

**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 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.

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 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.

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