Court File No. CV-18-611219-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

B E T W E E N:

FTI CONSULTING CANADA INC.,
in its capacity as Court-appointed monitor in proceedings
pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c. c-36

Plaintiff

and

ESL INVESTMENTS INC., ESL PARTNERS, LP, SPE I PARTNERS, LP, SPE MASTER I, LP, ESL INSTITUTIONAL PARTNERS, L.P., EDWARD S. LAMPERT, WILLIAM HARKER and WILLIAM CROWLEY

Defendants

Court File No. CV-18-611214-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

B E T W E E N:

SEARS CANADA INC., by its Court-appointed Litigation Trustee,
J. DOUGLAS CUNNINGHAM, Q.C.

Plaintiff

and

ESL INVESTMENTS INC., ESL PARTNERS LP, SPE I PARTNERS, LP, SPE MASTER I, LP, ESL INSTITUTIONAL PARTNERS, L.P., EDWARD LAMPERT, EPHRAIM J. BIRD, DOUGLAS CAMPBELL, WILLIAM CROWLEY, WILLIAM HARKER, R. RAJA KHANNA, JAMES MCBURNEY, DEBORAH ROSATI and DONALD ROSS

Defendants

JOINT RESPONDING MOTION RECORD OF THE MONITOR AND THE LITIGATION TRUSTEE
(Motion for Pre-Pleading Productions)
(returnable March 20, 2019)

VOLUME 1

February 21, 2019

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Representatives of the Litigation Investigator and Lawyers for the Litigation Trustee

TO: LITIGATION SERVICE LIST

JOINT RESPONDING MOTION RECORD OF THE MONITOR AND THE LITIGATION TRUSTEE
(Motion for Pre-Pleading Productions)
(returnable March 20, 2019)

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Court File No. CV-18-00611219-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

B E T W E E N :

FTI CONSULTING CANADA INC.,
in its capacity as Court-appointed monitor in proceedings
pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c. c-36

Plaintiff

and

ESL INVESTMENTS INC., ESL PARTNERS, LP, SPE I PARTNERS, LP, SPE MASTER I, LP,
ESL INSTITUTIONAL PARTNERS, LP, EDWARD S. LAMPERT, WILLIAM HARKER
and WILLIAM CROWLEY

Defendants

AFFIDAVIT OF GEOFF MENS
(sworn February 21, 2019)

I, **GEOFF MENS**, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY**:

1 I am an associate lawyer at Norton Rose Fulbright Canada LLP (**NRFC**), counsel to FTI Consulting Canada Inc., in its capacity as Court-appointed monitor in proceedings pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c. c-36 (the **Monitor**), in the above-referenced proceeding. As such, I have personal knowledge of the matters to which I hereinafter depose. To the extent I rely on information from others, I state the source of my information and believe that information to be true.

2 I make this affidavit in response to the motion of the defendants, ESL Investments Inc., ESL Partners, LP, SPE I Partners, LP, SPE Master I, LP, ESL Institutional Partners, LP and Edward S. Lampert (the **ESL Parties**) for an order "requiring the Monitor, the Litigation Trustee,

and/or the Litigation Investigator to produce to the defendants the documents received by the Litigation Investigator", and the motion of the defendants, William Crowley and William Harker, for an order requiring the Monitor to produce "forthwith for inspection all documents that are in the Monitor's possession, control, or power which are relevant to this action."

3 The Monitor has provided certain documents to the Defendants as set out below.

4 On February 1, 2019, Cassels Brock & Blackwell LLP (**Cassels**) served Requests to Inspect Documents on each of Morneau Shepell Ltd., in its capacity as administrator of the Sears Canada Inc. Registered Pension Plan (**Morneau**), the Court-appointed Litigation Trustee, J. Douglas Cunningham, Q.C. (the **Litigation Trustee**), and the Monitor. A copy of Cassels' letter is attached to this affidavit as **Exhibit A**. Copies of the respective Requests to Inspect Documents are attached to this affidavit as **Exhibits B – D**.

5 On February 8, 2019, the Monitor, through its counsel, NRFC, delivered a letter and an accompanying Documents Brief in response to Cassels' Request to Inspect Documents. A copy of NRFC's letter and the Monitor's Documents Brief are attached to this affidavit as **Exhibit E** and **F** (omitting documents contained in other exhibits to this affidavit).

6 On February 7, 2019, the Litigation Trustee, through its counsel, Lax O'Sullivan Lisus Gottlieb LLP, delivered a response to Cassels' Request to Inspect Documents. The Litigation Trustee's response is attached to this affidavit as **Exhibit G** (omitting documents contained in other exhibits to this affidavit).

7 On February 7, 2019, Morneau, through its counsel, Blake, Cassels & Graydon LLP, responded to Cassels' Request to Inspect Documents. Morneau's response is attached to this affidavit as **Exhibit H** (omitting documents contained in other exhibits to this affidavit).

8 On February 20, 2019, NRFC advised Cassels and counsel to the ESL Parties, Polley Faith LLP (**Polley Faith**) that the Monitor would be delivering to Cassels and Polley Faith certain non-privileged documents that may be relevant to the current action. These documents had been previously provided to Deborah Rosati and Raja Khanna and their counsel in January 2018, at which time Ms. Rosati and Mr. Khanna were both sitting directors of Sears Canada Inc. (**Sears**). The documents, which had been made available to the Monitor by Sears, were provided by the Monitor to facilitate investigative interviews. A copy of NRFC's letter of February 20, 2019 is attached to this affidavit as **Exhibit I**.

9 A copy of the non-privileged documents brief which was provided to Cassels and Polley Faith on February 20, 2019 is attached to this affidavit as **Exhibit J**.

10 In its February 20, 2019 letter, NRFC also confirmed that the Monitor will provide to Cassels documents that may be privileged in favour of Sears and that were previously provided to Ms. Rosati and Mr. Khanna, contingent on first receiving an undertaking from Cassels that the potentially privileged documents will be shared only with Cassels' clients who were sitting directors of Sears at the time the legal advice at issue was given. The Monitor has identified that there are only three documents that were previously provided to Ms. Rosati and Mr. Khanna which may be subject to privilege in favour of Sears. These documents were redacted and/or omitted in the documents brief provided on February 20, 2019 and attached to this affidavit as **Exhibit J**.

11 The three privileged documents will be made available to all parties to the litigation if the Court grants a waiver of privilege in favour of Sears with respect to those documents.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario, this 21st day of February, 2019.	
Commissioner for Taking Affidavits Justine Smith	**GEOFF MENS**

This is **Exhibit "A"** referred to in the

Affidavit of Geoff Mens

sworn before me, this **21st** day

of **February, 2019**

A Commissioner for taking Affidavits

CASSELS BROCK
LAWYERS

February 1, 2019

By Email

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tel: 416.815.4351
fax: 416.642.7129
file # 51243-1

Lax O'Sullivan Lisus Gottlieb LLP
Suite 2750, 145 King St. W.
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Attention: Matthew Gottlieb, Andrew Winton and Philip Underwood

Norton Rose Fulbright (Canada) LLP
Royal Bank Plaza, South Tower
200 Bay Street, Suite 3800
Toronto, ON M5J 2Z4

Attention: Orestes Pasparakis, Robert Frank and Evan Cobb

Blake, Cassels & Graydon LLP
199 Bay Street, Suite 4000
Toronto, ON M5L 1A9

Attention: Michael Barrack, Kathryn Brush and Kiran Patel

Dear Counsel:

Re: Ephraim J. Bird et al ats Sears Canada Inc.
William Crowley et al ats FTI Consulting Canada Inc.
Ephraim J. Bird et al ats Morneau Shepell Ltd.

Kindly find enclosed and hereby served on you pursuant to the *Rules of Civil Procedure* and Commercial List Practice Direction, our clients' Requests to Inspect Documents referenced in your clients' respective Statements of Claim.

We look forward to receiving copies of the documents requested forthwith or receiving your confirmation of a convenient time within five days of the date hereof when the documents listed will be made available for inspection at your offices or another mutually convenient place in accordance with Rule 30.04(3).

CASSELS BROCK
LAWYERS

Yours truly,

Cassels Brock and Blackwell LLP

Christopher Horkins

CH/

Enclosures

cc: Litigation Service List

This is **Exhibit "B"** referred to in the

Affidavit of Geoff Mens

sworn before me, this **21st** day

of **February, 2019**

A Commissioner for taking Affidavits

Court File No. CV-18-00611217-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

B E T W E E N:

MORNEAU SHEPELL LTD. in its capacity as administrator of the Sears Canada Inc. Registered Pension Plan

Plaintiff

- and -

ESL INVESTMENTS INC., ESL PARTNERS, LP, SPE I PARTNERS, LP, SPE MASTER I, LP, ESL INSTITUTIONAL PARTNERS, LP, EDWARD S. LAMPERT, WILLIAM HARKER, WILLIAM CROWLEY, DONALD CAMPBELL ROSS, EPHRAIM J. BIRD, DEBORAH E. ROSATI, R. RAJA KHANNA, JAMES MCBURNEY and DOUGLAS CAMPBELL

Defendants

REQUEST TO INSPECT DOCUMENTS

You are requested to produce for inspection the following documents referred to in your Statement of Claim:

1. The actuarial valuations referenced in paragraph 14;

2. The agreement with Oxford Properties Group referenced in paragraph 22(a);

3. The agreement with Cadillac Fairview Corporation Limited referenced in paragraph 22(b);

4. The agreement with Montez Income Properties Corporation referenced in paragraph 22(c);

5. The Management Presentations referenced in paragraph 24;

6. The Financial Update referenced in paragraph 27;

7. The material presented to the investment committee referenced in paragraph 28;

8. The Board Materials and Analyst Reports referenced in paragraph 29; and

9. The resolution referenced in paragraph 30.

February 1, 2019

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Lawyers for the Defendants,
William Harker, William Crowley, Donald Campbell Ross, Ephraim J. Bird, James McBurney and Douglas Campbell

TO:

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Kiran Patel LSO#: 58398H
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Lawyers for the Plaintiff

AND TO: **THE SERVICE LIST**

MORNEAU SHEPELL LTD. in its capacity as administrator of the Sears Canada Inc. Registered Pension Plan
Plaintiff

and

ESL INVESTMENTS INC., *et al.*
Defendants

Court File No. CV-18-00611217-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT
TORONTO

REQUEST TO INSPECT DOCUMENTS

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Lawyers for the Defendants,
William Harker, William Crowley, Donald Campbell Ross, Ephraim J. Bird, James McBurney and Douglas Campbell

This is **Exhibit "C"** referred to in the

Affidavit of Geoff Mens

sworn before me, this **21st** day

of **February, 2019**

A Commissioner for taking Affidavits

Court File No. CV-18-00611214-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

B E T W E E N:

SEARS CANADA INC., by its Court-appointed Litigation Trustee, J. DOUGLAS CUNNINGHAM, Q.C.

Plaintiff

\- and -

ESL INVESTMENTS INC., ESL PARTNERS LP, SPE I PARTNERS, LP, SPE MASTER I, LP, ESL INSTITUTIONAL PARTNERS, LP, EDWARD LAMPERT, EPHRAIM J. BIRD, DOUGLAS CAMPBELL, WILLIAM CROWLEY, WILLIAM HARKER, R. RAJA KHANNA, JAMES MCBURNEY, DEBORAH ROSATI, and DONALD ROSS

Defendants

REQUEST TO INSPECT DOCUMENTS

You are requested to produce for inspection the following documents referred to in your statement of claim:

1. The 2011-2014 Strategic Plan referenced in paragraph 38;

2. The March 2012 Presentation to the Board referenced in paragraph 39;

3. The statement by Calvin McDonald and Globe and Mail article referenced in paragraph 40;

4. The minutes and presentation referenced in paragraph 41;

5. The presentation referenced in paragraph 42;

6. The redemption requests referred to in paragraph 45 and/or the documents that quantify them;

7. The agreements with Oxford Properties Group and Cadillac Fairview Corporation Limited referenced in paragraph 50;

8. The agreement with Montez Income Properties Corporation referenced in paragraph 51;

9. The instructions provided by Lampert to Sears Canada on the price of the Key Asset Sales referenced in paragraph 52;

10. The presentation referenced in paragraph 53;

11. The proposal referenced in paragraph 54;

12. The agenda referenced in paragraph 57;

13. The minutes referenced in paragraph 58;

14. The extensive background materials prepared by management and given to the Board referenced in paragraph 61;

15. The financial analysis referenced in paragraph 62;

16. The capital structure presentations and updates to same referenced in paragraph 68; and

17. The minutes and presentations referenced in paragraph 69.

February 1, 2019

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Lawyers for the Defendants,
William Harker, William Crowley, Donald Campbell Ross, Ephraim J. Bird, James McBurney and Douglas Campbell

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Lawyers for the Plaintiff

AND TO: **THE SERVICE LIST**

SEARS CANADA INC. by its litigation trustee J. DOUGLAS CUNNINGHAM, Q.C.
Plaintiff

and

ESL INVESTMENTS INC., *et al.*
Defendants

Court File No. CV-18-00611214-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT
TORONTO

REQUEST TO INSPECT DOCUMENTS

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Lawyers for the Defendants,
William Harker, William Crowley, Donald Campbell Ross, Ephraim J. Bird, James McBurney and Douglas Campbell

This is **Exhibit "D"** referred to in the

Affidavit of Geoff Mens

sworn before me, this **21st** day

of **February, 2019**

A Commissioner for taking Affidavits

Court File No. CV-18-00611219-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

B E T W E E N:

FTI CONSULTING CANADA INC.,
in its capacity as Court-appointed monitor in proceedings
pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c. c-36

Plaintiff

- and -

ESL INVESTMENTS INC., ESL PARTNERS, LP, SPE I PARTNERS, LP,
SPE MASTER I, LP, ESL INSTITUTIONAL PARTNERS, LP,
EDWARD S. LAMPERT, WILLIAM HARKER and WILLIAM CROWLEY

Defendants

REQUEST TO INSPECT DOCUMENTS

You are requested to produce for inspection the following documents referred to in your statement of claim:

1. The 2011 Strategic Plan referenced in paragraph 11;

2. The Management Presentations, legal advice and draft press releases referenced in paragraph 51;

3. The public statement referenced in paragraph 16;

4. The agreement with Oxford Properties Group referenced in paragraph 18;

5. The Management Presentations referenced in paragraphs 19 and 21;

6. The agreement with Cadillac Fairview Corporation Limited referenced in paragraph 22;

7. The agreement with Montez Income Properties Corporation referenced in paragraph 25;

8. The written resolution referenced in paragraph 26;

9. The resolution referenced in paragraph 33;

10. The Board Materials referenced in paragraph 36;

11. The financial update referenced in paragraph 42;

12. The material presented to the Investment Committee referenced in paragraph 43;

13. The pro forma cash flows referenced in paragraph 44;

14. The analyst reports referenced in paragraph 45;

15. The correspondence from Crowley to the independent members of the board referenced and quoted in paragraph 48;

16. The Management Presentations referenced in paragraph 51(b);

17. The legal advice referenced in paragraph 51(d);

18. The Management Presentations referenced in paragraph 52(c);

19. The Management Presentations referenced in paragraph 53(b);

20. The report entitled “Dividend Discussion” referenced in paragraph 54(b);

21. The draft officer’s certificate referenced in paragraph 54(c);

22. The email from Crowley to Harker referenced in paragraph 64;

23. Meeting Minutes of October Board Meeting referenced in paragraph 24; and

24. Email Correspondence between Crowley and Harker referenced in paragraph 64.

February 1, 2019

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Lawyers for the Defendants,
William Harker and William Crowley

TO: **NORTON ROSE FULBRIGHT CANADA LLP**
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Lawyers for the Plaintiff

AND TO: **THE SERVICE LIST**

FTI CONSULTING CANDA INC., in its capacity as Court-appointed monitor Plaintiff	and	ESL INVESTMENTS INC., *et al.* Defendants

Court File No. CV-18-00611219-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT TORONTO

REQUEST TO INSPECT DOCUMENTS

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Lawyers for the Defendants,
William Harker and William Crowley

This is **Exhibit "E"** referred to in the

Affidavit of Geoff Mens

sworn before me, this **21st** day

of **February, 2019**

A Commissioner for taking Affidavits

NORTON ROSE FULBRIGHT

Barristers & Solicitors / Patent & Trade-mark Agents

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February 8, 2019

Sent By E-mail

Ms. Wendy Berman
Cassels Brock & Blackwell LLP
Scotia Plaza
40 King Street West
Suite 2100
Toronto ON M5H 3C2

Dear Ms. Berman:

FTI Consulting Canada Inc., in its capacity as Court-appointed monitor v. ESL Investments Inc., *et al.*
Court File No. CV-18-00611219-00CL

We write with respect to your clients' Request to Inspect Documents dated February 1, 2019. Our response provides copies of properly requested documents and is being delivered to you via secure file transfer.

In response to your letter dated January 28, 2019, we reiterate the position outlined in our prior correspondence.

Yours truly,

Robert Frank

RF/si

Copies to: John N. Birch and Natalie Levine, *Cassels Brock & Blackwell LLP*
Harry Underwood, Andrew Faith, Jeffrey Haylock and Sandy Lockhart, *Polley Faith LLP*
Richard Swan and Sean Zweig, *Bennett Jones LLP*
Orestes Pasparakis and Evan Cobb, *Norton Rose Fulbright Canada LLP*

CAN_DMS: \125368105

Norton Rose Fulbright Canada LLP is a limited liability partnership established in Canada.

Norton Rose Fulbright Canada LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright South Africa Inc and Norton Rose Fulbright US LLP are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are at nortonrosefulbright.com.

This is **Exhibit "F"** referred to in the

Affidavit of Geoff Mens

sworn before me, this **21st** day

of **February, 2019**

A Commissioner for taking Affidavits

Court File No. CV-18-00611219-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

B E T W E E N :

FTI CONSULTING CANADA INC.,
in its capacity as Court-appointed monitor in proceedings
pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c. c-36

Plaintiff

and

ESL INVESTMENTS INC., ESL PARTNERS, LP, SPE I PARTNERS, LP, SPE MASTER I, LP, ESL INSTITUTIONAL PARTNERS, LP, EDWARD S. LAMPERT, WILLIAM HARKER and WILLIAM CROWLEY

Defendants

RESPONSE TO REQUEST TO INSPECT DOCUMENTS BRIEF

February 8, 2019

NORTON ROSE FULBRIGHT CANADA LLP
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Lawyers to FTI Consulting Canada Inc.,
as Court-Appointed Monitor

TO: **TUV LITIGATION SERVICE LIST**

Court File No. CV-18-00611219-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

B E T W E E N :

FTI CONSULTING CANADA INC.,
in its capacity as Court-appointed monitor in proceedings
pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c. c-36

Plaintiff

and

ESL INVESTMENTS INC., ESL PARTNERS, LP, SPE I PARTNERS, LP, SPE MASTER I, LP, ESL INSTITUTIONAL PARTNERS, LP, EDWARD S. LAMPERT, WILLIAM HARKER and WILLIAM CROWLEY

Defendants

RESPONSE TO REQUEST TO INSPECT DOCUMENTS

The plaintiff's response to the Request to Inspect Documents served by counsel to the Defendants, William Harker and William Crowley, is set out below.

Item No.	Request	Response
1.	2011 Strategic Plan referenced in paragraph 11.	See Strategic Plan at Tab 1.
2.	Management Presentations, legal advice and draft press releases referenced in paragraph 51.	See draft press release at Tab 2 The pleading only refers to oral management presentations. No document containing legal advice is pleaded.
3.	Public statement referenced in paragraph 16.	Mr. Lampert's statement is a publicly accessible document. It may be obtained at the following URL address: https://eddielampert.com/2018/02/11/just-the-facts-sears-canada/

Item No.	Request	Response
4.	The agreement with Oxford Properties Group referenced in paragraph 18.	The pleading does not refer to a written agreement, and the Monitor has not identified or located such an agreement. The existence of the agreement is a matter of public record.
5.	The Management Presentations referenced in paragraphs 19 and 21.	See management presentations at Tab 5.
6.	The agreement with Cadillac Fairview Corporation Limited referenced in paragraph 22.	The pleading does not refer to a written agreement, and the Monitor has not identified or located such an agreement. The existence of the agreement is a matter of public record.
7.	The agreement with Montez Income Properties Corporation referenced in paragraph 25.	The pleading does not refer to a written agreement, and the Monitor has not identified or located such an agreement. The existence of the agreement is a matter of public record.
8.	The written resolution referenced in paragraph 26.	See written resolution at Tab 8.
9.	The resolution referenced in paragraph 33.	The pleading does not refer to a written resolution.
10.	The Board Materials referenced in paragraph 36.	See board materials at Tab 10.
11.	The financial update referenced in paragraph 42.	See financial update at Tab 11.
12.	The material presented to the Investment Committee referenced in paragraph 43.	See materials presented at Tab 12.
13.	The pro forma cash flows referenced in paragraph 44.	See board materials at Tab 10.
14.	The analyst reports referenced in paragraph 45.	See board materials at Tab 10.
15.	The correspondence from Crowley to the independent members of the board referenced and quoted in paragraph 48.	See email correspondence at Tab 15.

Item No.	Request	Response
16.	The Management Presentations referenced in paragraph 51(b).	The pleading only refers to oral management presentations.
17.	The legal advice referenced in paragraph 51(d).	No document containing legal advice is pleaded.
18.	The Management Presentations referenced in paragraph 52(c).	See management presentations at Tab 18.
19.	The Management Presentations referenced in paragraph 53(b).	See management presentations at Tab 19.
20.	The report entitled "Dividend Discussion" referenced in paragraph 54(b).	See report at Tab 20.
21.	The draft officer's certificate referenced in paragraph 54(c).	See draft officer's certificate at Tab 21.
22.	The email from Crowley to Harker referenced in paragraph 64.	See email correspondence at Tab 22.
23.	Meeting Minutes of October Board Meeting referenced in paragraph 24.	The pleading at paragraph 24 does not make reference to minutes of a meeting of Sears' Board of Directors.
24.	Email Correspondence between Crowley and Harker referenced in paragraph 64.	See email correspondence at Tab 22.

February 8, 2019

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Lawyers to FTI Consulting Canada Inc., as Court-Appointed Monitor

TO: **TUV LITIGATION SERVICE LIST**

FTI Consulting Canada Inc.,
in its capacity as Court-appointed monitor

Plaintiff

and

ESL Investments Inc. *et al.*

Defendants

Court File No.: CV-18-00611219-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at TORONTO

RESPONSE TO REQUEST TO INSPECT

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Lawyers to FTI Consulting Canada Inc.,
as Court-Appointed Monitor

TAB 1

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TAB 2

SEARS CANADA DECLARES RETURN OF CAPITAL AND EXTRAORDINARY CASH DIVIDEND

TORONTO, December 2, 2005 – (TSX: SCC) – The Board of Directors of Sears Canada Inc. today declared a return of capital of $♦ per share and an extraordinary cash dividend of $♦ $♦ per share, on all common shares of the Corporation.

The return of capital and the extraordinary cash dividend are payable on the **[16th day of December 2005] [3rd day of January, 2006] [respectively]**, to shareholders of record on the 13th day of December, 2005.

By Order of the Board
Secretary

TAB 5

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TAB 8

RESOLUTION IN LIEU OF MEETING

OF THE BOARD OF DIRECTORS (the "Board")

OF SEARS CANADA INC. (the "Corporation")

WHEREAS the Corporation has a 50% joint venture interest in various properties in the Montreal area, including four shopping centres and two strip centres and two open-format retail centres, (the "Joint Venture Interest") with its joint venture partner The Westcliff Group of Companies, which holds the other 50% joint venture interest;

WHEREAS the Corporation marketed the sale of its Joint Venture Interest and Montez Income Properties Corporation ("Montez") expressed an interest in purchasing the Joint Venture interest;

WHEREAS the Corporation has negotiated the terms of an agreement with Montez for the sale of the Joint Venture Interest, in consideration of Montez paying to the Corporation the sum of $315,384,615, subject to potential increase as set out in the sale agreement;

WHEREAS the Corporation is required to obtain Board approval for any asset acquisition or disposition of greater than ten million dollars ($10,000,000.00);

WHEREAS Management has provided the Board with a presentation regarding the sale of the Joint Venture Interest; and

WHEREAS the Board considers it in the best interest of the Corporation to approve the sale of the Joint Venture Interest, in accordance with the terms as presented by Management.

BE IT RESOLVED:

THAT the Corporation be authorized to sell its Joint Venture Interest to Montez in consideration of Montez paying to the Corporation the sum of $315,384,615, subject to potential increase as set out in the sale agreement; and

THAT the Corporation be authorized to execute and deliver all such documents and to take all such steps and do all such other acts in connection with the sale of the Joint Venture Interest, as may be necessary or desirable to give effect to this resolution.

The foregoing Resolution is hereby signed by the Board of Directors of the Corporation as of the 8th day of November, 2013.

W. C. Crowley	D. Campbell
W. R. Harker	E.J. Bird
J. McBurney	D. E. Rosati
D. Ross	R. R. Khanna

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TAB 10

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TAB 11

October 2013 Overview

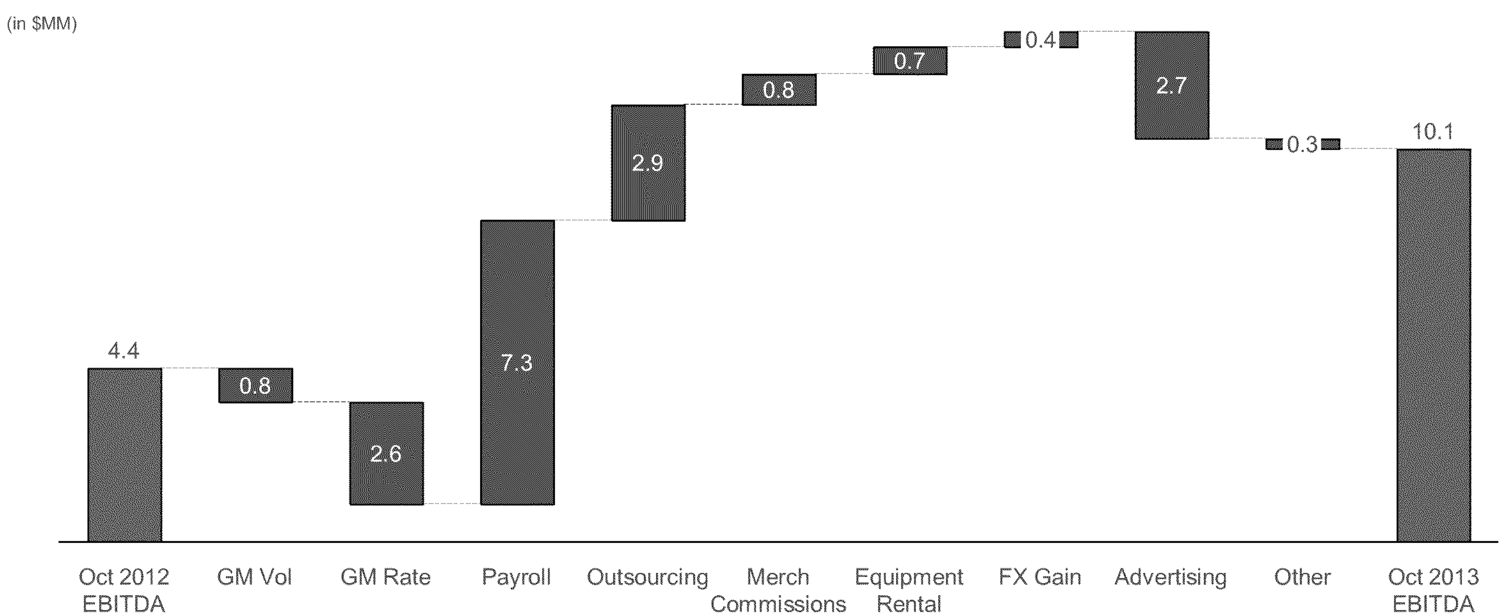
October 2013 EBITDA $10.1M, $5.6M improvement from October 2012 …

		B/(W)	
	Actuals	Forecast	LY
Net Sales	306,487	8,015	22,936
Other Revenue	19,740	(9,502)	(25,074)
Total Revenue	326,227	(1,487)	(2,138)
SSS%	*7.5%*		
Merch Margin	124,009	(0.0)	5,762
MM %	*40.5%*	*(109) bps*	*(124) bps*
Gross Margin	127,036	(3,365)	(3,461)
GM %	*38.9%*	*(85) bps*	*(80) bps*
Payroll	55,415	(646)	7,263
Advertising	18,059	(1,307)	(2,719)
Outsourcing	3,190	803	2,941
FX	744	(744)	392
Other Expenses	39,563	2,686	1,232
Expenses	116,971	792	9,110
EBITDA	10,065	(2,572)	5,649
Net Income	(22,960)	(23,178)	(17,973)

Gross Margin variance to forecast: $2.5M unshipped revenue, $1.7M shrink
Advertising variance to forecast due to Ad Subsidies, variance to LY is due to a shift in spend

October EBITDA Waterfall

October 2013 EBITDA $10.1M, $5.6M improvement from October 2012 …



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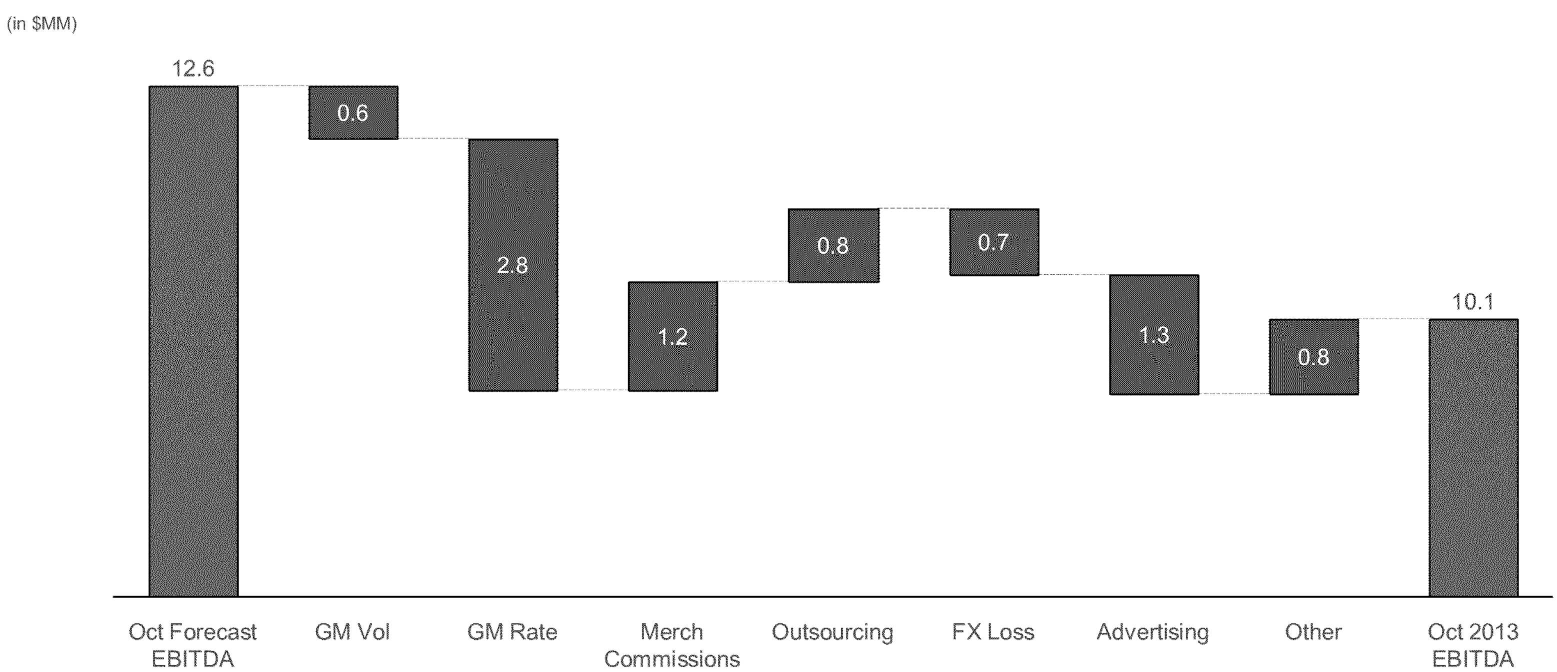
October Comparable P&L

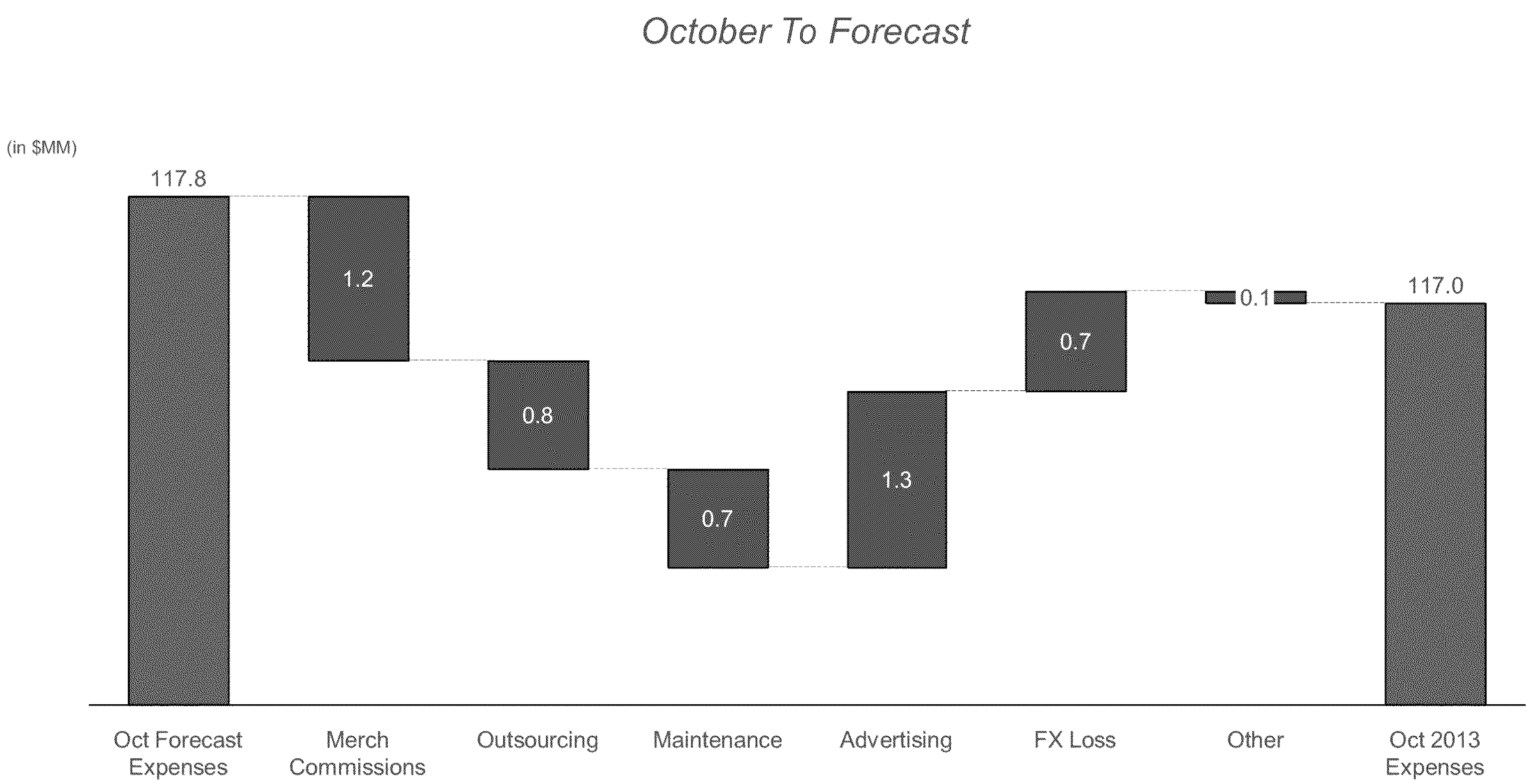
	OCT								OCT YTD							
	2013	%	2012	%	2011	%	2010	%	2013	%	2012	%	2011	%	2010	%
Revenues	326.2	-0.7%	328.4	-10.8%	368.3	-5.1%	388.3		2,809.5	-7.6%	3,039.2	-7.6%	3,288.2	-6.4%	3,512.8	
JV	4.2		5.0		3.5		2.1		33.0		36.6		34.7		33.8	
HIPs	0.6		14.6		15.9		16.0		15.9		134.0		142.4		143.9	
Cantrex	0.0		0.1		2.3		2.5		0.2		7.4		20.6		22.8	
4 Stores exited	0.0		1.0		7.5		7.8		(0.0)		71.7		68.1		72.9	
2 Stores exited	4.9		3.9		4.0		4.4		38.2		37.1		39.0		41.7	
Comparable Revenues	316.5	4.2%	303.9	-9.3%	335.1	-5.7%	355.4		2,722.2	-1.1%	2,752.4	-7.7%	2,983.3	-6.7%	3,197.7	
Gross Margin	127.0	*38.9%*	130.5	*39.7%*	141.2	*38.3%*	153.0	*39.4%*	1,053.5	*37.5%*	1,138.8	*37.5%*	1,258.8	*38.3%*	1,403.3	*39.9%*
JV	4.2		5.0		3.5		2.1		33.0		36.6		34.7		33.8	
HIPs	0.3		0.4		1.1		1.7		4.5		6.9		7.8		13.1	
Cantrex	0.0		0.1		1.3		1.4		0.2		4.8		11.9		12.9	
4 Stores exited	0.0		(0.7)		3.0		3.3		(0.2)		17.0		27.2		30.1	
2 Stores exited	1.2		1.9		1.6		1.6		12.6		13.6		14.7		16.4	
Comparable Gross Margin	121.3	*38.3%*	123.9	*40.8%*	130.6	*39.0%*	142.8	40.2%	1,003.4	*36.9%*	1,059.9	*38.5%*	1,162.4	*39.0%*	1,296.9	40.6%
Total SG&A expenses	117.0	35.9%	126.1	38.4%	125.1	34.0%	131.2	33.8%	1,035.8	36.9%	1,132.7	37.3%	1,217.5	37.0%	1,213.4	34.5%
JV	1.8		1.6		1.7		(3.1)		13.7		15.2		15.7		11.5	
Cantrex	0.0		0.0		0.6		0.8		0.0		3.0		8.1		9.2	
4 Stores exited	0.0		0.7		2.6		2.8		0.1		20.2		25.4		26.6	
2 Stores exited	1.4		1.5		1.6		1.5		12.5		13.0		13.8		13.7	
AIP/LTI	0.0		(0.1)		0.2		0.5		1.6		0.3		2.2		2.1	
FX	0.8		1.1		(6.3)		0.3		3.6		0.7		(1.8)		0.8	
Impairment expense (+)	0.0		0.0		0.0		(0.0)		0.0		0.0		0.0		(0.0)	
Comparable SG&A expens	112.9	35.7%	121.2	39.9%	124.7	37.2%	128.5	36.2%	1,004.3	36.9%	1,080.4	39.3%	1,154.1	38.7%	1,149.3	35.9%
EBITDA	10.1	3.1%	4.4	1.3%	16.1	4.4%	21.7	5.6%	17.7	0.6%	6.0	0.2%	41.2	1.3%	189.8	5.4%
JV	2.4		3.3		1.8		5.2		19.3		21.4		19.0		22.2	
HIPs	0.3		0.4		1.1		1.7		4.5		6.9		7.8		13.1	
Cantrex	(0.0)		0.0		0.7		0.6		0.2		1.7		3.8		3.7	
4 Stores exited	0.0		(1.4)		0.4		0.5		(0.3)		(3.2)		1.8		3.5	
2 Stores exited	(0.3)		0.4		0.1		0.1		0.1		0.7		0.9		2.7	
AIP/LTI	(0.0)		0.1		(0.2)		(0.5)		(1.6)		(0.3)		(2.2)		(2.1)	
FX	(0.8)		(1.1)		6.3		(0.3)		(3.6)		(0.7)		1.8		(0.8)	
Impairment expense (+)	0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0	
Comparable EBITDA	8.4	2.7%	2.7	0.9%	5.9	1.8%	14.3	4.0%	(0.9)	0.0%	(20.5)	-0.7%	8.3	0.3%	147.6	4.6%

October EBITDA Waterfall

October To Forecast



October Expenses Waterfall



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October Financial Overview

Categories – Merchandise Net Sales

		B/(W)	
	Actuals	Forecast	LY
Home Furnishings	41,809	7,717	24.9%
Fitness & Recreation	4,753	1,015	42.1%
Home Décor & Seasonal	26,746	(1,392)	2.3%
Craftsman	11,703	1,972	17.5%
Electronics	4,656	(268)	-34.2%
Home & Hardlines	**89,667**	**9,044**	**12.1%**
Major Appliances	**73,866**	**330**	**4.2%**
Cosmetics	13,536	(300)	-2.5%
Jewellery, Acc., Luggage	8,587	68	1.2%
Footwear	20,182	1,455	15.9%
Women's Intimates	10,113	(357)	0.0%
Children's Wear	24,270	(111)	11.7%
Men's Wear	24,849	1,340	10.5%
Women's Apparel	32,018	(620)	7.3%
Apparel & Accessories	**133,554**	**1,475**	**7.8%**
Total Merchandise	**297,088**	**10,848**	**8.1%**

Categories – Merchandise Margin

		B/(W)	
	Actuals	Forecast	LY
Home Furnishings	15,417	2,069	(1,001)
Fitness & Recreation	1,416	596	568
Home Décor & Seasonal	13,492	(344)	6
Craftsman	3,027	393	(88)
Electronics	1,417	(462)	(740)
Home & Hardlines	**34,770**	**2,251**	**(1,256)**
Major Appliances	**20,035**	**219**	**(1,863)**
Cosmetics	4,809	143	(174)
Jewellery, Acc., Luggage	5,121	(15)	39
Footwear	10,384	973	1,048
Women's Intimates	5,671	342	(177)
Children's Wear	10,398	(1,166)	654
Men's Wear	13,174	570	1,558
Women's Apparel	18,208	1,086	2,021
Apparel & Accessories	**67,764**	**1,933**	**4,967**
Total Merchandise	**122,569**	**4,403**	**1,848**

Channels – Merchandise Net Sales

		B/(W)	
	Actuals	Forecast	LY
Full Line	171,434	2,416	12,829
Home	36,422	3,291	1,961
Dealer	20,025	1,105	348
Outlet	8,614	1,268	1,944
Retail	236,495	8,080	17,082
Corbeil	8,918	(2,659)	(598)
Direct	59,448	2,324	6,125
Home Services	732	76	45
B2B	894	194	282
Total	306,487	8,015	22,936

Channels – EBITDA

		B/(W)	
	Actuals	Forecast	LY
Full Line	8,821	(2,053)	12,667
Home	(2,980)	(266)	(1,632)
Dealer	(187)	2	(1,642)
Outlet	(2,290)	(214)	(3,843)
Retail	3,364	(2,531)	5,550
Corbeil	(247)	(808)	(285)
Direct	1,224	(2,494)	(1,113)
SLH	1,508	(408)	731
Joint Ventures	2,030	392	(1,029)
Travel	1,616	302	(2)
Home Services	(1,488)	72	(163)
Other	2,058	2,902	1,960
Total	10,065	(2,572)	5,649

Category Sales/Merch Margin include only Retail, Direct, B2B, and part of Home Services
Category Sales/Merch Margin for 2012 excludes 4 stores
Direct $7.5M variance to Fcst: $1.6M in Shrink due to Direct write-offs, $0.6M Delivery Income, $0.4M GP

October YTD Financial Overview

Categories – Merchandise Net Sales

	Actuals	B/(W) LY
Home Furnishings	344,266	-4.8%
Fitness & Recreation	26,222	-10.3%
Home Décor & Seasonal	223,201	-1.8%
Craftsman	127,126	-7.8%
Electronics	45,481	-32.5%
Home & Hardlines	**766,296**	**-6.9%**
Major Appliances	**667,690**	**-1.7%**
Cosmetics	110,085	-3.2%
Jewellery, Acc., Luggage	80,321	8.1%
Footwear	119,163	7.9%
Women's Intimates	99,414	-0.2%
Children's Wear	147,817	2.3%
Men's Wear	196,453	4.8%
Women's Apparel	262,658	4.0%
Apparel & Accessories	**1,015,911**	**3.4%**
Total Merchandise	**2,449,897**	**-1.4%**

Categories – Merchandise Margin

	Actuals	B/(W) LY
Home Furnishings	147,936	(20,519)
Fitness & Recreation	7,181	(1,412)
Home Décor & Seasonal	112,871	2,924
Craftsman	29,700	(7,637)
Electronics	8,080	(6,913)
Home & Hardlines	**305,768**	**(33,557)**
Major Appliances	**193,501**	**(4,436)**
Cosmetics	43,132	(8)
Jewellery, Acc., Luggage	43,811	5,381
Footwear	54,802	3,701
Women's Intimates	50,160	318
Children's Wear	64,326	3,188
Men's Wear	90,110	4,391
Women's Apparel	128,621	7,143
Apparel & Accessories	**474,963**	**24,113**
Total Merchandise	**974,232**	**(13,880)**

Channels – Merchandise Net Sales

	Actuals	B/(W) LY
Full Line	1,476,711	(75,136)
Home	315,515	(26,727)
Dealer	193,192	(5,712)
Outlet	69,176	8,256
Retail	2,054,594	(99,318)
Corbeil	92,496	6,162
Direct	383,988	6,316
Home Services	7,794	1,430
B2B	8,568	3,956
Cantrex	-	(253)
Total	2,547,440	(81,706)

Channels – EBITDA

	Actuals	B/(W) LY
Full Line	5,051	26,839
Home	(15,639)	(9,514)
Dealer	6,661	(3,698)
Outlet	(3,297)	4,125
Retail	(7,224)	17,752
Corbeil	2,704	(64)
Direct	387	2,429
SLH	10,070	(1,476)
Joint Ventures	16,144	(2,418)
Travel	10,594	639
Home Services	(8,669)	2,526
Other	(6,276)	(7,603)
Total	17,731	11,785

Category Sales/Merch Margin include only Retail, Direct, B2B, and part of Home Services
Category Sales/Merch Margin for 2012 excludes 4 stores

Quarter 3 Financial Overview

	TY	LY	B/(W)
Net Sales	919,485	923,815	(4,330)
Other Revenue	62,779	125,529	(62,750)
Total Revenue	982,264	1,049,344	(67,080)
Same Store Sales %	*1.2%*		
Merch Margin	228,734	359,197	(130,462)
MM %	*24.9%*	*38.9%*	*(1,401) bps*
Gross Margin	364,812	391,886	(27,074)
GM %	*37.1%*	*37.3%*	*(21) bps*
Payroll	172,362	190,216	17,855
Advertising	52,914	19,533	(33,381)
Outsourcing	13,000	16,487	3,487
Other Revenue	119,297	161,759	42,462
Expenses	357,573	387,995	30,422
EBITDA	7,239	3,890	3,350
Net Income	(48,796)	(21,917)	(26,879)

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October Balance Sheet & Cash Flow

in $MMs	Oct-12	Oct-13
Current Assets		
Cash	$230.2	$238.2
Accounts Receivable	$95.5	$73.9
Inventory	$1,006.2	$1,041.8
Other	$53.8	$49.5
Total Current Assets	**$1,385.6**	**$1,403.5**
Long-Term Assets		
Net PP&E	$1,161.4	$1,054.8
Other	$199.9	$195.1
Total Long-Term Assets	**$1,361.4**	**$1,249.9**
Total Assets	**$2,747.0**	**$2,653.4**
Current Liabilities		
Accounts Payable & Accrued Liabilities	$642.2	$593.4
Deferred Revenue	$192.8	$193.5
Other	$74.7	$91.8
Total Current Liabilities	**$909.8**	**$878.7**
Total Debt	**$65.5**	**$53.0**
Long-Term Liabilities		
Long-Term Deferred Revenue	$88.9	$87.7
Retirement Benefit Liability	$450.8	$412.4
Other	$87.1	$70.4
Total Long-Term Liabilities	**$626.7**	**$570.5**
Total Liabilities	**$1,602.0**	**$1,502.3**
Total Equity	**$1,144.9**	**$1,151.1**
Total Liabilities & Equity	**$2,747.0**	**$2,653.4**

in $MMs	Oct-12	Oct-13
Cash Flow from Operations		
Net Income (After One-Time)	($5.0)	($22.9)
Depreciation & Amortization	$10.2	$8.4
Changes in non-cash working capital balances	($25.5)	($25.8)
Other	$0.2	$25.9
Total Cash Flow from Operations	**($20.1)**	**($14.4)**
Cash Flow from Investing		
Capital Expenditures	($6.7)	($9.5)
Total Cash Flow from Investing	**($6.7)**	**($9.5)**
Cash Flow from Financing		
Debt / LT Obligation Payments	($2.0)	($2.3)
Total Cash Flow from Financing	**($2.0)**	**($2.3)**
Total Cash Flow	**($28.8)**	**($26.3)**
Beginning Cash	$258.9	$264.5
Ending Cash	**$230.2**	**$238.2**

Appendix: Quarter 3 Comparable P&L

	QTR 3								QTR 3 YTD							
	2013	%	2012	%	2011	%	2010	%	2013	%	2012	%	2011	%	2010	%
Revenues	982.3	-6.4%	1,049.3	-6.7%	1,124.4	-7.0%	1,208.3		2,809.5	-7.6%	3,039.2	-7.6%	3,288.2	-6.4%	3,512.8	
JV	11.1		11.9		11.2		9.7		33.0		36.6		34.7		33.8	
HIPs	3.1		47.6		53.4		50.1		15.9		134.0		142.4		143.9	
Cantrex	0.1		0.2		7.0		7.9		0.2		7.4		20.6		22.8	
4 Stores exited	(0.0)		28.8		24.1		26.0		(0.0)		71.7		68.1		72.9	
2 Stores exited	14.8		12.9		13.6		14.6		38.2		37.1		39.0		41.7	
Comparable Revenues	953.2	0.6%	947.9	-6.6%	1,015.1	-7.7%	1,099.9		2,722.2	-1.1%	2,752.4	-7.7%	2,983.3	-6.7%	3,197.7	
Gross Margin	364.8	*37.1%*	391.9	*37.3%*	435.6	*38.7%*	473.8	*39.2%*	1,053.5	*37.5%*	1,138.8	*37.5%*	1,258.8	*38.3%*	1,403.3	*39.9%*
JV	11.1		11.9		11.2		9.7		33.0		36.6		34.7		33.8	
HIPs	2.0		3.4		4.4		5.2		4.5		6.9		7.8		13.1	
Cantrex	0.1		0.2		4.0		4.4		0.2		4.8		11.9		12.9	
4 Stores exited	(0.0)		1.3		10.0		11.0		(0.2)		17.0		27.2		30.1	
2 Stores exited	3.7		5.0		5.2		5.6		12.6		13.6		14.7		16.4	
Comparable Gross Margin	348.0	*36.5%*	370.2	*39.1%*	400.9	*39.5%*	438.0	39.8%	1,003.4	*36.9%*	1,059.9	*38.5%*	1,162.4	*39.0%*	1,296.9	40.6%
Total SG&A expenses	357.6	36.4%	388.0	37.0%	414.9	36.9%	406.9	33.7%	1,035.8	36.9%	1,132.7	37.3%	1,217.5	37.0%	1,213.4	34.5%
JV	4.7		5.0		4.9		0.3		13.7		15.2		15.7		11.5	
Cantrex	0.0		0.1		2.4		2.9		0.0		3.0		8.1		9.2	
4 Stores exited	(0.0)		6.9		8.7		9.0		0.1		20.2		25.4		26.6	
2 Stores exited	4.3		4.4		4.9		4.9		12.5		13.0		13.8		13.7	
AIP/LTI	0.0		(1.2)		0.5		(3.7)		1.6		0.3		2.2		2.1	
FX	0.5		(0.3)		1.5		(0.3)		3.6		0.7		(1.8)		0.8	
Impairment expense (+)	0.0		0.0		0.0		(0.0)		0.0		0.0		0.0		(0.0)	
Comparable SG&A expens	347.9	36.5%	373.2	39.4%	392.0	38.6%	393.8	35.8%	1,004.3	36.9%	1,080.4	39.3%	1,154.1	38.7%	1,149.3	35.9%
EBITDA	7.2	0.7%	3.9	0.4%	20.7	1.8%	66.9	5.5%	17.7	0.6%	6.0	0.2%	41.2	1.3%	189.8	5.4%
JV	6.4		7.0		6.3		9.4		19.3		21.4		19.0		22.2	
HIPs	2.0		3.4		4.4		5.2		4.5		6.9		7.8		13.1	
Cantrex	0.0		0.1		1.6		1.5		0.2		1.7		3.8		3.7	
4 Stores exited	0.0		(5.6)		1.3		1.9		(0.3)		(3.2)		1.8		3.5	
2 Stores exited	(0.7)		0.6		0.3		0.7		0.1		0.7		0.9		2.7	
AIP/LTI	(0.0)		1.2		(0.5)		3.7		(1.6)		(0.3)		(2.2)		(2.1)	
FX	(0.5)		0.3		(1.5)		0.3		(3.6)		(0.7)		1.8		(0.8)	
Impairment expense (+)	0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0	
Comparable EBITDA	0.1	0.0%	(3.0)	-0.3%	8.9	0.9%	44.2	4.0%	(0.9)	0.0%	(20.5)	-0.7%	8.3	0.3%	147.6	4.6%

Full Line Performance

OCTOBER	2013		2012	
	# Stores	Growth Rate	# Stores	Growth Rate
Positive Growth	103	9.88%	4	4.15%
Total Stores	116	8.54%	116	-11.46%

QTR 3	2013		2012	
	# Stores	Growth Rate	# Stores	Growth Rate
Positive Growth	75	3.28%	6	1.87%
Total Stores	116	2.36%	116	-8.09%

OCTOBER YTD	2013		2012	
	# Stores	Growth Rate	# Stores	Growth Rate
Positive Growth	60	3.28%	3	0.70%
Total Stores	116	-0.30%	116	-8.80%

Rolling 12 Months	2013		2012	
	# Stores	Growth Rate	# Stores	Growth Rate
Positive Growth	39	3.02%	2	1.31%
Total Stores	116	-1.63%	116	-8.67%

Home Store Performance

OCTOBER	2013		2012	
	# Stores	Growth Rate	# Stores	Growth Rate
Positive Growth	36	11.72%	18	12.79%
Total Stores	52	5.89%	52	-3.00%
QTR 3	**2013**		**2012**	
	# Stores	Growth Rate	# Stores	Growth Rate
Positive Growth	18	7.35%	20	13.11%
Total Stores	52	-5.19%	52	0.97%
OCTOBER YTD	**2013**		**2012**	
	# Stores	Growth Rate	# Stores	Growth Rate
Positive Growth	12	6.67%	24	8.53%
Total Stores	52	-7.79%	52	1.04%
Rolling 12 Months	**2013**		**2012**	
	# Stores	Growth Rate	# Stores	Growth Rate
Positive Growth	10	9.88%	25	6.32%
Total Stores	52	-7.02%	52	0.40%

SSS By Category

	2013 SSS Growth %				
	A&A	H&H	MA	H&H/MA	TOTAL
QTR 1	4.7%	-9.2%	-6.0%	-7.5%	-2.8%
QTR 2	4.5%	-13.7%	1.7%	-6.4%	-2.1%
QTR 3	7.8%	-3.1%	-1.6%	-2.3%	1.8%
OCT YTD	5.7%	-8.8%	-1.9%	-5.4%	-1.0%

2013 vs 2011				
A&A	H&H	MA	H&H/MA	TOTAL
-5.4%	-17.1%	-5.4%	-11.4%	-9.0%
-5.8%	-21.8%	2.0%	-11.2%	-9.0%
0.8%	-14.1%	3.9%	-5.5%	-2.9%
-1.0%	-15.3%	3.2%	-6.4%	-4.3%

2013 vs 2010				
A&A	H&H	MA	H&H/MA	TOTAL
-9.9%	-20.3%	-14.5%	-17.4%	-14.5%
-7.4%	-26.8%	-10.0%	-19.0%	-14.4%
-5.4%	-22.1%	-5.7%	-14.3%	-10.7%
-4.8%	-23.0%	-5.7%	-14.7%	-10.8%

	2012 SSS Growth %				
	A&A	H&H	MA	H&H/MA	TOTAL
QTR 1	-9.6%	-8.7%	0.6%	-4.1%	-6.3%
QTR 2	-9.8%	-9.4%	0.4%	-5.1%	-7.1%
QTR 3	-6.5%	-11.3%	5.6%	-3.3%	-4.6%
QTR 4	0.1%	-12.9%	-1.0%	-7.9%	-4.3%
JAN YTD	-5.9%	-10.8%	1.3%	-5.2%	-5.5%

2012 vs 2010				
A&A	H&H	MA	H&H/MA	TOTAL
-13.9%	-12.2%	-9.1%	-10.7%	-12.0%
-11.4%	-15.2%	-11.4%	-13.5%	-12.6%
-12.3%	-19.6%	-4.2%	-12.3%	-12.3%
-5.8%	-23.7%	-5.4%	-16.3%	-11.7%
-10.4%	-18.3%	-7.6%	-13.4%	-12.1%

2012 vs 2009				
A&A	H&H	MA	H&H/MA	TOTAL
-17.9%			-11.5%	-14.1%
-15.4%			-15.6%	-15.6%
-17.1%			-21.8%	-19.9%
-5.2%			-21.9%	-14.8%
-13.2%			-18.1%	-16.1%

	2011 SSS Growth %				
	A&A	H&H	MA	H&H/MA	TOTAL
QTR 1	-4.8%	-3.9%	-9.6%	-6.8%	-6.0%
QTR 2	-1.7%	-6.3%	-11.8%	-8.8%	-6.0%
QTR 3	-6.1%	-9.3%	-9.3%	-9.3%	-8.0%
QTR 4	-5.9%	-12.4%	-4.5%	-9.2%	-7.7%
JAN YTD	-4.7%	-8.4%	-8.8%	-8.6%	-7.0%

2011 vs 2009				
A&A	H&H	MA	H&H/MA	TOTAL
-9.1%			-7.7%	-8.3%
-6.1%			-11.1%	-9.1%
-11.3%			-19.1%	-16.0%
-5.3%			-15.2%	-11.0%
-7.8%			-13.6%	-11.2%

2011 vs 2008				
A&A	H&H	MA	H&H/MA	TOTAL
-17.6%			-18.2%	-18.0%
-13.1%			-22.1%	-18.6%
-18.6%			-23.4%	-21.5%
-8.6%			-15.8%	-12.7%
-14.1%			-19.8%	-17.5%

Notes:
SSS Exclude Corbeil

SCIRTID-0000695

Notes Summary:

No speaker notes are contained in this presentation.

TAB 12

SEARS CANADA INC.

TELEPHONE MEETING OF THE INVESTMENT COMMITTEE
OF THE BOARD OF DIRECTORS
Thursday, November 14, 2013
8:00 a.m., Eastern time
BOARDROOM
Toronto Eaton Centre – 7th Floor

TELEPHONE PARTICIPANTS

☎

Canada & U.S.
Dial in Number: 800-503-2899
Passcode: 9414417

UK
Dial in Number: 0800 496 0578
Passcode: 9414417

ATTENDING:

MANAGEMENT	MEMBERS	TOWERS WATSON
Todd Dalglish	William R. Harker (Ch.)	B. Rodio
Klaudio Leshnjani	E.J. Bird	J. Rabovsky
Franco Perugini	William C. Crowley	P. Schneider
		HEWITT
		W. da Silva

AGENDA for the telephone meeting of the **INVESTMENT COMMITTEE** (the "Committee") of the Board of Directors of **SEARS CANADA INC.** (the "Corporation") to be held on Thursday November 14 , 2013 at 8:00 a.m., Eastern time

TAB	TIME	AGENDA	PRESENTER
1	8:00	Call to Order/Roll Call	W. R. Harker
2	8:05	**Resolution** approving the Minutes of the meeting of the Investment Committee held on August 20, 2013	F. Perugini
3	8:10	Towers Watson - Performance Review • DB Report • DC Report	J. Rabovsky L. Scott
4	8:40	Management's Report regarding: • Sears Registered Retirement Fund • Sears Canada Inc. Supplementary Retirement Plan • Sears Canada Inc. Health and Welfare Plan Trust Fund	T. Dalglish
5	9:10	Annual Review of: • Statement of Investment Policies and Procedures • Investment Committee Charter • Investment Committee Workplan - 2014	T. Dalglish F. Perugini
6	9:20	*In-camera* Session • Members only • Independent Members only	

1. Call to Order/Roll Call

2. **<u>Resolution</u>** approving the Minutes of the meeting of the Committee held on August 20, 2013

<u>ON MOTION</u>, duly made and seconded, it was unanimously resolved:

THAT the Minutes of the meeting of the Committee held on August 20, 2013, be approved.

MINUTES of the telephone meeting of the Investment Committee (the "Committee") of the Board of Directors of **SEARS CANADA INC.** (the "Corporation") held on Tuesday, August 20, 2013 at 3:00 p.m., Eastern time

---

PRESENT	**GUESTS** (in person)
W. R. Harker (Ch.)	J. Rabovsky, *Towers Watson*
E. J. Bird (in person)	L. Scott, *Towers Watson*
W. C. Crowley	B. Rodio, *Towers Watson*
	W. da Silva, *Aon Hewitt*

There were also in attendance at the meeting:

MANAGEMENT (in person)

T. Dalglish
Divisional Vice-President and Treasurer
F. Perugini
Vice-President and Corporate Secretary

The Chair of the Committee, Mr. W. R. Harker, acted as Chair of the meeting and the Secretary of the Committee, Mr. F. Perugini, acted as Secretary of the meeting.

CALL TO ORDER/ROLL CALL

1. The Chairman called the meeting to order and took a roll call.

MINUTES

2. **ON MOTION**, duly made and seconded, it was unanimously resolved:

THAT the Minutes of the meeting of the Investment Committee held on Tuesday, May 28, 2013 and adjourned to Wednesday, May 29, 2013, be approved.

TOWERS WATSON - PERFORMANCE REVIEW

3. Ms. Janet Rabovsky of Towers Watson made a presentation to the Committee on the investment monitoring of the Defined Benefit component of the Sears Registered Retirement Plan ("SRRP") fund for the periods ending June 30, 2013, which included a review of the following:

- Capital Markets
- Registered Pension Plan
- Supplementary Pension Plan
- Health and Welfare Trust
- Defined Benefit Plan – Managers

Information on the benchmark and universe definitions, index and data providers, disclosure of potential conflicts of interest and FREX (Future Return Expectation) rating was also provided.

Ms. Louise Scott of Towers Watson made a presentation to the Committee on the Defined Contribution component of the SRRP, which included a review of the target date funds, Canadian equity funds, foreign equity funds, Canadian fixed income funds and money market funds.

MANAGEMENT'S REPORT

4. Mr. Todd Dalglish, Divisional Vice-President & Treasurer presented Management's Report, which included the following matters:

(a) Sears Registered Retirement Fund ("SRRP Fund")

The second quarter return for the SRRP Fund was 0.99%, 5 bps above the benchmark return of 0.94%. The year-to-date return was 5.61%, 79bps below the benchmark return of 6.40%. The SRRP Fund balance decreased $12.2 million in the second quarter to $1,222.0 million as investment gains of $11.9 million and contributions of $7.3 million did not offset pension payments and withdrawals totaling $31.4 million.

At June 30, 2013, the asset allocation was in line with the SIP&P target ranges:

- Equity actual allocation was 30.9% (target allocation range of 25% - 45%)
- Fixed Income actual allocation was 66.9% (target allocation range of 55% - 75%)

Cash is 4.0% of assets at June 30, 2013 and forecast to be 0.7% of assets at September 30, 2013. US $25.0 million was invested with DDJ in July, 2013. The remaining non-invested USD cash is being used to fund pension payments. USD cash is forecast to be US $2.9 million at September 30, 2013.

Remaining outstanding hedge fund investments total US $3.0 million, and the remaining managers include Eton Park, Magnetar, King Street and Vicis. Fund balances will either be side pocket investments, audit holdbacks or assets subject to windup (Vicis).

Foreign exchange hedges are in place to protect 57% of USD investments against possible downward movements in USD. Hedges in place are currently out-of-the-money, totaling $21.4 million. USD appreciated by 3.8% during the second quarter, reducing the positive mark-to-market value of outstanding contracts. Foreign exchange hedges deducted 1.23% from the performance of the SRRP Fund during the second quarter, offsetting the positive returns experienced by the SRRP Fund of 2.24% due to the appreciation of the USD during the same period.

The Committee discussed the $133 million foreign exchange hedges to expire on September 20, 2013 and agreed to renew the hedges for one-half of that amount.

Mr. Will da Silva or Hewitt provided a review of the valuation and funding for the SRRP Fund and advised that based on the 2010 valuation, Annual Defined Benefit cash funding contributions of approximately $29.3 million are paid in monthly installments of $2.4 million. An updated valuation is expected to be filed prior to year end if the solvency funded ratio exceeds 85%, thereby allowing the Corporation to avoid annual valuations and to fix funding for another three years.

(b) Sears Canada Inc. Supplementary Retirement Plan ("SRP")

SRP Fund return for the second quarter was 0.18%, 27 bps above benchmark return of -0.09%. The year-to-date return was 4.32%, 24 bps above benchmark return of 4.08%. SRP Fund balance decreased $0.7 million year-to-date to $48.7 million as asset returns of $1.1 million did not offset pension payments of $1.8 million.

At June 30, 2013, the asset allocation was in line with target ranges:

- Equity actual allocation was 34.4% (target allocation range of 25% - 45%)
- Fixed Income actual allocation was 59.6% (target allocation range of 55% - 75%).

In the second quarter of 2013, $600,000 was redeemed from Canso Broad Corporate Bond Fund and $300,000 from the BlackRock MSCI ACWI ex Canada to cover pension payments and to rebalance to the SRP's target asset allocation.

As at December 31, 2012, 110 members receive benefits and 17 active members may in future years.

(c) Sears Canada Inc. Health & Welfare Plan Trust Fund ("HWT Fund")

HWT Fund return for the second quarter 2013 was 0.20%, the same as the immunized liability index return of 0.39%. In July 2011, Standard Life began its mandate to manage a portfolio of government and investment grade bonds. Since then, the fund returned 1.93%, the same as the immunized liability index return of 1.92% over the same period.

HWT Fund balance in the second quarter 2013 decreased approximately $6.3 million to $35.2 million, the net result of benefit payments of $6.6 million offset by investment gains of $0.3 million. Assets in the HWT Fund are anticipated to have a remaining life of 1.3 years.

OTHER BUSINESS

5. Mr. Dalglish provided the Audited Financial Statements and the Auditors' Report for the financial year ended December 31, 2012 for the following:

- SRRP
- Sears Profit Sharing Retirement Fund

***IN-CAMERA* SESSION**

6. An *in-camera* session was not held.

There being no further business, the meeting was then terminated.

________________ ____________________
Chair of the Meeting Secretary

____
Date

3. Towers Watson

Performance Review

- DB Report
- DC Report

Sears Canada
Defined Benefit and Defined Contribution Plans

Performance Monitoring Report For Periods Ending September 30, 2013

TOWERS WATSON

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TOWERS WATSON

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Toronto, ON
M4W 3T6

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Fax (416) 960-2819

November 7, 2013

Sears Canada retained Towers Watson Canada Inc. ("Towers Watson") to evaluate the investment performance of the Master Trust on a quarterly basis.

To accurately evaluate the investment performance, it is necessary to compare the Master Trust's results against both relevant market indices or benchmarks and, if available, peer groups of investment portfolios that invest with similar mandates. Comparison to relevant market indices or benchmarks indicates whether value was added through active management. Comparison against a peer universe shows how the portfolios fared relative to their peers.

This report includes an analysis of each individual portfolio. In addition to addressing how well or poorly each portfolio performed, this report also addresses why performance was good or bad. This report is not complete without accompanying discussion with an investment consultant from Towers Watson.

This report contains confidential and proprietary information of Towers Watson, which may not be reproduced, transmitted or disclosed without prior written consent.

Sincerely,

TOWERS WATSON

Janet Rabovsky

Janet Rabovsky
Director

Sears Canada | As of September 30, 2013

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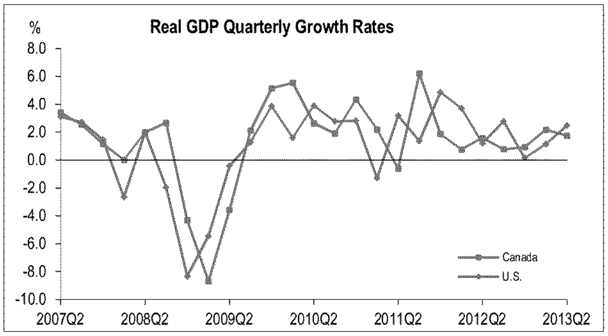
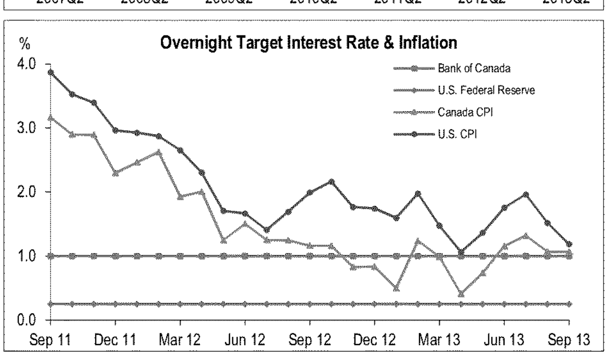
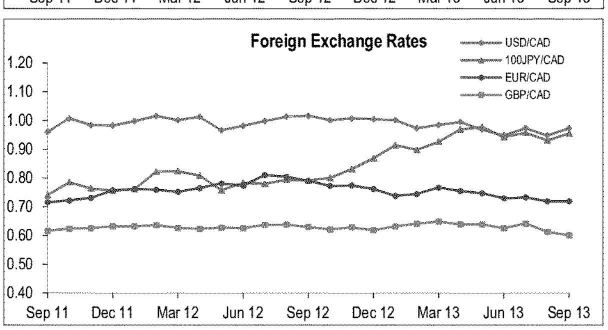
Macroeconomic Conditions







Canada

Modest economic growth – Real GDP expanded 1.7% (annualized rate) in the 2nd quarter of 2013, a slower pace than in the 1st quarter (2.2%). Growth was primarily in household and government consumption, as well as residential investment. Declines occurred in business investment and in sectors such as mining and manufacturing. Exports increased slightly, following a strong first quarter. The unemployment rate was 6.9% in September, down from 7.1% in June. Over the 12-month period, employment grew by 1.2% (+212,000 jobs), a pace similar to the working-age population growth.

A gradual path to self-sustaining growth – The pick-up in Canadian exports and business investment hinges to a large extent on global demand, which is expected to grow, but is unlikely to accelerate in the near term given economic uncertainties. Positive signs include moderate growth and normalization of long-term interest rates in the US, early signs of possible recovery in Europe, a promising situation in Japan, and slowing but still solid growth in China. The Canadian economy is expected to move towards self-sustaining growth, gradually, in contrast to being fuelled by policy, including record-low interest rates. The Bank of Canada (BoC) projects the economy to grow at 1.6% in 2013 (1.8% projected previously) and 2.3% in 2014.

Considerable monetary stimulus – During the 3rd quarter, the Canadian dollar appreciated against the US dollar ($0.97 in Sept. versus $0.95 in June, a reversal to the prior quarters' trend) and the Japanese yen, but depreciated slightly against the Euro and the British pound. The Consumer Price Index (CPI) rose 1.1% over 12 months to September, persistently below the BoC's 2% long-term target. The BoC downgraded its economic outlook, maintained the considerable stimulus (overnight target interest rate at 1%), and signaled a later tightening of monetary policy than previously anticipated.

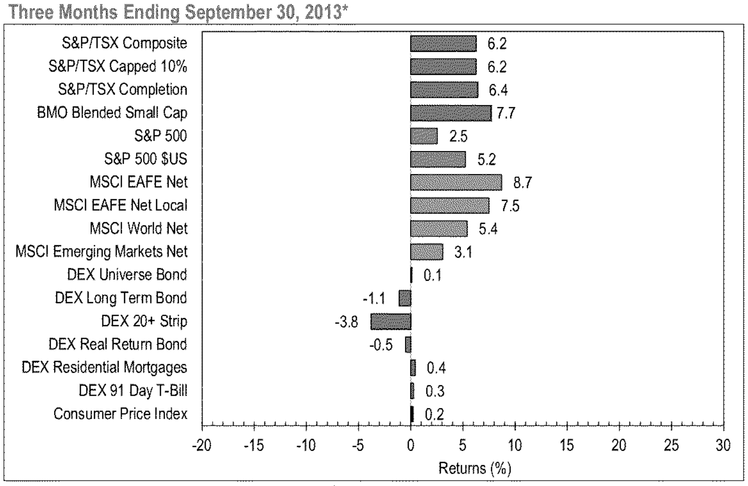
United States

Moderate growth, elevated unemployment – The US real GDP rose 2.5% (annualized rate) in the 2nd quarter of 2013, faster than in the 1st quarter (1.1%). Improved economic growth was attributable to a strong upturn of exports as well as positive contributions from personal consumption expenditures, fixed investment (nonresidential and residential), and increases in private inventory, while Federal government spending declined. The unemployment rate remained elevated at 7.2% in September, a slight decline of 0.4% since June. The CPI inflation rate was 1.2% over 12 months to September, below the Federal Reserve's long-run goal of 2%.

Budding normalization of interest rates – The downside economic risks to the economy and the labor market have largely diminished, given the improvements in household spending, business investment, and the housing sector. Economic expansion is restrained by federal fiscal retrenchment and rising interest rates, but the upward normalization of mortgage rates halted after the Fed reassured the market of its stimulus programs. The Fed will continue its purchase of securities ($85B per month) and keep a target interest rate of 0%-0.25%, at least as long as the unemployment rate remains above 6.5%, short-term projection of inflation remains below 2.5%, and long-run inflation is well anchored. The Fed said that the timing and pace of adjusting the highly accommodative monetary policy would be contingent on the sustainability of economic progress. Economic growth is expected to be at a moderate and then faster pace (2.0%-2.3% in 2013 and 2.9%-3.1% in 2014 by the Fed's forecast).

Overall

Three Months Ending September 30, 2013*



Market volatility persisted during the 3rd quarter as uncertainty regarding US monetary policy as well as political concerns in Europe continued to weigh on investors' confidence. However, all equity markets posted positive returns in the quarter.

The Canadian equity market, as measured by the S&P/TSX Composite Index, posted a gain of 6.2% in the 3rd quarter. The Index's positive performance was primarily due to strong performance posted by banks and energy stocks which accounted for 4.2% of the Index's total return.

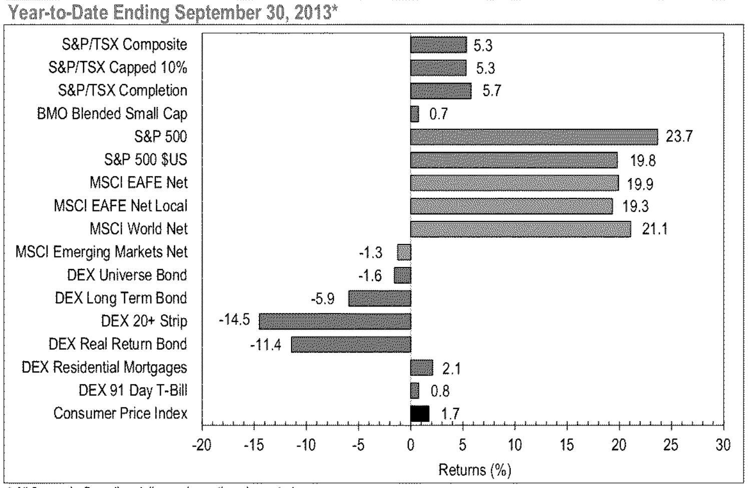
The S&P 500 Index of US equity investments recorded a 5.2% gain in US dollar terms in the 3rd quarter. The Information Technology sector was the largest contributor to the overall Index performance. To unhedged Canadian investors, this translated to a smaller gain of 2.5% due to the appreciation of the Canadian dollar during the quarter.

The MSCI EAFE Index of international equity investments posted a 7.5% gain this quarter in local currency terms. For unhedged Canadian investors, international equities returned 8.7% due to the depreciation of the Canadian dollar against most major international currencies during the period, except the Japanese yen.

The MSCI Emerging Markets Index returned 3.1% to unhedged Canadian investors in the 3rd quarter, as most regions posted positive returns.

The DEX Universe Bond Index returned 0.1% during the 3rd quarter of 2013, while the DEX Long Term Bond Index posted a loss of 1.1% over the same period. These results were mainly due to the steepening of the yield curve, as short and midterm yields shifted downward and long term yields increased over the quarter.

Year-to-Date Ending September 30, 2013*



The S&P/TSX Composite Index has returned 5.3% since the beginning of the year. Positive performance was mainly driven by the strong performance posted in the 1st and 3rd quarters. Small cap stocks, as measured by the BMO Blended Small Cap Index, returned 0.7%, significantly underperforming large cap stocks.

US equities, as measured by the S&P 500 Index, returned 19.8% in US dollar terms for the nine months ending September 30, 2013 due to widespread gains from all sectors. For unhedged Canadian investors, the Index returned 23.7% due to the significant depreciation of the loonie versus the US dollar since the beginning of 2013.

International equities, as measured by the MSCI EAFE Index, returned 19.9% in Canadian dollar terms over the last nine months. Global equities returned 21.1% during the same period. Strong returns in US and international equities since the beginning of the year contributed to the solid performance of global equities.

Emerging markets equities lost 1.3% for the nine-month period ended September 30, 2013, entirely due to poor 2nd quarter returns when all main regions posted negative returns.

Negative bond returns in the first nine months of 2013 were primarily due to 2nd quarter losses when the yield curve shifted upward. The DEX Universe Bond Index posted a 1.6% loss over the year to date period, while the DEX Long Term Bond Index returned -5.9%, and the DEX Real Return Bond Index lost 11.4% as real yields jumped by 84 bps from the beginning of the year. Real return bonds were the worst performers due to their longer duration (16 years versus 14 years for the DEX Long Bond Index) and therefore higher sensitivity to changes in yields.

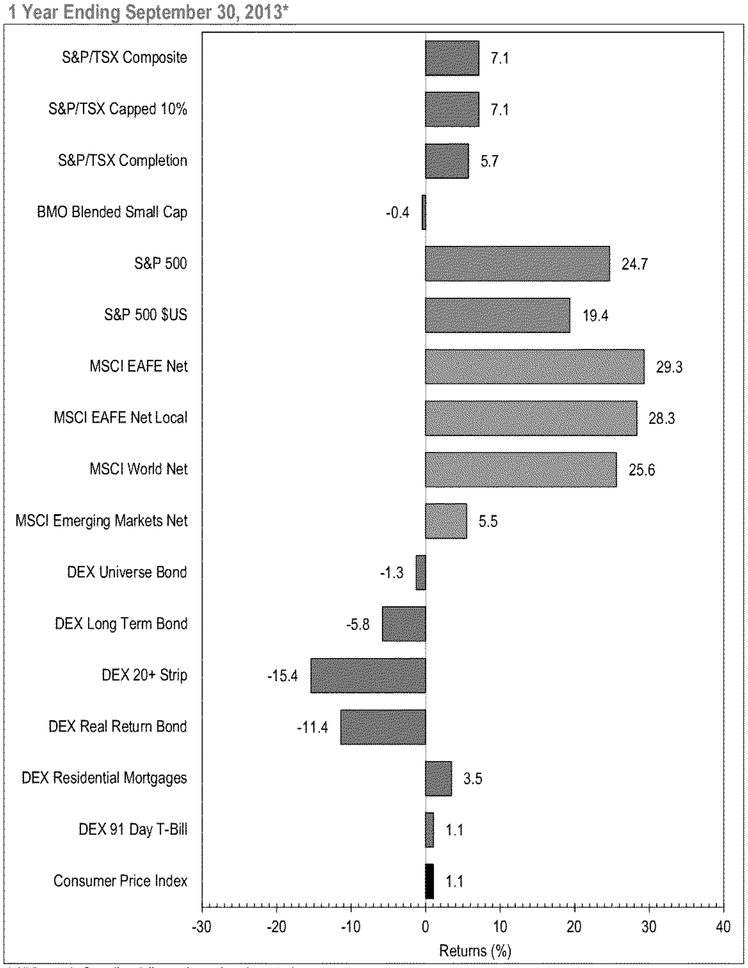
* All figures in Canadian dollars unless otherwise noted.

Capital Markets Review

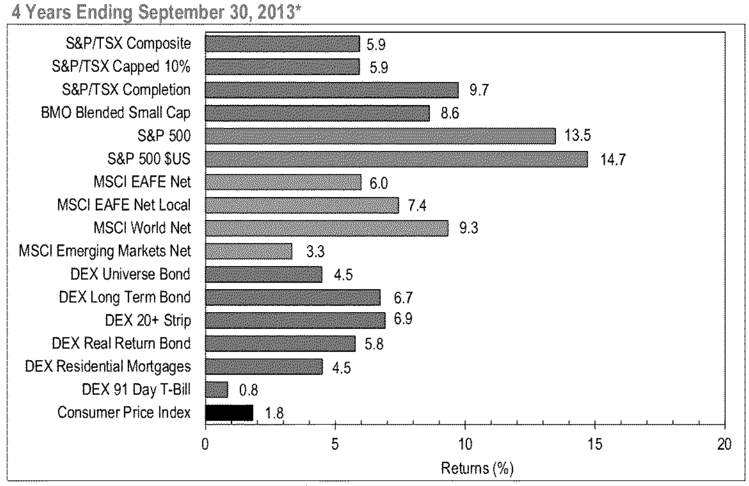
As of September 30, 2013

Overall

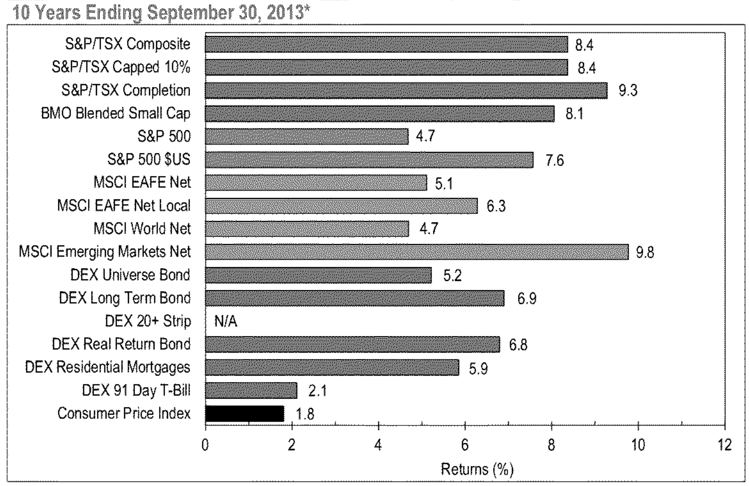
1 Year Ending September 30, 2013*



4 Years Ending September 30, 2013*

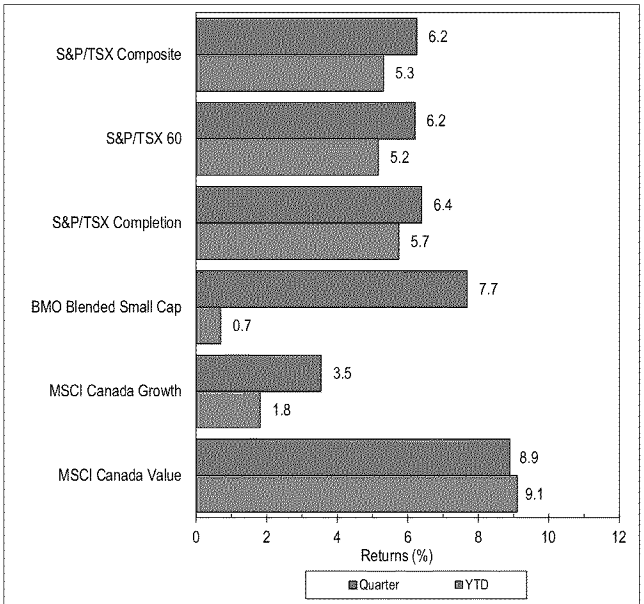


10 Years Ending September 30, 2013*



* All figures in Canadian dollars unless otherwise noted.

Canadian Equity



S&P/TSX Composite

Sectors	Quarterly Return	YTD Return	Index Weight
Energy	6.6%	7.5%	25.2%
Materials	4.5	-27.7	12.9
Industrials	3.4	18.2	7.2
Consumer Discretionary	8.3	32.5	5.5
Consumer Staples	3.3	18.7	3.1
Health Care	10.9	51.2	2.8
Financials	7.4	12.4	34.7
Information Technology	6.2	27.9	1.7
Telecommunication Services	6.0	5.9	5.1
Utilities	-3.1	-7.0	1.8
S&P/TSX Composite	**6.2**	**5.3**	**100.0**

Positive performance during the quarter – The S&P/TSX Composite Index rebounded from last quarter's negative performance with a gain of 6.2% for the 3rd quarter of 2013. Despite a volatile quarter, the global economy showed signs of improvement and all global equity markets performed well.

Positive gains in most sectors – Nine out of ten sectors posted positive returns over the 3rd quarter. Health Care (+10.9%), Consumer Discretionary (+8.3%) and Financials (+7.4%) were the best performing sectors. The low-weighted Utilities sector was the only sector in negative territory, posting a loss of 3.1% over the quarter.

Financials sector outperformed – The Financials sector outperformed the broad Index, posting a gain of 7.4% and accounting for 2.6% of the Index's total return over the quarter. Three of the top five contributors were financials stocks (TD Bank, Royal Bank of Canada and Bank of Montreal) as banks reported strong earnings during the quarter.

Energy sector rebounded – After three quarters of negative returns, the Energy sector rose in the 3rd quarter, posting a gain of 6.6%. This performance was largely led by Suncor Energy, the top contributor of the quarter, as Warren Buffet's Berkshire Hathaway acquired a $0.5B equity position in the company. However, two of the top five detractors were energy stocks, namely Cameco, due to the persistent decline in the uranium spot price, and Enbridge, due to the volatility in crude oil and natural gas prices over the quarter.

Materials sector posted gains – Precious metals and commodity prices rose during the 3rd quarter, helping the Materials sector post a positive return of 4.5%. Specifically, gold companies such as Barrick Gold (+16%) and Franco-Nevada (+25%) performed strongly over the period. However, Potash (-19%) was the top detractor from the Index over the quarter as its stock price fell due to a potential increase in supply from the Russian potash producer, Uralkali.

Health Care sector continued its strong performance – The Health Care sector was, for the third consecutive quarter, the best performing sector with a return of 10.9%. Valeant Pharmaceuticals (+18%), one of the top contributor to the Index's return over the quarter, continued to hit new highs as management bid on an acquisition and completed the Bausch and Lomb acquisition. Although the Health Care sector represents less than 3% of the Index's weight, the strong performance of Valeant added 0.3% to the overall Index return during the 3rd quarter.

Consumer Discretionary performed strongly – Consumer discretionary stocks outperformed the broad market, led again by Magna International (+14%) which announced higher-than-expected sales forecast.

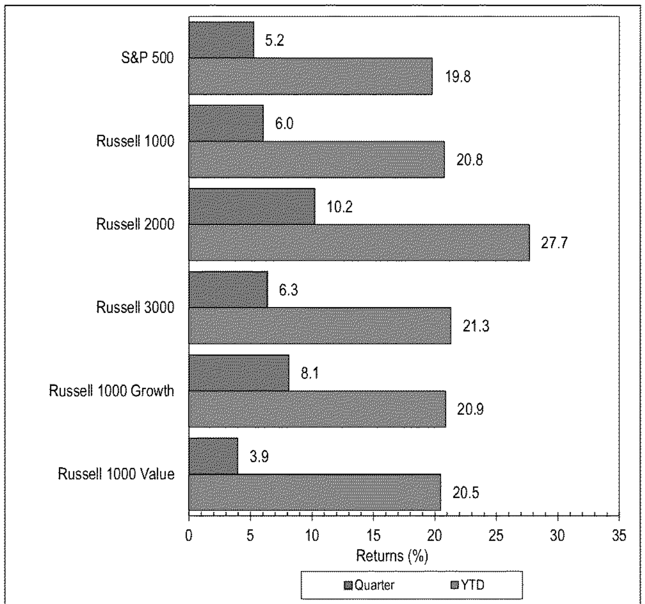
Small cap stocks outperformed large cap stocks – The BMO Blended Small Cap Index posted a gain of 7.7%, outperforming the broad market over the quarter. Large cap stocks, as measured by the S&P/TSX 60 Index, returned 6.2% over the quarter, matching the performance of the broad market.

Active investment management outperformed in the 3rd quarter – The Canadian equity investment manager universe median outperformed the S&P/TSX Composite Index for the fourth consecutive quarter, suggesting active management added value versus the passive index over the quarter.

Top 5 contributors – Suncor Energy, TD Bank, Royal Bank of Canada, Bank of Montreal and Valeant Pharmaceuticals.

Top 5 detractors – Potash, Cameco, BlackBerry, Catamaran and Enbridge.

US Equity (US Dollar)



S&P 500

Sectors	Quarterly Return	YTD Return	Index Weight
Energy	5.2%	15.4%	10.5%
Materials	10.3	13.5	3.5
Industrials	8.9	23.9	10.7
Consumer Discretionary	7.8	29.1	12.5
Consumer Staples	0.8	16.1	10.0
Health Care	6.8	28.5	13.0
Financials	2.9	22.9	16.3
Information Technology	6.6	13.4	17.9
Telecommunication Services	-4.4	5.7	2.4
Utilities	0.2	10.1	3.2
S&P 500	**5.2**	**19.8**	**100.0**

Positive performance in the 3rd quarter – The S&P 500 Index of US equities earned 5.2% in the 3rd quarter, marking it the third consecutive quarter of positive returns. Over the past three years, the Index has earned a positive return in three out of every four quarters. To unhedged Canadian investors, US equities returned 2.5% in the 3rd quarter due to the appreciation of the loonie against the US dollar.

Widespread gains in most sectors – Nine out of ten sectors of the S&P 500 Index posted gains during the 3rd quarter. Materials (+10.3%), Industrials (+8.9%) and Consumer Discretionary (+7.8%) were the top performing sectors. The only sector to finish in negative territory was Telecommunication Services (-4.4%).

Information Technology sector outperformed – The heavily weighted Information Technology sector (+6.6%) outperformed the broad market for the fourth consecutive quarter. After struggling three consecutive quarters, Apple finally rebounded with the launch of two new smartphones in September. Moreover, Apple was the top contributor to the overall Index's performance. However, two of the top five detractors in the quarter were information technology stocks, namely Microsoft, due to its missed profit expectations and Hewlett-Packard, due to its management reorganization.

Consumer Discretionary sector outperformed – The Consumer Discretionary sector was one of the best performing sectors this quarter with a gain of 7.8%. The main contributor to the sector was Amazon (+13%) as the company added a new product lineup to its current offering.

Health Care sector continued its strong performance – The Health Care sector continued to deliver strong performance, posting a return of 6.8% for the quarter. In fact, two of the top five contributors to the Index were health care stocks, Gilead Science and Celgene.

Telecommunication Services sector underperformed – The Telecommunication Services sector (-4.4%) was the worst performing sector during the period. One of the top five detractors to the Index was Verizon Wireless as their new early upgrade plan to compete against other service providers was poorly received by the market.

US small cap stocks outperformed the broad market – Small cap stocks, as measured by the Russell 2000 Index, returned 10.2% for the quarter outperforming the S&P 500 Index by 5.0%. Small cap stocks outperformed the S&P 500 for the fourth consecutive quarter.

Growth stocks outperformed value stocks – The Russell 1000 Growth Index outperformed the Russell 1000 Value Index (8.1% versus 3.9%) as investors showed preference for growth stocks.

Active investment management slightly outperformed in the 3rd quarter – The US equity investment manager universe median outperformed the S&P 500 Index suggesting active management added value versus the passive index.

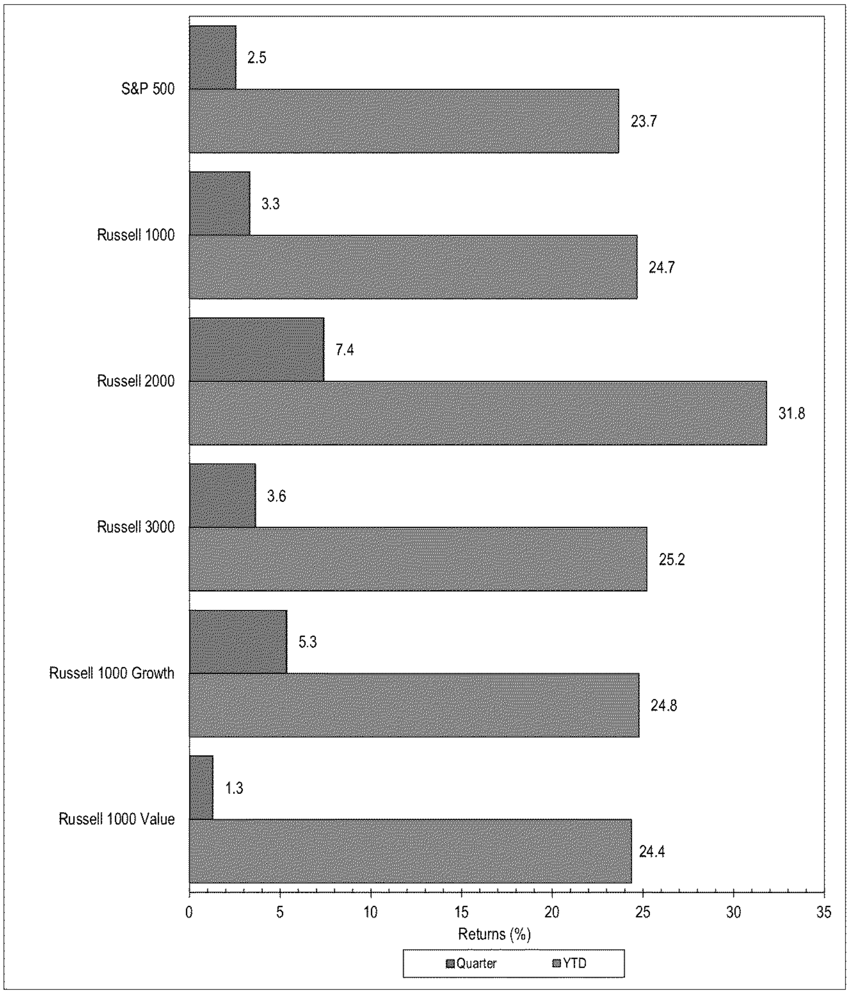
Top 5 contributors – Apple, Schlumberger, Gilead Science, Celgene and United Technologies.

Top 5 detractors – Exxon Mobil, Verizon Communications, Microsoft, Coca-Cola and Hewlett-Packard.

Capital Markets Review

As of September 30, 2013

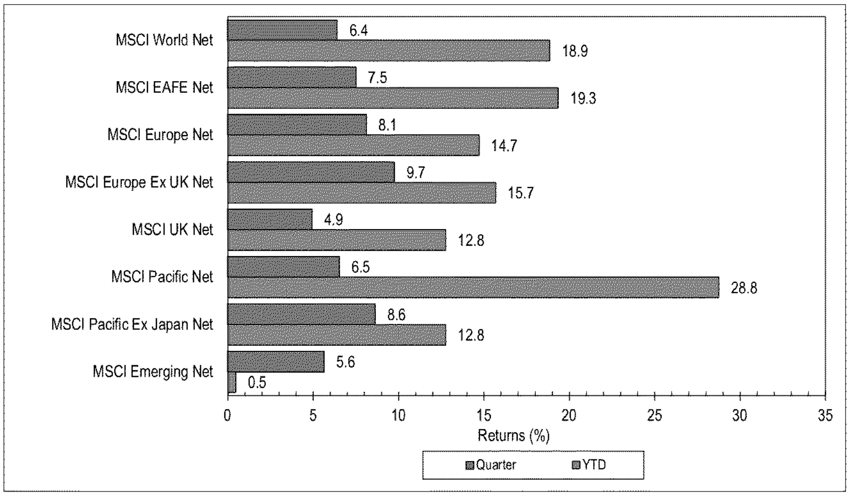
US Equity (Canadian Dollar)



S&P 500

Sectors	**Quarterly Return**	**YTD Return**	**Index Weight**
Energy	2.5%	19.2%	10.5%
Materials	7.5	17.2	3.5
Industrials	6.1	27.9	10.7
Consumer Discretionary	5.0	33.3	12.5
Consumer Staples	-1.8	19.8	10.0
Health Care	4.1	32.6	13.0
Financials	0.2	26.9	16.3
Information Technology	3.9	17.1	17.9
Telecommunication Services	-6.9	9.1	2.4
Utilities	-2.4	13.7	3.2
S&P 500	**2.5**	**23.7**	**100.0**

International Equity (Local Currency)



Positive returns for international equities – The MSCI EAFE Index recorded a 7.5% gain in local currency during the 3rd quarter of 2013, as all regions posted positive returns. This translated to an 8.7% gain to unhedged Canadian investors as the loonie depreciated against most major currencies, except the Japanese yen.

Eurozone officially out of recession – GDP in the Eurozone turned positive in the 2nd quarter (+1.1%), after six quarters of negative growth, and consumer spending grew for the first time in two years. Troubled countries like Greece and Spain showed strong stock market performance (+28.3% and +20.7% in local currency terms) on hopes that a resuscitating economy will help alleviate some of their problems. The Eurozone still faces significant economic headwinds. Unemployment is stuck in the 12% range, while bank lending appears to be contracting at the rate of 8% annually. However, Angela Merkel's strong showing in September's election means that her policy approach is likely to continue, and further accommodation, particularly in the form of additional refinancing, is expected from the European Central Bank.

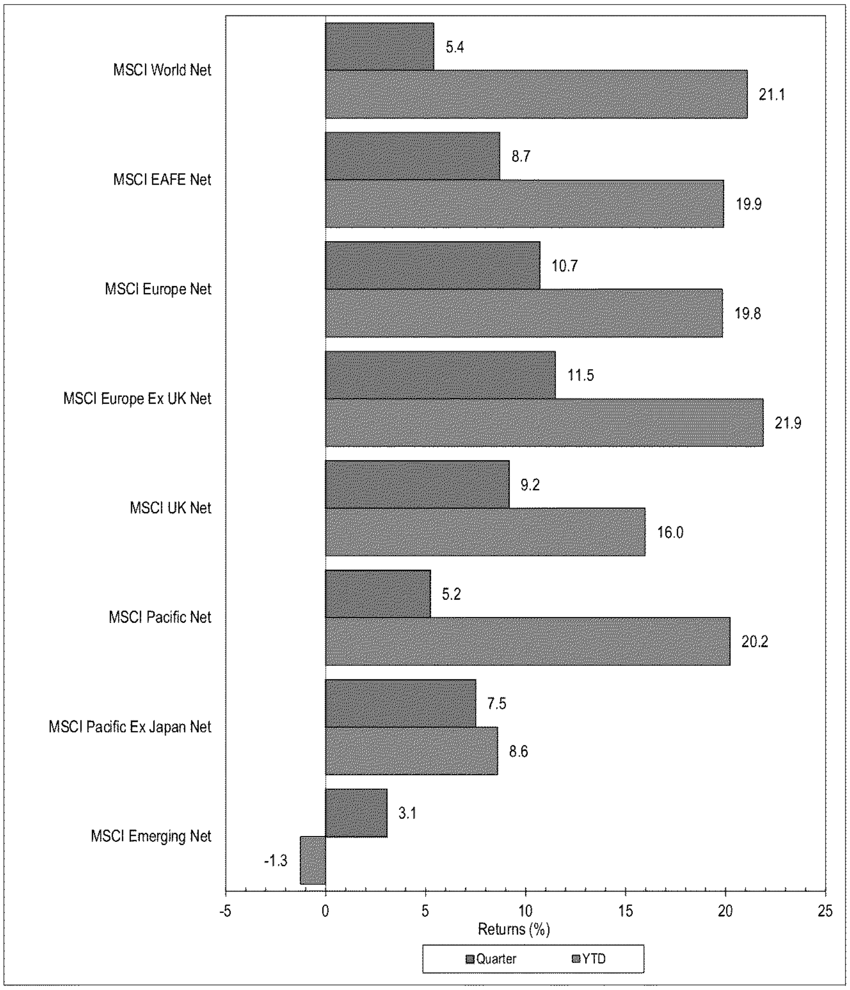
Strong performance from Japanese equities – Japanese equities recorded a 5.4% local currency return. Prime Minister Shinzo Abe's aggressive mix of fiscal stimulus (10.3 trillion yen per year), accommodative monetary policy, trade liberalization, and structural reform appears to be having a positive effect. Japanese GDP growth hit 3.5% in the 1st quarter and 3.8% in the 2nd quarter, making it the fastest growing major developed economy in the first half of the year. However, its government debt, at 240% of GDP, is also the highest of any major developed economy.

Active investment management underperformed in the 3rd quarter – In Canadian dollar terms, the international equity investment manager universe median underperformed the MSCI EAFE Index during the quarter suggesting active management detracted value versus the passive index.

Emerging Markets underperformed MSCI EAFE Index – Emerging market equities posted a return of 3.1% in Canadian dollar terms this quarter, underperforming the MSCI EAFE Index for the fourth consecutive quarter. Eastern Europe was the best performing region, with a 10.8% quarterly return, followed by Asia (+2.6%) and Latin American (+1.5%). From a country perspective, Brazil (+5.6%), China (+9.3%) and Russia (+10.7%) outperformed the MSCI Emerging Market Index, while Indian stocks suffered a 7.7% decline in the quarter.

