

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

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

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

(each, an “**Applicant**”, and collectively, the “**Applicants**”)

**MOTION RECORD OF EMPLOYEE REPRESENTATIVE COUNSEL
(returnable July 13, 2017)**

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Employee Representative Counsel

TO: **SERVICE LIST**

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TAB 1

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

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

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985,
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(each, an “**Applicant**”, and collectively, the “**Applicants**”)

NOTICE OF MOTION OF EMPLOYEE REPRESENTATIVE COUNSEL

Ursel Phillips Fellows Hopkinson LLP in its capacity as Employee Representative Counsel will make a motion before the Honourable Justice Hainey of the Superior Court of Justice (Commercial List), on July 13, 2017 at 9:00 a.m. or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

- (1) if necessary, an order abridging the time for service and filing of this notice of motion, or in the alternative, dispensing with same;
- (2) an order directing the Applicants to continue or reinstate health benefits coverage for a reasonable notice period until October 5, 2017 for employees who were on long-term disability insurance benefits or parental leave at the time of the Initial Order and whose employment was terminated on June 22, 2017;
- (3) an order directing the Applicants to continue or reinstate health benefits coverage for a reasonable notice period until October 5, 2017 for employees whose employment was terminated effective immediately on June 22, 2017;

- (4) an order amending the KERP approved at paragraph 21 of the Initial Order in relation to the Headquarters Employees, as the amounts provided are excessive considering the extremely short time horizon for the KERP, and as the KERP is not sufficiently tailored to create incentives to preserve and enhance the value of the Applicants;
- (5) an order amending Paragraphs 22, 46, 47 and 49 of the Initial Order to grant priority for the Directors' Charge above the priority for the KERP Charge;
- (6) an order in respect of the proposed SISP that provides Employee Representative Counsel and the Employee Representatives (as defined in the Employee Representative Counsel Order), along with their financial advisors, with access to information about the identity of all bidders for the assets; and answers to questions posed by Employee Representative Counsel with respect to bids received and the terms thereof, bids which have been excluded; and the evaluation of the bids by the Sales Advisor, the Applicants, and the DIP Lenders, subject to confidentiality arrangements required by the bidders themselves; and
- (7) such further and other relief as this Honourable Court deems just.

THE GROUNDS FOR THE MOTION ARE:

1. Ursel Phillips Fellows Hopkinson LLP was appointed as representative counsel for the current and former employees of the Applicants ("Employee Representative Counsel"), pursuant to the Court's endorsement dated June 22, 2017 ("Representative Counsel Endorsement").
2. Since the date of the Initial Order and the Representative Counsel Endorsement, Employee Representative Counsel have been in negotiation with the Applicants in relation to the terms of a Representative Counsel Order and related matters.
3. Alongside the members of the pension plans, the employees are the most vulnerable stakeholders in these *CCAA* proceedings. They have the most at risk and, unlike other creditors, the consequences of the actions taken by the Applicants affects them in a personal way – impacting their jobs, their health benefits and their families' financial security.
4. Since the Initial Order date, several groups of employees have suffered significant hardships, including:

- (a) approximately 400 employees from head office in Toronto immediately terminated effective June 22, 2017 without notice or payment of statutory termination or severance pay;
- (b) approximately 2,400 store employees who were given working notice until October 5, 2017 when their stores are set to close but who will not receive full statutory termination or severance pay, including:
 - (i) an unknown number of commission store employees given working notice until October 5, 2017, who were notified their compensation arrangements would change from commission based pay to hourly pay at the rate of \$15 per hour;
 - (ii) an unknown number of store employees given working notice until October 5, 2017, who were on approved leave of absence or an approved disability leave;
- (c) an unknown number of store employees who were working on commission who were immediately terminated as of June 22, 2017 without any notice, termination or severance pay; and,
- (d) an unknown number of store employees who were in receipt of Long Term Disability benefits or on parental leave from stores that were previously closed, who were immediately terminated on June 22, 2017 without any notice, termination or severance pay.
- (e) In addition, there are also between 800 and 1,000 employees who had been terminated prior to June 22, 2017 who were in receipt of salary continuance. These employees were notified on June 22, 2017 that their salary continuance would immediately cease; they were not provided with any notice, termination or severance pay.

5. The timing of payments is extremely important to those former employees who have been severely impacted by the Applicants' insolvency. In addition to losing their continued employment, these employees have been deprived of access to notice, statutory severance and termination pay, and health benefits, as a result of the stay of proceedings. The insolvency has

had a material and prejudicial impact on their standard of living and has created severe hardships for many of these individuals.

6. Employee Representative Counsel has been in active discussions with the Applicants and the Monitor since the Initial Order date to advocate for arrangements that will alleviate the hardships suffered by these employees and to provide insight into the SISP process for the Employee Representatives and their counsel.

7. These discussions have included the potential to establish an employee hardship fund, under which certain employee creditors, upon demonstrating hardship, could qualify for an unspecified partial distribution in advance of a general distribution to creditors.

8. These discussions have also included the potential to enable terminated employees to access benefits under the Federal *Wage Earner Protection Program Act*, S.C. 2005, c. 47, s. 1 (“WEPPA”). Under WEPPA, employees can claim the greater of \$3000 or an amount equal to four times the employee’s maximum weekly insurable earning under the *Employment Insurance Act*, S.C. 1996, c. 23 in respect of unpaid wages, vacation pay, severance and termination pay owed to them by employers who are bankrupt or subject to a receivership. It may be possible to have a receiver appointed under s. 101 of the *Courts of Justice Act*, R.S.O. 1990, c C.43 over certain assets of the Applicants, concurrent with the CCAA proceedings, in order to allow terminated employees to access WEPPA benefits.

9. These discussions have also included discussion of access to information about the SISP for the Employee Representatives and their counsel.

Reinstatement of Health Benefits Coverage

10. Four groups of employees had their health benefits coverage terminated immediately and without notice following the issuance of the initial order:

- (a) approximately 400 employees of head office whose employment and benefits were terminated effective immediately and without notice;
- (b) an unknown number of employees who were on long-term disability or parental leave who worked at a store that had previously closed and whose employment and benefits were terminated effective immediately and without notice;

- (c) an unknown number of commission store employees whose employment and benefits were terminated effective immediately and without notice; and
- (d) between approximately 800 and 1000 employees who were in receipt of salary continuance at the time of the initial order, who had their salary continuance and benefits terminated effective immediately and without notice.

