or penalty, as soon as practicable.

You should carefully read and strictly follow the instruction letter and any other documents accompanying the rights certificate. Do not send subscription documents, rights certificates or payments directly to us or to Sears Holdings. Sears Holdings will not consider your subscription received until the subscription agent has received delivery of a properly completed and duly executed rights certificate and payment of the full subscription amount. The risk of delivery of all subscription documents, rights certificates and payments is borne by the holders of subscription rights, not by the subscription agent, Sears Holdings or Sears Canada. If sent by mail, Sears Holdings recommends that you send those rights certificates and payments by overnight courier or by registered mail, properly insured, with return receipt requested, and that you allow a sufficient number of days to ensure delivery to the subscription agent.

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If you hold your shares of SHC Stock in the name of a custodian bank, broker, dealer or other nominee and wish to exercise your subscription rights, you should contact your nominee as soon as possible regarding the exercise of the subscription rights and the payment for the Common Shares.

Medallion Guarantee May Be Required

Your signature on your rights certificate must be guaranteed by an eligible institution, such as a member firm of a registered national securities exchange or a member of the Financial Industry Regulatory Authority, Inc., or a commercial bank or trust company having an office or correspondent in the United States, subject to standards and procedures adopted by the subscription agent, unless:

- you provide on the rights certificate that shares are to be delivered to you as record holder of those subscription rights; or
- you are an eligible institution.

Missing or Incomplete Subscription Information

If you hold your shares of SHC Stock in the name of a custodian bank, broker, dealer or other nominee, the nominee will exercise the subscription rights on your behalf in accordance with your instructions. Your nominee may establish a deadline that may be before the 5:00 p.m., New York City time, November 7, 2014 expiration date that Sears Holdings has established for the Rights Offering. If you send a payment that is insufficient to purchase the number of Common Shares you requested, or if the number of shares you requested is not specified in the forms, the payment received will be applied to exercise your subscription rights to the fullest extent possible based on the amount of the payment received, subject to the availability of shares under the over-subscription privilege and the elimination of fractional shares. Any excess subscription payments received by the subscription agent will be returned, without interest or penalty, as soon as practicable following the expiration of the Rights Offering.

Expiration Date and Extension

The subscription period, during which you may exercise your subscription rights, expires at 5:00 p.m., New York City time, on November 7, 2014, which is the expiration of the Rights Offering. If you do not exercise your subscription rights before that time, your subscription rights will expire and will no longer be exercisable. Sears Holdings will not be required to sell Common Shares to you if the subscription agent receives your rights certificate or your subscription payment after that time. Sears Holdings has the option to extend the Rights Offering. Sears Holdings may extend the Rights Offering by giving oral or written notice to the subscription agent before the Rights Offering expires. If Sears Holdings elects to extend the Rights Offering, it will issue a press release announcing the extension no later than 9:00 a.m., New York City time, on the next business day after the most recently announced expiration date of the Rights Offering.

If you hold your shares of SHC Stock in the name of a broker, dealer, custodian bank or other nominee, the nominee will exercise the subscription rights on your behalf in accordance with your instructions. Please note that the nominee may establish a deadline that may be before the 5:00 p.m., New York City time, November 7, 2014 expiration date that Sears Holdings has established for the Rights Offering.

Determination of Subscription Price

The Sears Holdings board of directors has determined that the subscription price will be U.S.\$9.50 per whole share. The subscription price is equal to the U.S. dollar equivalent of the closing price of Sears Canada's Common Shares on September 26, 2014, the last trading day before the Sears Holdings board of directors requested Sears Canada's cooperation with the filing of a prospectus regarding this

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Rights Offering. The board of directors of Sears Holdings applied the Noon Exchange Rate as of September 26, 2014 to calculate this equivalent value. In determining the subscription price, the board of directors of Sears Holdings considered, among other things, (1) current and historical trading prices of Sears Canada's Common Shares, (2) the desirability of broad participation in the Rights Offering by Sears Holdings' stockholders and (3) Sears Holdings' liquidity needs and the aggregate amount of proceeds to be paid to Sears Holdings pursuant to the Rights Offering if the Rights Offering were fully subscribed. See "Description of the Rights Offering—Determination of Subscription Price".

Subscription Agent and Information Agent

The subscription agent for the Rights Offering is Computershare, Inc. The address to which rights certificates and payments should be mailed or delivered by hand delivery or overnight courier is provided below. If sent by mail, Sears Holdings recommends that you send documents and payments by registered mail, properly insured, with return receipt requested, and that you allow a sufficient number of days to ensure delivery to the subscription agent. Do not send or deliver these materials to Sears Holdings or Sears Canada.

By first class mail:
 Computershare, Inc.
 c/o Voluntary Corporate Actions
 PO Box 43011
 Providence, RI 02940-3011

By hand or overnight courier:
 Computershare, Inc.
 c/o Voluntary Corporate Actions
 250 Royall Street Suite V
 Canton, MA 02021

If you deliver subscription documents or rights certificates in a manner different than that described in this prospectus, Sears Holdings may not honor the exercise of your subscription rights.

You should direct any questions or requests for assistance concerning the method of subscribing for the Common Shares or for additional copies of this prospectus to the information agent, Georgeson Inc., by calling (866) 741-9588 (toll-free) or, writing to SearsCanadaOffer@georgeson.com.

Fees and Expenses

Sears Holdings is not charging any fee or sales commission to issue the subscription rights to you or deliver Common Shares to you if you exercise your rights. If you exercise your subscription rights through the record holder of your shares, you are responsible for paying any commissions, fees, taxes or other expenses your record holder may charge you. Sears Holdings will pay all reasonable fees charged by Computershare, Inc., as the subscription agent and Georgeson Inc., as the information agent.

No Fractional Shares

All Common Shares will be sold at a subscription price of U.S.\$9.50 per whole share. Sears Holdings will not sell fractional shares. Fractional shares resulting from the exercise of the basic subscription rights and the over-subscription privileges will be eliminated by rounding down to the nearest whole share. Any excess subscription payments received by the subscription agent will be returned, without interest, as soon as practicable.

Notice to Nominees

If you are a broker, dealer, custodian bank or other nominee holder that holds shares of SHC Stock for the account of others on the Record Date, you should notify the beneficial owners of the shares for whom you are the nominee of the Rights Offering as soon as possible to learn their intentions with respect to exercising their subscription rights. You should obtain instructions from the beneficial owners of SHC Stock. If a beneficial holder of SHC Stock so instructs, you should complete the rights certificate and submit it to the subscription agent with the proper subscription payment by

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the expiration date or the date indicated by such holder, if earlier. You may exercise the number of subscription rights to which all beneficial owners in the aggregate otherwise would have been entitled had they been direct holders of SHC Stock on the Record Date, provided that you, as a nominee record holder, make a proper showing to the subscription agent by submitting the form entitled "Nominee Holder Certification," which is provided with your Rights Offering materials. If you did not receive this form, you should contact the subscription agent to request a copy.

Beneficial Owners

If you are a beneficial owner of shares of SHC Stock and will receive your subscription rights through a broker, dealer, custodian bank or other nominee, Sears Holdings will ask your nominee to notify you of the Rights Offering. If you wish to exercise your subscription rights, you will need to have your nominee act for you, as described above. To indicate your decision with respect to your subscription rights, you should follow the instructions of your nominee. If you wish instead to obtain a separate rights certificate, you should contact your nominee as soon as possible and request that a rights certificate be issued to you. You should contact your nominee if you do not receive notice of the Rights Offering, but you believe you are entitled to participate in the Rights Offering. Sears Holdings and Sears Canada are not responsible if you do not receive the notice by mail or otherwise from your nominee or if you receive notice without sufficient time to respond to your nominee by the deadline established by your nominee, which may be before the 5:00 p.m., New York City time, November 7, 2014 expiration date.

Transferability of Subscription Rights

The subscription rights are transferable during the course of the subscription period. Sears Holdings' application to list the subscription rights for trading on the NASDAQ under the symbol "SHLDR" has been approved. Sears Canada's application to list its Common Shares on the NASDAQ has been approved. Sears Holdings currently expect that they will begin to trade on the first business day following the distribution of the subscription rights, and will continue to trade until close of business on November 4, 2014, the third business day prior to the expiration date of this Rights Offering (or, if the offer is extended, on the fourth business day immediately prior to the extended expiration date). As a result, you may transfer or sell your subscription rights if you do not want to exercise them to purchase Common Shares. However, the subscription rights are a new issue of securities with no prior trading market, and there can be no assurances provided as to the liquidity of the trading market for the subscription rights or their market value.

If you are a beneficial owner of shares of SHC Stock on the Record Date or will receive your subscription rights through a broker, dealer, custodian bank or other nominee, Sears Holdings will ask your broker, dealer, custodian bank or other nominee to notify you of the Rights Offering. If you wish to sell your subscription rights, in addition to any other procedures your broker, custodian bank or other nominee may require, you must deliver your order to sell to your broker, custodian bank or other nominee such that it will be actually received prior to close of business on November 4, 2014, the third business day prior to the November 7, 2014 expiration date of this Rights Offering.

If you are a registered holder of SHC Stock as of the Record Date and receive a rights certificate, you may take your rights certificate to a broker and request to sell the rights represented by the certificate. The broker will instruct you as to what is required to sell your subscription rights.

Validity of Subscriptions

Sears Holdings will resolve all questions regarding the validity and form of the exercise of your subscription rights, including time of receipt and eligibility to participate in the Rights Offering. Such determination will be final and binding. Once made, subscriptions and directions are irrevocable, and Sears Holdings will not accept any alternative, conditional or contingent subscriptions or directions.

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Sears Holdings reserves the absolute right to reject any subscriptions or directions not properly submitted or the acceptance of which would be unlawful. You must resolve any irregularities in connection with your subscriptions before the subscription period expires, unless Sears Holdings waives them in its sole discretion. None of Sears Canada, Sears Holdings or the subscription agent is under any duty to notify you or your representative of defects in your subscriptions. A subscription will be considered accepted only when the subscription agent receives a properly completed and duly executed rights certificate and any other required documents and the full subscription payment. Sears Holdings' interpretations of the terms and conditions of the Rights Offering will be final and binding.

Shareholder Rights

You will have no rights as a holder of the Common Shares that you purchase in the Rights Offering until your account or the account of your nominee is credited with the Common Shares purchased in the Rights Offering.

Foreign Stockholders

Sears Holdings will not mail this prospectus or any rights certificates to holders of SHC Stock on the Record Date whose address of record is outside the United States and Canada, or is an Army Post Office (APO) address or Fleet Post Office (FPO) address. Foreign stockholders will be sent written notice of the Rights Offering by the subscription agent. The subscription agent will hold the rights certificates to which those holders' subscription rights relate for the account of these stockholders. To exercise their subscription rights, foreign stockholders must send a letter of instruction indicating the number of subscription rights to be exercised, together with payment of the subscription price for each Common Share subscribed for, to the subscription agent. The subscription agent must receive the letter of instruction, together with payment of the subscription price at or prior to 5:00 p.m., New York City time, on November 4, 2014, at least three business days prior to the expiration of the Rights Offering. The stockholder must demonstrate to the satisfaction of the subscription agent and Sears Holdings, such as by providing a legal opinion from local counsel, that the exercise of such subscription rights does not violate the laws of the jurisdiction of such stockholder. If no instructions are received by the subscription agent prior to 5:00 p.m., New York City time, on November 4, 2014, the subscription rights will expire, have no value, and cease to be exercisable for Common Shares. See "Risk Factors—Risks Relating to the Rights Offering—If you are a U.S. taxpayer and receive but do not sell or exercise the subscription rights before they expire, you may be subject to adverse U.S. federal income tax consequences".

The Rights Offering is not being made in any state or other jurisdiction in which it would be unlawful to do so. Sears Holdings is not selling to, or accepting any offers from, foreign stockholders to purchase subscription rights if such stockholders are a resident of any such state or other jurisdiction.

No Revocation or Change

Once you submit the rights certificate or have instructed your nominee of your subscription request, you are not allowed to revoke or change the exercise or request a refund of monies paid. All exercises of subscription rights are irrevocable subject to applicable law, including statutory rights of rescission and withdrawal, even if you learn information about Sears Canada that you consider to be unfavorable. You should not exercise your subscription rights unless you are certain that you wish to purchase Common Shares at the subscription price.

U.S. Federal Income Tax Treatment of Rights Distribution

For a discussion of certain U.S. federal income tax considerations relating to the receipt, sale, exercise and expiration of the subscription rights and the ownership and disposition of Common Shares, see "Certain United States Federal Income Tax Considerations". Stockholders should consult their own

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tax advisors regarding the U.S. federal, state and local and non-U.S. income, estate and other tax considerations relating to the receipt, sale, exercise and expiration of the subscription rights and the ownership and disposition of Common Shares in light of their particular circumstances.

No Recommendation to Rights Holders

Neither the Sears Holdings board of directors nor the Board of Directors of Sears Canada is making any recommendation regarding your exercise of the subscription rights. Stockholders who exercise subscription rights will incur investment risk on new money invested. Neither Sears Holdings nor Sears Canada can predict the price at which Common Shares will trade after the Rights Offering. The market price for Sears Canada's Common Shares may decrease to an amount below the subscription price, and if you purchase Common Shares at the subscription price, you may not be able to sell the shares in the future at the same price or a higher price. Moreover, the market price for the Common Shares may be trading at an amount above the subscription price, and if you do not exercise your rights you will be unable to participate in this appreciation. You should make your investment decision based on your assessment of the business and financial condition of Sears Canada, its prospects for the future, the terms of the Rights Offering and the information contained in, or incorporated by reference into, this prospectus. See "Risk Factors" for a discussion of some of the risks involved in exercising rights and investing in the Common Shares.

Listing

The subscription rights are transferable during the course of the subscription period. Sears Holdings' application to list the subscription rights for trading on the NASDAQ under the symbol "SHLDR" has been approved. Sears Canada's application to list its Common Shares on the NASDAQ under the symbol "SRSC" has been approved.

Treatment of Common Stock Held in Employee Savings Plans

The Savings Plans are each tax qualified retirement plans and are pension plans as defined by ERISA (defined herein) that offer an employer stock fund through which participants (current and former Sears Holdings employees) may invest in SHC Stock. The Savings Plan Trust holds the assets of the Savings Plans and will receive one subscription right for each full share of SHC Stock held in the Savings Plan Trust as of the Record Date. Sears Holdings is applying to the U.S. Department of Labor for a prohibited transaction exemption on a retroactive basis, effective as of the date of the distribution of the subscription rights, providing relief for the acquisition, holding and disposition of the subscription rights by the Savings Plans. The prohibited transaction exemption is necessary because the Savings Plans are not permitted to hold an employer-issued security that is not "qualifying" within the meaning of Section 407(d)(5) of the *Employee Retirement Income Security Act of 1974*, or "ERISA," and the subscription rights are not "qualifying". In addition, the exercise of the rights by the Savings Plans to purchase Sears Canada stock may violate section 406(a)(1)(A) and section 406(b) of ERISA and the parallel provisions of section 4975 of the Code, which prohibit transactions between the Savings Plans and Sears Holdings under certain conditions. If the exemption is not granted, Sears Holdings may be required to take appropriate remedial action. It is anticipated that an independent fiduciary will be engaged for each Savings Plan to determine whether and/or when to exercise or sell the subscription rights on behalf of the trusts of the Savings Plans, subject to the terms of the prohibited transaction exemption. Proceeds from the exercise or sale of the subscription rights will be allocated to Savings Plan accounts that have a holding in the Sears Holdings stock fund as of the record date.

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DESCRIPTION OF SHARE CAPITAL

Authorized Capital

The authorized common share capital of the Corporation consists of an unlimited number of Common Shares without nominal or par value and an unlimited number of class 1 preferred shares, issuable in one or more series (the "Class 1 Preferred Shares").

Common Shares

As at October 14, 2014, Sears Canada had 101,877,662 Common Shares issued and outstanding, which are listed for trading on the TSX.

The holders of Common Shares are entitled to vote at all meetings of the shareholders of the Corporation, except meetings at which only holders of a specified class or series of shares are entitled to vote. The holders of Common Shares are entitled to receive dividends as and when declared by the Board, subject to the dividend entitlements of the holders of the Class 1 Preferred Shares of the Corporation, if any. After payment to the holders of the Class 1 Preferred Shares of the Corporation of the amount to which they may be entitled, and after payment of all outstanding debts, the holders of Common Shares are entitled to receive the remaining property of the Corporation upon the liquidation, dissolution or winding-up thereof.

Class 1 Preferred Shares

There are currently no Class 1 Preferred Shares outstanding.

For a detailed description of the rights, privileges, restrictions and conditions of the Class 1 Preferred Shares, please refer to the Articles of Amendment of the Corporation dated December 30, 1999, which are filed on SEDAR at www.sedar.com and the SEC website at www.sec.gov.

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CONSOLIDATED CAPITALIZATION

Other than as disclosed herein (including under "The Rights Offering" and "Prior Sales" and in the information incorporated by reference herein), there have not been any material changes in the share and loan capital of the Corporation since August 2, 2014, the date of the Corporation's most recently filed financial statements. The Corporation will not receive any proceeds under the Rights Offering. The Offering will not result in any additional material changes to the share and loan capital of the Corporation.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed on the TSX under the symbol "SCC". The following table sets forth the high and low reported trading prices and the trading volume of the Common Shares as reported by the TSX for the periods indicated are set forth in the following table:

	High (\$)	Low (\$)	Volume
October 2013	14.65	12.40	308,648
November 2013	19.89	14.12	3,278,936
December 2013	19.35	12.80	1,302,019
January 2014	13.19	11.05	796,491
February 2014	16.27	12.30	459,135
March 2014	17.14	14.16	453,749
April 2014	17.01	15.06	223,806
May 2014	16.75	13.80	349,144
June 2014	14.90	13.32	331,178
July 2014	15.14	13.56	343,022
August 2014	16.99	12.27	341,381
September 2014	16.85	10.11	356,872
October 1 to 14, 2014	11.36	8.50	291,786

NASDAQ Listing Application

Sears Holdings' application to list the subscription rights for trading on the NASDAQ under the symbol "SHLDR" has been approved. Sears Canada's application to list the Common Shares on the NASDAQ under the symbol "SRSC" has been approved.

DIVIDENDS

The Corporation does not pay quarterly dividends. Sears Canada regularly monitors its sources and uses of cash and its level of cash on hand, and considers the most effective use of cash on hand including, among other options, the payment of dividends.

Since February 1, 2014, the date of the Corporation's most recently filed financial statements, the Corporation has not distributed or declared any dividends to its shareholders.

In fiscal 2013, the Corporation distributed approximately \$50 million (\$5.00 per Common Share) to holders of Common Shares as an extraordinary cash dividend. Payment for this extraordinary cash dividend was made on December 6, 2013.

In fiscal 2012, the Corporation distributed approximately \$102 million (\$1.00 per Common Share) to holders of Common Shares as an extraordinary cash dividend. Payment for this extraordinary cash dividend was made on December 21, 2012.

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There were no dividends declared or paid to holders of Common Shares during Fiscal 2011.

During the 52-week period ended January 29, 2011, the Corporation distributed approximately \$753.4 million (\$7.00 per Common Share) to holders of Common Shares as extraordinary cash dividends. Payments for these extraordinary cash dividends were made on June 4, 2010 and September 24, 2010.

USE OF PROCEEDS

All of the gross proceeds of the sale of Common Shares upon exercise of the subscription rights, net of any selling expenses incurred by it, will be payable to and received by Sears Holdings. Consequently, Sears Canada will not receive any proceeds from the exercise of the subscription rights, any sale of the subscription rights by any stockholder or the sale of Common Shares by Sears Holdings.

Assuming the subscription rights are exercised in full, Sears Holdings expects to receive gross cash proceeds of approximately U.S.\$380 million as a result of the sale of 40,000,000 Common Shares.

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RISK FACTORS

Before deciding whether to exercise subscription rights and invest in the Common Shares, prospective investors should consider the risks described below.

You should carefully consider the risks described below, together with all of the other information contained in, or incorporated by reference, into this prospectus, in evaluating whether to exercise subscription rights and purchase our Common Shares. The following risk factors could adversely affect our business, results of operations, financial condition and the price of our Common Shares.

Risks Relating to the Rights Offering

The subscription price determined for the Rights Offering is not necessarily an indication of the price at which Sears Canada's Common Shares will trade.

The board of directors of Sears Holdings based the per share subscription price being used in the Rights Offering on various factors including, among other things, (1) current and historical trading prices of Sears Canada's Common Shares, (2) the desirability of broad participation in the Rights Offering by Sears Holdings' stockholders and (3) Sears Holdings' liquidity needs and the aggregate amount of proceeds to be paid to Sears Holdings pursuant to the Rights Offering if the Rights Offering were fully subscribed. The per share subscription price may not be indicative of the price at which the Common Shares will trade after the Rights Offering. After the date of this prospectus, the Common Shares may trade at prices below or above the subscription price.

No prior market exists for the subscription rights and a liquid market for the subscription rights may not develop.

Sears Holdings' application to list the subscription rights for trading on the NASDAQ under the symbol "SHLDR" has been approved. However, the subscription rights are a new issue of securities with no prior trading market. Neither Sears Holdings nor Sears Canada can provide you with any assurances as to the liquidity of the trading market for the subscription rights or the price at which the subscription rights may trade during the Rights Offering.

If you do not act promptly and follow the subscription instructions, your exercise of subscription rights will be rejected.

If you desire to purchase Common Shares in the Rights Offering, you must act promptly to ensure that the subscription agent actually receives all required forms and payments before the expiration of the Rights Offering at 5:00 p.m. New York City time, on November 7, 2014, unless Sears Holdings extends the Rights Offering. If you are a beneficial owner of SHC Stock, you must act promptly to ensure that your broker, dealer, custodian bank or other nominee acts for you and that the subscription agent receives all required forms and payments before the Rights Offering expires. Neither Sears Holdings nor Sears Canada is or will be responsible if your nominee fails to ensure that the subscription agent receives all required forms and payments before the Rights Offering expires. If you fail to complete and sign the required subscription forms, send an incorrect payment amount, or otherwise fail to follow the subscription procedures that apply to the exercise of your subscription rights before the Rights Offering expires, the subscription agent will reject your subscription or accept it only to the extent of the payment received. None of Sears Holdings, Sears Canada or the subscription agent undertakes any responsibility or action to contact you concerning an incomplete or incorrect subscription form or payment, nor are Sears Holdings, Sears Canada or the subscription agent under any obligation to correct such forms or payment. Sears Holdings has the sole discretion to determine whether a subscription exercise properly complies with the subscription procedures.

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You will not be able to sell the Common Shares that you buy in the Rights Offering until your account is credited with the Common Shares.

If you are a registered stockholder of Sears Holdings and you purchase Common Shares in the Rights Offering, your account will be credited with the Common Shares as soon as practicable after the exercise of your subscription rights. If your shares of SHC Stock are held by a broker, dealer, custodian bank or other nominee and you purchase Common Shares pursuant to your subscription rights, your account with your nominee will be credited with the Common Shares you purchased in the Rights Offering as soon as practicable after the exercise of your subscription rights. Until your account is credited, you may not be able to sell your Common Shares even though the Common Shares sold in the Rights Offering will be listed for trading on the NASDAQ. The trading price may decline between the time you decide to sell your Common Shares and the time you are actually able to sell such Common Shares.

You may not revoke your exercise of the subscription rights and you could be committed to buying Common Shares at a price above the prevailing market price after completion of the Rights Offering.

Once you exercise your rights, you may not revoke the exercise even if you later learn information that you consider to be unfavorable to the exercise of your rights. If you exercise your rights, you may not be able to sell the Common Shares purchased under the rights at a price equal to or greater than the subscription price, and you may lose all or part of your investment in the Common Shares.

You will not receive interest on your subscription funds during the period pending the closing of the Rights Offering.

The subscription agent will hold the gross proceeds from the sale of Common Shares under the rights in escrow in a segregated bank account, and it will release the proceeds of any subscription rights exercised prior to the expiration date, together with any interest earned on the proceeds, less any applicable withholding taxes, to Sears Holdings as soon as is practicable after the exercise of such subscription rights. Common Shares subscribed for prior to the expiration date will be credited to your account or the account of your nominee as soon as practicable after the exercise of such subscription rights.

If you make payment of the purchase price by uncertified check, your check may not clear in sufficient time to enable you to purchase Common Shares in the Rights Offering.

Any uncertified check used to pay for the Common Shares to be sold in the Rights Offering must clear prior to the expiration of the Rights Offering, and the clearing process may require five or more business days. If you choose to exercise your rights, in whole or in part, and to pay for shares by uncertified check, and if your check has not cleared prior to the expiration of the Rights Offering, then you will not have satisfied the conditions to exercise your rights and will not receive the Common Shares you wish to purchase.

If you receive and exercise the subscription rights, you may be subject to adverse U.S. federal income tax consequences.

If you receive a subscription right and exercise that right, you should generally expect to have (1) taxable dividend income equal to the fair market value (if any) of the subscription right on the date of its distribution by Sears Holdings and (2) no additional income upon the exercise of the subscription right. As a result, you may need to fund any tax resulting from the receipt of the subscription right with cash from other sources.

See "Certain United States Federal Income Tax Considerations".

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If you are a U.S. taxpayer and receive and sell the subscription rights, you may be subject to adverse U.S. federal income tax consequences.

If you are a U.S. taxpayer and receive a subscription right and sell that right, you should generally expect to have (1) taxable dividend income equal to the fair market value (if any) of the subscription right on the date of its distribution by Sears Holdings and (2) short-term capital gain or loss on the sale of the subscription right equal to the difference between the proceeds received upon the sale and the fair market value (if any) of the subscription right on the date of its distribution by Sears Holdings. It is possible that the sale proceeds received upon a sale of the subscription rights will be less than any tax resulting from your receipt of the subscription right. In this event, you will generally need to fund the remaining portion of any tax with cash from other sources. See "Certain United States Federal Income Tax Considerations".

If you are a U.S. taxpayer and receive but do not sell or exercise the subscription rights before they expire, you may be subject to adverse U.S. federal income tax consequences.

If you are a U.S. taxpayer and receive a subscription right from Sears Holdings and do not sell or exercise that right before it expires, you should generally expect to have (1) taxable dividend income equal to the fair market value (if any) of the subscription right on the date of its distribution by Sears Holdings and (2) a short-term capital loss upon the expiration of such right in an amount equal to your adjusted tax basis (if any) in such right. In general, capital losses are available to a U.S. taxpayer only to offset capital gains and may not be used to offset dividend or other income (except, to the extent of up to \$3,000 of capital loss per year, in the case of a non-corporate U.S. stockholder). Accordingly, if you receive a subscription right from Sears Holdings and take no action, you may owe tax and need to fund that tax with cash from other sources.

You should discuss with your tax advisor the U.S. federal income tax consequences of receiving and neither selling nor exercising the subscription rights.

See "Certain United States Federal Income Tax Considerations".

If the Rights Offering is not fully subscribed, ESL and other existing stockholders of Sears Holdings may increase their ownership in Sears Canada.

ESL beneficially owns approximately 27.6% of Sears Canada's outstanding Common Shares. Edward S. Lampert and certain other ESL affiliates have advised Sears Holdings of their intent to exercise their *pro rata* portion of the basic subscription rights in full as soon as practicable after the subscription rights have been distributed, though they have not entered into any agreement to do so. Fairholme has also advised Sears Holdings that it expects that certain of its clients will participate in the Rights Offering at levels to be determined, subject to review of the terms and conditions of the Rights Offering and regulatory considerations. As a result, following the completion of the Rights Offering, we expect ESL will beneficially own between approximately 45.0% and 47.0% of our Common Shares. To the extent that the subscription rights are not exercised in full by all holders of rights, ESL and Fairholme may increase their respective percentage beneficial ownership of Sears Canada through their exercise of the over-subscription privilege, through open market purchases of subscription rights or Common Shares or otherwise. However, ESL has indicated to Sears Holdings that it does not intend to pursue these options to the extent they would result in ESL owning 50.0% or more of Sears Canada's Common Shares upon completion of the Rights Offering. Notwithstanding ESL's stated intentions, neither Sears Canada nor Sears Holdings has any agreement, arrangement or understanding with either ESL or Fairholme as to the extent of the exercise of any over-subscription privilege. If ESL exercised its basic subscription right as well as the over-subscription right in full, and no other stockholder exercised its subscription rights, ESL would own between approximately 67.2% and 69.2% of the Common Shares. If Fairholme exercised its basic subscription rights as well as the

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over-subscription right in full, ESL exercised its basic subscription right and no other stockholder exercised its subscription rights, Fairholme would own approximately 20.2% of the Common Shares. Your interests as a holder of SHC Stock may differ from the interests of ESL or other existing significant stockholders of Sears Holdings. See "Description of the Rights Offering—Principal Shareholder".

Risks Relating to the Common Shares

As long as ESL exerts significant voting influence over us, your ability to influence matters requiring shareholder approval will be limited.

ESL owns approximately 48.5% of the outstanding SHC Stock. Edward S. Lampert and certain other ESL affiliates have advised Sears Holdings that they intend to exercise their *pro rata* portion of the subscription rights which represents approximately 17,760,000 to 19,400,000 Common Shares, or 17.5% to 19.0% of Sears Canada's outstanding Common Shares as soon as practicable after the subscription rights have been distributed, although they have not entered into any agreement to do so. Upon such exercise of the basic subscription right, ESL will own between approximately 45.0% and 47.0% of Sears Canada's outstanding Common Shares. ESL has further advised Sears Holdings that, to the extent that it may exercise subscription rights under the additional subscription privilege described under "Description of the Rights Offering", it will not do so if such exercise would increase its collective ownership to 50.0% or more of the outstanding Common Shares. Notwithstanding ESL's stated intentions, neither Sears Canada nor Sears Holdings has any agreement, arrangement or understanding with ESL as to the extent of ESL's exercise of its over-subscription privilege. If ESL exercised its basic subscription right as well as the over-subscription right in full, and no other stockholder exercised its subscription rights, ESL would own between approximately 67.2% and 69.2% of the Common Shares. If all of the subscription rights are exercised in the Rights Offering, Sears Holdings will thereafter directly own approximately 11.7% of the Common Shares. So long as ESL directly or indirectly exerts significant voting influence over our outstanding Common Shares, it will have the ability to significantly influence the election of the Board of Directors and the outcome of certain shareholder votes.

Accordingly, ESL will have the ability to exercise significant influence over certain actions to be taken or approved by our directors and shareholders, including with respect to certain mergers or business combinations or dispositions of all or substantially all of our assets.

ESL's significant voting influence control may discourage transactions involving a change of control of us, including transactions in which you, as a holder of our Common Shares, might otherwise receive a premium for your shares over the then-current market price. Subject to certain limits, ESL is also not prohibited from selling its significant interest in us to a third party and may do so without your approval and, subject to applicable laws, without providing for a purchase of your Common Shares. Accordingly, your Common Shares may be worth less than they would be if ESL did not maintain significant voting influence over us.

ESL's interests may be different than your interests and Sears Holdings and ESL may have investments in other companies that may compete with us and may have interests from time to time that diverge from the interests of our other shareholders, particularly with regard to new investment opportunities.

In addition, conflicts of interest may arise between Sears Holdings and/or ESL and us, including corporate opportunities, potential acquisitions or transactions as well as other matters. We may be adversely affected by any conflicts of interest between Sears Holdings and/or ESL and us. Furthermore, neither Sears Holdings nor ESL owes us or our shareholders any fiduciary duties under Canadian law.

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In the event that Sears Holdings experiences financial difficulty, it is not possible to predict with certainty the jurisdiction or jurisdictions in which insolvency or similar proceedings would be commenced or the outcome of such proceedings. If a bankruptcy, insolvency or similar event occurs, there could be proceedings involving Sears Holdings in the United States or elsewhere and it is possible that we could be made a part of these proceedings. This risk decreases as the percentage of Common Shares held by Sears Holdings decreases.

The price of our Common Shares may decline if ESL or Sears Holdings alter their strategy with respect to their ownership of our shares.

ESL and Sears Holdings have advised us that they have not reached any decision regarding whether or for how long they will retain their share ownership in us and what form, if any, the disposition or distribution of their Common Shares will take. ESL and Sears Holdings will, in their respective sole discretions, determine the timing and terms of any transactions with respect to their Common Shares, taking into account business and market conditions and other factors that they deem relevant. Neither ESL nor Sears Holdings is subject to any contractual obligation to maintain its ownership position in us, nor is ESL subject to any contractual obligation to us to maintain its ownership in Sears Holdings. Consequently, we cannot assure you that either ESL or Sears Holdings will maintain its current direct or indirect ownership of our Common Shares. Any announcement by ESL or Sears Holdings that they have reached a determination regarding what to do with their direct or indirect ownership of our Common Shares, or the perception by the investment community that ESL or Sears Holdings has reached such a determination, could have an adverse impact on the price of our Common Shares.

The market price of our Common Shares is subject to market value fluctuations.

From time to time, the stock market experiences significant price and volume volatility that may affect the market price of our Common Shares for reasons unrelated to our performance. In addition, the financial markets are generally characterized by extensive interconnections among financial institutions and, accordingly, defaults by other financial institutions in Canada, the United States or other countries could adversely affect us and the market price of our Common Shares. The value of our Common Shares is also subject to market value fluctuations based upon factors which influence our operations, such as legislative or regulatory developments, competition, technological change and global capital market activity.

Risks Relating to Our Business

If we are unable to compete effectively in the highly competitive retail industry, our business and results of operations could be materially adversely affected.

The Canadian retail market remains highly competitive as key players and new entrants compete for market share. International retailers continue to expand into Canada while existing competitors enhance their product offerings and become direct competitors. Our competitors include traditional full-line department stores, discount department stores, wholesale clubs, "big-box" retailers, internet retailers and specialty stores offering alternative retail formats. Failure to develop and implement appropriate competitive strategies and the performance of our competitors could have a material adverse effect on our business, results of operations and financial condition.

In order to stay competitive and relevant to our customers, the Corporation's strategic plan for 2014 is centered on three strategic levers: merchandising value, cost and efficiency value, and the value of our network and assets. The achievement of strategic goals may be adversely affected by a wide range of factors, many of which are beyond our control. The inability to execute and integrate strategic plans could have a negative impact on the Corporation's current operations, market reputation,

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customer satisfaction and financial position. The Corporation's ability to implement and achieve its long-term strategic objectives is dependent on the achievement of these strategic plans and initiatives. There can be no assurance that such plans and initiatives will yield the expected results, either of which could cause us to fall short in achieving financial objectives and long-range goals.

Additional risk may arise when foreign retailers carrying on business in Canada in competition with us engage in marketing activities which are not in full compliance with Canadian legal requirements regarding advertising and labeling rules and product quality standards. Such retailers may gain an unfair advantage and their activities may negatively affect our business and results of operations.

The majority of the performance payments earned pursuant to the credit card marketing and servicing alliance with JPMorgan Chase are related to customers' purchases using the Sears Card and Sears MasterCard. The credit card industry is highly competitive as credit card issuers continue to expand their product offerings to distinguish their cards. As competition increases, there is a risk that a reduction in the percentage of purchases charged to the Sears Card and Sears MasterCard may negatively impact our results of operations and financial condition.

Due to the seasonality of our business, our results of operations would be adversely affected if our business performed poorly in the fourth quarter or as a result of unseasonable weather patterns.

Our operations are seasonal in nature with respect to results of operations and in products and services offered. Merchandise and service revenues, as well as performance payments received from JPMorgan Chase, vary by quarter based upon consumer spending behavior. Historically, our revenues and earnings have been higher in the fourth quarter due to the holiday season and we have reported a disproportionate level of earnings in that quarter. As a result, our fourth quarter results of operations significantly impact our annual results of operations. Our fourth quarter results of operations may fluctuate significantly, based on many factors, including holiday spending patterns and weather conditions. In addition, we offer many seasonal goods and services. We establish budgeted inventory levels and promotional activity to be in accordance with our strategic initiatives and expected consumer demand. Businesses that generate revenue from the sale of seasonal merchandise and services are subject to the risk of changes in consumer spending behavior as a result of unseasonable weather patterns.

If we fail to offer merchandise and services that our customers want, our sales may be limited, which would reduce our revenues and profits and adversely impact our results of operations.

To be successful, we must identify, obtain supplies and offer to customers attractive, relevant and high quality merchandise and services on a continuous basis. Customers' preferences may change over time. If we misjudge either the demand for products and services we sell or our customers' purchasing habits and tastes, we may be faced with excess inventories of some products and missed opportunities for products and services we chose not to offer. This could have a negative effect on our revenues and profits and adversely impact our results of operations.

Our failure to retain our senior management team and to continue to attract qualified new personnel could adversely affect our business and results of operations.

Our success is dependent on our ability to attract, motivate and retain senior leaders and other key personnel. The loss of one or more of the members of our senior management may disrupt our business and adversely affect our results of operations. Furthermore, we may not be successful in attracting, assimilating and retaining new personnel to grow our business profitably. The inability to attract and retain key personnel could have an adverse effect on our business.

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If we do not successfully manage our inventory levels, our results of operations will be adversely affected.

We must maintain sufficient in-stock inventory levels to operate the business successfully while minimizing out-of-stock levels. A significant portion of inventory is sourced from vendors requiring advance notice periods in order to supply the quantities that we require. These lead times may adversely impact our ability to respond to changing consumer preferences, resulting in inventory levels that are insufficient to meet demand or in merchandise that may have to be sold at lower prices. Inappropriate inventory levels or a failure to accurately anticipate the future demand for a particular product or the time it will take to obtain new inventory may negatively impact our results of operations.

If we are unable to secure an agreement with a financial institution for the management of the credit and financial services operations under substantially the same terms and conditions as currently in existence, our results of operations and financial condition will be negatively impacted.

Our credit and financial services operations are currently managed by JPMorgan Chase. We entered into a long-term marketing and servicing alliance with JPMorgan Chase in 2005 with a term of 10 years. The term of this alliance is set to expire in November 2015. We are currently in the process of considering other potential options with respect to the future management of the credit and financial services operations, and there is a risk that we may not be able to secure another service provider or that if we do so, it will not be on terms and conditions as favourable to us as those we currently have with JPMorgan Chase, which would, in either case, materially adversely affect our results of operations and financial condition.

We rely extensively on computer systems to process transactions, summarize results and manage our business. Disruptions in these systems could harm our ability to run our business.

Given the number of individual transactions that we process each year, it is critical that we maintain uninterrupted operation of our computer and communications hardware and software systems. These systems are subject to obsolescence, damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, catastrophic events such as fires, natural disasters and adverse weather occurrences and usage errors by our employees. If the systems are damaged or cease to function properly, we may have to make a significant investment to fix or replace them, may suffer interruptions in operations in the interim and our reputation with our customers may be harmed. Our ability to maintain sufficient inventory levels in our stores is critical to our success and largely depends upon the efficient and uninterrupted operation of our computer and communications hardware and software systems. Any material interruption in our computer operations may have a material adverse effect on our business and results of operations.

We rely on foreign sources for significant amounts of our merchandise, and our business may therefore be negatively affected by the risks associated with international trade.

We are dependent upon a significant amount of products that originate from non-Canadian markets. In particular, we source a significant amount of products from China. We are subject to the risks that are associated with the sourcing and delivery of this merchandise, including: potential economic, social and political instability in jurisdictions where suppliers are located; structural integrity and fire safety of foreign factories; increased shipping costs, potential transportation delays and interruptions; adverse foreign currency fluctuations, changes in international laws, rules and regulations pertaining to the importation of products, quotas; and the imposition and collection of taxes and duties. Any increase in cost to us of merchandise purchased from foreign vendors or restriction on the merchandise made available to us by such vendors could have an adverse effect on our business and results of operations.

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Damage to the reputations of the brands we sell could reduce our revenues and profits and adversely impact our results of operations.

As a diverse and multi-channel retailer, we promote many brands as part of our normal course of business. These brands include the Sears brand, its private label brands for product lines such as Jessica™, and non-proprietary brands exclusive to Sears. Damage to the reputation of these brands or the reputation of the suppliers of these brands could negatively impact consumer opinions of Sears or our related products and reduce our revenues and profits and adversely impact our results of operations. In those circumstances, it may be difficult and costly for us to regain customer confidence.

If our relationships with our significant suppliers were to be impaired, it could have a negative impact on our competitive position and our results of operations and financial condition.

Although our business is not substantially dependent on any one supplier, our relationship with certain suppliers is of significance to our merchandising strategy, including attracting customers to our locations, cross segment sales and image. The loss of a significant supplier relationship could result in lower revenues and decreased customer interest in our stores, which, in turn, would adversely affect our results of operations and financial condition. In addition, we may not be able to develop relationships with new suppliers, and products from alternative sources, if any, may be of a lesser quality and more expensive than those we currently purchase.

We rely on third parties to provide us with services in connection with the administration of certain business functions.

We have entered into agreements with third-party service providers (both domestic and international) to provide processing and administration functions over a broad range of areas. These areas include finance and accounting, information technology, payroll, procurement and call centre functions. Services provided by third parties as a part of outsourcing initiatives could be interrupted as a result of many factors, such as social or political unrest, natural disasters, extreme or unseasonable weather, acts of war or terrorism, systems breakdowns or power outages or other significant events outside of our control, contract or labour disputes, strikes or failure by third parties to provide these services on a timely basis within service level expectations and performance standards, which could result in a disruption of our business, and adversely affect our results of operations and financial condition. In addition, to the extent we are unable to maintain our outsourcing arrangements, we could potentially incur substantial costs, including costs associated with hiring new employees, in order to return these services in-house.

We rely on our relationship with a number of licensees to manage and operate the day-to-day operations of certain components of our business.

We have entered into licensing arrangements with various third parties. Any financial instability of licensees and their inability to fulfill the terms and obligations under their respective agreements with us could have a material adverse effect on our revenues with respect to these arrangements and could cause us to incur substantial costs, including moving the services in-house or finding an alternative third party to perform the services.

The lack of willingness of our vendors to provide acceptable payment terms could negatively impact our liquidity and/or reduce the availability of products or services we seek to procure.

We depend on our vendors to provide us with financing for our purchases of inventory and services. Our vendors could seek to limit the availability of vendor credit to us or other terms under which they sell to us, or both, which could negatively impact our liquidity. In addition, the inability of our vendors to access liquidity, or the insolvency of our vendors, could lead to their failure to deliver

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inventory or other services to us. Certain of our vendors may finance their operations and/or reduce the risk associated with collecting accounts receivable from us by selling or "factoring" the receivables or by purchasing credit insurance or other forms of protection from loss associated with our credit risks. The ability of our vendors to do so is subject to their perception of our credit quality and operational performance. Our vendors could be limited in their ability to factor receivables or obtain credit protection in the future because of their own financial condition and market perceptions of our financial position, credit worthiness and operational performance, which could reduce the availability of products or services we seek to procure.

We may be subject to product liability claims if people or properties are harmed by the products we sell or the services we offer.

We sell products produced by third party manufacturers. Some of these products may expose us to product liability claims relating to personal injury, death or property damage caused by such products and may require us to take actions, such as product recalls. In addition, we also provide various services which could give rise to such claims. Although we maintain liability insurance to mitigate these potential claims, we cannot be certain that its coverage will be adequate for liabilities actually incurred or that insurance will continue to be available on economically reasonable terms or at all. Product liability claims can be expensive to defend and can divert the attention of management and other personnel for significant periods, regardless of the ultimate outcome. Claims of this nature, as well product recalls, could also have a negative impact on customer confidence in the products and services we offer and on our reputation, and could have a material adverse effect on our business and our results of operations.

If we do not maintain the security of our customer, associate or company information, we could damage our reputation, incur substantial additional costs and become subject to litigation.

Any significant security compromise or breach of customer, associate or Corporation data, either held or maintained by the Corporation or our third party providers, could significantly damage our reputation and result in additional costs, lost sales, fines and/or lawsuits. The regulatory environment in Canada related to information security and privacy is very rigorous. There is no guarantee that the procedures that we have implemented to protect against unauthorized access to secured data are adequate to safeguard against all data security breaches. A data security breach could negatively impact our business and our results of operations.

We are subject to a number of long-term real estate leases which could restrict our ability to respond to changes in demographics or the retail environment and adversely impact our results of operations.

As of October 14, 2014, we operated a total of 113 Full-Line department stores, 307 specialty stores (including 47 Sears Home stores, 11 Outlet stores, four Appliances and Mattresses stores, 211 Hometown Dealer stores operated under independent local ownership and 34 Corbeil stores), 1,378 catalogue merchandise pick-up locations and 96 Sears Travel offices. We own 14 Full-line department stores. The majority of the remaining Full-Line department stores are held under long-term leases. We operate the majority of our Sears Home stores under short-term leases. While we are able to change our merchandise mix and relocate stores in order to maintain competitiveness, we are restricted from vacating a current site without breaching our contractual obligations and incurring lease related expenses for the remaining portion of the lease-term. The long-term nature of the leases may limit our ability to respond in a timely manner to changes in the demographic or retail environment at any location, which could adversely affect our results of operations. In addition, when leases for the stores in our ongoing operations expire, we may be unable to negotiate renewals, either on commercially acceptable terms, or at all, which could cause us to close stores. Accordingly, we are subject to the risks associated with leasing real estate, which could have an adverse effect on our results of operations.

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We may be subject to legal proceedings if we violate the operating covenants in our real estate leases that could adversely affect our business and results of operations.

As of October 14, 2014, we had operating covenants with landlords for approximately 100 of our Full-Line department stores. An operating covenant generally requires us, during normal operating hours, to operate a store continuously as per the identified format in the lease agreement. As of October 14, 2014, the remaining term of the various Sears operating covenants ranged from less than one year to 25 years, with an average remaining term of approximately seven years, not including renewal options available to Sears Canada. Failure to observe our operating covenants may result in legal proceedings against us and adversely affect our business and results of operations.

We are subject to laws and regulations that impact our business and a failure to comply with such laws and regulations could lead to lawsuits or regulatory actions against us that could adversely affect our business and results of operations.

Laws and regulations are in place to protect the interests and well-being of our customers and communities, business partners, suppliers, employees, shareholders and creditors. Changes to statutes, laws, regulations or regulatory policies, including changes in the interpretation, implementation or enforcement of statutes, laws, regulations and regulatory policies, could adversely affect our business and results of operations. In addition, we may incur significant costs in the course of complying with any changes to applicable statutes, laws, regulations and regulatory policies. Our failure to comply with applicable statutes, laws, regulations or regulatory policies could result in a judicial or regulatory judgment or sanctions and financial penalties that could adversely impact our reputation, business and results of operations. Although we believe that we have taken reasonable measures designed to ensure compliance with governing statutes, laws, regulations and regulatory policies in the jurisdictions in which we conduct business, there is no assurance that we will always be in compliance or deemed to be in compliance.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure, including those related to foreign private issuers and the *Sarbanes-Oxley Act of 2002*, and related regulations implemented by the SEC are creating uncertainty for foreign private issuers, increasing legal and financial compliance costs, and making some activities more time consuming. We are currently evaluating and monitoring developments with respect to new and proposed rules, such as the new conflict minerals disclosure requirements, and cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed. The costs of compliance or our failure to comply with these laws, rules and regulations could adversely affect our reputation, business, results of operations, financial condition and the price of our Common Shares.

We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses to us.

In order to maintain our current status as a foreign private issuer under U.S. federal securities laws, a majority of our Common Shares must be either directly or indirectly owned by non-residents of the United States unless we also satisfy each of the three additional requirements in accordance with the definition of "foreign private issuer" under the U.S. Exchange Act. In addition to the majority of our Common Shares being owned by residents of the United States, if any of (i) the majority of our executive officers or directors are United States citizens or residents, (ii) more than fifty percent of our assets are located in the United States or (iii) our business is administered principally in the United

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States, then we would lose our foreign private issuer status. We currently satisfy the test and qualify as a foreign private issuer, but we cannot be certain that we will meet these requirements in the future. The regulatory and compliance costs to us under U.S. federal securities laws as a U.S. domestic issuer may be significantly more than the costs we incur as a Canadian foreign private issuer. If we cease to be a foreign private issuer, we would not be eligible to use the multijurisdictional disclosure system or other foreign issuer forms and would be required to file periodic and current reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. We may also be required to prepare our financial statements in accordance with U.S. generally accepted accounting principles, or GAAP. These additional reporting obligations could be costly and have a negative impact on our financial condition.

We are required to comply with federal and provincial environmental laws and regulations, the cost of which may adversely affect our results of operations and financial condition.

We are exposed to environmental risk as an owner, lessor and lessee of property. Under federal and provincial laws, the owner, lessor or lessee could be liable for the costs of removal and remediation of certain hazardous substances on its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could lead to claims against us.

We are currently remediating various locations across Canada where we operated auto centers, gas bars and a logistics facility. The extent of the remediation and the costs thereof have not yet been determined. We continue to monitor the costs of remediation and appropriately provide for these costs in our reserves. If we commit to renovating a leased or owned building that contains or may contain asbestos, or if asbestos is inadvertently disturbed, we will be legally obligated to comply with asbestos removal standards. The extent of this liability has not yet been determined because the costs to remove asbestos depend upon factors including, among others, the location and extent of any renovations undertaken. Inadvertent disturbance of asbestos cannot be foreseen. The costs incurred by us could be significant and may negatively impact our results of operations and financial condition.

We are exposed to a variety of legal proceedings, including class action lawsuits, and tax audits which, if adversely decided, could materially adversely affect us.

We currently are involved in various legal proceedings incidental to the normal course of business. Although we are of the view that the final disposition of any such litigation is not expected to have a material adverse effect on our liquidity, consolidated financial position or results of operations, the outcome of such litigation cannot be predicted with certainty.

In the ordinary course of business, we are subject to ongoing audits by tax authorities. While we believe that our tax filing positions are appropriate and supportable, periodically, certain matters are reviewed and from time to time challenged by the tax authorities. As we routinely evaluate and provide for potentially unfavorable outcomes with respect to any tax audits, we believe that the final disposition of tax audits will not have a material adverse effect on our liquidity, consolidated financial position or results of operations. If the result of a tax audit materially differs from the existing provisions, our effective tax rate and our net earnings could be affected positively or negatively in the period in which the tax audits are completed.

On July 5, 2013, a "Sears Hometown" store owner in Woodstock, Ontario launched a class action lawsuit on behalf of approximately 260 Sears Hometown dealers across Canada who became dealers on or after January 1, 2011 against Sears Canada and Sears, Roebuck and Co. (together with Sears Canada, the "Sears Defendants"), a subsidiary of Sears Holdings. The claim alleges that the Sears Defendants breached contractual duties and duties under provincial franchise laws by forcing the Hometown store dealer-owners to work for subsistence-level compensation and by depriving them of any realistic opportunity to share in the profits generated by the Hometown store system. The claim

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also alleges that Sears Canada has encroached on the dealers' protected market areas through direct-channel sales. The dealer plaintiffs seek \$100 million in damages and injunctive relief. The action was certified as a class action on September 8, 2014. Although Sears Canada intends to vigorously defend these allegations, we believe the outcome is indeterminable, and the monetary damages, if any, cannot be reliably estimated.

Our results of operations may be adversely impacted if insurance coverage is deemed insufficient or if we or the insurance industry is affected by unexpected material events.

We maintain directors and officers insurance, liability insurance, business interruption and property insurance and this insurance coverage reflects deductibles, self-insured retentions, limits of liability and similar provisions. Although we have taken measures to ensure that it has the appropriate coverage, including maintaining an annual reserve for liability claims, there is no guarantee that our insurance coverage will be sufficient, or that insurance proceeds will be paid to us in a timely manner. In addition, there are types of losses we may incur but against which we cannot be insured or which we believe are not economically reasonable to insure, such as losses due to acts of war and certain natural disasters. If we incur these losses and they are material, our business, operating results and financial condition may be adversely affected. Also, certain material events may result in sizable losses for the insurance industry and materially adversely impact the availability of adequate insurance coverage or result in significant premium increases. Accordingly, we may elect to self-insure, accept higher deductibles or reduce the amount of coverage in response to such market changes.

Events outside our control such as social or political unrest, natural disasters, labour disruptions or contractual disputes, strikes, extreme or unseasonable weather, acts of war or terrorism, systems breakdowns or power outages could have a material adverse effect on our business and results of operations.

Our business is sensitive to customers' spending patterns, which may be affected by domestic and international social or political unrest, natural disasters, labour disruptions or contractual disputes of Sears Canada, its suppliers or third party service providers, strikes, extreme or unseasonable weather, acts of war or terrorism, or other significant events outside of our control, any of which could lead to a decrease in spending by consumers. In addition, such events as well as systems breakdowns and power outages could cause store closures, disrupt our supply chain or other operations, delay shipments of our merchandise to consumers, reduce our revenue and result in expenses to repair or replace our facilities. Disruptions during a peak season such as the month of December, which may account for a substantial amount of a year's earnings, could have a particularly adverse effect on our business and results of operations.

Our business could suffer if we are unsuccessful in making, integrating, and maintaining acquisitions and investments.

From time to time we pursue strategic acquisitions of, joint arrangements with, or investments in, other companies or businesses, although we have no present commitments with respect to any material acquisitions or investments. Any such acquisition, joint arrangement or investment that we make may require us to spend our cash, or incur debt, contingent liabilities, or amortization expenses related to intangible assets, any of which could reduce our profitability and harm our business. Acquisitions, joint arrangements and investments also increase the complexity of our business and place strain on our management, personnel, operations, supply chain,

financial resources, and internal financial controls and reporting functions. We may not be able to manage acquisitions, joint arrangements or investments effectively, which could damage our reputation, limit our growth and adversely affect our business and results of operations.

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Financial Risks

Our business has been and will continue to be affected by Canadian and worldwide economic conditions; a persistence or worsening of current economic conditions could lead to reduced revenues and gross margins, and negatively impact our liquidity.

We plan our operations giving regard to economic and financial variables that are beyond our control. Changes to these variables may adversely impact our performance. Should the current economic conditions persist or worsen, heightened competition, a further decline in consumer confidence, lower disposable income, higher unemployment and personal debt levels may result, which could lead to reduced demand for our products and services. Any of these events could cause us to increase inventory markdowns and promotional expenses, thereby reducing our gross margins and results of operations. If the Canadian or global economics worsen, we could experience a decline in same store sales, erosion of gross profit and profitability.

Increasing fuel and energy costs may have a significant negative impact on our operations. We require significant quantities of fuel for the vehicles used to distribute and deliver inventory and we are exposed to the risk associated with variations in the market price for petroleum products. We could experience a disruption in energy supplies, including our supply of gasoline, as a result of factors that are beyond our control, which could have an adverse effect on our business. Certain of our vendors also are experiencing increases in the cost of various raw materials, such as cotton, oil-related materials, steel and rubber, which could result in increases in the prices that we pay for merchandise, particularly apparel, appliances and tires and adversely affect our results of operations.

We are exposed to liquidity risk and our failure to fulfill financial obligations could adversely affect our results of operations and financial condition.

We could face liquidity risk due to various factors, including but not limited to, the unpredictability of the current economic climate, failure to secure appropriate funding vehicles and cash flow issues relating to the operation and management of the business. Failure to fulfill financial obligations due and owing from us as a result of this liquidity risk could have undesirable consequences on us and adversely affect our results of operations and financial condition.

Fluctuations in U.S. and Canadian dollar exchange rates may adversely impact our results of operations.

Our foreign exchange risk is currently limited to currency fluctuations between the Canadian and U.S. dollar. We are vulnerable to increases in the value of the U.S. dollar relative to the Canadian dollar because the majority of our revenues are denominated in Canadian dollars and a substantial amount of the merchandise we purchase is priced in U.S. dollars. The costs of these goods in Canadian dollars rise when the U.S. dollar increases in value relative to the Canadian dollar and, as a result, we may be forced to increase our prices or reduce our gross margins. We may use foreign currency forward and option contracts to hedge the exchange rate risk on a portion of our expected requirement for U.S. dollars. There can be no assurance that our hedging efforts will achieve their intended results or that our estimate of our requirement for U.S. dollars will be accurate, with the result that currency fluctuations may have an adverse impact on our results of operations.

In addition, any significant appreciation of the Canadian dollar relative to the U.S. dollar presents an additional challenge to us as our customers are motivated to cross-border shop, which may have an adverse impact on our results of operations.

We are exposed to counterparty credit risks which could adversely affect our results of operations.

Credit risk refers to the possibility that we can suffer financial losses due to the failure of counterparties to meet their payment obligations to the Corporation. Exposure to credit risk exists for

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derivative instruments, cash and cash equivalents, short-term investments, accounts receivable and investments included in other long-term assets. Cash and cash equivalents, accounts receivable, derivative financial assets, and other long-term assets of \$345.6 million as at August 2, 2014 (February 1, 2014: \$605.8 million; August 3, 2013: \$399.0 million) expose the Corporation to credit risk should the borrower default on maturity of the investment.

Although we seek to manage this exposure through policies that require borrowers to have a minimum credit rating of A, and limiting investments with individual borrowers at maximum levels based on credit rating, there can be no assurance that we will be able to successfully manage our credit risk.

We invest our surplus cash in investment grade, short-term money market instruments, the return on which depends upon interest rates and the credit worthiness of the issuer. We attempt to mitigate credit risk resulting from the possibility that an issuer may default on repayment by requiring that issuers have a minimum credit rating and limiting exposures to individual borrowers.

Expenses associated with our retirement benefit plans may fluctuate significantly depending on changes in actuarial assumptions, future market performance of plan assets, and other events outside of our control and adversely affect our results of operations.

We currently maintain a hybrid registered pension plan (with both a defined benefit component and a defined contribution component), a non-registered supplemental savings arrangement and a defined benefit non-pension retirement plan, which provides life insurance, medical and dental benefits to eligible retired associates through a health and welfare trust. The defined benefit component of the registered pension plan continues to accrue benefits related to future compensation increases although no further service credit is earned. In addition, we no longer provide life insurance, medical and dental benefits at retirement for associates who had not achieved the eligibility criteria for these non-pension retirement benefits as at December 31, 2008.

There is no assurance that our retirement benefit plans will be able to earn the assumed rate of return. New regulations and market driven changes may result in changes in the discount rates and other variables which would result in us being required to make contributions in the future that differ significantly from the estimates.

Management is required to use assumptions to account for the plans in conformity with IFRS. However, actual future experience will differ from these assumptions giving rise to actuarial gains or losses. In any year, actual experience differing from the assumptions may be material. Plan assets consist primarily of cash, alternative investments, marketable equity and fixed income securities. The value of the marketable equity and fixed income investments will fluctuate due to changes in market prices. Plan obligations and annual pension expense are determined by independent actuaries and through the use of a number of assumptions.

Although we believe that the assumptions used in the actuarial valuation process are reasonable, there remains a degree of risk and uncertainty which may cause results to differ materially from expectations. Significant assumptions in measuring the benefit obligations and pension plan costs include the discount rate and the rate of compensation increase. See Note 20, "Retirement benefit plans" to the Financial Statements for a more detailed description of our pension plans and the obligations thereunder.