MSCI Country Indices	Quarterly Return	YTD Return	EAFE Index Weight
Australia	9.6%	16.7%	8.0%
Hong Kong	8.9	7.6	3.0
Japan	5.4	41.1	21.6
New Zealand	8.7	14.9	0.1
Singapore	3.6	3.7	1.5
Pacific	**6.5**	**28.8**	**34.2**
Austria	14.2	7.0	0.3
Belgium	9.1	15.1	1.2
Denmark	9.2	10.6	1.1
Finland	21.6	27.2	0.9
France	10.8	16.1	9.8
Germany	8.2	13.0	8.7
Greece	28.3	33.6	0.1
Ireland	12.2	23.5	0.3
Israel	-1.0	-1.3	0.4
Italy	14.9	6.0	2.1
Netherlands	10.2	17.7	2.6
Norway	7.5	11.6	0.8
Portugal	6.3	6.7	0.2
Spain	20.7	14.8	3.2
Sweden	9.6	16.9	3.2
Switzerland	4.6	19.9	9.0
UK	4.9	12.8	21.7
MSCI Europe	**8.1**	**14.7**	**65.8**
MSCI EAFE	**7.5**	**19.3**	**100.0**
MSCI EAFE - Sectors			
Energy	5.2%	6.3%	6.9%
Materials	10.5	2.9	8.2
Industrials	10.6	22.8	13.0
Consumer Discretionary	9.5	33.6	11.8
Consumer Staples	2.1	14.5	11.2
Health Care	1.5	20.3	10.0
Financials	9.0	21.3	25.4
Information Technology	7.1	23.9	4.3
Telecom. Services	13.0	33.7	5.5
Utilities	5.5	13.3	3.7

International Equity (Canadian Dollar)



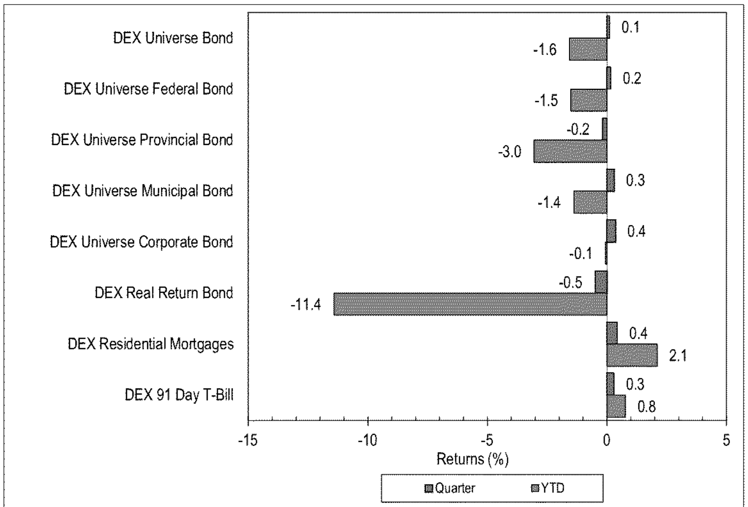
MSCI Country Indices	Quarterly Return	YTD Return	EAFE Index Weight
Australia	9.1%	8.5%	8.0%
Hong Kong	6.1	11.0	3.0
Japan	3.9	28.3	21.6
New Zealand	14.2	19.8	0.1
Singapore	2.0	4.2	1.5
Pacific	**5.2**	**20.2**	**34.2**
Austria	15.9	13.5	0.3
Belgium	10.7	22.0	1.2
Denmark	10.8	17.3	1.1
Finland	23.3	34.8	0.9
France	12.5	23.0	9.8
Germany	9.8	19.7	8.7
Greece	30.2	41.6	0.1
Ireland	13.8	30.9	0.3
Israel	-0.4	7.8	0.4
Italy	16.6	12.3	2.1
Netherlands	11.8	24.8	2.6
Norway	6.4	6.6	0.8
Portugal	7.9	13.1	0.2
Spain	22.4	21.7	3.2
Sweden	12.2	22.2	3.2
Switzerland	6.7	25.3	9.0
UK	9.2	16.0	21.7
MSCI Europe	**10.7**	**19.8**	**65.8**
MSCI EAFE	**8.7**	**19.9**	**100.0**
MSCI EAFE - Sectors			
Energy	7.7%	8.5%	6.9%
Materials	11.9	3.0	8.2
Industrials	11.4	22.5	13.0
Consumer Discretionary	10.1	32.3	11.8
Consumer Staples	4.0	16.7	11.2
Health Care	3.2	23.2	10.0
Financials	9.8	21.0	25.4
Information Technology	7.3	21.0	4.3
Telecom. Services	14.7	35.3	5.5
Utilities	6.7	15.7	3.7

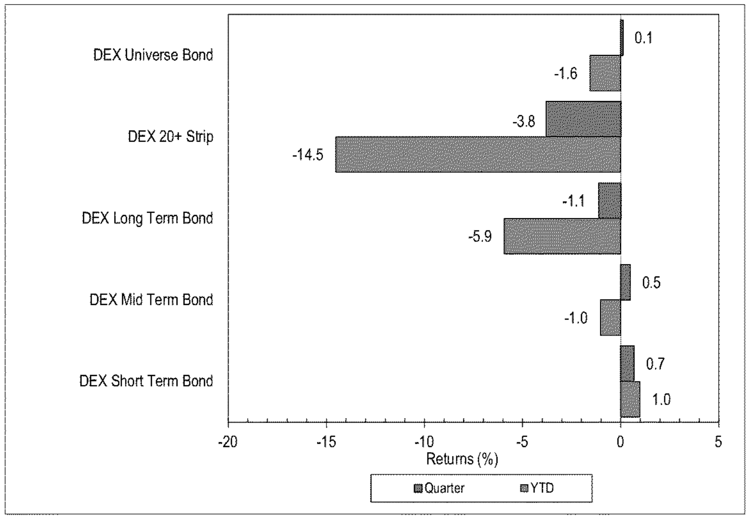
Global Equity

MSCI World Net (Local Currency)	Quarterly Return	YTD Return	World Index Weight
Australia	9.6%	16.7%	3.4%
Hong Kong	8.9	7.6	1.2
Japan	5.4	41.1	9.1
New Zealand	8.7	14.9	0.1
Singapore	3.6	3.7	0.7
Pacific	**6.5**	**28.8**	**14.5**
Austria	14.2	7.0	0.1
Belgium	9.1	15.1	0.5
Denmark	9.2	10.6	0.5
Finland	21.6	27.2	0.4
France	10.8	16.1	4.2
Germany	8.2	13.0	3.7
Greece	28.3	33.6	0.0
Ireland	12.2	23.5	0.1
Israel	-1.0	-1.3	0.2
Italy	14.9	6.0	0.9
Netherlands	10.2	17.7	1.1
Norway	7.5	11.6	0.3
Portugal	6.3	6.7	0.1
Spain	20.7	14.8	1.3
Sweden	9.6	16.9	1.4
Switzerland	4.6	19.9	3.8
UK	4.9	12.8	9.2
MSCI Europe	**8.1**	**14.7**	**27.9**
USA	5.6	19.7	53.4
Canada	6.0	4.9	4.2
MSCI World Net	**6.4**	**18.9**	**100.0**
MSCI World - Sectors			
Energy	5.5%	11.4%	9.6%
Materials	9.5	1.4	5.8
Industrials	9.4	23.1	11.4
Consumer Discretionary	8.8	30.9	12.1
Consumer Staples	1.4	15.2	10.2
Health Care	4.9	25.6	11.2
Financials	6.2	20.6	20.9
Information Technology	8.1	16.1	11.8
Telecommunication Services	6.1	20.9	3.7
Utilities	2.4	11.1	3.3

MSCI World Net (Canadian Dollar)	Quarterly Return	YTD Return	World Index Weight
Australia	9.1%	8.5%	3.4%
Hong Kong	6.1	11.0	1.2
Japan	3.9	28.3	9.1
New Zealand	14.2	19.8	0.1
Singapore	2.0	4.2	0.7
Pacific	**5.2**	**20.2**	**14.5**
Austria	15.9	13.5	0.1
Belgium	10.7	22.0	0.5
Denmark	10.8	17.3	0.5
Finland	23.3	34.8	0.4
France	12.5	23.0	4.2
Germany	9.8	19.7	3.7
Greece	30.2	41.6	0.0
Ireland	13.8	30.9	0.1
Israel	-0.4	7.8	0.2
Italy	16.6	12.3	0.9
Netherlands	11.8	24.8	1.1
Norway	6.4	6.6	0.3
Portugal	7.9	13.1	0.1
Spain	22.4	21.7	1.3
Sweden	12.2	22.2	1.4
Switzerland	6.7	25.3	3.8
UK	9.2	16.0	9.2
MSCI Europe	**10.7**	**19.8**	**27.9**
USA	2.9	23.5	53.4
Canada	6.0	4.9	4.2
MSCI World Net	**5.4**	**21.1**	**100.0**
MSCI World - Sectors			
Energy	4.6%	14.1%	9.6%
Materials	9.4	2.3	5.8
Industrials	8.3	24.9	11.4
Consumer Discretionary	7.5	32.8	12.1
Consumer Staples	0.9	18.1	10.2
Health Care	3.9	29.1	11.2
Financials	5.4	22.0	20.9
Information Technology	5.8	18.8	11.8
Telecommunication Services	6.0	23.5	3.7
Utilities	1.6	14.1	3.3

Fixed Income



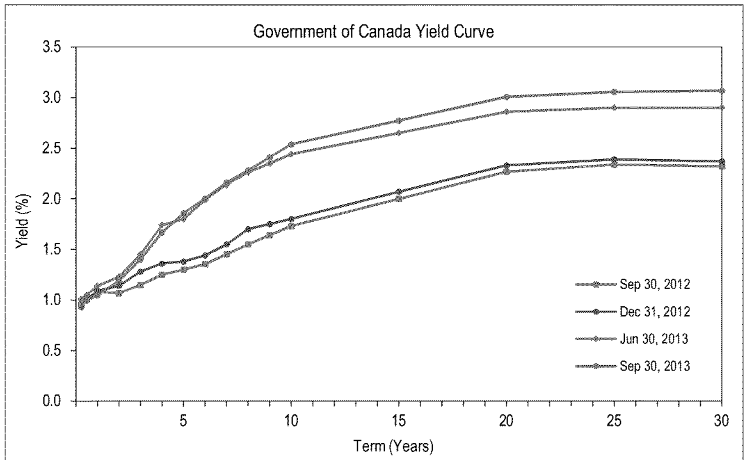


Small changes in bond yields – The DEX Universe Index yield increased by 5 bps to 2.71% in the 3rd quarter, while the DEX Long Term Bond Index yield gained 16 bps, ending the quarter at 3.96%.

Steepening of the yield curve – During the 3rd quarter, the short and mid end of the yield curve decreased while long term yields continued their upward shift. As a result, long term bonds underperformed Universe bonds by 1.2% during the quarter and short term bonds (+0.7%) were the best performers again this quarter. Real return bonds posted a return of -0.5% over the quarter as real yields increased by 6 bps to 1.02%.

Corporate bonds continued to outperform – For the fifth consecutive quarter, corporate bonds (+0.4%) were the best performing segment during the 3rd quarter, outperforming the broad bond market as yields remained attractive despite market volatility. Spreads between investment grade corporate bonds and government bonds remained virtually unchanged over the 3rd quarter.

Active investment management outperformed in the 3rd quarter – The Canadian fixed income investment manager universe median outperformed the DEX Universe Bond Index during quarter suggesting active management added value versus the passive index, notably due to the overweight position in corporate bonds most active managers hold relative to the Index.



Financial Position of Benchmark Defined Benefit Pension Plan

Canadian Pension Index Results

Over the 3rd quarter, the benchmark plan's 60% stocks / 40% fixed income portfolio reported an investment return of 3.6%.

The liability discount rate (accounting basis) of the benchmark plan, based on Towers Watson's RATE:Link methodology, increased over the quarter by 19 bps (4.60% as of September 30, 2013 versus 4.41% as of June 30, 2013).

The Towers Watson Pension Liability Index decreased by 1.6% over the same period, reflecting the combined effect of interest accumulation and the discount rate increase.

The increase in the liability discount rate and positive investment returns resulted in an increase in the Towers Watson Pension Index over the quarter, from 62.2 at June 30, 2013 to 65.5 at September 30, 2013.

The change in the Towers Watson Pension Index does not reflect any contributions made to reduce the size of any deficit or any contribution holiday taken on account of any surplus.

Key Bond Yields (at end of month)

Canadian Pension Index Results

	Quarter	YTD	1 Year	4 Years*
Portfolio Returns				
40% Stocks/60% Fixed Income	2.4%	4.2%	5.6%	6.0%
60% Stocks/40% Fixed Income	3.6	7.2	9.2	6.7
80% Stocks/20% Fixed Income	4.7	10.2	12.9	7.4
Benchmark Plan Liability Results				
Change in Pension Liability Index	-1.6%	-6.6%	-6.4%	8.2%
Percentage Change in Pension Index	5.2%	14.8%	16.7%	-1.4%

** Annualized*

Note: Actual plan results will differ from the benchmark plan, depending on asset mix, investment performance, liability structure, and contributions to the plan. Funding results will also differ.

Executive Summary

Total Trust

- During the third quarter of 2013, the Total Fund returned 2.5% and outperformed its benchmark by 1.5% as strong performance by the active equity managers was offset by mixed performance of the active fixed income managers. The Fund ranked in the fourth quartile due to its conservative asset mix. The third quarter was a strong period for equities with all markets posting positive results. In a reversal to the first half of 2013, Canada and Emerging Markets posted positive returns as gold prices recovered and recent economic data in China indicates that growth is perhaps stabilized. Interest rates continued to rise in the July and August putting downward pressure on bond prices. The Fed's surprise announcement in September that it would continue with QE resulted in falling interest rates in September. All US active equity managers outperformed their benchmarks, while within the Fixed Income, all active managers with the exception of Marret, Oaktree and DDJ outperformed their respective benchmarks.

BlackRock

- The BlackRock Index Funds tracked closely to their respective benchmarks during the third quarter of 2013.

  Manager Update: In October 2013 Towers Watson were advised the BlackRock has completed its acquisition of MGPA, the private equity real estate investment advisory company.

  Towers Watson Comments: The message appears positive and from discussions with BlackRock we understand that the impact on personnel has so far been minimal.

Horizon-Kinetics

- During the quarter, Kinetics returned 8.5%, outperforming the benchmark by 4.6% and ranking in the first quartile.
- Outperformance was a result of strong stock selection namely in the Energy sector.
- From a stock specific perspective, top 3 contributors to relative performance were Liberty Media Corp, a subsidiary of Sirius XM, which rallied as a result of strong second quarter operating results and its 35% acquisition of Charter Communications; The Wendy's Company, which reported improved operating results; and AutoNation which reported increased new car sales.

Dodge and Cox

- During the quarter, Dodge and Cox returned 6.9% outperforming the benchmark by 3.0% and ranking in the first quartile.
- Outperformance was driven by strong stock selection within the Financials, Energy and Consumer Discretionary sectors. Further compounding strong relative performance was overweight positions to stocks which benefitted from corporate actions during the period; Molex (+32%), which was taken private at a higher than expected value and Nokia (+75%), which benefitted from the Microsoft bid for its mobile phone assets.

Cramer, Rosenthal, McGlynn

- During the quarter CRM returned 7.2%, outperforming the benchmark by 1.3% and ranking in the third quartile.
- Outperformance was driven primarily by strong sector allocation as the Fund remains underweight Financials which saw interest sensitive stocks negatively impacted by rising interest rates, and overweight Producer Durables. Further compounding strong sector allocation was strong stock selection: FMC Corporation benefitted from providing greater transparency around its 2015 strategic plan and Dover Corporation which posted better than expected earnings.

Executive Summary

Canso

- During the quarter, Canso returned 1.3% outperforming its benchmark by 0.9% and ranking in the first quartile.
- Outperformance was driven by the Fund's short duration position in the rising interest rate environment, coupled with narrowing spreads. From a stock specific perspective, Royal Bank of Scotland and Tier 1 positions benefited from narrowing spreads.
- Further adding value was the Fund's 0.4% equity position in Yellow Media which rallied upon the announcement of a new company president.

Marret Fixed Income

- During the quarter, Marret returned 0.9 % underperforming the benchmark by 0.5% and ranking in the second quartile.
- Underperformance was driven by unsuccessful hedging of the 10yr + portion of the portfolio in which the hedges in place did not fully cover the negative price impact of rising interest rates.
- Following the recent announcement of the CI Financial acquisition of Marret on September 25, 2013. Sears Canada terminated Marret's mandate and redirected the funds.

Loomis Sayles & Co.

- During the quarter, Loomis returned 1.6% outperforming the benchmark by 0.9% and ranking in the first quartile. It should be noted however given the recent policy changes in the Fund, aging in place versus benchmark oriented, the benchmark is not of the investment strategy.
- The Fund continues to benefit from its short duration versus the benchmark in the rising interest rate environment. From an absolute return perspective, the Fund benefitted from a high allocation to investment grade credit namely in the 3-5 year bucket. Further contributing to performance was the strong performing Bank Loans sector.

Income Research and Management

- During the quarter, Income Research and Management returned 2.2%, outperforming its benchmark by 1.5% and ranking in the first quartile.
- Outperformance was driven by the Fund's short duration in a rising interest rate environment.

Shenkman

- During the quarter, Shenkman returned 3.2% outperforming the benchmark by 0.9% and ranking in the first quartile.
- Outperformance was driven by the short duration of the credit portfolio. Further adding value was stock selection in the Health Care and Utilities sectors, although this was marginally offset by poor stock selection in the Oil and Gas and Financials sectors.

Manager Updates: On September 9, 2013 Shenkman Capital Management (Shenkman) announced the hiring of David Lerner as Senior Vice President and Portfolio Manager, Bank Loans.

Towers Watson Comments: Given that David Lerner's predecessor firm, Credit Suisse Asset Management, employs a relatively conservative bank loan approach, he will likely be a good fit for Shenkman's investment process. However, this is the second new hire for Shenkman in about a month and it is slightly unusual for the firm to make this many hires on the portfolio management team given past hiring trends. It appears they are either positioning themselves for future growth or succession planning.

Manager Updates: In October 2013 Towers Watson were advised that General Counsel, Richard Weinstein, who also has some oversight responsibility for operations, is leaving the firm at the end of the month. Shenkman do not view this as a significant issue for the firm or strategy.

Towers Watson Comments: Towers Watson are reviewing this change and will release a formal view in due course.

Executive Summary

Oaktree

- During the quarter, Oaktree Capital Management returned 2.2% matching its benchmark and ranking in the third quartile.
- Strong stock selection in the Metals/Mining and Energy sectorswas offset by poor stock selection in the Services and Financials sectors.

DDJ

- During the quarter, DDJ returned 0.0%, underperforming the benchmark by 0.6% and ranking in the fourth quartile.
- Underperformance was a result of seeding of the portfolio which took place in late July, in that regard the benchmark return represents a full quarter whereas the portfolio return represents a partial quarter. In addition, the Fund was not fully invested throughout the period with a 50% allocation to cash. DDJ have confirmed that the Fund is now fully invested.

Manager Updates: In September 2013 John O'Connor will join DDJ as Head of Business Development and Client Services.

Towers Watson Comments: The decision to add this position is viewed positively as DDJ has grown over 50% the past 2 years and around 25% year to date from an assets under management perspective. Going back a couple years ago DDJ appeared slightly frustrated at times with lack of asset growth but the last couple years of growth should alleviate some of these concerns. We will continue to closely monitor their capacity levels, but adding to the client service team should help with the growth in new clients.

Executive Summary

BlackRock Passive

- The BlackRock Index and Target Date Funds closely tracked their respective benchmarks during the third quarter of 2013.

BlackRock Active Canadian Equity

- The Fund returned 7.0% for the quarter, outperforming the benchmark by 0.8%.Outperformance during the quarter was primarily the result of positive stock selection decisions, primarily within the Energy and Materials sectors. The top contributor to the fund was an underweight position to Potash Corp. Potash Corp. saw its share price drop following the announcement that the major Russian potash producer, Uralkali, was withdrawing from the industry's largest cartel and intends to boost sales volume at the expense of lower potash prices. Within the Energy sector, an overweight position in Suncore was beneficial, as share price increased after regulatory filings showed Warren Buffet's Berkshire Hathaway had built up a significant position in the oil sands firm.
- Partially offsetting positive relative returns were poor sector allocation decisions; an underweight to the cyclical Consumer Discretionary sector in favour of an overweight to Consumer Staples. The Consumer Discretionary sector was one of the top performing sectors in the index, driven mainly by an increase in global demand for consumer goods as well as a resurgence within the North American auto market.
- Investment themes were mostly positive over the quarter. The Relative Valuation bucket added the most value, while Thematics was neutral. All other themes posted some value add over the quarter.
- Consistent with the Fund's investment process, sector exposures remained tight to the index. The largest deviations were ongoing overweight allocations to the Energy and Consumer Staples sectors.

Connor Clark & Lunn Bond Fund

- The Fund returned 0.4%, outperforming the index by 0.3%. The "risk-on" market environment during the third quarter proved to be positive for the Fund's relative performance as yield curve positioning (overweight to mid-term issues) added value. Further contributing to relative performance was the Fund's shorter-than-benchmark duration in a rising rate environment.
- Security selection within the corporate sector also contributed to relative performance. Notably, the overweight exposure to domestic financial institutions such as GE Financials, Royal Bank of Canada and Bank of Montreal added value.
- Sector allocation also positively contributed to relative performance in the third quarter. The portfolio's significant overweight exposure to corporate bonds (48.3% vs. 29.8% for the Index) at the expense of federal bonds added value over the period.

MFS MB Global Equity Fund

- The Fund returned 6.5% for the quarter, outperforming the index by 1.1%. Security selection was the largest driver of relative performance during the quarter, particularly within the Healthcare sector, with an overweight position in St. Jude Medical which outperformed after realizing increased revenue and market shares gains in their cardiac rhythm management business segment. Further adding value was the lack of exposure to Energy stock Exxon Mobil which posted quarterly earnings below analyst expectations.
- Partially offsetting strong security selection was the residual country allocation which contributed negatively to performance, mainly due to the continued underweight allocation to Japan.

Executive Summary

Changes at Manager: Downgrade of the MFS MB Global Equity strategy

Towers Watson Comments: In October 2013 Towers Watson announced the downgrade of the MFS MB Global equity strategy to FREX 2. In that regard the Fund is still expected to add value after fees in long term.

Assets under management for the Global Equity strategy have risen from $3bn to $46bn over the period from June 2003 to June 2013. Total MFS active equity assets have risen from $81bn to $263bn over the same period.

Looking at the Global Equity portfolio, we have observed gradual declines in portfolio liquidity, turnover and the allocation to mid cap stocks (below $8bn market cap). For completeness, we also note that other portfolio characteristics (such as the number of holdings and average valuation) have remained roughly constant and active share has increased somewhat.

MFS has taken steps to address capacity pressures in the Global Equity strategy, for example closing its Global Equity and Global Concentrated Equity strategies to contributions from existing separate account clients from September 2013.

The substantial level of assets under management within the Global Equity strategy and in overlapping MFS equity strategies is our key concern. We respect the steps made by MFS to reduce flows into the Global Equity strategy. However, some routes for investment in the strategy remain open and we understand that MFS has aspirations for continued significant growth of the wider equity platform which consists of overlapping products leveraging the central research team.

We continue to have very high regard for David Mannheim as the portfolio manager of this strategy and we continue to expect outperformance after fees over the long term. However we also believe that the current level of assets under management represents a notable constraint. Specifically the Global Equity strategy is hampered in its ability to invest meaningfully in mid cap (below $8bn market cap) companies. In addition we have observed a fall in the typical liquidity of portfolio positions meaning it is likely to be harder to trade certain stocks within the portfolio. In this context, our expectations for alpha are somewhat reduced and we believe a move to a 2 skill rating is appropriate

Sears Canada Registered Pension Plan — As of September 30, 2013

Total Trust — Plan Structure and Performance

	Market Value ($)	% of Portfolio	Policy %	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	4 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank
				Ending September 30, 2013															
Total Trust	**1,232,235,115**	**100.0**	**100.0**	**2.5**	**99**	**8.3**	**65**	**10.9**	**60**	**13.2**	**15**	**8.5**	**24**	**8.2**	**32**	**7.6**	**33**	**8.0**	**13**
Total Trust Benchmark				*1.0*	*99*	*7.4*	*78*	*10.3*	*67*	*11.7*	*40*	*8.8*	*20*	*8.4*	*27*	*8.3*	*20*	*8.0*	*13*
Global Equity	**395,980,206**	**32.1**	**30.0**																
BlackRock Canadian Equity Index	7,202,723	0.6		6.3	83	5.3	95	7.2	95	8.2	96	4.1	84	5.9	73	4.8	79	8.5	72
S&P/TSX Composite				*6.2*	*83*	*5.3*	*96*	*7.1*	*95*	*8.1*	*96*	*4.1*	*84*	*5.9*	*73*	*4.8*	*79*	*8.4*	*75*
BlackRock U.S. Equity Index Hedged	87,999,614	7.1		5.2	27	20.2	93	20.0	94	24.8	43	16.3	50	14.5	31	8.8	71	--	--
S&P 500 Hedged				*5.2*	*27*	*20.2*	*93*	*20.0*	*94*	*24.9*	*42*	*16.3*	*50*	*14.3*	*33*	*8.6*	*75*	*6.6*	*25*
BlackRock MSCI EAFE Equity Index Hedged	71,366,107	5.8		7.5	65	19.6	54	28.7	48	21.1	20	9.4	64	7.6	62	5.3	83	--	--
MSCI EAFE Net Hedged				*7.5*	*63*	*19.5*	*54*	*28.6*	*48*	*21.0*	*23*	*9.3*	*65*	*7.4*	*67*	*5.1*	*84*	--	--
Horizon-Kinetics	80,832,333	6.6		8.5	5	29.9	2	35.3	2	32.5	3	19.6	5	--	--	--	--	--	--
Russell 1000 Value USD				*3.9*	*82*	*20.5*	*64*	*22.3*	*60*	*26.5*	*43*	*16.2*	*48*	*14.4*	*58*	*8.9*	*77*	*8.0*	*74*
Dodge & Cox	71,651,227	5.8		6.9	12	25.5	14	29.0	13	30.9	6	--	--	--	--	--	--	--	--
Russell 1000 Value USD				*3.9*	*82*	*20.5*	*64*	*22.3*	*60*	*26.5*	*43*	*16.2*	*48*	*14.4*	*58*	*8.9*	*77*	*8.0*	*74*
Cramer, Rosenthal, McGlynn	76,837,041	6.2		7.2	61	21.8	76	26.6	69	25.8	84	15.3	86	--	--	--	--	--	--
Russell Mid Cap Value USD				*5.9*	*86*	*22.9*	*60*	*27.8*	*60*	*28.5*	*52*	*17.3*	*53*	*17.2*	*53*	*11.9*	*77*	*10.9*	*72*
Southeastern	91,160	0.0																	
Long-Term Nominal Bonds	**88,775,076**	**7.2**	**10.0**																
BlackRock Long Bond Index	88,775,076	7.2		-1.2	65	-6.3	88	-6.2	89	1.5	97	4.7	93	6.5	87	7.6	99	6.7	99
DEX Long Term Bond				*-1.1*	*58*	*-5.9*	*82*	*-5.8*	*80*	*1.9*	*88*	*4.9*	*65*	*6.7*	*66*	*7.9*	*84*	*6.9*	*68*

Notes:
- Total Trust and Total Trust Benchmark returns provided by Mellon.
- Pooled fund performance is shown for the following BlackRock funds: Canadian Equity Index, U.S. Equity Index Hedged and Long Bond Index funds. All other fund performance is provided by managers.
- Horizon-Kinetics, Dodge & Cox and Cramer, Rosenthal, McGlynn performance is reported in US dollars.
- Numbers in red indicate below benchmark performance.

Sears Canada Registered Pension Plan | As of September 30, 2013

Total Trust | Plan Structure and Performance

				Ending September 30, 2013															
	Market Value ($)	% of Portfolio	Policy %	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	4 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank
Canadian Corporate Bonds	**199,786,880**	**16.2**	**15.0**																
Canso Fixed Income	144,046,811	11.7		1.3	13	3.4	7	6.8	6	9.7	7	7.6	9	9.6	8	--	--	--	--
DEX Universe Corporate Bond				*0.4*	*79*	*-0.1*	*66*	*0.7*	*76*	*3.9*	*83*	*4.6*	*83*	*5.6*	*81*	*7.4*	*65*	*5.8*	*79*
Marret Fixed Income	55,740,069	4.5		0.9	27	0.6	36	2.1	34	7.0	15	--	--	--	--	--	--	--	--
Marret Benchmark				*1.4*	*12*	*2.1*	*18*	*4.2*	*12*	*8.6*	*10*	--	--	--	--	--	--	--	--
U.S. Corporate Bonds	**486,187,289**	**39.5**	**37.0**																
Loomis Sayles & Co.	96,555,760	7.8		1.6	6	-1.2	23	0.7	20	6.8	24	6.1	20	8.2	28	--	--	--	--
BarCap US Credit Index USD				*0.7*	*76*	*-2.9*	*86*	*-1.9*	*87*	*4.1*	*94*	*4.2*	*93*	*6.1*	*92*	*9.1*	*77*	*5.2*	*99*
Income Research & Management	38,835,251	3.2		2.2	1	4.0	1	6.5	1	9.7	1	7.8	1	--	--	--	--	--	--
BarCap US Credit Index USD				*0.7*	*76*	*-2.9*	*86*	*-1.9*	*87*	*4.1*	*94*	*4.2*	*93*	*6.1*	*92*	*9.1*	*77*	*5.2*	*99*
Shenkman Capital Management	167,851,305	13.6		3.2	6	4.5	35	6.9	60	12.3	62	9.0	61	--	--	--	--	--	--
BarCap US Corp. High Yield Index USD				*2.3*	*54*	*3.7*	*61*	*7.1*	*53*	*13.1*	*46*	*9.2*	*57*	*11.4*	*52*	*13.5*	*19*	*8.9*	*48*
Oaktree Capital Management	157,499,437	12.8		2.2	57	3.6	62	6.7	64	12.7	57	--	--	--	--	--	--	--	--
BarCap US Corp. High Yield Index USD				*2.3*	*54*	*3.7*	*61*	*7.1*	*53*	*13.1*	*46*	*9.2*	*57*	*11.4*	*52*	*13.5*	*19*	*8.9*	*48*
DDJ	25,445,536	2.1		0.0	99	--	--	--	--	--	--	--	--	--	--	--	--	--	--
BarCap High Yield Loan				*0.6*	*98*	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Mortgages	**53,458,228**	**4.3**	**5.0**																
Index Linked Mortgages	53,458,228	4.3		1.7	--	5.3	--	7.4	--	8.0	--	7.5	--	7.3	--	7.4	--	7.5	--
DEX Real Return Bond				*-0.5*	--	*-11.4*	--	*-11.4*	--	*-0.9*	--	*3.1*	--	*5.8*	--	*6.4*	--	*6.8*	--
Hedge Funds	**2,425,906**	**0.2**	**0.0**																
Cash and Other Assets	**5,621,531**	**0.5**	**3.0**																

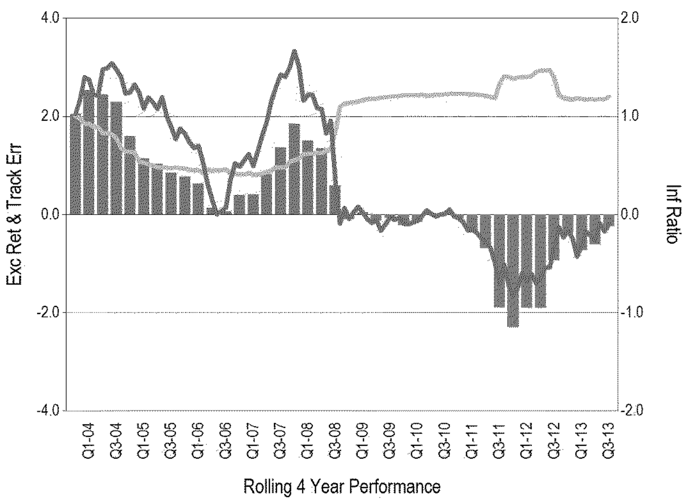
Notes:
- Index Linked Mortgages performance is provided by Mellon. All other fund performance is provided by managers.
- Marret Benchmark: 50% DEX Universe Corporate Bond Index + 50% Merrill Lynch US High Yield Master II Index (100% currency hedged).
- All U.S. Corporate Bond funds performance is reported in US Dollars.
- DDJ Sears Canada account inception date is July 12, 2013.
- Numbers in red indicate below benchmark performance.

Sears Canada Registered Pension Plan — As of September 30, 2013

Total Trust — Value Added Analysis

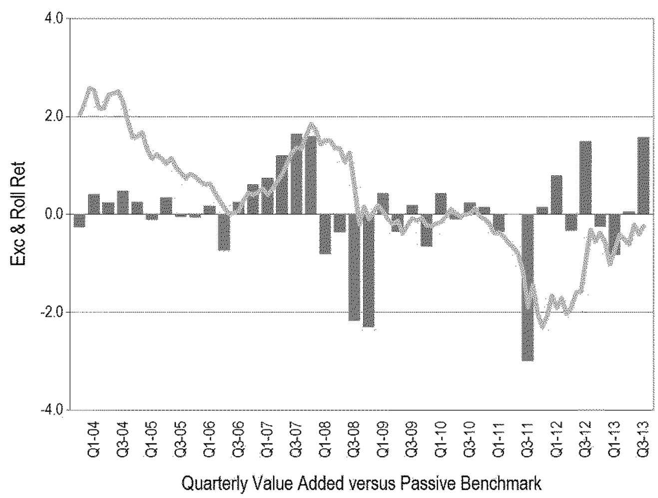
	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
Total Trust	**2.5**	**8.3**	**10.9**	**13.2**	8.5	8.2	7.6	**8.0**	**12.5**	3.0	**8.1**	8.4	-6.3	**5.2**
Total Trust Benchmark	*1.0*	*7.4*	*10.3*	*11.7*	*8.8*	*8.4*	*8.3*	*8.0*	*10.7*	*6.4*	*7.3*	*8.8*	*-0.7*	*-0.1*
Over/Under	1.5	0.9	0.6	1.5	-0.3	-0.2	-0.7	0.0	1.8	-3.4	0.8	-0.4	-5.6	5.3
eA Canadian Balanced Gross Median	*4.1*	*9.3*	*11.9*	*11.0*	*7.6*	*7.6*	*7.0*	*7.1*	*8.9*	*-1.2*	*10.3*	*16.3*	*-14.7*	*2.4*

Financial Efficiency



Rolling 4 Year Out Performance
Rolling 4 Year Under Performance
Rolling 4 Year Tracking Error vs. Total Trust Benchmark
Rolling 4 Year Information Ratio vs. Total Trust Benchmark

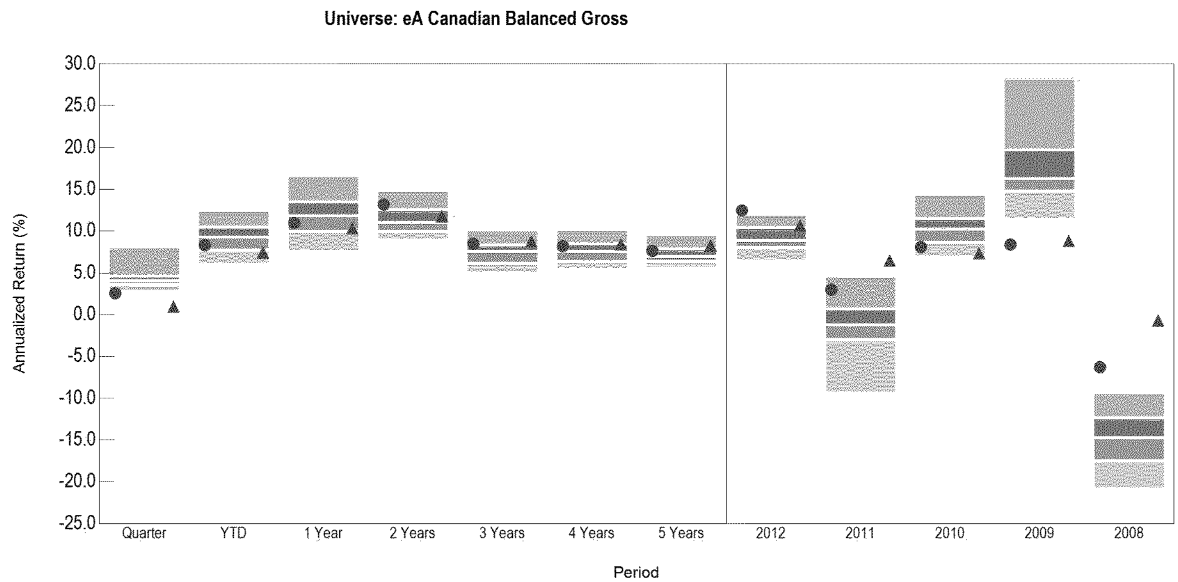
Quarterly Value Added Analysis



Quarterly Out/Under Performance, Rising Market
Quarterly Out/Under Performance, Falling Market
Rolling 4 Year Excess Performance vs. Total Trust Benchmark

Sears Canada Registered Pension Plan — As of September 30, 2013

Total Trust — Peer Analysis



	Return (Rank) Quarter		YTD		1 Year		2 Years		3 Years		4 Years		5 Years		2012		2011		2010		2009		2008	
5th Percentile	8.1		12.5		16.6		14.9		10.1		10.1		9.5		12.0		4.6		14.4		28.3		-9.4	
25th Percentile	4.6		10.5		13.5		12.6		8.4		8.5		7.9		10.4		0.7		11.5		19.8		-12.4	
Median	4.1		9.3		11.9		11.0		7.6		7.6		7.0		8.9		-1.2		10.3		16.3		-14.7	
75th Percentile	3.6		7.7		10.0		9.9		6.2		6.4		6.4		8.1		-2.9		8.7		14.9		-17.5	
95th Percentile	2.8		6.0		7.6		9.0		5.0		5.5		5.6		6.4		-9.4		7.0		11.4		-20.8	
# of Portfolios	63		63		63		63		62		60		59		65		71		70		70		69	
● Total Trust	2.5	(99)	8.3	(65)	10.9	(60)	13.2	(15)	8.5	(24)	8.2	(32)	7.6	(33)	12.5	(2)	3.0	(11)	8.1	(91)	8.4	(99)	-6.3	(1)
▲ Total Trust Benchmark	1.0	(99)	7.4	(78)	10.3	(67)	11.7	(40)	8.8	(20)	8.4	(27)	8.3	(20)	10.7	(24)	6.4	(3)	7.3	(94)	8.8	(99)	-0.7	(1)

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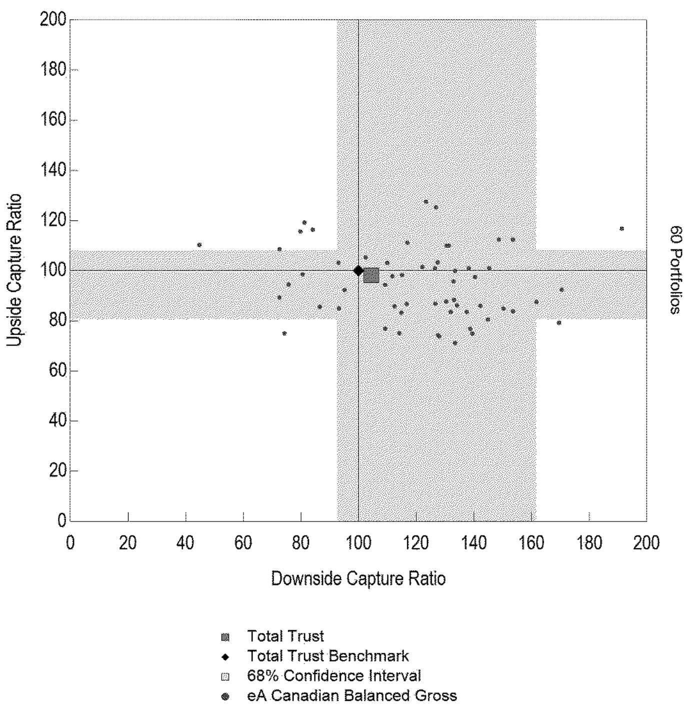
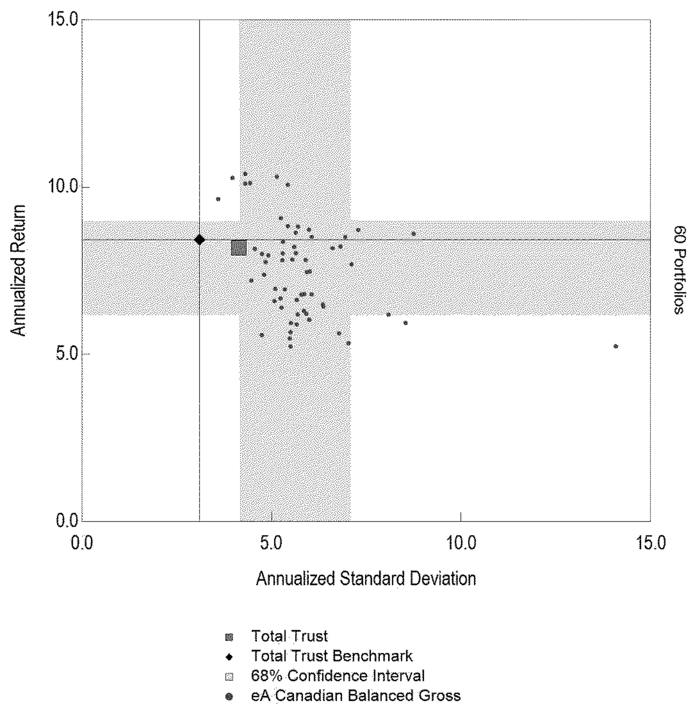
Total Trust — Risk Analysis

Upside Capture Ratio vs. Downside Capture Ratio
4 Years Ending September 30, 2013

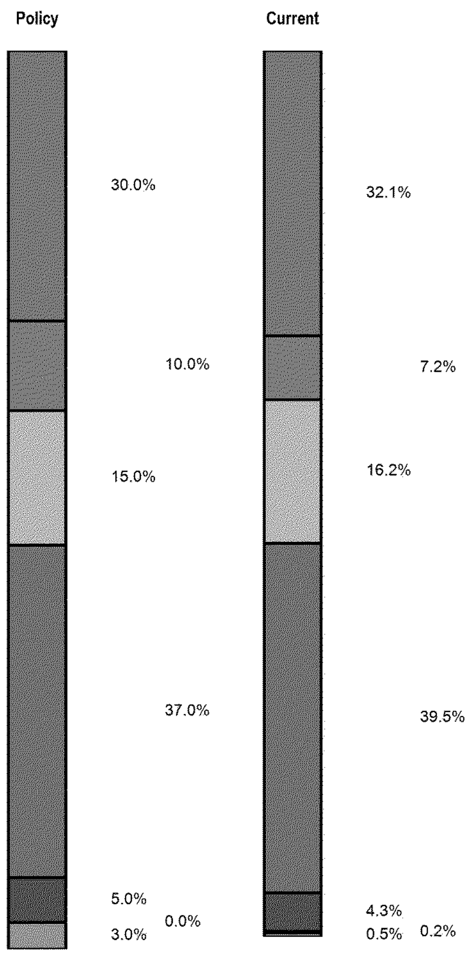


Annualized Return vs. Annualized Standard Deviation
4 Years Ending September 30, 2013



Sears Canada Registered Pension Plan | As of September 30, 2013

Total Trust | Asset Allocation vs. Policy



Allocation vs. Targets and Policy

	Current Balance	Current Allocation	Policy	Difference*
Global Equity	$395,980,206	32.1%	30.0%	2.1%
Long-Term Nominal Bonds	$88,775,076	7.2%	10.0%	-2.8%
Canadian Corporate Bonds	$199,786,880	16.2%	15.0%	1.2%
U.S. Corporate Bonds	$486,187,289	39.5%	37.0%	2.5%
Mortgages	$53,458,228	4.3%	5.0%	-0.7%
Hedge Funds	$2,425,906	0.2%	0.0%	0.2%
Cash and Other Assets	$5,621,531	0.5%	3.0%	-2.5%

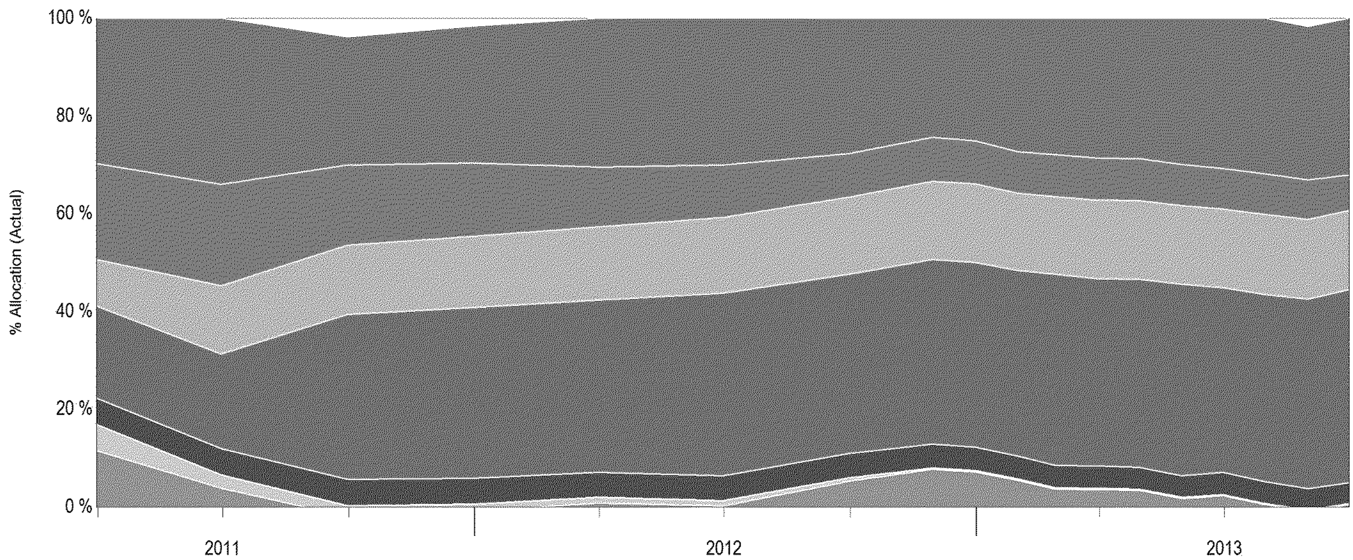
*Difference between Policy and Current Allocation

Note: In July 2011, the Investment Committee amended the asset allocation ranges to 25% - 45% equity and 55% - 75% fixed income. At the current quarter end, the asset allocation for the Pension Trust was within policy range; however, the current equity allocation is at the lower end of the range.

Sears Canada Registered Pension Plan — As of September 30, 2013

Total Trust — Asset Allocation History

Asset Allocation History



34.0	27.3	28.5	30.5	30.1	27.7	25.1	28.7	30.7	32.1
20.8	17.0	15.3	12.2	10.7	9.0	8.9	8.6	8.3	7.2
14.0	14.8	14.8	15.0	15.5	15.8	16.1	16.0	16.1	16.2
19.3	35.1	35.5	35.2	37.3	36.7	37.7	38.3	37.8	39.5
5.3	5.6	5.4	5.1	5.1	4.9	4.8	4.6	4.5	4.3
2.7	2.3	1.4	1.2	1.1	0.8	0.2	0.2	0.3	0.2
3.8	-2.0	-0.8	0.8	0.1	5.2	7.2	3.5	2.3	0.5

Global Equity — Canadian Corporate Bonds — Mortgages — Hedge Funds — Cash and Other Assets
Long-Term Nominal Bonds — U.S. Corporate Bonds

Sears Canada Supplementary Retirement Plan

As of September 30, 2013

SRP Total Plan

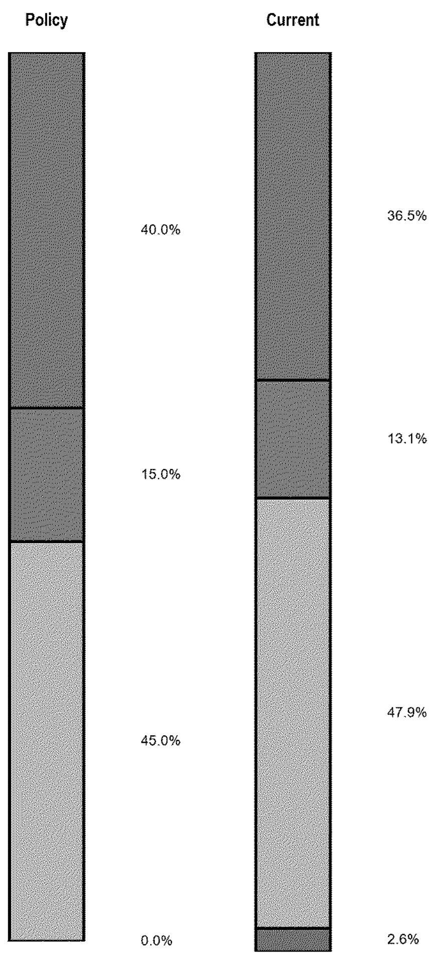
Plan Structure and Performance

				Ending September 30, 2013															
	Market Value ($)	% of Portfolio	Policy %	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	4 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank
SRP Total Plan	**24,671,826**	**100.0**	**100.0**	**2.2**	**99**	**6.6**	**90**	**9.5**	**78**	**11.0**	**51**	**7.3**	**54**	**--**	**--**	**--**	**--**	**--**	**--**
Global Equity	**8,994,269**	**36.5**	**40.0**																
BlackRock Canadian Equity Index	398,013	1.6		6.3	83	5.3	95	7.2	95	8.2	96	4.1	84	5.9	73	4.8	79	8.5	72
S&P/TSX Composite				*6.2*	*83*	*5.3*	*96*	*7.1*	*95*	*8.1*	*96*	*4.1*	*84*	*5.9*	*73*	*4.8*	*79*	*8.4*	*75*
BlackRock MSCI ACWI Ex-Canada Index Fund	8,596,256	34.8		4.9	63	18.2	81	23.5	73	19.3	66	10.6	79	8.7	88	7.0	82	--	--
MSCI ACWI Ex Canada Net				*5.1*	*57*	*18.7*	*78*	*23.7*	*73*	*19.1*	*69*	*10.6*	*78*	*8.8*	*88*	*7.1*	*81*	*--*	*--*
Long-Term Nominal Bonds	**3,223,074**	**13.1**	**15.0**																
BlackRock Long Bond Index	3,223,074	13.1		-1.2	65	-6.3	88	-6.2	89	1.5	97	4.7	93	6.5	87	7.6	99	6.7	99
DEX Long Term Bond				*-1.1*	*58*	*-5.9*	*82*	*-5.8*	*80*	*1.9*	*88*	*4.9*	*65*	*6.7*	*66*	*7.9*	*84*	*6.9*	*68*
Canadian Corporate Bonds	**11,810,761**	**47.9**	**45.0**																
Canso Fixed Income	11,810,761	47.9		1.3	13	3.4	7	6.8	6	9.7	7	7.6	9	9.6	8	--	--	--	--
DEX Universe Corporate Bond				*0.4*	*79*	*-0.1*	*66*	*0.7*	*76*	*3.9*	*83*	*4.6*	*83*	*5.6*	*81*	*7.4*	*65*	*5.8*	*79*
Cash and Other Assets	**643,721**	**2.6**	**0.0**																

Notes:
- Market value excludes CRA deposit of $23.7 million. Market value including CRA is $48.3 million as of September 30, 2013.
- Pooled fund performance is shown for the BlackRock funds.
- Canso mandate was effective in May 2011, performance is provided by the manager.
- Numbers in red indicate below benchmark performance.

Sears Canada Supplementary Retirement Plan | As of September 30, 2013

SRP Total Plan — Asset Allocation vs. Policy



Allocation vs. Targets and Policy

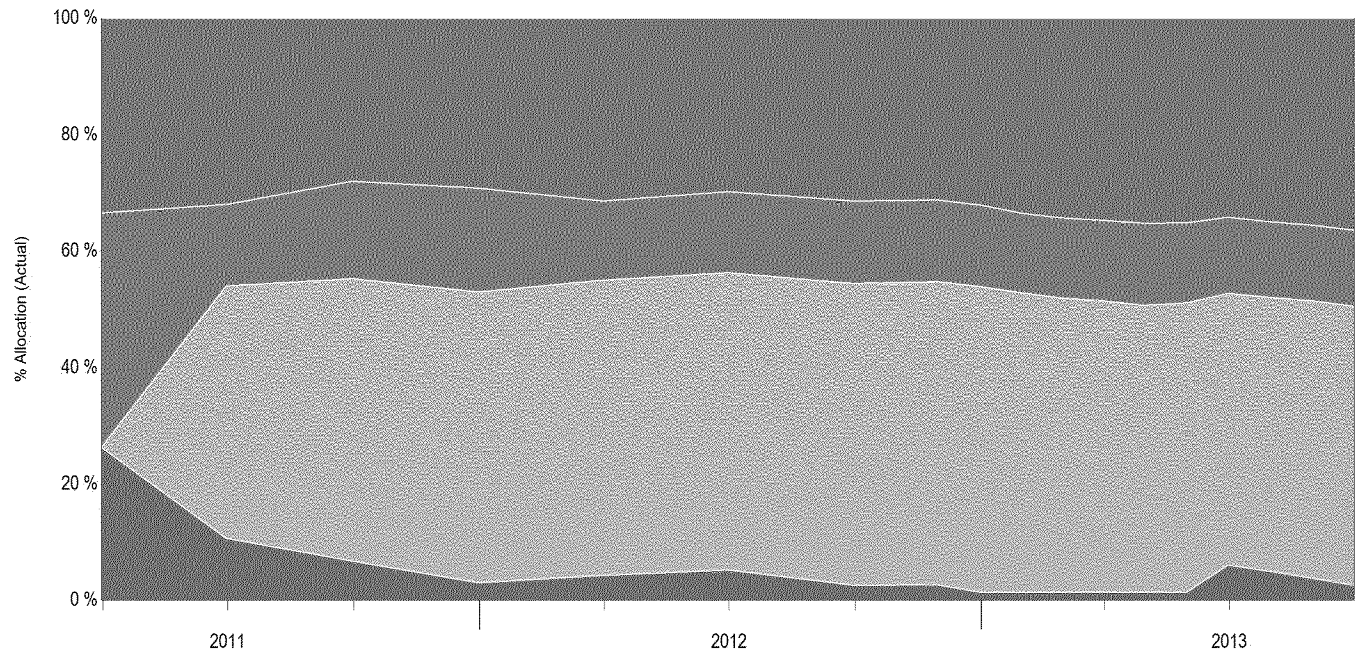
	Current Balance	Current Allocation	Policy	Difference*
Global Equity	$8,994,269	36.5%	40.0%	-3.5%
Long-Term Nominal Bonds	$3,223,074	13.1%	15.0%	-1.9%
Canadian Corporate Bonds	$11,810,761	47.9%	45.0%	2.9%
Cash	$643,721	2.6%	0.0%	2.6%

*Difference between Policy and Current Allocation

Sears Canada Supplementary Retirement Plan | As of September 30, 2013

SRP Total Plan | Asset Allocation History

Asset Allocation History



32.0	28.0	29.2	31.5	29.8	31.5	32.1	34.7	34.2	36.5
14.0	16.8	17.8	13.5	14.0	14.1	14.0	13.9	13.0	13.1
43.3	48.5	49.9	50.8	51.0	51.8	52.5	50.1	46.6	47.9
10.7	6.8	3.0	4.3	5.3	2.6	1.4	1.4	6.1	2.6

Global Equity   Long-Term Nominal Bonds   Canadian Corporate Bonds   Cash

Sears Canada Health & Welfare Trust

As of September 30, 2013

HWT Total Plan

	Market Value ($)	% of Portfolio	Policy %	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)
				Ending September 30, 2013							
HWT Total Fund	**29,805,563**	**100.0**	**100.0**	**0.5**	**1.1**	**1.4**	**1.5**	**--**	**--**	**--**	**--**
HWT Benchmark				*0.5*	*1.1*	*1.4*	1.5	--	--	--	--

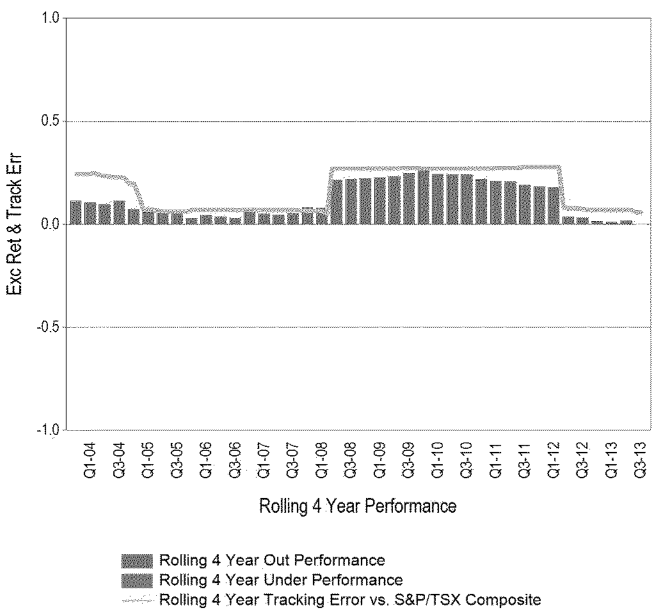
Notes:
- Effective July 1, 2011, returns are provided by Standard Life Investments. Prior to this date, returns were provided by Mellon.
- Market value as of September 30, 2013 includes assets from the HWT operating account, which represent $3.2 million.
- Numbers in red indicate below benchmark performance.

Sears Canada Defined Benefit Plans - Managers | As of September 30, 2013

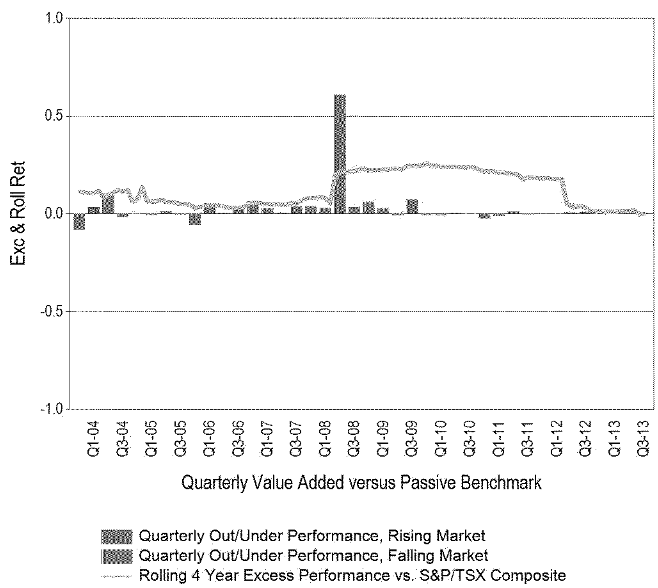
BlackRock Canadian Equity Index — Value Added Analysis

	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
BlackRock Canadian Equity Index	6.3	5.3	7.2	8.2	4.1	5.9	4.8	8.5	7.2	-8.7	17.6	35.2	-32.5	9.9
S&P/TSX Composite	*6.2*	*5.3*	*7.1*	*8.1*	*4.1*	*5.9*	*4.8*	*8.4*	*7.2*	*-8.7*	*17.6*	*35.1*	*-33.0*	*9.8*
Over/Under	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.5	0.1
eA Canadian All Cap Equity Gross Median	*7.2*	*10.0*	*12.8*	*12.1*	*6.3*	*7.3*	*6.6*	*9.4*	*9.7*	*-9.7*	*17.5*	*34.8*	*-31.9*	*8.2*

Financial Efficiency



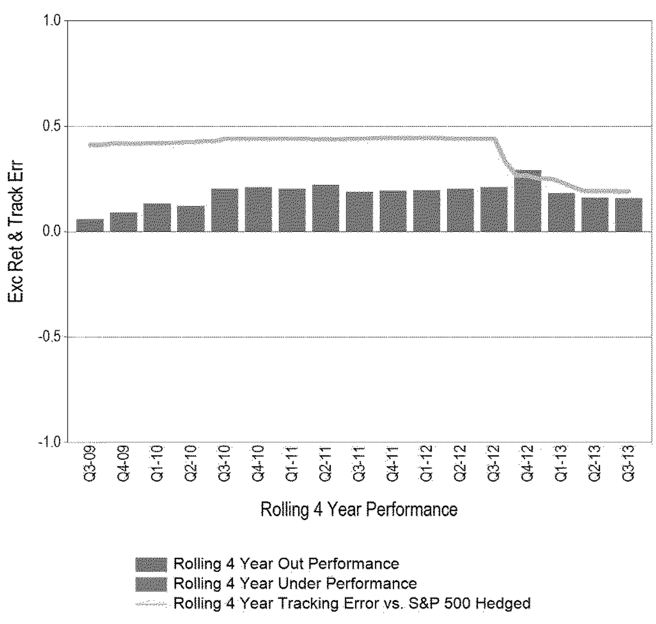
Quarterly Value Added Analysis



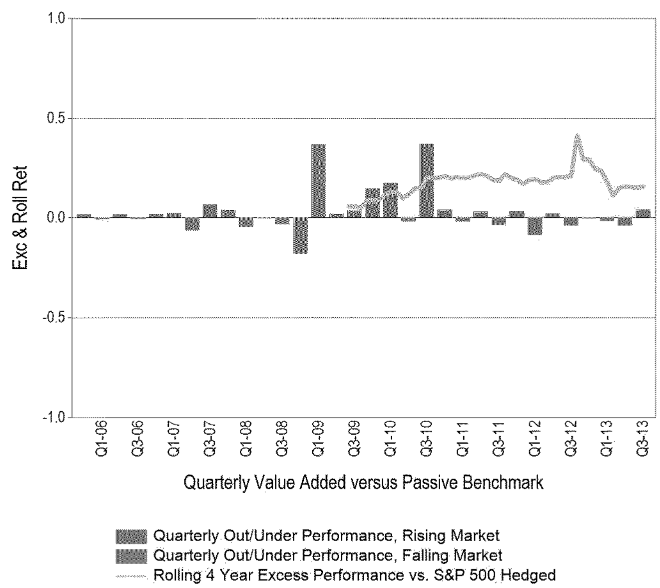
BlackRock U.S. Equity Index Hedged — Value Added Analysis

	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
BlackRock U.S. Equity Index Hedged	5.2	20.2	20.0	24.8	16.3	14.5	8.8	--	16.2	1.7	14.1	24.8	-39.2	3.9
S&P 500 Hedged	*5.2*	*20.2*	*20.0*	*24.9*	*16.3*	*14.3*	*8.6*	*6.6*	*16.3*	*1.7*	*13.6*	*24.1*	*-39.0*	*3.8*
Over/Under	0.0	0.0	0.0	-0.1	0.0	0.2	0.2		-0.1	0.0	0.5	0.7	-0.2	0.1
eA US Large Cap Equity Gross Median	*3.5*	*24.9*	*26.9*	*24.2*	*16.3*	*13.5*	*9.8*	*5.7*	*13.1*	*2.9*	*8.9*	*9.2*	*-19.9*	*-8.2*

Financial Efficiency



Quarterly Value Added Analysis



Sears Canada Defined Benefit Plans - Managers

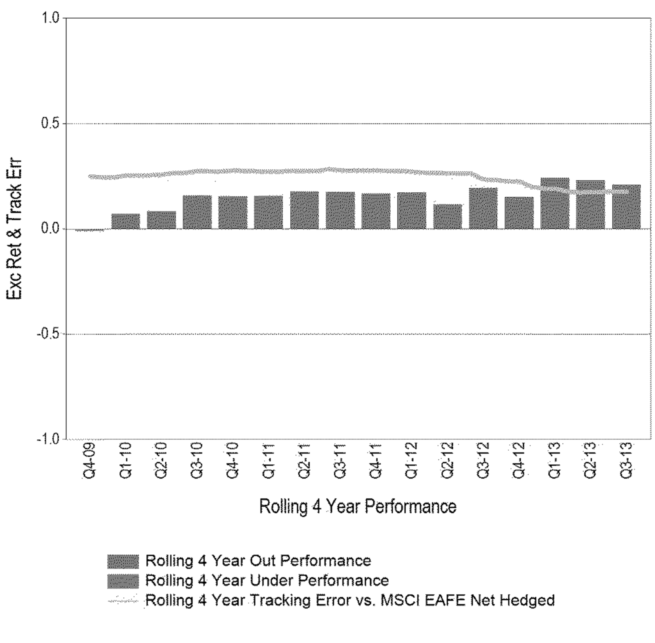
As of September 30, 2013

BlackRock MSCI EAFE Equity Index Hedged

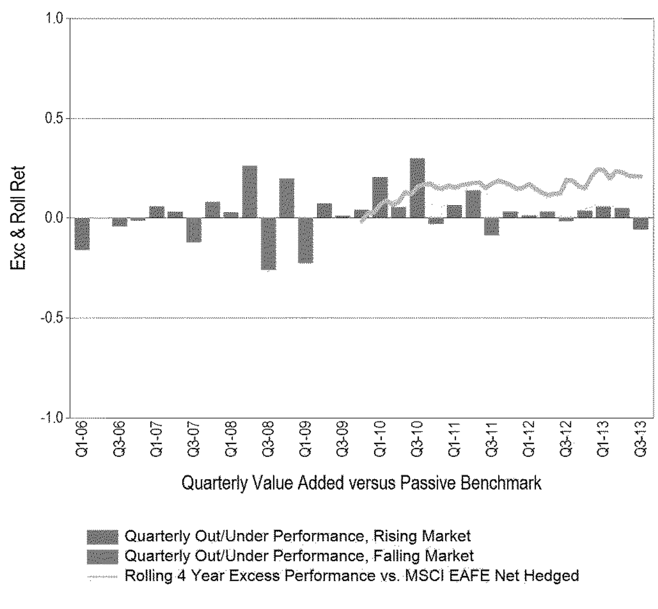
Value Added Analysis

	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
BlackRock MSCI EAFE Equity Index Hedged	7.5	19.6	28.7	21.1	9.4	7.6	5.3	--	17.7	-12.0	5.1	23.3	-41.7	3.8
MSCI EAFE Net Hedged	*7.5*	*19.5*	*28.6*	*21.0*	*9.3*	*7.4*	*5.1*	--	*17.7*	*-12.1*	*4.6*	*23.4*	*-41.8*	*3.7*
Over/Under	0.0	0.1	0.1	0.1	0.1	0.2	0.2		0.0	0.1	0.5	-0.1	0.1	0.1
eA EAFE Large Cap Equity Gross Median	*8.1*	*19.8*	*28.3*	*19.8*	*10.0*	*7.9*	*7.1*	*6.1*	*16.8*	*-9.2*	*4.2*	*13.4*	*-28.5*	*-5.2*

Financial Efficiency



Quarterly Value Added Analysis



Sears Canada Defined Benefit Plans - Managers

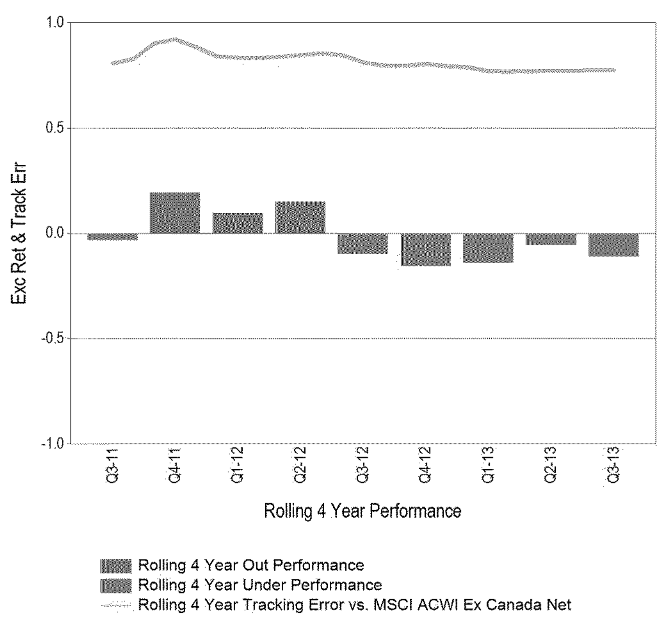
As of September 30, 2013

BlackRock MSCI ACWI Ex-Canada Index Fund

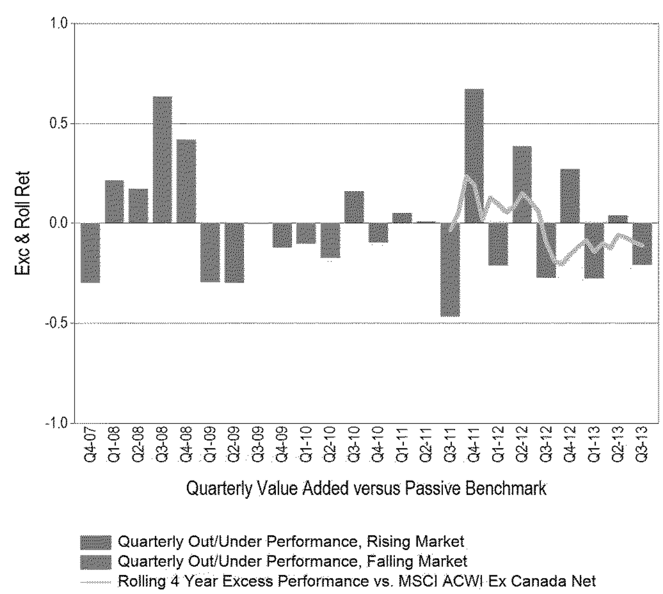
Value Added Analysis

	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
BlackRock MSCI ACWI Ex-Canada Index Fund	4.9	18.2	23.5	19.3	10.6	8.7	7.0	--	14.1	-4.6	6.2	12.8	-26.4	--
MSCI ACWI Ex Canada Net	*5.1*	*18.7*	*23.7*	*19.1*	*10.6*	*8.8*	*7.1*	--	*13.9*	*-4.8*	*6.4*	*13.7*	*-27.5*	--
Over/Under	-0.2	-0.5	-0.2	0.2	0.0	-0.1	-0.1		0.2	0.2	-0.2	-0.9	1.1	
eA Global Large Cap Equity Gross Median	*5.5*	*21.2*	*26.4*	*20.4*	*12.6*	*10.5*	*8.8*	*6.4*	*13.7*	*-3.7*	*6.9*	*13.4*	*-25.5*	*-4.9*

Financial Efficiency



Quarterly Value Added Analysis

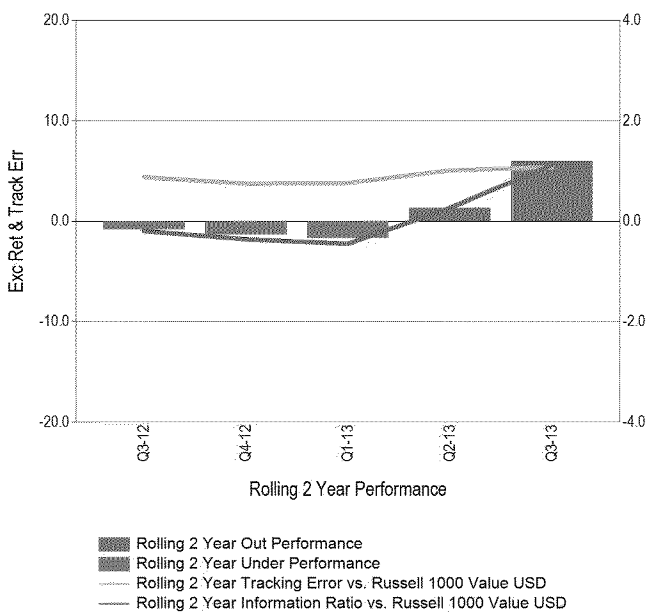


Sears Canada Defined Benefit Plans - Managers　　As of September 30, 2013

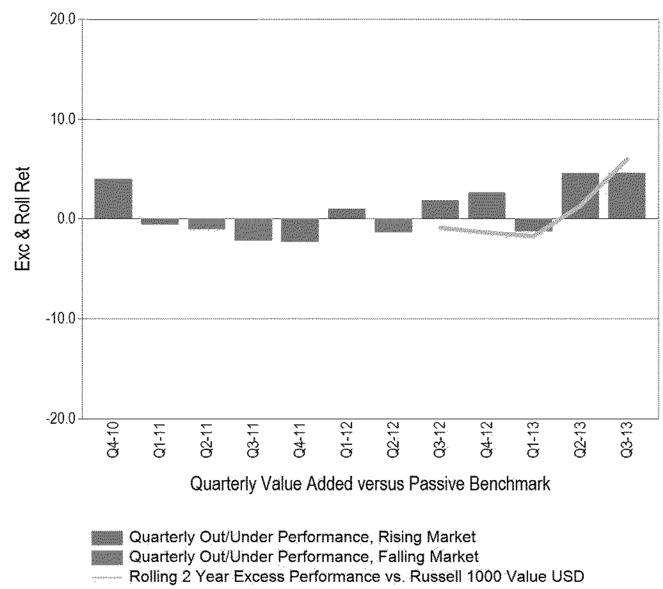
Horizon-Kinetics　　Value Added Analysis

	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
Horizon-Kinetics	8.5	29.9	35.3	32.5	19.6	--	--	--	22.1	-5.8	--	--	--	--
Russell 1000 Value USD	*3.9*	*20.5*	*22.3*	*26.5*	*16.2*	*14.4*	*8.9*	*8.0*	*17.5*	*0.4*	*15.5*	*19.7*	*-36.8*	*-0.2*
Over/Under	4.6	9.4	13.0	6.0	3.4				4.6	-6.2				
eA US Large Cap Value Equity Gross Median	*5.2*	*21.4*	*23.5*	*25.9*	*16.2*	*14.6*	*10.0*	*8.9*	*15.7*	*0.5*	*14.3*	*24.3*	*-35.1*	*4.2*

Financial Efficiency



Quarterly Value Added Analysis

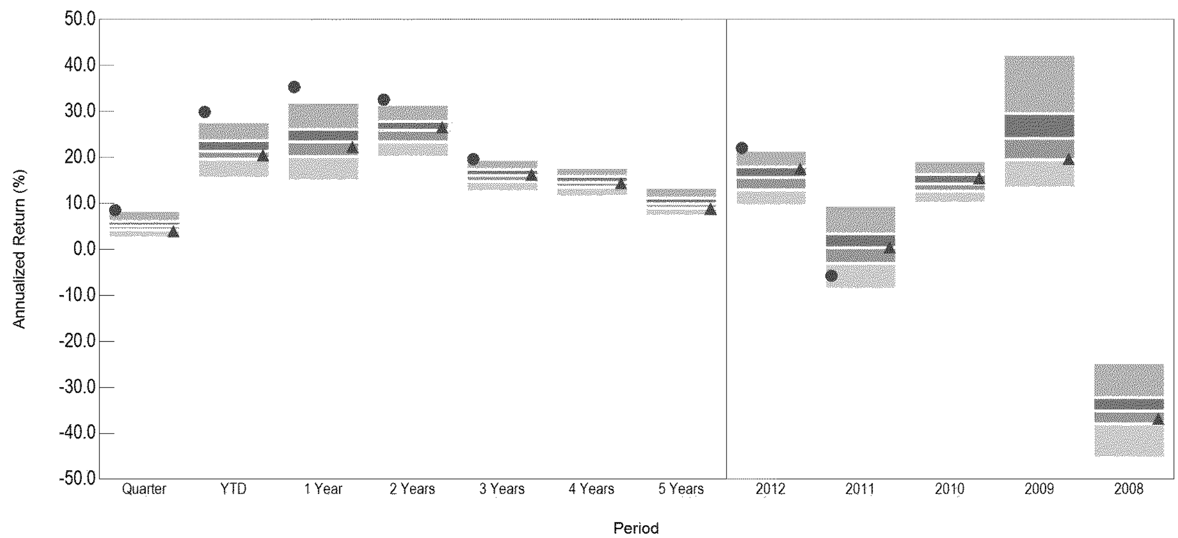


Note: Performance is based in US dollars

Sears Canada Defined Benefit Plans - Managers | As of September 30, 2013

Horizon-Kinetics | Peer Analysis

Universe: eA US Large Cap Value Equity Gross



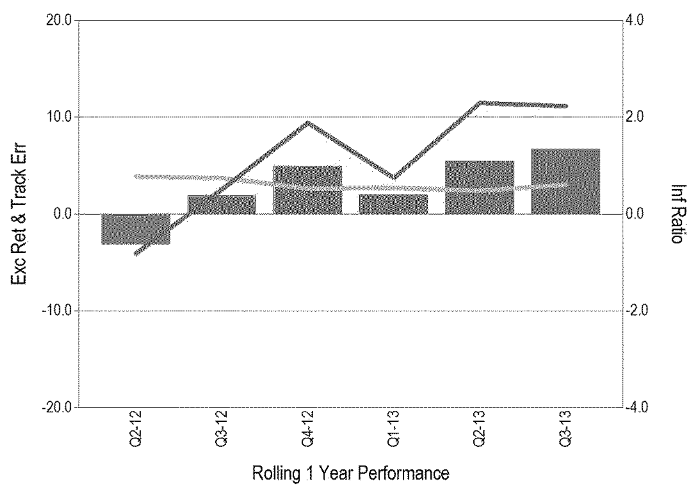
	Return (Rank)											
5th Percentile	8.4	27.7	31.9	31.5	19.5	17.7	13.5	21.5	9.5	19.2	42.3	-24.7
25th Percentile	6.1	23.7	26.2	27.9	17.5	15.9	11.2	18.0	3.4	16.3	29.5	-32.1
Median	5.2	21.4	23.5	25.9	16.2	14.6	10.0	15.7	0.5	14.3	24.3	-35.1
75th Percentile	4.3	19.7	20.2	23.4	14.8	13.6	9.0	13.0	-3.1	12.7	19.6	-37.9
95th Percentile	2.6	15.5	14.9	20.2	12.6	11.5	7.3	9.6	-8.6	10.1	13.5	-45.3
# of Portfolios	299	299	299	296	295	287	282	303	310	323	360	376
● **Horizon-Kinetics**	8.5 (5)	29.9 (2)	35.3 (2)	32.5 (3)	19.6 (5)	-- (--)	-- (--)	22.1 (4)	-5.8 (89)	-- (--)	-- (--)	-- (--)
▲ **Russell 1000 Value USD**	3.9 (82)	20.5 (64)	22.3 (60)	26.5 (43)	16.2 (48)	14.4 (58)	8.9 (77)	17.5 (30)	0.4 (51)	15.5 (35)	19.7 (75)	-36.8 (68)

Note: Performance is based in US dollars

Dodge & Cox — Value Added Analysis

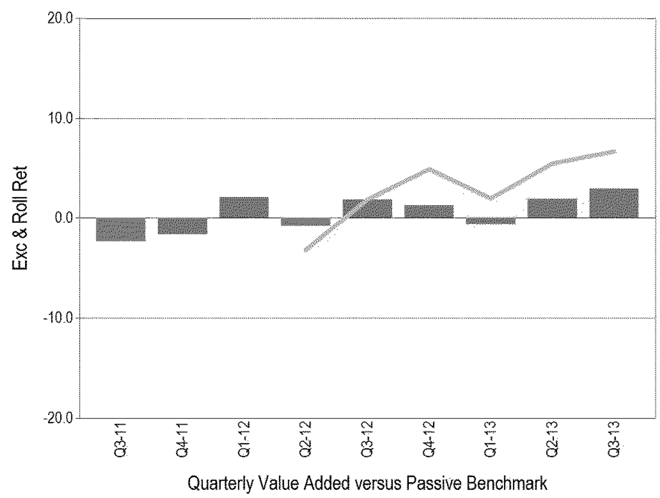
	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
Dodge & Cox	6.9	25.5	29.0	30.9	--	--	--	--	22.4	--	--	--	--	--
Russell 1000 Value USD	*3.9*	*20.5*	*22.3*	*26.5*	*16.2*	*14.4*	*8.9*	*8.0*	*17.5*	*0.4*	*15.5*	*19.7*	*-36.8*	*-0.2*
Over/Under	3.0	5.0	6.7	4.4					4.9					
eA US Large Cap Value Equity Gross Median	*5.2*	*21.4*	*23.5*	*25.9*	*16.2*	*14.6*	*10.0*	*8.9*	*15.7*	*0.5*	*14.3*	*24.3*	*-35.1*	*4.2*

Financial Efficiency



Rolling 1 Year Out Performance
Rolling 1 Year Under Performance
Rolling 1 Year Tracking Error vs. Russell 1000 Value USD
Rolling 1 Year Information Ratio vs. Russell 1000 Value USD

Quarterly Value Added Analysis



Quarterly Out/Under Performance, Rising Market
Quarterly Out/Under Performance, Falling Market
Rolling 1 Year Excess Performance vs. Russell 1000 Value USD

Note: Performance is based in US dollars

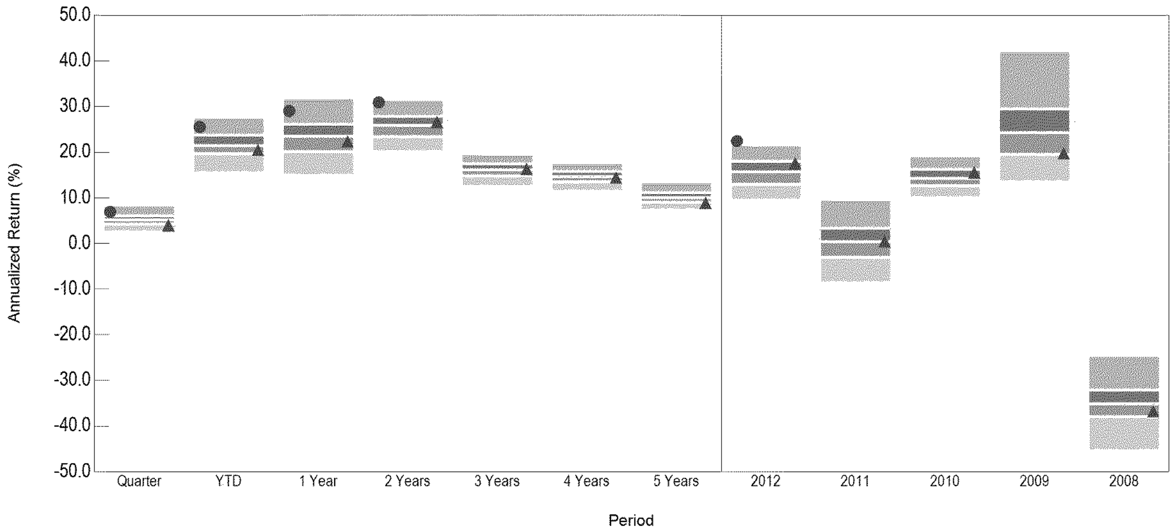
Sears Canada Defined Benefit Plans - Managers

As of September 30, 2013

Dodge & Cox

Peer Analysis

Universe: eA US Large Cap Value Equity Gross



Return (Rank)	Quarter	YTD	1 Year	2 Years	3 Years	4 Years	5 Years	2012	2011	2010	2009	2008
5th Percentile	8.4	27.7	31.9	31.5	19.5	17.7	13.5	21.5	9.5	19.2	42.3	-24.7
25th Percentile	6.1	23.7	26.2	27.9	17.5	15.9	11.2	18.0	3.4	16.3	29.5	-32.1
Median	5.2	21.4	23.5	25.9	16.2	14.6	10.0	15.7	0.5	14.3	24.3	-35.1
75th Percentile	4.3	19.7	20.2	23.4	14.8	13.6	9.0	13.0	-3.1	12.7	19.6	-37.9
95th Percentile	2.6	15.5	14.9	20.2	12.6	11.5	7.3	9.6	-8.6	10.1	13.5	-45.3
# of Portfolios	299	299	299	296	295	287	282	303	310	323	360	376
● **Dodge & Cox**	6.9 (12)	25.5 (14)	29.0 (13)	30.9 (6)	-- (--)	-- (--)	-- (--)	22.4 (3)	-- (--)	-- (--)	-- (--)	-- (--)
▲ **Russell 1000 Value USD**	3.9 (82)	20.5 (64)	22.3 (60)	26.5 (43)	16.2 (48)	14.4 (58)	8.9 (77)	17.5 (30)	0.4 (51)	15.5 (35)	19.7 (75)	-36.8 (68)

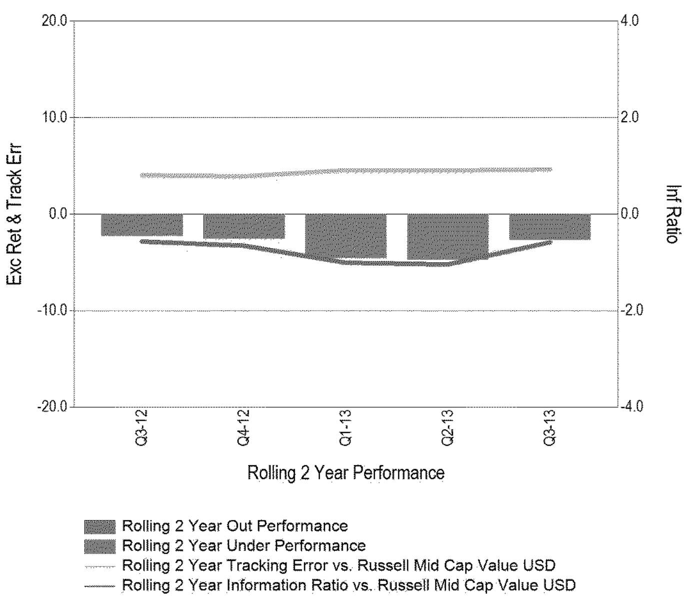
Note: Performance is based in US dollars

Sears Canada Defined Benefit Plans - Managers | As of September 30, 2013

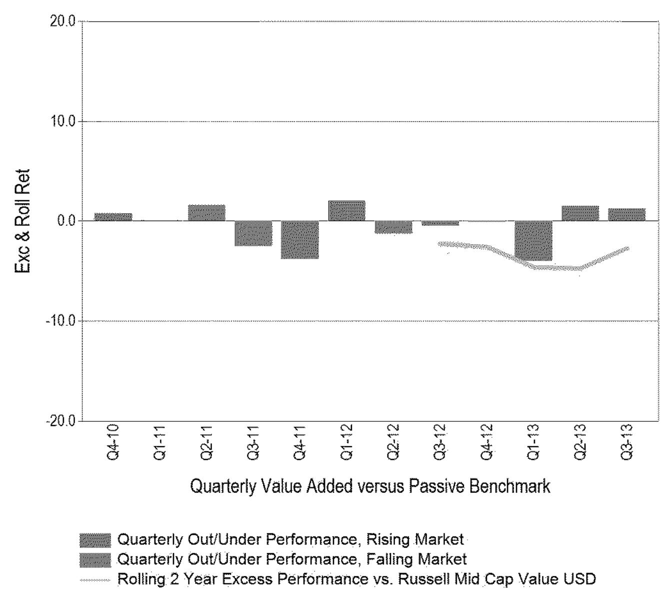
Cramer, Rosenthal, McGlynn | Value Added Analysis

	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
Cramer, Rosenthal, McGlynn	7.2	21.8	26.6	25.8	15.3	--	--	--	18.5	-6.1	--	--	--	--
Russell Mid Cap Value USD	*5.9*	*22.9*	*27.8*	*28.5*	*17.3*	*17.2*	*11.9*	*10.9*	*18.5*	*-1.4*	*24.8*	*34.2*	*-38.4*	*-1.4*
Over/Under	1.3	-1.1	-1.2	-2.7	-2.0				0.0	-4.7				
eA US Mid Cap Value Equity Gross Median	*7.7*	*24.1*	*28.5*	*28.7*	*17.5*	*17.2*	*13.3*	*11.6*	*16.9*	*-1.0*	*22.6*	*35.2*	*-36.3*	*3.0*

Financial Efficiency

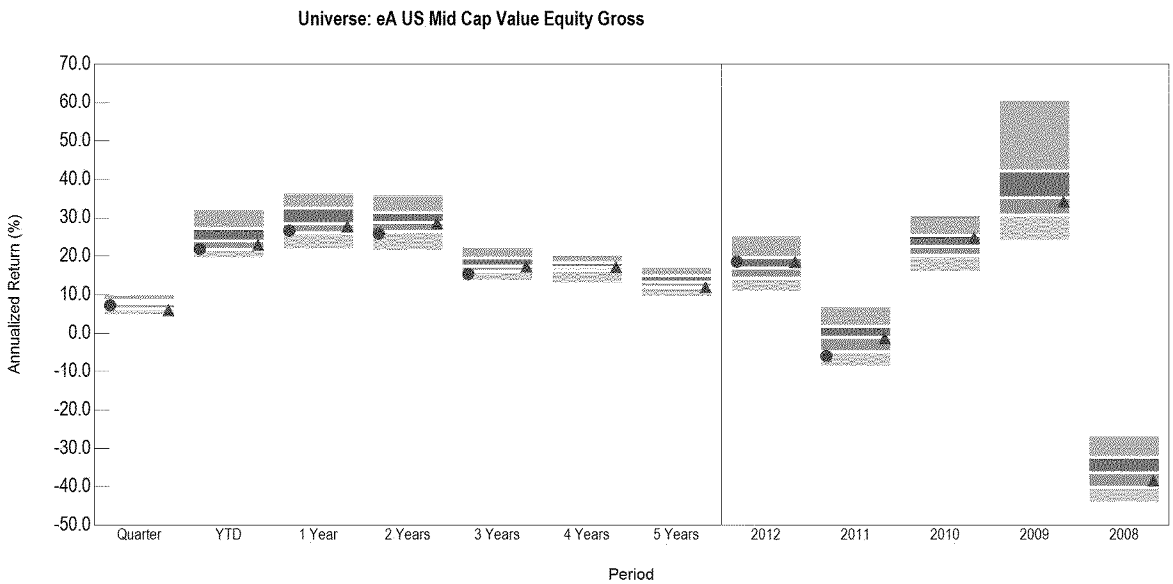


Quarterly Value Added Analysis



Note: Performance is based in US dollars

Cramer, Rosenthal, McGlynn — Peer Analysis



Return (Rank)	Quarter		YTD		1 Year		2 Years		3 Years		4 Years		5 Years		2012		2011		2010		2009		2008	
5th Percentile	10.1		32.3		36.6		36.1		22.5		20.4		17.4		25.5		7.0		30.9		60.9		-26.6	
25th Percentile	8.4		27.3		32.5		31.4		19.6		18.4		14.8		19.7		1.7		25.5		42.1		-32.3	
Median	7.7		24.1		28.5		28.7		17.5		17.2		13.3		16.9		-1.0		22.6		35.2		-36.3	
75th Percentile	6.4		21.9		26.1		26.5		16.2		16.3		12.1		14.4		-4.8		20.3		30.7		-40.1	
95th Percentile	4.6		19.4		21.7		21.3		13.5		12.8		9.3		10.7		-8.8		15.8		23.9		-44.2	
# of Portfolios	99		99		99		98		96		93		89		99		100		104		116		126	
● Cramer, Rosenthal, McGlynn	7.2	(61)	21.8	(76)	26.6	(69)	25.8	(84)	15.3	(86)	--	(--)	--	(--)	18.5	(34)	-6.1	(87)	--	(--)	--	(--)	--	(--)
▲ Russell Mid Cap Value USD	5.9	(86)	22.9	(60)	27.8	(60)	28.5	(52)	17.3	(53)	17.2	(53)	11.9	(77)	18.5	(34)	-1.4	(54)	24.8	(31)	34.2	(56)	-38.4	(67)

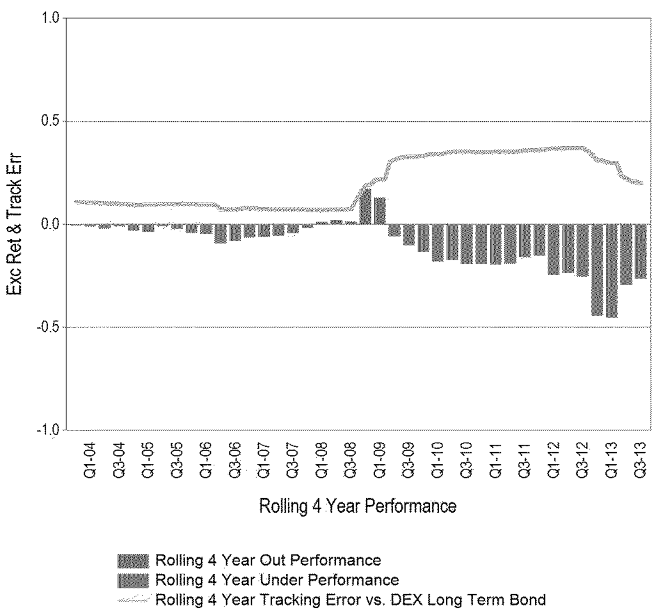
Note: Performance is based in US dollars

Sears Canada Defined Benefit Plans - Managers | As of September 30, 2013

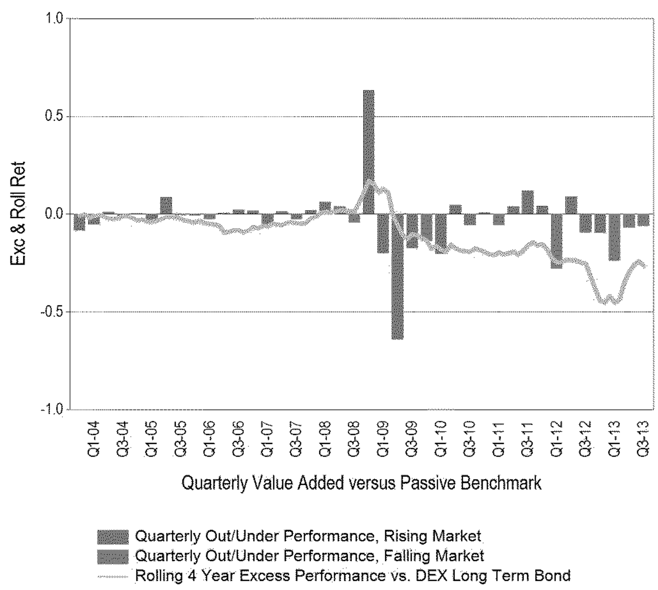
BlackRock Long Bond Index | Value Added Analysis

	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
BlackRock Long Bond Index	-1.2	-6.3	-6.2	1.5	4.7	6.5	7.6	6.7	4.8	18.3	12.3	4.3	3.3	3.4
DEX Long Term Bond	*-1.1*	*-5.9*	*-5.8*	*1.9*	*4.9*	*6.7*	*7.9*	*6.9*	*5.2*	*18.1*	*12.5*	*5.5*	*2.7*	*3.4*
Over/Under	-0.1	-0.4	-0.4	-0.4	-0.2	-0.2	-0.3	-0.2	-0.4	0.2	-0.2	-1.2	0.6	0.0
eA Canadian Long Duration Fixed Income Gross Median	*-1.1*	*-5.7*	*-5.5*	*2.3*	*5.0*	*6.8*	*8.2*	*7.0*	*5.7*	*17.6*	*12.4*	*8.0*	*2.2*	*3.5*

Financial Efficiency



Quarterly Value Added Analysis

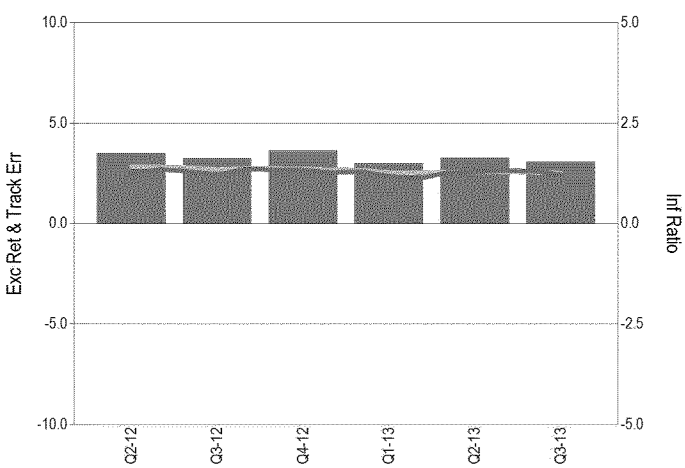


Sears Canada Defined Benefit Plans - Managers | As of September 30, 2013

Canso Fixed Income | Value Added Analysis

	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
Canso Fixed Income	1.3	3.4	6.8	9.7	7.6	9.6	--	--	14.3	5.3	13.4	--	--	--
DEX Universe Corporate Bond	*0.4*	*-0.1*	*0.7*	*3.9*	*4.6*	*5.6*	*7.4*	*5.8*	*6.2*	*8.2*	*7.3*	*16.3*	*0.2*	*1.8*
Over/Under	0.9	3.5	6.1	5.8	3.0	4.0			8.1	-2.9	6.1			
eA Canadian Corporate Fixed Income Gross Median	*0.5*	*0.0*	*1.1*	*4.5*	*5.3*	*6.5*	*7.7*	*6.0*	*6.9*	*8.4*	*8.5*	*15.7*	*0.5*	*1.9*

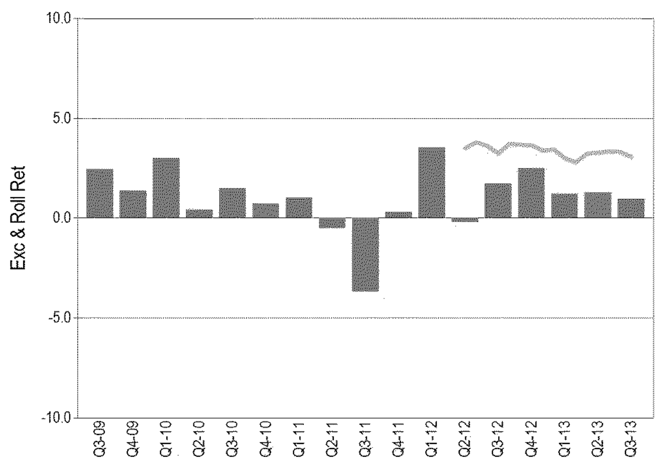
Financial Efficiency



Rolling 3 Year Performance

- Rolling 3 Year Out Performance
- Rolling 3 Year Under Performance
- Rolling 3 Year Tracking Error vs. DEX Universe Corporate Bond
- Rolling 3 Year Information Ratio vs. DEX Universe Corporate Bond

Quarterly Value Added Analysis

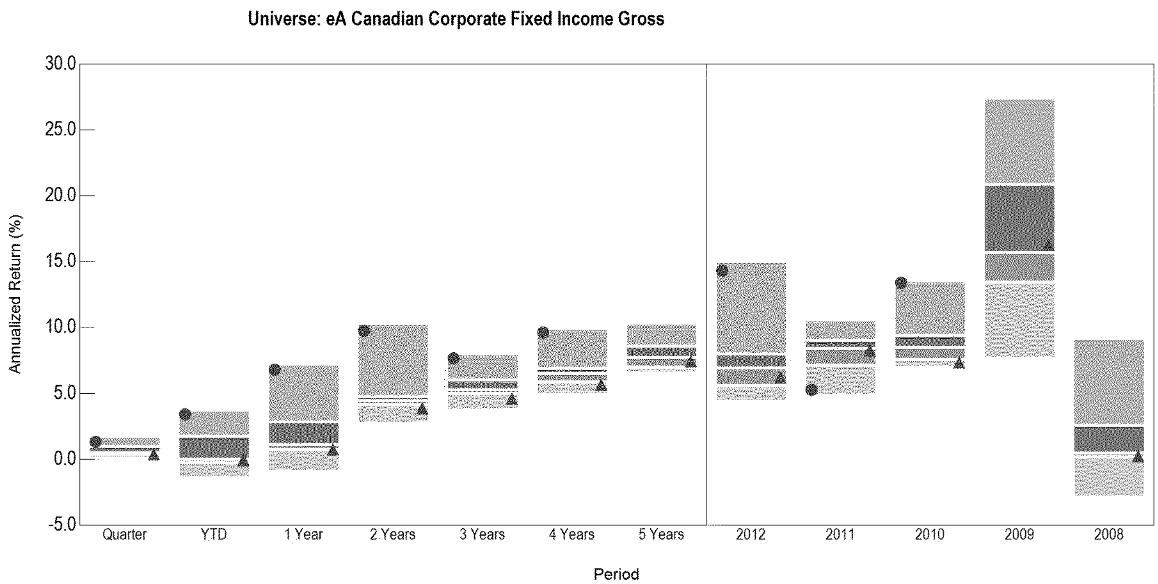


Quarterly Value Added versus Passive Benchmark

- Quarterly Out/Under Performance, Rising Market
- Quarterly Out/Under Performance, Falling Market
- Rolling 3 Year Excess Performance vs. DEX Universe Corporate Bond

Sears Canada Defined Benefit Plans - Managers — As of September 30, 2013

Canso Fixed Income — Peer Analysis



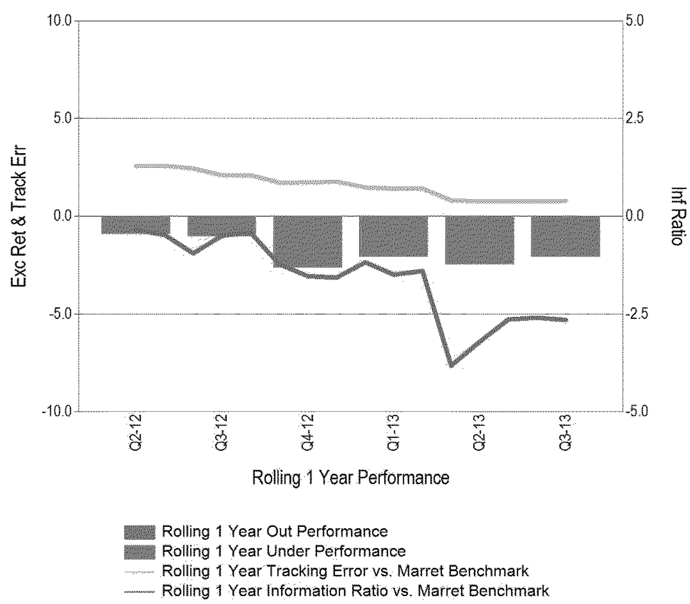
	Return (Rank)											
5th Percentile	1.7	3.7	7.2	10.3	8.0	9.9	10.3	15.0	10.5	13.5	27.4	9.1
25th Percentile	1.0	1.8	2.9	4.8	6.0	6.9	8.6	8.0	9.0	9.4	20.9	2.6
Median	0.5	0.0	1.1	4.5	5.3	6.5	7.7	6.9	8.4	8.5	15.7	0.5
75th Percentile	0.4	-0.2	0.7	4.2	5.0	5.9	7.0	5.6	7.2	7.6	13.5	0.2
95th Percentile	0.1	-1.4	-0.9	2.7	3.7	4.9	6.6	4.4	4.9	7.0	7.7	-2.9
# of Portfolios	17	17	17	16	15	13	12	16	16	16	15	13
● Canso Fixed Income	1.3 (13)	3.4 (7)	6.8 (6)	9.7 (7)	7.6 (9)	9.6 (8)	-- (--)	14.3 (7)	5.3 (94)	13.4 (6)	-- (--)	-- (--)
▲ DEX Universe Corporate Bond	0.4 (79)	-0.1 (66)	0.7 (76)	3.9 (83)	4.6 (83)	5.6 (81)	7.4 (65)	6.2 (69)	8.2 (61)	7.3 (80)	16.3 (42)	0.2 (67)