11. The termination of health benefits without notice has caused a significant hardship on this group of former employees who have particular reliance on their health benefits. Providing notice of the termination of health benefits would allow these employees to attend already scheduled appointments for paramedical services, schedule covered services within the notice period, obtain refills as necessary for vital medications, and, most significantly, arrange for alternative health benefits coverage.

12. The termination of health benefits without notice for those employees whose employment was also terminated effective immediately and without notice, severance or termination pay, has caused significant hardship.

13. Employee Representative Counsel requests an order directing the Applicants to immediately reinstate health benefits coverage for these employees in order to alleviate against this hardship.

The KERP Should be Amended

14. With respect to the KERP, the payments proposed to be made to headquarters employees are excessive. This aspect of the KERP should not be approved, and the KERP should be amended accordingly, because the quantum of \$7.6 million for 43 employees is excessive considering the short timeframe for payments (payments to be made to employees after 45, 90 and 180 days).

The Directors' Charge Should Take Precedence over the KERP Charge

15. In light of the fact that the Directors' Charge may be used to satisfy employee claims for statutory and other employment entitlements, it should take precedence over the KERP Charge, which relates to additional compensation to be provided on a discretionary basis to certain senior employees.

16. Finally, in light of the abbreviated timeframe for the SISP and the utmost importance of its success to the Active Employees and Former Employees, the Employee Representatives and their Counsel should have a “window” into the SISP as set out in paragraph (6) of our requested relief above.

17. Section 11 of the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36 (as amended);

18. Rules 37 and 41 of the *Rules of Civil Procedure*, RRO 1990, Reg 194;

19. *Wage Earner Protection Program Act*, SC 2005, c 47, s 1, s. 2(1), ss. 4-7(1), and 36(1);

20. Section 101 of the *Courts of Justice Act*, RSO 1990, c C.43.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

- (1) Affidavit of Ashley Schuitema, affirmed July 12, 2017;
- (2) such further and other material as counsel may advise and this Honourable Court deems just.

July 12, 2017

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Employee Representative Counsel

TO: SERVICE LIST

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

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

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**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at TORONTO

**NOTICE OF MOTION OF
EMPLOYEE REPRESENTATIVE COUNSEL
(Returnable July 13, 2017)**

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Employee Representative Counsel

TAB 2

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(each, an “Applicant”, and collectively, the “Applicants”)

**AFFIDAVIT OF ASHLEY SCHUITEMA
(Affirmed July 12, 2017)**

I, Ashley Schuitema, of the City of Toronto, in the Province of Ontario, solemnly affirm as follows:

1. I am an Associate at Ursel Phillips Fellows Hopkinson LLP, Employee Representative Counsel in the above-captioned matter, and I have assisted in the preparation of this motion. As such, I have personal knowledge of the matters to which I herein depose, or where my knowledge is based upon information and belief, I refer to the source of that information, and believe it to be true.

OVERVIEW

2. As set out in the Affidavit of Billy Wong sworn June 22, 2017, as of May 30, 2017, the Sears Canada Entities (herein referred to as “Sears Canada” or the “Company”) employed approximately 17,000 people at 225 stores across Canada and at its head office in Toronto, Ontario.

3. On June 22, 2017, the date of the Initial Order, approximately 3,000 employees of the Company were given termination notices and the Company announced its intention to close 59 stores across Canada.

4. On June 22, 2017, our firm was appointed as Employee Representative Counsel for the current and former employees of Sears Canada by endorsement of Justice Hainey. Based on discussions with the Company and the Monitor, our proposed mandate further defines our role as Employee Representative Counsel of the non-unionized Active Employees and Former Employees in these CCAA proceedings. "Active Employees" is proposed to be defined as all non-union employees of Sears Canada employed as of June 22, 2017, including such employees on authorized leaves of absence; "Former Employees" is proposed to be defined as all non-union employees of Sears Canada who (i) received notice of termination of employment dated June 22, 2017; or (ii) received notice of cessation of severance payments dated June 22, 2017; excluding the senior management of Sears Canada.

5. In or around June 23, 2017, our firm established a website, email address and phone line dedicated to assisting active and former employees. Our firm has put together a team of lawyers and administrative staff to work on effectively dealing with the communications we receive. Since that date, our firm has been in receipt of various inquiries from Active and Former Sears employees who are seeking guidance in this process. We have received regular and constant communications from various employees since June 23, 2017. In total, to date we are in receipt of 69 emails and 45 voicemails from employees that vary in nature and detail.

6. A vast majority of communications we have received are from former employees who are seeking information about being denied termination and severance pay.

7. This affidavit will provide additional details about the various groups of employees that were terminated as of June 22, 2017 or notified that their salary continuance would cease as of June 22, 2017. In addition, this affidavit will provide examples of some of the correspondence we have received detailing how the termination of employment and benefits, or the termination of salary continuance has impacted and affected the lives of various former employees. A number of employees have agreed to allow me to use their communications in this affidavit on a confidential basis, examples are provided below. In addition, this affidavit will briefly summarize the statutory entitlements that terminated employees would be eligible for under the various provincial statutes across Canada, and details of the *Wage Earner Protection Program Act*, S.C. 2005, c. 47, s. 1 ("WEPPA"). Finally, this affidavit confirms discussions we have had

with the Company and the Monitor regarding mechanisms to relieve the hardships being suffered by the former employees, including mechanisms under WEPPA and an employee hardship fund.

SUB-GROUPS OF TERMINATED EMPLOYEES

8. On June 23, 2017, our firm received an email from Justine Erickson of Osler, Hoskin & Harcourt LLP (“Osler”), counsel for the Company, providing us with 18 sample termination letters in both English and French.¹ It is my understanding that these were sample termination letters of the types that were delivered to the different groups of terminated employees of the Company on June 22, 2017. A copy of the email from Ms. Erickson received June 23, 2017 at 5:43 pm is attached as **Exhibit “A”** to my affidavit.