We are exposed to interest rate risks which could adversely affect our results of operations.

Interest rate risk reflects the sensitivity of our financial condition to movements in interest rates. Financial assets and liabilities which do not bear interest or bear interest at fixed rates are classified as non-interest rate sensitive. Cash and cash equivalents and borrowings under the Amended Credit

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Facility, when applicable, are subject to interest rate risk. The total subject to interest rate risk as at August 2, 2014 was a net asset of \$267.4 million (February 1, 2014: net asset of \$515.1 million, August 3, 2013: net asset of \$320.4 million). An increase or decrease in interest rates of 25 basis points would cause an immaterial after-tax impact on net (loss) earnings for net assets subject to interest rate risk included in cash and cash equivalents and other long-term assets as at August 2, 2014.

Certain factors, including changes in market conditions and our credit ratings, may limit our access to capital markets and other financing sources, which could materially increase our borrowing costs.

In addition to credit terms from vendors, our liquidity needs are funded by our operating cash flows and, to the extent necessary, borrowings under our credit agreements and access to capital markets. The availability of financing depends on numerous factors, including economic and market conditions, our operating performance, our credit ratings, and lenders' assessments of our prospects and the prospects of the retail industry in general. Changes in these factors may affect our cost of financing, liquidity and our ability to access financing sources. Rating agencies revise their ratings for the companies that they follow from time to time and our ratings may be revised or withdrawn in their entirety at any time.

While our Amended Credit Facility currently provides for up to \$300.0 million of lender commitments, availability under the Amended Credit Facility is determined pursuant to a borrowing base formula based on eligible assets consisting of inventory and credit card receivables and may be reduced by reserves, as estimated by the Corporation, which may be applied by the lenders at their discretion pursuant to the Amended Credit Facility agreement. If the value of eligible assets are not sufficient to support borrowings of up to the full amount of the commitments under the facility, we will not have full access to the facility, but rather could have access to a lesser amount as determined by the borrowing base and reserve estimates.

The lenders under our Amended Credit Facility may not be able to meet their commitments if they experience shortages of capital and liquidity and there can be no assurance that our ability to otherwise access the credit markets will not be adversely affected by changes in the financial markets and the global economy.

We face risks associated with impairment of intangible and other long-lived assets.

Our intangible assets and long-lived assets, primarily consisting of stores and logistics centres, are subject to periodic testing for impairment. A significant amount of judgment is involved in the periodic testing. Failure to achieve sufficient levels of cash flow within each of our cash generating units or specific operating units could result in impairment charges for intangible assets or fixed asset impairment for long-lived assets, which could have a material adverse effect on our reported results of operations. See "Description of the Sears Canada Business—Other Recent Developments".

Risks Relating to our Relationship with Sears Holdings

We may lose rights to some intellectual property if Sears Holdings' equity ownership in us falls below specified thresholds or in other circumstances involving financial distress.

We rely on our right to use the "Sears" name, including as part of our corporate and commercial name, which we consider a significant and valuable aspect of our business. Our right to use the "Sears" name and certain other brand names associated with a number of our major product lines was granted pursuant to the License Agreement amendments, in the event Sears Holdings' ownership interest is reduced to less than 10.0%, the License Agreement would remain in effect for a period of five years after such reduction in ownership, after which the Corporation would no longer be permitted to use the "Sears" name and certain other brand names. In addition, our license to use the "Sears" name and certain other brand names (subject to an extension of up to four years at a royalty rate to be agreed

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equal to the lesser of a fair market rate based on the value of such mark or the lowest rate which will provide a reasonable incentive to induce Sears Canada to phase out the use of such mark during such extended period, if the Corporation reasonably determines that a longer transition is necessary) may also terminate upon the occurrence of certain bankruptcy events involving the Corporation. In addition, in the event of a bankruptcy proceeding involving Sears Holdings, there is a risk of the License Agreement being terminated under the governing insolvency legislation. Losing our right to use these intellectual properties could significantly diminish our competitiveness in the marketplace and could materially harm our business. If either the License Agreement or the Technology Agreement is terminated, the Corporation may attempt to renegotiate such agreement although the terms of any renegotiated agreement will be less favorable to the Corporation.

Some of our directors and executive officers may have conflicts of interest because of their ownership of SHC Stock.

Some of our directors and executive officers may own SHC Stock. Ownership of SHC Stock by our directors and/or executive officers on the Board of Directors could create, or appear to create, conflicts of interest with respect to matters involving both us and Sears Holdings.

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CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations pursuant to the *Income Tax Act* (Canada) (the "Tax Act") arising in respect of the receipt of the subscription rights under this offering by holders of SHC Stock and holders who acquire Common Shares pursuant to the exercise of the subscription rights. This summary is only applicable to a holder who, at all relevant times, (a) for the purposes of the Tax Act (i) is not, and is not deemed to be, resident in Canada, (ii) holds the subscription rights and the Common Shares as capital property, (iii) deals at arm's length with Sears Canada and Sears Holdings and is not affiliated with Sears Canada and Sears Holdings, (iv) does not use or hold the subscription rights or Common Shares in the course of carrying on, or otherwise in connection with, a business carried on or deemed to be carried on in Canada, (v) is not a registered "non-resident insurer" or "authorized foreign bank", each within the meaning of the Tax Act, and (vi) does not carry on an insurance business in Canada and elsewhere, and (b) for the purposes of the Canada-United States Income Tax Convention (the "Convention"), has never been a resident of Canada and does not have and has not had, at any time, a permanent establishment or fixed base in Canada. Generally, the subscription rights and the Common Shares will be considered to be capital property to a holder provided the holder does not hold the subscription rights or the Common Shares, as the case may be, in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. A holder who meets all the criteria in clauses (a) and (b) is referred to herein as a "Holder". This summary does not deal with special

situations, such as the particular circumstances of traders or dealers, tax exempt entities, insurers or financial institutions. Such holders and other holders who do not meet the criteria in clauses (a) and (b) should consult their own tax advisers.

This summary is based upon the provisions of the Tax Act and the regulations thereunder (the "Regulations") in force as of the date hereof, all specific proposals to amend the Tax Act and the Regulations that have been publicly announced prior to the date hereof (the "Proposed Amendments") and the current administrative policies and assessing practices of the Canada Revenue Agency made publicly available prior to the date hereof. This summary assumes the Proposed Amendments will be enacted in the form proposed; however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law or in administrative policies or assessing practices, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed in this Prospectus.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder or prospective Holder, and no representations with respect to the income tax consequences to any Holder or prospective Holder are made. Consequently, Holders and prospective Holders should consult their own tax advisers for advice with respect to the tax considerations applicable to them, having regard to their particular circumstances.

For the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of the subscription rights and Common Shares (including dividends received or deemed to have been received, adjusted cost base and proceeds of disposition) must be determined in Canadian dollars based on the exchange rates as determined in accordance with the Tax Act.

Receipt of Subscription Rights

The issuance of the subscription rights to a Holder will not be subject to Canadian withholding tax and no other tax will be payable under the Tax Act by a Holder in respect of the receipt of the subscription rights. The cost of the subscription rights received under the offering will be nil.

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Exercise of Subscription Rights

The exercise of the subscription rights will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized by a Holder upon the exercise of the subscription rights. Common Shares acquired by a Holder upon the exercise of the subscription rights will have a cost to the Holder equal to the aggregate of the Offering Price paid plus the adjusted cost base to the Holder of the subscription rights exercised (if any). The adjusted cost base to the Holder of a Common Share acquired pursuant to the exercise of the subscription rights will be determined by averaging the cost of such share with the adjusted cost base of all Common Shares owned by the Holder as capital property immediately before the acquisition, if any.

Disposition of Subscription Rights

A Holder will generally not be subject to tax under the Tax Act on any capital gain realized on a disposition of the subscription rights, unless the subscription rights constitute "taxable Canadian property" of the Holder at the time of disposition and the Holder is not entitled to relief under the Convention or another treaty. Generally, the subscription rights will not constitute "taxable Canadian property" of such Holder unless the Common Shares would constitute "taxable Canadian property" to the Holder. The circumstances under which the Common Shares would be "taxable Canadian property" to a Holder are described below under "Dispositions of Common Shares". Holders whose subscription rights constitute "taxable Canadian property" should consult their own tax advisers for advice having regard to their particular circumstances.

Dividends on Common Shares

Amounts paid or credited or deemed to be paid or credited as, on account or in lieu of payment, or in satisfaction of dividends on the Common Shares to a Holder will be subject to Canadian withholding tax. Under the Convention, the rate of Canadian withholding tax on dividends paid or credited by the Corporation to a Holder that beneficially owns such dividends, that is a resident of the United States for purposes of the Convention and that is entitled to the full benefits of the Convention is generally 15.0%, unless the beneficial owner is a company that is a resident of the United States for purposes of the Convention, is entitled to the full benefits of the Convention and owns at least 10.0% of the Corporation's voting stock at that time, in which case the rate of Canadian withholding tax is reduced to 5.0%.

Dispositions of Common Shares

A Holder will generally not be subject to tax under the Tax Act on any capital gain realized on a disposition of the Common Shares, unless the Common Shares constitute "taxable Canadian property" of the Holder at the time of disposition and the Holder is not entitled to relief under the Convention or another tax treaty. Generally, the Common Shares will not constitute taxable Canadian property to a Holder provided the Common Shares are listed on a "designated stock exchange" as defined in the Tax Act (which includes the TSX) at the time of the disposition unless: (a) (i) at any time during the 60-month period immediately preceding the disposition, one or any combination of (A) the Holder, (B) persons with whom the Holder does not deal at arm's length (within the meaning of the Tax Act) and (C) partnerships in which the Holder or a person described in (B) holds a membership interest directly or indirectly through one or more partnerships, owned 25.0% or more of the issued shares of any series or class of the capital stock of the Corporation and (ii) more than 50.0% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource property" (as defined in the Tax Act), "timber resource property" (as defined in the Tax Act) and options in respect of, or interests in, or civil law rights in such property, whether or not such property exists; or (b) the Common Shares are deemed under the Tax Act to be taxable Canadian property of the Holder, if the Common Shares

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constitute taxable Canadian property of a particular Holder, any capital gain arising on their disposition may be exempt from Canadian tax under the Convention if, at the time of disposition, the Common Shares do not derive their value principally from real property situated in Canada and the Holder is a resident of the United States for purposes of the Convention and is entitled to the full benefits of the Convention. Holders whose Common Shares may constitute taxable Canadian property should consult their own tax advisers.

As long as the Common Shares are listed at the time of their disposition on the TSX or another "recognized stock exchange" (as defined in the Tax Act), a Holder who disposes of the Common Shares that are taxable Canadian property will not be required to satisfy the obligations imposed under section 116 of the Tax Act. An exemption from such obligations may also be available in respect of their disposition if they are "treaty-exempt property" (as defined in the Tax Act) of the disposing Holders.

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CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a discussion of certain U.S. federal income tax considerations relating to the receipt, sale, exercise and expiration of the subscription rights and the ownership and disposition of Common Shares to holders of SHC Stock. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, or the "Code," U.S. Treasury regulations promulgated or proposed thereunder and administrative and judicial interpretations thereof, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect, or to different interpretation. This discussion does not address all of the U.S. federal income tax considerations that may be relevant to specific holders in light of their particular circumstances or to holders subject to special treatment under U.S. federal income tax law (such as banks, insurance companies, dealers in securities or other holders that generally mark their securities to market for U.S. federal income tax purposes, tax-exempt entities, retirement plans, regulated investment companies, real estate investment trusts, certain former citizens or residents of the United States, holders that hold SHC Stock, subscription rights or Common Shares as part of a straddle, hedge, conversion or other integrated transaction, holders that do not hold their SHC Stock or subscription rights as capital assets, holders that own or are deemed to own 5% or more of the Common Shares (as measured by voting power), holders that would not (upon exercise of the subscription rights) hold the Common Shares as capital assets, and holders that have a "functional currency" other than the U.S. dollar). This discussion does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate, gift or alternative minimum tax considerations, nor does it address any aspects of the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010.

For purposes of this discussion, the term "U.S. holder" means a beneficial owner of SHC Stock that receives subscription rights by reason of holding SHC Stock or that acquires Common Shares upon the exercise of such subscription rights and that, for U.S. federal income tax purposes, is

- an individual who is a citizen or resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust (x) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions or (y) that has in effect a valid election under applicable U.S. Treasury regulations to be treated as a United States person.

As used in this discussion, the term "Non-U.S. holder" means a beneficial owner of SHC Stock that receives subscription rights by reason of holding SHC Stock or that acquires Common Shares upon the exercise of such subscription rights and that is not a U.S. holder or a partnership (including an entity treated as a partnership for U.S. federal income tax purposes).

The U.S. federal income tax considerations relating to the receipt, sale, exercise and expiration of the subscription rights and the ownership and disposition of Common Shares to an entity that is treated as a partnership for U.S. federal income tax purposes will depend in part upon the status and activities of such entity and the particular partner. Any such entity should consult its own tax advisor regarding the U.S. federal income tax considerations applicable to it and its partners relating to the receipt, sale, exercise and expiration of the subscription rights and ownership and disposition of Common Shares.

No ruling on the treatment of the receipt, sale, exercise and expiration of the subscription right or the ownership and disposition of the Common Shares in each case for U.S. federal income tax purposes, has been or will be sought from the IRS with respect to any of the U.S. federal income tax considerations discussed below, and no assurance can be given that the IRS will not take a position contrary to the discussion below.

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HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE U.S. FEDERAL, STATE AND LOCAL AND NON-U.S. INCOME, ESTATE AND OTHER TAX CONSIDERATIONS RELATING TO THE RECEIPT, SALE, EXERCISE AND EXPIRATION OF THE SUBSCRIPTION RIGHTS AND THE OWNERSHIP AND DISPOSITION OF COMMON SHARES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES.

Tax Consequences to U.S. Holders

Receipt of Subscription Rights

A U.S. holder that receives a subscription right in respect of a share of SHC Stock should generally have taxable dividend income equal to the fair market value (if any) of such right on the date of its distribution from Sears Holdings to the extent it is made from Sears Holdings' current or accumulated earnings and profits (as determined under U.S. federal income tax principles). If such fair market value exceeds Sears Holdings' current and accumulated earnings and profits, such excess generally should be treated first as a tax-free return of capital to the extent of the U.S. holder's tax basis in such share of SHC Stock, and then as capital gain.

If a U.S. holder does not sell subscription rights to fund any tax required to be paid as a result of the distribution of the subscription rights, such U.S. holder will have to pay any such tax from other sources. If a U.S. holder does sell subscription rights to fund any such tax, the proceeds may, depending on the sale price, be greater or less than the amount of such tax and the U.S. holder will have to pay any shortfall from other sources.

Sale of Subscription Rights

Upon the sale of the subscription rights received in respect of SHC Stock, a U.S. holder generally should recognize short-term capital gain or loss equal to the difference between the amount realized on such sale and the U.S. holder's adjusted tax basis in the subscription rights sold. A U.S. holder's adjusted tax basis in a subscription right should generally equal its fair market value (if any) on the date of its distribution.

Exercise of Subscription Rights

A U.S. holder should generally not recognize any gain or loss upon the exercise of a subscription right. A U.S. holder's initial tax basis in each share of Sears Canada acquired upon the exercise of a subscription right should generally equal the sum of (1) the U.S. holder's adjusted tax basis in such right and (2) the subscription price paid for such share.

Expiration of Subscription Rights

If a subscription right expires without being exercised by a U.S. holder, such U.S. holder should generally recognize a short-term capital loss equal to such U.S. holder's adjusted tax basis in such right. Capital losses are generally available to offset only capital gain (except, to the extent of up to \$3,000 of capital loss per year, in the case of a non-corporate U.S. holder) and therefore generally cannot be used to offset any dividend income arising from the receipt of a subscription right.

Ownership and Disposition of Common Shares

Taxation of Distributions on Common Shares. Subject to the passive foreign investment company rules discussed below, the gross amount of any actual or deemed distribution (including any Canadian taxes withheld therefrom) on Common Shares will be included in the gross income of a U.S. holder as a dividend to the extent such distribution is paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. A distribution in excess of our

current and accumulated earnings and profits will first be treated as a tax-free return of capital to the

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extent of such holder's adjusted tax basis in Common Shares and will be applied against and reduce such basis on a dollar-for-dollar basis. Thereafter, to the extent that such distribution exceeds such holder's adjusted tax basis in Common Shares, the distribution will be treated as a gain from the sale or exchange of such Common Shares. Dividends will not be eligible for the dividends received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations.

Dividends paid to a non-corporate U.S. holder generally will be taxed at the preferential rates applicable to long-term capital gain, if such holder meets certain holding period and other requirements, and provided that we are a "qualified foreign corporation" (as defined in the Code). A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States which the United States Treasury Department determines to be satisfactory for these purposes and which includes an exchange of information provision. The United States Treasury Department has determined that the current income tax treaty between the United States and Canada (the "Treaty") meets these requirements, and we believe we are eligible for the benefits of the Treaty. However, a qualified foreign corporation does not include a non-U.S. corporation that is a passive foreign investment company for the taxable year in which a dividend is paid or that was a passive foreign investment company for the preceding taxable year. U.S. holders should consult their own tax advisors regarding the application of the foregoing rules to their particular circumstances.

The amount of any dividend paid in Canadian dollars will equal the United States dollar value of the Canadian dollars received, calculated by reference to the exchange rate in effect on the date the dividend is received by the U.S. holder, regardless of whether the Canadian dollars are converted into United States dollars. If the Canadian dollars received as a dividend are converted into United States dollars on the date they are received, a U.S. holder generally will not be required to recognize foreign currency gain or loss in respect of the dividend income. If the Canadian dollars received as a dividend are not converted into United States dollars on the date of receipt, a U.S. holder will have a basis in the Canadian dollars equal to their United States dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the Canadian dollars will be treated as United States source ordinary income or loss.

Any tax withheld under Canadian law with respect to distributions on Common Shares at a rate not exceeding the rate provided in the Treaty may, subject to a number of complex limitations, be claimed as a foreign tax credit against a U.S. holder's U.S. federal income tax liability or may be claimed as a deduction for U.S. federal income tax purposes. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends paid with respect to Common Shares will be foreign source income and generally will constitute "passive category income" or, in the case of certain U.S. holders, "general category income." The rules relating to United States foreign tax credits are complex and the availability of a foreign tax credit depends on numerous factors. U.S. holders should consult their own tax advisors concerning the application of the United States foreign tax credit rules in light of their particular circumstances.

Taxation of Dispositions of Common Shares. Subject to the passive foreign investment company rules discussed below, upon a sale or other taxable disposition of Common Shares, a U.S. holder generally will recognize capital gain or loss for United States federal income tax purposes equal to the difference, if any, between the amount realized and such holder's adjusted tax basis in Common Shares. Non-corporate U.S. holders, including individuals, may be eligible for preferential rates of U.S. federal income tax in respect of capital gain from the sale of Common Shares held for more than one year. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by a U.S. holder generally will be treated as gain or loss from sources within the United States for United States foreign tax credit limitation purposes. If a U.S. holder receives any Canadian dollars on the sale or other taxable disposition of Common Shares, such U.S. holder may recognize ordinary income or loss as a

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result of currency fluctuations between the date of the sale or other taxable disposition of Common Shares and the date the sale proceeds are converted into U.S. dollars.

Passive Foreign Investment Company Considerations. Special, generally adverse, United States federal income tax rules apply to United States persons who own shares of a passive foreign investment company (a "PFIC"). A non-U.S. corporation will be classified as a PFIC for United States federal income tax purposes for any taxable year in which, after applying relevant look-through rules with respect to the income and assets of subsidiaries, either at least 75% of its gross income is "passive income," or on average at least 50% of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income. If we are classified as a PFIC for any taxable year in which a U.S. holder held Common Shares, we may continue to be classified as a PFIC for any subsequent taxable year in which such holder continues to own Common Shares, even if our income or assets would not cause us to be a PFIC in such subsequent taxable year.

Based on our structure, and the composition of our income and assets, we do not expect to be a PFIC for the taxable year ending December 31, 2014, and we expect to operate in such a manner so as not to become a PFIC for succeeding taxable years. However, there can be no assurance the IRS will not successfully challenge our position or that we will not become a PFIC in a future taxable year, as PFIC status is retested each year and depends on our assets and income in such year. If we are classified as a PFIC at any time a U.S. holder owns Common Shares, such holder may be subject to an increased United States federal income tax liability and a special interest charge in respect of gain recognized on the sale or other disposition of common shares and upon the receipt of certain "excess distributions" (as defined in the Code). U.S. holders should consult their own tax advisors regarding the implications of the PFIC tax regime for the ownership and disposition of Common Shares.

Information Reporting and Backup Withholding

Under certain circumstances, information reporting and/or backup withholding may apply to U.S. holders with respect to the distribution of the subscription rights, the exercise of the subscription rights, any distributions on Common Shares, and proceeds from the sale, exchange or redemption of Common Shares that are paid to a U.S. holder within the United States (and in certain cases, outside the United States), unless an applicable exemption is satisfied. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability if the required information is furnished by the U.S. holder on a timely basis to the IRS. If backup withholding tax applies to the distribution of the subscription rights to a U.S. holder, the holder's broker (or other applicable withholding agent) will be required to remit any such backup withholding tax in cash to the IRS. Depending on the circumstances, the broker (or other applicable withholding agent) may obtain the funds necessary to remit any such backup withholding tax by asking the U.S. holder to provide the funds, by using funds in the U.S. holder's account with the broker or by selling (on the U.S. holder's behalf) all or a portion of the subscription rights.

U.S. individuals that own "specified foreign financial assets" with an aggregate fair market value exceeding either U.S.\$50,000 on the last day of the taxable year or U.S.\$75,000 at any time during the taxable year generally are required to file an information report with respect to such assets with their tax returns. Specified foreign financial assets include not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security is sued by a non-U.S. person, such as Sears Canada. A U.S. holder that pays more than U.S.\$100,000 to acquire Common Shares by exercising subscription rights generally will be required to file IRS Form 926 to report such payment. For the purpose of determining the total dollar value of Common Shares so acquired, Common Shares purchased by certain related parties (including family members) are taken into account. The failure to satisfy the foregoing information reporting requirements could result in substantial penalties and, in certain cases, in the extension of the statute of

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limitations with respect to federal income tax returns filed by a U.S. holder. U.S. holders should consult their tax advisors regarding the implications of the foregoing requirements with regard to the receipt, sale, and exercise of the subscription rights and the ownership and disposition of Common Shares.

Tax Consequences to Non-U.S. Holders

Receipt of Subscription Rights

A Non-U.S. holder that receives a subscription right in respect of a share of SHC Stock should generally have taxable dividend income equal to the fair market value (if any) of such right on the date of its distribution from Sears Holdings to the extent it is made from Sears Holdings' current or accumulated earnings and profits (as determined under U.S. federal income tax principles). If such fair market value exceeds Sears Holdings' current and accumulated earnings and profits, such excess generally should be treated first as a tax-free return of capital to the extent of the Non-U.S. holder's tax basis in such share of SHC Stock, and then as capital gain.

A distribution of subscription rights treated as a dividend on SHC Stock that is received by or for the account of a Non-U.S. holder generally will be subject to U.S. federal withholding tax at the rate of 30.0%, or at a lower rate if provided by an applicable tax treaty and the Non-U.S. holder provides the documentation (generally, IRS Form W-8BEN or W-8BEN-E) required to claim benefits under such tax treaty to the applicable withholding agent. If withholding tax applies to the distribution of the subscription rights to a Non-U.S. holder, the Non-U.S. holder's broker (or other applicable withholding agent) will be required to remit any such withholding tax in cash to the IRS. Depending on the circumstances, the broker (or other applicable withholding agent) may obtain the funds necessary to remit any such withholding tax by asking the Non-U.S. holder to provide the funds, by using funds in the Non-U.S. holder's account with the broker or by selling (on the Non-U.S. holder's behalf) all or a portion of the subscription rights.

If, however, a dividend is effectively connected with the conduct of a trade or business in the United States by a Non-U.S. holder, such dividend generally will not be subject to U.S. federal withholding tax if such Non-U.S. holder provides the appropriate documentation (generally, IRS Form W-8ECI) to the applicable withholding agent. Instead, such Non-U.S. holder generally will be subject to U.S. federal income tax on such dividend in substantially the same manner as a U.S. holder (except as provided by an applicable tax treaty). In addition, a Non-U.S. holder that is a corporation may be subject to a branch profits tax at the rate of 30.0% (or a lower rate if provided by an applicable tax treaty) on its effectively connected income for the taxable year, subject to certain adjustments.

Sale of Subscription Rights

A Non-U.S. holder generally should not be subject to U.S. federal income tax on any gain realized on the sale of the subscription rights unless:

- (i) such gain is effectively connected with the conduct of a trade or business in the United States by such Non-U.S. holder, in which event such Non-U.S. holder generally will be subject to U.S. federal income tax on such gain in substantially the same manner as a U.S. holder (except as provided by an applicable tax treaty) and, if it is a corporation, may also be subject to a branch profits tax at the rate of 30.0% (or a lower rate if provided by an applicable tax treaty); or
- (ii) such Non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of such sale and certain other conditions are met (except as provided by an applicable treaty).

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Exercise of Subscription Rights

A Non-U.S. holder should not recognize any gain or loss upon the exercise of a subscription right. A Non-U.S. holder's initial tax basis for U.S. federal income tax purposes in each Common Share acquired upon exercise of a subscription right should equal the sum of (1) the Non-U.S. holder's adjusted tax basis in such right and (2) the subscription price paid for such share. A Non-U.S. holder's adjusted tax basis for U.S. federal income tax purposes in a subscription right should equal its fair market value (if any) on the date of its distribution.

Expiration of Subscription Rights

If a subscription right expires without being exercised by a Non-U.S. holder, such Non-U.S. holder should generally realize a capital loss equal to such Non-U.S. holder's adjusted tax basis in such right. A Non-U.S. holder generally cannot deduct capital losses.

Ownership and Disposition of Common Shares

A Non-U.S. holder generally should not be subject to U.S. federal income tax upon any actual or deemed distribution made on Common Shares or upon any gain realized on the sale or other disposition of Common Shares, unless (i) such distribution or gain is effectively connected with the conduct of a trade or business in the United States by such Non-U.S. holder or (ii) such Non-U.S. holder is an individual who is present in the United States for 183 days or more and certain other conditions are met, as described above under the heading "Tax Consequences to Non-U.S. Holders—Sale of Subscription Rights."

Information Reporting and Backup Withholding

Under certain circumstances, information reporting and/or backup withholding may apply to a Non-U.S. holder with respect to the distribution of the subscription rights, unless such Non-U.S. holder certifies under penalties of perjury that it is not a United States person (generally by providing an IRS Form W-8BEN or W-8BEN-E) or otherwise establishes an exemption. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a Non-U.S. holder's U.S. federal income tax liability if the required information is furnished by the Non-U.S. holder on a timely basis to the IRS. If backup withholding tax applies to the distribution of the subscription rights to a Non-U.S. holder, the holder's broker (or other applicable withholding agent) will be required to remit any such backup withholding tax in cash to the IRS. Depending on the circumstances, the broker (or other applicable withholding agent) may obtain the funds necessary to remit any such backup withholding tax by asking the Non-U.S. holder to provide the funds, by using funds in the U.S. holder's account with the broker or by selling (on the Non-U.S. holder's behalf) all or a portion of the subscription rights.

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LEGAL MATTERS

Certain Canadian legal matters in connection with the Rights Offering will be passed upon on behalf of Sears Canada by Torys LLP and on behalf of Sears Holdings by Osler, Hoskin & Harcourt LLP and certain legal matters relating to United States laws will be passed upon on behalf of Sears Canada by Torys LLP, New York, New York and on behalf of Sears Holdings by Wachtell, Lipton, Rosen and Katz LLP. As at the date hereof, the partners and associates of Torys LLP, as a group, beneficially own, directly or indirectly, less than 1.0% of the outstanding securities of Sears Canada, and the partners and associates of Osler, Hoskin & Harcourt LLP and Wachtell, Lipton, Rosen and Katz LLP, as a group, beneficially own, directly or indirectly, less than 1.0% of the outstanding securities of Sears Holdings.

AUDITORS, SUBSCRIPTION AGENT AND TRANSFER AGENT AND REGISTRAR

The auditors of Sears Canada are Deloitte LLP, Chartered Professional Accountants, Chartered Accountants, Licensed Public Accountants located in Toronto, Ontario. Deloitte LLP is independent of the Corporation within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario and the applicable rules and standards of the Public Company Accounting Oversight Board (United States) and the securities laws and regulations administered by the SEC.

The subscription agent for the subscription rights is Computershare, Inc. at its principal office in Canton, Massachusetts. The Canadian transfer agent and registrar for the Common Shares is CST Trust Company at its principal office in Toronto, Ontario. The U.S. transfer agent for the Common Shares is American Stock Transfer & Trust Company LLC at its principal office in New York, New York.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT

The following documents have been or will be filed with the SEC as part of the Registration Statement of which this prospectus forms a part insofar as required by the SEC's Form F-10: the documents referred to under the heading "Documents Incorporated by Reference": consent of Deloitte LLP; consent of Torys LLP; and powers of attorney from directors and officers of the Corporation.

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PART II

INFORMATION NOT REQUIRED TO BE DELIVERED TO OFFEREEES OR PURCHASERS

Indemnification of Directors or Officers.

Under the *Canada Business Corporations Act* (the "CBCA"), a corporation may indemnify a present or former director or officer of such corporation or another individual who acts or acted at the corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the corporation or other entity, and the corporation may advance moneys to the individual for the costs, charges and expenses of any such proceeding. The corporation may not indemnify the individual, and any advance must be repaid by the individual, unless the individual acted honestly and in good faith with a view to the best interests of the corporation, or, as the case may be, to the best interests of the other entity for which the individual acted as director or officer or in a similar capacity at the corporation's request and in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty the individual had reasonable grounds for believing that the individual's conduct was lawful. Such indemnification and advances may be made in connection with a derivative action only with court approval. Such individual is entitled to indemnification or advances from the corporation as a matter of right in respect of all costs, charges and expenses reasonably incurred by him in connection with the defence of a civil, criminal, administrative, investigative or other proceeding to which he is subject by reason of being or having been a director or officer of the corporation or other entity as described above if the individual was not judged by the court or other competent authority to have committed any fault or omitted to do anything that the individual ought to have done and if the individual fulfils the conditions set forth above.

The Registrant maintains directors' and officers' liability insurance which insures the directors and officers of the Registrant against certain losses resulting from any wrongful act committed in their official capacities for which they become obligated to pay to the extent permitted by applicable law.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the Registrant pursuant to the foregoing provisions, the Registrant has been informed that, in the opinion of the U.S. Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

The exhibits listed in the exhibits index appearing elsewhere in this registration statement, have been filed as part of this registration statement.

II-1

EXHIBITS

Exhibit	Description
4.1	Annual Information Form for the 52-week period ended February 1, 2014 (incorporated by reference to the Registrant's Annual Report on Form 40-F for the 52-week period ended February 1, 2014 filed with the Securities and Exchange Commission on March 14, 2014)(File No. 000-54726)
4.2	Management's Discussion and Analysis for the 52-week period ended February 1, 2014 (incorporated by reference to the Registrant's Form 40-F for the 52-week period ended February 1, 2014 filed with the Securities and Exchange Commission on March 14, 2014) (File No. 000-54726)
4.3	Consolidated Financial Statements and the notes related thereto for the 52-week period ended February 1, 2014 (incorporated by reference to the Registrant's Form 40-F for the 52-week period ended February 1, 2014 filed with the Securities and Exchange Commission on March 14, 2014)(File No. 000-54726)
4.4	Management Proxy Circular dated March 13, 2014 relating to the Registrant's annual and special meeting of shareholders held on April 24, 2014 (incorporated by reference to the Registrant's Form 6-K furnished to the Securities and Exchange Commission on March 14, 2014) (File No. 000-54726)
4.5	Management's Discussion and Analysis as at September 2, 2014 (incorporated by reference to the Registrant's Form 6-K

furnished to the Securities and Exchange Commission on September 3, 2014) (File No. 000-54726)

- 4.6 Unaudited Condensed Consolidated Financial Statements for the 13-week period August 2, 2014 (incorporated by reference to the Registrant's Form 6-K furnished to the Securities and Exchange Commission on September 3, 2014) (File No. 000-54726)
- 4.7 Material Change report of Sears Canada dated October 6, 2014 related to the Offering (incorporated by reference to Exhibit 99.1 to the Registrant's Report on Form 6-K furnished to the Securities and Exchange Commission on October 7, 2014) (File No. 000-54726)
- 5.1 Consent of Deloitte LLP
- 5.2 Consent of Torys LLP*
- 6.1 Powers of attorney*

* Previously filed as an exhibit to this registration statement.

II-2

PART III

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

Item 1. Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to the securities registered pursuant to this Form F-10 or to transactions in said securities.

Item 2. Consent to Service of Process

Concurrently with the filing of the initial Registration Statement, the Registrant filed with the Commission a written irrevocable consent and power of attorney on Form F-X. Any change to the name or address of the agent for service of the Registrant will be communicated promptly to the Commission by amendment to Form F-X referencing the file number of this Registration Statement.

III-1

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-10 and has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Toronto, Province of Ontario, Canada, on the 15th day of October, 2014.

SEARS CANADA INC.

By: /s/ RONALD D. BOIRE

Name: Ronald D. Boire
Title: Acting President and Chief Executive Officer

POWERS OF ATTORNEY

Each person whose signature appears below constitutes and appoints E.J. Bird and Franco Perugini, or any of them, as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith with the Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Amendment No. 1 to the Registration Statement has been signed by the following persons in the capacities indicated and on the 15th day of October, 2014.

<u>Signature</u>	<u>Title</u>
/s/ RONALD D. BOIRE _____ Ronald D. Boire	Acting President and Chief Executive Officer, and Director (principal executive officer)
/s/ E.J. BIRD _____ E.J. Bird	Executive Vice-President and Chief Financial Officer (principal financial officer and principal accounting officer)
* _____ William C. Crowley	Chairman of the Board of Directors
* _____ Timothy Flemming	Director

III-2

<u>Signature</u>	<u>Title</u>
*	
_____ William R. Harker	Director
*	
_____ Klaudio Leshnjani	Director
*	
_____ R. Raja Khanna	Director
*	
_____ James McBurney	Director
*	
_____ Deborah E. Rosati	Director
*	
_____ Danita Stevenson	Director
*	
_____ S. Jeffrey Stollenwerck	Director
* By: _____ /s/ E.J. BIRD E.J. Bird Attorney-in-Fact	

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AUTHORIZED REPRESENTATIVE

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to the Registration Statement on Form F-10 has been signed below by the undersigned, solely in its capacity as Sears Canada Inc.'s duly authorized representative in the United States, on this 15th day of October, 2014.

TORYS LLP

By: /s/ MILE T. KURTA _____

Name: Mile T. Kurta
Title: Partner

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EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>
4.1	Annual Information Form for the 52-week period ended February 1, 2014 (incorporated by reference to the Registrant's Annual Report on Form 40-F for the 52-week period ended February 1, 2014 filed with the Securities and Exchange Commission on March 14, 2014)(File No. 000-54726)
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4.5	Management's Discussion and Analysis as at September 2, 2014 (incorporated by reference to the Registrant's Form 6-K furnished to the Securities and Exchange Commission on September 3, 2014) (File No. 000-54726)
4.6	Unaudited Condensed Consolidated Financial Statements for the 13-week period August 2, 2014 (incorporated by reference to the Registrant's Form 6-K furnished to the Securities and Exchange Commission on September 3, 2014) (File No. 000-54726)
4.7	Material Change report of Sears Canada dated October 6, 2014 related to the Offering (incorporated by reference to Exhibit 99.1 to the Registrant's Report on Form 6-K furnished to the Securities and Exchange Commission on October 7, 2014)(File No. 000-54726)

5.1 Consent of Deloitte LLP

5.2 Consent of Torys LLP*

6.1 Powers of attorney*

* Previously filed as an exhibit to this registration statement.

This is **Exhibit "C"** referred to in the Affidavit of William Richard Harker, sworn before me at Westwood, New Jersey, United States of America, on August 10, 2018.



(A Notary Public in and for the State of New Jersey)

JEREMY FORTUNATO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 4/27/2022

Strictly Confidential

October 1, 2014

Sears Holdings Corporation
 3333 Beverly Road
 Hoffman Estates, Illinois
 60179

RE: Potential Rights Offering

Sears Holdings Corporation (“**SHC**”) is considering a potential offering to its existing shareholders of rights to acquire common shares of Sears Canada Inc. (“**Sears Canada**”) (the “**Offering**”). This letter agreement sets forth the terms and conditions on which Sears Canada will cooperate with SHC to facilitate the Offering.

Registration of Sears Canada Shares:	Sears Canada will use commercially reasonable efforts to prepare and file a preliminary short form prospectus in Canada and a registration statement in the U.S. to qualify for distribution the Sears Canada common shares underlying the rights as soon as practicable and, in any event, subject to the approval of the board of Sears Canada.
Expenses:	<p>SHC shall reimburse Sears Canada for all reasonable and documented expenses incurred or paid by Sears Canada in connection with the Offering, including reasonable and documented:</p> <ul style="list-style-type: none"> • expenses payable in connection with the qualification for distribution of the Sears Canada common shares; • expenses payable in connection with the qualification of the Sears Canada common shares for offering and sale under state securities laws; • fees, disbursements and expenses of auditors, financial advisors, counsel to Sears Canada, counsel to the independent directors of Sears Canada and local counsel; • costs incurred in connection with the preparation, filing, printing and translation of the prospectus and the registration statement; • Canadian and U.S. securities regulatory registration and filing fees; • fees relating to listing, registration and filing with the TSX and the NASDAQ Global Select Market (including listing the Sears Canada common shares on the NASDAQ Global

	<p>Select Market, including as any fees relating to DTC participation), plus reimbursement of the NASDAQ Global Select Market annual listing fees and associated costs of legal and compliance for the first 12 months following closing of the Offering;</p> <ul style="list-style-type: none"> • fees and expenses of the registrar and transfer agent, and any share certification costs; • costs incurred in connection with obtaining any required regulatory approvals, including, as necessary, under the <i>Competition Act</i>, <i>Investment Canada Act</i> and the <i>Canada Transportation Act</i>; • any advertising, printing, marketing, travel, roadshow, courier, telecommunications and data searches; and • in each case, together with all taxes applicable to the foregoing.
<p>Key Intercompany Arrangements:</p>	<p>SHC will use commercially reasonable efforts to assist Sears Canada in its negotiations with third parties to preserve the benefits that Sears Canada currently enjoys under the following agreements:</p> <ul style="list-style-type: none"> • Master Paper Supply Agreement, dated as of November 13, 2012, by and between NewPage Corporation and Sears Holdings Publishing Company, LLC; • Master Software and Services Agreement, dated as of December 23, 2005, between Sears Holdings Management Corporation and Oracle America, Inc., Sear, Roebuck and Co. and Kmart Management Corp.; • Master Paper Supply Agreement, dated as of January 7, 2012, by and between Resolute FP US Inc. and Sears Holdings Publishing Company, LLC , together with agreements with UPM-Kymmene Inc., Resolute FP US Inc., Port Hawksbury and Verso Paper Corp.; • Master Services Agreement, Amended and Restated, dated as of May 1, 2012, by and between Sears Logistics Services, Inc. and UPS Supply Chain Solutions, Inc.; and • Agreement for American Express Card Acceptance, dated as of May 1, 2013, by and between Amex Bank of Canada and Sears Holdings Management Corporation, for the benefit of

- 3 -

	<p>Sears Canada.</p> <p>SHC and Sears Canada will amend the following agreements on the terms described below:</p> <ul style="list-style-type: none"> • Merchandising Agreement, dated as of January 26, 1987, by and between Sears, Roebuck and Co. and Sears Canada (also referred to by the parties as the Trademark License Agreement) will be amended to modify the ownership trigger for termination of the agreement to 10% of the voting shares of Sears Canada (from 25%) and to extend the tail to 5 years (from 3 years); and • Information Technology Agreement, dated as of January 1, 1995, by and between Sears Canada and Sears, Roebuck and Co. will be amended to continue under the current terms for current services for a period of 3 years following the closing of the Offering.
<p>Indemnification:</p>	<p>Sears Canada will agree to indemnify and hold harmless each of SHC, its subsidiaries (other than Sears Canada and its subsidiaries), their respective directors, officers, employees and representatives from and against all liabilities, claims, damages and costs (including settlement costs and reasonable fees of counsel) arising out of or based upon:</p> <ul style="list-style-type: none"> • any untrue statement or alleged untrue statement of a material fact contained in the prospectus or the registration statement, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances in which they were made; • any misrepresentation or alleged misrepresentation contained in the prospectus or the registration statement; • non-compliance or alleged non-compliance by Sears Canada with securities laws in connection with the Offering; and • any breach by Sears Canada of this letter agreement, <p>except to the extent that any such liability, claim, damage or cost arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission contained therein in reliance upon any information specifically provided by SHC in writing for inclusion in such material (including the information</p>

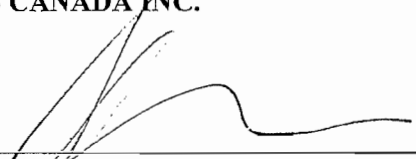
	<p>about SHC and the Offering) (the “SHC Information”).</p> <p>SHC will agree to indemnify and hold harmless each of Sears Canada, its subsidiaries and their respective directors, officers, employees and representatives from and against all liabilities, claims, damages and costs (including settlement costs and reasonable fees of counsel) arising out of or based upon:</p> <ul style="list-style-type: none"> • any untrue statement or alleged untrue statement of a material fact contained in the prospectus or the registration statement in reliance upon the SHC Information, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances in which they were made; • any misrepresentation or alleged misrepresentation contained in the prospectus or the registration statement in reliance upon the SHC Information; • non-compliance or alleged non-compliance by SHC with securities laws in connection with the Offering; • all actions taken in connection with the Offering or at the request of SHC, provided such actions are taken in good faith and without negligence or willful misconduct; and • any breach by SHC of this letter agreement.
Release:	<p>SHC and ESL Investments, Inc., together with any other party that is related to ESL Investments, Inc. or Edward S. Lampert (collectively, “ESL”), that exercises rights under the Offering, will agree to release Sears Canada’s directors, officers, employees and representatives from any claim ESL may have arising out of or, in connection with, the transactions contemplated by this letter agreement.</p>
D&O Insurance:	<p>For a period of 6 years following the closing of the Offering, SHC will continuously maintain directors’ and officers’ liability and fiduciary liability coverage for current and former directors and officers of Sears Canada for acts and omissions in their capacity as such occurring at or prior to the closing of the Offering with insurer(s) that have at the time such coverage is written the same or higher A.M. Best rating as the current primary insurer on terms no less favourable to such directors and officers in any material respect than those of the insurance policies providing such coverage in effect on the date hereof; provided that this requirement shall be</p>

	deemed to be satisfied if SHC elects to obtain prepaid policies (i.e., “tail coverage”) which in the aggregate provide such directors and officers with the coverage described herein for an aggregate period of 6 years following closing of the Offering with respect to claims arising from acts or omissions that occurred at or before the closing.
Cooperation Agreement:	The cooperation agreement, dated as of May 23, 2014, by and between SHC and Sears Canada remains in full force and effect, unamended.
Governing Law:	This letter agreement will be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. Each of SHC and Sears Canada submits to the exclusive jurisdiction of any Ontario courts sitting in Toronto in any action, application, reference or other proceeding arising out of or related to this letter agreement and agrees that all claims in respect of any such action, application, reference or other proceeding shall be heard and determined in such Ontario courts.
General:	<p>No assignment of this letter agreement or any rights or obligations hereunder is binding unless agreed to by SHC and Sears Canada. This letter agreement enures to the benefit of and is binding upon the parties and their successors and permitted assigns.</p> <p>No amendment, supplement, modification or waiver or termination of this letter agreement and, unless otherwise specified, no consent or approval by any party is binding unless made in writing by both SHC and Sears Canada.</p>

This letter agreement may be executed in counterparts and delivered by means of facsimile or portable document format (PDF), each of which when so executed and delivered shall be an original, but all such counterparts together shall constitute one and the same agreement.

Yours very truly,

SEARS CANADA INC.

By: 

Name:
Title:

Accepted and agreed to as of the date first written above.

SEARS HOLDINGS CORPORATION

By: _____
Name:
Title:

This letter agreement may be executed in counterparts and delivered by means of facsimile or portable document format (PDF), each of which when so executed and delivered shall be an original, but all such counterparts together shall constitute one and the same agreement.


Yours very truly,

SEARS CANADA INC.

By: _____
Name:
Title:

Accepted and agreed to as of the date first written above.

SEARS HOLDINGS CORPORATION

By: 
Name: Robert A. Schriesheim
Title: EVP & CFO

This is **Exhibit "D"** referred to in the Affidavit of William Richard Harker, sworn before me at Westwood, New Jersey, United States of America, on August 10, 2018.



(A Notary Public in and for the State of New Jersey)

JEREMY FORTUNATO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 4/27/2022

Policy Number: ELU149912-17
Renewal of Number: ELU144291-16

XL Specialty Insurance Company

Members of the XL America Companies

**CORNERSTONE A-SIDE MANAGEMENT
LIABILITY INSURANCE POLICY
DECLARATIONS**

Executive Offices
70 Seaview Avenue
Stamford, CT 06902-6040
Telephone 877-953-2636

THIS IS A CLAIMS MADE POLICY. EXCEPT AS OTHERWISE PROVIDED HEREIN, THIS POLICY ONLY APPLIES TO CLAIMS FIRST MADE DURING THE POLICY PERIOD. THE LIMIT OF LIABILITY AVAILABLE TO PAY DAMAGES OR SETTLEMENTS SHALL BE REDUCED AND MAY BE EXHAUSTED BY THE PAYMENT OF DEFENSE EXPENSES. THIS POLICY DOES NOT PROVIDE FOR ANY DUTY BY THE INSURER TO DEFEND ANY INSURED. PLEASE READ AND REVIEW THE POLICY CAREFULLY.

Item 1. Name and Mailing Address of Parent Corporation:

Sears Holdings Corporation
3333 Beverly Road
Hoffman Estates, IL 60179

Item 2. Policy Period: From: May 15, 2017 To: May 15, 2018

At 12:01 A.M. Standard Time at your Mailing Address Shown Above



Item 5. Notices required to be given to the Insurer must be addressed to:

XL Professional Insurance
100 Constitution Plaza, 17th Floor
Hartford, CT 06103
Toll Free Telephone: 877-953-2636



Item 7. Policy Forms and Endorsements Attached at Issuance:

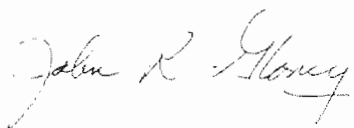
CS 71 00 09 06 Manuscript 17997 08 15 XL 80 24 03 03 CS 72 04 05 06 CL 80 34 12 02
CL 80 99 03 05 CL 80 84 11 04 CS 83 01 11 06 CL 80 189 06 07 XL 80 38 02 05
Manuscript 19375 05 16 XL 80 59 03 08 XL 80 60 09 08 Manuscript 9458 05 09 Manuscript 4088 01 06
Manuscript 13794 05 12 CL 80 68 06 04 CS 80 95 09 09 CL 80 224 04 08 CL 80 176 03 07
CS 80 111 02 10 CL 80 27 10 02 Manuscript 15561 05 13 CL 83 96 01 08 CS 80 37 10 07
Manuscript 19376 05 16 CS 80 77 09 08 CL 80 63 04 04 Manuscript 16693 05 14
Manuscript 13806 05 12 CL 80 208 11 07 CL 80 225 04 08 Manuscript 15562 05 13 CL 83 75 01 07
CS 83 02 12 06 CS 80 195 09 13 Manuscript 16692 05 14 Manuscript 16690 05 14 CS 80 63 05 08
CS 80 127 12 10 Manuscript 16563 04 14 CS 80 236 06 15 CS 83 17 01 08 CS 80 133 05 11

CORNERSTONE A-SIDE MANAGEMENT LIABILITY POLICY

Countersigned: _____ By: _____
Date Authorized Representative

THESE DECLARATIONS AND THE POLICY, WITH THE ENDORSEMENTS, ATTACHMENTS, AND THE APPLICATION SHALL CONSTITUTE THE ENTIRE AGREEMENT BETWEEN THE INSURER AND THE INSURED RELATING TO THIS INSURANCE.

In Witness Whereof, the Insurer has caused this Policy to be executed by its authorized officers, but this Policy will not be valid unless countersigned on the Declarations page, if required by law, by a duly authorized representative of the Insurer.



John R. Glancy
President



Kenneth P. Meagher
Secretary

XL Specialty Insurance Company

IN WITNESS**XL SPECIALTY INSURANCE COMPANY**

REGULATORY OFFICE
505 EAGLEVIEW BOULEVARD, SUITE 100
DEPARTMENT: REGULATORY
EXTON, PA 19341-1120
PHONE: 800-688-1840

It is hereby agreed and understood that the following In Witness Clause supercedes any and all other In Witness clauses in this policy.

All other provisions remain unchanged.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed and attested, and, if required by state law, this policy shall not be valid unless countersigned by a duly authorized representative of the Insurer.



Joseph Tocco
President



Toni Ann Perkins
Secretary

NOTICE TO POLICYHOLDERS

ILLINOIS

This notice is to advise you if you are having problems with your insurance company or agent, do not hesitate to contact the insurance company or agent to resolve your problem.

FOR INFORMATION, OR TO MAKE A COMPLAINT, CALL:

1-800-622-7311
XL CATLIN
SEAVIEW HOUSE
70 SEAVIEW AVENUE
STAMFORD, CT 06902-6040

You may also contact the Public Service Division of the Department of Insurance at the following address:

Illinois Department of Insurance
Consumer Division or Public Services Section
320 W. Washington Street
Springfield, IL 62767

Toll-free: 1-866-445-5364
TDD 217/524-4872 / Fax: 217/558-2083

<http://mc.insurance.illinois.gov/messagecenter.nsf>

Endorsement No.: 17
Named Insured: Sears Holdings Corporation
Policy No.: ELU149912-17

Effective: May 15, 2017
12:01 A.M. Standard Time
Insurer: XL Specialty Insurance Company

CS 80 95 09 09

EMAIL NOTICES ENDORSEMENT

In consideration of the premium charged, the last sentence of Section IV Condition (D) of the Policy is amended to read in its entirety as follows:

"All notices under CONDITIONS (D)(1) and (2) must be sent by:

- (a) certified mail or the equivalent to the address set forth in ITEM 5 of the Declarations. Attention Claim Department; or
- (b) electronic mail (email) to: proclaimnewnotices@xlcatim.com."

All other terms, conditions and limitations of this Policy shall remain unchanged.

Endorsement No.: 35
Named Insured: Sears Holdings Corporation
Policy No.: ELU149912-17

Effective: May 15, 2017
12:01 A.M. Standard Time
Insurer: XL Specialty Insurance Company

AMEND NOTICE OF CLAIM ENDORSEMENT

In consideration of the premium charged, Section IV Conditions (D)(1) of the Policy is amended to read in its entirety as follows.

- "(1) As a condition precedent to any right to payment under this Policy with respect to any Claim, the Insured Persons or the Company shall give written notice to the Insurer of any Claim as soon as practicable after it is first made and the Risk Manager or General Counsel of the Parent Company first becomes aware of such Claim."

All other terms, conditions and limitations of this Policy shall remain unchanged.

Endorsement No.: 41
Named Insured: Sears Holdings Corporation
Policy No.: ELU149912-17

Effective: May 15, 2017
12:01 A.M. Standard Time
Insurer: XL Specialty Insurance Company

AMEND DEFINITION OF SUBSIDIARY ENDORSEMENT

In consideration of the premium charged, the term Subsidiary, as defined in Section II Definitions (P) of the Policy, is amended to include any organization during any time in which the Parent Company possesses, directly or indirectly through one or more Subsidiary(s), the power to control, manage or direct by reason of the Parent Company's rights and obligations pursuant to any contract relations to such organization.

All other terms, conditions and limitations of this Policy shall remain unchanged.

CORNERSTONE A-SIDE MANAGEMENT LIABILITY INSURANCE COVERAGE FORM

THIS IS A CLAIMS MADE POLICY WITH DEFENSE EXPENSES INCLUDED IN THE LIMIT OF LIABILITY. PLEASE READ AND REVIEW THE POLICY CAREFULLY.

In consideration of the payment of the premium, and in reliance on all statements made and information furnished to Executive Liability Underwriters, the Underwriting Manager for the Insurer identified on the Declarations Page (hereinafter, the "Insurer") including the Application and subject to all of the terms, conditions and limitations of all the provisions of this Policy, the Insurer, the Insured Persons and the Company agree as follows:

I. INSURING AGREEMENT

The Insurer will pay on behalf of the Insured Persons Loss resulting from a Claim first made against the Insured Persons during the Policy Period or, if applicable, the Optional Extension Period, for a Wrongful Act, except to the extent that such Loss is paid by any other Insurance Program or as indemnification or advancement from any source. In the event that Loss is not paid by such other insurance or as indemnification or advancement, this Policy will respond on behalf of the Insured Persons as if it were primary, subject to all of its terms, conditions (including, but not limited to, CONDITION (B)) and limitations and without prejudice to the Insurer's excess position.

II. DEFINITIONS

(A) "Application" means:

- (1) the Application attached to and forming part of this Policy; and
- (2) any materials submitted therewith, which shall be retained on file by the Insurer and shall be deemed to be physically attached to this Policy.

(B) "Change In Control" means:

- (1) the merger or acquisition of the Parent Company, or of all or substantially all of its assets, by another entity such that the Parent Company is not the surviving entity;
- (2) the acquisition by any person, entity, or affiliated group or persons or entities of the right to vote for, select, or appoint more than fifty percent (50%) of the directors of the Parent Company; or
- (3) the court appointment of any person or entity with authority comparable to that of the Insured Persons, as defined in DEFINITION (I)(1), to liquidate or reorganize the Parent Company.

(C) "Claim" means:

- (1) a written demand for monetary or non-monetary relief;
- (2) any civil or criminal judicial proceeding in a court of law or equity, arbitration or other alternative dispute resolution; or
- (3) a formal civil, criminal, administrative, or regulatory proceeding or formal investigation.

(D) "Company" means the Parent Company and any Subsidiary created or acquired on or before the Inception Date set forth in ITEM 2 of the Declarations or during the Policy Period, subject to CONDITION (C).

(E) "Defense Expenses" means reasonable legal fees and expenses incurred in the defense or investigation of any Claim. Defense Expenses will not include the Company's overhead expenses or any salaries, wages, fees, or benefits of its directors, officers, or employees.

(F) "Employment Practices Claim" means a Claim alleging an Employment Practices Wrongful Act.

- (G) **"Employment Practices Wrongful Act"** means any actual or alleged:
- (1) wrongful termination of employment whether actual or constructive;
 - (2) employment discrimination of any kind;
 - (3) sexual or other harassment in the workplace; or
 - (4) wrongful deprivation of career opportunity, employment-related misrepresentation, retaliatory treatment against an employee of the **Company**, failure to promote, demotion, wrongful discipline or evaluation, or refusal to hire.
- (H) **"Insurance Program"** means
- (1) any existing Management Liability insurance, Directors' and Officers' Liability insurance, or similar insurance; and
 - (2) any other existing insurance under which coverage may be owed.
- (I) **"Insured Person"** means:
- (1) any past, present, or future director or officer, general counsel, or member of the Board of Managers of the **Company** and any person serving in a functionally equivalent role for the **Parent Company** or any **Subsidiary** operating or incorporated outside the United States; and
 - (2) the lawful spouse of any person set forth in DEFINITION (I)(1), but only to the extent the spouse is a party to any **Claim** solely in his or her capacity as a spouse of such person and only for the purposes of any **Claim** seeking damages recoverable from marital community property, property jointly held by any such person and his or her spouse, or property transferred from any such person to his or her spouse.
- In the event of the death, incapacity or bankruptcy of an **Insured Person**, any **Claim** against the estate, heirs, legal representatives or assigns of such **Insured Person** will be deemed to be a **Claim** against such **Insured Person**.
- (J) **"Interrelated Wrongful Acts"** means **Wrongful Acts** based on, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving any of the same or related, or series of related, facts, circumstances, situations, transactions, or events.
- (K) **"Loss"** means damages, judgments, settlements or other amounts (including pre- & post-judgment interest, punitive or exemplary damages, or the multiplied portion of any damage award, where insurable by law) and **Defense Expenses** that the **Insured Persons** are obligated to pay. **Loss** will not include:
- (1) matters which are uninsurable under the law pursuant to which this Policy is construed; or
 - (2) fines, penalties or taxes imposed by law; provided, that this DEFINITION (K)(2) will not apply to fines, penalties or taxes that an **Insured Person** is obligated to pay if such fines, penalties or taxes are insurable by law and are imposed in connection with such **Insured Person's** service with respect to an entity included within the definition of **Company** that is financially insolvent.
- Note: With respect to coverage for punitive, exemplary or multiplied damages or fines, penalties or taxes, the law of the applicable jurisdiction most favorable to the insurability of such amounts shall control.
- (L) **"Outside Capacity Wrongful Act"** means any actual or alleged act, error, or omission, misstatement, misleading statement, neglect, or breach of duty by any **Insured Person**, as defined in DEFINITION (I)(1), while acting in his or her capacity as a director, officer, trustee, regent, or governor of any **Outside Entity**, if serving in such capacity at the specific request of the **Company**.

- (M) "Outside Entity" means any corporation or organization other than the **Company** of which any **Insured Person**, as defined in DEFINITION (I)(1), serves as a director, officer, trustee, regent, or governor, but only if such service is at the specific request of the **Company**.
- (N) "Parent Company" means the entity named in ITEM 1 of the Declarations.
- (O) "Policy Period" means the period from the Inception Date to the Expiration Date set forth in ITEM 2 of the Declarations or to any earlier cancellation date.
- (P) "Subsidiary" means any entity during any time in which the **Parent Company** owns, directly or through one or more **Subsidiary(ies)**, more than fifty percent (50%) of the outstanding securities representing the right to vote for the election of such entity's directors.
- (Q) "Wrongful Act" means:
- (1) any actual or alleged act, error, or omission, misstatement, misleading statement, neglect, or breach of duty by any **Insured Person**, as defined in DEFINITION (I)(1), while acting in his or her capacity as a director, officer, general counsel, or member of the Board of Managers of the **Company** or a functionally equivalent role for the **Parent Company** or any **Subsidiary** operating or incorporated outside the United States;
 - (2) any matter asserted against an **Insured Person** solely by reason of his or her status as a director, officer, general counsel, or member of the Board of Managers of the **Company**;
 - (3) any **Employment Practices Wrongful Act**; and
 - (4) any **Outside Capacity Wrongful Act**.

