

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.) WEDNESDAY, THE 4TH
)
JUSTICE HAINEY) DAY OF OCTOBER, 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**”)

APPROVAL AND DISCHARGE ORDER – LEASE TERMINATION AGREEMENT

OAKVILLE PLACE MALL (STORE #1321)

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, *inter alia*, approving: the lease termination (the “**Transaction**”) contemplated by a Lease Termination Agreement between Sears Canada Inc. (“**Sears Canada**”), as Tenant, and RioCan Holdings (Oakville Place) Inc. (the “**Landlord**”) as Landlord dated as of September 27, 2017 (the “**Lease Termination Agreement**”) and certain related relief, 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 September 28, 2017 including the exhibits thereto, and the Third 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, the Landlord, the DIP ABL Agent, the DIP Term Agent and such other counsel as were present, no one else appearing although duly served as appears from the Affidavits of Service of Waleed Malik sworn October 1 and October 3, 2017, filed:

SERVICE AND DEFINITIONS

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 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 (the “**Initial Order**”), or in the Lease Termination Agreement, as applicable.

APPROVAL OF THE LEASE TERMINATION AGREEMENT

3. THIS COURT ORDERS AND DECLARES that the entering into of the Transaction by Sears Canada is hereby approved and ratified and that the execution of the Lease Termination Agreement by Sears Canada is hereby authorized, approved and ratified with such minor amendments as Sears Canada (with the consent of the Monitor after consultation with the DIP Lenders) and the Landlord may agree to in writing. Sears Canada is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction, including the termination by the Landlord of all of Sears Canada’s interests in and to the Lease and the Real Property Interests (each as defined in the Lease Termination Agreement) and the Monitor shall be authorized to take such additional steps in furtherance of its responsibilities under the Lease Termination Agreement and this Order, and shall not incur any liability as a result thereof.

4. THIS COURT ORDERS AND DECLARES that upon the delivery of a Monitor’s certificate to the Landlord substantially in the form attached as Schedule “A” hereto (the “**Monitor’s Certificate**”), all of Sears Canada’s interest in and to the Lease and the Real Property Interests shall be terminated, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts

(whether contractual, statutory, or otherwise), liens, executions, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise in respect of the Lease and the Real Property Interests (collectively, the “**Claims**”), including, without limiting the generality of the foregoing:

- (a) the Administration Charge, the FA Charge, the KERP Priority Charge, the Directors’ Priority Charge, the DIP ABL Lenders’ Charge, the DIP Term Lenders’ Charge, the KERP Subordinated Charge and the Directors’ Subordinated Charge (as such terms are defined in the Initial Order) and any other charges hereafter granted by this Court in these proceedings (collectively, the “**CCAA Charges**”);
- (b) all charges, security interests or claims evidenced by registrations pursuant to the Personal Property Security Act (Ontario) or any other personal property registry system; and
- (c) those Claims listed on Schedule “C” hereto;

(all of which are collectively referred to as the “**Encumbrances**”), and, for greater certainty, this Court orders that (i) all construction liens and certificates of action, including but not limited to those listed on Schedule “C” (the “**Liens**”, which defined term shall include all Construction Liens as that term is defined in the Lease Termination Agreement, and individually a “**Lien**”) are hereby vacated, as if an order had been made on motion by Sears Canada to vacate them by the posting of security for claim and costs pursuant to s. 44(1) of the *Construction Lien Act*, and (ii) all other Claims and Encumbrances affecting or relating to the Lease, the Real Property Interests and/or the Premises are hereby expunged and discharged as against the Lease, the Real Property Interests, the Premises and the Property (each as defined in the Lease Termination Agreement), including the real or immovable property identified in Schedule “B”.

5. THIS COURT ORDERS that upon the registration in the applicable land registry office of a certified copy of this Order in the manner prescribed by the applicable land registry office, the applicable land registrar is hereby directed to specifically (i) vacate the Liens, and (ii) discharge, cancel, delete and expunge from title to the real property described in Schedule “B” all of the Encumbrances that are not Liens listed in Schedule “C” hereto.

6. THIS COURT ORDERS that from and after the delivery of the Monitor's Certificate, all Claims and Encumbrances shall attach to the net proceeds from the Transaction (the "**Net Proceeds**"), with the same priority as they had with respect to the Lease, the Real Property Interests, the Premises and the Property immediately prior to the Closing of the Transaction, as if the Transaction had not been completed.