9. Our firm has had numerous discussions with Sven Poysa of Osler, counsel for the Company, and Becky Penrice, Executive Vice-President and Chief Operating Officer, and Jennifer Pierce, Senior Vice-President, Human Resources. Based on these conversations, it is my understanding that the approximately 3,000 employees who received termination notices on June 22, 2017 includes the following groups of employees:

- a) approximately 400 employees from head office in Toronto immediately terminated effective June 22, 2017 without payment of statutory termination or severance pay;
- b) approximately 2,400 store employees who were given working notice until October 5, 2017 when their stores are set to close but will not receive full statutory termination or severance pay, including:
 - i. an unknown number of commission store employees given working notice until October 5, 2017, who were notified their compensation arrangements would change from commission based pay to hourly pay at the rate of \$15 per hour;
 - ii. an unknown number of store employees given working notice until October 5, 2017, who were on approved leave of absence or an approved disability leave;

¹ For brevity only the English versions of the termination letters are included as exhibits to my affidavit.

- c) an unknown number of store employees who were working on commission who were immediately terminated as of June 22, 2017 without any notice, termination or severance pay; and,
 - d) an unknown number of store employees who were in receipt of Long Term Disability benefits or on parental leave from stores that were previously closed, who were immediately terminated on June 22, 2017 without any notice, termination or severance pay.
10. In addition, there are also between 800 and 1,000 employees who had been terminated prior to June 22, 2017 who were in receipt of salary continuance. These employees were notified on June 22, 2017 that their salary continuance would immediately cease; they were not provided with any notice, termination or severance pay.
11. For ease of reference, the above information has been categorized into a chart that can be found as **Exhibit "B"** to my affidavit.
12. We have requested the exact numbers in relation to the categories of employees listed above from the Company and anticipate receiving this information shortly but do not yet have it at this time.

400 EMPLOYEES IMMEDIATELY TERMINATED FROM HEAD OFFICE

13. Based on my conversations with Mr. Poysa, Ms. Penrice and Ms. Pierce, it is my understanding that approximately 400 employees located in positions at head office were immediately terminated as of June 22, 2017.
14. It is also my understanding that these 400 employees received no pay in lieu of notice, working notice, severance or termination pay. These employees were also notified that effective immediately their group health benefits and accrual of service under the pension plan would cease.
15. Some of these employees were notified in person and provided with termination letters onsite. Some of these employees were notified by mail and provided with termination letters in that way. A copy of the sample termination letter sent to the individuals who received the letter

onsite is attached as **Exhibit "C"**, and a copy of the sample termination letter sent to the individuals who received the letter by mail is attached as **Exhibit "D"** to my affidavit.

16. As identified above, our firm has received a number of communications from active and former employees of Sears Canada. The following is an example of the type of communication we have received from a former head office employee:

I was let go after 23 years of service. I am owed 494 overtime hours that were approved, had 376 hours of vacation pay hours removed from my last pay, no severance and benefits removed....I missed birthdays, anniversaries and time with my now late father I can never get back...Do I have any hope of getting anything I am owed? PLEASE HELP ME... Like many I was the sole provider for my family of 4.

Personal information has been redacted from this example and others included herein for reasons of privacy. All such examples are used with permission of the employee which was obtained by our office in preparation of this affidavit.

17. Another example of the type of communication we have received from a former head office employee includes:

I was informed last Thursday that my services at Sears and as a District Manager were no longer required with no clarity for the grounds for my dismissal and without any concrete options to stay employed at Sears Canada. If a severance pay would've been presented to me prior or during the CCAA filing, I would've accepted the offer with no regrets knowing that my 44 years of continuous service at Sears would've been compensated.

18. It is my understanding that the immediate termination of these 400 head office employees, including the immediate cessation of participation in their group health benefits has had an extreme and severe impact on the lives of these employees. These employees are facing significant hardships as detailed by the examples provided above.

2,400 STORE EMPLOYEES GIVEN SOME WORKING NOTICE, BUT NO TERMINATION OR SEVERANCE PAY

19. Based on my conversations with Mr. Poysa, Ms. Penrice and Ms. Pierce, it is my understanding that 59 stores are closing as of October 5, 2017, and 2,400 employees were notified that their employment would be terminated on that date. These employees have been

given working notice of 15 weeks and thereafter will be terminated without severance pay if owing, further termination pay if owing or wrongful dismissal damages.

20. These employees were also notified that effective October 5, 2017 their group benefits and their accrual of service in the pension plans would cease. A copy of the sample termination letter sent to the store employees who received working notice is attached as **Exhibit "E"** to my affidavit.

21. An example of the type of communications we have received from employees at stores set to close include:

I am one of the Sears employees facing termination without severance. I am 60 years old and have been employed 34.75 years by Sears Canada... I've always held a manager or assistant manager position and have served in my current role as a Human Resources Leader for 20+ years... In October of 2016 we were told our store would close October 2017 ...and the entire associate population of our store has accepted it with grace. For someone of my age and a high school education, the recent turn of events has seriously threatened the financial security and health of my family. My community does not have many job opportunities for similar wages and full time employment without having a university degree or diploma. Furthermore had I received severance or salary continuance ... I would have been able to purchase health and dental coverage for myself and my husband... The loss of severance is a significant financial loss. Do I have any recourse?

22. Above is an example of various Sears' employees who have shown dedication and commitment to the Company by remaining with the company during a difficult year, only to be denied termination and severance pay. It is my understanding that although these employees have been provided with 15 weeks working notice, they are still experiencing significant hardships. As noted above, these employees may have a difficult time finding new employment given their age, education, experience and lack of opportunities in their community.

EMPLOYEES IN THE GROUP OF 2,400 STORE EMPLOYEES WHO WERE NOTIFIED THEIR TERMS OF EMPLOYMENT WOULD CHANGE DURING THE NOTICE PERIOD

23. Some of the employees at the 59 stores closing effective October 5, 2017 were notified that during the 15 week period of working notice, their compensation arrangements would change. These employees were notified that they would no longer be paid on a commission

basis and instead would be paid at a rate of \$15 per hour (less applicable withholdings and deductions). A copy of the termination letter sent to commission employees providing them working notice to October 5, 2017 and notifying them of the change in employment terms is attached as **Exhibit "F"** to my affidavit.