III. EXCLUSIONS

- (A) Except for **Defense Expenses**, the Insurer shall not pay **Loss** in connection with any **Claim**:
- (1) brought by or on behalf of, or at the direction of, the **Company** or, with respect to any **Claim** for an **Outside Capacity Wrongful Act**, an **Outside Entity**, except and to the extent such **Claim**:
 - (a) is brought and maintained by a security holder of the **Company** or such **Outside Entity**, but only if such security holder is acting independently of, and without the solicitation, assistance, participation or intervention of, the **Company**, any **Insured Person**, or any **Outside Entity**;
 - (b) is brought by the Bankruptcy Trustee or Examiner of the **Company** or such **Outside Entity**, or any assignee of such Trustee or Examiner, or any Receiver, Conservator, Rehabilitator, or Liquidator or comparable authority of the **Company** or such **Outside Entity**;
 - (c) is brought and maintained in a non-common law jurisdiction outside the United States of America or its territories or possessions; or
 - (d) is made after the **Parent Company** has undergone a **Change of Control**; or
 - (2) brought about or contributed to in fact by any:
 - (a) intentionally dishonest, fraudulent, or criminal act or omission or any willful violation of any statute, rule, or law; or
 - (b) profit or remuneration gained by any **Insured Person** to which such **Insured Person** is not legally entitled;

as determined by a final adjudication in the underlying action.

- (B) The Insurer shall not be liable to make any payment for **Loss** in connection with any **Claim**:

- (1) for any actual or alleged bodily injury, sickness, mental anguish, emotional distress, defamation, slander, libel, disease or death of any person, or damage or destruction of any tangible property including **Loss** of use thereof; provided, that this EXCLUSION (B)(1) shall not apply to any **Claim**:
- (a) brought by a security holder of the **Company** or, with respect to any **Claim** for an **Outside Capacity Wrongful Act**, an **Outside Entity** for any actual or alleged violation of the Securities Act of 1933, the Securities Act of 1934, or any state securities statute; or
 - (b) in the form of a derivative action, but only if such **Claim** is brought by or on behalf of, or in the name or right of, the **Company** or, with respect to any **Claim** for an **Outside Capacity Wrongful Act**, an **Outside Entity** and is brought and maintained independently of, and without the solicitation, assistance, participation or intervention of the **Company**, any **Insured Person**, or any **Outside Entity**; or
- (2) based upon, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving any fact, circumstance, situation, transaction, event or **Wrongful Act** which, before the Inception Date of this Policy, was the subject of any notice given under any other Management Liability insurance, Directors' and Officers' insurance, or other similar insurance.

Note: EXCLUSION (B)(1) will not apply to any allegation of libel, slander, defamation, mental anguish or emotional distress if and only to the extent that such allegations are made as part of an **Employment Practices Claim** for an **Employment Practices Wrongful Act**.

No **Wrongful Act** of any **Insured Person** will be imputed to any other **Insured Person** to determine the application of any of the above EXCLUSIONS.

IV. CONDITIONS

(A) Limit of Liability

The amount set forth in ITEM 3 of the Declarations shall be the maximum aggregate Limit of Liability of the Insurer under this Policy. Payment of **Loss**, including **Defense Expenses**, by the Insurer shall reduce the Limit of Liability.

(B) Indemnification and Other Insurance

- (1) The **Insured Persons** and the **Company** understand and agree that all coverage under this Policy shall be specifically excess over, and shall not contribute with:
- (a) all indemnification and advancement to which an **Insured Person** may be entitled from any source, including but not limited to the **Company** or any **Outside Entity**; and
 - (b) any **Insurance Program** maintained by the **Company** or any **Outside Entity**, whether such other insurance is stated to be primary, contributing, excess or otherwise.

However, if **Loss** is not paid by such other insurance or as indemnification or advancement, this Policy will respond on behalf of the **Insured Persons** as if it were primary, subject to all of its terms, conditions and limitations and without prejudice to the Insurer's excess position.

- (2) This Policy shall not be subject to the terms or conditions of any other insurance. The Insurer does not waive, compromise or release any of its rights to recover **Loss** paid under this Policy from the issuers of any other insurance under which coverage may be owed, or from any person or entity from which an **Insured Person** is entitled to indemnification or advancement, including the **Company** and any **Outside Entity**.

(C) Mergers and Acquisitions

- (1) If, during the **Policy Period**, the **Company** acquires any assets, acquires a **Subsidiary**, or acquires any entity by merger, consolidation or otherwise, or assumes any liability of another entity, coverage

shall be provided for any **Loss** involving a **Claim** for a **Wrongful Act** occurring after the consummation of the transaction.

- (2) With respect to the acquisition, assumption, merger, consolidation or other of any entity, asset, **Subsidiary** or liability as described in CONDITION (C)(1) above, there will be no coverage available under this Policy for any **Claim** made against any **Insured Person** for any **Wrongful Act** in connection with the acquired, assumed, merged, or consolidated entity, asset, **Subsidiary** or liability committed at any time during which such entity, asset, **Subsidiary** or liability is not included within the definition of "**Company**."
- (3) If, during the **Policy Period**, any entity ceases to be a **Subsidiary**, the coverage provided under this Policy shall continue to apply to the **Insured Persons** who because of their service with such **Subsidiary** were covered under this Policy but only with respect to a **Claim** for a **Wrongful Act** that occurred or allegedly occurred prior to the time such **Subsidiary** ceased to be a **Subsidiary** of the **Company**.
- (4) If, during the **Policy Period**, there is a **Change In Control**, the coverage provided under this Policy shall continue to apply but only with respect to a **Claim** for a **Wrongful Act** committed or allegedly committed prior to the time of the **Change In Control**, and
 - (a) coverage will cease with respect to any **Claim** for a **Wrongful Act** committed subsequent to the **Change In Control**; and
 - (b) the entire premium for the Policy will be deemed to be fully earned immediately upon the consummation of a **Change In Control**.

(D) **Notice**

- (1) As a condition precedent to any right to payment under this policy with respect to any **Claim**, the **Insured Persons** or the **Company** shall give written notice to the Insurer of any **Claim** as soon as practicable after it is first made.
- (2) If, during the **Policy Period**, the **Insured Persons** first becomes aware of a specific **Wrongful Act** and if, during the **Policy Period**, the **Insured Persons** or the **Company**:
 - (a) provide the Insurer with written notice of the specific **Wrongful Act**, the consequences which have resulted or may result therefrom (including but not limited to actual or potential damages), the identities of the potential claimants, and the circumstances by which the **Insured Persons** first became aware of such **Wrongful Act**; and
 - (b) request coverage under this Policy for any subsequently resulting **Claim** for such **Wrongful Act**;

then any **Claim** subsequently made arising out of such **Wrongful Act** will be treated as if it had been first made during the **Policy Period**.

All notices under CONDITIONS (D) (1) and (2) must be sent by certified mail or the equivalent to the address set forth in ITEM 5 of the Declarations; Attention: Claim Department.

(E) **Defense and Settlement of Claims**

- (1) It shall be the duty of the **Insured Persons** and not the duty of the Insurer to defend **Claims**. No **Insured Person** may incur any **Defense Expenses** or admit liability for, make any settlement offer with respect to, or settle any **Claim** without the Insurer's consent, such consent not to be unreasonably withheld.
- (2) Upon written request, the Insurer will pay on a current basis any covered **Defense Expenses** before the disposition of the **Claim** for which this Policy provides coverage. In the event of such advancement, the **Insured Persons** agree that they shall repay the Insurer, severally according to

their interests, any **Loss**, including **Defense Expenses**, paid to or on behalf of the **Insured Persons** if it is finally determined that the **Loss** incurred is not covered under this Policy.

- (3) Except for such **Defense Expenses**, the Insurer shall pay **Loss** only upon the final disposition of any **Claim**.

(F) **Assistance, Cooperation and Subrogation**

- (1) The **Insured Persons** and the **Company** agree to provide the Insurer with all information, assistance and cooperation that the Insurer may reasonably request, and further agree that they will do nothing which in any way increases the Insurer's exposure under this Policy or in any way prejudices the Insurer's potential or actual rights of recovery.
- (2) In the event of any payment under this Policy, the Insurer shall be subrogated to all of the potential or actual rights of recovery of the **Insured Persons**, including any such rights of recovery against the **Company** or any **Outside Entity**. The **Insured Persons** shall execute all papers required and will do everything necessary to secure such rights including but not limited to the execution of such documents as are necessary to enable the Insurer to effectively bring suit in their name, and will provide all other assistance and cooperation which the Insurer may reasonably require.

(G) **Interrelated Claims**

All **Claims** arising from **Interrelated Wrongful Acts** shall be deemed to constitute a single **Claim** and shall be deemed to have been made at the earliest time at which the earliest such **Claim** is made or deemed to have been made pursuant to CONDITION (D)(1) or (2) above, if applicable.

(H) **Exhaustion**

If the Insurer's Limit of Liability as set forth in ITEM 3 of the Declarations is exhausted by the payment of **Loss**, the premium as set forth in ITEM 6 of the Declarations will be fully earned, all obligations of the Insurer under this Policy will be completely fulfilled and exhausted, and the Insurer will have no further obligations of any kind whatsoever under this Policy.

(I) **Cancellation and Renewal of Coverage**

- (1) The Chairman of the Board of Directors and the Chief Executive Officer of the **Parent Company** shall have the exclusive right to cancel this Policy on behalf of the **Insured Persons**. Such cancellation may be effected by mailing to the Insurer written notice stating when such cancellation shall be effective, provided the date of cancellation is not later than the Expiration Date set forth in ITEM 2 of the Declarations. In such event, the Insurer shall retain the customary short rate portion of the earned premium. Return or tender of the unearned premium is not a condition of cancellation.
- (2) The Insurer may cancel this Policy only for nonpayment of premium. The Insurer will provide not less than twenty (20) days written notice stating the reason for cancellation and when the Policy will be canceled. Notice of cancellation will be sent to the **Parent Company** and the agent of record for the **Insured Persons**, if applicable.
- (3) The Insurer is under no obligation to renew this Policy upon its expiration. Once the Insurer chooses to non-renew this Policy, the Insurer will deliver or mail to the **Parent Company** written notice stating such at least sixty (60) days before the Expiration Date set forth in ITEM 2 of the Declarations.
- (4) The Insurer shall not be entitled under any circumstances to rescind this Policy, other than for non-payment of premium.

(J) **Optional Extension Period**

- (1) If either the **Insured Persons** or the Insurer does not renew this Policy, the **Insured Persons** shall have the right, upon payment of the additional premium set forth in ITEM 4 of the Declarations, to an extension of the coverage provided by this Policy with respect only to any **Claim** first made during the

period of time set forth in ITEM 4 of the Declarations after the Policy Expiration Date, but only with respect to a **Wrongful Act** occurring prior to the Policy Expiration Date.

- (2) As a condition precedent to the right to purchase the Optional Extension Period the total premium for this Policy must have been paid in full. The right of the **Insured Persons** to purchase the Optional Extension Period will be immediately terminated if the Insurer does not receive written notice by the **Insured Persons** advising they wish to purchase the Optional Extension Period together with full payment of the premium for the Optional Extension Period within thirty (30) days after the Policy Expiration Date.
- (3) If the **Insured Persons** elect to purchase the Optional Extension Period as set forth in CONDITIONS (J)(1) and (2) above, the entire premium for the Optional Extension Period will be deemed to be fully earned at the Inception Date for the Optional Extension Period.
- (4) The purchase of the Optional Extension Period will not in any way increase the Limit of Liability set forth in ITEM 3 of the Declarations, and the Limit of Liability with respect to **Claims** made during the Optional Extension Period shall be part of and not in addition to the Limit of Liability for all **Claims** made during the Policy Period.

(K) **Representation Clause**

The **Application** for coverage shall be construed as a separate **Application** for coverage for each **Insured Person**. Each **Insured Person** represents that, to the best of his or her knowledge, the statements and particulars contained in the **Application** are true, accurate and complete, and each **Insured Person** agrees that this Policy is issued in reliance on the truth of that representation and that such particulars and statements, which are deemed to be incorporated into and constitute a part of this Policy, are the basis of this Policy. In the event that any statements and particulars contained in the **Application** are untrue, inaccurate or incomplete, this Policy will be void with respect to any **Insured Person** who had actual knowledge as of the Inception Date of facts or information that were not accurately or completely disclosed as required in the **Application**. No knowledge or information possessed by any **Insured Person** will be imputed to any other **Insured Person** for the purposes of determining the availability of coverage with respect to **Claims** made against such other **Insured Person**.

(L) **Action Against the Insurer, Assignment, and Changes to Policy**

- (1) No action may be taken against the Insurer unless, as a condition precedent thereto:
 - (a) there has been full compliance with all of the terms and conditions of this Policy; and
 - (b) the amount of the obligation of the **Insured Person** has been finally determined either by judgment against the **Insured Person** after actual trial, or by written agreement of the **Insured Person**, the claimant and the Insurer.
- (2) Nothing contained herein shall give any person or entity any right to join the Insurer as a party to any **Claim** against the **Insured Persons** to determine their liability, nor may the **Insured Persons** implead the Insurer in any **Claim**.
- (3) Assignment of interest under this Policy shall not bind the Insurer unless its consent is endorsed hereon.
- (4) Notice to any agent or knowledge possessed by any agent or other person acting on behalf of the Insurer will not cause a waiver or change in any part of this Policy or prevent the Insurer from asserting any right under the terms, conditions and limitations of this Policy. The terms, conditions and limitations of this Policy may only be waived or changed by written endorsement signed by the Insurer.

(M) **Authorization and Notices**

It is understood and agreed that, except as provided elsewhere in this Policy, the **Parent Company** will act on behalf of the **Company** and the **Insured Persons** with respect to:

- (1) the payment of the premiums,
- (2) the receiving of any return premiums that may become due under this Policy,
- (3) the giving of all notices to the Insurer as provided herein, and
- (4) the receiving of all notices from the Insurer.

(N) **Entire Agreement**

The **Insured Persons** agree that the Declarations, the Policy, including any endorsements and attachments, and the **Application** shall constitute the entire agreement between the Insurer or any of its agents and the **Insured Persons** in relation to the insurance.


(O) **Worldwide Coverage**

In consideration of the premium charged, coverage under this Policy shall extend anywhere in the world.

(P) **Bankruptcy**

In the event that a liquidation or reorganization proceeding is commenced by or against the **Company** pursuant to the United States Bankruptcy Code, as amended, or any similar state or local law, the **Insured Persons** and the **Company** hereby (1) waive and release any automatic stay or injunction which may apply in such proceeding in connection with this Policy or its proceeds under such Bankruptcy Code or law; and (2) agree not to oppose or object to any efforts by the Insurer or any **Insured Person** or the **Company** to obtain relief from any such stay or injunction.

This is **Exhibit "E"** referred to in the Affidavit of William Richard Harker, sworn before me at Westwood, New Jersey, United States of America, on August 10, 2018.



(A Notary Public in and for the State of New Jersey)

JEREMY FORTUNATO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 4/27/2022

**CORNERSTONE A-SIDE MANAGEMENT
LIABILITY INSURANCE POLICY
DECLARATIONS**



Policy Number: ELU146443-16
Renewal of Number: ELU141161-15

XL Specialty Insurance Company
100 Yonge Street, Suite 1200
Toronto, Ontario M5C 2W1
Telephone 416-928-5586

THIS IS A CLAIMS MADE POLICY. EXCEPT AS OTHERWISE PROVIDED HEREIN, THIS POLICY ONLY APPLIES TO CLAIMS FIRST MADE DURING THE POLICY PERIOD. THE LIMIT OF LIABILITY AVAILABLE TO PAY DAMAGES OR SETTLEMENTS SHALL BE REDUCED AND MAY BE EXHAUSTED BY THE PAYMENT OF DEFENSE EXPENSES. THIS POLICY DOES NOT PROVIDE FOR ANY DUTY BY THE INSURER TO DEFEND ANY INSURED. PLEASE READ AND REVIEW THE POLICY CAREFULLY.

Item 1. Name and Mailing Address of Parent Corporation:

Sears Canada Inc
290 Yonge Street, Suite 700
Toronto, ONTARIO M5B 2C3

Item 2. Policy Period From: October 15, 2016 To: October 15, 2017
At 12:01AM Standard Time at your Mailing Address Shown Above

Item 5. Notices required to be given to the Insurer must be addressed to:

XL Specialty Insurance Company
100 Yonge Street Suite 1200
Toronto, ON M5C 2W1
Attention: Claims Department
Email: claimscanada@xlcatlin.com

Item 7. Policy Forms and Endorsements Attached at Issuance

CS 71 00 09 06 XL 80 78 02 15 XL 82 01 07 07 XL 80 34 10 04 CL 83 14 10 03 CS 80 388 03 17
CL 80 84 11 04 CL 80 189 06 07 CS 80 392 03 17 XL 80 60 09 08 Manuscript 13794 05 12
CL 80 86 12 04 CS 80 195 09 13 CL 80 225 04 08 CS 80 95 09 09 CL 80 224 04 08 CS 80 37 10 07
CS 80 119 06 10 CL 80 63 04 04 Manuscript 13806 05 12 CL 80 208 11 07 CS 83 15 11 07
CS 83 92 03 17 Manuscript 16690 05 14 Manuscript 9458 05 09 CS 80 391 03 17 CS 80 39 10 07
CS 80 17 05 07 CS 80 144 07 11 CL 80 42 07 03 Manuscript 4088 01 06 CS 80 393 03 17
CS 80 394 03 17 CS 80 140 07 11 Manuscript 18573 12 15

THESE DECLARATIONS AND THE POLICY, WITH THE ENDORSEMENTS, ATTACHMENTS, AND THE APPLICATION SHALL CONSTITUTE THE ENTIRE AGREEMENT BETWEEN THE INSURER AND THE INSURED PERSONS RELATING TO THIS INSURANCE.

**CORNERSTONE A-SIDE MANAGEMENT
LIABILITY INSURANCE POLICY
DECLARATIONS**



Policy Number: ELU146443-16
Renewal of Number: ELU141161-15

IN WITNESS WHEREOF the Insurer has caused this Policy to be signed by the Canadian Chief Agent.

XL SPECIALTY INSURANCE COMPANY

A handwritten signature in black ink, appearing to read 'Nick Greggains', written over a horizontal line.

Nick Greggains
Chief Agent for Canada

For purposes of the *Insurance Companies Act* (Canada), this document was issued in the course of XL Specialty Insurance Company's insurance business in Canada.

Endorsement No.: 4
Named Insured: Sears Canada Inc
Policy No.: ELU146443-16

Effective: October 15, 2016
12:01 A.M. Standard Time
Insurer: XL Specialty Insurance Company

PENDING AND/OR PRIOR LITIGATION EXCLUSION

In consideration of the premium charged, no coverage will be available under this Policy for Claims based upon, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving any fact, circumstance, situation, transaction, event or Wrongful Act, underlying or alleged in any prior and/or pending litigation or administrative or regulatory proceeding or arbitration which was brought prior to October 15, 2014.

All other terms, conditions and limitations of this Policy shall remain unchanged.

Endorsement No.: 21
Named Insured: Sears Canada Inc
Policy No.: ELU146443-16

Effective: October 15, 2016
12:01 A.M. Standard Time
Insurer: XL Specialty Insurance Company

PRIOR ACTS EXCLUSION ENDORSEMENT

In consideration of the premium charged, no coverage shall be available under this Policy for any Loss in connection with any Claim made against an Insured Person alleging any Wrongful Act occurring prior to October 15, 2014 or after the end of the Policy Period. This Policy only provides coverage for Wrongful Acts occurring on or after October 15, 2014 and prior to the end of the Policy Period and otherwise covered by the terms, conditions and limitations of this Policy. Loss arising out of the same or related Wrongful Act shall be deemed to arise from the first such same or related Wrongful Act.

All other terms, conditions and limitations of this Policy shall remain unchanged.

CORNERSTONE A-SIDE MANAGEMENT LIABILITY INSURANCE COVERAGE FORM

THIS IS A CLAIMS MADE POLICY WITH DEFENSE EXPENSES INCLUDED IN THE LIMIT OF LIABILITY. PLEASE READ AND REVIEW THE POLICY CAREFULLY.

In consideration of the payment of the premium, and in reliance on all statements made and information furnished to Executive Liability Underwriters, the Underwriting Manager for the Insurer identified on the Declarations Page (hereinafter, the "Insurer") including the Application and subject to all of the terms, conditions and limitations of all the provisions of this Policy, the Insurer, the Insured Persons and the Company agree as follows:

I. INSURING AGREEMENT

The Insurer will pay on behalf of the **Insured Persons Loss** resulting from a **Claim** first made against the **Insured Persons** during the **Policy Period** or, if applicable, the **Optional Extension Period**, for a **Wrongful Act**, except to the extent that such **Loss** is paid by any other **Insurance Program** or as indemnification or advancement from any source. In the event that **Loss** is not paid by such other insurance or as indemnification or advancement, this Policy will respond on behalf of the **Insured Persons** as if it were primary, subject to all of its terms, conditions (including, but not limited to, **CONDITION (B)**) and limitations and without prejudice to the Insurer's excess position.

II. DEFINITIONS

(A) "Application" means:

- (1) the **Application** attached to and forming part of this Policy; and
- (2) any materials submitted therewith, which shall be retained on file by the Insurer and shall be deemed to be physically attached to this Policy.

(B) "Change In Control" means:

- (1) the merger or acquisition of the **Parent Company**, or of all or substantially all of its assets, by another entity such that the **Parent Company** is not the surviving entity;
- (2) the acquisition by any person, entity, or affiliated group or persons or entities of the right to vote for, select, or appoint more than fifty percent (50%) of the directors of the **Parent Company**; or
- (3) the court appointment of any person or entity with authority comparable to that of the **Insured Persons**, as defined in **DEFINITION (I)(1)**, to liquidate or reorganize the **Parent Company**.

(C) "Claim" means:

- (1) a written demand for monetary or non-monetary relief;
- (2) any civil or criminal judicial proceeding in a court of law or equity, arbitration or other alternative dispute resolution; or
- (3) a formal civil, criminal, administrative, or regulatory proceeding or formal investigation.

(D) "Company" means the **Parent Company** and any **Subsidiary** created or acquired on or before the **Inception Date** set forth in **ITEM 2** of the **Declarations** or during the **Policy Period**, subject to **CONDITION (C)**.

(E) "**Defense Expenses**" means reasonable legal fees and expenses incurred in the defense or investigation of any **Claim**. **Defense Expenses** will not include the **Company's** overhead expenses or any salaries, wages, fees, or benefits of its directors, officers, or employees.

(F) "**Employment Practices Claim**" means a **Claim** alleging an **Employment Practices Wrongful Act**.

- (G) "**Employment Practices Wrongful Act**" means any actual or alleged:
- (1) wrongful termination of employment whether actual or constructive;
 - (2) employment discrimination of any kind;
 - (3) sexual or other harassment in the workplace; or
 - (4) wrongful deprivation of career opportunity, employment-related misrepresentation, retaliatory treatment against an employee of the **Company**, failure to promote, demotion, wrongful discipline or evaluation, or refusal to hire.
- (H) "**Insurance Program**" means
- (1) any existing Management Liability insurance, Directors' and Officers' Liability insurance, or similar insurance; and
 - (2) any other existing insurance under which coverage may be owed.
- (I) "**Insured Person**" means:
- (1) any past, present, or future director or officer, general counsel, or member of the Board of Managers of the **Company** and any person serving in a functionally equivalent role for the **Parent Company** or any **Subsidiary** operating or incorporated outside the United States; and
 - (2) the lawful spouse of any person set forth in DEFINITION (I)(1), but only to the extent the spouse is a party to any **Claim** solely in his or her capacity as a spouse of such person and only for the purposes of any **Claim** seeking damages recoverable from marital community property, property jointly held by any such person and his or her spouse, or property transferred from any such person to his or her spouse.

In the event of the death, incapacity or bankruptcy of an **Insured Person**, any **Claim** against the estate, heirs, legal representatives or assigns of such **Insured Person** will be deemed to be a **Claim** against such **Insured Person**.

- (J) "**Interrelated Wrongful Acts**" means **Wrongful Acts** based on, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving any of the same or related, or series of related, facts, circumstances, situations, transactions, or events.
- (K) "**Loss**" means damages, judgments, settlements or other amounts (including pre- & post-judgment interest, punitive or exemplary damages, or the multiplied portion of any damage award, where insurable by law) and **Defense Expenses** that the **Insured Persons** are obligated to pay. **Loss** will not include:
- (1) matters which are uninsurable under the law pursuant to which this Policy is construed; or
 - (2) fines, penalties or taxes imposed by law; provided, that this DEFINITION (K)(2) will not apply to fines, penalties or taxes that an **Insured Person** is obligated to pay if such fines, penalties or taxes are insurable by law and are imposed in connection with such **Insured Person's** service with respect to an entity included within the definition of **Company** that is financially insolvent.

Note: With respect to coverage for punitive, exemplary or multiplied damages or fines, penalties or taxes, the law of the applicable jurisdiction most favorable to the insurability of such amounts shall control.

- (L) "**Outside Capacity Wrongful Act**" means any actual or alleged act, error, or omission, misstatement, misleading statement, neglect, or breach of duty by any **Insured Person**, as defined in DEFINITION (I)(1), while acting in his or her capacity as a director, officer, trustee, regent, or governor of any **Outside Entity**, if serving in such capacity at the specific request of the **Company**.

- (M) "Outside Entity" means any corporation or organization other than the **Company** of which any **Insured Person**, as defined in DEFINITION (I)(1), serves as a director, officer, trustee, regent, or governor, but only if such service is at the specific request of the **Company**.
- (N) "Parent Company" means the entity named in ITEM 1 of the Declarations.
- (O) "Policy Period" means the period from the Inception Date to the Expiration Date set forth in ITEM 2 of the Declarations or to any earlier cancellation date.
- (P) "Subsidiary" means any entity during any time in which the **Parent Company** owns, directly or through one or more **Subsidiary(ies)**, more than fifty percent (50%) of the outstanding securities representing the right to vote for the election of such entity's directors.
- (Q) "Wrongful Act" means:
- (1) any actual or alleged act, error, or omission, misstatement, misleading statement, neglect, or breach of duty by any **Insured Person**, as defined in DEFINITION (I)(1), while acting in his or her capacity as a director, officer, general counsel, or member of the Board of Managers of the **Company** or a functionally equivalent role for the **Parent Company** or any **Subsidiary** operating or incorporated outside the United States;
 - (2) any matter asserted against an **Insured Person** solely by reason of his or her status as a director, officer, general counsel, or member of the Board of Managers of the **Company**;
 - (3) any **Employment Practices Wrongful Act**; and
 - (4) any **Outside Capacity Wrongful Act**.

III. EXCLUSIONS

- (A) Except for **Defense Expenses**, the Insurer shall not pay **Loss** in connection with any **Claim**:
- (1) brought by or on behalf of, or at the direction of, the **Company** or, with respect to any **Claim** for an **Outside Capacity Wrongful Act**, an **Outside Entity**, except and to the extent such **Claim**:
 - (a) is brought and maintained by a security holder of the **Company** or such **Outside Entity**, but only if such security holder is acting independently of, and without the solicitation, assistance, participation or intervention of, the **Company**, any **Insured Person**, or any **Outside Entity**;
 - (b) is brought by the Bankruptcy Trustee or Examiner of the **Company** or such **Outside Entity**, or any assignee of such Trustee or Examiner, or any Receiver, Conservator, Rehabilitator, or Liquidator or comparable authority of the **Company** or such **Outside Entity**;
 - (c) is brought and maintained in a non-common law jurisdiction outside the United States of America or its territories or possessions; or
 - (d) is made after the **Parent Company** has undergone a **Change of Control**; or
 - (2) brought about or contributed to in fact by any:
 - (a) intentionally dishonest, fraudulent, or criminal act or omission or any willful violation of any statute, rule, or law; or
 - (b) profit or remuneration gained by any **Insured Person** to which such **Insured Person** is not legally entitled;

as determined by a final adjudication in the underlying action.
- (B) The Insurer shall not be liable to make any payment for **Loss** in connection with any **Claim**:

- (1) for any actual or alleged bodily injury, sickness, mental anguish, emotional distress, defamation, slander, libel, disease or death of any person, or damage or destruction of any tangible property including **Loss** of use thereof, provided, that this EXCLUSION (B)(1) shall not apply to any **Claim**:
- (a) brought by a security holder of the **Company** or, with respect to any **Claim** for an **Outside Capacity Wrongful Act**, an **Outside Entity** for any actual or alleged violation of the Securities Act of 1933, the Securities Act of 1934, or any state securities statute; or
 - (b) in the form of a derivative action, but only if such **Claim** is brought by or on behalf of, or in the name or right of, the **Company** or, with respect to any **Claim** for an **Outside Capacity Wrongful Act**, an **Outside Entity** and is brought and maintained independently of, and without the solicitation, assistance, participation or intervention of the **Company**, any **Insured Person**, or any **Outside Entity**; or
- (2) based upon, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving any fact, circumstance, situation, transaction, event or **Wrongful Act** which, before the Inception Date of this Policy, was the subject of any notice given under any other Management Liability insurance, Directors' and Officers' insurance, or other similar insurance.

Note: EXCLUSION (B)(1) will not apply to any allegation of libel, slander, defamation, mental anguish or emotional distress if and only to the extent that such allegations are made as part of an **Employment Practices Claim** for an **Employment Practices Wrongful Act**.

No **Wrongful Act** of any **Insured Person** will be imputed to any other **Insured Person** to determine the application of any of the above EXCLUSIONS.

IV. CONDITIONS

(A) Limit of Liability

The amount set forth in ITEM 3 of the Declarations shall be the maximum aggregate Limit of Liability of the Insurer under this Policy. Payment of **Loss**, including **Defense Expenses**, by the Insurer shall reduce the Limit of Liability.

(B) Indemnification and Other Insurance

- (1) The **Insured Persons** and the **Company** understand and agree that all coverage under this Policy shall be specifically excess over, and shall not contribute with:
- (a) all indemnification and advancement to which an **Insured Person** may be entitled from any source, including but not limited to the **Company** or any **Outside Entity**; and
 - (b) any **Insurance Program** maintained by the **Company** or any **Outside Entity**, whether such other insurance is stated to be primary, contributing, excess or otherwise.

However, if **Loss** is not paid by such other insurance or as indemnification or advancement, this Policy will respond on behalf of the **Insured Persons** as if it were primary, subject to all of its terms, conditions and limitations and without prejudice to the Insurer's excess position.

- (2) This Policy shall not be subject to the terms or conditions of any other insurance. The Insurer does not waive, compromise or release any of its rights to recover **Loss** paid under this Policy from the issuers of any other insurance under which coverage may be owed, or from any person or entity from which an **Insured Person** is entitled to indemnification or advancement, including the **Company** and any **Outside Entity**.

(C) Mergers and Acquisitions

- (1) If, during the **Policy Period**, the **Company** acquires any assets, acquires a **Subsidiary**, or acquires any entity by merger, consolidation or otherwise, or assumes any liability of another entity, coverage

shall be provided for any **Loss** involving a **Claim** for a **Wrongful Act** occurring after the consummation of the transaction.

- (2) With respect to the acquisition, assumption, merger, consolidation or other of any entity, asset, **Subsidiary** or liability as described in CONDITION (C)(1) above, there will be no coverage available under this Policy for any **Claim** made against any **Insured Person** for any **Wrongful Act** in connection with the acquired, assumed, merged, or consolidated entity, asset, **Subsidiary** or liability committed at any time during which such entity, asset, **Subsidiary** or liability is not included within the definition of "Company."
- (3) If, during the **Policy Period**, any entity ceases to be a **Subsidiary**, the coverage provided under this Policy shall continue to apply to the **Insured Persons** who because of their service with such **Subsidiary** were covered under this Policy but only with respect to a **Claim** for a **Wrongful Act** that occurred or allegedly occurred prior to the time such **Subsidiary** ceased to be a **Subsidiary** of the **Company**.
- (4) If, during the **Policy Period**, there is a **Change In Control**, the coverage provided under this Policy shall continue to apply but only with respect to a **Claim** for a **Wrongful Act** committed or allegedly committed prior to the time of the **Change In Control**, and
 - (a) coverage will cease with respect to any **Claim** for a **Wrongful Act** committed subsequent to the **Change In Control**; and
 - (b) the entire premium for the Policy will be deemed to be fully earned immediately upon the consummation of a **Change In Control**.

(D) **Notice**

- (1) As a condition precedent to any right to payment under this policy with respect to any **Claim**, the **Insured Persons** or the **Company** shall give written notice to the Insurer of any **Claim** as soon as practicable after it is first made.
- (2) If, during the **Policy Period**, the **Insured Persons** first becomes aware of a specific **Wrongful Act** and if, during the **Policy Period**, the **Insured Persons** or the **Company**:
 - (a) provide the Insurer with written notice of the specific **Wrongful Act**, the consequences which have resulted or may result therefrom (including but not limited to actual or potential damages), the identities of the potential claimants, and the circumstances by which the **Insured Persons** first became aware of such **Wrongful Act**; and
 - (b) request coverage under this Policy for any subsequently resulting **Claim** for such **Wrongful Act**.

then any **Claim** subsequently made arising out of such **Wrongful Act** will be treated as if it had been first made during the **Policy Period**.

All notices under CONDITIONS (D) (1) and (2) must be sent by certified mail or the equivalent to the address set forth in ITEM 5 of the Declarations; Attention: Claim Department.

(E) **Defense and Settlement of Claims**

- (1) It shall be the duty of the **Insured Persons** and not the duty of the Insurer to defend **Claims**. No **Insured Person** may incur any **Defense Expenses** or admit liability for, make any settlement offer with respect to, or settle any **Claim** without the Insurer's consent, such consent not to be unreasonably withheld.
- (2) Upon written request, the Insurer will pay on a current basis any covered **Defense Expenses** before the disposition of the **Claim** for which this Policy provides coverage. In the event of such advancement, the **Insured Persons** agree that they shall repay the Insurer, severally according to

their interests, any **Loss**, including **Defense Expenses**, paid to or on behalf of the **Insured Persons** if it is finally determined that the **Loss** incurred is not covered under this Policy.

- (3) Except for such **Defense Expenses**, the Insurer shall pay **Loss** only upon the final disposition of any **Claim**.

(F) **Assistance, Cooperation and Subrogation**

- (1) The **Insured Persons** and the **Company** agree to provide the Insurer with all information, assistance and cooperation that the Insurer may reasonably request, and further agree that they will do nothing which in any way increases the Insurer's exposure under this Policy or in any way prejudices the Insurer's potential or actual rights of recovery.
- (2) In the event of any payment under this Policy, the Insurer shall be subrogated to all of the potential or actual rights of recovery of the **Insured Persons**, including any such rights of recovery against the **Company** or any **Outside Entity**. The **Insured Persons** shall execute all papers required and will do everything necessary to secure such rights including but not limited to the execution of such documents as are necessary to enable the Insurer to effectively bring suit in their name, and will provide all other assistance and cooperation which the Insurer may reasonably require.

(G) **Interrelated Claims**

All **Claims** arising from **Interrelated Wrongful Acts** shall be deemed to constitute a single **Claim** and shall be deemed to have been made at the earliest time at which the earliest such **Claim** is made or deemed to have been made pursuant to CONDITION (D)(1) or (2) above, if applicable.

(H) **Exhaustion**

If the Insurer's Limit of Liability as set forth in ITEM 3 of the Declarations is exhausted by the payment of **Loss**, the premium as set forth in ITEM 6 of the Declarations will be fully earned, all obligations of the Insurer under this Policy will be completely fulfilled and exhausted, and the Insurer will have no further obligations of any kind whatsoever under this Policy.

(I) **Cancellation and Renewal of Coverage**

- (1) The Chairman of the Board of Directors and the Chief Executive Officer of the **Parent Company** shall have the exclusive right to cancel this Policy on behalf of the **Insured Persons**. Such cancellation may be effected by mailing to the Insurer written notice stating when such cancellation shall be effective, provided the date of cancellation is not later than the Expiration Date set forth in ITEM 2 of the Declarations. In such event, the Insurer shall retain the customary short rate portion of the earned premium. Return or tender of the unearned premium is not a condition of cancellation.
- (2) The Insurer may cancel this Policy only for nonpayment of premium. The Insurer will provide not less than twenty (20) days written notice stating the reason for cancellation and when the Policy will be canceled. Notice of cancellation will be sent to the **Parent Company** and the agent of record for the **Insured Persons**, if applicable.
- (3) The Insurer is under no obligation to renew this Policy upon its expiration. Once the Insurer chooses to non-renew this Policy, the Insurer will deliver or mail to the **Parent Company** written notice stating such at least sixty (60) days before the Expiration Date set forth in ITEM 2 of the Declarations.
- (4) The Insurer shall not be entitled under any circumstances to rescind this Policy, other than for non-payment of premium.

(J) **Optional Extension Period**

- (1) If either the **Insured Persons** or the Insurer does not renew this Policy, the **Insured Persons** shall have the right, upon payment of the additional premium set forth in ITEM 4 of the Declarations, to an extension of the coverage provided by this Policy with respect only to any **Claim** first made during the

period of time set forth in ITEM 4 of the Declarations after the Policy Expiration Date, but only with respect to a **Wrongful Act** occurring prior to the Policy Expiration Date.

- (2) As a condition precedent to the right to purchase the Optional Extension Period the total premium for this Policy must have been paid in full. The right of the **Insured Persons** to purchase the Optional Extension Period will be immediately terminated if the Insurer does not receive written notice by the **Insured Persons** advising they wish to purchase the Optional Extension Period together with full payment of the premium for the Optional Extension Period within thirty (30) days after the Policy Expiration Date.
- (3) If the **Insured Persons** elect to purchase the Optional Extension Period as set forth in CONDITIONS (J)(1) and (2) above, the entire premium for the Optional Extension Period will be deemed to be fully earned at the Inception Date for the Optional Extension Period.
- (4) The purchase of the Optional Extension Period will not in any way increase the Limit of Liability set forth in ITEM 3 of the Declarations, and the Limit of Liability with respect to **Claims** made during the Optional Extension Period shall be part of and not in addition to the Limit of Liability for all **Claims** made during the Policy Period.

(K) **Representation Clause**

The **Application** for coverage shall be construed as a separate **Application** for coverage for each **Insured Person**. Each **Insured Person** represents that, to the best of his or her knowledge, the statements and particulars contained in the **Application** are true, accurate and complete, and each **Insured Person** agrees that this Policy is issued in reliance on the truth of that representation and that such particulars and statements, which are deemed to be incorporated into and constitute a part of this Policy, are the basis of this Policy. In the event that any statements and particulars contained in the **Application** are untrue, inaccurate or incomplete, this Policy will be void with respect to any **Insured Person** who had actual knowledge as of the Inception Date of facts or information that were not accurately or completely disclosed as required in the **Application**. No knowledge or information possessed by any **Insured Person** will be imputed to any other **Insured Person** for the purposes of determining the availability of coverage with respect to **Claims** made against such other **Insured Person**.

(L) **Action Against the Insurer, Assignment, and Changes to Policy**

- (1) No action may be taken against the Insurer unless, as a condition precedent thereto:
 - (a) there has been full compliance with all of the terms and conditions of this Policy; and
 - (b) the amount of the obligation of the **Insured Person** has been finally determined either by judgment against the **Insured Person** after actual trial, or by written agreement of the **Insured Person**, the claimant and the Insurer.
- (2) Nothing contained herein shall give any person or entity any right to join the Insurer as a party to any **Claim** against the **Insured Persons** to determine their liability, nor may the **Insured Persons** implead the Insurer in any **Claim**.
- (3) Assignment of interest under this Policy shall not bind the Insurer unless its consent is endorsed hereon.
- (4) Notice to any agent or knowledge possessed by any agent or other person acting on behalf of the Insurer will not cause a waiver or change in any part of this Policy or prevent the Insurer from asserting any right under the terms, conditions and limitations of this Policy. The terms, conditions and limitations of this Policy may only be waived or changed by written endorsement signed by the Insurer.

(M) **Authorization and Notices**

It is understood and agreed that, except as provided elsewhere in this Policy, the **Parent Company** will act on behalf of the **Company** and the **Insured Persons** with respect to:

- (1) the payment of the premiums,
- (2) the receiving of any return premiums that may become due under this Policy,
- (3) the giving of all notices to the Insurer as provided herein, and
- (4) the receiving of all notices from the Insurer.

(N) **Entire Agreement**

The **Insured Persons** agree that the Declarations, the Policy, including any endorsements and attachments, and the **Application** shall constitute the entire agreement between the Insurer or any of its agents and the **Insured Persons** in relation to the insurance.

(O) **Worldwide Coverage**

In consideration of the premium charged, coverage under this Policy shall extend anywhere in the world.

(P) **Bankruptcy**

In the event that a liquidation or reorganization proceeding is commenced by or against the **Company** pursuant to the United States Bankruptcy Code, as amended, or any similar state or local law, the **Insured Persons** and the **Company** hereby (1) waive and release any automatic stay or injunction which may apply in such proceeding in connection with this Policy or its proceeds under such Bankruptcy Code or law; and (2) agree not to oppose or object to any efforts by the Insurer or any **Insured Person** or the **Company** to obtain relief from any such stay or injunction.

This is Exhibit "F" referred to in the Affidavit of William Richard Harker, sworn before me at Westwood, New Jersey, United States of America, on August 10, 2018.



(A Notary Public in and for the State of New Jersey)

JEREMY FORTUNATO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 4/27/2022

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST



THE HONOURABLE MR.)

THURSDAY, THE 22ND

JUSTICE HAINEY)

DAY OF JUNE, 2017)

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.

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

AMENDED AND RESTATED INITIAL ORDER

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Billy Wong sworn June 22, 2017, and the Exhibits thereto (collectively, the “**Wong Affidavit**”), and the pre-filing report dated June 22, 2017 of FTI Consulting Canada Inc. (“**FTI**”), in its capacity as the proposed Monitor of the Applicants (the “**Pre-Filing Report**”), and on hearing the submissions of counsel to the Applicants and SearsConnect (the “**Partnership**”, and collectively with the Applicants, the “**Sears Canada**

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Entities”), counsel to the Board of Directors (the “**Board of Directors**”) of Sears Canada Inc. (“**SCI**”) and the Special Committee of the Board of Directors (the “**Special Committee**”) of SCI, counsel to FTI, counsel to Wells Fargo Capital Finance Corporation Canada (the “**DIP ABL Agent**”), as administrative agent under the DIP ABL Credit Agreement (as defined herein), and counsel to GACP Finance Co., LLC (the “**DIP Term Agent**”), as administrative agent under the DIP Term Credit Agreement (as defined herein), Koskie Minsky LLP as counsel for Store Catalogue Retiree Group, counsel for the Financial Services Commission of Ontario, and on reading the consent of FTI to act as the Monitor.

SERVICE

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

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies. Although not an Applicant, the Partnership shall enjoy the benefits of the protections and authorizations provided by this Order.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that the Applicants, individually or collectively, shall have the authority to file and may, subject to further Order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the “**Plan**”).

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the Sears Canada Entities shall remain in possession and control of their respective current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”). For greater certainty, the “**Property**” includes all inventory, assets, undertakings and property of the Sears Canada Entities in the possession or control of the Hometown Dealers (as defined in the Wong Affidavit) and all inventory, assets, undertakings and property of the Sears Canada

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Entities in the possession or control of the Corbeil Franchisees (as defined in the Wong Affidavit). Subject to further Order of this Court, the Sears Canada Entities shall continue to carry on business in a manner consistent with the preservation of the value of their business (the “**Business**”) and Property. The Sears Canada Entities shall each be authorized and empowered to continue to retain and employ the employees, independent contractors, advisors, consultants, agents, experts, accountants, counsel and such other persons (collectively, “**Assistants**”) currently retained or employed by them, with liberty, subject to the terms of the Definitive Documents (as defined herein) to retain such further Assistants, as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that the Sears Canada Entities shall be entitled to continue to utilize the central cash management services currently in place as described in the Wong Affidavit, or, with the consent of the Monitor, the DIP ABL Agent on behalf of the DIP ABL Lenders (as defined herein) and the DIP Term Agent on behalf of the DIP Term Lenders (as defined herein), replace it with another substantially similar central cash management services (the “**Cash Management System**”) and that any present or future bank or other institution providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Sears Canada Entities of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Sears Canada Entities, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System; provided, however, that no bank or other institution providing such Cash Management System shall be obliged to extend any overdraft credit, on an aggregate net basis, directly or indirectly in connection therewith and further provided that, to the extent any overdraft occurs, on an aggregate net basis, the Sears Canada Entities shall make arrangements to repay such overdraft forthwith.

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6. **THIS COURT ORDERS** that the Sears Canada Entities, subject to availability under, and in accordance with the terms of the DIP Facilities (as defined herein) and the Definitive Documents, and subject to further Order of this Court, shall be entitled but not required to pay the following expenses whether incurred prior to, on or after this Order to the extent that such expenses are incurred and payable by the Sears Canada Entities:

- (a) all outstanding and future wages, salaries, commissions, employee and retiree benefits (including, without limitation, medical, dental, life insurance and similar benefit plans or arrangements), pension benefits or contributions, vacation pay, expenses, and director fees and expenses, payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements (but not including termination or severance payments), and all other payroll, pension and benefits processing and servicing expenses;
- (b) all outstanding and future amounts owing to or in respect of Persons working as independent contractors in connection with the Business;
- (c) all outstanding or future amounts owing in respect of customer rebates, refunds, discounts or other amounts on account of similar customer programs or obligations;
- (d) all outstanding or future amounts related to honouring customer obligations, whether existing before or after the date of this Order, including customer financing, product warranties, pre-payments, deposits, gift cards, Sears Club programs (including redemptions of Sears Club points) and other customer loyalty programs, offers and benefits, in each case incurred in the ordinary course of business and consistent with existing policies and procedures;
- (e) the fees and disbursements of any Assistants retained or employed by the Sears Canada Entities at their standard rates and charges; and
- (f) with the consent of the Monitor, amounts owing for goods or services actually supplied to the Sears Canada Entities prior to the date of this Order by:

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- (i) logistics or supply chain providers, including customs brokers and freight forwarders, fuel providers, repair, maintenance and parts providers, and security and armoured truck carriers, and including amounts payable in respect of customs and duties for goods;
- (ii) providers of information, internet, and other technology, including e-commerce providers and related services;
- (iii) providers of credit, debit and gift card processing related services; and
- (iv) other third party suppliers up to a maximum aggregate amount of \$25 million, if, in the opinion of the Sears Canada Entities, the supplier is critical to the business and ongoing operations of the Sears Canada Entities.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein and subject to the terms of the Definitive Documents, the Sears Canada Entities shall be entitled but not required to pay all reasonable expenses incurred by them in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order and any other Order of this Court, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors' and officers' insurance), maintenance (including environmental remediation) and security services; and
- (b) payment for goods or services actually supplied to the Sears Canada Entities following the date of this Order.

8. **THIS COURT ORDERS** that the Sears Canada Entities shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from the Sears Canada Entities' employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

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- (b) all goods and services taxes, harmonized sales taxes or other applicable sales taxes (collectively, “**Sales Taxes**”) required to be remitted by the Sears Canada Entities in connection with the sale of goods and services by the Sears Canada Entities, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order;
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business, workers’ compensation or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Sears Canada Entities; and
- (d) taxes under the *Income Tax Act* (Canada) or other relevant taxing statutes to the extent that such taxing statutes give rise to statutory deemed trust amounts in favour of the Crown in right of Canada or any Province thereof or any political subdivision thereof or any other taxation authority.

9. **THIS COURT ORDERS** that, except as specifically permitted herein, the Sears Canada Entities are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by any one of the Sears Canada Entities to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of the Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business or pursuant to this Order or any further Order of this Court.

RESTRUCTURING

10. **THIS COURT ORDERS** that the Sears Canada Entities shall, subject to such requirements as are imposed by the CCAA, and subject to the terms of the Definitive Documents, have the right to:

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- (a) permanently or temporarily cease, downsize or shut down any of their Business or operations, and to dispose of redundant or non-material assets not exceeding \$2 million in any one transaction or \$5 million in the aggregate in any series of related transactions, provided that, with respect to leased premises, the Sears Canada Entities may, subject to the requirements of the CCAA and paragraphs 11 to 13 herein, vacate, abandon or quit the whole (but not part of) and may permanently (but not temporarily) cease, downsize or shut down any of their Business or operations in respect of any leased premises;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as the relevant Sears Canada Entity deems appropriate; and
- (c) pursue all avenues of refinancing, restructuring, selling and reorganizing the Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing, restructuring, sale or reorganization,

all of the foregoing to permit the Sears Canada Entities to proceed with an orderly restructuring of the Sears Canada Entities and/or the Business (the “**Restructuring**”).

REAL PROPERTY LEASES

11. **THIS COURT ORDERS** that until a real property lease is disclaimed or resiliated in accordance with the CCAA, the Sears Canada Entities shall pay, without duplication, all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under its lease, but for greater certainty, excluding accelerated rent or penalties, fees or other charges arising as a result of the insolvency of any or all of the Sears Canada Entities or the making of this Order) or as otherwise may be negotiated between the applicable Sears Canada Entity and the landlord from time to time (“**Rent**”), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

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12. **THIS COURT ORDERS** that the Sears Canada Entities shall provide each of the relevant landlords with notice of the relevant Sears Canada Entity's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the entitlement of a Sears Canada Entity to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the relevant Sears Canada Entity, or by further Order of this Court upon application by the Sears Canada Entities on at least two (2) days' notice to such landlord and any such secured creditors. If any of the Sears Canada Entities disclaims or resiliates the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer or resiliation of the lease shall be without prejudice to the relevant Sears Canada Entity's claim to the fixtures in dispute.

13. **THIS COURT ORDERS** that if a notice of disclaimer or resiliation is delivered pursuant to Section 32 of the CCAA by any of the Sears Canada Entities, then: (a) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the relevant Sears Canada Entity and the Monitor 24 hours' prior written notice; and (b) at the effective time of the disclaimer or resiliation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the relevant Sears Canada Entity in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE SEARS CANADA ENTITIES, THE BUSINESS OR THE PROPERTY

14. **THIS COURT ORDERS** that until and including July 22, 2017, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the

Sears Canada Entities or the Monitor or their respective employees and representatives acting in such capacities, or affecting the Business or the Property, except with the written consent of the Sears Canada Entities and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Sears Canada Entities or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

15. **THIS COURT ORDERS** that during the Stay Period, no Person having any agreements or arrangements with the owners, operators, managers or landlords of commercial shopping centres or other commercial properties (including retail, office and industrial (warehouse) properties) in which there is located a store, office or warehouse owned or operated by the Sears Canada Entities shall take any Proceedings or exercise any rights or remedies under such agreements or arrangements that may arise upon and/or as a result of the making of this Order, the insolvency of, or declarations of insolvency by, any or all of the Sears Canada Entities, or as a result of any steps taken by the Sears Canada Entities pursuant to this Order and, without limiting the generality of the foregoing, no Person shall terminate, accelerate, suspend, modify, determine or cancel any such arrangement or agreement or be entitled to exercise any rights or remedies in connection therewith.

16. **THIS COURT ORDERS** that during the Stay Period, no Person having any agreements or arrangements with the Hometown Dealers or the Corbeil Franchisees shall take any Proceedings or exercise any rights or remedies under such agreements or arrangements that may arise upon and/or as a result of the making of this Order, the insolvency of, or declarations of insolvency by, any or all of the Sears Canada Entities, or as a result of any steps taken by the Sears Canada Entities pursuant to this Order and, without limiting the generality of the foregoing, no Person shall terminate, accelerate, suspend, modify, determine or cancel any such arrangement or agreement or be entitled to exercise any rights or remedies in connection therewith.

17. **THIS COURT ORDERS** that during the Stay Period all rights and remedies, of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the Sears Canada Entities or the Monitor or their respective employees and representatives acting in

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such capacities, or affecting the Business or the Property, are hereby stayed and suspended, except with the written consent of the Sears Canada Entities and the Monitor, or leave of this Court, provided that nothing in this Order shall: (a) empower the Sears Canada Entities to carry on any business that the Sears Canada Entities are not lawfully entitled to carry on; (b) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA; (c) prevent the filing of any registration to preserve or perfect a security interest; (d) prevent the registration of a claim for lien; (e) prevent any holder of a valid and enforceable right of first refusal, option to purchase or other similar right in respect of any real property from being entitled to exercise all such rights; or (f) empower the Sears Canada Entities to fail to comply with their obligations under leases (other than the payment of rent on a twice-monthly basis, in accordance with paragraph 11 herein), operating agreements or similar agreements for the period from and after the commencement of this proceeding.

NO INTERFERENCE WITH RIGHTS

18. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, lease, sublease, licence or permit in favour of or held by the Sears Canada Entities, except with the written consent of the Sears Canada Entities and the Monitor, or leave of this Court. Without limiting the foregoing, no right, option, remedy, and/or exemption in favour of the relevant Sears Canada Entity shall be or shall be deemed to be negated, suspended, waived and/or terminated as a result of this Order.

CONTINUATION OF SERVICES

19. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Sears Canada Entities or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all trademark license and other intellectual property, computer software, communication and other data services, centralized banking services, payroll and benefit services, insurance, warranty services, transportation services, freight services, security and armoured truck carrier services, utility, customs clearing, warehouse and logistics services or other services to the Business or the Sears Canada Entities are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply or license of such goods, services, trademarks and other

intellectual property as may be required by the Sears Canada Entities, and that the Sears Canada Entities shall be entitled to the continued use of the trademarks and other intellectual property currently licensed to, used or owned by the Sears Canada Entities, premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Sears Canada Entities in accordance with normal payment practices of the Sears Canada Entities or such other practices as may be agreed upon by the supplier or service provider and each of the Sears Canada Entities and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

20. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Sears Canada Entities. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

KEY EMPLOYEE RETENTION PLAN

21. **THIS COURT ORDERS** that the Key Employee Retention Plan (the “**KERP**”), as described in the Wong Affidavit, is hereby approved and the Sears Canada Entities are authorized to make payments contemplated thereunder in accordance with the terms and conditions of the KERP.

22. **THIS COURT ORDERS** that the key employees referred to in the KERP (the “**Key Employees**”) shall be entitled to the benefit of and are hereby granted the following charges on the Property, which charges shall not exceed: (a) an aggregate amount of \$4.6 million (the “**KERP Priority Charge**”) to secure the first \$4.6 million payable to the Key Employees under the KERP; and (b) an aggregate amount of \$4.6 million (the “**KERP Subordinated Charge**”) to secure any other payments to the Key Employees under the KERP. The KERP Priority Charge and the KERP Subordinated Charge shall have the priority set out in paragraphs 47, 48 and 50 hereof.

APPROVAL OF FINANCIAL ADVISOR AGREEMENT

23. **THIS COURT ORDERS** that the agreement dated May 15, 2017 engaging BMO Nesbitt Burns Inc. (the “**Financial Advisor**”) as financial advisor to SCI and attached as Confidential Appendix C to the Pre-Filing Report (the “**Financial Advisor Agreement**”), and the retention of the Financial Advisor under the terms thereof, is hereby ratified and approved and SCI is authorized and directed *nunc pro tunc* to make the payments contemplated thereunder in accordance with the terms and conditions of the Financial Advisor Agreement.

24. **THIS COURT ORDERS** that the Financial Advisor shall be entitled to the benefit of and is hereby granted a charge (the “**FA Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$3.3 million, as security for the fees and disbursements payable under the Financial Advisor Agreement, both before and after the making of this Order in respect of these proceedings. The FA Charge shall have the priority set out in paragraphs 47, 48 and 50 hereof.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

25. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Sears Canada Entities with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Sears Canada Entities whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Sears Canada Entities, if one is filed, is sanctioned by this Court or is refused by the creditors of the Sears Canada Entities or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

26. **THIS COURT ORDERS** that the Sears Canada Entities shall jointly and severally indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Sears Canada Entities after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or

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liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

27. **THIS COURT ORDERS** that the directors and officers of the Sears Canada Entities shall be entitled to the benefit of and are hereby granted the following charges on the Property, which charges shall not exceed: (a) an aggregate amount of \$44 million (the "**Directors' Priority Charge**"); and (b) an aggregate amount of \$19.5 million (the "**Directors' Subordinated Charge**"), respectively, and in each case, as security for the indemnity provided in paragraph 26 of this Order. The Directors' Priority Charge and the Directors' Subordinated Charge shall have the priority set out in paragraphs 47, 48 and 50 hereof.

28. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary: (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Priority Charge and the Directors' Subordinated Charge; and (b) the Sears Canada Entities' directors and officers shall only be entitled to the benefit of the Directors' Priority Charge and the Directors' Subordinated Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 26 of this Order.

APPOINTMENT OF MONITOR

29. **THIS COURT ORDERS** that FTI is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Business and financial affairs of the Sears Canada Entities with the powers and obligations set out in the CCAA or set forth herein and that the Sears Canada Entities and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Sears Canada Entities pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

30. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Sears Canada Entities' receipts and disbursements;

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- (b) liaise with the Sears Canada Entities and the Assistants and, if determined by the Monitor to be necessary, the Hometown Dealers and Corbeil Franchisees, with respect to all matters relating to the Property, the Business, the Restructuring and such other matters as may be relevant to the proceedings herein;
- (c) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, the Restructuring and such other matters as may be relevant to the proceedings herein;
- (d) assist the Sears Canada Entities, to the extent required by the Sears Canada Entities, in their dissemination of financial and other information to the DIP ABL Agent, the DIP ABL Lenders, the DIP Term Agent, the DIP Term Lenders and each of their respective counsel and financial advisors, pursuant to and in accordance with the Definitive Documents;
- (e) advise the Sears Canada Entities in their preparation of the Sears Canada Entities' cash flow statements and any reporting required by the Definitive Documents, which information shall be reviewed with the Monitor and delivered to the DIP ABL Agent, the DIP ABL Lenders, the DIP Term Agent, the DIP Term Lenders and each of their respective counsel and financial advisors, pursuant to and in accordance with the Definitive Documents;
- (f) advise the Sears Canada Entities in their development of the Plan and any amendments to the Plan;
- (g) assist the Sears Canada Entities, to the extent required by the Sears Canada Entities, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (h) have full and complete access to the Property (including any Property in the possession of the Hometown Dealers and the Corbeil Franchisees), including the premises, books, records, data, including data in electronic form, and other financial documents of the Sears Canada Entities, to the extent that is necessary to adequately

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assess the Business and the Sears Canada Entities' financial affairs or to perform its duties arising under this Order;

- (i) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (j) assist the Sears Canada Entities, to the extent required by the Sears Canada Entities, with any matters relating to any foreign proceeding commenced in relation to any of the Sears Canada Entities, including retaining independent legal counsel, agents, experts, accountants, or such other persons as the Monitor deems necessary or desirable respecting the exercise of this power; and
- (k) perform such other duties as are required by this Order or by this Court from time to time.

31. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

32. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of

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any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

33. **THIS COURT ORDERS** that the Monitor shall provide any creditor of the Sears Canada Entities, the DIP ABL Agent, the DIP ABL Lenders, the DIP Term Agent and the DIP Term Lenders with information provided by the Sears Canada Entities in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Sears Canada Entities is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Sears Canada Entities may agree.

34. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

35. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, counsel to the Sears Canada Entities and counsel to the Board of Directors and the Special Committee shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, whether incurred prior to or subsequent to the date of this Order, by the Sears Canada Entities as part of the costs of these proceedings. The Sears Canada Entities are hereby authorized and directed to pay the accounts of the Monitor, counsel to the Monitor, counsel to the Sears Canada Entities and counsel to the Board of Directors and the Special Committee on a weekly basis and, in addition, the Sears Canada Entities are hereby authorized to pay to the Monitor, counsel to the Monitor, counsel to the Sears Canada Entities and counsel to the Board of Directors and the Special Committee, retainers in the aggregate amount of \$700,000, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

36. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

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37. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, counsel to the Sears Canada Entities and counsel to the Board of Directors and the Special Committee shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$5 million, as security for their professional fees and disbursements incurred at their respective standard rates and charges, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 47, 48 and 50 hereof.

DIP FINANCING

38. **THIS COURT ORDERS** that the Sears Canada Entities are hereby authorized and empowered to obtain and borrow or guarantee, as applicable, on a joint and several basis, under:

- (a) the Senior Secured Superpriority Debtor-in-Possession Amended and Restated Credit Agreement dated as of June 22, 2017 and attached to the Wong Affidavit as Exhibit K, among the Sears Canada Entities, the DIP ABL Agent and the lenders from time to time party thereto (the “**DIP ABL Lenders**”) (as may be amended, restated, supplemented and/or modified, subject to approval of this Court in respect of any amendment that the Monitor determines to be material, the “**DIP ABL Credit Agreement**”), in order to finance the Sears Canada Entities’ working capital requirements and other general corporate purposes and capital expenditures, all in accordance with the Definitive Documents, provided that borrowings under DIP ABL Credit Agreement shall not exceed \$300 million unless permitted by further Order of this Court (the “**DIP ABL Credit Facility**”); and
- (b) the Senior Secured Superpriority Credit Agreement dated as of June 22, 2017 and attached to the Wong Affidavit as Exhibit K, among the Sears Canada Entities, the DIP Term Agent and the lenders from time to time party thereto (the “**DIP Term Lenders**”) (as may be amended, restated, supplemented and/or modified, subject to approval of this Court in respect of any amendment that the Monitor determines to be material, the “**DIP Term Credit Agreement**”), in order to finance the Sears Canada Entities’ working capital requirements and other general corporate purposes and capital expenditures, all in accordance with the Definitive Documents, provided that borrowings under the DIP Term Credit Agreement shall not exceed \$150 million

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unless permitted by further Order of this Court (the “**DIP Term Credit Facility**”, and together with the DIP ABL Credit Facility, the “**DIP Facilities**”).

39. **THIS COURT ORDERS** that the DIP Facilities shall be on the terms and subject to the conditions set forth in the DIP ABL Credit Agreement, the DIP Term Credit Agreement and the other Definitive Documents.

40. **THIS COURT ORDERS** that the Sears Canada Entities are hereby authorized and empowered to execute and deliver the DIP ABL Credit Agreement, the DIP Term Credit Agreement and such mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, and including any schedules (as amended and updated from time to time) thereto, the “**Definitive Documents**”), as are contemplated by the DIP ABL Credit Agreement and the DIP Term Credit Agreement or as may be reasonably required by the DIP ABL Agent on behalf of the DIP ABL Lenders and the DIP Term Agent on behalf of the DIP Term Lenders pursuant to the terms thereof, as applicable, and the Sears Canada Entities are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP ABL Agent, the DIP ABL Lenders, the DIP Term Agent and the DIP Term Lenders under and pursuant to the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

41. **THIS COURT ORDERS** that the DIP ABL Agent and the DIP ABL Lenders shall be entitled to the benefit of and are hereby granted a charge (the “**DIP ABL Lenders’ Charge**”) on the Property as security for any and all Obligations (as defined in the DIP ABL Credit Agreement) other than the Prepetition Obligations (as defined in the DIP ABL Credit Agreement) (including on account of principal, interest, fees, expenses and other liabilities, and the aggregate of all such obligations, the “**DIP ABL Obligations**”), which DIP ABL Lenders’ Charge shall be in the aggregate amount of the DIP ABL Obligations outstanding at any given time under the DIP ABL Credit Agreement. The DIP ABL Lenders’ Charge shall not secure an obligation that exists before this Order is made. The DIP ABL Lenders’ Charge shall have the priority set out in paragraphs 47, 48 and 50 hereof.

42. **THIS COURT ORDERS** that the DIP Term Agent and the DIP Term Lenders shall be entitled to the benefit of and are hereby granted a charge (the “**DIP Term Lenders’ Charge**”) on the Property as security for any and all Obligations (as defined in DIP Term Credit Agreement)

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(including on account of principal, interest, fees, expenses and other liabilities, and the aggregate of all such obligations, the “**DIP Term Obligations**”), which DIP Term Lenders’ Charge shall be in the aggregate amount of the DIP Term Obligations outstanding at any given time under the DIP Term Credit Agreement. The DIP Term Lenders’ Charge shall not secure an obligation that exists before this Order is made. The DIP Term Lenders’ Charge shall have the priority set out in paragraphs 47, 48 and 50 hereof.

43. [Intentionally deleted.]

44. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP ABL Agent on behalf of the DIP ABL Lenders, as applicable, may take such steps from time to time as they may deem necessary or appropriate to file, register, record or perfect the DIP ABL Lenders’ Charge, the DIP ABL Credit Agreement or any of the other Definitive Documents;
- (b) the DIP Term Agent on behalf of the DIP Term Lenders, as applicable, may take such steps from time to time as they may deem necessary or appropriate to file, register, record or perfect the DIP Term Lenders’ Charge, the DIP Term Credit Agreement or any of the other Definitive Documents;
- (c) upon the occurrence of an event of default under the DIP ABL Credit Agreement, the other related Definitive Documents or the DIP ABL Lenders’ Charge, the DIP ABL Agent and the DIP ABL Lenders, as applicable, may, subject to the provisions of the DIP ABL Credit Agreement with respect to the giving of notice or otherwise, and in accordance with the DIP ABL Credit Agreement, the other related Definitive Documents and the DIP ABL Lenders’ Charge, as applicable, cease making advances to the Sears Canada Entities, make demand, accelerate payment and give other notices; provided that, the DIP ABL Agent and the DIP ABL Lenders must apply to this Court on seven (7) days’ prior written notice (which may include the service of materials in connection with such an application to this Court) to the Sears Canada Entities, the DIP Term Agent, the DIP Term Lenders and the Monitor, to enforce against or exercise any other rights and remedies with respect to the Sears Canada Entities or any of the Property (including to set off and/or consolidate any amounts

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owing by the DIP ABL Agent and the DIP ABL Lenders to the Sears Canada Entities against the obligations of the Sears Canada Entities to the DIP ABL Agent and the DIP ABL Lenders under the DIP ABL Credit Agreement, the other related Definitive Documents or the DIP ABL Lenders' Charge), to appoint a receiver, receiver and manager or interim receiver, or to seek a bankruptcy order against the Sears Canada Entities and to appoint a trustee in bankruptcy of the Sears Canada Entities;

- (d) upon the occurrence of an event of default under the DIP Term Credit Agreement, the other related Definitive Documents or the DIP Term Lenders' Charge, the DIP Term Agent and the DIP Term Lenders, as applicable, may, subject to the provisions of the DIP Term Credit Agreement with respect to the giving of notice or otherwise, and in accordance with the DIP Term Credit Agreement, the other related Definitive Documents and the DIP Term Lenders' Charge, as applicable, cease making advances to the Sears Canada Entities, make demand, accelerate payment and give other notices; provided that, the DIP Term Agent and the DIP Term Lenders must apply to this Court on seven (7) days' prior written notice (which may include the service of materials in connection with such an application to this Court) to the Sears Canada Entities, the DIP ABL Agent, the DIP ABL Lenders and the Monitor, to enforce against or exercise any other rights and remedies with respect to the Sears Canada Entities or any of the Property (including to set off and/or consolidate any amounts owing by the DIP Term Agent and the DIP Term Lenders to the Sears Canada Entities against the obligations of the Sears Canada Entities to the DIP Term Agent and the DIP Term Lenders under the DIP Term Credit Agreement, the other related Definitive Documents or the DIP Term Lenders' Charge), to appoint a receiver, receiver and manager or interim receiver, or to seek a bankruptcy order against the Sears Canada Entities and to appoint a trustee in bankruptcy of the Sears Canada Entities; and
- (e) the foregoing rights and remedies of the DIP ABL Agent, the DIP ABL Lenders, the DIP Term Agent and the DIP Term Lenders shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Sears Canada Entities or the Property.

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45. **THIS COURT ORDERS AND DECLARES** that the DIP ABL Agent, the DIP ABL Lenders, the DIP Term Agent and the DIP Term Lenders shall be treated as unaffected in any plan of arrangement or compromise filed by the Sears Canada Entities or any of them under the CCAA, or any proposal filed by the Sears Canada Entities or any of them under the *Bankruptcy and Insolvency Act* of Canada (the “**BIA**”), with respect to any advances made under the DIP ABL Credit Agreement, the DIP Term Credit Agreement and the other Definitive Documents.

46. **THIS COURT ORDERS AND DECLARES** that this Order is subject to provisional execution and that if any of the provisions of this Order in connection with the DIP ABL Credit Agreement, the DIP Term Credit Agreement, the other Definitive Documents, the DIP ABL Lenders’ Charge or the DIP Term Lenders’ Charge shall subsequently be stayed, modified, varied, amended, reversed or vacated in whole or in part (collectively, a “**Variation**”) whether by subsequent order of this Court on or pending an appeal from this Order, such Variation shall not in any way impair, limit or lessen the priority, protections, rights or remedies of the DIP ABL Agent, the DIP ABL Lenders, the DIP Term Agent and the DIP Term Lenders whether under this Order (as made prior to the Variation), under the DIP ABL Credit Agreement, the DIP Term Credit Agreement and the other Definitive Documents, with respect to any advances made prior to the DIP ABL Agent, the DIP ABL Lenders, the DIP Term Agent or the DIP Term Lenders being given notice of the Variation and the DIP ABL Agent, the DIP ABL Lenders, the DIP Term Agent and the DIP Term Lenders shall be entitled to rely on this Order as issued (including, without limitation, the DIP ABL Lenders’ Charge and the DIP Term Lenders’ Charge) for all advances so made.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

47. **THIS COURT ORDERS** that the priorities of the Administration Charge, the FA Charge, the DIP ABL Lenders’ Charge, the DIP Term Lenders’ Charge, the Directors’ Priority Charge, the Directors’ Subordinated Charge, the KERP Priority Charge and the KERP Subordinated Charge (collectively, the “**Charges**”), as among them, with respect to ABL Priority Collateral (as defined in the Intercreditor Agreement dated March 20, 2017 and attached as Exhibit J to the Wong Affidavit) shall be as follows:

First – Administration Charge, to the maximum amount of \$5 million, and the FA Charge, to the maximum amount of \$3.3 million, on a *pari passu* basis;

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Second – KERP Priority Charge, to the maximum amount of \$4.6 million;

Third – Directors' Priority Charge, to the maximum amount of \$44 million;

Fourth – DIP ABL Lenders' Charge, to the maximum amount of the quantum of the DIP ABL Obligations at the relevant time;

Fifth – the DIP Term Lenders' Charge, to the maximum amount of the quantum of the DIP Term Obligations at the relevant time;

Sixth – KERP Subordinated Charge, to the maximum amount of \$4.6 million; and

Seventh – the Directors' Subordinated Charge, to the maximum amount of \$19.5 million.

48. **THIS COURT ORDERS** that the priorities of the Charges as among them, with respect to all Property other than the ABL Priority Collateral shall be as follows:

First – Administration Charge, to the maximum amount of \$5 million, and the FA Charge, to the maximum amount of \$3.3 million, on a *pari passu* basis;

Second – KERP Priority Charge, to the maximum amount of \$4.6 million;

Third – Directors' Priority Charge, to the maximum amount of \$44 million;

Fourth – DIP Term Lenders' Charge, to the maximum amount of the quantum of the DIP Term Obligations at the relevant time;

Fifth – DIP ABL Lenders' Charge, to the maximum amount of the quantum of the DIP ABL Obligations at the relevant time;

Sixth – KERP Subordinated Charge, to the maximum amount of \$4.6 million; and

Seventh – the Directors' Subordinated Charge, to the maximum amount of \$19.5 million.

49. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as

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against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

50. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property, and such Charges shall rank in priority to all other security interests, trusts (including constructive trusts), liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (including without limitation any deemed trust that may be created under the Ontario *Pension Benefits Act*) (collectively, “**Encumbrances**”) other than (a) any Person with a properly perfected purchase money security interest under the *Personal Property Security Act* (Ontario) or such other applicable provincial legislation that has not been served with notice of this Order; and (b) statutory super-priority deemed trusts and liens for unpaid employee source deductions.

51. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Sears Canada Entities shall not grant any Encumbrances over any of the Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Sears Canada Entities also obtain the prior written consent of the Monitor, the DIP ABL Agent on behalf of the DIP ABL Lenders, the DIP Term Agent on behalf of the DIP Term Lenders and the other beneficiaries of affected Charges, or further Order of this Court.

52. **THIS COURT ORDERS** that the Charges, the DIP ABL Credit Agreement, the DIP Term Credit Agreement, and the other Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “**Chargees**”) thereunder shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) that binds the Sears Canada Entities, and notwithstanding any provision to the contrary in any Agreement:

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- (i) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP ABL Credit Agreement, the DIP Term Credit Agreement or the other Definitive Documents shall create or be deemed to constitute a breach by the Sears Canada Entities of any Agreement to which it is a party;
- (ii) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Sears Canada Entities entering into the DIP ABL Credit Agreement and the DIP Term Credit Agreement, the creation of the Charges, or the execution, delivery or performance of the other Definitive Documents; and
- (iii) the payments made by the Sears Canada Entities pursuant to this Order, the DIP ABL Credit Agreement, the DIP Term Credit Agreement or the other Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

53. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the relevant Sears Canada Entity's interest in such real property leases.

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 solely for the reimbursement obligation of SCI related to the letters of credit issued under the Wells Fargo Credit Agreement which remain undrawn from and after the Comeback Motion (as defined herein). 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.

CORPORATE MATTERS

55. **THIS COURT ORDERS** that SCI be and is hereby relieved of any obligation to call and hold an annual meeting of its shareholders until further Order of this Court.

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56. **THIS COURT ORDERS** that SCI be and is hereby relieved of any obligation to appoint any new directors until further Order of this Court.

SERVICE AND NOTICE

57. **THIS COURT ORDERS** that the Monitor shall: (a) without delay, publish in The Globe and Mail (National Edition) and La Presse a notice containing the information prescribed under the CCAA; and (b) within five days after the date of this Order, (i) make this Order publicly available in the manner prescribed under the CCAA, (ii) send or cause to be sent, in the prescribed manner, a notice to every known creditor who has a claim against the Sears Canada Entities of more than \$1,000 (excluding individual employees, former employees with pension and/or retirement savings plan entitlements, and retirees and other beneficiaries who have entitlements under any pension or retirement savings plans), and (iii) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder, provided that the Monitor shall not make the claims, names and addresses of the individuals who are creditors publicly available.

58. **THIS COURT ORDERS** that the Monitor shall create, maintain and update as necessary a list of all Persons appearing in person or by counsel in this proceeding (the “**Service List**”). The Monitor shall post the Service List, as may be updated from time to time, on the Monitor’s Website (as defined herein) as part of the public materials to be made available thereon in relation to this proceeding. Notwithstanding the foregoing, the Monitor shall have no liability in respect of the accuracy of or the timeliness of making any changes to the Service List.

59. **THIS COURT ORDERS** that any employee of any of the Sears Canada Entities that receives a notice of termination from any of the Sears Canada Entities shall be deemed to have received such notice of termination by no more than the seventh day following the date such notice of termination is delivered, if such notice of termination is sent by ordinary mail, courier or registered mail.

60. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List

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website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: cfcanada.fticonsulting.com/searscanada (the “**Monitor’s Website**”).

61. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Sears Canada Entities and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Sears Canada Entities’ creditors or other interested parties at their respective addresses as last shown on the records of the Sears Canada Entities and that any such service or distribution by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

62. **THIS COURT ORDERS** that the Applicants, the Monitor, the Financial Advisor, the DIP Term Agent on behalf of the DIP Term Lenders and the DIP ABL Agent on behalf of the DIP ABL Lenders, and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicants’ creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within the meaning of clause 3(c) of the Electronic Commerce Protection Regulations, Reg. 81000-2-175 (SOR/DORS).

COMEBACK MOTION

63. **THIS COURT ORDERS** that the comeback motion shall be heard on July 13, 2017 (the “**Comeback Motion**”).

GENERAL

64. **THIS COURT ORDERS** that the Sears Canada Entities or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

65. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Sears Canada Entities, the Business or the Property.

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

67. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada, including acting as the foreign representative of the Applicants to apply to the United States Bankruptcy Court for relief pursuant to Chapter 15 of the *United States Bankruptcy Code*, 11 U.S.C. §§ 101-1515, as amended, and to act as foreign representative in respect of any such proceedings and any ancillary relief in respect thereto, and to take such other steps as may be authorized by the Court.

68. **THIS COURT ORDERS** that any interested party (including the Sears Canada Entities and the Monitor) may apply to this Court to vary or amend this Order at the Comeback Motion

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on not less than seven (7) calendar days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

69. **THIS COURT ORDERS** that Confidential Appendix B and Confidential Appendix C to the Pre-Filing Report shall be and are hereby sealed, kept confidential and shall not form part of the public record pending further Order of this Court.

70. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

A handwritten signature in cursive script, appearing to read "Haiman J.", written over a horizontal line.

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

JUL 13 2017

PER / PAR:

Handwritten initials "pl" in cursive script.

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. (collectively, the "Applicants")

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

AMENDED AND RESTATED INITIAL ORDER

OSLER, HOSKIN & HARCOURT LLP
Box 50, 1 First Canadian Place
Toronto, Canada M5X 1B8

Marc Wasserman (LSUC #: 44066M)
Tel: 416.862.4908

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Michael De Lellis (LSUC #: 48038U)
Tel: 416.862.5997

Lawyers for the Applicants

This is **Exhibit "G"** referred to in the Affidavit of William Richard Harker, sworn before me at Westwood, New Jersey, United States of America, on August 10, 2018.



(A Notary Public in and for the State of New Jersey)

JEREMY FORTUNATO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 4/27/2022

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.)	FRIDAY, THE 8 th
JUSTICE HAINEY)	DAY OF DECEMBER, 2017
)	

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.

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

CLAIMS PROCEDURE ORDER

THIS MOTION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. c-36, as amended (the “**CCAA**”) for an order establishing a claims procedure for the identification and quantification of certain claims against (i) the Applicants and SearsConnect (collectively, the “**Sears Canada Entities**”) and (ii) the current and former directors and officers of the Sears Canada Entities, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion of the Applicants, the Affidavit of Billy Wong sworn on December 1, 2017 including the exhibits thereto, the Eighth Report of FTI Consulting Canada

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Inc., in its capacity as monitor (the “**Monitor**”), filed, and on hearing the submissions of respective counsel for the Applicants, the Monitor, Pension Representative Counsel (as defined below), Employee Representative Counsel (as defined below), the Pension Plan Administrator (as defined below), the Superintendent (as defined below), and such other counsel as were present, no one else appearing although duly served as appears from the Affidavits of Service of Justine Erickson sworn December 4, 2017,

SERVICE

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

DEFINITIONS AND INTERPRETATION

2. THIS COURT ORDERS that any capitalized term used and not defined herein shall have the meaning ascribed thereto in the Amended and Restated Initial Order in these proceedings dated June 22, 2017 as amended, restated, supplemented and/or modified from time to time (the “**Initial Order**”).

3. THIS COURT ORDERS that for the purposes of this Order the following terms shall have the following meanings:

- (a) “**Advisors**” means, collectively, any actuarial, financial, legal and other advisors and assistants;
- (b) “**Agent**” means the contractual joint venture comprised of Gordon Brothers Canada ULC, Merchant Retail Solutions ULC, Tiger Capital Group, LLC and GA Retail Canada ULC;

- (c) “Agency Agreements” means: (i) the Amended and Restated Agency Agreement between Sears Canada Inc. and the Agent dated July 12, 2017 and amended and restated on July 14, 2017, and (ii) the Amended and Restated Agency Agreement between Sears Canada Inc. and the Agent dated October 10, 2017;
- (d) “Assessments” means Claims of Her Majesty the Queen in Right of Canada or of any Province or Territory or Municipality or any other taxation authority in any Canadian or foreign jurisdiction, including, without limitation, amounts which may arise or have arisen under any notice of assessment, notice of objection, notice of reassessment, notice of appeal, audit, investigation, demand or similar request from any taxation authority;
- (e) “Business Day” means a day, other than a Saturday, Sunday or statutory holiday, on which banks are generally open for business in Toronto, Ontario;
- (f) “CCAA Proceedings” means the CCAA proceedings commenced by the Applicants in the Court under Court File No. CV-17-11846-00CL;
- (g) “Claim” means:
 - (i) any right or claim of any Person against any of the Sears Canada Entities, whether or not asserted, including in connection with any indebtedness, liability or obligation of any kind whatsoever of any such Sears Canada Entity to such Person, in existence on the Filing Date, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or

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unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including rights or claims with respect to any Assessment, Construction Claim, Warranty, any claim brought by any representative plaintiff on behalf of a class in a class action, or contract, or by reason of any equity interest, right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and any right or ability of any Person to advance a claim for contribution or indemnity or otherwise against any of the Sears Canada Entities with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which right or claim, including in connection with indebtedness, liability or obligation, is based in whole or in part on facts that existed prior to the Filing Date, including for greater certainty any claim against any of the Sears Canada Entities for indemnification by any Director or Officer in respect of a D&O Claim (each, a “**Pre-Filing Claim**”, and collectively, the “**Pre-Filing Claims**”);

- (ii) any right or claim of any Sears Supplier against any of the Sears Canada Entities in connection with any non-payment by any such Sears Canada Entity to such Sears Supplier for goods or services supplied to such Sears Canada Entity on or after the Filing Date (each, a “**Post-Filing Claim**”, and collectively, the “**Post-Filing Claims**”);
- (iii) any right or claim of any Person against any of the Sears Canada Entities, including in connection with any indebtedness, liability or obligation of any

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kind whatsoever of any such Sears Canada Entity to such Person, arising on or after the Filing Date, including without limitation rights or claims arising with respect to the restructuring, disclaimer, resiliation, termination or breach by such Sears Canada Entity on or after the Filing Date of any contract, lease or other agreement whether written or oral, but excluding any Post-Filing Claims (each, a “**Restructuring Period Claim**”, and collectively, the “**Restructuring Period Claims**”); and

- (iv) any right or claim of any Person against one or more of the Directors and/or Officers howsoever arising, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any Assessments and any right or ability of any Person to advance a claim for contribution, indemnity or otherwise against any of the Directors and/or Officers with respect to any matter, action, cause or chose in action, however arising, for which any Director or Officer is alleged to be, by statute or otherwise by law or equity, liable to pay in his or her capacity as a Director or Officer (each a “**D&O Claim**”, and collectively, the “**D&O Claims**”),

including any Claim arising through subrogation against any Sears Canada Entity or Director or Officer, provided however that in any case “**Claim**” shall not include an Excluded Claim;

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- (h) “**Claimant**” means any Person asserting a Claim, including without limitation any Construction Claimant, General Creditor Claimant, Landlord Claimant or Intercompany Claimant;
- (i) “**Claims Officer**” means the individuals designated by the Court pursuant to paragraph 62 of this Order;
- (j) “**Claims Process**” means the procedures outlined in this Order in connection with the solicitation and assertion of Claims against the Sears Canada Entities and/or the Directors and Officers;
- (k) “**Construction Claim**” means: (i) a Claim, including a D&O Claim, asserted under the trust provisions of applicable Provincial Lien Legislation or a Claim asserted against the holdback under applicable Provincial Lien Legislation; or (ii) a Claim secured in whole or in part by the registration of a builders’ or construction lien under applicable Provincial Lien Legislation against any real property that has been or is owned or leased by any of the Sears Canada Entities, or a Claim secured in whole or in part by any security held in connection with a Vacated or Discharged Lien;
- (l) “**Construction Claimant**” means a Person asserting a Construction Claim;
- (m) “**Construction Claims Bar Date**” means 5:00 p.m. on February 15, 2018;
- (n) “**Construction Claims Package**” means the document package consisting of a Notice of Construction Claim, a blank Notice of Dispute of Construction Claim, a Construction Contractor Instruction Letter, a Construction Sub-Contractor

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Instruction Letter and such other materials as the Monitor, in consultation with the Sears Canada Entities, may consider appropriate or desirable;

- (o) “**Construction Contractor**” means a Construction Claimant contracting directly with the Sears Canada Entities or an agent of the Sears Canada Entities in connection with the improvement of any real property that has been or is owned or leased by any of the Sears Canada Entities;
- (p) “**Construction Contractor Instruction Letter**” means the instruction letter to Construction Contractors, substantially in the form attached as Schedule “M” hereto, regarding the Notice of Construction Claim, completion of a Notice of Dispute of Construction Claim by a Construction Contractor, and the Claims Process described herein, and directing such Construction Contractors to send a copy of the Notice of Construction Claim and the Construction Sub-Contractor Instruction Letter to all Construction Sub-Contractors with which such Construction Contractor has a direct contractual agreement or engagement in connection with the relevant improvement to any real property that has been or is owned or leased by any of the Sears Canada Entities;
- (q) “**Construction Sub-Contractor**” means a Construction Claimant not contracting directly with or employed directly by the Sears Canada Entities or an agent of the Sears Canada Entities but who supplied services, materials or work to an improvement to any real property that has been or is owned or leased by any of the Sears Canada Entities under an agreement (written or oral) or engagement with a Construction Contractor or under an agreement or engagement with another subcontractor of any level;

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- (r) “**Construction Sub-Contractor Instruction Letter**” means the instruction letter to be sent by each Construction Contractor and Construction Sub-Contractor to all Construction Sub-Contractors with which each such Construction Contractor or Construction Sub-Contractor has a direct contractual agreement or engagement in connection with the relevant improvement, substantially in the form attached as Schedule “N” hereto, notifying such Construction Sub-Contractors that all Construction Claims in respect of their services as Construction Sub-Contractors shall be included in the Claim of the relevant Construction Contractor for the purposes of this Claims Process and directing such Construction Sub-Contractors to: (i) send a copy of the Notice of Construction Claim and the Construction Sub-Contractor Instruction Letter to all Construction Sub-Contractors with which such Construction Sub-Contractor has a direct contractual agreement or engagement in connection with the relevant improvement, and (ii) contact their Construction Contractor directly to determine and negotiate with their Construction Contractor any rights they may have with respect to any such Construction Contractor’s Construction Claim;
- (s) “**Court**” means the Ontario Superior Court of Justice (Commercial List);
- (t) “**D&O Claim Instruction Letter**” means the letter containing instructions for completing the D&O Proof of Claim form, substantially in the form attached as Schedule “D” hereto;
- (u) “**D&O Proof of Claim**” means the proof of claim to be filed by Claimants in connection with any D&O Claim, substantially in the form attached as Schedule “E” hereto, which shall include all supporting documentation in respect of such

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D&O Claim; and for greater certainty, a “D&O Proof of Claim” shall include a D&O Proof of Claim filed online through the Monitor’s website;

- (v) “**Director**” means anyone who is or was or may be deemed to be or have been, whether by statute, operation of law or otherwise, a director or *de facto* director of any of the Sears Canada Entities, in such capacity;
- (w) “**Employee**” means any (i) active or inactive union or non-union employee of any one of the Sears Canada Entities on or after the Filing Date, including an employee of any one of the Sears Canada Entities who received notice of termination of employment dated on or after the Filing Date; and (ii) former employee of any one of the Sears Canada Entities who was terminated for cause at any time or who received notice of cessation of termination or severance payments dated on or after the Filing Date;
- (x) “**Employee Claim**” means a Claim, including a D&O Claim, that may be asserted by or on behalf of an Employee, and shall include any Employee Claim arising through subrogation;
- (y) “**Employee Claims Process**” means a claims process to be approved pursuant to a further Order of this Court that shall, among other things, set forth the procedure for the solicitation and assertion of Employee Claims against the Sears Canada Entities and/or the Directors and Officers;
- (z) “**Employee Letter**” means the letter from Employee Representative Counsel to be disseminated by the Monitor, in consultation with the Sears Canada Entities and Employee Representative Counsel, to all Employees represented by Employee

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Representative Counsel advising, among other things, that their Employee Claims will be dealt with through a separate Employee Claims Process, which letter shall be substantially in the form attached hereto as Schedule "P";

- (aa) **"Employee Representative Counsel"** means Ursel Phillips Fellows Hopkinson LLP;
- (bb) **"Employee Representative Counsel's Website"** means <http://www.upflaw.ca/arcas-of-practice/sears-canada-employees-and-former-employees/>;
- (cc) **"Employee Representatives"** means Paul Webber, Nancy Demeter, Sheena Wrigglesworth, Barb Wilser and Darrin Whitney, or such other representatives as may be duly appointed by Employee Representative Counsel;
- (dd) **"Excluded Claim"** means any:
 - (i) Claim that may be asserted by any beneficiary of the Administration Charge, the FA Charge, the KERP Priority Charge, the Directors' Priority Charge, the KERP Subordinated Charge and the Directors' Subordinated Charge and any other charges granted by the Court in the CCAA Proceedings, with respect to such charges;
 - (ii) Claim by the Agent under the Agency Agreements;
 - (iii) Employee Claim;
 - (iv) Sears Pension Claim;

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- (v) Other Pensioner Claim;
- (vi) Monitor Claim; and
- (vii) Claim that may be asserted by any of the Sears Canada Entities against any Directors and/or Officers;

and for greater certainty, shall include any Excluded Claim arising through subrogation;

- (ee) “**Filing Date**” means June 22, 2017;
- (ff) “**General Creditor Claim**” means a Claim, other than a Construction Claim or Intercompany Claim;
- (gg) “**General Creditor Claimant**” means a Person asserting a General Creditor Claim;
- (hh) “**General Creditor Claims Bar Date**” means 5:00 p.m. on March 2, 2018;
- (ii) “**General Creditor Claims Package**” means the document package which shall be disseminated by the Monitor to any potential General Creditor Claimant in accordance with the terms of this Order (including, if practicable, by way of email, where electronic addresses are known), consisting of the Notice to General Creditor Claimants, a blank Proof of Claim, a Proof of Claim Instruction Letter, a blank D&O Proof of Claim, and a D&O Claim Instruction Letter, and such other materials as the Monitor, in consultation with the Sears Canada Entities, may consider appropriate or desirable;

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- (jj) “**General Creditor Post-Filing Claims Bar Date**” means 5:00 p.m. on April 2, 2018;
- (kk) “**General Creditor Restructuring Period Claims Bar Date**” means, in respect of a Restructuring Period Claim, the later of (i) 5:00 p.m. on the date that is 45 days after the date on which the Monitor sends a General Creditor Claims Package with respect to a Restructuring Period Claim and (ii) the General Creditor Claims Bar Date;
- (ll) “**Intercompany Claim**” means any Claim that may be asserted against any of the Sears Canada Entities by or on behalf of any of the Sears Canada Entities or any of their affiliated companies, partnerships, or other corporate entities (and for greater certainty, excluding any Claim that may be asserted against any of the Sears Canada Entities by or on behalf of Sears Holdings Corporation or any of its affiliated companies, partnerships or other corporate entities that are not Sears Canada Entities) and excluding any Monitor Claim;
- (mm) “**Intercompany Claimant**” means a Person asserting an Intercompany Claim;
- (nn) “**Landlord**” means a landlord under any real property lease or occupancy agreement for any of the Applicants’ leased premises;
- (oo) “**Landlord Claim**” means any Claim, including any D&O Claim, of a Landlord;
- (pp) “**Landlord Claimant**” means a Landlord asserting a Landlord Claim;
- (qq) “**Landlord Claims Bar Date**” means, in respect of a Landlord Claim, the later of (i) 5:00 p.m. on the date that is 45 days after the date on which the Monitor sends a

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General Creditor Claims Package with respect to a Landlord Claim and (ii) 5:00 p.m. on April 2, 2018;

- (rr) “**Meeting**” means any meeting of the creditors of the Sears Canada Entities called for the purpose of considering and voting in respect of a Plan;
- (ss) “**Monitor Claim**” means a Claim, including a D&O Claim and any claim pursued in accordance with section 36.1 of the CCAA, that may be asserted by the Monitor;
- (tt) “**Monitor’s Website**” means <http://cfcanada.fticonsulting.com/searscanada/>;
- (uu) “**Monitor’s Intercompany Claims Report**” shall have the meaning set out in paragraph 60 herein;
- (vv) “**Notice of Construction Claim**” means the notice, substantially in the form attached as Schedule “K” hereto, advising each Construction Contractor of its Construction Claim (which shall, for greater certainty, be deemed to include the Construction Claims of all Construction Sub-Contractors who provided materials and/or services under an agreement with the Construction Contractor or another Construction Sub-Contractor of any level in connection with the improvement) as valued by the Sears Canada Entities with the assistance of the Monitor based on the books and records of the Sears Canada Entities;
- (ww) “**Notice of Dispute of Construction Claim**” means the notice, substantially in the form attached as Schedule “L” hereto, which may be delivered to the Monitor by a Construction Contractor or, where appropriate, by a Construction Sub-Contractor disputing a Notice of Construction Claim, with reasons for its dispute;

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- (xx) “**Notice to General Creditor Claimants**” means the notice for publication by the Monitor, substantially in the form attached as Schedule “A” hereto, which shall include, without limitation: (i) a notice to all Claimants (that are not Sears Suppliers) with potential General Creditor Claims below \$1,000 that such Claimants will not be provided with a General Creditor Claims Package and should obtain a copy from the Monitor’s website or request a copy from the Monitor; (ii) a notice to holders of Warranties stating that no Proofs of Claim are required to be filed in connection with any potential Warranty Claim because all Proofs of Claim with respect to potential Warranty Claims will be deemed to be properly submitted by the Sears Canada Entities, based on the Sears Canada Entities’ books and records, on behalf of each Warranty holder, and (iii) a notice informing holders of gift cards and Sears Loyalty Points that all gift cards and Sears Loyalty Points will no longer be accepted by the Sears Canada Entities after January 21, 2018;
- (yy) “**Notice of Dispute of Revision or Disallowance**” means the form substantially in the form attached as Schedule “F” hereto;
- (zz) “**Notice of Revision or Disallowance**” means the form substantially in the form attached as Schedule “G” hereto;
- (aaa) “**Officer**” means anyone who is or was or may be deemed to be or have been, whether by statute, operation of law or otherwise, an officer or *de facto* officer of any of the Sears Canada Entities, in such capacity;
- (bbb) “**Order**” means this Claims Procedure Order;

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- (ccc) “**Other Employee Letter**” means the letter from the Monitor to be disseminated by the Monitor, in consultation with the Sears Canada Entities, to Employees not represented by Employee Representative Counsel (provided that where such Employees are subject to union representation, the Monitor shall only be required to send such letter to the unions representing the unionized Employees) advising, among other things, that their Employee Claims will be dealt with through a separate Employee Claims Process, which letter shall be substantially in the form attached hereto as Schedule “H”;
- (ddd) “**Other Pensioner**” means any retiree and any current or former employee of the Sears Canada Entities with (i) entitlements under the Supplemental Plan, and any other pension or retirement plan of the Sears Canada Entities (not including the Sears Pension Plan), and/or (ii) other post-employment benefits entitlements;
- (cee) “**Other Pensioner Claim**” means a Claim, including a D&O Claim, that may be asserted by or on behalf of an Other Pensioner, and shall include any Other Pensioner Claim arising through subrogation;
- (fff) “**Pensioner**” means any Sears Pensioner or Other Pensioner;
- (ggg) “**Pensioner Claim**” means any Sears Pension Claim or Other Pensioner Claim;
- (hhh) “**Pensioner Claims Process**” means a claims process to be approved pursuant to a further Order of this Court that shall, among other things, set forth the procedure for the solicitation and assertion of Pensioner Claims against the Sears Canada Entities and/or the Directors and Officers;

* with such other changes as may be agreed to by Pension Representative Counsel, the Pension Plan Administrator, the Sears Canada Entities and The Monitor - 16 -

(iii) **"Pensioner Letter"** means the letter from Pension Representative Counsel to be disseminated by Pension Representative Counsel, in consultation with the Sears Canada Entities, the Pension Plan Administrator (in respect of the Sears Pension Plan) and the Monitor, to all Pensioners advising, among other things, that their Pensioner Claims will be dealt with through a separate Pensioner Claims Process, which letter shall be substantially in the form attached hereto as Schedule "J";

(jjj) **"Pension Plan Administrator"** means Morneau Shepell Ltd. in its capacity as administrator of the Sears Pension Plan;

(kkk) **"Pension Plan Administrator Website"** means https://www.pensionwindups.morneaushepell.com/_private/select_plan.asp?DURL=/en/plan_info/srrp/plan_info.asp;

(lll) **"Pension Representative Counsel"** means Koskie Minsky LLP;

(mmm) **"Pension Representative Counsel's Website"** means <https://kmlaw.ca/cases/sears-canada/>;

(nnn) **"Pensioner Representatives"** means Bill Turner, Ken Eady and Larry Moore;

(ooo) **"Person"** means any individual, firm, corporation, limited or unlimited liability company, general or limited partnership, association, trust (including a real estate investment trust), unincorporated organization, joint venture, government or any agency or instrumentality thereof or any other entity;

(ppp) **"Plan"** means, as further defined in the Initial Order, any proposed plan of compromise or arrangement that may be filed in respect of any or all of the Sears

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Canada Entities pursuant to the CCAA as the same may be amended, supplemented or restated from time to time in accordance the terms thereof;

- (qqq) “**Pre-Filing Period**” means the period prior to the Filing Date;
- (rrr) “**Proof of Claim**” means the proof of claim to be filed by General Creditor Claimants in respect of Pre-Filing Claims, Post-Filing Claims and Restructuring Period Claims, substantially in the form attached as Schedule “C” hereto; and for greater certainty, a “Proof of Claim” shall include a Proof of Claim filed online through the Monitor’s website;
- (sss) “**Proof of Claim Instruction Letter**” means the letter containing instructions for completing the Proof of Claim form, substantially in the form attached as Schedule “B” hereto;
- (ttt) “**Provincial Lien Legislation**” means the *Construction Lien Act*, R.S.O., 1990, c. C.30, the *Builders’ Lien Act*, R.S.A. 2000, c. B-7, the *Builders’ Lien Act*, R.S.N.S. 1989, c. 277, the *Mechanics’ Lien Act*, R.S.N.B. 1973, c. M-6, *The Builders’ Liens Act*, C.C.S.M. c. B91, the *Builders Lien Act*, S.B.C. 1997, c. 45, and any other similar provincial mechanics, builders or construction lien legislation in Canada;
- (uuu) “**Restructuring Period**” means the period on or after the Filing Date;
- (vvv) “**Sears Loyalty Points**” means any points issued and outstanding under the Sears Club Reward Program;

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- (www) “**Sears Pension Claim**” means a Claim, including a D&O Claim, that may be asserted by or on behalf of a Sears Pensioner, Pension Representative Counsel, the Superintendent or the Pension Plan Administrator, and shall include any Sears Pension Claim arising through subrogation;
- (xxx) “**Sears Pension Plan**” means the Sears Canada Inc. Registered Retirement Plan (Reg. #0360065), a pension plan registered under the Ontario *Pension Benefits Act*, R.S.O. 1990, c. P.8 and *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.) with a defined benefit component and a defined contribution component;
- (yyy) “**Sears Pensioner**” means any retiree and any current or former employee of the Sears Canada Entities with entitlements under the Sears Pension Plan;
- (zzz) “**Sears Supplier**” means any Person who has supplied goods or services to any Sears Canada Entity;
- (aaaa) “**Superintendent**” means the Ontario Superintendent of Financial Services as administrator of the Pension Benefits Guarantee Fund;
- (bbbb) “**Supplemental Plan**” means the Sears Canada Inc. Supplementary Retirement Plan, a non-registered supplemental pension plan maintained to provide benefits to eligible participants in the defined benefit component of the Sears Pension Plan;
- (cccc) “**Vacated or Discharged Liens**” means the builders’ or construction liens previously registered against title to any real property that has been or is owned or leased by any of the Sears Canada Entities under applicable Provincial Lien Legislation and that have been vacated pursuant to previous court orders or discharged pursuant to agreements with applicable Construction Claimants, in each

case in accordance with the requirements under applicable Provincial Lien Legislation; and

(dddd) “Warranty” means a customer warranty provided by any one of the Sears Canada Entities, including any Sears Protection Agreement but excluding any manufacturer’s warranty.

4. THIS COURT ORDERS that all references as to time herein shall mean local time in Toronto, Ontario, Canada, and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day unless otherwise indicated herein, and any reference to an event occurring on a day that is not a Business Day shall mean the next following day that is a Business Day.

5. THIS COURT ORDERS that all references to the word “including” shall mean “including without limitation”, all references to the singular herein include the plural, the plural include the singular, and any gender includes all genders.

GENERAL PROVISIONS

6. THIS COURT ORDERS that any Claim denominated in a foreign currency shall be converted to Canadian dollars at the Bank of Canada exchange rate in effect at the Filing Date. For reference, the exchange rate that will be applied to Claims denominated in U.S. dollars is 1.3241 CAD/USD.

7. THIS COURT ORDERS that notwithstanding any other provisions of this Order, the solicitation by the Monitor of Proofs of Claim and D&O Proofs of Claim, the delivery by the Monitor of Notices of Construction Claim, and the filing or deemed submission by any Claimant of any Proof of Claim or D&O Proof of Claim shall not, for that reason only, grant any Person any

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rights, including without limitation, in respect of the nature, quantum and priority of its Claims or its standing in the CCAA Proceedings, except as specifically set out in this Order.

8. THIS COURT ORDERS that the Monitor, in consultation with the Sears Canada Entities and the applicable Directors and Officers in respect of any D&O Claim, is hereby authorized to use reasonable discretion as to the adequacy of compliance with respect to the manner in which any forms delivered hereunder are completed and executed and the time in which they are submitted, and may, where the Monitor, in consultation with the Sears Canada Entities and the applicable Directors and Officers in respect of any D&O Claim, is satisfied that a Claim has been adequately proven, waive strict compliance with the requirements of this Order, including in respect of the completion, execution and time of delivery of such forms; provided that it is recognized and understood that certain Claims will be contingent in nature and therefore will not contain particulars of such Claims that are not yet known as at the time they are filed.

9. THIS COURT ORDERS that amounts claimed in Assessments shall be subject to this Order and there shall be no presumption of validity or deeming of the amount due in respect of the Claim set out in any Assessment.

10. THIS COURT ORDERS that the Applicants shall return to Court to seek approval of an Employee Claims Process and a Pensioner Claims Process, which shall be developed in consultation with Employee Representative Counsel, Pension Representative Counsel, the Pension Plan Administrator, the Superintendent, and the Monitor, as appropriate.

MONITOR'S ROLE

11. THIS COURT ORDERS that, in addition to its prescribed rights, duties, responsibilities and obligations under the CCAA, the Initial Order and any other orders of the Court in the CCAA Proceedings, the Monitor is hereby directed and empowered to implement the Claims Process set

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out herein and to take such other actions and fulfill such other roles as are authorized by this Order or incidental thereto.

12. THIS COURT ORDERS that the Monitor (i) shall have all of the protections given to it by the CCAA, the Initial Order, any other orders of the Court in the CCAA Proceedings, and this Order, or as an officer of the Court, including the stay of proceedings in its favour; (ii) shall incur no liability or obligation as a result of the carrying out of the provisions of this Order, including in respect of its exercise of discretion as to the completion, execution or time of delivery of any documents to be delivered hereunder, other than in respect of its gross negligence or wilful misconduct; (iii) shall be entitled to rely on the books and records of the Sears Canada Entities and any information provided by the Sears Canada Entities, all without independent investigation, provided that Intercompany Claims are subject to independent investigation by the Monitor as provided in paragraph 60 herein; and (iv) shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

13. THIS COURT ORDERS that: (a) the Sears Canada Entities, Officers, Directors, Employees, agents and representatives shall fully cooperate with the Monitor in the exercise of its powers and discharge of its duties and obligations under this Order, and (b) any credit insurers and factors that have: (i) offered services to vendors of the Sears Canada Entities; (ii) have acquired payables of the Sears Canada Entities to such vendors, and/or (iii) have drawn on letters of credit issued by any of the Sears Canada Entities in their favour to satisfy vendor claims as a result of any non-payment by any of the Sears Canada Entities, shall fully cooperate with the Monitor and the Sears Canada Entities by providing information to assist in the assessment of the quantum and validity of Claims.

EMPLOYEE REPRESENTATIVE COUNSEL'S ROLE

14. THIS COURT ORDERS that all Employees hired by the Applicants during the Restructuring Period shall be represented by Employee Representative Counsel pursuant to the Employee Representative Counsel Order dated July 13, 2017 *nunc pro tunc*, unless such Employees specifically notify Employee Representative Counsel that such Employees wish to opt-out of representation by the Employee Representatives and Employee Representative Counsel.
15. THIS COURT ORDERS that Darrin Whitney shall replace Sara Sawyer as an Employee Representative in these CCAA Proceedings, and that Employee Representative Counsel shall hereby be authorized to appoint any additional Employee Representatives as it deems necessary or desirable from time to time.
16. THIS COURT ORDERS that, in addition to the rights, duties, responsibilities and obligations granted to it under the Employee Representative Counsel Order dated July 13, 2017 and any other orders of the Court in the CCAA Proceedings, Employee Representative Counsel is hereby directed and empowered to assist in the establishment and implementation of an Employee Claims Process and the determination of the quantum and validity of Employee Claims for Employees represented by Employee Representative Counsel, in conjunction with the Sears Canada Entities and the Monitor, and to take such other actions and fulfill such other roles as are authorized by this Order or incidental thereto.
17. THIS COURT ORDERS that Employee Representative Counsel, the Employee Representatives and any Advisors retained by Employee Representative Counsel (i) shall have no personal liability or obligations as a result of the performance of its duties in carrying out the provisions of this Order, save and except for liability arising out of gross negligence or wilful misconduct; (ii) shall be entitled to rely on the books and records of the Sears Canada Entities and

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any information provided by the Sears Canada Entities, all without independent investigation; and (iii) shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

18. THIS COURT ORDERS that the Sears Canada Entities and the Monitor shall cooperate with Employee Representative Counsel in the exercise of its powers and discharge of its duties and obligations under this Order.

PENSION REPRESENTATIVE COUNSEL'S ROLE

19. THIS COURT ORDERS that, in addition to the rights, duties, responsibilities and obligations granted to it under the Pension Representative Counsel Order dated July 13, 2017 and any other orders of the Court in the CCAA Proceedings, Pension Representative Counsel is hereby directed and empowered to assist in the establishment and implementation of a Pensioner Claims Process and the determination of the quantum and validity of Pensioner Claims in conjunction with the Sears Canada Entities, the Monitor, the Pension Plan Administrator and the Superintendent, and to take such other actions and fulfill such other roles as are authorized by this Order or incidental thereto.

20. THIS COURT ORDERS that Pension Representative Counsel, the Pensioner Representatives and any Advisors retained by Pension Representative Counsel (i) shall have no personal liability or obligations as a result of the performance of its duties in carrying out the provisions of this Order, save and except for liability arising out of gross negligence or wilful misconduct; (ii) shall be entitled to rely on the books and records of the Sears Canada Entities and any information provided by the Sears Canada Entities, all without independent investigation; and (iii) shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

21. THIS COURT ORDERS that the Sears Canada Entities and the Monitor shall cooperate with Pension Representative Counsel in the exercise of its powers and discharge of its duties and obligations under this Order and with the Pension Plan Administrator and Superintendent in carrying out its duties and obligations.

NOTICE OF CLAIMS AND CLAIMS PROCESS

22. THIS COURT ORDERS that as soon as practicable, but no later than 5:00 p.m. on December 20, 2017, the Monitor shall cause a Construction Claims Package to be sent to all known Construction Claimants who are Construction Contractors, as evidenced by the books and records of the Sears Canada Entities and at the respective last known addresses as recorded in the Sears Canada Entities' books and records or in the construction lien documentation registered on title to any real property that has been or is owned or leased by any of the Sears Canada Entities, as deemed appropriate by the Monitor with the assistance of the Sears Canada Entities. The Monitor and the Sears Canada Entities shall specify in the Notice of Construction Claim included in the Construction Claims Package the Construction Contractor's Construction Claim as valued by the Sears Canada Entities, in consultation with the Monitor, based on the books and records of the Sears Canada Entities.

23. THIS COURT ORDERS that the Notice of Construction Claim provided to each Construction Contractor shall be deemed to include the Construction Claims of all Construction Sub-Contractors under an agreement (written or oral) with the Construction Contractor or another Construction Sub-Contractor of any level in connection with the improvement to any real property that has been or is owned or leased by any of the Sears Canada Entities. Each Construction Contractor and Construction Sub-Contractor is hereby directed to forward forthwith a copy of the appropriate Notice of Construction Claim and the Construction Sub-Contractor Instruction Letter

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to each Construction Sub-Contractor with which it has a direct contractual agreement or engagement in connection with the relevant improvement. Any dispute regarding a Construction Claim of a Construction Sub-Contractor is to be submitted through the Construction Contractor's Notice of Dispute of Construction Claim. For greater certainty, no Construction Sub-Contractor shall be required to submit a separate Notice of Dispute of Construction Claim in respect of its Construction Claim to the extent that such Construction Sub-Contractor's Construction Claim is captured by its Construction Contractor's Notice of Construction Claim or Notice of Dispute of Construction Claim. The Construction Sub-Contractor Instruction Letter shall direct all Construction Sub-Contractors to contact their Construction Contractor directly to review and submit any disputes with respect to their Construction Claims.

24. THIS COURT ORDERS that as soon as practicable, but no later than 5:00 p.m. on December 20, 2017, the Monitor shall cause a General Creditor Claims Package to be sent to:

- (a) each party that appears on the Service List or has requested a General Creditor Claims Package; and
- (b) any Person known to the Sears Canada Entities as potentially asserting a General Creditor Claim against any of the Sears Canada Entities (excluding any potential General Creditor Claimant with a potential General Creditor Claim below \$1,000 and that is not a Sears Supplier), as evidenced by and to the respective last known address recorded in the books and records of the Sears Canada Entities.

25. THIS COURT ORDERS that the Monitor shall cause the Notice to General Creditor Claimants to be published at least three (3) times in The Globe and Mail (National Edition) and La Presse, and in such other international publications and with such frequency as is determined by the Monitor in consultation with the Sears Canada Entities.

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26. THIS COURT ORDERS that the Monitor shall cause the Notice to General Creditor Claimants, the Employee Letter, the Other Employee Letter, the Pensioner Letter and the General Creditor Claims Package to be posted to the Monitor's Website by no later than 5:00 p.m. on December 13, 2017.
27. THIS COURT ORDERS that the Monitor shall: (i) cause the Employee Letter to be sent to all Employees represented by Employee Representative Counsel, and (ii) cause the Other Employee Letter to be sent to Employees not represented by Employee Representative Counsel (provided that where such Employees are subject to union representation, the Monitor shall only send such letter to the unions representing the unionized Employees), as soon as practicable but no later than 5:00 p.m. on December 20, 2017.
28. THIS COURT ORDERS that the Applicants shall cause the Employee Letter, the Other Employee Letter and the Pensioner Letter to be posted to the my.sears.ca portal, as soon as practicable but no later than 5:00 p.m. on December 20, 2017.
29. THIS COURT ORDERS that Employee Representative Counsel shall cause the Employee Letter to be posted to Employee Representative Counsel's Website, as soon as practicable but no later than 5:00 p.m. on December 20, 2017.
30. THIS COURT ORDERS that Pension Representative Counsel shall (i) cause the Pensioner Letter to be sent to all Pensioners, and (ii) cause the Pensioner Letter to be posted to Pension Representative Counsel's Website, as soon as practicable but no later than 5:00 p.m. on December 20, 2017.

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31. THIS COURT ORDERS that the Pension Plan Administrator shall cause the Pensioner Letter to be posted to the Pension Plan Administrator Website, as soon as practicable but no later than 5:00 p.m. on December 20, 2017.

32. THIS COURT ORDERS that to the extent any Claimant requests documents or information relating to the Claims Process prior to the General Creditor Claims Bar Date, the General Creditor Post-Filing Claims Bar Date, the General Creditor Restructuring Period Claims Bar Date, or the Landlord Claims Bar Date, as applicable, the Monitor shall forthwith send such Claimant a General Creditor Claims Package, and shall direct such Claimant to the documents posted on the Monitor's Website or otherwise respond to the request for documents or information as the Monitor, in consultation with the Sears Canada Entities, may consider appropriate in the circumstances. If the Sears Canada Entities or the Monitor become aware of any further General Creditor Claims after the mailing contemplated in paragraph 24, the Monitor shall forthwith send such potential General Creditor Claimant a General Creditor Claims Package or may direct such potential Claimant to the documents posted on the Monitor's Website.

33. THIS COURT ORDERS that to the extent any Construction Claimant requests documents or information relating to the Claims Process prior to the Construction Claims Bar Date, or if the Sears Canada Entities or the Monitor become aware of any further Construction Claims, the Monitor shall respond to the request for documents or information as the Monitor, in consultation with the Sears Canada Entities, may consider appropriate in the circumstances, and/or, if appropriate, shall send such Claimant a Construction Claims Package.

34. THIS COURT ORDERS that any notices of disclaimer or resiliation delivered after the date of this Order to potential General Creditor Claimants in connection with any action taken by the Sears Canada Entities to restructure, disclaim, resiliate, terminate or breach any contract, lease

or other agreement, whether written or oral, pursuant to the terms of the Initial Order, shall be accompanied by a General Creditor Claims Package.

35. THIS COURT ORDERS that the Claims Process and the forms of Notice to General Creditor Claimants, Proof of Claim Instruction Letter, D&O Claim Instruction Letter, Employee Letter, Other Employee Letter, Pensioner Letter, Proof of Claim, D&O Proof of Claim, Notice of Revision or Disallowance, Notice of Dispute of Revision or Disallowance, Notice of Construction Claim, Notice of Dispute of Construction Claim, Construction Contractor Instruction Letter, and Construction Sub-Contractor Instruction Letter are hereby approved, subject to any minor non-substantive changes to the forms as the Monitor and the Sears Canada Entities may consider necessary or desirable to be made from time to time.

36. THIS COURT ORDERS that the sending of the Construction Claims Package, the Construction Sub-Contractor Instruction Letter, the Employee Letter, the Other Employee Letter, the Pensioner Letter, and the General Creditor Claims Package to the applicable Persons as described above, and the publication of the Notice to General Creditor Claimants, in accordance with this Order, shall constitute good and sufficient service and delivery of notice of this Order, the Construction Claims Bar Date, the General Creditor Claims Bar Date, the General Creditor Post-Filing Claims Bar Date, the General Creditor Restructuring Period Claims Bar Date and the Landlord Claims Bar Date on all Persons who may be entitled to receive notice and who may wish to assert a Claim, and no other notice or service need be given or made and no other document or material need be sent to or served upon any Person in respect of this Order.

FILING OF PROOFS OF CLAIM**(A) Pre-Filing Claims**

37. THIS COURT ORDERS that any General Creditor Claimant, excluding any Landlord Claimant, that intends to assert a Pre-Filing Claim or D&O Claim relating to the Pre-Filing Period shall file a Proof of Claim or D&O Proof of Claim, as applicable, with the Monitor on or before the General Creditor Claims Bar Date. Any General Creditor Claimant may file a Proof of Claim or D&O Proof of Claim through the online portal on the Monitor's website, and such Proof of Claim or D&O Proof of Claim shall be deemed to have been received by the Monitor as of the time it is submitted on the Monitor's website. For the avoidance of doubt, a Proof of Claim or D&O Proof of Claim, as applicable, must be filed by every such General Creditor Claimant in respect of every such Pre-Filing Claim or D&O Claim relating to the Pre-Filing Period, regardless of whether or not a legal proceeding in respect of such Pre-Filing Claim or D&O Claim has been previously commenced.

38. THIS COURT ORDERS that any General Creditor Claimant, excluding any Landlord Claimant, that does not file a Proof of Claim or D&O Proof of Claim, as applicable, so that such Proof of Claim or D&O Proof of Claim is received by the Monitor on or before the General Creditor Claims Bar Date, or such later date as the Monitor may agree in writing or the Court may otherwise direct:

- (a) be and is hereby forever barred, estopped and enjoined from asserting or enforcing any such Pre-Filing Claim or any such D&O Claim relating to the Pre-Filing Period and all such Pre-Filing Claims or D&O Claims shall be forever extinguished;
- (b) will not be permitted to vote at any Meeting on account of such Pre-Filing Claim(s) or D&O Claim(s) relating to the Pre-Filing Period;

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- (c) will not be entitled to receive further notice with respect to the Claims Process or these proceedings unless the Monitor and/or the Sears Canada Entities become aware that such General Creditor Claimant has any other Claim; and
- (d) will not be permitted to participate in any distribution under any Plan on account of such Pre-Filing Claim(s) or D&O Claim(s).

(B) Post-Filing Claims

39. THIS COURT ORDERS that after the date of this Order, upon becoming aware of a potential Post-Filing Claim, the Monitor shall send a General Creditor Claims Package to the General Creditor Claimant in respect of such Post-Filing Claim in the manner provided for herein or may direct such potential Claimant to the documents posted on the Monitor's website.

40. THIS COURT ORDERS that any General Creditor Claimant, excluding any Landlord Claimant, that intends to assert a Post-Filing Claim shall file a Proof of Claim with the Monitor on or before the General Creditor Post-Filing Claims Bar Date. Any General Creditor Claimant, excluding any Landlord Claimant, may file a Proof of Claim through the online portal on the Monitor's website, and such Proof of Claim shall be deemed to have been received by the Monitor as of the time it is submitted on the Monitor's website.