7. THIS COURT ORDERS that, to the extent that obligations remain owing by the Applicants under the DIP ABL Credit Agreement or the DIP Term Credit Agreement, the Monitor be and is hereby authorized and directed to distribute, on behalf of the Applicants, on the day of filing the Monitor's Certificate or as soon as practicable thereafter, the Net Proceeds, subject to the Construction Lien Claim Reserve (as defined below) to the DIP ABL Agent or the DIP Term Agent, as applicable, in partial repayment of amounts then owing by the Applicants under the DIP ABL Credit Agreement or the DIP Term Credit Agreement, as applicable (a "**Distribution**").

8. THIS COURT ORDERS that any Distribution made pursuant to this Order shall be and shall be deemed to be made free and clear of all Claims and Encumbrances.

9. 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) in respect of any of the Applicants and any bankruptcy order issued pursuant to any such applications; or
- (c) any assignment in bankruptcy made in respect of any of the Applicants;

the distribution permitted by paragraph 7 above shall be binding on any trustee in bankruptcy or receiver that may be appointed in respect of any of the Applicants and shall not be void or voidable by creditors of any of the Applicants, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

10. THIS COURT ORDERS that the Monitor shall hold back from any distributions of proceeds as permitted hereunder, \$1,943,993.04, being the aggregate amounts claimed by the holders of construction liens registered in respect of the Lease, the Real Property Interests, the Premises and the Property (the “**Construction Lien Claim Reserve**”). The Construction Lien Claim Reserve shall only be distributed on further Order of this Court. For greater certainty, the creation of the Construction Lien Claim Reserve does not in itself create, enhance, affect or impair any rights of persons or parties in such funds.

11. THIS COURT ORDERS that, if all obligations of the Applicants under the DIP ABL Credit Agreement or the DIP Term Credit Agreement have been satisfied in full the Monitor shall be entitled to retain the Net Proceeds or any remaining portion thereof, subject to the Construction Lien Claim Reserve, on behalf of the Applicants to be dealt with by further Order of the Court.

12. THIS COURT DECLARES THAT the only recourse of the Lien claimants in respect of their Liens shall be against the Construction Lien Claim Reserve and, for greater certainty, no Person shall have any recourse against the Landlord or its subsidiaries and affiliates, the Lease, the Real Property Interests, the Premises and the Property in respect of the Liens.

13. THIS COURT ORDERS AND DIRECTS the Monitor to file with the Court a copy of the Monitor’s Certificate, forthwith after delivery thereof in accordance with the terms of the Lease Termination Agreement.

14. THIS COURT ORDERS that notwithstanding anything else contained in the Lease Termination Agreement or the Closing of the Transaction, the Landlord shall be bound by and benefit from the Initial Order until the earlier of (a) six months from the date of this Order, and (b) the duration of the period during which any other owners, operators, managers or landlords of commercial shopping centres or other commercial properties in which there is a store, office or warehouse owned or operated by the Tenant, is bound by or obtains any benefit from same. Without limiting the generality of the foregoing, during such period, the Landlord shall benefit from the stay of proceedings provision provided for at paragraph 15 of the Initial Order.

15. THIS COURT ORDERS that Confidential Appendix "C" to the Third Report of the Monitor shall be and is hereby sealed, kept confidential and shall not form part of the public record, pending further Order of this Court.

GENERAL PROVISIONS

16. 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) in respect of any of the Applicants and any bankruptcy order issued pursuant to any such applications; or
- (c) any assignment in bankruptcy made in respect of any of the Applicants;

the termination of the Lease and the Real Property Interests pursuant to this Order and the Lease Termination Agreement shall be binding on any trustee in bankruptcy or receiver that may be appointed in respect of any of the Applicants and shall not be void or voidable by creditors of any of the Applicants, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

17. THIS COURT ORDERS that this Order shall have full force and effect in all provinces and territories in Canada.

18. 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 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.

Hainey J.

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

OCT 05 2017

PER / PAR:

g

SCHEDULE “A” (TO APPROVAL AND DISCHARGE ORDER)

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., 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**”)

MONITOR’S CERTIFICATE

RECITALS

A. All undefined terms in this Monitor’s Certificate have the meanings ascribed to them in the Order of the Court dated ●, 2017 (the “**Approval and Discharge Order**”) approving the Lease Termination Agreement between Sears Canada Inc. (“**Sears Canada**”), as Tenant, and RioCan Holdings (Oakville Place) Inc. (the “**Landlord**”) as Landlord dated September 27, 2017 (the “**Lease Termination Agreement**”), a copy of which is attached as Exhibit A to the Affidavit of Billy Wong dated September 28, 2017.