Sears Canada Defined Benefit Plans - Managers | As of September 30, 2013

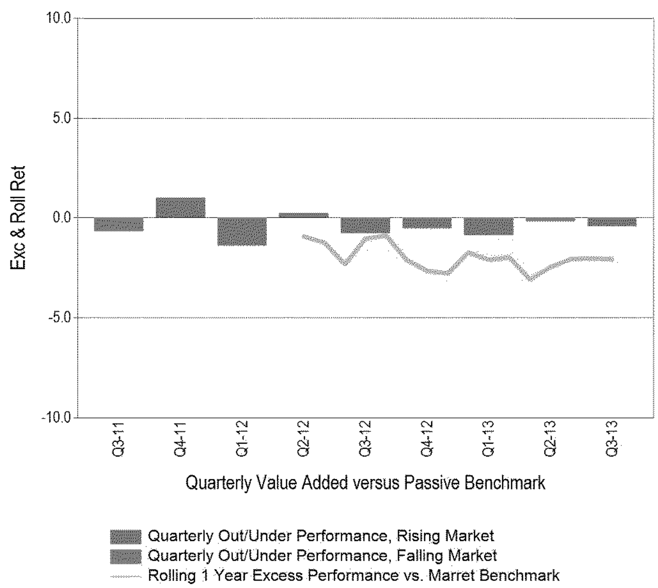
Marret Fixed Income — Value Added Analysis

	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
Marret Fixed Income	0.9	0.6	2.1	7.0	--	--	--	--	8.5	--	--	--	--	--
Marret Benchmark	*1.4*	*2.1*	*4.2*	*8.6*	--	--	--	--	*11.1*	--	--	--	--	--
Over/Under	-0.5	-1.5	-2.1	-1.6					-2.6					
eA Canadian Corporate Fixed Income Gross Median	*0.5*	*0.0*	*1.1*	*4.5*	*5.3*	*6.5*	*7.7*	*6.0*	*6.9*	*8.4*	*8.5*	*15.7*	*0.5*	*1.9*

Financial Efficiency



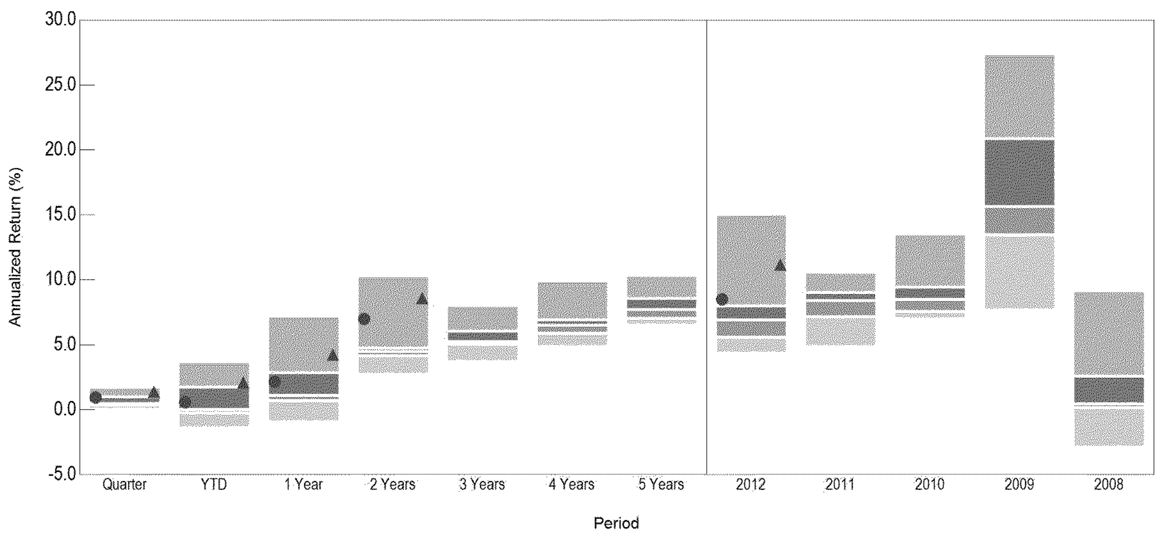
Quarterly Value Added Analysis



Marret Benchmark: 50% Dex Universe Corporate Bond Index + 50% Merrill Lynch US High Yield Master II Index (100% currency hedged)

Marret Fixed Income — Peer Analysis

Universe: eA Canadian Corporate Fixed Income Gross



	Return (Rank)											
5th Percentile	1.7	3.7	7.2	10.3	8.0	9.9	10.3	15.0	10.5	13.5	27.4	9.1
25th Percentile	1.0	1.8	2.9	4.8	6.0	6.9	8.6	8.0	9.0	9.4	20.9	2.6
Median	0.5	0.0	1.1	4.5	5.3	6.5	7.7	6.9	8.4	8.5	15.7	0.5
75th Percentile	0.4	-0.2	0.7	4.2	5.0	5.9	7.0	5.6	7.2	7.6	13.5	0.2
95th Percentile	0.1	-1.4	-0.9	2.7	3.7	4.9	6.6	4.4	4.9	7.0	7.7	-2.9
# of Portfolios	17	17	17	16	15	13	12	16	16	16	15	13
● **Marret Fixed Income**	0.9 (27)	0.6 (36)	2.1 (34)	7.0 (15)	-- (--)	-- (--)	-- (--)	8.5 (21)	-- (--)	-- (--)	-- (--)	-- (--)
▲ **Marret Benchmark**	1.4 (12)	2.1 (18)	4.2 (12)	8.6 (10)	-- (--)	-- (--)	-- (--)	11.1 (13)	-- (--)	-- (--)	-- (--)	-- (--)

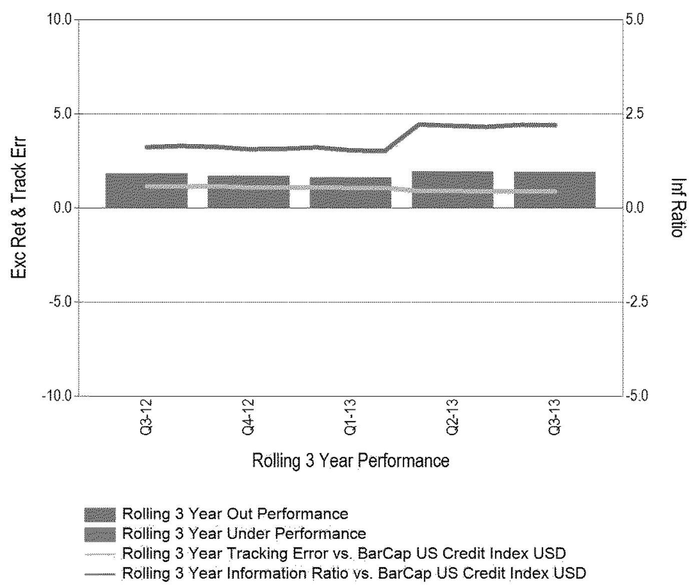
Marret Benchmark: 50% Dex Universe Corporate Bond Index + 50% Merrill Lynch US High Yield Master II Index (100% currency hedged)

Sears Canada Defined Benefit Plans - Managers | As of September 30, 2013

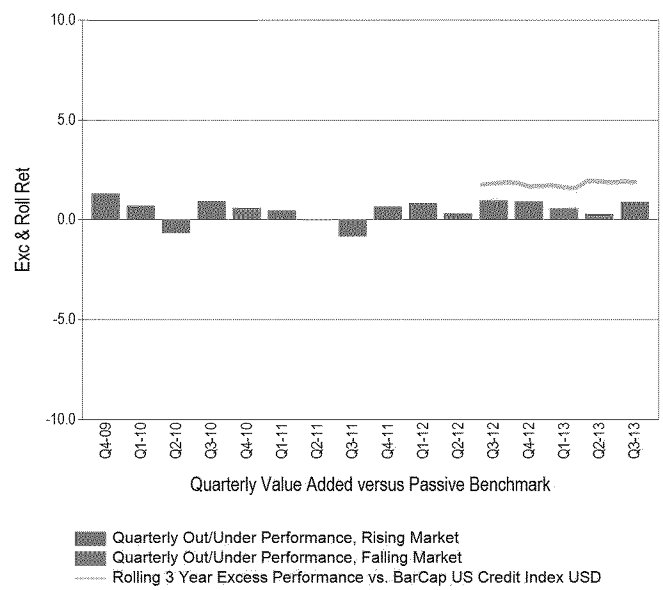
Loomis Sayles & Co. — Value Added Analysis

	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
Loomis Sayles & Co.	1.6	-1.2	0.7	6.8	6.1	8.2	--	--	12.6	8.4	10.6	--	--	--
BarCap US Credit Index USD	*0.7*	*-2.9*	*-1.9*	*4.1*	*4.2*	*6.1*	*9.1*	*5.2*	*9.4*	*8.1*	*9.0*	*18.7*	*-4.9*	*4.6*
Over/Under	0.9	1.7	2.6	2.7	1.9	2.1			3.2	0.3	1.6			
eA US Corporate Fixed Inc Gross Median	*1.0*	*-1.9*	*-0.5*	*5.8*	*5.2*	*7.3*	*9.8*	*6.0*	*11.6*	*8.1*	*10.1*	*20.4*	*-3.4*	*5.0*

Financial Efficiency



Quarterly Value Added Analysis



Note: Performance is based in US dollars

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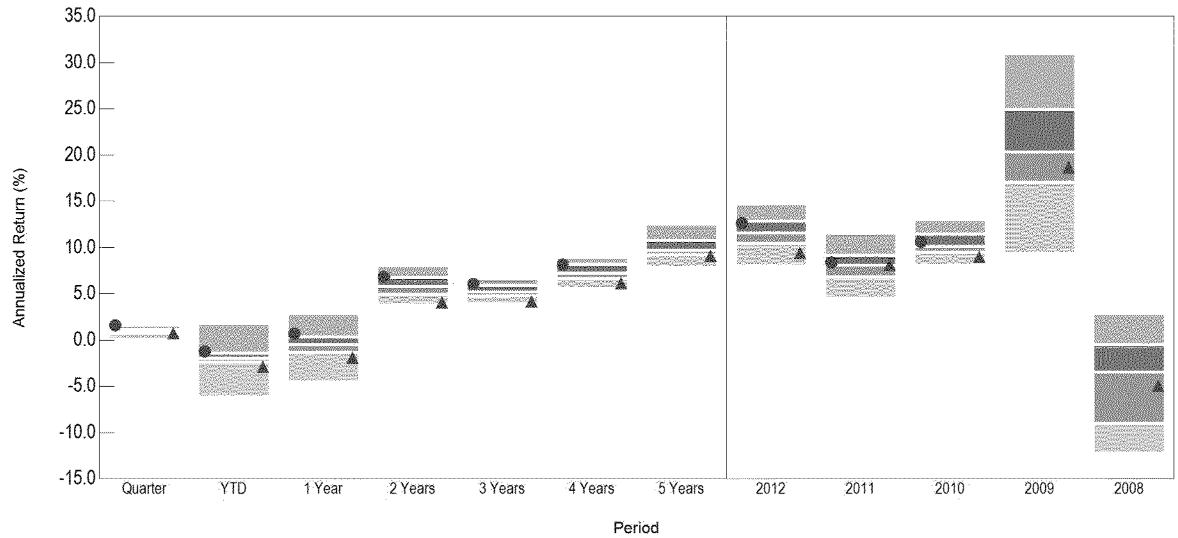
Sears Canada Defined Benefit Plans - Managers | As of September 30, 2013

Loomis Sayles & Co. | Peer Analysis

Universe: eA US Corporate Fixed Inc Gross



	Return (Rank)											
5th Percentile	1.6	1.7	2.8	8.0	6.7	8.9	12.5	14.8	11.6	13.0	31.0	2.8
25th Percentile	1.2	-1.4	0.4	6.8	5.9	8.2	10.8	12.9	9.2	11.5	25.0	-0.5
Median	1.0	-1.9	-0.5	5.8	5.2	7.3	9.8	11.6	8.1	10.1	20.4	-3.4
75th Percentile	0.7	-2.4	-1.3	5.0	4.8	6.7	9.3	10.5	6.8	9.5	17.1	-9.0
95th Percentile	0.1	-6.1	-4.5	3.9	4.0	5.6	7.9	8.1	4.6	8.1	9.4	-12.2
# of Portfolios	73	73	73	71	71	67	55	65	56	55	57	59
● **Loomis Sayles & Co.**	1.6 (6)	-1.2 (23)	0.7 (20)	6.8 (24)	6.1 (20)	8.2 (28)	-- (--)	12.6 (28)	8.4 (41)	10.6 (43)	-- (--)	-- (--)
▲ **BarCap US Credit Index USD**	0.7 (76)	-2.9 (86)	-1.9 (87)	4.1 (94)	4.2 (93)	6.1 (92)	9.1 (77)	9.4 (88)	8.1 (49)	9.0 (82)	18.7 (63)	-4.9 (60)

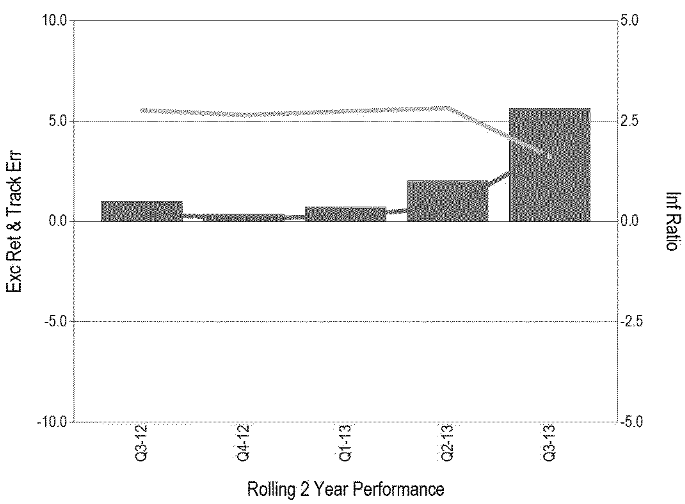
Note: Performance is based in US dollars

Sears Canada Defined Benefit Plans - Managers | As of September 30, 2013

Income Research & Management | Value Added Analysis

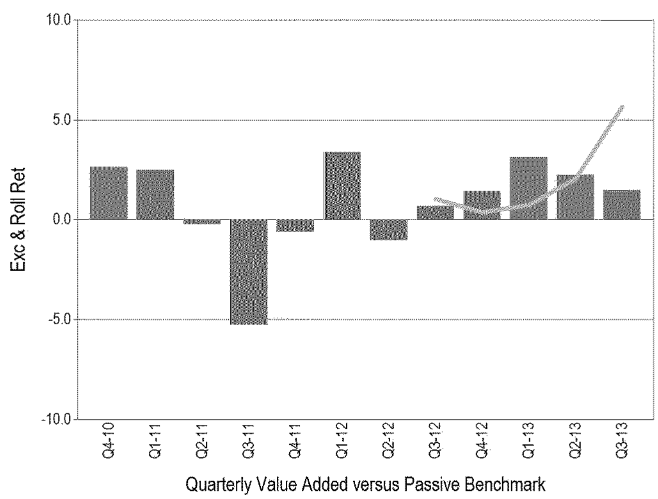
	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
Income Research & Management	2.2	4.0	6.5	9.7	7.8	--	--	--	14.2	4.3	--	--	--	--
BarCap US Credit Index USD	*0.7*	*-2.9*	*-1.9*	*4.1*	*4.2*	*6.1*	*9.1*	*5.2*	*9.4*	*8.1*	*9.0*	*18.7*	*-4.9*	*4.6*
Over/Under	1.5	6.9	8.4	5.6	3.6				4.8	-3.8				
eA US Corporate Fixed Inc Gross Median	*1.0*	*-1.9*	*-0.5*	*5.8*	*5.2*	*7.3*	*9.8*	*6.0*	*11.6*	*8.1*	*10.1*	*20.4*	*-3.4*	*5.0*

Financial Efficiency



Rolling 2 Year Out Performance
Rolling 2 Year Under Performance
Rolling 2 Year Tracking Error vs. BarCap US Credit Index USD
Rolling 2 Year Information Ratio vs. BarCap US Credit Index USD

Quarterly Value Added Analysis



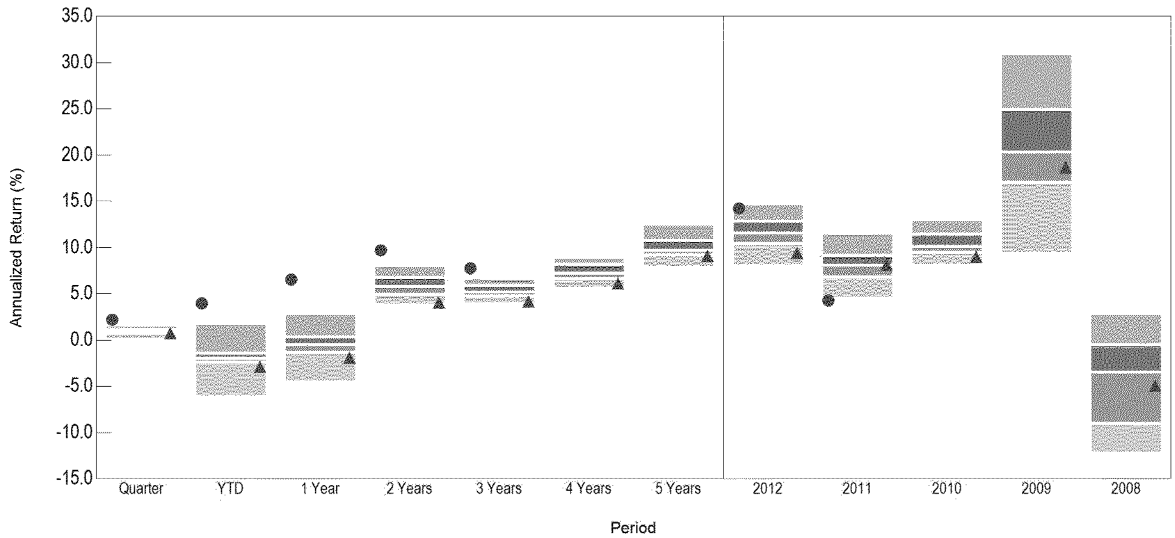
Quarterly Out/Under Performance, Rising Market
Quarterly Out/Under Performance, Falling Market
Rolling 2 Year Excess Performance vs. BarCap US Credit Index USD

Note: Performance is based in US dollars

Sears Canada Defined Benefit Plans - Managers | As of September 30, 2013

Income Research & Management | Peer Analysis

Universe: eA US Corporate Fixed Inc Gross



	Return (Rank)																							
5th Percentile	1.6		1.7		2.8		8.0		6.7		8.9		12.5		14.8		11.6		13.0		31.0		2.8	
25th Percentile	1.2		-1.4		0.4		6.8		5.9		8.2		10.8		12.9		9.2		11.5		25.0		-0.5	
Median	1.0		-1.9		-0.5		5.8		5.2		7.3		9.8		11.6		8.1		10.1		20.4		-3.4	
75th Percentile	0.7		-2.4		-1.3		5.0		4.8		6.7		9.3		10.5		6.8		9.5		17.1		-9.0	
95th Percentile	0.1		-6.1		-4.5		3.9		4.0		5.6		7.9		8.1		4.6		8.1		9.4		-12.2	
# of Portfolios	73		73		73		71		71		67		55		65		56		55		57		59	
● **Income Research & Management**	2.2	(1)	4.0	(1)	6.5	(1)	9.7	(1)	7.8	(1)	--	(--)	--	(--)	14.2	(10)	4.3	(98)	--	(--)	--	(--)	--	(--)
▲ **BarCap US Credit Index USD**	0.7	(76)	-2.9	(86)	-1.9	(87)	4.1	(94)	4.2	(93)	6.1	(92)	9.1	(77)	9.4	(88)	8.1	(49)	9.0	(82)	18.7	(63)	-4.9	(60)

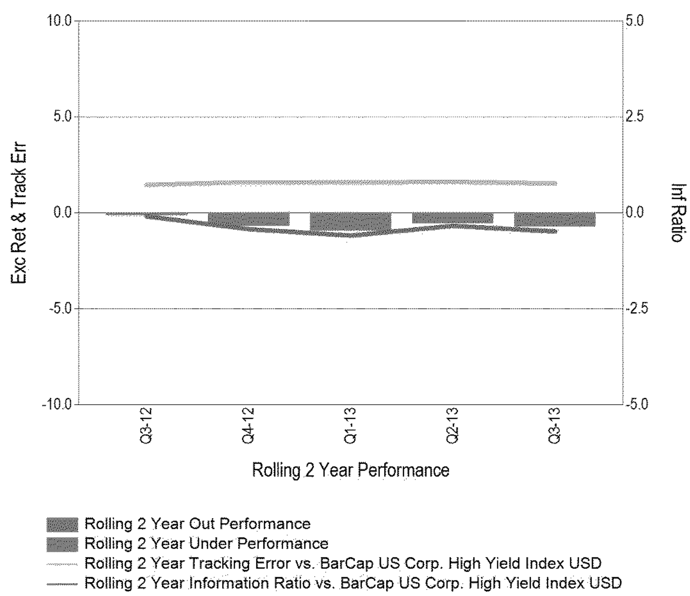
Note: Performance is based in US dollars

Sears Canada Defined Benefit Plans - Managers | As of September 30, 2013

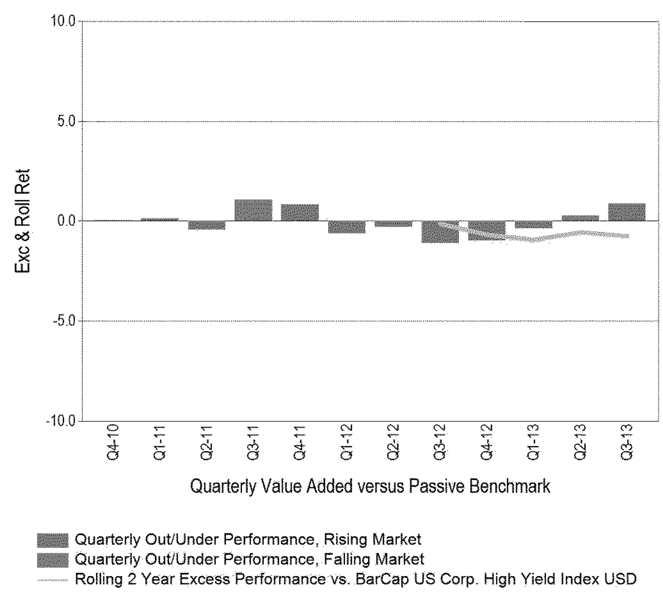
Shenkman Capital Management | Value Added Analysis

	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
Shenkman Capital Management	3.2	4.5	6.9	12.3	9.0	--	--	--	12.5	6.7	--	--	--	--
BarCap US Corp. High Yield Index USD	*2.3*	*3.7*	*7.1*	*13.1*	*9.2*	*11.4*	*13.5*	*8.9*	*15.8*	*5.0*	*15.1*	*58.2*	*-26.2*	*1.9*
Over/Under	0.9	0.8	-0.2	-0.8	-0.2				-3.3	1.7				
eA US High Yield Fixed Inc Gross Median	*2.3*	*4.1*	*7.3*	*12.9*	*9.3*	*11.4*	*12.3*	*8.8*	*15.5*	*4.9*	*14.9*	*45.0*	*-21.2*	*3.5*

Financial Efficiency



Quarterly Value Added Analysis

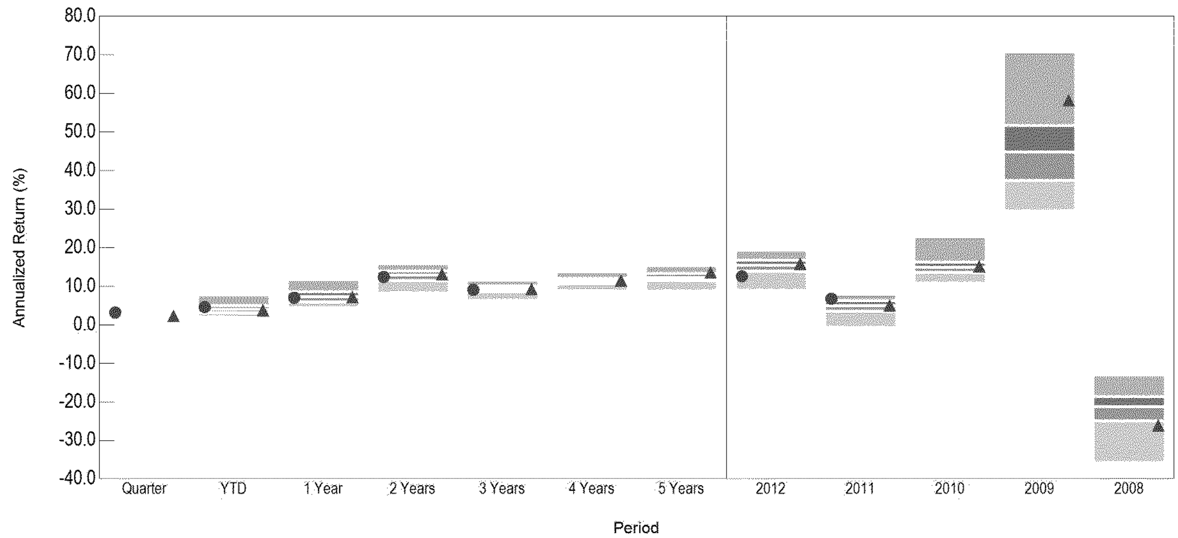


Note: Performance is based in US dollars

Sears Canada Defined Benefit Plans - Managers — As of September 30, 2013

Shenkman Capital Management — Peer Analysis

Universe: eA US High Yield Fixed Inc Gross



	Return (Rank)											
5th Percentile	3.2	7.7	11.7	15.8	11.5	13.8	15.3	19.4	7.9	22.8	70.8	-13.1
25th Percentile	2.6	5.0	8.6	14.0	10.1	12.1	13.3	16.7	6.2	16.3	51.8	-18.6
Median	2.3	4.1	7.3	12.9	9.3	11.4	12.3	15.5	4.9	14.9	45.0	-21.2
75th Percentile	2.0	3.2	6.1	11.5	8.6	10.6	11.5	14.0	3.5	13.6	37.4	-24.9
95th Percentile	1.5	2.0	4.5	8.3	6.4	8.8	8.9	8.9	-0.7	10.9	29.6	-35.7
# of Portfolios	126	126	126	122	115	112	107	129	117	106	123	131
● **Shenkman Capital Management**	3.2 (6)	4.5 (35)	6.9 (60)	12.3 (62)	9.0 (61)	-- (--)	-- (--)	12.5 (87)	6.7 (12)	-- (--)	-- (--)	-- (--)
▲ **BarCap US Corp. High Yield Index USD**	2.3 (54)	3.7 (61)	7.1 (53)	13.1 (46)	9.2 (57)	11.4 (52)	13.5 (19)	15.8 (43)	5.0 (49)	15.1 (45)	58.2 (14)	-26.2 (81)

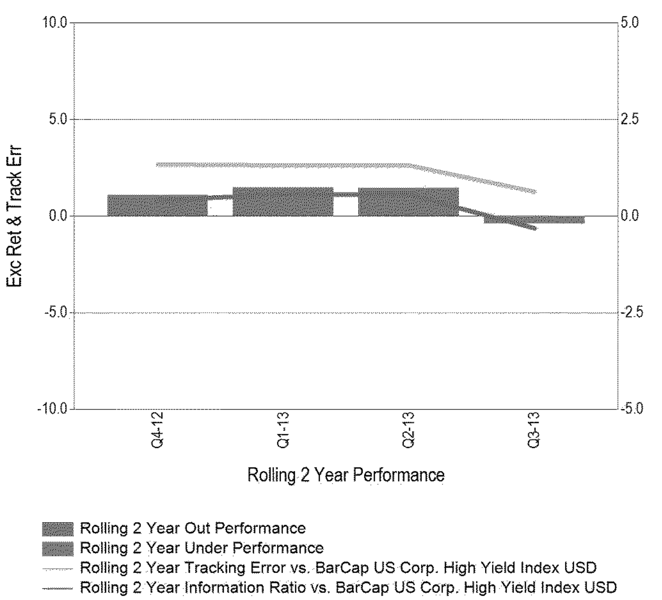
Note: Performance is based in US dollars

Sears Canada Defined Benefit Plans - Managers | As of September 30, 2013

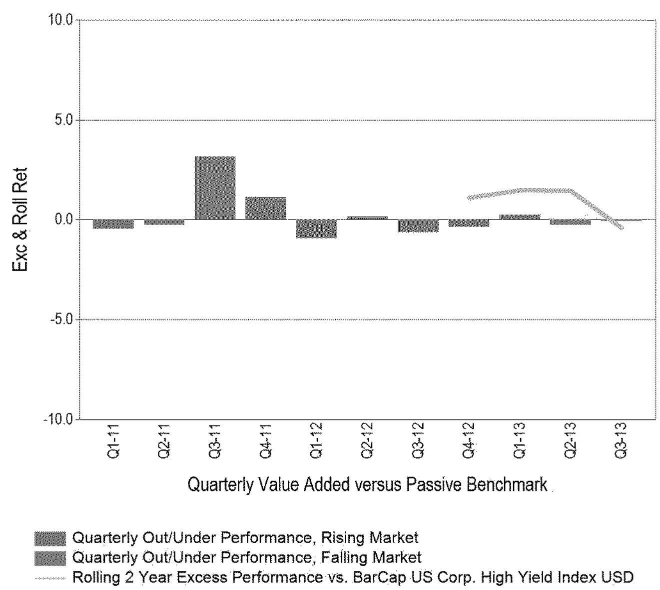
Oaktree Capital Management | Value Added Analysis

	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
Oaktree Capital Management	2.2	3.6	6.7	12.7	--	--	--	--	13.9	8.9	--	--	--	--
BarCap US Corp. High Yield Index USD	*2.3*	*3.7*	*7.1*	*13.1*	*9.2*	*11.4*	*13.5*	*8.9*	*15.8*	*5.0*	*15.1*	*58.2*	*-26.2*	*1.9*
Over/Under	-0.1	-0.1	-0.4	-0.4					-1.9	3.9				
eA US High Yield Fixed Inc Gross Median	*2.3*	*4.1*	*7.3*	*12.9*	*9.3*	*11.4*	*12.3*	*8.8*	*15.5*	*4.9*	*14.9*	*45.0*	*-21.2*	*3.5*

Financial Efficiency



Quarterly Value Added Analysis

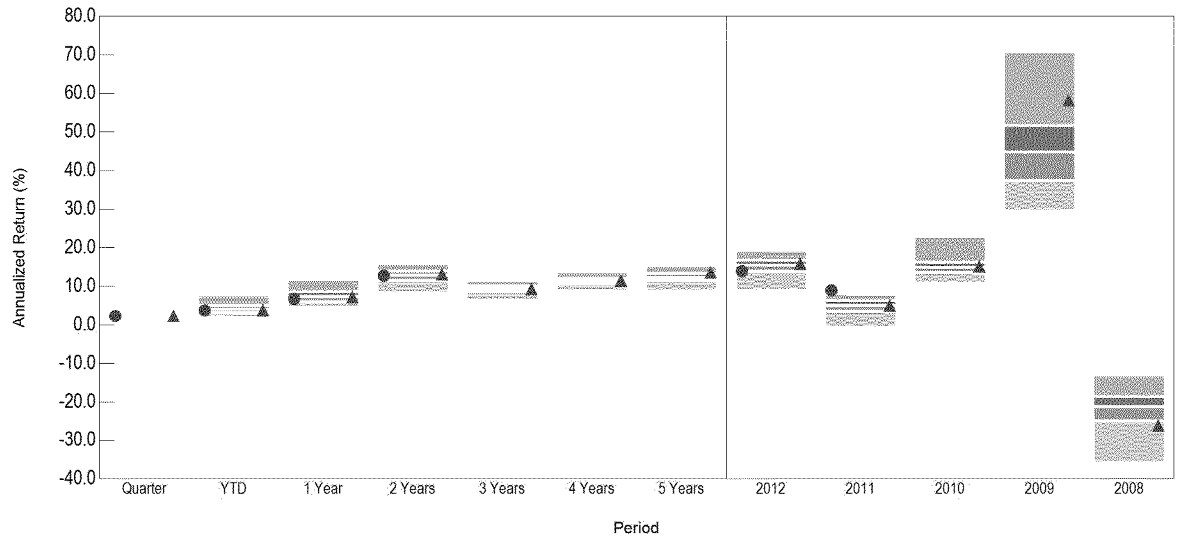


Note: Performance is based in US dollars

Sears Canada Defined Benefit Plans - Managers — As of September 30, 2013

Oaktree Capital Management — Peer Analysis

Universe: eA US High Yield Fixed Inc Gross



Return (Rank)	Quarter		YTD		1 Year		2 Years		3 Years		4 Years		5 Years		2012		2011		2010		2009		2008	
5th Percentile	3.2		7.7		11.7		15.8		11.5		13.8		15.3		19.4		7.9		22.8		70.8		-13.1	
25th Percentile	2.6		5.0		8.6		14.0		10.1		12.1		13.3		16.7		6.2		16.3		51.8		-18.6	
Median	2.3		4.1		7.3		12.9		9.3		11.4		12.3		15.5		4.9		14.9		45.0		-21.2	
75th Percentile	2.0		3.2		6.1		11.5		8.6		10.6		11.5		14.0		3.5		13.6		37.4		-24.9	
95th Percentile	1.5		2.0		4.5		8.3		6.4		8.8		8.9		8.9		-0.7		10.9		29.6		-35.7	
# of Portfolios	126		126		126		122		115		112		107		129		117		106		123		131	
● **Oaktree Capital Management**	2.2	(57)	3.6	(62)	6.7	(64)	12.7	(57)	--	(--)	--	(--)	--	(--)	13.9	(76)	8.9	(3)	--	(--)	--	(--)	--	(--)
▲ **BarCap US Corp. High Yield Index USD**	2.3	(54)	3.7	(61)	7.1	(53)	13.1	(46)	9.2	(57)	11.4	(52)	13.5	(19)	15.8	(43)	5.0	(49)	15.1	(45)	58.2	(14)	-26.2	(81)

Note: Performance is based in US dollars

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Sears Canada Defined Contribution Plan | As of September 30, 2013

Total Plans | Plan Structure and Performance

	Market Value ($)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	4 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank
			Ending September 30, 2013															
Total Plans	**182,193,258**	**100.0**																
Target Date Funds	**88,166,537**	**48.4**																
BlackRock LifePath Index Retirement	10,645,918	5.8	1.7	--	2.4	--	3.9	--	7.1	--	5.8	--	6.6	--	6.0	--	--	--
BlackRock LP Retirement BM			*1.7*	--	*2.4*	--	*3.9*	--	*7.0*	--	*6.0*	--	*6.8*	--	*6.3*	--	--	--
BlackRock LifePath Index 2010 Ret	64,421	0.0	1.7	--	2.4	--	3.9	--	7.1	--	5.8	--	6.6	--	5.8	--	--	--
BlackRock LifePath 2010 BM			*1.7*	--	*2.4*	--	*3.9*	--	*7.0*	--	*6.0*	--	*6.8*	--	*6.1*	--	--	--
BlackRock LifePath Index 2015	21,907,177	12.0	1.9	--	3.3	--	5.1	--	8.1	--	6.1	--	6.8	--	5.7	--	--	--
BlackRock LifePath 2015 BM			*1.9*	--	*3.3*	--	*5.0*	--	*8.0*	--	*6.2*	--	*7.0*	--	*5.8*	--	--	--
BlackRock LifePath Index 2020	21,366,107	11.7	2.3	--	4.1	--	6.4	--	9.5	--	6.9	--	7.6	--	6.1	--	--	--
BlackRock LifePath 2020 BM			*2.2*	--	*4.1*	--	*6.3*	--	*9.5*	--	*7.1*	--	*7.9*	--	*6.3*	--	--	--
BlackRock LifePath Index 2025	15,634,340	8.6	2.7	--	5.8	--	8.4	--	10.9	--	7.5	--	7.9	--	6.2	--	--	--
BlackRock LifePath 2025 BM			*2.6*	--	*5.9*	--	*8.3*	--	*10.8*	--	*7.6*	--	*8.2*	--	*6.3*	--	--	--
BlackRock LifePath Index 2030	8,398,917	4.6	3.2	--	7.7	--	10.7	--	12.0	--	7.6	--	7.9	--	6.0	--	--	--
BlackRock LifePath 2030 BM			*3.1*	--	*7.7*	--	*10.6*	--	*11.9*	--	*7.8*	--	*8.2*	--	*6.3*	--	--	--
BlackRock LifePath Index 2035	5,404,643	3.0	3.7	--	9.1	--	12.4	--	12.9	--	7.8	--	7.9	--	6.0	--	--	--
BlackRock LifePath 2035 BM			*3.6*	--	*9.1*	--	*12.3*	--	*12.8*	--	*8.0*	--	*8.2*	--	*6.3*	--	--	--
BlackRock LifePath Index 2040	4,173,929	2.3	4.1	--	10.3	--	13.9	--	13.6	--	7.9	--	7.9	--	5.9	--	--	--
BlackRock LifePath 2040 BM			*4.0*	--	*10.3*	--	*13.8*	--	*13.5*	--	*8.1*	--	*8.2*	--	*6.2*	--	--	--
BlackRock LifePath Index 2045	561,425	0.3	4.5	--	11.4	--	15.3	--	14.2	--	8.0	--	7.9	--	6.1	--	--	--
BlackRock LifePath 2045 BM			*4.4*	--	*11.4*	--	*15.1*	--	*14.1*	--	*8.1*	--	*8.2*	--	*6.3*	--	--	--
BlackRock LifePath Index 2050	9,660	0.0	4.8	--	11.9	--	15.6	--	--	--	--	--	--	--	--	--	--	--
BlackRock LifePath 2050 BM			*4.8*	--	*12.1*	--	*16.0*	--	--	--	--	--	--	--	--	--	--	--

Notes:
- BlackRock LifePath funds were added during the third quarter of 2011. Prior returns provided for informational purposes only.
- Numbers in red indicate below benchmark performance.

	Market Value ($)	% of Portfolio	Ending September 30, 2013															
			3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	4 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank
Canadian Equity Funds	**25,909,490**	**14.2**																
BlackRock Active Canadian Equity Fund	25,424,376	14.0	7.0	57	5.9	93	8.0	93	9.1	88	5.1	67	6.4	63	5.8	64	9.7	42
S&P/TSX Composite			*6.2*	*83*	*5.3*	*96*	*7.1*	*95*	*8.1*	*96*	*4.1*	*84*	*5.9*	*73*	*4.8*	*79*	*8.4*	*75*
BlackRock S&P/TSX Composite Index Fund	485,114	0.3	6.3	83	5.3	95	7.2	95	8.2	96	4.1	85	5.9	73	4.8	79	8.5	72
S&P/TSX Composite			*6.2*	*83*	*5.3*	*96*	*7.1*	*95*	*8.1*	*96*	*4.1*	*84*	*5.9*	*73*	*4.8*	*79*	*8.4*	*75*
Foreign Equity Funds	**26,778,991**	**14.7**																
BlackRock Global Equity Index Fund	502,402	0.3	4.9	63	18.2	81	23.5	73	19.3	67	10.6	79	8.6	88	7.0	82	--	--
MSCI ACWI Ex Canada Net			*5.1*	*57*	*18.7*	*78*	*23.7*	*73*	*19.1*	*69*	*10.6*	*78*	*8.8*	*88*	*7.1*	*81*	*--*	*--*
MFS MB Global Equity Fund	26,276,589	14.4	6.5	28	23.7	25	33.1	11	25.8	7	16.2	9	13.2	13	10.9	17	8.7	12
MSCI World Net			*5.4*	*54*	*21.1*	*53*	*25.6*	*56*	*20.1*	*58*	*11.9*	*59*	*9.3*	*76*	*7.1*	*81*	*4.7*	*85*
Canadian Fixed Income Funds	**30,407,595**	**16.7**																
BlackRock Universe Bond Index Fund	712,297	0.4	0.1	72	-1.6	71	-1.3	81	2.0	93	3.5	84	4.5	82	5.6	90	5.2	92
DEX Universe Bond			*0.1*	*69*	*-1.6*	*71*	*-1.3*	*78*	*2.0*	*93*	*3.6*	*83*	*4.5*	*82*	*5.6*	*88*	*5.2*	*88*
Connor Clark & Lunn Bond Fund	29,695,297	16.3	0.4	6	-0.9	19	-0.1	15	3.2	5	3.9	33	5.3	10	7.1	3	5.5	37
DEX Universe Bond			*0.1*	*69*	*-1.6*	*71*	*-1.3*	*78*	*2.0*	*93*	*3.6*	*83*	*4.5*	*82*	*5.6*	*88*	*5.2*	*88*
Money Market Funds	**10,930,645**	**6.0**																
Sun Life Financial Money Market Fund	10,930,645	6.0	0.3	53	0.8	67	1.1	70	1.1	71	1.1	69	1.0	72	1.0	80	2.2	87
DEX 91 Day T-Bill			*0.3*	*52*	*0.8*	*89*	*1.1*	*84*	*1.0*	*96*	*1.0*	*98*	*0.8*	*97*	*0.9*	*96*	*2.1*	*97*

Notes:
- The BlackRock S&P/TSX Composite Index, Global Equity Index and Universe Bond Index funds and the Sun Life Financial Money Market Fund were added during the third quarter of 2011. Prior returns provided for informational purposes only.
- The MFS Global Equity Fund was added during the fourth quarter of 2010. Prior returns provided for informational purposes only.
- Numbers in red indicate below benchmark performance.

Sears Canada Defined Contribution Plan — As of September 30, 2013

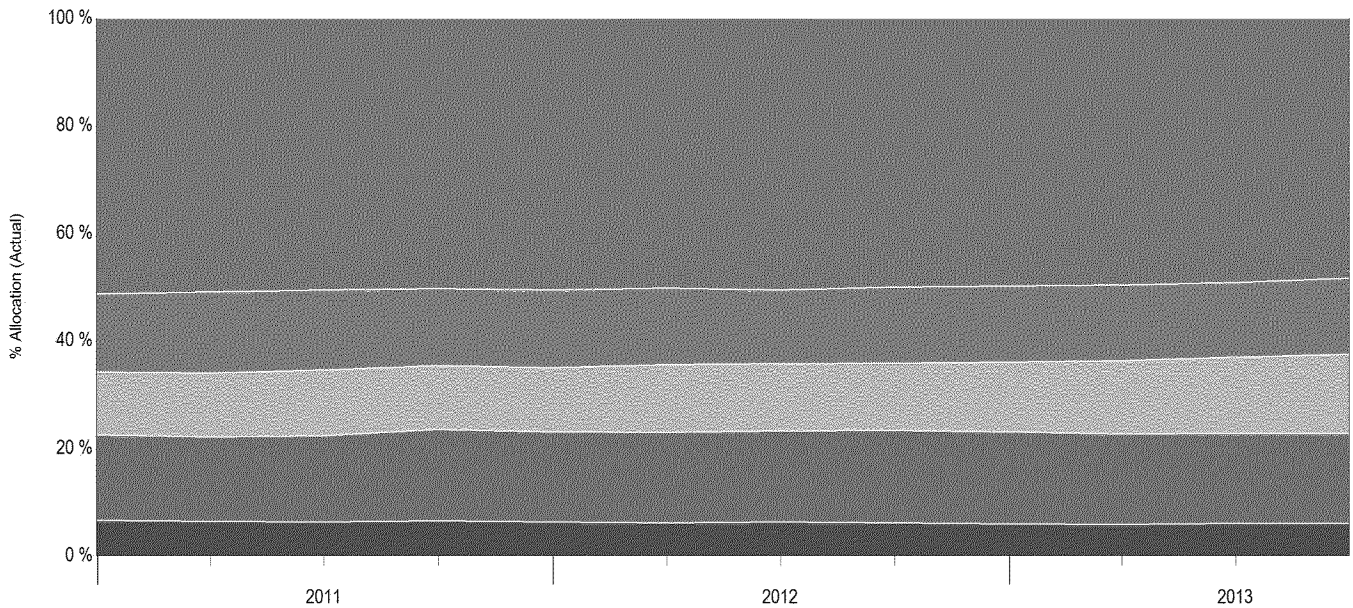
Total Plans — Asset Mix By Plan

	Defined Contribution Pension Plan		Registered Retirement Savings Plan		Locked In Retirement Account		Total	
	Market Value ($)	% of Plan	Market Value ($)	% of Plan	Market Value ($)	% of Plan	Market Value ($)	% of Plan
Total	**157,336,988**	**100.0**	**24,645,982**	**100.0**	**210,288**	**100.0**	**182,193,258**	**100.0**
Target Date Funds	**72,930,151**	**46.4**	**15,129,481**	**61.4**	**106,905**	**50.8**	**88,166,537**	**48.4**
BlackRock LifePath Index Retirement	8,012,341	5.1	2,630,206	10.7	3,370	1.6	10,645,918	5.8
BlackRock LifePath Index 2010 Ret	60,125	0.0	4,296	0.0	–	–	64,421	0.0
BlackRock LifePath Index 2015	17,184,006	10.9	4,723,171	19.2	–	–	21,907,177	12.0
BlackRock LifePath Index 2020	17,280,425	11.0	4,026,440	16.3	59,242	28.2	21,366,107	11.7
BlackRock LifePath Index 2025	13,293,571	8.4	2,296,477	9.3	44,292	21.1	15,634,340	8.6
BlackRock LifePath Index 2030	7,516,797	4.8	882,120	3.6	–	–	8,398,917	4.6
BlackRock LifePath Index 2035	5,102,973	3.2	301,669	1.2	–	–	5,404,643	3.0
BlackRock LifePath Index 2040	3,966,211	2.5	207,718	0.8	–	–	4,173,929	2.3
BlackRock LifePath Index 2045	506,925	0.3	54,500	0.2	–	–	561,425	0.3
BlackRock LifePath Index 2050	6,777	0.0	2,883	0.0	–	–	9,660	0.0
Canadian Equity Funds	**23,336,036**	**14.8**	**2,530,926**	**10.3**	**42,529**	**20.2**	**25,909,490**	**14.2**
BlackRock Active Canadian Equity Fund	22,906,320	14.6	2,480,945	10.1	37,110	17.6	25,424,376	14.0
BlackRock S&P/TSX Composite Index Fund	429,716	0.3	49,980	0.2	5,419	2.6	485,114	0.3
Foreign Equity Funds	**24,466,501**	**15.6**	**2,284,880**	**9.3**	**27,611**	**13.1**	**26,778,991**	**14.7**
BlackRock Global Equity Index Fund	415,577	0.3	81,373	0.3	5,453	2.6	502,402	0.3
MFS MB Global Equity Fund	24,050,924	15.3	2,203,508	8.9	22,158	10.5	26,276,589	14.4
Canadian Fixed Income Funds	**27,001,496**	**17.2**	**3,376,775**	**13.7**	**29,324**	**13.9**	**30,407,595**	**16.7**
BlackRock Universe Bond Index Fund	614,113	0.4	92,517	0.4	5,667	2.7	712,297	0.4
Connor Clark & Lunn Bond Fund	26,387,383	16.8	3,284,258	13.3	23,657	11.2	29,695,297	16.3
Money Market Funds	**9,602,804**	**6.1**	**1,323,921**	**5.4**	**3,920**	**1.9**	**10,930,645**	**6.0**
Sun Life Financial Money Market Fund	9,602,804	6.1	1,323,921	5.4	3,920	1.9	10,930,645	6.0

Sears Canada Defined Contribution Plan | As of September 30, 2013

Total Plans | Asset Allocation History

Asset Allocation History



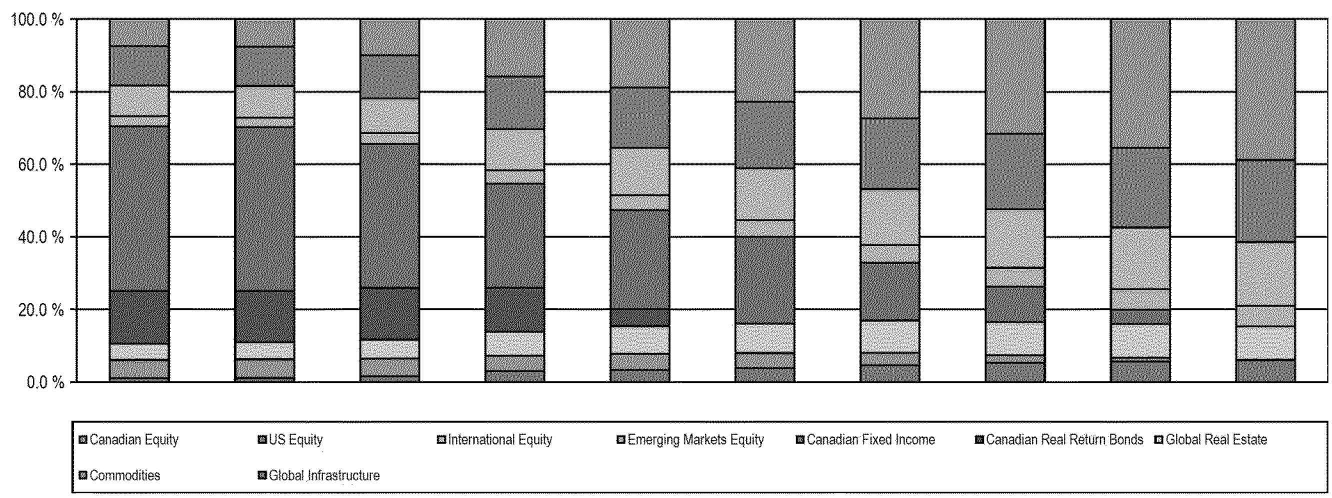
51.0	50.6	50.3	50.6	50.3	50.6	50.1	49.8	49.6	49.2	48.4
15.1	14.9	14.3	14.4	14.3	13.8	14.1	14.2	14.1	14.0	14.2
11.8	12.2	11.9	12.0	12.6	12.5	12.5	13.0	13.7	14.1	14.7
15.7	16.0	17.0	16.7	16.8	16.9	17.2	17.1	16.8	16.8	16.7
6.4	6.3	6.4	6.2	6.1	6.3	6.1	5.9	5.8	5.9	6.0

Target Date Funds　Foreign Equity Funds　Canadian Fixed Income Funds　Money Market Funds
Canadian Equity Funds

Sears Canada Defined Contribution Plan | As of September 30, 2013

Target Date Funds | Asset Allocation

Asset Allocation	BlackRock LifePath Index									
	Retirement (%)	2010 (%)	2015 (%)	2020 (%)	2025 (%)	2030 (%)	2035 (%)	2040 (%)	2045 (%)	2050 (%)
Canadian Equity	7.5	7.6	10.0	15.8	18.8	22.8	27.4	31.6	35.5	38.8
US Equity	10.8	10.9	11.9	14.5	16.7	18.3	19.5	20.7	22.0	22.6
International Equity	8.5	8.7	9.5	11.4	13.0	14.3	15.4	16.1	17.0	17.6
Emerging Markets Equity	2.8	2.6	3.0	3.7	4.1	4.6	4.9	5.3	5.7	5.7
Canadian Fixed Income	45.4	45.1	39.7	28.6	27.3	23.8	15.9	9.7	4.0	–
Canadian Real Return Bonds	14.5	14.2	14.2	12.2	4.7	–	–	–	–	–
Global Real Estate	4.5	4.6	5.2	6.6	7.6	8.2	8.9	9.1	9.2	9.1
Commodities	5.1	5.2	4.9	4.2	4.5	4.2	3.4	2.1	1.0	–
Global Infrastructure	1.0	1.1	1.6	3.0	3.3	3.8	4.6	5.2	5.7	6.1



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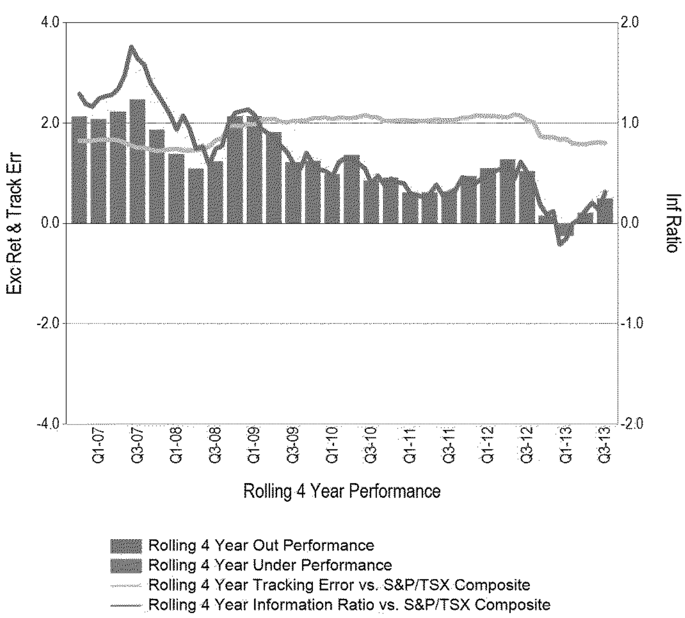
Sears Canada Defined Contribution Plan | As of September 30, 2013

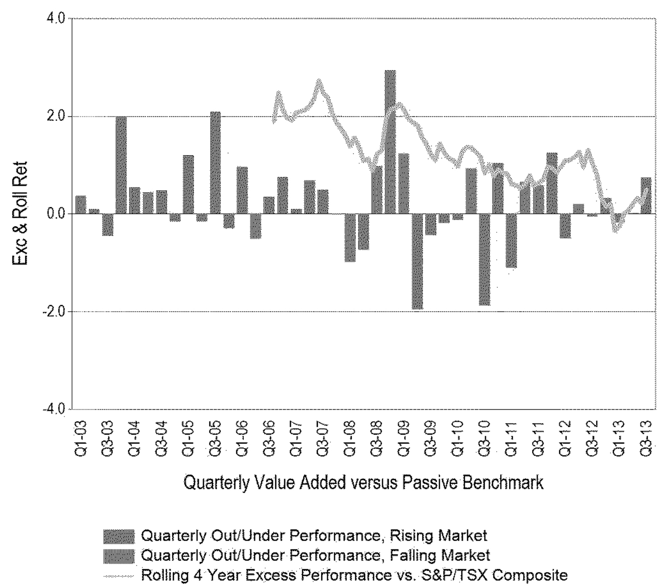
BlackRock Active Canadian Equity Fund — Value Added Analysis

	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
BlackRock Active Canadian Equity Fund	7.0	5.9	8.0	9.1	5.1	6.4	5.8	9.7	7.1	-7.3	17.7	33.7	-30.8	11.1
S&P/TSX Composite	*6.2*	*5.3*	*7.1*	*8.1*	*4.1*	*5.9*	*4.8*	*8.4*	*7.2*	*-8.7*	*17.6*	*35.1*	*-33.0*	*9.8*
Over/Under	0.8	0.6	0.9	1.0	1.0	0.5	1.0	1.3	-0.1	1.4	0.1	-1.4	2.2	1.3
eA Canadian All Cap Equity Gross Median	*7.2*	*10.0*	*12.8*	*12.1*	*6.3*	*7.3*	*6.6*	*9.4*	*9.7*	*-9.7*	*17.5*	*34.8*	*-31.9*	*8.2*

Financial Efficiency



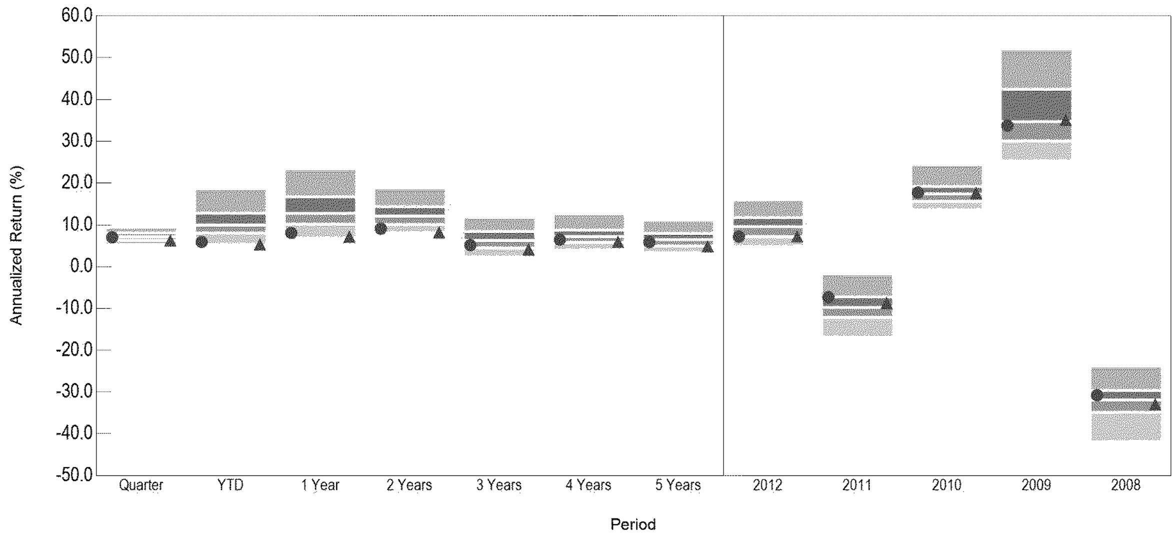
Quarterly Value Added Analysis



Sears Canada Defined Contribution Plan | As of September 30, 2013

BlackRock Active Canadian Equity Fund | Peer Analysis

Universe: eA Canadian All Cap Equity Gross



	Return (Rank)											
5th Percentile	9.4	18.6	23.4	18.8	11.8	12.6	11.1	16.0	-1.8	24.3	52.0	-23.8
25th Percentile	8.0	12.8	16.8	14.4	8.5	8.7	8.0	11.7	-7.2	19.2	42.5	-29.7
Median	7.2	10.0	12.8	12.1	6.3	7.3	6.6	9.7	-9.7	17.5	34.8	-31.9
75th Percentile	6.4	8.0	10.2	10.1	4.5	5.8	5.0	7.2	-12.1	15.7	30.1	-34.9
95th Percentile	5.3	5.3	6.9	8.2	2.3	4.1	3.5	4.8	-16.8	13.6	25.4	-41.9
# of Portfolios	93	93	93	91	91	88	88	92	96	86	85	84
● **BlackRock Active Canadian Equity Fund**	7.0 (57)	5.9 (93)	8.0 (93)	9.1 (88)	5.1 (67)	6.4 (63)	5.8 (64)	7.1 (77)	-7.3 (28)	17.7 (45)	33.7 (57)	-30.8 (37)
▲ **S&P/TSX Composite**	6.2 (83)	5.3 (96)	7.1 (95)	8.1 (96)	4.1 (84)	5.9 (73)	4.8 (79)	7.2 (76)	-8.7 (40)	17.6 (48)	35.1 (50)	-33.0 (60)

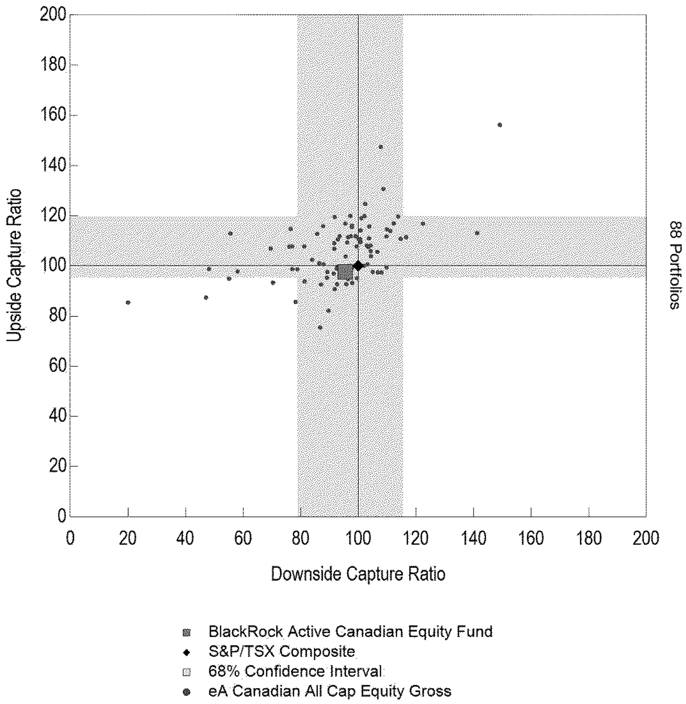
Sears Canada Defined Contribution Plan

As of September 30, 2013

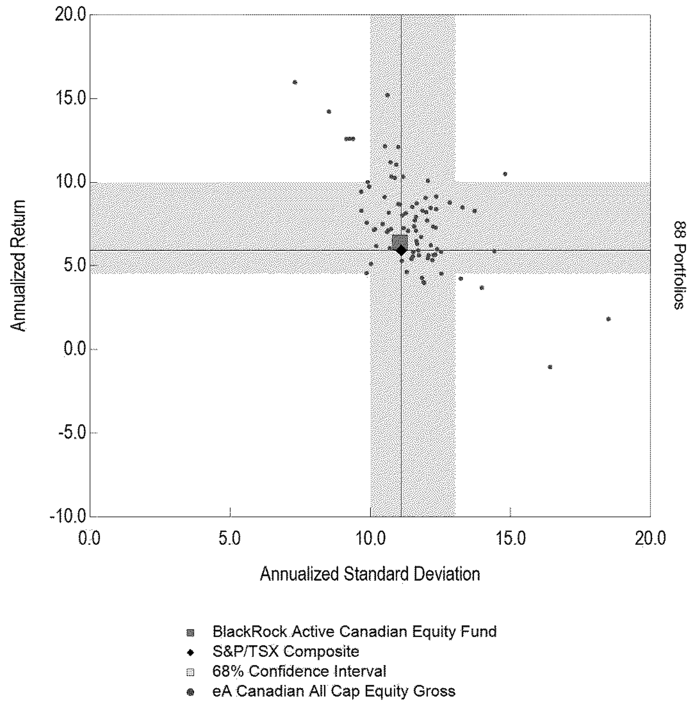
BlackRock Active Canadian Equity Fund

Risk Analysis

Upside Capture Ratio vs. Downside Capture Ratio
4 Years Ending September 30, 2013



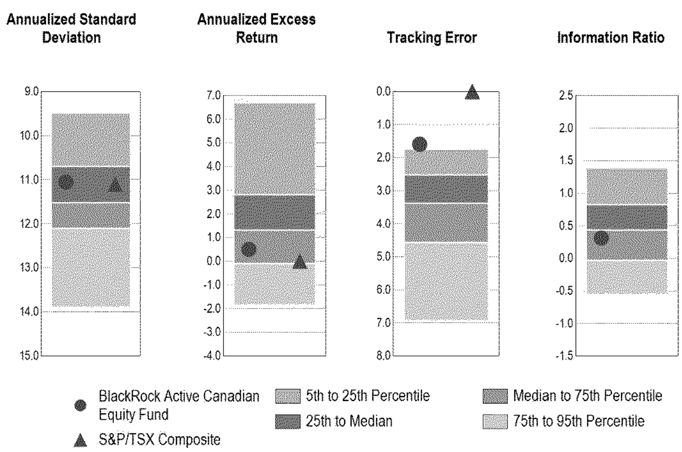
Annualized Return vs. Annualized Standard Deviation
4 Years Ending September 30, 2013



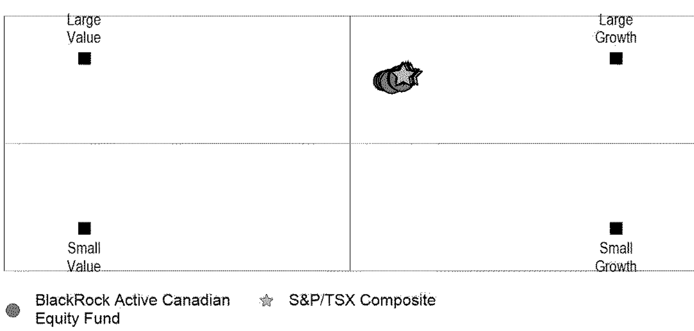
Sears Canada Defined Contribution Plan — As of September 30, 2013

BlackRock Active Canadian Equity Fund — Returns And Risk

4 Years Ending September 30, 2013
Universe: eA Canadian All Cap Equity Gross



Style Analysis - Rolling 4 Year Periods



Note: Return-based style analysis performed relative to Russell Canada equity style indices.

October 01, 2009 Through September 30, 2013

	BlackRock Active Canadian Equity Fund	S&P/TSX Composite
RETURN SUMMARY STATISTICS		
Number of Periods	48	48
Maximum Return	6.0	5.6
Minimum Return	-8.4	-8.7
Annualized Return	6.4	5.9
Total Return	28.2	25.9
Annualized Excess Return Over Risk Free	5.6	5.1
Annualized Excess Return	0.5	0.0
RISK SUMMARY STATISTICS		
Beta	1.0	1.0
Upside Deviation	5.5	5.1
Downside Deviation	7.7	7.7
RISK/RETURN SUMMARY STATISTICS		
Annualized Standard Deviation	11.1	11.1
Annualized Alpha	0.6	0.0
Sharpe Ratio	0.5	0.5
Excess Return Over Market / Risk	0.0	0.0
Tracking Error	1.6	0.0
Information Ratio	0.3	--
CORRELATION STATISTICS		
R-Squared	1.0	1.0
Correlation	1.0	1.0

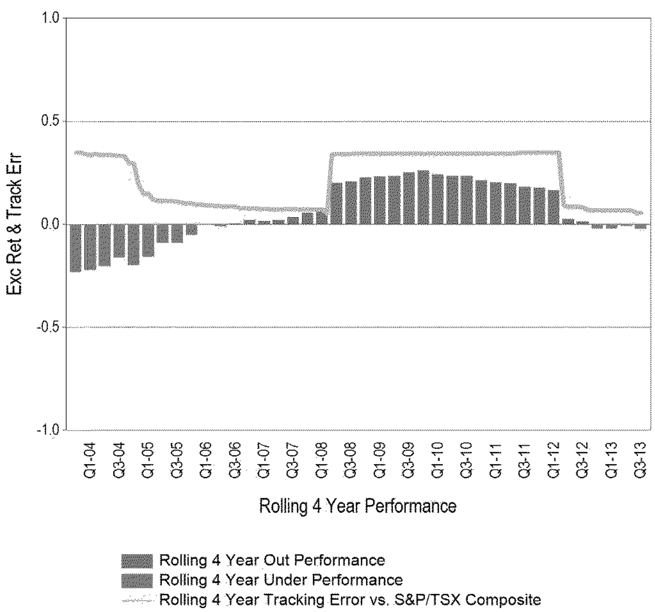
Market Proxy: S&P/TSX Composite
Risk-Free Proxy: DEX 91 Day T-Bill

Sears Canada Defined Contribution Plan — As of September 30, 2013

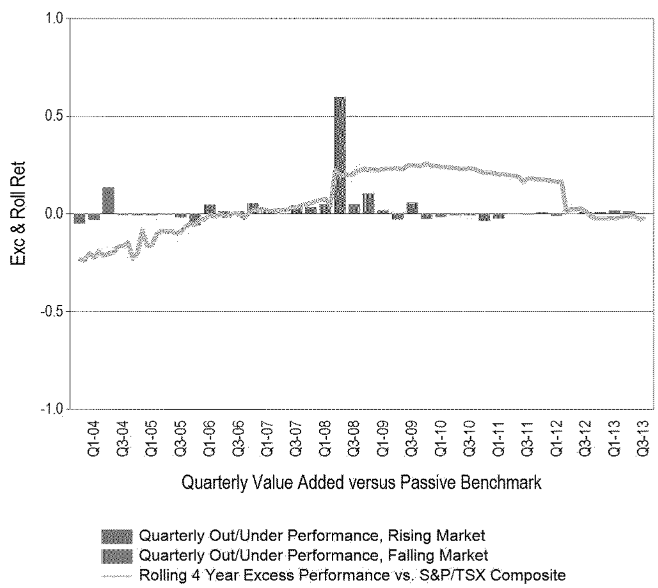
BlackRock S&P/TSX Composite Index Fund — Value Added Analysis

	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
BlackRock S&P/TSX Composite Index Fund	6.3	5.3	7.2	8.2	4.1	5.9	4.8	8.5	7.2	-8.7	17.5	35.1	-32.5	9.9
S&P/TSX Composite	*6.2*	*5.3*	*7.1*	*8.1*	*4.1*	*5.9*	*4.8*	*8.4*	*7.2*	*-8.7*	*17.6*	*35.1*	*-33.0*	*9.8*
Over/Under	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.1	0.0	0.0	-0.1	0.0	0.5	0.1
eA Canadian All Cap Equity Gross Median	*7.2*	*10.0*	*12.8*	*12.1*	*6.3*	*7.3*	*6.6*	*9.4*	*9.7*	*-9.7*	*17.5*	*34.8*	*-31.9*	*8.2*

Financial Efficiency



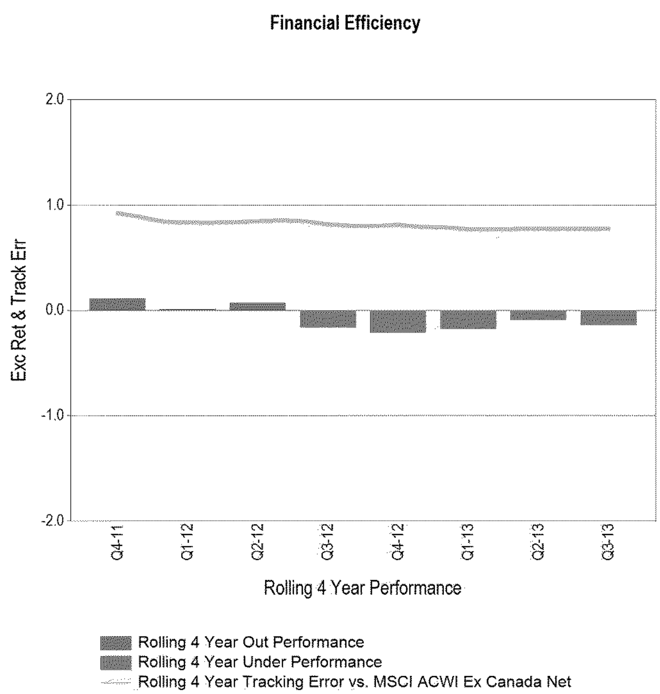
Quarterly Value Added Analysis

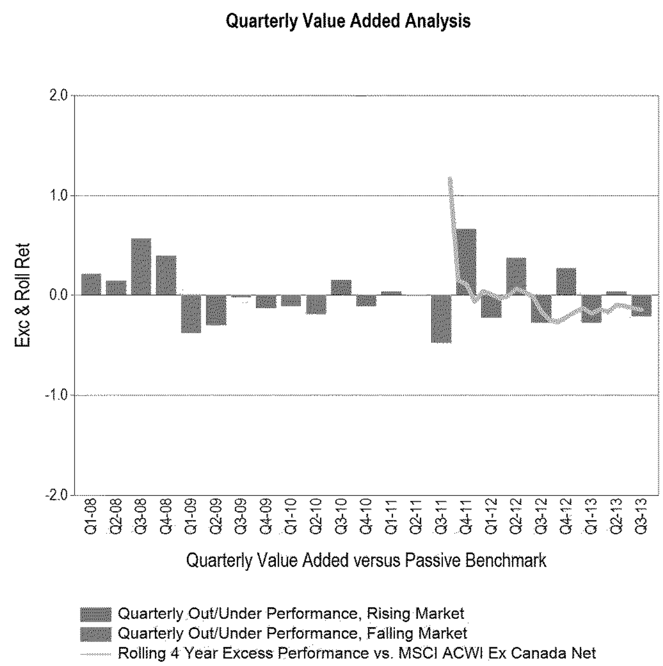


Sears Canada Defined Contribution Plan As of September 30, 2013

BlackRock Global Equity Index Fund Value Added Analysis

	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
BlackRock Global Equity Index Fund	4.9	18.2	23.5	19.3	10.6	8.6	7.0	--	14.1	-4.6	6.1	12.7	-26.5	--
MSCI ACWI Ex Canada Net	*5.1*	*18.7*	*23.7*	*19.1*	*10.6*	*8.8*	*7.1*	--	*13.9*	*-4.8*	*6.4*	*13.7*	*-27.5*	--
Over/Under	-0.2	-0.5	-0.2	0.2	0.0	-0.2	-0.1		0.2	0.2	-0.3	-1.0	1.0	
eA Global Large Cap Equity Gross Median	*5.5*	*21.2*	*26.4*	*20.4*	*12.6*	*10.5*	*8.8*	*6.4*	*13.7*	*-3.7*	*6.9*	*13.4*	*-25.5*	*-4.9*



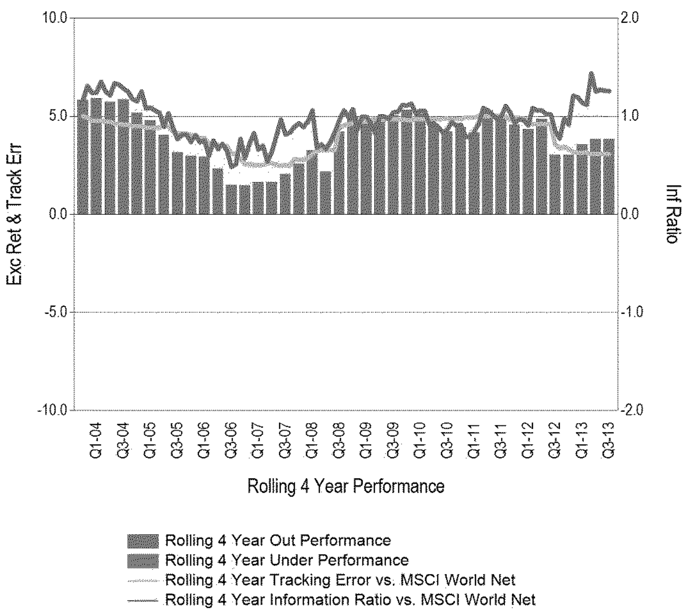


Sears Canada Defined Contribution Plan | As of September 30, 2013

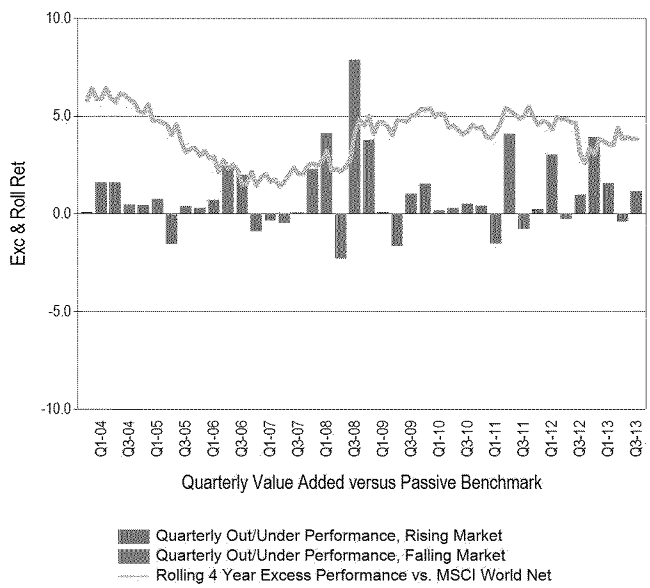
MFS MB Global Equity Fund — Value Added Analysis

	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
MFS MB Global Equity Fund	6.5	23.7	33.1	25.8	16.2	13.2	10.9	8.7	21.5	-1.4	7.3	11.5	-14.3	-6.1
MSCI World Net	*5.4*	*21.1*	*25.6*	*20.1*	*11.9*	*9.3*	*7.1*	*4.7*	*13.3*	*-3.2*	*5.9*	*10.4*	*-25.8*	*-7.5*
Over/Under	1.1	2.6	7.5	5.7	4.3	3.9	3.8	4.0	8.2	1.8	1.4	1.1	11.5	1.4
eA Global Large Cap Equity Gross Median	*5.5*	*21.2*	*26.4*	*20.4*	*12.6*	*10.5*	*8.8*	*6.4*	*13.7*	*-3.7*	*6.9*	*13.4*	*-25.5*	*-4.9*

Financial Efficiency



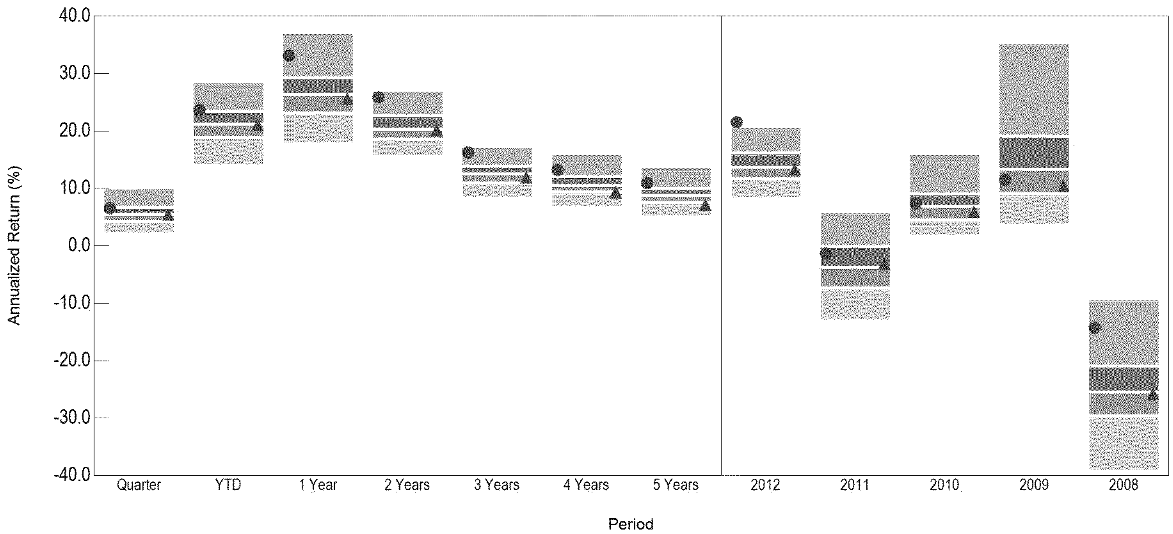
Quarterly Value Added Analysis



Sears Canada Defined Contribution Plan | As of September 30, 2013

MFS MB Global Equity Fund | Peer Analysis

Universe: eA Global Large Cap Equity Gross



Return (Rank)	Quarter	YTD	1 Year	2 Years	3 Years	4 Years	5 Years	2012	2011	2010	2009	2008
5th Percentile	10.1	28.5	37.1	27.0	17.3	16.1	13.8	20.7	5.8	16.0	35.2	-9.3
25th Percentile	6.7	23.5	29.3	22.7	13.9	12.1	10.0	16.2	-0.1	9.0	19.2	-21.0
Median	5.5	21.2	26.4	20.4	12.6	10.5	8.8	13.7	-3.7	6.9	13.4	-25.5
75th Percentile	4.3	18.9	23.2	18.6	10.9	9.4	7.6	11.8	-7.3	4.6	9.1	-29.6
95th Percentile	2.1	14.0	17.9	15.6	8.3	6.7	5.1	8.2	-13.0	1.8	3.7	-39.2
# of Portfolios	181	181	181	175	165	155	141	159	156	167	155	144
● **MFS MB Global Equity Fund**	6.5 (28)	23.7 (25)	33.1 (11)	25.8 (7)	16.2 (9)	13.2 (13)	10.9 (17)	21.5 (3)	-1.4 (35)	7.3 (44)	11.5 (61)	-14.3 (11)
▲ **MSCI World Net**	5.4 (54)	21.1 (53)	25.6 (56)	20.1 (58)	11.9 (59)	9.3 (76)	7.1 (81)	13.3 (54)	-3.2 (46)	5.9 (63)	10.4 (69)	-25.8 (52)

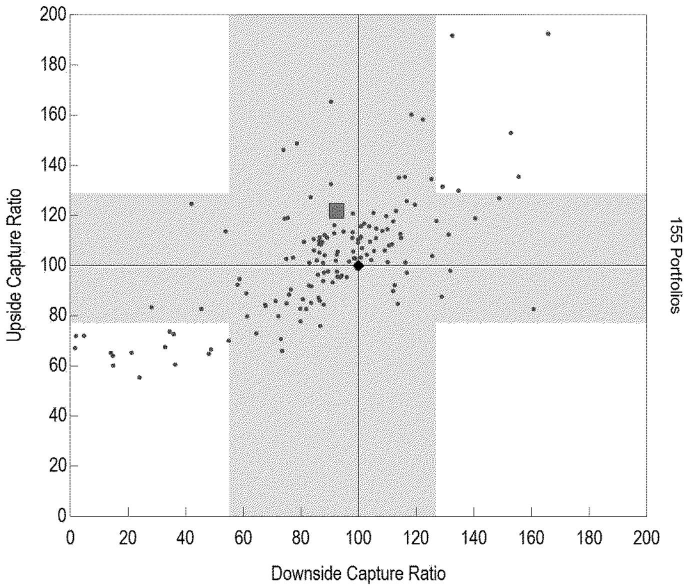
Sears Canada Defined Contribution Plan

As of September 30, 2013

MFS MB Global Equity Fund

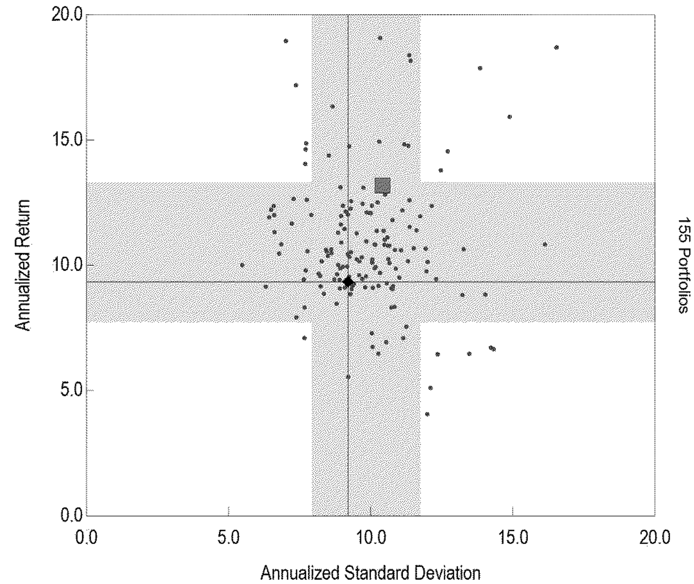
Risk Analysis

Upside Capture Ratio vs. Downside Capture Ratio
4 Years Ending September 30, 2013



- MFS MB Global Equity Fund
- MSCI World Net
- 68% Confidence Interval
- eA Global Large Cap Equity Gross

Annualized Return vs. Annualized Standard Deviation
4 Years Ending September 30, 2013

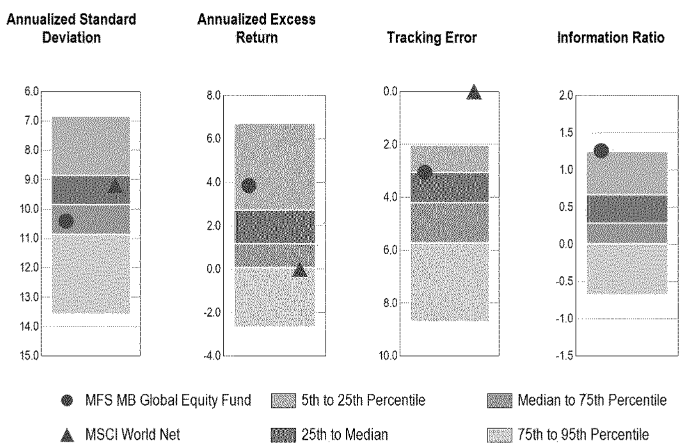


- MFS MB Global Equity Fund
- MSCI World Net
- 68% Confidence Interval
- eA Global Large Cap Equity Gross

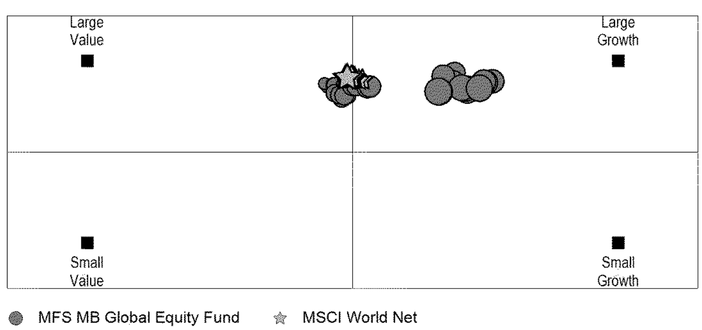
Sears Canada Defined Contribution Plan | As of September 30, 2013

MFS MB Global Equity Fund — Returns And Risk

4 Years Ending September 30, 2013
Universe: eA Global Large Cap Equity Gross



Style Analysis - Rolling 4 Year Periods



Note: Return-based style analysis performed relative to MSCI World equity style indices.

October 01, 2009 Through September 30, 2013

	MFS MB Global Equity Fund	MSCI World Net
RETURN SUMMARY STATISTICS		
Number of Periods	48	48
Maximum Return	6.3	5.4
Minimum Return	-7.1	-6.3
Annualized Return	13.2	9.3
Total Return	64.1	43.0
Annualized Excess Return Over Risk Free	12.3	8.5
Annualized Excess Return	3.8	0.0
RISK SUMMARY STATISTICS		
Beta	1.1	1.0
Upside Deviation	5.7	5.1
Downside Deviation	6.5	6.1
RISK/RETURN SUMMARY STATISTICS		
Annualized Standard Deviation	10.4	9.2
Annualized Alpha	3.0	0.0
Sharpe Ratio	1.2	0.9
Excess Return Over Market / Risk	0.4	0.0
Tracking Error	3.1	0.0
Information Ratio	1.3	--
CORRELATION STATISTICS		
R-Squared	0.9	1.0
Correlation	1.0	1.0

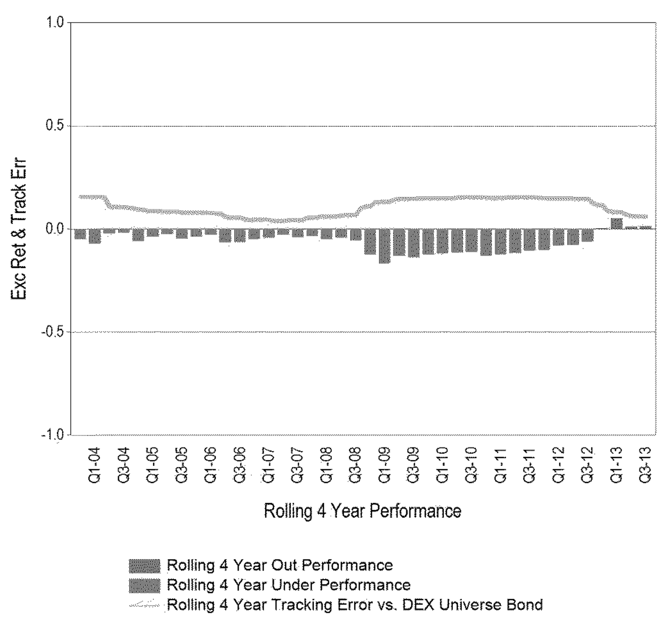
Market Proxy: MSCI World Net
Risk-Free Proxy: DEX 91 Day T-Bill

Sears Canada Defined Contribution Plan — As of September 30, 2013

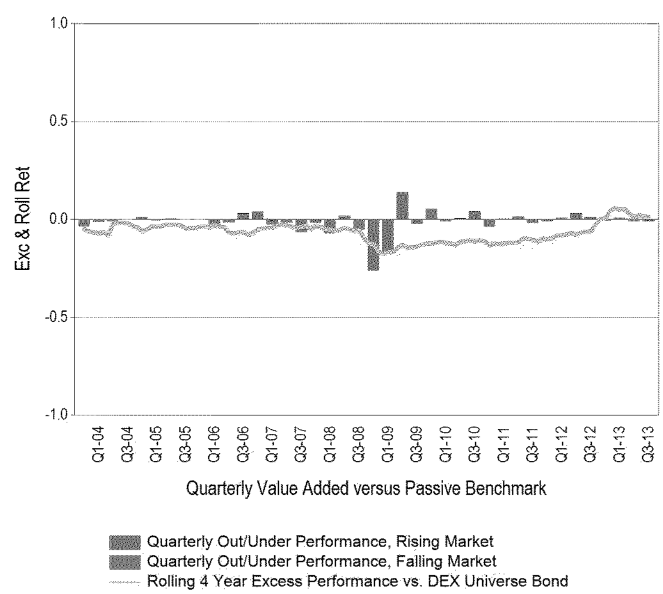
BlackRock Universe Bond Index Fund — Value Added Analysis

	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
BlackRock Universe Bond Index Fund	0.1	-1.6	-1.3	2.0	3.5	4.5	5.6	5.2	3.6	9.7	6.7	5.4	6.0	3.5
DEX Universe Bond	*0.1*	*-1.6*	*-1.3*	*2.0*	*3.6*	*4.5*	*5.6*	*5.2*	*3.6*	*9.7*	*6.7*	*5.4*	*6.4*	*3.7*
Over/Under	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.4	-0.2
eA Canadian Core Fixed Income Gross Median	*0.2*	*-1.4*	*-0.8*	*2.5*	*3.8*	*4.9*	*6.1*	*5.4*	*4.3*	*9.0*	*7.1*	*8.2*	*5.2*	*3.5*

Financial Efficiency



Quarterly Value Added Analysis

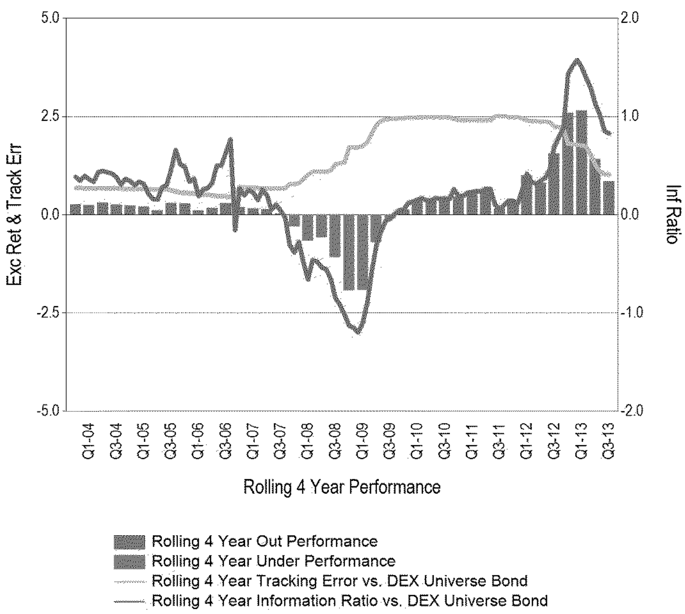


Sears Canada Defined Contribution Plan | As of September 30, 2013

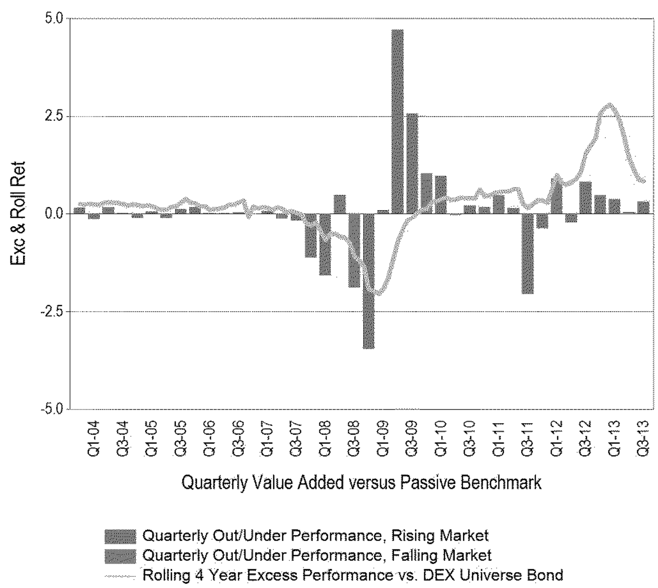
Connor Clark & Lunn Bond Fund — Value Added Analysis

	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
Connor Clark & Lunn Bond Fund	0.4	-0.9	-0.1	3.2	3.9	5.3	7.1	5.5	5.6	7.8	8.1	14.3	-0.1	2.3
DEX Universe Bond	*0.1*	*-1.6*	*-1.3*	*2.0*	*3.6*	*4.5*	*5.6*	*5.2*	*3.6*	*9.7*	*6.7*	*5.4*	*6.4*	*3.7*
Over/Under	0.3	0.7	1.2	1.2	0.3	0.8	1.5	0.3	2.0	-1.9	1.4	8.9	-6.5	-1.4
eA Canadian Core Fixed Income Gross Median	*0.2*	*-1.4*	*-0.8*	*2.5*	*3.8*	*4.9*	*6.1*	*5.4*	*4.3*	*9.0*	*7.1*	*8.2*	*5.2*	*3.5*

Financial Efficiency



Quarterly Value Added Analysis

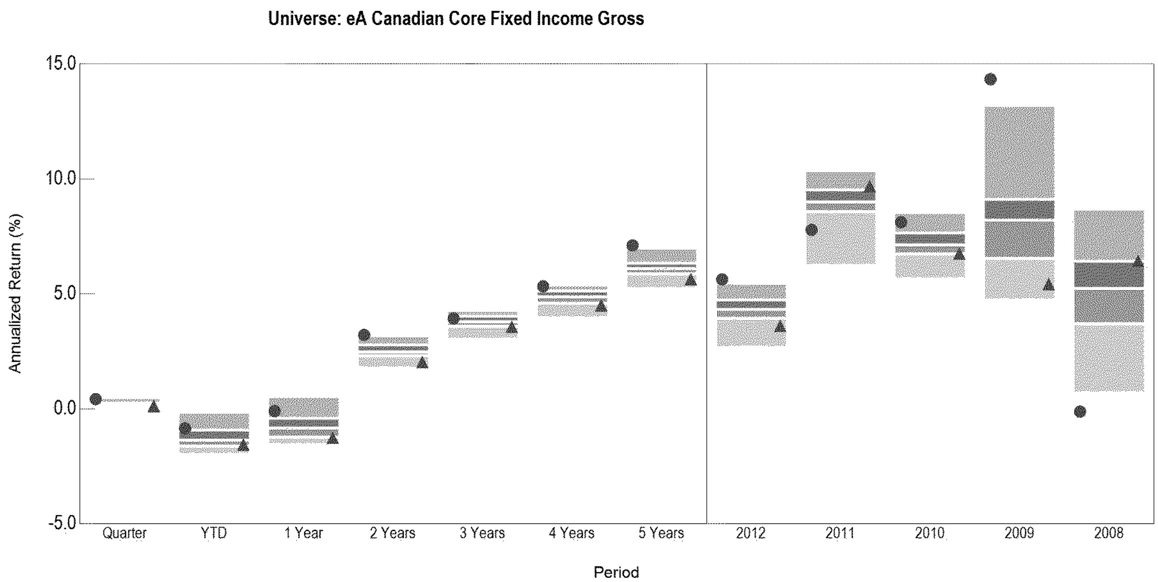


Sears Canada Defined Contribution Plan

As of September 30, 2013

Connor Clark & Lunn Bond Fund

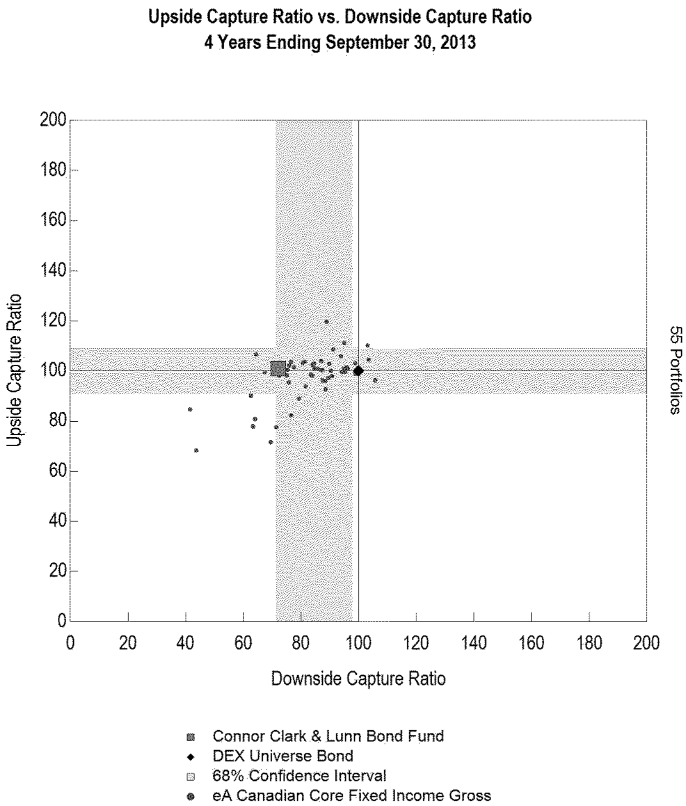
Peer Analysis

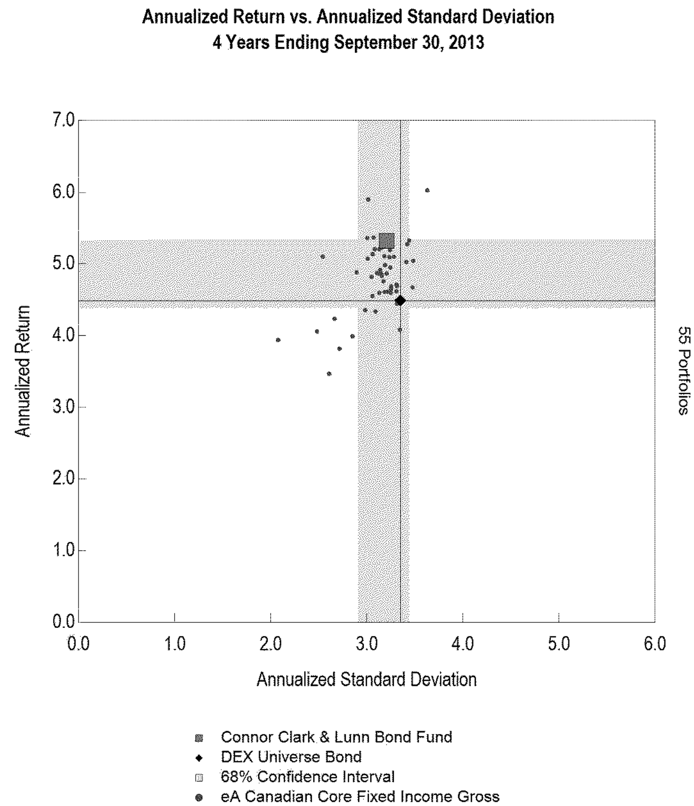


	Return (Rank)																							
5th Percentile	0.5		-0.2		0.5		3.2		4.3		5.4		7.0		5.5		10.3		8.5		13.2		8.7	
25th Percentile	0.2		-0.9		-0.4		2.8		4.0		5.1		6.3		4.7		9.5		7.7		9.1		6.4	
Median	0.2		-1.4		-0.8		2.5		3.8		4.9		6.1		4.3		9.0		7.1		8.2		5.2	
75th Percentile	0.1		-1.6		-1.2		2.3		3.6		4.6		5.9		3.9		8.6		6.8		6.6		3.7	
95th Percentile	0.0		-2.0		-1.6		1.8		3.0		4.0		5.2		2.7		6.3		5.7		4.7		0.7	
# of Portfolios	55		55		55		55		55		55		55		59		61		65		65		63	
● Connor Clark & Lunn Bond Fund	0.4	(6)	-0.9	(19)	-0.1	(15)	3.2	(5)	3.9	(33)	5.3	(10)	7.1	(3)	5.6	(4)	7.8	(84)	8.1	(11)	14.3	(2)	-0.1	(98)
▲ DEX Universe Bond	0.1	(69)	-1.6	(71)	-1.3	(78)	2.0	(93)	3.6	(83)	4.5	(82)	5.6	(88)	3.6	(87)	9.7	(17)	6.7	(76)	5.4	(91)	6.4	(26)

Sears Canada Defined Contribution Plan As of September 30, 2013

Connor Clark & Lunn Bond Fund Risk Analysis

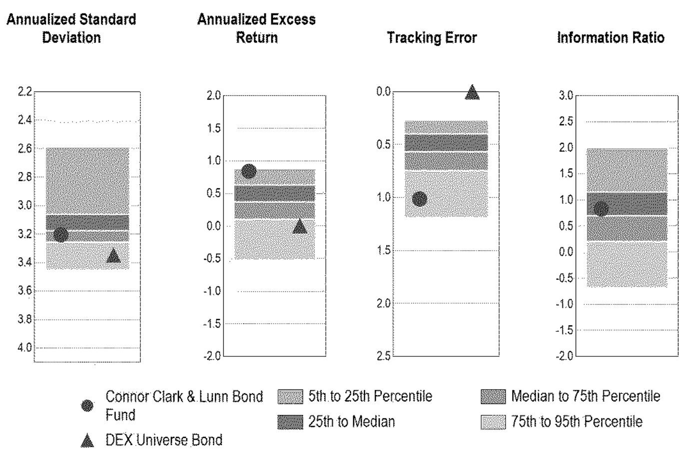




Sears Canada Defined Contribution Plan — As of September 30, 2013

Connor Clark & Lunn Bond Fund — Returns And Risk

4 Years Ending September 30, 2013
Universe: eA Canadian Core Fixed Income Gross



October 01, 2009 Through September 30, 2013

	Connor Clark & Lunn Bond Fund	DEX Universe Bond
RETURN SUMMARY STATISTICS		
Number of Periods	48	48
Maximum Return	2.4	2.1
Minimum Return	-2.2	-2.0
Annualized Return	5.3	4.5
Total Return	23.0	19.2
Annualized Excess Return Over Risk Free	4.5	3.6
Annualized Excess Return	0.8	0.0
RISK SUMMARY STATISTICS		
Beta	0.9	1.0
Upside Deviation	2.3	2.3
Downside Deviation	2.2	2.0
RISK/RETURN SUMMARY STATISTICS		
Annualized Standard Deviation	3.2	3.3
Annualized Alpha	1.2	0.0
Sharpe Ratio	1.4	1.1
Excess Return Over Market / Risk	0.3	0.0
Tracking Error	1.0	0.0
Information Ratio	0.8	--
CORRELATION STATISTICS		
R-Squared	0.9	1.0
Correlation	1.0	1.0

Market Proxy: DEX Universe Bond
Risk-Free Proxy: DEX 91 Day T-Bill

A. Universe and Benchmark Definitions

Universes:

Relative returns and peer analysis universes are comprised of data provided by investment managers through eVestment. Returns are gross of investment management fees.
Data for Canadian universes includes both pooled funds and composites of separately managed accounts.
For all other universes, data is comprised of composites of separately managed accounts only.