41. THIS COURT ORDERS that any General Creditor Claimant, excluding any Landlord Claimant, that does not file a Proof of Claim in respect of a Post-Filing Claim so that such Proof of Claim is received by the Monitor on or before the General Creditor Post-Filing Claims Bar Date, or such later date as the Monitor may agree in writing or the Court may otherwise direct:

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- (a) be and is hereby forever barred, estopped and enjoined from asserting or enforcing any such Post-Filing Claim and all such Post-Filing Claims shall be forever extinguished;
- (b) will not be permitted to vote at any Meeting on account of such Post-Filing Claim(s);
- (c) will not be entitled to receive further notice with respect to the Claims Process or these proceedings unless the Monitor and/or the Sears Canada Entities become aware that such General Creditor Claimant has any other Claim; and
- (d) will not be permitted to participate in any distribution under any Plan on account of such Post-Filing Claim(s).

(C) Restructuring Period Claims

42. THIS COURT ORDERS that after the date of this Order, upon becoming aware of a circumstance giving rise to a potential Restructuring Period Claim, the Monitor shall send a General Creditor Claims Package to the General Creditor Claimant in respect of such Restructuring Period Claim in the manner provided for herein or may direct such potential Claimant to the documents posted on the Monitor's Website.

43. THIS COURT ORDERS that any General Creditor Claimant, excluding any Landlord Claimant, that intends to assert a Restructuring Period Claim or D&O Claim relating to the Restructuring Period shall file a Proof of Claim or D&O Proof of Claim, as applicable, with the Monitor on or before the General Creditor Restructuring Period Claims Bar Date. Any General Creditor Claimant, excluding any Landlord Claimant, may file a Proof of Claim or D&O Proof of Claim through the online portal on the Monitor's website, and such Proof of Claim or D&O Proof

of Claim shall be deemed to have been received by the Monitor as of the time it is submitted on the Monitor's website. For the avoidance of doubt, a Proof of Claim or D&O Proof of Claim must be filed by every such General Creditor Claimant in respect of every such Restructuring Period Claim or D&O Claim relating to the Restructuring Period, regardless of whether or not a legal proceeding in respect of such Restructuring Period Claim or D&O Claim has been previously commenced.

44. THIS COURT ORDERS that any General Creditor Claimant, excluding any Landlord Claimant, that does not file a Proof of Claim or D&O Proof of Claim, as applicable, so that such Proof of Claim or D&O Proof of Claim is received by the Monitor on or before the General Creditor Restructuring Period Claims Bar Date, or such later date as the Monitor may agree in writing or the Court may otherwise direct:

- (a) be and is hereby forever barred, estopped and enjoined from asserting or enforcing any such Restructuring Period Claim or any such D&O Claim relating to the Restructuring Period and all such Restructuring Period Claims or D&O Claims shall be forever extinguished;
- (b) will not be permitted to vote at any Meeting on account of such Restructuring Period Claim(s) or D&O Claim(s);
- (c) will not be entitled to receive further notice with respect to the Claims Process or these proceedings unless the Monitor and/or the Sears Canada Entities become aware that such General Creditor Claimant has any other Claim; and
- (d) will not be permitted to participate in any distribution under any Plan on account of such Restructuring Period Claim(s) or D&O Claim(s).

(D) Landlord Claims

45. THIS COURT ORDERS that any Landlord Claimant that intends to assert a Landlord Claim shall file a Proof of Claim or D&O Proof of Claim, as applicable, with the Monitor on or before the Landlord Claims Bar Date. Any Landlord Claimant may file a Proof of Claim or D&O Proof of Claim through the online portal on the Monitor's website, and such Proof of Claim or D&O Proof of Claim shall be deemed to have been received by the Monitor as of the time it is submitted on the Monitor's website. For the avoidance of doubt, a Proof of Claim or D&O Proof of Claim, as applicable, must be filed by every Landlord Claimant in respect of every Landlord Claim, regardless of whether or not a legal proceeding in respect of such Claim has been previously commenced.

46. THIS COURT ORDERS that any Landlord Claimant that does not file a Proof of Claim or D&O Proof of Claim, as applicable, so that such Proof of Claim or D&O Proof of Claim is received by the Monitor on or before the Landlord Claims Bar Date, or such later date as the Monitor may agree in writing or the Court may otherwise direct:

- (a) be and is hereby forever barred, estopped and enjoined from asserting or enforcing any such Landlord Claim and all such Landlord Claims shall be forever extinguished;
- (b) will not be permitted to vote at any Meeting on account of such Landlord Claim(s);
- (c) will not be entitled to receive further notice with respect to the Claims Process or these proceedings unless the Monitor and/or the Sears Canada Entities become aware that such Landlord Claimant has any other Claim; and

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(d) will not be permitted to participate in any distribution under any Plan on account of such Landlord Claim(s).

47. THIS COURT ORDERS that the provisions of paragraphs 37, 38, 40, 41, and 43 to 46 herein shall not apply to Intercompany Claims or any Claims with respect to Warranties. Proofs of Claim for all Claims with respect to Warranties shall be deemed to have been properly submitted as Pre-Filing Claims or Restructuring Period Claims, as applicable, in accordance with the applicable requirements of this Order.

ADJUDICATION OF CLAIMS OTHER THAN INTERCOMPANY CLAIMS

48. THIS COURT ORDERS that, for greater certainty, the procedures outlined in paragraphs 49 to 59 herein shall not apply to the adjudication of Intercompany Claims.

Construction Claims

49. THIS COURT ORDERS that if a Construction Claimant disputes the amount of the Claim, including any D&O Claim, as set out in the Notice of Construction Claim, such Construction Claimant shall ensure that the Construction Contractor who received such Notice of Construction Claim shall deliver to the Monitor a Notice of Dispute of Construction Claim. All Notices of Dispute of Construction Claim must be received by the Monitor by no later than the Construction Claims Bar Date.

50. THIS COURT ORDERS that, in the event that a dispute raised in a Notice of Dispute of Construction Claim is not settled within a time period or in a manner satisfactory to the Monitor, in consultation with the Sears Canada Entities and the applicable Directors and Officers in respect of any D&O Claim included in a Notice of Dispute of Construction Claim, the Monitor shall refer the dispute raised in the Notice of Dispute of Construction Claim to a Claims Officer or the Court for adjudication at its election. For greater certainty, any party may file additional evidence,

documentation, reports or information on any hearing to resolve the issues raised in a Notice of Dispute of Construction Claim and no party will object to the filing of such additional evidence on the basis that such evidence, documentation, report or information was not included in the initial Notice of Construction Claim or Notice of Dispute of Construction Claim.

51. THIS COURT ORDERS that if a Construction Contractor does not deliver to the Monitor a completed Notice of Dispute of Construction Claim, and no other Notices of Dispute of Construction Claim have been received by the Monitor from any Construction Sub-Contractors in respect of such Claim, by the Construction Claims Bar Date disputing the Construction Claim as set out in a Notice of Construction Claim, then all Construction Claimants associated with such Notice of Construction Claim shall be deemed to have accepted the Construction Contractor's Construction Claim and no such Construction Claimant shall have any further right to dispute same.

52. THIS COURT ORDERS that the Monitor shall make reasonable efforts to promptly deliver a copy of any Notice of Dispute of Construction Claim that asserts a Construction Claim against any of the Directors and Officers to such named Directors and Officers.

General Creditor Proofs of Claim

53. THIS COURT ORDERS that the Monitor, in consultation with the Sears Canada Entities, shall review each Proof of Claim submitted in accordance with this Order and received on or before the General Creditor Claims Bar Date, the General Creditor Post-Filing Claims Bar Date, the General Creditor Restructuring Period Claims Bar Date, or the Landlord Claims Bar Date, as applicable, and shall accept, revise or reject each Claim set forth in each such Proof of Claim.

54. THIS COURT ORDERS that the Monitor shall make reasonable efforts to promptly deliver a copy of any D&O Proofs of Claim, Notices of Revision or Disallowance with respect to any

D&O Claim, and Notices of Dispute of Revision or Disallowance with respect to any D&O Claim, to the applicable Directors and Officers named therein.

55. THIS COURT ORDERS that the Monitor, in consultation with the Sears Canada Entities and the applicable Directors and Officers named in any D&O Proof of Claim, and any counsel for such Directors and Officers, shall review each D&O Proof of Claim submitted in accordance with this Order and received on or before the General Creditor Claims Bar Date, the General Creditor Restructuring Period Claims Bar Date or the Landlord Claims Bar Date, as applicable. The Monitor shall accept, revise or reject each Claim set forth in each such D&O Proof of Claim, provided that the Monitor shall not accept or revise any portion of a D&O Claim absent consent of the applicable Directors and Officers or further Order of the Court.

56. THIS COURT ORDERS that the Monitor shall notify the General Creditor Claimant who has delivered such Proof of Claim or D&O Proof of Claim, as applicable, that such Claim has been revised or rejected and the reasons therefor, by sending a Notice of Revision or Disallowance by no later than July 31, 2018 or such later date as ordered by the Court on application by the Monitor.

57. THIS COURT ORDERS that any General Creditor Claimant who intends to dispute a Notice of Revision or Disallowance hereof shall:

- (a) deliver a completed Notice of Dispute of Revision or Disallowance, along with the reasons for the dispute, to the Monitor by no later than thirty (30) days after the date on which the General Creditor Claimant is deemed to receive the Notice of Revision or Disallowance, or such other date as may be agreed to by the Monitor in writing (provided that any General Creditor Claimant may file such Notice of Dispute of Revision or Disallowance through the online portal on the Monitor's website, and such Notice of Dispute of Revision or Disallowance shall be deemed

to have been received by the Monitor as of the time it is submitted on the Monitor's website); and

- (b) in the event that a dispute raised in a Notice of Dispute of Revision or Disallowance is not settled within a time period or in a manner satisfactory to the Monitor, in consultation with the Sears Canada Entities and the applicable Directors and Officers in respect of any D&O Claim, the Monitor shall refer the dispute raised in the Notice of Dispute of Revision or Disallowance to a Claims Officer or the Court for adjudication at its election. For greater certainty, any party may file additional evidence, documentation, reports or information on any hearing to resolve the issues raised in a Notice of Dispute of Revision or Disallowance and no party will object to the filing of such additional evidence on the basis that such evidence, documentation, report or information was not included in the initial Proof of Claim, D&O Proof of Claim or Notice of Revision or Disallowance.

58. THIS COURT ORDERS that where a General Creditor Claimant that receives a Notice of Revision or Disallowance does not file a completed Notice of Dispute of Revision or Disallowance by the time set out in paragraph 57(a), such General Creditor Claimant's Claim or D&O Claim relating to such Claim shall be deemed to be as set out in the Notice of Revision or Disallowance and such General Creditor Claimant shall have no further right to dispute same.

59. THIS COURT ORDERS that the Monitor, in consultation with the Sears Canada Entities and the applicable Directors and Officers in respect of any D&O Claim, may refer any Claim to a Claims Officer or the Court for adjudication at its election by sending written notice to the applicable parties at any time.

INTERCOMPANY CLAIMS

60. THIS COURT ORDERS that the Monitor shall prepare a report to be served on the Service List and filed with the Court for the Court to consider, detailing its review of all Intercompany Claims and assessing in detail with reasonably sufficient particulars and analysis the validity and quantum of such Claims (the “**Monitor’s Intercompany Claims Report**”). The Monitor’s Intercompany Claims Report shall be served on or before the General Creditor Claims Bar Date, unless otherwise ordered by this Court on application by the Monitor and shall contain a recommendation with respect to the next steps to be taken, if any, with respect to the determination and adjudication of Intercompany Claims. For greater certainty, nothing in the Monitor’s Intercompany Claims Report shall bind the Court with respect to its determination of the Intercompany Claims as the Court sees fit, including without limitation, the validity, priority or quantum of such Intercompany Claims.

61. THIS COURT ORDERS that each Intercompany Claim identified in the Monitor’s Intercompany Claims Report shall be deemed to have been properly submitted through a Proof of Claim in respect of such Intercompany Claim by the Intercompany Claimant as if such Claim was a Pre-Filing Claim or Restructuring Period Claim, as applicable, in accordance with the requirements of this Order; and any Intercompany Claims not included in the Monitor’s Intercompany Claims Report shall be deemed to be a General Creditor Claim barred pursuant to paragraph 38 of this Order.

CLAIMS OFFICER

62. THIS COURT ORDERS that the Hon. Mr. James Farley, Q.C., and such other Persons as may be appointed by the Court from time to time on application of the Monitor, in consultation with the Sears Canada Entities, be and are hereby appointed as Claims Officers for the Claims Process. The Monitor, in consultation with the Sears Canada Entities, is hereby permitted to seek

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the Court's referral of a disputed Construction Claim to a Construction Lien Master, who shall be appointed as a Claims Officer hereunder, in accordance with applicable Provincial Lien Legislation.

63. THIS COURT ORDERS that a Claims Officer shall determine the validity and amount of disputed Claims in accordance with this Order and to the extent necessary may determine whether any Claim or part thereof constitutes an Excluded Claim and shall provide written reasons. A Claims Officer shall determine all procedural matters which may arise in respect of his or her determination of these matters, including the manner in which any evidence may be adduced. A Claims Officer shall have the discretion to determine by whom and to what extent the costs of any hearing before a Claims Officer shall be paid.

64. THIS COURT ORDERS that the Monitor, the General Creditor Claimant, the Sears Canada Entities and the applicable Directors and Officers in respect of any D&O Claim may, within ten (10) days of such party receiving notice of a Claims Officer's determination of the value of a General Creditor Claimant's Claim, appeal such determination or any other matter determined by the Claims Officer in accordance with paragraph 63 or otherwise to the Court by filing a notice of appeal, and the appeal shall be initially returnable for scheduling purposes within ten (10) days of filing such notice of appeal.

65. THIS COURT ORDERS that the Monitor, any Construction Claimant, including a Construction Sub-Contractor, the Sears Canada Entities and the applicable Directors and Officers in respect of any D&O Claim relating to a Construction Claim may, within ten (10) days of such party receiving notice of a Claims Officer's determination of the value of a Construction Contractor's Construction Claim, appeal such determination or any other matter determined by the Claims Officer in accordance with paragraph 63 or otherwise to the Court by filing a notice of

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appeal, and the appeal shall be initially returnable for scheduling purposes within ten (10) days of filing such notice of appeal.

66. THIS COURT ORDERS that, if no party appeals the determination of value of a Claim by a Claims Officer in accordance with the requirements set out in paragraphs 64 and 65 above, the decision of the Claims Officer in determining the value of the Claim shall be final and binding upon the Sears Canada Entities, the Monitor, the applicable Directors and Officers in respect of a D&O Claim and the Claimant, and there shall be no further right of appeal, review or recourse to the Court from the Claims Officer's final determination of a Claim.

67. THIS COURT ORDERS that the provisions of paragraphs 62 to 66 herein shall not apply to Intercompany Claims.

NOTICE OF TRANSFEREES

68. THIS COURT ORDERS that, from the date of this Order until seven (7) days prior to the date fixed by the Court for any distribution in the CCAA Proceedings or any other proceeding, including a bankruptcy, leave is hereby granted to permit a Claimant to provide to the Monitor notice of assignment or transfer of a Claim to any third party, and that no assignment or transfer of a partial Claim shall be permitted.

69. THIS COURT ORDERS that, subject to the terms of any subsequent Order of this Court, if, after the Filing Date, the holder of a Claim transfers or assigns the whole of such Claim to another Person, neither the Monitor nor the Sears Canada Entities shall be obligated to give notice to or otherwise deal with the transferee or assignee of such Claim in respect thereof unless and until actual notice of transfer or assignment, together with satisfactory evidence of such transfer or assignment, shall have been received and acknowledged by the Monitor in writing and thereafter such transferee or assignee shall, for the purposes hereof, constitute the "Claimant" in respect of

the whole of such Claim. Any such transferee or assignee of a Claim shall be bound by any notices given or steps taken in respect of such Claim in accordance with this Order prior to receipt and acknowledgement by the Monitor of satisfactory evidence of such transfer or assignment. A transferee or assignee of a Claim takes the Claim subject to any rights of set-off to which the Sears Canada Entities and/or the applicable Directors and Officers may be entitled with respect to such Claim. For greater certainty, a transferee or assignee of a Claim is not entitled to set-off, apply, merge, consolidate or combine any Claim assigned or transferred to it against or on account or in reduction of any amounts owing by such Person to the Sears Canada Entities or the applicable Directors and Officers.

SERVICE AND NOTICE

70. THIS COURT ORDERS that the Monitor may, unless otherwise specified by this Order, serve and deliver or cause to be served and delivered the Construction Claims Package, the Employee Letter, the Other Employee Letter and the General Creditor Claims Package, and any letters, notices or other documents, to the appropriate Claimants, Employees, Pensioners, unions, or other interested Persons by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, facsimile transmission or email to such Persons at the physical or electronic address, as applicable, last shown on the books and records of the Sears Canada Entities or, where applicable, as set out in such Claimant's Proof of Claim or D&O Proof of Claim.

71. THIS COURT ORDERS that Pension Representative Counsel may, unless otherwise specified by this Order, serve and deliver or cause to be served and delivered the Pensioner Letter, and any letters, notices or other documents, to the Pensioners by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, facsimile transmission or email to such Persons

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at the physical or electronic address, as applicable, last shown on the books and records of the Sears Canada Entities.

72. THIS COURT ORDERS that such service and delivery of any documents in connection with this Claims Process shall be deemed to have been received: (i) if sent by ordinary mail, on the third Business Day after mailing to an address within Ontario, the fifth Business Day after mailing to an address within Canada (other than within Ontario), and the tenth Business Day after mailing to an address internationally; (ii) if sent by courier or personal delivery, on the next Business Day following dispatch; and (iii) if delivered by facsimile transmission or email by 5:00 p.m. on a Business Day, on such Business Day and if delivered after 5:00 p.m. or other than on a Business Day, on the following Business Day.

73. THIS COURT ORDERS that any notice or communication required to be provided or delivered by a Claimant to the Monitor under this Order shall, unless otherwise specified in this Order, be in writing in substantially the form, if any, provided for in this Order and will be sufficiently given only if delivered by prepaid ordinary mail, registered mail, courier, personal delivery, facsimile transmission or email addressed to:

FTI Consulting Canada Inc., Sears Canada Monitor
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, ON M5K 1G8

Attention: Sears Canada Claims Process
Email: searscanada@fticonsulting.com
Fax: 416-649-8101

Subject to paragraphs 37, 43 and 57(a) hereto, any such notice or communication delivered by a Claimant shall be deemed received upon actual receipt by the Monitor thereof during normal

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business hours on a Business Day, or if delivered outside of normal business hours, the next Business Day

74. THIS COURT ORDERS that if, during any period during which notices or other communications are being given pursuant to this Order, a postal strike or postal work stoppage of general application should occur, such notices or other communications sent by ordinary or registered mail and then not received shall not, absent further Order of this Court, be effective and notices and other communications given hereunder during the course of any such postal strike or work stoppage of general application shall only be effective if given by courier, personal delivery, facsimile transmission or email in accordance with this Order.

MISCELLANEOUS

75. THIS COURT ORDERS that the Sears Canada Entities, the Monitor, Employee Representative Counsel, Pension Representative Counsel, the Pension Plan Administrator and the Superintendent may from time to time apply to this Court to extend the time for any action which the Sears Canada Entities, the Monitor, Employee Representative Counsel, Pension Representative Counsel, the Pension Plan Administrator or the Superintendent is required to take if reasonably required to carry out its duties and obligations pursuant to this Order and for advice and directions concerning the discharge of its powers and duties under this Order or the interpretation or application of this Order.

76. THIS COURT ORDERS that nothing in this Order shall prejudice the rights and remedies of any Directors or Officers or other Persons under the Directors' Priority Charge, the Directors' Subordinated Charge or any applicable insurance policy or prevent or bar any Person from seeking recourse against or payment from the Sears Canada Entities' insurance or any Director's or Officer's liability insurance policy or policies that exist to protect or indemnify the Directors or

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Officers or other Persons, whether such recourse or payment is sought directly by the Person asserting a Claim from the insurer or derivatively through the Director or Officer or any Sears Canada Entity; provided, however, that nothing in this Order shall create any rights in favour of such Person under any policies of insurance nor shall anything in this Order limit, remove, modify or alter any defence to such Claim available to the insurer pursuant to the provisions of any insurance policy or at law; and further provided that any Claim or portion thereof for which the Person receives payment directly from, or confirmation that he or she is covered by, the Sears Canada Entities' insurance or any Director's or Officer's liability insurance or other liability insurance policy or policies that exist to protect or indemnify the Directors or Officers or other Persons shall not be recoverable as against a Sears Canada Entity or Director or Officer as applicable.

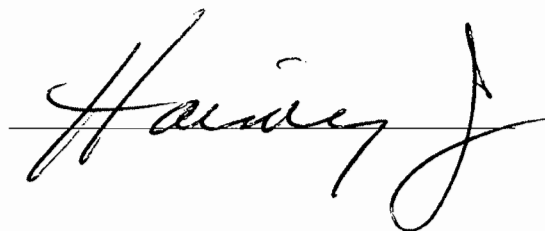
77. THIS COURT ORDERS that this Order shall have full force and effect in all provinces and territories in Canada.

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

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

DEC 08 2017

PER / PAR:



SCHEDULE A
NOTICE TO CREDITORS AND OTHERS OF FILING OF CLAIMS AGAINST THE
SEARS CANADA ENTITIES AND/OR THEIR DIRECTORS AND OFFICERS

RE: NOTICE OF CLAIMS PROCESS AND CLAIMS BAR DATE IN COMPANIES' CREDITORS ARRANGEMENT ACT PROCEEDINGS 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., 4201731 CANADA INC., 168886 CANADA INC., 3339611 CANADA INC. and SEARSCONNECT (COLLECTIVELY, THE "SEARS CANADA ENTITIES")

PLEASE TAKE NOTICE that on [December 8], 2017, the Ontario Superior Court of Justice (Commercial List) issued an order (the "Claims Procedure Order") in the *Companies' Creditors Arrangement Act* proceedings of the Sears Canada Entities, commencing a claims procedure (the "Claims Process") for the purpose of identifying and determining all Claims against the Sears Canada Entities and their respective Directors and Officers (including former directors and officers). Capitalized terms used but not defined herein have the meanings ascribed to them in the Claims Procedure Order. Please review the Claims Procedure Order for the complete definitions of "Claim", "Pre-Filing Claim", "Restructuring Period Claim", "Post-Filing Claim", "Construction Claim", "Landlord Claim" and "D&O Claim" to which the Claims Process applies.

The Claims Procedure Order requires that all Persons who assert or wish to assert a Claim against the Sears Canada Entities, whether unliquidated, contingent or otherwise, and all Persons who assert a Claim against Directors or Officers of the Sears Canada Entities, MUST file a Proof of Claim or D&O Proof of Claim, as applicable, with FTI Consulting Canada Inc. in its capacity as Monitor of the Sears Canada Entities (the "Monitor") on or before 5:00 p.m. (Toronto time) on March 2, 2018 (or (i) in the case of a Restructuring Period Claim, on or before the applicable Restructuring Period Claims Bar Date, (ii) in the case of a Post-Filing Claim, on or before April 2, 2018, and (iii) in the case of a Landlord Claim, on or before the applicable Landlord Claims Bar Date).

Certain Claimants are exempted from the requirement to file a Proof of Claim or D&O Proof of Claim, as applicable, at this time including: (a) current or former employees of the Sears Canada Entities, whose Claims (of any type) are to be addressed in a future claims process being developed by the Sears Canada Entities and the Monitor, working in conjunction with Employee Representative Counsel, Pension Representative Counsel, the Pension Administrator and the Superintendent; (b) holders of Construction Claims, as Construction Contractors (as defined in the Claims Procedure Order) will be contacted by the Monitor in respect of such Construction Claims; and (c) holders of any customer warranty provided by a Sears Canada Entity for any Claim in respect of such warranty.

Please also take notice that effective as of January 21, 2018, Sears Loyalty Points and gift cards will no longer be honoured by the Sears Canada Entities.

The General Creditor Claims Bar Date is 5:00 p.m. (Toronto time) on March 2, 2018. Proofs of Claim in respect of Pre-Filing Claims against one or more of the Sears Canada Entities, and

D&O Proofs of Claim against any of the Directors and/or Officers of the Sears Canada Entities in respect of the Pre-Filing Period (*i.e.*, Claims arising prior to June 22, 2017), must be completed and filed with the Monitor on or before the General Creditor Claims Bar Date.

The General Creditor Restructuring Period Claims Bar Date is 5:00 pm (Toronto time) on the date that is the later of (i) 45 days after the date on which the Monitor sends a General Creditor Claims Package with respect to a Restructuring Period Claim and (ii) the General Creditor Claims Bar Date. Proofs of Claim and D&O Proofs of Claim in respect of Restructuring Period Claims must be completed and filed with the Monitor on or before the General Creditor Restructuring Period Claims Bar Date.

The General Creditor Post-Filing Claims Bar Date is 5:00 p.m. (Toronto time) on April 2, 2018. Proofs of Claim in respect of Post-Filing Claims (*i.e.*, claims for non-payment of goods or services supplied to a Sears Canada Entity on or after June 22, 2017) must be completed and filed with the Monitor on or before the General Creditor Post-Filing Claims Bar Date.

The Landlord Claims Bar Date is 5:00 pm (Toronto time) on the date that is the later of (i) 45 days after the date on which the Monitor sends a General Creditor Claims Package with respect to a Landlord Claim and (ii) April 2, 2018. Proofs of Claim and D&O Proofs of Claim in respect of Landlord Claims must be completed and filed with the Monitor on or before the Landlord Claims Bar Date.

Only Proofs of Claim and D&O Proofs of Claim actually received by the Monitor on or before 5:00 p.m. (Toronto time) on March 2, 2018 (or in the case of (i) a Restructuring Period Claim, on or before the Restructuring Period Claims Bar Date, (ii) in the case of a Post-Filing Claim, on or before the General Creditor Post-Filing Claims Bar Date, or (iii) in the case of a Landlord Claim, on or before the Landlord Claims Bar Date) will be considered filed on time.

FAILURE TO FILE A PROOF OF CLAIM OR D&O PROOF OF CLAIM SO IT IS RECEIVED BY THE APPLICABLE CLAIMS BAR DATE WILL RESULT IN YOUR CLAIM BEING BARRED AND EXTINGUISHED FOREVER.

Pursuant to the Claims Procedure Order, General Creditor Claims Packages, including the form of Proof of Claim and D&O Proof of Claim, will be sent by the Monitor to all known General Creditor Claimants with potential Claims above \$1,000, and to all Sears Suppliers.¹ A copy of the Claims Procedure Order, the General Creditor Claims Package (including copies of the Proof of Claim and D&O Proof of Claim forms), and other public information concerning these CCAA Proceedings may also be found at the Monitor's website at cfcanada.fticonsulting.com/searscanada.

Claimants can also, and are in fact strongly encouraged to, submit their Proofs of Claim or D&O Proofs of Claim, as applicable, at this website.

Claimants requiring further information or claim documentation, or who wish to submit a Proof of Claim or D&O Proof of Claim to the Monitor, may contact the Monitor at the following address:

FTI Consulting Canada Inc., Sears Canada Monitor

¹ This sentence to be deleted from all forms of Notice included in a General Creditor Claims Package.

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

Attention: Sears Canada Claims Process

Tel.: 416-649-8113
Toll Free: 1-855-649-8113
Fax No.: 416-649-8101
Email: searscanada@fticonsulting.com

DATED this _____ day of December, 2017.

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

SCHEDULE B
CLAIMANT'S GUIDE TO COMPLETING THE PROOF OF CLAIM FORM FOR
CLAIMS AGAINST THE SEARS CANADA ENTITIES¹

This Guide has been prepared to assist Claimants in filling out the Proof of Claim form for Claims against the Sears Canada Entities. If you have any additional questions regarding completion of the Proof of Claim form, please consult the Monitor's website at cfcanada.fticonsulting.com/searscanada or contact the Monitor, whose contact information is shown below.

Please note that this is a guide only, and that in the event of any inconsistency between the terms of this guide and the terms of the Claims Procedure Order made on [December 8], 2017 (the "Claims Procedure Order"), the terms of the Claims Procedure Order will govern. Unless otherwise defined, all capitalized terms used herein have the meanings given to them in the Claims Procedure Order.

A copy of the Claims Procedure Order and additional copies of the Proof of Claim form may be found at the Monitor's website. Claimants can, and are in fact strongly encouraged to, submit their Proof of Claim at the Monitor's website at cfcanada.fticonsulting.com/searscanada.

Note further that certain Claimants are exempted from the requirement to file a Proof of Claim or D&O Proof of Claim, as applicable, at this time including:

- (a) current or former employees of the Sears Canada Entities, whose Claims (of any type) are to be addressed in a future claims process being developed by the Sears Canada Entities and the Monitor, working in conjunction with Employee Representative Counsel, Pension Representative Counsel, the Pension Administrator and the Superintendent;
- (b) holders of Construction Claims, as Construction Contractors (as defined in the Claims Procedure Order) will be contacted by the Monitor in respect of such Construction Claims; and
- (c) holders of any customer warranty provided by a Sears Canada Entity, as the Sears Canada Entities will be deemed to have already filed Proofs of Claim on behalf of each warranty holder for the purposes of this Claims Process.

SECTION 1 – DEBTOR(S)

- 2 The full name of each Sears Canada Entity against which the Claim is asserted must be listed (see footnote 1 for complete list of Sears Canada Entities). If there are insufficient lines to record each such name, attach a separate schedule indicating the required information.

¹ The "Sears Canada Entities" are 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 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., 4201731 Canada Inc., 168886 Canada Inc., 3339611 Canada Inc., and SearsConnect.

SECTION 2(a) – CLAIMANT

- 1 A separate Proof of Claim must be filed by each legal entity or person asserting a Claim against the Sears Canada Entities, or any of them.
- 2 The Claimant shall include any and all Claims it asserts against the Sears Canada Entities, or any of them, in a single Proof of Claim.
- 3 The full legal name of the Claimant must be provided.
- 4 If the Claimant operates under a different name or names, please indicate this in a separate schedule in the supporting documentation.
- 5 If the Claim has been acquired via assignment or other transfer from another party, Section 2(b) must also be completed.
- 6 Unless the Claim is assigned or transferred, all future correspondence, notices, etc. regarding the Claim will be directed to the Claimant at the address indicated in this section.

SECTION 2(b) – PARTICULARS OF ORIGINAL CLAIMANT FROM WHOM YOU ACQUIRED CLAIM, IF APPLICABLE

- 1 If the Claimant acquired its Claim by assignment or other transfer from an original holder of the Claim, then Section 2(b) must be completed, and all documents evidencing the assignment must be attached.
- 2 The full legal name of the original holder of the Claim must be provided.
- 3 If the original holder of the Claim operates under a different name or names, please indicate this in a separate schedule in the supporting documentation.

SECTION 3 – AMOUNT AND TYPE OF CLAIM

Amount

- 1 If the Claim is a *Pre-Filing Claim* within the meaning of the Claims Procedure Order, then indicate the amount that each appropriate Sears Canada Entity was and still is indebted to the Claimant in the space reserved for Pre-Filing Claims in the "Amount of Claim" column, including interest up to and including June 22, 2017.
- 2 If the Claim is a *Restructuring Period Claim* within the meaning of the Claims Procedure Order, then indicate the Claim amount that each appropriate Sears Canada Entity was and still is indebted to the Claimant in the space reserved for Restructuring Period Claims in the "Amount of Claim" column (which is below the space reserved for Pre-Filing Claims).

For reference, a "**Restructuring Period Claim**" means any right or claim of any Person against any of the Sears Canada Entities, including in connection with any indebtedness,

liability, or obligation of any kind whatsoever of any such Sears Canada Entity to such Person arising on or after June 22, 2017, including without limitation rights or claims with respect to the restructuring, disclaimer, resiliation, termination or breach by such Sears Canada Entity on or after June 22, 2017 of any contract, lease or other agreement whether written or oral, but excluding any Post-Filing Claims.

- 3 If the Claim is a *Post-Filing Claim* within the meaning of the Claims Procedure Order, then indicate the Claim amount that each appropriate Sears Canada Entity was and still is indebted to the Claimant in the space reserved for Post-Filing Claims in the "Amount of Claim" column (which is below the space reserved for Restructuring Period Claims).

For reference "**Post-Filing Claim**" means any right or claim of any Sears Supplier against any of the Sears Canada Entities in connection with any non-payment by any such Sears Canada Entity to such Sears Supplier for goods or services supplied to such Sears Canada Entity on or after June 22, 2017.

- 4 If the Claim is a *Landlord Claim* within the meaning of the Claims Procedure Order, then indicate the amount of the Landlord Claim that is a Pre-Filing Claim, Restructuring Period Claim, or Post-Filing Claim, as applicable, in the space reserved for such Claims in the "Amount of Claim" column.
- 5 If there are insufficient lines to record each Claim amount, attach a separate schedule indicating the required information.

Currency

- 1 The amount of the Claim must be provided in the currency in which it arose.
- 2 Indicate the appropriate currency in the "Currency" column.
- 3 If the Claim is denominated in multiple currencies, use a separate line to indicate the Claim amount in each such currency. If there are insufficient lines to record these amounts, attach a separate schedule indicating the required information.
- 4 If necessary, currency will be converted in accordance with the Claims Procedure Order.

Whether Claim is Secured and Value of Security

- 1 Check the appropriate box if the Claim recorded on that line is a secured claim. If it is, indicate the value which you ascribe to the assets charged by your security in the adjacent column.
- 2 If the Claim is secured, on a separate schedule provide full particulars of the security, including the date on which the security was given, the value which you ascribe to the assets charged by your security and the basis for such valuation and attach a copy of the security documents evidencing the security.

SECTION 4 – SUPPORTING DOCUMENTATION

- 1 Attach to the Proof of Claim form all particulars of the Claim and supporting documentation, including amount, and description of transaction(s) or agreement(s), or legal breach(es) giving rise to the Claim, any claim assignment/transfer agreement or similar document, if applicable, the name of any guarantor(s) which has guaranteed the Claim, the amount of invoices, particulars of all credits, discounts, etc. claimed, as well as a description of the security, if any, granted by the affected Sears Canada Entity to the Claimant and the estimated value of such security.

SECTION 5 – CERTIFICATION

- 1 The person signing the Proof of Claim should:
 - (a) be the Claimant or authorized representative of the Claimant;
 - (b) have knowledge of all the circumstances connected with this Claim;
 - (c) assert the Claim against the Debtor(s) as set out in the Proof of Claim and certify all supporting documentation is attached; and
 - (d) have a witness to its certification.
- 2 By signing and submitting the Proof of Claim, the Claimant is asserting the Claim against each Sears Canada Entity named as a “Debtor” in the Proof of Claim.

SECTION 6 – FILING OF CLAIM

- 1 If your Claim is a Pre-Filing Claim within the meaning of the Claims Procedure Order (excluding, for greater certainty, any Pre-Filing Claim that may be asserted by a Landlord), the Proof of Claim MUST be returned to and received by the Monitor on or before 5:00 p.m. (Toronto time) on March 2, 2018 (the “General Creditor Claims Bar Date”).
- 2 If your Claim is a Restructuring Period Claim within the meaning of the Claims Procedure Order (and see item 2 of Section 3 above for an excerpt of the relevant definition) (and excluding, for greater certainty, any Restructuring Period Claim that may be asserted by a Landlord), the Proof of Claim MUST be returned to and received by the Monitor by 5:00 p.m. (Toronto time) on the date (the “General Creditor Restructuring Period Claims Bar Date”) that is the later of (i) the date that is 45 days after the date on which the Monitor sends a General Creditor Claims Package with respect to a Restructuring Period Claim and (ii) the General Creditor Claims Bar Date.
- 3 If your Claim is a Post-Filing Claim within the meaning of the Claims Procedure Order (and see item 3 of Section 3 above for an excerpt of the relevant definition) (and excluding, for greater certainty, any Post-Filing Claim that may be asserted by a Landlord), the Proof of Claim MUST be returned to and received by the Monitor on or before 5:00 p.m. (Toronto time) on April 2, 2018 (the “General Creditor Post-Filing Claims Bar Date”).

- 4 If your Claim is a Landlord Claim within the meaning of the Claims Procedure Order (including, for greater certainty, any Pre-Filing Claim, Post-Filing Claim or Restructuring Period Claim of a Landlord), the Proof of Claim MUST be returned to and received by the Monitor by 5:00 p.m. (Toronto time) on the date (the "Landlord Claims Bar Date") that is the later of (i) the date that is 45 days after the date on which the Monitor sends a General Creditor Claims Package with respect to a Landlord Claim and (ii) April 2, 2018.
- 5 Claimants are strongly encouraged to complete and submit their Proof of Claim on the Monitor's online claims submission portal which can be found at cfcanada.fticonsulting.com/searscanada. If not submitted at the online portal, Proofs of Claim must be delivered to the Monitor by prepaid ordinary mail, registered mail, courier, personal delivery, facsimile transmission or email at the following address:

FTI Consulting Canada Inc., Sears Canada Monitor
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Sears Canada Claims Process

Fax No.: 416-649-8101

Email: searscanada@fticonsulting.com

Failure to file your Proof of Claim so that it is actually received by the Monitor on or before 5:00 p.m. (Toronto time) on the General Creditor Claims Bar Date, the General Creditor Restructuring Period Claims Bar Date, the General Creditor Post-Filing Claims Bar Date or the Landlord Claims Bar Date, as applicable, WILL result in your Claim being forever barred and you will be prevented from making or enforcing your Claim against the Sears Canada Entities. In addition, you shall not be entitled to further notice of and shall not be entitled to participate as a creditor in the Sears Canada Entities' CCAA proceedings.

**SCHEDULE C
PROOF OF CLAIM FORM
FOR CLAIMS AGAINST THE SEARS CANADA ENTITIES¹**

Note: Claimants are strongly encouraged to complete and submit their Proof of Claim on the Monitor's online claims submission portal which can be found at cfcanada.fticonsulting.com/searscanada.

1 NAME OF SEARS CANADA ENTITY OR ENTITIES (THE "DEBTOR(S)") THE CLAIM IS BEING MADE AGAINST: _____

Debtor(s): _____

2 (A) PARTICULARS OF CLAIMANT

Full Legal Name of Claimant: _____

Full Mailing Address of Claimant: _____

Telephone Number of Claimant:

Facsimile Number of Claimant:

E-mail Address of Claimant:

Attention (Contact Person):

¹ The "Sears Canada Entities" are Sears Canada Inc., Corbell Électrique Inc., S.L.H. Transport Inc., The Cut Inc., Sears Contact Services Inc., Initium Logistics Services Inc., Initium Commerce Labs 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., 4201731 Canada Inc., 168886 Canada Inc., 3339611 Canada Inc., and SearsConnect

(B) PARTICULARS OF ORIGINAL CLAIMANT FROM WHOM YOU ACQUIRED CLAIM, IF APPLICABLE

- (i) Has the Claimant acquired this Claim by assignment? Yes No
- (ii) If yes, attach documents evidencing assignment and provide full particulars of the original Claimant from whom the Claim was acquired from:

Full Legal Name of original Claimant: _____

Full Mailing Address of original Claimant: _____

Telephone Number of original Claimant: _____

Facsimile Number of original Claimant: _____

E-mail Address of original Claimant: _____

Attention (Contact Person): _____

3 AMOUNT AND TYPE OF CLAIM

The Debtor was and still is indebted to the Claimant as follows:

Currency:	Amount of Pre-Filing Claim (including interest up to and including June 22, 2017) ² :	Whether Claim is Secured:	Value of Security Held, if any ³ :
_____	_____	Yes <input type="checkbox"/> No <input type="checkbox"/>	_____
_____	_____	Yes <input type="checkbox"/> No <input type="checkbox"/>	_____
_____	_____	Yes <input type="checkbox"/> No <input type="checkbox"/>	_____

² Interest accruing from the Filing Date (June 22, 2017) shall not be included in any Claim.

³ If the Claim is secured, provide full particulars of the security, including the date on which the security was given, the value for which you ascribe to the assets charged by your security, the basis for such valuation and attach a copy of the security documents evidencing the security. This information may be provided in a separate schedule, if necessary.

Currency:	Amount of Restructuring Period Claim:	Whether Claim is Secured:	Value of Security Held, if any:
_____	_____	Yes <input type="checkbox"/> No <input type="checkbox"/>	_____
_____	_____	Yes <input type="checkbox"/> No <input type="checkbox"/>	_____
_____	_____	Yes <input type="checkbox"/> No <input type="checkbox"/>	_____

Currency:	Amount of Post-Filing Claim:	Whether Claim is Secured:	Value of Security Held, if any:
_____	_____	Yes <input type="checkbox"/> No <input type="checkbox"/>	_____
_____	_____	Yes <input type="checkbox"/> No <input type="checkbox"/>	_____
_____	_____	Yes <input type="checkbox"/> No <input type="checkbox"/>	_____

4 DOCUMENTATION

Provide all particulars of the Claim and supporting documentation, including amount, and description of transaction(s) or agreement(s), or legal breach(es) giving rise to the Claim, including any claims assignment/transfer agreement or similar document, if applicable, and amount of invoices, particulars of all credits, discounts, etc. claimed, description of the security, if any, granted by the affected Debtor to the Claimant and estimated value of such security.

5 CERTIFICATION

I hereby certify that:

- (a) I am the Claimant or authorized representative of the Claimant.
- (b) I have knowledge of all the circumstances connected with this Claim.
- (c) The Claimant asserts this Claim against the Debtor(s) as set out above.
- (d) Complete documentation in support of this Claim is attached.

Signature: _____ Witness: _____
(signature)

Name: _____
(print)

Title: _____

Dated at _____ this _____ day of _____, 20____.

6 FILING OF CLAIM AND APPLICABLE DEADLINES

For Pre-Filing Claims (except Pre-Filing Claims that may be asserted by a Landlord), this Proof of Claim must be returned to and received by the Monitor by 5:00 p.m. (Toronto time) on March 2, 2018 (the "**General Creditor Claims Bar Date**").

For Restructuring Period Claims (except Restructuring Period Claims that may be asserted by a Landlord), this Proof of Claim must be returned to and received by the Monitor by 5:00 p.m. (Toronto time) on the later of (i) the date that is 45 days after the date on which the Monitor sends a General Creditor Claims Package with respect to a Restructuring Period Claim and (ii) the General Creditor Claims Bar Date (the "**General Creditor Restructuring Period Claims Bar Date**").

For Post-Filing Claims (except Post-Filing Claims that may be asserted by a Landlord), this Proof of Claim must be returned to and received by the Monitor by 5:00 p.m. (Toronto time) on April 2, 2018 (the "**General Creditor Post-Filing Claims Bar Date**").

For Landlord Claims (including, for greater certainty, any Pre-Filing Claim, Post-Filing Claim or Restructuring Period Claim of a Landlord), this Proof of Claim must be returned to and received by the Monitor by 5:00 p.m. (Toronto time) on the later of (i) the date that is 45 days after the date on which the Monitor sends a General Creditor Claims Package with respect to a Landlord Claim and (ii) April 2, 2018 (the "**Landlord Claims Bar Date**").

In each case, completed forms must be delivered to the Monitor by prepaid ordinary mail, registered mail, courier, personal delivery, facsimile transmission or email at the following address:

FTI Consulting Canada Inc., Sears Canada Monitor
 TD Waterhouse Tower
 79 Wellington Street West
 Suite 2010, P.O. Box 104
 Toronto, Ontario M5K 1G8

Attention: Sears Canada Claims Process

Fax No.: 416-649-8101
 Email: searscanada@fticonsulting.com

Alternatively, Claimants can, and in fact are strongly encouraged to, complete and submit their Proof of Claim on the Monitor's online claims submission portal which can be found at cfcanada.fticonsulting.com/searscanada.

Failure to file your Proof of Claim so that it is actually received by the Monitor on or before 5:00 p.m. (Toronto time) on the General Creditor Claims Bar Date, the General Creditor Restructuring Period Claims Bar Date, the General Creditor Post-Filing Claims Bar Date or the Landlord Claims Bar Date, as applicable, WILL result in your Claim being forever barred and you will be prevented from making or enforcing your Claim against the Sears Canada Entities. In addition, you shall not be entitled to further notice of and shall not be entitled to participate as a creditor in the Sears Canada Entities' CCAA proceedings.

SCHEDULE D
CLAIMANT'S GUIDE TO COMPLETING THE D&O PROOF OF CLAIM FORM
FOR CLAIMS AGAINST DIRECTORS AND/OR OFFICERS
OF THE SEARS CANADA ENTITIES¹

This Guide has been prepared to assist Claimants in filling out the D&O Proof of Claim form for Claims against the Directors and/or Officers (present and former) of the Sears Canada Entities. If you have any additional questions regarding completion of the D&O Proof of Claim, please consult the Monitor's website at cfcanada.fticonsulting.com/searscanada or contact the Monitor, whose contact information is shown below.

The D&O Proof of Claim form is for Claimants asserting a Claim against any Directors and/or Officers of the Sears Canada Entities, and NOT for Claims against the Sears Canada Entities themselves. For Claims against the Sears Canada Entities, please use the form titled "Proof of Claim Form for Claims against the Sears Canada Entities", which is available on the Monitor's website at cfcanada.fticonsulting.com/searscanada.

Please note that this is a guide only, and that in the event of any inconsistency between the terms of this guide and the terms of the Claims Procedure Order made on [December 8], 2017 (the "Claims Procedure Order"), the terms of the Claims Procedure Order will govern. Unless otherwise defined, all capitalized terms used herein have the meanings given to them in the Claims Procedure Order.

Additional copies of the D&O Proof of Claim form may be found at the Monitor's website. Claimants can, and are in fact strongly encouraged to, submit their D&O Proofs of Claim at the Monitor's website at cfcanada.fticonsulting.com/searscanada.

SECTION 1 – DEBTOR(S)

- 1 The full name of all the Directors and/or Officers (present and former) of the Sears Canada Entities against whom the Claim is asserted must be listed. If there are insufficient lines to record each such name, attach a separate schedule indicating the required information.

SECTION 2(a) – ORIGINAL CLAIMANT

- 1 A separate D&O Proof of Claim must be filed by each legal entity or person asserting a Claim against the Sears Canada Entities' Directors or Officers.
- 2 The Claimant shall include any and all D&O Claims it asserts against the Sears Canada Entities' Directors or Officers in a single D&O Proof of Claim.
- 3 The full legal name of the Claimant must be provided.

¹ The Sears Canada Entities" are 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 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., 4201731 Canada Inc., 168886 Canada Inc., 3339611 Canada Inc., and SearsConnect.

- 4 If the Claimant operates under a different name or names, please indicate this in a separate schedule in the supporting documentation.
- 5 If the D&O Claim has been acquired from another party, Section 2(b) must also be completed.
- 6 Unless the D&O Claim is assigned or transferred, all future correspondence, notices, etc. regarding the Claim will be directed to the address and contact indicated in this section.

SECTION 2(b) – PARTICULARS OF ORIGINAL CLAIMANT FROM WHOM YOU ACQUIRED CLAIM, IF APPLICABLE

- 1 If the Claimant acquired its D&O Claim by assignment or other transfer, then Section 2(b) must be completed.
- 2 The full legal name of the original holder of the D&O Claim must be provided.
- 3 If the original holder of the D&O Claim operates under a different name or names, please indicate this in a separate schedule in the supporting documentation.

SECTION 3 – AMOUNT AND TYPE OF D&O CLAIM OF CLAIMANT AGAINST DEBTOR(S)

- 1 If the D&O Claim arose in respect of the period prior to June 22, 2017, then indicate the amount the Director(s) and/or Officer(s) was/were and still is/are indebted to the Claimant in the space reserved for D&O Claims in respect of the Pre-Filing Period in the “Amount of Claim” column, including interest up to and including June 22, 2017.²
- 2 If the D&O Claim arose in respect of the period on or after June 22, 2017, then indicate the amount the Director(s) and/or Officer(s) was/were and still is/are indebted to the Claimant in the space reserved for D&O Claims in respect of the Restructuring Period in the “Amount of Claim” column.
- 3 If there are insufficient lines to record each D&O Claim amount, attach a separate schedule indicating the required information.

CURRENCY

- 1 The amount of the D&O Claim must be provided in the currency in which it arose.
- 2 Indicate the appropriate currency in the Currency column.
- 3 If the D&O Claim is denominated in multiple currencies, use a separate line to indicate the Claim amount in each such currency. If there are insufficient lines to record these amounts, attach a separate schedule indicating the required information.
- 4 If necessary, currency will be converted in accordance with the Claims Procedure Order.

² Interest accruing from the Filing Date (June 22, 2017) shall not be included in any Claim.

SECTION 4 – DOCUMENTATION

- 1 Attach to the D&O Proof of Claim form all particulars of the Claim and supporting documentation, including amount and description of transaction(s) or agreement(s), and the legal basis for the D&O Claim against the specific Directors or Officers at issue.

SECTION 5 – CERTIFICATION

- 1 The person signing the D&O Proof of Claim should:
 - (a) be the Claimant or authorized representative of the Claimant;
 - (b) have knowledge of all the circumstances connected with this D&O Claim;
 - (c) assert the Claim against the Debtor(s) as set out in the D&O Proof of Claim and certify all supporting documentation is attached; and
 - (d) have a witness to its certification.
- 2 By signing and submitting the D&O Proof of Claim, the Claimant is asserting the Claim against the Debtor(s) named in the D&O Proof of Claim.

SECTION 6 – FILING OF CLAIM AND APPLICABLE DEADLINES

- 1 All D&O Proofs of Claim in respect of D&O Claims arising prior to June 22, 2017 (except D&O Claims that may be asserted by a Landlord) MUST be received by the Monitor on or before 5:00 p.m. (Toronto time) on March 2, 2018 (the "General Creditor Claims Bar Date").
- 2 All D&O Proofs of Claim in respect of D&O Claims arising on or after June 22, 2017 (except D&O Claims that may be asserted by a Landlord) MUST be received by the Monitor by 5:00 p.m. (Toronto time) on the date (the "General Creditor Restructuring Period Claims Bar Date") that is the later of (i) the date that is 45 days after the date on which the Monitor sends a General Creditor Claims Package with respect to a Restructuring Period Claim and (ii) the General Creditor Claims Bar Date.
- 3 All D&O Proofs of Claim that may be asserted by a Landlord, whether arising before or after June 22, 2017, MUST be received by the Monitor by 5:00 p.m. (Toronto time) on the date (the "Landlord Claims Bar Date") that is the later of (i) the date that is 45 days after the date on which the Monitor sends a General Creditor Claims Package with respect to a Landlord Claim and (ii) April 2, 2018.
- 4 Claimants are strongly encouraged to complete and submit their D&O Proof of Claim on the Monitor's online claims submission portal which can be found at cfcanada.fticonsulting.com/searscanada. If not submitted at the online portal, Proofs of Claim must be delivered to the Monitor by prepaid ordinary mail, registered mail, courier, personal delivery, facsimile transmission or email at the following address:

FTI Consulting Canada Inc., Sears Canada Monitor
TD Waterhouse Tower

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

Attention: Sears Canada Claims Process
Fax No.: 416-649-8101
Email: searscanada@fticonsulting.com

Failure to file your D&O Proof of Claim so that it is actually received by the Monitor on or before 5:00 p.m. (Toronto time) on the General Creditor Claims Bar Date, the General Creditor Restructuring Period Claims Bar Date or the Landlord Claims Bar Date, as applicable, WILL result in your Claim being barred and you will be prevented from making or enforcing your Claim against the Directors and Officers of the Sears Canada Entities. In addition, you shall not be entitled to further notice of and shall not be entitled to participate as a creditor in the Sears Canada Entities' CCAA proceedings.

**SCHEDULE E
D&O PROOF OF CLAIM FORM
FOR CLAIMS AGAINST DIRECTORS OR OFFICERS OF THE SEARS CANADA
ENTITIES¹**

This form is to be used only by Claimants asserting a Claim against any Directors and/or Officers of the Sears Canada Entities and NOT for Claims against the Sears Canada Entities themselves. For Claims against the Sears Canada Entities, please use the form titled "Proof of Claim Form for Claims against the Sears Canada Entities"; which is available on the Monitor's website at cfcanada.fticonsulting.com/searscanada.

1 NAME(S) OF OFFICER(S) AND/OR DIRECTOR(S) (THE "DEBTOR(S)") THE CLAIM IS BEING MADE AGAINST:

Debtor(s): _____

2 (A) PARTICULARS OF CLAIMANT

Full Legal Name of Claimant: _____

Full Mailing Address of Claimant: _____

Telephone Number of Claimant: _____

Facsimile Number of Claimant: _____

E-mail Address of Claimant: _____

Attention (Contact Person): _____

¹ The Sears Canada Entities" are 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 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., 4201731 Canada Inc., 168886 Canada Inc., 3339611 Canada Inc., and SearsConnect.

(B) PARTICULARS OF ORIGINAL CLAIMANT FROM WHOM YOU ACQUIRED CLAIM, IF APPLICABLE

- (i) Has the Claimant acquired this Claim by Assignment? Yes No
- (ii) If yes, attach documents evidencing assignment and provide full particulars of the original Claimant from whom you acquired the Claim from:

Full Legal Name of original Claimant: _____

Full Mailing Address of original Claimant: _____

Telephone Number of original Claimant: _____

Facsimile Number of original Claimant: _____

E-mail Address of original Claimant: _____

Attention (Contact Person): _____

3 AMOUNT OF CLAIM

The Debtor(s) was/were and still is/are indebted to the Claimant as follows:

Name(s) of Director(s) and/or Officers	Currency	Amount of D&O Claim in respect of the <u>Pre-Filing Period</u> (including interest up to and including June 22, 2017)	Amount of D&O Claim in respect of the <u>Restructuring Period</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

4 DOCUMENTATION

Provide all particulars of the D&O Claim and supporting documentation, including any Claim assignment/transfer agreement or similar documentation, if applicable, and including amount and description of transaction(s) or agreement(s), and the legal basis for the D&O Claim against the specific Directors or Officers at issue.

5 CERTIFICATION

I hereby certify that:

- (a) I am the Claimant or authorized representative of the Claimant.
- (b) I have knowledge of all the circumstances connected with this Claim.
- (c) The Claimant asserts this Claim against the Debtor(s) as set out above.
- (d) Complete documentation in support of this Claim is attached.

Signature: _____ Witness: _____

(signature)

Name: _____

Title: _____ (print)

Dated at _____ this _____ day of _____, 20____.

6 FILING OF CLAIMS AND APPLICABLE DEADLINES

All D&O Proofs of Claim in respect of D&O Claims arising prior to June 22, 2017 (except D&O Claims that may be asserted by a Landlord) MUST be received by the Monitor on or before 5:00 p.m. (Toronto time) on March 2, 2018 (the "General Creditor Claims Bar Date").

All D&O Proofs of Claim in respect of D&O Claims arising on or after June 22, 2017 (except D&O Claims that may be asserted by a Landlord) MUST be returned to and received by the Monitor by 5:00 p.m. (Toronto time) on the later of (i) the date that is 45 days after the date on which the Monitor sends a General Creditor Claims Package with respect to a Restructuring Period Claim and (ii) the General Creditor Claims Bar Date (the "General Creditor Restructuring Period Claims Bar Date").

All D&O Proofs of Claim that may be asserted by a Landlord, whether arising before or after June 22, 2017, MUST be received by the Monitor by 5:00 p.m. (Toronto time) on the date (the "Landlord Claims Bar Date") that is the later of (i) the date that is 45 days after the date on which the Monitor sends a General Creditor Claims Package with respect to a Landlord Claim and (ii) April 2, 2018.

In each case, completed forms must be delivered to the Monitor by prepaid ordinary mail, registered mail, courier, personal delivery, facsimile transmission or email at the following address:

FTI Consulting Canada Inc., Sears Canada Monitor
 TD Waterhouse Tower
 79 Wellington Street West

Suite 2010, P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Sears Canada Claims Process

Fax No.: 416-649-8101

Email: searscanada@fticonsulting.com

Alternatively, Claimants can, and in fact are strongly encouraged to, complete and submit their D&O Proof of Claim on the Monitor's online claims submission portal which can be found at cfcanada.fticonsulting.com/searscanada.

Failure to file your D&O Proof of Claim so that it is actually received by the Monitor on or before 5:00 p.m. (Toronto time) on the General Creditor Claims Bar Date, the General Creditor Restructuring Period Claims Bar Date or the Landlord Claims Bar Date, as applicable, WILL result in your Claim being barred and you will be prevented from making or enforcing your Claim against the Directors and Officers of the Sears Canada Entities. In addition, you shall not be entitled to further notice of and shall not be entitled to participate as a creditor in the Sears Canada Entities' CCAA proceedings.

SCHEDULE F
NOTICE OF DISPUTE OF REVISION OR DISALLOWANCE REGARDING A CLAIM
AGAINST THE SEARS CANADA ENTITIES OR THEIR DIRECTOR OR OFFICERS¹

Capitalized terms used but not defined in this Notice of Dispute of Revision or Disallowance shall have the meanings ascribed to them in the Order of the Ontario Superior Court of Justice (Commercial List) in the CCAA proceedings of the Sears Canada Entities dated [December 8], 2017 (the "Claims Procedure Order"). You can obtain a copy of the Claims Procedure Order on the Monitor's website at cfcanada.fticonsulting.com/searscanada

1 PARTICULARS OF CLAIMANT

Claim Reference Number:
(as indicated in Notice of Revision or Disallowance)

Full Legal Name of Claimant:

Full Mailing Address of Claimant:

Telephone Number of Claimant:

Facsimile Number of Claimant:

E-mail Address of Claimant:

Attention (Contact Person):

2 PARTICULARS OF ORIGINAL CLAIMANT FROM WHOM YOU ACQUIRED THE CLAIM, IF APPLICABLE

(i) Have you acquired this Claim by Assignment? Yes No
(If yes, attach documents evidencing assignment)

(ii) Full legal name of original Claimant: _____

¹ The "Sears Canada Entities" are 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 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., 4201731 Canada Inc., 168886 Canada Inc., 3339611 Canada Inc., and SearsConnect.

3 DISPUTE OF REVISION OR DISALLOWANCE OF CLAIM:

The Claimant hereby disagrees with the value of its Claim, as set out in the Notice of Revision or Disallowance dated _____, and asserts a Claim as follows:

Type of Claim	Amount allowed by Monitor as unsecured (Notice of Revision or Disallowance)	Amount allowed by Monitor as secured (Notice of Revision or Disallowance)	Amount claimed by Claimant as unsecured	Amount claimed by Claimant as secured
A. Pre-Filing Claim	\$ _____	\$ _____	\$ _____	\$ _____
B. Restructuring Period Claim	\$ _____	\$ _____	\$ _____	\$ _____
C. Post-Filing Claim	\$ _____	\$ _____	\$ _____	\$ _____
D. D&O Claim in respect of Pre-Filing Period	\$ _____	\$ _____	\$ _____	\$ _____
E. D&O Claim in respect of Restructuring Period	\$ _____	\$ _____	\$ _____	\$ _____
F. Total Claim	\$ _____	\$ _____	\$ _____	\$ _____

(Insert particulars of your Claim per the Notice of Revision or Disallowance, and the value of your Claim as asserted by you)

4 REASONS FOR DISPUTE

(Provide full particulars of why you dispute the Monitor's revision or disallowance of your Claim as set out in the Notice of Revision or Disallowance, and provide all supporting documentation, including amount, description of transaction(s) or agreement(s) giving rise to the Claim, name of any guarantor(s) which has guaranteed the Claim, and amount of Claim allocated thereto, date and number of all invoices, particulars of all credits, discounts, etc. claimed. The particulars provided must support the value of the Claim as stated by you in item 3, above.)