24. An example of the type of communications we have received from commission based employees is the following:

I have worked at Sears for 27 years and feel there should be some sort of severance...Why are we as commission sales people being forced to now work at \$15.00 per hour? This is less than half of what I would normally make as an average hourly pay and I cannot live on that rate of pay...my average pay was \$34.00 per hour...I have bills to pay and that can't be done at \$15.00 per hour...Why can sears pay out any remaining vacation pay at the \$15.00 per hour rate? ...All of this seems very unfair and has caused a great deal of stress and frustration...This has easily caused numerous hardships and stress. From migraine headaches, lack of sleep, worry, anxiety about making less money...Having to delay putting a new roof on our home and hoping the current one can last longer. Small things like doing less for our kid's birthdays and them wondering why...all these things add up...Anything you can do to help recoup any of the lost income and any type of severance would help immensely.

25. It is my understanding that the unilateral change in compensation arrangements has caused significant hardship to employees who have structured their lives based on receiving a certain level of pay. This unilateral change in employment terms was given during the period of working notice, which is not permitted under various provincial employment standards legislation, and would normally be considered constructive dismissal.

EMPLOYEES IN THE GROUP OF 2,400 STORE EMPLOYEES WHO ARE ON LEAVES OF ABSENCE OR DISABILITY LEAVES

26. Some of the employees at the 59 stores closing effective October 5, 2017 were on an approved leave of absence or an approved disability leave, including being in receipt of Long-Term Disability ("LTD") benefits. These employees were notified that their employment would cease effective October 5, 2017 and their participation in the group benefit plans would also cease on October 5, 2017.

27. A copy of the termination letter sent to employees on an approved leave of absence providing them working notice to October 5, 2017 is attached as **Exhibit "G"** to my affidavit. A

copy of the termination letters sent to employees on Short Term Disability or Long Term Disability leave providing them with a form of working notice to October 5, 2017 is attached as **Exhibit "H"** to my affidavit.

28. We have received the following type of communication from employees in receipt of LTD benefits whose store is set to close:

My wife is still employed by Sears but is on permanent disability, as she has end stages of Alzheimer's. Now the store she worked at is closing, she is still considered as an employee but with them closing the store how will that affect her and her benefits like long term disability and benefits like drug and dental care?...She has been employed with Sears for 28 years and has been on disability since 2010...the long term benefits help pay some of the costs, as she is in a Alzheimer's care facility as she needs 24 hour care. Without the long term benefits I would not be able to pay for her care and her medicine. If her benefits were stopped I don't know what I would do. I guess I would have to move her back home although she would not get the care she needs, so no bathing, she would be stuck in bed as all these things take two people as she has lost the ability to walk on her own or get up without a lifting machine. I am at a loss if they stop paying and the thing I don't understand is that the employees paid monthly for their health care plan.

29. It is clear that employees in receipt of LTD benefits will experience significant hardships when their health and dental benefits are discontinued on October 5, 2017.

STORE EMPLOYEES WORKING ON COMMISSION WHO WERE IMMEDIATELY TERMINATED

30. Based on my conversations with Mr. Poysa, Ms. Penrice and Ms. Pierce it is my understanding that some store employees working on commission were immediately terminated as of June 22, 2017, without any pay in lieu of notice, working notice, severance or termination pay. These employees were also notified that their participation in the Company's group benefits plan would cease immediately.

31. A copy of the termination letter sent to the commission store employees immediately terminated is attached as **Exhibit "I"** to my affidavit.

STORE EMPLOYEES ON LONG TERM DISABILITY BENEFITS OR PARENTAL LEAVE WHO WERE IMMEDIATELY TERMINATED

32. Based on my conversations with Mr. Poysa, Ms. Penrice and Ms. Pierce, it is my understanding that a group of employees that were in receipt of LTD benefits or were on parental leave and were working at stores that were previously closed, were immediately terminated as of June 22, 2017 with no notice, termination or severance pay. These employees were also notified that their participation in the Company's group benefits and their accrual of service in the pension plans was discontinued immediately with no notice.

33. A copy of the termination letter sent to employees in receipt of LTD benefits at a store that was previously closed is attached as **Exhibit "J"** to my affidavit. A copy of the termination letter sent to employees on a non-LTD leave at a store that was previously closed is attached as **Exhibit "K"** to my affidavit.

34. I note that these employees had their health benefits discontinued immediately, in comparison to other employees in receipt of LTD benefits who received 15 weeks' notice that their benefits would terminate. As noted in the example above, there is clear and obvious hardship experienced by an employee in receipt of LTD benefits who has been given notice that their health benefits would cease. It is easy to recognize the immediate difficulty facing employees on LTD who received no notice that their health benefits would cease. This situation would create various difficulties and hardships for these employees.

EMPLOYEES IN RECEIPT OF SALARY CONTINUANCE WHICH IMMEDIATELY CEASED

35. Based on my conversations with Mr. Poysa, Ms. Penrice and Ms. Pierce, it is my understanding that prior to the CCAA filing, Sears Canada had terminated between 800 and 1000 employees, who were in receipt of salary continuance, and that these former employees were notified that their salary continuance would immediately cease as of June 22, 2017. These employees were also notified that their participation in the Company's group benefits and their accrual of service in the pension plans was discontinued immediately with no notice. A copy of the letter sent to employees notifying of the immediate cessation of salary continuance is attached as **Exhibit "L"**.

36. We have received numerous communications on this topic. An example of the type of inquiries we have received from employees who were in receipt of severance payments, include:

I was let go after just completing my 40 year anniversary at Sears in January. I was 56 1/2. I started at Sears when I was 16 at part-time and had been full-time since November 1979... I am now out almost 14 months of severance (\$67,000). That is not something I can afford...I have had to purchase Health & Dental benefits on my own now at \$150 a month. That is a huge expense...I was a proud employee of Sears as my entire family had worked there and my Dad met my Mom there and I met my husband there. I was the last of my family to work there and we had over 200 years of service...The news of Sears has devastated me as I am uncertain about my finances and who would hire me now at almost 57 and only having worked for one company. I'm a widow having lost my spouse over 2 years ago. Since the announcement on June 22 I was literally an emotional wreck for a week... After 40 years to be let go is bad enough, now to be told your severance has ended and you will lose 14 months. Not a way to treat someone and to hear that you are an unsecure creditor. Myself and many other long service employees were DEDICATED to the company and now we are treated like garbage. To hear the Sears representative say that they understand that there are hardships with those who were let go, is insulting...My Severance was supposed to continue until August 2018. What is the point on signing a contract if they don't honour it?