Benchmarks:

S&P/TSX COMPOSITE INDEX: a capitalization-weighted index (i.e., the larger companies comprise a larger share of the index) of public companies having to satisfy capitalization and liquidity criteria. The index measures capital appreciation and the impact of dividend reinvestment.

S&P 500 (STANDARDS & POOR'S) INDEX: is a market capitalization weighted index which includes 500 leading companies in leading industries of the U.S. economy.

MSCI (MORGAN STANLEY CAPITAL INTERNATIONAL) EAFE (Europe, Australia, Far East) INDEX NET: a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The index consists of over 900 companies representing the stock markets of 22 countries including: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The index is presented with net dividends reinvested after the deduction of withholding taxes.

MSCI (MORGAN STANLEY CAPITAL INTERNATIONAL) WORLD INDEX NET: a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets. The index consists of the following 24 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The index is presented with net dividends reinvested after the deduction of withholding taxes.

MSCI (MORGAN STANLEY CAPITAL INTERNATIONAL) WORLD INDEX EX-CANADA NET: a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets. The index consists of the following 23 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The index is presented with net dividends reinvested after the deduction of withholding taxes.

DEX UNIVERSE BOND INDEX: is a capitalization-weighted index that covers the broad Canadian investment grade bond universe and includes over 900 securities. Data comes from Canadian bonds with a term to maturity of more than one year.

DEX LONG BOND INDEX: is a capitalization-weighted index that covers the broad Canadian investment grade bond universe. Data comes from marketable Canadian bonds with a maturity remaining of greater than ten years.

DEX REAL RETURN BOND INDEX: is a capitalization-weighted index that covers the Canadian real return bond universe and includes approximately 14 securities. Data comes from Canadian bonds with a remaining maturity of more than one year.

BARCLAYS CAPITAL CREDIT BOND INDEX: includes all publicly issued, fixed rate, nonconvertible, dollar-denominated, SEC-registered, investment grade corporate debt. Issues are rated at least Baa by Moody's Investors Service or BBB by Standard & Poor's, if unrated by Moody's. All issues have at least one year to maturity and an outstanding par value of at least $150 million. Collateralized Mortgage Obligations (CMOs) are not included. This index considers price appreciation (or depreciation) and income as a percentage of the original investment, and is rebalanced monthly by market capitalization. All returns are market value weighted inclusive of accrued interest.

RUSSELL 1000® GROWTH AND VALUE INDICES: are created by measuring the price-to-book ratios and forecasted growth values of companies in the Russell 1000 Index. The composite rank is then used to generate the probability that a stock is either growth or value. The Russell 1000 Growth Index represents the universe of stocks from which most growth style money managers typically select, while the Russell 1000 Value Index represents the universe of stocks from which most value style money managers typically select. Russell rebalances its family of indexes annually on June 30 using the companies' May 31 market values.

RUSSELL MIDCAP® INDEX: measures the performance of generally the 800 smallest companies, as calculated using float, contained in the Russell 1000 Index. As of the latest reconstitution, 779 companies were included; the weighted-average market capitalization was approximately $4.9 billion. The largest company in the index had an approximate market capitalization of $12.2 billion.

RUSSELL MIDCAP® GROWTH AND VALUE INDICES: are created by sorting the universe of Russell MidCap companies by book/price ratio and separately by the I/B/E/S growth rate to arrive at a composite rank for each company. The composite rank is used to generate the probability that a stock is either growth or value. Russell rebalances its family of indexes annually on June 30 using the companies' May 31 market values.

B. Glossary of Terms

ACTIVE (EXCESS) RETURN: The difference between the actual performance of the portfolio and the performance of its benchmark.

ACTIVE RISK: A statistical measure of the likely range of returns for a portfolio around the benchmark. A figure of 1% suggests that, two years in three, performance is likely to be within 1% of the benchmark return and one year in three it is likely to be outside that range. Active risk can be measured by the tracking error.

ANNUAL YIELD: The annual income received from an investment expressed as a percentage of the capital value of the investment.

ASSET ALLOCATION: The split of a fund's assets between asset classes and/or markets, such as Canadian equities, foreign equities, fixed income securities, real estate and cash. The long-term strategic asset allocation of the fund reflects the guidelines set by the investor with regard to their investment objectives. An investment manager may aim to add value to any such broad guidelines over the short-term by making tactical asset allocation decisions based on perceived pricing anomalies.

ANNUALIZED ALPHA: A risk-adjusted measure of active (excess) return. It is calculated as the difference between the annualized portfolio return and beta of the portfolio multiplied by the annualized benchmark return.

BENCHMARK: A yardstick against which the investment performance of an investment manager can be compared for the purposes of determining investment skill. Within a particular asset class the benchmark might be either the relevant market index return (e.g. the S&P 500 Index for US equities), or an industry average return of investment managers operating under similar guidelines (e.g. median return of manager peer universe).

BETA: A coefficient which measures the investment's relative volatility. It is equal to the change in fund performance in relation to the change in fund or index performance.

BOND: A certificate of debt, ie an 'IOU' issued by companies, governments, etc., usually paying interest and traded in a market.

BOTTOM-UP: An expression commonly used to explain the technique of selecting stocks within a particular market by reference first and foremost to the stock itself, rather than the market sector in which that stock is categorized.

CONFIDENCE INTERVAL: A term used in inferential statistics that measures the probability that a population parameter will fall between two set values.

CORRELATION: A statistical measure of how two investments (or benchmarks) move in relation to each other.

CYCLICAL STOCKS: Shares whose performance moves in line with the economic cycle, ie the shares tend to perform well in periods of expansion, prosperity and recovery but might decline in periods of recession.

DIVERSIFICATION: An effective spread of investments to reduce the likelihood that the adverse performance of individual securities or asset classes will significantly affect the overall performance of the portfolio.

DIVIDEND: Cash payment made to shareholders by a company each year. Normally paid in two six monthly installments, an interim dividend followed by a final dividend once the company's profitability for the complete financial year has been assessed by its directors.

DIVIDEND YIELD: Expressed as a percentage, it is calculated by dividing the dividend payable per share by the market price of the share.

DOWNSIDE DEVIATION: A measure of the standard deviation of the negative returns.

DURATION: A measure of the average maturity of the stream of payments generated by a financial asset. It is an important measure of the interest rate exposure of a fixed interest portfolio.

EXCESS RETURN OVER MARKET/ RISK: A measure of the annualized excess return divided by the annualized standard deviation.

FIXED INCOME SECURITY: An investment which generates a fixed amount of interest, although the investment's yield will fluctuate depending upon the market price of the security.

FUNDAMENTAL ANALYSIS: Analysis of a company and its share price by examining its recent performance and predicting future levels of profits and dividends. This will involve a comprehensive assessment, both qualitative and quantitative, of a company's structure, accounts, management, products, assets, etc.

GROWTH INVESTOR: Growth managers tend to focus on companies with above average profit growth (either historical or prospective). Typical growth factors include positive sales and earnings growth, high return on equity, positive forecasted earnings growth and positive earnings revisions. Growth factors tend to be less correlated than value factors. For instance, some managers focus on long term growth whereas other managers are more driven by earnings momentum.

INDEX FUND: A passively managed fund designed to mimic the investment performance of a specific market index.

INDEX LINKED SECURITY: A bond with its interest payment and redemption value both linked to an index which measures inflation to give a rate of return in excess of the rate of inflation, if the bond is held to redemption.

B. Glossary of Terms

INFORMATION RATIO: A risk adjusted measure of performance calculated as active return divided by tracking error. The information ratio is an important measure of the financial efficiency of a portfolio.

MARKET INDEX: An index is normally constructed of representative companies or stocks within a particular stock market, for use as a proxy for the relevant market against which to measure the performance of both individual shares and portfolios (e.g. S&P 500 Index.)

MARKET TIMING: An asset allocation decision in which investments are increased in asset classes expected to perform well, and subsequently decreased in those expected to perform poorly.

MATURITY: The date at which a loan, bond, mortgage or other debt/security becomes due and is to be repaid.

MEDIAN: Statistical term commonly referred to in the context of performance monitoring. Essentially the median represents the middle point within a sample, with 50% of outcomes higher than the median, and 50% of outcomes lower.

PASSIVE MANAGEMENT: A term generally applied to the technique of indexation, although it could relate to any portfolio which is not actively managed and has low stock transaction levels.

PERFORMANCE ATTRIBUTION: The identification of sources of returns for a portfolio or security over a particular time period.

QUANTITATIVE FUND MANAGEMENT: An investment management approach concentrating upon statistical and numerical analysis rather than the qualitative approach of researching companies and company management.

REBALANCING: A policy of re-weighting the asset allocation of a portfolio or benchmark periodically.

REAL RETURN BOND: A bond issued by the government which gives a rate of return that is adjusted for inflation. Unlike regular (nominal) bonds, this feature assures that the purchasing power is maintained regardless of the future rate of inflation.

RISK: In its simplest sense risk might be regarded as the uncertainty associated with investment, ie being unable to guarantee the future return. Generally speaking there is a trade-off between risk and return, where the higher the risk of an investment, the higher the expected return (although with hindsight, not necessarily actual return). There are a number of definitions and statistical measures of risk, and all investors should relate their own attitude towards risk to their specific circumstances and requirements.

R-SQUARED: A statistical measure that represents the percentage of a fund or security's movements that can be explained by movements in a benchmark index.

SECTOR SELECTION: A measure of the contribution due to over- or under-weighting the sector relative to the benchmark. Sector selection is calculated by multiplying the portfolio's beginning weight minus the benchmark's beginning weight by the degree to which the benchmark sector return underperformed or outperformed the benchmark total return.

SHARPE RATIO: A ratio to measure risk adjusted performance. The Sharpe ratio is equal to the annualized return of a portfolio minus the risk free rate divided by the standard deviation.

STANDARD DEVIATION: A measure of volatility showing how widely dispersed or tightly bunched a set of returns are around their average return. Standard deviations presented in this report are based on quarterly returns and are annualized, unless otherwise indicated.

STOCK SELECTION: A measure of the contribution of the stocks selected to the return of the portfolio after removing the contribution of sector returns. Stock selection is calculated by multiplying the portfolio's weight in the sector times the degree to which the portfolio's return in the sector differs from the benchmark's return in the sector.

STYLE: The 'style' of an investment manager refers to an element of active management that describes the way in which investment philosophy (beliefs about what factors drive stock prices) and investment process are combined to try to add value to portfolios in order to outperform the benchmark.

TOP-DOWN: The opposite to bottom-up, where emphasis is placed primarily upon sector or country selection, with stock selection taking place subsequently.

TRACKING ERROR: The volatility of the return relative to the benchmark, calculated as the standard deviation of the return relative to the benchmark (also known as active risk).

UPSIDE DEVIATION: A measure of the standard deviation of the positive returns.

UP/DOWN CAPTURE RATIO: A measure of what percentage of a market's return is "captured" by a portfolio. For example, if the market declines 10% over some period, and the manager declines only 9%, then his or her capture ratio is 90%. In down markets, it is advantageous for to have a lower a capture ratio. For up markets, the higher the capture ratio the better.

VALUE INVESTOR: Value managers seek to outperform the market through the exploitation of pricing anomalies, looking for situations where the market underestimates a company's current worth relative to specific factors. Typical value factors are often accounting variables, eg low P/E ratio (market price to earnings), high dividend yield (dividend to market price), and low price to book ratio (market price to book value). These factors tend to be highly correlated.

C. Disclaimer

Towers Watson has prepared this report for Sears Canada to assist in the ongoing monitoring of its Master Trust's investment managers and to review actual against planned asset allocation.

In preparing this report we have placed reasonable reliance on data supplied to us by the Master Trust's investment manager(s), custodian, and/or other third parties including other individuals and organizations involved with or associated to the fund. In particular we have relied upon information, both quantitative and qualitative, supplied by the investment managers, and on market data and benchmark information provided as listed on the following page. While reasonable care has been taken to gauge the reliability of this data, this report carries no guarantee of accuracy or completeness and Towers Watson cannot be held accountable for the misrepresentation of data by third parties involved.

The written comments included in the report should be considered in conjunction with the supporting and amplifying verbal comments and other background information provided by Towers Watson.

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1. Returns stated in this report are gross of investment management fees.
2. Returns for all pooled fund investments will be the manager's published pooled fund returns.
3. Portfolio characteristics, if shown, may be based on data provided directly by the investment managers
4. All returns and statistics in this report for periods greater than one year are annualized unless otherwise indicated. Annual periods are calendar years.

D. Index and Data Providers

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In the interest of full disclosure, we identify below services that Towers Watson Canada Inc. or related parties have provided to the firms included in this report or to their parent organizations. The sources of this revenue are typically from consulting services provided by our corporate parent, Towers Watson & Co. or its subsidiaries (generally, "Towers Watson").

Listed below are the firms involved in this report for which Towers Watson has provided consulting or other services, along with an indication as to whether the services provided were related to investment consulting or to other lines of business within Towers Watson:

· **BlackRock, Inc (BOA, PNC, and Barclays – Parent organization)** - Non-investment line of business

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To the best of our knowledge, Towers Watson has not received revenue from other firms included in this report, including their parent organizations. Information concerning sources of revenue is developed directly from Towers Watson's primary internal accounting systems. Towers Watson & Co. is a publicly traded company whose stock may from time to time be included in funds managed by institutional holders or in mutual funds, or may otherwise be held by clients of managers. Stock ownership status does not constitute a factor in our analysis. The identity of the top institutional and mutual fund ownership of Towers Watson stock is publicly available information.

F. FREX Rating Explanations

The Towers Watson Manager Rating System

The rating system is based on our view of the likely future performance, relative to benchmark, that will be achieved by a manager over an economic cycle. It includes our view of the likely risk that will be taken to achieve that relative performance. In order to determine the ratings, the following factors have been considered:

- the quality or skill of the organization for a particular mandate – the *Skill* rating
- the investment risk (or deviation from the benchmark return) expected to be adopted in achieving this performance – the *Expected deviation* rating
- the risk inherent in the product/organization and the issues facing its development – the *Soft risk* rating.

In shorthand, we refer to these figures as ***"FREX"*** (**F**uture ***R***eturn ***EX***pectation) ratings. It is important that all three of these ratings are considered together.

Skill

The *Skill* rating is an assessment of the capability of the investment team, including the quality of both the investment decision-making and the business management that supports the people and investment process.

The *Skill* rating goes from 1 to 3 with 1 being the highest. It is formally defined as the expected level of future return (net of investment management fees) relative to benchmark per unit of risk. This ratio is commonly referred to as the expected "net information ratio".

Skill rating interpretation:

1. These managers would typically make up the shortlist of candidates for new mandates and should typically be retained. However, there are often good reasons why a 1-rated manager would not be put forward, for example if there was also a *Soft risk.*

2. These managers might be considered as shortlist candidates where there are certain restrictions reducing the number of 1-rated managers available. While clients may wish to replace 2-rated managers with 1-rated managers, sometimes the transaction costs involved do not always make this appropriate.

3. These managers would not be candidates for new assignments, and in most circumstances should not be retained as current managers.

The 1 and 2 ratings correspond to a positive expected level of future return (after fees) relative to the benchmark, with a 1 rating implying a higher expected net information ratio than the 2 rating. A 3 rating implies that the central expectation is for long-term performance to be below benchmark after fees are taken into account; hence a passive manager would typically be a better option.

As the level of investment management fees is typically dependent on mandate size, the rating assumes an average mandate size and we take the actual size into account when formulating client shortlists.

It is important to note that these ratings reflect our view of what the expected long-term performance will be over a full market cycle, which is typically in excess of five years, and do not reflect a view of whether that manager's style will be in or out of favour over the short-term.

It would be unrealistic to expect all of our ratings to be correct and even skilful managers will suffer prolonged periods of underperformance. As a result, while we are confident that a diversified program of 1 and 2-rated managers will outperform the benchmark over the long term, we would not have the same level of confidence that a single highly rated manager or a small number of highly rated managers would do the same.

Where we believe that the outlook for the *Skill* rating is positive/negative, we denote this with a directional arrow, ↑ or ↓. Arrows indicate a potential change of *Skill* rating in the near future. An arrow is typically used where there is a potential event that could have a material impact on the rating or where we need time to assess.

For absolute return mandates (ie where the manager is willing to accept benchmarks relating to cash or inflation), the *Skill* rating reflects Towers Watson's view of the expected future absolute annualized performance (net of investment management fees), divided by the expected future annualized standard deviation of absolute returns.

For mandates where value added through active management is not the key determinant in selecting a manager (for example passive, stable value, liability driven and smart beta products) we assign a rating of either "Positive" or "Negative". '"Positive" means that on balance we are comfortable with the manager's capabilities in that area, whereas "Negative" means that on balance we are not comfortable with the manager's capabilities compared to alternatives.

F. FREX Rating Explanations

Expected deviation

The *Expected deviation* rating is typically an assessment of the likely future variation of the relative returns, commonly referred to as "tracking error" or "active risk". The *Expected deviation* is typically a function of the level of natural aggression inherent in the investment process, the investment controls and any process aspects that may lead to protracted cycles in relative performance.

For traditional asset classes, the rating is given as Low, Average, High or Absolute return, the last of these indicating that the manager does not manage the portfolio relative to a benchmark index in any way. For alternative asset classes that are managed as absolute return strategies (for example private equity and hedge funds) the rating is given as Low, Average or High, depending on the likely volatility of the future absolute returns.

By taking the *Skill* and *Expected deviation* ratings together, an assessment of the future expected return can be made. A 1-rated manager with a High *Expected deviation* rating is therefore typically expected to produce higher returns than a 1-rated manager with an Average or Low *Expected deviation* rating. For this reason, it is also worth noting that a with a *Skill* rating of 1 would not necessarily be expected to outperform a manager with a *Skill* rating of 2, as this will depend on the *Expected deviation* ratings of the two managers.

Soft risk

The *Soft risk* rating incorporates our view of a manager's stability, both at an organizational level and at a product level. In this way, we attempt to estimate the likelihood that what a client buys from a manager today is what they will receive tomorrow. The *Soft Risk* rating can be Low, Average or High. An example of a High *Soft risk* rating would be where an investment manager has recently been, or is anticipated to be, involved in corporate activity.

Please note that the suitability of a product can only be assessed when put into a client's specific context.

Sears Canada Registered Pension Plan
October 2013
Preliminary Performance Estimates

	Currency	10/31 Market Value (in Millions)	% Total	October 2013 Month	October 2013 YTD
Total Fund	CAD	$1,263.2	100.0%	3.0%	11.6%
Total Trust Benchmark				*3.3%*	*11.0%*
BLKRK Canadian Equity Index	CAD	$7.5	0.6%	4.7%	10.3%
S&P/TSX Composite				*4.7%*	*10.3%*
BLKRK MSCI EAFE Index Fund Hedged	CAD	$73.8	5.8%	3.4%	23.6%
MSCI EAFE C$ Hedged Index				*3.4%*	*23.6%*
BLKRK US Equity Index Fund Hedged	CAD	$92.2	7.3%	4.7%	25.9%
S&P 500 C$ Hedged Index				*4.7%*	*25.9%*
Kinetics	USD	$86.3	6.8%	5.3%	36.8%
Dodge & Cox	USD	$75.8	6.0%	4.4%	31.0%
Russell 1000 Value				*4.4%*	*25.7%*
CRM	USD	$79.4	6.3%	1.9%	24.1%
Russell Mid Cap Value				*4.6%*	*28.6%*
BlackRock Canadian Long Bond Index	CAD	$90.0	7.1%	1.4%	-5.0%
DEX Long Bond Index				*1.4%*	*-4.9%*
Canso	CAD	$146.3	11.6%	1.6%	5.1%
Marrett	CAD	$56.4	4.5%	1.2%	1.8%
DEX All Corporate Universe Index				*1.2%*	*1.1%*
Mortgages	CAD	$53.0	4.2%	0.5%	5.8%
DEX Real Return Bond Index				*2.5%*	*-9.2%*
Loomis & Sayles	USD	$99.6	7.9%	1.5%	0.2%
IRM	USD	$39.9	3.2%	1.3%	5.3%
BarCap US Credit Index				*1.4%*	*-1.5%*
Shenkman	USD	$174.5	13.8%	2.4%	7.0%
Oaktree	USD	$163.9	13.0%	2.6%	6.3%
BarCap High Yield Credit Index				2.5%	6.3%
DDJ	USD	$26.1	2.1%	0.7%	0.7%
BarCap High Yield Loan				*0.8%*	*1.5%*
Hedge Funds	USD	$3.1	0.2%	N/A	N/A
DEX 30 Day T - Bill + 7.3%				*N/A*	*N/A*

	10/31 Market Value (in Millions CAD)	% Total
Long-Term Nominal Bonds	$90.0	7.1%
Canadian Corporate Bonds	$202.7	16.0%
US Corporate Bonds	$504.0	39.9%
Mortgages	$53.0	4.2%
Global Equities	$415.1	32.9%
Hedge Funds	$3.1	0.2%
Cash & Other	($4.7)	-0.4%
Total	$1,263.2	100.0%

Note: Data is estimated and unaudited. Preliminary returns have been provided by the Managers, market values by CIBC Mellon.
Note: N/A denotes returns that are not available.

4. Management's Report regarding:

- Sears Registered Retirement Fund
- Sears Canada Inc. Supplementary Retirement Plan
- Sears Canada Inc. Health and Welfare Plan Trust Fund

Investment Committee – November 14, 2013 – Summary

Sears

SRRP

- Fund return for Q3 2013 was 2.54%, 157 bps above the benchmark return of 0.97%. YTD return was 8.30%, 87 bps above the benchmark return of 7.43%
- Fund balance in Q3 2013 increased $10.2 MM to C$1,232.2 MM as investment gains of $29.4 MM and contributions of $7.3 MM more than offset pension payments and withdrawals totaling $26.5 MM
- At Sept 30, 2013, the asset allocation was in line with the SIP&P target ranges
  - Equity actual allocation was 32.2% (target allocation range of 25% - 45%)
  - Fixed Income actual allocation was 67.3% (target allocation range of 55% - 75%)
- Cash is 0.8% of assets at Sept 30, 2013, and forecast to be 3.9% of assets at Dec 31, 2013 with the proceeds of $56.0 MM from Marret redemption. US $25 MM was invested with DDJ in July. The remaining US $1.5 MM in cash will be used to fund investment management fees.
- Outstanding hedge fund investments total US $2.4 MM (reduced by US$0.6 MM from Q2)
  - Remaining managers include: Eton Park, Magnetar, King Street and Vicis. Fund balances are either side pocket investments, audit holdbacks or assets subject to windup (Vicis). US $0.5 MM was received from Magnetar in Q3 2013
- Foreign exchange hedges are in place to protect 46% of USD investments against possible downward movements in USD
  - Hedges in place are currently out-of-the-money, totaling $4.4 MM. USD depreciated by 2.6% during Q3 2013, reducing the negative mark-to-market value of outstanding contracts
  - Foreign exchange hedges added 0.89% to performance of the Plan during Q3 2013, offsetting the negative returns experienced by the Plan of 1.50% due to the depreciation of the USD during the same period
- Annual DB cash funding contributions of approximately $29.3 MM that began in January 2012, and are paid in $2.4 MM monthly installments (based on 2010 valuation)
  - An updated valuation is expected to be filed early with FSCO prior to year end if the Solvency funded ratio exceeds 85%, thereby allowing the Company to avoid annual valuations and to fix funding for another three years
- The Aug 1, 2013 solvency and wind-up deficits are $202 MM and $347 MM respectively (lower deficits due to strong asset returns and increasing discount rates)
- Plan member breakdown as at Dec 31, 2012: 8,842 Active and 14,242 Retired/Other

ACTION REQUIRED

Determine next steps regarding expiring foreign exchange hedges on Dec 20

- Renew the $135 MM hedges or
- Reduce current hedging protection to new % level

Determine next steps, if any, for funding DDJ additional USD funds

SCIRTID-0000337

Investment Committee – November 14, 2013 – Summary

SRP

- Fund return for Q3 2013 was 2.17%, 28 bps above benchmark return of 1.89%. YTD return was 6.57%, 52bps above benchmark return of 6.05%.
- Fund balance decreased $1.1 MM YTD to $48.3 MM as asset returns of $1.5 MM did not offset pension payments of $2.6 MM
- At Sept 30, 2013, the asset allocation was in line with target ranges
  - Equity actual allocation was 36.4% (target allocation range of 25% - 45%)
  - Fixed Income actual allocation was 60.7% (target allocation range of 55% - 75%)
- As at Dec 31, 2012: 113 members receive benefits and 18 active members may in future years

ACTION REQUIRED

No action required from the Investment Committee

Investment Committee – November 14, 2013 – Summary

Sears

HWT

- Fund return for Q3 2013 was 0.47%, the same as the immunized liability index return of 0.47%
  - In July 2011, Standard Life began its mandate to manage a portfolio of government and investment grade bonds. Since then, the fund has returned 1.91%, the same as the immunized liability index return of 1.91% over the same period
- Trust balance in Q3 2013 decreased approx. $5.4 MM to $29.8 MM, the net result of benefit payments of $5.4 MM offset by investment gains of $0.0 MM
- Assets in the Trust are anticipated to have a remaining life of 1.3 years

ACTION REQUIRED

No action required from the Investment Committee

Investment Committee – Summary Returns vs Benchmarks

Sears

Sears Registered Retirement Plan	Style/Strategy	Equity/Fixed	Balance ($Millions)	Q3 Return	Q3 Benchmark	YTD Return	YTD Benchmark	Return since Inception	Benchmark
Fixed Income									
Hedge Funds - Fixed Income**									66.67% of DEX 30 day T-Bill +9% + 33.33% of DEX 30 T-Bill plus 4%.
King Street	Distressed/Restructuring	Mixed	US $0.1	redeemed, only side pockets				10.58%	as above
Magnetar Capital Fund	Multi-strategy - Diversified	Mixed	US $1.1	redeemed, only side pockets				6.72%	as above
Managed Credit									
Canso(1)	Credit	Fixed Income	C $144.0	1.30%	0.36%	3.39%	-0.06%	10.76%	DEX All Corporate Universe Index
Loomis (US Dollars)**(1)	Credit	Fixed Income	US $93.9	1.60%	0.82%	-1.23%	-2.62%	8.53%	US Barclays Investment Grade Corporate Index
IRM **(1)	Fixed Income	Fixed Income	US $37.8	2.21%	1.65%	3.97%	1.81%	7.96%	Blend Barclays 1 - 5 Yr Corp Index & Barclays High Yield Corp
Marret(1)	High Yield	Fixed Income	C $55.7	0.93%	1.37%	0.56%	2.10%	4.76%	50% DEX All Corporates Universe Index, 50% US High Yield Master II Index
Shenkman**(1)	High Yield	Fixed Income	US $163.3	3.15%	2.25%	4.54%	3.79%	9.33%	BofA Merrill Lynch High Yield Index
Oaktree**(1)	High Yield	Fixed Income	US $153.2	2.23%	2.16%	3.64%	3.61%	9.08%	Citigroup High Yield Cash Pay Capped Index
DDJ Capital Management	High Yield	Fixed Income	US $25.0	0.02%	0.63%			0.02%	Barclays High Yield Loan
Inflation Linked Investments									
Mortgages	37 Mortgages - Buy & Hold	Fixed Income	C $53.5	1.65%	-0.49%	5.26%	-11.42%	7.79%	DEX Real Return Bonds
BlackRock Long Bond Fund	Passive	Fixed Income	C $88.8	-1.18%	-1.12%	-6.29%	-5.93%	6.55%	DEX Long Term Bond Index
Equity									
Hedge Funds - Equity**									66.67% of DEX 30 day T-Bill +9% + 33.33% of DEX 30 T-Bill plus 4%.
Eton Park	Multi-strategy - Diversified	Mixed	US $0.5	redeemed, only side pockets					as above
Vicis Capital Fund	Volatility Arbitrage	Equity	US $0.6	-22.00%	2.03%	-22.00%	6.15%	-32.04%	as above
Managed Equity**									
Cramer, Rosenthal (1)	Mid & Small Cap Value Equi	Equity	US $74.8	7.16%	6.64%	21.86%	25.19%	17.56%	Russell Mid Cap Value +300bps
Dodge & Cox(1)	Large Cap Value Equity	Equity	US $69.7	6.88%	3.95%	25.48%	20.49%	14.23%	Russell 1000 Value Index
Kinetics (1)	Large Cap Value Equity	Equity	US $78.6	8.53%	4.45%	29.87%	21.99%	19.31%	Russell 1000 Value Index +200bps
BlackRock Global Equity Fund	Passive	Equity	C $166.6	6.22%	6.52%	19.27%	19.69%	9.49%	MSCI World C$ Hedged Index
Total			C $1,232.2	2.54%	0.97%	8.30%	7.43%		

Sears Canada - Health & Welfare Trust	Style/Strategy	Equity/Fixed Income		Q3 Return	Q3 Benchmark	YTD Return	YTD Benchmark	Return Since Inception	Benchmark
Fixed Income									
Standard Life - LDI Mandate	High Quality Fixed Income	Fixed Income	C $26.6	0.47%	0.47%	1.09%	1.07%	1.91%	Custom Immunized Liability Index

****Performance is based in US dollars**
(1) Return information as provided by managers in US dollars. Source of all other return information is BNY Mellon Asset Services

SCIRTID-0000340

Sears Canada Inc. Registered Retirement Plan (SRRP) - Management Report

Investment Committee

November 14, 2013

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SRRP - Fund Activity

Sears

Fund balance increased $10.2 MM in Q3 2013 as investment gains of $29.4 MM and contributions of $7.3 MM offset pension payments / withdrawals totaling $26.5 MM …

($ Millions)	**Q3 Sept 13**	**YTD Sept 13**	**Plan YTD Sept 13**	**Q3 Sept 12**	**YTD Sept 12**
Fund - Beginning of Period	1,222.0	1,202.2	1,202.2	1,169.6	1,156.1
Company Contributions	**7.3**	**21.9**	**21.9**	**7.3**	**21.9**
Income & Gains	29.4	94.4	58.6	43.3	106.4
Investment Gains (Losses)	**29.4**	**94.4**	**58.6**	**43.3**	**106.4**
Deductions:					
Pensions	18.9	56.2	54.0	18.3	54.8
Withdrawals	7.6	30.1	27.0	9.0	36.7
Total Deductions	**26.5**	**86.3**	**81.0**	**27.3**	**91.5**
Net Increase/(Decrease) in Fund	10.2	30.0	(0.5)	23.3	36.8
Fund - End of Period	**1,232.2**	**1,232.2**	**1,201.7**	**1,192.9**	**1,192.9**

- Pension payments for Q3 2013 and YTD were in line with Plan and last year. Withdrawals were lower in Q3 2013 as most of the payments, as a result of the January terminations, have been processed. August terminations will likely lead to an increase in withdrawals later in Q4 2013 and Q1 2014

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SCIRTID-0000342

SRRP - Asset Returns

Q3 2013 returns were 2.54%, 157 bps above benchmark of 0.97% …

	Q3 2013 Actual Return*	Q3 2013 Benchmark Return*	YTD 2013 Actual Return*	YTD 2013 Benchmark Return*	Benchmark
Fixed Income					
BlackRock Long Bond Index Fund	-1.18%	-1.12%	-6.29%	-5.93%	DEX Bond Long Term Index
Canso Investment Counsel**	1.30%	0.36%	3.39%	-0.06%	DEX All Corporates Universe Index
Loomis, Sayles & Co**	1.60%	0.82%	-1.23%	-2.62%	Barclays US Corporate Investment Grade Index
Marret**	0.93%	1.37%	0.56%	2.10%	50% DEX All Corporates Universe Index, 50% US High Yield Master II Index
Income Research & Mgmt**	2.21%	1.65%	3.97%	1.81%	Blend Barclays 1 - 5 Year Corporate Index and Barclays High Yield Corp Index
Shenkman Capital Mgmt Inc**	3.15%	2.25%	4.54%	3.79%	BofA Merrill Lynch High Yield Index
Oaktree**	2.23%	2.16%	3.64%	3.61%	Citigroup High Yield Cash Pay Capped Index
DDJ Capital Management**	0.02%	0.63%			Barclays US High Yield Loan
Global Equity					
BlackRock Global Equity Index Fund	6.22%	6.52%	19.27%	19.69%	MSCI World C$ Hedged Index
Dodge & Cox**	6.88%	3.95%	25.48%	20.49%	Russell 1000 Value
Cramer Rosenthal McGlynn**	7.16%	6.64%	21.86%	25.19%	Russell Mid Cap Value +300bps
Kinetics**	8.53%	4.45%	29.87%	21.99%	Russell 1000 Value Index +200bps
Mortgages	1.65%	-0.49%	5.26%	-11.42%	DEX Real Return Bond Index
Hedge Funds	0.13%	2.03%	0.36%	6.15%	66.67% of DEX 30 day T-Bill +9% + 33.33% of DEX 30 T-Bill plus 4%.
Total Fund	2.54%	0.97%	8.30%	7.43%	

*Return information is calculated and provided by BNY Mellon, unless otherwise noted
** Returns and benchmarks are provided by the manager, in local currency USD or CAD

- In Q3 2013, with QE tapering off the table while the Federal Reserve waits for more data, equities rallied substantially. Fixed income did not fair as well with long treasury yields pushing higher (CAD 30 YR +17 bps) offset by lower credit spreads (US High Yield Spreads -40bps)
- Fixed income manager Marret continued to underperform its benchmark due to its defensive positioning, favouring higher quality issues. This underperformance coupled with Marret's acquisition by CI Financial Corp in Sept 2013, led the Investment Committee to terminate the relationship with Marret effective October 31, 2013
- The USD foreign exchange impact on the Q3 2013 performance of the Plan was a net negative 0.61%

SRRP - Asset Allocation

At September 30, 2013 the Plan was in compliance with its target asset allocation ranges …

Sears Registered Retirement Fund (Canadian $ Millions)	30/06/2013 Balance	30/06/2013 Allocation (%)	Return & FX Impact	Redemptions/ Allocations	30/09/2013 Balance	30/09/2013 Allocation (%)
Blackrock Long Bond Fund	101.3	8.3%	(1.5)	(11.0)	88.8	7.2%
Managed Credit						
Canso	141.8	11.6%	2.3	.0	144.0	11.7%
DDJ			(.5)	25.9	25.4	2.1%
Loomis	97.8	8.0%	(1.3)	.0	96.6	7.8%
IRM	39.0	3.2%	(.2)	.0	38.8	3.2%
Shenkman	167.0	13.7%	.9	.0	167.9	13.6%
Oaktree	158.1	12.9%	(.6)	.0	157.5	12.8%
Marrett	55.3	4.5%	.5	.0	55.7	4.5%
Total Managed Credit	659.0	53.9%	1.1	25.9	686.0	55.7%
Fixed Income Hedge Funds [1]	1.9	0.2%	(.0)	(.6)	1.3	0.1%
Inflation Linked Investments						
Mortgages	54.9	4.5%	.9	(2.3)	53.5	4.3%
Total Inflation Linked Investments	54.9	4.5%	.9	(2.3)	53.5	4.3%
Total Fixed Income	817.1	66.9%	.4	12.0	829.5	67.3%
Equity						
Blackrock Global Equity Fund	156.8	12.8%	9.8	.0	166.6	13.5%
Cramer Rosenthal	73.6	6.0%	3.3	.0	76.8	6.2%
Kinetics	76.4	6.3%	4.4	.0	80.8	6.6%
Dodge & Cox	68.8	5.6%	2.8	.0	71.7	5.8%
Equity Hedge Funds [2]	1.4	0.1%	(.2)	.0	1.1	0.1%
Total Equity	377.1	30.9%	20.0	.0	397.1	32.2%
Exchange Contracts	(21.4)	-1.8%	10.8	6.2	(4.4)	-0.4%
US Cash	35.9	2.9%	(1.4)	(33.0)	1.5	0.1%
Canadian Cash & Other	13.4	1.1%	(.3)	(4.5)	8.6	0.7%
Grand Total	1,222.0	100.0%	29.6	(19.3)	1,232.3	100.0%

- During Q3 2013, the Fund received US $0.5 MM from Magnetar. Outstanding investments in hedge funds are USD $2.4 MM and all investments are either side pockets or in wind-up (Vicis)
- In July 2013, US $25 MM was invested with DDJ from available US cash in two installments
- As at September 30, 2013 the Plan was in compliance with the SIP&P target asset allocations ranges for the SRRP: Fixed Income (55% to 75%) and Equity (25% to 45%)

SRRP - Investment Transition Summary

Company contributions and proceeds from Marret redemption are planned to cover pension payments for Q4 2013 and Q1 2014 …

Sears Registered Retirement Fund (Canadian $ Millions)	30/09/2013				Forecast 31/12/2013				Forecast 31/03/2014	
	Balance	Allocation (%)	Return & FX Impact	Redemptions/ Allocations	Balance	Allocation (%)	Return & FX Impact	Redemptions/ Allocations	Balance	Allocation (%)
Blackrock Long Bond Fund	88.8	7.2%	1.1	.0	89.9	7.3%	1.1	.0	91.0	7.4%
Managed Credit										
Canso	144.0	11.7%	2.4	.0	146.4	11.9%	2.4	.0	148.8	12.1%
DDJ	25.4	2.1%	.6	.0	26.1	2.1%	.7	.0	26.7	2.2%
Loomis	96.6	7.8%	1.6	.0	98.1	8.0%	1.6	.0	99.7	8.1%
IRM	38.8	3.2%	.6	.0	39.5	3.2%	.6	.0	40.1	3.3%
Shenkman	167.9	13.6%	2.7	.0	170.6	13.8%	2.8	.0	173.4	14.1%
Oaktree	157.5	12.8%	4.0	.0	161.5	13.1%	4.1	.0	165.5	13.5%
Marrett	55.7	4.5%	.3	(56.0)	.0	0.0%	.0	.0	.0	0.0%
Total Managed Credit	686.0	55.7%	12.2	(56.0)	642.2	52.1%	12.2	.0	654.3	53.2%
Fixed Income Hedge Funds (1)	1.3	0.1%	.0	.0	1.3	0.1%	.0	.0	1.3	0.1%
Inflation Linked Investments										
Mortgages	53.5	4.3%	.8	(2.3)	52.0	4.2%	.8	(2.3)	50.5	4.1%
Total Inflation Linked Investments	53.5	4.3%	.8	(2.3)	52.0	4.2%	.8	(2.3)	50.5	4.1%
Total Fixed Income	829.5	67.3%	14.2	(58.4)	785.3	63.7%	14.1	(2.3)	797.1	64.8%
Equity										
Blackrock Global Equity Fund	166.6	13.5%	3.4	.0	169.9	13.8%	3.4	.0	173.3	14.1%
Cramer Rosenthal	76.8	6.2%	1.5	.0	78.4	6.4%	1.6	.0	80.0	6.5%
Kinetics	80.8	6.6%	1.6	.0	82.5	6.7%	1.7	.0	84.1	6.8%
Dodge & Cox	71.7	5.8%	1.4	.0	73.1	5.9%	1.5	.0	74.6	6.1%
Equity Hedge Funds (2)	1.1	0.1%	.0	.0	1.1	0.1%	.0	.0	1.1	0.1%
Total Equity	397.1	32.2%	8.0	.0	405.1	32.8%	8.1	.0	413.2	33.6%
Exchange Contracts	(4.4)	-0.4%	.0	.0	(4.4)	-0.4%	.0	.0	(4.4)	-0.4%
US Cash	1.5	0.1%	(.7)	.0	.8	0.1%	(.7)	.0	.1	0.0%
Canadian Cash & Other	8.6	0.7%	(.3)	38.1	46.4	3.8%	(.3)	(22.3)	23.8	1.9%
Grand Total	1,232.3	100.0%	21.2	(20.3)	1,233.2	100.0%	21.2	(24.6)	1,229.7	100.0%
Currency Exposure										
US	719.5	58.4%			733.0	59.4%			746.8	60.7%
CDN	512.7	41.6%			500.2	40.6%			483.0	39.3%
	1,232.3	100.0%			1,233.2	100.0%			1,229.7	100.0%

- In October 2013, Sears redeemed its full investment with Marret for $56 MM. These funds will be used to fund pension payments
- For 2013, the Company will be funding the Plan's pension solvency deficit with the minimum annual required payment of $29.3 MM. Per regulations, funding must occur in even monthly amounts of $2.4 MM. The Company's contributions reduce the amount that must be redeemed from assets to fund pension payments from approximately $28 MM to $21 MM per quarter

SRRP - Foreign Exchange Position

Current hedging program protects $323.0 MM (46%) of USD assets from a weakening US dollar. The hedging program was reduced by closing out half of September hedges …

Foreign Exchange Instrument ($ millions)	Notional Value	Forward Price	Market Value *
Expired			
Sept 2013 Swap	113.4	0.9847	
Sept 2013 Swap	10.0	0.9847	
Sept 2013 Swap	10.0	1.0295	
Sept 2013 Swap	(2.4)	1.0344	
Sept 2013 Swap	(5.0)	1.0443	
Sept 2013 Close out	(8.0)	1.0494	
Sept 2013 Close out	(8.0)	1.0403	
Sept 2013 Close out	(4.0)	1.0457	
Sept 2013 Close out	(8.0)	1.0368	
Sept 2013 Close out	(8.0)	1.0337	
Sept 2013 Close out	(8.0)	1.0327	
Sept 2013 Close out	(4.0)	1.0322	
Sept 2013 Close out	(8.0)	1.0296	
Sept 2013 Close out	(4.0)	1.0295	
	66.0		(6.2)
Outstanding and due on:			
Dec 2013 Swap	10.0	1.0006	(0.3)
Dec 2013 Swap	10.0	0.9941	(0.3)
Dec 2013 Swap	10.0	0.9960	(0.3)
Dec 2013 Swap	5.0	1.0036	(0.1)
Dec 2013 Swap	100.0	0.9939	(3.6)
Mar 2014 Swap	10.0	1.0251	(0.1)
Mar 2014 Swap	5.0	1.0288	-
Mar 2014 Swap	107.0	1.0337	0.1
Jun 2014 Swap	33.0	1.0381	0.1
Sept 2014 Swap	33.0	1.0405	0.1
	323.0		(4.4)

**Market Value on date expired or Sept 30 (FX = 1.0279) for those outstanding*

- As requested by the Investment Committee, 50% of Sept 2013 hedges were closed out on Sept 20, 2013 in order to the reduce hedge position on USD assets. All hedges were offset except for US $7.4 MM which was physically settled to fund pension payments and withdrawals. The closing of the Sept 2013 positions crystallized a loss of $6.2 MM
- The US dollar depreciated by 2.6% during Q3 2013, decreasing from 1.0550 at June 30 to 1.0279 at Sept 30
  - Decreased asset return performance by 1.50%
- Foreign exchange hedges increased performance by 0.89% during the quarter
  - Net foreign exchange return impact of negative 0.61%
- Current hedges have a weighted average rate of 1.018. (Excluded from the US asset base were any non-US or Canadian denominated assets held with Kinetics as part of their global mandate)
- Hedges are adjusted quarterly, as instructed by the Investment Committee. The next adjustment date is December 20, 2013 at the expiry of the next available swaps

SRRP – Valuation and Funding

Sears

Due to an increase in discount rates and favourable asset returns, the Company expects its next filed valuation to have greater than 85% solvency funded ratio …

($ millions)	Est Dec 2013	Aug 1 2013	Dec 2012
Going-concern basis			
Assets	$1,246	$1,235	$1,202
Liabilities	$1,169	$1,190	$1,217
Surplus (deficiency)	$77	$45	($15)
Solvency basis			
Assets	$1,241	$1,230	$1,197
Liabilities	$1,403	$1,432	$1,573
Solvency surplus (deficiency) without solvency smoothing	($162)	($202)	($376)
Solvency basis with smoothing			
Assets	$1,156	$1,141	$1,150
Liabilities	$1,378	$1,401	$1,395
Solvency surplus (deficiency) with solvency smoothing - may not be permitted for next valuation	($222)	($260)	($245)
Wind-Up Basis			
Assets	$1,241	$1,230	$1,197
Liabilities	$1,554	$1,577	$1,628
Surplus (deficiency)	($313)	($347)	($431)

- Based on the 2010 filed valuation, annual DB contributions, paid in monthly installments, total approx. $29 MM annually
- Next valuation report for DB Plan must be filed with regulator in 2014 (valuation as at Dec 31, 2013)
- **New guidance by the Canadian Institute of Actuaries requires that wind-up valuations reflect market related pricing for indexed annuities. This increased the Sears wind-up deficit by $115 MM as at Aug 1 and Dec 31, 2013 and the solvency deficit by $15 MM**
- At Aug 1, 2013 the Plan had an 86% funded ratio on a unsmoothed Solvency basis, and 81% smoothed. basis An 85%+ funded ratio enables Sears to defer its next valuation until 2016, eliminating annual valuations. Funded unsmoothed solvency ratio is estimated to be 88% as at Dec 31, 2013
- New funding amounts based on an Aug 1, 2013 solvency valuation without smoothing will begin effective Aug 1 2013. Contributions **with deferral of new payments and solvency relief** are estimated to be $16MM for the year starting Aug 2013, increasing to $42MM a year for the next two years starting Aug 2014
- Funding would no longer by required for Dec. 31, 2013 valuation if interest rates were to increase approx 100 -125bps and assets earn 5.5% per annum for 2013

Estimated Roll Forward to December 31, 2013 Results

($ millions)	Going Concern	Solvency	Solvency w Smoothing
Surplus/(Deficit) at Dec. 31 2012	($15)	($376)	($243)
Interest on deficit	($1)	($11)	($9)
Fund Return above (below) assumed return	$68	$100	$49
Inc (Dec) in discount rates & other factors	$25	$125	($19)
Surplus/(Deficit) at Dec 31, 2013	$77	($162)	($222)

- The forecast Dec 2013 discount rate increased vs 2012 discount rate (Dec 2013: est 3.5% compared to 2012: 2.8%)
- Other factors such as liability increases due to salary increases, will also add to the deficit

Source: Aon Hewitt

Sears Canada Inc. Supplementary Retirement Plan (SRP) - Management Report

Investment Committee

November 14, 2013

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SRP - Fund Activity

Sears

Fund balance decreased $1.1 MM YTD 2013 as asset returns of $1.5 MM were less than pension payments of $2.6 MM …

SRP Summary of Cash Contributions

($ millions)	Trust Investments 50%	CRA 50%	Total
Fund - Beginning of 2013	24.6	24.8	49.4
Contributions	-	-	-
Asset Return	1.5	-	1.5
Pension payments	(2.6)	-	(2.6)
CRA Balancing	1.2	(1.2)	-
Fund - End of Sept 2013	24.7	23.6	48.3

- As of January 1st, 2010, the SRP no longer pre-funds new retirees. New retirees are funded on a pay-as-you-go basis. Currently there are 3 associates receiving pay-as-you-go benefits. There remain potentially 18 active associates in the Plan who may be eligible for benefits upon retirement or termination
- There is only 1 associate remaining who would be eligible for prefunding. The current liability for this funding is small ($8k)

- The Investment Committee, at the November 2012 meeting, approved the amendment to change the funding policy of the Plan such that any required funding will be covered with a combination of corporate cash and letter of credit. The cash portion of funding will be calculated using a similar methodology to solvency funding for the registered plan. The difference between the required funding and cash funding will be covered by a letter of credit
- The valuation as at Dec 31, 2012 reported a wind-up deficit of $5.2 MM. Currently this is partially covered by a $4.5 million letter of credit deposited in the Trust. Contributions and changes to letter of credit will be made before the end of 2013 to cover the short fall
- The rebalancing to the 50% / 50% split between assets held in Trust and CRA was completed through the filing of the annual tax return. A refund of $1.2 MM was received in June 2013

SRP - Asset Allocation

Q3 2013 performance was 2.17%, 28bps greater than benchmark return of 1.89% …

		Q3 2013		YTD 2013				
	Balance ($Millions)	Actual Return	Benchmark Return	Actual Return	Benchmark Return	Benchmark	% of Portfolio Actual	Target Allocation Mix
Equity Investments								
BlackRock S&P TSX Composite Index	0.4	6.25%	6.25%	5.35%	5.31%	S&P/TSX Capped Composite Index		
BlackRock MSCI ACWI Ex CDA Index	8.6	4.89%	5.10%	18.23%	18.73%	MSCI ACWI Ex-Canada Index	36.4%	25% - 45%
Fixed Income Investments								
BlackRock Long Bond Index Fund	3.2	-1.18%	-1.12%	-6.29%	-5.93%	DEX Bond Long Term Index	60.7%	55% - 75%
Canso	11.8	1.23%	0.36%	3.17%	-0.06%	DEX All Corporate Universe Index		
Cash	0.7						2.8%	
Total Before RCA Deposit	24.7	2.17%	1.89%	6.57%	6.05%			
RCA Deposit	23.6							
Grand Total	48.3							

- In Q3 2013, $900k of pension payments were funded from available cash. No fund redemptions were required

Sears Canada Inc. Health & Welfare Trust (H&WT) - Management Report

Investment Committee

November 14, 2013

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HWT - Fund Activity

Sears

For Q3 2013, HWT fund balance decreased $5.4 MM as the nominal returns from liability linked assets, with a short duration, did not offset overall benefit payments totaling $5.4 MM …

($ Millions)	Q3 Sept 13	YTD Sept 13	PLAN YTD Sept 13	Q2 Sept 12	YTD Sept 12
Fund - Beginning of Period	**35.2**	**47.8**	**47.8**	**59.4**	**71.8**
Additions					
Company Contributions	-	-	-	-	-
Gains/(Losses)	-	0.6	-	0.1	0.8
Total Additions	**-**	**0.6**	**-**	**0.1**	**0.8**
Deductions					
Retiree Health Benefits	2.8	9.6	10.3	3.5	10.4
Short Term Disability Benefits	1.5	6.5	6.2	1.4	6.2
Fees	1.1	2.5	2.1	0.7	2.1
Total Deductions	**5.4**	**18.6**	**18.6**	**5.6**	**18.7**
Net Increase/(Decrease) in Fund	(5.4)	(18.0)	(18.6)	(5.5)	(17.9)
Fund - End of Period	**29.8**	**29.8**	**29.2**	**53.9**	**53.9**

- Short term disability payments are tracking in line with last year and with Plan. Retiree Health Benefit payments were $0.7 MM lower than last year partially as a result of the benefit buyout completed in Jan 2013. Fees are higher year over year as a result of a payment for $0.3 MM to cover increased life insurance claims in 2012
- Based on current spend rates on benefit payments and assumed future asset returns, the assets in the HWT are forecast to have a remaining life of 1.3 years

Sears

HWT investments at Sept 30, 2013 reflect the allocation to 100% fixed income investments ...

	Sept 2013 $ MM	Sept 2013 Asset Mix
Cash & Short-Term Securities	1.0	3%
ABCP - MAV 2 Notes	2.2	7%
Standard Life	26.6	89%
	29.8	100%

- Fund return for Q3 2013 was 0.47%, the same as the immunized liability index return
  - In July 2011, Standard Life began its mandate to manage a portfolio of government and investment grade bonds. Since then the fund return has been 1.91%, the same as the immunized liability index return over the same period
- In April 2013, the Fund received USD $124k on redemption on part of the ABCP – MAV 2 Notes

- The HWT will remain open indefinitely and is not impacted by the expected depletion of the assets in 2014 to pay for benefits
  - The investment in MAV II notes will remain as an asset in the Trust Fund until the earlier of the MAV notes next forecast redemption in 2017 or their sale in the secondary market
  - Sears Canada's aggregate investment in MAV had an original cost of approx. $8.2 MM in 2007
    - Sears Canada – $3.0 MM
    - HWT – $2.2 MM
    - SRRP – $3.0 MM
  - 85% of this investment was swapped into the most liquid and higher rated MAV Class A1 and A2 notes with the following current estimated secondary market based price of:
    - MAV 2009-2 A-1 $88^{1/2}$ – 89
    - MAV 2009-2 A-2 $86^{3/4}$ – $87^{1/4}$

5. Annual Review of:

- Statement of Investment Policies and Procedures
- Investment Committee Charter
- Investment Committee Workplan - 2014

SEARS CANADA INC.

STATEMENT OF INVESTMENT POLICIES AND PROCEDURES FOR THE TRUST FUND CREATED FOR

SEARS REGISTERED RETIREMENT PLAN

Amended and restated November 8, 2012

SEARS CANADA INC.

SEARS REGISTERED RETIREMENT PLAN

TABLE OF CONTENTS

SECTION 1 - PURPOSE

1.1 The Sears Registered Retirement Plan (the "Plan") was established to provide retirement security for the employees and retirees of Sears Canada Inc. (the "Company"). The prudent and effective management of the Plan's assets (the "Fund") will have a direct impact on the achievement of these goals.

1.2 The Plan is sponsored by Sears Canada Inc. which is the legal plan administrator (the "Administrator"). The Company's Board of Directors ("Board") has overall responsibility for administering and managing the Fund. The Board has appointed the Investment Committee of the Fund (the "Investment Committee") and has empowered this committee to review, monitor, administer and supervise all investment activities of the Fund.

1.3 This Statement of Investment Policies and Procedures (the "Statement") was implemented by the Company, effective November 30, 1989, on the recommendation of the Investment Committee. It was last revised effective January 1, 2011.

1.4 The Investment Committee, the Company, the investment managers and any agent or advisor providing services in connection with the investment of the Sears Registered Retirement Plan shall accept and adhere to this Statement.

1.5 This Statement provides broad investment guidelines for the management of the Fund. In general, the management of the assets of the Fund is delegated to professional investment managers, subject to investment manager mandates and performance standards.

1.6 Notwithstanding any of the provisions of this Statement, investments and investment activity will conform to all applicable laws and regulations.

SECTION 2 - TYPE OF PENSION PLAN AND NATURE OF ITS LIABILITIES

2.1 The Plan mentioned in Section 1.1 is a defined benefit final average plan and includes salary-related benefits for active members and partially indexed pensions for retired members. Under this design, each Plan member is entitled to a pension (contingent upon certain age and service requirements) which is specified in terms of a formula independent of the Fund's investment return.

2.2 All active members of the plan were required to make contributions to the Fund until June 30, 2008. Effective June 30, 2008, the Plan was amended to provide for the cessation of the accrual of Pensionable Service Years (as that term is defined therein) under the defined benefit component and to introduce a defined contribution component.

All current members as of June 30, 2008 and any new hires after June 30, 2008 will earn pension benefits under the new defined contribution component. All active members who have a pension benefit under the defined benefit component will continue to have their pension based on their final average earnings while they continue to work at the Company.

Interest on contributions is applied regardless of the Fund's return except for the members in Quebec.

The interest credited to Plan members in Quebec is outlined in the Plan text and is based upon the Fund’s return.

2.3 The Company is required to contribute whatever else is required to finance the defined benefits. These contributions are established from time to time, based on the advice of an actuary. Corporate contributions are dependent on many aspects of the Plan's actual experience, including the Fund's investment return.

2.4 Because of the above features of the Plan's design, the Company has a direct interest in the Fund's investment return. The Plan members have a direct interest in the funded status of the Plan benefits (i.e. the extent to which the Fund's assets are sufficient, in the opinion of the actuary, to meet the defined benefits).

SECTION 3 - ALLOCATION OF INVESTMENT RESPONSIBILITIES

3.1 The Administrator carries out the duties and responsibilities as assigned by all applicable laws and regulations. In carrying out the role of Administrator, the Company has delegated duties and responsibilities as set out below:

(a) Board of Directors

- Approve the Fund's broad objectives;
- Reviewing this Statement of Investment Policies and Procedures at least annually.

(b) Investment Committee

The Investment Committee shall carry out the duties and responsibilities set forth in its charter, including:

- Reviewing this Statement and recommending and necessary or appropriate revisions to the Board;
- Identifying appropriate criteria and guidelines, and making recommendations for hiring, supervising and terminating external investment managers, including formulating investment manager mandates for the Fund, for review and approval by the Board;
- Reviewing the investments of the Fund on a timely basis to ensure compliance with this Statement, investment manager mandates and any regulatory restrictions;
- Proposing the cash flow and asset mix allocations among external investment managers of the Fund, for review and approval where appropriate by the Board; and,
- Reviewing new findings and topics concerning investment management.

(b) Investment Managers

The Investment Committee has delegated the following responsibilities to each external Investment Manager for the portion of the Fund for which each is responsible:

- Managing the assets in accordance with the investment manager mandate applicable to each investment manager, and selecting securities within each asset category, subject to regulatory restraints and the constraints set out in this Statement and investment manager mandates; and,
- Presenting periodic reviews of investment strategy and performance to the Investment Committee.

SECTION 4 - RISK POLICY AND ASSET MIX POLICY

4.1 As the result of analyzing the relevant investment related features of the plan's design, the Investment Committee has identified the fundamental risk policy question as follows:

- Without jeopardizing the level of security of the members' benefits, and without introducing too much volatility into the Company's future contributions, what is the best way to maximize high investment return in the long term within risk tolerances acceptable to the Investment Committee?

4.2 After studying several different approaches, the Investment Committee has noted that there is invariably a conflict between increased long-term investment opportunity and increased short-term safety.

4.3 Assets for the Corporation's retirement Plan are administered and managed on a combined basis through balanced and/or specialist portfolios (i.e. stocks, bonds, hedge funds, mortgages, etc.).

The Company adopted the following asset mix policy after evaluating the potential impact of alternative policies on benefit security and Company contributions. Factors evaluated before adopting the asset mix policy included the Plan's going-concern and solvency funded ratios, demographics, cash flow requirements, actuarial assumptions, prospective benefit improvements, annual benefit increases, liquidity requirements and corporate cash flows.

An asset mix for Sears Canada Inc. was subsequently set by policy, based on longer term (ten years) risk and reward considerations, subject to annual re-evaluation. The policy minimum and maximum ranges for each asset class are as follows:

	Min	Max
Equities	25%	45%
Fixed Income	55%	75%

(a) Investment in any securities of any person, partnership or association shall be limited to 10% of the total book value of the Fund's assets at the time the investment is made. This limitation excludes investments in pooled, indexed and fund of funds which may in total exceed 10% of the total book value of the Fund's assets.

(b) The portfolio will be rebalanced towards the target asset mix policy range, for each asset class listed in 4.3 (a), when the percentage held reaches either the minimum or the maximum of the appropriate range, or sooner as deemed necessary for cash flow reasons, etc.

(c) If the Fund investments are being rebalanced and if proceeds from the sale of existing investments are required to be held in cash instruments for a period of time, those cash instruments should be highly liquid investments with maturities of less than three months from the date of purchase.

4.4 In establishing and monitoring investment policy and structure, liquidity requirements of the Fund are evaluated. Liquidity is also evaluated within the context of the available net cash flow and the marketability of securities held by the Fund.

4.5 The Investment Committee is directed to re-examine this Statement periodically, in light of significant changes in any of the following:

- the ratio of Fund assets to benefit liabilities;
- the design of the Plan's benefits;
- the respective proportions of active and inactive members of the Plan;
- long-term capital market prospects;
- the Company's risk tolerance; and,
- any other factors considered relevant by the Investment Committee.

4.6 Rate of return expectations have been formulated based on a normal equilibrium capital market environment by reference to long-term historical returns, tempered by current market conditions. On this basis, the long-term expected return for the total fund is 6.5%.

4.7 By adopting an investment policy that is expected to exceed the investment return used to establish contribution rates, the Company is explicitly planning to accumulate a reserve over the long term. This reserve, if it materializes, could enhance the security of members' benefits, or will help protect the Company from unexpected contribution rate increases due to adverse investment or actuarial experience or let the Company take a contribution holiday as allowed within legal guidelines.

4.8 A significant portion of the Fund's assets (part of the fixed income allocation and global equities) will be passively managed in indexed funds.

4.9 The Plan's actuary currently uses a nominal valuation rate, which is composed of an assumed real return and expected inflation. If the Fund's actual nominal return is greater than the nominal valuation rate over a given period, an actuarial valuation will reveal a funding gain attributable to investment performance. Conversely, if the Fund's actual nominal return is less than the nominal valuation rate, an actuarial valuation will reveal a funding loss attributable to investment performance.

4.10 The ongoing funded status of the Plan is also affected adversely or favourably by numerous non-investment factors including wage growth, inflation, termination rates, mortality rates, member growth and benefit changes.

4.11 It shall be the responsibility of the Investment Committee, from time to time, to sub-divide, or to delegate the managers to sub-divide, the asset mix policy, defined in Section 4.3, among the asset classes permitted in Section 5.

SECTION 5 - ELIGIBLE INVESTMENTS

5.1 Investments may be made in any of the following asset classes:

EQUITY AND EQUITY RELATED ASSETS

(a) Canadian common or preferred stocks, income trusts, warrants or rights.

(b) Non-Canadian common stocks, ADR's, warrants or rights.

(c) Precious metals

(d) Venture capital

(e) Real Estate

(f) Resource properties

(g) Commodities

(h) Hedge funds including single managers and fund of funds

FIXED INCOME AND FIXED INCOME RELATED INVESTMENTS

(i) Debt securities of Canadian issuers, including those denominated in non-Canadian currencies

(j) Debt securities of non-Canadian issuers, including:
 (i) those of U.S. issuers
 (ii) those of non-U.S. issuers

(k) Mortgages of all types, including but not limited to index-linked mortgages

(l) Deposits and cash instruments with banks or trust companies

(m) Contracts with life insurance companies

(n) Inflation linked debt securities of Canadian issuers

OTHER

(o) Derivative securities, including futures, forwards and options will be used within hedge fund portfolios as part of the investment managers' portfolio management programs.

(p) For the exposure to USD in Fund, the Company also uses a currency hedging program to reduce exposure to major CAD appreciation events. The strategy is implemented through foreign exchange forwards, swaps, and zero-cost collars established with an investment dealer. No speculative currency hedging is permitted.

5.2 No investment will be permitted in either the Company, Sears Holdings or any associated companies in a segregated account. However, this restriction does not apply to the Commingled Vehicles.

5.3 Investments may be made in the above asset classes either directly, or by holding units of a pooled fund, limited partnership, segregated or mutual fund investing in one or more of the asset classes, or by any corporation as described in any governing legislation (collectively "Commingled Vehicles"). When the Fund invests through a Commingled Vehicle, the investment policy, offering memorandum or similar document that outlines the investment objectives and restrictions of the Commingled Vehicle will take precedence over this Statement.

5.4 The Fund invests in separate Canadian and U.S. credit mandates managed on a segregated basis. g

5.5 The Fund may not borrow, except under the circumstances and conditions set out in any governing legislation.

5.6 The Fund may lend any of its investments. However, all securities lending is limited and coordinated by the Investment Managers of the Commingled Vehicles according to the terms established in their respective investment policies, offering memorandums or similar documents.

5.7 The Investment Managers may invest in any of the categories outlined in Section 5, subject to any additional guidelines and restrictions set out in the Investment Management Agreement signed between each Investment Manager and the Company.

SECTION 6 - VOTING RIGHTS

6.1 The exercising of voting rights acquired through any investment is delegated to the investment managers with the instruction to vote in favour of any proposal which, in their opinion, will accrue and enhance the investment value of the relevant security, and against any proposals which will increase the risk level or reduce the investment value of the relevant security.

6.2 If an investment manager, or any of its officers, have any direct or indirect pecuniary interest in any matter on which the Fund has a right to vote, it should be brought to the attention of the Investment Committee, who is given discretion to:

1) instruct the investment manager to exercise the voting right in line with the principles described above, on the grounds that the relevant pecuniary interest is not material; or,

2) instruct the investment manager how to cast the Fund's vote, having considered the principles described above; or,

3) authorize the Fund's custodian/trustee to exercise the voting right in line with the principles described above.

6.3 The investment managers shall maintain complete and accurate voting records on Fund securities which are voted by them and shall provide, upon request, a detailed listing of all such votes to the Company.

6.4 The Investment Committee acknowledges that investments made in a pooled or mutual fund will not comply with this Section, except with respect to any and all voting rights attached to the units of such investment vehicles.

SECTION 7 - CONFLICTS OF INTEREST

7.1 A member of the Investment Committee who:

(a) is a party to a material contract or proposed material contract with the Fund, or

(b) is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with the Fund,

shall disclose in writing to the Investment Committee or request to have entered in the minutes of the meetings of the Investment Committee, the nature and extent of his interest.

7.2 The disclosure required by 7.1 above shall be made:

(a) at the meeting at which a proposed contract is first considered;

(b) if the Investment Committee member was not then interested in a proposed contract, at the first meeting after he becomes so interested;

(c) if the Investment Committee member becomes interested after a contract is made, at the first meeting after he becomes so interested; or,

(d) if a person who is interested in a contract later becomes a member of the Investment Committee, at the first meeting after he becomes a member.

7.3 A member of the Investment Committee referred to in 7.1 above shall not vote on any resolution to approve the contract.

7.4 (a) The Investment Committee shall satisfy itself that an appropriate policy regarding conflicts of interest is followed by any investment manager appointed by it. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by CFA Institute shall be deemed to apply to such investment manager.

(b) For any such appointment made on or after November 30, 1989, any investigation required by the Investment Committee shall be carried out before the recommendation is made.

(c) For any investment manager appointed before November 30, 1989, the Investment Committee shall carry out its investigation as soon as practicable after November

30, 1989, and shall satisfy itself as to whether or not it is satisfied regarding the investment manager's conflict of interest policy.

7.5 Any agent of, or adviser to, this Committee who is a party to a material contract, or proposed material contract with the Fund, shall disclose in writing to the Investment Committee, or request to have entered in the minutes of the Investment Committee, the nature and extent of such interest.

7.6 Every disclosure of interest under this Section 7 shall be recorded in the minutes of the relevant Investment Committee meeting.

7.7 The failure of a person to comply with the procedures described in this Section 7 shall not of itself invalidate any decision, contract or other matter.

SECTION 8 - REVIEW PROCEDURES

8.1 This Statement of Investment Policies and Procedures shall be reviewed by the Investment Committee no less frequently than annually, and confirmed or amended by it at that time. This Statement, and any amendments thereof, shall be filed with the Plan's actuary.

8.2 The Investment Committee shall establish criteria for measuring and reviewing the performance of the Fund and of each investment manager, with a view to monitoring progress towards the relevant investment objectives.

8.3 Any asset that is not capable of being traded frequently shall have its market value appraised internally by an investment manager at intervals not exceeding one year, providing that:

(i) the principles underlying such reappraisals are consistent with the principles underlying an external appraisal; and,

(ii) any such reappraisal resulting in a value different by at least 10% from the last appraised value shall be confirmed by an external appraisal.

Further, any such asset whose most recently appraised value is at least 5% of the market value of the Fund shall have its market value appraised by a qualified independent agent at intervals not exceeding three years.

SECTION 9 - RELATED PARTY TRANSACTIONS

9.1 With the exceptions specified under Section 9.2 and 9.3 below, the Company or any Company agent shall not enter into any transaction on behalf of the Fund with a related party. For this Section, related party shall be defined by the Regulations under the Pension Benefits Standards Act, 1985 (Canada).

9.2 The Company or a Company agent may enter into a transaction with a related party on behalf of the Fund if:

(i) the transaction is required for the operation or administration of the Fund;

(ii) the terms and conditions of the transaction are not less favourable to the Fund than market terms and conditions; and,

(iii) the value of the transaction is nominal or the transaction is immaterial to the Fund. The market value of the Fund's assets shall be used as the criteria to determine whether a transaction is nominal or immaterial. Transactions amounting to less than 0.5% of the aggregate market value of the Fund's assets are considered to be nominal and immaterial. Two or more transactions with the same related party shall be considered as a single transaction.

9.3 Investment management firms retained by the Company to manage a component of the Fund are permitted to invest in the publicly traded securities of any Company related party if, and only if, the securities are in a pooled fund and they satisfy the same criteria used by the investment management firm to invest in the publicly traded securities of non-related party companies.

INVESTMENT COMMITTEE OF THE BOARD OF DIRECTORS OF SEARS CANADA INC.

CHARTER
(Amended and restated as of November 12, 2012)

1. DEFINITIONS

In this Charter, the following terms have the meaning set out below:

*"**Affiliate**"* means the relationship of bodies corporate where one body corporate is the subsidiary of the other or each of them is a subsidiary of the same body corporate or is controlled by the same person;

"Board" means the Board of Directors of the Corporation;

"***Chair"*** means the chair of the Committee;

"Chief Executive Officer" or ***"CEO"*** means the Chief Executive Officer and/or the President of the Corporation or the individual holding the highest executive function of the Corporation appointed by the Board;

"Committee" means the Investment Committee established by the Board;

"Corporation" means Sears Canada Inc.;

"Director" means an individual elected to the Board by shareholders of the Corporation, or appointed to the Board;

*"**Funds**"* means the funds established pursuant to the Sears Canada Inc. Health and Welfare Plan, the Sears Canada Inc. Supplementary Retirement Plan, the Sears Profit Sharing Retirement Plan, and the SRRP;

"Independent Director" means a Director who meets the requirements of independence as defined in NI 58-101, as amended, and includes, without limitation, a Director who has no direct or indirect material relationship with the Corporation or any of its Affiliates, that is, a relationship which would, in the view of the Board, reasonably interfere with the exercise of the Director's independent judgment;

*"**Investment Consultant**"* means the investment consulting firm retained by the Committee for the purposes set out in Section 7(a);

*"**Investment Managers**"* means the investment management firms retained by the Corporation to manage the Funds;

"Member" means a Director, Officer or senior manager of the Corporation appointed to the Committee by the Board;

*"**Officer**"* means an officer of the Corporation appointed by the Board;

*"**SIP&P**"* means the Statement of Investment Policies and Procedures for the SRRP; and

"***SRRP***" means the Sears Registered Retirement Plan.

2. PURPOSE

The purpose of the Committee is to assist the Board in its oversight responsibilities relating to the investment of the Funds.

3. STRUCTURE

(a) The Committee shall be composed of five or more Members. At least two of the Members shall be Directors.

(b) Members shall hold office from the time of their appointment until the earliest of their removal or resignation from the Committee and the appointment of their successors, and, in the case of a Member who is an Officer or senior manager of the Corporation, the termination of his or her employment with the Corporation.

(c) One of the Members, who is an Independent Director, shall be appointed by the Board as the Chair.

(d) Unless otherwise determined by resolution of the Board, the Secretary of the Board shall be the Secretary of the Committee. The Secretary of the Committee shall maintain the records of the Committee.

(e) The Committee shall establish its own procedures, including the timing and place of meetings, as it considers necessary or desirable.

4. ROLE OF THE CHAIR

The main responsibilities of the Chair are as follows:

(a) Call and chair all meetings of the Committee. If the Chair is unavailable or unable to attend a meeting of the Committee, then the Chair shall request another Member to chair the meeting, failing such request, the acting Chair shall be designated by and from the Members present at the meeting. In each case, the acting Chair shall be a Member who is a Director.

(b) Develop the agenda for meetings of the Committee with or without consulting Management.

(c) Hold the right to cast a vote to resolve any ties on matters that require Committee approval.

(d) Act as the primary contact between the Committee and Management.

(e) Report to the Board on all meetings and activities of the Committee.

(f) Assume other responsibilities as this Charter, the Committee or the Board may specify from time to time.

5. RESPONSIBILITIES

The Committee shall have the following duties and responsibilities:

A. *Establishment of Strategy and Policies*

(i) Consider and approve, where appropriate, the adoption of the investment policy recommended by Management and the Investment Consultant, for assets of the Funds, which policy shall include, without limitation, a statement of the long-term investment goals and long-term asset mix target for the Funds, as well as compliance with investment restrictions under applicable legislation.

(ii) Review, at least annually, the currency and adequacy of the SIP&P and make any changes thereto which are necessary or desirable.

B. *Appointment of Investment Managers*

(i) Consider and, if appropriate, approve recommendations made by Management and the Investment Consultant for hiring and terminating Investment Managers with reference to the applicable hiring or termination criteria.

(ii) Review, from time to time, and amend, as may be necessary, the general standard terms and conditions, which shall form the basis of the agreements to be entered into between the Corporation and the Investment Managers.

(iii) Review and approve the mandates and performance standards for the Investment Managers.

(iv) Monitor the performance of the Investment Managers and require that periodic presentations be made by the Investment Managers with respect to the performance and management of the Funds assigned to them.

(v) Review and, if appropriate, approve the method proposed by Management by which cash flow is allocated, from time to time, among the Investment Managers.

C. *Other*

(i) Review the annual financial statements of the Funds.

(ii) Adhere to the guidelines set forth in the SIP&P.

(iii) Discuss with, and advise, Management with respect to relevant new findings and topics concerning investment management.

6. MEETINGS

(a) The Committee shall meet at least three times per year and may meet more often if required.

(b) The Chair of the Board and the CEO shall be entitled to attend all meetings of the Committee unless they are requested by the Committee not to do so.

(c) The quorum necessary for the transaction of business at Committee meetings shall be three Members.

(d) The Committee may meet in person or by telephone and may pass resolutions in lieu of meetings, provided such resolutions are signed by every Member.

(e) The Committee shall, as it deems appropriate, hold an *in camera* session following each meeting. The Independent Directors shall also meet, as they deem appropriate, after each regularly scheduled meeting.

7. GENERAL

(a) In addition to the Investment Consultant, the Committee shall have the authority to engage other external advisors, as it deems appropriate, to assist the Committee in the performance of its duties. Except for the expenses of the Investment Managers, which shall be deducted from the investment returns of the Funds, the Corporation shall cover the costs for all such advisors.

(b) The Committee shall have the authority to delegate, as appropriate, certain of its responsibilities and activities to one or more Members or to a subcommittee of the Committee.

(c) The Committee shall review and assess the currency and adequacy of this Charter on an annual basis and recommend any appropriate changes thereto for approval by the Board. Notwithstanding the foregoing, the Board has the inherent jurisdiction to initiate and approve changes to this Charter at any time.

(d) Any Member who is neither a Director nor an Officer shall be entitled to be indemnified by the Corporation in accordance with the standard indemnification agreement provided to Directors and Officers of the Corporation, *mutatis mutandis*, and this shall constitute sufficient authority for doing so.

Sears Canada Inc.
2014 Investment Committee Workplan

WORKPLAN	**February, 2014**	**May, 2014**	**August, 2014**	**November, 2014**
Mgmt Reports/ Plans Covered	Review Performance 2014 ▪ SRRP ▪ HWT ▪ SRP	Review Performance Q1 2014 ▪ SRRP ▪ HWT ▪ SRP	Review Performance Q2 2014 ▪ SRRP ▪ HWT ▪ SRP	Review Performance Q3 2014 ▪ SRRP ▪ HWT ▪ SRP
Performance/ Strategy	Towers Watson ▪ DB and DC Performance Review	Towers Watson ▪ DB and DC Performance Review	Towers Watson ▪ DB and DC Performance Review	Towers Watson ▪ DB and DC Performance Review
Other			▪ Overview – SRP Actuarial Valuation ▪ Overview – SRRP Actuarial Valuation ▪ Overview – HWT Actuarial Valuation	▪ 2014 Workplan ▪ Annual Review of Charter and Statements of Investment Policies & Procedures

6. *In-camera* Session

- Members only
- Independent Members only

TAB 15

From: "Ross, Donald C" <dross@cov.com>
Send Date: 12/19/2013 02:04:23 UTC
To: Bill Crowley <wcc@ASHECAP.COM>; Bill Crowley <wcc@ASHECAP.COM>
CC: Raja Khanna <raja.khanna@blueantmedia.ca>; Deborah Rosati <deborah@shantiliving.ca>; Jim McBurney <jas.mcburney@gmail.com>; Doug Campbell <Doug.Campbell@sears.ca>; "Ephraim Bird (E.J.)" <ej.bird@sears.ca>; Leshnjani Klaudio <Klaudio.Leshnjani@sears.ca>; Jeffrey Stollenwerck <Jeff.Stollenwerck@searshc.com>; Bill Harker <wrh@ASHECAP.COM>
Subject: Re: Ivanhoe Cambridge

Bill,

Having the materials sent out in advance and having Klaudio and Stephen answer questions was much appreciated and good governance. The call with Klaudio and Stephen was intended to ask questions in an efficient way.

The desire of having the Repentigny store excluded was on an if possible basis not on a must basis. If the other side insists it stay in then it should. I think that was made clear. But we noted that store wasn't even in their original request list so thought it might not be a must have for them.

The reason for suggesting a discussion of the issue is so that going forward we will have considered the issue together in advance and we won't be expressing a preference on a point such as this in another store deal. I expect that we will reach a the right conclusion as I think we would all like to maximize sales which make sense and successfully restructure the business.

I am sorry to hear that the other side is backing away on the price.

Best wishes for the holidays.

Don

Sent from my BlackBerry 10 smartphone.
From: Bill Crowley
Sent: Wednesday, December 18, 2013 8:13 PM
To: Bill Crowley
Cc: Ross, Donald C; Raja Khanna; Deborah Rosati; Jim McBurney; Doug Campbell; Ephraim Bird (E.J.); Leshnjani Klaudio; Jeffrey Stollenwerck; Bill Harker
Subject: Re: Ivanhoe Cambridge

Also, I had asked that the team send the material out and answer questions in advance of getting a firm deal, so that everyone would have a chance to get up to speed. I had expected a Board call if and when we had a deal to discuss.

William C Crowley
wcc@àshecap.com
Àshe Capital Management, LLC
646-450-4402

> On Dec 18, 2013, at 7:09 PM, "Bill Crowley" <wcc@ASHECAP.COM> wrote:
>
> Don ,
>
> We should discuss at the next meeting, however, it takes two to tango. RE deals are fluid. We cannot always get the best values for our ideal grouping. The team tries to get a deal with what we want, but in this case Ivanhoe's best deal held the one store we might prefer to hold on to.
>
> But I welcome the discuss.
>
> I do want to state that I do not think that the board or the independences should attempt to insert themselves in the negotiations. Bill and I did not and do not do that. We need to let the RE team work for the best deal in the context of our general matrix strategy. Particularly risky is to ask the team to retrade a great deal to get an even better deal.

>
> As it turns out, the other side is backing away from the price. So we may not have anything.
>
> We can discuss at the next meeting.
>
> Generally, I would sell what we can at good prices, even if not great prices. We probably do not have many more stores where we have large landlords on the other side.
>
> Have a great Christmas and New Years.
>
> Bill
> William C Crowley
> wcc@àshecap.com
> Àshe Capital Management, LLC
> 646-450-4402
>
>
>> On Dec 18, 2013, at 6:04 PM, "Ross, Donald C" <dross@cov.com> wrote:
>>
>> Bill and Bill,
>>
>> I wanted to let you know that following the circulation of the material for the potential transaction with Ivanhoe Cambridge the independent directors had a call with Klaudio and Stephen to ask them questions together rather than asking them separately. By the end the only concern was that the store in Repentigny was being included as it is the kind of store in a small center which is aligned with our retail strategy and it's real estate value versus trading value is 1.4. I was asked to speak to Doug and if he agreed to ask him to ask Klaudio and Stephen to try to get this store excluded from the deal if possible. Doug agreed as he to would prefer that this store not be included if possible. I have not heard the outcome yet.
>>
>> There is a general feeling that at our next Board meeting we should talk about whether we should identify a group of stores which perform well in our retail strategy and do not have a high real estate value to trading value which we should tell management to keep to help support the turnaround that we are trying to achieve.
>>
>> Don
>> Sent from my BlackBerry 10 smartphone.

TAB 18

DOCUMENT OMITTED FOR DUPLICATION

TAB 19

DOCUMENT OMITTED FOR DUPLICATION

TAB 20

DOCUMENT OMITTED FOR DUPLICATION

TAB 21

DOCUMENT OMITTED FOR DUPLICATION

TAB 22

From: Bill Crowley <wcc@ASHECAP.COM>
Send Date: 04/06/2014 23:13:25 UTC
To: "Ephraim Bird (E.J.)" <ej.bird@sears.ca>
CC: Bill Harker <wrh@HARKERGROUPLLC.COM>; Doug Campbell <Doug.Campbell@sears.ca>; Klaudio Leshnjani <Klaudio.Leshnjani@sears.ca>
Subject: Re: Dividend Scenarios

Thanks, the problem is this proves too much.
If we are willing to consider a 5% sss decline through 2016, then $1.00 dividend looks like too much, but so does a zero dividend.

If we think this kind of decline is likely, we need a plan of action to address. Maybe that is even more rapid sales of stores and store closures. Much more dramatic reductions in expenses. We cannot allow that kind of decline and accept it and fund it with the cash on the balance sheet.

So put together the plan with some modest sensitivities.

Then put together a down 5% sss for three years AND the actions that we should take now if that is a reasonable probability or at such times that it becomes sufficiently probable.

But we cannot hold cash because we may watch the business spiral down and do nothing.

If you think that we need to consider the 5% for three year scenarios, we must reduce costs much more now, must sell more assets.

This needs to be redone.

What do you three believe. What should we do now.

Keeping the cash to fund a dying business does not make sense. Where do you think the stock is in 2016 with that trend? We should be looking to sell now at a price that avoids that decline.

William C. Crowley
Àshe Capital Management, LLC
wcc@ashecap.com
646-450-4402

On Apr 4, 2014, at 1:35 PM, EJ Bird <ej.bird@sears.ca> wrote:

> Please see attached deck which has been updated to reflect our discussion earlier in the week. We should discuss again when you are here next week.

E.J.<Dividend Scenarios_Final_v9.pptx>

FTI Consulting Canada Inc.,
in its capacity as Court-appointed monitor

Plaintiff

and

ESL Investments Inc. *et al.*

Defendants

Court File No.: CV-18-00611219-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at TORONTO

RESPONSE TO REQUEST TO INSPECT DOCUMENTS BRIEF

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Lawyers to FTI Consulting Canada Inc.,
as Court-Appointed Monitor

This is **Exhibit "G"** referred to in the

Affidavit of Geoff Mens

sworn before me, this **21st** day

of **February, 2019**

A Commissioner for taking Affidavits

Court File No. CV-18-00611214-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

B E T W E E N:

SEARS CANADA INC., by its Court-appointed Litigation Trustee, J. Douglas Cunningham, Q.C.

Plaintiff

and

ESL INVESTMENTS INC., ESL PARTNERS LP, SPE I PARTNERS LP, SPE MASTER I LP, ESL INSTITUTIONAL PARTNERS LP, EDWARD LAMPERT, EPHRAIM J. BIRD, DOUGLAS CAMPBELL, WILLIAM CROWLEY, WILLIAM HARKER, R. RAJA KHANNA, JAMES MCBURNEY, DEBORAH ROSATI and DONALD ROSS

Defendants

RESPONSE TO REQUEST TO INSPECT DOCUMENTS

In response to your Request to Inspect Documents dated February 1, 2019, the Plaintiff provides the following responses:

Item No.	Request	Response
1.	The 2011-2014 Strategic Plan referenced in paragraph 38	See Tab 1.
2.	The March 2012 Presentation to the Board referenced in paragraph 39	See Tab 2.
3.	The statement by Calvin McDonald and Globe and Mail article referenced in paragraph 40	This document is in the public record. However, it is attached at Tab 3.

Item No.	Request	Response
4.	The minutes and presentation referenced in paragraph 41	The pleading refers to an oral presentation to the Board. The minutes are attached at Tab 4.
5.	The presentation referenced in paragraph 42	See Tab 5.
6.	The redemption requests referred to in paragraph 45 and/or the documents that quantify them	The pleading does not refer to documents. Further, the redemption requests are not in the Plaintiff's possession, power, or control.
7.	The agreements with Oxford Properties Group and Cadillac Fairview Corporation Limited referenced in paragraph 50	The pleading does not refer to a document.
8.	The agreement with Montez Income Properties Corporation referenced in paragraph 51	The pleading does not refer to a document.
9.	The instructions provided by Lampert to Sears Canada on the price of the Key Asset Sales referenced in paragraph 52	The pleading does not refer to a document.
10.	The presentation referenced in paragraph 53	The pleading refers to an oral presentation to the Board. The presentation is summarized in the document attached at Tab 4.
11.	The proposal referenced in paragraph 54	The pleading does not refer to a document.
12.	The agenda referenced in paragraph 57	See Tab 6.
13.	The minutes referenced in paragraph 58	See Tab 7.
14.	The extensive background materials prepared by management and given to the Board referenced in paragraph 61	See Tab 6.

Item No.	Request	Response
15.	The financial analysis referenced in paragraph 62	The pleading does not refer to a document.
16.	The capital structure presentations and updates to same referenced in paragraph 68	See Tab 8.
17.	The minutes and presentations referenced in paragraph 69	The minutes referenced in paragraph 69 are attached at Tab 9. No presentations are referenced in paragraph 69.

February 7, 2019

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RCP-E 51B (July 1, 2007)

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THE GLOBE AND MAIL

RETAIL

Who killed Sears Canada?

It was once Canada's largest and most successful department store chain. Now, it's in liquidation. Customers are angry. Pensioners are worried. And 16,000 are out of work with no severance pay. **Marina Strauss** reports on the slow death of Sears Canada.

A closed Sears location is seen in Dartmouth, N.S., on Oct. 11, 2017.

ANDREW VAUGHAN/THE CANADIAN PRESS

MARINA STRAUSS RETAILING REPORTER

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Calvin McDonald has many vivid memories of the 27 turbulent months he spent as the chief executive officer of Sears Canada Inc. But the one that haunts him most is the day he gave up and announced that it was all over for him.

It was a warm, sunny day in September, 2013, but he was exhausted. He'd tried everything to save the struggling department store chain, and now he was giving up. Earlier in his tenure, the dapper Mr. McDonald used to visit different floors at head office, accompanied by an assistant with a plastic milk crate. He'd pick a spot among the cubicles and ask the assistant to set it down so he could jump on top and deliver a Speaker's Corner-style impromptu pep talk to the staff.

Now, he was taking out his milk crate for the last time. To be accurate, this time it was an actual step stool – it was a special occasion. He had it set down in the middle of the dowdy grey cubicle farm outside the executive offices on the seventh floor of the Eaton Centre office tower in Toronto. Hundreds of employees crowded into the overheated room to hear what he had to say.

Mr. McDonald told his team that it was time for him to move on – that the board did not support his growth strategy for the department store, so he could no longer continue to lead it. He told them he still thought Sears could win, he believed in what they had accomplished and was proud of their commitment. Tears began to well up in his eyes as he spoke. Some of the staff began to cry, while others looked on with strained, pale faces.

When he was done, executives and managers formed a receiving line. It took more than an hour to get through it. Some had questions, others wished him well. Marinella Gonzalez, who had worked for the company as a planner, helping to budget and forecast merchandise purchases for almost 14 years, gave him a big hug. "It was very sad," she recalls. "He apologized. He tried to comfort people. He was going to bring this company forward. We thought he was going to save us."

Beneath the tears, though, Mr. McDonald was angry. He, too, thought he was brought in to save the company, but now he's not so sure. "I joined with a clear growth mandate," he says now. "I had an agreement with the board, to show that this business could perform. But it needed investments in almost every area – in the stores, online, in the supply chain, the systems."

The money needed for those investments never came. The purse strings were controlled by the board, and the board was, in effect, controlled by the company's majority shareholder: financier Edward (Eddie) Lampert, chairman of Chicago-based Sears Holdings Corp. Mr. Lampert had a reputation as a whiz with numbers, but he seemed to have an odd relationship with his Canadian outpost.

To fund his growth plan, Mr. McDonald agreed to sell off some particularly lucrative store leases, hoping that some of the hundreds of millions freed up could be reinvested in the company. Instead, most of the money was paid out in the form of special dividends. Mr. Lampert's company, as the largest shareholder, got the lion's share.

"Why would a business, which was supposedly trying to transform itself, dividend out all that resource?" Mr. McDonald now says. "I was not part of the board decision at the time, but it wasn't a vote of confidence that they felt the store had future potential." The former CEO now feels that "there was not a real long term commitment to save this business."

He is not the only one who feels that way. After dozens of interviews with current and former Sears employees and industry experts, it is clear that many feel the company's downward spiral – it began liquidating all of its stores this week – didn't have to happen. Sears Canada was once the largest and most successful department store in the country. It was one of the large retailers that managed to brush off the 1994 entry of Wal-Mart Stores Inc. into this country. With an extensive distribution network, a massive array of products and cutting-edge technology, in many ways, Sears was the Amazon.com Inc. of its time.

But over the past 20 years, it made huge mistakes. It bungled its attempts at retailing online, badly, and never did figure out its brand positioning. Each of a succession of CEOs steered it in a different direction, until eventually it became an ungainly hybrid that no one could understand.

More importantly, insiders say, the company was catastrophically damaged by the decisions of a board of directors that failed to pump enough capital back into the business and by a U.S. hedge fund manager who is rumoured to have never once visited the Canadian office.

Sears Canada didn't die of natural causes. It bled to death.

Mr. McDonald, who is now chief executive officer of the Americas at cosmetics giant Sephora, is furious and he isn't alone. Many of the chain's once-loyal customers are angry too, as are the 16,000 employees who are being laid off with no severance pay. John O'Brien, who has managed the Sears store in Avalon Mall in St. John's, Nfld., since late 2014, is one of them. He says that Mr. Lampert, along with Brandon Stranzl, who just stepped down as executive chair of Sears Canada after putting the company into creditor protection in June, "systematically and categorically dismantled a Canadian retail institution."

He's livid that millions of dollars from Canadian store sales were sucked out of the company while there was a $270-million deficit in the employees' pension fund.

"This was intentional," he says. "I know it, many others know it, and I won't quit until they are held accountable for what they have done to my family, my 175 employees and 16,000 of my Sears associates."

Opening day crowds at a Simpsons-Sears location in 1954.

THE PROVINCE/VANCOUVER PUBLIC LIBRARY

THE GLORY YEARS

Anyone who has visited a Sears store recently can be forgiven for wondering why anyone is mourning its demise. Many outlets have a faded early-1990s look to them. Some are dirty, with peeling paint, a mishmash of poorly organized and somewhat random items on display – from juicers to socks to baby clothes – with a few disinterested clerks looking on. It looks like the chain died years ago. But to dismiss Sears Canada as an inevitable victim of changing tastes is to do it a disservice. After all, it was once the biggest, brightest and most technologically advanced department store in the country.

The Canadian operation – now a separate company based in Canada but with the largest single stake held by Mr. Lampert's ESL Holdings – was launched in 1952 by U.S. parent Sears, Roebuck and Co. It originally planned to expand into Canada by snatching up Simpsons, an independent Canadian chain founded by retailer Robert Simpson. But that attempt failed because Simpsons didn't want to lose control. The two companies struck a partnership instead, forming Simpsons-Sears Ltd. in 1952.

It was a huge success. By 1976, Simpsons-Sears had become the top department store in Canada with almost $1.9-billion of sales and about 30 per cent of the department-store retail market. While the Bay and Eaton's were ringing in between $120 and $150 sales per square foot, Simpsons-Sears was doing more than $250.

It was the most successful department store in the country and the most sought-after tenant in fast-growing suburban malls, according to Hermann Kircher of Kircher Research, who advised Sears in the 1970s.

Given its roots as a mail-order company, it's no surprise that one of the store's strengths was its catalogue. One of its first catalogues, published in 1953, boasted 708 pages, weighed in at 31/2 pounds and listed almost 14,000 items, including portable graineries, motor scooters, one-size socks, "automatic" washers and dryers and pianos.

For many Canadians, particularly those in rural areas, the Sears catalogue was a lifeline to the outside world. Kelly Macsymic, now 38, grew up in Unity, Sask., a town of 2,500-plus about two hours from Saskatoon. Every fall, she and her three siblings would count down the days to the arrival of the famous Sears Christmas Wish Book. The local flower shop, which doubled as a Sears distribution centre, mailed out cards to residents that could be redeemed for a "free" Wish Book.

Ms. Macsymic, who now works in real estate in Saskatoon, remembers poring over the pages, circling items and making notes beside the pictures. "I'm sure most of my parents' Christmas shopping was done through the Sears catalogue," she says. "That's how you would decide what you were going to tell Santa you needed for Christmas. Everybody's house had one. It was just something neat to look forward to. It was a way to fantasy shop."

By the 1980s, Sears was building out its national distribution network by investing heavily in the latest technology to manage it. It broke new ground by installing one of the country's most powerful IBM computer mainframes in 1986. Sears used the machines, which could handle 75 million instructions a second, to study selling patterns of each of its more than 100,000 items. The systems helped pinpoint, for instance, which top-selling "action lines" the stores should bet heavily on. It was also one of the first department stores in Canada to streamline the checkout process by centralizing cashiers in each store with a system that could handle goods from any department.

It's hard to see it now, but in many ways, Sears was the original Amazon: It had the best technology, it had a nationwide distribution system and it sold everything under the sun. And this was in the 1980s, before the internet was adopted by the masses, before Amazon was even a gleam in Jeff Bezos's eye. Given its natural advantages, why it never successfully made the jump to online retailing will be the subject of MBA case studies for decades to come.

"There is no question Sears completely blew an opportunity to leverage their assets for online retailing," says David Zietsma, vice-president at retail consultancy Jackman Reinvents and a former vice-president of strategy at Sears Canada. "They had more than just the best distribution network from the catalogue business and the technology to do it, though. They owned something far more valuable: the hearts and minds of customers for home shopping."

Sears Canada's market capitalization

THE GLOBE AND MAIL, SOURCE: BLOOMBERG / FIGURES AT QUARTERLY END

DATA SHARE

THE DECLINE SETS IN

While the 1980s were generally good to Sears Canada, the 1990s brought the first signs of decline. The Canadian retail market began to fragment, and retail analysts began to talk about the end of the department store. The lower end of the market became crowded with discount retailers: Zellers and Kmart battled it out, and in 1994, the dreaded Wal-Mart, which had overtaken Sears in the United States as the leading retailer, set up shop in Canada by buying Woolco.

Big specialty retailers, some based in the United States, began invading Sears's turf, department by department: Future Shop in electronics, Sleep Country Canada in mattresses, Brick Warehouse and Leon's in furniture, Home Depot in hardware, and Toys "R" Us in toys. Big American clothing chains such as Gap Inc. chipped away at apparel.

A new CEO, Paul Walters, was brought in to help reposition the company, and the retail gods gave him a gift: In the late 1990s, his archrival, Eaton's, collapsed. Sears swallowed its competitor, converting seven of its key stores into upscale boutiques that retained the Eaton's name (but now with no apostrophe and a lowercase 'e'). It then launched an unusual marketing blitz – still remembered to this day – based on the colour aubergine.

The campaign costs went through the roof, and that wasn't the only project Walters was spending big money on. Sears had already poured $250-million into Eaton's, more than $100-million over budget, partly due to expensive renovations, such as moving store escalators from one location to another. Eventually, Alan Lacy, chairman and CEO of Sears Roebuck in the United States, began to get impatient with the cost overruns.

In 2001, he decided he'd had enough, and sent in Mark Cohen, a marketing and merchandising executive from the U.S. head office, to replace Walters as CEO and get the spending under control.

Mr. Cohen, now director of retail studies at Columbia University Graduate School of Business in New York, recalls that when he arrived, he found executives "spending like drunken sailors." He remembers, for instance, that the executive suite he inherited from Walters had been lavishly finished with oak panelling, solid oak furniture and had its own adjoining board room, living room, dining room and kitchen.

By early 2002, Mr. Cohen had decided to scrap the Eaton's experiment, bringing those flagship stores under the Sears Canada banner. With that behind him, he got to work on Sears, which had been neglected. Mr. Cohen also looked at potential acquisitions, including swallowing the Brick furniture chain or Mark's Work Wearhouse, which were on the block. In fact, during this period, Sears considered merging with Hudson's Bay Co. George Heller, then CEO of the Bay pushed for the union, Mr. Cohen says, but Sears turned up its nose at the deal. HBC still owned the Zellers chain, and it was too much of an "albatross" to make a deal work, he says.

Ultimately, Sears fired Mr. Cohen amid disagreements with Mr. Lacy, including the former's refusal to follow the lead of the U.S. parent in selling its financial-services division and launching a new Sears Grand chain that also sold groceries. Mr. Cohen had failed to meet financial expectations, the company said; he contends his strategy would have worked in the long run. The outspoken Mr. Cohen was also rumoured to be a contender for Mr. Lacy's job, creating more tension between the two men. In the end, Mr. Cohen walked off with at least $16.6-million, to be replaced by Brent Hollister, a long time Sears Canada executive.

Edward Lampert, chairman and CEO of Sears Holdings Corp., is shown in this 2007 file photo.

VINCENT LAFORET/THE NEW YORK TIMES

THE MONEY MAN ARRIVES

Back in Chicago, the American Sears head office was having its share of trouble too. Kmart Holding Corp. and Wal-Mart were nipping at its heels. Lurking behind the scenes, however, was a potential saviour – a wealthy hedge fund manager named Eddie Lampert.

Intense and intensely private, Mr. Lampert is a money man. He previously worked for Robert Rubin, who later became U.S. treasury secretary, in the risk arbitrage department at Goldman Sachs before launching his own hedge fund, ESL Partners LP, with $28-million in seed capital and a plan to make long-term investments in undervalued companies. Kmart was his largest investment – he brought the company back from the brink after its Chapter 11 bankruptcy protection filing. Bringing it around wasn't easy, though. The cost-cutting was intense and the number of stores was cut by almost a third.

In November, 2004, a smiling Lampert appeared on the cover of BusinessWeek magazine next to the words: The Next Warren Buffett? That same month, he announced Kmart would take over Sears for $11-billion (U.S.) to create the third-largest U.S. retailer. Within the company after the takeover, Mr. Lampert was an enigmatic and remote presence. Even though Sears had long been headquartered in a suburb of Chicago, he led the company from his offices in

Greenwich, Conn., and later from his home in Miami, through video conferences. He remained a mystery to many of the CEOs of Sears Canada, who never saw him come here and rarely, if ever, spoke to him. Instead, Mr. Lampert appointed a trusted representative to lead the Canadian board of directors.

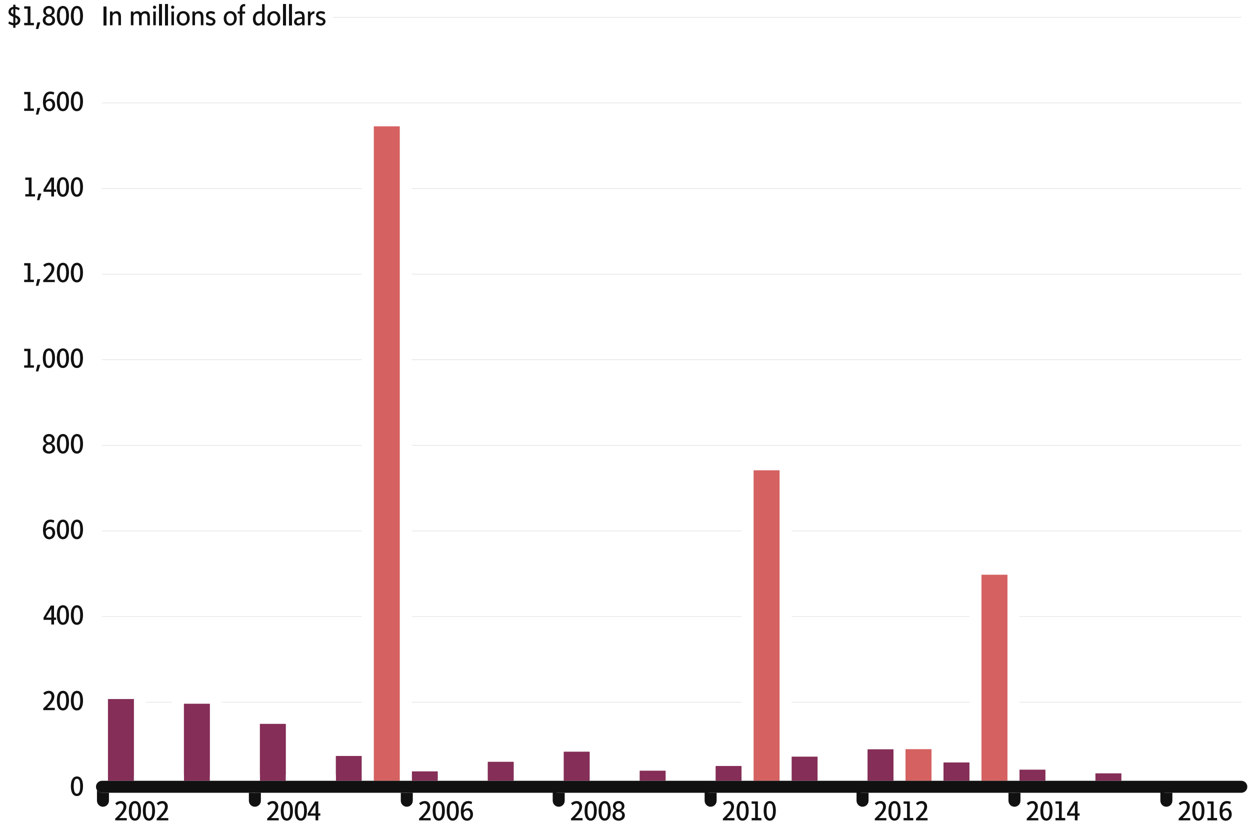
"At the outset, Lampert was touted as some form of Warren-Buffett-like genius, when in fact all he did was slash operating and capital expenses," Mr. Cohen says. "A procession of puppet-like managers were called upon to do the bidding of the little man behind the curtain masquerading as a retail executive."

One of Mr. Lampert's first Canadian lieutenants was Dene Rogers, a native of Australia with an MBA from Yale University who had worked alongside him at Kmart to help slash its costs. He was dispatched to Toronto as a member of Sears Canada's board of directors in 2005 and became acting CEO the following year.

One of Mr. Rogers' first moves was to generate a cash windfall by helping sell off Sears's lucrative credit-card operation to JPMorgan Chase & Co. for $2.2-billion in mid-2005. But rather than reinvesting the proceeds in the company, most of the money was paid out in the form of a massive $1.5-billion dividend to shareholders. The largest shareholder was Sears Holdings, controlled by Mr. Lampert, which scooped up about 54 per cent of the payout. As part of the deal, Sears Canada would receive more than $100-million each year going forward from JPMorgan Chase. That revenue became an important part of the Canadian division's operating profit – sometime accounting for all of it – until the contract expired a decade later.

Sears Canada spending vs. payouts (by fiscal year)

Capital expenditures Dividends declared



THE GLOBE AND MAIL, SOURCE: BLOOMBERG

DATA SHARE

Next, Mr. Rogers rolled up his sleeves to take on a challenge he had some experience with: cutting costs. In late 2005, Sears laid off about 1,200 employees, and hundreds more went out the door the following year. He also trimmed expenses by sourcing more of the goods directly from suppliers overseas, cutting out importers and agents. He went to battle some of the chain's suppliers in 2007 when he retroactively cut the prices Sears would pay to some suppliers to make up for rising costs due to the soaring loonie. Some suppliers, such as beauty giant Chanel, packed up and left rather than take a cut.