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DATED this _____ day of _____, 20__.

(Print name of Claimant, or, if the Claimant is a corporation, the name of the Claimant and the name of the authorized signing officer of the corporation that is executing this Notice of Dispute of Revision or Disallowance.)

(Signature of Claimant, or, if the Claimant is a corporation, the signature of the authorized signing officer of the corporation that is executing this Notice of Dispute of Revision or Disallowance.)

This Notice of Dispute of Revision or Disallowance MUST be submitted to the Monitor at the below address by no later than 5:00 p.m. (Toronto time) on the day that is thirty (30) days after this Notice of Revision or Disallowance is deemed to have been received by you (in accordance with paragraph [72] of the Claims Procedure Order, a copy of which can be found on the Monitor's website at cfcandada.fticonsulting.com/searscanada). Delivery to the Monitor may be made by ordinary prepaid mail, registered mail, courier, personal delivery, facsimile transmission or email to the address below. Claimants can also, and are in fact strongly

encouraged to, submit their Notices of Dispute of Revision or Disallowance online by such deadline at the Monitor's website at cfcanada.fticonsulting.com/searscanada.

FTI Consulting Canada Inc., Sears Canada Monitor
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Sears Canada Claims Process

Fax No.: 416-649-8101

Email: searscanada@fticonsulting.com

In accordance with the Claims Procedure Order, except in the case of forms submitted at the Monitor's online claims portal which are deemed received at the time they are submitted, notices shall be deemed to be received by the Monitor upon actual receipt thereof by the Monitor during normal business hours on a Business Day, or if delivered outside of normal business hours, on the next Business Day.

IF YOU FAIL TO FILE A NOTICE OF DISPUTE OF REVISION OR DISALLOWANCE WITHIN THE PRESCRIBED TIME PERIOD, YOUR CLAIM AS SET OUT IN THE NOTICE OF REVISION OR DISALLOWANCE WILL BE BINDING UPON YOU.

**SCHEDULE G
NOTICE OF REVISION OR DISALLOWANCE**

Regarding Claims against the Sears Canada Entities¹ or
D&O Claims against the Directors and/or Officers of the Sears Canada Entities

TO: [INSERT NAME AND ADDRESS OF CLAIMANT] (the "Claimant")

FROM: FTI Consulting Canada Inc., in its capacity as Court-appointed Monitor of the
Sears Canada Entities (the "Monitor")

RE: Claim Reference Number: _____

Capitalized terms used but not defined in this Notice of Revision or Disallowance shall have the meanings ascribed to them in the Order of the Ontario Superior Court of Justice (Commercial List) in the CCAA proceedings of the Sears Canada Entities dated [December 8], 2017 (the "Claims Procedure Order"). You can obtain a copy of the Claims Procedure Order on the Monitor's website at cfcanada.fticonsulting.com/searscanada.

Pursuant to the Claims Procedure Order, the Monitor hereby gives you notice that it has reviewed your Proof of Claim or D&O Proof of Claim and has revised or disallowed all or part of your purported Claim. Subject to further dispute by you in accordance with the Claims Procedure Order, your Claim will be as follows:

Type of Claim	Amount as submitted		Amount allowed by Monitor	Amount allowed as secured	Amount allowed as unsecured
	Original Currency				
A. Pre-Filing Claim		\$	\$	\$	\$
B. Restructuring Period Claim		\$	\$	\$	\$
C. Post-Filing Claim		\$	\$	\$	\$
D. D&O Claim in respect of Pre-Filing Period		\$	\$	\$	\$
E. D&O Claim in respect of Restructuring Period		\$	\$	\$	\$

¹ The "Sears Canada Entities" are 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 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., 4201731 Canada Inc., 168886 Canada Inc. 3339611 Canada Inc. and SearsConnect.

F Total Claim		\$	\$	\$	\$
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Reasons for Revision or Disallowance:

If you intend to dispute this Notice of Revision or Disallowance, you must, by no later than 5:00 p.m. (Toronto time) on the day that is **thirty (30) days after this Notice of Revision or Disallowance is deemed to have been received by you** (in accordance with paragraph [72] of the Claims Procedure Order), deliver a Notice of Dispute of Revision or Disallowance to the Monitor (by ordinary prepaid mail, registered mail, courier, personal delivery, facsimile transmission or email) at the address listed below. Claimants can also, and are in fact strongly encouraged to, submit their Notices of Dispute of Revision or Disallowance forms online by such deadline at the Monitor's website at cfcanada.fticonsulting.com/searscanada.

If you do not dispute this Notice of Revision or Disallowance in the prescribed manner and within the aforesaid time period, your Claim shall be deemed to be as set out herein.

If you agree with this Notice of Revision or Disallowance, there is no need to file anything further with the Monitor.

The address of the Monitor is set out below:

FTI Consulting Canada Inc., Sears Canada Monitor
 TD Waterhouse Tower
 79 Wellington Street West
 Suite 2010, P.O. Box 104
 Toronto, Ontario M5K 1G8

Attention: Sears Canada Claims Process

Fax No.: 416-649-8101

Email: searscanada@fticonsulting.com

In accordance with the Claims Procedure Order, except in the case of forms submitted at the Monitor's online claims portal which are deemed received at the time they are submitted, notices shall be deemed to be received by the Monitor upon actual receipt thereof by the Monitor during normal business hours on a Business Day, or if delivered outside of normal business hours, on the next Business Day.

The form of Notice of Dispute of Revision or Disallowance is enclosed and can also be accessed on the Monitor's website at cfcanada.fticonsulting.com/searscanada.

IF YOU FAIL TO FILE A NOTICE OF DISPUTE OF REVISION OR DISALLOWANCE WITHIN THE PRESCRIBED TIME PERIOD, THIS NOTICE OF REVISION OR DISALLOWANCE WILL BE BINDING UPON YOU.

DATED this _____ day of _____, 20__.

FTI Consulting Canada Inc.

**SCHEDULE H
OTHER EMPLOYEE LETTER**

(LETTERHEAD OF THE MONITOR)

●, 2017

- TO:** Active and former employees of the Sears Canada Entities represented by International Brotherhood of Electrical Workers, Local 213
c/o McMahon, Morrison, Watts
Box 314, 4346 Colonel Talbot Road
London, Ontario N6P 1P9

Attention: J. Craig Morrison
- AND TO:** Active and former employees of the Sears Canada Entities represented by UNIFOR
c/o UNIFOR
Unifor Legal Department, Local 1000
2015 Placer Court
Toronto Ontario M2H 3H9

Attention: Anthony Dale
- AND TO:** Active and former employees of the Sears Canada Entities represented by Le Syndicat des Métallos
c/o Le Syndicat des Métallos, Local 9153
565, boulevard Crémazie Est, Bureau 5100
Montréal, Québec H2M 2V8

Attention: ●
- AND TO:** Present and former members of senior management of the Sears Canada Entities who the Monitor and the Sears Canada Entities believe may wish to assert a Claim against any of the Sears Canada Entities or their respective Directors or Officers
- AND TO:** Employees who have opted out of representation by Ursel Phillips Fellows Hopkinson LLP ("Employee Representative Counsel")
- AND TO:** Former employees who were terminated for cause and who the Monitor and the Sears Canada Entities believe may wish to assert a Claim against any of the Sears Canada Entities or their respective Directors or Officers

To whom it may concern:

Re: Current Claims Process in the CCAA Proceedings of the Sears Canada Entities (Court File No. CV-17-11846-00CL)

Recently, on [December 8], 2017, the Ontario Superior Court of Justice (Commercial List) issued an order (the "Claims Procedure Order") in the *Companies' Creditors Arrangement Act*

proceedings of Sears Canada Inc. and certain of its subsidiaries and affiliates¹ (collectively, the “Sears Canada Entities”), commencing a claims procedure (the “Claims Process”) for the purpose of identifying and determining all Claims against the Sears Canada Entities and their respective current and former directors and officers.

Notwithstanding the commencement of the Claims Process, certain classes of persons are currently exempted from the requirement to file any proofs of claim. You are receiving this letter because you fall into one of the categories of such exempted persons, which includes any:

- (i) active or inactive union or non-union employee of any one of the Sears Canada Entities on or after June 22, 2017, including an employee of any one of the Sears Canada Entities who received notice of termination of employment dated on or after June 22, 2017; and
- (ii) former employee of any one of the Sears Canada Entities who was terminated for cause at any time or who received notice of cessation of termination or severance payments dated on or after June 22, 2017.

(collectively, the “Employee Claimants”).

Please be advised that the current Claims Process does not include claims of Employee Claimants. Employee claims will be dealt with through a separate Employee Claims Process. That includes any claims you may have against the directors and officers and any claims not related to your compensation.

To be clear, there is NO need at this time for you to take action in connection with this Claims Process, or file any proof of claim in respect of any claim you may have against any of the Sears Canada Entities or their respective current and former directors and officers.

FTI Consulting Canada Inc., as Court-appointed Monitor (the “Monitor”) and the Sears Canada Entities are at present working to develop a future claims process (the “Employee Claims Process”) to address all claims (of any type) of Employee Claimants. A similar process is also being developed in respect of claims relating to pension entitlements and other post-employment benefits.

In developing this separate Employee Claims Process, the Monitor and the Sears Canada Entities are working with various stakeholders, including: (a) Employee Representative Counsel, who serves as representative counsel to non-unionized current and former employees of the Sears Canada Entities, other than members of senior management, with respect to such employees’ interests other than pension entitlements and other post-employment benefits matters (and who, for greater clarity, does not represent the interests of persons listed as recipients to this letter); (b) Koskie Minsky LLP, who serve as representative counsel to, among others, non-unionized retirees and active and former employees of the Sears Canada Entities with respect to pension entitlements and other post-employment benefits matters; (c) the Ontario Superintendent of Financial Services as administrator of the Pension Benefits

¹ The “Sears Canada Entities” are 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 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., 4201731 Canada Inc., 168886 Canada Inc., 3339611 Canada Inc., and SearsConnect.

Guarantee Fund; and (d) Morneau Shepell Inc., as administrator of the Sears Canada Inc. Registered Retirement Plan.

Additional information will be made available to you as this process continues. For now, the only action you may need to take is to advise the Monitor of a change of address.

Once the Employee Claims Process has been established, the Monitor will provide information regarding the process and any claims forms to be filed thereunder to you. This information will also be available on the Monitor's website at cfcanada.fticonsulting.com/searscanada/. We would recommend checking the Monitor's website periodically/monthly.

If you have questions with respect to the foregoing, you may contact the Monitor at:

FTI Consulting Canada Inc., Sears Canada Monitor
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Sears Canada Claims Process

Tel.: 416-649-8113
Toll Free: 1-855-649-8113
Fax No.: 416-649-8101
Email: searscanada@fticonsulting.com

Yours truly,

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

SCHEDULE I
EMPLOYEE LETTER

(LETTERHEAD OF EMPLOYEE REPRESENTATIVE COUNSEL)

December ●, 2017

To the Non-Unionized Active and Former Employees of Sears Canada Entities:

Re: **Current Claims Process in the CCAA proceedings of the Sears Canada Entities**
(Court File No. CV-17-11846-00CL)

As you know, Sears Canada Inc. and certain of its subsidiaries and affiliates (collectively, the "Sears Canada Entities") filed for and were granted creditor protection under the *Companies' Creditors Arrangement Act* ("CCAA"), pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the "Court").

In connection with the Sears Canada Entities' CCAA proceedings, Ursel Phillips Fellows Hopkinson LLP ("**Employee Representative Counsel**") was appointed to represent the interests of the non-unionized Active Employees and Former Employees of the Sears Canada Entities, other than with respect to the Sears Canada Entities' pension plans and other post-employment benefit entitlements. Information about the proceedings and matters of specific interest to employees may be found at Employee Representative Counsel's website at <http://www.upfhlaw.ca/areas-of-practice/sears-canada-employees-and-former-employees>.

The purpose of this letter is to inform you that on [December 8], 2017, the Court issued an order (the "**Claims Procedure Order**") commencing a claims procedure (the "**Claims Process**") for the purpose of identifying and determining claims against the Sears Canada Entities and their respective current and former directors and officers.

Notwithstanding the commencement of the Claims Process, certain classes of persons are currently **exempted** from the requirement to file any proofs of claim. As a non-unionized Active Employee or Former Employee of one of the Sears Canada Entities (an "**Employee**"), you fall into one of the categories of such exempted persons.

Please be advised that the current Claims Process **does not include** claims of Employees. Employee claims will be dealt with through a **separate Employee Claims Process** (as described below). That includes any claims you may have against the directors and officers and claims not related to your compensation.

To be clear, there is **NO** need at this time for you to take action in connection with this Claims Process or file any proof of claim in respect of any claim you may have against the Sears Canada Entities or their respective current and former directors and officers.

Employee Claims Process

Employee Representative Counsel is currently working with the Sears Canada Entities and the Monitor, among others, to develop a separate claims process (the "**Employee Claims Process**"), to address all claims (of any type) of current or former employees of the Sears Canada Entities. A similar process is also being developed in respect of claims relating to pension entitlements and other post-employment benefits. Any claims against the directors and/or officers of the Sears Canada Entities that you may have as an Employee will also be part of the Employee Claims Process. In addition, if you have a claim against the Sears Canada Entities for a matter not related to your compensation, that claim will also be dealt with through the Employee Claims Process.

Additional information will be made available to you as this process continues. For now, the only action you may need to take is to advise the Monitor and/or Employee Representative Counsel of a change of address.

Once the Employee Claims Process has been established, the Monitor will provide information regarding the process and any claims forms to be filed thereunder to you. This information will also be available on the Monitor's website at cfcanada.fticonsulting.com/searscanada/. At present, it is difficult to estimate when the Employee Claims Process will be established but it should be over the course of the next two to three months. We would also recommend checking the Monitor's website (cfcanada.fticonsulting.com/searscanada/) periodically/monthly.

If you have any questions with respect to any of the above information, please contact us at our toll-free number at 1-844-855-8352 or our email at SearsCanadaEmployees@upfhlaw.ca.

Yours truly,

Ursel Phillips Fellows Hopkinson LLP

Susan Ursel

SCHEDULE J
PENSIONER LETTER

December ●, 2017

Andrew J. Hatnay
ahatnay@kmlaw.ca

Via Regular Mail

Dear Sir/Madam:

**Re: Sears Canada Inc. and certain of its subsidiaries and affiliates (collectively, "Sears Canada")
Representation of Non-Union Employees and Retirees with Pension and OPEB Entitlements in
Sears Canada's proceedings (the "CCAA Proceedings") under the *Companies' Creditors
Arrangement Act*, R.S.C., 1985, c. C-36 (the "CCAA")
Our File No. 17/1312**

We are the Representative Counsel to Ken Eady, Larry Moore, and William Turner, who were appointed by the Ontario Superior Court of Justice (Commercial List) as Representatives of all non-union employees and retirees of Sears Canada¹ who have entitlements to pension benefits and other post-employment benefits such as health benefits, life insurance, and supplemental pension (collectively, "OPEBs") in the CCAA Proceedings. For the purposes of this letter, the non-union employees and retirees shall be collectively referred to as the "Pensioners".

We are writing further to our letter dated July 26, 2017 to provide information on the claims process (the "Claims Process") that Sears Canada established and the Court recently approved. The purpose of this Claims Process is to identify and determine claims from creditors for amounts owing to them by Sears Canada and/or Sears Canada's current and former officers and directors.

Status of the Sears Canada CCAA proceedings

On June 22, 2017, Sears Canada obtained Court protection from its creditors under the CCAA. At the same time, the Court appointed FTI Consulting Canada Inc. as the Monitor. Generally, the Monitor's role is to monitor and regularly report to the Court and stakeholders on Sears Canada's activities while it is under CCAA protection and to interact with creditors in a fair and impartial manner.

There have been a number of developments over the past few months. Sears Canada is not restructuring to continue as a viable company. Instead, on October 13, 2017, Sears Canada brought a motion before the Court for approval that it liquidate its remaining inventory. The Court approved the liquidation. Sears Canada has begun the process of liquidating the inventory in all of the remaining stores and selling all of its other assets. Sears Canada is continuing with the store liquidation process through January, 2018.

¹ (other than senior management of Sears Canada and any person who opted out of representation by Koskie Minsky LLP)

The General Claims Process

During the Claims Process, the Monitor will accept claims from creditors (subject to certain exemptions) for amounts they claim to be owing by Sears Canada and/or their current and former directors and officers.

Generally, the Claims Process will involve an initial assessment of each creditor's claim by the Monitor, in consultation with Sears Canada, after which creditors will be notified whether their claim has either been accepted or revised or disallowed in whole or in part. The claims of creditors that have been revised or disallowed will have the opportunity to respond further, after which the Monitor and Sears Canada may reconsider the claim or attempt to settle the claim(s) with the creditor. If a resolution cannot be reached, the dispute may be referred for adjudication by a Claims Officer who will decide the issues in dispute and render a decision. A creditor may appeal a decision of a Claims Officer. The process is intended to determine the total amount of debts owed by Sears Canada to its creditors.

The future Pensioner Claims Process

The Claims Process that is currently underway is for general creditors of Sears Canada and does not include claims for amounts owing to pension plans or to Pensioners in relation to pension benefits or terminated OPEBs. A separate claims process will be commenced in the future for all such claims in respect of losses of pension benefits and OPEBs. Koskie Minsky LLP as Representative Counsel will work with its actuarial advisors and other parties to ensure that these claims are appropriately valued and submitted in the Pensioner Claims Process. We will provide further information about the Pensioner Claims Process once that process has been finalized and commenced. A similar process is also being developed in respect of employee-related claims.

As a Pensioner, you do not need to make individual claims related to your pension benefits or OPEBs at this time. In addition, any claims you may have against the directors and officers, or claims you may have that are not related to your pension or OPEB entitlements, will be dealt with in the separate Pensioner Claims Process.

At this time, there is no need for you to take any action in connection with the current Claims Process.

We will continue to provide updates to you as the CCAA proceedings move forward, and post updates on our firm website for Sears Canada's Pensioners. You can access our firm website at www.kmlaw.ca/searsrepcounsel for information.

If you have any questions or concerns, call our toll-free hotline at 1-800-244-7120, or e-mail us at searsrepcounsel@kmlaw.ca.

We trust the above is helpful. We wish you the best for the holiday season.

Yours truly,

KOSKIE MINSKY LLP

Andrew J. Hatnay
AJH:vdI

cc. Client Committee
Amy Tang, Barbara Walancik, Natercia McLellan (Communications Manager), *Koskie Minsky LLP*

SCHEDULE K
 NOTICE OF CONSTRUCTION CLAIM
 FOR CLAIMS AGAINST THE SEARS CANADA ENTITIES AND/OR THEIR
 DIRECTORS AND OFFICERS

TO: [INSERT NAME AND ADDRESS OF CONSTRUCTION CONTRACTOR AND/OR ITS COUNSEL]

RE:

Claim Reference Number:	
General Description of improvement including Project / Store Location:	
If applicable, Preservation and Perfection Dates (with registration nos.):	
If applicable, Amount of Lien(s) registered on title:	

This notice is issued pursuant to the Claims Process for, among other things, identifying and determining all Construction Claims against the Sears Canada Entities¹ and/or their respective Directors and Officers, which was approved by the Order of the Ontario Superior Court of Justice (Commercial List) in the *Companies' Creditors Arrangement Act* proceedings of the Sears Canada Entities on **[December 8]**, 2017 (the "**Claims Procedure Order**"). Capitalized terms not defined herein have the meanings ascribed to them in the Claims Procedure Order. A copy of the Claims Procedure Order can be obtained from the website of FTI Consulting Canada Inc., the Court-appointed Monitor of the Sears Canada Entities (the "**Monitor**"), at cfcanada.fticonsulting.com/searscanada/.

According to the books, records and other relevant information in the possession of the Sears Canada Entities, the Construction Claim of the Construction Contractor, inclusive of Construction Claims of any and all other Construction Claimants at any level in connection with the relevant improvement, is set out in the table below. Note that the term "Construction Claim" also includes any D&O Claim(s) relating thereto.

¹ The "Sears Canada Entities" are 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 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., 4201731 Canada Inc., 168886 Canada Inc., 3339611 Canada Inc., and SearsConnect.

Specific Debtor	Amount	Type of Construction Claim			
		Against a Canada Entity under provisions of applicable Provincial Legislation	Against a Director or Officer under trust provisions of applicable Provincial Legislation	Secured by registration of a builders' or construction lien, or by any security held in connection with a Vacated or Discharged Lien	Unsecured portion of Construction Claim
	\$				
	\$				
	\$				
Total:	\$				

* Amount is in Canadian Dollars. All Construction Claims in an original currency other than Canadian Dollars are converted to Canadian Dollars using the Bank of Canada exchange rate on June 22, 2017.

If you, as the Construction Contractor on behalf of yourself and all Connected Sub-Contractors, agree that the foregoing determination accurately reflects the Construction Claim (including any D&O Claim(s) relating thereto), you are not required to respond to this Notice of Construction Claim. If there is *disagreement* with the determination of the Construction Claim as set out herein, you must complete the enclosed Notice of Dispute of Construction Claim and deliver such executed Notice of Dispute of Construction Claim to the Monitor such that it is received by the Monitor by 5:00 p.m. (Toronto time) on February 15, 2018 (the "Construction Claims Bar Date").

Please note that the Construction Claim as set out herein is deemed to include the Construction Claims of you as the Construction Contractor and the Construction Claims of any and all Construction Sub-Contractors under an agreement (written or oral) or otherwise engaged by you as the Construction Contractor or any other Construction Sub-Contractor at any level, in each case in connection with the relevant improvement (each, a "Connected Sub-Contractor" and together the "Connected Sub-Contractors").

However, pursuant to the terms of the Claims Procedure Order, you are to dispute the above Construction Claim on behalf of yourself and any Connected Sub-Contractor with respect to any disputed amount by submitting a Notice of Dispute of Construction Claim. For greater certainty, no Connected Sub-Contractor shall be required to submit a separate Notice of Dispute of Construction Claim in respect of their portion of the above Construction Claim – rather, any such disagreement by a Connected Sub-Contractor is to be included in the Notice of Dispute of Construction Claim submitted by the Construction Contractor.

As a result of the co-ordination that will be required between the Construction Contractor and the Connected Sub-Contractors, the Claims Procedure Order requires you, as the Construction Contractor, to send as soon as possible a copy of both your Notice of Construction Claim and the enclosed Construction Sub-Contractor Instruction Letter to all Construction Sub-Contractors in a direct contractual agreement or engagement with you in connection with the relevant improvement and ensure that every Construction Sub-Contractor sends as soon as possible a copy of both your Notice of Construction Claim and a Construction Sub-Contractor Instruction Letter to all Construction Sub-Contractors with whom they are in a direct contractual agreement or engagement in connection with the relevant improvement.

If a completed Notice of Dispute of Construction Claim in respect of the Construction Claim set out in the Notice of Construction Claim is not received by the Monitor by the Construction Claims Bar Date, then both you and all Connected Sub-Contractors in connection with the relevant improvement shall be deemed to have accepted the Construction Claim set out therein, and no such Construction Claimant shall have any further right to dispute the same as against the Sears Canada Entities and/or their Directors and Officers.

Since you, as the Construction Contractor, are to file the Notice of Dispute of Construction Claim on behalf of yourself and all Connected Sub-Contractors, it is your responsibility, as the Construction Contractor, to give each Connected Sub-Contractor the opportunity to determine and negotiate with you, any rights they may have with respect to the Construction Claim and incorporate it into the Notice of Dispute of Construction Claim.

IF A NOTICE OF DISPUTE OF CONSTRUCTION CLAIM IS NOT RECEIVED BY THE MONITOR WITHIN THE PRESCRIBED TIME PERIOD, THE CONSTRUCTION CLAIM AS SET OUT IN THE NOTICE OF CONSTRUCTION CLAIM WILL BE BINDING ON YOU AND ALL CONNECTED SUB-CONTRACTORS.

This Notice of Construction Claim does not affect any Claim other than the Construction Claim referred to herein. This Notice of Construction Claim should include all Construction Claims (as defined in the Claims Procedure Order) that you may have. If you believe it does not contain the entirety of your Construction Claim, you must include your whole Construction Claim in the Notice of Dispute of Construction Claim. If you (or any other Person, including any Connected Sub-Constructor) have any Claim that is not a Construction Claim, then you (or such other Person) must file that Claim separately in accordance with the Claims Procedure Order.

Construction Contractors requiring further information or claim documentation, or who wish to submit a Notice of Dispute of Construction Claim to the Monitor, may contact the Monitor at the following address:

FTI Consulting Canada Inc., Sears Canada Monitor
 TD Waterhouse Tower
 79 Wellington Street West
 Suite 2010, P.O. Box 104
 Toronto, Ontario M5K 1G8

Attention: Sears Canada Claims Process

Tel.: 416-649-8113
 Toll Free: 1-855-649-8113
 Fax No.: 416-649-8101
 Email: searscanada@fticonsulting.com

DATED at Toronto, this ____ day of December, 2017.

**SCHEDULE L
NOTICE OF DISPUTE OF CONSTRUCTION CLAIM
FOR CONSTRUCTION CLAIMS AGAINST THE SEARS CANADA ENTITIES¹
AND/OR THEIR DIRECTORS AND OFFICERS**

Capitalized terms not defined herein have the meanings ascribed to them in the Order of the Ontario Superior Court of Justice (Commercial List) in the CCAA Proceedings of the Sears Canada Entities on [December 8], 2017 (the "Claims Procedure Order") or the Notice of Construction Claim. A copy of the Claims Procedure Order can be found on the Monitor's website at cfcanada.fticonsulting.com/searscanada/.

1 (A) PARTICULARS OF CONSTRUCTION CONTRACTOR

Full Legal Name of Construction Contractor:

Full Mailing Address of Construction Contractor:

Telephone Number of Construction Contractor:

Facsimile Number of Construction Contractor:

E-mail Address of Construction Contractor:

Attention (Contact Person):

(B) PARTICULARS OF CONSTRUCTION SUB-CONTRACTOR, IF APPLICABLE

- (i) Does a Construction Sub-Contractor at any level in connection with the relevant improvement dispute the Construction Claim as set out in the Notice of Construction Claim? Yes No
- (ii) If yes, attach documents evidencing (a) such Construction Sub-Contractor's relationship to the Construction Contractor and/or Construction Sub-Contractor who agreed with or engaged them to provide goods/services/work in

¹ The "Sears Canada Entities" are Sears Canada Inc., Corbeil Électrique Inc., S.L.H. Transport Inc., The Cut Inc., Sears Contact Services Inc., Inilium Logistics Services Inc., Inilium Commerce Labs Inc., Inilium Logistics Services Inc., Inilium Commerce Labs Inc., Inilium 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., 4201731 Canada Inc., 168886 Canada Inc., 3339611 Canada Inc., and SearsConnect

connection with the relevant improvement; and (b) provide full contact particulars in the table below of such Construction Sub-Contractor and each *other* Construction Sub-Contractor in the contractual "chain" between such Construction Sub-Contractor and the Construction Contractor. If there is insufficient space below for such particulars, include them in a separate attached schedule.

Full Legal Name of Construction Sub-Contractor:

Full Mailing Address of Construction Sub-Contractor:

Telephone Number of Construction Sub-Contractor:

Facsimile Number of Construction Sub-Contractor:

E-mail Address of Construction Sub-Contractor:

Attention (Contact Person):

2 DISPUTE OF CLAIM AS SET OUT IN NOTICE OF CONSTRUCTION CLAIM

The Construction Contractor on behalf of itself and all Connected Sub-Contractors hereby disagrees with the value of the Construction Claim as set out in the Notice of Construction Claim dated _____ and asserts the following Construction Claim as set out in the following table:

(Insert particulars of your Claim as per the Notice of Construction Claim, and the value of your Construction Claim(s) as asserted by you)

Type of Construction Claim	Name of Specific Debtor Claimed Against	Amount set out in Notice of Construction Claim	Amount claimed by Construction Contractor on behalf of itself and all Connected Sub-Contractors
A. Against a Sears Canada Entity under trust provisions of applicable Provincial Lien Legislation		\$	\$
B. Against a Director or Officer under trust provisions of applicable Provincial Lien Legislation		\$	\$

C. Secured by registration of a builders' or construction lien, or by any security held in connection with a Vacated or Discharged Lien		\$	\$
D. Unsecured portion of Construction Claim			
E. Total Claim		\$	\$

3 REASONS FOR DISPUTE

(Provide full particulars below as to the reason why the Construction Contractor on behalf of itself and all Connected Sub-Contractors disputes the assessment of its Construction Claim(s) as set out in the Notice of Construction Claim, and provide all supporting documentation. This includes, without limitation, amounts, description of transaction(s) or agreement(s) giving rise to the Construction Claim(s), name of any guarantor(s) which has guaranteed the payment of Construction Claim(s), and any amount allocated thereto, the date and number of all invoices and supporting documentation, particulars of all credits, discounts, etc. claimed, the full particulars of each person for whom the services or materials were provided to by a given Construction Claimant related to the Construction Claim, a brief description of the services or materials supplied by each Construction Claimant, each contract price or subcontract price, the date of each Construction Claimant's date of last supply, copies of each contract/subcontract at issue including any change orders, amendments, and purchase orders or other related documents. The particulars provided must support the value of the Construction Claim(s) as stated by you in section 2, above.)

DATED this _____ day of _____, 20__

(Print name of Construction Contractor, or, if the Construction Contractor is a corporation, the name of the Construction Contractor and the name of the authorized signing officer of the corporation that is executing this Notice of Dispute of Construction Claim.)

(Signature of Construction Contractor, or, if the Construction Contractor is a corporation, the signature of the authorized signing officer of the corporation that is executing this Notice of Dispute of Construction Claim.)

This Notice of Dispute of Construction Claim MUST be submitted to the Monitor at the below address by no later than 5:00 p.m. (Toronto time) on February 15, 2018. Delivery to the Monitor may be made by ordinary prepaid mail, registered mail, courier, personal delivery, facsimile transmission or email to the address below.

FTI Consulting Canada Inc., Sears Canada Monitor
 TD Waterhouse Tower
 79 Wellington Street West
 Suite 2010, P.O. Box 104
 Toronto, Ontario M5K 1G8

Attention: Sears Canada Claims Process

Fax No.: 416-649-8101

Email: searscanada@fticonsulting.com

In accordance with the Claims Procedure Order, notices shall be deemed to be received by the Monitor upon actual receipt thereof by the Monitor during normal business hours on a Business Day, or if delivered outside of normal business hours, on the next Business Day.

IF A NOTICE OF DISPUTE OF CONSTRUCTION CLAIM IS NOT RECEIVED BY THE MONITOR WITHIN THE PRESCRIBED TIME PERIOD, THE CONSTRUCTION CLAIM AS SET OUT IN THE NOTICE OF CONSTRUCTION CLAIM WILL BE BINDING ON YOU AND ALL CONNECTED SUB-CONTRACTORS.

SCHEDULE M
INSTRUCTION LETTER FOR CONSTRUCTION CONTRACTORS
WITH CONSTRUCTION CLAIMS AGAINST THE SEARS CANADA ENTITIES¹
AND/OR THEIR DIRECTORS AND OFFICERS

CLAIMS PROCEDURE ORDER

On [December 8], 2017, the Ontario Superior Court of Justice (Commercial List) (the "Court") issued an order (the "Claims Procedure Order") in the *Companies' Creditors Arrangement Act* proceedings of the Sears Canada Entities, commencing a claims procedure (the "Claims Process") for the purpose of identifying and determining, among other things, all Construction Claims against the Sears Canada Entities and/or their respective Directors and Officers. Reference should be made to the Claims Procedure Order for the complete definition of "Construction Claim", but in general it includes all:

- (a) Claims under the trust provisions of applicable provincial builders' lien or construction lien legislation and Claims asserted against the holdback under such legislation;
- (b) Claims secured in whole or in part by the registration of a builders' lien or construction lien under such legislation against any real property that has been or is owned or leased by any of the Sears Canada Entities; and
- (c) Claims secured by any security held in connection with a Vacated or Discharged Lien.

Capitalized terms not defined herein have the meanings ascribed to them in the Claims Procedure Order, a copy of which can be obtained from the website of FTI Consulting Canada Inc., the Court-appointed Monitor (the "Monitor") of the Sears Canada Entities, at cfcanada.fticonsulting.com/searscanada/.

You have received this letter because, as indicated by the enclosed Notice of Construction Claim, you have been identified as a Construction Contractor with a Construction Claim. This letter provides general information about the Claims Process as related to Construction Claims, the obligations of Construction Contractors thereunder, and instructions for completing a Notice of Dispute of Construction Claim form.

CLAIMS PROCESS, OBLIGATIONS, AND INSTRUCTIONS TO CONSTRUCTION CONTRACTORS

If you, as the Construction Contractor on behalf of yourself and all Connected Sub-Contractors, disagree with the assessment of the Construction Claim as stated in a Notice of Construction Claim, you must complete the Notice of Dispute of Construction Claim in accordance with the guidelines herein and deliver the executed Notice of Dispute of

¹ The "Sears Canada Entities" are Sears Canada Inc., Corbell Electric Inc., S.L.H. Transport Inc., The Cul Inc., Sears Contact Services Inc., Ininium Logistics Services Inc., Ininium Commerce Labs Inc., Ininium Logistics Services Inc., Ininium Commerce Labs Inc., Ininium 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., 4201731 Canada Inc., 168886 Canada Inc., 3339611 Canada Inc., and SearsConnect.

Construction Claim to the Monitor such that it is received by no later than 5:00 p.m. (Toronto time) on February 15, 2018 (the "Construction Claims Bar Date").

Please note that a Construction Contractor's Construction Claim in relation to a given improvement is deemed to include the Construction Claims of the Construction Contractor and all Construction Claims of any and all Construction Sub-Contractors under an agreement (written or oral) or otherwise engaged by the Construction Contractor or any other Construction Sub-Contractor at any level in connection with the relevant improvement (each, a "Connected Sub-Contractor" and together the "Connected Sub-Contractors").

For greater certainty, no Connected Sub-Contractor shall be required to submit a separate Notice of Dispute of Construction Claim in respect of their portion of the above Construction Claim – rather, any such disagreement by a Connected Sub-Contractor is to be included in the Notice of Dispute of Construction Claim submitted by the Construction Contractor.

As a result of the co-ordination that will be required between the Construction Contractor and the Connected Sub-Contractors, the Claims Procedure Order requires you, as the Construction Contractor, to send as soon as possible a copy of both your Notice of Construction Claim and the enclosed Construction Sub-Contractor Instruction Letter to all Construction Sub-Contractors in a direct contractual agreement or engagement with you in connection with the relevant improvement and take steps to ensure that every Construction Sub-Contractor sends as soon as possible a copy of both your Notice of Construction Claim and a Construction Sub-Contractor Instruction Letter to all Construction Sub-Contractors with whom they are in a direct contractual agreement or engagement with in connection with the relevant improvement.

If a completed Notice of Dispute of Construction Claim in respect of the Construction Claim set out in the Notice of Construction Claim is not received by the Monitor by the Construction Claims Bar Date, then both you and all Connected Sub-Contractors in connection with the relevant improvement shall be deemed to have accepted the Construction Claim set out therein, and no such Construction Claimant shall have any further right to dispute the same as against the Sears Canada Entities and/or their Directors and Officers.

Since you, as the Construction Contractor, are to file the Notice of Dispute of Construction Claim on behalf of yourself and all Connected Sub-Contractors, it is your responsibility, as the Construction Contractor, to give each Connected Sub-Contractor the opportunity to determine and negotiate with you, any rights they may have with respect to the Construction Claim and incorporate it into the Notice of Dispute of Construction Claim.

IF A NOTICE OF DISPUTE OF CONSTRUCTION CLAIM IS NOT RECEIVED BY THE MONITOR WITHIN THE PRESCRIBED TIME PERIOD, THE CONSTRUCTION CLAIM AS SET OUT IN THE NOTICE OF CONSTRUCTION CLAIM WILL BE BINDING ON YOU AND ALL CONNECTED SUB-CONTRACTORS.

Construction Claimants requiring further information or claim documentation may contact the Monitor at the following address:

FTI Consulting Canada Inc., Sears Canada Monitor
 TD Waterhouse Tower
 79 Wellington Street West
 Suite 2010, P.O. Box 104
 Toronto, Ontario M5K 1G8

Attention: Sears Canada Claims Process

Tel.: 416-649-8113
Toll Free: 1-855-649-8113
Fax No.: 416-649-8101
Email: searscanada@fticonsulting.com

GUIDE TO COMPLETING THE NOTICE OF DISPUTE OF CONSTRUCTION CLAIM FORM

Please note that this is a guide only, and that in the event of any inconsistency between the terms of this guide and the terms of the Claims Procedure Order made on [December 8], 2017, the terms of the Claims Procedure Order will govern. The guide provides instructions by sections corresponding to the headings of the Notice of Dispute of Construction Claim.

SECTION 1(A) – PARTICULARS OF CONSTRUCTION CONTRACTOR

- 1 Enter the reference number of the Construction Claim as indicated at the top of the Notice of Construction Claim.
- 2 The full legal name of the Construction Contractor and its current particulars must be provided.
- 3 If the Construction Contractor operates under a different name or names, please indicate this in a separate schedule in the supporting documentation.

SECTION 1(B) – PARTICULARS OF CONSTRUCTION SUB-CONTRACTOR, IF APPLICABLE

- 1 If a Construction Sub-Contractor at any level in connection with the relevant improvement disputes the Construction Claim as set out in the Notice of Construction Claim, attach documents evidencing (a) such Construction Sub-Contractor's relationship to the Construction Contractor and/or Construction Sub-Contractor who agreed with or engaged them to provide goods/services/work in connection with the relevant improvement; and (b) provide full contact particulars in the table below of such Construction Sub-Contractor and each *other* Construction Sub-Contractor in the contractual "chain" between such Construction Sub-Contractor and the Construction Contractor. If there is insufficient space on the form for such particulars, include them in a separate attached schedule.
- 2 The full legal name of each relevant Construction Sub-Contractor and its current particulars must be provided.
- 3 If any such Construction Sub-Contractor operates under a different name or names, please indicate this in a separate schedule to be prepared and attached by you.

SECTION 2 – DISPUTE OF CLAIM AS DETERMINED IN NOTICE OF CONSTRUCTION CLAIM

- 1 Indicate both the amount set out in the Notice of Construction Claim and the amount asserted by you, as the Construction Contractor and on behalf of all Connected Sub-Contractors, for each Construction Claim: (i) against a Sears Canada Entity under trust provisions of applicable Provincial Lien Legislation, (ii) against a Director or Officer under trust provisions of applicable Provincial Lien Legislation, (iii) secured by registration of a builders' lien or construction lien, or secured by any security held in connection with a Vacated or Discharged Lien, and (iv) to the extent applicable, any unsecured portion of such Construction Claim.
- 2 Each specific Sears Canada Entity, Director or Officer claimed against must be named in the appropriate column.

- 3 If the amount claimed is in a currency other than Canadian dollars, please indicate this in the table.
- 4 If necessary, currency will be converted in accordance with the Claims Procedure Order.

SECTION 3 – REASONS FOR DISPUTE

- 1 Provide full particulars of why the Construction Contractor on behalf of itself and all Connected Sub-Contractors disputes the determination of the Construction Claim as set out in the Notice of Construction Claim. If there is insufficient space on the form for such particulars, provide it on a separate schedule.
- 2 Attach all supporting documentation, including without limitation amount, description of transaction(s) or agreement(s) giving rise to the Construction Claim(s), name of any guarantor(s) which has guaranteed payment of the Construction Claim(s), and any amount allocated thereto, the date and number of all invoices and supporting documentation, particulars of all credits, discounts, etc. claimed, the full particulars of each person for whom the services or materials were provided to by a given Construction Claimant related to the Construction Claim, a brief description of the services or materials supplied by each Construction Claimant, each contract price or subcontract price, the date of each Construction Claimant's date of last supply, date of substantial performance if applicable, copies of each contract/subcontract at issue including any change orders, amendments, and purchase orders or other related documents.
- 3 The particulars provided must support the value of the Construction Claim as stated by you in Section 2 above.
- 4 The Notice of Dispute of Construction Claim is to be signed only by the Person submitting the Notice of Dispute of Construction Claim.

FILING OF NOTICE OF DISPUTE OF CONSTRUCTION CLAIM

The Notice of Dispute of Construction Claim MUST be received by the Monitor on or before 5:00 p.m. (Toronto time) on the Construction Claims Bar Date of February 15, 2018 by prepaid ordinary mail, registered mail, courier, personal delivery, facsimile transmission or email at the following address:

FTI Consulting Canada Inc., Sears Canada Monitor
 TD Waterhouse Tower
 79 Wellington Street West
 Suite 2010, P.O. Box 104
 Toronto, Ontario M5K 1G8

Attention: **Sears Canada Claims Process**

Fax No.: 416-649-8101

Email: searscanada@fticonsulting.com

IF A NOTICE OF DISPUTE OF CONSTRUCTION CLAIM IS NOT RECEIVED BY THE MONITOR WITHIN THE PRESCRIBED TIME PERIOD, THE CONSTRUCTION CLAIM AS SET OUT IN THE NOTICE OF CONSTRUCTION CLAIM WILL BE BINDING ON YOU AND ALL CONNECTED SUB-CONTRACTORS.

SCHEDULE N

**INSTRUCTION LETTER FOR CONSTRUCTION SUB-CONTRACTORS
REGARDING CONSTRUCTION CLAIMS AGAINST THE SEARS CANADA ENTITIES
AND/OR THEIR DIRECTORS AND OFFICERS¹**

CLAIMS PROCEDURE ORDER

On [December 8], 2017, the Ontario Superior Court of Justice (Commercial List) (the "Court") issued an order (the "Claims Procedure Order") in the *Companies' Creditors Arrangement Act* proceedings of the Sears Canada Entities, commencing a claims procedure (the "Claims Process") for the purpose of identifying and determining, among other things, all Construction Claims against the Sears Canada Entities and their respective Directors and Officers. Reference should be made to the Claims Procedure Order for the complete definition of "Construction Claim", but in general it includes all:

- (a) Claims under the trust provisions of applicable provincial builders' lien or construction lien legislation and Claims asserted against the holdback under such legislation;
- (b) Claims secured in whole or in part by the registration of a builders' lien or construction lien under such legislation against any real property that has been or is owned or leased by any of the Sears Canada Entities; and
- (c) Claims secured by any security held in connection with a Vacated or Discharged Lien.

Capitalized terms not defined herein have the meanings ascribed to them in the Claims Procedure Order, a copy of which can be obtained from the website of FTI Consulting Canada Inc., the Court-appointed Monitor (the "Monitor") of the Sears Canada Entities, at cfcanada.fticonsulting.com/searscanada/.

You have received this letter because you have been identified as a Construction Sub-Contractor who has supplied services or materials or work to an improvement to real property that has been or is owned or leased by a Sears Canada Entity (the "Improvement"), AND have done so under an agreement or engagement with either the Construction Contractor (i.e., who has the direct contractual relationship with one of the Sears Canada Entities) OR under an agreement or engagement with another subcontractor of any level.

You therefore may have a Construction Claim against the Sears Canada Entities and/or their Directors and Officers, and this letter has been sent to you to provide general information about the Claims Process as it relates to Construction Claims, your obligations in the Claims Process as a Construction Sub-Contractor, and your responsibility to ensure that any Construction Claims you may have with respect to a given Improvement are accounted for in the

¹ The "Sears Canada Entities" are 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 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., 4201731 Canada Inc., 168886 Canada Inc., 3339611 Canada Inc., and SearsConnect.

Construction Claim of the Construction Contractor (i.e., the party who has the direct contractual relationship with one of the Sears Canada Entities) in relation to that Improvement.

RESPONSIBILITIES OF CONSTRUCTION SUB-CONTRACTORS IN CLAIMS PROCESS

As a part of the Claims Process, the Construction Contractor relevant to the Improvement has received a Notice of Construction Claim indicating the Construction Claim (including any D&O Claim relating thereto) as valued by the Sears Canada Entities, in consultation with the Monitor.

Please note that, under the Claims Procedure Order, any Construction Claims you may have as a Construction Sub-Contractor as well as the Construction Claims of any other Construction Sub-Contractor at any level in relation to the Improvement (each, a "**Connected Sub-Contractor**") are deemed to be included in that Construction Claim.

If you believe that the Construction Claim as set out in the Notice of Construction Claim that has been sent to the Construction Contractor is incorrect, then the Construction Contractor, on behalf of itself and all Connected Sub-Contractors, including you, is able to dispute such Construction Claim by completing and submitting a Notice of Dispute of Construction Claim to the Monitor such that it must be received by no later than 5:00 p.m. (Toronto time) on February 15, 2018 (the "**Construction Claims Bar Date**"). However, it is the Construction Contractor's responsibility (and not you or any other Connected Sub-Contractor) to submit a Notice of Dispute of Construction Claim to dispute the Construction Claim. For greater certainty, neither you nor any other Construction Sub-Contractor is required to submit a separate Notice of Dispute of Construction Claim in respect of its Construction Claim to the extent that such Construction Sub-Contractor's Construction Claim is captured by the Construction Contractor's Notice of Construction Claim or Notice of Dispute of Construction Claim. **Please contact the Monitor should you believe that your Construction Claim is not fully captured by the Construction Contractor's Notice of Dispute of Construction Claim (or Notice of Construction Claim if a Notice of Dispute of Construction Claim is not submitted by the Construction Contractor).**

If a Notice of Dispute of Construction Claim is not received by the Monitor by the Construction Claims Bar Date, then all Construction Claimants relevant to the Construction Claim (including you and all other Connected Sub-Contractors) shall be deemed to have accepted the Construction Claim set out in the Notice of Construction Claim, and no such Construction Claimant shall have any further right to dispute the same as against the Sears Canada Entities and/or their Directors and Officers.

It is your responsibility as a Construction Sub-Contractor to contact the Construction Contractor directly to:

- (a) **determine and negotiate** with the Construction Contractor any rights you, as the Construction Sub-Contractor, may have with regard to the Construction Contractor's aggregate Construction Claim; and
- (b) **ensure that any Construction Claim you may have is accounted for** – either in the Construction Claim as assessed in the Notice of Construction Claim sent to the Construction Contractor, or in a Notice of Dispute of Construction Claim to be submitted by the Construction Contractor within the prescribed time period.

Note that the Claims Procedure Order further requires you, as a Construction Sub-Contractor, to send as soon as possible a copy of the Notice of Construction Claim and this Construction Sub-Contractor Instruction Letter to all Construction Sub-Contractors in a direct contractual agreement or engagement with you in connection with the Improvement. This is intended to give all Connected Sub-Contractors at every level the opportunity to determine and negotiate with the Construction Contractor any rights they may have with respect to the Construction Claim.

Construction Sub-Contractors requiring further information should contact their Construction Contractor, but may also contact the Monitor at the following address:

FTI Consulting Canada Inc., Sears Canada Monitor
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Sears Canada Claims Process

Tel.: 416-649-8113
Toll Free: 1-855-649-8113
Fax No.: 416-649-8101
Email: searscanada@fticonsulting.com

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., CORBEIL ÉLECTRIQUE INC., S.L.H. TRANSPORT INC., THE CUT INC., SEARS CONTACT SERVICES INC., INITIUM LOGISTICS SERVICES INC., INITIUM LOGISTICS 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

Ontario
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

CLAIMS PROCEDURE ORDER

OSLER, HOSKIN & HARCOURT LLP
P.O. Box 50, 1 First Canadian Place
Toronto, ON M5X 1B8

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Tel: 416.862.5997

Karin Sachar LSUC# 59944E
Tel: 416.862.5949
Fax: 416.862.6666

Lawyers for the Applicants

This is Exhibit "H" referred to in the Affidavit of William Richard Harker, sworn before me at Westwood, New Jersey, United States of America, on August 10, 2018.



(A Notary Public in and for the State of New Jersey)

JEREMY FORTUNATO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 4/27/2022

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**



THE HONOURABLE MR.
JUSTICE HAINEY

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)

THURSDAY, THE 22nd
DAY OF FEBRUARY, 2018

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

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

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

EMPLOYEE AND RETIREE CLAIMS PROCEDURE ORDER

THIS MOTION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. c-36, as amended (the “**CCAA**”) for an order establishing a claims procedure for the identification and quantification of Employee Claims and Retiree Claims (each as defined below) against (i) the Applicants and SearsConnect (collectively, the “**Sears Canada Entities**”) and (ii) the current and former directors and officers of the Sears Canada Entities, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion of the Applicants, the Affidavit of Becky Penrice sworn on February 16, 2018 including the exhibits thereto (the “**Penrice Affidavit**”), the

Thirteenth Report of FTI Consulting Canada Inc., in its capacity as monitor (the “**Monitor**”), filed, and on hearing the submissions of respective counsel for the Applicants, the Monitor, Pension Representative Counsel (as defined below), Employee Representative Counsel (as defined below), the Pension Plan Administrator (as defined below), the Superintendent (as defined below), and such other counsel as were present, no one else appearing although duly served as appears from the Affidavits of Service of Francesca Del Rizzo and Justine Erickson sworn February 20 and 21, 2018,

SERVICE

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

SCOPE

2. THIS COURT ORDERS that except as otherwise specifically set out herein, this Order shall apply only to Claims as defined in this Order.

DEFINITIONS AND INTERPRETATION

3. THIS COURT ORDERS that any capitalized term used and not defined herein shall have the meaning ascribed thereto in the Amended and Restated Initial Order in these proceedings dated June 22, 2017 as amended, restated, supplemented and/or modified from time to time (the “**Initial Order**”).