37. Another example includes the following:

I am a former Sears employee (41 years service) with Sears Canada working in IT network...My expected last day was to be December 31 2016. They gave me my notice and a severance package the 1st week of November 2016 in a meeting with HR regional rep Ken Cross...During that meeting I asked what would happen to the severance if the company was to go into bankruptcy protection. Ken Cross got back to me in an email the following day stating that the severance money was protected and would continue. This stopped me from trying to negotiate for a lump sum payment of some sort.

38. It is my understanding that a number of employees have been severely impacted by the unexpected loss of salary continuance payments as of June 22, 2017. Former employees have structured their lives around the receipt of these payments, as noted above, some have foregone the opportunity to negotiate for a lump sum payment because they were assured the money would be protected. There is clear and obvious hardship to these employees.

EMPLOYEES OF THE CUT INC. IN NEW YORK

39. As set out in the Affidavit of Billy Wong sworn June 22, 2017, The Cut Inc. is a Delaware corporation that employs approximately 27 full-time employees in New York. Based on communications I have had with Mr. Poysa, it is my understanding that some of these

employees were terminated shortly after June 22, 2017, with no pay in lieu of notice, working notice, severance or termination pay. To date we have not been contacted by any of these employees.

STATUTORY CLAIMS FOR EMPLOYEES BY PROVINCE

40. The Company is closing 59 stores all across Canada and there are thousands of employees with statutory entitlements to termination and severance pay, each that vary by province, as described further below.

41. The number of stores closing in each province, listed in descending order, is as follows: Ontario: 18, Alberta: 13, Quebec: 13, British Columbia: 5, Saskatchewan: 3, Nova Scotia: 3, New Brunswick: 2, Manitoba: 1, and Newfoundland: 1. There are no stores closing in Prince Edward Island.

42. We have requested the exact numbers from the Company regarding how many employees are being terminated from each store and in each province and anticipate receiving this information shortly but do not yet have it at this time.

43. The following chart provides a brief snapshot of some of the statutory entitlements to termination or severance pay of the 3,000 terminated employees across Canada, organized by province in descending order based on the number of closing stores.

Province	Number of Closing Stores	Termination Pay Entitlements	Severance Pay Entitlements
Ontario	18	1 to 8 weeks' notice depending on years of employment	If employed for 5 years or more: One week's pay for each year worked up to a maximum of 26 weeks
Alberta	13	1 to 8 weeks' notice depending on years of employment	
Quebec	13	1 to 8 weeks' notice depending on years of employment	8 to 16 weeks' notice depending on the number of employees affected

Province	Number of Closing Stores	Termination Pay Entitlements	Severance Pay Entitlements
British Columbia	5	2 to 8 weeks' notice depending on years of employment	8 to 16 weeks' notice depending on the number of employees affected
Saskatchewan	3	1 to 8 weeks' notice depending on years of employment	4 to 12 weeks' notice depending on the number of employees affected
Nova Scotia	3	1 to 8 weeks' notice depending on years of employment	8 to 16 weeks' notice depending on the number of employees affected
New Brunswick	2	2 to 4 week's notice depending on years of employment	6 week's notice
Manitoba	1	1 to 8 weeks' notice depending on years of employment	10 to 18 weeks' notice depending on the number of employees affected
Newfoundland	1	1 to 6 weeks' notice depending on years of employment	8 to 16 weeks' notice depending on the number of employees affected

44. In addition to the above referenced statutory claims, employees may also have common law claims for wrongful dismissal, pay in lieu of notice, negligent misrepresentation, lost benefits, lost performance bonuses, losses in relation to the stock options plan and Performance Share Units ("PSUs") and other potential claims not yet identified. At this point, we do not have enough information to comment on the nature of these claims, but we believe it is important to advise the court of the existence of these potential future claims.

WAGE EARNER PROTECTION PROGRAM

45. Should this matter proceed under the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3, or should a receiver be appointed, employees would be entitled to apply for compensation pursuant to the Federal *Wage Earner Protection Program Act*, S.C. 2005, c. 47, s. 1 ("WEPPA"). WEPPA establishes a government administered fund, the Wage Earner Protection Program ("WEPP"), where employees can apply for compensation if their employment is terminated in the context of a bankruptcy or a receivership. If a claim is made under WEPP, the Crown is

subrogated to the claims held by that employee.² Employees are entitled to receive benefits under WEPP for unpaid wages plus severance and termination pay entitlements that related to employment that ended during the six-month period prior to the date of the bankruptcy or the first day on which the receiver is appointed.³

46. Under WEPP, employees can claim the greater of \$3000 or an amount equal to four times the employee's maximum weekly insurable earning under the *Employment Insurance Act*, S.C. 1996, c. 23.⁴ The current maximum weekly employment insurance benefit is \$543 per week.⁵ It is my understanding, based on based on our rough calculations, that the estimate of the maximum which could be paid to the 3000 employees under WEPP would be approximately \$9 million.

DISCUSSIONS WITH THE MONITOR AND THE COMPANY

47. We have been in active discussions with the Monitor and the Company about mechanisms to relieve the hardships being suffered by the former employees as a result of the Initial Order. Without waiving confidentiality or privilege, our suggested mechanisms include:

- the potential to establish an Employee Hardship Fund, through discussion and consultation with the Monitor and the Employee Representative Counsel regarding the feasibility of, and the proposed details for the Employee Hardship Fund including the quantum, timing, eligibility criteria and process for administering claims; and
- the potential to obtain access to the Wage Earner Protection Program through the Court appointment of a receiver over certain assets of the debtor company while the CCAA proceedings are ongoing.