Thanks to the liquidations and cost-cutting, "Sears Canada was a cash cow for Sears Holdings for several years," says Rogers. So it wasn't a complete surprise when Mr. Lampert made an attempt to privatize Sears Canada by buying out the minority shareholders in 2006. But it didn't go smoothly: Several large U.S. hedge funds with minority stakes opposed the move, led by Bill Ackman of Pershing Square Capital Management LP. Some independent board members resigned rather than back Mr. Lampert's offer, and it ultimately failed.

Meanwhile, Mr. Rogers continued to rein in costs, while trying to shift the company's corporate culture. It was a workplace in which employees had stayed for long periods and earned generous benefits, he says. He felt too many product purchasers were too close with domestic suppliers, so he replaced lifers with MBA graduates, many of whom knew little about retailing. He got rid of 60 per cent to 70 per cent of the fashion merchandising staff, a critical team at a retailer, noting that some planners couldn't use an Excel spread sheet even though it was a basic skill for the job. Sears Canada replaced defined-benefit pension plans with defined-contribution plans. "Some people weren't very happy about those changes," he acknowledges.

Ethel Taylor, a former senior executive at Sears who left in 2008, says "all craziness broke loose" when Mr. Lampert installed Mr. Rogers to oversee the Canadian operations. She says he "would run around at night checking people's offices to make sure everyone was working." She says he thought most of the staff were just lazy. "People were just so fearful. The environment was so negative." Rogers counters that wasn't the case, saying that his executive team was not ruthless nor unreasonable. "We were very compassionate," he says.

One thing is clear: Investments in the store interiors were not a focus. At the time, the big U.S. clothing chains were rolling out new upscale designs for their stores, with polished wood, recessed lighting and designer displays. But to this day, Mr. Rogers argues that retailers don't need to spend excessively on stores' appearance. "As long as the store is presentable and as long as the merchandise is presented so the customer can see it, a lot of the capital costs just don't make any difference," he says. "The stores weren't trashy."

Mr. Lampert and Mr. Rogers had achieved great success cutting costs at Kmart, for a while. And at first it worked at Sears Canada as well. The company was in a position to pay out a second massive dividend in 2010, this time the amount was $753.4 million. Again, Sears Holdings was the main beneficiary – its ownership stake had increased to 73 per cent. But soon after, things started to get worse, fast. In 2011, the company posted a net loss of $50.3-million – a huge drop from the $125-million profit posted the year before. Sales slipped from $4.9 billion to $4.6-billion over the same period, and the stock dropped from $26 a share to $17.

In June of 2011, Mr. Rogers decided to leave Sears, moving back to Australia to head a discount retailer called Target (not affiliated with U.S.-based Target Corp.). "It wasn't like we went through a whole bunch of change and shareholders didn't benefit," he says of his time at Sears. "The kind of changes that took place with people and the culture bore good fruit."

Calvin McDonald, then CEO of Sears Canada, at a Newmarket, Ont., location in 2012.

PETER POWER/THE GLOBE AND MAIL

A FLASH OF HOPE

When Calvin McDonald arrived at Sears as its new CEO in June of 2011, he stood out from the store's previous leaders. For starters, he was Canadian, and many of his predecessors were not. He had a lot of retail experience, having spent the previous 18 years rising up the ladder at Loblaw Cos. Ltd., and while his background was in food, the youthful-looking 40-year-old obviously had a taste for fashion. He dressed well and eventually became a poster boy for Sears in a chatty new *Look Report* magazine he launched to tout the store's latest trends, borrowing a page from Loblaw's iconic Insider's Report.

McDonald kept himself in top shape, running marathons and competing in triathlons, even jogging to and from the office many days. To mark the 60th anniversary of Sears's *Wish Book* in 2012, he hand-delivered the catalogue to several homes on the same London, Ont., delivery route he had when he was a young teen. Staff took to the personable new boss, a stark contrast from the secretive Dene Rogers.

"They liked the fact that this guy was from Canada and delivered Sears catalogues when he was 11," says Peter Myers, who worked at Sears for more than 35 years before he was among

2,900 employees laid off in June.

Mr. McDonald formulated a plan to turn the company around by focusing on "hero" categories such as appliances, mattresses, baby goods, dresses, coats and footwear, and dropping departments such as toys and electronics from the stores while still offering them online. He beefed up private labels, taking a page from Loblaw's playbook. He lowered prices, loosened the return policy and started to remodel stores.

He began to see signs of improved results, but he says the board of directors wouldn't approve his requests for the money he needed to execute his plan, even though he had been selling off store leases for cash. Under Mr. McDonald, the retailer sold seven leases to some of its top locations in deals totaling more than $360-million. But rather than reinvesting money, capital spending fell from $101.6-million in 2012 to $70.8-million the following year and $54-million in 2014, a fraction of that of other retailers its size. Eventually, he determined that he had joined a company that knew only one approach to retail: cost cutting. There was no plan to grow, nor the money to do it.

Looking for possible alternatives, Mr. McDonald quietly began preliminary discussions with a number of potential buyers for the company, but the talks went nowhere, he says. He was at the end of his rope, and felt that without the backing of the board, there was no more he could do. During his tenure the share price had dropped to around $12, and he left in September 2013.

"I was there to win, I was there to transform the business and I didn't achieve that," he says today. "I'm the first to take responsibility and say: 'I didn't achieve what I wanted to achieve.'"

The next two years were a blur. Chief operating officer Doug Campbell replaced Mr. McDonald and lasted for just a year. A former U.S. marine pilot, his mandate was to sell Sears but he didn't find a suitor. After him, Ron Boire, a U.S. retail veteran who had worked at Sears Holdings, Best Buy and Toys "R" Us, tried to follow a strategy similar to that of Mr. McDonald. But he left in the summer of 2015 when he got the top job at U.S. bookseller Barnes & Noble.

During this time, Sears continued to liquidate its assets. Shortly after Mr. McDonald left, in late 2013, Sears sold five more of its store leases back to landlords, including the flagship at Toronto Eaton Centre, for $400 million. Again, rather than reinvesting the money, Sears Canada issued another special dividend, this time for $509.4 million – and again, most of the money went to Sears Holdings, which was controlled by Mr. Lampert.


CLARINS

Brandon Stranzl is shown in 2015.

DARREN CALABRESE/THE GLOBE AND MAIL

THE LAST-DITCH EFFORT

Brandon Stranzl, 43, a close associate of Mr. Lampert, was a suit-and-tie kind of guy when he surfaced at Sears Canada in 2015 as its chairman. But by the time he took the top operating role a few months later, he was showing up to work in jeans and hoodies. Boyish-looking with dark hair and a casual air about him, he dominated conversations, often interrupting other executives to provide his views. Bright, hard working and a consummate networker, he also had a mercurial temperament, several senior executives say.

Mr. Stranzl admits he could be passionate – but Sears needed shaking up. There was a lot of resistance to change, he says, and it needed to change. "The culture of this company was very complacent. Sears was arrogant. It was bureaucratic and it was complacent."

Soon after taking the top executive job, he hired Carrie Kirkman, a veteran merchant with a large Rolodex of industry contacts as president, but she left less than a year later. In a controversial move, Mr. Stranzl's wife Jennifer was hired to head up marketing, despite questions from some board members about a potential conflict of interest and bad optics. But Mr. Stranzl insists that his wife – a Harvard Business School MBA graduate who had experience in several executive positions, including vice-president of marketing at Dow Jones – was the right person for the job. He says it was difficult to recruit top talent at Sears, he recused himself from the hiring process, and the board got a letter from a law firm sanctioning the move. "We were lucky to have somebody of her calibre," he says. "The company was in complete disarray when I came… I treated her no differently than any other executive."

While several former executives say working with Mr. Stranzl could be trying, you couldn't accuse him of complacency. He dreamed big and pushed for massive change. But it was new territory for him: his background was in finance, not in retailing. Early on in his tenure, Mr. Stranzl spearheaded what he called Sears 2.0, a sweeping program designed to introduce off-price discounted designer lines in apparel and home goods – borrowing a page from the playbook of U.S.-owned retailer Winners and sister chain Home Sense.

Sears set up a new buying team for the off-price products, called "The Cut," including a staff of 27 in a New York office. In an unusual move for a Sears leader, Mr. Stranzl joined them on buying trips to Asia and India and brought along a large number of other executives. He set an ambitious goal for the company: to achieve $400-million in sales in the off-price home and apparel segments alone.

In theory, it was a good idea. In practice, the team purchased too many imported goods which got jammed up in warehouses – and there wasn't enough marketing to alert consumers about the new strategy, former executives say. Mr. Stranzl acknowledges he faced logistical snags when the off-price merchandise first arrived last fall because the systems at Sears couldn't process it fast enough. Some products for the holiday season didn't make it to stores until January, missing the hottest selling period of the year.

Another Stranzl strategy was to focus on a limited number of irresistible products that could be ordered in large volumes to draw in customers. One of his pet products last fall was a Kenmore blender which sold for $149.97, modelled on a $579.99 Vitamix.

Mr. Stranzl had hand-picked the colours (red and black), and personally approved the styling and packaging. The first 10,000 sold out quickly, prompting him to have more of them shipped in by air from China – at great expense – for last year's season. Whether the experiment was a success or not depends on who you ask. Armance Bartold, a senior planner who was laid off in June, says it was a misguided proposition that left the retailer about $300,000 in the red. Mr. Stranzl maintains that the blender made a profit—though he admits that shipping it in by air ate into its margins.

Perhaps Mr. Stranzl's most audacious idea of all was to try to reinvent Sears as a digital company with stores attached, rather than vice-versa. And he would do it by finally launching the online store Sears had tried – and failed – to launch so many times before.

To accomplish this, he created a new innovation lab called Initium in early 2016, setting it up in a hipster-friendly office separate from Sears Canada's stodgy headquarters. His goal was to get the new system up and working in just a matter of months – he wanted to launch before the crucial 2016 holiday season. But by August of that year, when Sears tested the new tech platform in Alberta, it was full of glitches. Its website was missing thousands of items, checkout carts didn't work properly, and orders were not getting to warehouses.

Some issues got fixed – but not all of them. November rolled around, and it was make-or-break time. Mr. Stranzl ordered his top IT team to shut off the old legacy systems entirely and operate only with the new one. This was just as the important holiday shopping period was arriving – retail companies often make all their profit for the year in that final, critical quarter.

Armance Bartold, the senior planner, was aghast. "I said, 'Brandon you can't do this,'" she recalls, adding that she was in the room as senior executives were discussing the decision last fall. "And his answer was, 'If we don't just cut the old systems, Sears will never change.' "

The new system launched. And it was a disaster. Merchandise that was in stock and available would disappear from the site for no apparent reason; changes to the site, such as adding a new price, took 48 hours to make; some bulky items, such as appliances, couldn't be shipped at all. "The inventory was there but because of the transition from legacy systems to Initium, it wasn't visible," says a former executive who was let go in June. "It was just a mess, a very big mess last Christmas."

Many Canadians who ordered gifts for their kids had to explain why they had nothing to give them on Christmas morning. The outrage in the weeks that followed was so intense, Mr. Stranzl decided to give much of the merchandise away for free or offer refunds to make up for the late deliveries. But for Mr. Stranzl, always the optimist, the setback was simply another lesson in his journey to reinvent Sears, particularly its e-commerce systems, and "take it to the next level." In a January internal email to staff he was unrepentant: "We will work out the launch kinks and grow to be the number one e-commerce business in Canada."

In looking back today, he says he was faced with both an old and a new tech system that were flawed. "It was risky to do nothing, risky to do something."

But Sears had suffered a big blow even before that. In 2015, JP Morgan Chase didn't renew its credit card deal with the retailer and Mr. Stranzl was unable to find as lucrative a replacement. "Of all the things that pushed the company into a really bad position, that was the biggest one," he says.

Mr. Stranzl was no doubt encouraged by the fact that his flurry of initiatives was beginning to show signs of improvements—Sears's same-store sales at outlets open a year or more, an important retail measure, rose in each of its last two reported quarters. But alas, it was too little, too late. Sales may have been heading up, but margins were collapsing and by its fourth quarter last year, Sears was drowning in red ink, posting a loss of $45.8-million. By the first quarter of this year, the losses had increased to $144.4-million.

The company was rapidly burning through cash and by March of this year, Sears was forced to borrow $300-million. By the end of its first quarter, its cash position had tumbled to $164.4-million, down 53 per cent from a year earlier. With liabilities of more than $1.1-billion, Sears was pushed to the brink. And then Mr. Stranzl made his most surprising move yet, at least from Mr. Lampert's perspective: He decided to seek court protection with a CCAA filing – and Sears began its final descent.

A shopper browses for boots at a Sears Canada location in Mississauga, Ont., on the first day of liquidation sales on Oct. 19, 2017.

CHRIS HELGREN/REUTERS

THE END OF SEARS CANADA

The demise of a large company can be a messy affair, and Sears Canada was no exception. When he originally joined the company, Mr. Stranzl was Mr. Lampert's man – but in the end, it was every man for himself. Mr. Stranzl lays much of the blame for the death of Sears at Mr. Lampert's feet, but Mr. Lampert counters that Mr. Stranzl's big plan to save the company was too risky, and he was acting on his own when he put the company into court protection.

According to an e-mailed statement from Mr. Lampert's ESL Holdings, "Eddie Lampert was not informed in advance that Sears Canada management intended to seek protection" in court, suggesting that Mr. Stranzl went rogue. Mr. Stranzl counters that he kept Mr. Lampert informed about preparations for the court filing until just a few weeks before it occurred, at which point he was legally prevented from providing a last-minute update.

The statement from ESL goes on to say that it originally raised concerns about Mr. Stranzl's Sears 2.0 strategy, cautioning that borrowing money to fund it would "be risky and unwise." But Mr. Stranzl did it anyway: "Despite this advice, management decided to proceed with these actions and the company's operating losses and cash drain ultimately hastened and worsened," the statement says.

Mr. Stranzl sees things differently. "I was actually trying to fix the retailer and turn it around," he says. "I don't think that was ever what he was trying to do." Mr. Stranzl says he doesn't think Mr. Lampert wanted to make a big bet on a retail turnaround. "He's never done that in the U.S. or here. He's never invested in retail strategies. He looks at return on capital."

As it barrelled towards liquidation, Sears laid off 2,900 of its 16,000 employees and closed 59 stores.

It launched a bidding war to find a buyer to keep the retailer running or suitors to pick up various pieces of the companies. From the start, a management group led by Mr. Stranzl planned to bid to save Sears.

Mr. Lampert teamed up with another major shareholder in Sears Canada and made sure he also had the option to submit an offer, although he ultimately never did.

The Stranzl bid was the only going-concern offer that Sears took seriously, but the company quickly concluded that it was inadequate in its financing and due diligence conditions. The company proceeded to make deals to sell off its crown jewels, including 11 of its best store leases, which were vital to viability of the Stranzl bid. He revised his bid twice, but Sears rejected it outright.

According to the ESL statement, Mr. Lampert didn't back the Stranzl's bid because of "the improbability of a going concern bid being accepted and the lack of confidence in the go-forward strategy, which did not represent a change from the approach that resulted in the company's insolvency."

The writing was on the wall. Sears was losing more than $1-million a day. It had defaulted twice on its debtor-in-possession lending, forcing it to pay an extra $2.7-million of the total $450-million of loans. The financiers were pushing for liquidation sales as soon as possible to cash in on the pre-holiday shopping rush and get a full return. On Friday the 13th, Judge Glenn Hainey of Ontario Superior Court approved a request from Sears to liquidate its remaining 131 stores, saying he was satisfied there was no viable alternative to a shutdown. And just like that, the retailer's remaining 12,000 employees were out of work.

A former Sears location at Toronto's Woodbine Centre is shown on Oct. 11, 2017.

FRED LUM/THE GLOBE AND MAIL

'MASSIVE AMOUNTS OF NEGLECT'

So who killed Sears Canada? The dust hasn't yet settled on its tragic collapse, but the accusations are already flying thick and furious.

There's no doubt that part of the problem was a majority investor who treated Sears like a cash-spinning asset, rather than a company that needed investment and sound management to adapt and grow in a challenging marketplace. Since 2005, Sears Canada has been a bountiful piggy bank for Lampert. During that period it paid out more than $2.9-billion in dividends, and the lion's share of that money went to Sears Holdings and ESL Investments, which were both controlled by the hedge fund manager. Meanwhile, the amount re-invested in the business to help it grow and adapt—as reflected by the capital spending – fell from $86-million in 2005 to just $27.4-million last year. Ironically, it's also likely that Mr. Stranzl's manic last-minute bid to save the company, which meant borrowing to bet big, ended up hastening its demise.

The retail sector as a whole is having a tough time. Amazon is stealing share, margins are tight, and only the strong survive. Over the last 20 years, Sears Canada had become a lumbering, out-of-touch dinosaur, and there's lots of blame to go around for that. The department stores which have survived long ago realized that they needed to specialize or die.

With Target and Wal-Mart dominating discount, the only place to go was upscale, and even there, as Hudson's Bay Co. is discovering, the going isn't easy. But it takes capital to adapt and capital to grow. Refusing to invest in the future of your business is almost inviting defeat.

"There's definitely been mismanagement," says David Tawil, president of Maglan Capital, a New York event-driven hedge fund. "It's been neglect—massive amounts of neglect."

The one thing that's clear, though, is that Canada has lost yet another once-iconic retailer, and that's a terrible shame. After all, there aren't many big Canadian retailers left. "It's such a sad situation," says Arthur Fleischmann, whose ad agency did marketing work for Sears back in the glory days when it was king.

"They were the original e-commerce company… They could have been Amazon. But they failed to stay relevant in product offering. Their stores are over-sized and outdated. And they don't stand for anything anymore."

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Phillip Crawley, Publisher

TAB 4

DOCUMENT OMITTED FOR DUPLICATION

TAB 5

Sears Canada

Direct Fulfillment Transformation – Strategy Overview V2

August 2013

Private and Confidential

Direct Sales Trend – 2010 - 2012

	Catalogue					Internet				
	2010	2011		2012		2010	2011		2012	
	$s	$s	% Chg	$s	% Chg	$s	$s	% Chg	$s	% Chg
Big Ticket	104.6	88.8	(15.1%)	63.5	(28.5%)	112.7	123.1	9.2%	126.0	2.4%
Small Ticket	316.7	282.3	(10.9%)	218.4	(22.6%)	152.4	170.4	11.8%	173.0	1.5%
Total	421.3	371.1	(11.9%)	281.9	(24.0%)	265.1	293.5	10.7%	299.0	1.9%

	TOTAL DIRECT				
	2010	2011		2012	
	$s	$s	% Chg	$s	% Chg
Big Ticket	217.3	211.9	(2.5%)	189.5	(10.6%)
Small Ticket	469.1	452.7	(3.5%)	391.4	(13.5%)
Total	686.4	664.6	(3.2%)	580.9	(12.6%)

	% Chg Q1/12 - Q1/13		Total Direct		
			Q1/12	Q1/13	
	Catalogue	Internet	$s	$s	% Chg
Big Ticket	(24.3%)	17.4%	38.9	39.5	1.5%
Small Ticket	(15.7%)	8.4%	86.9	81.6	(6.1%)
Total	(17.6%)	12.1%	125.8	121.1	(3.7%)

Executive Summary

- Sears Direct fulfillment approach was developed many years ago to support shipments to agents on behalf of customers who had few/no other options. This customer experience is now seriously substandard compared to that offered by fast growing eComm competitors.
  - Sears delivery times are longer, delivery is less convenient, product packaging is poor and product condition upon arrival is frequently not acceptable.
- Investments will be required to improve the customer experience to generate sales growth.
  - Modest investments to existing buildings and operations are possible and would generate improvements but still leave Sears well behind competitors
  - To catch competitors, significant investment and transformation is required.
- Critical issues driving the need for significant transformation:
  - Product is too frequently damaged in the fulfillment process. Need new material handling equipment and process design.
  - Current facilities are designed to pick ‘n ship once per day by agent geographic wave. State of the art eComm facilities are designed to pick ‘n ship hourly by customer in the order time sequence. Difference impacts both speed and efficiency of D2C fulfillment.
  - Based on Canadian population dispersion, current buildings (particularly Regina) are not properly located to support rapid delivery critical to eCommerce success
  - D2C delivery is rapidly becoming the norm in Canada and Sears delivery to agent approach is a competitive disadvantage to our Direct business. We require a more competitive approach to D2C delivery.

Executive Summary (continued)

- Improvements which could be implemented in existing operations in Regina & Belleville:
  - Packaging:
    - Orders flowing to agent (in totes) move either with no over packaging (sometimes extra tape) or else product is put in plastic Sears bag. Ideally, should be upgraded.
    - Orders flowing via courier (loose) may be shipped with no over packaging, in an UPS envelope or in plastic Sears bag. Must be upgraded given customer has chosen premium delivery experience.
    - Improvements would be far easier and less costly to implement in a new redesigned operation.
    - Packaging improvements should reduce returns.
  - Returns
    - Today, returns are picked first and therefore customers frequently receive "new" product which has been roughly treated. Need to set much higher standard for return to stock and either invest more in repackaging or flow more to outlet.
  - It is possible to deliver to agents more than twice per week. However, the cost of doing so would be prohibitive. Therefore, it is seen as preferable to offer customers a more convenient and cost effective D2C option.

Initiatives

- Direct Fulfillment Strategic Transformation Road Map
  - ➢ Pilot Canada Post (CPC) as primary D2C delivery provider – Fall 2013
    - Fall 2013 pilot involving Maritimes & Ottawa being developed
    - If results are ambiguous, may pilot in Western Canada in spring 2014
    - If results are positive, roll out nationally in early 2014.
  - ➢ Open 3PL Direct Fulfillment Centre in Calgary – Spring 2014
    - Close and sell or redevelop Regina Broad Street
    - Delivers upgraded product handling & packaging to 35% of customers
    - Allows refinement of new 3PL D2C fulfillment operations
    - Relocation supports faster D2C delivery in Western Canada
    - *Need decision NOW to be able execute for Spring 2014*
  - ➢ Open 3PL Direct Fulfillment Centre in GTA – Summer 2015
    - Close and sell or redevelop Belleville
    - Delivers upgraded product handling & packaging to rest of Canada
    - Fall 2013 Network Study will recommend where other functions should be relocated (i.e. retail store replenishment, parts and retail returns).
    - Other corporate functions to be relocated (Call Center, some IT)

- High level overviews and justifications for each follow. A detailed supporting business case for closing Regina has been prepared.

High Level Overview of Each Project

- Canada Post Delivery Pilot
- Regina to Calgary 3PL
- Belleville to Toronto 3PL

Canada Post vs. Sears Pick Up at Agent & UPS

- Most notable differences between Canada Post and Sears pick up at agent are:
  - Delivery time reduction would vary but be at least 50% (e.g.. from 6 to 3 days or from 4 to 2 days)
  - Delivery would be to door (when at home) versus required pick up at agent
  - If not at home, pick up would be at one of 6,380 CPC outlets which will be far more convenient than picking up at one of 1,351 Sears locations
  - Increased number of outlets also improves customer convenience for returns

- Better pricing from CPC will allow us to charge less for D2C delivery than we currently charge through UPS

- Enabling full CPC solution adds incremental benefits
  - Track ‘n Trace of shipments for customers (avail. with UPS but not Sears agents)
  - Customer able to choose any CPC outlet for pick up
  - Sears can enable return policy online via CPC
  - CPC willing to allow Sears retail kiosks in their outlets

Canada Post Outlets vs. Sears & UPS

	Canada Post			Sears			Incr. CPC Outlets vs.	
Province	Corp.	Dealer	Total	Agent	Dealer	Total	Sears	UPS (1)
Newfoundland	343	60	403	69	13	82	321	400
Nova Scotia	234	78	312	35	16	51	261	300
New Brunswick	161	44	205	42	19	61	144	199
PEI	37	13	50	8	3	11	39	50
Quebec	986	479	1,465	281	32	313	1,152	1,429
Ontario	759	853	1,612	298	61	359	1,253	1,444
Manitoba	266	133	399	69	14	83	316	387
Saskatchewan	427	150	577	102	18	120	457	571
Alberta	344	304	648	101	41	142	506	600
British Columbia	300	337	637	75	45	120	517	579
Yukon	11	7	18	1	1	2	16	18
Northwest Terr.	6	23	29	6	1	7	22	29
Nunuavit	4	21	25	-	-	-	25	25
TOTAL	3,878	2,502	6,380	1,087	264	1,351	5,029	6,031

(1) Actual number of UPS locations not shown

Canada Post Pilot

- Scenarios to be tested:
  1. Canada Post to door (flat fee) & agent delivery option as current
     - Will test different flat fees in different markets
  2. Canada Post to door (flat fee) only
- Scenarios 1 & 2 must be tested in markets serviced by Belleville
  - Scenario 1 will be tested across Newfoundland, Nova Scotia & New Brunswick
  - Scenario 2 will be tested in PEI and an urban market (tentatively Ottawa)
- CPC value added services to be enabled in pilot - Track ‘n trace & returns policy. Customer will NOT be able to select delivery to specific CPC outlet in fall 2013.
- Duration – September to February 28, 2014

3PL vs. Sears Fulfillment

- Financial business case benefits based on exiting oversized Sears buildings and moving to 3PL operations which are much more productive.
- Productivity increase due to new/better building configuration and equipment plus leveraging of 3PL's state of the art warehouse management system (WMS) and many years of experience
- Sears could replicate the building configuration and equipment but would need to also invest in new WMS and then learn over time how to optimize
- Productivity difference becomes more pronounced with the higher the growth scenario
- Much faster speed to value using 3PL
- Sears interests would be protected by taking on the lease for the new building and purchasing all the equipment.
- Could consider different 3PL or taking operation back in-house in the future without needing to incur significant additional transformation expense.
- This aligns with the common strategy for retailers to outsource eCommerce while building scale and experience and then bring back in-house.

Regina Broad Street

Regina Parkway

Close Regina, Relocate to 3PL in Calgary

- Other options considered and principle reason against.
  - ➢ Upgrade current building
    - Impossible to do in cost effective manner
  - ➢ Relocate in Regina (either 3PL or Sears)
    - Estimated annual increase in D2C delivery fees using CPC of $7M (any other courier would likely be comparable)
    - Significant available transportation savings would be foregone
  - ➢ Sears operate new building in Calgary
    - Significantly more Sears capital investment required (new WMS).
    - Far slower speed to value (> 24 months).

Recommendation:

- ➢ ***Outsource Now***
  - Structure arrangement in order to have possibility to bring function back in-house in the future.

Close Regina, Relocate to 3PL in Calgary

Sears – Regina Broad Street	**Calgary (3PL)**
• Owned. Constructed 1916 – 1972 • 870,000 Sq Ft, 8 floors & 2 mezzanines • Designed to pick 'n ship orders to agents (D2C added on) • Inventory moves up/down all levels (both inefficient & can damage product) •Current volumes are significantly lower than what the DC can handle	• To be rented by Sears • 225,000 Sq Ft, 1 floor with 2 mezzanines • Designed to pick 'n ship orders D2C (agents to be added on as necessary) • Sophisticated pick 'n pass operation • Sufficient capacity to handle 60% more volume than current state

Key Variables in Business Case:

- Maintenance capital and expense projection for aging Regina operation is material.
- Sears is not paying competitive wages in Regina. Go forward labour cost projection and associated risk is important consideration.

Key Benefits NOT Specifically Estimated:

- Value from sale or redevelopment of Regina building is being assessed.
- Benefits from improved product handling reducing returns and increasing sales should be significant.

Regina to Calgary 3PL Pro-Forma (Current Volumes)

		2014 FCST - CURRENT VOLUMES			10 YEAR FCST - CURRENT VOLUMES		
		Regina - Broad St SEARS	**Calgary - New SCI**	**Net Impact B / (W)**	**Regina - Broad St SEARS**	**Calgary - New SCI**	**Net Impact B / (W)**
One Time Costs & Benefits	-	-	-		-	-	
Termination		0	(4,000)	(4,000)	0	(4,000)	(4,000)
Moving Costs		0	(2,000)	(2,000)	0	(2,000)	(2,000)
Capital - Outfit New Building		0	(10,900)	(10,900)	0	(10,900)	(10,900)
Proceeds from Sale - Broad Street	(1)	0	TBD	0	0	TBD	0
IT Resources	(2)	0	(1,000)	(1,000)	0	(1,000)	(1,000)
Net One Time Cash Investment		**0**	**(17,900)**	**(17,900)**	**0**	**(17,900)**	**(17,900)**
Annual Operating Costs	-						
Payroll & Operating		(9,150)	(10,800)	(1,650)	(104,100)	(110,700)	(6,600)
Rent / Occupancy		(1,700)	(2,000)	(300)	(18,750)	(20,000)	(1,250)
Maintenance / Capital		(950)	0	950	(11,200)	0	11,200
Transportation Costs	(3)	(4,850)	(4,100)	750	(53,150)	(44,950)	8,200
Net Annual Cash Out Flow		**(16,650)**	**(16,900)**	**(250)**	**(187,200)**	**(175,650)**	**11,550**
Total Costs (including 1 Time Costs)		**(16,650)**	**(34,800)**	**(18,150)**	**(187,200)**	**(193,550)**	**(6,350)**
Other Important Considerations	-						
Capital - Upgrade Broad St	(4)	TBD	0	0	TBD	0	0
Increase GP $ from Higher Sales	(5)	0	TBD	0	0	TBD	0
Reduce Returns Handling	(6)	0	TBD	0	0	TBD	0
Total - Net Cash Flow		**(16,650)**	**(34,800)**	**(18,150)**	**(187,200)**	**(193,550)**	**(6,350)**

(1) Market valuation of the land is estimated at ~$9M. Redevelopment costs have not been assessed but may significantly impact the proceeds. NBV of Building/Assets @ $27.8M.
(2) IT Resources have been scoped. Refer to Slide 14 for details.
(3) Net impact from the shift of Inbound/Outbound to a Calgary location.
(4) Capital required to upgrade Broad Street to equalize service/productivity to 3PL would be significant.
(5) 2013 ST sales = $400M x 33% (Western Canada) = $132M (net). E.g. 5% increase in sales @ 40% GP = $2.6M per year.
(6) Returns at 39% rate in units currently. 3PL handling should reduce costs. See Slide 8 for scenarios.

Regina to Calgary 3PL - Break-Even Scenarios

	10 YEAR FCST - CURRENT VOLUMES					
	Cash Out Flow			DCF @ 12%		
	Regina - Broad St SEARS	Calgary - New SCI	Net Impact B / (W)	Regina - Broad St SEARS	Calgary - New SCI	Net Impact B / (W)
Operating Costs	(187,200)	(175,650)	11,550	(102,992)	(98,471)	4,521
Termination	**0**	(4,000)	(4,000)		(3,571)	(3,571)
Moving Costs	**0**	(2,000)	(2,000)		(1,690)	(1,690)
Capital - Outfit New Building	**0**	(10,900)	(10,900)		(9,732)	(9,732)
IT Resources	**0**	(1,000)	(1,000)		(893)	(893)
Cash Out-Flows	**(187,200)**	**(193,550)**	(6,350)	**(102,992)**	**(114,358)**	(11,366)

Break-Even Scenarios

➢ *Scenario 1 – Proceeds from Sale*

- ~$12.7M proceeds required in 2014 to break-even in 10 yr period (DCF@ 12% = $11.4M)

➢ *Scenario 2 – Assume return reduction increases sales and reduces OPEX*

- 137,500 units less returns yields $20.1M of cash over 10 Yrs (DCF@ 12% = $11.4M)
  - 8.1% reduction in returns (from 39% to 35.5%)
  - Based on $30.41 average retail translates into 3.2% increase in net sales on $132M of Western Canada ST Direct sales (0.9% nationally)

➢ *Scenario 3 – Assume returns are reduced without any improvement in net sales*

- Returns decline from 39% to 21% produces the $2M annually required to break-even (DCF @ 12%)

Pro-Forma P&L – Volume Growth (7)

		2014 FCST - VOLUME GROWTH			10 YEAR FCST - VOLUME GROWTH		
		Regina - Broad St SEARS	Calgary - New SCI	Net Impact B / (W)	Regina - Broad St SEARS	Calgary - New SCI	Net Impact B / (W)
One Time Costs & Benefits	-	-	-		-	-	
Termination		0	(4,000)	(4,000)	0	(4,000)	(4,000)
Moving Costs		0	(2,000)	(2,000)	0	(2,000)	(2,000)
Capital - Outfit New Building		0	(10,900)	(10,900)	0	(10,900)	(10,900)
Proceeds from Sale - Broad Street	(1)	0	TBD	0	0	TBD	0
IT Resources	(2)	0	(1,000)	(1,000)	0	(1,000)	(1,000)
Net One Time Cash Investment		**0**	**(17,900)**	**(17,900)**	**0**	**(17,900)**	**(17,900)**
Annual Operating Costs	-						
Total Operating Expense		(9,150)	(10,800)	(1,650)	(140,350)	(143,850)	(3,500)
Rent / Occupancy		(1,700)	(2,000)	(300)	(18,750)	(20,000)	(1,250)
Maintenance / Capital		(950)	0	950	(12,800)	0	12,800
Change in Transportation Costs (B) / W	(3)	(4,850)	(4,100)	750	(72,846)	(61,581)	11,265
Net Annual Cash Out Flow		**(16,650)**	**(16,900)**	**(250)**	**(244,746)**	**(225,431)**	**19,315**
Total Costs (including 1 Time Costs)		**(16,650)**	**(34,800)**	**(18,150)**	**(244,746)**	**(243,331)**	**1,415**
Other Important Considerations	-						
Capital - Upgrade Broad St	(4)	TBD	0	0	TBD	0	0
Increase GP $ from Higher Sales	(5)	0	TBD	0	0	TBD	0
Reduce Returns Handling	(6)	0	TBD	0	0	TBD	0
Total - Net Cash Flow		**(16,650)**	**(34,800)**	**(18,150)**	**(244,746)**	**(243,331)**	**1,415**

(1) – (6) Notes are same as on slide 4.
(7) Growth forecast used – 0%, 15%, 15%, 10%, 10% and 0% thereafter

Scenario Analysis

	10 YEAR FCST - VOLUME GROWTH					
	Cash Out Flow			DCF @ 12%		
	Regina - Broad St SEARS	Calgary - New SCI	Net Impact B / (W)	Regina - Broad St SEARS	Calgary - New SCI	Net Impact B / (W)
Operating Costs	245,805	223,410	22,395	131,647	121,718	9,929
Termination	**0**	4,000	(4,000)		3,571	(3,571)
Moving Costs	**0**	2,000	(2,000)		1,690	(1,690)
Capital - Outfit New Building	**0**	10,900	(10,900)		9,732	(9,732)
IT Resources	**0**	1,000	(1,000)		893	(893)
Cash Out-Flows	**245,805**	**241,310**	4,495	**131,647**	**137,604**	(5,957)

Break-Even Scenarios

- *Scenario 1 – Proceeds from Sale*
  - ~$6.6M of Proceeds required in 2014 to break-even in 10 year period (DCF @ 12% = $5.9M)
- *Scenario 2 – Assume return reduction increases sales and reduces OPEX*
  - 28,000 units less in returns generates $10.5M of cash over 10 Years (DCF @ 12% = $5.9M)
    - 1.65% reduction in returns (from 39% to 38%)
    - Based on average retail of $30.41 translates into 0.6% increase in net sales on $132M of Western Canada ST Direct sales (0.2% nationally)
- *Scenario 3 – Assume returns are reduced without any improvement in net sales*
  - Returns decline from 39% to 29% produces $1.05M break-even in 10 Yr (DCF @ 12% = $5.9M)

Regina – Returns Reduction Scenarios

Improvement in Returns	Return Rate	Annual Units	SCI Cost
Current	39%	1.69	3.45
Scenario 1	35%	1.53	3.06
Scenario 2	30%	1.30	2.60
Industry - High	25%	0.98	1.96
Industry - Low	20%	0.67	1.33
Sears D2C - Today	15%	0.38	0.75
Annual - Potential Savings Using 25%			1.49

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Sears

Belleville NLC

TOR_001:00147802

Close Belleville, Relocate to 3PL in GTA

- Other options considered and principle reason against.
  - ➢ Upgrade current building
    - Possible but expensive and complicated and does not unlock value in real estate
  - ➢ Relocate in Belleville (3PL Mgmt & Sears Associates)
    - Benefit is to reduce/eliminate termination
    - Far slower to execute as new facility would have to be constructed
  - ➢ Sears operate new building in GTA
    - Significantly more Sears capital investment required (new WMS).
    - Far slower speed to value (> 24 months).

Recommendation:

- ➢ Validate success of Western Canada 3PL operation and then move to outsource Eastern Canada fulfillment ASAP.

Close Belleville, Relocate to 3PL in GTA

Distribution Centre Comparison

Belleville	**GTA (3PL Location)**
• 1,517,077 sq ft with approximately 500,000 sq. ft. of mezzanines • Designed to pick 'n ship orders to agents (D2C added on) • Inventory moves up/down several levels (both inefficient & can damage product) • Current volumes are significantly lower than what the DC can handle	• 400,000 Sq Ft, 1 floor with 2 mezzanines • Designed to pick and ship orders D2C (agents added on) • Sophisticated pick 'n pass operation • Sufficient capacity to handle 60% more volume than current state

Key Variables in Business Case:

- 3PL OPEX projections are very rough. With more time to consider other layout and equipment configurations, cost projections could be reduced.

Key Benefits NOT Specifically Estimated:

- Benefits from improved product handling reducing returns and increasing sales should be significant.

Pro-Forma P&L – Current Volumes - Belleville

		2014 FCST - CURRENT VOLUMES			10 YEAR FCST - CURRENT VOLUMES		
		Belleville SEARS	GTA - New SCI	Net Impact B / (W)	Belleville SEARS	GTA - New SCI	Net Impact B / (W)
One Time (Costs) / Benefits	-	-	-		-	-	
Termination		0	(7,000)	(7,000)	0	(7,000)	(7,000)
Moving Costs		0	(3,000)	(3,000)	0	(3,000)	(3,000)
Capital - Outfit New Building		0	(15,400)	(15,400)	0	(15,400)	(15,400)
Proceeds from Sale	(1)	0	75,000	75,000	0	75,000	75,000
IT Resources	(2)	0	(500)	(500)	0	(500)	(500)
Net One Time Cash Impact		**0**	**49,100**	**49,100**	**0**	**49,100**	**49,100**
Annual Operating Costs	-						
Payroll & Operating		(18,450)	(20,125)	(1,675)	(194,725)	(208,825)	(14,100)
Rent / Occupancy		(5,475)	(4,150)	1,325	(60,075)	(43,300)	16,775
Maintenance / Capital		(1,950)	0	1,950	(21,825)	0	21,825
Transportation Costs	(3)	TBD	TBD	0	TBD	TBD	0
Net Annual Cash Out Flow		**(25,875)**	**(24,275)**	**1,600**	**(276,625)**	**(252,125)**	**24,500**
Total (Costs)/Benefits		**(25,875)**	**24,825**	**50,700**	**(276,625)**	**(203,025)**	**73,600**
Other Important Considerations	-						
Capital - Upgrade	(4)	TBD	0	0	TBD	0	0
Increase GP $ from Higher Sales	(5)	0	TBD	0	0	TBD	0
Reduce Returns Handling	(6)	0	TBD	0	0	TBD	0
Total - Net Cash Flow		**(25,875)**	**24,825**	**50,700**	**(276,625)**	**(203,025)**	**73,600**

Note: Belleville Financials represent Direct and Returns functions only or ~87.5% of the total labour.
(1)Sears Real Estate has provided the market valuation of the land/building to be $75M - $95M. NBV of Building/Assets @ $68.9M.
(2) IT Resources have been scoped for Regina at $1M. The Belleville business case assumes being able to leverage previous work.
(3) Net impact from the shift of Inbound/Outbound for transportation to be determine. Net benefit is anticipated.
(4)Capital requirements to improve Belleville would be significant.
(5) 2013 ST sales = $400M x 67% (Eastern Canada) = $268M (net). E.g. 5% increase in sales @ 40% GP = $5.4M per year.
(6) Returns at 28%. 3PL handling should reduce costs.

Pro-Forma P&L – Volume Growth Belleville (7)

		2014 FCST - VOLUME GROWTH			10 YEAR FCST - VOLUME GROWTH		
		Belleville SEARS	GTA - New SCI	Net Impact B / (W)	Belleville SEARS	GTA - New SCI	Net Impact B / (W)
One Time (Costs) / Benefits	-	-	-		-	-	
Termination		0	(7,000)	(7,000)	0	(7,000)	(7,000)
Moving Costs		0	(3,000)	(3,000)	0	(3,000)	(3,000)
Capital - Outfit New Building		0	(15,400)	(15,400)	0	(15,400)	(15,400)
Proceeds from Sale	(1)	0	75,000	75,000	0	75,000	75,000
IT Resources	(2)	0	(500)	(500)	0	(500)	(500)
Net One Time Cash Impact		**0**	**49,100**	**49,100**	**0**	**49,100**	**49,100**
Annual Operating Costs	-						
Payroll & Operating		(18,450)	(20,125)	(1,675)	(286,975)	(268,750)	18,225
Rent / Occupancy		(5,475)	(4,150)	1,325	(60,050)	(43,300)	16,750
Maintenance / Capital		(1,950)	0	1,950	(25,075)	0	25,075
Transportation Costs	(3)	TBD	TBD	0	TBD	TBD	0
Net Annual Cash Out Flow		**(25,875)**	**(24,275)**	**1,600**	**(372,100)**	**(312,050)**	**60,050**
Total (Costs)/Benefits		**(25,875)**	**24,825**	**50,700**	**(372,100)**	**(262,950)**	**109,150**
Other Important Considerations	-						
Capital - Upgrade	(4)	TBD	0	0	TBD	0	0
Increase GP $ from Higher Sales	(5)	0	TBD	0	0	TBD	0
Reduce Returns Handling	(6)	0	TBD	0	0	TBD	0
Total - Net Cash Flow		**(25,875)**	**24,825**	**50,700**	**(372,100)**	**(262,950)**	**109,150**

(1) – (6) Notes are same as on slide 4.
(7) Growth forecast used – 0%, 15%, 15%, 10%, 10% and 0% thereafter

TAB 6

DOCUMENT OMITTED FOR DUPLICATION

TAB 7

DOCUMENT OMITTED FOR DUPLICATION

TAB 8

DOCUMENT OMITTED FOR DUPLICATION

TAB 9

MINUTES of the meeting of the Board of Directors of **SEARS CANADA INC.** (the "Corporation") held in the Boardroom of the Corporation, 290 Yonge Street, Toronto, Ontario on Friday, April 23, 2010 at 9:00 a.m., Eastern time

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PRESENT

W. C. Crowley (Ch.)
E. J. Bird
D. D. Cheeks Merriwether
W. R. Harker (via telephone)
R. R. Khanna
J. McBurney
D. L. Rogers
D. E. Rosati

MANAGEMENT

A. Ravas
Senior Vice-President and Chief Financial Officer
S. Driscoll
Senior Vice-President, Finance
K. Leshnjani
Vice-President and General Counsel
F. Perugini
Associate General Counsel and Corporate Secretary

The Chairman of the Board, Mr. W. C. Crowley, acted as Chairman of the meeting and the Secretary of the Corporation, Mr. F. Perugini, acted as Secretary of the meeting.

CONSENT AGENDA

1. The Chairman called the meeting to order and took a roll call. The Secretary advised the Board that a Consent Agenda would be used to approve certain items on the agenda without any formal presentation or a full discussion, unless a member requested that an item be presented for a full discussion. Resolutions numbered 2 to 5 below were approved in accordance with the Consent Agenda.

APPOINTMENT OF CHAIR

2. **ON MOTION**, duly made and seconded, Mr. William C. Crowley having abstained from voting, it was unanimously resolved:

THAT Mr. William C. Crowley be appointed as Chairman of the Board of Directors of the Corporation and to hold such office until his successor is duly appointed.

MINUTES

3. **ON MOTION**, duly made and seconded, it was unanimously resolved:

THAT the minutes of the meeting held on Tuesday, March 23, 2010, be approved.

APPOINTMENT OF OFFICERS

4. **ON MOTION**, duly made and seconded, Mr. Dene Rogers having abstained from voting, it was unanimously resolved:

THAT the following persons be appointed Officers of the Corporation to hold such office during the ensuing year or until their successors are duly appointed:

Dene Rogers	-	President and Chief Executive Officer
Tim Flemming	-	Senior Vice-President, Corporate Procurement and Supply Chain
Allen Ravas	-	Senior Vice-President and Chief Financial Officer
Dennis Singh	-	Senior Vice-President, Retail Stores

APPOINTMENT OF COMMITTEE MEMBERS AND LEAD DIRECTOR

5. **ON MOTION**, duly made and seconded, it was unanimously resolved:

(i) **THAT** the following individuals named below be appointed as members of the Committees of the Board of Directors of the Corporation to hold such office during the ensuing year or until their successors are duly appointed;

(ii) **THAT** the Chair of each Committee shall be the member so designated below;

(iii) **THAT** Mr. F. Perugini be appointed as Secretary of each Committee to hold such office during the ensuing year or until his successor is duly appointed; and

(iv) **THAT** Mr. E.J. Bird be appointed as Lead Director of the Board of Directors of the Corporation to hold such office during the ensuing year or until his successor is duly appointed.

HUMAN RESOURCES and COMPENSATION	**AUDIT**	**NOMINATING and CORPORATE GOVERNANCE**
W. C. Crowley **(Ch.)**	E. J. Bird **(Ch.)**	R. R. Khanna **(Ch.)**
W.R. Harker	R. R. Khanna	J. McBurney
D. Cheeks Merriwether	J. McBurney	D. E. Rosati
D. E. Rosati	D. E. Rosati	
(F. Perugini - Secretary)	(F. Perugini - Secretary)	(F. Perugini - Secretary)

INVESTMENT

SEARS REGISTERED RETIREMENT FUND
SEARS CANADA INC. SUPPLEMENTARY RETIREMENT PLAN
SEARS CANADA INC. HEALTH AND WELFARE PLAN TRUST FUND

W. R. Harker **(Ch.)**
E. J. Bird
D. Cheeks Merriwether
W. C. Crowley
A. Ravas

(F. Perugini - Secretary)

Lead Director: E. J. Bird

IFRS EDUCATION SESSION

6. Ms. Nicole Ballestrin, Associate Vice-President, Finance, presented on IFRS, which included the following:

- External reporting impact of IFRS
- IFRS accounting policy selections
- Mock-up of IFRS financial statements

CAPITAL STRUCTURE

7. At the request of the independent directors of the Board, Management made a presentation on the capital structure of the Corporation, which included the following items:

- Current capitalization
- Liquidity benchmarking
- Leverage benchmarking
- Rating agency considerations
- Capital structure alternatives
- Next steps and timeline

The Board discussed the options available to the Corporation for the cash on hand and the independent directors expressed the view that the declaration and payment of a sizable dividend would be the best option.

At the request of the Board, Management will provide further information on the high yield market, and indicate whether the peak-to-trough capital depiction includes taxes payable by the Corporation. Management will incorporate suggested changes into the presentation for a follow up Board discussion in May and work with financial institutions to reduce the time to market timeline.

OTHER BUSINESS

8. The following material was provided to the Board for reference only:

- Analyst Reports
- SCI Top twenty Registered Shareholders list
- and CDS participant list
- Trading Volume

***IN-CAMERA* SESSION**

9. The representatives of Management, including management Directors, left the meeting so that the Board could meet privately. Following the Committee's *in-camera* session, all the non-independent directors were excused so that the independent directors could then meet privately.

There were no items discussed during the *in-camera* session that were not raised during the meeting.

There being no further business, the meeting was then terminated.

Chairman of the Meeting

Secretary of the Meeting

May 18, 2010
Date

Minutes of a Meeting of Independent Directors of Sears Canada Inc. (the "Company")

Wednesday, May 12, 2010 at 11:00 a.m. (ET)

MINUTES of a telephonic meeting of the independent directors of the Company held on Wednesday, May 12, 2010 at 11:00 a.m. ET.

PRESENT:

E. J. Bird
R. Raja Khanna
James R. G. McBurney
Debi E. Rosati

INVITATION:

Mr. Simon Romano (Stikeman Elliott LLP)

1. Call to Order

Mr. Bird took the chair and called the meeting to order. At the request of the Chair, and with the consent of the meeting, Mr. Romano of Stikeman Elliott LLP ("**Stikemans**"), who is advising as legal counsel, also agreed to act as Secretary for the meeting.

2. Discussion of Potential Dividend

Mr. Bird summarized the discussions at the recent board meeting concerning a possible extraordinary dividend and invited comments.

The independent directors discussed the Company's current capital structure, the desirability of a special dividend at this time, and the importance of continuing to review the Company's capital structure on a regular basis.

A discussion ensued as to the appropriate size of the dividend, and the directors present were of the view that they were satisfied with the Company's ability to pay a significant special dividend, but that prudence was important, especially recognizing the uncertain nature of the global economy. Similarly, the directors present were of the view that a special dividend was more appropriate than a regular dividend, as it allows for more consideration of all relevant factors at the time of payment of a dividend. A regular dividend policy could be fettering. It was not considered necessary or desirable to incur the costs of retaining a financial advisor in the context of the dividend decision.

3. Discussion of Potential Normal Course Issuer Bid

Mr. Bird summarized the discussions at the recent board meeting concerning a possible normal course issuer bid for up to 5% of the outstanding shares and invited comments.

Consistent with their views respecting a dividend, the independent directors were of the view that they were satisfied with the Company's ability to fund a normal course issuer bid and that it would be an appropriate use of cash given current market prices, which were seen to be undervalued (having regard to the recent transaction between sophisticated parties at $30 per share, the trading prices of similar companies and the low price/EBITDA multiple).

It was agreed that a normal course issuer bid was more appropriate than a substantial issuer bid, which could lead to a delisting or suspension of the Shares on the Toronto Stock Exchange and/or a complete privatization of the Company. The risks of delisting or suspension were felt to be very remote in the context of a normal course issuer bid and the number of registered shareholders.

It was noted that as Sears Holdings already owns in excess of 90% of the shares, there would be no expected impact on minority approval requirements by reducing the public float, as no such requirements are expected to apply. However, a normal course issuer bid, by reducing the public float, could make a potential future privatization by Sears Holdings simpler by reducing the number of potentially dissenting shareholders. However, a normal course issuer bid is optional -- no shareholder is compelled to sell, and those who believe the shares to be worth more than the market price are free to continue to hold on to their shares.

In order to ensure that all shareholders have access to all material information at the same time and as early as possible, it was considered appropriate, subject to any objection from the Toronto Stock Exchange, to announce both the dividend and the normal course issuer bid simultaneously, recognizing that it was not entirely possible to predict how the shares would trade in response to the special dividend.

It was recognized that a normal course issuer bid would likely improve liquidity in the short term (and possibly for longer if it were to be extended), at the potential expense of longer term liquidity. This was seen to be a reasonable trade-off, and the request of some shareholders for a normal course issuer bid at the recent AGM was noted.

The independent directors were comfortable supporting a normal course issuer bid to provide additional liquidity to shareholders and as a good use of the Company's cash. Once again, it was not considered necessary or desirable to incur the costs of retaining a financial advisor in the context of this decision.

4. Termination

There being no further business, the meeting was terminated by unanimous consent of the directors present.

E. J. Bird
Chair

Simon Romano
Secretary

MINUTES of the telephone meeting of the Board of Directors of **SEARS CANADA INC.** (the "Corporation") held on Tuesday, May 18, 2010 at 3:15 p.m., Eastern time (Boardroom of the Corporation, 290 Yonge Street, Toronto, Ontario)

P R E S E N T (via telephone)

W. C. Crowley (Ch.)
E. J. Bird
D. D. Cheeks Merriwether
W.R. Harker
R. R. Khanna
J. McBurney
D. L. Rogers (in person)
D. E. Rosati (in person)

MANAGEMENT (in person)

A. Ravas
Senior Vice-President and Chief Financial Officer
S. Driscoll
Senior Vice-President, Finance
K. Leshnjani
Vice-President and General Counsel
F. Perugini
Associate General Counsel and Corporate Secretary

The Chairman of the Board, Mr. W. C. Crowley, acted as Chairman of the meeting and the Secretary of the Corporation, Mr. F. Perugini, acted as Secretary of the meeting.

ROLL CALL/CONSENT AGENDA

1. The Chairman called the meeting to order and took a roll call. The Secretary advised the Board that a Consent Agenda would be used to approve certain items on the agenda without any formal presentation or a full discussion, unless a member requested that an item be presented for a full discussion. Items numbered 4, 5, 6 and 7 were approved in accordance with the Consent Agenda.

AUDIT COMMITTEE REPORT

2. The Chair of the Audit Committee, Mr. E. J. Bird, presented his report on the meeting of the Committee held on May 18, 2010, which covered a number of matters including:

(a) Approval of first quarter results;
(b) Report by the External Auditors which confirmed that they were not aware of any material modification that needs to be made for the first quarter statements to be in accordance with Canadian generally accepted accounting principles;
(c) Internal Audit Update;
(d) Secretary's Report – Ethics Hotline
(e) Litigation Summaries (for reference)

DISCUSSION ON EXTRAORDINARY CASH DIVIDEND AND NORMAL COURSE ISSUER BID

3. On May 12, 2010 the Independent Directors of the Corporation held a meeting with external counsel to discuss the extraordinary cash dividend and the normal course issuer bid ("NCIB"). Minutes of that meeting will be filed with the minutes of the Corporation.

Mr. Allen Ravas, Senior Vice-President and Chief Financial Officer, reviewed Management's recommendation regarding the payment of an extraordinary cash dividend and the commencement of a NCIB. Management confirmed that a dividend payment of $3.50 per share and the commencement of the NCIB, will leave the Corporation with adequate operating cash to operate throughout 2010.

MINUTES

4. **ON MOTION**, duly made and seconded, it was unanimously resolved:

THAT the minutes of the meetings held on Friday, April 23, 2010 and Friday, May 7, 2010, be approved.

APPROVAL OF EXTRAORDINARY CASH DIVIDEND

5. **WHEREAS** the Corporation has cash, restricted cash and investments in excess of approximately $1.294 billion as at May 1, 2010;

WHEREAS the Board of Directors has considered the interests of shareholders ("Shareholders") and other stakeholders of the Corporation, including creditors and debenture holders in determining the appropriate use of the cash on hand;

WHEREAS the Corporation has sufficient cash on hand;

WHEREAS the Board of Directors has determined that it would be in the best interests of the Corporation to declare an extraordinary cash dividend in the amount of approximately $376.7 million to be distributed to Shareholders on a pro-rata basis;

WHEREAS the Corporation will continue to have sufficient cash on hand following the payout of the extraordinary cash dividend; and

WHEREAS the Board of Directors has received a certificate from management of the Corporation confirming that the declaration and payment of the extraordinary cash dividend is in compliance with section 42 of the *Canada Business Corporations Act*.

ON MOTION, duly made and seconded, it was unanimously resolved:

THAT an extraordinary cash dividend in the amount of approximately $376.7 million be paid pro-rata, in Canadian currency, on the 4th day of June, 2010, to the Shareholders of record as at the close of business on the 31st day of May, 2010.

THAT the Corporation be authorized to finalize and issue the draft press release relating to the declaration and payment of an extraordinary cash dividend, which was circulated to the Board in advance of the meeting.

THAT any Director or Officer of the Corporation be authorized and directed for and on behalf of the Corporation to do all things necessary or desirable to give effect to this resolution.

APPROVAL OF NORMAL COURSE ISSUER BID

6. Management recommended that the Corporation be authorized to buy back up to a maximum of 5% of the issued and outstanding common shares of the Corporation ("Shares") by commencing a NCIB.

The Corporation will be required to file a Notice of Intention to make a Normal Course Issuer Bid with the Toronto Stock Exchange ("TSX"). In addition, the Secretary circulated a questionnaire to ascertain the intention of directors and officers regarding the sale of any Shares under their control or the control of their associates, all in accordance with regulatory requirements.

After discussion, **ON MOTION**, duly made and seconded, it was unanimously resolved:

a) **THAT** the Corporation is hereby authorized to purchase up to a maximum number of 5,381,049 Shares representing 5% of its issued and outstanding Shares through the facilities of the TSX and in compliance with the by-laws and rules of the TSX relating to normal course issuer bids, over a one-year period from the time the bid commences;

b) **THAT** based on the financial position of the Corporation as of the date hereof, there are no reasonable grounds for believing that (i) the Corporation is or, after the purchase of up to 5% of its Shares at prices at or about the current market price of such Shares on the TSX, would be unable to pay its liabilities as they become due, or (ii) the realizable value of the Corporation's assets, after a purchase of its Shares on the foregoing basis, would be less than the aggregate of its liabilities and stated capital of all classes (collectively, the "solvency tests");

c) **THAT** prior to each purchase of Shares pursuant to this resolution, the Senior Vice-President and Chief Financial Officer of the Corporation is hereby directed to conduct such an examination of the financial affairs of the Corporation as is necessary to determine that the purchase will not contravene the solvency tests set out in paragraph (b) above based on the number of Shares to be purchased and the market value thereof at that time;

d) **THAT** upon the acquisition of Shares by the Corporation as authorized by this resolution, such Shares shall be cancelled; and

e) **THAT** the Chairman of the Board and the Chairman of the Audit Committee (collectively, the "Chairs") be authorized to determine all aspects of the acquisition of any Shares, including but not limited to, the timing, price and quantum of Shares to be acquired and upon communication by the Chairs to Management of the Share purchase particulars, Management shall be authorized and directed to do such things and to execute such documents and other material as may be necessary or desirable to carry out the Share purchase.

APPROVAL OF AMENDMENTS TO BY-LAW NO. 1

7. **ON MOTION**, duly made and seconded, it was unanimously resolved that the following amendments to By-Law No.1 of the Corporation be approved:

BY-LAW NO. 1
AMENDMENTS

Amendments to Section 4.05 and Article VI of By-law No. 1 of Sears Canada Inc. (the **"Corporation"**)

BE IT ENACTED as amendments to By-law No. 1 of the Corporation:

1. Section 4.05 of By-law No. 1 of the Corporation is hereby repealed and the following substituted therefor:

4.05 Chairman
The Chairman of the Board shall be appointed from among the directors and when present shall be the chair of meetings of directors and shall have such other powers and duties as the directors may determine. If the Chairman is absent for a meeting, the President if a director, or in his absence a director chosen by the directors at the meeting, shall be the chair of any meeting of directors.

2. Article VI of By-law No. 1 of the Corporation is hereby amended by adding the following section:

6.04 Chairman

The Chairman of the Board may act as chair of any meeting of shareholders or may delegate the responsibility of chairing a meeting of shareholders to any other director or officer present at such meeting. If the Chairman is absent for a meeting of shareholders, and has not so delegated to another director or officer present at the meeting, then the President, or in his absence a director or officer chosen by those directors present at the meeting (failing which, by the shareholders at the meeting), shall be the chair of any meeting of shareholders.

OTHER BUSINESS

8. The Board received the following items for reference only:

- SCI Top twenty Registered Shareholders list and CDS participant list
- Trading Volume

***IN-CAMERA* SESSION**

9. The representatives of Management, including management Directors, left the meeting so that the Board could meet privately. Following the Board's *in-camera* session, all the non-independent directors were excused so that the independent directors could then meet privately.

There being no further business, the meeting was then terminated.

____________________ ____________________

Chairman of the Meeting Secretary of the Meeting

____

Date

MINUTES of the telephone meeting of the Board of Directors of **SEARS CANADA INC.** (the "Corporation") held in the Boardroom of the Corporation, 290 Yonge Street, Toronto, Ontario on Tuesday, August 3, 2010 at 12:00 p.m., Eastern time

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PRESENT (via telephone)

W. C. Crowley (Ch.)
E. J. Bird
D. D. Cheeks Merriwether
W. R. Harker
R. R. Khanna
J. McBurney
D. L. Rogers (in person)
D. E. Rosati

MANAGEMENT (in person)

A. Ravas
Senior Vice-President and Chief Financial Officer
S. Driscoll
Senior Vice-President, Finance
K. Leshnjani
Vice-President and General Counsel
F. Perugini
Associate General Counsel and Corporate Secretary

The Chairman of the Board, Mr. W. C. Crowley, acted as Chairman of the meeting and the Secretary of the Corporation, Mr. F. Perugini, acted as Secretary of the meeting.

CALL TO ORDER

1. The Chairman called the meeting to order and took a roll call. The Chairman indicated that this meeting was arranged to update the Board of Directors on the capital structure of the Corporation only and not to make any decisions or approve any changes to the structure.

CAPITAL STRUCTURE UPDATE

2. Mr. Allen Ravas, Senior Vice President and Chief Financial Officer of the Corporation made a presentation regarding Management's evaluation of the Corporation's capital structure which included the following:

- Under-levered balance sheet with significant cash position relative to industry peers;
- Potential to optimize capital structure and reduce cost of capital, as compared to the current cost of capital, through a recapitalization;
- Cash flow from operations profile can support significant debt; and
- Rating agencies rate the Corporation as a BB credit, but acknowledge that the Corporation has investment grade rating characteristics, however the rating is influenced by the relationship with Sears Holdings Corporation.

Mr. Ravas reported that Management approached several banks to evaluate capital structure alternatives and, based on this evaluation, the first step to recapitalization is Asset Based-Lending. Mr. Ravas confirmed that the entering into of any credit facility is subject to the approval of the Board of Directors. Management has been evaluating the arrangement of a four (4) year senior secured credit facility for up to CAN$800 million from a syndicate of lenders secured by the Corporation's inventory and third party credit card receivables, with the ability to increase the credit facility by CAN$200 million at the Corporation's discretion. Management is negotiating with Wells Fargo to assist with the syndication process. As part of the syndication process, Management and the lead lenders will compile marketing documentation to be presented by Management to prospective lenders to solicit interest in the facility and finalize commitment.

Mr. Ravas indicated that the committed fees to co-leads will be approximately $6.4 million and follow-on fees to the lending syndicate will be an incremental $3.0 million, equal to a total of $9.4 million.

When the negotiations for the proposed lending facility are completed, Management will present to the Board of Directors a fully negotiated facility which has been fully committed to by the lending banks, together with a related press release for the Board of Directors' approval. As requested, Management will provide a further update on the credit facility at the Audit Committee meeting scheduled for August 16, 2010.

2010 FINANCIAL OVERVIEW

3. Mr. Ravas provided an overview of the financial outlook for the second quarter and financial year end of 2010. Forecasted revenue for the second quarter of 2010, is expected to be below plan at $1,214 million due to big ticket sales challenges, particularly in Major Appliances and Leisure & Seasonal, and sales misses in Children's Wear. Cash is expected to be below plan at $412.9 million due to the $376 million extraordinary dividend paid out in June, 2010. EBITDA is forecasted to be $74 million, which is down by $22.2 million on a comparable basis to the same quarter last year.

A conservative forecast for 2010 has been provided to the banks, including a revenue decline of 1.5%, EBITDA of $440.2 million and Cash of $905.2 million. A more detailed presentation of the second quarter results will be provided at the Audit Committee meeting scheduled for August 16, 2010.

There being no further business, the meeting was then terminated.

Chairman of the Meeting

Secretary of the Meeting

September 9, 2010
Date

M I N U T E S of the telephone meeting of the Board of Directors of **SEARS CANADA INC.** (the "Corporation") held in the Boardroom of the Corporation, 290 Yonge Street, 7th Floor, Toronto, Ontario, on Thursday, September 9, 2010, at 2:00 p.m., Eastern time adjourned to Thursday, September 9, 2010, at 5:00 p.m., Eastern time and adjourned further to Friday, September 10, 2010, at 3:00 p.m., Eastern time

PRESENT

W. C. Crowley (Ch.)
E. J. Bird
D. D. Cheeks Merriwether
W. R. Harker
R. R. Khanna
J. McBurney
D. L. Rogers
D. E. Rosati (in person on September 9, 2010 at 2 p.m.)

MANAGEMENT (in person)

A. Ravas
Senior Vice-President and Chief Financial Officer
S. Driscoll
Senior Vice-President, Finance
F. Perugini
Associate General Counsel and Corporate Secretary

The Chairman of the Board, Mr. W. C. Crowley, acted as Chairman of the meeting and the Secretary of the Corporation, Mr. F. Perugini, acted as Secretary of the meeting.

CALL TO ORDER/ROLL CALL

1. The Chairman called the meeting to order and took a roll call.

MINUTES AND RESOLUTIONS IN LIEU

2. **ON MOTION**, duly made and seconded, it was unanimously resolved:

THAT the Minutes of the meetings of the Board of Directors held on Tuesday, May 18, 2010 and Tuesday, August 3, 2010 be approved.

The Board of Directors acknowledged the signing of the following Resolutions in Lieu:

- Dated May 27, 2010 approving the first quarter Management's Discussion and Analysis
- Dated May 31, 2010 appointing Mr. Peter Kalen as the Senior Vice-President Financial Services and Officer of the Corporation
- Dated August 25, 2010 approving the second quarter Management's Discussion and Analysis

AUDIT COMMITTEE REPORT

3. The Chair of the Audit Committee, Mr. E. J. Bird, presented his report on the meeting of the Committee held on August 16, 2010, which covered a number of matters including:

(a) Management's second quarter business update

(b) Approval of second quarter results and related press release
(c) Report by the External Auditors in respect of the second quarter
(d) Presentation of 2010 External Audit Plan and Engagement Letters for the 2010 Audit and Quarterly Reviews
(e) Internal Audit Update
(f) Secretary's Report – Ethics Hotline – Litigation Summaries
(g) Risk Oversight Committee Update
(h) International Financial Reporting Standards
(i) Update on Bill 198
(j) Audited Financial Statements and the Auditors' Report for the financial year ended December 31, 2009:
- Sears Registered Retirement Plan
- Sears Canada Inc. Health and Welfare Trust Fund
- Sears Profit Sharing Retirement Fund
- Sears Plan for Sharing Profits with Employees

Mr. Bird also reported on the recent special telephone meeting of the Audit Committee attended by only the independent directors and their external legal advisor, held on September 7, 2010 and adjourned to September 8, 2010, advising that the Audit Committee had approved the $400 million loan from the Corporation to Sears Holdings Corporation.

INVESTMENT COMMITTEE REPORT

4. The Chair of the Investment Committee, Mr. W. R. Harker, presented his report on the meeting of the Committee held on September 7, 2010, which covered a number of items including:

(a) Performance review by Towers Watson
(b) Report on hedge fund investments
(c) Management's Report:
- Sears Registered Retirement Fund
- Sears Canada Inc. Supplementary Retirement Plan
- Sears Canada Inc. Health & Welfare Plan Trust Fund
(d) Audited Financial Statements and the Auditors' Report for the financial year ended December 31, 2009:
- Sears Registered Retirement Plan
- Sears Canada Inc. Health and Welfare Trust Fund
- Sears Profit Sharing Retirement Fund
- Sears Plan for Sharing Profits with Employees

NOMINATING AND CORPORATE GOVERNANCE REPORT

5. The Chair of the Nominating and Corporate Governance Committee, Mr. R. R. Khanna, presented his report on the meeting of the Committee held on September 9, 2010, which covered the following items:

(a) Review and Process of Board Effectiveness Survey
(b) Board compensation

HUMAN RESOURCES AND COMPENSATION COMMITTEE

6. The Chair of the Human Resources and Compensation Committee, Mr. W.C. Crowley, presented his report on the meeting of the Committee held on September 9, 2010, which covered the following items:

(a) Senior Leadership Team Compensation & Statistics
- Business Capability Update
- Succession Plans for the Senior Leadership Team
(b) Long Term Incentive Plan – status reports
(c) Annual Incentive Program – 2010 status report

(c) Governance Report
- Post Retirement Benefits
- Sears Registered Retirement Plan
- Supplementary Retirement Plan
- Registered Retirement Savings Plan

REPORT BY THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

7. The report of the President and Chief Executive Officer, the Senior Vice-President and Chief Financial Officer and the Senior Vice-President, Finance was presented during the Audit Committee telephone meeting held on August 16, 2010 and, since all of the Directors were present during the Audit Committee meeting, the Board did not require a further detailed presentation by Management.

Mr. Rogers stated that on August 16, 2010, the Audit Committee approved the unaudited comparative interim consolidated financial statements of the Corporation for the 13 and 26-week periods ended July 31, 2010, together with the press release, which was issued on August 17, 2010.

CAPITAL STRUCTURE UPDATE

8. Mr. A. Ravas, Senior Vice-President and Chief Financial Officer, provided a report on various matters related to the capital structure of the Corporation, which included the following:

(a) Asset-Based Loan ("ABL")

Mr. Ravas reported that the ABL facility term will remain at five (5) years with a pricing grid at 250 bps (first three (3) months locked in at 275 bps) over the three (3) month Canadian Bankers Acceptance rate (116 bps as at close on September 3, 2010). The syndicate of banks has been completed with a commitment sized at $1.0 billion. The ABL facility will be for $800 million with the total fee being approximately $9.4 million.

(b) Extraordinary Dividend

Mr. Ravas provided various scenarios of paying a dividend utilizing the ABL facility.

(c) Loan to Sears Holdings

Mr. Ravas presented Management's recommendation to provide a loan to Sears Holdings Corporation in the amount of $400 million at 160 bps for up to sixty (60) days.

Management considered the tax implications with respect to the timing of a) to c) above. The tax advice obtained indicated that the most tax efficient manner to proceed with respect to the extraordinary dividend was to borrow to fund the dividend, in order to claim the interest paid as a deductible expense for the Corporation. The Corporation has applied to the federal tax authorities for a ruling on the tax deductibility of the interest on the borrowed funds to be used to pay the dividend. Management expects to receive the ruling within the next several weeks.

Following the implementation of the extraordinary dividend on the tax efficient basis as set out, the Corporation would have cash available, which the Corporation could not pay out as a dividend without jeopardizing the tax ruling. As a result, the Corporation can loan the remaining cash to Sears Holdings Corporation and receive more interest on that cash than the Corporation would receive through other short term investments. Following this analysis, Management recommended proceeding by paying the extraordinary dividend using funds borrowed through the ABL and then proceeding to make a loan to Sears Holdings Corporation.

APPROVAL OF ABL FACILITY

9. **WHEREAS** Management provided a further update regarding the progress being made in the arrangement of a senior secured credit facility of up to an aggregate amount of Cdn.$800,000,000;

WHEREAS Management recommends that the Corporation enter into: (i) a credit agreement to be dated on or about September 10, 2010 (as amended, supplemented or otherwise modified from time to time, the "**Credit Agreement**"), among, *inter alia*, the Corporation, as borrower, Wells Fargo Capital Finance Corporation Canada, as administrative agent, Wells Fargo Capital Finance Corporation Canada and GE Canada Finance Holding Company, as co-collateral agents (the "**Co-Collateral Agents**") and the lenders named therein, as lenders, and (ii) a guarantee and collateral agreement (the "**G&C Agreement**") between the Corporation, Corbeil Electrique Inc., as guarantor and the Co-Collateral Agents;

WHEREAS the Board of Directors have determined that the Credit Agreement and G&C Agreement and the transactions contemplated thereby are advisable, fair to and in the best interests of the Corporation; and

WHEREAS capitalized terms used herein but not otherwise defined shall have the meaning ascribed thereto in the Credit Agreement.

ON MOTION, duly made and seconded, it was unanimously resolved that:

1. the Corporation is authorized to enter into, execute, deliver and perform its obligations under the Credit Agreement, the G&C Agreement and any other document contemplated thereby or to be delivered in connection therewith (collectively, the "**Transaction Documents**");

2. the Corporation is authorized to mortgage, sell, assign, transfer, pledge, convey and grant a security interest in favour of the Co-Collateral Agents in the Corporation's tangible and intangible property as provided for in the G&C Agreement and the proceeds thereof, in each case to secure the payment and performance of (i) the Corporation's obligations incurred in connection with the financing transactions contemplated in the Transaction Documents and (ii) such other of the Corporation's obligations as are contemplated to be secured under the terms of the G&C Agreement and any other document contemplated thereby or to be delivered in connection therewith;

3. any one officer or director of the Corporation (each, an "**Authorized Representative**" and collectively, the "**Authorized Representatives**"), be and are hereby authorized to sign, execute and deliver on behalf of the Corporation the Transaction Documents, together with such changes and to do all such other acts and things as such Authorized Representative may consider necessary or appropriate;

4. the Corporation be, and hereby is, authorized to borrow, pay interest, repay and prepay principal and perform all its obligations under any Transaction Document;

5 a). in addition to the specific authorizations heretofore conferred upon the Authorized Representatives, each of the Authorized Representatives be, and they hereby are, acting singly, authorized and directed to take or cause to be taken all such further actions to execute and deliver or cause to be executed and delivered all such further certificates, agreements, instruments, notes and documents (including any and all financing statements and amendments required or determined to be advisable to be filed in the appropriate jurisdiction in order to perfect the security interest granted to the Co-Collateral Agents pursuant to the G&C Agreement) in the name and on behalf of the Corporation and to incur all such fees and expenses as in their judgment shall be necessary or advisable in order to carry out fully the intent and purposes of the foregoing resolutions;

5 b). For the purpose of granting security under the laws of the province of Quebec in connection with the Corporation's obligations under the Transaction Documents, Patrick

Naccache or any other lawyer practicing at Langlois Kronström Desjardins, LLP, Quebec counsel to the Corporation, each acting alone, is hereby authorized and empowered, in the name and on behalf of the Corporation, to (i) take any action and to sign, execute and deliver the following documents (collectively, the "**Quebec Security Documents**"): (a) deed of hypothec pursuant to which the Corporation grants a hypothec on the charged property referred to therein to and in favour of Wells Fargo Capital Finance Corporation Canada, as *fondé de pouvoir*, up to an amount of Cdn$ One Billion Dollars ($1,000,000,000), with interest thereon at the rate of 25% per annum (as well as any limitation of notarial liability to be executed in connection with the aforesaid deed of hypothec as required by Quebec notarial practice); (b) a bond issued by the Corporation under and secured by the said Deed of Hypothec in the principal amount of Cdn$ One Billion Dollars ($1,000,000,000), and (c) a bond pledge agreement pursuant to which the Corporation pledges and hypothecates the said bond as security to secure the payment and performance of (A) the Corporation's obligations incurred in connection with the financing transactions contemplated in the Transaction Documents, and (B) such other of the Corporation's obligations as are contemplated to be secured under the terms of the said bond pledge agreement, the whole as more fully set forth in the draft Quebec Security Documents which were submitted and approved by the board of directors of the Corporation, and (ii) sign, execute and deliver all such deeds, documents, instruments and writings and to perform and do all such acts and things as such authorized representative, may consider to be necessary, desirable or useful for the purpose of giving effect to the Quebec Security Documents.

6. all actions heretofore taken by any of the officers, representatives or agents of the Corporation, by or on behalf of the Corporation or any of its affiliates in connection with the subject matter of the foregoing resolutions and in furtherance of the transactions contemplated thereby be, and each of the same hereby is, ratified and approved; and

7. the Corporation be authorized to finalize and issue the draft press release relating to the Credit Facility, which was circulated to the Board of Directors in connection with this resolution.

APPROVAL OF EXTRAORDINARY CASH DIVIDEND AND PRESS RELEASE

10. **WHEREAS** the Corporation has cash, restricted cash and investments in excess of approximately $694.3 million as at August 31, 2010;

WHEREAS the Board of Directors has considered the interests of shareholders ("Shareholders") and other stakeholders of the Corporation, including creditors and debenture holders in determining the appropriate use of the cash on hand;

WHEREAS the Corporation has sufficient cash on hand;

WHEREAS the Board of Directors has determined that it would be in the best interests of the Corporation to declare an extraordinary cash dividend in the amount of approximately $376.7 million to be distributed to Shareholders on a pro-rata basis; and

WHEREAS the Board of Directors has received a certificate from management of the Corporation confirming that the declaration and payment of the extraordinary cash dividend is in compliance with section 42 of the *Canada Business Corporations Act*.

ON MOTION, duly made and seconded, it was unanimously resolved:

THAT an extraordinary cash dividend in the amount of CAD $3.50 per share on all Common Shares of the Company, or approximately CAD $376.7 million, be paid pro-rata, in Canadian currency, on the 24th day of September, 2010, to the Shareholders of record as at the close of business on the 22nd day of September, 2010.

THAT the Corporation be authorized to finalize and issue the draft press release relating to the declaration and payment of an extraordinary cash dividend, which was circulated to the Board in advance of the meeting.

THAT any Director or Officer of the Corporation be authorized and directed for and on behalf of the Corporation to do all things necessary or desirable to give effect to this resolution.

APPROVAL OF LOAN TO SEARS HOLDINGS CORPORATION

11. **WHEREAS** after securing the senior secured credit facility of $800,000,000 and after paying the extraordinary cash dividend in the amount of approximately $376.7 million, the Corporation would have over $400 million in excess cash;

WHEREAS it is advantageous for the Corporation to make a loan of up to Cdn.$400 million to Sears Holdings Corporation at an interest rate of 190 bps for up to 60 days, callable on at least five business days notice (the "Loan");

WHEREAS the Loan is a related party transaction and has been approved by the Audit Committee; and

WHEREAS Management recommends that the Board of Directors approve the Loan from the Corporation to Sears Holdings Corporation as presented by Management.

ON MOTION, duly made and seconded, W. Crowley, D. Cheeks Merriwether, W. Harker and D. Rogers having abstained from voting, it was unanimously resolved:

THAT the Board of Directors approves the Loan from the Corporation to Sears Holdings Corporation as presented by Management; and

THAT the Corporation be authorized to enter into such loan documentation with Sears Holding Corporation as is required to give effect to this resolution.

OTHER BUSINESS

12. The following items were provided as a reference:

- Analyst Report
- SCI Top twenty Registered Shareholders list and CDS participant list
- Trading Volume

***IN-CAMERA* SESSION**

13. All representatives of Management, including the President and Chief Executive Officer, left the meeting so that the Directors could meet privately. Following the Committee's *in-camera* session, all the non-independent directors were excused so that the independent directors could then meet privately.

There were no items discussed during the *in-camera* session that were not raised during the meeting.

There being no further business, the meeting was then terminated.

Chairman of the Meeting

Secretary of the Meeting

Date

From: Franco Perugini
To: Bird, EJ; Bird, EJ
Bcc: Cheryl Gilroy
Subject: Details to initiate Independent Director Call
Date: 02/09/2010 02:34 PM

EJ,

For the call on Tuesday, here is how to initiate the call:

Dial in Number: 800-503-2899; or
Dial in Number: 647-723-3982
Passcode: 9414417
Press * as chair and follow the prompts
The chair passcode 2254

Let me know if you have any questions. Thanks.

Franco Perugini
Associate General Counsel and
Corporate Secretary
Sears Canada Inc.
290 Yonge Street
Suite 700
Toronto, Ontario
M5B 2C3
Tel: 416 941-4419
Fax: 416 941-2321

SEARS CANADA INC., by its Court-appointed Litigation Trustee, J. Douglas Cunningham, Q.C.
Plaintiff

-and-

ESL INVESTMENTS INC. et al.
Defendants

Court File No. CV-18-00611214-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT TORONTO

RESPONSE TO REQUEST TO INSPECT DOCUMENTS

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Fax: 416 598 3730

Lawyers for the Plaintiff

This is **Exhibit "H"** referred to in the

Affidavit of Geoff Mens

sworn before me, this **21st** day

of **February, 2019**

A Commissioner for taking Affidavits

Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
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Toronto ON M5L 1A9 Canada
Tel: 416-863-2400 Fax: 416-863-2653

Kiran Patel
Dir: 416-863-2205
kiran.patel@blakes.com

February 7, 2019

VIA EMAIL

Reference: 00010903/000002

Wendy Berman / John Birch / Natalie Levine /
Anna Tombs / Christopher Horkins
Cassels Brock & Blackwell LLP
Suite 2100, Scotia Plaza
40 King Street West
Toronto ON M5H 3C2

RE: Morneau Shepell Ltd. v. ESL Investments et al.
Court File No. CV-18-611217-00CL
Response to Request to Inspect Documents

Dear Counsel:

Our response to your Request to Inspect Documents dated February 1, 2019, is set out below.

In response to item #1, the paragraph referred to in our client's statement of claim references the awareness and knowledge of certain defendants. The basis for this awareness and knowledge is known to these defendants and will be an issue to be explored during the discovery phase in this proceeding. Nevertheless (and without prejudice to our position regarding the appropriateness of the request), we have enclosed the following actuarial valuations from 2009 onward that our client has been able to locate:

- Tab A: Sears Canada Inc. Registered Retirement Plan - Estimated Financial Position as at June 30, 2009 on a Solvency Basis

- Tab B: Actuarial Report - Sears Canada Inc - Sears Canada Inc. Registered Retirement Plan Funding Valuation as of December 31, 2010

- Tab C: Actuarial Valuation as at December 31, 2013 - Sears Canada Inc. Registered Retirement Plan

- Tab D: Actuarial Valuation as at December 31, 2015 for Sears Canada Inc. Registered Retirement Plan

Blakes

In response to items #2 through #9, to the extent the requests are appropriate and the requested documents exist, we expect those documents are likely in the possession of the Monitor and/or Sears Canada Inc. We note that the facts referred to in the cited paragraphs in our client's statement of claim refer to events that have been publicly disclosed and/or referred to in the Twenty-Seventh Report of FTI Consulting Canada Inc., as Monitor, dated November 5, 2018, and the First Supplement to the Twenty-Seventh Report dated November 20, 2018. These reports were included in the record before the Court when Justice Hainey made the orders dated December 3, 2018, lifting the stay of proceedings to permit claims to be commenced and pursued by the Monitor, the Litigation Trustee and our client. We understand that you have delivered a Request to Inspect Documents to the Monitor which includes the same items (and others) and that the Monitor intends on responding to that request in due course.

Regards,

Kiran Patel

KP/xwm

Encl.

c. Litigation Service List

TAB “A”

July 2009

Sears Canada Inc. Registered Retirement Plan

Estimated Financial Position as at June 30, 2009 on a Solvency Basis

RECEIVED
JUL 29 2009
Financial Services
Pension Plans Branch

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

FSCO Registration Number: 0360065
Canada Revenue Agency Registration Number: 0360065

Consulting. Outsourcing. Investments.

Contents

RECEIVED
JUL 29 2009
Financial Services
Pension Plans Branch

1

Estimated Financial Position at June 30, 2009

Introduction

At the request of Sears Canada Inc., (the "Company"), we have estimated the financial position of the Sears Canada Inc. Registered Retirement Plan ("SRRP") as at June 30, 2009 (the "Determination Date") on a solvency basis. The Plan is registered with the Financial Services Commission of Ontario ("FSCO") and with the Canada Revenue Agency under registration number 0360065.

The purpose of our calculations was to provide the information required to complete a Request for Approval form, as required by the FSCO Policy T800-402, seeking Superintendent's consent to continue making lump sum payments from the Plan.

The information contained in this report was prepared for the internal use of the Company and for filing with FSCO. This information is not intended or suitable for any other purpose.

Our calculations reflect the defined benefit provisions of the Plan as at December 31, 2007 as described in our Report on the Actuarial Valuation for Funding Purposes as at December 31, 2007 (the "Report"). Based on the information provided by the Company, no substantive amendments have been made to the Plan since that date that impact the defined benefit provisions. A summary of the plan provisions is provided in Appendix D of the Report.

The membership data used in our calculations is summarized in Appendix C.

The assumptions used for purposes of this valuation are described in Appendix B. With the exception of certain assumptions which have been updated to reflect market conditions at the determination date, we have used the same solvency valuation assumptions as were used for the valuation as at December 31, 2007. Emerging experience will affect the wind-up funded position of the plan.

A new Canadian Institute of Actuaries Standard of Practice for determining pension commuted values ("CIA Standard") became effective on April 1, 2009. The new CIA Standard changed the assumptions to be used to value the solvency and wind-up liabilities for benefits assumed to be settled through a lump sum transfer [and for other benefits for which this basis has been used as a proxy to the cost of purchasing annuities]. The financial impact of the new CIA Standard has been reflected in our calculations.

After checking with representatives of Sears Canada Inc., to the best of our knowledge there have been no events subsequent to the determination date which, in our opinion, would have a material impact on the results of our calculations.

Estimated Financial Position

The values of the plan's assets and liabilities on a solvency basis are related to the corresponding values calculated as though the plan were wound up and settled on the valuation date.

For the purpose of estimating the transfer ratios, we have included the value of all benefits that may be contingent upon the circumstances of a postulated plan wind-up. Specifically, the post-retirement inflation adjustments and indexation of pension in payment have been included in the solvency liabilities.

The plan's estimated solvency position as at June 30, 2009, in comparison with that of the previous valuation as at December 31, 2007, is determined as follows:

Solvency Position (in 000's)

		30.6.2009	**31.12.2007**
Market value of assets	(1)	$1,250,762	$1,516,353
Termination expense provision		($4,000)	($4,000)
Solvency assets		$1,246,762	$1,512,353
Actuarial liability			
Present value of accrued benefits for:			
▪ active members		$694,778	$786,276
▪ pensioners and survivors		$699,506	$729,349
▪ deferred pensioners		$26,299	$18,826
▪ suspended members		$14,320	$13,733
Solvency liabilities	(2)	$1,434,903	$1,548,184
Transfer ratio (1) ÷ (2)		0.87	0.98

Actuarial Opinion

With respect to the estimate of the financial position of the Sears Canada Inc. Registered Retirement Plan as at June 30, 2009, we hereby certify that, as at June 30, 2009:

- The Plan's estimated solvency liabilities are $1,434,903,000.
- The estimated transfer ratio of the Plan as at the Determination Date would be 0.87.
- The Prior Year Credit Balance is $0.
- In our opinion,
  - the data on which the valuation is based are sufficient and reliable for the purposes of determining the estimated solvency liabilities and the estimated transfer ratio of the Plan at June 30, 2009,
  - the assumptions are, in aggregate, appropriate for the purposes of determining the estimated solvency liabilities and the estimated transfer ratio of the Plan at June 30, 2009, and
  - the methods employed in the valuation are appropriate for the purposes of determining the estimated solvency liabilities and the estimated transfer ratio of the Plan at June 30, 2009.
- This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.
- All assumptions made for the purposes of the valuation were reasonable at the time the valuation was prepared.

This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada. It has also been prepared in accordance with the standards set by the *Ontario Pension Benefits Act.*

Respectfully submitted,

Thomas A. Mudrinic	Moi-Yin Ng **Moi-Yin Ng**
Fellow of the Society of Actuaries	Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries	Fellow of the Canadian Institute of Actuaries
July 23, 2009	July 23, 2009
Date	Date

The information shown in this letter may not be relied upon for any purpose other than those explicitly noted above or by any party other than the Company, the Financial Services Commission of Ontario or the Canada Revenue Agency. Mercer is not responsible for the consequences of any other use. The results outlined in this letter represent a snapshot of a plan's estimated financial condition at a particular point in time; it does not predict a pension plan's future financial condition or its ability to pay benefits in the future.

Over time, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, the amount of plan expenses, and the amount earned on any assets invested to pay the benefits. These amounts and other variables are uncertain and unknowable at the valuation date.

To prepare this letter, *actuarial assumptions* are used to select a single scenario from the range of possibilities. However, the future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material. In addition, different assumptions or scenarios may also be within the reasonable range and results based on those assumptions would be different. Actuarial assumptions may also be changed from one valuation to the next because of changes in regulatory requirements, plan experience, changes in expectations about the future and other factors.

Because actual plan experience will differ from the assumptions, decisions about benefit changes, investment policy, funding amounts, benefit security and/or benefit-related issues should be made only after careful consideration of alternative future financial conditions and scenarios.

Appendix A

Plan Assets

The pension fund is held in trust by RBC Dexia. We have relied upon fund statements prepared by RBC Dexia, for the period from December 31, 2007 to June 30, 2009.

The pension fund transactions for the period from December 31, 2007 to June 30, 2009 are summarized as follows:

Reconciliation of Plan Assets (Market Value) (in 000's)

	Jan 1 – Dec 31, 2008	**Jan 1 – Jun 30, 2009**
January 1	$1,516,353	$1,276,999
PLUS		
Members' contributions	$7,917	$16
Investment income	$45,977	$17,258
Net capital gains (losses)	($137,463)	$21,657
	($83,569)	$38,931
LESS		
Pensions paid	$68,155	$33,280
Lump-sum refunds	$73,230	$21,586
DC component transfers	$11,022	$9,326
Administration fees & deductions	$3,378	$976
	$155,785	$65,168
December 31 / June 30	$1,276,999	$1,250,762

We have tested the pensions paid, the lump-sum refunds and the contributions for consistency with the membership data for the plan members who have received benefits or made contributions. The results of these tests were satisfactory.

Appendix B

Actuarial Methods and Assumptions

With the exception of the assumptions and methods summarized in this Appendix B, the assumptions and methods used in our calculations were the same as those used in the most recent actuarial valuation of the Plan as at December 31, 2007.

Actuarial Assumptions

Form of settlement:	
▪ Active members not eligible to retire immediately:	70% of members are assumed to elect to receive their benefits in the form of a lump sum. The remaining 30% of members are assumed to elect a deferred pension.
▪ Active members eligible to retire immediately and all inactive members:	60% of members are assumed to elect an immediate pension. The remaining 40% of members are assumed to elect to receive their benefits in the form of a lump sum.
▪ Assumed inflation rate (indexing post age 65 for wind-up liabilities) for benefits with adjustment to Sears indexing formula: 75% of (CPI – 2%)	0.11%. For purposes of this estimate, it is based on an assumed CPI by considering the real return bond yields and the implied inflation at June 30, 2009
For benefits assumed to be settled through a lump sum transfer:	
▪ Mortality rates:	UP94 projected to 2020
▪ Interest rate:	3.20% per year for the first 10 years following 30.6.2009, 5.50% per year thereafter
For benefits assumed to be settled through the purchase of an annuity:	
▪ Mortality rates:	UP94 projected to 2015
▪ Interest rate for immediate annuities:	5.31%
▪ Interest rate for deferred annuities	4.91%
▪ Termination expenses:	$4,000,000

For the purposes of this report, solvency liabilities of the plan were calculated at December 31, 2008 using the assumptions described above and then rolled forward from December 31, 2008 to June 30, 2009 and adjusted for actual benefit payments between these two dates.

However, it may not be possible to settle the liabilities through the purchase of annuities due to the size of the plan and the limited annuity market in Canada. As well, it may not be possible to settle the liabilities at any reasonable cost through the purchase of annuities due to the current lack of competitive market for indexed annuities in Canada. In addition, there is limited data available to provide credible guidance on the cost of purchasing indexed annuities in Canada.

In light of these limitations, in accordance with the *Canadian Institute of Actuaries Educational Note: Assumptions for Hypothetical Wind-up and Solvency Valuations with Effective Dates Between December 31, 2008 and December 30, 2009,* we have assumed that the settlement of such liabilities would be priced on the same basis as the smaller group annuities that are available in the market.

We note that the basis used in the valuation is theoretical and does not represent the cost at which CPI (or CPI related)-indexed annuities can be purchased in today's market. We expect that if an insurance company were to take on these obligations that they would demand a significantly higher price.

In a solvency valuation, the accrued benefits are based on the member's final average earnings on the valuation date; therefore, no salary projection is used. Also the employment of each member is assumed to have terminated on the valuation date, therefore, no assumption is required for future rates of disability and termination of employment.

To determine the estimated solvency position of the plan, a provision has been made for estimated termination expenses payable from the plan's assets in respect of actuarial and administration expenses that may reasonably be expected to be incurred in terminating the plan and to be charged to the plan.

Because the settlement of all benefits on wind-up is assumed to occur on the valuation date and is assumed to be uncontested, the provision for termination expenses does not include custodial, investment management, auditing, consulting and legal expenses that would be incurred between the wind-up date and the settlement date or due to the terms of a wind-up being contested. Expenses associated with the distribution of any surplus assets that might arise on an actual wind-up are also not included in the estimated termination expense provisions.

In determining the provision for termination expenses payable from the plan's assets, we have assumed that the plan sponsor would be solvent on the wind-up date. We have also assumed, without analysis, that the plan's terms as well as applicable legislation and court decisions would permit the relevant expenses to be paid from the plan.

Actual fees incurred on an actual plan wind-up may differ materially from the estimates disclosed in this report.

Appendix C

Membership Data

Our calculations were based on the membership data as at December 31, 2008, provided by Sears Canada Inc..

We have applied tests for internal consistency, as well as for consistency with the data used for the actuarial valuation of the plan as at December 31, 2007. These tests were applied to membership reconciliation, basic information (date of birth, date of hire, date of membership, gender, etc.), pensionable earnings, credited service, contributions accumulated with interest and pensions to retirees and other members entitled to a deferred pension. Contributions, lump sum payments and pensions to retirees were compared with corresponding amounts reported in financial statements. The results of these tests were satisfactory.

Plan membership data are summarized below. For comparison, we have also summarized corresponding data from the previous valuation.

Membership Data

I. Active members	Full-Time	Part-Time Contingent	12.31.2008 Total	12.31.2007 Total
Number	9,060	4,904	13,964	16,013
Average age	47.85	52.61	49.52	48.81
Average years of continuous service	15.05	14.07	14.71	14.20
Average years of membership	12.01	6.66	10.13	10.10
Average 2008 pensionable hours	1,889	1,382	1,712	1,663
Average 2008 contributory earnings	$45,217	$27,813	$39,143	$37,738
Average 2008 earnings	$45,873	$19,827	$36,782	$34,582
Value of net profit sharing balances	$3,547,101	$12,585	$3,559,687	$5,813,466
Value of profit sharing withdrawals	$438,009	$0	$438,009	$634,965
Accumulated contributions with interest	$194,230,310	$24,904,174	$219,134,484	$248,400,636
Contributions in 2008	$5,978,148	$1,011,754	$6,989,902	$14,354,224

II. Pensioners	31.12.2008	31.12.2007
Number	13,768	13,247
Average age	72.98 yrs.	72.85 yrs.
Annual amount of lifetime pensions	$59,211,568	$55,106,316
Annual amount of bridge pension	$6,867,929	$7,418,400
Annual total amount of pensions in payment	$66,079,497	$62,524,716
Annual PSRF entitlement	$12,323,169	$12,562,165
Average annual amount of pension	$4,800	$4,720

III. Deferred Pensioners	31.12.2008	31.12.2007
Number	438	259
Average age	47.85 yrs.	48.88 yrs.
Annual amount of lifetime pensions	$2,247,095	$1,440,692
Average annual amount of pension	$5,130	$5,563

IV. Status Under Revision*	31.12.2008	31.12.2007
Number	956	1,423
Average age	42.3 yrs.	41.7 yrs.
Average pensionable service	4.11 yrs.	4.19 yrs.
Average contributions with interest	$5,157	$4,621

* *These are former active members who retired, terminated, died or otherwise incurred a status change and for whom benefit calculations are in progress at year end.*

The membership movement for all categories of membership since the previous actuarial valuation is as follows:

Reconciliation of Membership

	Active Members	JP Morgan Chase Members	Active Status Under Revision	Deferred Pensioners	Pensioners & Beneficiaries
Total at 31.12.2007	16,013	319	1,423	259	13,247
New entrants	699		26		
Terminations / deaths with lump sum paid	(1,761)	(21)	(566)	(1)	(245)
Terminated and elected deferred pension	(115)		(87)	202	
Death pending payout					
Death with Survivor pension payment					(61)
New survivors					61
Transfer to status under revision	(199)	(19)	218		
Transfer from status under revision	5		(5)		
Re-hired	11				
Retirements	(688)	(2)	(53)	(22)	765
Retirements with lump sum paid					
JP Morgan Chase member	(1)	1			
Benefits expired					
Data correction			1		1
Total at 31.12.2008	13,964	278	957	438	13,768

The distribution of the active members by age and pensionable service as at December 31, 2008, is summarized as follows:

Distribution of Active Members
By Age Group and Pensionable Service as at 31.12.2008

	Years of Membership								
Age	**0 – 4**	**5 – 9**	**10 – 14**	**15 – 19**	**20 – 24**	**25 – 29**	**30 – 34**	**35+**	**TOTAL**
Under 20									
20 – 24	163	1							164
	$30,979	*							$31,156
25 – 29	490	63							553
	$34,683	$37,800							$35,038
30 – 34	461	301	26						788
	$38,199	$45,502	$56,414						$41,590
35 - 39	468	394	235	40					1,137
	$37,163	$41,768	$46,979	$58,039					$41,522
40 – 44	500	439	295	211	36				1,481
	$35,197	$41,263	$39,689	$55,846	$60,966				$41,458
45 – 49	705	632	383	253	259	75	8		2,315
	$33,175	$39,369	$36,327	$48,385	$60,359	$61,404	$53,606		$41,076
50 – 54	664	786	465	213	97	332	277	14	2,848
	$30,680	$35,294	$35,242	$43,267	$54,828	$62,467	$60,590	$60,972	$41,225
55 – 59	640	696	509	237	67	112	211	121	2,593
	$30,188	$34,148	$32,456	$41,487	$50,281	$52,427	$60,537	$57,208	$37,939
60 – 64	394	497	392	139	47	51	54	41	1,615
	$28,098	$32,446	$30,550	$38,062	$43,689	$41,912	$46,404	$44,445	$32,806
65+	124	165	119	34	1	6	14	7	470
	$27,880	$30,646	$27,539	$33,844	*	$34,769	$36,173	$39,581	$29,707
TOTAL	4,609	3,974	2,424	1,127	507	576	564	183	13,964
	$33,034	$37,313	$35,598	$45,995	$56,404	$58,268	$58,507	$53,962	$38,935

** The average earnings for each cell with two or fewer members have been suppressed in order to preserve confidentially.*

The distribution of the inactive members by age as at December 31, 2008, is summarized as follows:

Distribution of Pensioners and Survivors By Age Group as at 31.12.2008

Age Nearest	Number	Total Monthly Lifetime Pension	Total Monthly Bridge	Total Monthly PSRF Entitlement
< 50	3	$676	$0	$0
50 - 54	2	$487	$0	$39
55 - 59	852	$700,003	$182,140	$21,579
60 - 64	1,961	$1,212,334	$390,187	$83,684
65 - 69	2,476	$1,006,510	$0	$123,789
70 - 74	2,886	$715,505	$0	$189,039
75 - 79	2,578	$574,951	$0	$219,289
80 - 84	1,710	$410,451	$0	$209,352
85- 89	942	$230,044	$0	$129,685
90 - 94	294	$67,090	$0	$41,275
95 & over	64	$16,246	$0	$9,199
	13,768	**$4,934,297**	**$572,327**	**$1,026,931**

Appendix D

Employer Certification

With respect to the estimate of the financial position of the Sears Canada Inc. Registered Retirement Plan as at June 30, 2009, I hereby certify that, to the best of my knowledge and belief:

- a copy of the official plan documents and of all amendments made up to June 30, 2009, were provided to the actuary,

- The membership data provided to the actuary included a complete and accurate description of every person who is entitled to benefits under the terms of the plan for service up to December 31, 2008, and

- all events subsequent to December 31, 2007 that may have an impact on the results of the valuation have been communicated to the actuary.

July 24 2009
Date

Signed

BRIAN MCCAMMOND
Name

TAB "B"

Aon Hewitt

Actuarial Report

Sears Canada Inc.

Sears Canada Inc. Registered Retirement Plan

Funding Valuation as of December 31, 2010

RECEIVED
JAN 21 2014
Financial Services
Pension Plans Branch

To protect the confidential and proprietary information included in this material, it may not be disclosed or provided to any third parties without the approval of Aon Hewitt.

Preparation of this Actuarial Report

Sears Canada Inc.
Sears Canada Inc. Registered Retirement Plan (the "Plan")
Registration Number: 0360065

This report has been prepared by Aon Hewitt for Sears Canada Inc. (the "Company") to present to management the funded status of the benefits accrued under the Defined Benefit Component of the Plan as of December 31, 2010 and the funding requirements for the 2011, 2012, and 2013 plan years, unless superseded by a subsequent valuation. In addition, this report may serve as a source document for information to meet regulatory filing requirements. More specifically, the purposes of the valuation are to:

- determine the financial position of the Plan on a going concern basis at the valuation date;
- determine the financial position of the Plan on a solvency and hypothetical wind up basis at the valuation date;
- determine the funding requirements of the Plan for the period covered by this report; and
- provide the necessary actuarial certification required under the *Pension Benefits Act* (Ontario) and the *Income Tax Act* (Canada).

The results of this report may not be appropriate for accounting purposes or any other purposes not listed above.

Under the *Pension Benefits Act* (Ontario) and its Regulations, the next funding valuation must have an effective date no later than December 31, 2013, unless superseded by a subsequent valuation. In conducting this valuation, we have used member data and plan design information provided by the Company at December 31, 2010, audited financial statements of the pension fund for 2008, 2009, and 2010 prepared by Deloitte & Touche LLP, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report.

The following assumptions and methods will be used in this valuation based on the terms of this engagement and the funding policy developed for this plan:

- use of the Unit Credit (Prorated-on-Service) Cost Method;
- use of the market value of assets adjusted to reflect contributions and benefit payments in transit as of the valuation date;
- exclusion of indexing in the Solvency Liabilities, as permitted by Ontario law;
- adjustment to the Solvency Assets to reflect impact of using an asset valuation method that recognizes gains/losses over five years;
- adjustment to the Solvency Liabilities to reflect impact of using a discount rate that is an average of prescribed rates over five years; and
- funding on the basis of minimum requirements by the Company.

Preparation of this Actuarial Report (continued)

The Company has elected to take advantage of Option 1, under the 2009 Ontario Temporary Solvency Relief Measures ("Temporary Relief"). This option allows for the following on the first effective date of an actuarial valuation on or after September 30, 2008 and before September 30, 2011 ("Temporary Relief Valuation Date"):

- deferral of commencement of new special payments identified in that valuation by one year from the valuation date;

For the purposes of this valuation, it is our opinion that:

- the membership and asset data on which the valuation is based are sufficient and reliable;
- the assumptions used are appropriate; emerging experience differing from the assumptions will result in gains or losses which will be revealed in future valuations;
- the methods employed in the valuation are appropriate.

This report has been prepared, and our opinion is given, in accordance with accepted actuarial practice in Canada.

Aon Hewitt

William da Silva
Fellow of the Canadian Institute of Actuaries

Claire Norville-Buckland
Fellow of the Canadian Institute of Actuaries

September 2011

Contents

Summary

Following is a summary of the results of this valuation.

Company Funding Requirements

- The table below presents the Minimum Required Company Contribution and Maximum Deductible Company Contribution for each of the plan years covered by this report, after application of Solvency Funding Relief in the Regulation.

	2011	2012	2013
Minimum Required Company Contribution	$ 0	$ 29,342,000	$ 29,342,000
Maximum Deductible Company Contribution[1]	$ 307,330,000	$ 321,252,000	$ 305,805,000

- The Plan does not have a Prior Year Credit Balance at December 31, 2010.