4. THIS COURT ORDERS that for the purposes of this Order the following terms shall have the following meanings:

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- (a) “**Advisors**” means, collectively, any actuarial, financial, legal and other advisors and assistants;
- (b) “**Agent**” means the contractual joint venture comprised of Gordon Brothers Canada ULC, Merchant Retail Solutions ULC, Tiger Capital Group, LLC and GA Retail Canada ULC;
- (c) “**Agency Agreements**” means: (i) the Amended and Restated Agency Agreement between Sears Canada Inc. and the Agent dated July 12, 2017 and amended and restated on July 14, 2017, and (ii) the Amended and Restated Agency Agreement between Sears Canada Inc. and the Agent dated October 10, 2017;
- (d) “**Bar Date**” means the Proof of Claim Bar Date, the Request for Correction Bar Date or the Notice of Proposed Revision Bar Date, as applicable;
- (e) “**Business Day**” means a day, other than a Saturday, Sunday or statutory holiday, on which banks are generally open for business in Toronto, Ontario;
- (f) “**CCAA Proceedings**” means the CCAA proceedings commenced by the Applicants in the Court under Court File No. CV-17-11846-00CL;
- (g) “**Claim**” means any Employee Claim or Retiree Claim, including, for greater certainty, any D&O Claim, provided however that in any case “**Claim**” shall not include an Excluded Claim;
- (h) “**Claims Website**” means, collectively, the online employee claims portal and the online retiree claims portal, each to be maintained by the Monitor for the purposes of this Employee and Retiree Claims Process;

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- (i) “**Claimant**” means any Person with an entitlement to an Employee Claim or a Retiree Claim that has been asserted by or on behalf of such Person;
- (j) “**Claims Officer**” means the individuals designated by the Court pursuant to paragraph 70 of this Order;
- (k) “**Claims Package**” means an ERC Employee Package, Non-ERC Employee Package, PRC Retiree Package, Non-PRC Retiree Package or Proof of Claim Package, as applicable, each to be sent by the Monitor in accordance with the terms of this Order;
- (l) “**Claims Procedure Order**” means the Claims Procedure Order issued by the Court on December 8, 2017, as may be amended from time to time;
- (m) “**Court**” means the Ontario Superior Court of Justice (Commercial List);
- (n) “**CPO Claim**” means any General Creditor Claim, Construction Claim or Intercompany Claim (each as defined in the Claims Procedure Order);
- (o) “**D&O Claim**” means any Sears Pension Claim, Supplemental Plan Claim, Other Employee Claim or Other Retiree Claim against a Director or Officer under this Order (including, for greater certainty, any D&O Claim in respect of termination and severance pay, damages for loss of employment-related perquisites and benefits, and/or damages for loss of OPEB Entitlements);
- (p) “**D&O Proof of Claim**” means the proof of claim form to be filed by Claimants in respect of any D&O Claim, substantially in the form attached as Schedule “S”

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hereto, which shall include all available supporting documentation in respect of such D&O Claim;

- (q) **“D&O Proof of Claim Instruction Letter”** means the letter containing instructions for completing the D&O Proof of Claim form, substantially in the form attached as Schedule “R” hereto;
- (r) **“DB Only Retiree”** means: (i) any Retiree who has any entitlements under the defined benefit component of the Sears Pension Plan (including, for greater certainty, any active Employee with such entitlements), and (ii) any Retiree who has any entitlements under the Supplemental Plan (including, for greater certainty, any active Employee with such entitlements), but in either case, who does not have any OPEB Entitlements, based on the books and records of the Sears Canada Entities;
- (s) **“Director”** means anyone who is or was or may be deemed to be or have been, whether by statute, operation of law or otherwise, a director or *de facto* director of any of the Sears Canada Entities, in such capacity;
- (t) **“Duplicate Claim”** means a Claim that is asserted against a Sears Canada Entity or a Director or Officer that duplicates in whole or in part another Claim or CPO Claim, and includes a Claim or any portion thereof that is based on an obligation or legal right asserted in another Claim or CPO Claim;
- (u) **“Employee”** means any (i) active or inactive union or non-union employee of any one of the Sears Canada Entities on or after the Filing Date, including an employee of any one of the Sears Canada Entities who received notice of termination of

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employment dated on or after the Filing Date or who resigned or otherwise ceased employment on or after the Filing Date; and (ii) former employee of any one of the Sears Canada Entities, including without limitation any former employee who was terminated for cause at any time, any former employee who received notice, on or after the Filing Date, of the cessation of his or her termination or severance payments, and any former employee who has an outstanding active action, claim or complaint as of the Filing Date;

(v) “**Employee Claim**” means each of the following:

- (i) Termination Claims;
- (ii) Warranty Claims; and
- (iii) Other Employee Claims;

including any Employee Claim arising through subrogation against any Sears Canada Entity or Director or Officer, provided however that in any case “**Employee Claim**” shall not include an Excluded Claim;

(w) “**Employee and Retiree Claims Process**” means the procedures outlined in this Order in connection with the solicitation and assertion of Employee Claims and Retiree Claims against the Sears Canada Entities and/or the Directors and Officers;

(x) “**Employee Representative Counsel**” means Ursel Phillips Fellows Hopkinson LLP;

- (y) **“Employee Representative Counsel Order”** means the Employee Representative Counsel Order issued by the Court dated July 13, 2017, as may be amended from time to time;
- (z) **“Employee Representative Counsel’s Website”** means <http://www.upfhlaw.ca/areas-of-practice/sears-canada-employees-and-former-employees/>;
- (aa) **“Employee Representatives”** means Paul Webber, Nancy Demeter, Sheena Wrigglesworth, Barb Wilser and Darrin Whitney, or such other representatives as may be duly appointed by the Court from time to time;
- (bb) **“Employee Request for Correction”** means the request form, substantially in the form attached as Schedule “J” hereto, or in an electronic form acceptable to the Monitor, to be submitted by an Employee to the Monitor requesting a correction to the Personal Information set out in the Termination Claim Statement or Monitor Corrected Claim Statement, if applicable, provided to such Employee;
- (cc) **“ERC Employee”** means any Employee represented by Employee Representative Counsel;
- (dd) **“ERC Employee Letter”** means the letter to ERC Employees, substantially in the form attached as Schedule “D” hereto, which shall, among other things, provide a link to access the Claims Website (where an Employee may submit an Employee Request for Correction and which will include a link to the Proof of Claim Package);

(ee) “**ERC Employee Package**” means a document package, which shall include: (i) the ERC Employee Letter; (ii) an individualized Termination Claim Statement, and (iii) such other materials as the Monitor, in consultation with the Sears Canada Entities and Employee Representative Counsel, may consider appropriate or desirable;

(ff) “**Excluded Claim**” means any:

(i) CPO Claim;

(ii) Claim that may be asserted by any beneficiary of the Administration Charge, the FA Charge, the KERP Priority Charge, the Directors’ Priority Charge, the KERP Subordinated Charge and the Directors’ Subordinated Charge and any other charges granted by the Court in the CCAA Proceedings, with respect to such charges;

(iii) Claim by the Agent under the Agency Agreements;

(iv) Monitor Claim; and

(v) Claim that may be asserted by any of the Sears Canada Entities against any Directors and/or Officers;

and for greater certainty, shall include any Excluded Claim arising through subrogation;

(gg) “**Filing Date**” means June 22, 2017;

- (hh) “**Grievance Claim**” means any grievance (or part of such grievance) by an Employee against any Sears Canada Entity, where that grievance (or part of such grievance) is (i) pursuant to a collective agreement with such Sears Canada Entity, (ii) for monetary compensation, and (iii) is not covered in a Termination Claim Statement or Monitor Corrected Claim Statement, if applicable, and the Termination Claims Methodology. Where part of a grievance is for monetary compensation, and part of the same grievance is for other relief, only that part of the grievance that is for monetary compensation shall be a Grievance Claim for the purposes of this Order;
- (ii) “**Indemnification Claim**” means any claim of any Employee against one or more of the Sears Canada Entities for indemnification and/or contribution arising from such Employee’s service to any Sears Canada Entity;
- (jj) “**Lifetime Discount**” means the lifetime associate discount awarded as a post-employment benefit to certain current and former employees of the Sears Canada Entities who qualified for such discount by virtue of satisfying applicable age and service eligibility criteria (and, for greater certainty, such current and former employees shall be included in the definition of “Retiree” for the purposes of this Order);
- (kk) “**Lifetime Discount Claim**” means any claim against the Sears Canada Entities with respect to a Lifetime Discount, which, for greater certainty, will be calculated for the purposes of this Employee and Retiree Claims Process in accordance with the Lifetime Discount Claims Methodology;

- (ll) “**Lifetime Discount Claims Methodology**” means the methodology and assumptions for the calculation of Lifetime Discount Claims, as described in paragraphs 56 to 60 of the Penrice Affidavit;
- (mm) “**Meeting**” means any meeting of the creditors of the Sears Canada Entities called for the purpose of considering and voting in respect of a Plan;
- (nn) “**Monitor Claim**” means a Claim (as defined in the Claims Procedure Order), including a D&O Claim (as defined in the Claims Procedure Order) and any claim pursued in accordance with section 36.1 of the CCAA, that may be asserted by the Monitor;
- (oo) “**Monitor Corrected Claim Statement**” means a revised Termination Claim Statement or Retiree Benefit Claim Statement, as applicable, to be sent by the Monitor to a Claimant if any errors are independently discovered by or made known to the Monitor in the Personal Information that affect the amount of the Termination Claim or Retiree Benefit Claim, as applicable, of such Claimant;
- (pp) “**Monitor’s Website**” means <http://cfcanada.fticonsulting.com/searscanada/>;
- (qq) “**Non-ERC Employee**” means any of the following Employees: (i) Unionized Employees; (ii) any Employee who is currently or was previously a member of senior management of any of the Sears Canada Entities and who was not eligible for representation by Employee Representative Counsel; and (iii) any Employee who was eligible for representation by Employee Representative Counsel and who opted out of such representation in accordance with the requirements contained in the Employee Representative Counsel Order;

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- (rr) **“Non-ERC Employee Letter”** means the letter to Non-ERC Employees, substantially in the form attached as Schedule “E” hereto, which shall, among other things: (i) provide a link to access the Claims Website (where an Employee may submit an Employee Request for Correction and which will include a link to the Proof of Claim Package), and (ii) instruct such Non-ERC Employees to contact the Monitor to obtain a Notice of Proposed Revision;
- (ss) **“Non-ERC Employee Package”** means a document package, which shall include: (i) the Non-ERC Employee Letter; (ii) an individualized Termination Claim Statement, and (iii) such other materials as the Monitor, in consultation with the Sears Canada Entities, may consider appropriate or desirable;
- (tt) **“Non-PRC Retiree”** means any Retiree with OPEB Entitlements who is not represented by Pension Representative Counsel, including without limitation: (i) any unionized Retiree who notifies Pension Representative Counsel in writing that such Retiree wishes to opt out of representation by Pension Representative Counsel; (ii) any Retiree who is currently or was previously a member of senior management of any of the Sears Canada Entities and who was not eligible for representation by Pension Representative Counsel, and (iii) any Retiree who was eligible for representation by Pension Representative Counsel and who opted out of such representation in accordance with the requirements contained in the Pension Representative Counsel Order;
- (uu) **“Non-PRC Retiree Letter”** means the letter to Non-PRC Retirees, substantially in the form attached as Schedule “G” hereto, which shall, among other things, provide

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a link to access the Claims Website (where a Retiree may submit a Retiree Request for Correction and which will include a link to the Proof of Claim Package);

- (vv) “**Non-PRC Retiree Package**” means a document package, which shall include: (i) the Non-PRC Retiree Letter; (ii) an individualized Retiree Benefit Claim Statement; (iii) a Retiree Request for Correction form; (iv) a Notice of Proposed Revision form, and (v) such other materials as the Monitor, in consultation with the Sears Canada Entities, may consider appropriate or desirable;
- (ww) “**Notice of Acceptance**” means a notice, substantially in the form attached as Schedule “M” hereto, or in an electronic form acceptable to the Monitor, advising a Claimant that the Monitor has accepted a change to such Claimant’s Personal Information and that such Claimant’s Termination Claim or Retiree Benefit Claim amount, as applicable, shall be revised as outlined therein (or that no changes to such Claim amount shall be made as a result of the change to such Claimant’s Personal Information);
- (xx) “**Notice of Disallowance**” means a Notice of Disallowance (Personal Information) or Notice of Disallowance (Proof of Claim), as the case may be;
- (yy) “**Notice of Disallowance (Personal Information)**” means a notice, substantially in the form attached as Schedule “N” hereto, advising a Claimant that the Monitor has disallowed all or part of the changes that have been requested by such Claimant in a Request for Correction;
- (zz) “**Notice of Disallowance (Proof of Claim)**” means a notice, substantially in the form attached as Schedule “T” hereto, advising a Claimant that the Monitor has

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disallowed all or part of such Claimant's Claim as set out in a Proof of Claim or D&O Proof of Claim filed by or on behalf of such Claimant;

- (aaa) **"Notice of Dispute"** means a Notice of Dispute (Personal Information) or a Notice of Dispute (Proof of Claim), as the case may be;
- (bbb) **"Notice of Dispute (Personal Information)"** means a notice, substantially in the form attached as Schedule "O" hereto, delivered to the Monitor by a Claimant who has received a Notice of Disallowance (Personal Information), notifying the Monitor of his/her intention to dispute such Notice of Disallowance (Personal Information), with reasons for such dispute;
- (ccc) **"Notice of Dispute (Proof of Claim)"** means a notice, substantially in the form attached as Schedule "U" hereto, delivered to the Monitor by a Claimant who has received a Notice of Disallowance (Proof of Claim) in respect of such Claimant's Proof of Claim or D&O Proof of Claim, as applicable, notifying the Monitor of his/her intention to dispute such Notice of Disallowance (Proof of Claim), with reasons for such dispute;
- (ddd) **"Notice of Proposed Revision"** means a notice, substantially in the form attached as Schedule "L" hereto, delivered to the Monitor by a Non-ERC Employee (or, where such Non-ERC Employee is a Unionized Employee, by the Union Representative on behalf of such Unionized Employee) or Non-PRC Retiree, who has received a Termination Claim Statement, Retiree Benefit Claim Statement or Monitor Corrected Claim Statement, notifying the Monitor of such Claimant's intention to revise the methodology used to calculate the Claim contained in such Termination Claim Statement, Retiree Benefit Claim Statement or Monitor

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Corrected Claim Statement, with a description of the proposed revisions to the calculation of such Claimant's Termination Claim or Retiree Benefit Claim, as applicable, and the reasons for such proposed revisions;

- (eee) **"Notice of Proposed Revision Bar Date"** means 5:00 p.m. on May 7, 2018;
- (fff) **"Notice to Claimants"** means the notice to Claimants, substantially in the form attached as Schedule "C" hereto, to be published by the Monitor and posted on the Monitor's Website, Employee Representative Counsel's Website, and Pension Representative Counsel's Website, each in accordance with the terms of this Order, which shall include, without limitation, a notice to all Retirees with entitlements to a Lifetime Discount or Warranty stating that Proofs of Claim are not required to be filed in connection with any such Lifetime Discount or Warranty because all Proofs of Claim with respect to such Lifetime Discounts and Warranties will be deemed to have been properly submitted by the Sears Canada Entities on behalf of each eligible Retiree, based on the books and records of the Sears Canada Entities;
- (ggg) **"Officer"** means anyone who is or was or may be deemed to be or have been, whether by statute, operation of law or otherwise, an officer or *de facto* officer of any of the Sears Canada Entities, in such capacity;
- (hhh) **"OPEB Entitlement"** means any entitlement to health and dental post-employment benefits and/or life insurance benefits, each as provided by any of the Sears Canada Entities as a post-employment benefit;
- (iii) **"Order"** means this Employee and Retiree Claims Procedure Order;

- (jjj) “**Other Employee Claim**” means: (i) any right or claim of any Employee against any of the Sears Canada Entities that is not a Termination Claim or a Warranty Claim, and (ii) any right or claim of any Employee against any Directors and/or Officers, in either case, including any right or claim in connection with any indebtedness, liability or obligation of any kind whatsoever of any such Sears Canada Entity, Director and/or Officer to such Employee, arising before, on or after the Filing Date, including without limitation any Indemnification Claims or Grievance Claims;
- (kkk) “**Other Retiree Claim**” means: (i) any right or claim of any Retiree, the Pension Plan Administrator and/or Superintendent against any of the Sears Canada Entities that is not a Sears Pension Claim, Supplemental Plan Claim, Retiree Benefit Claim, Lifetime Discount Claim or Warranty Claim, and (ii) any right or claim of any Retiree, the Pension Plan Administrator and/or Superintendent against any Directors and/or Officers that is not a Sears Pension Claim or Supplemental Plan Claim, in either case, including any right or claim in connection with any indebtedness, liability or obligation of any kind whatsoever of any such Sears Canada Entity, Director and/or Officer to such Retiree or in respect of the Sears Pension Plan or Supplemental Plan, arising before, on or after the Filing Date;
- (lll) “**Pension Plan Administrator**” means Morneau Shepell Ltd. in its capacity as administrator of the Sears Pension Plan;
- (mmm) “**Pension Plan Administrator’s Website**” means https://www.pensionwindups.morneaushepell.com/en/plan_info/SRRP/plan_info.asp;

- (nnn) “**Pension Representative Counsel**” means Koskie Minsky LLP;
- (ooo) “**Pension Representative Counsel Order**” means the Representative Counsel Order for Pensions and Post-Retirement Benefits issued by the Court dated July 13, 2017, as may be amended from time to time;
- (ppp) “**Pension Representative Counsel’s Website**” means <https://kmlaw.ca/cases/sears-canada/>;
- (qqq) “**Pensioner Representatives**” means Bill Turner, Ken Eady and Larry Moore, or such other representatives as may be duly appointed by the Court from time to time;
- (rrr) “**Person**” means any individual, firm, corporation, limited or unlimited liability company, general or limited partnership, association, trust (including a real estate investment trust), unincorporated organization, joint venture, government or any agency or instrumentality thereof or any other entity;
- (sss) “**Personal Information**” means the personal information relating to a particular Employee or Retiree based on the Sears Canada Entities’ books and records as at the date of this Order and updated from time to time, contained in a Termination Claim Statement or Retiree Benefit Claim Statement, as such Personal Information may be amended as a result of a Request for Correction accepted by the Monitor, as a result of a Monitor Corrected Claim Statement, or as a result of a determination pursuant to the dispute resolution mechanisms set out in this Order;
- (ttt) “**Plan**” means, as further defined in the Initial Order, any proposed plan of compromise or arrangement that may be filed in respect of any or all of the Sears

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Canada Entities pursuant to the CCAA as the same may be amended, supplemented or restated from time to time in accordance with the terms thereof;

- (uuu) “**PRC Retiree**” means any Retiree with OPEB Entitlements who is represented by Pension Representative Counsel;
- (vvv) “**PRC Retiree Package**” means a document package, which shall include: (i) the Retiree Letter; (ii) an individualized Retiree Benefit Claim Statement; (iii) a Retiree Request for Correction form, and (iv) such other materials as the Monitor, in consultation with the Sears Canada Entities and Pension Representative Counsel, may consider appropriate or desirable;
- (www) “**Pre-Filing Period**” means the period prior to the Filing Date;
- (xxx) “**Proof of Claim**” means the proof of claim form, substantially in the form attached as Schedule “Q” hereto, to be filed by Claimants in respect of any Sears Pension Claim, Supplemental Plan Claim, Other Employee Claim or Other Retiree Claim against any of the Sears Canada Entities;
- (yyy) “**Proof of Claim Bar Date**” means 5:00 p.m. on April 9, 2018;
- (zzz) “**Proof of Claim Instruction Letter**” means the letter containing instructions for completing the Proof of Claim form, substantially in the form attached as Schedule “P” hereto;
- (aaa) “**Proof of Claim Package**” means a document package, which shall include: (i) a Proof of Claim form; (ii) a Proof of Claim Instruction Letter; (iii) a D&O Proof of Claim form; (iv) a D&O Proof of Claim Instruction Letter; and (v) such other

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materials as the Monitor, in consultation with the Sears Canada Entities, may consider appropriate or desirable;

(bbbb) “**Request for Correction**” means an Employee Request for Correction or a Retiree Request for Correction, as applicable;

(cccc) “**Request for Correction Bar Date**” means the later of: (i) 5:00 p.m. on May 7, 2018, and (ii) where a Claimant receives a Monitor Corrected Claim Statement, the date that is thirty (30) days after the date on which such Claimant is deemed to receive such Monitor Corrected Claim Statement;

(dddd) “**Restructuring Period**” means the period on or after the Filing Date;

(eeee) “**Retiree**” means any Person with any (i) entitlements under the Sears Pension Plan; (ii) entitlements under the Supplemental Plan; (iii) primary coverage entitlements with respect to any OPEB Entitlements; (iv) entitlements to the Lifetime Discount (including, for greater certainty, current and former Employees who qualify for this discount by virtue of satisfying applicable age and service eligibility criteria); or (v) entitlements under any other pension or retirement plan of the Sears Canada Entities;

(ffff) “**Retiree Benefit Claim**” means any right or claim of any Retiree against any of the Sears Canada Entities in respect of any OPEB Entitlements as calculated in accordance with the Retiree Benefit Claims Methodology, which, for greater certainty, shall include any derivative health and dental coverage claim of any eligible spouse and/or dependant of such Retiree, and which will be set out in a Retiree Benefit Claim Statement;

- (gggg) “**Retiree Benefit Claim Statement**” means an individual claim statement, substantially in the form attached as Schedule “I” hereto, to be prepared by the Sears Canada Entities, in consultation with the Monitor and with the assistance of Pension Representative Counsel, which shall include the amount of such individual Claimant’s Retiree Benefit Claim, as calculated in accordance with the Retiree Benefit Claims Methodology;
- (hhhh) “**Retiree Benefit Claims Methodology**” means the methodology and assumptions for the calculation of Retiree Benefit Claims, as described in paragraphs 48 to 53 of the Penrice Affidavit and illustrated in Schedule “B” hereto;
- (iii) “**Retiree Claim**” means each of the following (which, for greater certainty, may be asserted by or on behalf of a Retiree, including by Pension Representative Counsel or the Pension Plan Administrator and/or the Superintendent, as appropriate):
- (i) Sears Pension Claims;
 - (ii) Supplemental Plan Claims;
 - (iii) Retiree Benefit Claims;
 - (iv) Lifetime Discount Claims;
 - (v) Warranty Claims; and
 - (vi) Other Retiree Claims;

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including any Retiree Claim arising through subrogation against any Sears Canada Entity or Director or Officer, provided however that in any case “**Retiree Claim**” shall not include an Excluded Claim;

- (jjj) “**Retiree Letter**” means the letter to PRC Retirees and DB Only Retirees, substantially in the form attached as Schedule “F” hereto, which shall, among other things, provide a link to access the Claims Website (where a Retiree may submit a Retiree Request for Correction and which will include a link to the Proof of Claim Package);
- (kkkk) “**Retiree Request for Correction**” means the request form, substantially in the form attached as Schedule “K” hereto, or in an electronic form acceptable to the Monitor, to be submitted by a Retiree to the Monitor requesting a correction to the Personal Information set out in the Retiree Benefit Claim Statement or Monitor Corrected Claim Statement, if applicable, provided to such Retiree;
- (lll) “**Sears Pension Claim**” means any right or claim against the Sears Canada Entities or any Directors and/or Officers with respect to the Wind-Up Deficiency, including, for greater certainty, any claim based on statutory deemed trust obligations with respect to the Wind-Up Deficiency (and, for greater certainty, no individual Retiree with entitlements with respect to the defined benefit component of the Sears Pension Plan shall be permitted to submit a Proof of Claim or D&O Proof of Claim with respect to such entitlements or with respect to the Wind-Up Deficiency);
- (mmmm) “**Sears Pension Claim Methodology**” means the methodology and assumptions for the calculation of any Sears Pension Claim, as described in paragraphs 61 to 63 of the Penrice Affidavit;

- (nnnn) “**Sears Pension Plan**” means the Sears Canada Inc. Registered Retirement Plan (Reg. #0360065), a pension plan registered under the Ontario *Pension Benefits Act*, R.S.O. 1990, c. P.8 and *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.) with a defined benefit component and a defined contribution component;
- (oooo) “**Superintendent**” means the Ontario Superintendent of Financial Services as administrator of the Pension Benefits Guarantee Fund;
- (pppp) “**Supplemental Plan**” means the Sears Canada Inc. Supplementary Retirement Plan, a non-registered supplemental pension plan maintained to provide enhanced pension benefits to eligible members of the defined benefit component of the Sears Pension Plan that are not provided under the Sears Pension Plan;
- (qqqq) “**Supplemental Plan Claim**” means any right or claim against the Sears Canada Entities or any Directors and/or Officers with respect to entitlements of a Retiree under the Supplemental Plan (and, for greater certainty, no Retiree who is represented by Pension Representative Counsel shall be permitted to submit a Proof of Claim or D&O Proof of Claim with respect to such entitlements);
- (rrrr) “**Termination Claim**” means any right or claim of any Employee against any of the Sears Canada Entities in respect of the termination of such Employee’s employment, whether under contract, common law, statute or otherwise, including for termination and severance pay and for damages for loss of employment-related perquisites and benefits (including employee discounts) during his/her period of entitlement to working notice, which, for greater certainty, will be calculated for the purposes of this Employee and Retiree Claims Process in accordance with the Termination Claims Methodology and set out in a Termination Claim Statement;

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- (ssss) “**Termination Claim Statement**” means an individual claim statement, substantially in the form attached as Schedule “H” hereto, or in an electronic form acceptable to the Monitor, to be prepared by the Sears Canada Entities, in consultation with the Monitor and with the assistance of Employee Representative Counsel, which shall include the amount of such individual Claimant’s Termination Claim, as calculated in accordance with the Termination Claims Methodology;
- (tttt) “**Termination Claims Methodology**” means the methodology and assumptions for the calculation of Termination Claims, as described in paragraphs 28 to 47 of the Penrice Affidavit and illustrated in Schedule “A” hereto;
- (uuuu) “**Union Representative**” means a representative of the bargaining agent representing Unionized Employees;
- (vvvv) “**Unionized Employee**” means any Employee represented by a union pursuant to a collective agreement in connection with such Employee’s employment with any of the Sears Canada Entities;
- (wwww) “**Warranty**” means a customer warranty provided by any one of the Sears Canada Entities, including any Sears Protection Agreement but excluding any manufacturer’s warranty;
- (xxxx) “**Warranty Claim**” means any claim of a Claimant in this Employee and Retiree Claims Process against the Sears Canada Entities with respect to a Warranty; and
- (yyyy) “**Wind-Up Deficiency**” means the wind-up deficit with respect to the defined benefit component of the Sears Pension Plan.

5. THIS COURT ORDERS that all references as to time herein shall mean local time in Toronto, Ontario, Canada, and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day unless otherwise indicated herein, and any reference to an event occurring on a day that is not a Business Day shall mean the next following day that is a Business Day.

6. THIS COURT ORDERS that all references to the word “including” shall mean “including without limitation”, all references to the singular herein include the plural, the plural include the singular, and any gender includes all genders.

GENERAL PROVISIONS

7. THIS COURT ORDERS that any Claim denominated in a foreign currency shall be converted to Canadian dollars at the Bank of Canada exchange rate in effect at the Filing Date. For reference, the exchange rate that will be applied to Claims denominated in U.S. dollars is 1.3241 CAD/USD.

8. THIS COURT ORDERS that, notwithstanding any other provisions of this Order, the solicitation by the Monitor of Proofs of Claim and D&O Proofs of Claim, the delivery by the Monitor of Claims Packages and the Retiree Letter, and the filing by any Claimant of any Proof of Claim or D&O Proof of Claim shall not, for that reason only, grant any Person any rights, including without limitation, in respect of the nature, quantum and priority of his/her Claims or his/her standing in the CCAA Proceedings or any other proceedings, except as specifically set out in this Order (provided that this exception shall not apply in respect of paragraphs 19 to 21 of this Order or to the Sears Pension Claim Methodology).

9. THIS COURT ORDERS that the Monitor, in consultation with the Sears Canada Entities and the applicable Directors and Officers in respect of any D&O Claim, is hereby authorized to

use reasonable discretion as to the adequacy of compliance with respect to the manner in which any forms delivered hereunder are completed and executed and the time in which they are submitted, and may, where the Monitor, in consultation with the Sears Canada Entities and the applicable Directors and Officers in respect of any D&O Claim, is satisfied that a Claim has been adequately proven, waive strict compliance with the requirements of this Order, including in respect of the completion, execution and time of delivery of such forms; provided that it is recognized and understood that certain Claims will be contingent in nature and/or based on estimates and assumptions which may be subject to change, and therefore will not contain particulars of such Claims that are not yet known as at the time they are filed.

TERMINATION CLAIMS METHODOLOGY

10. THIS COURT ORDERS that the Termination Claims Methodology is hereby approved.
11. THIS COURT ORDERS that the Termination Claims of ERC Employees and Non-ERC Employees shall be calculated by the Sears Canada Entities in consultation with the Monitor and with the assistance of Employee Representative Counsel and its Advisors as well as Union Representatives, where appropriate, in accordance with the Termination Claims Methodology based on the Personal Information relating to such Employee.
12. THIS COURT ORDERS AND DECLARES that:
 - (a) the Termination Claims Methodology shall be final and binding on all ERC Employees;
 - (b) the Termination Claims Methodology shall be final and binding on any Non-ERC Employees who do not submit a Notice of Proposed Revision (or, in the case of a Unionized Employee, do not have a Union Representative submit a Notice of

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Proposed Revision on such Unionized Employee's behalf) by the Notice of Proposed Revision Bar Date;

- (c) no: (i) ERC Employee, or (ii) Non-ERC Employee who did not submit a Notice of Proposed Revision (or, in the case of a Unionized Employee, did not have a Union Representative submit a Notice of Proposed Revision on such Unionized Employee's behalf) by the Notice of Proposed Revision Bar Date, shall directly or indirectly assert, advance, re-assert or re-file any Termination Claim that is not calculated in accordance with the Termination Claims Methodology; and
- (d) any Termination Claim that is directly or indirectly asserted, advanced, re-asserted or re-filed by an ERC Employee or by a Non-ERC Employee who did not submit a Notice of Proposed Revision (or, in the case of a Unionized Employee, did not have a Union Representative submit a Notice of Proposed Revision on such Unionized Employee's behalf) by the Notice of Proposed Revision Bar Date that is not calculated in accordance with the Termination Claims Methodology shall be disallowed.

RETIREE BENEFIT CLAIMS METHODOLOGY

13. THIS COURT ORDERS that the Retiree Benefit Claims Methodology is hereby approved.

14. THIS COURT ORDERS that any Retiree Benefit Claim of a Retiree shall be calculated by the Sears Canada Entities in consultation with the Monitor and with the assistance of Pension Representative Counsel and its Advisors, where appropriate, in accordance with the Retiree Benefit Claims Methodology based on the Personal Information relating to such Retiree.

15. THIS COURT ORDERS AND DECLARES that:

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- (a) the Retiree Benefit Claims Methodology shall be final and binding on all PRC Retirees;
- (b) the Retiree Benefit Claims Methodology shall be final and binding on all Non-PRC Retirees who do not submit a Notice of Proposed Revision by the Notice of Proposed Revision Bar Date;
- (c) no: (i) PRC Retiree, or (ii) Non-PRC Retiree who did not file a Notice of Proposed Revision by the Notice of Proposed Revision Bar Date, shall directly or indirectly assert, advance, re-assert or re-file any Retiree Benefit Claim that is not calculated in accordance with the Retiree Benefit Claims Methodology; and
- (d) any Retiree Benefit Claim that is directly or indirectly asserted, advanced, re-asserted or re-filed by a PRC Retiree or by a Non-PRC Retiree who did not file a Notice of Proposed Revision by the Notice of Proposed Revision Bar Date that is not calculated in accordance with the Retiree Benefit Claims Methodology shall be disallowed.

LIFETIME DISCOUNT CLAIMS METHODOLOGY

16. THIS COURT ORDERS that the Lifetime Discount Claims Methodology is hereby approved.

17. THIS COURT ORDERS AND DECLARES that:

- (a) the Lifetime Discount Claims Methodology shall be final and binding on all Retirees eligible to submit a Lifetime Discount Claim;

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- (b) the Sears Canada Entities shall be deemed to have submitted Lifetime Discount Claims calculated in accordance with the Lifetime Discount Claims Methodology on behalf of each known Retiree eligible to submit a Lifetime Discount Claim, based on the books and records of the Sears Canada Entities;
- (c) no Retiree shall directly or indirectly assert, advance, re-assert or re-file any Lifetime Discount Claim; and
- (d) any Lifetime Discount Claim that is directly or indirectly asserted, advanced, re-asserted or re-filed by any Retiree shall be disallowed.

SEARS PENSION CLAIM METHODOLOGY

18. THIS COURT ORDERS that the Sears Pension Claim Methodology is hereby approved.
19. THIS COURT ORDERS that only Pension Representative Counsel, the Pension Plan Administrator and the Superintendent may submit a Proof of Claim and/or D&O Proof of Claim with respect to any Sears Pension Claim. The Monitor shall deal with any such Proofs of Claim and/or D&O Proofs of Claim in accordance with paragraphs 65 and 69 below. For greater certainty, no individual Retiree with entitlements with respect to the defined benefit component of the Sears Pension Plan shall be permitted to submit a Proof of Claim or D&O Proof of Claim with respect to any such entitlements or with respect to the Wind-Up Deficiency.
20. THIS COURT ORDERS that any Sears Pension Claim shall be calculated pursuant to the Sears Pension Claim Methodology. For the purposes of the preparation and submission of any Proof of Claim or D&O Proof of Claim relating to a Sears Pension Claim only, the Pension Plan Administrator, Pension Representative Counsel and/or the Superintendent shall be entitled, without independent investigation, to rely on the books and records of the Sears Canada Entities

and any information provided by the Sears Canada Entities, and shall not be liable for any claims or damages resulting from any errors or omissions in the Sears Canada Entities' books, records or information.

21. THIS COURT ORDERS AND DECLARES that:

- (a) the Sears Pension Claim Methodology shall be final and binding on the Pension Plan Administrator, Pension Representative Counsel, the Superintendent and on all Retirees with entitlements under the defined benefit component of the Sears Pension Plan;
- (b) Sears Pension Claims: (i) may only be submitted by the Pension Plan Administrator, Pension Representative Counsel, and/or the Superintendent, each in accordance with the Sears Pension Claim Methodology and the requirements under this Order (which, for greater certainty, may be adjusted in accordance with the Sears Pension Claim Methodology after the Proof of Claim Bar Date), and (ii) shall not, directly or indirectly, be asserted, advanced, re-asserted or re-filed by any other Person that is not the Pension Plan Administrator, Pension Representative Counsel or the Superintendent;
- (c) any Sears Pension Claim that is directly or indirectly asserted, advanced, re-asserted or re-filed by any Person other than the Pension Plan Administrator, Pension Representative Counsel or the Superintendent, or any Sears Pension Claim that is not calculated in accordance with the Sears Pension Claim Methodology, shall be disallowed;

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- (d) the Monitor shall provide a copy of any Sears Pension Claim received to the Pension Plan Administrator, Pension Representative Counsel and the Superintendent, as appropriate;
- (e) each of the Pension Plan Administrator, Pension Representative Counsel and the Superintendent shall be given written notice by the Monitor of any determination by the Monitor, including as to quantum and/or priority, of any Sears Pension Claim submitted in accordance with this Order; and
- (f) the Pension Plan Administrator, Pension Representative Counsel and the Superintendent shall be given written notice by the Monitor of, and are entitled to participate in (i) any hearing before a Claims Officer concerning a Sears Pension Claim, and (ii) any hearing before the Court concerning a Sears Pension Claim, and any appeals therefrom.

SUPPLEMENTAL PLAN CLAIMS

22. THIS COURT ORDERS that Pension Representative Counsel shall, on behalf of all Retirees with entitlements under the Supplemental Plan, submit a Proof of Claim and/or D&O Proof of Claim with respect to any Supplemental Plan Claims of such Retirees. No Retiree represented by Pension Representative Counsel shall be permitted to submit a Proof of Claim or D&O Proof of Claim with respect to any Supplemental Plan Claim of such Retiree. For greater certainty, any Retiree not represented by Pension Representative Counsel who has entitlements under the Supplemental Plan may submit a separate Proof of Claim or D&O Proof of Claim with respect to such entitlements, and the Monitor shall deal with any such Proofs of Claim and/or D&O Proofs of Claim in accordance with paragraph 69 below.

23. THIS COURT ORDERS that any Supplemental Plan Claim submitted by Pension Representative Counsel shall be calculated by Pension Representative Counsel and its Advisors. Pension Representative Counsel and its Advisors shall be entitled, without independent investigation, to rely on the books and records of the Sears Canada Entities and any information provided by the Sears Canada Entities, and shall not be liable for any claims or damages resulting from any errors or omissions in the Sears Canada Entities' books, records or information.

24. THIS COURT ORDERS AND DECLARES that:

- (a) any Supplemental Plan Claims submitted by Pension Representative Counsel shall be final and binding on all Retirees represented by Pension Representative Counsel who have entitlements under the Supplemental Plan;
- (b) any Supplemental Plan Claims submitted by Pension Representative Counsel shall be final and binding on all Retirees not represented by Pension Representative Counsel who do not submit any other Proof of Claim or D&O Proof of Claim in respect of their entitlements under the Supplemental Plan before the Proof of Claim Bar Date;
- (c) no Retiree represented by Pension Representative Counsel shall directly or indirectly assert, advance, re-assert or re-file any Supplemental Plan Claim; and
- (d) any Supplemental Plan Claim that is directly or indirectly asserted, advanced, re-asserted or re-filed by any Retiree represented by Pension Representative Counsel shall be disallowed.

MONITOR'S ROLE

25. THIS COURT ORDERS that, in addition to its prescribed rights, duties, responsibilities and obligations under the CCAA, the Initial Order and any other orders of the Court in the CCAA Proceedings, the Monitor is hereby directed and empowered to implement the Employee and Retiree Claims Process set out herein and to take such other actions and fulfill such other roles as are authorized by this Order or incidental thereto.

26. THIS COURT ORDERS that the Monitor (a) shall have all of the protections given to it by the CCAA, the Initial Order, any other orders of the Court in the CCAA Proceedings, and this Order, or as an officer of the Court, including the stay of proceedings in its favour; (b) shall incur no liability or obligation as a result of the carrying out of the provisions of this Order, including in respect of its exercise of discretion as to the completion, execution or time of delivery of any documents to be delivered hereunder, other than in respect of its gross negligence or wilful misconduct; (c) shall be entitled, without independent investigation, to rely on the books and records of the Sears Canada Entities and any information provided by the Sears Canada Entities; and (d) shall not be liable for any claims or damages resulting from any errors or omissions in the Sears Canada Entities' books, records or information.

27. THIS COURT ORDERS that the Sears Canada Entities and their current officers, directors, employees, agents and representatives shall fully cooperate with the Monitor in the exercise of its powers and discharge of its duties and obligations under this Order.

EMPLOYEE REPRESENTATIVE COUNSEL'S ROLE

28. THIS COURT ORDERS that, unless otherwise directed by the Court, Employee Representative Counsel may, on behalf of any ERC Employee: (a) engage in discussions with the Monitor and the Sears Canada Entities with respect to Personal Information; (b) assist in filing an

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Employee Request for Correction, Proof of Claim, D&O Proof of Claim, or Notice of Dispute on behalf of an Employee where requested to do so by the Employee; (c) file a Proof of Claim or a D&O Proof of Claim on behalf an Employee; (d) participate in the adjudication, resolution or settlement of any Termination Claim; and (e) assist an ERC Employee with an Other Employee Claim that, in the judgment of Employee Representative Counsel, is a *bona fide* claim that has not been dealt with through the Termination Claims Methodology; provided however that nothing in this paragraph 28 shall relieve an ERC Employee of his or her responsibility to review the Claims Package provided to him or her (including the Termination Claim Statement), to review the Personal Information upon which the Claim will be calculated, and to submit an Employee Request for Correction, a Proof of Claim, a D&O Proof of Claim, or a Notice of Dispute where such Employee wishes to do so and is entitled to do so in accordance with the procedures and within the time limits set out in this Order.

29. THIS COURT ORDERS that Employee Representative Counsel, the Employee Representatives and any Advisors retained by Employee Representative Counsel: (a) shall have no personal liability or obligations as a result of the performance of their duties in carrying out the provisions of this Order, save and except for liability arising out of gross negligence or wilful misconduct; (b) shall be entitled, without independent investigation, to rely on the books and records of the Sears Canada Entities and any information provided by the Sears Canada Entities; and (c) shall not be liable for any claims or damages resulting from any errors or omissions in the Sears Canada Entities' books, records or information.

30. THIS COURT ORDERS that, subject to existing confidentiality agreements, the Employee Representative Counsel Order and applicable law: (a) the Sears Canada Entities and the Monitor shall cooperate with Employee Representative Counsel in the exercise of its powers and discharge

of its duties and obligations under this Order, and (b) Employee Representative Counsel shall cooperate with the Monitor and the Sears Canada Entities in the exercise of their respective powers and discharge of their respective duties and obligations under this Order.

PENSION REPRESENTATIVE COUNSEL'S ROLE

31. THIS COURT ORDERS that all unionized Retirees shall be represented by Pension Representative Counsel pursuant to the Pension Representative Counsel Order *nunc pro tunc*, unless any such unionized Retiree specifically notifies Pension Representative Counsel in writing that such Retiree wishes to opt-out of representation by the Pensioner Representatives and Pension Representative Counsel.

32. THIS COURT ORDERS that, unless otherwise directed by the Court, Pension Representative Counsel may, on behalf of any Retiree represented by Pension Representative Counsel: (a) engage in discussions with the Monitor and the Sears Canada Entities with respect to Personal Information; (b) assist in filing a Retiree Request for Correction, Proof of Claim, D&O Proof of Claim, or Notice of Dispute on behalf of a Retiree where requested to do so by the Retiree; (c) file a Proof of Claim or D&O Proof of Claim on behalf of a Retiree; (d) participate in the adjudication, resolution or settlement of any Retiree Benefit Claim; and (e) assist a Retiree with an Other Retiree Claim that, in the judgment of Pension Representative Counsel, is a *bona fide* claim that has not been dealt with through the Retiree Benefit Claims Methodology, the Lifetime Discount Claims Methodology, the Sears Pension Claim Methodology or otherwise; provided however that nothing in this paragraph 31 shall relieve a Retiree of his or her responsibility to review the Claims Package provided to him or her (including the Retiree Benefit Claim Statement), to review the Personal Information upon which the Claim will be calculated, and to submit a Retiree Request for Correction, a Proof of Claim, a D&O Proof of Claim, or a Notice of Dispute

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where such Retiree wishes to do so and is entitled to do so in accordance with the procedures and within the time limits set out in this Order.

33. THIS COURT ORDERS that Pension Representative Counsel, the Pensioner Representatives and any Advisors retained by Pension Representative Counsel: (a) shall have no personal liability or obligations as a result of the performance of their duties in carrying out the provisions of this Order, save and except for liability arising out of gross negligence or wilful misconduct; (b) shall be entitled, without independent investigation, to rely on the books and records of the Sears Canada Entities and any information provided by the Sears Canada Entities; and (c) shall not be liable for any claims or damages resulting from any errors or omissions in the Sears Canada Entities' books, records or information.

34. THIS COURT ORDERS that, subject to existing confidentiality agreements, the Pension Representative Counsel Order and applicable law: (a) the Sears Canada Entities and the Monitor shall cooperate with Pension Representative Counsel, the Pension Plan Administrator and the Superintendent in the exercise of their respective powers and discharge of their respective duties and obligations under this Order, and (b) Pension Representative Counsel, the Pension Plan Administrator and the Superintendent shall cooperate with the Monitor and the Sears Canada Entities in the exercise of their respective powers and discharge of their respective duties and obligations under this Order.

NOTICE OF EMPLOYEE AND RETIREE CLAIMS PROCESS

35. THIS COURT ORDERS that the Monitor shall cause the Notice to Claimants to be published at least three (3) times, beginning the week of February 26, 2018, in The Globe and Mail (National Edition) and the electronic edition of La Presse, and in such other publications and with such frequency as is determined by the Monitor in consultation with the Sears Canada Entities.

36. THIS COURT ORDERS that the Monitor shall cause the Notice to Claimants and blank copies of the Claims Packages (excluding any blank Termination Claim Statement or Retiree Benefit Claim Statement) to be posted to the Monitor's Website by no later than 5:00 p.m. on February 27, 2018.

37. THIS COURT ORDERS that the Applicants shall cause the Notice to Claimants to be posted to the my.sears.ca portal, as soon as practicable but no later than 5:00 p.m. on February 27, 2018.

38. THIS COURT ORDERS that Employee Representative Counsel shall cause the Notice to Claimants and a blank copy of the ERC Employee Package (excluding any blank Termination Claim Statement) to be posted to Employee Representative Counsel's Website, as soon as practicable but no later than 5:00 p.m. on February 27, 2018.

39. THIS COURT ORDERS that Pension Representative Counsel shall cause the Notice to Claimants and a blank copy of the PRC Retiree Package (excluding any blank Retiree Benefit Claim Statement) to be posted to Pension Representative Counsel's Website, as soon as practicable but no later than 5:00 p.m. on February 27, 2018.

40. THIS COURT ORDERS that as soon as practicable, but no later than 5:00 p.m. on March 5, 2018, the Monitor shall cause: (a) an ERC Employee Package to be sent to each known ERC Employee; (b) a Non-ERC Employee Package to be sent to each known Non-ERC Employee; (c) a PRC Retiree Package to be sent to each known PRC Retiree; (d) a Non-PRC Retiree Package to be sent to each known Non-PRC Retiree; and (e) a Retiree Letter to be sent to each known DB Only Retiree, each at the last known physical or electronic address recorded in the books and records of the Sears Canada Entities and in accordance with the terms of this Order.

41. THIS COURT ORDERS that as soon as practicable, but no later than 5:00 p.m. on March 5, 2018, the Monitor shall cause a Proof of Claim Package to be sent to each Claimant who the Sears Canada Entities have advised the Monitor may have an outstanding active action, claim or complaint as of the Filing Date but who was not sent a package or a letter in accordance with paragraph 40 above, at the last known physical or electronic address recorded in the books and records of the Sears Canada Entities.

42. THIS COURT ORDERS that to the extent any Claimant requests documents or information relating to the Employee and Retiree Claims Process prior to the Proof of Claim Bar Date, the Monitor shall forthwith send such Claimant a Proof of Claim Package, and shall direct such Claimant to the documents posted on the Monitor's Website or otherwise respond to the request for documents or information as the Monitor (in consultation with the Sears Canada Entities and, where the Monitor deems appropriate, Employee Representative Counsel, Pension Representative Counsel, the Pension Plan Administrator and/or the Superintendent) may consider appropriate in the circumstances. If the Sears Canada Entities or the Monitor become aware of any further Claims after the mailings contemplated in paragraph 40 and 41 herein, the Monitor shall forthwith send such potential Claimant a Proof of Claim Package or other Claims Package, as the Monitor (in consultation with the Sears Canada Entities and, where the Monitor deems appropriate, Employee Representative Counsel, Pension Representative Counsel, the Pension Plan Administrator and/or the Superintendent) deems appropriate, or may direct such potential Claimant to the documents posted on the Monitor's Website.

43. THIS COURT ORDERS that the Employee and Retiree Claims Process and the forms of Notice to Claimants, Proof of Claim Instruction Letter, D&O Proof of Claim Instruction Letter, Proof of Claim, D&O Proof of Claim, Termination Claim Statement, Retiree Benefit Claim

Statement, Employee Request for Correction, Retiree Request for Correction, Notice of Acceptance, Notice of Disallowance (Personal Information), Notice of Disallowance (Proof of Claim), Notice of Dispute (Personal Information), Notice of Dispute (Proof of Claim), Notice of Proposed Revision, ERC Employee Letter, Non-ERC Employee Letter, Retiree Letter and Non-PRC Retiree Letter are hereby approved, subject to any minor non-substantive changes to the forms as the Monitor and the Sears Canada Entities (in consultation with Employee Representative Counsel and Pension Representative Counsel, as appropriate) may consider necessary or desirable to be made from time to time.

44. THIS COURT ORDERS that the sending of the Claims Packages and the Retiree Letter to the applicable Persons and the publication of the Notice to Claimants, in accordance with this Order, shall constitute good and sufficient service and delivery of notice of this Order and the Bar Dates on all Persons who may be entitled to receive notice and who may wish to assert a Claim, and no other notice or service need be given or made and no other document or material need be sent to or served upon any Person in respect of this Order.

FILING OF REQUESTS FOR CORRECTION

45. THIS COURT ORDERS that if the Monitor independently discovers or is made aware of any errors in the Personal Information that would affect the amount of a Termination Claim or Retiree Benefit Claim of a Claimant, the Monitor has the discretion to correct those errors. If any such errors are discovered and corrections are made by the Monitor, the Monitor shall send a Monitor Corrected Claim Statement together with the applicable Request for Correction to such Claimant, who will have the right to submit such Request for Correction by the Request for Correction Bar Date or such other date as may be agreed to by the Monitor in writing.

46. THIS COURT ORDERS that if: (i) an Employee disputes the Personal Information contained in his/her Termination Claim Statement or Monitor Corrected Claim Statement, as applicable, or (ii) a Retiree disputes the Personal Information contained in his/her Retiree Benefit Claim Statement or Monitor Corrected Claim Statement, as applicable, such Employee or Retiree, as applicable, shall deliver to the Monitor the applicable Request for Correction. All Requests for Correction must be received by the Monitor by no later than the Request for Correction Bar Date.

47. THIS COURT ORDERS that: (a) if an Employee's Request for Correction is not received by the Monitor on or before the Request for Correction Bar Date or such Employee's Request for Correction is received and accepted by the Monitor through a Notice of Acceptance, the Personal Information contained in his/her Termination Claim Statement, Monitor Corrected Claim Statement or Notice of Acceptance, as applicable, shall be deemed to be correct and confirmed in all respects, shall be final and binding on such Employee, and such Employee shall be barred from making any Termination Claim inconsistent with such Personal Information; and (b) if a Retiree's Request for Correction is not received by the Monitor on or before the Request for Correction Bar Date or such Retiree's Request for Correction is received and accepted by the Monitor through a Notice of Acceptance, the Personal Information contained in his/her Retiree Benefit Claim Statement, Monitor Corrected Claim Statement or Notice of Acceptance, as applicable, shall be deemed to be correct and confirmed in all respects, shall be final and binding on such Retiree, and such Retiree shall be barred from making any Retiree Benefit Claim inconsistent with such Personal Information.

FILING OF NOTICES OF PROPOSED REVISION

48. THIS COURT ORDERS that a Notice of Proposed Revision with respect to a Unionized Employee's Termination Claim may only be submitted by a Union Representative on behalf of

such Unionized Employee (and, for greater certainty, no Unionized Employee shall be permitted to submit a Notice of Proposed Revision on his/her own behalf). For greater certainty, any Non-PRC Retiree shall be permitted to submit a Notice of Proposed Revision on his/her own behalf, regardless of whether such Non-PRC Retiree is or was represented by a union at any time in relation to such Non-PRC Retiree's employment with any of the Sears Canada Entities.

49. THIS COURT ORDERS that only Non-ERC Employees (or, where such Non-ERC Employee is a Unionized Employee, the Union Representative on behalf of such Unionized Employee) and Non-PRC Retirees shall be permitted to file a Notice of Proposed Revision with respect to the determination of their Termination Claim or Retiree Benefit Claim, as applicable.

50. THIS COURT ORDERS that: (a) if a Non-ERC Employee (or a Union Representative on behalf of a Unionized Employee) disputes the application of the Termination Claims Methodology to determine such Non-ERC Employee's Termination Claim; or (b) if a Non-PRC Retiree disputes the application of the Retiree Benefit Claims Methodology to determine such Non-PRC Retiree's Retiree Benefit Claim, such Claimant (or in the case of a Unionized Employee, the Union Representative on behalf of such Unionized Employee) shall deliver to the Monitor a Notice of Proposed Revision containing a proposed alternative methodology to be used to determine his/her Termination Claim or Retiree Benefit Claim, as applicable. All Notices of Proposed Revision must be received by the Monitor by no later than the Notice of Proposed Revision Bar Date.

51. THIS COURT ORDERS that if a Notice of Proposed Revision is not submitted by an eligible Claimant and received by the Monitor on or before the Notice of Proposed Revision Bar Date: (a) the Termination Claims Methodology or the Retiree Benefit Claims Methodology, as applicable, shall be deemed to be confirmed in all respects by such Claimant and shall be final and binding on such Claimant, such that the only remaining element of such Claimant's Termination

Claim or Retiree Benefit Claim that may be subject to revision shall be the Personal Information to be applied to such methodology (to the extent that any Request for Correction has been submitted in accordance with paragraphs 45 and 47 above), and (b) the Claimant shall be barred from making any further Termination Claim or Retiree Benefit Claim.

FILING OF PROOFS OF CLAIM

52. THIS COURT ORDERS that any Claimant (or any Union Representative or other Person on behalf of any Claimant, including without limitation the Pension Plan Administrator, Pension Representative Counsel or the Superintendent with respect to any Sears Pension Claim or Other Retiree Claim, Employee Representative Counsel with respect to any Other Employee Claim, or Pension Representative Counsel with respect to any Supplemental Plan Claim) that intends to assert a Sears Pension Claim, Supplemental Plan Claim, Other Employee Claim or Other Retiree Claim, including any D&O Claim relating to any of the foregoing, shall file a Proof of Claim or D&O Proof of Claim, as applicable, with the Monitor on or before the Proof of Claim Bar Date. Any Claimant (or other Person on behalf of such Claimant) who submits a Proof of Claim or D&O Proof of Claim must specify whether such Claim relates to the Pre-Filing Period or to the Restructuring Period. For the avoidance of doubt, a Proof of Claim or D&O Proof of Claim, as applicable, must be filed by every such Claimant (or other Person on behalf of such Claimant) in respect of every such Claim or D&O Claim, regardless of whether or not a legal proceeding in respect of such Claim or D&O Claim has been previously commenced.

53. THIS COURT ORDERS that any Claimant (or other Person on behalf of such Claimant) who is eligible to assert a Sears Pension Claim, Supplemental Plan Claim, Other Employee Claim or Other Retiree Claim, including any D&O Claim relating to any of the foregoing, and who does not file a Proof of Claim or D&O Proof of Claim, as applicable, so that such Proof of Claim or

D&O Proof of Claim is received by the Monitor on or before the Proof of Claim Bar Date, or such later date as the Monitor (in consultation with the Sears Canada Entities, the applicable Directors and Officers in respect of any D&O Claim and, where the Monitor deems appropriate, Employee Representative Counsel, Pension Representative Counsel, the Pension Plan Administrator and/or the Superintendent) may agree in writing or the Court may otherwise direct:

- (a) be and is hereby forever barred, estopped and enjoined from asserting or enforcing any such Claim or D&O Claim and all such Claims or D&O Claims shall be forever extinguished;
- (b) will not be permitted to vote at any Meeting on account of such Claim(s) or D&O Claim(s);
- (c) will not be entitled to receive further notice with respect to the Employee and Retiree Claims Process or these proceedings unless the Monitor and/or the Sears Canada Entities become aware that such Claimant has any other Claim; and
- (d) will not be permitted to participate in any distribution under any Plan on account of such Claim(s) or D&O Claim(s).

54. THIS COURT ORDERS that the provisions of paragraphs 52 and 53 herein shall not apply to any Lifetime Discount Claims or to any Warranty Claims. Proofs of Claim with respect to any Lifetime Discount Claim and any Warranty Claim shall each be deemed to have been properly submitted in accordance with the applicable requirements of this Order by the Sears Canada Entities on behalf of each eligible Claimant, based on the books and records of the Sears Canada Entities. For greater certainty, no Claimant shall be entitled to any additional Claim against the Sears Canada Entities with respect to any Lifetime Discount or Warranty.

ADJUDICATION OF TERMINATION CLAIMS OR RETIREE BENEFIT CLAIMS***Requests for Correction***

55. THIS COURT ORDERS that the Monitor shall provide, upon request: (i) summaries of Termination Claims of Unionized Employees or copies of Non-ERC Employee Packages sent to Unionized Employees to the applicable Union Representative; and (ii) copies of any Requests for Correction received by it to the appropriate Representative Counsel or Union Representative.

56. THIS COURT ORDERS that the Monitor, in consultation with the Sears Canada Entities, shall review each Request for Correction submitted in accordance with this Order and received on or before the Request for Correction Bar Date, and shall, no later than July 31, 2018 and with a copy to the appropriate Representative Counsel for such Claimant, if applicable:

- (a) accept all of the corrections requested, in which case the Monitor shall cause to be sent to such Claimant a Notice of Acceptance, which will include the value of the Claimant's Termination Claim or Retiree Benefit Claim, as applicable, after applying the revised Personal Information to the Termination Claims Methodology or the Retiree Benefit Claims Methodology, as appropriate; or
- (b) disallow the corrections requested (in whole or in part), in which case the Monitor shall cause to be sent to such Claimant a Notice of Disallowance (Personal Information).

57. THIS COURT ORDERS that any Claimant who intends to dispute a Notice of Disallowance (Personal Information) hereof shall:

- (a) deliver a completed Notice of Dispute (Personal Information), along with the reasons for the dispute, to the Monitor by no later than thirty (30) days after the

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date on which the Claimant is deemed to receive the Notice of Disallowance (Personal Information), or such other date as may be agreed to by the Monitor in writing; and

- (b) in the event that a dispute raised in a Notice of Dispute (Personal Information) is not settled within a time period or in a manner satisfactory to the Monitor, in consultation with the Sears Canada Entities, the Monitor shall refer the dispute raised in the Notice of Dispute (Personal Information) to a Claims Officer or the Court for adjudication at its election.

58. THIS COURT ORDERS that where a Claimant who receives a Notice of Disallowance (Personal Information) does not submit a completed Notice of Dispute (Personal Information) by the time set out in paragraph 57(a), such Claimant's Personal Information shall be deemed to be as set out in the Notice of Disallowance (Personal Information), and such Claimant shall have no further right to dispute same and shall be barred from making any Claim inconsistent with such Personal Information.

Notices of Proposed Revision

59. THIS COURT ORDERS that the Monitor, in consultation with the Sears Canada Entities, shall review each Notice of Proposed Revision submitted in accordance with this Order and received on or before the Notice of Proposed Revision Bar Date, and shall accept, revise or reject the methodology proposed in such Notice of Proposed Revision.

60. THIS COURT ORDERS that, where a Union Representative has submitted a Notice of Proposed Revision on behalf of a Unionized Employee, only the Union Representative shall be entitled to negotiate the methodology proposed in such Notice of Proposed Revision with the Monitor on behalf of such Unionized Employee.

61. THIS COURT ORDERS that, in the event that an alternative methodology proposed in a Notice of Proposed Revision is not agreed to by the Monitor or is not successfully negotiated with the Claimant (or the Union Representative on behalf of a Unionized Employee) within a time period or in a manner satisfactory to the Monitor, in consultation with the Sears Canada Entities, the Monitor shall refer the dispute to a Claims Officer or the Court for adjudication at its election. For greater certainty, any party may file additional evidence, documentation, reports or information on any hearing to determine the methodology to be applied to calculate an applicable Claimant's Termination Claim or Retiree Benefit Claim, as applicable, and no party shall object to the filing of such additional evidence on the basis that such evidence, documentation, report or information was not included in the initial Termination Claim Statement or Retiree Benefit Claim Statement, Notice of Proposed Revision or Request for Correction, if submitted.

ADJUDICATION OF PROOFS OF CLAIM AND D&O PROOFS OF CLAIM

62. THIS COURT ORDERS that the Monitor, in consultation with the Sears Canada Entities, shall review each Proof of Claim submitted in accordance with this Order and received on or before the Proof of Claim Bar Date, and shall accept, revise or reject each Claim set forth in each such Proof of Claim.

63. THIS COURT ORDERS that the Monitor shall promptly deliver a copy of any D&O Proofs of Claim, Notices of Disallowance (Proof of Claim) with respect to any D&O Claim, and Notices of Dispute (Proof of Claim) with respect to any D&O Claim, to the applicable Directors and Officers named therein.

64. THIS COURT ORDERS that the Monitor, in consultation with the Sears Canada Entities and the applicable Directors and Officers named in any D&O Proof of Claim, and any counsel for such Directors and Officers, shall review each D&O Proof of Claim submitted in accordance with

this Order and received on or before the Proof of Claim Bar Date. The Monitor shall accept, revise or reject each Claim set forth in each such D&O Proof of Claim, provided that the Monitor shall not accept or revise any portion of a D&O Claim absent consent of the applicable Directors and Officers or further Order of the Court.

65. THIS COURT ORDERS that the Monitor shall notify the Claimant who has delivered such Proof of Claim or D&O Proof of Claim, as applicable, that such Claim has been revised or rejected and the reasons therefor, by sending a Notice of Disallowance (Proof of Claim) by no later than July 31, 2018 or such later date as ordered by the Court on application by the Monitor. However, this July 31, 2018 deadline shall not apply to any Proof of Claim or D&O Proof of Claim filed in respect of any Sears Pension Claim.

66. THIS COURT ORDERS that any Claimant who intends to dispute a Notice of Disallowance (Proof of Claim) in respect of any Proof of Claim or D&O Proof of Claim, as applicable, hereof shall:

- (a) deliver a completed Notice of Dispute (Proof of Claim), along with the reasons for the dispute, to the Monitor by no later than thirty (30) days after the date on which the Claimant is deemed to receive the Notice of Disallowance (Proof of Claim), or such other date as may be agreed to by the Monitor (in consultation with the Sears Canada Entities and any applicable Directors and Officers in respect of any D&O Claim) in writing; and
- (b) in the event that a dispute raised in a Notice of Dispute (Proof of Claim) is not settled within a time period or in a manner satisfactory to the Monitor (in consultation with the Sears Canada Entities and the applicable Directors and Officers in respect of any D&O Claim), the Monitor shall refer the dispute raised

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in the Notice of Dispute (Proof of Claim) to a Claims Officer or the Court for adjudication at its election. Any Claimant who wishes to challenge the method of adjudication elected by the Monitor may apply to the Court to determine the appropriate method of adjudication. For greater certainty, any party may file additional evidence, documentation, reports or information on any hearing to resolve the issues raised in a Notice of Dispute (Proof of Claim) and no party will object to the filing of such additional evidence on the basis that such evidence, documentation, report or information was not included in the initial Proof of Claim, D&O Proof of Claim or Notice of Disallowance (Proof of Claim).

67. THIS COURT ORDERS that where a Claimant who receives a Notice of Disallowance (Proof of Claim) does not submit a completed Notice of Dispute (Proof of Claim) by the time set out in paragraph 66(a), such Claimant's Claim or D&O Claim shall be deemed to be as set out in the Notice of Disallowance (Proof of Claim) and such Claimant shall have no further right to dispute same.

68. THIS COURT ORDERS that the Monitor, in consultation with the Sears Canada Entities and the applicable Directors and Officers in respect of any D&O Claim, may refer any Claim to a Claims Officer or the Court for adjudication at its election by sending written notice to the applicable parties at any time. Any Claimant who wishes to challenge the method of adjudication elected by the Monitor may apply to the Court to determine the appropriate method of adjudication.

69. THIS COURT ORDERS that the Monitor and the Sears Canada Entities shall attempt to identify all Duplicate Claims and shall attempt to resolve such Duplicate Claims with the Person or Persons who submitted such Duplicate Claims. The Monitor and the Sears Canada Entities may at any time seek direction from the Court with respect to the process and procedures for resolving

Duplicate Claims, on notice to the Person or Persons who have submitted such Duplicate Claims (and to the applicable Directors and Officers in respect of any Duplicate Claim that is a D&O Claim).

CLAIMS OFFICER

70. THIS COURT ORDERS that the Hon. Mr. James Farley, Q.C. and the Hon. Mr. Dennis O'Connor, Q.C., and such other Persons as may be appointed by the Court from time to time on application of the Monitor or the Sears Canada Entities (in consultation with Employee Representative Counsel, Pension Representative Counsel, the Pension Plan Administrator and/or the Superintendent, as applicable), be and are hereby appointed as Claims Officers for the Employee and Retiree Claims Process.

71. THIS COURT ORDERS that a Claims Officer shall determine the validity and amount of disputed Claims, the accuracy of any disputed Personal Information, and the methodology to be applied to any disputed Termination Claim or Retiree Benefit Claim, in accordance with this Order and to the extent necessary may determine whether any Claim or part thereof constitutes an Excluded Claim and shall provide written reasons. A Claims Officer shall determine all procedural matters which may arise in respect of his or her determination of these matters, including the manner in which any evidence may be adduced. A Claims Officer shall have the discretion to determine by whom and to what extent the costs of any hearing before a Claims Officer shall be paid.

72. THIS COURT ORDERS that the Monitor, the Claimant (or any Person on behalf of a Claimant, including any Union Representative, Employee Representative Counsel, Pension Representative Counsel, the Pension Plan Administrator or the Superintendent), the Sears Canada Entities and the applicable Directors and Officers in respect of any D&O Claim may, within ten

(10) days of such party receiving notice of a Claims Officer's determination of the value of a Claimant's Claim, the accuracy of a Claimant's Personal Information, or the methodology to be applied to a Claimant's Termination Claim or Retiree Benefit Claim, appeal such determination or any other matter determined by the Claims Officer in accordance with paragraph 70 or otherwise to the Court by filing a notice of appeal, and the appeal shall be initially returnable for scheduling purposes within ten (10) days of filing such notice of appeal.

73. THIS COURT ORDERS that, if no party appeals the determination of value of a Claim, of accuracy of a Claimant's Personal Information or of the methodology to be applied to a Claimant's Termination Claim or Retiree Benefit Claim, by a Claims Officer in accordance with the requirements set out in paragraph 72 above, the decision of the Claims Officer in determining the value of the Claim, the accuracy of the Personal Information or the methodology to be applied to a Claimant's Termination Claim or Retiree Benefit Claim shall be final and binding upon the Sears Canada Entities, the Monitor, the applicable Directors and Officers in respect of a D&O Claim and the Claimant, and there shall be no further right of appeal, review or recourse to the Court from the Claims Officer's final determination.

NOTICE OF TRANSFEREES

74. THIS COURT ORDERS that, from the date of this Order until seven (7) days prior to the date fixed by the Court for any distribution in the CCAA Proceedings or any other proceeding, including a bankruptcy, leave is hereby granted to permit a Claimant to provide to the Monitor notice of assignment or transfer of a Claim to any third party, and that no assignment or transfer of a partial Claim shall be permitted.