B. Pursuant to the Approval and Discharge Order the Court approved the Lease Termination Agreement and provided for the termination of the Lease and the Real Property Interests (as defined in the Lease Termination Agreement), which termination is to be effective with respect to the Lease and the Real Property Interests upon the delivery by the Monitor to the Landlord and Sears Canada of a certificate confirming that (i) the conditions to Closing as set out in sections 7.1, 7.2 and 7.3 of the Lease Termination Agreement have been satisfied or waived by

the Landlord and Sears Canada, as applicable, and (ii) the Termination Consideration and any Taxes payable by the Landlord (each as defined in the Lease Termination Agreement) to Sears Canada that are not self-assessed and remitted by the Landlord have been received by the Monitor.

THE MONITOR CERTIFIES the following:

1. The conditions to Closing as set out in sections 7.1, 7.2 and 7.3 of the Lease Termination Agreement have been satisfied or waived by the Landlord and Sears Canada, as applicable; and
2. The Termination Consideration and any Taxes payable by the Landlord to Sears Canada that are not self-assessed and remitted by the Landlord have been received by the Monitor.

This Monitor's Certificate was delivered by the Monitor at _____ [TIME] on _____ [DATE].

FTI CONSULTING CANADA INC., in its capacity as Court-appointed Monitor of Sears Canada Inc., et al. and not in its personal or corporate capacity

Per: _____
Name:
Title:

SCHEDULE "B" (TO APPROVAL AND DISCHARGE ORDER)

Legal description(s) of Real Property:

PIN 24882-0154 (LT) being PT LT 13, CON 2 TRAF SDS, PTS 1,5,6,7,8,9 20R4606:
S/T 543363; S/T 527626,527972,581309; TOWN OF OAKVILLE

PIN 24882-0169 (LT) being PT LT 13, CON 2 TRAF SDS, PTS 2,3,4,10,11,12 20R4606; S/T
543363; S/T 527626,581309. S/T EASEMENT IN GROSS HR679317 OVER PT 1 20R17109;
TOWN OF OAKVILLE

SCHEDULE "C" (TO APPROVAL AND DISCHARGE ORDER)

LIENS TO BE VACATED

1. HR1473158 – JULY 19, 2017 - ROSSCLAIR CONTRACTORS INC. - \$1,347,473.97
1(a) HR1488973 – September 12, 2017 – Certificate of Action
2. HR1471220 – JULY 12, 2017 – FLATTEN SERVICES INC. - \$107,573.29
(MAY HAVE BEEN DELETED BY HR1479804)
3. HR1479803 – AUG. 10, 2017 – FLATTEN SERVICES INC. - \$107,573.29
3(a) HR1490231 – September 19, 2017 – Certificate of Action
4. HR1473750 – JULY 20, 2017 – DSK ELECTRIC INC. - \$152,178.25
4(a) HR1494487 – October 3, 2017 - Certificate of Action
5. HR 1475342 – JULY 26, 2017 - B-N-E CONTRACTORS INC. – \$167,240.00
And any associated registered Certificate of Action
6. HR1478187 – AUG. 3, 2017 – HANSON + JUNG ARCHITECTS INC. – \$127,032.84
6(a) HR1489893 – September 18, 2017 – Certificate of Action
7. HR1478427 – AUG. 4, 2017 – INDIGO PAINTING INC. - \$21,357.00
7(a) HR 1488508 – September 13, 2017 - Certificate of Action
8. HR1494365 – OCT. 3, 2017 – KONE INC. - \$21,137.69

ENCUMBRANCES TO BE DISCHARGED/CANCELLED/DELETED/EXPUNGED

Nil.

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 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
Approval and Discharge Order - Lease Termination
Agreement Oakville Place Mall
(Store #1321)

OSLER, HOSKIN & HARCOURT, LLP
P.O. Box 50, 1 First Canadian Place
Toronto, ON M5X 1B8

Marc Wasserman LSUC# 44066M
Tel: 416.862.4908

Jeremy Dacks LSUC# 41851R
Tel: 416.862.4923

Tracy Sandler LSUC# 32443N
Tel: 416.862.5890

Karin Sachar LSUC# 59944E
Tel: 416.862.5949
Fax: 416.862.6666

Lawyers for the Applicants