Funded Status of Plan Benefits

- The Plan has an Unfunded Accrued Liability of $68,039,000 at December 31, 2010 on a going concern basis.
- The Plan has a Solvency Deficiency of $205,788,000 and a Statutory Solvency Deficiency of $96,059,000 at December 31, 2010 on a solvency basis.
- The Company has elected to defer commencement of the amortization of the Unfunded Accrued Liability and Statutory Solvency Deficiency until December 31, 2011 in accordance with Option 1 of the Temporary Solvency Funding Relief measures contained in the Regulation.
- The assets of the Plan would not have been sufficient to cover the liabilities of the Plan if it had been wound up on the valuation date.
- If the Plan had been wound up at December 31, 2010, the Plan would have had a deficiency of $307,330,000.
- The Plan had a Transfer Ratio of 0.80 at December 31, 2010. As such, restrictions may be placed on lump-sum transfers from the pension fund. The restrictions vary by the provincial jurisdiction of the member.
- The ratio of Solvency Liabilities to Solvency Assets is 0.86 at December 31, 2010 and Solvency Liabilities exceed Solvency Assets by $205,788,000. As such, the next valuation must have an effective date no later than December 31, 2013.
- This report does not reflect the impact, if any, of the Supreme Court of Canada's decision in the Monsanto case regarding partial plan Wind Ups. As of the filing date of this report, notice has not been received from the Financial Services Commission of Ontario regarding any partial plan Wind Up (if any) in respect of the Plan.

[1] For a given plan year, the Maximum Deductible Company Contribution is calculated assuming that the Company makes the Minimum Required Company Contribution for each of the prior plan years covered by this report

- The Canadian Institute of Actuaries (CIA) revised the Practice-Specific Standards for Pension Plans effective December 31, 2010. Among other things, the CIA Standards require that additional information be disclosed in the valuation report regarding:
  - the effect on the Accrued Liability and the Total Normal Cost of using a discount rate 1% lower than that used for the Going Concern Valuation;
  - effect on the Solvency Liability, of using a discount rate 1% lower than that used for the Solvency Valuation;
  - incremental cost on a Solvency Valuation due to the accrual of benefits in the Plan between December 31, 2010 and December 31, 2013

Subsequent Events

- The Canadian Institute of Actuaries adopted Revised Standards of Practice for Pension Commuted Values for effective dates on or after February 1, 2011. The Revised Standards have not been reflected in the results of the Solvency Valuation or the Hypothetical Wind Up Valuation contained herein. These Revised Standards of Practice will be reflected in the next actuarial valuation.

- This report does not reflect the impact of the amendment to the Plan with respect to members affected by the transfer to Thomas Cook travel, since the amendment does not have a material impact on the results of the valuation.

- To our knowledge, there have been no other events from December 31, 2010 (the effective date of this valuation) to the date of this report that would have had a material impact on the information provided in this report.

Summary (continued)

	At December 31, 2007	At December 31, 2010
Company Funding Requirements (Annual)—Defined Benefit Component (in 000's)		
Minimum Required Company Contribution[1]		
Year 1	$ 0	$ 0
Year 2	$ 0	$ 29,342
Year 3	$ 0	$ 29,342
Maximum Required Company Contribution[2]		
Year 1	$ 0	$ 307,330
Year 2	$ 0	$ 321,252
Year 3	$ 0	$ 305,805
Prior Year Credit Balance	$ 0	$ 0
Going Concern Valuation Results—Defined Benefit Component (in 000's)		
Past Service		
Actuarial Value of Assets	$ 1,516,353	$ 1,242,732
Less: Accrued Liability	1,402,281	1,310,771
Equals: Surplus (Unfunded Accrued Liability)	$ 114,072	$ (68,039)
Less: Prior Year Credit Balance	0	0
Equals: Statutory Surplus (Unfunded Accrued Liability)	$ 114,072	$ (68,039)
Market Value of Assets	$ 1,516,353	$ 1,242,732
***Current Service*—Defined Benefit Component (in 000's)**		
Total Normal Cost	$ 23,150	$ 0[3]
Less: Required Member Contributions	7,225	0
Equals: Company Normal Cost	$ 15,925	$ 0
Defined Contribution Component (in 000's)		
Market Value of Assets	N/A	$ 103,674

[1] After the application of Solvency Funding Relief

[2] For a given plan year, the Maximum Deductible Company contribution is calculated assuming that the Company makes the Minimum Required Company Contribution for each of the prior plan years covered by this report

[3] The Defined Benefit Component of the Plan ceased service accrual effective July 1, 2008. As such there is no Normal Cost as of the valuation date.

Summary (continued)

	At December 31, 2007	At December 31, 2010
Solvency Valuation Results (in 000's)		
Solvency Assets[1]	$ 1,512,353	$ 1,238,732
Less: Solvency Liability	1,504,728	1,444,520
Equals: Solvency Surplus (Deficiency)	$ 7,625	$ (205,788)
Plus: Solvency Asset Adjustment	0	68,732[2]
Less: Solvency Liability Adjustment[3]	0	40,997
Less: Prior Year Credit Balance	0	0
Equals: Statutory Solvency Surplus (Deficiency)	$ 7,625	$ (96,059)
Solvency Ratio	1.00	0.86
Hypothetical Wind Up Valuation Results (in 000's)		
Hypothetical Wind Up Assets[1]	$ 1,512,353	$ 1,238,732
Less: Hypothetical Wind Up Liability	1,548,184	1,546,062
Equals: Hypothetical Wind Up Surplus (Deficiency)	$ (35,831)	$ (307,330)
Transfer Ratio	0.98	0.80
Personnel Information		
Number of Members		
Active Members	16,013	10,959
JP Morgan Members	319	167
Suspended Members	1,423	244
Deferred Vested Members	259	694
Retired Members	13,247	13,914
Total	31,261	25,978

[1] Net of estimated wind up expenses of $4,000,000

[2] Adjustment to Solvency Assets to reflect impact of using an asset valuation method that recognizes gains/losses over five years; also reflects present value of special payments in respect of pre-existing special payments, and any going concern unfunded liability scheduled for payment between the valuation date and five years from the start of the liquidation period after the one year deferral in accordance with option 1 under Temporary Relief

[3] Adjustment to Solvency Liability to reflect impact of using an interest rate that is a five-year average of solvency valuation interest rates over the 60 months immediately proceeding the valuation date

Assets and Liabilities

Going Concern Valuation

A **Going Concern Valuation** is performed to determine the funded status of the Plan and the funding requirements for the Plan treating the plan as a going concern. Following are definitions of some of the key terms used in reference to the Going Concern Valuation results.

- The **Actuarial Value of Assets** is the asset value used for valuation purposes. Smoothing methods are sometimes used to smooth investment gains and losses over a certain period.

- The **Accrued Liability** is the actuarial present value of benefits earned in respect of service prior to the valuation date. The actuary may choose to omit indexing liabilities (i.e. "escalated adjustments") from the Accrued Liability as per section 11(1) of the *Pension Benefits Act* (Ontario). However, if escalated adjustments are omitted from the Accrued Liability, the amount of payment of an escalated adjustment that is made from the pension fund, to the extent that it has not been refunded, must be included in the Normal Cost pursuant to section 11(2) of the Regulation to the *Pension Benefits Act* (Ontario). The Accrued Liability is calculated using the Going Concern Valuation assumptions and methods summarized in the Actuarial Assumptions section of this report.

- The **Surplus (Unfunded Accrued Liability)** is the difference between the Actuarial Value of Assets and the Accrued Liability. Escalated adjustments may be omitted from the determination of the Surplus (Unfunded Accrued Liability) pursuant to section 11(3) of the Regulation to the *Pension Benefits Act* (Ontario).

- The **Prior Year Credit Balance** is

  - the Prior Year Credit Balance stated in the last report or actuarial cost certificate filed or submitted in respect of the Plan under the Regulation; plus

  - the total amount of contributions made to the Plan by the plan sponsor after the valuation date of the last report or actuarial cost certificate filed or submitted in respect of the Plan and before the valuation date for the report or actuarial cost certificate being prepared; less

  - the total minimum amount of contributions required to have been made after the valuation date of the last report or actuarial cost certificate filed or submitted in respect of the Plan and before the valuation date for the report or actuarial cost certificate being prepared if the contributions had been calculated without reference to any Prior Year Credit Balance.

  The plan sponsor may choose to set the Prior Year Credit Balance between nil and the amount as calculated above, but may not recapture the amount forfeited at any time.

- The **Statutory Surplus (Unfunded Accrued Liability)** is the difference between the Actuarial Value of Assets and the sum of the Accrued Liability and the Prior Year Credit Balance.

- The **Total Normal Cost** is the actuarial present value of benefits expected to be earned in respect of service for each year starting on the valuation date. **Required Member Contributions** (if any) are deducted from the Total Normal Cost to determine the **Company Normal Cost**. The Total Normal Cost is calculated using the Going Concern Valuation assumptions and methods summarized in the Actuarial Assumptions section of this report.

- **Valuation Compensation** represents pensionable earnings for all active members under the last assumed retirement age projected to the year following the valuation date.

Assets and Liabilities (continued)

Going Concern Valuation Results (in 000's)

The table below presents a summary of the Going Concern Valuation results for the Defined Benefit Component, including a breakdown of the Accrued Liability by member group.

	At December 31, 2007	At December 31, 2010
***Past Service*—Defined Benefit Component**		
Actuarial Value of Assets		
Defined Benefit Provision	$ 1,516,353	$ 1,242,732
Less: Accrued Liability		
Defined Benefit Provision		
Active Members	$ 706,216	$ 511,730
JP Morgan Members	9,850	5,244
Suspended Members	13,733	7,746
Deferred Vested Members	16,258	28,087
Retired Members	656,224	757,964
Total	$ 1,402,281	$ 1,310,771
Equals: Surplus (Unfunded Accrued Liability)	$ 114,072	$ (68,039)
Less: Prior Year Credit Balance	0	0
Equals: Statutory Surplus (Unfunded Accrued Liability)	$ 114,072	$ (68,039)
Adjusted Market Value of Assets	$ 1,516,353	$ 1,242,732
***Current Service*—Defined Benefit Component**		
Total Normal Cost	$ 23,150	$ 0
Less: Required Member Contributions	7,225	0
Equals: Company Normal Cost	$ 15,925	$ 0

Assets and Liabilities (continued)

Going Concern Valuation Sensitivity Results (in 000's)

In accordance with the CIA Standards of Practice, the table below presents the sensitivity of the Accrued Liability and the Total Normal Cost to using a discount rate of 1% lower than that used for the Going Concern Valuation.

		At December 31, 2010
Accrued Liability		
Accrued Liability at Going Concern Valuation discount rate	$	1,310,771
Accrued Liability at Going Concern Valuation discount rate decreased 1%	$	1,479,375
Effect of 1% decrease in discount rate	$	168,604
Effect of 1% decrease in discount rate (As a percent of Accrued Liability)		12.9%

Note that using a discount rate 1% higher than that assumed could result in a comparable reduction in the Accrued Liability.

The Defined Benefit Component of the Plan ceased service accrual effective July 1, 2008. As such there is no Normal Cost.

Solvency Valuation

A **Solvency Valuation** is performed to determine the funded status of the Plan as of the valuation date on a Wind Up basis reflecting market settlement rates as of the valuation date, but with certain benefits permitted to be omitted from the liabilities, and the associated additional funding requirements (if any). Following are definitions of some of the key terms used in reference to the Solvency Valuation results.

- **Solvency Assets** are the market value of pension fund assets adjusted to reflect contributions, benefit payments, transfers and expenses in-transit at the valuation date.

- The **Estimated Wind Up Expenses** is an estimate of the administrative and other expenses expected to be charged against the pension fund if the Plan were to terminate on the valuation date.

- The **Solvency Liability** is the actuarial present value of benefits earned in respect of service prior to the valuation date determined as if the Plan were wound up on the valuation date and taking into account Section 74 of the *Pension Benefits Act* (Ontario) (i.e. grow-in). In calculating the Solvency Liability, which includes plant closure benefits or permanent layoff benefits that would be immediately payable if the plan sponsor's business was discontinued on the valuation date, the *Pension Benefits Act* (Ontario) and its Regulations permit the exclusion of the following benefits:

  —any escalated adjustments;

  —"excluded plant closure benefits" that the Company elected on November 26, 1992 to exclude;

  —"excluded permanent layoff benefits" that the Company elected on November 26, 1992 to exclude;

  —special allowances other than those where the member has met all age and service eligibility requirements;

  —consent benefits other than those where the member has met all eligibility requirements except the consent of the employer, or in the case of a jointly sponsored pension plan, the consent of the employer or the administrator;

  —prospective benefit increases;

  —potential early retirement window benefit values; and

  —pension and ancillary benefits payable under a qualifying annuity contract.

  The Solvency Liability is determined using benefit entitlements on the assumption that the Plan has neither a surplus nor a deficit. The Solvency Liability is calculated using the Solvency Valuation assumptions summarized in the Actuarial Assumptions section of this report.

- The **Solvency Surplus (Deficiency)** is the difference between the Solvency Assets (net of Estimated Wind Up Expenses) and the Solvency Liability.

Assets and Liabilities (continued)

Solvency Valuation (continued)

- The **Solvency Asset Adjustment** is an adjustment that may be made to the Solvency Assets to reflect:

  — the impact of using an averaging method that stabilizes short-term fluctuations in the market value of the plan assets calculated over a period of not more than five years; plus

  — the present value of any remaining Special Payments required to liquidate any Statutory Unfunded Accrued Liability (for service not previously recognized for benefit determination purposes) established after December 31, 1987; plus

  — the present value of any remaining Special Payments other than those above that are scheduled for payment within five years after the valuation date.

- The **Solvency Liability Adjustment** is an adjustment that may be made to the Solvency Liability to reflect the impact of using a Solvency Valuation discount rate for discounting the liability that is the average of market discount rates calculated over the same period of time as that used in the calculation of the Solvency Asset Adjustment.

- The **Statutory Solvency Surplus (Deficiency)** is the Solvency Surplus (Deficiency), increased by the Solvency Asset Adjustment, decreased by the Solvency Liability Adjustment, and decreased by the Prior Year Credit Balance.

- The **Transfer Ratio** compares the Solvency Assets, minus the lesser of the Prior Year Credit Balance and the required Company contribution until the next required valuation (before application of the Prior Year Credit Balance), to the Solvency Liability and the liability of any excluded benefits (except for pension benefits and ancillary benefits payable under a qualifying annuity contract). If the Transfer Ratio is less than 1.00, lump-sum transfers from the pension fund under Section 42 of the *Pension Benefits Act* (Ontario) are limited to the commuted value of the member's pension multiplied by the Transfer Ratio. The administrator may transfer the entire commuted value if:

  —the administrator is satisfied that an amount equal to the transfer deficiency has been remitted to the pension fund; or

  —the aggregate of transfer deficiencies for all transfers made since the last valuation date does not exceed 5% of the plan assets at that time.

  In June 2009, subsection 19 of the Regulations of the *Pension Benefits Act (Ontario)* was amended and Policy T800-402 was released. The Policy imposes additional restrictions for payment of commuted values under certain circumstances.

- The **Solvency Ratio** compares the Market Value of Assets to the Solvency Liability for purposes of subsections 14(2) and (3) of the Regulations of the *Pension Benefits Act* (Ontario) to determine the latest effective date of the next required valuation.

Solvency Concerns

Except for certain exclusions which do not apply to this Plan, a report indicates solvency concerns under the *Pension Benefits Act* (Ontario) where,

- the ratio of the Solvency Assets to the Solvency Liabilities is less than 0.8; or
- the Solvency Liabilities exceed the Solvency Assets by more than $5,000,000 and the ratio of the Solvency Assets to the Solvency Liabilities is less than 0.9; or
- the employer has elected to exclude plant closure benefits or permanent layoff benefits and this election has not been rescinded.

Effective December 31, 2012, a report indicates solvency concerns under the *Pension Benefits Act* (Ontario) if the ratio of the Solvency Assets to Solvency Liabilities is less than 0.85. The *Pension Benefits Act* (Ontario) allows for early adoption of the above noted test effective immediately.

Where a report indicates solvency concerns, the effective date of the next valuation required to be filed under the *Pension Benefits Act* (Ontario) is one year from the valuation date of the valuation that gave rise to the solvency concerns.

Since the ratio of Solvency Assets to Solvency Liabilities is equal to 0.86, this report does not indicate solvency concerns.

Assets and Liabilities (continued)

Solvency Valuation Results (in 000's)

The table below presents a summary of the Solvency Valuation results, including a breakdown of the Solvency Liability by member group.

	At December 31, 2007	At December 31, 2010
Solvency Assets		
Defined Benefit Provision	$ 1,516,353	$ 1,242,732
Estimated Wind Up Expenses	(4,000)	(4,000)
Total	$ 1,512,353	$ 1,238,732
Less: Solvency Liability		
Active Members	Solvency Liability	$ 593,879
JP Morgan Members	split by status	5,625
Suspended Members	not shown in	10,138
Deferred Vested Members	prior actuary's	32,806
Retired Members	valuation report	802,072
Total	$ 1,504,728	$ 1,444,520
Equals: Solvency Surplus (Deficiency)	$ 7,625	$ (205,788)
Plus: Solvency Asset Adjustment[2]	0	68,732
Less: Solvency Liability Adjustment[3]	0	(40,997)
Less: Prior Year Credit Balance	0	0
Equals: Statutory Solvency Surplus (Deficiency)	$ 7,625	$ (96,059)
Solvency Ratio	1.00	0.86

[2] Adjustment to Solvency Assets to reflect impact of using an asset valuation method that recognizes gains/losses over five years. The above Solvency Asset adjustment also includes the Special Payments in respect of the going concern unfunded liability scheduled for payment between the valuation date and five years from the start of the liquidation period after the one year deferral in accordance with option 1 under Temporary Relief

[3] Adjustment to Solvency Liability to reflect impact of using an interest rate that is a five year average of solvency valuation interest rates over the 60 months immediately preceding the valuation date

Solvency Valuation Sensitivity Results (in 000's)

In accordance with the CIA Standards, the table below presents the sensitivity of the Solvency Liability to using a discount rate of 1% lower than that used for the Solvency Valuation.

		As of December 31, 2010
Solvency Liability		
Solvency Liability at Solvency discount rates	$	1,444,520
Solvency Liability at Solvency discount rates decreased 1%	$	1,606,964
Effect of 1% decrease in Solvency discount rates	$	162,444
Effect of 1% decrease in Solvency discount rates (As a percent of Solvency Liability)		11.3%

Note that using a discount rate 1% higher than that assumed could result in a comparable reduction in the Solvency Liability.

Solvency Valuation Incremental Cost

The incremental cost on a solvency basis represents the present value at December 31, 2010 of the expected aggregate change in the Solvency Liability between December 31, 2010 and December 31, 2013. The Actuarial Assumptions section of this report provides detail regarding the calculation methodology and assumptions. An educational note was published in December 2010 by the Canadian Institute of Actuaries to provide guidance to actuaries for this calculation. A detailed description of the methodology is shown in the Justification of Actuarial Assumptions section of this report.

The main purpose of this new disclosure requirement is to provide insight regarding the expected growth in the Solvency Liability.

Based on accepted actuarial methodology and on these assumptions, the incremental cost on a Solvency Basis for the period from January 1, 2011 to December 31, 2013 is $(67,417,000).

Hypothetical Wind Up Valuation

A **Hypothetical Wind Up Valuation** is performed to determine the funded status of the Plan as of the valuation date on a Wind Up basis, reflecting market settlement rates as of the valuation date. Unlike the Solvency Valuation, all benefits are included that would be payable under the postulated scenario that would maximize benefits. The Hypothetical Wind Up Valuation is determined using benefit entitlements on the assumption that the Plan has neither a surplus nor a deficit. Contingent benefits are included in the liabilities that would be payable under the postulated scenario. Assets are set equal to market value net of estimated wind up expenses. All assumptions for the Hypothetical Wind Up Valuation are listed in the Actuarial Assumptions section of the report.

Hypothetical Wind Up Valuation Results

The table below presents a summary of the Hypothetical Wind Up Valuation results including a breakdown of the Hypothetical Wind Up Liability by member group.

	At December 31, 2007	At December 31, 2010
Hypothetical Wind Up Assets		
Defined Benefit Provision	$ 1,516,353	$ 1,242,732
Estimated Wind Up Expenses	(4,000)	(4,000)
Total	$ 1,512,353	$ 1,238,732
Less: Hypothetical Wind Up Liability		
Defined Benefit Provision		
Active Members	$ 786,276[1]	$ 620,553
JP Morgan Members	(included above)	5,822
Suspended Members	13,733	10,658
Deferred Vested Members	18,826	34,054
Retired Members	729,349	874,975
Total	$ 1,548,184	$ 1,546,062
Equals: Hypothetical Wind Up Surplus (Deficiency)	$ (35,831)	$ (307,330)
Transfer Ratio	0.98	0.80

[1] Includes Active and JP Morgan Members

Assets and Liabilities (continued)

Asset Data

The Plan assets are held by RBC Dexia Investor Services Trust. The asset information presented in this report is based on the audited financial statements of the pension fund for 2008, 2009, and 2010 prepared by Deloitte & Touche LLP.

Tests of the sufficiency and reliability of the asset data were performed and the results were satisfactory. The tests included:

- a reconciliation of actual cash flow with expected cash flow from the previous actuarial report; and
- a reconciliation of any stated benefit payments in 2008, 2009, and 2010 (for retirees, and terminated and deceased employees) against the financial statements of the pension fund for confirmation of payments.

Statement of Market Value of Assets (in 000's)

The table below presents a breakdown of the Market Value of Assets as of December 31, 2010.

Asset Category		Market Value	
Cash and Short-Term	$	31,588	(2.54%)
Equities			
Canadian Equities	$	73,854	(5.94%)
Foreign Equities		316,301	(25.45%)
Total	$	390,155	(31.39%)
Fixed Income			
Canadian Bonds and Mortgages	$	445,019	(35.82%)
Foreign Bonds		209,632	(16.87%)
Total	$	654,651	(52.69%)
Other	$	166,338	(13.38%)
Total	$	1,242,732	(100.00%)

Assets and Liabilities (continued)

Reconciliation of Changes in Market Value of Assets—Defined Benefit Provision (in 000's)

The table below reconciles changes in the Market Value of Assets between December 31, 2007 and December 31, 2010 for the Defined Benefit Component of the Plan.

	2008	2009	2010
Market Value of Assets, Beginning of Plan Year	$ 1,520,571[1]	$ 1,283,702	$ 1,256,465
Plus: Contributions During Plan Year			
Member	$ 8,099[2]	$ 0	$ 0
Company	0	0	0
Total	$ 8,099	$ 0	$ 0
Less: Benefit Payments During Plan Year			
Non-Retired Members[3]	$ 75,197	$ 41,438	$ 35,440
Retired Members	64,021	68,112	69,788
Total	$ 139,218	$ 109,550	$ 105,228
Less: Transfers Out to Fund Employer Required Contributions to the Defined Contribution Component of the Plan	$ 11,022	$ 16,061	$ 0
Less: Investment Management Fees, Administrative Fees, and Other Expenses	$ 2,724	$ 1,904	$ 2,549
Plus: Investment Gains (Losses)[4]	$ (92,004)	$ 100,278	$ 94,044
Equals: Market Value of Assets, End of Plan Year	$ 1,283,702	$ 1,256,465	$ 1,242,732
Rate of Return (Net of Expenses)	-6.54%	8.06%	7.60%

[1] The market value of assets reported in the audited financial statements at December 31, 2007 of $1,520,571,000 includes an adjustment for amount receivable of $4,218,000
[2] Member contributions ceased June 30, 2008
[3] Includes members who have terminated employment or died
[4] Realized and unrealized

Development of Adjusted Market Value of Assets—Defined Benefit Provision (in 000's)

The Adjusted Market Value of Assets is equal to the Market Value of Assets adjusted to reflect any contributions, benefit payments transfers and fees in-transit as of the valuation date. The Adjusted Market Value of Assets as at December 31, 2010 equals $1,242,732,000.

Development of Actuarial Value of Assets—Defined Benefit Provision (in 000's)

The Actuarial Value of Assets is equal to the Adjusted Market Value of Assets as of the valuation date.

Development of Asset Gain—Defined Benefit Provision (in 000's)

The asset gain (loss) is determined by writing up the prior year's Actuarial Value of Assets and cash flow at the assumed discount rate from the prior valuation and comparing the resulting value to the actual Actuarial Value of Assets.

	2008	2009	2010
Calculation of Expected Actuarial Value of Assets			
Actuarial Value of Assets, Beginning of Plan Year	$ 1,516,353[1]	$ 1,461,777	$ 1,416,607
Plus: Adjustment for Amounts Receivable	$ 4,218	$ 0	$ 0
Plus: Contributions In Respect of Plan Year			
Member	$ 8,099	$ 0	$ 0
Company	0	0	0
Total	$ 8,099	$ 0	$ 0
Less: Benefit Payments In Respect of Plan Year			
Non-Retired Members[2]	$ 75,197	$ 41,438	$ 35,440
Retired Members	64,021	68,112	69,788
Total	$ 139,218	$ 109,550	$ 105,228
Less: Transfers Out to Fund Employer Required Contributions to Defined Contribution Component of the Plan	$ 11,022	$ 16,061	$ 0
Plus: Expected Investment Return	$ 83,347	$ 80,441	$ 78,430
Equals: Expected Actuarial Value of Assets, End of Plan Year	$ 1,461,777	$ 1,416,607	$ 1,389,809
Calculation of Asset Gain (Loss)			
Actuarial Value of Assets, End of Plan Year			$ 1,242,732
Less: Expected Actuarial Value of Assets, End of Plan Year			$ 1,389,809
Equals: Asset Gain (Loss)			$ (147,077)

[1] Reported by prior actuary in the actuarial valuation as of December 31, 2007. Based on unaudited financial statements as of December 31, 2007

[2] Includes members who have terminated employment or died

Adjustment to Solvency Assets

The adjustment to Solvency Assets reflects an asset valuation method that recognizes asset gains (losses) over five years. The development of this adjustment to the Solvency Assets is shown below:

Year Ending	Original Amount of (Gain) Loss	(Gain) Loss Admitted in Prior Years	(Gain) Loss Admitted in 2010	(Gain) Loss to be Admitted in Future Years
December 31, 2007	13,100	7,860	2,620	2,620
December 31, 2008	178,075	71,230	35,615	71,230
December 31, 2009	(28,172)	(5,634)	(5,634)	(16,904)
December 31, 2010	(22,273)	N/A	(4,455)	(17,818)
			$ 28,146	$ 39,128

Assets and Liabilities (continued)

Development of Pension Benefits Guarantee Fund Assessment Base

The development of the Pension Benefits Guarantee Fund (PBGF) liability and PBGF assessment base as of December 31, 2010 is shown below:

Total Solvency Liability, December 31, 2010	$ 1,444,520,000
Times: Ratio of Solvency Liability for Ontario Members to Total Solvency Liability	0.61
Equals: PBGF Liability, December 31, 2010	$ 880,705,000
Less: Adjusted Market Value of Assets in Respect of Ontario Members, December 31, 2010	757,677,000
Equals: PBGF Assessment Base, December 31, 2010	$ 123,028,000

Development of the Guarantee Fund Assessment

Number of Ontario Plan Members and Ontario Former Members and Other Beneficiaries	13,186
Plus: 0.5% of any portion of the applicable PBGF assessment base that is less than 10% of the PBGF Liability	$ 440,352.50
Plus: 1.0% of any portion of the applicable PBGF assessment base that is 10% or more but less than 20% of the PBGF Liability	349,575.00
Plus: 1.5% of any portion of the applicable PBGF assessment base that is 20% or more of the PBGF Liability	0
Total	$ 803,113.50

The above amount will not exceed $100 per Number of Ontario Plan Members, Former Members and Other Beneficiaries totalling $1,318,600.

The Guarantee Fund Assessment may be adjusted to the extent that contributions during the plan year are in excess of the Minimum Required Company Contribution.

New legislation regarding the PBGF fee structure is expected in the near future. Once proclaimed, the Guarantee Fund Assessment fees are expected to increase.

Contributions

Excess Surplus

Excess Surplus is defined in Section 147.2(2)(d) of the *Income Tax Act* (Canada). The *Income Tax Act* (Canada) requires that any Excess Surplus first be applied to reduce or eliminate the Company contribution requirements. Since the calculation of Excess Surplus impacts the development of the Company contribution requirements, we first show the development of Excess Surplus.

Excess Surplus is defined under the *Income Tax Act* (Canada), as the portion of Surplus (if any) that exceeds 25% of the Accrued Liability (i.e. going concern basis).

Development of Excess Surplus

There is no Excess Surplus in the Plan as of the valuation date.

Minimum Required Company Contribution

For a plan year, the minimum required company contribution is equal to:

- the Company Normal Cost; plus
- Special Payments toward amortizing any Statutory Unfunded Accrued Liability over 15 years from the date on which the Statutory Unfunded Accrued Liability was established; plus
- Special Payments toward amortizing any Statutory Solvency Deficiency over five (5) years from the date on which the Statutory Solvency Deficiency was established; less
- required application of Excess Surplus; less
- permitted application of Surplus; less
- permitted application of Prior Year Credit Balance.

Timing of Contributions

In order to satisfy the requirements of the *Pension Benefits Act* (Ontario) and its Regulations, contributions to the fund must be made in accordance with the following rules:

- Required member contributions (if any) must be remitted to the pension fund within 30 days following the month in which the contributions were received from the member or deducted from his or her remuneration.
- Company Current Service contributions must be remitted to the pension fund within 30 days after the end of the month for which the contributions are payable.
- Special Payments must be remitted to the pension fund in the month for which they are payable.

Contributions (continued)

Development of Minimum Required Company Contribution (in 000's)

The table below presents the development of the Minimum Required Company Contribution for each of the plan years covered by this report, after application of Solvency Funding Relief.

Plan Year:	2011	2012	2013
Company Normal Cost	$ 0	$ 0	$ 0
Plus: Special Payments Toward Amortizing Statutory Unfunded Accrued Liability	0	6,977	6,977
Plus: Special Payments Toward Amortizing Statutory Solvency Deficiency	0	22,365	22,365
Less: Required Application of Excess Surplus	0	0	0
Less: Permitted Application of Surplus	0	0	0
Equals: Minimum Required Company Contribution, Prior to Application of Prior Year Credit Balance	$ 0	$ 29,342	$ 29,342
Less: Permitted Application of Prior Year Credit Balance	0	0	0
Equals: Minimum Required Company Contribution	$ 0	$ 29,342	$ 29,342

Contributions (continued)

Maximum Deductible Company Contribution

Under Subsection 8502(b) of the Regulations to the *Income Tax Act* (Canada), (the "ITA") each Company contribution made after 1991 in respect of a defined benefit provision of a registered pension plan must be an eligible contribution pursuant to Section 147.2(2) of the *Income Tax Act* (Canada).

In a Company's fiscal year, the following contributions are eligible under Section 147.2 of the *Income Tax Act* (Canada).

- the Company Normal Cost, eligible under Section 147.2(2) subject to certification by the actuary and approval by the Canada Revenue Agency; plus
- special Payments eligible under Section 147.2(2) up to the amount of the Unfunded Accrued Liability, the Solvency Deficiency, or the Hypothetical Wind Up Deficiency, whichever is greater, subject to certification by the actuary and approval by the Canada Revenue Agency; less
- required application of Excess Surplus.

The Company Normal Cost and Special Payments for this Plan will be deductible under Section 147.2(2) of the *Income Tax Act* (Canada), subject to the approval of the Canada Revenue Agency.

Note that contributions to a Plan are still permissible and deductible if there is an Excess Surplus, providing there is simultaneously a Solvency or Hypothetical Wind Up Deficiency in the Plan or the contributions are required as minimum contributions under provincial or federal Pension Benefits Standards Act legislation, pursuant to subsections 8516(2) and (3) of the Regulations to the *Income Tax Act* (Canada).

One restriction under the *Income Tax Act* (Canada) is that if there is an Excess Surplus, and a Solvency or Hypothetical Wind Up Deficiency, the maximum deductible contribution is restricted to the full amount of the deficiency without allowance for interest or any other contributions such as Company Normal Cost and/or transfer deficiency payments.

Timing of Contributions

In order to be deductible in a given fiscal year, Company contributions must be made not later than 120 days after the end of the fiscal year.

Development of Maximum Deductible Company Contribution (in 000's)

The table below presents the development of the Maximum Deductible Company Contribution for each of the plan years covered by this report.

The Maximum Deductible Company Contribution presented in the table below for a given plan year is calculated assuming that the Company makes the Minimum Required Company Contribution for each of the prior plan years covered by this report.

Plan Year:	2008	2009	2010
Company Normal Cost	$ 0	$ 0	$ 0
Plus: Special Payments Toward Liquidating Hypothetical Wind Up Deficiency[1,2]	307,330	321,252	305,805
Less: Required Application of Excess Surplus	0	0	0
Equals: Maximum Deductible Company Contribution	$ 307,330	$ 321,252	$ 305,805

If the Company wishes to make the Maximum Deductible Company Contribution, it is advisable to contact the plan actuary before making such contribution to ensure that the contribution will be permissible and deductible and that any regulatory requirements are considered.

[1] Assumes payment at the beginning of the year. The payment will be adjusted for interest based on the actual payment date
[2] Assumes the Company makes the Minimum Required Company contribution for each of the prior years covered by this report

Contributions (continued)

Schedule of Special Payments (in 000's)

The Special Payments to amortize the Statutory Unfunded Accrued Liability before application of Solvency Relief are as follows:

Effective Date	Present Value as of December 31, 2010 (at 5.50% per year)	Annual Special Payment	Remaining Years	Present Value as of December 31, 2010 of Special Payments Prior to December 31, 2015 (at 4.53% per year)
December 31, 2010	$ 68,039	$ 6,613	15	$ 29,604

The Special Payments to amortize the Statutory Solvency Deficiency, including amounts in the Solvency Asset Adjustment, before application of Solvency Relief are as follows:

Effective Date	Present Value as of December 31, 2010 (at 4.53% per year)	Annual Special Payment	Remaining Years
December 31, 2010	$ 96,059	$ 21,458	5

Option 1 of the Solvency Funding Relief Measures under the Regulations of the *Pension Benefits Act* (Ontario), allows the Company to defer the payment of any new Special Payments for twelve months from its establishment. The Company has chosen to exercise this option.

The Special Payments to amortize the Statutory Accrued Liability and the Statutory Solvency Deficiency, respectively, after application of Solvency Relief are as follows:

Effective Date	Original Amount at December 31, 2010	Annual Special Payment	Remaining Years	Balance as of December 31, 2011	Present Value as of December 31, 2011 of Payments Prior to December 31, 2016 (at 4.53% per year)
December 31, 2011	$ 68,039	$ 6,977	15	$ 71,781	$ 31,234

Effective Date	Original Amount at December 31, 2010	Annual Special Payment	Remaining Years	Balance as of December 31, 2011
December 31, 2011	$ 96,059	$ 22,365	5	$ 100,121

Experience

Analysis of Experience (in 000's)

The table below presents a reconciliation of the change in Surplus (Unfunded Accrued Liability) from December 31, 2007 to December 31, 2010:

Surplus (Unfunded Accrued Liability), December 31, 2007	$	114,072
Plus: Actual Company Contributions During Intervaluation Period		0
Plus: Actual Employee Contributions During Intervaluation Period		8,099
Less: Transfers Out to Defined Contribution Component of the Plan During Intervaluation Period to Fund Employer Required Contributions		27,083
Less: Total Company Service Costs to the DB Component of the Plan During Intervaluation Period		23,834
Plus: Interest at 5.75% Per Year		16,163
Equals: Expected Surplus (Unfunded Accrued Liability), December 31, 2007	$	87,417
Plus: Increase (Decrease) Attributable to Actuarial Gains (Losses) Arising from:		
Investment Return	$	(147,077)
Salary and YMPE Increases		35,441
Postretirement Inflation Adjustments		34
Québec Cash Outs on Plan Conversion		(13,644)
Retirement		(4,046)
Turnover		(16,129)
Mortality		(1,736)
Data Corrections and Other Miscellaneous		9,327
Total	$	(137,830)
Plus: Increase (Decrease) Attributable to Opening Position of Prior Actuary	$	18,157
Plus: Increase (Decrease) Attributable to Changes in Assumptions	$	(35,783)
Equals: Surplus (Unfunded Accrued Liability), December 31, 2010	$	(68,039)

Discussion of Actuarial (Gains) Losses

Investment Return

The annualized rate of return earned by the pension fund based on the prior method of calculating the Actuarial Value of Assets for the three-year period from December 31, 2007 to December 31, 2010 was 8.7% per year. The year-by-year returns are shown in the table below:

Plan Year	Rate of Return
2008	-6.54%
2009	8.06%
2010	7.60%

The assumed rate of return for Going Concern Valuation purposes was 5.75% per year. An actual rate of return lower than the assumed rate resulted in a net actuarial loss of $147,077,000.

Salary and YMPE Increases

The annualized rate of salary increase for members active at both December 31, 2007 and December 31, 2010 for the three-year period from December 31, 2007 to December 31, 2010 was 1.64% per year. The assumed rate of salary increase for Going Concern Valuation purposes is 4.60% (3.00% plus merit scale) per year. An actual rate of increase lower than the assumed rate resulted in a net actuarial gain of $42,127,000.

The annualized rate of increase in Year's Maximum Pensionable Earnings for the three-year period from December 31, 2007 to December 31, 2010 was 2.60% per year. The assumed rate of increase for Going Concern Valuation purposes was 3.50% per year. An actual rate of increase lower than the assumed rate resulted in a net actuarial loss of $6,686,000.

The overall impact of Salary and YMPE increases was a net actuarial gain of $35,441,000.

Postretirement Inflation Adjustments

Postretirement inflation adjustments granted to eligible members (see Plan Provisions section of this report) during the invervaluation period were lower than expected based on the assumed increase in Consumer Price Index during the period. This resulted in a net actuarial gain of $34,000.

Québec Cash Outs on Plan Conversion

Upon closure of the Defined Benefit Provision of the Plan as of June 30, 2008, Québec Members were allowed to transfer out the commuted value of their Defined Benefit entitlement pension from the Plan. There were 478 Québec Members who elected to transfer out their commuted value or to convert it to a Defined Contribution account balance. The interest rates used to determine these pensions commuted values and conversion values were lower than the assumed long term rate of valuing their benefits for Going Concern Valuation purposes. This resulted in a net actuarial loss of $13,644,000.

Turnover

On termination, members retain their eligibility for early retirement subsidies, including bridge benefits. The large difference between the long term assumption on Going Concern and the interest rates on termination prescribed by the CIA Standards of Practice during the invervaluation period exacerbated the losses on termination. There was an overall loss on turnover of $16,129,000.

Retirement

The provisions of the Plan provide incentives to retire early for members with long service. A loss is revealed each time a member retires earlier than assumed. The effect of the large number of retirements at earlier ages than expected was a net actuarial loss of $4,046,000.

Discussion of Changes to Assumptions

Effective December 31, 2009, the following assumptions were changed:

- The mortality table was updated from the 1994 Uninsured Pensioner Mortality Table with projected mortality improvements to 2015 using Scale AA to the 1994 Uninsured Pensioner Mortality Table with generational projected mortality improvements.
- The rate of salary increases was decreased from 3.50% plus merit scale to 3.00% plus merit scale.
- The assumed rate of increase in the Average Industrial Wage was decreased from 3.50% to 3.00% per year.
- The assumed rates of retirement were updated to reflect plan experience (see Actuarial Assumptions section of this report).
- The withdrawal table was updated to reflect actual plan experience (see Actuarial Assumptions section of this report). In addition, the interest rates used to determine the termination liabilities for Going Concern Valuation purposes have been changed to reflect the interest rates for determining pension commuted values, in accordance with the Canadian Institute of Actuaries Standards of Practice.
- The interest rate for Going Concern Valuation purposes was decreased from 5.75% to 5.50%.

The combined effect of these changes in assumptions increased the Accrued Liability by $35,783,000.

Personnel Information

Member Data

This funding valuation was based on member data provided by the Company as of December 31, 2010. Tests of the sufficiency and reliability of the member data were performed and the results were satisfactory. The tests included:

- a reconciliation of membership status against the membership status at the last valuation. This test was performed to ensure that all members were accounted for. A summary of this reconciliation follows on the next page.
- a reconciliation of birth, hire, and participation dates against the corresponding dates provided for the last valuation to ensure consistency of data.
- a reconciliation of credited service against the corresponding amount provided for the last valuation to ensure that no member accrued more than 0.5 years of credited service from January 1, 2008 to June 30, 2008 (when members ceased service accrual in the Plan). This test also revealed any members who accrued less than 0.5 years of credited service.
- a reconciliation of pensionable earnings against the corresponding amounts provided for the last valuation to identify any unusual increases or decreases (more than 20%).
- a reconciliation of accrued benefits against the corresponding amounts provided for the last valuation to identify any unusual benefit accruals.
- a reconciliation of any stated benefit payments in 2008, 2009, and 2010 (for retirees, terminated or deceased employees) against the financial statements of the pension fund for confirmation of the payments.
- a reconciliation of inactive member benefit amounts against the corresponding amounts provided for the last valuation to ensure consistency of data.

There was no information missing from the data, so no assumptions were required with respect to such data.

A copy of a letter from the Company certifying the accuracy and completeness of the member data (and the plan provisions summarized in this report) is included at the end of this report.

Reconciliation of Membership Status

The table below reconciles the number of members as of December 31, 2007 with the number of members as of December 31, 2010 and the changes due to experience in the period.

	Active	JP Morgan	Suspended	Deferred Vested	Retired	Total
Members, December 31, 2007	16,013	319	1,423	259	13,247	31,261
Changes Due To:						
New Entrants	966	-	-	-	-	966
Termination of Membership						
Non-Vested	-	-	-	-	-	-
Vested–Pending	(171)	(63)	234	-	-	-
Vested–Deferred Pension	(308)	(5)	(182)	495	-	-
Vested–Lump-Sum Paid Out	(3,470)	(70)	(1,161)	(1)	-	(4,702)
Québec Cash Out on Conversion	(66)	-	-	-	-	(66)
Québec Conversion to DC Account Balance	(412)	-	-	-	-	(412)
Death						
No Further Benefits	-	-	-	-	(968)	(968)
Lump-Sum Paid Out	(79)	(4)	-	(1)	(22)	(106)
Surviving Spouse or Beneficiary	-	-	-	-	(197)	(197)
New Surviving Spouse or Beneficiary	-	-	-	-	197	197
Retirement	(1,520)	(11)	(67)	(56)	1,654	-
Data Corrections	6	1	(3)	(2)	3	5
Net Change	(5,054)	(152)	(1,179)	435	667	(5,283)
Members, December 31, 2010	10,959	167	244	694	13,914	25,978

Personnel Information (continued)

Active Members

Following are some relevant characteristics of the active members' data as of December 31, 2010. Both age and service have been determined using completed years and months as of December 31, 2010. Corresponding data as of December 31, 2007 are shown for comparison purposes.

	As of December 31, 2010		
	Full-Time	Part-Time	Total
Number	7,243	3,716	10,959
Average Age	49.9	54.8	51.6
Average Credited Service	12.0	6.9	10.3
Average Continuous Service	17.2	16.4	16.9
Average Age at Hire	32.7	38.4	34.7
Average 2010 Valuation Pay[1]	$ 44,434	$ 28,191	$ 38,926

	As of December 31, 2007		
	Full-Time	Part-Time	Total
Number	9,583	6,430	16,013
Average Age	47.2	51.2	48.8
Average Credited Service	12.6	6.3	10.1
Average Continuous Service	15.1	12.9	14.2
Average Age at Hire	32.1	38.3	34.6
Average 2007 Pensionable Earnings	$ 44,753	$ 27,284	$ 37,738

[1] Valuation pay includes pensionable earnings plus three-year average bonus

Personnel Information (continued)

JP Morgan, Suspended, Deferred Vested and Retired Members

Following are some relevant characteristics of the JP Morgan, Suspended, Deferred Vested, and Retired members' data as of December 31, 2010. Age has been determined using completed years and months as of December 31, 2010. Corresponding data as of December 31, 2007 are shown for comparison purposes.

	As of December 31, 2010		
	Number	Average Age	Average Annual Pension
JP Morgan Members	167	43.8	$ 3,292
Suspended Members	244	50.7	$ 11,919[1]
Deferred Vested Members	694	46.8	$ 4,088
Retired Members	13,914	73.6	$ 5,059

	As of December 31, 2007		
	Number	Average Age	Average Annual Pension
JP Morgan Members	319	N/A	$ N/A
Suspended Members	1,423	41.7	$ 4,621[1]
Deferred Vested Members	259	48.9	$ 5,563
Retired Members	13,247	72.9	$ 4,720

[1] Contributions with interest at valuation date.

Distribution of Active Members by Age and Service

The following page shows a distribution of active members by age and service from date of hire (both determined using completed years and months at December 31, 2010). A key showing the contents of the age and service breakdown is shown in the upper right-hand corner of the page. All members hired at the same age lie along the same diagonal line.

Several observations can be made by the user of this distribution, including:

- the number of active members who will become eligible for early or normal retirement benefits in the next few years;
- the number of active members who continue to work past age 65;
- the number of active members affected by changes in other benefits related to service;
- the number of hires per year for all past years who have remained with the Company, and hiring patterns by age of hire; and
- the distribution of active members by age and service around the median age and median service.

Supplementing this age/service distribution are two graphs. The first graph (Distribution of Personnel by Age) illustrates the distribution of all active members by five-year age groups, showing average service and compensation for each group, and indicates separately for each age 55 and over the number of members, average service, and average compensation.

The second graph (Distribution of Personnel by Expected Service at Age 65) shows the percentage of active members age 55 and over by expected service at age 65. This second graph can assist in reviewing the level of retirement benefits these individuals will receive at retirement.

Personnel Information (continued)

DISTRIBUTION OF PERSONNEL BY AGE AND YEARS OF SERVICE

Sears Canada Inc.

Sears Canada Inc. Registered Retirement Plan

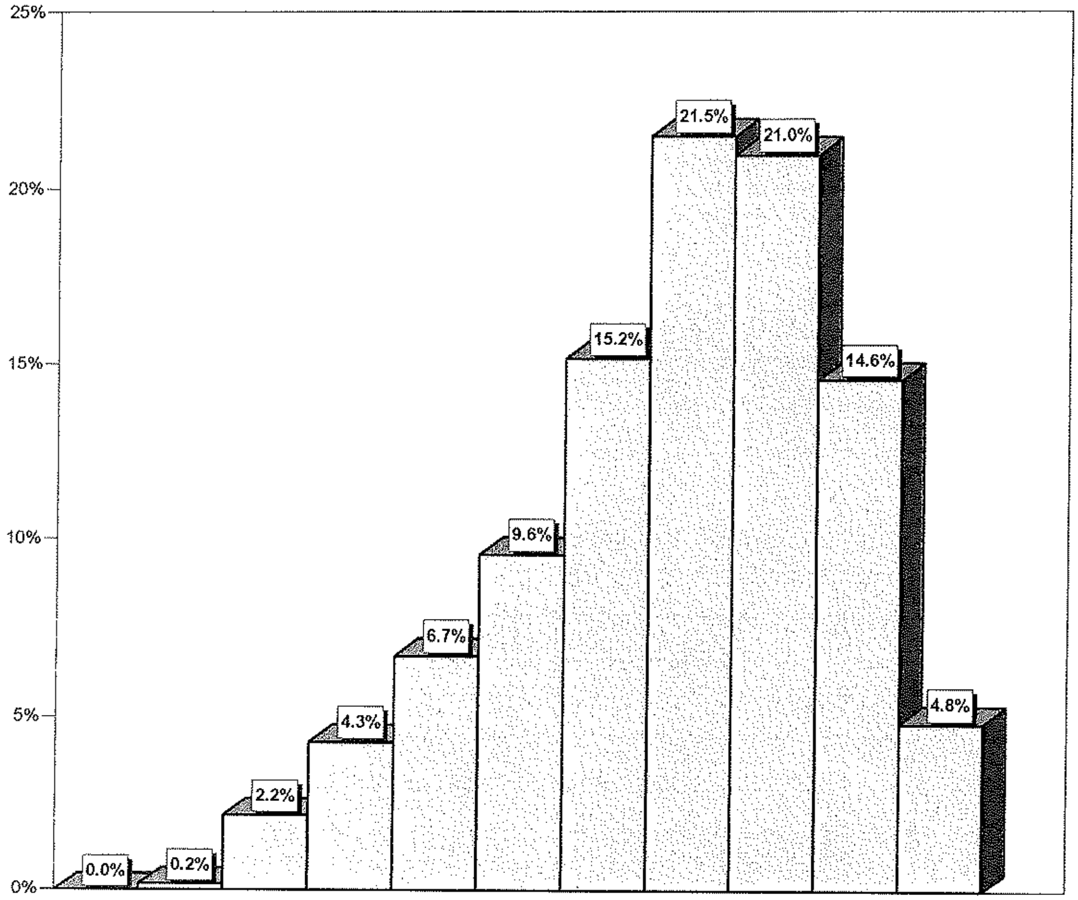
- This distribution shows personnel by age last birthday and completed years of continuous service as of 12/31/2010. For instance, the cell at age 25 and 3 years of continuous service contains 3 employees.
- Individual careers progress along a diagonal (stair-step) line; e.g., all employees commencing service at age 25 appear on the diagonal which starts at age 25 with 0 service and runs through 26 and 1, 27 and 2, etc.
- The average age, continuous service, and pay of this group is 51.6, 16.9, and 38,926.

Age \ Years of Service	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40+	M	F	T
15																																												
16																																												
17																																												
18																																												
19																																												
20																																												
21																																												
22				1	3	1																																				4	1	5
23				2	1	1																																				3	1	4
24				1	4	3		3																																		5	6	11
25				3	6	8	6	1		1																																10	15	25
26				2	6	4	8	9	2	3	6																															20	20	40
27				5	6	6	5	9	4	4	3	2																														17	27	44
28				5	10	11	7	8	5	6	5	1	1																													25	34	59
29				3	16	9	10	5	6	8	10	4																														29	42	71
30				7	11	5	6	7	14	10	19	6	8	1																												48	46	94
31				6	8	5	14	5	5	6	16	8	4	1	1																											32	47	79
32				1	11	5	8	4	7	8	16	9	11	2	2	1																										35	50	85
33				3	11	4	9	5	6	8	12	11	16	7	4	1	5																									49	53	102
34				6	9	3	6	4	2	6	21	14	14	12	2	4	7	1																								58	53	111
35				10	11	11	11	5	4	10	14	12	14	14	3	6	2	1	1	1																						57	73	130
36				5	5	7	8	10	12	17	10	9	8	18	6	2	6	2	2	1	2																					55	75	130
37				8	8	9	6	5	7	8	18	12	11	19	7	4	6	4	4	1	8	1																				57	89	146
38				9	5	3	10	9	6	5	21	11	9	12	7	3	4	7	6	6	8	4																				59	86	145
39				6	9	9	9	4	9	11	13	15	16	8	6	5	10	5	17	9	9	8	5	2																		75	110	185
40				4	5	7	12	8	11	9	17	13	13	19	5	6	7	6	15	10	6	14	5	4																		75	121	196
41				6	8	10	9	6	7	8	15	12	13	6	7	5	5	9	7	8	10	10	19	3	3	2																78	110	188
42				3	13	9	5	12	8	12	12	11	14	6	3	5	9	8	10	7	4	13	14	8	6		3															77	118	195
43				5	8	6	8	8	4	6	21	15	9	15	6	10	10	9	12	7	11	11	13	12	8	7	2	1														97	127	224
44				5	9	6	13	9	10	13	21	13	3	17	1	6	8	8	10	12	9	12	19	8	13	11	6	2														88	156	244
45				9	10	12	6	8	9	15	20	16	22	14	8	10	8	4	15	12	8	13	13	8	11	3	7	2	1	2												115	151	266
46				4	19	6	7	9	16	13	28	20	15	21	9	6	4	7	12	10	6	14	16	12	6	7	8	11		4												112	178	290
47				8	11	7	12	10	16	15	31	31	20	18	8	8	8	5	13	14	11	10	9	11	15	10	11	17	6	12	5	4										138	219	357
48				10	13	8	8	11	7	13	28	19	18	20	13	7	10	13	23	10	5	18	15	9	9	8	8	15	5	16	12	5	1									121	234	355
49				10	12	7	15	12	15	15	36	24	17	16	8	15	8	10	13	11	11	13	12	5	17	14	9	9	3	12	25	15	7									158	238	396
50				2	10	11	6	8	17	12	38	35	24	19	11	10	15	7	18	5	16	17	18	11	13	7	4	15	10	13	14	21	15	4	2							163	265	428
51				9	11	10	9	11	20	18	28	35	22	19	6	18	6	10	14	10	11	11	17	8	14	7	7	10	3	13	21	25	16	11	3	2						151	283	434
52				6	12	11	8	18	10	14	44	35	25	19	11	20	12	9	13	11	13	16	16	15	7	10	8	12	2	20	19	20	20	18	14	3	2					167	326	493
53				3	8	8	11	12	10	26	29	28	26	23	9	9	8	6	22	12	10	21	21	20	13	6	5	10	1	8	29	15	21	16	25	8	6	1				171	315	486
54				3	8	10	12	9	10	18	33	37	20	39	7	7	13	14	15	20	9	20	14	15	11	10	8	12	5	14	18	17	16	20	26	11	11	3				169	346	515
55				8	14	10	13	7	9	16	41	28	18	23	5	6	8	8	9	17	11	8	15	13	14	5	2	6	6	5	8	11	15	10	11	7	8	8	1			135	267	402
56				7	5	11	5	12	14	21	42	28	31	25	9	15	10	11	9	11	12	18	14	16	13	12	8	11	4	7	8	17	19	15	12	16	16	15	5	1		165	339	504
57				1	8	10	8	16	10	23	23	38	19	18	10	14	20	12	24	10	15	21	21	11	17	8	10	5	4	9	11	7	11	12	7	9	12	13	8	4	1	171	307	478
58				4	12	11	9	10	12	21	31	22	19	29	8	16	9	14	12	14	8	16	14	19	14	10	7	4	7	7	13	8	10	10	9	8	6	10	9	6	4	145	307	452
59				4	9	12	10	11	7	24	27	33	21	17	7	12	10	13	25	12	12	17	11	12	14	7	9	9	6	12	8	16	7	9	15	9	10	11	10	4	2	141	322	463
60				4	5	6	8	13	11	12	28	24	18	18	10	8	10	11	12	16	13	14	6	9	14	3	3	8	1	14	7	6	3	3	8	6	8	7	2	3	3	103	252	355
61					10	8	11	6	10	12	40	21	13	18	7	9	6	11	8	12	8	21	10	15	9	2	3	7	5	7	4	7	9	1	5	3	4	3	4	2	3	92	242	334
62				2	5	7	7	6	7	17	26	17	12	17	12	9	10	11	9	8	6	12	13	6	10	9	3	10	6	7	8	13	4	8	4	6	4	4	2		5	89	233	322
63				1	4	11	6	7	12	10	26	15	22	15	8	11	13	8	9	10	12	11	11	7	10	5	3	3	5	13	8	6	6	4	4	5	2	5	4	2	1	87	228	315
64					3	6	4	6	8	11	14	24	12	16	2	4	7	16	14	14	8	9	8	5	9	7	5	5	1	9	7	4	7	2	8	4	4	2	1	1	4	75	196	271
65				1		5	4	5	4	2	16	17	8	5	4	4	4	5	4	3	3	6	4	2	2	3	1	3	2	3	3	7	4	4	3	1	1		1			37	107	144
66				1	1	3	1	4	4	4	9	9	6	3	1	3	2	2	7	3	2	5	6	6	2	3	2	1	1		2	4	2	2	3	3	2		1	1	1	28	83	111
67					1	4	1	4	2	2	12	11	3	7	2	2	1	4	5	2	1	1	5	4	1	2	2	1		1	3		3	2	2	4	2		1			21	77	98
68						1		3		1	7	9	6	2	2	2	1	1	3	1	2	4	1	2	4		3	2		3	2	1	3		2		3	1				14	58	72
69					2	2	2		2	1	4	3	8	2	1	1	1		2			3		2	1	1		3		2		1	2	1	1	2	2	1	1	2	2	14	44	58
70+					1	1	1	1	1	1	4	3		3		2	2	1	2		2		1	1	2	2	1	1		1	1	5	2	2		1	2					15	32	47
M				87	151	136	148	152	148	182	324	239	194	187	88	71	106	68	100	99	80	92	95	76	98	63	49	58	20	73	95	97	103	68	95	50	51	49	28	18	12	3,850		
F				114	226	204	206	203	224	314	611	521	393	396	150	215	179	205	296	211	202	300	270	204	185	118	99	137	63	141	141	138	99	86	69	58	54	35	20	8	14		7,109	
T				201	377	340	354	355	372	496	935	760	587	583	238	286	285	273	396	310	282	392	365	280	283	181	148	195	83	214	236	235	202	154	164	108	105	84	48	26	26			10,959

Personnel Information (continued)

Distribution of Personnel by Age

Sears Canada Inc.
Sears Canada Inc. Registered Retirement Plan



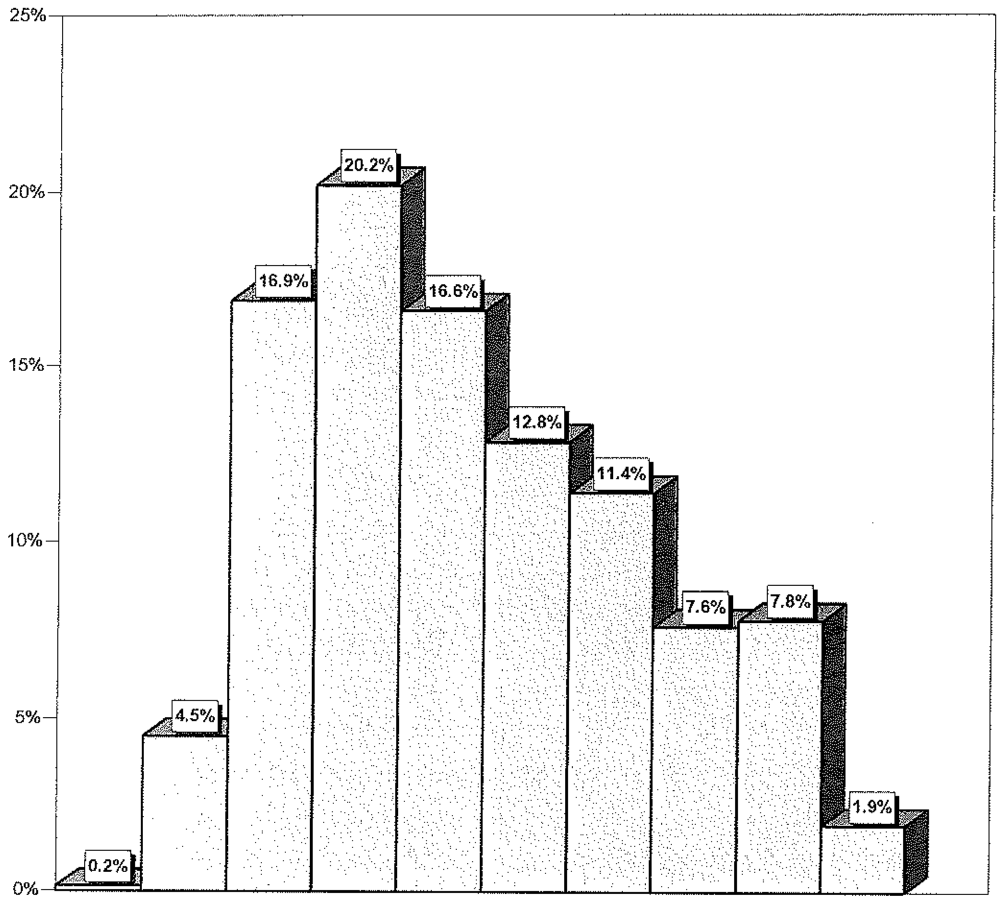
Age:	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+	Total
Number	0	20	239	471	736	1,047	1,664	2,356	2,299	1,597	530	10,959
Average Pay	0	32,125	35,794	41,691	41,665	41,903	40,708	41,755	38,311	33,322	29,844	38,926
Average Service	0.0	5.0	6.8	9.2	11.4	14.4	16.1	19.0	19.5	18.7	18.8	16.9

Detail of Employees 55 & Over

Age	55	56	57	58	59	60	61	62	63	64	65	66+
Number	402	504	478	452	463	355	334	322	315	271	144	386
Average Pay	38,224	39,041	40,663	36,235	37,191	34,120	34,462	33,157	32,162	32,416	31,070	29,386
Average Service	18.4	20.0	19.6	19.4	19.9	18.6	17.9	19.2	18.5	19.1	17.8	19.2

Distribution of Personnel
By Expected Service At Age 65
(Based Upon Personnel Age 55 And Over)

Sears Canada Inc.
Sears Canada Inc. Registered Retirement Plan



Service:	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45+	Total
Number	7	199	748	895	735	568	504	338	346	86	4,426
Average Pay	34,028	32,087	32,958	32,311	32,582	33,425	35,356	40,407	52,152	51,869	35,497
Average Service At Age 65*	4.2	7.9	12.5	17.5	22.3	27.4	32.3	37.4	42.3	46.0	24.0

* Or Current
Age if Older

Plan Provisions—Defined Benefit Plan

History

Sears Canada Inc., formerly Simpsons-Sears Limited, established the Supplementary Pension Plan on January 1, 1971.

The Supplementary Pension Plan was incorporated into the Guaranteed Retirement Income Plan from January 1, 1976.

The Guaranteed Retirement Income Plan was incorporated into and superseded by the Sears Canada Inc. Registered Retirement Plan on January 1, 1987.

The Sears Canada Inc. Registered Retirement Plan (the "SRRP") ceased defined benefit service accrual and introduced a defined contribution provision with effect on and after July 1, 2008.

Eligibility

Effective July 1, 2008, no new employees may join the Defined Benefit component of the Plan.

Member Contributions

Members ceased contributions to the defined benefit plan effective July 1, 2008.

Interest is credited on members contributions to the plan prior to July 1, 2008 according to:

Non-Quebec Members
The average of the yields on 5-year trust company guaranteed investment certificates, published in the Bank of Canada Review as CANSIM Series B14080, over the most recent twelve month period.

Quebec Members
The average annual rate of return of the fund, less investment expenses and administrative costs, over the 36 month period ending at the end of each calendar year quarter.

Plan Provisions—Defined Benefit Plan (continued)

Normal Retirement

Eligibility	The last day of the month in which the member attains age 65.

Benefit

Benefit With Respect to SRRP Service on and after January 1, 1987
The sum of a) and b) multiplied by the Pensionable Service on and after January 1, 1987 until July 1, 2008:

a) 1% of the Three-Year Final Average Earnings up to the Three-Year Final Average YMPE, minus 20% of the Three-Year Final Average YMPE; PLUS

b) 1.75% of the Three-Year Final Average Earnings in excess of the Three-Year Final Average YMPE.

Benefit With Respect to GRIP Service before January 1, 1987
For Members not employed in Saskatchewan or Manitoba:
1.75% of the Five-Year Final Average Earnings per year of GRIP Pensionable Service; MINUS

the "other pension benefits" defined as the sum of a), b) and c) below:

a) the Member's Retirement Security Plan Pension;

b) the Member's Profit Sharing Annuity; and

c) the sum of Old Age Security Benefit plus the Canada (Quebec) Pension Plan Benefit, multiplied by the GRIP Pensionable Service, to a maximum of 40, divided by 40.

For Members employed in Saskatchewan or Manitoba:
1.25% of the Five-Year Final Average Earnings up to the Five-Year Final Average YMPE, per year of GRIP Pensionable Service; PLUS

1.75% of the Five-Year Final Average Earnings in excess of the Five-Year Final Average YMPE, per year of GRIP Pensionable Service; MINUS

the "other pension benefits" defined as the sum of a), b) and c) below:

a) the Member's Retirement Security Plan Pension;

b) the Member's Profit Sharing Annuity; and

c) the Canada (Quebec) Pension Plan benefit, multiplied by the GRIP Pensionable Service, to a maximum of 40, divided by 40.

Plan Provisions—Defined Benefit Plan (continued)

Normal Form of Pension

Members Without a Spouse at Retirement:
Life Annuity guaranteed for 120 months.

Members With a Spouse at Retirement:
Joint and 2/3 Survivor Pension, guaranteed for 120 months. The benefit is actuarially equivalent to the pension payable to a member without a spouse at retirement.

Early Retirement

Eligibility

The last day of any month after the member has attained age 55.

Benefit

The Normal Retirement Benefit accrued to the early retirement date, and reduced by:

Continuous Service	Reduction
Service<10	¼% for each month before NRD; plus ¼% for each month before age 60
10<=Service<25	¼% for each month before age 62; plus ¼% for each month before age 60
25<=Service<30	½% for each month before age 60
Service>=30	¼% for each month before age 60

In calculating the Early Retirement Benefit with respect to the GRIP service, the above reduction is not applied to the "other pension benefits".

Bridge Benefit

Benefit

For Members not employed in Saskatchewan or Manitoba:
The sum of Old Age Security Benefit plus the Canada (Quebec) Pension Plan Benefit, multiplied by the GRIP Pensionable Service, to a maximum of 40, divided by 40.

For Members employed in Saskatchewan or Manitoba:
0.50% of the Five-Year Final Average Earnings up to the Five-Year Final Average YMPE, per year of GRIP Pensionable Service, reduced by the above Early Retirement Factor; PLUS

The Canada Pension Plan Benefit, multiplied by the GRIP Pensionable Service, to a maximum of 40, divided by 40.

Bridge Benefit (continued)

Form of Payment

Members Without A Spouse At Retirement:
Temporary annuity payable for the member's lifetime, until age 65.

Members With A Spouse At Retirement:
Temporary annuity payable for the member's lifetime, until age 65. If the member dies prior to age 65, the surviving spouse will continue to receive 2/3 of the Bridge Benefit for his/her lifetime, until the deceased member would have turned age 65.

Postponed Retirement

A member may retire on the last day of any month up to November 30 of the year he turns age 71.

The Retirement Benefit is the greater of a) and b) below:

a) Normal Retirement Benefit calculated to Actual Retirement Date.

b) Normal Retirement Benefit calculated using Service to NRD, and actuarially increased to Actual Retirement Date.

Termination Benefit

Benefit

A member who terminates prior to age 55 is entitled to either his accrued retirement benefit deferred to age 65, or to transfer a lump-sum value of his deferred pension to a locked-in retirement income equal to the sum of a) and b) below:

(a) the Commuted Value of his deferred pension.

(b) the Member's excess contributions including accumulated interest.

Minimum Transfer Value
The lump-sum value calculated above can not be less than 150% of the Member's required contributions made before July 1, 2008, with accumulated interest.

Early Commencement

The Termination Benefit is calculated in the same manner as the Early Retirement Benefit provided that the early retirement reduction is determined based on the Member's Continuous Service being deemed to be the length of the Member's completed Continuous Service as if the Member had continued in active employment until his pension commencement date.

Death Benefit

Before Retirement

The Commuted Value of benefit entitlement for SRRP service on and after January 1, 1987 and before July 1, 2008, and for GRIP service before January 1, 1987, determined as if the member had terminated immediately prior to death.

After Retirement

Based on the form of pension elected by the member at retirement.

Postretirement Inflation Adjustment

Eligibility

a) Any Member who retired prior to January 1, 2001 and was eligible for an immediate pension at the time of retirement.

b) Any Member who terminated after December 31, 2000 and was eligible for either an immediate or deferred pension on termination.

c) Any Beneficiary of a Member under a) or b) above.

Commencement

The postretirement inflation adjustments commence on the January 1 immediately following the Member's 65^{th} birthday.

Amount of Adjustment

The inflation adjustment equals 75% of the increase in the CPI over 2%.

The inflation adjustment cannot exceed the lesser of 12% and the estimated average base pay increases to active employees in the prior year.

Supplementary Inflation Adjustment

If the inflation adjustment has been restricted for one or more years to the maximum, the Company may declare a supplementary inflation adjustment in any subsequent year, if, and to the extent that the "maximum percentage increase" for that year exceeds the percentage increase calculated according to the maximum formula, with the further restriction that such supplementary inflation adjustment when added together with all previous inflation adjustments, shall not exceed the total cumulative allowable percentage increases calculated according to the maximum formula.

Definitions

Pensionable Earnings	The total earnings consisting of wages, salaries, overtime, bonuses, overwrites, commissions, vacation pay and illness allowances. It excludes the value of an Employee's taxable benefits and any long-term incentives and other elements of compensation that the Company expressly excludes.
3-Year Final Average Earnings	The average of the three consecutive years of highest Pensionable Earnings during the last ten years of Continuous Service.
5-Year Final Average Earnings	The average of the five years of highest Pensionable Earnings during the last ten years of Continuous Service.
3-Year Final Average YMPE	The average of the Year's Maximum Pensionable Earnings in the last three years of Continuous Service.
5-Year Final Average YMPE	The average of the Year's Maximum Pensionable Earnings in the last five calendar years of Continuous Service.
Inflation Adjusted Career Average Earnings	The average of the Pensionable Earnings on or after January 1, 1987, with each year of earnings adjusted based on the cumulative change in the Consumer Price Index, excluding the change in the CPI in the previous calendar year. Each inflation adjustment can not exceed the increase in the Average Industrial Wage during the same period.

Plan Provisions—JP Morgan Transferred Members

Transition Date	Hourly Transferred Members: December 18, 2005 Salaried Transferred Members: January 1, 2006
Retirement Benefit	The lifetime and bridge benefits determined based on Pensionable Service, Earnings, and YMPE at the Transition Date. Continuous Service continues while employed by the Purchaser. The benefits are increased based on Increases in the Average Industrial Wage from the Transition Date to the date of retirement/termination/death, measured by CANSIM II Series VI558664.

Plan Provisions—Defined Contribution Plan

Effective Date

Effective July 1, 2008, the DC component was added to the Plan.

Eligibility

All defined benefit members under the Plan automatically joined DC plan.

Member Contributions

Members may contribute 1% to 7% of earnings.

Members with defined benefit entitlement as of June 30, 2008 (except Manitoba and Nova Scotia) may elect a 0% contribution.

The "default" member contribution if a member does not elect a contribution level is 1% of earnings.

Employer Contributions

The Company matches Member Contributions according to the following table:

Employee	Employer
0.0%	0.0%
1.0%	0.5%
2.0%	1.0%
3.0%	1.5%
4.0%	2.0%
5.0%	2.5%
6.0%	3.0%
7.0%	3.5%

Actuarial Assumptions

Going Concern Valuation Assumptions

The table below summarizes the actuarial assumptions and methods used for the Going Concern Valuation. Based on the terms of this engagement, best estimate assumptions were used. Any margin for adverse deviations is explained in the "Justification for Actuarial Assumptions" section following this section.

	At December 31, 2007	At December 31, 2010
Demographic Assumptions		
Retirement Age		
Active, Disabled, JP Morgan, and Suspended Members	Table A^{old} following.	Table A^{new} following.
Retired Members	Not applicable.	Not applicable.
Deferred Vested Members	Age Member elected at Termination.	Age Member elected at Termination.
Mortality Rates	1994 Uninsured Pensioner Mortality Table with projected mortality improvements to 2015 using Scale AA (sex-distinct rate).	1994 Uninsured Pensioner Mortality Table with fully generational projected mortality improvements (sex-distinct rate).
Withdrawal Rates		
Full-Time	Table B^{old} following.	Table B^{new} following.
Part-Time	Table C^{old} following.	Table C^{new} following
Marital Status		
Non-Retired Members	80% with spouse at retirement; male spouses assumed to be three years	80% with spouse at retirement; male spouses assumed to be three years
Retired Members	Actual marital status and ages are used.	Actual marital status and ages are used.

Actuarial Assumptions (continued)

Going Concern Valuation Assumptions (continued)

	At December 31, 2007	At December 31, 2010
Economic Assumptions		
Discount rate	5.75% per year (net of fees and expense).	5.50%[1] per year (net of fees and expense, and margin for adverse deviations).
Salary Increases		
Full-Time Active, Disabled, JP Morgan and Suspended Members	3.50% per year plus merit. See Table D following.	3.00% per year plus merit. See Table D following.
Part-Time Active Members	3.50% per year plus merit. See Table E following.	3.00% per year plus merit. See Table E following.
Increases in Year's Maximum Pensionable Earnings	3.50% per year	3.00% per year
Increases in ITA Maximum Pension	Actual to 2007, 3.50% per year thereafter.	Actual to 2010, 3.00% per year thereafter.
Increases in Consumer Price Index	2.50% per year.	2.50% per year.
Postretirement Benefit Increases	0.375% per year.	0.375% per year.
Methods		
Actuarial Cost Method	Unit Credit Cost Method (Prorated on Service).	Unit Credit Cost Method (Prorated on Service).
Asset Valuation Method	Market value of assets adjusted to reflect contributions and benefit payments in transit as of the valuation date.	Market value of assets adjusted to reflect contributions and benefit payments in transit as of the valuation date.
Miscellaneous		
Expenses	None (included as a deduction from the discount rate).	Included as a deduction from the discount rate.
Margin for adverse deviations	None	0.35%
Contingent Benefits	None.	None.
Benefits Excluded	None.	None.

[1] The value of the termination benefits is determined using the rates prescribed for calculating pension commuted values in the CIA Standards of Practice. As of the Valuation date, these rates are 3.30% per year for ten years, and 5.00% per year thereafter.

Solvency and Hypothetical Wind Up Valuations Assumptions

The table below summarizes the actuarial assumptions and methods used for the Solvency and Hypothetical Wind Up Valuations.

The postulated scenario is of a complete plant shut-down and termination of employment of all members, and with the Company giving consent for all special early retirement benefits where consent is needed.

	At December 31, 20007	At December 31, 2010
Demographic Assumptions		
Retirement Age		
Active, Disabled, JP Morgan, and Suspended Members	Integral age between ages 55 and 65 that generates the highest lump-sum value.	Integral age between ages 55 and 65 that generates the highest lump-sum value[1].
Retired Members	Not applicable.	Not applicable.
Deferred Vested Members	Age Member elected at termination.	Age Member elected at termination.
Mortality Rates	1994 Uninsured Pensioner Mortality Table with projection scale AA to 2015 (sex-distinct rates).	1994 Uninsured Pensioner Mortality Table with projection scale AA to 2020 (sex-distinct rates).
Withdrawal Rates	Not applicable.	Not applicable.
Marital Status		
Non-Retired Members	80% with spouse at retirement; male spouses assumed to be three years	80% with spouse at retirement; male spouses assumed to be three years
Retired Members	Actual marital status and ages are used.	Actual marital status and ages are used.

[1] As the Plan already gives benefits on termination similar to grow-in (continuous service is deemed to be the length of time as if the Member has continued to pension commencement date), we have valued grow-in benefits for all members.

Actuarial Assumptions (continued)

Solvency and Hypothetical Wind Up Valuations Assumptions (continued)

	At December 31, 2007	At December 31, 2010
Economic Assumptions		
Discount rate for Solvency Liability		
Members in Receipt of or Eligible for Immediate Pension	4.50% per year.	4.48% per year.
Deferred Vested Members	4.10% per year.	4.48% per year.
All Other Members	4.75% per year for ten years; 5.00% per year thereafter.	3.30% per year for ten years; 5.00% per year thereafter.
Discount rate of Solvency Liability Adjustment		
Members in Receipt of or Eligible for Immediate Pension	Not Applicable.	4.58% per year.
All Other Members	Not Applicable.	4.34% per year for ten years; 5.36% per year thereafter.
Postretirement Benefit Increases		
Members in Receipt of or Eligible for Immediate Pension	0.375% per year.	1.00% per year.
All Other Members	0.25% per year.	0.000% per year for ten years; 0.525% per year thereafter.

Based on the Canadian Institute of Actuaries' Guidance and information such as pension legislation, Plan provisions and Plan experience, we have made the following assumptions regarding how the Plan's benefits would be settled on Plan Wind Up:

	Percent of Liability Assumed to be Settled By Purchase of Annuities	Percent of Liability Assumed to be Settled By Lump-Sum Transfer
Members Not Retirement Eligible at Valuation Date:		
Active, Disabled, JP Morgan, Suspended, and Deferred Vested Members	20%	80%
Members Currently Retirement Eligible at Valuation Date:		
Active, Disabled, JP Morgan, Suspended, and Deferred Vested Members	100%	0%
Retired Members and Beneficiaries	100%	0%

Actuarial Assumptions (continued)

Solvency and Hypothetical Wind Up Valuations Assumptions (continued)

	At December 31, 2007	At December 31, 2010
Methods		
Actuarial Cost Method	Unit Credit Cost Method (Prorated on Service)	Unit Credit Cost Method (Prorated on Service)
Asset Valuation Method	Market value of assets adjusted to reflect contributions and benefit payments in transit as of the valuation date.	Market value of assets adjusted to reflect contributions and benefit payments in transit as of the valuation date. Market gains and losses (i.e., the difference between the actual investment return and the assumed rate of 5.50% per year) are phased in over five years.
Miscellaneous		
Wind Up Expenses	$4,000,000.	$4,000,000.
Contingent Benefits	None.	None.

Actuarial Assumptions (continued)

Table A^{new}
Retirement Rates

Age	Credited Service < 20 years	Credited Service > 20 years
54	0%	0%
55	5%	12%
56	5%	10%
57	10%	10%
58	10%	15%
59	10%	15%
60	20%	25%
61	15%	20%
62	15%	20%
63	15%	25%
64	20%	100%
65	100%	100%
66	100%	100%
67	100%	100%
68	100%	100%
69	100%	100%

Table A^{old}
Retirement Rates

Age	Credited Service < 20 years	Credited Service > 20 years
54	0%	0%
55	10%	15%
56	10%	12%
57	10%	12%
58	10%	15%
59	10%	15%
60	15%	25%
61	15%	15%
62	15%	15%
63	15%	15%
64	20%	25%
65	35%	35%
66	20%	20%
67	20%	20%
68	20%	20%
69	100%	100%

Actuarial Assumptions (continued)

Table B^{new}

Full-Time Withdrawals Per 1,000 Members

Present Age	Male	Female	Present Age	Male	Female
15	235	233	35	134	145
16	235	233	36	138	140
17	235	233	37	122	135
18	235	233	38	116	130
19	229	228	39	110	124
20	223	223	40	104	119
21	217	218	41	98	114
22	211	212	42	93	109
23	205	207	43	87	104
24	199	202	44	81	99
25	193	197	45	75	93
26	187	192	46	69	88
27	181	187	47	63	83
28	176	181	48	57	78
29	170	176	49	51	73
30	164	171	50	45	67
31	158	166	51	39	62
32	152	161	52	33	57
33	146	156	53	27	52
34	140	150	54	21	47
			55 and over	0	0

Table B^{old}

Full-Time Withdrawals Per 1,000 Members

Present Age	Male	Female	Present Age	Male	Female
15	117	117	35	67	73
16	117	117	36	64	70
17	117	117	37	61	67
18	117	117	38	58	65
19	114	114	39	55	62
20	111	111	40	52	60
21	109	109	41	49	57
22	106	106	42	46	54
23	103	104	43	43	52
24	100	101	44	40	49
25	97	98	45	37	47
26	94	96	46	34	44
27	91	93	47	31	42
28	88	91	48	29	39
29	85	88	49	26	36
30	82	86	50	23	34
31	79	83	51	20	31
32	76	80	52	17	29
33	73	78	53	14	26
34	70	75	54	11	23
			55 and over	0	0

Table C^{new}
Part-Time Withdrawals Per 1,000 Members

Present Age	Male	Female	Present Age	Male	Female
15	294	285	35	200	189
16	294	285	36	194	183
17	294	285	37	189	178
18	294	285	38	183	172
19	288	279	39	177	166
20	283	273	40	172	161
21	277	268	41	166	155
22	272	262	42	161	149
23	266	257	43	155	144
24	261	251	44	150	138
25	255	245	45	144	133
26	250	240	46	139	127
27	244	234	47	133	121
28	239	228	48	128	116
29	233	223	49	122	110
30	227	217	50	116	104
31	222	211	51	111	99
32	216	206	52	105	93
33	211	200	53	100	87
34	205	195	54	94	82
			55 and over	0	0

Actuarial Assumptions (continued)

Table C^{old}
Part-Time Withdrawals Per 1,000 Members

Present Age	Male	Female	Present Age	Male	Female
15	196	190	35	133	126
16	196	190	36	129	122
17	196	190	37	126	118
18	196	190	38	122	115
19	192	186	39	118	111
20	189	182	40	115	107
21	185	179	41	111	103
22	181	175	42	107	100
23	177	171	43	104	96
24	174	167	44	100	92
25	170	164	45	96	88
26	166	160	46	92	85
27	163	156	47	89	81
28	159	152	48	85	77
29	155	148	49	81	73
30	152	145	50	78	70
31	148	141	51	74	66
32	144	137	52	70	62
33	141	133	53	67	58
34	137	130	54	63	55
			55 and over	0	0

Actuarial Assumptions (continued)

Table D
Full-Time Merit Increases

Present Age	Unisex	Present Age	Unisex
15	5.60%	35	2.50%
16	5.60%	36	2.36%
17	5.60%	37	2.22%
18	5.60%	38	2.08%
19	5.60%	39	1.94%
20	5.60%	40	1.80%
21	5.60%	41	1.64%
22	5.60%	42	1.48%
23	5.60%	43	1.32%
24	5.60%	44	1.16%
25	5.00%	45	1.00%
26	4.74%	46	0.90%
27	4.48%	47	0.80%
28	4.22%	48	0.70%
29	3.96%	49	0.60%
30	3.70%	50	0.50%
31	3.46%	51 and over	0.00%
32	3.21%		
33	2.97%		
34	2.73%		

Actuarial Assumptions (continued)

Table E
Part-Time Merit Increases

Present Age	Unisex	Present Age	Unisex
15	2.06%	40	1.71%
16	2.06%	41	1.69%
17	2.06%	42	1.67%
18	2.06%	43	1.64%
19	2.06%	44	1.62%
20	2.06%	45	1.60%
21	2.06%	46	1.57%
22	2.06%	47	1.55%
23	2.06%	48	1.53%
24	2.06%	49	1.50%
25	2.06%	50	1.48%
26	2.04%	51	1.46%
27	2.01%	52	1.43%
28	1.99%	53	1.41%
29	1.97%	54	1.39%
30	1.94%	55	1.41%
31	1.92%	56	1.37%
32	1.90%	57	1.34%
33	1.87%	58	1.30%
34	1.85%	59	1.27%
35	1.83%	60	1.23%
36	1.80%	61	1.20%
37	1.78%	62	1.16%
38	1.76%	63	1.13%
39	1.73%	64	1.09%
		65	1.06%
		66	1.02%
		67 and over	1.00%

Justification of Actuarial Assumptions—Going Concern Valuation

Retirement Age

Retirement rates are typically developed taking into account the past experience of the Plan. Accordingly, the rates of retirement have been developed as our expectation of the best-estimate rates of retirement based on the plan provisions and plan experience in recent years.

The Plan has heavily subsidized early retirement provisions, especially for members with long service. The Plan also provided a temporary bridge pension. Accordingly, pension commencement age is an important factor in Plan costs. Plan experience between 2008 and 2010 indicates that the old retirement table may have been too weak at earlier ages. The experience also indicated that a large number of members were choosing to defer retirement past age 65. We expect to see this trend continue as members with a larger portion of their total retirement benefit under the Defined Contribution Component of the Plan approach retirement.

Based on plan experience we have increased the expected rates of retirement at the earlier ages, and have extended the table past age 65. The new retirement age table is shown in the Actuarial Assumptions section of this report.

Mortality Table

The 1994 Uninsured Pensioner Mortality Table reflects the mortality experience as of 1994 for a large sample of North American pension plans. Applying generational projection, using scale AA provides allowance for improvements in mortality after 1994 and is generally considered reasonable for projecting mortality experience into the future. This table is commonly used for valuations where the mortality experience of the membership of a plan is insufficient to assess plan specific experience and where there is no reason to expect the mortality experience of the plan to differ significantly from that of other pension plans. Both of these are true for this plan and, therefore, the use of this mortality table is considered reasonable.

Termination of Employment

On termination, members retain their eligibility for early retirement subsidies, including the temporary bridge benefit. Plan experience between 2008 and 2010 indicates the old termination assumption was too weak at all ages. Actual plan termination experience was 2-3 times more than expected for full-time members, and somewhat less pronounced for part-time members.

Based on the plan experience, we have increased the expected rates of termination at all ages for both full-time and part-time members. The new termination table is shown in the Actuarial Assumptions section of this report.

Option Elections on Termination

We have assumed 100% of members will elect a deferred annuity on termination.

Percentage with Spouse and Spousal Age Difference

This assumption is only relevant to the valuation of benefits payable for retirements, if there is a subsidized Joint and Survivor benefit available for members with a spouse. The Plan does not subsidize the Joint and Survivor lifetime benefit payable to members on retirement. The temporary bridge benefit has a Joint and Survivor subsidy but makes up a small portion of a member's overall benefit. The spousal age difference was based on broad population statistics.

The spousal partner assumption has very little impact on the valuation results.

Justification of Actuarial Assumptions—Going Concern Valuation (continued)

Discount Rate

The discount rate reflects the best estimate of the rate of return on the pension fund assets, net of investment expenses and Plan fees of 0.20%, less a 0.35% margin for adverse deviations. The resulting rate of return is 5.50%, when rounded to the nearest quarter percent.

The best-estimate rate of return was developed using best-estimate returns for each major asset class in the Plan's target asset mix and then using a building block approach, based on the plan's investment policy, to develop an overall best-estimate rate of return for the entire pension fund. Any active management gains are assumed to be offset by active management expenses.

The rate of return has been established based on the Company's investment policy, funding policy and objectives. There may be some barriers to achieving this return such as inflation higher than expected, asset returns lower than expected, and assets and liabilities that are mismatched. The discount rate reflects the Company's investment policy combined with a margin for adverse deviations so as to account for the variables mentioned above.

Non-Investment Expenses

The discount rate was established with an adjustment of 0.20% for investment and non-investment expenses.

Inflation

The assumption reflects a rate of approximately 2.50% implicit in the market yields of Government of Canada real return and nominal return bonds as at the valuation date.

Productivity Growth

We have assumed productivity growth in the Canadian economy will be 0.50% per annum. The assumption reflects our best estimate, which is consistent with historical productivity growth.

Increases in the YMPE

We have assumed future increases to the YMPE will be 3.00% per annum. The assumption reflects an assumed rate of inflation of 2.50% per annum plus an allowance of 0.50 % per annum for the effect of productivity growth in the Canadian economy.

Increases in the Income Tax Act (Canada) Maximum Pension

The *Income Tax Act (Canada)* maximum pension is scheduled to increase from its 2010 level of $2,494.44 per year of service to $2,552.22 per year of service in 2011, after which we have assumed future increases of 3.00% per annum. The assumption reflects an assumed rate of inflation of 2.50% per annum plus an allowance of 0.50% per annum for the effect of productivity growth in the Canadian economy.

Salary Increases

We have assumed future salary increases will be 3.00% per annum plus merit and promotion increases. The assumption reflects an assumed rate of inflation of 2.50% per annum plus an allowance of 0.50% per annum for the effect of productivity growth. In addition to the base rate, we assume rates of increase as a result of individual employee merit and promotion based on a scale which varies by age as shown in Tables D and E of the Actuarial Assumptions section of this report. The merit and promotion scale is based on plan experience, as developed by the prior actuary. We will continue to monitor the plan experience in the next few years to determine if these rates remain appropriate.

Justification of Actuarial Assumptions—Going Concern Valuation (continued)

Interest Credited on Member Contributions

Interest is credited on member contributions at 5.50%. The assumption reflects the expected long term return on assets.

Margin for Adverse Deviations

The actuary has discussed the Plan's experience with the Company and compared it to the expected experience. This review indicates that there is a need for use of margin for adverse deviations. The margin for adverse deviations incorporated in the assumptions reflects this review. The actuary has discussed with the Company the implications of incorporating margin for adverse deviations and the Company is fully cognizant and supports incorporating margin for adverse deviations.

The discount rate assumption reflects an explicit margin for adverse deviations of 0.35%.

Asset Valuation Method Considerations

Market Value, adjusted for in-transit cash flows, was used as the actuarial value of assets for this valuation. This method is unchanged from the previous valuation.

Justification of Actuarial Assumptions—Solvency and Hypothetical Wind Up Valuations

Benefits Valued

	Solvency Valuation	Hypothetical Wind Up Valuation
Vesting	We have treated all accrued benefits as vested on Plan Wind Up.	We have treated all accrued benefits as vested on Plan Wind Up.
Consent Benefits	None.	None.
Grow-In Benefits	As the Plan already gives benefits on termination similar to grow-in (continuous service is deemed to be the length of time as if the Member has continued to pension commencement date), we have valued grow-in benefits for all members.	As the Plan already gives benefits on termination similar to grow-in (continuous service is deemed to be the length of time as if the Member has continued to pension commencement date), we have valued grow-in benefits for all members.
Exclusions	None.	None.
Indexing	We have not valued indexation, in accordance with legislation.	Post-retirement indexation has been valued on hypothetical wind up.

Method of Benefit Settlement

We have assumed that all Plan benefits would be settled on Plan Wind Up either by purchase of single premium annuities or by lump-sum transfer (including payment in cash).

We have set the following assumptions based on guidance prepared by the Canadian Institute of Actuaries Committee on Pension Plan Financial Reporting ("PPFRC") in the Educational Note *Assumptions for Hypothetical Wind Up and Solvency Valuations with Effective Dates Between December 31, 2010 and December 30, 2011* ("CIA Guidance") released on May 10, 2011.

- For benefit entitlements that are expected to be settled by purchase of annuities, we based the assumptions on information compiled by the PPFRC from insurance companies active in the group annuity market. For this purpose, we have assumed a total premium of at least $15 million.
- For benefit entitlements that are expected to be settled by lump-sum transfer, we based the assumptions on the Canadian Institute of Actuaries Standards of Practice for Determining Pension Commuted Values, effective April 1, 2009, using rates corresponding to a valuation date of December 31, 2010.

Justification of Actuarial Assumptions—Solvency and Hypothetical Wind Up Valuations (continued)

Assumptions

Members in receipt of, or eligible for, immediate pension:

Discount rate: 4.48% per year	We have assumed these benefits would be settled by purchase of immediate non-indexed annuities.
Postretirement Mortality: 1994 Uninsured Pensioner Mortality Table with projection scale AA to 2020 (sex-distinct rates)	The CIA Guidance states that the combination of the discount rate and mortality assumption are believed to provide a reasonable proxy of annuity purchase rates on the valuation date.
Discount rate for Solvency Liability Adjustment: 4.58% per year	The discount rate used to calculate the Solvency Liability Adjustment is a smoothed discount rate, being the average of the monthly discount rates of the past five years.
Pension Commencement Age: Age on valuation date	

All other members for whom benefits are assumed to be settled by purchase of annuities:

Discount rate: 4.48% per year	We have assumed these benefits would be settled by purchase of deferred non-indexed annuities.
Postretirement Mortality: 1994 Uninsured Pensioner Mortality Table with projection scale AA to 2020 (sex-distinct rates)	The CIA Guidance states that the combination of the discount rate and mortality assumption are believed to provide a reasonable proxy of annuity purchase rates on the valuation date.
Discount rate for Solvency Liability Adjustment: 4.58% per year	The discount rate used to calculate the Solvency Liability Adjustment is a smoothed discount rate, being the average of the monthly discount rates of the past five years.
Pension Commencement Age: Integer age between 55 and 65 that produces the highest value	

Justification of Actuarial Assumptions—Solvency and Hypothetical Wind Up Valuations (continued)

Assumptions (continued)

All members for whom benefits are assumed to be settled by lump-sum transfer or cash:

Discount rate:
first 10 years: 3.30% per year
thereafter: 5.00% per year

Postretirement Mortality:
1994 Uninsured Pensioner Mortality Table with projection scale AA to 2020 (sex-distinct rates)

Discount rate for Solvency Liability Adjustment:
first 10 years: 4.34% per year
thereafter: 5.36 % per year

The discount rate used to calculate the Solvency Liability Adjustment is a smoothed discount rate, being the average of the discount rates over the 60 months ending December 31, 2010.

Pension Commencement Age:
Active members and disabled members accruing benefits: Integer age between 55 and 65 that produces the highest value

Deferred Vested members: Age 65

Retired members and surviving spouses: age on valuation date

Assumptions Not Needed

The following are not relevant to the Solvency or Hypothetical Wind up Valuation:

- Disability Rates

Plan Wind Up Expenses

Plan Wind Up expenses would normally include such items as fees related to preparation of the actuarial Wind Up report, fees imposed by a pension supervisory authority, legal fees, administration, custodial and investment management expenses. We have assumed these fees would be $4,000,000. We have not made an allowance for expenses related to surplus or deficit resolution. We have assumed that the Company will still be solvent on the wind up of the plan.

Calculation of Special Solvency Payments

We used a discount rate of 4.53% to calculate the special payments necessary to liquidate the solvency deficiency. This rate is a weighted average based on the relative proportions of benefit entitlements that are expected to be settled by purchase of annuities and lump-sum transfer.

Justification of Actuarial Assumptions—Solvency and Hypothetical Wind Up Valuations (continued)

Calculation of Solvency Valuation Incremental Cost

The Solvency Incremental Cost represents the present value, at the valuation date (time 0), of the expected aggregate change in the Solvency Liability between time 0 and the next valuation date (time t), adjusted upwards for expected benefit payments between time 0 and time t.

The detailed calculation methodology is as follows:

A projected Solvency Liability at time t, discounted to time 0, allowing for, if applicable to the pension plan being valued:

- expected decrements and related changes in membership status between time 0 and time t,
- accrual of service to time t,
- expected changes in benefits to time t,
- a projection of pensionable earnings to time t,

Minus

The Solvency Liability at time 0.

Plus

The present value at time 0 of expected benefit payments between time 0 and time t, discounted to time 0,

The projection calculation takes into account the following assumptions and additional considerations:

- The assumptions for the expected benefit payments and decrement probabilities, service accruals, and projected changes in benefits and/or pensionable earnings would be consistent with the assumptions used ifor the pension plan's Going Concern Valuation as recommended by the Canadian Institute of Actuaries guidance.
- The assumptions used to calculate the projected liability at time t are consistent with the assumptions for the Solvency Liability at time 0, assuming that discount rates remain at the levels applicable at time 0, that the select period is reset at time t for discount rate assumptions that are select and ultimate and that the Standards of Practice for the calculation of commuted values and the guidance for estimated annuity purchase costs in effect at time 0 remain in effect at time t.
- Active and inactive plan members as of time 0 are considered in calculating the incremental cost.

Actuarial Assumptions (continued)

Justification of Actuarial Assumptions—Solvency and Hypothetical Wind Up Valuations (continued)

Methods

Actuarial Cost Method

Unit Credit (Prorated on Service) Cost Method.

Asset Valuation Method

Market value of assets adjusted to reflect contributions and benefit payments in transit as of the valuation date. Market gains and losses (i.e., the difference between the actual investment return and the assumed Going Concern Valuation discount rate) are phased in over five years.

Discussion of Actuarial Assumptions and Methods

Ultimate Cost

The ultimate cost of a pension plan can be measured only when the obligation to all members has been fully discharged. The cost will then be:

The benefits paid from the plan
plus
administrative expenses
less
investment gains
plus
investment losses.

The actuarial process assigns pension costs to the current year by estimating, based on both current and future service, the benefits to be paid to current Plan members. These estimates are determined through an actuarial valuation which uses three basic elements to project payments from the Plan:

- Benefit provisions of the Plan;
- Data on the present workforce, terminated vested, and retired members; and
- Credit predictions (i.e., actuarial assumptions) about the future as it applies to this workforce.

Actuarial Assumptions

The first step in the actuarial process is to determine the magnitude of the pension liability by determining the benefits expected to be paid. To determine how many members will become eligible for benefits, what benefits will be paid, and how long benefits will be paid, it is necessary to make some economic and demographic predictions (usually called actuarial assumptions) such as:

- An assumed retirement age predicting when members will begin to receive retirement benefits;
- A mortality rate predicting the number of members who will die before retirement and the duration of benefit payments after retirement;
- A withdrawal rate predicting the number of members who will leave the workforce before retirement (sometimes certain kinds of withdrawals, such as disabilities, are predicted separately); and
- If the benefits are based on compensation, an assumed rate of pay increases predicting members' compensation in future years.

Actuarial Assumptions (continued)

These assumptions are applied to the data for each member to predict the amount of benefits expected to be paid each year in the future. The total future benefit payments in each year are then discounted at a selected discount rate to determine the current amount which, with future investment return, will be sufficient to pay the expected benefits as they become payable. The discounted payments are usually called the present value of future benefits.

Total Future Benefit Payments	
Future Investment Return	**Present Value of Future Benefits**

Actuarial Cost Method
The actuarial method is the mathematical process which determines the contributions required to pay for the present value of future benefits, by allocating costs to the years of a member's career. Some costs are allocated to future years in a member's career (*future service liability*) and other costs are allocated to past years (*past service liability*).

Total Future Benefit Payments		
Future Investment Return	**Present Value of Future Benefits**	
	Future Service Liability	**Past Service Liability**

There is a fair amount of flexibility in this allocation of costs between future and past. Some methods assign relatively little cost to past years in a member's career, others assign a more significant portion to the past. All methods produce allocations of contributions which will accumulate to an amount sufficient to provide the benefits at retirement. However, the various methods produce widely different allocation of contributions to past and future employment.

Usual terminology refers to the future allocation as the *present value of future Normal Costs* and the past allocation as the *accrued liability*.

Actuarial Assumptions (continued)

The portion of the accrued liability which is not covered by the assets of the Plan is called the *unfunded accrued liability*. The value of the assets used in the actuarial process must take into account fair market value, but this may be done in a way which eliminates much of the short-term fluctuation of market value from one valuation to the next.

Total Future Benefit Payments

Future Investment Return | **Present Value of Future Benefits**

Future Service Liability | **Past Service Liability**

Present Value of Future Normal Costs | **Unfunded Accrued Liability** | **Assets**

For the current year, the method produces a *Normal Cost*. Payment of the Normal Cost each year would eventually discharge all future service liability.

The unfunded accrued liability must also be discharged, and this is done by an *amortization payment*. The amortization payment is flexible, and may be increased or decreased within certain allowable bounds. The sum of both the normal cost and the amortization payment is the current year's pension cost.

Total Future Benefit Payments

Future Investment Return | **Present Value of Future Benefits**

Future Service Liability | **Past Service Liability**

Present Value of Future Normal Costs | **Unfunded Accrued Liability** | **Assets**

Current Service Cost | **Amortization Payment**

Current Year's Contribution

Actuarial Assumptions (continued)

Valuations to determine contributions to the Plan use either the **Unit Credit Cost Method** or the **Unit Credit (Prorated-on-Service) Cost Method or** the **Unit Credit (Prorated-on-Benefits) Cost Method**. All of these methods are described below.

Unit Credit Cost Method

Under this actuarial cost method, the cost attributed to past service/membership is based on the period of service/membership actually earned to the valuation date. The cost attributable to the current year's service/membership is based on the period of service/membership expected to be earned for the year starting from the valuation date.

- The **Total Normal Cost** is determined equal to the present value of the benefit expected to be earned in the year starting from the valuation date.
- The **Accrued Liability, Solvency Liability, and Hypothetical Plan Wind Up Liability** are determined equal to the present value of the benefit actually earned to the valuation date, based on the assumptions used for the going concern, solvency, and hypothetical plan Wind Up valuations respectively.
- The sum of such values for all members determines the Total Normal Cost, the Accrued Liability, the Solvency Liability, and the Hypothetical Plan Wind Up for the Plan.
- Future assumed pay increases are reflected in the Accrued Liability and Total Normal Cost for final average pay plans.
- Where member contributions are required, the calculation of the Total Normal Cost and the Accrued Liability reflect the application of the "100% rule" and/or "50% rule" as appropriate.

The calculations for any disability, termination or death benefits take into consideration that the entitlement to benefits may begin at various future times. Each age prior to retirement has associated with it appropriate probabilities of disability, termination, and death.

Actuarial Assumptions (continued)

Unit Credit (Prorated-on-Service) Cost Method

Under this actuarial cost method, the cost attributed to past service/membership and the current year's service/membership are determined by prorating over all years of service/membership the benefits expected to be paid upon normal retirement under this method.

- The expected pension benefit (based on past and future service/membership) at normal retirement is determined for each member.
- The **Total Normal Cost** is determined equal to the present value of the current year's portion of the member's expected pension benefit. The current year's portion is equal to the expected pension benefit times the ratio of one (1) to the number of years of service/membership from the member's date of hire to his Normal Retirement Date.
- The **Accrued Liability** is determined equal to the present value of the past year's portion of the member's expected pension benefit. The past year's portion is equal to the expected pension benefit times the ratio of the number of years of service/membership from the member's date of hire to the valuation date to the number of years of service/membership from the member's hire date to his Normal Retirement Date.
- The sum of such values for all members determines the Total Normal Cost and the Accrued Liability for the Plan.
- Future assumed pay increases are reflected in the Accrued Liability and Total Normal Cost for final average pay plans.
- Where member contributions are required, the calculation of the Total Normal Cost and the Accrued Liability reflect the application of the "100% rule" and/or "50% rule" as appropriate.

The calculations for any disability, termination, or death benefits take into consideration that the entitlement to benefits may begin at various future times. Each age prior to retirement has associated with it appropriate probabilities of disability, termination, and death.

Unit Credit (Prorated-on-Benefits) Cost Method

Under this actuarial cost method, the cost attributed to past benefits and the current year's benefit are determined by prorating over the total benefits expected to be paid upon normal retirement under this method.

- The expected pension benefit (based on past and future benefits) at normal retirement is determined for each member.

- The **Total Normal Cost** is determined equal to the present value of the current year's portion of the member's expected pension benefit. The current year's portion is equal to the expected pension benefit times the ratio of the benefit expected to be earned in the year starting from the valuation date to the total benefits earned from the member's date of hire to his Normal Retirement Date.

- The **Accrued Liability** is determined equal to the present value of the past year's portion of the member's expected pension benefit. The past year's portion is equal to the expected pension benefit times the ratio of the benefits earned from the member's date of hire to the valuation date to the benefits earned from the member's hire date to his Normal Retirement Date.

- The sum of such values for all members determines the Total Normal Cost and the Accrued Liability for the Plan.

- Future assumed pay increases are reflected in the Accrued Liability and Total Normal Cost for final average pay plans.

- Where member contributions are required, the calculation of the Total Normal Cost and the Accrued Liability reflect the application of the "100% rule" and/or "50% rule" as appropriate.

The calculations for any disability, termination, or death benefits take into consideration that the entitlement to benefits may begin at various future times. Each age prior to retirement has associated with it appropriate probabilities of disability, termination, and death.