75. THIS COURT ORDERS that, subject to the terms of any subsequent Order of this Court, if, after the Filing Date, the holder of a Claim transfers or assigns the whole of such Claim to

another Person, neither the Monitor nor the Sears Canada Entities shall be obligated to give notice to or otherwise deal with the transferee or assignee of such Claim in respect thereof unless and until actual notice of transfer or assignment, together with satisfactory evidence of such transfer or assignment, shall have been received and acknowledged by the Monitor in writing and thereafter such transferee or assignee shall, for the purposes hereof, constitute the “Claimant” in respect of the whole of such Claim. Any such transferee or assignee of a Claim shall be bound by any notices given or steps taken in respect of such Claim in accordance with this Order prior to receipt and acknowledgement by the Monitor of satisfactory evidence of such transfer or assignment. A transferee or assignee of a Claim takes the Claim subject to any rights of set-off to which the Sears Canada Entities and/or the applicable Directors and Officers may be entitled with respect to such Claim. For greater certainty, a transferee or assignee of a Claim is not entitled to set-off, apply, merge, consolidate or combine any Claim assigned or transferred to it against or on account or in reduction of any amounts owing by such Person to the Sears Canada Entities or the applicable Directors and Officers.

SERVICE, NOTICE AND DELIVERY

76. THIS COURT ORDERS that, notwithstanding anything to the contrary in this Order but subject to paragraph 77 below, the Monitor may send, serve and deliver or cause to be sent, served and delivered, to a Claimant or other interested Person, any notice, communication or other document required by this Order (a) by forwarding a copy thereof by prepaid ordinary mail, registered mail, courier, personal delivery, facsimile transmission or email to such Claimant or other interested Person at the physical or electronic address, as applicable, last shown on the books and records of the Sears Canada Entities or, where applicable, as set out in such Claimant’s Proof of Claim, D&O Proof of Claim or Request for Correction; or (b) if such Claimant has successfully

logged-in to the Claims Website, by uploading or updating such notice, communication or other document to or on the Claims Website, and sending an email notification to such Claimant.

77. THIS COURT ORDERS that the Monitor may, to satisfy its obligations under paragraph 40 of this Order to ERC Employees and Non-ERC Employees with email addresses listed on the books and records of the Sears Canada Entities, serve and deliver or cause to be served and delivered to each such ERC Employee and Non-ERC Employee an email notice of this Employee and Retiree Claims Process, which shall include a link to the Claims Website and certain information that will allow each such ERC Employee and Non-ERC Employee to log-in the Claims Website to access his/her ERC Employee Package or Non-ERC Employee Package, as applicable; provided however, that in the event that any such ERC Employee or Non-ERC Employee does not successfully log-in to the Claims Website within 14 days of receipt of such email notice (according to the access records to be maintained by the Monitor), the Monitor shall serve and deliver or cause to be served and delivered the applicable ERC Employee Package or Non-ERC Employee Package by prepaid ordinary mail or courier to the physical address of such ERC Employee or Non-ERC Employee as last shown on the books and records of the Sears Canada Entities.

78. THIS COURT ORDERS that, notwithstanding anything to the contrary in this Order, a Claimant may send, serve and deliver or cause to be sent, served and delivered, to the Monitor, any notice, communication or other document required by this Order (a) by forwarding a copy thereof in writing and substantially in the form, if any, provided for in this Order, by prepaid ordinary mail, registered mail, courier, personal delivery, facsimile transmission or email, addressed to:

FTI Consulting Canada Inc., Sears Canada Monitor
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 101
Toronto, ON M5K 1G8

Attention: Sears Canada Employee and Retiree Claims Process
Email in respect of Employee Claims: SearsEmployeeClaimSite@fticonsulting.com
Email in respect of Retiree Claims: SearsRetireeClaimSite@fticonsulting.com
Fax: 416-649-8101

or (b) if such Claimant has successfully logged-in to the Claims Website, by submitting such notice, communication or other document in accordance with the instructions provided on the Claims Website. Any notice, communication or other document delivered by a Claimant shall be deemed received upon actual receipt by the Monitor thereof during normal business hours on a Business Day, or if delivered outside of normal business hours, the next Business Day.

79. THIS COURT ORDERS that such service and delivery of any documents in connection with this Employee and Retiree Claims Process shall be deemed to have been received: (a) if sent by ordinary mail, on the third Business Day after mailing to an address within Ontario, the fifth Business Day after mailing to an address within Canada (other than within Ontario), and the tenth Business Day after mailing to an address internationally; (b) if sent by courier or personal delivery, on the next Business Day following dispatch; or (c) if delivered by facsimile transmission, email or submission on the Claims Website, by 5:00 p.m. on a Business Day, on such Business Day and if delivered after 5:00 p.m. or other than on a Business Day, on the following Business Day.

80. THIS COURT ORDERS that if, during any period during which notices or other communications are being given pursuant to this Order, a postal strike or postal work stoppage of general application should occur, such notices or other communications sent by ordinary or registered mail and then not received shall not, absent further Order of this Court, be effective and notices and other communications given hereunder during the course of any such postal strike or

work stoppage of general application shall only be effective if given by courier, personal delivery, facsimile transmission or email in accordance with this Order.

MISCELLANEOUS

81. THIS COURT ORDERS that at any time, the Monitor or the Sears Canada Entities may request additional information from a Claimant with respect to Personal Information, a proposed methodology contained in a Notice of Proposed Revision, a Sears Pension Claim, a Supplemental Plan Claim, or any Other Employee Claim or Other Retiree Claim made by such Claimant, and, where such Claimant has filed a Proof of Claim or D&O Proof of Claim, the Monitor may request that such Claimant file a revised Proof of Claim or D&O Proof of Claim.

82. THIS COURT ORDERS that the Sears Canada Entities, the Monitor, Employee Representative Counsel, Pension Representative Counsel and the Pension Plan Administrator may from time to time apply to this Court to extend the time for any action which the Sears Canada Entities, the Monitor, Employee Representative Counsel, Pension Representative Counsel or the Pension Plan Administrator is required to take if such extension is reasonably required to carry out its duties and obligations pursuant to this Order and for advice and directions concerning the discharge of its powers and duties under this Order or the interpretation or application of this Order.

83. THIS COURT ORDERS that nothing in this Order shall prejudice the rights and remedies of any Directors or Officers or other Persons under the Directors' Priority Charge, the Directors' Subordinated Charge or any applicable insurance policy or prevent or bar any Person from seeking recourse against or payment from the Sears Canada Entities' insurance or any Director's or Officer's liability insurance policy or policies that exist to protect or indemnify the Directors or Officers or other Persons, whether such recourse or payment is sought directly by the Person asserting a Claim from the insurer or derivatively through the Director or Officer or any Sears

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Canada Entity; provided, however, that nothing in this Order shall create any rights in favour of such Person under any policies of insurance nor shall anything in this Order limit, remove, modify or alter any defence to such Claim available to the insurer pursuant to the provisions of any insurance policy or at law; and further provided that any Claim or portion thereof for which the Person receives payment directly from, or confirmation that he or she is covered by, the Sears Canada Entities' insurance or any Director's or Officer's liability insurance or other liability insurance policy or policies that exist to protect or indemnify the Directors or Officers or other Persons shall not be recoverable as against a Sears Canada Entity or Director or Officer as applicable.

84. THIS COURT ORDERS that this Order shall have full force and effect in all provinces and territories in Canada.

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

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

FEB 22 2018

PER / PAR:




This is **Exhibit "I"** referred to in the Affidavit of William Richard Harker, sworn before me at Westwood, New Jersey, United States of America, on August 10, 2018.



(A Notary Public in and for the State of New Jersey)

JEREMY FORTUNATO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 4/27/2022

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

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

THE HONOURABLE)	THURSDAY, THE 26TH
)	
MR. JUSTICE HAINES)	DAY OF APRIL, 2018



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

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

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

AMENDED LITIGATION INVESTIGATOR ORDER

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

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

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

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

Litigation Investigator Reporting

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

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

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

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

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

The Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Litigation Investigator Costs

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

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

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

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

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

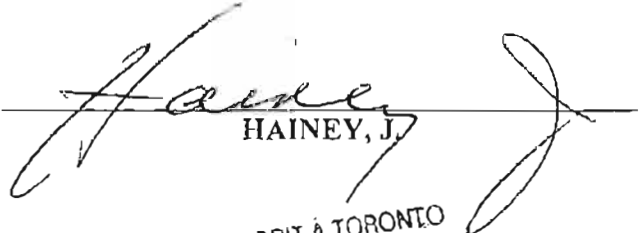
20. **THIS COURT ORDERS** that no action or proceeding may be commenced against the Litigation Investigator or any Creditors' Committee member in respect of the performance of its or their duties under this Order without leave of this Court on seven (7) business days' notice to the Litigation Investigator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

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

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

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

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


HAINEY, J.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:
APR 26 2018

PER / PAR: NB

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

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

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

Proceeding commenced at Toronto

AMENDED LITIGATION INVESTIGATOR ORDER

KOSKIE MINSKY LLP

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

This is **Exhibit "J"** referred to in the Affidavit of William Richard Harker, sworn before me at Westwood, New Jersey, United States of America, on August 10, 2018.



(A Notary Public in and for the State of New Jersey)

JEREMY FORTUNATO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 4/27/2022

From: [Birch, John](#)
To: tyuen@skarzynski.com
Cc: [Levine, Natalie](#); [Buttery, Mary J.A.](#)
Subject: Claim by former directors and officers of Sears Canada Inc. under XL Catlin D&O policies issued to Sears Canada Inc. and Sears Holdings Corporation [IWOV-LEGAL.FID2704142]
Date: Thursday, April 05, 2018 11:10:12 AM
Attachments: [Notice of Potential claims \(Sears Holdings D&O\) March 14, 2018.Pdf](#)
[Notice of Potential Claims FINAL March 8, 2018.PDF](#)
[Attachments to Sears Directors Claim Report.zip](#)
[Wind up order re Sears - March 29, 2018.PDF](#)

Tammy,

Thanks for your call yesterday. I confirm that you are counsel to XL Catlin in its capacity as D&C insurer of both Sears Holdings Corporation ("SHC") and Sears Canada Inc. ("SCI").

As discussed, please find attached the following items:

- (a) Another copy of the claims notices (without attachments) sent in respect of both the SCI and SHC policies. These claims notices are dated, respectively, March 8, 2018 and March 14, 2018.
- (b) A ZIP file containing all of the correspondence and other claims notices that are referred to in the documents mentioned in para. (a) herein.

Since the ZIP file is very large, please send me a reply email indicating that you received everything.

Any indemnification that SCI provided to our clients would generally be meaningless because SCI became insolvent and went into *Companies' Creditors Arrangement Act* proceedings last summer. As a protective measure, our firm filed proofs of claim against SCI in those proceedings in respect of the indemnification obligation but little, if anything, is likely to be recovered. As such, in respect of the SCI policy, XL Catlin will need to fund defence costs from day 1 because SCI will not provide funding.

In respect of SHC, we have asked SHC to advise whether it agreed to indemnify any of the Sears Canada directors that we represent. Once we have an answer to this, it will determine the extent to which the SHC policy will need to respond to fund defence costs from day 1. I think that, at best, only a small number of our clients would have been indemnified by SHC for sitting on the SCI board. But we will need to check this for sure and let you know.

It is likely that both policies will respond to the claims in issue. The SCI policy carries an exclusion for claims based on events occurring before October 15, 2014. The SHC policy does not contain such an exclusion. As discussed yesterday, SCI was a "Subsidiary" of SHC up to October 16, 2014. This means that coverage for events occurring up to that date would be covered by the SHC policy. By extension, coverage for events occurring from and after October 16, 2014 would be covered by the SCI policy.

Our clients were not aware of the claims against them until the time that we made these claims reports last month. However, in respect at least some of the claims, it is possible that SCI or SHC were aware of the claims earlier on and thus it is possible that SCI or SHC already gave notice to XL Catlin and the other insurers at an earlier point. If so, earlier D&O policies may also cover at least some of these claims.

Although any actual litigation against the directors and officers is presently stayed by the CCAA proceedings, this stay will likely not last too much longer. Further, as the materials that we have provided indicate, a Litigation Investigator has been appointed to investigate what claims may be asserted both by SCI and its creditors against third parties such as SHC, shareholders of SCI, and former officers and directors of SCI. The Litigation Investigator's work is likely to lead to a recommendation that proceedings be brought against our clients.


Yesterday, we also received notice that an order has been made to wind up the SCI pension plan. A copy of the wind-up order is attached. This wind-up is likely to lead to claims against our clients.

At the time that we initially reported the claims, we asked the insurers (including XL Catlin) to get in touch with us as soon as possible to ensure that they provided funding for defence costs. Since we heard nothing from XL until yesterday, our firm has been doing work in the interim (only to the extent necessary) to protect the interests of our clients on an interim basis.

It is important that XL (and the other insurers, to the extent necessary) agree to pay defence costs, including costs incurred to date, which amount to about CAD\$80,000 excluding tax. To the extent that you need any information from us in order to approve payment of defence costs, please let us know and we will deal with it.

It would likely make sense to arrange a meeting between our firm and all of the insurers that wish to attend, so that we can talk through how this matter is likely to proceed and to ensure that all parties are comfortable with the process moving forward. The location of the meeting will depend on where the insurer representatives are located and who is likely to attend.

As I mentioned to you, I will be over in the UK from this afternoon until next Tuesday evening. However, feel free to contact me on my cell phone while I am away at (416) 844-4998 or by email.

	<p>John Birch Direct: +1 416 860 5225 • Fax: +1 416 640 3057 • jbirch@casselsbrock.com 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario, M5H 3C2 www.casselsbrock.com Services provided through a Professional Corporation</p>
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This is **Exhibit "K"** referred to in the Affidavit of William Richard Harker, sworn before me at Westwood, New Jersey, United States of America, on August 10, 2018.



(A Notary Public in and for the State of New Jersey)

JEREMY FORTUNATO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 4/27/2022

From: [Birch, John](#)
To: [tyuen@skarzynski.com](#); [pcurley@kbrlaw.com](#); [william.clarke@beazley.com](#); [Gregory.goetz@agcs.allianz.com](#); [rachel_simon@swissre.com](#); [Nara.Azar@cna.com](#); [spæk@lvclaims.com](#); [chris.moore@hiscox.com](#); [tony.kriesel@hiscox.com](#); [marina.llata@axiscapital.com](#); [m.reeveslottimore@argolimited.com](#); [Michael.Fhiozeediae@aig.com](#); [mcarney@oldrepublicpro.com](#); [sweisz@btzlaw.ca](#)
Cc: [Levine, Natalie](#); [Buttery, Mary J.A.](#); [Heath, Angèle](#)
Subject: Update to Director & Officer Insurers of Sears Holdings Corporation
Date: Tuesday, May 01, 2018 12:25:39 PM
Attachments: [image001.gif](#)

Introduction

Our firm is counsel to the following former officers and directors of Sears Canada Inc.: Klaudio Leshnjani, William (Bill) C Crowley, William (Bill) R Harker, James R.G McBurney, Ephraim J. (EJ) Bird, Calvin McDonald, Danita Stevenson, Ronald Boire, Timothy Earl Flemming, Deidra Cheeks Merriwether, Donald C Ross, and Douglas Campbell (collectively, the "Directors").

On March 19, 2018, we provided notice in writing of actual or potential claims that have been and/or may be asserted against the Directors arising out of their role as former officers and directors of Sears Canada Inc.

Based on enquires that we have made since that time, we believe that each of you is the specified point of contact at each of the relevant insurance companies with respect to this matter.

Update on Recent Events

First, the initial claims notice that we sent to each insurer referred to supporting documents/notices (the "Supporting Documents") that provided further particulars of the 13 different categories of claim referred to in Appendix "A" to the notice. Since the Supporting Documents were too voluminous to send by regular email, we invited all of the insurers to contact us to make arrangements to obtain the Supporting Documents from us. Several insurers contacted us and we have sent them Supporting Documents already. As

indicated later in this message, we will send you the Supporting Documents to all insurers through a separate email later today using the TitanFile utility.

Second, after the time that the claims notice was delivered to you, our firm received from the Monitor of Sears Canada Inc. copies of numerous claims received by the Monitor as part of the Directors & Officers Claims Process that forms part of the *Companies' Creditors Arrangement Act* ("CCAA") proceedings of Sears Canada Inc. (the "CCAA Claims"). Some of the CCAA Claims relate to construction lien claims where liability is asserted against directors and officers under provincial legislation. Please note that many of these claims lack significant details, do not specify which directors or officers they are being made against, and/or may name additional directors or officers other than those whom our firm represents. (For example, our firm does not represent any of the current officers or directors of Sears Canada Inc. but it appears that many of such directors are the subject of CCAA Claims.) We understand that additional "Litigation Claims" have been filed in the claims process, but the Monitor has not yet provided copies of these claims to the applicable directors and officers. The order governing the claims process currently provides that the Monitor, in consultation with the directors and officers named in the proofs of claim, must respond to the claims by July 31, 2018, or such later date as may be ordered by the Court. As noted below, we will be sending you copies of the CCAA Claims through a separate email later today using the TitanFile utility.

Third, the Litigation Investigator order dated March 2, 2018 was amended on April 26, 2018. The amendments include certain amendments to the terms setting out the process by which the Litigation Investigator can obtain documents from Sears Canada Inc. We were concerned that any such documents that might be provided would be subject to privilege, especially since litigation against Sears Canada Inc. and certain of its directors was already ongoing before the CCAA proceedings began. As such, we were able to negotiate provisions to the order requiring a review of documents for privilege before they were turned over, establishing a protocol to have privilege determined, and providing that any accidental delivery of privileged documents to the Litigation Investigator does not waive privilege. The Amended Litigation Investigator order will be sent to you today through the TitanFile utility.

Fourth, we wanted to let you know that a mediation has been set up in the CCAA proceedings of Sears Canada Inc. on June 13 and 14, 2018. The main purpose of the mediation is to try to settle allocation issues relating to funds in the Sears Canada Inc. estate. Since our clients and the other officers and directors of Sears Canada Inc. have substantial indemnification claims against that company, we believe that we should participate in the mediation in order to prevent any settlement from being reached in our absence that could affect the rights of the Directors.

Finally, as indicated in our earlier claims notices and in subsequent correspondence with external counsel for XL Catlin, it is vital that arrangements be made to pay the legal fees of our firm in connection with responding to the numerous claims and threatened claims of which we have received notice and which have been reported to insurers.

Documents to be Sent

We will also soon be providing you with the Supporting Documents, CCAA Claims and the Amended Litigation Investigator order. Given the large size of these files, we will be forwarding them to you separately using TitanFile later this afternoon.

You will receive a separate email message from Ang  le Heath of our firm that comes from

the TitanFile site. That email will contain a link that will take you to the TitanFile site from where you can download the Supporting Documents, CCAA Claims and the Amended Litigation Investigator order. Please keep an eye out for this subsequent email and, if necessary, check your spam folder.

After you click the link in the email and are taken to the TitanFile website, click on the "Files" tab which will reveal three separate folders of documents that can be accessed and downloaded.

If you have any trouble receiving the documents through TitanFile, please contact Angèle Heath of our firm at (416) 869-5390 or aheath@casselsbrock.com

Conclusion

If any of you has any questions regarding this matter, let me know.



John Birch

Direct: +1 416 860 5225 • Fax: +1 416 840 3057 • jbirch@casselsbrock.com

2100 Scotia Plaza, 40 King Street West, Toronto, Ontario, M5H 3G2

www.casselsbrock.com

Services provided through a Professional Corporation.

This is **Exhibit "L"** referred to in the Affidavit of William Richard Harker, sworn before me at Westwood, New Jersey, United States of America, on August 10, 2018.



(A Notary Public in and for the State of New Jersey)

JEREMY FORTUNATO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 4/27/2022

From: [Yuen, Tammy](#)
To: [Birch, John](#)
Cc: [Paul.Stein@gowlingwlg.com](#); [McBrady, Kenneth M.](#); [Bain, Belinda \(Belinda.Bain@gowlingwlg.com\)](#)
Subject: Sears Canada
Date: Friday, May 04, 2018 10:55:30 AM
Attachments: [image003.png](#)

John,

Further to our call earlier this week, XL Catlin will issue its coverage letters today. As we have not yet had time to complete our review of the voluminous materials you forwarded on May 1st, the letters do not address those materials.

Though you had requested a call before we issue the letters, we think it more prudent to have a call after you have had a chance to review the positions set forth in our letters. I am copying XLC's Canadian counsel, Paul Stein of the Gowling firm, on this email.

We suggest a call next week. Please let us know what times work for you. In the meantime, XLC is proceeding under a full reservation of rights and presumes that your clients are proceeding under a similar reservation of their rights.

Regards,

Tammy

Tammy Yuen

Principal
Skarzynski Black LLC

D 212.820.7757 | **P** 212.820.7700 | **F** 212.820.7740
tyuen@skarzynski.com | [vCard](#) | [View Bio](#)



One Battery Park Plaza, 32nd Floor
New York, NY 10004
skarzynski.com

The information contained in this message may be privileged and/or confidential and is intended only for the use of the individual recipient identified above. If the reader of this message is not the intended recipient, you are hereby notified that any use, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone, fax or e-mail and delete this message. Thank you.

Disclaimer: Required by IRS Rules of Practice. Any discussion of tax matters contained herein is not intended or written to be used and cannot be used for the purpose of avoiding any penalties that may be imposed under Federal tax laws.

This is Exhibit "M" referred to in the Affidavit of William Richard Harker, sworn before me at Westwood, New Jersey, United States of America, on August 10, 2018.



(A Notary Public in and for the State of New Jersey)

JEREMY FORTUNATO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 4/27/2022



May 4, 2018

Via Email: jbirch@casselsbrock.com

John Birch
Cassels Brock
Suite 2100, Scotia Plaza
40 King Street West
Toronto, ON
MSH 3C2 Canada

Paul J. Stein, Q.C.
Partner
Direct +1 403 298 1084
Direct Fax +1 403 695 3484
Assistant +1 403 298 1882
paul.stein@gowlingwlg.com
File No.: A158299

Dear Mr. Birch:

Re: Insured: Sears Canada Inc.
Insurer: XL Specialty Insurance Company
Policy No.: ELU146443-16 (Primary A-Side)
Policy Period: October 15, 2016 to October 15, 2017

Gowling WLG (Canada) LLP has been retained as legal counsel to XL Specialty Insurance Company ("XLC") in connection with its investigation and analysis of coverage under the above-noted A-Side Management Liability Policy (the "A-Side Policy") issued to Sears Canada Inc. ("Sears Canada").

This letter acknowledges receipt of your letters dated March 8, 2018 and March 14, 2018, providing notice of the following matters (collectively, the "Noticed Matters") on behalf of (i) Klaudio Leshnjani; (ii) William C. Crowley; (iii) William R. Harker; (iv) James R.G. McBurney; (v) Ephraim J. Bird; (vi) Calvin McDonald; (vii) Danita Stevenson; (viii) Ronald Boire; (ix) Timothy Earl Flemming; (x) Sam Jeffrey Stollenwerck; (xi) Deidra Cheeks Merriwether; (xii) Donald C. Ross; and (xiii) Douglas Campbell (collectively, the "Former Directors"):

- 1291079 Ontario Limited (letter dated February 9, 2018);
- Representative Counsel for Pensions and Post-Retirement Benefits (letter dated February 9, 2018);
- Morneau Shepell Ltd. (letter dated February 8, 2018)
- RioCan Real Estate Investment Trust (letter dated February 9, 2018)
- Bentall Kennedy (Canada) LP/QuadReal Property Group, Primaris Management Inc., First Capital Asset Management ULC, Westcliff Management Ltd. (four letters dated February 23, 2018)
- Cadillac Fairview Corporation Limited (four letters dated February 9, 2018)
- ESL Partners L.P., RBS Partners, L.P., ESL Investments, Inc. and Edward S. Lampert (letter dated July 10, 2017)
- ROSSCLAIR Contractors Inc. (letter dated July 26, 2017)

Gowling WLG (Canada) LLP
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Calgary AB T2P 4K9 Canada

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F +1 403 263 9193
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Gowling WLG (Canada) LLP is a member of Gowling WLG, an international law firm which consists of independent and autonomous entities providing services around the world. Our structure is explained in more detail at: gowlingwlg.com/legal.



- Environmental Claimants (various Sears Canada letters regarding environmental issues at 40 Alliance Blvd., Barrie, ON; 500 Wilfred Hamel Blvd., Quebec City, QC; and North Hill Centre, Calgary, AB)
- Karine Tremblay (Quebec class action)
- Crombie REIT, Morguard Investments Limited, Cushman Wakefield Asset Services, Ivanhoe Cambridge and Cominar REIT (four letters dated February 9, 2018)
- Oxford Properties Group and OPGI Management Limited Partnership (four letters dated February 9, 2018)
- Employee Representative Counsel (four letters dated February 9, 2018)

We are writing to you based on our understanding that you are the appropriate representative of the Former Directors for purpose of communications concerning potential coverage under the A-Side Policy. In the event that our understanding is not correct, please promptly advise us and forward a copy of this letter to the appropriate party(ies).

XLC requires further information to determine if the Former Directors are entitled to coverage under the A-Side Policy, whether for defence or indemnity, and XLC must conduct an investigation in this respect. The ongoing investigation by XLC shall in no way be construed as a waiver in any form by XLC of its rights under the A-Side Policy. Further, the actions of XLC in respect of these investigations are not to be construed as confirming any right to a defence nor to any form of indemnification under the A-Side Policy.

The Noticed Matters generally relate to: (i) unpaid wages and benefits to former Sears Canada employees and other employee-related liabilities; (ii) potential pension claims by former Sears Canada employees; (iii) alleged breach of fiduciary duties to various stakeholders concerning the Company's inability to remain solvent; (iv) potential "oppression" claims from stakeholders alleging the Company disregarded their respective interests; and (v) environmental contamination.

XLC issued to Sears Canada a Limit of Liability for covered Claims first made against an Insured during the Policy Period of October 15, 2016 to October 15, 2017. The A-Side Policy should be reviewed together with this letter as this letter does not modify the terms of the A-Side Policy.

As you know, Section I. Insuring Agreement of the A-Side Policy provides:

The Insurer will pay on behalf of the Insured Persons Loss resulting from a Claim first made against the Insured Persons during the Policy Period or, if applicable, the Optional Extension Period, for a Wrongful Act, except to the extent that such Loss is paid by any other Insurance Program or as indemnification or advancement from any source. In the event that Loss is not paid by such other insurance or as indemnification or advancement, this Policy will respond on behalf of the Insured Persons as if it were primary, subject to all of its terms, conditions (including, but not limited to, CONDITION (B)) and limitations and without prejudice to the Insurer's excess position.

Section II(I) defines Insured Person to mean:



- (1) any past, present, or future director or officer, general counsel, or member of the Board of Managers of the Company and any person serving in a functionally equivalent role for the Parent Company or any Subsidiary operating or incorporated outside the United States;

Section II(C) defines Claim to mean:

- (1) a written demand for monetary or non-monetary relief;
- (2) any civil or criminal judicial proceeding in a court of law or equity, arbitration or other alternative dispute resolution; or
- (3) a formal civil, criminal, administrative, or regulatory proceeding or formal investigation.

Section II(Q) defines "Wrongful Act" to include:

- (1) any actual or alleged act, error, or omission, misstatement, misleading statement, neglect, or breach of duty by any Insured Person, as defined in DEFINITION (I)(1), while acting in his or her capacity as a director, officer, general counsel, or member of the Board of Managers of the Company or a functionally equivalent role for the Parent Company or any Subsidiary operating or incorporated outside the United States;
- (2) any matter asserted against an Insured Person solely by reason of his or her status as a director, officer, general counsel, or member of the Board of Managers of the Company;

Endorsement No. 4 provides:

ENDORSEMENT NO. 4: PENDING AND/OR PRIOR LITIGATION EXCLUSION

In consideration of the premium charged, no coverage will be available under this Policy for Claims based upon, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving any fact, circumstance, situation, transaction, event or Wrongful Act, underlying or alleged in any prior and/or pending litigation or administrative or regulatory proceeding or arbitration which was brought prior to October 15, 2014.

Endorsement No. 21 provides:

ENDORSEMENT NO. 21: PRIOR ACTS EXCLUSION

In consideration of the premium charged, no coverage shall be available under this Policy for any Loss in connection with any Claim made against an Insured



Person alleging any Wrongful Act occurring prior to October 15, 2014 or after the end of the Policy Period. This Policy only provides coverage for Wrongful Acts occurring on or after October 15, 2014 and prior to the end of the Policy Period and otherwise covered by the terms, conditions and limitations of this Policy. Loss arising out of the same or related Wrongful Act shall be deemed to arise from the first such same or related Wrongful Act.

It appears as though only two of the noticed matters currently constitute Claims. Specifically, your letters dated March 8, 2018 and March 14, 2018 provide notice of (i) a class action in Québec arising out of alleged misrepresentations in the sale of extended warranty plans (the "Tremblay Action"); and (ii) a "Statement of Claim" alleging "oppressive conduct" under the Canada Business Corporations Act (the "129 Ontario Action").

It is, however, our understanding that none of the Former Directors are currently named as defendants in the Tremblay Action, and as such the Tremblay Action is not currently a Claim against any of the Former Directors and the A-Side Policy is not implicated. If you disagree with this position, we ask that you please provide a copy of an English translation of the operative complaint, and XLC will reconsider its analysis. In the meantime, XLC will proceed under a full reservation of rights as to potential coverage for the Tremblay Action including, but not limited to whether the Former Directors are Insured Persons under the A-Side Policy.

With respect to the 129 Ontario Action, that action names as defendants (i) Sears Canada; (ii) Sears Canada Corporation; (iii) ESL Investments; (iv) William Crowley; (v) William Harker; (vi) Donald Campbell Ross; (vii) Ephraim Bird; (viii) Deborah Rosati; (ix) R. Raja Khanna; (x) James McBurney; and (xi) Douglas Campbell, and alleges that by issuing a \$509 million dividend to shareholders on December 6, 2013, Sears Canada stripped the Company of its prime assets for the primary benefit of Sears Canada and ESL Investments at the expense of the plaintiff Class.

XLC acknowledges that the 129 Ontario Action is a Claim pursuant to Section II(C) of the A-Side Policy. Because the A-Side Policy only provides coverage for Insured Persons, and Sears Canada, Sears Canada Corporation and ESL Investments are not Insured Persons, the A-Side Policy only potentially provides coverage for the defendants identified in (iv) through (xi) in the foregoing paragraph.

None of the remaining Noticed Matters presently appear to constitute Claims under the A-Side Policy because those matters do not appear to fall within the definition of Claim as quoted above. Instead, the letters indicate that purported claimants either (i) intend to file a claim, or (ii) are investigating potential claims. In addition, we understand that all lawsuits are stayed under the CCAA Proceedings. Thus, on behalf of XLC, we acknowledge the Noticed Matters, other than Tremblay Action and the 129 Ontario Action, as Notice of Circumstances pursuant to Section IV(D) of the A-Side Policy.

XLC invites you to please provide any information that you believe is relevant to its coverage analysis. In the meantime, XLC is continuing to proceed under a full reservation of rights under the A-Side Policy, in law and equity, including with respect to any other defenses to coverage not discussed herein or in any prior correspondence including, but not limited to, notice, whether the amounts sought constitute Loss, whether indemnification is available from any other source, date of Claim, the application of the pending and/prior litigation exclusion and the application of the prior acts exclusion.



Should you have any questions after review of this letter, please feel free to contact me.

Yours truly,

Gowling WLG (Canada) Ltd.

A handwritten signature in black ink, appearing to read "P. Stein".

Paul J. Stein

cc: Rebecca Pidlak (XLC) (Via Email: rebecca.pidlak@xlcatlin.com)
Kenneth McBrady (Via Email: kmcbrady@skarzynski) and Tammy Yuen (Via Email: tyuen@skarzynski) (Skarzynski Black)
Kelly Lang (HUB International) (Via Email: Kelly.Lang@hubinternational.com)

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Tammy Yuen, Esq.
 Direct No.: (212) 820-7757
tyuen@skarzynski.com

May 4, 2018

VIA PDF EMAIL

John Birch
 Cassels Brock
 Suite 2100, Scotia Plaza
 40 King Street West
 Toronto, ON M5H 3C2
 Canada
jbirch@casselsbrock.com

Re: *Various Matters Involving Sears Canada*
 Insured: Sears Holdings Corporation
 Insurer: XL Specialty Insurance Company
 Policy No.: ELU149912-17 (Primary A-Side)
 Policy Period: May 15, 2017 to May 15, 2018
 XLC Ref. No.: 0004070548
 SB File No.: 21995

Dear Mr. Birch:

This firm has been retained as legal counsel to XL Specialty Insurance Company ("XLC") in connection with its investigation and analysis of coverage under the captioned A-Side Management Liability Policy (the "A-Side Policy") issued to Sears Holdings Corporation ("Sears Holdings"). This letter incorporates all prior correspondence on behalf of XLC.

This letter acknowledges receipt of your letters dated March 8, 2018 and March 14, 2018, providing notice of the following matters (collectively, the "Noticed Matters") on behalf of (i) Klaudio Leshnjani; (ii) William C. Crowley; (iii) William R. Harker; (iv) James R.G. McBurney; (v) Ephraim J. Bird; (vi) Calvin McDonald; (vii) Danita Stevenson; (viii) Ronald Boire; (ix) Timothy Earl Flemming; (x) Sam Jeffrey Stollenwerck; (xi) Deidra Cheeks Merriwether; (xii) Donald C. Ross; and (xiii) Douglas Campbell (collectively, the "Former Directors"):

John Birch
May 4, 2018
Page 2

- 1291079 Ontario Limited (letter dated February 9, 2018);
- Representative Counsel for Pensions and Post-Retirement Benefits (letter dated February 9, 2018);
- Morneau Shepell Ltd. (letter dated February 8, 2018)
- RioCan Real Estate Investment Trust (letter dated February 9, 2018)
- Bentall Kennedy (Canada) LP/QuadReal Property Group, Primaris Management Inc., First Capital Asset Management ULC, Westcliff Management Ltd. (four letters dated February 23, 2018)
- Cadillac Fairview Corporation Limited (four letters dated February 9, 2018)
- ESL Partners L.P., RBS Partners, L.P., ESL Investments, Inc. and Edward S. Lampert (letter dated July 10, 2017)
- ROSSCLAIR Contractors Inc. (letter dated July 26, 2017)
- Environmental Claimants (various Sears Canada letters regarding environmental issues at 40 Alliance Blvd., Barrie, ON; 500 Wilfred Hamel Blvd., Quebec City, QC; and North Hill Centre, Calgary, AB)
- Karine Tremblay (Quebec class action)
- Crombie REIT, Morguard Investments Limited, Cushman Wakefield Asset Services, Ivanhoe Cambridge and Cominar REIT (four letters dated February 9, 2018)
- Oxford Properties Group and OPGI Management Limited Partnership (four letters dated February 9, 2018)
- Employee Representative Counsel (four letters dated February 9, 2018)

We are writing to you based on our understanding that you are the appropriate representative of the former directors for purpose of communications concerning potential coverage under the A-Side Policy. In the event that our understanding is not correct, please promptly advise us and forward a copy of this letter to the appropriate party(ies).

The Noticed Matters generally relate to: (i) unpaid wages and benefits to former Sears Canada employees and other employee-related liabilities; (ii) potential pension claims by former Sears Canada employees; (iii) alleged breach of fiduciary duties to various stakeholders concerning the Company's inability to remain solvent; (iv)

John Birch
May 4, 2018
Page 3

potential “oppression” claims from stakeholders alleging the Company disregarded their respective interests; and (v) environmental contamination.

XLC issued to Sears Holdings a Limit of Liability for covered Claims first made against an Insured during the Policy Period of May 15, 2017 to May 15, 2018. The A-Side Policy should be reviewed together with this letter as this letter does not modify the terms of the A-Side Policy.

As you know, Section I. Insuring Agreement of the A-Side Policy provides:

The Insurer will pay on behalf of the Insured Persons Loss resulting from a Claim first made against the Insured Persons during the Policy Period or, if applicable, the Optional Extension Period, for a Wrongful Act, except to the extent that such Loss is paid by any other Insurance Program or as indemnification or advancement from any source. In the event that Loss is not paid by such other insurance or as indemnification or advancement, this Policy will respond on behalf of the Insured Persons as if it were primary, subject to all of its terms, conditions (including, but not limited to, CONDITION (B)) and limitations and without prejudice to the Insurer's excess position.

Section II(I) defines Insured Person to mean:

- (1) any past, present, or future director or officer, general counsel, or member of the Board of Managers of the Company and any person serving in a functionally equivalent role for the Parent Company or any Subsidiary operating or incorporated outside the United States; . .

Section II(C) defines Claim to mean:

- (1) a written demand for monetary or non-monetary relief;
- (2) any civil or criminal judicial proceeding in a court of law or equity, arbitration or other alternative dispute resolution; or

- (3) a formal civil, criminal, administrative, or regulatory proceeding or formal investigation

Section II(Q) defines "Wrongful Act" to include:

- (1) any actual or alleged act, error, or omission, misstatement, misleading statement, neglect, or breach of duty by any Insured Person, as defined in DEFINITION (I)(1), while acting in his or her capacity as a director, officer, general counsel, or member of the Board of Managers of the Company or a functionally equivalent role for the Parent Company or any Subsidiary operating or incorporated outside the United States;
- (2) any matter asserted against an Insured Person solely by reason of his or her status as a director, officer, general counsel, or member of the Board of Managers of the Company; . . .

It appears as though only two of the noticed matters currently constitute Claims. Specifically, your letters dated March 8, 2018 and March 14, 2018 provide notice of (i) a class action in Québec arising out of alleged misrepresentations in the sale of extended warranty plans (the "Tremblay Action"); and (ii) a "Statement of Claim" alleging "oppressive conduct" under the Canada Business Corporations Act (the "129 Ontario Action").

It, however, is our understanding none of the Former Directors are currently named as defendants in the Tremblay Action such that the Tremblay Action is not current a Claim against any of the Former Directors and the A-Side Policy is not implicated. If you disagree with this position, we ask that you please provide a copy of an English translation of the operative complaint, and XLC will reconsider its analysis. In the meantime, XLC will proceed under a full reservation of rights as to potential coverage for the Tremblay Action including, but not limited to whether the Former Directors are Insured Persons under the A-Side Policy.

With respect to the 129 Ontario Action, that action names as defendants (i) Sears Canada; (ii) Sears Holdings Corporation; (iii) ESL Investments; (iv) William Crowley; (v) William Harker; (vi) Donald Campbell Ross; (vii) Ephraim Bird; (viii) Deborah Rosati; (ix) R. Raja Khanna; (x) James McBurney; and (xi) Douglas Campbell, and alleges that by issuing a \$509 million dividend to shareholders on December 6, 2013,

John Birch
May 4, 2018
Page 5

Sears Canada stripped the Company of its prime assets for the primary benefit of Sears Holdings and ESL Investments at the expense of the plaintiff Class.

XLC acknowledges that the 129 Ontario Action is a Claim pursuant to Section II(C). Because the A-Side Policy only provides coverage for Insured Person, and Sears Canada, Sears Holdings Corporation and ESL Investments are not Insured Persons, the A-Side Policy only potentially provides coverage for the defendants identified in (iv) through (xi) in the foregoing paragraph (collectively, the "Individual Defendants").

The 129 Ontario Action identifies the Individual Defendants as former and/or current directors and officers of Sears Canada and includes allegations that despite significant financial losses, the Individual Defendants declared an extraordinary cash dividend to be paid by Sears Canada for the benefit of Sears Holdings and ESL Investments at the expense of the plaintiffs. Thus, the Individual Defendants are alleged to have acted in their capacity with Sears Canada.

Sears Canada is not included in the definitions of, and does not otherwise qualify as, a "Company," "Parent Company" and/or "Subsidiary" pursuant to Sections II(D), II(N), and II(P), as amended by Endorsement No. 41, of the A-Side Policy. Accordingly, because the 129 Ontario Action alleges that the Individual Defendants acted solely in their capacity with Sears Canada and the definitions of Insured Persons and Wrongful Acts do not include coverage for actions taken by the Individual Defendants in their capacity with Sears Canada, the A-Side Policy does not provide coverage for the 129 Ontario Action.

None of the remaining Noticed Matters presently appear to constitute Claims under the A-Side Policy because those matters do not appear to fall within the definition of Claim as quoted above. Instead, the letters indicate that purported claimants either (i) intend to file a claim, or (ii) are investigating potential claims. In addition, we understand that all lawsuits are stayed under the CCAA Proceedings. Thus, on behalf of XLC, we acknowledge the Noticed Matters, other than Tremblay Action and the 129 Ontario Action, as Notice of Circumstances pursuant to Section IV(D), as amended by Endorsement Nos. 17 and 35.

XLC invites you to please provide any information that you believe is relevant to its coverage analysis. In the meantime, XLC is continuing to proceed under a full reservation of rights under the A-Side Policy, law and equity, including with respect to any other defenses to coverage not discussed herein or in any prior correspondence including, but not limited to, notice, whether the amounts sought constitute Loss, whether indemnification is available from any other source and date of Claim.

John Birch
May 4, 2018
Page 6

Should you have any questions after review of this letter, please feel free to contact me.

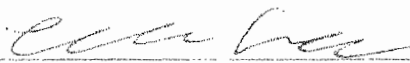
Very truly yours,

A handwritten signature in black ink, appearing to read 'Tammy Yuen', with a long horizontal flourish extending to the right.

Tammy Yuen

cc: Rebecca Pidlak (XLC)
Kenneth McBrady (Skarzynski Black)

This is **Exhibit "N"** referred to in the Affidavit of William Richard Harker, sworn before me at Westwood, New Jersey, United States of America, on August 10, 2018.


(A Notary Public in and for the State of New Jersey)

JEREMY FORTUNATO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 4/27/2022

From: [Birch, John](#)
To: [Paul.Stein@gowlingwlg.com](#); [tyuen@skarzynski.com](#); [kmcbrady@skarzynski.com](#); [sweisz@btzlaw.ca](#); [laurence.gevryfortren@aig.com](#); [david.gilli@everestcanada.com](#); [warren.cooney@axiscapital.com](#); [rohit.trivedi@axiscapital.com](#)
Cc: [Buttery, Mary J.A.](#); [Levine, Natalie](#); [Heath, Angèle](#); [Ashmeade, Taschira](#)
Subject: Update to Director & Officer Insurers of Sears Canada Inc. regarding additional claims received on May 3, 2018
Date: Monday, May 07, 2018 8:42:27 AM
Attachments: [image001.gif](#)
[Sears - D&O Claims - Letter from Norton Rose dated May 3, 2018.PDF](#)

Introduction

Our firm is counsel to the following former officers and directors of Sears Canada Inc : Klaudio Leshnjani, William (Bill) C. Crowley, William (Bill) R. Harker, James R.G. McBurney, Ephraim J. (EJ) Bird, Calvin McDonald, Danita Stevenson, Ronald Boire, Timothy Earl Flemming, Deidra Cheeks Merriwether, Donald C Ross, and Douglas Campbell (collectively, the "Directors").

On March 8, 2018, we provided notice in writing of actual or potential claims that have been and/or may be asserted against the Directors arising out of their role as former officers and directors of Sears Canada Inc. On May 1, 2018 we sent an update to all insurers and also provided voluminous information about information that we received from the Monitor of Sears Canada regarding claims asserted against directors and officers of Sears Canada as part of the CCAA proceedings of that entity.

Additional Claims Received on May 3, 2018

On May 3, 2018, the Monitor of Sears Canada sent to us a letter advising that it had received additional claims against the directors and officers of Sears Canada Inc. A copy of this letter is attached. This letter also includes a detailed chart summarizing claims filed against directors and officers in the CCAA proceedings under the categories of Real Property Related Claims, Class Action Related Claims, and Employee and Retiree Related Claims. This chart also identifies which directors and officers are the subject of each claim.

Under cover of this May 3 letter, the Monitor also provided us (for the first time) with numerous additional documents relating to claims that have been filed against the directors and officers (the "Additional Claim Documents"). These documents are in addition to the documents that we previously received from the Monitor and provided to you on May 1, 2018.

The information received from the Monitor represents the remaining of the claims that have been filed with the Monitor as of April 25, 2018. To the extent that the Monitor receives additional claims and provides them to us, we will in turn provide them to the insurers.

Documents to be Sent

Because the Additional Claim Documents are voluminous, they are not attached to this email. Instead, we will send them to you separately through TitanFile, the same utility used to provide documents to you on May 1, 2018.

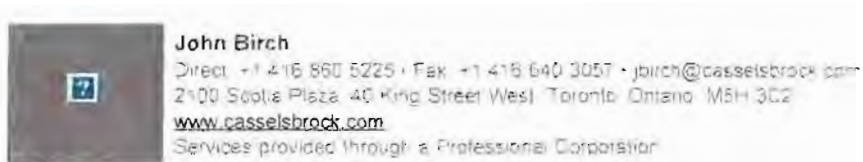
Later today, you will receive a separate email message from Angèle Heath of our firm that comes from the TitanFile site. That email will contain a link that will take you to the TitanFile site from where you can download the Additional Claim Documents. Please keep an eye out for this subsequent email and, if necessary, check your spam folder.

After you click the link in the email and are taken to the TitanFile website, click on the "Files" tab which will reveal the documents that can be accessed and downloaded.

If you have any trouble receiving the documents through TitanFile, please contact Angèle Heath of our firm at (416) 869-5390 or aheath@casselsbrock.com

Conclusion

If any of you has any questions regarding this matter, let me know.



This is Exhibit "O" referred to in the Affidavit of William Richard Harker, sworn before me at Westwood, New Jersey, United States of America, on August 10, 2018.


(A Notary Public in and for the State of New Jersey)

JEREMY FORTUNATO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 4/27/2022

From: [Birch, John](#)
To: tyuen@skarzynski.com; Paul.Stein@gowlingwlg.com
Cc: [Levine, Natalie](#); [Buttery, Mary I.A.](#)
Subject: Follow-up consideration of coverage under D&O policies relating to Sears Holdings Corporation and Sears Canada Inc. [TWOV-LEGAL..FID2704142]
Date: Monday, May 28, 2018 10:05:01 AM

Dear Counsel,


I am writing to you in your respective capacities as counsel to XL Insurance relating to the Sears Holdings Corporation ("SHC") and Sears Canada Inc. ("SCI") D&O policies (collectively, the "Policies").

This email follows the letters dated May 4, 2018 sent to me in respect of the Policies. Please note that our firm is not coverage counsel for our clients. We are, instead, defence counsel dealing with the actual claims and threatened claims asserted against our clients.

On May 4, immediately before you both sent me the May 4, 2018 letters, Ms. Yuen called me to advise that the coverage position being taken DID NOT take into account the supplementary claims information that we provided to XL and the other insurers subsequent to March 2018. We have provided further claims information on May 1 and 7, 2018, including detailed information (and copies of claims) relating to the claims that have been filed against our clients in the CCAA proceedings of SCI. Although our clients disagree with the coverage position set out in your May 8 letters (and they reserve all of their rights regarding seeking relief on the coverage issue), it is all the more evident from the additional information provided on May 1 and 7, 2018 that numerous "Claims" within the meaning of the Policies have indeed been asserted and need to be defended. Those are active "Claims" that are being handled in the CCAA proceedings and to which our clients will need to respond. In fact, the Monitor of SCI has been in touch with our firm to advise that it intends to seek our clients' response to the claims filed in the CCAA proceedings.

We therefore ask that you immediately review the additional claims information that has been provided to XL and the other insurers after March 2018 and confirm that XL will provide reimbursement of defence costs.

If coverage is not provided, our clients will have coverage counsel seek the appropriate relief.

	<p>John Birch Direct: +1 416 860 5225 • Fax: +1 416 640 3057 • jbirch@casselsbrock.com 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario, M5H 3C2 www.casselsbrock.com Services provided through a Professional Corporation</p>
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This is Exhibit "P" referred to in the Affidavit of William Richard Harker, sworn before me at Westwood, New Jersey, United States of America, on August 10, 2018.



(A Notary Public in and for the State of New Jersey)

JEREMY FORTUNATO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 4/27/2022



June 18, 2018

Via Email: jbirch@casselsbrock.com

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File No.: A158299

Dear Mr. Birch:

Re: Insured: Sears Canada Inc.
Insurer: XL Specialty Insurance Company
Policy No.: ELU146443-16 (Primary A-Side)
Policy Period: October 15, 2016 to February 12, 2018

As you know, Gowling WLG (Canada) LLP has been retained as legal counsel to XL Specialty Insurance Company ("XLC") in connection with its investigation and analysis of coverage under the above-noted A-Side Management Liability Policy (the "A-Side Policy") issued to Sears Canada Inc. ("Sears Canada"). We wrote to you on May 4, 2018, providing XLC's initial coverage position in connection with Noticed Matters as set out in your letters of March 8, 2018 and March 14, 2018.

This letter acknowledges your email of May 28, 2018, requesting that XLC also provide its initial coverage position in respect of additional noticed matters, as reflected in further documentation provided by your office on May 1 and 7, 2018 (the "Further Documentation"). We note that there is overlap between the Noticed Matters addressed in our May 4, 2018 correspondence, and the matters to which the Further Documentation relates. Additional Noticed Matters (being matters to which the Further Documentation relates, but which were not addressed as Noticed Matters in our May 4, 2018 correspondence) generally relate to (i) construction liens; (ii) alleged bad faith in accelerated construction schedules; (iii) potential claims to be identified by Litigation Investigator; and (iv) indemnity claims.

XLC requires further information to determine if your clients are entitled to coverage under the A-Side Policy, whether for defence or indemnity, and XLC must conduct an investigation in this respect. The ongoing investigation by XLC shall in no way be construed as a waiver in any form by XLC of its rights under the A-Side Policy. Further, the actions of XLC in respect of these investigations are not to be construed as confirming any right to a defence nor to any form of indemnification under the A-Side Policy.

XLC issued to Sears Canada a **Limit of Liability for covered Claims first made against an Insured during the Policy Period of October 15, 2016 to October 15, 2017.** The A-Side Policy is in run-off, and the policy period was extended to run from October 15, 2017 to February 12, 2020.

Gowling WLG (Canada) LLP
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Calgary AB T2P 4K9 Canada

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Gowling WLG (Canada) LLP is a member of Gowling WLG, an international law firm which consists of independent and autonomous entities providing services around the world. Our structure is explained in more detail at gowlingwlg.com/legal.



The A-Side Policy should be reviewed together with this letter as this letter does not modify the terms of the A-Side Policy.

As you know, Section I. Insuring Agreement of the A-Side Policy provides:

The Insurer will pay on behalf of the Insured Persons Loss resulting from a Claim first made against the Insured Persons during the Policy Period or, if applicable, the Optional Extension Period, for a Wrongful Act, except to the extent that such Loss is paid by any other Insurance Program or as indemnification or advancement from any source. In the event that Loss is not paid by such other insurance or as indemnification or advancement, this Policy will respond on behalf of the Insured Persons as if it were primary, subject to all of its terms, conditions (including, but not limited to, CONDITION (B)) and limitations and without prejudice to the Insurer's excess position.

Section II(I) defines Insured Person to mean:

- (1) any past, present, or future director or officer, general counsel, or member of the Board of Managers of the Company and any person serving in a functionally equivalent role for the Parent Company or any Subsidiary operating or incorporated outside the United States;

Section II(C) defines Claim to mean:

- (1) a written demand for monetary or non-monetary relief;
- (2) any civil or criminal judicial proceeding in a court of law or equity, arbitration or other alternative dispute resolution; or
- (3) a formal civil, criminal, administrative, or regulatory proceeding or formal investigation.

Section II(Q) defines "Wrongful Act" to include:

- (1) any actual or alleged act, error, or omission, misstatement, misleading statement, neglect, or breach of duty by any Insured Person, as defined in DEFINITION (I)(1), while acting in his or her capacity as a director, officer, general counsel, or member of the Board of Managers of the Company or a functionally equivalent role for the Parent Company or any Subsidiary operating or incorporated outside the United States;
- (2) any matter asserted against an Insured Person solely by reason of his or her status as a director, officer, general counsel, or member of the Board of Managers of the Company;



Section IV. (D) provides as follows:

- (1) As a condition precedent to any right to payment under this policy with respect to any Claim, the Insured Persons or the Company shall give written notice to the Insurer of any Claim as soon as practicable after it is first made.
- (2) If, during the Policy Period, the Insured Persons first becomes aware of a specific Wrongful Act and if, during the Policy Period, the Insured Persons or the Company:
 - (a) provide the Insurer with written notice of the specific Wrongful Act, the consequences which have resulted or may result therefrom (including but not limited to actual or potential damages), the identities of the potential claimants, and the circumstances by which the Insured Persons first became aware of such Wrongful Act; and
 - (b) request coverage under this Policy for any subsequently resulting Claim for such Wrongful Act;

then any Claim subsequently made arising out of such Wrongful Act will be treated as if it had been first made during the Policy Period.

Endorsement No. 4 provides:

ENDORSEMENT NO. 4: PENDING AND/OR PRIOR LITIGATION EXCLUSION

In consideration of the premium charged, no coverage will be available under this Policy for Claims based upon, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving any fact, circumstance, situation, transaction, event or Wrongful Act, underlying or alleged in any prior and/or pending litigation or administrative or regulatory proceeding or arbitration which was brought prior to October 15, 2014.

Endorsement No. 21 provides:

ENDORSEMENT NO. 21: PRIOR ACTS EXCLUSION

In consideration of the premium charged, no coverage shall be available under this Policy for any Loss in connection with any Claim made against an Insured Person alleging any Wrongful Act occurring prior to October 15, 2014 or after the end of the Policy Period. This Policy only provides coverage for Wrongful Acts occurring on or after October 15, 2014 and prior to the end of the Policy Period and otherwise covered by the terms, conditions and limitations of this Policy. Loss arising out of the same or related Wrongful Act shall be deemed to arise from the first such same or related Wrongful Act.



Endorsement Nos. 35 and 38 provide (in part):

ENDORSEMENT NO. 35: SEARS CANADA INC. CONVERT TO RUN-OFF
ENDORSEMENT

...

(4) No coverage will be available under this Policy for Claims based upon, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving any Wrongful Act committed or allegedly committed on or after the Conversion Date.

...

(6) As of the Conversion Date, Section IV Condition (D)(2) of the Policy is deleted in its entirety.

Endorsement No. 37 provides (in part):

ENDORSEMENT NO. 37: AMENDED POLICY PERIOD ENDORSEMENT

...

(1) Item 2 of the Declarations is amended to read as follows:

Item 2. Policy Period: From October 15, 2016
To: February 12, 2018
At 12:01 AM Standard Time at your Mailing Address
Shown Above.

None of the Additional Noticed Matters presently appear to constitute a Claim under the A-Side Policy because those matters do not appear to fall within the definition of Claim as set out above.

As set out above, the A-Side Policy is in run off, and as of February 12, 2018, Section IV Condition (D)(2) of the Policy is deleted in its entirety. As a result, for any of the Additional Noticed Matters in connection with which notice was first provided to XLC after February 12, 2018, XLC cannot accept such Additional Noticed Matters as notice of a Claim or Wrongful Act under the A-Side Policy.

XLC invites you to please provide any information that you believe is relevant to its coverage analysis. In the meantime, XLC is continuing to proceed under a full reservation of rights under the A-Side Policy, in law and equity, including with respect to any other defenses to coverage not discussed herein or in any prior correspondence including, but not limited to, notice, whether the amounts sought constitute Loss, whether indemnification is available from any other source, date of Claim, the application of the pending and/prior litigation exclusion and the application of the prior acts exclusion.



Should you have any questions after review of this letter, please feel free to contact me.
Best regards,

Gowling WLG (Canada) Ltd.

A handwritten signature in black ink, appearing to read "P. Stein".

Paul J. Stein

cc: Rebecca Pidlak (XLC) (Via Email: rebecca.pidlak@xlcatlin.com)
Kenneth McBrady (Via Email: kmcbrady@skarzynski.com) and Tammy Yuen (Via Email:
tyuen@skarzynski.com) (Skarzynski Black)

This is **Exhibit "Q"** referred to in the Affidavit of William Richard Harker, sworn before me at Westwood, New Jersey, United States of America, on August 10, 2018.



(A Notary Public in and for the State of New Jersey)

JEREMY FORTUNATO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 4/27/2022

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.

)

TUESDAY, THE 24TH

JUSTICE HAINEY

)

DAY OF JULY, 2018

)



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

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

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

ORDER

(Stay Extension)

THIS MOTION, made by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), for an order (i) extending the Stay Period (defined below) until and including December 18, 2018; (ii) extending the Application Period set out in the Employee Hardship Fund Term Sheet to December 18, 2018; and (iii) extending the deadline for the Monitor to issue Notices of Revision or Disallowance in respect of D&O Claims and indemnity claims filed by the Directors and Officers pursuant to the Claims Procedure Order dated December 8, 2017 and the Employee and Retiree Claims Procedure Order dated February 22, 2018 (collectively, the "Claims Orders") to October 1, 2018, and certain other relief, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion of the Applicants, the Affidavit of Philip Mohtadi affirmed July 17, 2018 (the “**Mohtadi Affidavit**”), the Twenty First Report of the Monitor, and on hearing the submissions of respective counsel for the Applicants and SearsConnect (collectively, the “**Sears Canada Entities**”), the Monitor, and such other counsel as were present, no one else appearing although duly served as appears from the Affidavit of Service of Lia Bruschetta sworn July 19, 2018, filed:

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record herein is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof. Capitalized terms used herein and not otherwise defined have the meanings given to them in the Claims Orders.

EXTENSION OF THE STAY PERIOD

2. **THIS COURT ORDERS** that the Stay Period (as defined in paragraph 14 of the Amended and Restated Initial Order dated June 22, 2017) is hereby extended from July 31, 2018, until and including December 18, 2018. Further, the Application Period set out in the Employee Hardship Fund Term Sheet, approved by the Court on August 18, 2017, shall also be extended until and including December 18, 2018.

EXTENSION OF DEADLINE TO ISSUE NOTICES OF REVISION OR DISALLOWANCE

3. **THIS COURT ORDERS** that the deadline for the Monitor to issue Notices of Revision or Disallowance in respect of D&O Claims and claims filed by the Directors and Officers pursuant to the Claims Orders based upon claimed indemnity obligations of the Applicants to such Directors and Officers, shall be extended until and including October 1, 2018.

GENERAL

4. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

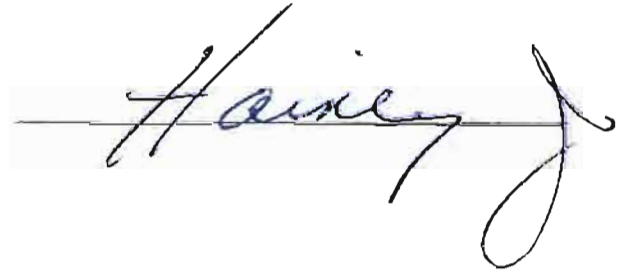
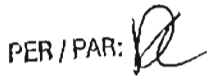
- 3 -

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

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

JUL 24 2018

PER / PAR:



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

Applicants

Ontario
**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**ORDER
(Stay Extension)**

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Lawyers for the Applicants

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT

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

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

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- and - Sears Holdings Corporation

Applicants

Respondent

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

PROCEEDING COMMENCED AT TORONTO

APPLICATION RECORD

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