48. In addition to these discussions, and again without waiving confidentiality or privilege, we have been in discussions with the Monitor and the Company about providing Employee Representative Counsel and the Employee Representatives, through their financial advisor, with what we have called a “window” into the Sale and Investor Solicitation Process (“SISP”) for

² WEPPA, s. 36

³ WEPPA, s. 2(1)(a)(ii)

⁴ WEPPA, s. 7(1)

⁵ <https://www.canada.ca/en/employment-social-development/programs/ei/ei-list/ei-employers/2017-maximum-insurable-earnings.html>

reasons set out more fully in our factum under the section entitled Concerns about the SISP. We are hopeful that these discussions will be of assistance in resolving this issue.

49. Based on our conversations with the Monitor and the Company, it is my understanding that the Monitor intends to continue to facilitate these discussions, and anticipates further reporting to the Court about these discussions. All parties reserve their rights in this respect should the Company, the Monitor and Employee Representative Counsel be unable to reach an agreement.

50. I affirm this affidavit in support of Employee Representative Counsel's motion in these proceedings and for no other or improper purpose.

AFFIRMED BEFORE ME at the City of Toronto,
this 12th day of July, 2017.



A Commissioner for taking Affidavits (or as may be)

} 
Ashley Schuitema

This is Exhibit "A" referred to
in the Affidavit of Ashley Schuitema
Affirmed this 12th day of July, 2017.



A COMMISSIONER FOR TAKING AFFIDAVITS

From: Erickson, Justine <JErickson@osler.com>
Sent: June-23-17 5:43 PM
To: Poysa, Sven; Susan Ursel
Cc: anne.gallop@nortonrosefulbright.com; Alan Merskey; Ashley Schuitema
Subject: RE: ERC- next steps
Attachments: Terminated_HO Emp_Letter(onsite)_SC_V6_Jun20.DOCX; Termination Letter (mailed) - HO Employee_v7_June20.DOCX; Termination Letter (mailed) - HO Employee Salary Continuance_v7_June20.DOCX; Termination Letter (Commission Store Employees - Post-Filing plus change....DOCX; Termination Letter (Commission Store Employees - no working notice)_v1_Jun19.DOCX; Termination Letter (Non-Commission Store Employees Post-Filing)_v7_June1....DOCX; Termination Letter (LTD Employees for Stores Already Closed)_v7_June20.DOCX; Termination Letter (Non_LTD Leave Employees for Stores already closed)_V1_June20.DOCX; Termination Letter (Store_Associate_NON_LTD Leave)_V1_Jun20.DOCX; Termination Letter (Store Employees STD-LTDPost-Filing)_v7_June20.DOCX; (LEGAL_1) 44683109_3 14 - Termination letter (mailed) - HO Employee Sala....docx; (LEGAL_1) 44732646_1 31 A1 FR Termination Letter (Commission Store Employees - Post-Filing plus).DOCX; (LEGAL_1) 44732424_1 30 A1 FR Termination Letter (Commission Store Employees - no working notice).DOCX; (LEGAL_1) 44732865_1 33 A1 FR Termination Letter (Non-Commission Store Employees Post-Filing).DOCX; (LEGAL_1) 44686047_6 13 - Termination Letter (LTD Employees for Stores Already Closed-FRENCH - jui.DOCX; (LEGAL_1) 44732861_1 32 A1 FR Termination Letter (Non_LTD Leave Employees for Stores already closed).DOCX; (LEGAL_1) 44685922_5 17 - Termination Letter (StoreEmployees STD LTD Post Filing)- FRENCH - juin 201.DOCX; (LEGAL_1) 44732876_1 34 A1 FR Termination Letter (Store Associate NON LTD Leave).DOCX

Susan,

Please find attached the forms of termination letters for your reference.

Kind regards,
Justine

Justine Erickson
Tel: 416.862.4208 | jerickson@osler.com
Osler, Hoskin & Harcourt LLP | Osler.com

-----Original Message-----

From: Poysa, Sven
Sent: Friday, June 23, 2017 4:05 PM
To: Susan Ursel <Sursel@upfhlaw.ca>; Erickson, Justine <JErickson@osler.com>
Cc: anne.gallop@nortonrosefulbright.com; Alan Merskey <alan.merskey@nortonrosefulbright.com>; Ashley Schuitema <ASchuitema@upfhlaw.ca>
Subject: RE: ERC- next steps

Hi Susan - My colleague Justine (cc'd) can flip you the various sample termination letters.

Sven Poysa
Partner / Associé

416.862.5934 (Toronto)
DIRECT
416.862.6666 (Toronto)
FACSIMILE

514.904.5376
(Montreal) DIRECT
514.904.8101
(Montreal) FACSIMILE
SPoysa@osler.com

Osler, Hoskin & Harcourt LLP
Box 50, 1 First Canadian Place
Toronto, Ontario, Canada M5X 1B8

-----Original Message-----

From: Susan Ursel [mailto:SUrsel@upfhlaw.ca]
Sent: Friday, June 23, 2017 2:16 PM
To: Poysa, Sven <SPoysa@osler.com>
Cc: anne.gallop@nortonrosefulbright.com; Alan Merskey <alan.merskey@nortonrosefulbright.com>; Ashley Schuitema <ASchuitema@upfhlaw.ca>
Subject: ERC- next steps

Thanks for the great call. Just to confirm:

You will get me sample termination letter or letters delivered to the 2400 yesterday.

I believe there is a cohort of pre-filing terminations. My notes say perhaps 400. Any information about them would be helpful.

I will review the FAQ for the 15,500 remaining employees which are on the Monitors website.

You will pursue the question of a call between Andrew, myself, you and Anne/Alan and let us know.

You will be checking with Becky and Jennifer about a meeting/ call early next week, in particular about what data could be made available, the Committee composition, and related matters.

Tony will touch in with me so we can arrange a call for a high level briefing on the pension plan and related matters.

025

Eventually we will arrange a call with Oslers, the Monitor and myself to provide a briefing or confirmation on what the company foresees the CCAA process will be like at this point in time, with a view to me being able to provide that to the Committee and the employee group. If it's easier just for me to reach out to Michael for this, just let me know.