Cost Certificate

Sears Canada Inc.
Sears Canada Inc. Registered Retirement Plan (the "Plan")
Registration Numbers: 0360065

This cost certificate is intended to cover the period from December 31, 2010 to December 31, 2013, unless superseded by a subsequent valuation.

On the basis of data that we consider sufficient and reliable, we have prepared a valuation as of December 31, 2010, and we hereby certify that:

- Since the Defined Benefit Component of the Plan ceased service accrual effective July 1, 2008, the estimated Company cost of benefits for current service in the plan year beginning December 31, 2010 is nil.
- The Plan has an Unfunded Accrued Liability of $68,039,000 at December 31, 2010 on a Going Concern Valuation basis.
- The Statutory Unfunded Accrued Liability will be amortized according to the following schedule and will be commenced on December 31, 2011, after application of Option 1 of the Temporary Solvency Relief Measures:

Effective Date of Commencement of Payment	Original Amount at December 31, 2010	Annual Special Payment	Remaining Years	Balance as of December 31, 2011
December 31, 2011	$ 68,039,000	$ 6,977,000	15	$ 71,781,000

- The Plan has a Solvency Deficiency of $205,788,000 and a Statutory Solvency Deficiency of $96,059,000 at December 31, 2010.
- The Solvency Deficiency will be amortized according to the following schedule and will be commenced on December 31, 2011, after application of Option 1 of the Temporary Solvency Relief Measures:

Effective Date of Commencement of Payment	Original Amount at December 31, 2010	Annual Special Payment	Remaining Years	Balance as of December 31, 2010
December 31, 2011	$ 96,059,000	22,365,000	5	$ 100,121,000

- The Plan has a Hypothetical Wind Up Deficiency of $307,330,000 at December 31, 2010.

Cost Certificate (continued)

- The Plan does not have a Prior Year Credit Balance as of December 31, 2010 as defined under Subsection 5(13) to (16) of the Regulations of the *Pension Benefits Act* (Ontario).
- The Transfer Ratio under the *Pension Benefits Act* (Ontario) and its Regulations is 0.80. As such, restrictions may be placed on lump-sum transfers from the pension fund.
- The assessment base determined for the Pension Benefits Guarantee Fund is $123,028,000 at December 31, 2010.
- The pre-1990 maximum pension restrictions in Subsection 8504(6) of the Regulations to the *Income Tax Act* (Canada) do not apply to any members of the Plan.
- To our knowledge, there have been no events from December 31, 2010 (the effective date of this valuation) to the date of this report that would have a material impact on the information provided in this report.

For all the purposes of this valuation, it is our opinion that:

- the data on which the valuation is based are sufficient and reliable;
- the assumptions used are appropriate; emerging experience differing from the assumptions will result in gains or losses which will be revealed in future valuations;
- the methods employed in this valuation are appropriate.

This report has been prepared, and our opinion is given, in accordance with accepted actuarial practice.

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William da Silva
Fellow of the Canadian Institute of Actuaries

Claire Norville-Buckland
Fellow of the Canadian Institute of Actuaries

September 2011

TAB “C”

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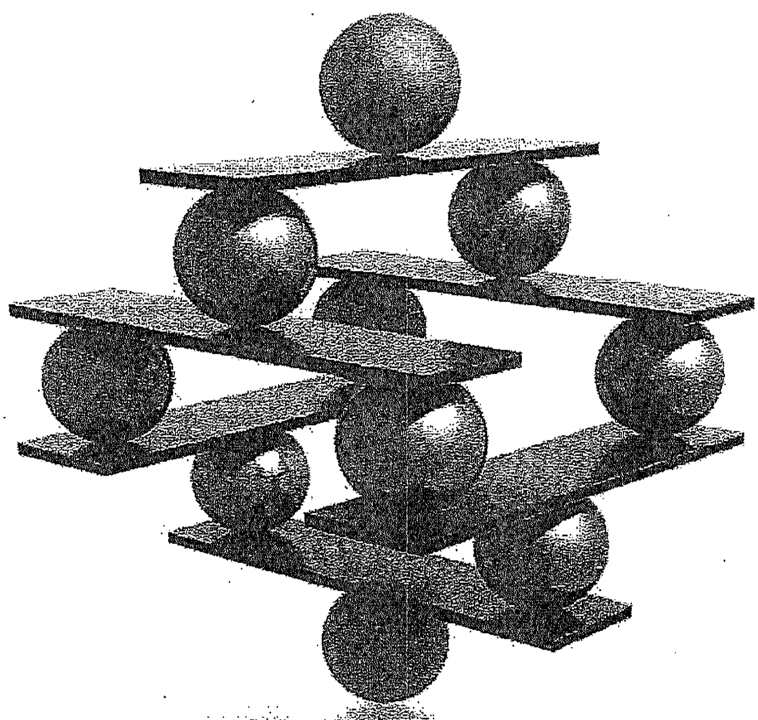
Actuarial Valuation as at December 31, 2013

Sears Canada Inc. Registered Retirement Plan

Regulatory Registration Number: 0360065

June 2014



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Executive Summary

An actuarial valuation has been prepared for the Sears Canada Inc. Registered Retirement Plan (the "Plan") as at December 31, 2013 for the primary purpose of establishing a funding range in accordance with legislative requirements for the Plan until the next actuarial valuation is performed. This section provides an overview of the important results and the key valuation assumptions which have had a bearing on these results. The next actuarial valuation for the purposes of developing funding requirements should be performed no later than as at December 31, 2016.

Summary of Principal Results

Financial Position[1]

	December 31, 2013			December 31, 2010		
(000's)	Going Concern	Solvency	Hypothetical Wind Up	Going Concern	Solvency	Hypothetical Wind Up
Assets	$ 1,301,497	$ 1,296,497	$ 1,296,497	$ 1,242,732	$ 1,238,732	$ 1,238,732
Liabilities	1,286,852	1,372,902	1,429,543	1,310,771	1,444,520	1,546,062
Surplus/(Deficit)	$ 14,645	$ (76,405)	$ (133,046)	$ (68,039)	$ (205,788)	$ (307,330)

Legislative Ratios

	December 31, 2013	December 31, 2010
Solvency Ratio	0.95	0.86
Transfer Ratio	0.90	0.80

Defined Contribution Provision

(000's)	December 31, 2013	December 31, 2010
Account Balance	$ 161,269	$ 103,674
Required Member Contributions	$ 16,000	$ 21,422
Company Normal Cost	$ 8,000	$ 10,710

[1] Results shown prior to adjustment for prior year credit balance, and solvency asset and liability adjustments, where applicable.

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Contribution Requirements

The Company contributions with effect for the three-year period following December 31, 2013 covered by this report, and those for the prior three-year period following the December 31, 2010 report, both of which are within the range outlined in Section 5 and in accordance with legislative requirements, prior to application of the prior year credit balance ("PYCB"), are as follows:

(000's)	December 31, 2013	December 31, 2010
Year 1:		
Company normal cost	$ 0	$ 0
Special payments[1]	13,940	0
Total Company Contribution	**$ 13,940**	**$ 0**
Year 2:		
Company normal cost	$ 0	$ 0
Special payments[1]	20,240	29,342
Total Company Contribution	**$ 20,240**	**$ 29,342**
Year 3:		
Company normal cost	$ 0	$ 0
Special payments[1]	20,240	29,342
Total Company Contribution	**$ 20,240**	**$ 29,342**

[1] In accordance with Regulation, the Company has decided to defer new going concern and solvency special payments established as at December 31, 2013 and December 31, 2010 by 12 months. The Company has also elected temporary funding relief option 4, which re-amortizes existing solvency special payments as at December 31, 2013.

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Key Assumptions

The principal assumptions to which the valuation results are most sensitive are outlined in the following table.

	December 31, 2013		December 31, 2010	
	Going Concern	Solvency/ Hypothetical Wind Up	Going Concern	Solvency/ Hypothetical Wind Up
Discount Rate	5.00% per year	Annuity purchases: 3.80% per year Transfers: 3.00% per year for 10 years, 4.60% per year thereafter	5.50% per year	Annuity purchases: 4.48% per year Transfers: 3.30% per year for 10 years, 5.00% per year thereafter
Postretirement Pension Increases	0.50% per year	(For HWU only) 0.50% per year	0.375% per year	(For HWU only) Annuity purchases: 1.00% per year Transfers: 0% per year for 10 years, 0.525% per year thereafter
Pensionable Earnings	3.00% per year, plus merit	Not applicable	3.00% per year, plus merit	Not applicable
Mortality Table	2014 CPM	UP94 generational	UP94 generational	UP94 at 2020
Retirement Rates				
Active and disabled members	Rates by age	Age that produces the highest lump sum value	Rates by age	Age that produces the highest lump sum value
Deferred vested members	Age member elected at termination	Age member elected at termination	Age member elected at termination	Age member elected at termination

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Section 1: Introduction

Purpose and Terms of Engagement

We have been engaged by Sears Canada Inc., and hereafter referred to as the "Company", to conduct an actuarial valuation of the Plan as at December 31, 2013 for the general purpose of determining the minimum and maximum funding contributions required by pension standards, based on the actuarial assumptions and methods summarized herein. More specifically, the purposes of the valuation are to:

- Determine the financial position of the Plan on a going concern basis as at December 31, 2013;
- Determine the financial position of the Plan as at December 31, 2013 on a solvency and hypothetical wind up basis;
- Determine the funding requirements of the Plan as at December 31, 2013; and
- Provide the necessary actuarial certification required under the *Pension Benefits Act* and the *Income Tax Act.*

The Plan has defined benefit and defined contribution provisions. The defined contribution provision is addressed in Section 6. The rest of the report is in respect of the defined benefit provision unless otherwise indicated.

The results of this report may not be appropriate for accounting purposes or any other purposes not listed above.

The next required valuation will be as at December 31, 2016.

Temporary Funding Relief

Under the temporary funding relief measures adopted by the Government of Ontario in 2009 and 2012, the Company elected options 1 and 4, which, collectively, allowed for the following:

- Deferral of commencement of new special payments identified in the valuation as at December 31, 2010 and December 31, 2013 by up to 12 months; and
- Re-Consolidation of solvency special payments established prior to December 31, 2013, with re-amortization over a new five-year period.

For valuations filed on or after September 30, 2011, option 1 above is no longer a temporary funding relief measure as it has been enacted as part of permanent legislation.

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Summary of Changes Since the Last Valuation

The last such actuarial valuation in respect of the Plan was performed as at December 31, 2010. Since the time of the last valuation, we note that the following events have occurred:

- Effective January 1, 2014, the plan provisions were amended to change the rate of annual postretirement inflation adjustments to pensions in payment for eligible members age 65 and over, from 75% of the increase in the Consumer Price Index over 2%[1], to a fixed rate of 0.5% per year. The first such increase was granted effective January 1, 2014. The solvency and hypothetical wind up results as of December 31, 2013 contained in this report include the pension increase granted on January 1, 2014.
- Effective March 1, 2014, any member who terminates employment and is eligible for an immediate pension at termination, can elect to transfer out the commuted value of his pension entitlement to another locked-in retirement savings vehicle in lieu of receiving an immediate pension from the Plan.
- Effective January 1, 2015, members who voluntarily terminate prior to attainment of age 55 (or involuntarily terminate with cause) will receive the actuarially equivalent value of their pension at age 65 if they choose to retire prior to age 65.
- A business unit of the Sears Travel Group was sold to Thomas Cook Travel, and affected employees were transferred to Thomas Cook Travel as of January 30, 2011. The assets and liabilities with respect to the accrued defined benefit entitlements of affected members remain in the Plan. Details on their defined benefit entitlements under the Plan can be found in Appendix F: Summary of Plan Provisions of this report.

  The assets and liabilities as of January 30, 2011 with respect to the defined contribution entitlements of affected members were transferred to the Thomas Cook Canada Registered Pension Plan for Sears Travel Employees (Registration Number: 1235100) in accordance with regulatory approval.
- A business unit of the Sears Installed Home Improvement Group was sold to SHS Services Management Inc., and affected employees were transferred to SHS Services Management Inc. as of March 3, 2013. The assets and liabilities with respect to the accrued defined benefit entitlements of affected members remain in the Plan. Details on their defined benefit entitlements under the Plan can be found in Appendix F: Summary of Plan Provisions of this report.

  The assets and liabilities as of March 3, 2013 with respect to the defined contribution entitlements of affected members were transferred to the SHS Services Management Inc. Retirement Savings Plan (Registration Number: 1254119) in accordance with regulatory approval.

  As a result of the bankruptcy of SHS Services Management Inc., the transferred employees were terminated in December 2013. These members have been valued as Suspended Members for the purpose of this valuation, i.e., members who have terminated employment but have not yet made an election on how they wish to receive their pension entitlement.
- The Canadian Institute of Actuaries ("CIA") adopted Revised Standards of Practice for Pension Commuted Values for effective dates on or after February 1, 2011. The Revised Standards have been reflected in the results of the solvency and the hypothetical wind up valuation as at December 31, 2013, and are summarized in the Key Assumptions contained herein.

[1] Subject to a maximum increase not greater than the lesser of 12% and the average base pay increase granted to active employees in the prior year.

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- The CIA made revisions to the guidance for assumptions for hypothetical wind up and solvency valuations effective June 30, 2013, with further update dated January 24, 2014. The key changes to the guidance are
  - The cost of purchasing non-indexed annuities are estimated using the duration of the liabilities expected to be settled through the purchase of annuities;
  - The cost of purchasing annuities that are fully indexed to the Consumer Price Index increases are estimated using a discount rate less than the yield on Government of Canada real-return long-term bonds.

Company Information and Inputs

In order to prepare our valuation, we have relied upon the following information:

- The previous valuation report as at December 31, 2010;
- The interim valuations prepared for management at December 31, 2011 and December 31, 2012;
- Membership data compiled as at December 31, 2013 by the Company;
- Asset data taken from the Plan's audited financial statements; and
- A copy of the latest plan text and amendments up to and including January 31, 2014.

Furthermore, our actuarial assumptions and methods have been chosen to reflect our understanding of the Company's desired funding objectives with due respect to accepted actuarial practice and regulatory constraints.

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Subsequent Events

As of the date of this report, we have not been made aware of any subsequent events which would have an effect on the results of this valuation. However, the following points should be noted in this regard:

- The CIA has completed a study of Canadian pensioner mortality levels and trends. Some conclusions of the study are:
  - The 1994 Uninsured Pensioner ("UP94") mortality table together with generational improvements using Scale AA overstates average Canadian pensioner mortality rates, and therefore understates expected future pension payments for many plans; and
  - More rapid improvements in longevity have been observed than suggested by Improvement Scale AA.

  The results of the CIA pensioner mortality study do not yet have an impact on the solvency basis results. The liability for the portion of the solvency benefits assumed to be settled by annuity purchase is determined based on premiums charged by a life insurance company and will not be affected because life insurance companies already reflect these observed improvements in life expectancy in their pricing. Accordingly, the impact to the solvency liability will be solely on the portion of solvency benefits assumed to be settled by lump-sum transfer. The transfer value of benefits will increase when a new mortality table is promulgated by the Actuarial Standards Board. The expected date for this promulgation is not yet known.

  The mortality assumption used for the going concern valuation of the Plan as of December 31, 2013 has been updated to reflect the new Canadian Pensioner Mortality Table. Further details on this assumption can be found in Appendix D: Going Concern Assumptions and Methods.
- Effective January 1, 2015, members who voluntarily terminate prior to attainment of age 55 (or involuntarily terminate with cause) will receive the actuarially equivalent value of their pension at age 65 if they choose to retire prior to age 65. The impact of this amendment has not been reflected in the results of this valuation as of December 31, 2013. If the amendment was reflected, it would result in a decrease in the going concern liability, and would have no impact on the solvency or hypothetical wind up results shown in this report.
- Business restructurings activities announced in 2013 which provide for member termination dates after December 31, 2013 have not been reflected in this report. These events will result in gains or losses to be reflected in the next actuarial valuation report.
- Actual experience deviating from expected after December 31, 2013 will result in gains or losses which will be reflected in the next actuarial valuation report.
- To the best of our knowledge, the results contained in this report are based on the regulatory and legal environment in effect at the date of this report and do not take into consideration any potential changes that may be currently under review. To the extent that actual changes in the regulatory and legal environment transpire, any financial impact on the Plan as a result of such changes will be reflected in future valuations.

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Section 2: Going Concern Valuation Results

Going Concern Financial Position of the Plan

The going concern valuation provides an assessment of the Plan's financial position at the valuation date on the premise that the Plan continues on into the future indefinitely.

The selection of the applicable actuarial assumptions and methods reflect the Plan's funding objectives, as communicated by the Company, actuarial standards of practice, and pension standards.

On the basis of the plan provisions, membership data, going concern assumptions and methods, and asset information described in the Appendices, the going concern financial position of the Plan as at December 31, 2013 is shown in the following table. The results as at December 31, 2010 are also shown for comparison purposes.

Going Concern Financial Position

(000's)	December 31, 2013	December 31, 2010
Actuarial Value of Assets	$ 1,301,497	$ 1,242,732
Going Concern Liabilities		
Active and disabled members	$ 333,474	$ 511,730
Transferred members	13,353[1]	5,244[2]
Suspended members	16,746[3]	7,746
Deferred vested members	30,068	28,087
Retired members	893,211	757,964
Total Liabilities	**$ 1,286,852**	**$ 1,310,771**
Going Concern Position	**$ 14,645**	**$ (68,039)**
Prior year credit balance	(15,000)	0
Surplus/(Unfunded Liability)	**$ (355)**	**$ (68,039)**

The Plan ceased defined benefit service accrual effective July 1, 2008. As such, there is no normal cost for the Plan as of December 31, 2010 or December 31, 2013.

[1] Consists of members transferred to: JP Morgan as of December 18, 2005 and January 1, 2006; and Thomas Cook Travel as of January 30, 2011.
[2] Consists of members transferred to JP Morgan as of December 18, 2005 and January 1, 2006.
[3] Includes members transferred to SHS Services Management Inc. as of March 3, 2013, and were subsequently terminated in December 2013 as a result of the bankruptcy of SHS Services Management Inc.

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Change in Financial Position

During the period from December 31, 2010 to December 31, 2013, the going concern financial position of the Plan changed from an unfunded liability of $68,039,000 to a surplus of $14,645,000. The major components of this change are summarized in the following table.

Reconciliation of the Going Concern Financial Position *(000's)*
For the Period from December 31, 2010 to December 31, 2013

	2011	2012	2013
Surplus/(Unfunded Liability) as at January 1	$ (68,039)	$ (98,585)	$ (15,073)
Expected interest on surplus/(unfunded liability)	(3,742)	(5,422)	(829)
Total company contributions made in period with interest	0	30,138	45,138
Expected Surplus/(Unfunded Liability) as at December 31	**$ (71,781)**	**$ (73,869)**	**$ 29,236**
Change in surplus/(unfunded liability) due to experience gains/(losses) as a result of:			
Investment earnings greater/(lower) than expected	(38,280)	73,132	103,779
Retirement experience	(411)	(2,769)	(1,913)
Salary increases lower/(greater) than expected	20,336	7,515	6,303
Termination experience	(9,025)	(9,286)	(6,989)
Mortality experience	(694)	(1,651)	(2,173)
Postretirement increases lower/(greater) than expected	1,568	1,918	1,958
Surplus/(Unfunded Liability) after experience gains/(losses) as at December 31	**$ (98,287)**	**$ (5,010)**	**$ 130,201**
Change in liabilities due to change in economic assumptions	(1,740)	(11,114)	(55,300)
Change in liabilities due to change in demographic assumptions	0	0	(38,030)
Change in liabilities due to plan amendments	0	0	(14,285)
Net gain/(loss) due to other experience and miscellaneous items	1,442	1,051	(7,941)
Surplus/(Unfunded Liability) as at December 31	**$ (98,585)**	**$ (15,073)**	**$ 14,645**

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Discussion of Changes in Assumptions

Comment Regarding Experience

In the reconciliation of the going concern financial position of the Plan for the period since December 31, 2010, the impact of the change in assumptions is shown in 2011, 2012 and 2013. The numbers are presented in this way for consistency with valuation reports that were prepared as at December 31, 2011 and December 31, 2012 for management purposes which were not filed with Financial Services Commission of Ontario ("FSCO") or Canada Revenue Agency ("CRA").

The experience gains and losses in each year are measured against the assumptions at December 31 of each of these interim valuations. The changes made to the assumptions during the three-year valuation period are summarized below.

Economic Assumptions

The following assumptions were changed during the three-year valuation period:

- The discount rate was changed from 5.50% per year to 5.00% per year as at December 31, 2013.
- In recognition of the lower prevailing rates used to determine pension commuted values on termination, the interest rates used to value members' benefits on termination in the going concern valuation were set to be the same rate used to determine commuted values for terminations in December of that year. Therefore, the interest rates to value this termination benefit were updated each year as follows:
  - December 31, 2011: changed from 3.30% per year for 10 years and 5.00% per year thereafter to 2.60% per year for 10 years and 4.10% per year thereafter.
  - December 31, 2012: changed to 2.40% per year for 10 years and 3.60% per year thereafter.
  - December 31, 2013: changed to 3.00% per year for 10 years and 4.60% per year thereafter.

In combination, these changes in assumptions increased the going concern liabilities over the three-year valuation period by a total of $68,154,000.

Demographic Assumptions

Effective December 31, 2013, the following assumption was changed:

- The mortality assumption was strengthened as a result of the Canadian pensioner mortality study. The former mortality table 1994 Uninsured Pensioner (UP94) together with generational mortality improvements using Scale AA was updated to the 2014 Canadian Pensioner Mortality Private Table with generational mortality projection using Scale CPM-B (sex distinct rates, with pension size adjustment factors M=1.026 F=1.041).

This change in the mortality assumption increased the going concern liabilities by $38,030,000.

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Discussion of Plan Amendment

This valuation reflects the following plan amendment coming into effect after the period covered by this report.

- Effective January 1, 2014, the plan provisions were amended to change the rate of annual postretirement inflation adjustments applied after age 65 to pensions in payment from 75% of the increase in the Consumer Price Index over 2%[1], to a fixed rate of 0.5% per year.

  The actual postretirement inflation adjustment awarded at January 1, 2011, January 1, 2012, and January 1, 2013 was 0%. Prior to the plan amendment, an increase of 0% would also have been awarded at January 1, 2014.

Prior to the plan amendment, the assumed rate of increase was 0.375% per year. The future rate of increase as a result of the plan amendment is 0.5% per year. The plan amendment increased the going concern liabilities by $14,285,000.

Discussion of Other Experience

Investment Experience

The assumed rate of return for going concern valuation purposes was 5.50% per year. The actual return (net of fees and expenses) was as follows:

Year	Actual Return
2011	2.7%
2012	12.0%
2013	13.9%

This resulted in a net loss of $38,280,000 in 2011, and a net gain of $73,132,000 and $103,779,000 in 2012 and 2013, respectively.

Salary Experience

The liability-weighted average increases in pensionable earnings in 2011, 2012, and 2013 were 0.79%, 1.25%, and 1.34%, respectively. Average increases lower than expected resulted in a total net actuarial gain to the Plan of $34,154,000 over the three-year period.

Retirement, Termination, and Mortality Experience

Difference between the assumed rate at which members retire, terminate, and mortality, versus actual experience resulted in a total net actuarial loss to the Plan of $34,911,000 combined over the three-year period.

[1] Subject to a maximum annual increase not greater than the lesser of 12%, and the average base pay increase granted to active employees in the prior year.

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Going Concern Valuation Sensitivity Results

In accordance with the Canadian Institute of Actuaries Standards of Practice specific to pension plans that became effective December 31, 2010, the table below presents the sensitivity of the going concern liabilities of using a discount rate 1% lower than that used for the going concern valuation.

(000's)	Valuation Basis December 31, 2013	Based on Rate of 1% Lower	Effect $	Effect %
Going Concern Liabilities	$ 1,286,852	$ 1,444,685	$ 157,833	12.3%

Note that using a discount rate 1% higher than that assumed would result in a comparable reduction in the Plan's going concern liabilities.

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Section 3: Solvency Valuation Results

Solvency Financial Position of the Plan

The solvency valuation is a financial assessment of the Plan that is required by the *Pension Benefits Act* and is performed in accordance with requirements prescribed by that legislation. It is intended to provide an assessment of the Plan's financial position at the valuation date on the premise that certain obligations as prescribed by the *Pension Benefits Act* are settled on the valuation date for all members.

On the basis of the plan provisions, membership data, solvency assumptions and methods and asset information described in the Appendices, as well as the requirements of the *Pension Benefits Act*, the solvency financial position of the Plan as at December 31, 2013 is shown in the following table. The solvency financial position of the Plan as at December 31, 2010 is shown for comparison purposes.

Solvency Financial Position

(000's)	December 31, 2013	December 31, 2010
Assets		
Solvency assets	$ 1,301,497	$ 1,242,732
Estimated wind up expenses	(5,000)	(4,000)
Total Assets	**$ 1,296,497**	**$ 1,238,732**
Solvency Liabilities		
Active and disabled members	$ 383,055	$ 593,879
Transferred members	13,927[1]	5,625[2]
Suspended members	19,496[3]	10,138
Deferred vested members	34,506	32,806
Retired members	921,918[4]	802,072
Total Liabilities	**$ 1,372,902**	**$ 1,444,520**
Solvency Position	**$ (76,405)**	**$ (205,788)**
Prior year credit balance	(15,000)	0
Solvency asset adjustment	63,670	68,732
Solvency liability adjustment	(0)	(40,997)
Solvency Surplus/(Deficiency)	**$ (27,735)**	**$ (96,059)**
Solvency Ratio	0.95	0.86

[1] Consists of members transferred to: JP Morgan as of December 18, 2005 and January 1, 2006; and Thomas Cook Travel as of January 30, 2011.
[2] Consists of members transferred to JP Morgan as of December 18, 2005 and January 1, 2006.
[3] Includes members transferred to SHS Services Management Inc. as of March 3, 2013, and were subsequently terminated in December 2013 as a result of the bankruptcy of SHS Services Management Inc.
[4] The above liability for Retired members at December 31, 2013 includes the postretirement increase of 0.5% granted to eligible retired members as of January 1, 2014 under the plan amendment.

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Solvency Concerns

A report indicates solvency concerns under the *Pension Benefits Act* if the ratio of the solvency assets to solvency liabilities is less than 0.85.

Where a report indicates solvency concerns, the effective date of the next valuation that needs to be filed under the *Pension Benefits Act* is one year from the valuation date of the valuation that gave rise to the solvency concerns.

Since the ratio of solvency assets to solvency liabilities ($1,301,497,000 / $1,372,902,000) is equal to 0.95, this report does not indicate solvency concerns.

Solvency Asset Adjustment

The present value of scheduled special payments for solvency valuation purposes has been calculated by discounting the annual special payments to be remitted up to the end of their amortization period (to a maximum of six years), at the smoothed solvency discount rate of 3.70% per year compounded monthly in arrears determined proportionately by the solvency discount rates used to settle the solvency liabilities.

Nature of Deficiency	Effective Date	End Date	Annual Special Payment *(000's)*	Present Value as of December 31, 2013 *(000's)*
Going concern	December 31, 2011[1]	December 31, 2026	$ 37[2]	$ 199
Solvency	December 31, 2011[1]	December 31, 2016	$ 22,365	63,471
Present Value of Special Payments				**$ 63,670**

[1] In accordance with Regulation, the Company decided to defer new going concern and solvency special payments established as at December 31, 2010 by 12 months.
[2] After adjustment to reflect gains in the going concern valuation results as of December 31, 2013.

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Pension Benefits Guarantee Fund ("PBGF")

The development of the PBGF Assessment Base is as follows:

PBGF Assessment Base	December 31, 2013
(1) Solvency assets	$1,301,497,000
(2) PBGF liabilities	$ 833,134,000
(3) Solvency liabilities	$1,372,902,000
(4) Ontario asset ratio: [(2) divided by (3)]	0.6068
(5) Ontario portion of fund: [(1) multiplied by the ratio in (4)]	$ 789,748,000
PBGF assessment base: [(2) subtract (5); if negative, enter zero]	$ 43,386,000

The calculation of the PBGF Assessment is as follows:

PBGF Assessment			
0.5% of any portion of the applicable PBGF assessment base that is less than 10% of the PBGF liabilities		$	217,000
1.0% of any portion of the applicable PBGF assessment base that is 10% or more but less than 20% of the PBGF liabilities			0
1.5% of any portion of the applicable PBGF assessment base that is 20% or more of the PBGF liabilities			0
(1) Total		**$**	**217,000**
Number of Ontario plan members, former members and other Beneficiaries			11,694
(2) $5.00 x Number of Ontario Plan Members, Former Members and Other Beneficiaries		**$**	**58,000**
(3) $300.00 x Number of Ontario Plan Members, Former Members and Other Beneficiaries		**$**	**3,508,000**
Total Guarantee Fund Assessment	Lesser of [(1)+(2)] and (3)	**$**	**275,000**[1]

The Guarantee Fund Assessment may be adjusted to the extent that contributions during a plan year are in excess of the minimum required company contributions.

[1] Does not include retail sales tax.

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Solvency Valuation Sensitivity Results

In accordance with the Canadian Institute of Actuaries Standards of Practice specific to pension plans that became effective December 31, 2010, the table below presents the sensitivity of the solvency liabilities to using a discount rate of 1% lower than that used for the solvency valuation.

(000's)	Valuation Basis December 31, 2013	Based on Rate of 1% Lower	Effect	
			$	%
Solvency liabilities	$ 1,372,902	$ 1,536,411	$ 163,509	11.9%

Note that using a discount rate 1% higher than that assumed would result in a comparable reduction in the solvency liabilities.

Incremental Cost on a Solvency Basis

The incremental cost on a solvency basis represents the present value at December 31, 2013 of the expected aggregate change in the solvency liabilities between December 31, 2013 and the next calculation date, that is December 31, 2016. Appendix E gives more details on the calculation methodology and on assumptions.

Based on this methodology and on these assumptions, the incremental cost on a solvency basis, for the period from December 31, 2013 to December 31, 2016, is $(44,269,000).

	2014	2015	2016
Incremental cost on a solvency basis	$ (18,152,000)	$ (14,454,000)	$ (11,663,000)

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Section 4: Hypothetical Wind Up Valuation Results

Hypothetical Wind Up Financial Position of the Plan

A hypothetical wind up valuation is performed to determine the financial position of the Plan as at the valuation date on a wind up basis, reflecting market settlement rates as of the valuation date. Unlike the solvency valuation, all benefits are included that would be payable under the postulated scenario that would maximize benefits. The hypothetical wind up valuation is determined using benefit entitlements on the assumption that the Plan has neither a surplus nor a deficit. Contingent benefits are included in the liabilities that would be payable under the postulated scenario. Assets are set equal to market value net of estimated wind up expenses. All assumptions for the hypothetical wind up valuation are listed in Appendix E of the report.

On the basis of plan provisions, membership data, hypothetical wind up assumptions and methods, and asset information described in the Appendices, as well as the requirements of the *Pension Benefits Act*, the hypothetical wind up financial position of the Plan as at December 31, 2013 is shown in the following table. The hypothetical wind up financial position of the Plan as at December 31, 2010 is shown for comparison purposes.

Hypothetical Wind Up Financial Position

(000's)	December 31, 2013		December 31, 2010	
Assets				
Hypothetical wind up assets	$	1,301,497	$	1,242,732
Estimated wind up expenses		(5,000)		(4,000)
Total Assets	**$**	**1,296,497**	**$**	**1,238,732**
Hypothetical Wind Up Liabilities				
Active and disabled members	$	394,854	$	620,553
Transferred members		14,353[1]		5,822[2]
Suspended members		20,075[3]		10,658
Deferred vested members		35,537		34,054
Retired members		964,724[4]		874,975
Total Liabilities	**$**	**1,429,543**	**$**	**1,546,062**
Hypothetical Wind Up Surplus/(Deficiency)	**$**	**(133,046)**	**$**	**(307,330)**

[1] Consists of members transferred to: JP Morgan as of December 18, 2005 and January 1, 2006; and Thomas Cook Travel as of January 30, 2011.
[2] Consists of members transferred to JP Morgan as of December 18, 2005 and January 1, 2006.
[3] Includes members transferred to SHS Services Management Inc. as of March 3, 2013, and were subsequently terminated in December 2013 as a result of the bankruptcy of SHS Services Management Inc.
[4] The above liability for Retired members at December 31, 2013 includes the postretirement increase of 0.5% granted to eligible retired members as of January 1, 2014 under the plan amendment.

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Transfer Ratio

The transfer ratio is determined as follows:

(000's)			December 31, 2013
(1) Hypothetical wind up assets		$	1,301,497
Prior year credit balance	(A)	$	15,000
Total company normal cost and required special payments until next mandated valuation	(B)	$	54,420
(2) Asset adjustment	Lesser of (A) and (B)	$	15,000
(3) Hypothetical wind up liabilities		$	1,429,543
Transfer Ratio [(1)-(2)] / (3)			**0.90**

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Section 5: Contribution Requirements

Contribution Requirements in Respect of the Normal Cost

The Plan ceased defined benefit service accrual effective July 1, 2008. As such, there is no normal cost for the Plan as of December 31, 2010 or December 31, 2013.

Development of Special Payments

The following table summarizes previously established amortization schedules of special payments before adjustment to reflect any gains or losses due to the going concern and solvency valuation results. The following tables in this section show numbers in (000's).

				Present Value as of December 31, 2013	
Nature of Deficiency	Effective Date	End Date	Annual Special Payment	For Going Concern Valuation[1]	For Solvency Valuation[2]
Going concern	December 31, 2011[3]	December 31, 2026	$ 6,977	$ 67,028	$ 37,557
Solvency	December 31, 2011[3]	December 31, 2016	22,365	n/a	63,472
			$ 29,342	$ 67,028	$ 101,029

The following table summarizes the amortization schedules of special payments after adjustment to reflect any gains or losses due to the going concern and solvency valuation results. In accordance with Regulation, the Company has decided to defer all new going concern and solvency special payments established as at December 31, 2013 by 12 months. The Company has also elected temporary funding relief option 4. The following table summarizes the amortization schedules of special payments after the aforementioned adjustments.

				Present Value as of December 31, 2013	
Nature of Deficiency	Effective Date	Revised End Date	Revised Annual Special Payment	For Going Concern Valuation[1]	For Solvency Valuation[2]
Going concern	December 31, 2011	December 31, 2026	$ 37	$ 355	$ 199
Solvency	December 31, 2013[4]	December 31, 2018	13,903	n/a	63,471
Solvency	December 31, 2014[5]	December 31, 2019	6,300	n/a	27,735
			$ 20,240	$ 355	$ 91,405

[1] The values in the table were developed using the going concern interest rate of 5.00% per year compounded monthly in arrears.

[2] The values in the table were developed using the weighted average solvency interest rate of 3.70% per year compounded monthly in arrears. For the present value of the going concern special payments, only a maximum of six years worth of such payments were considered in the calculation.

[3] In accordance with Regulation, the Company has decided to defer new going concern and solvency special payments established as at December 31, 2010 by 12 months.

[4] In accordance with Regulation, the Company has elected temporary funding relief option 4 as at December 31, 2013.

[5] In accordance with Regulation, the Company has decided to defer new going concern and solvency special payments established as at December 31, 2013 by 12 months.

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Prior Year Credit Balance ("PYCB")

The table below reconciles changes in the PYCB from December 31, 2010 to December 31, 2013.

(000's)		2011		2012		2013
PYCB, beginning of plan year	$	0	$	0	$	0
Actual contributions during plan year		0		29,342		44,342
Minimum required company contributions during plan year		0		(29,342)		(29,342)
PYCB, End of Plan Year	**$**	**0**	**$**	**0**	**$**	**15,000**

Since the PYCB is greater than zero, the Company may apply the PYCB to reduce special payments.

Excess Surplus

The *Income Tax Act* requires that any excess surplus first be applied to reduce or eliminate the company contribution requirements. Excess surplus is defined in Section 147.2(2)(d) of the *Income Tax Act*, as the portion of surplus (if any) that exceeds 25% of the going concern liabilities.

There is no excess surplus in the Plan at December 31, 2013.

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Development of Minimum Required Company Contribution

The table below presents the development of the minimum required company contribution for each of the plan years covered by this report, after application of temporary funding relief.

(000's)	2014	2015	2016
Company normal cost	$ 0	$ 0	$ 0
Special payments toward amortizing unfunded liability	37	37	37
Special payments toward amortizing solvency deficiency	13,903	20,203	20,203
Minimum Required Company Contribution, Prior to Application of PYCB	**$ 13,940**	**$ 20,240**	**$ 20,240**
Permitted application of PYCB	(13,940)	(1,060)	0
Minimum Required Company Contribution	**$ 0**	**$ 19,180**	**$ 20,240**

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Development of Maximum Deductible Company Contribution

The table below presents the development of the maximum deductible company contribution for each of the plan years covered by this report.

The maximum deductible company contribution presented in the table below for a given plan year is calculated assuming that the Company makes the maximum deductible company contribution in the first plan year covered by this report.

(000's)	**2014**	**2015**	**2016**
Company normal cost	$ 0	$ 0	$ 0
Greater of the unfunded liabilities and the hypothetical wind up deficiency	133,046	0	0
Required application of excess surplus	0	0	0
Maximum Deductible Company Contribution	**$ 133,046**	**$ 0**	**$ 0**

If the Company wishes to make the maximum deductible company contribution, it is advisable to contact the Plan actuary before making such contribution to ensure that the contribution will be permissible and deductible and that any regulatory requirements are considered.

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Section 6: Defined Contribution Component of the Plan

Financial Position

For a defined contribution plan, at any given time, the assets and the liabilities of the Plan are equal. The financial position of the Plan as at December 31, 2013 is shown in the following table. The results as at December 31, 2010 are also shown for comparison purposes.

(000's)	December 31, 2013	December 31, 2010
Actuarial Value of Assets	$ 161,269	$ 103,674
Total Liabilities	161,269	103,674
Financial Position	**$ 0**	**$ 0**

Normal Cost

On the basis of the plan provisions, and membership data, the normal cost of the Plan as at December 31, 2013 is shown in the following table. The normal cost as at December 31, 2010 is also shown for comparison purposes.

(000's)	December 31, 2013	December 31, 2010
Required Member Contributions[1]	$ 16,000	$ 21,422
Company Normal Cost	8,000	10,710
Total Normal Cost	**$ 24,000**	**$ 32,132**

[1] Estimated by previous year's contribution, increased by the average assumed rate of salary increase.

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Section 7: Actuarial Certificate

Actuarial Opinion, Advice and Certification for the Sears Canada Inc. Registered Retirement Plan

Financial Services Commission of Ontario Registration Number: 0360065
Canada Revenue Agency Registration Number: 0360065

Opinion

This actuarial certification forms an integral part of the actuarial valuation report for the Plan as at December 31, 2013. We confirm that we have prepared an actuarial valuation of the Plan as at December 31, 2013 for the purposes outlined in the Introduction section to this report and consequently:

Our advice on funding is the following:

- The Company should contribute the amounts within the range outlined in Section 5 of this report, in accordance with legislative requirements.
- The next actuarial valuation for the purpose of developing funding requirements should be performed no later than as at December 31, 2016.

We hereby certify that, in our opinion:

- With respect to the purposes of determining the Plan's financial position on a going concern basis as at December 31, 2013:
  - The Plan has a going concern unfunded liability of $355,000 as at December 31, 2013, based on going concern assets of $1,301,497,000 less going concern liabilities of $ 1,286,852,000 and less a prior year credit balance of $15,000,000.
  - There is no excess surplus as defined by Section 147.2(2) of the *Income Tax Act* in the Plan at December 31, 2013.
  - The pre-1990 maximum pension restrictions in Subsection 8504(6) of the Regulations to the *Income Tax Act* do not apply to any members of the Plan.

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- With respect to the purpose of determining the Plan's financial position on a solvency basis:
  - The Plan has a solvency deficiency of $27,735,000 as at December 31, 2013, determined as solvency assets (net of wind up expenses) of $1,296,497,000 less solvency liabilities of $1,372,902,000, plus a solvency asset adjustment of $63,670,000, and less a prior year credit balance of $15,000,000.
  - The solvency ratio is 0.95 as at December 31, 2013.
  - The transfer ratio is 0.90 as at December 31, 2013.
  - The Plan's liabilities would exceed the Plan's assets, net of estimated wind up expenses, by $133,046,000 if the Plan was terminated and wound up as at December 31, 2013.
  - A PBGF assessment is required to be paid, where the PBGF assessment base is equal to $43,386,000 and the PBGF liabilities are $833,134,000.
- With respect to determining the funding requirements of the Plan:
  - The defined benefit normal cost is $0.
  - The estimated defined contribution normal cost is shown below:

(000's)	**2014**	**2015**	**2016**
Defined Contribution Provision			
Required member contributions[1]	$ 16,000	$ 16,600	$ 17,200
Company normal cost[1]	8,000	8,300	8,600
Total Normal Cost	**$ 24,000**	**$ 24,900**	**$ 25,800**

  - The special payments required to fund the going concern unfunded liability and the solvency deficiency are as summarized in the following table:

Nature of Deficiency	**Effective Date**	**End Date**	**Annual Payment** *(000's)*
Going concern	December 31, 2011	December 31, 2026	$ 37
Solvency	December 31, 2013[2]	December 31, 2018	13,903
Solvency	December 31, 2014[3]	December 31, 2019	6,300
			$ 20,240

  - The prior year credit balance is $15,000,000 as at December 31, 2013.
  - The contribution range as outlined in this report is expected to be sufficient to satisfy the Plan's funding requirements.
  - The company contribution range outlined in this report qualifies as eligible contributions under Section 147.2(2) of the *Income Tax Act.*

[1] Estimated by previous year's contribution, increased by the average assumed rate of salary increase.
[2] In accordance with Regulation, the Company has elected temporary funding relief option 4 as at December 31, 2013.
[3] In accordance with Regulation, the Company has decided to defer new going concern and solvency special payments established as at December 31, 2013 by 12 months.

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- For the purposes of the valuation:
  - The data on which this valuation is based are sufficient and reliable;
  - The assumptions used are appropriate; and
  - The actuarial cost methods and the asset valuation methods used are appropriate.
- This report and its associated work have been prepared, and our opinion given, in accordance with accepted actuarial practice in Canada and in compliance with the requirements outlined in subparagraphs 147.2(2)(a)(iii) and (iv) of the *Income Tax Act*.
- Notwithstanding the above certifications, emerging experience differing from the assumptions will result in gains or losses that will be revealed in subsequent valuations.

Susan K. Himmelman, FCIA, FSA
Associate Partner

Claire Norville-Buckland, FCIA, FSA
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June 2014

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Appendix A: Glossary of Terms

- The **actuarial value of assets** is the asset value used for going concern valuation purposes.

- The **estimated wind up expenses** is an estimate of the administrative and other expenses expected to be charged against the pension fund if the Plan were to terminate on the valuation date.

- The **going concern liabilities** are the actuarial present value of benefits earned in respect of service prior to the valuation date. The actuary may choose to omit indexing liabilities (i.e., "escalated adjustments") from the going concern liabilities as per Section 11(1) of the *Pension Benefits Act*. However, if escalated adjustments are omitted from the going concern liabilities, the amount of payment of an escalated adjustment that is made from the pension fund, to the extent that it has not been funded, must be included in the normal cost pursuant to Section 11(2) of the Regulation to the *Pension Benefits Act*. The going concern liabilities are calculated using the going concern assumptions and methods summarized in Appendix D of this report.

- The **going concern position** is the difference between the actuarial value of assets and the going concern liabilities. Escalated adjustments may be omitted from the determination of the surplus/(unfunded liability) pursuant to Section 11(3) of the Regulation to the *Pension Benefits Act*.

- The **maximum deductible company contribution** refers to an eligible contribution pursuant to Section 147.2(2) of the *Income Tax Act*. Under Subsection 8502(b) of the Regulations to the *Income Tax Act*, each Company contribution made after January 1, 1991 in respect of a defined benefit provision of a registered pension plan must be such eligible contribution.

  In a company's fiscal year, the following contributions are eligible under Section 147.2(2) of the *Income Tax Act*.

  - The company normal cost, eligible under Section 147.2(2) subject to certification by the actuary and approval by the Canada Revenue Agency; plus
  - Special payments eligible under Section 147.2(2) up to the amount of the unfunded liability, the solvency deficiency, or the hypothetical wind up deficiency, whichever is greater, subject to certification by the actuary and approval by the Canada Revenue Agency; less
  - Required application of excess surplus.

  The company normal cost and special payments for this Plan will be deductible under Section 147.2(2) of the *Income Tax Act*, subject to the approval of the Canada Revenue Agency.

  Note that contributions to a Plan are still permissible and deductible if there is an excess surplus, providing there is simultaneously a solvency or hypothetical wind up deficiency in the Plan or the contributions are required as minimum contributions under provincial or federal *Pension Benefits Standards Act* legislation, pursuant to Subsections 8516(2) and (3) of the Regulations to the *Income Tax Act*.

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One restriction under the *Income Tax Act* is that if there is an excess surplus, and a solvency or hypothetical wind up deficiency, the maximum deductible contribution is restricted to the full amount of the deficiency without allowance for interest or any other contributions such as company normal cost and/or transfer deficiency payments.

In order to be deductible in a given fiscal year, company contributions must be made not later than 120 days after the end of the fiscal year.

- The **minimum required company** contribution for each plan year is equal to:
  - The company normal cost; plus
  - Special payments toward amortizing any unfunded liability over 15 years beginning no later than 12 months from the date on which the unfunded liability was established; plus
  - Special payments toward amortizing any solvency deficiency over five (5) years beginning no later than 12 months from the date on which the solvency deficiency was established (this period of years may be longer if the Company has elected temporary funding relief options 3 and/or 5); less
  - Required application of excess surplus; less
  - Permitted application of surplus; less
  - Permitted application of prior year credit balance.

  In order to satisfy the requirements of the *Pension Benefits Act* and its Regulations, contributions to the fund must be made in accordance with the following rules:

  - Required member contributions (if any) must be remitted to the pension fund within 30 days following the month in which the contributions were received from the member or deducted from his or her remuneration.
  - Company normal cost contributions must be remitted to the pension fund within 30 days after the end of the month for which the contributions are payable.
  - Special payments must be remitted to the pension fund in the month for which they are payable.
- The **prior year credit balance** is
  - The prior year credit balance stated in the last report in respect of the Plan under the Regulation; plus
  - The total amount of contributions made to the Plan by the Company after the valuation date of the last report in respect of the Plan and before the valuation date for the report being prepared; less
  - The total minimum amount of contributions required to have been made after the valuation date of the last report in respect of the Plan and before the valuation date for the report being prepared, if the contributions had been calculated without reference to any prior year credit balance.

  The Company may choose to set the prior year credit balance between nil and the amount as calculated above, but may not recapture the amount forfeited at any time.
- **Solvency/Hypothetical wind up assets** are the market value of pension fund assets adjusted to reflect contributions, benefit payments, transfers and fees/expenses in-transit at the valuation date.

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- The **solvency asset adjustment** is an adjustment that may be made to the solvency assets to reflect:
  - The impact of using an averaging method that stabilizes short-term fluctuations in the market value of the plan assets calculated over a period of not more than five years; plus
  - The present value of any remaining special payments required to liquidate any unfunded liability (for service not previously recognized for benefit determination purposes) established after December 31, 1987; plus
  - The present value of any remaining special payments other than those above that are scheduled for payment within six years after the valuation date. This period of years may be longer if the Company has elected temporary funding relief options 3 and/or 5.
- The **solvency liabilities** are the actuarial present value of benefits earned in respect of service prior to the valuation date determined as if the Plan were wound up on the valuation date and taking into account Section 74 of the *Pension Benefits Act* (i.e., grow-in). In calculating the solvency liabilities, which includes plant closure benefits or permanent layoff benefits that would be immediately payable if the plan sponsor's business was discontinued on the valuation date, the *Pension Benefits Act* and its Regulations permit the exclusion of the following benefits:
  - Any escalated adjustments;
  - "Excluded plant closure benefits" that the Company elected on November 26, 1992 to exclude;
  - "Excluded permanent layoff benefits" that the Company elected on November 26, 1992 to exclude;
  - Special allowances other than those where the member has met all age and service eligibility requirements;
  - Consent benefits other than those where the member has met all eligibility requirements except the consent of the employer, or in the case of a jointly sponsored pension plan, the consent of the employer or the administrator;
  - Prospective benefit increases;
  - Potential early retirement window benefit values; and
  - Pension and ancillary benefits payable under a qualifying annuity contract.

  The solvency liabilities are determined using benefit entitlements on the assumption that the Plan has neither a surplus nor a deficit. The solvency liabilities are calculated using the solvency valuation assumptions summarized in Appendix E of this report.
- The **solvency liability adjustment** is an adjustment that may be made to the solvency liabilities to reflect the impact of using a solvency valuation discount rate for discounting the liability that is the average of market discount rates calculated over the same period of time as that used in the calculation of the solvency asset adjustment.
- The **solvency position** is the difference between the solvency assets (net of estimated wind up expenses) and the solvency liabilities.
- The **solvency ratio** compares the solvency assets to the solvency liabilities for purposes of Subsections 14(2) and (3) of the Regulations of the *Pension Benefits Act* to determine the latest effective date of the next required valuation.

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- The **solvency surplus/(deficiency)** is the solvency position, increased by the solvency asset adjustment and the solvency liability adjustment, then decreased by the prior year credit balance.
- The **special payments** are payments required to liquidate the unfunded liability and/or solvency deficiency:
  - The going concern special payments are payments required to liquidate the unfunded liability, with interest at the going concern valuation discount rate, by equal monthly instalments over a period of 15 years beginning no later than 12 months from the valuation date of the report in which the going concern unfunded liability was determined;
  - The solvency special payments are payments required to liquidate the solvency deficiency, with interest at the solvency valuation discount rate, by equal monthly instalments over a period of five years beginning no later than 12 months from the valuation date of the report in which the solvency deficiency was determined. This period of years may be longer if the Company has elected temporary funding relief options 3 and/or 5.
- The **surplus/(unfunded liability)** is the difference between the actuarial value of assets and the sum of the going concern liabilities and the prior year credit balance.
- The **total normal cost** is the actuarial present value of benefits expected to be earned in respect of service for each year starting on the valuation date. Required member contributions (if any) are deducted from the total normal cost to determine the company normal cost. The total normal cost is calculated using the going concern valuation assumptions and methods summarized in Appendix D of this report.
- The **transfer ratio** compares the solvency assets, minus the lesser of the prior year credit balance and the required company contributions until the next required valuation (before application of the prior year credit balance), to the solvency liabilities plus the liability of any excluded benefits (except for pension benefits and ancillary benefits payable under a qualifying annuity contract). If the transfer ratio is less than 1.00, lump-sum transfers from the pension fund under Section 42 of the *Pension Benefits Act* are limited to the commuted value of the member's pension multiplied by the transfer ratio. The administrator may transfer the entire commuted value if:
  - The administrator is satisfied that an amount equal to the transfer deficiency has been remitted to the pension fund; or
  - The aggregate of transfer deficiencies for all transfers made since the last valuation date does not exceed 5% of the plan assets at that time.

  In June 2009, subsection 19 of the Regulations of the *Pension Benefits Act* was amended and Policy T800-402 was released. The Policy imposes additional restrictions for payment of commuted values under certain circumstances.

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Appendix B: Assets

Asset Data

The Plan assets are held by CIBC Mellon. The asset information presented in this report is based on the audited financial statements of the pension fund for 2011, 2012, and 2013 prepared by Deloitte Touche LLP.

Tests of the sufficiency and reliability of the asset data were performed and the results were satisfactory. The tests included:

- A reconciliation of actual cash flow with expected cash flow from the previous actuarial report; and
- A reconciliation of any anticipated benefit payments in 2011, 2012, and 2013 (for retirees, terminated or deceased employees) against the financial statements of the pension fund for confirmation of payments.

Market Value of Assets

The following is a summary of the composition of the Plan's assets by asset type as reported by the Company as at December 31, 2013. For comparison purposes, the composition at the previous valuation date of December 31, 2010 is also shown.

	December 31, 2013	December 31, 2010
Fixed income	72%	60%
Equities	28%	40%
Total Invested Assets	**100%**	**100%**

Target Asset Mix

The target asset mix of the Plan is contained in the Plan's Statement of Investment Policies and Procedures and is as follows:

	Minimum	Target	Maximum
Fixed income	55%	60%	75%
Equities	25%	40%	45%
		100%	

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Reconciliation of Changes in Market Value of Assets

The table below reconciles changes in the market value of assets between December 31, 2010 and December 31, 2013.

(000's)	2011	2012	2013
Market Value of Assets, Beginning of Plan Year	$ 1,242,732	$ 1,160,543	$ 1,206,455
Contributions During Plan Year			
Member	$ 0	$ 0	$ 0
Company normal cost	0	0	0
Company special payments	0	29,342	44,342
Company transfer deficiency payments	0	0	0
Company ongoing expenses	0	0	0
Interest on contributions	0	0	0
Total	**$ 0**	**$ 29,342**	**$ 44,342**
Benefit Payments During Plan Year			
Non-retired members[1]	$ (42,248)	$ (44,282)	$ (37,541)
Retired members	(71,735)	(73,467)	(75,114)
Total	**$ (113,983)**	**$ (117,749)**	**$ (112,655)**
Transfers During Plan Year			
Into plan	$ 0	$ 0	$ 0
Out of plan	0	0	0
Total	**$ 0**	**$ 0**	**$ 0**
Fees/Expenses			
Investment fees/expenses	$ (3,382)	$ (4,010)	$ (4,063)
Non-investment fees/expenses	(1,208)	(925)	(938)
Total	**$ (4,590)**	**$ (4,935)**	**$ (5,001)**
Investment Income	$ 36,384	$ 139,254	$ 168,356
Market Value of Assets, End of Plan Year	**$ 1,160,543**	**$ 1,206,455**	**$ 1,301,497**
Rate of return, net of fees/expenses	2.7%	12.0%	13.9%

[1] Includes members who have terminated employment or died.

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Development of Actuarial Value of Assets

The actuarial value of assets is equal to the market value of assets.

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Appendix C: Membership Data

Source of Data

This funding valuation was based on member data provided by the Company as of December 31, 2013. Tests of the sufficiency and reliability of the member data were performed and the results were satisfactory.

Testing of the membership for the period since December 31, 2010, was completed on a year over year basis. The testing was completed in this way for consistency with valuation reports that were prepared as at December 31, 2011 and December 31, 2012 for management purposes which were not filed with Financial Services Commission of Ontario ("FSCO") or Canada Revenue Agency ("CRA").

The tests included:

- A reconciliation of membership status against the membership status at the last valuation. This test was performed to ensure that all members were accounted for. A summary of this reconciliation follows on the next page;
- A reconciliation of birth, hire, and participation dates against the corresponding dates provided for the last valuation to ensure consistency of data;
- A reconciliation of credited service against the corresponding amount provided for the last valuation to ensure that there was no additional credited service over that reported in the valuation at December 31, 2010;
- A reconciliation of pensionable earnings against the corresponding amounts provided for the last valuation to identify any unusual increases or decreases (more than 15%);
- A reconciliation of any stated benefit payments in 2011, 2012 and 2013 (for retired, terminated or deceased employees) against the financial statements of the pension fund for confirmation of the payments;
- A reconciliation of inactive member benefit amounts against the corresponding amounts provided for the last valuation to ensure consistency of data.

There was no information missing from the data, so no assumptions were required with respect to such data.

A copy of the administrator certification certifying the accuracy and completeness of the member data (and the plan provisions summarized in this report) is included in Appendix G of this report.

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Membership Summary

The table below reconciles the number of members as of December 31, 2013 with the number of members as of December 31, 2010 and the changes due to experience in the period.

	Active and Disabled	Transferred	Suspended	Deferred	Retirees	Total
Members, December 31, 2010	10,959	167[1]	244	694	13,914	25,978
Changes due to:						
New entrants	0	0	0	0	0	0
Termination						
Deferred vested pension	(154)	(4)	(92)	250	0	0
Lump sum	(1,722)	(58)	(422)	(18)	0	(2,220)
Pending election	(452)	(177)[2]	629[2]	0	0	0
Death						
No further benefits	0	0	0	0	(1,115)	(1,115)
Lump sum	(46)	(0)	(1)	(2)	0	(49)
Surviving beneficiary	0	0	0	0	(242)	(242)
New beneficiary	0	0	0	0	242	242
Retirement	(1,317)	(16)	(99)	(108)	1,540	0
Transfer	(399)[2]	399	0	0	0	0
Data correction	2	1	(3)	3	33	36
Net change	(4,088)	145	12	125	458	(3,348)
Members, December 31, 2013	**6,871**	**312[3]**	**256**	**819**	**14,372**	**22,630**

[1] Consists of members transferred to JP Morgan as of December 18, 2005 and January 1, 2006.

[2] Includes 174 members transferred to SHS Services Management Inc. as of March 3, 2013. These members were subsequently terminated in December 2013 due to the bankruptcy of SHS Services Management Inc., and are pending election as of December 31, 2013.

[3] Consists of members transferred to: JP Morgan as of December 18, 2005 and January 1, 2006; and Thomas Cook Travel as of January 30, 2011.

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Membership Summary

Active and Disabled Members

	December 31, 2013			December 31, 2010		
	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total
Number	4,756	2,115	**6,871**	7,243	3,716	**10,959**
Average age	52.3	57.2	**53.8**	49.9	54.8	**51.6**
Average credited service	11.4	6.8	**10.0**	12.0	6.9	**10.3**
Average continuous service	19.9	19.3	**19.7**	17.2	16.4	**16.9**
Average age at hire	32.4	37.9	**34.1**	32.7	38.4	**34.7**
Average valuation pay[1]	$ 44,303	$ 28,095	**$ 39,313**	$ 44,434	$ 28,191	**$ 38,926**

Transferred, Suspended, and Deferred Vested Members

	December 31, 2013			December 31, 2010		
	Number	Average Age	Average Annual Lifetime Pension	Number	Average Age	Average Annual Lifetime Pension
JP Morgan transferred members	144	46.0	$ 2,848	167	43.8	$ 3,292
Thomas Cook transferred members	168	48.1	4,291	n/a	n/a	n/a
Suspended members[2]	256	54.5	6,000	244	50.7	11,9193
Deferred vested members	819	48.0	3,170	694	46.8	4,088

Retired Members

	December 31, 2013			December 31, 2010		
	Number	Average Age	Average Annual Lifetime Pension	Number	Average Age	Average Annual Lifetime Pension
Retired members	14,372	74.6	$ 4,934	13,914	73.6	$ 5,059

[1] Valuation pay includes pensionable earnings plus three-year average bonus
[2] Includes members transferred to SHS Services Management Inc. as of March 3, 2013, and were subsequently terminated in December 2013 as a result of the bankruptcy of SHS Services Management Inc.
[3] Contributions with interest at valuation date

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Active/Disabled Membership Distribution

The following table provides a detailed summary of the active/disabled membership at the valuation date by years of credited service and by age group.

Age	< 5	5–10	10–15	15–20	20–25	25–30	>=30	Total
< 30	35	1	0	0	0	0	0	36
	$ 38,433	*	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ 39,325
30–35	153	23	0	0	0	0	0	176
	$ 44,856	$ 46,012	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ 45,007
35–40	174	156	13	0	0	0	0	343
	$ 39,370	$ 52,707	$ 53,534	$ N/A	$ N/A	$ N/A	$ N/A	$ 45,973
40–45	197	220	139	27	0	0	0	583
	$ 39,455	$ 44,531	$ 49,410	$ 63,145	$ N/A	$ N/A	$ N/A	$ 44,841
45–50	262	252	200	138	27	0	0	879
	$ 36,257	$40,691	$ 40,061	$ 55,663	$ 57,095	$ N/A	$ N/A	$ 42,080
50–55	364	386	270	173	179	57	6	1,435
	$ 33,087	$ 39,485	$ 36862	$ 48,016	$ 57,333	$ 58,380	$ 58,777	$ 41,454
55-60	364	482	281	127	54	133	118	1,559
	$ 32,226	$ 35,433	$ 34,446	$ 41,285	$ 50,206	$ 52,841	$52,143	$ 38,245
60-65	351	405	263	129	32	36	108	1,324
	$ 28,948	$ 35,522	$ 32,432	$ 39,131	$ 46,880	$ 46,948	$ 54,907	$ 35,072
>=65	168	165	128	37	6	13	19	536
	$ 26,798	$ 31,427	$ 30,708	$ 31,669	$ 47,852	$ 39,988	$ 39,173	$ 30,487
Total								
Count	2,068	2,090	1,294	631	298	239	251	6,871
Average Valuation Pay	$ 34,220	$ 38,509	$ 36,838	$ 46,206	$ 54,707	$ 52,575	$ 52,509	$ 39,313

* Data not shown for member privacy

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Transferred, Suspended, Deferred Vested and Retired Membership Distribution

The following table provides a detailed summary of the transferred, suspended, deferred vested and retired membership at the valuation date by age group.

Age	Transferred and Suspended Members	Deferred Vested Members	Retired Members and Beneficiaries	Total
< 50	242	446	2	690
	$ 3,029 per year	$ 2,324 per year	$ 17,877 per year	$ 2,616 per year
50–55	125	212	2	339
	$ 6,153 per year	$ 3,848 per year	$ 822 per year	$ 4,680 per year
55–60	115	131	426	672
	$ 7,554 per year	$ 4,755 per year	$ 9,697 per year	$ 8,367 per year
60–65	60	29	1,775	1,864
	$ 4,332 per year	$ 4,109 per year	$ 9,428 per year	$ 9,181 per year
65[1]–70	21	1	2,724	2,746
	$ 1,229 per year	*	$ 6,686 per year	$ 6,642 per year
70–75	4	0	2,641	2,645
	$ 2,619 per year	N/A	$ 4,753 per year	$ 4,750 per year
75–80	1	0	2,703	2,704
	*	N/A	$ 2,948 per year	$ 2,947 per year
>=80	0	0	4,099	4,099
	N/A	N/A	$ 2,749 per year	$ 2,749 per year
Total				
Count	568	819	14,372	15,759
Average annual lifetime pension	$ 4,695 per year	$ 3,170 per year	$ 4,934 per year	$ 4,833 per year

* Data not shown for member privacy

[1] Includes all deferred vested members over age 65

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Appendix D: Going Concern Assumptions and Methods

Assumptions and Methods

A member's entitlements under a pension plan are generally funded during the period over which service is accrued by the member. The cost of each member's benefits is allocated in some fashion over the member's service. An actuarial valuation provides an assessment of the extent to which allocations relating to periods prior to a valuation date (often referred to as the actuarial liabilities) are covered by the plan's assets.

The going concern valuation provides an assessment of a pension plan on the premise that the plan continues on into the future indefinitely based on assumptions in respect of future events upon which a plan's benefits are contingent and methods that effectively determine the way in which a plan's costs will be allocated over the members' service. The true cost of a plan, however, will emerge only as experience develops, investment earnings are received, and benefit payments are made.

This appendix summarizes the going concern assumptions and methods that have been used for the going concern valuation of the Plan at the valuation date. The going concern assumptions and methods have been chosen to reflect our understanding of the Plan's funding objectives with due respect to accepted actuarial practice and regulatory constraints. For purposes of this valuation, the going concern methods and assumptions were reviewed and changes as indicated were made.

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Assumptions and Methods

The actuarial assumptions and methods used in the current and previous valuations are summarized below and described on the following pages.

	December 31, 2013	December 31, 2010
Economic Assumptions		
Discount rate	5.00%[1] per year (net of fees and expenses, and margin for adverse deviations)	5.50%[2] per year (net of fees and expenses, and margin for adverse deviations)
Salary increases		
Full-time active members	3.00% per year plus merit. See Table D following	Same
Part-time active members	3.00% per year plus merit. See Table E following	Same
Increases in year's maximum pensionable earnings	Actual to 2014, 3.00% per year thereafter	Actual to 2011, 3.00% per year thereafter
Increases in ITA maximum pension	Actual to 2014, 3.00% per year thereafter	Actual to 2011, 3.00% per year thereafter
Increases in Consumer Price Index	2.50% per year	Same
Postretirement benefit increases	0.50% per year	0.375% per year
Methods		
Actuarial cost method	Projected Unit Credit (prorated on service)	Same
Asset valuation method	Market value of assets adjusted to reflect contributions and benefit payments in transit as of the valuation date	Same
Expenses	Included as a deduction from the discount rate	Same
Margin for adverse deviations	0.50%	0.35%
Contingent benefits	None	None
Benefits excluded	None	None

[1] The value of the termination benefits is determined using the rates prescribed for calculating pension commuted values in the CIA Standards of Practice. As of the valuation date, these rates are 3.00% per year for 10 years, and 4.60% per year thereafter.

[2] The value of the termination benefits is determined using the rates prescribed for calculating pension commuted values in the CIA Standards of Practice. As of the valuation date, these rates are 3.30% per year for 10 years, and 5.00% per year thereafter.

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	December 31, 2013	December 31, 2010
Demographic Assumptions		
Retirement age		
Active, disabled, transferred, and suspended members	Table A following	Same
Deferred vested members	Age member elected at termination	Same
Retired members	Not applicable	Same
Mortality rates	Canadian Pensioner Mortality Private Table with generational mortality projection using Scale CPM-B (sex distinct rates, with pension size adjustment factors M=1.026 F=1.041)	1994 Uninsured Pensioner Mortality Table with projection scale AA to 2020 (sex distinct rates)
Withdrawal rates		
Voluntary withdrawals		
Full-time	Table B following	Same
Part-time	Table C following	Same
Involuntary withdrawals	None assume	Not applicable
Marital status		
Non-retired members	80% with spouse at retirement; male spouses assumed to be three years older than female spouses	Same
Retired members	Actual marital status and ages are used	Same

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Table A—Retirement Table

Retirement rates:

Age	Credited Services <20 years	Credited Services >20 years
54	0%	0%
55	10%	15%
56	10%	12%
57	10%	12%
58	10%	15%
59	10%	15%
60	15%	25%
61	15%	15%
62	15%	15%
63	15%	15%
64	20%	25%
65	35%	35%
66	20%	20%
67	20%	20%
68	20%	20%
68	100%	100%

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Table B

Full-time withdrawals per 1,000 members:

Present Age	Male	Female	Present Age	Male	Female
15	235	233	35	134	145
16	235	233	36	138	140
17	235	233	37	122	135
18	235	233	38	116	130
19	229	228	39	110	124
20	223	223	4	104	119
21	217	218	41	+8	114
22	211	212	42	93	109
23	205	207	43	87	104
24	199	202	44	81	99
25	193	197	45	75	93
26	187	192	46	69	88
27	181	187	47	63	83
28	176	181	48	57	78
29	170	176	49	51	73
30	164	171	50	45	67
31	158	166	51	39	62
32	152	161	52	33	57
33	146	156	53	27	52
34	140	150	54	21	47
			55 and over	0	0

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Table C

Part-time withdrawals per 1,000 members:

Present Age	Male	Female	Present Age	Male	Female
15	294	285	35	200	189
16	294	285	36	194	183
17	294	285	37	189	178
18	294	285	38	183	172
19	288	279	39	177	166
20	283	273	4	172	161
21	277	268	41	166	155
22	272	262	42	161	149
23	266	257	43	155	144
24	261	251	44	150	138
25	255	245	45	144	133
26	250	240	46	139	127
27	244	234	47	133	121
28	239	228	48	128	116
29	233	223	49	122	110
30	227	217	50	116	104
31	222	211	51	111	99
32	216	206	52	105	93
33	211	200	53	100	87
34	205	195	54	94	82
			55 and over	0	0

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Table D

Full-Time Merit Increases:

Present Age	Unisex	Present Age	Unisex
15	5.60%	35	2.50%
16	5.60%	36	2.36%
17	5.60%	37	2.22%
18	5.60%	38	2.08%
19	5.60%	39	1.94%
20	5.60%	40	1.80%
21	5.60%	41	1.64%
22	5.60%	42	1.48%
23	5.60%	43	1.32%
24	5.60%	44	1.16%
25	5.00%	45	1.00%
26	4.74%	46	0.90%
27	4.48%	47	0.80%
28	4.22%	48	0.70%
29	3.96%	49	0.60%
30	3.70%	50	0.50%
31	3.46%	51 and over	0.00%
32	3.21%		
33	2.97%		
34	2.73%		

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Table E

Part-Time Merit Increases:

Present Age	Unisex	Present Age	Unisex
15	2.06%	40	1.71%
16	2.06%	41	1.69%
17	2.06%	42	1.67%
18	2.06%	43	1.64%
19	2.06%	44	1.62%
20	2.06%	45	1.60%
21	2.06%	46	1.57%
22	2.06%	47	1.55%
23	2.06%	48	1.53%
24	2.06%	49	1.50%
25	2.06%	50	1.48%
26	2.04%	51	1.46%
27	2.01%	52	1.43%
28	1.99%	53	1.41%
29	1.97%	54	1.39%
30	1.94%	55	1.41%
31	1.92%	56	1.37%
32	1.90%	57	1.34%
33	1.87%	58	1.30%
34	1.85%	59	1.27%
35	1.83%	60	1.23%
36	1.80%	61	1.20%
37	1.78%	62	1.16%
38	1.76%	63	1.13%
39	1.73%	64	1.09%
		65	1.06%
		66	1.02%
		67 and over	1.00%

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Justification of Actuarial Assumptions and Methods

Economic Assumptions

Discount Rate

We have used a discount rate of 5.00% per year.

The overall expected return ("best-estimate") is 5.59% per year, which is based on an inflation rate of 2.50% per year, yielding a real rate of return on the pension fund assets of 3.09% per year. This overall expected return was developed using best-estimate returns for each major asset class in which the pension fund is invested. A Monte Carlo simulation is performed over 30 years where the portfolio returns are projected assuming annual rebalancing. The average of the 30-year geometric return is used to develop an overall best-estimate rate of return for the entire pension fund. Gains from rebalancing and diversification are implicit to this return.

The above determined rate of return has been established based on the Company's investment policy and its funding policy (whether formal or informal) and objectives. There may be some barriers to achieving this return such as inflation higher than expected, asset returns lower than expected, and assets and liabilities that are mismatched. We have derived a going concern discount rate which reflects the Company's investment policy combined with a margin for adverse deviation so as to account for the variables mentioned above. The following chart lays out the adjustments that have been made to the overall expected rate of return in order to arrive at our going concern discount rate assumption:

Development of Discount Rate				
Overall expected return				5.59%
Non-investment expenses				(0.08)%
Investment expenses				
Passive	(1)	(0.12)%		
Actively managed	(2)	(0.20)%		
			(1)+(2)	(0.32)%
Additional returns due to active management				0.20%
Margin for adverse deviations				(0.50)%
Unrounded Discount Rate				**4.89%**

Therefore, we have rounded to a discount rate of 5.00% per year.

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Inflation Rate

The inflation rate is assumed to be 2.50% per year. This reflects our best estimate of future inflation considering current economic and financial market conditions.

Increases in Pensionable Earnings

We have assumed future salary increases will be 3.00% per year plus merit and promotion increases. The assumption reflects an assumed rate of inflation of 2.50% per year plus an allowance of 0.50% per year for the effect of productivity growth. In addition to the base rate, we assume rates of increase as a result of individual employee merit and promotion based on a scale which varies by age as shown in Tables D and E of the Assumptions and Methods section of this report. The merit and promotion scale is based on the Company's long-term expectations of salary increases.

Increases in Year's Maximum Pensionable Earnings

As the benefits paid to a member from the Plan are dependent on the future Year's Maximum Pensionable Earnings ("YMPE"), it is necessary to make an assumption regarding the future increases in the YMPE.

The YMPE was assumed to increase up until the time the member retires, dies or terminates from active employment at 3.00% per year. This is comprised of an annual increase of 2.50% on account of inflation, plus 0.50% on account of productivity, which is consistent with historical real economic growth and future expectations.

Increases in the Maximum Pension Limit

Pensions are limited to the maximum limits under the *Income Tax Act*. The maximum lifetime annual pension per year of pensionable service payable under the *Income Tax Act* is $2,770.00 in 2014. It is assumed that the maximum limit will increase at 3.00% per year commencing in 2015. This is comprised of an annual increase of 2.50% on account of inflation, plus 0.50% on account of productivity, which is consistent with historical real economic growth and future expectations.

Expenses

Since the discount rate has been established net of all expenses, no explicit assumption is required for all expenses.

Economic Margins for Adverse Deviations

Margins for conservatism or provisions for adverse deviation have been built into the going concern assumptions where appropriate.

The margins have been chosen so as to balance the need for financial security for existing plan members against overly conservative contribution requirements that potentially result in intergenerational inequity among members and unnecessary financial strain on the plan sponsor.

A margin for adverse deviations of 0.50% has been reflected in the interest rate assumption. The actuary has discussed the Plan's experience with the Company and compared it to the expected experience. The actuary has discussed with the Company the implications of incorporating margins for adverse deviations and the Company is fully cognizant and supports incorporating margins for adverse deviations.

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Demographic Assumptions

Mortality

The CIA has completed a study of Canadian pensioner mortality levels and trends. Some conclusions of the study are:

- The UP94 mortality table together with generational improvements using Scale AA overstates average Canadian pensioner mortality rates, and therefore understates expected future pension payments for many plans;
- More rapid improvements in longevity have been observed than suggested by Improvement Scale AA; and
- Mortality experience has been observed to vary significantly by pension income size.

In light of these findings, we have modified the mortality assumptions of the going concern basis and are now using the following table published in the CIA report: 2014 Private Sector Mortality Table (CPM2014Priv), with pension size adjustments factor and with mortality improvements in accordance with CPM Improvement Scale B (CPM-B).

Retirement

Retirement rates are typically developed taking into account the past experience of the Plan. Accordingly, the rates of retirement have been developed as our expectation of the best-estimate rates of retirement based on the plan provisions and plan experience in recent years.

The Plan has heavily subsidized early retirement provisions, especially for members with long service. The Plan also provides a temporary bridge pension. Accordingly, pension commencement age is an important factor in plan costs. The retirement rates were established at the last valuation as of December 31, 2010 based on plan experience between 2008 and 2010. These rates continue to be appropriate expectations of the rates of retirement based on the plan provisions.

Termination of Employment

A member's benefit entitlement under the Plan is affected by whether the member terminates employment prior to retirement for reasons other than death. In order to account for this in the calculation of the actuarial liability, an assumption regarding the probability that a member will terminate employment for reasons other than death has been made.

The termination rates were developed based on a prior review of plan experience. Subsequent actuarial valuations indicate that these rates remain appropriate as the resulting actuarial gains and losses have been relatively small.

Recent business transformations in the inter-valuation period have resulted in a higher level of termination since the last valuation. However, these are not expected to be a long-term trend, and consequently, the termination rates continue to be considered our best estimate of future long-term expected rates.

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Option Elections on Termination

We have assumed that 20% of members who are not retirement eligible at termination will elect a deferred annuity, and 80% will elect a commuted value transfer or cash on termination. In recognition of the lower prevailing discount rates to determine commuted values, we have employed a different discount rate basis used to calculate termination benefits for those electing a deferred annuity versus those that elect a lump-sum transfer value. The discount rate applied for those assumed to elect a commuted value transfer is the same rate used to determine pension commuted values for terminations in December 2013 of 3.00% per year for 10 years, 4.60% per year thereafter.

Effective March 1, 2014, members who are retirement eligible at termination have the option to elect to transfer out the commuted value of their pension entitlement to another locked-in retirement savings vehicle in lieu of receiving an immediate pension from the Plan. As of date of this report, there is insufficient plan experience to determine an expected rate of election of a commuted value transfer versus an immediate annuity. We have therefore continued to assume that 100% of members who are retirement eligible at termination will elect to receive an immediate annuity. We will monitor actual plan experience and update this assumption in subsequent actuarial valuations, if necessary.

Proportion of Members with Spouses and Spousal Age Differential

These assumptions are relevant to the valuation of benefits since there is a subsidized joint and survivor bridge benefit available for members with a spouse. The proportion of members who will have a spouse, and the spousal age difference, are based on broad population statistics. This assumption has very little impact on the valuation results.

Demographic Margins for Adverse Deviations

Margins for conservatism or provisions for adverse deviation have been built into the going concern assumptions where appropriate.

The margins have been chosen so as to balance the need for financial security for existing plan members against overly conservative contribution requirements that potentially result in intergenerational inequity among members and unnecessary financial strain on the plan sponsor.

A margin for adverse deviations has been reflected in the mortality rates assumption using the 2014 Canadian Pensioner Mortality Private Table with generational mortality projection using Scale CPM-B (sex distinct rates, with pension size adjustment factors M=1.026 F=1.041).

The actuary has discussed the Plan's experience with the Company and compared it to the expected experience. The actuary has discussed with the Company the implications of incorporating margins for adverse deviations and the Company is fully cognizant and supports incorporating margins for adverse deviations.

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Other

Actuarial Cost Method

An actuarial cost method is a technique used to allocate in a systematic and consistent manner the expected cost of a pension plan over the years of service during which plan members earn benefits under the Plan. By funding the cost of a pension plan in an orderly and rational manner, the security of benefits provided under the terms of the plan in respect of service that has already been rendered is significantly enhanced.

The projected unit credit actuarial cost method has been used for this valuation. Under this method, the actuarial present value of benefits in respect of service prior to the valuation date, but based on pensionable earnings projected to retirement, is compared with the actuarial asset value, revealing either a surplus or an unfunded actuarial liability.

When calculating the actuarial present value of benefits at the valuation date, the present value of all retirement, withdrawal and preretirement death benefits are included. For each member, the retirement, withdrawal and preretirement death benefits for a particular period of service are first projected each year into the future taking into account future vesting, early retirement entitlements and minimum pension/value entitlements. These projected benefits for each future year are then capitalized, multiplied by the probability of the member leaving the Plan in that year and discounted with interest and survivorship to the valuation date. The actuarial present value of benefits for the particular period of service is then determined by summing the present values of these projected benefits.

The pattern of future contributions necessary to pre fund future benefit accruals for any one particular individual will increase gradually as a percentage of their pensionable earnings as the individual approaches retirement. The projected unit credit actuarial cost method therefore allocates contributions among different periods in an orderly and rational manner for a stable population group (i.e., one where the demographics of the group remain constant from year to year).

In the event of future adverse experience, additional contributions may be required to ensure that the plan assets are adequate to provide the benefits. Conversely, favourable experience may generate surplus which may serve to reduce future contribution requirements.

Asset Valuation Method

Market value, adjusted by in-transit cash flows was used as the actuarial value of assets for this valuation. Asset-smoothing techniques are often used to reduce volatility in the Company's contribution requirements. However, since this Plan's contributions are primarily being driven by the solvency valuation, we deemed it unnecessary to use an asset-smoothing technique for the going concern valuation.

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Appendix E: Solvency and Hypothetical Wind Up Assumptions and Methods

Valuation Assumptions

	December 31, 2013	December 31, 2010
Economic Assumptions		
Discount rate for solvency liability		
Members in receipt of or eligible for immediate pension	3.80% per year	4.48% per year
Deferred vested members	3.80% per year	4.48% per year
All other members	3.00% per year for 10 years; 4.60% per year thereafter	3.30% per year for 10 years; 5.00% per year thereafter
Discount rate of solvency liability adjustment		
Members in receipt of or eligible for immediate pension	Not applicable	4.58% per year
All other members	Not applicable	4.34% per year for 10 years; 5.36% per year thereafter
Postretirement benefit increases (hypothetical wind up only)		
Members in receipt of or eligible for immediate pension	0.50% per year	1.00% per year
All other members	0.50% per year	0.000% per year for 10 years; 0.525% per year thereafter

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	December 31, 2013	December 31, 2010
Demographic Assumptions		
Retirement Age		
Active, disabled, transferred, and suspended members	Age between ages 55 and 65 that generates the highest lump-sum value[1]	Same
Deferred vested members	Age member elected at termination	Same
Retired members	Not applicable	Same
Mortality rates	1994 Uninsured Pensioner Mortality Table with generational mortality improvements using Scale AA (sex distinct rates)	1994 Uninsured Pensioner Mortality Table with projected mortality improvements to 2020 using Scale AA (sex distinct rates)
Withdrawal rates	Not applicable	Same
Marital status		
Non-retired members	80% with spouse at retirement; male spouses assumed to be three years older than female spouses	Same
Retired members	Actual marital status and ages are used	Same
Methods		
Actuarial cost method	Unit credit cost method	Same
Asset valuation method	Market value of assets adjusted to reflect contributions and benefit payments in transit as of the valuation date	Market value of assets adjusted to reflect contributions and benefit payments in transit as of the valuation date. Market gains and losses (i.e., the difference between the actual investment return and the assumed rate of 5.50% per year) are phased in over five years
Miscellaneous		
Wind Up Expenses	$5,000,000	$4,000,000
Contingent Benefits	None	None

[1] As the Plan already gives benefits on termination similar to grow-in (continuous service is determined assuming the member has continued employment to pension commencement date), we have valued grow-in benefits for all members.

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Based on the CIA' Guidance and information such as pension legislation, plan provisions and plan experience, we have made the following assumptions regarding how the Plan's benefits would be settled on plan wind up:

	Percent of Liability Assumed to be Settled By Purchase of Annuities	Percent of Liability Assumed to be Settled By Lump-Sum Transfer
Active and disabled members		
Not retirement eligible	20%	80%
Retirement eligible	100%	0%
Deferred vested members		
Not retirement eligible	20%	80%
Retirement eligible	100%	0%
Retired members and beneficiaries	100%	0%

Benefits Valued

	Solvency Valuation	Hypothetical Wind Up Valuation
Vesting	All accrued benefits are vested.	All accrued benefits are vested.
Consent Benefits	None	None
Grow-In Benefits	As the Plan already gives benefits on termination similar to grow-in (continuous service is deemed to be the length of time as if the Member has continued to pension commencement date), we have valued grow-in benefits for all members.	As the Plan already gives benefits on termination similar to grow-in (continuous service is deemed to be the length of time as if the Member has continued to pension commencement date), we have valued grow-in benefits for all members.
Exclusions	None	None
Indexing	We have not valued future indexation, in accordance with legislation.[1]	Post-retirement indexation has been valued on hypothetical wind up.

[1] The 0.5% increase granted at January 1, 2014 to eligible pensioners was included in the solvency and hypothetical wind up liabilities as of December 31, 2013.

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Justification for Valuation Assumptions

Development of Discount Rates

The development of the discount rates is shown below.

Solvency lump-sum discount rate for 10 years	= V122542[1] + 90 bps = 2.05% + 0.90% **= 2.95% (rounded to 3.00%) per year**
Solvency lump-sum discount rate thereafter	= V122544[1] + 0.5 x (V122544[1] – V122542[1]) + 90 bps = 3.16% + 0.5 x (3.00% – 2.05%) + 0.90% **= 4.62% (rounded to 4.60) per year**
Solvency annuity purchase discount rate	= V39062 + Duration Adjustment = 3.13% + 0.70% **= 3.83% (rounded to 3.80%) per year**

The CIA Guidance indicates that the cost of purchasing non-indexed annuities would be estimated based on the duration of the liabilities expected to be settled through annuity purchase. The duration of this Plan was estimated to be 9.84 and the resulting duration adjustment to the unadjusted CANSIM series V39062 interest rate is 0.70%.

We have set the aforementioned assumptions based on guidance prepared by the Canadian Institute of Actuaries Committee on Pension Plan Financial Reporting ("PPFRC") in the Educational Note Assumptions for Hypothetical Wind Up and Solvency Valuations with Effective Dates Between December 31, 2013 and December 30, 2014 ("CIA Guidance"), dated January 24, 2014.

For benefit entitlements that are expected to be settled by purchase of annuities, we based the assumptions on information compiled by the PPFRC from insurance companies active in the group annuity market.

For benefit entitlements that are expected to be settled by lump-sum transfer, we based the assumptions on the Canadian Institute of Actuaries Standards of Practice for Pension Commuted Values, effective April 1, 2009, using rates corresponding to a valuation date of December 31, 2013.

Pensionable Earnings

The actual best average earnings provided by the client were used.

[1] CANSIM Series (annualized)

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Assumptions Not Needed

The following are not relevant to the solvency or hypothetical wind up valuation:

- Increases in pensionable earnings;
- Termination of employment rates;
- Increases in CPP and OAS benefits (we used the January 1, 2014 rates);
- Increases in *Income Tax Act* maximum pension limit (we used the 2014 maximum); and
- Disability rates.

Estimated Wind Up Expenses

Plan wind up expenses would normally include such items as fees related to preparation of the actuarial wind up report, fees imposed by a pension supervisory authority, legal fees, administration, custodial and investment management expenses. We have assumed these fees would be $5,000,000. We have assumed that the Company will still be solvent (with no surplus and associated surplus distribution activities) on the wind up of the Plan.

Calculation of Special Solvency Payments

We used a discount rate of 3.70% per year to calculate the special payments necessary to liquidate the solvency deficiency. This rate is a weighted average based on the relative proportions of benefit entitlements that are expected to be settled by purchase of annuities and lump-sum transfer.

Actuarial Cost Methods

Unit credit (accrued benefit) cost method as prescribed.

Asset Valuation Method Considerations

Assets for solvency purposes have been determined using adjusted market value.

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Incremental Cost on a Solvency Basis

The incremental cost on a solvency basis represents the present value, at the calculation date (time 0), of the expected aggregate change in the solvency liabilities between time 0 and the next calculation date (time t), adjusted upwards for expected benefit payments between time 0 and time t.

An educational note was published in December 2010 by the Canadian Institute of Actuaries' Committee on Pension Plan Financial Reporting to provide guidance for actuaries on the calculation of this new information.

The calculation methodology can be summarized as follows:

- The present value at time 0 of expected benefit payments between time 0 and time t, discounted to time 0,

  plus

- Projected solvency liabilities at time t, discounted to time 0, allowing for, if applicable to the pension plan being valued:
  - expected decrements and related changes in membership status between time 0 and time t,
  - accrual of service to time t,
  - expected changes in benefits to time t,
  - a projection of pensionable earnings to time t,

  minus

- The solvency liabilities at time 0.

The projection calculations take into account the following assumptions and additional considerations:

- The assumptions for the expected benefit payments and decrement probabilities, service accruals, and projected changes in benefits and/or pensionable earnings would be consistent with the assumptions used in the pension plan's going concern valuation.
- The assumptions used to calculate the projected liability at time t are consistent with the assumptions for the solvency liabilities at time 0, assuming that interest rates remain at the levels applicable at time 0, that the select period is reset at time t for interest rate assumptions that are select and ultimate and that the Standards of Practice for the calculation of commuted values and the guidance for estimated annuity purchase costs in effect at time 0 remain in effect at time t.
  - Active and inactive plan members as of time 0 are considered in calculating the incremental cost.

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Appendix F: Summary of Plan Provisions

The Sears Canada Inc. Registered Retirement Plan ceased defined benefit service accrual and introduced a defined contribution component with effect on and after July 1, 2008. Credited Service ceased to accrue after June 30, 2008 in the defined benefit component of the SRRP, however, earnings increases will continue to be recognized while members are in active employment.

Following is a summary of the main provisions of the Defined Benefit component and the Defined Contribution component of the SRRP.

Plan Provisions—Registered Retirement Plan

Effective Date	As amended and restated July 1, 2008
Jurisdiction of Registration	Ontario
History	Sears Canada Inc., formerly Simpsons-Sears Limited, established the Supplementary Pension Plan on January 1, 1971. The Supplementary Pension Plan was incorporated into the Guaranteed Retirement Income Plan from January 1, 1976. The Guaranteed Retirement Income Plan was incorporated into and superseded by the Sears Canada Inc. Registered Retirement Plan on January 1, 1987. The Sears Canada Inc. Registered Retirement Plan (the "SRRP") ceased defined benefit service accrual and introduced a defined contribution provision with effect on and after July 1, 2008.
Eligibility for Membership	Effective July 1, 2008, no new employees may join the Defined Benefit component of the Plan.
Member Contributions	Members ceased contributions to the defined benefit plan effective July 1, 2008. Interest is credited on members contributions to the plan prior to July 1, 2008 according to: ***Non-Quebec Members*** The average of the yields on five-year trust company guaranteed investment certificates, published in the Bank of Canada Review as CANSIM Series B14080, over the most recent 12-month period. ***Quebec Members*** The average annual rate of return of the fund, less investment expenses and administrative costs, over the 36-month period ending at the end of each calendar year quarter.

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Normal Retirement

Eligibility

The last day of the month in which the member attains age 65.

Benefit

Benefit With Respect to SRRP Service On and After January 1, 1987
The sum of a) and b) multiplied by the Pensionable Service on and after January 1, 1987 until July 1, 2008:

a) 1% of the Three-Year Final Average Earnings up to the Three-Year Final Average YMPE, minus 20% of the Three-Year Final Average YMPE; PLUS

b) 1.75% of the Three-Year Final Average Earnings in excess of the Three-Year Final Average YMPE.

Benefit With Respect to GRIP Service Before January 1, 1987
For Members Not Employed in Saskatchewan or Manitoba:
1.75% of the Five-Year Final Average Earnings per year of GRIP Pensionable Service; MINUS

the "other pension benefits" defined as the sum of a), b) and c) below:

a) the Member's Retirement Security Plan Pension;

b) the Member's Profit Sharing Annuity; and

c) the sum of Old Age Security Benefit plus the Canada (Quebec) Pension Plan Benefit, multiplied by the GRIP Pensionable Service, to a maximum of 40, divided by 40.

For Members Employed in Saskatchewan or Manitoba:
1.25% of the Five-Year Final Average Earnings up to the Five-Year Final Average YMPE, per year of GRIP Pensionable Service; PLUS

1.75% of the Five-Year Final Average Earnings in excess of the Five-Year Final Average YMPE, per year of GRIP Pensionable Service; MINUS

the "other pension benefits" defined as the sum of a), b) and c) below:

a) the Member's Retirement Security Plan Pension;

b) the Member's Profit Sharing Annuity; and

c) the Canada (Quebec) Pension Plan benefit, multiplied by the GRIP Pensionable Service, to a maximum of 40, divided by 40.

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Normal Form of Pension

Members Without a Spouse at Retirement:
Life Annuity guaranteed for 120 months.

Members With a Spouse at Retirement:
Joint and 2/3 Survivor Pension, guaranteed for 120 months. The benefit is actuarially equivalent to the pension payable to a member without a spouse at retirement.

Early Retirement

Eligibility

The last day of any month after the member has attained age 55.

Benefit

The Normal Retirement Benefit accrued to the early retirement date, reduced by:

Continuous Service	Reduction
Service<10	¼% for each month before NRD; plus ¼% for each month before age 60
10<=Service<25	¼% for each month before age 62; plus ¼% for each month before age 60
25<=Service<30	½% for each month before age 60
Service>=30	¼% for each month before age 60

In calculating the Early Retirement Benefit with respect to the GRIP service, the above reduction is not applied to the "other pension benefits".

Bridge Benefit

Benefit

The sum of Old Age Security Benefit plus the Canada (Quebec) Pension Plan Benefit, multiplied by the GRIP Pensionable Service, to a maximum of 40, divided by 40.

For Members Employed in Saskatchewan or Manitoba:
0.50% of the Five-Year Final Average Earnings up to the Five-Year Final Average YMPE, per year of GRIP Pensionable Service, reduced by the above Early Retirement Factor; PLUS

The Canada Pension Plan Benefit, multiplied by the GRIP Pensionable Service, to a maximum of 40, divided by 40.

Form of Payment

Members Without a Spouse at Retirement:
Temporary annuity payable for the member's lifetime, until age 65.

Members With a Spouse at Retirement:
Temporary annuity payable for the member's lifetime, until age 65. If the member dies prior to age 65, the surviving spouse will continue to receive 2/3 of the Bridge Benefit for his/her lifetime, until the deceased member would have turned age 65.

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Postponed Retirement

A member may retire on the last day of any month up to November 30 of the year he turns age 71.

The Retirement Benefit is the greater of a) and b) below:

a) Normal Retirement Benefit calculated to Actual Retirement Date.

b) Normal Retirement Benefit calculated using Service to NRD, and actuarially increased to Actual Retirement Date.

Termination of Employment

Benefit

A member who terminates is entitled to either his accrued retirement benefit deferred to age 65, or to transfer a lump-sum value of his deferred pension to a locked-in retirement income equal to the sum of a) and b) below:

a) the Commuted Value of his deferred pension.

b) the Member's excess contributions including accumulated interest.

Minimum Transfer Value

The lump-sum value calculated above cannot be less than 150% of the Member's required contributions made before July 1, 2008, with accumulated interest.

Early Commencement

The Termination Benefit is calculated in the same manner as the Early Retirement Benefit provided that the early retirement reduction is determined based on the Member's Continuous Service being deemed to be the length of the Member's completed Continuous Service as if the Member has continued in active employment until his pension commencement date[1].

[1] Effective January 1, 2015, members who voluntarily terminate prior to attainment of age 55 (or involuntarily terminate with cause) will receive the actuarially equivalent value of their pension at age 65 if they choose to retire prior to age 65.

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Death Benefit

Before Retirement	The Commuted Value of benefit entitlement for SRRP service on and after January 1, 1987 and before July 1, 2008, and for GRIP service before January 1, 1987, determined as if the member had terminated immediately prior to death.
After Retirement	Based on the form of pension elected by the member at retirement.

Postretirement Inflation Adjustment

Eligibility	a) Any Member who retired prior to January 1, 2001 and was eligible for an immediate pension at the time of retirement. b) Any Member who terminated after December 31, 2000 and was eligible for either an immediate or deferred pension on termination. c) Any Beneficiary of a Member under a) or b) above.
Commencement	The postretirement inflation adjustments commence on the January 1 immediately following the Member's 65th birthday.
Amount of Adjustment	Effective January 1, 2014, the inflation adjustment made to pensions pay, in any year, shall be a fixed rate of 0.50% per year.

Definitions

Pensionable Earnings	The total earnings consisting of wages, salaries, overtime, bonuses, overwrites, commissions, vacation pay and illness allowances. It excludes the value of an Employee's taxable benefits and any long-term incentives and other elements of compensation that the Company expressly excludes.
Three-Year Final Average Earnings	The average of the three consecutive years of highest Pensionable Earnings during the last 10 years of Continuous Service.
Five-Year Final Average Earnings	The average of the five years of highest Pensionable Earnings during the last 10 years of Continuous Service.
Three-Year Final Average YMPE	The average of the Year's Maximum Pensionable Earnings in the last three years of Continuous Service.
Five-Year Final Average YMPE	The average of the Year's Maximum Pensionable Earnings in the last five calendar years of Continuous Service.

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JP Morgan Transferred Members

Transition Date	Hourly Transferred Members: December 18, 2005 Salaried Transferred Members: January 1, 2006
Retirement Benefit	The lifetime and bridge benefits determined based on Pensionable Service, Earnings, and YMPE at the Transition Date. Continuous Service continues while employed by the Purchaser. The benefits are increased based on Increases in the Average Industrial Wage from the Transition Date to the date of retirement/termination/death, measured by CANSIM II Series VI558664.

Thomas Cook Transferred Members

Transition Date	January 29, 2011
Retirement Benefit	The lifetime and bridge benefits determined based on Pensionable Service, Earnings, and YMPE at the Transition Date. Continuous Service continues while employed by the Purchaser. The benefits are increased based on Increases in the Average Industrial Wage from the Transition Date to the date of retirement/termination/death, measured by CANSIM II Series VI558664.

Sears Home Services Transferred Members

Transition Date	March 2, 2013
Retirement Benefit	The lifetime and bridge benefits determined based on Pensionable Service, Earnings, and YMPE at the Transition Date. Continuous Service continues while employed by the Purchaser. The benefits are increased based on Increases in the Average Industrial Wage from the Transition Date to the date of retirement/termination/death, measured by CANSIM II Series VI558664.

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Defined Contribution Component

Effective Date

Effective July 1, 2008, the DC component was added to the SRRP.

Member Contributions

Members may contribute 1% to 7% of earnings.

Members with defined benefit entitlement as of June 30, 2008 (except Manitoba and Nova Scotia) may elect a 0% contribution.

The "default" member contribution if a member does not elect a contribution level is 1% of earnings.

Employer Contributions

The Company matches Member Contributions according to the following table:

Employee	Employer
0.0%	0.0%
1.0%	0.5%
2.0%	1.0%
3.0%	1.5%
4.0%	2.0%
5.0%	2.5%
6.0%	3.0%
7.0%	3.5%

A copy of a letter from the Company certifying the accuracy and completeness of the plan provisions summarized in this report is included in Appendix G of this report.

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Sears

June 19, 2014

Aon Hewitt
225 King Street West
Suite 1600
Toronto, ON M5V 3M2

Dear Sir/Madam:

Subject: Sears Canada Inc. Registered Retirement Plan, Registration Number 0360065

With respect to the Sears Canada Inc. Registered Retirement Plan actuarial report as at December 31, 2013, I hereby certify that, to the best of my knowledge and belief:

- The asset data provided or made available to the actuary is complete and accurate;
- The membership data and subsequent query answers provided or made available to the actuary are complete and accurate for all persons who are entitled to benefits under the terms of the Plan in respect of service up to the date of the valuation;
- The plan provisions provided or made available to the actuary are complete and accurate; and
- The actuary has been notified of all relevant events subsequent to the valuation measurement date.
- In accordance with Regulation, the Company has elected to defer all new going concern and solvency special payments established as at December 31, 2013 by 12 months.
- In accordance with Regulation, the Company has elected temporary funding relief option 4.

Name (print) of Authorized Signatory: TODD DALGLISH

Title: VP, TREASURER

Signature

Date: 06.19.2014.

290 YONGE STREET, SUITE 700 • TORONTO, ON • M5B 2C3

Canada Revenue Agency / Agence du revenu du Canada

Actuarial Information Summary

See the instructions for completing this form. If an item does not apply, enter "N/A".

Part I – Plan Information and Contributions

A. 001. Name of registered pension plan
Sears Canada Inc. Registered Retirement Plan

B. 002. Registration number
Canada Revenue Agency: 0360065 Other:

C. 003. Is this plan a designated plan? ☐ Yes ☑ No

D. 004. Valuation date of report Year Month Day: 2013 12 31

E. 005. End date of period covered by report Year Month Day: 2016 12 30

F. 006. Purpose of the report (indicate all reasons for which the report was prepared)

☐ Initial report for a newly established plan ☑ Regular (triennial or annual) report for an ongoing plan ☐ Interim report in respect of an amendment to an ongoing plan ☐ Partial termination
☐ Termination ☐ Conversion ☐ Other (explain)

G. Contributions (prior to application of any credits or surplus) for covered period

Periods (see instructions)	Period 1	Period 2	Period 3	Period 4
007. Period start date (YYYY-MM-DD)	2014-01-01	2015-01-01	2016-01-01	
008. Period end date (YYYY-MM-DD)	2014-12-31	2015-12-31	2016-12-30	
Normal cost (defined benefit provision) 009. Members	0	0	0	
010. Employer	0	0	0	
010a. Explicit expense allowance included in employer normal cost above	0			
Normal cost (money purchase provision) 011. Members	16,000,000	16,600,000	17,200,000	
012. Employer	8,000,000	8,300,000	8,600,000	
Special payments Special payments for going-concern unfunded liability and solvency deficiency 013. Employer				
013a. Members				
Fixed contributions 014. Estimated dollar amounts of fixed employer and, if applicable, member contributions (defined benefit provision)				
014a. Estimated dollar amounts of fixed employer and, if applicable, member contributions (money purchase provision)				

Part II – Membership and Actuarial Information

H. Membership information	Number	Average age	Average pensionable service	Average salary	Average annual pension
015. Active members	6,871	53.80	10.00	39,313	N/A
016. Retired members	14,372	74.60	N/A	N/A	4,934
017. Other participants	1,387	49.00	N/A	N/A	3,795

I. Actuarial basis for going-concern valuation (see instructions)

020. Asset valuation method

☑ Market ☐ Smoothed Market ☐ Book ☐ Book and Market combination ☐ Other (specify)

021. Liability valuation method

☐ Accrued benefit (unit credit) ☐ Entry age normal ☐ Individual level premium ☐ Aggregate ☐ Attained Age

☑ Other (specify) Projected Unit Credit-Prorate on Service

I. Actuarial basis for going-concern valuation (continued)

Selected actuarial assumptions

Where a flat rate is used, enter the rate under "Ultimate rate" and "N/A" under "Initial rate" and "Number of years".

Valuation interest rate	Initial rate (%)	Number of years	Ultimate rate (%)
025. Active members	N/A	N/A	5.00
026. Retired members	N/A	N/A	5.00
027. Rate of indexation	N/A	N/A	0.50
028. Rate of general wage and salary increase	N/A	N/A	3.00
029. YMPE escalation rate	N/A	N/A	3.00
030. *Income Tax Regulations*' maximum pension limit escalation	N/A	N/A	3.00
031. Rate of CPI increase	N/A	N/A	2.50

035. Year *Income Tax Regulations*' maximum pension limit escalation commences 2015

036. Mortality table

☐ 1994 GAM Static ☐ 1994 Group Annuity Reserving (GAR) ☐ 1994 UP ☐ 80% of 1983 GAM ☐ CPM2014

☐ CPM2014Publ ☐ CPM2014Priv ☑ Other (specify) CPM Private with Generational Projection using Scale CPM-

036a. Improvement scale

Has a projection of mortality improvement been made?.................... ☐ Yes ☐ No

i) Has an assumption of generational mortality improvements been made? .... ☐ Yes ☐ No

ii) If applicable, what is the year in which the mortality improvements have been projected?....................

iii) Which scale have you used?

☐ Scale AA ☐ Scale CPM-B ☐ Scale CPM-B1D2014 ☐ Other (specify)

036b. Adjustment to the mortality table

i) Has an adjustment to the mortality table been made?.................... ☐ Yes ☐ No

ii) If yes, which percentage did you apply to .... Male ____ Female ____

037. Allowance for promotion, seniority, and merit increases

☐ Included in (line **028**) above ☑ Separate scale based on age or service ☐ No allowance

038. Allowance for expenses

038a. Allowance for investment expenses

☑ Implicit ☐ Explicit ☐ Both explicit and implicit

038b. Allowance for administrative expenses

☑ Implicit ☐ Explicit ☐ Both explicit and implicit

039. If a multi-employer plan, number of hours of work per member per plan year

040. Was a withdrawal scale used?.................... ☑ Yes ☐ No

041. Were variable retirement rates used?.................... ☑ Yes ☐ No

042. If no, what is the assumed retirement age?....................

J. Actuarial basis for solvency valuation

Valuation interest rate	Initial rate (%)	Select period	Ultimate rate (%)
045. Benefits to be settled by lump sum transfer	3.00	10	4.60
046. Benefits to be settled by purchase of deferred annuity	N/A	N/A	3.80
047. Benefits to be settled by purchase of immediate annuity	N/A	N/A	3.80
048. Rate of indexation	N/A	N/A	0.50

049. Mortality table

Lump sum: ☐ 1994 UP Generational ☐ CPM2014Priv ☐ CPM2014 ☐ CPM2014Publ ☐ Other (specify)

Annuity Purchase: ☐ 1994 UP Generational ☐ CPM2014Priv ☐ CPM2014 ☐ CPM2014Publ ☐ Other (specify)

049a. Improvement scale used

Lump sum: ☐ Scale AA ☐ Scale CPM-B ☐ Scale CPM-B1D2014 ☐ Other (specify) ______ ☐ None

Annuity Purchase: ☐ Scale AA ☐ Scale CPM-B ☐ Scale CPM-B1D2014 ☐ Other (specify) ______ ☐ None

K. Balance sheet information (DB provisions, see instructions)

050. Market value of assets, adjusted for receivables and payables	1,301,497,000
051. Amount of contributions receivable included in market value above	0
Going-concern valuation	
052. Going-concern assets	1,301,497,000
053. Optional ancillary contributions account balance included in going-concern assets above for a flexible pension plan (if applicable)	0
Going-concern liabilities	
060. For active members	333,474,000
061. For retired members	893,211,000
062. For other participants	60,167,000
063. For optional ancillary benefits to be provided under a flexible pension plan (if applicable)	
064. Other reserve	
065. Reserve type ☐ Expenses ☐ Ad-hoc indexing ☐ Provision for Adverse Deviation ☐ Other (specify)	
070. Net funded position—surplus/deficit	14,645,000
071. Additional voluntary contributions	0
072. Money purchase assets (if applicable)	161,269,000

Solvency valuation

Complete lines **080** to **100** only if the report contains an explicit solvency valuation

Solvency assets	
080. Solvency assets with adjustment for expense provision, if any	1,296,497,000
081. Amount of wind-up expense provision reflected in line **080**	5,000,000
082. Optional ancillary contributions account balance included in solvency assets above for a flexible pension plan (if applicable)	
Solvency liabilities	
090. For active members	383,055,000
091. For retired members	921,918,000
092. For other participants	67,929,000
093. For optional ancillary benefits to be provided under a flexible pension plan (if applicable)	
094. Other reserve	0
095. Reserve type ☐ Expenses ☐ Other (specify)	
100. Net solvency position—surplus/deficit	(76,405,000)
101. Incremental cost	

If the plan provides benefit increases coming into effect during the period covered by the report but after the valuation date, have those increases been reflected in:

102. The going-concern liabilities in lines **060** to **064**? ☐ Yes ☐ No ☑ N/A

103. The solvency liabilities in lines **090** to **094**? ☐ Yes ☐ No ☑ N/A

Discount rate sensitivity

	Change in percentage using discount rate 1% lower	Change in amount using discount rate 1% lower	Change in amount using discount rate 1% higher
104. Going-concern liabilities			
105. Normal cost			
106. Solvency liabilities			

L. Actuarial gains or losses

110. Was a gain/loss analysis done? ☑ Yes ☐ No

111. If line **110** is **yes**, indicate the date of the last filed funding valuation report and the net funded position as of that date — Year 2010, Month 12, Day 31 — (68,039,000)

If line **110** is yes, indicate amount of gain or loss due to:

112. interest on surplus (unfunded liability)	(8,401,00(
113. special payments made	73,684,000
114. amount used for contribution holiday	
115. change in actuarial assumptions	(106,184,00(
116. change in the asset valuation method	
117. change in liability valuation method	
118. plan amendments/changes	(14,285,00(
119. investment experience	138,631,000
120. retirement experience	(5,093,00(
121. mortality experience	(4,518,00(
122. withdrawal experience	(25,300,000)
123. salary increase experience	34,154,0(
124. optional ancillary contributions forfeited	

Are there major contributing sources other than lines **112** to **124** above (if **yes**, specify)

125. indexation experience	5,444,0(
126. programming changes	(5,918,000)
127. all other sources (combined)	470,00

M. Subsequent events

135. Are there any subsequent event(s) that have not been reflected in the valuation? (refer to SOP) ☑ Yes ☐ No

N. Statements of opinion

136. Does the report include the statements of opinion required by the SOP (data, assumptions, methods, accepted actuarial practice)? ☑ Yes ☐ No

136a. Are any of the actuary's statements of opinion qualified? ☐ Yes ☑ No

Financial Services Commission of Ontario — Commission des services financiers de l'Ontario

Part III – Information required by the Financial Services Commission of Ontario

O. Additional valuation information

Going-concern valuation

137. Are benefits under the pension plan provided by an annuity purchase? ☐ Yes ☐ No

138. If line **137** is **yes**,

a) enter the total asset value of the annuities purchased

b) enter the total liability of the annuities purchased

139. Have escalated adjustments been included in going-concern liabilities? ☐ Yes ☐ No ☐ N/A

Solvency valuation

140.1 If line **137** is **yes**,

a) enter the total asset value of the annuities purchased

b) enter the total liability of the annuities purchased

140.2 Enter the value of any solvency deficiency payment that is guaranteed by a letter of credit

140.3 Enter the expiry date of the letter of credit, if any — Year / Month / Da

141. Have any of the excludable benefits been excluded? ☑ Yes ☐ No ☐ N/A

142. If line **141** is **yes**, enter the total amount of liabilities being excluded 56,641,00

143. With respect to the type of benefits provided under the plan for service after the valuation date, complete the following table:

Provision type	Benefit accruals for service after valuation date (Yes/No)	Closed(Yes/No)
Defined Benefit	No	Yes
Defined Contribution	Yes	No

144. (i) Has an averaging method been applied to the market value of assets in determining the solvency asset adjustment? ☐ Yes ☑ No

a) If line (i) is yes, indicate the positive or negative amount by which the solvency assets are adjusted as a result of applying the averaging method ____

(ii) Has the averaging method used in determining the solvency asset adjustment changed since the last valuation? ☑ Yes ☐ No

If line (ii) is yes, complete (ii)a or (ii)b, as appropriate:

a) The change in method increases solvency asset adjustment by the amount of 111,963,000

b) The change in method decreases solvency asset adjustment by the amount of ____

P. Miscellaneous

145. Prior year credit balance 15,000,000

146. Transfer ratio (express in decimal format) 0.9000

Guarantee fund assessment

147. PBGF liabilities 833,134,000

148. PBGF assessment base 43,386,000

149. Amount of additional liability for plant closure and/or permanent layoff benefits as described in "E" of subsection 37(4) of *Regulation 909, R.R.O. 1990*, as amended 0

149a. Number of Ontario plan beneficiaries 11,694

Part IV – Information required by the Canada Revenue Agency

R. Additional information

173. Surplus/deficit determined at the valuation date as per the instructions:

173a. Going-concern basis ____

173b. Wind-up basis ____

173c. For designated plans, maximum funding valuation basis ____

174. Excess surplus determined at the valuation date:

174a. Going-concern basis ____

174b. For designated plans, maximum funding valuation basis ____

175. For designated plans, employer normal cost determined under the maximum funding valuation basis:

Period 1 ____

Period 2 ____

Period 3 ____

Period 4 ____

176. Minimum surplus required under applicable pension benefit legislation before contribution holiday:

176a. Going-concern basis ____

176b. Wind-up basis ____

177. Maximum amount that could be claimed as eligible employer contribution(s) – defined benefit provisions – under subsection 147.2(2) of the *Income Tax Act*:

177a. Unfunded liability ____

177b. Normal cost:

Period 1 ____

Period 2 ____

Period 3 ____

Period 4 ____

178. Do you have any employees contributing over the limit stipulated under paragraph 8503(4) of the *Income Tax Regulations?* ☐ Yes ☐ No

Retraite Québec

Part V – Information required by Retraite Québec

S. Additional Information

185. Date on which the valuation report was prepared .... ______

186. Value of additional liabilities arising from an improvement on a funding basis .... ______

187. Value of additional liabilities arising from an improvement on a solvency basis .... ______

188. Surplus assets that can be allocated to fund contributions .... ______

189. Special payments .... ______

190. Total of the letters of credit taken into account in the assets .... ______

191. Insured annuities from an insurer taken into account in the actuarial valuation on a solvency basis .... ______

T. Additional information for plans whose employer is a municipality, a municipal housing bureau, or an educational institution at the university leve

For service prior to the establishment of the stabilization fund

192. Reserve on a funding basis .... ______

	Present Value	Amortization payments			
		Period 1	Period 2	Period 3	Period 4
193. Deficiency attributable to the employer					
194. Funding deficiency 194a. Payable by the members					
194b. Payable by the employer					

For service following the establishment of the stabilization fund

195. Stabilization fund value .... ______

	Stabilization contributions			
	Period 1	Period 2	Period 3	Period 4
196. Members				
197. Employer				

	Present Value	Amortization payments			
		Period 1	Period 2	Period 3	Period 4
198. Technical funding deficiency 198a. Payable by the members					
198b. Payable by the employer					

U. Additional information for pension plans other than those mentioned in Section T, and for which solvency funding does not apply.

199. Target level (as a percentage) of the required stabilization provision .... ______

	Stabilization contributions			
	Period 1	Period 2	Period 3	Period 4
200. Members				
201. Employer				

	Present Value	Amortization payments			
		Period 1	Period 2	Period 3	Period 4
202. Technical funding deficiency					
202a. Payable by the members					
202b. Payable by the employer					
203. Stabilization funding deficiency					
203a. Payable by the members					
203b. Payable by the employer					
204. Improvement funding deficiency					
204a. Payable by the members					
204b. Payable by the employer					

Part VI – Certification by Actuary

As the actuary who signed the funding valuation report (the report), I certify that this completed form accurately reflects the information provided in the report.

Dated this 27 (day) day of June (month), 2014 (year)

Signature of actuary: ______

Print or type name of actuary: Susan Himmelman

Name of firm: Aon Hewitt

Telephone number: (416)227-5778

Email Address*: susan.himmelman@aonhewitt.com

*** Optional information. The Canada Revenue Agency will not communicate on plan specific matters with clients by email, since we cannot guarantee the confidentiality of emailed information.**

Personal information is collected under the authority of section 147.2 of the *Income Tax Act* and is used for the administration of a registered pension plan. It may also be used for any purpose related to the administration or enforcement of the Act such as audit and compliance. Information may also be shared or verified under information-sharing agreements to the extent authorized by law. Under the *Privacy Act*, individuals have the right to access their personal information and request correction if there are errors or omissions. Refer to Info Source cra.gc.ca/gncy/tp/nfsrc/nfsrc-eng.html, Personal Information Bank CRA PPU 226.

TAB "D"

Actuarial Valuation as at December 31, 2015 for Sears Canada Inc. Registered Retirement Plan

Regulatory Registration Number: 0360065

September 2016

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Table of Contents

Executive Summary

An actuarial valuation has been prepared for the Sears Canada Inc. Registered Retirement Plan (the "Plan") as at December 31, 2015 for the primary purpose of establishing a funding range in accordance with legislative requirements for the Plan until the next actuarial valuation is performed. This section provides an overview of the important results and the key valuation assumptions which have had a bearing on these results. The next actuarial valuation for the purposes of developing funding requirements should be performed no later than as at December 31, 2018.

Summary of Principal Results

Financial Position

December 31, 2015 *(000's)*	**Going Concern**	**Solvency**	**Hypothetical Wind Up**
Assets	$ 1,141,970	$ 1,136,970[1]	$ 1,136,970[1]
Liabilities	1,112,034	1,338,298	1,403,775
Financial position	$ 29,936	$ (201,328)	$ (266,805)
Adjustments[2]	(1,060)	62,753	0
Surplus/(Deficit)	**$ 28,876**	**$ (138,575)**	**$ (266,805)**

December 31, 2013 *(000's)*	**Going Concern**	**Solvency**	**Hypothetical Wind Up**
Assets	$ 1,301,497	$ 1,296,497[1]	$ 1,296,497[1]
Liabilities	1,286,852	1,372,902	1,429,543
Financial position	$ 14,645	$ (76,405)	$ (133,046)
Adjustments[2]	(15,000)	48,670	0
Surplus/(Deficit)	**$ (355)**	**$ (27,735)**	**$ (133,046)**

Legislative Ratios

	December 31, 2015	**December 31, 2013**
Solvency ratio	0.85	0.95
Transfer ratio	0.81	0.90

[1] Net of estimated wind up expenses of $5,000,000
[2] Adjustments include prior year credit balance, and solvency asset adjustments, where applicable

Defined Contribution Provision

(000's)	December 31, 2015	December 31, 2013
Account balance	$ 147,028	$ 161,269
Required member contributions[1]	$ 12,200	$ 16,000
Company normal cost	$ 6,100	$ 8,000

Contribution Requirements

Considering the funding and solvency status of the Plan, the Company contributions with effect for the three-year period following December 31, 2015, and those for the prior three-year period following the December 31, 2013 report, which are within the range of minimum and maximum contribution amounts as outlined in Section 5 and in accordance with legislative requirements, prior to application of the prior year credit balance ("PYCB"), are as follows:

(000's)	December 31, 2015	December 31, 2013
Year 1		
Company normal cost	$ 0	$ 0
Special payments[2]	13,680	13,940
Total Company Contribution	**$ 13,680**	**$ 13,940**
Year 2		
Company normal cost	$ 0	$ 0
Special payments	44,220	20,240
Total Company Contribution	**$ 44,220**	**$ 20,240**
Year 3		
Company normal cost	$ 0	$ 0
Special payments	44,220	20,240
Total Company Contribution	**$ 44,220**	**$ 20,240**

[1] Estimated by previous year's contribution, increased by the average assumed rate of salary increase

[2] In accordance with Regulation, the Company decided to defer new going concern and solvency special payments established as at December 31, 2015 and at December 31, 2013 (the last valuation date) by 12 months. The Company also elected temporary funding relief option 4 as at December 31, 2013, and temporary funding relief option 6 at December 31, 2015, to consolidate existing solvency payments into a new five-year payment schedule.

Key Assumptions

The principal assumptions to which the valuation results are most sensitive are outlined in the following table.

December 31, 2015	Going Concern	Solvency/Hypothetical Wind Up
Discount rate	4.90% per year	Annuity purchases: 2.95% per year Transfers: 2.10% per year for 10 years, 3.70% per year thereafter
Postretirement pension increases	0.50% per year	0.50% per year (for HWU only)
Pensionable earnings	3.00% per year, plus merit	Not applicable
Mortality table	2014 Canadian Private Sector Pensioners' Mortality Table ("CPM2014Priv") combined with mortality improvement scale CPM-B (sex-distinct)	2014 Canadian Pensioners' Mortality Table ("CPM2014") combined with mortality improvement scale CPM-B (sex-distinct)
Retirement Rates		
Active and disabled members	Rates by age	Age that produces the highest lump-sum value
Deferred vested members	Age member elected at termination	Age member elected at termination

December 31, 2013	Going Concern	Solvency/Hypothetical Wind Up
Discount rate	5.00% per year	Annuity purchases: 3.80% per year Transfers: 3.00% per year for 10 years, 4.60% per year thereafter
Postretirement pension increases	0.50% per year	0.50% per year (for HWU only)
Pensionable earnings	3.00% per year, plus merit	Not applicable
Mortality table	CPM2014Priv combined with mortality improvement scale CPM-B (sex-distinct rates, with pension size adjustment factors M=1.026, F=1.041)	1994 Uninsured Pensioner Mortality Table with generational mortality improvements using Scale AA (sex-distinct)
Retirement rates		
Active and disabled members	Rates by age	Age that produces the highest lump-sum value
Deferred vested members	Age member elected at termination	Age member elected at termination

Section 1: Introduction

Purpose and Terms of Engagement

We have been engaged by Sears Canada Inc., and hereafter referred to as the "Company", to conduct an actuarial valuation of the Plan, registered in Ontario, as at December 31, 2015 for the general purpose of determining the minimum and maximum funding contributions required by pension standards, based on the actuarial assumptions and methods summarized herein. More specifically, the purposes of the valuation are to:

- Determine the financial position of the Plan on a going concern basis as at December 31, 2015;
- Determine the financial position of the Plan as at December 31, 2015 on a solvency and hypothetical wind up basis;
- Determine the funding requirements of the Plan as at December 31, 2015; and
- Provide the necessary actuarial certification required under the *Pension Benefits Act* and the *Income Tax Act.*

The Plan has defined benefit and defined contribution provisions. The defined contribution provision is addressed in Section 6. The rest of the report is in respect of the defined benefit provision unless otherwise indicated.

The results of this report may not be appropriate for accounting purposes or any other purposes not listed above.

The next required valuation will be as at December 31, 2018.

Temporary Funding Relief

On June 3, 2016, Ontario Regulation 161/16 was filed, which extends the temporary funding relief measures adopted by the Government of Ontario in 2009 and 2012 for an additional three years, i.e., for valuation reports dated in the three-year period starting on December 31, 2015. The regulation allows for the following:

- Temporary Funding Relief Option 6 – Consolidation of existing solvency special payments established prior to December 31, 2015 into a new five-year payment schedule;
- Temporary Funding Relief Option 7 – Extending the payment schedule to a maximum of 10 years for any new solvency deficiency identified in the first report filed during the period covered by the funding relief. This option requires consent of the plan beneficiaries.

In accordance with the regulation, the Company has elected temporary funding relief option 6 as at December 31, 2015.

Summary of Changes Since the Last Valuation

The last such actuarial valuation in respect of the Plan was performed as at December 31, 2013. Since the time of the last valuation, we note that the following events have occurred:

- As a result of the Canadian Institute of Actuaries ("CIA") study of Canadian pensioner mortality levels and trends, the mortality assumption used for the going concern valuation of the Plan as of December 31, 2013 was updated to reflect the 2014 Canadian Private Sector Pensioners' Mortality Table ("CPM2014Priv") combined with mortality improvement scale CPM-B, and size adjustment factors of 102.6% for males, and 104.1% for females.

  Since the last valuation, we performed a mortality study that analyzed the Plan's experience from 2009 to 2014. The results of the mortality study indicate that the CPM2014Priv table without size adjustment factors is appropriate for this Plan's population. We have therefore updated the mortality assumption this valuation, resulting in an increase in the Plan's going concern liabilities.
- Effective March 1, 2014, any member who terminates employment and is eligible for an immediate pension at termination, can elect to transfer out the commuted value of his pension entitlement to another locked-in retirement savings vehicle in lieu of receiving an immediate or deferred pension from the Plan, subject to provincial legislative restrictions.
- Effective January 1, 2015, members who voluntarily terminate prior to attainment of age 55 (or involuntarily terminate with cause) will receive the actuarially equivalent value of their pension at age 65 if they choose to retire prior to age 65.
- Effective October 1, 2015, the commuted value basis prescribed under Section 3500 (Pension Commuted Values) of the CIA Standards of Practice was updated, including the use of the new promulgated mortality table and projection scale for all commuted values i.e. the CPM2014 combined with mortality improvement scale CPM-B. This basis will be used for calculating commuted values for the purposes of subsection 42(1) of the *Pension Benefits Act*. This change has been reflected in this valuation.
- The solvency and hypothetical wind up assumptions guidance published by the CIA on November 3, 2015 for valuations with effective dates on or after September 30, 2015, recommended the use of the new promulgated mortality table and projection scale for the annuity purchase proxy basis. The solvency and hypothetical wind up results at December 31, 2015 contained in this report reflect this change.

Company Information and Inputs

In order to prepare our valuation, we have relied upon the following information:

- The previous valuation report as at December 31, 2013;
- Membership data compiled as at December 31, 2015 by the Company;
- Asset data taken from the Plan's audited financial statements; and
- A copy of the latest Plan text and amendments up to and including December 31, 2015.

Furthermore, our actuarial assumptions and methods have been chosen to reflect our understanding of the Company's desired funding objectives with due respect to accepted actuarial practice and regulatory constraints.

Subsequent Events

As of the date of this report, we have not been made aware of any subsequent events which would have an effect on the results of this valuation. However, the following points should be noted in this regard:

- Actual experience deviating from expected after December 31, 2015 will result in gains or losses which will be reflected in the next actuarial valuation report.
- To the best of our knowledge, the results contained in this report are based on the regulatory and legal environment in effect at the date of this report and do not take into consideration any potential changes that may be currently under review. To the extent that actual changes in the regulatory and legal environment transpire, any financial impact on the Plan as a result of such changes will be reflected in future valuations.

Section 2: Going Concern Valuation Results

Going Concern Financial Position of the Plan

The going concern valuation provides an assessment of the Plan's financial position at the valuation date on the premise that the Plan continues on into the future indefinitely.

The selection of the applicable actuarial assumptions and methods reflect the Plan's funding objectives, as communicated by the Company, actuarial standards of practice, and pension standards.

On the basis of the plan provisions, membership data, going concern assumptions and methods, and asset information described in the Appendices, the going concern financial position of the Plan as at December 31, 2015 is shown in the following table. The results as at December 31, 2013 are also shown for comparison purposes.

Going Concern Financial Position

(000's)	**December 31, 2015**	**December 31, 2013**
Actuarial Value of Assets	**$ 1,141,970**	**$ 1,301,497**
Going Concern Liabilities		
Active and disabled members	$ 188,205	$ 333,474
Transferred members	9,160[1]	13,353[1]
Suspended members	8,424	16,746[2]
Deferred vested members	16,824	30,068
Retired members and beneficiaries	889,421	893,211
Total Liabilities	**$ 1,112,034**	**$ 1,286,852**
Going Concern Position	**$ 29,936**	**$ 14,645**
Prior year credit balance	(1,060)	(15,000)
Surplus/(Unfunded Liability)	**$ 28,876**	**$ (355)**

The Plan ceased defined benefit service accrual effective July 1, 2008. As such, there is no normal cost for the Plan as of December 31, 2013 or December 31, 2015.

[1] Consists of members transferred to: JP Morgan as of December 18, 2005 and January 1, 2006; and Thomas Cook Travel as of January 30, 2011

[2] Included members transferred to SHS Services Management Inc. as of March 3, 2013, and were subsequently terminated in December 2013 as a result of the bankruptcy of SHS Services Management Inc.

Change in Financial Position

During the period from December 31, 2013 to December 31, 2015, the going concern financial position of the Plan changed from a surplus of $14,645,000 to a surplus of $29,936,000. The major components of this change are summarized in the following table.

Reconciliation of the Going Concern Financial Position for the Period from December 31, 2013 to December 31, 2015

(000's)	**2014**	**2015**
Surplus/(Unfunded Liability) as at January 1	**$ 14,645**	**$ 34,861**
Company special payments in inter-valuation period	0[1]	26,987[2]
Expected interest	732	2,243
Expected Surplus/(Unfunded Liability) as at December 31	**$ 15,377**	**$ 64,091**
Change in surplus/(unfunded liability) due to experience gains/(losses) arising from:		
Investment earnings greater/lower than expected	39,261	1,360
Salary increases lower/greater than expected	2,743	(1,678)
Retirement experience	(1,693)	(6,118)
Termination experience	(31,583)	(5,856)
Mortality experience	(692)	(143)
Net gain/(loss) due to other experience and miscellaneous items	683	(1,295)
Surplus/(Unfunded Liability) After Experience Gains/(Losses) as at December 31	**$ 24,096**	**$ 50,361**
Change in liabilities due to change in economic assumptions	(3,845)	(12,385)
Change in liabilities due to change in demographic assumptions	0	(8,040)
Change in liabilities due to plan amendments	14,610	0
Surplus/(Unfunded Liability) as at December 31	**$ 34,861**	**$ 29,936**

[1] The Company prefunded the required contribution for 2014 of $13,940,000 through a contribution of $15,000,000 made in December 2013. The prepayment was held as a PYCB in the valuation report and financial position at December 31, 2013.
[2] Includes contributions of $6,747,000 made in the first 120 days of 2016 and held as in-transit at December 31, 2015

Discussion of Changes in Assumptions

Comment Regarding Experience

In the reconciliation of the going concern financial position of the Plan for the period since December 31, 2013, the impact of the change in assumptions is shown in 2014 and 2015. The numbers are presented in this way for consistency with the valuation report that was prepared as at December 31, 2014 for management purposes which was not filed with Financial Services Commission of Ontario or Canada Revenue Agency.

The experience gains and losses in each year are measured against the assumptions at December 31 of each of these interim valuations. Showing the impact of the change in assumptions in this manner is consistent with management reports and would have no material impact on the overall assumption change experience. The changes made to the assumptions during the inter-valuation period are summarized below.

Economic Assumptions

The following assumptions were changed during the two-year valuation period:

- The nominal discount rate was reduced from 5.00% to 4.90% per year at December 31, 2015.
- The inflation assumption was reduced from 2.50% to 2.25% per year at December 31, 2015.
- The assumed rate of increase of the YMPE and the maximum pension limit was reduced from 3.00% to 2.75% per year at December 31, 2015.
- The interest rates used to value members’ benefits on termination in the going concern valuation are based on the rate used to determine commuted values for terminations in December of that year. Therefore, the non-indexed interest rates to value this termination benefit were updated each year as follows:
  - December 31, 2014: changed from 3.00% per year for 10 years and 4.60% per year thereafter to 2.50% per year for 10 years and 3.80% per year thereafter.
  - December 31, 2015: changed to 2.10% per year for 10 years and 3.70% per year thereafter.

In combination, these changes in assumptions increased the going concern liabilities by $16,230,000.

Demographic Assumptions

As a result of the CIA study of Canadian pensioner mortality levels and trends, the mortality assumption used for the going concern valuation of the Plan as of December 31, 2013 was updated to reflect the CPM2014Priv table combined with mortality improvement scale CPM-B, and size adjustment factors of 102.6% for males, and 104.1% for females.

Since the last valuation, we performed a mortality study that analyzed the Plan's experience from 2009 to 2014. The results of the mortality study indicate that the CPM2014Priv table without size adjustment factors is appropriate for this Plan's population. The change in assumption increased the going concern liabilities by $8,040,000.

Discussion of Plan Amendments

This valuation reflects the following plan amendments which came into effect during the two-year valuation period:

- Effective January 1, 2015, members who voluntarily terminate prior to attainment of age 55 (or involuntarily terminate with cause) will receive the actuarially equivalent value of their pension at age 65 if they choose to retire prior to age 65.

This plan amendment decreased the going concern liabilities by $14,610,000.

Discussion of Other Experience

Investment Experience

The assumed rate of return for going concern valuation purposes was 5.00% per year. The actual return (net of fees and expenses) was as follows:

Year	Actual Return
2014	8.3%
2015	5.2%

This resulted in a net gain of $39,261,000 and $1,360,000 in 2014 and 2015, respectively.

Salary Experience

The liability-weighted average increases in pensionable earnings in 2014 and 2015 were 2.05%, and 4.08%, respectively. The average expected salary increase for the active population was approximately 3.0% per year. Actual increases lower than expected in 2014, and higher than expected in 2015 resulted in a net actuarial gain to the Plan of $2,743,000 in 2014, and a net actuarial loss of $1,678,000 in 2015.

Retirement Experience

Effective March 1, 2014, any member who terminates employment and is eligible for an immediate pension at termination, can elect to transfer out the commuted value of his pension entitlement to another locked-in retirement savings vehicle in lieu of receiving an immediate pension from the Plan. The impact of retirement eligible members electing to transfer out their commuted value, combined with the difference between the assumed rate at which members retire versus actual experience, resulted in a total net actuarial loss to the Plan of $7,811,000 over the two-year period.

Termination Experience

The termination experience during the two year period includes the impact of business restructurings and store closures which occurred during 2013 and 2014 and affected approximately 1639 members of the DB Component of the Plan. The impact of more terminations than expected, largely due to the business transformations and store closures, resulted in a total termination loss of $37,439,000 over the two-year period.

Going Concern Valuation Sensitivity Results

In accordance with the CIA Standards of Practice specific to pension plans that became effective December 31, 2010, the table below presents the sensitivity of the going concern liabilities using a discount rate 1% lower than that used for the going concern valuation.

(000's)	Valuation Basis December 31, 2015	Based on Rate of 1% Lower	Effect $	Effect %
Going concern liabilities	$ 1,112,034	$ 1,239,061	$ 127,027	11.4%

Note that using a discount rate 1% higher than that assumed would result in a comparable reduction in the Plan's going concern liabilities and normal cost.

Section 3: Solvency Valuation Results

Solvency Financial Position of the Plan

The solvency valuation is a financial assessment of the Plan that is required by the *Pension Benefits Act* and is performed in accordance with requirements prescribed by that legislation. It is intended to provide an assessment of the Plan's financial position at the valuation date on the premise that certain obligations as prescribed by the *Pension Benefits Act* are settled on the valuation date for all members.

On the basis of the plan provisions, membership data, solvency assumptions and methods and asset information described in the Appendices, as well as the requirements of the *Pension Benefits Act*, the solvency financial position of the Plan as at December 31, 2015 is shown in the following table. The solvency financial position of the Plan as at December 31, 2013 is shown for comparison purposes.

Solvency Financial Position

(000's)	**December 31, 2015**	**December 31, 2013**
Assets		
Solvency assets	$ 1,141,970	$ 1,301,497
Estimated wind up expenses	(5,000)	(5,000)
Total Assets	**$ 1,136,970**	**$ 1,296,497**
Solvency Liabilities		
Active and disabled members	$ 248,462	$ 383,055
Transferred members	12,254[1]	13,927[1]
Suspended members	13,039	19,496[2]
Deferred vested members	23,193	34,506
Retired members and beneficiaries	1,041,350	921,918
Total Liabilities	**$ 1,338,298**	**$ 1,372,902**
Solvency Position	**$ (201,328)**	**$ (76,405)**
Prior year credit balance	(1,060)	(15,000)
Solvency asset adjustment	63,813	63,670
Solvency liability adjustment	0	(0)
Solvency Surplus/(Deficiency)	**$ (138,575)**	**$ (27,735)**
Solvency ratio	0.85	0.95

[1] Consists of members transferred to: JP Morgan as of December 18, 2005 and January 1, 2006; and Thomas Cook Travel as of January 30, 2011

[2] Included members transferred to SHS Services Management Inc. as of March 3, 2013, and were subsequently terminated in December 2013 as a result of the bankruptcy of SHS Services Management Inc.

Solvency Concerns

A report indicates solvency concerns under the *Pension Benefits Act* if the ratio of the solvency assets to solvency liabilities is less than 0.85.

Where a report indicates solvency concerns, the effective date of the next valuation that needs to be filed under the *Pension Benefits Act* is one year from the valuation date of the valuation that gave rise to the solvency concerns.

Since the ratio of solvency assets to solvency liabilities ($1,141,970,000 / $1,338,298,000) is equal to 0.85, this report does not indicate solvency concerns.

Solvency Asset Adjustment

The present value of scheduled special payments for solvency valuation purposes has been calculated by discounting the annual special payments to be remitted up to the end of their amortization period (to a maximum of six years), at the smoothed solvency discount rate of 2.80% per year compounded monthly in arrears determined proportionately by the solvency discount rates used to settle the solvency liabilities.

Nature of Deficiency	**Effective Date**	**End Date**	**Annual Special Payment *(000's)***	**Present Value as of December 31, 2015 *(000's)***
Solvency	December 31, 2013[1]	December 31, 2018	$ 13,903	$ 39,982
Solvency	December 31, 2014[2]	December 31, 2019	$ 6,300	23,831
Present Value of Special Payments				**$ 63,813**

[1] In accordance with Regulation, the Company elected temporary funding relief option 4 as at December 31, 2013

[2] In accordance with Regulation, the Company decided to defer new going concern and solvency special payments established as at December 31, 2013 by 12 months

Solvency Valuation Sensitivity Results

In accordance with the CIA Standards of Practice specific to pension plans that became effective December 31, 2010, the table below presents the sensitivity of the solvency liabilities to using a discount rate of 1% lower than that used for the solvency valuation.

	Valuation Basis	Based on Rate of	Effect	
(000's)	**December 31, 2015**	**1% Lower**	**$**	**%**
Solvency liabilities	$ 1,338,298	$ 1,504,555	$ 166,257	12.4%

Note that using a discount rate 1% higher than that assumed would result in a comparable reduction in the solvency liabilities.

Incremental Cost on a Solvency Basis

The incremental cost on a solvency basis represents the present value at December 31, 2015 of the expected aggregate change in the solvency liabilities between December 31, 2015 and the next calculation date, i.e. December 31, 2018. Appendix E gives more details on the calculation methodology and on assumptions.

Based on this methodology and on these assumptions, the incremental cost on a solvency basis, for the period from December 31, 2015 to December 31, 2018, is $(12,396,100).

	2016	2017	2018
Incremental cost on a solvency basis	$ (5,086,500)	$ (3,985,600)	$ (3,324,000)

Pension Benefits Guarantee Fund ("PBGF")

The development of the PBGF Assessment Base is as follows:

PBGF Assessment Base		**December 31, 2015**
(1) Solvency assets	$	1,141,970,000
(2) PBGF liabilities	$	813,092,000
(3) Solvency liabilities	$	1,338,298,000
(4) Ontario asset ratio: [(2) divided by (3)]		0.6076
(5) Ontario portion of fund: [(1) multiplied by the ratio in (4)]	$	693,860,972
PBGF assessment base: [(2) subtract (5); if negative, enter zero]	$	119,231,028

The calculation of the PBGF Assessment is as follows:

PBGF Assessment			
0.5% of any portion of the applicable PBGF assessment base that is less than 10% of the PBGF liabilities		$	406,546
1.0% of any portion of the applicable PBGF assessment base that is 10% or more but less than 20% of the PBGF liabilities			379,218
1.5% of any portion of the applicable PBGF assessment base that is 20% or more of the PBGF liabilities			0
(1) Total		$	785,764
Number of Ontario Plan Members, Former Members and Other Beneficiaries			9,424
(2) $5.00 x Number of Ontario Plan Members, Former Members and Other Beneficiaries		$	47,120
(3) $300.00 x Number of Ontario Plan Members, Former Members and Other Beneficiaries		$	2,827,200
Total Guarantee Fund Assessment	Lesser of [(1)+(2)] and (3)	**$**	**832,884**[1]

The Guarantee Fund Assessment may be adjusted to the extent that contributions during a plan year are in excess of the minimum required company contributions.

[1] Does not include retail sales tax

Section 4: Hypothetical Wind Up Valuation Results

Hypothetical Wind Up Financial Position of the Plan

A hypothetical wind up valuation is performed to determine the financial position of the Plan as at the valuation date on a wind up basis, reflecting market settlement rates as of the valuation date. Unlike the solvency valuation, all benefits are included that would be payable under the postulated scenario that would maximize benefits. The hypothetical wind up valuation is determined using benefit entitlements on the assumption that the Plan has neither a surplus nor a deficit. Contingent benefits are included in the liabilities that would be payable under the postulated scenario. Assets are set equal to market value net of estimated wind up expenses. All assumptions for the hypothetical wind up valuation are listed in Appendix E of the report.

On the basis of Plan provisions, membership data, hypothetical wind up assumptions and methods, and asset information described in the Appendices, as well as the requirements of the *Pension Benefits Act*, the hypothetical wind up financial position of the Plan as at December 31, 2015 is shown in the following table. The hypothetical wind up financial position of the Plan as at December 31, 2013 is shown for comparison purposes.

Hypothetical Wind Up Financial Position

(000's)	**December 31, 2015**	**December 31, 2013**
Assets		
Hypothetical wind up assets	$ 1,141,970	$ 1,301,497
Estimated wind up expenses	(5,000)	(5,000)
Total Assets	**$ 1,136,970**	**$ 1,296,497**
Hypothetical Wind Up Liabilities		
Active and disabled members	$ 258,261	$ 394,854
Transferred members	12,715[1]	14,353[1]
Suspended members	13,509	20,075[2]
Deferred vested members	24,042	35,537
Retired members and beneficiaries	1,095,248[3]	964,724[4]
Total Liabilities	**$ 1,403,775**	**$ 1,429,543**
Hypothetical Wind Up Surplus/(Deficiency)	**$ (266,805)**	**$ (133,046)**

1 Consists of members transferred to: JP Morgan as of December 18, 2005 and January 1, 2006; and Thomas Cook Travel as of January 30, 2011

2 Included members transferred to SHS Services Management Inc. as of March 3, 2013, and were subsequently terminated in December 2013 as a result of the bankruptcy of SHS Services Management Inc.

3 Includes postretirement increase of 0.5% granted to eligible retired members and beneficiaries as of January 1, 2016 and January 1, 2015

4 Includes postretirement increase of 0.5% granted to eligible retired members and beneficiaries as of January 1, 2014

Transfer Ratio

The transfer ratio is determined as follows:

(000's)			**December 31, 2015**
(1) Hypothetical wind up assets		$	1,141,970
Prior year credit balance	(A)	$	1,060
Total company normal cost and required special payments until next mandated valuation	(B)	$	102,120
(2) Asset adjustment	Lesser of (A) and (B)	$	1,060
(3) Hypothetical wind up liabilities		$	1,403,775
Transfer Ratio [(1)-(2)] / (3)			**0.81**

Section 5: Contribution Requirements

Contribution Requirements in Respect of the Normal Cost

The Plan ceased defined benefit service accrual effective July 1, 2008. As such, there is no normal cost for the Plan as of December 31, 2013 or December 31, 2015.

Development of Special Payments

The following table summarizes previously established amortization schedules of special payments before adjustment to reflect any gains or losses due to the going concern and solvency valuation results. The following tables in this section show numbers in *(000's)*.

				Present Value as of December 31, 2015	
Nature of Deficiency	**Effective Date**	**End Date**	**Annual Special Payment**	**For Going Concern Valuation[1]**	**For Solvency Valuation[2]**
Going concern	December 31, 2011[3]	December 31, 2026	$ 37	$ 316	$ 173
Solvency	December 31, 2013[4]	December 31, 2018	13,903	n/a	39,982
Solvency	December 31, 2014[5]	December 31, 2019	6,300	n/a	23,831
			$ 20,240	$ 316	$ 63,986

The following table summarizes the amortization schedules of special payments after adjustment to reflect any gains or losses due to the going concern and solvency valuation results. In accordance with Regulation, the Company has decided to defer all new solvency special payments established as at December 31, 2015 by 12 months. The Company has also elected temporary funding relief to consolidate existing solvency special payments into a new five-year payment schedule. The following table summarizes the amortization schedules of special payments after the aforementioned adjustments.

				Present Value as of December 31, 2015	
Nature of Deficiency	**Effective Date**	**Revised End Date**	**Revised Annual Special Payment**	**For Going Concern Valuation[1]**	**For Solvency Valuation[2]**
Solvency	December 31, 2015[6]	December 31, 2020	$ 13,680	n/a	$ 63,813
Solvency	December 31, 2016[7]	December 31, 2021	30,540	n/a	138,575
			$ 44,220		$ 202,388

1 The values in the table were developed using the going concern interest rate of 4.90% per year compounded monthly in arrears
2 The values in the table were developed using the weighted average solvency interest rate of 2.80% per year compounded monthly in arrears. For the present value of the going concern special payments, only a maximum of six years of such payments were considered in the calculation.
3 In accordance with Regulation, the Company decided to defer new going concern special payments established as at December 31, 2010 by 12 months
4 In accordance with Regulation, the Company elected temporary funding relief option 4 as at December 31, 2013
5 In accordance with Regulation, the Company decided to defer new going concern and solvency special payments established as at December 31, 2013 by 12 months
6 In accordance with Regulation, the Company elected temporary funding relief option 6 as at December 31, 2015 to consolidate existing solvency payments into a new five-year payment schedule
7 In accordance with Regulation, the Company decided to defer new going concern and solvency special payments established as at December 31, 2015 by 12 months

Prior Year Credit Balance (“PYCB”)

The table below reconciles changes in the PYCB from December 31, 2013 to December 31, 2015.

(000’s)	**2014**	**2015**
Prior year credit balance, beginning of plan year	$ 15,000	$ 1,060
Actual contributions during plan year	0	20,240
Minimum required company contributions during plan year[1]	(13,940)	(20,240)
Prior Year Credit Balance, End of Plan Year	**$ 1,060**	**$ 1,060**

Since the PYCB is greater than zero, the Company may apply the PYCB to reduce the special payments.

Excess Surplus

The *Income Tax Act* requires that any excess surplus first be applied to reduce or eliminate the company contribution requirements. Excess surplus is defined in Section 147.2(2)(d) of the *Income Tax Act*, as the portion of surplus (if any) that exceeds 25% of the going concern liabilities.

There is no excess surplus in the Plan at December 31, 2015.

[1] Before application of PYCB

Development of Minimum Required Company Contribution

The table below presents the development of the minimum required company contribution for each of the plan years covered by this report.

(000's)	**2016**	**2017**	**2018**
Company normal cost	$ 0	$ 0	$ 0
Special payments toward amortizing unfunded liability	0	0	0
Special payments toward amortizing solvency deficiency	13,680	44,220	44,220
Minimum Required Company Contribution, Prior to Application of Prior Year Credit Balance	**$ 13,680**	**$ 44,220**	**$ 44,220**
Permitted application of prior year credit balance	(1,060)	0	0
Minimum Required Company Contribution	**$ 12,620**	**$ 44,220**	**$ 44,220**

Development of Maximum Deductible Company Contribution

The table below presents the development of the maximum deductible company contribution for each of the plan years covered by this report.

The maximum deductible company contribution presented in the table below for a given plan year is calculated assuming that the Company makes the maximum deductible company contribution in the first plan year covered by this report.

(000's)	**2016**	**2017**	**2018**
Company normal cost	$ 0	$ 0	$ 0
Greater of the unfunded liabilities and the hypothetical wind up deficiency	266,805	0	0
Required application of excess surplus	0	0	0
Maximum Deductible Company Contribution	**$ 266,805**	**$ 0**	**$ 0**

If the Company wishes to make the maximum deductible company contribution, it is advisable to contact the Plan's actuary before making such contribution to ensure that the contribution will be permissible and deductible and that any regulatory requirements are considered.

Section 6: Defined Contribution Component of the Plan

Financial Position

For a defined contribution plan, at any given time, the assets and the liabilities of the Plan are equal. The financial position of the Plan as at December 31, 2015 is shown in the following table. The results as at December 31, 2013 are also shown for comparison purposes.

(000's)	**December 31, 2015**	**December 31, 2013**
Actuarial value of assets	$ 147,028	$ 161,269
Total liabilities	147,028	161,269
Financial Position	**$ 0**	**$ 0**

Normal Cost

On the basis of the plan provisions, and membership data, the normal cost of the Plan as at December 31, 2015 is shown in the following table. The normal cost as at December 31, 2013 is also shown for comparison purposes.

(000's)	**December 31, 2015**	**December 31, 2013**
Required member contributions[1]	$ 12,200	$ 16,000
Company normal cost	$ 6,100	$ 8,000

[1] Estimated by previous year's contribution, increased by the average assumed rate of salary increase

Section 7: Actuarial Certificate

Actuarial Opinion, Advice and Certification for the Sears Canada Inc. Registered Retirement Plan

Financial Services Commission of Ontario Registration Number: 0360065 Canada Revenue Agency Registration Number: 0360065

Opinion

This actuarial certification forms an integral part of the actuarial valuation report for the Plan as at December 31, 2015. We confirm that we have prepared an actuarial valuation of the Plan as at December 31, 2015 for the purposes outlined in the Introduction section to this report and consequently:

Our advice on funding is the following:

- The Company should contribute the amounts within the range of minimum and maximum contribution amounts as outlined in Section 5 of this report, in accordance with legislative requirements.
- The next actuarial valuation for the purpose of developing funding requirements should be performed no later than as at December 31, 2018.

We hereby certify that, in our opinion:

- With respect to the purposes of determining the Plan's financial position on a going concern basis as at December 31, 2015:
  - The Plan has a going concern surplus of $28,876,000 as at December 31, 2015, based on going concern assets of $1,141,970,000 less going concern liabilities of $1,112,034,000 and less a PYCB of $1,060,000.
  - There is no excess surplus as defined by Section 147.2(2) of the *Income Tax Act* in the Plan at December 31, 2015.
  - The pre-1990 maximum pension restrictions in Subsection 8504(6) of the Regulations to the *Income Tax Act* do not apply to any members of the Plan.
- With respect to the purpose of determining the Plan's financial position on a solvency basis:
  - The Plan has a solvency deficiency of $138,575,000 as at December 31, 2015, determined as solvency assets net of wind up expenses of $1,136,970,000 less solvency liabilities of $1,338,298,000, plus a solvency asset adjustment of $63,813,000, and less a PYCB of $1,060,000.
  - The solvency ratio is 0.85 as at December 31, 2015.
  - The transfer ratio is 0.81 as at December 31, 2015.
  - The Plan's liabilities would exceed the Plan's assets, net of estimated wind up expenses, by $266,805,000 if the Plan was terminated and wound up as at December 31, 2015.
  - A PBGF assessment is required to be paid where the PBGF assessment base is equal to $119,231,028 and the PBGF liabilities are $813,092,000.

- With respect to determining the funding requirements of the Plan:
  - The Company's normal cost in respect of the defined benefit provision of the Plan is $0.
  - The Company is required to make contributions to the defined contribution provision of the Plan according to the following table:

Employee	Employer
0.0%	0.0%
1.0%	0.5%
2.0%	1.0%
3.0%	1.5%
4.0%	2.0%
5.0%	2.5%
6.0%	3.0%
7.0%	3.5%

  - The special payments required to fund the solvency deficiency are as summarized in the following table:

Nature of Deficiency	Effective Date	End Date	Annual Payment
Solvency	December 31, 2015[1]	December 31, 2020	$ 13,680
Solvency	December 31, 2016[2]	December 31, 2021	30,540
			$ 44,220

  - The PYCB is $1,060,000 as at December 31, 2015.
  - The contribution range as outlined in this report is expected to be sufficient to satisfy the Plan's funding requirements.
  - The company contribution range outlined in this report qualifies as eligible contributions under Section 147.2(2) of the *Income Tax Act.*

1 In accordance with Regulation, the Company elected temporary funding relief as at December 31, 2015 to consolidate existing solvency payments into a new five-year payment schedule

2 In accordance with Regulation, the Company decided to defer new going concern and solvency special payments established as at December 31, 2015 by 12 months

- In our opinion, for the purposes of the valuation:
  - The data on which this valuation is based are sufficient and reliable;
  - The assumptions used are appropriate; and
  - The actuarial cost methods and the asset valuation methods used are appropriate.
- This report and its associated work have been prepared, and our opinion given, in accordance with accepted actuarial practice in Canada and in compliance with the requirements outlined in subparagraphs 147.2(2)(a)(iii) and (iv) of the *Income Tax Act*.
- Notwithstanding the above certifications, emerging experience differing from the assumptions will result in gains or losses that will be revealed in subsequent valuations.

Susan K. Himmelman, FCIA, FSA
Partner

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September 2016

Appendix A: Glossary of Terms

- The **actuarial value of assets** is the asset value used for going concern valuation purposes. Smoothing methods are sometimes used to smooth investment gains and losses over a certain period.
- The **estimated wind up expenses** is an estimate of the administrative and other expenses expected to be charged against the pension fund if the Plan were to terminate on the valuation date.
- The **going concern liabilities** are the actuarial present value of benefits earned in respect of service prior to the valuation date. The actuary may choose to omit indexing liabilities (i.e., "escalated adjustments") from the going concern liabilities as per Section 11(1) of the *Pension Benefits Act*. However, if escalated adjustments are omitted from the going concern liabilities, the amount of payment of an escalated adjustment that is made from the pension fund, to the extent that it has not been funded, must be included in the normal cost pursuant to Section 11(2) of the Regulation to the *Pension Benefits Act*. The going concern liabilities are calculated using the going concern assumptions and methods summarized in Appendix D of this report.
- The **going concern position** is the difference between the actuarial value of assets and the going concern liabilities. Escalated adjustments may be omitted from the determination of the surplus/(unfunded liability) pursuant to Section 11(3) of the Regulation to the *Pension Benefits Act*.
- The **maximum deductible company contribution** refers to an eligible contribution pursuant to Section 147.2(2) of the *Income Tax Act*. Under Subsection 8502(b) of the Regulations to the *Income Tax Act*, each Company contribution made after January 1, 1991 in respect of a defined benefit provision of a registered pension plan must be such eligible contribution.

  In a company's fiscal year, the following contributions are eligible under Section 147.2(2) of the *Income Tax Act*.

  – The company normal cost, eligible under Section 147.2(2) subject to certification by the actuary and approval by the Canada Revenue Agency; plus

  – Special payments eligible under Section 147.2(2) up to the amount of the unfunded liability, the solvency deficiency, or the hypothetical wind up deficiency, whichever is greater, subject to certification by the actuary and approval by the Canada Revenue Agency; less

  – Required application of excess surplus.

  The company normal cost and special payments for this Plan will be deductible under Section 147.2(2) of the *Income Tax Act*, subject to the approval of the Canada Revenue Agency.

  Note that contributions to a plan are still permissible and deductible if there is an excess surplus, providing there is simultaneously a solvency or hypothetical wind up deficiency in the Plan or the contributions are required as minimum contributions under provincial or federal *Pension Benefits Standards Act* legislation, pursuant to Subsections 8516(2) and (3) of the Regulations to the Income *Tax Act*.

One restriction under the *Income Tax Act* is that if there is an excess surplus, and a solvency or hypothetical wind up deficiency, the maximum deductible contribution is restricted to the full amount of the deficiency without allowance for interest or any other contributions such as company normal cost and/or transfer deficiency payments.

In order to be deductible in a given fiscal year, company contributions must be made not later than 120 days after the end of the fiscal year.

- The **minimum required company contribution** for each plan year is equal to:
  - The company normal cost; plus
  - Special payments toward amortizing any unfunded liability over 15 years beginning no later than 12 months from the date on which the unfunded liability was established; plus
  - Special payments toward amortizing any solvency deficiency over five years beginning no later than 12 months from the date on which the solvency deficiency was established (this period of years may be longer if the Company has elected temporary funding relief options 3 and/or 5); less
  - Required application of excess surplus; less
  - Permitted application of surplus; less
  - Permitted application of PYCB.

  In order to satisfy the requirements of the *Pension Benefits Act* and its Regulations, contributions to the fund must be made in accordance with the following rules:
  - Required member contributions (if any) must be remitted to the pension fund within 30 days following the month in which the contributions were received from the member or deducted from his or her remuneration.
  - Company normal cost contributions must be remitted to the pension fund within 30 days after the end of the month for which the contributions are payable.
  - Special payments must be remitted to the pension fund in the month for which they are payable.
- The **prior year credit balance** is
  - The PYCB stated in the last report in respect of the Plan under the Regulation; plus
  - The total amount of contributions made to the Plan by the Company after the valuation date of the last report in respect of the Plan and before the valuation date for the report being prepared; less
  - The total minimum amount of contributions required to have been made after the valuation date of the last report in respect of the Plan and before the valuation date for the report being prepared, if the contributions had been calculated without reference to any PYCB.

  The Company may choose to set the PYCB between nil and the amount as calculated above, but may not recapture the amount forfeited at any time.
- **Solvency/Hypothetical wind up assets** are the market value of pension fund assets adjusted to reflect contributions, benefit payments, transfers and fees/expenses in-transit at the valuation date.
- The **solvency asset adjustment** is an adjustment that may be made to the solvency assets to reflect:
  - The impact of using an averaging method that stabilizes short-term fluctuations in the market value of the Plan's assets calculated over a period of not more than five years; plus

- – The present value of any remaining special payments required to liquidate any unfunded liability (for service not previously recognized for benefit determination purposes) established after December 31, 1987; plus
- – The present value of any remaining special payments other than those above that are scheduled for payment within six years after the valuation date. This period of years may be longer if the Company has elected temporary funding relief options 3 and/or 5.

- The **solvency liabilities** are the actuarial present value of benefits earned in respect of service prior to the valuation date determined as if the Plan were wound up on the valuation date and taking into account Section 74 of the *Pension Benefits Act* (i.e., grow-in). In calculating the solvency liabilities, which includes plant closure benefits or permanent layoff benefits that would be immediately payable if the Plan sponsor's business was discontinued on the valuation date, the *Pension Benefits Act* and its Regulations permit the exclusion of the following benefits:
  - – Any escalated adjustments;
  - – "Excluded plant closure benefits" that the Company elected on November 26, 1992 to exclude;
  - – "Excluded permanent layoff benefits" that the Company elected on November 26, 1992 to exclude;
  - – Special allowances other than those where the member has met all age and service eligibility requirements;
  - – Consent benefits other than those where the member has met all eligibility requirements except the consent of the employer, or in the case of a jointly sponsored pension plan, the consent of the employer or the administrator;
  - – Prospective benefit increases;
  - – Potential early retirement window benefit values; and
  - – Pension and ancillary benefits payable under a qualifying annuity contract.

  The solvency liabilities are determined using benefit entitlements on the assumption that the Plan has neither a surplus nor a deficit. The solvency liabilities are calculated using the solvency valuation assumptions summarized in Appendix E of this report.

- The **solvency liability adjustment** is an adjustment that may be made to the solvency liabilities to reflect the impact of using a solvency valuation discount rate for discounting the liability that is the average of market discount rates calculated over the same period of time as that used in the calculation of the solvency asset adjustment.
- The **solvency position** is the difference between the solvency assets (net of estimated wind up expenses) and the solvency liabilities.
- The **solvency ratio** compares the solvency assets to the solvency liabilities for purposes of Subsections 14(2) and (3) of the Regulations of the *Pension Benefits Act* to determine the latest effective date of the next required valuation.
- The **solvency surplus/(deficiency)** is the solvency position, increased by the solvency asset adjustment and the solvency liability adjustment, then decreased by the PYCB.
- The **special payments** are payments required to liquidate the unfunded liability and/or solvency deficiency:

- The going concern special payments are payments required to liquidate the unfunded liability, with interest at the going concern valuation discount rate, by equal monthly instalments over a period of 15 years beginning no later than 12 months from the valuation date of the report in which the going concern unfunded liability was determined.
- The solvency special payments are payments required to liquidate the solvency deficiency, with interest at the solvency valuation discount rate, by equal monthly instalments over a period of five years beginning no later than 12 months from the valuation date of the report in which the solvency deficiency was determined. This period of years may be longer if the Company has elected temporary funding relief options 3 and/or 5.

- The **surplus/(unfunded liability)** is the difference between the actuarial value of assets and the sum of the going concern liabilities and the PYCB.
- The **total normal cost** is the actuarial present value of benefits expected to be earned in respect of service for each year starting on the valuation date. Required member contributions (if any) are deducted from the total normal cost to determine the company normal cost. The total normal cost is calculated using the going concern valuation assumptions and methods summarized in Appendix D of this report.
- The **transfer ratio** compares the solvency assets, minus the lesser of the PYCB and the required company contributions until the next required valuation (before application of the PYCB), to the solvency liabilities plus the liability of any excluded benefits (except for pension benefits and ancillary benefits payable under a qualifying annuity contract). If the transfer ratio is less than 1.00, lump-sum transfers from the pension fund under Section 42 of the *Pension Benefits Act* are limited to the commuted value of the member’s pension multiplied by the transfer ratio. The administrator may transfer the entire commuted value if:
  - The administrator is satisfied that an amount equal to the transfer deficiency has been remitted to the pension fund; or
  - The aggregate of transfer deficiencies for all transfers made since the last valuation date does not exceed 5% of the Plan’s assets at that time.

  In June 2009, Subsection 19 of the Regulations of the *Pension Benefits Act* was amended and Policy T800-402 was released. The Policy imposes additional restrictions for payment of commuted values under certain circumstances.

Appendix B: Assets

Asset Data

The Plan's assets are held by CIBC Mellon. The asset information presented in this report is based on the financial statements of the pension fund prepared by CIBC Mellon, and audited by Deloitte LLP.

Tests of the sufficiency and reliability of the asset data were performed and the results were satisfactory. The tests included:

- A reconciliation of actual cash flow with expected cash flow from the previous actuarial report; and
- A reconciliation of any anticipated benefit payments in 2014 and 2015 (for retirees, terminated or deceased employees) against the financial statements of the pension fund for confirmation of payments.

Market Value of Assets

The following is a summary of the composition of the Plan's assets by asset type as reported by the Company as at December 31, 2015. For comparison purposes, the composition at the previous valuation date of December 31, 2013 is also shown.

	December 31, 2015	**December 31, 2013**
	%	**%**
Fixed-income	66%	72%
Equities	34%	28%
Total Invested Assets	**100%**	**100%**

Target Asset Mix

The target asset mix of the Plan is contained in the Plan's Statement of Investment Policies and Procedures and is as follows:

	Minimum	Target	Maximum
Fixed-income	50%	60%	80%
Equities	20%	40%	50%
		100%	

Reconciliation of Changes in Market Value of Assets

The table below reconciles changes in the market value of assets between December 31, 2013 and December 31, 2015.

(000's)	2014	2015
Market Value of Assets, Beginning of Plan Year	**$ 1,301,497**	**$ 1,185,110**
Contributions During Plan Year		
Member	$ 0	$ 0
Company normal cost	0	0
Company special payments	0[1]	20,240
Company transfer deficiency payments	0	0
Company ongoing expenses	0	0
Total	**$ 0**	**$ 20,240**
Benefit Payments During Plan Year		
Non-retired members[2]	$ (138,161)	$ (57,497)
Retired members	(77,242)	(76,417)
Total	**$ (215,403)**	**$ (133,914)**
Transfers During Plan Year		
Into plan	$ 0	$ 0
Out of plan	0	0
Total	**$ 0**	**$ 0**
Fees/Expenses		
Investment fees/expenses	$ (3,907)	$ (3,749)
Non-investment fees/expenses	(1,571)	(1,163)
Total	**$ (5,478)**	**$ (4,912)**
Investment Income	**$ 104,494**	**$ 63,849**
Market Value of Assets, End of Plan Year	**$ 1,185,110**	**$ 1,130,373**
Rate of return, net of fees/expenses	8.3%	5.2%

[1] The Company prefunded the required contribution for 2014 of $13,940,000 through a contribution of $15,000,000 made in December 2013. The prepayment is included in the above opening market value of assets at January 1, 2014, and was held as a PYCB in the December 31, 2013 valuation report.

[2] Includes members who have terminated employment or died

Development of Adjusted Market Value of Assets

The adjusted market value of assets is equal to the market value of assets adjusted to reflect any contributions, benefit payments, transfers and fees/expenses in-transit as of the valuation date. The development of the adjusted market value of assets is shown below.

(000's)		**December 31, 2015**
Market value of assets	$	1,130,373
Contributions receivable		6,747
Benefit prepayments		5,979
Transfers (payable)/receivable		0
Fees/expenses (payable)		(1,129)
Adjusted Market Value of Assets	**$**	**1,141,970**

Development of Actuarial Value of Assets

The actuarial value of assets is equal to the adjusted market value of assets.

Appendix C: Membership Data

Source of Data

This funding valuation was based on member data provided by the Company as of December 31, 2015. Tests of the sufficiency and reliability of the member data were performed and the results were satisfactory. The tests included:

- A reconciliation of membership status against the membership status at the last valuation. This test was performed to ensure that all members were accounted for. A summary of this reconciliation follows on the next page;
- A reconciliation of birth, hire, and participation dates against the corresponding dates provided for the last valuation to ensure consistency of data;
- A reconciliation of credited service against the corresponding amount provided for the last valuation to ensure that there was no additional credited service over that reported in the valuation at December 31, 2013;
- A reconciliation of pensionable earnings against the corresponding amounts provided for the last valuation to identify any unusual increases or decreases (more than 20%);
- A reconciliation of accrued benefits against the corresponding amounts provided for the last valuation to identify any unusual benefit accruals;
- A reconciliation of any stated benefit payments in 2014 and 2015 (for retired, terminated or deceased employees) against the financial statements of the pension fund for confirmation of the payments; and
- A reconciliation of inactive member benefit amounts against the corresponding amounts provided for the last valuation to ensure consistency of data.

There was no information missing from the data, so no assumptions were required with respect to such data.

A copy of the administrator certification certifying the accuracy and completeness of the member data (and the Plan provisions summarized in this report) is included in Appendix G of this report.

Membership Summary

The table below reconciles the number of members as of December 31, 2015 with the number of members as of December 31, 2013 and the changes due to experience in the period.

	Active and Disabled	Transferred	Suspended	Deferred Vested	Retired	Total
Members, December 31, 2013	**6,871**	**312**[1]	**256**	**819**	**14,372**	**22,630**
Death						
Paid lump sum	(33)	(1)	-	(1)	-	(35)
No further benefits	-	-	-	-	(772)	(772)
With surviving spouse	-	-	-	-	(174)	(174)
New surviving spouse	-	-	-	-	174	174
Retirement						
Immediate pension	(303)	(3)	(63)	(41)	410	-
Paid lump sum	(368)	(11)	(93)	-	-	(472)
Termination of employment						
Pending election	(434)	(12)	446	-	-	-
Paid lump sum	(1,836)	(100)	(302)	(370)	-	(2,608)
Deferred pension	(46)	(1)	(49)	96	-	-
Data correction	3	-	-	(2)	5	6
Net change	(3,017)	(128)	(61)	(318)	(357)	(3,881)
Members, December 31, 2015	**3,854**	**184**	**195**	**501**	**14,015**	**18,749**

[1] Consists of members transferred to: JP Morgan as of December 18, 2005 and January 1, 2006; and Thomas Cook Travel as of January 30, 2011

Active and Disabled Members

	As of December 31, 2015			As of December 31, 2013		
	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total
Number	2,680	1,174	**3,854**	4,756	2,115	**6,871**
Average age	53.4	57.9	**54.7**	52.3	57.2	**53.8**
Average credited service	10.8	6.8	**9.6**	11.4	6.8	**10.0**
Average continuous service	21.4	21.5	**21.4**	19.9	19.3	**19.7**
Average age at hire	31.9	36.3	**33.2**	32.4	37.9	**34.1**
Average 2015 valuation pay[1]	$ 48,208	$ 28,773	**$ 42,288**	$ 44,303	$ 28,095	**$ 39,313**
Proportion female	54.8%	84.8%	**63.9%**	54.8%	83.7%	**63.7%**

JP Morgan Transferred Members

	December 31, 2015	December 31, 2013
Number	91	144
Average age	48.6	46.0
Average annual lifetime pension	$ 3,711	$ 2,848
Proportion female	83.5%	76.4%

Thomas Cook Transferred Members

	December 31, 2015	December 31, 2013
Number	93	168
Average age	50.1	48.1
Average annual lifetime pension	$ 4,652	$ 4,291
Proportion female	95.7%	94.6%

[1] Valuation pay includes pensionable earnings plus three-year average bonus

Suspended Members

	December 31, 2015	December 31, 2013
Number	195	256
Average age	54.3	54.5
Average annual lifetime pension	$ 4,907	$ 6,000
Proportion female	57.9%	53.1%

Deferred Vested Members

	December 31, 2015	December 31, 2013
Number	501	819
Average age	48.8	48.0
Average annual lifetime pension	$ 2,857	$ 3,170
Proportion female	46.1%	51.2%

Retired Members and Beneficiaries

	December 31, 2015	December 31, 2013
Number	14,015	14,372
Average age	75.7	74.6
Average annual lifetime pension	$ 5,141	$ 4,934
Proportion female	67.8%	67.9%

Active and Disabled Membership Distribution

The following table provides a detailed summary of the active and disabled membership at the valuation date by years of credited service and by age group.

Age	**<5**	**5-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30-35**	**>=35**	**Grand Total**
<30	6								6
	$35,415								$35,415
30-35	66	4							70
	$48,388	$50,775							$48,525
35-40	95	73	4						172
	$51,321	$59,915	$58,485						$55,135
40-45	105	127	52	3					287
	$44,490	$55,281	$55,728	$56,738					$51,429
45-50	156	142	106	66	8				478
	$41,997	$46,770	$43,961	$62,178	$56,774				$46,884
50-55	194	217	157	95	73	10			746
	$36,424	$44,631	$38,026	$50,777	$58,871	$59,956			$43,488
55-60	246	287	181	100	62	69	30		975
	$36,996	$38,729	$37,354	$45,555	$56,328	$57,466	$55,532		$41,699
60-65	208	258	166	67	23	31	46	10	809
	$32,009	$34,719	$34,992	$40,167	$45,989	$48,360	$50,708	$75,205	$36,782
>=65	97	93	80	23	4	7	5	2	311
	$29,424	$33,575	$30,593	$30,451	$51,315	$38,662	$38,012	$33,866	$31,698
Total									
Count	1,173	1,201	746	354	170	117	81	12	3,854
Average 2015 valuation pay	$38,520	$42,564	$38,578	$48,149	$55,924	$54,141	$51,711	$68,315	$42,288

Transferred, Suspended, Deferred Vested and Retired Membership Distribution

The following table provides a detailed summary of the transferred, suspended, deferred vested and retired and beneficiaries membership at the valuation date by age group.

Age	Transferred and Suspended Members	Deferred Vested Members	Retired Members and Beneficiaries	Grand Total
<50	149	254	1	404
	$ 3,208	$ 2,105	$ *	$ 2,513
50-55	86	125	4	215
	$ 5,460	$ 3,171	$ 12,642	$ 4,263
55-60	66	99	219	384
	$ 7,111	$ 4,424	$ 8,063	$ 6,961
60-65	51	22	1,400	1,473
	$ 4,842	$ 2,566	$ 9,730	$ 9,453
65-70	21	1	2,626	2,648
	$ 2,434	$ *	$ 7,711	$ 7,668
70-75	4		2,611	2,615
	$ 1,913		$ 5,500	$ 5,495
75-80	1		2,620	2,621
	$ *		$ 3,577	$ 3,578
>=80	1		4,534	4,535
	$ *		$ 2,784	$ 2,784
Count	**379**	**501**	**14,015**	**14,895**
Average Annual Lifetime Pension	**$ 4,565**	**$ 2,857**	**$ 5,141**	**$ 5,049**

∗ Data not shown for member privacy

Appendix D: Going Concern Assumptions and Methods

Assumptions and Methods

A member's entitlements under a pension plan are generally funded during the period over which service is accrued by the member. The cost of each member's benefits is allocated in some fashion over the member's service. An actuarial valuation provides an assessment of the extent to which allocations relating to periods prior to a valuation date (often referred to as the actuarial liabilities) are covered by the plan's assets.

The going concern valuation provides an assessment of a pension plan on the premise that the plan continues on into the future indefinitely based on assumptions in respect of future events upon which a plan's benefits are contingent and methods that effectively determine the way in which a plan's costs will be allocated over the members' service. The true cost of a plan, however, will emerge only as experience develops, investment earnings are received, and benefit payments are made.

This appendix summarizes the going concern assumptions and methods that have been used for the going concern valuation of the Plan at the valuation date. The going concern assumptions and methods have been chosen to reflect our understanding of the Plan's funding objectives with due respect to accepted actuarial practice and regulatory constraints. For purposes of this valuation, the going concern methods and assumptions were reviewed and changes as indicated were made.

The actuarial assumptions and methods used in the current and previous valuations are summarized below and described on the following pages.

	December 31, 2015	December 31, 2013
Economic Assumptions		
Discount rate	4.90% per year (net of fees and expenses and margin for adverse deviations)	5.00% per year (net of fees and expenses and margin for adverse deviations)
Increases in pensionable earnings		
Full-time active members	3.00% per year plus merit. See Table D following	Same
Part-time active members	3.00% per year plus merit. See Table E following	Same
Increases in year's maximum pensionable earnings ("YMPE")	Actual to 2016. 2.75% per year thereafter	Actual to 2014. 3.00% per year thereafter
Increases in maximum pension limit	In accordance with *Income Tax Act*, then 2.75% per year	In accordance with *Income Tax Act*, then 3.00% per year
Increases in Consumer Price Index	2.25% per year	2.50% per year
Postretirement benefit increases	0.50% per year	Same
Demographic Assumptions		
Mortality table	CPM2014Priv combined with mortality improvement scale CPM-B (sex-distinct)	CPM2014Priv combined with mortality improvement scale CPM-B (sex-distinct rates, with pension size M=1.026, F=1.041)
Retirement rates		
Active, disabled, transferred, and suspended members	Table A following	Same
Deferred vested members	Age member elected at termination	Same
Retired members and beneficiaries	Not applicable	Same
Withdrawal rates		
Voluntary withdrawals		
Full-time	Table B following	Same
Part-time	Table C following	Same
Involuntary withdrawals	None assumed	Same
Proportion married		
Non-retired spousal proportion	80%	Same
Non-retired spousal age differential	Males three years older	Same
Retired members and beneficiaries	Actual marital status and ages are used	Same

	December 31, 2015	December 31, 2013
Methods		
Actuarial cost method	Projected Unit Credit (prorated on service)	Same
Asset valuation method	Market value of assets adjusted to reflect contributions and benefit payments in transit as of the valuation date	Same
Expenses	Included as a deduction from the discount rate	Same
Margin for adverse deviations	0.45%	0.50%
Contingent benefits	None	Same
Benefits excluded	None	Same

Table A—Retirement Rates

Sample age based retirement rates are in accordance with the following table:

Age	Credited Service <20 years	Credited Service >=20 years
54	0%	0%
55	10%	15%
56	10%	12%
57	10%	12%
58	10%	15%
59	10%	15%
60	15%	25%
61	15%	15%
62	15%	15%
63	15%	15%
64	20%	25%
65	35%	35%
66	20%	20%
67	20%	20%
68	20%	20%
69	100%	100%

Table B—Withdrawal Rates

Full-time withdrawals per 1,000 members:

Present Age	Male	Female	Present Age	Male	Female
15	235	233	35	134	145
16	235	233	36	138	140
17	235	233	37	122	135
18	235	233	38	116	130
19	229	228	39	110	124
20	223	223	40	104	119
21	217	218	41	98	114
22	211	212	42	93	109
23	205	207	43	87	104
24	199	202	44	81	99
25	193	197	45	75	93
26	187	192	46	69	88
27	181	187	47	63	83
28	176	181	48	57	78
29	170	176	49	51	73
30	164	171	50	45	67
31	158	166	51	39	62
32	152	161	52	33	57
33	146	156	53	27	52
34	140	150	54	21	47
			55 and over	0	0

Table C—Withdrawal Rates

Part-time withdrawals per 1,000 members:

Present Age	Male	Female	Present Age	Male	Female
15	294	285	35	200	189
16	294	285	36	194	183
17	294	285	37	189	178
18	294	285	38	183	172
19	288	279	39	177	166
20	283	273	40	172	161
21	277	268	41	166	155
22	272	262	42	161	149
23	266	257	43	155	144
24	261	251	44	150	138
25	255	245	45	144	133
26	250	240	46	139	127
27	244	234	47	133	121
28	239	228	48	128	116
29	233	223	49	122	110
30	227	217	50	116	104
31	222	211	51	111	99
32	216	206	52	105	93
33	211	200	53	100	87
34	205	195	54	94	82
			55 and over	0	0

Table D—Merit Increases

Full-time merit increases:

Present Age	Unisex	Present Age	Unisex
15	5.60%	35	2.50%
16	5.60%	36	2.36%
17	5.60%	37	2.22%
18	5.60%	38	2.08%
19	5.60%	39	1.94%
20	5.60%	40	1.80%
21	5.60%	41	1.64%
22	5.60%	42	1.48%
23	5.60%	43	1.32%
24	5.60%	44	1.16%
25	5.00%	45	1.00%
26	4.74%	46	0.90%
27	4.48%	47	0.80%
28	4.22%	48	0.70%
29	3.96%	49	0.60%
30	3.70%	50	0.50%
31	3.46%	51 and over	0.00%
32	3.21%		
33	2.97%		
34	2.73%		

Table E—Merit Increases

Part-time merit increases:

Present Age	Unisex	Present Age	Unisex
15	2.06%	40	1.71%
16	2.06%	41	1.69%
17	2.06%	42	1.67%
18	2.06%	43	1.64%
19	2.06%	44	1.62%
20	2.06%	45	1.60%
21	2.06%	46	1.57%
22	2.06%	47	1.55%
23	2.06%	48	1.53%
24	2.06%	49	1.50%
25	2.06%	50	1.48%
26	2.04%	51	1.46%
27	2.01%	52	1.43%
28	1.99%	53	1.41%
29	1.97%	54	1.39%
30	1.94%	55	1.41%
31	1.92%	56	1.37%
32	1.90%	57	1.34%
33	1.87%	58	1.30%
34	1.85%	59	1.27%
35	1.83%	60	1.23%
36	1.80%	61	1.20%
37	1.78%	62	1.16%
38	1.76%	63	1.13%
39	1.73%	64	1.09%
		65	1.06%
		66	1.02%
		67 and over	1.00%

Justification of Actuarial Assumptions and Methods

Economic Assumptions

Discount Rate

We have used a discount rate of 4.90% per year.

The overall expected return ("best-estimate") is 5.65% per year, which is based on an inflation rate of 2.25% per year, yielding a real rate of return on the pension fund assets of 3.40% per year. This overall expected return was developed using best-estimate returns for each major asset class in which the pension fund is invested. A Monte Carlo simulation is performed where the portfolio returns are projected assuming annual rebalancing. Expected plan cash flows are projected reflecting the plan's time horizon and discounted using the simulated returns. The internal rate of return is then calculated for each scenario and the average is used to develop an overall best-estimate rate of return for the entire pension fund. Gains from rebalancing and diversification are implicit to this return.

The above determined rate of return has been established based on the Company's investment policy and its funding policy (whether formal or informal) and objectives. There may be some barriers to achieving this return such as inflation higher than expected, asset returns lower than expected, and assets and liabilities that are mismatched. We have derived a going concern discount rate which reflects the Company's investment policy combined with a margin for adverse deviation so as to account for the variables mentioned above. The following chart lays out the adjustments that have been made to the overall expected rate of return in order to arrive at our going concern discount rate assumption:

Development of Discount Rate

Overall expected return				5.65%
Non-investment expenses				(0.10)%
Investment expenses				
Passive	(1)	(0.20)%		
Actively managed	(2)	(0.20)%		
			(1)+(2)	(0.40)%
Additional returns due to active management				0.20%
Margin for adverse deviations				(0.45)%
Unrounded Discount Rate				**4.90%**

Therefore, we have arrived at a discount rate of 4.90% per year.

Inflation Rate

The inflation rate is assumed to be 2.25% per year. This reflects our best estimate of future inflation considering current economic and financial market conditions.

Increases in Pensionable Earnings

We have assumed future salary increases will be 3.00% per year plus merit and promotion increases. We assume rates of increase as a result of individual employee merit and promotion based on a scale which varies by age and service as shown in Tables D and E of the Assumptions and Methods section of this report. The expected rate of base salary increases plus the merit and promotion scale represent the Company's long-term expectations of salary increases. Although we have lowered the assumed inflation rate this valuation, we have kept the salary increase assumption unchanged at the current level. The assumption will continue to be monitored and any long-term expected changes in base salary increases will be reflected in future valuations as necessary.

Increases in YMPE

As the benefits paid to a member from the Plan are dependent on the future YMPE, it is necessary to make an assumption regarding the future increases in the YMPE.

The YMPE was assumed to increase up until the time the member retires, dies or terminates from active employment at 2.75% per year. This is comprised of an annual increase of 2.25% on account of inflation, plus 0.50% on account of productivity, which is consistent with historical real economic growth and future expectations.

Increases in the Maximum Pension Limit

Pensions are limited to the maximum limits under the *Income Tax Act*. The maximum lifetime annual pension per year of pensionable service payable under the *Income Tax Act* is $2,890.00 in 2016. It is assumed that the maximum limit will increase at 2.75% per year commencing in 2017. This is comprised of an annual increase of 2.25% on account of inflation, plus 0.50% on account of productivity, which is consistent with historical real economic growth and future expectations.

Expenses

Since the discount rate has been established net of all expenses, no explicit assumption is required for all expenses.

Economic Margins for Adverse Deviations

Margins for conservatism or provisions for adverse deviation have been built into the going concern assumptions where appropriate.

The margins have been chosen so as to balance the need for financial security for existing Plan members against overly conservative contribution requirements that potentially result in intergenerational inequity among members and unnecessary financial strain on the Plan sponsor.

A margin for adverse deviations of 0.45% has been reflected in the interest rate assumption.

The actuary has discussed the Plan's experience with the Company and compared it to the expected experience. The actuary has discussed with the Company the implications of incorporating margins for adverse deviations and the Company is fully cognizant and supports incorporating margins for adverse deviations.

Demographic Assumptions

Mortality

We have based our mortality assumption on the findings of the CIA study of Canadian pensioner mortality levels and trends. In 2015, the Company reviewed the Plan experience from 2009 to 2014, compared to the mortality tables published by the CIA. The mortality experience study indicated the 2014 Canadian Private Sector Pensioners' Mortality Table combined with mortality improvement scale CPM-B is an appropriate assumption for the Plan's population.

Retirement

Retirement rates are typically developed taking into account the past experience of the Plan. Accordingly, the rates of retirement have been developed as our expectation of the best-estimate rates of retirement based on the plan provisions and plan experience in recent years.

The Plan has heavily subsidized early retirement provisions, especially for members with long service. The Plan also provides a temporary bridge pension. Accordingly, pension commencement age is an important factor in plan costs. The retirement rates were established at the last valuation as of December 31, 2010 based on plan experience between 2008 and 2010. These rates continue to be appropriate expectations of the rates of retirement based on the plan provisions.

Termination of Employment

A member's benefit entitlement under the Plan is affected by whether the member terminates employment prior to retirement for reasons other than death. In order to account for this in the calculation of the actuarial liability, an assumption regarding the probability that a member will terminate employment for reasons other than death has been made.

The termination rates were developed based on a prior review of plan experience. Subsequent actuarial valuations indicate that these rates remain appropriate as the resulting actuarial gains and losses have been relatively small. Consequently, the termination rates are considered to be best estimate.

Option Elections on Termination

We have assumed that 20% of members who are not retirement eligible at termination will elect a deferred annuity, and 80% will elect a commuted value transfer or cash on termination. In recognition of the lower prevailing discount rates to determine commuted values, we have employed a different discount rate basis used to calculate termination benefits for those electing a deferred annuity versus those that elect a lump-sum transfer value. The discount rate applied for those assumed to elect a commuted value transfer is the same rate used to determine pension commuted values for terminations in December 2015 of 2.10% per year for 10 years, 3.70% per year thereafter.

Effective March 1, 2014, members who are retirement eligible at termination have the option to elect to transfer out the commuted value of their pension entitlement to another locked-in retirement savings vehicle in lieu of receiving an immediate pension from the Plan. There is currently insufficient plan experience to build an appropriate long term assumption for the expected rate at which retirement eligible members will make this election. We note that the experience seen in 2014 and 2015 for members electing to transfer their commuted value was abnormally high due to the business restructuring activities. It is not expected to see this continue long-term. We have therefore kept our assumption unchanged with respect to retirement eligible members. We will continue to monitor actual plan experience in order to build an appropriate long-term assumption, and will update this assumption in subsequent actuarial valuations, if necessary.

Proportion of Members with Spouses and Spousal Age Differential

These assumptions are relevant to the valuation of benefits since there is a subsidized joint and survivor benefit available for members with a spouse. The proportion of members who will have a spouse is based on broad population statistics. The spousal age difference was based on broad population statistics.

The spousal age difference assumption has very little impact on the valuation results.

Other

Actuarial Cost Method

An actuarial cost method is a technique used to allocate in a systematic and consistent manner the expected cost of a pension plan over the years of service during which Plan members earn benefits under the Plan. By funding the cost of a pension plan in an orderly and rational manner, the security of benefits provided under the terms of the Plan in respect of service that has already been rendered is significantly enhanced.

The projected unit credit actuarial cost method has been used for this valuation. Under this method, the actuarial present value of benefits in respect of service prior to the valuation date, but based on pensionable earnings projected to retirement, is compared with the actuarial asset value, revealing either a surplus or an unfunded actuarial liability.

With respect to service after the valuation date, the expected value of benefits for service in the year following the valuation date (i.e., the normal cost) net of any required employee contributions is expressed as a percentage of the expected value of participating payroll for that year. The employer normal cost contributions are determined each year by applying this percentage to the actual participating payroll for the year.

When calculating the actuarial present value of benefits at the valuation date, the present value of all retirement, withdrawal and preretirement death benefits are included. For each member, the retirement, withdrawal and preretirement death benefits for a particular period of service are first projected each year into the future taking into account future vesting, early retirement entitlements and minimum pension/value entitlements. These projected benefits for each future year are then capitalized, multiplied by the probability of the member leaving the Plan in that year and discounted with interest and survivorship to the valuation date. The actuarial present value of benefits for the particular period of service is then determined by summing the present values of these projected benefits.

The pattern of future contributions necessary to pre fund future benefit accruals for any one particular individual will increase gradually as a percentage of their pensionable earnings as the individual approaches retirement. For a stable population (i.e., one where the demographics of the group remain constant from year to year), the normal cost will remain relatively level as a percentage of payroll. The projected unit credit actuarial cost method therefore allocates contributions among different periods in an orderly and rational manner for a stable population group.

In the event of future adverse experience, contributions in addition to the normal cost calculated under the projected unit credit actuarial cost method may be required to ensure that the Plan’s assets are adequate to provide the benefits. Conversely, favourable experience may generate surplus which may serve to reduce future contribution requirements

Asset Valuation Method

Market value, adjusted by in-transit cash flows was used as the actuarial value of assets for this valuation. Asset-smoothing techniques are often used to reduce volatility in the company’s contribution requirements. However, since this Plan’s contributions are primarily being driven by the solvency valuation, we deemed it unnecessary to use an asset-smoothing technique for the going concern valuation.

Appendix E: Solvency and Hypothetical Wind Up Assumptions and Methods

Valuation Assumptions

	December 31, 2015	December 31, 2013
Economic Assumptions		
Discount rate for solvency liability		
Annuity purchase	2.95% per year	3.80% per year
Transfer value	2.10% per year for 10 years; 3.70% per year thereafter	3.00% per year for 10 years; 4.60% per year thereafter
Postretirement benefit increases (hypothetical wind up only)	0.50% per year	0.50% per year
Demographic Assumptions		
Mortality table	CPM2014 combined with mortality improvement scale CPM-B (sex-distinct)	1994 Uninsured Pensioner Mortality Table with generational mortality improvements using Scale AA (sex-distinct)
Withdrawal rates	Not applicable	Same
Retirement age		
Active, disabled, transferred and suspended members	Age that produces the highest lump-sum value[1]	
Deferred vested members	Age member elected at termination	Same
Retired members and beneficiaries	Not applicable	Same
Marital status		
Non-retired spousal proportion	80%	Same
Non-retired spousal age differential	Males three years older	Same
Retired members	Actual marital status and ages are used	Same

[1] As the Plan already gives benefits on termination similar to grow-in (continuous service is determined assuming the member has continued employment to pension commencement date), we have valued grow-in benefits for all members

	December 31, 2015	December 31, 2013
Other		
Wind up expenses	$5,000,000	Same
Contingent benefits	None	Same
Actuarial cost method	Unit credit	Same
Asset valuation method	Market value of assets adjusted to reflect contributions, benefit payments, transfers and fees/expenses in transit as of the valuation date	Same

Solvency/Hypothetical Wind Up Incremental Cost		
The assumptions for the expected benefit payments and decrement probabilities, service accruals, and projected changes in benefits and/or pensionable earnings	Same as going concern	Same

Based on the CIA's Guidance and information such as pension legislation, Plan provisions and Plan experience, we have made the following assumptions regarding how the Plan's benefits would be settled on Plan wind up:

	Percent of Liability Assumed to be Settled By Purchase of Annuities	Percent of Liability Assumed to be Settled By Lump-Sum Transfer
Active, Disabled, Transferred and Suspended Members		
Not retirement eligible	20%	80%
Retirement eligible	20%	80%
Deferred Vested Members		
Not retirement eligible	20%	80%
Retirement eligible	100%	0%
Retired Members and Beneficiaries	100%	0%

Benefits Valued

	Solvency Valuation	Hypothetical Wind Up Valuation
Vesting	All accrued benefits are vested	All accrued benefits are vested
Consent benefits	None	None
Grow-in benefits	As the Plan already gives benefits on termination similar to grow-in (continuous service is deemed to be the length of time as if the member has continued to pension commencement date), we have valued grow-in benefits for all members	As the Plan already gives benefits on termination similar to grow-in (continuous service is deemed to be the length of time as if the member has continued to pension commencement date), we have valued grow-in benefits for all members
Exclusions	None	None
Indexing	We have not valued future indexation, in accordance with legislation[1]	Postretirement indexation has been valued on hypothetical wind up

[1] The 0.5% increase granted at January 1, 2016 to eligible pensioners was included in the solvency and hypothetical wind up liabilities as of December 31, 2015.

Justification for Valuation Assumptions

Development of Discount Rates

The development of the discount rates is shown below.

Solvency lump-sum discount rate for 10 years	= V122542[1] + 90 bps
	= 1.23% + 0.90%
	=2.13% (rounded to 2.10%) per year
Solvency lump-sum discount rate thereafter	= V122544[1] + 0.5 x (V122544[1] – V122542[1]) + 90 bps
	=2.30% + 0.5 x (2.30% – 1.23%) + 0.90%
	= 3.74% (rounded to 3.70%) per year
Solvency annuity purchase discount rate	= V39062 + Duration Adjustment
	= 2.03% + 0.92%
	= 2.95%

The CIA's Guidance indicates that the cost of purchasing non-indexed annuities would be estimated based on the duration of the liabilities expected to be settled through annuity purchase. The duration of this Plan was estimated to be 10.55 and the resulting duration adjustment to the unadjusted CANSIM series V39062 interest rate is 0.92%.

We have set the aforementioned assumptions based on guidance prepared by the CIA Committee on Pension Plan Financial Reporting ("PPFRC") in the Educational Note Assumptions for Hypothetical Wind Up and Solvency Valuations with Effective Dates Between December 31, 2015 and December 30, 2016 ("CIA Guidance") released on January 28, 2016.

For benefit entitlements that are expected to be settled by purchase of annuities, we based the assumptions on information compiled by the PPFRC from insurance companies active in the group annuity market.

For benefit entitlements that are expected to be settled by lump-sum transfer, we based the assumptions on Section 3500 (Pension Commuted Values) of the CIA Standards of Practice, using rates corresponding to a valuation date of December 31, 2015.

Mortality Table

The derivation of the discount rate above is in conjunction with the CPM2014 in accordance with the CIA Guidance

Pensionable Earnings

The actual best average earnings were provided by the client.

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[1] CANSIM Series (annualized)

Option Elections on Termination

This valuation we have assumed that 20% of all active members (regardless of eligibility for retirement) and 20% of all not retirement eligible deferred vested members will elect a deferred annuity, and the remaining 80% will elect a commuted value transfer or cash payment on termination. This assumption has been updated this valuation to reflect that effective March 1, 2014, retirement eligible members have the option to transfer out the commuted value of their pension. While there is insufficient experience to determine how the plan's population would likely behave in the event of a plan termination, we believe this assumption introduces some conservatism in the current solvency and hypothetical wind up valuations, while we continue to monitor member behaviour and plan experience.

Assumptions Not Needed

The following are not relevant to the solvency or hypothetical wind up valuation:

- Increases in pensionable earnings;
- Termination of employment rates;
- Increases in CPP and OAS benefits (we used the January 1, 2016 rates);
- Increases in *Income Tax Act* maximum pension limit (we used the 2016 maximum); and
- Disability rates.

Estimated Wind Up Expenses

Plan wind up expenses would normally include such items as fees related to preparation of the actuarial wind up report, fees imposed by a pension supervisory authority, legal fees, administration, custodial and investment management expenses. We have assumed these fees would be $5,000,000. We have assumed that the Company will still be solvent on the wind up of the Plan.

Calculation of Special Solvency Payments

We used a discount rate of 2.80% per year to calculate the special payments necessary to liquidate the solvency deficiency. This rate is a weighted average based on the relative proportions of benefit entitlements that are expected to be settled by purchase of annuities and lump-sum transfer.

Actuarial Cost Methods

Unit credit (accrued benefit) cost method as prescribed.

Asset Valuation Method Considerations

Assets for solvency purposes have been determined using adjusted market value.

Incremental Cost on a Solvency Basis

The incremental cost on a solvency basis represents the present value, at the calculation date (time 0), of the expected aggregate change in the solvency liabilities between time 0 and the next calculation date (time t), adjusted upwards for expected benefit payments between time 0 and time t.

An educational note was published in December 2010 by the CIA Committee on PPFRC to provide guidance for actuaries on the calculation of this new information.

The calculation methodology can be summarized as follows:

- The present value at time 0 of expected benefit payments between time 0 and time t, discounted to time 0,

  plus

- Projected solvency liabilities at time t, discounted to time 0, allowing for, if applicable to the pension plan being valued:
  - Expected decrements and related changes in membership status between time 0 and time t,
  - Accrual of service to time t,
  - Expected changes in benefits to time t,
  - A projection of pensionable earnings to time t,

  minus

- The solvency liabilities at time 0.

The projection calculations take into account the following assumptions and additional considerations:

- The assumptions for the expected benefit payments and decrement probabilities, service accruals, and projected changes in benefits and/or pensionable earnings would be consistent with the assumptions used in the pension plan's going concern valuation.
- The assumptions used to calculate the projected liability at time t are consistent with the assumptions for the solvency liabilities at time 0, assuming that interest rates remain at the levels applicable at time 0, that the select period is reset at time t for interest rate assumptions that are select and ultimate and that the Standards of Practice for the calculation of commuted values and the guidance for estimated annuity purchase costs in effect at time 0 remain in effect at time t.
  - Active and inactive Plan members as of time 0 are considered in calculating the incremental cost.

Appendix F: Summary of Plan Provisions

The Sears Canada Inc. Registered Retirement Plan ceased defined benefit service accrual and introduced a defined contribution component with effect on and after July 1, 2008. Credited service ceased to accrue after June 30, 2008 in the defined benefit component of the Plan, however, earnings increases will continue to be recognized while members are in active employment.

Following is a summary of the main provisions of the defined benefit component and the defined contribution component of the Plan.

Effective Date	As amended and restated July 1, 2008
Jurisdiction of Registration	Ontario
History	Sears Canada Inc., formerly Simpsons-Sears Limited, established the Supplementary Pension Plan on January 1, 1971. The Supplementary Pension Plan was incorporated into the Guaranteed Retirement Income Plan from January 1, 1976. The Guaranteed Retirement Income Plan was incorporated into and superseded by the Sears Canada Inc. Registered Retirement Plan on January 1, 1987. The Sears Canada Inc. Registered Retirement Plan ceased defined benefit service accrual and introduced a defined contribution provision with effect on and after July 1, 2008.
Eligibility for Membership	Effective July 1, 2008, no new employees may join the defined benefit component of the Plan.
Member Contributions	Members ceased contributions to the defined benefit plan effective July 1, 2008. Interest is credited on members contributions to the plan prior to July 1, 2008 according to: ***Non-Quebec Members*** The average of the yields on five-year trust company guaranteed investment certificates, published in the Bank of Canada Review as CANSIM Series B14080, over the most recent 12-month period. ***Quebec Members*** The average annual rate of return of the fund, less investment expenses and administrative costs, over the 36-month period ending at the end of each calendar year quarter.

Normal Retirement

Eligibility: The last day of the month in which the member attains age 65.

Benefit:

Benefit With Respect to the Plan Service On and After January 1, 1987

The sum of a) and b) multiplied by the Pensionable Service on and after January 1, 1987 until July 1, 2008:

a) 1% of the Three-Year Final Average Earnings up to the Three-Year Final Average YMPE, minus 20% of the Three-Year Final Average YMPE; PLUS

b) 1.75% of the Three-Year Final Average Earnings in excess of the Three-Year Final Average YMPE.

Benefit With Respect to GRIP Service Before January 1, 1987

For Members Not Employed in Saskatchewan or Manitoba:

1.75% of the Five-Year Final Average Earnings per year of GRIP Pensionable Service; MINUS

the “other pension benefits” defined as the sum of a), b) and c) below:

a) The member’s Retirement Security Plan Pension;

b) The member’s Profit Sharing Annuity; and

c) The sum of Old Age Security benefit plus the Canada (Quebec) Pension Plan benefit, multiplied by the GRIP Pensionable Service, to a maximum of 40, divided by 40.

For Members Employed in Saskatchewan or Manitoba:

1.25% of the Five-Year Final Average Earnings up to the Five-Year Final Average YMPE, per year of GRIP Pensionable Service; PLUS

1.75% of the Five-Year Final Average Earnings in excess of the Five-Year Final Average YMPE, per year of GRIP Pensionable Service; MINUS

the “other pension benefits” defined as the sum of a), b) and c) below:

a) The member’s Retirement Security Plan Pension;

b) The member’s Profit Sharing Annuity; and

c) The Canada (Quebec) Pension Plan benefit, multiplied by the GRIP Pensionable Service, to a maximum of 40, divided by 40.

Normal Form of Pension

Members Without a Spouse at Retirement:
Life Annuity guaranteed for 120 months.

Members With a Spouse at Retirement:
Joint and 2/3 Survivor Pension, guaranteed for 120 months. The benefit is actuarially equivalent to the pension payable to a member without a spouse at retirement.

Early Retirement

Eligibility

The last day of any month after the member has attained age 55.

Benefit

The Normal Retirement Benefit accrued to the early retirement date, reduced by:

Continuous Service	Reduction
Service<10	¼% for each month before NRD; plus ¼% for each month before age 60
10<=Service<25	¼% for each month before age 62; plus ¼% for each month before age 60
25<=Service<30	½% for each month before age 60
Service>=30	¼% for each month before age 60

In calculating the Early Retirement Benefit with respect to the GRIP service, the above reduction is not applied to the “other pension benefits”.

Bridge Benefit

Benefit

The sum of Old Age Security benefit plus the Canada (Quebec) Pension Plan benefit, multiplied by the GRIP Pensionable Service, to a maximum of 40, divided by 40.

For Members Employed in Saskatchewan or Manitoba:
0.50% of the Five-Year Final Average Earnings up to the Five-Year Final Average YMPE, per year of GRIP Pensionable Service, reduced by the above Early Retirement Factor; PLUS

The Canada Pension Plan benefit, multiplied by the GRIP Pensionable Service, to a maximum of 40, divided by 40.

Form of Payment

Members Without a Spouse at Retirement:
Temporary annuity payable for the member’s lifetime, until age 65.

Members With a Spouse at Retirement:
Temporary annuity payable for the member’s lifetime, until age 65. If the member dies prior to age 65, the surviving spouse will continue to receive 2/3 of the Bridge Benefit for his/her lifetime, until the deceased member would have turned age 65.

Postponed Retirement

A member may retire on the last day of any month up to November 30 of the year he turns age 71.

The Retirement Benefit is the greater of a) and b) below:

a) Normal Retirement Benefit calculated to Actual Retirement Date.

b) Normal Retirement Benefit calculated using Service to NRD, and actuarially increased to Actual Retirement Date.

Termination of Employment

Benefit

A member who terminates is entitled to either his accrued retirement benefit deferred to age 65, or to transfer a lump-sum value of his deferred pension to a locked-in retirement income equal to the sum of a) and b) below:

a) The commuted value of his pension.

b) The member's excess contributions including accumulated interest.

For members who voluntarily terminate prior to age 55 (or involuntarily terminate with cause):

Accrued normal retirement benefit to date of termination, payable at age 65. Member may elect commencement of benefit as early as age 55 on an actuarially equivalent basis.

For members who are involuntarily terminated prior to age 55:

The termination benefit is calculated in the same manner as the Early Retirement Benefit provided that the early retirement reduction is determined based on the member's continuous service being deemed to be the length of the member's completed continuous service as if the member has continued in active employment until his pension commencement date.

Minimum Transfer Value

The lump-sum value calculated above cannot be less than 150% of the member's required contributions made before July 1, 2008, with accumulated interest.

Death Benefit	
Before Retirement	The commuted value of benefit entitlement for the Plan service on and after January 1, 1987 and before July 1, 2008, and for GRIP service before January 1, 1987, determined as if the member had terminated immediately prior to death.
After Retirement	Based on the form of pension elected by the member at retirement.
Postretirement Inflation Adjustment	
Eligibility	a) Any member who retired prior to January 1, 2001 and was eligible for an immediate pension at the time of retirement. b) Any member who terminated after December 31, 2000 and was eligible for either an immediate or deferred pension on termination. c) Any beneficiary of a member under a) or b) above.
Commencement	The Postretirement inflation adjustments commence on the January 1 immediately following the member's 65th birthday.
Amount of Adjustment	Effective January 1, 2014, the inflation adjustment made to pensions pay, in any year, is at a fixed rate of 0.50% per year.
Definitions	
Pensionable Earnings	The total earnings consisting of wages, salaries, overtime, bonuses, overwrites, commissions, vacation pay and illness allowances. It excludes the value of an employee's taxable benefits and any long-term incentives and other elements of compensation that the Company expressly excludes.
Three-Year Final Average Earnings	The average of the three consecutive years of highest pensionable earnings during the last 10 years of continuous service.
Five-Year Final Average Earnings	The average of the five years of highest pensionable earnings during the last 10 years of continuous service.
Three-Year Final Average YMPE	The average of the year's maximum pensionable earnings in the last three years of continuous service.
Five-Year Final Average YMPE	The average of the year's maximum pensionable earnings in the last five calendar years of continuous service.

JP Morgan Transferred Members

Transition Date	Hourly Transferred Members: December 18, 2005 Salaried Transferred Members: January 1, 2006
Retirement Benefit	The lifetime and bridge benefits determined based on pensionable service, earnings, and YMPE at the Transition Date. Continuous service continues while employed by the Purchaser. The benefits are increased based on Increases in the Average Industrial Wage from the Transition Date to the date of retirement/termination/death, measured by CANSIM II Series VI558664.

Thomas Cook Transferred Members

Transition Date	January 29, 2011
Retirement Benefit	The lifetime and bridge benefits determined based on pensionable service, earnings, and YMPE at the Transition Date. Continuous service continues while employed by the Purchaser. The benefits are increased based on Increases in the Average Industrial Wage from the Transition Date to the date of retirement/termination/death, measured by CANSIM II Series VI558664.

Defined Contribution Component

Effective Date	Effective July 1, 2008, the DC component was added to the Plan.
Member Contributions	Members may contribute 1% to 7% of earnings. Members with defined benefit entitlement as of June 30, 2008 (except Manitoba and Nova Scotia) may elect a 0% contribution. The "default" member contribution if a member does not elect a contribution level is 1% of earnings.
Employer Contributions	The Company matches member contributions according to the following table:

Employee	Employer
0.0%	0.0%
1.0%	0.5%
2.0%	1.0%
3.0%	1.5%
4.0%	2.0%
5.0%	2.5%
6.0%	3.0%
7.0%	3.5%

A copy of a letter from the Company certifying the accuracy and completeness of the plan provisions summarized in this report is included in Appendix G of this report.

Appendix G: Administrator Certification

With respect to the Sears Canada Inc. Registered Retirement Plan, forming part of the actuarial report as at December 31, 2015, I hereby certify that, to the best of my knowledge and belief:

- The asset data provided or made available to the actuary is complete and accurate;
- The membership data and subsequent query answers provided or made available to the actuary are complete and accurate for all persons who are entitled to benefits under the terms of the Plan in respect of service up to the date of the valuation;
- The Plan provisions provided or made available to the actuary are complete and accurate;
- The actuary has been notified of all relevant events subsequent to the valuation measurement date;
- In accordance with Regulation, the Company has elected to defer all new going concern and solvency special payments established as at December 31, 2015 by 12 months; and
- In accordance with Regulation, the Company has elected temporary funding relief option 6.

Bev Church	Senior Director, Treasury & Pension, Sears Canada Inc.
Name (print) of Authorized Signatory	Title
Bev Church	Sept 14, 2016
Signature	Date

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This is **Exhibit "I"** referred to in the

Affidavit of Geoff Mens

sworn before me, this **21st** day

of **February, 2019**

A Commissioner for taking Affidavits

NORTON ROSE FULBRIGHT

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February 20, 2019

Sent By E-mail

Ms. Wendy Berman
Cassels Brock & Blackwell LLP
Scotia Plaza
40 King Street West
Suite 2100
Toronto ON M5H 3C2

Dear Ms. Berman:

FTI Consulting Canada Inc., in its capacity as Court-appointed Monitor v. ESL Investments Inc., *et al.* Court File No. CV-18-00611219-00CL

We write with respect to Mr. Birch's affidavit of February 7, 2019. At paragraph 14, Mr. Birch states, without precisely specifying the source, that the Monitor has provided documents to other former directors.

As you are aware, those documents were provided to Deborah Rosati and Raja Khanna and their counsel in January 2018, at which time Ms. Rosati and Mr. Khanna were both sitting directors of Sears Canada Inc. (**Sears**). The package provided to those then-current directors was comprised of documents which had been made available to the Monitor by Sears, and which were packaged by the Monitor to facilitate investigative interviews. The packaged documents related to the extraordinary dividend declared by Sears in 2013 (the **2013 Dividend**), as well as the sale of the Craftsman business by Sears Holdings Corporation (the **Craftsman Transaction**).

As you are also aware, the Monitor has previously indicated to you its preparedness to deliver those documents. That discussion was not concluded by you at the time you served your motion. Please be advised that by way of a secure file transfer link that will accompany delivery of this letter, the Monitor will be delivering to Cassels Brock & Blackwell LLP (**Cassels**) and Polley Faith LLP (**Polley Faith**) all documents previously provided to Ms. Rosati and Mr. Khanna which are relevant to the 2013 Dividend and which are not privileged.[1]

The Monitor is also prepared to produce to Cassels documents that are privileged in favour of Sears and that were previously provided to Ms. Rosati and Mr. Khanna. Any such production, however, will be contingent on an undertaking from Cassels that the privileged documents will be shared only with Cassels' clients in this matter who were sitting directors of Sears at the time the legal advice at issue was given. Given that the Court has not yet granted an order waiving Sears' privilege over documents

[1] Documents related to the Craftsman Transaction are not relevant to the current proceeding and will not be produced.

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in the power, possession or control of Sears or the Monitor that are relevant to the current action, the Monitor is not in a position to share at this time any documents privileged in favour of Sears with any of Cassels' clients who were not sitting directors of Sears at the time the legal advice at issue was given. Similarly, pending an order waiving Sears' privilege, the Monitor is not in a position to share any privileged documents with Polley Faith or its clients at this time.

Yours truly,

Robert Frank

RF/si

Copies to: John N. Birch and Natalie Levine, *Cassels Brock & Blackwell LLP*
Harry Underwood, Andrew Faith, Jeffrey Haylock and Sandy Lockhart, *Polley Faith LLP*
Richard Swan and Sean Zweig, *Bennett Jones LLP*
Orestes Pasparakis and Evan Cobb, *Norton Rose Fulbright Canada LLP*

FTI Consulting Canada Inc.,
in its capacity as Court-appointed monitor

Plaintiff

and

ESL Investments Inc. *et al.*

Defendants

Court File No.: CV-18-00611219-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at TORONTO

JOINT RESPONDING
MOTION RECORD OF THE MONITOR AND THE LITIGATION INVESTIGATOR
(PRE-PLEADING PRODUCTIONS)
(RETURNABLE MARCH 20, 2019)

VOLUME 1

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