Thanks. I confirm the Rep Counsel webpage, tel number and email are up and running on the UPFH website with a "button" on the home page.

Thanks

Susan

Sent from my iPhone

Susan Ursel / Lawyer
555 Richmond St. W. Suite 1200
Toronto ON, M5V 3B1
Tel: 416.969.3515
Fax: 416.968.0325
Email: SUrsel@upfhlaw.ca
Website: www.upfhlaw.ca

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Le contenu du présent courriel est privilégié, confidentiel et soumis à des droits d'auteur. Il est interdit de l'utiliser ou de le divulguer sans autorisation.

This is Exhibit "B" referred to
in the Affidavit of Ashley Schuitema
Affirmed this 12th day of July, 2017.



A COMMISSIONER FOR TAKING AFFIDAVITS

Exhibit "B" - Chart of Sub-Groups of Terminated Employees

Employees	Status	Location	Other	Loss of Full Termination & Severance Pay
400	Terminated Immediately	Head Office	Loss of Health, Dental and Life Insurance coverage Immediately	Yes
2400	Working until October 5, 2017	Closing Stores	In this category, commission store employees pay was reduced to \$15/hour	Yes
800-1000 on Salary Continuance	Terminated Immediately	Various Locations	Loss of Health, Dental and Life Insurance coverage Immediately	Yes
Unknown number on leaves (LTD, Parental)	Terminated Immediately	Previously Closed Stores	Loss of Health, Dental and Life Insurance coverage Immediately	Yes
Unknown number on Leaves (LTD, Parental)	Working until October 5, 2017	Closing Stores	Health, Dental and Life Insurance coverage provided to October 5, 2017	Yes
Commission Store Employees	Terminated Immediately	Unknown Locations	Loss of Health, Dental and Life Insurance coverage Immediately	Yes

This is Exhibit "C" referred to
in the Affidavit of Ashley Schuitema
Affirmed this 12th day of July, 2017.


A COMMISSIONER FOR TAKING AFFIDAVITS



Private & Confidential

June 22, 2017

Dear Associate,

I am very sorry that your employment with Sears Canada Inc. ("Sears Canada" or the "Company") has been terminated. I know that this news is unexpected. Here is what you need to know:

- This decision was not about you or your performance;
- Efforts to restructure Sears Canada were making progress, but unfortunately not fast enough, which is why we filed for creditor protection under the *Companies' Creditors Arrangement Act* ("CCAA");
- You will receive all base wages and accrued unpaid vacation pay owing up to your last day worked;
- Your participation in the Company's group benefits and pension plans will also cease as of today;
- We will make arrangements to send your personal belongings to your home address on file. If you have questions about your personal belongings, please email questions@sears.ca; and
- You will continue to have access to the my.sears.ca portal for 18 months from your last day worked to access your T4 and other information.

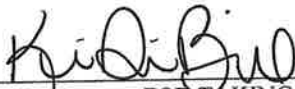
A personalized letter will be sent to your home address via regular mail in the next few days. As part of the proceedings and in connection with the CCAA filing, the Court has appointed FTI Consulting Canada Inc. as the Monitor to oversee the Company's CCAA proceedings. The Monitor will notify you of the opportunity to make a claim against the Company in the event that a claims process is established by the Court in the CCAA proceedings. Information regarding the CCAA filing is available at the Monitor's website at <http://cfcCanada.fticonsulting.com/searscanada>.

We remind you that you will continue to be bound by your obligations to maintain the confidentiality of information about Sears Canada. I sincerely thank you for your efforts on behalf of Sears Canada and wish you the very best in the future.

Sincerely,

Brandon Stranzl
Executive Chairman

This is Exhibit "D" referred to
in the Affidavit of Ashley Schuitema
Affirmed this 12th day of July, 2017.



A COMMISSIONER FOR TAKING AFFIDAVITS



Private & Confidential
Delivered via Regular Mail

June 22, 2017

[Name]
[Address]

Dear **[Name]**:

Sears Canada Inc. (the "Company") and certain of its affiliates and subsidiaries (collectively, "Sears Canada") filed for and were granted creditor protection under the *Companies' Creditors Arrangement Act* ("CCAA"), pursuant to an Initial Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated June 22, 2017 (the "Filing Date") (the "CCAA Proceedings").

As part of the proceedings and in connection with the CCAA filing, the Court has appointed FTI Consulting Canada Inc. as the Monitor to oversee Sears Canada's CCAA Proceedings. More information regarding the CCAA Proceedings is available at the Monitor's website at <http://cfcanada.fticonsulting.com/searscanada>.

In connection with the CCAA Proceedings, Sears Canada is restructuring its operations. As a part of the restructuring, this letter confirms that your employment with the Company ceased on the Filing Date. You will receive all base wages and accrued vacation pay owing up to your last day worked.

Your participation in the Company's group benefits and pension plans will also cease on the Filing Date. We strongly encourage you to make whatever arrangements for replacement benefit coverage as you deem fit. You may have 30 days from the Filing Date to convert your Health, Dental and Life Insurance coverage with Sun Life Financial's Making Choices plan, should you choose to. Please contact Sun Life Financial directly to learn more. For additional details regarding your conversion and other options, as well as information about your pension and other retirement arrangements, please contact the HR Service Centre at HRSC@sears.ca or 1-888-444-9444 (locally in Toronto 416-572-7300) or visit my.sears.ca. You will continue to have



access to the my.sears.ca portal for 18 months from your last day worked to access your T4 and other information.

To the extent that you believe you have any claims for further compensation, you will be eligible to participate in any claims process established in connection with the CCAA Proceedings. While no claims procedure has yet been established, you will be notified by the Monitor of any applicable claims procedure at the appropriate time.

We remind you that you will continue to be bound by your obligations to maintain confidential information about Sears Canada strictly confidential. In addition, you must immediately return to the Company all Company property in your possession, including any electronic equipment such as laptops and mobile phones.

On behalf of Sears Canada, thank you for your contributions to the Company. The enclosed FAQ provides additional information on the CCAA Proceedings and other information that may be relevant to you.

Sincerely,

A handwritten signature in black ink, appearing to read "Brandon Stranzl".

Brandon Stranzl
Executive Chairman

This is Exhibit "E" referred to
in the Affidavit of Ashley Schuitema
Affirmed this 12th day of July, 2017.


A COMMISSIONER FOR TAKING AFFIDAVITS



Private & Confidential
Hand Delivered

June 22, 2017

[Name]
[Address]

Dear **[Name]**:

Sears Canada Inc. (the "Company") and certain of its affiliates and subsidiaries (collectively, "Sears Canada") filed for and were granted creditor protection under the *Companies' Creditors Arrangement Act* ("CCAA"), pursuant to an Initial Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") (the "CCAA Proceedings") dated June 22, 2017.

As part of the proceedings and in connection with the CCAA filing, the Court has appointed FTI Consulting Canada Inc. as the Monitor to oversee Sears Canada's CCAA Proceedings. More information regarding the CCAA Proceedings is available at the Monitor's website at <http://cfcanada.fticonsulting.com/searscanada>.

As part of the restructuring, this letter confirms that your store will be closing and your employment with the Company will cease. We anticipate it will take approximately 15 weeks to complete the store closure. As such, we are giving you notice that your employment will cease effective October 5, 2017 (the "Separation Date"). If the store closure is completed prior to the Separation Date, we will advise you as soon as practicable when your ongoing services are no longer required.

From now until the Separation Date, we ask you to continue to fulfil your duties as an employee diligently, in good faith and to the best of your abilities, and to continue to act in a professional, cooperative and courteous manner in the performance of your duties including with customers. You will receive all base wages owing up to your last day worked. After your Separation Date, you will receive payment by the Company of any accrued and unpaid vacation pay.



The Company will continue to make its group insurance premium contributions on your behalf so as to provide for your continued participation in the Company's group benefit plans until the Separation Date. Once your current group benefits coverage ends, we strongly encourage you to make whatever arrangements for replacement benefit coverage as you deem fit. You may have 30 days from the date your coverage terminates to convert your Health, Dental and Life Insurance coverage with Sun Life Financial's Making Choices plan, should you choose to. Please contact Sun Life Financial directly to learn more. For additional details regarding your conversion and other options, as well as information about your pension and other retirement arrangements, please contact the HR Service Centre at HRSC@sears.ca or 1-888-444-9444 (locally in Toronto 416-572-7300) or visit my.sears.ca. You will continue to have access to the my.sears.ca portal for 18 months from your last day worked to access your T4 and other information.

To the extent that you believe you have any claims for further compensation, you will be eligible to participate in any claims process established in connection with the CCAA Proceedings. While no claims procedure has yet been established, you will be notified by the Monitor of any applicable claims procedure at the appropriate time.

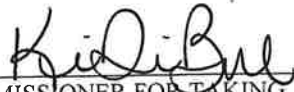
We remind you that after your employment with the Company ceases, you will continue to be bound by your obligations to maintain confidential information about Sears Canada strictly confidential. In addition, on your last day worked, you will be required to return to the Company all Company property in your possession, including any electronic equipment such as laptops and mobile phones.

On behalf of Sears Canada, we would like to thank you for your contributions and hard work. The enclosed FAQ provides additional information on the CCAA Proceedings and other information that may be relevant to you.

Sincerely,

Brandon Stranzl
Executive Chairman

This is Exhibit "F" referred to
in the Affidavit of Ashley Schuitema
Affirmed this 12th day of July, 2017.



A COMMISSIONER FOR TAKING AFFIDAVITS



Private & Confidential

Hand Delivered

June 22, 2017

[Name]

[Address]

Dear [Name]:

Sears Canada Inc. (the "Company") and certain of its affiliates and subsidiaries (collectively, "Sears Canada") filed for and were granted creditor protection under the *Companies' Creditors Arrangement Act* ("CCAA"), pursuant to an Initial Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") (the "CCAA Proceedings") dated June 22, 2017.

As part of the proceedings and in connection with the CCAA filing, the Court has appointed FTI Consulting Canada Inc. as the Monitor to oversee Sears Canada's CCAA Proceedings. More information regarding the CCAA Proceedings is available at the Monitor's website at <http://cfcanada.fticonsulting.com/searscanada>.

As part of the restructuring, this letter confirms that your store will be closing and your employment with the Company will cease. We anticipate it will take approximately 15 weeks to complete the store closure. As such, we are giving you notice that your employment will cease effective October 5, 2017 (the "Separation Date"). If the store closure is completed prior to the Separation Date, we will advise you as soon as practicable when your ongoing services are no longer required.

Further, the Company has made a decision to implement changes to the compensation arrangements of certain salespeople in connection with the store closure and the CCAA Proceedings. As such, effective June 25, 2017 (the "Effective Date"), you will no longer be paid on a commission basis and will instead be paid at the rate of \$15 per hour (less applicable withholdings and deductions) for all hours worked. Your employment will continue on its current terms until the Effective Date.



From now until the Separation Date, we ask you to continue to fulfill your duties as an employee diligently, in good faith and to the best of your abilities, and to continue to act in a professional, cooperative and courteous manner in the performance of your duties including with customers. You will receive all wages owing up to your last day worked. After your Separation Date, you will receive payment by the Company of any accrued and unpaid vacation pay.

The Company will continue to make its group insurance premium contributions on your behalf so as to provide for your continued participation in the Company's group benefit plans until the Separation Date. Once your current group benefits coverage ends, we strongly encourage you to make whatever arrangements for replacement benefit coverage as you deem fit. You may have 30 days from the date your coverage terminates to convert your Health, Dental and Life Insurance coverage with Sun Life Financial's Making Choices plan, should you choose to. Please contact Sun Life Financial directly to learn more. For additional details regarding your conversion and other options, as well as information about your pension and other retirement arrangements, please contact the HR Service Centre at HRSC@sears.ca or 1-888-444-9444 (locally in Toronto 416-572-7300) or visit my.sears.ca. You will continue to have access to the my.sears.ca portal for 18 months from your last day worked to access your T4 and other information.

To the extent that you believe you have any claims for further compensation, you will be eligible to participate in any claims process established in connection with the CCAA Proceedings. While no claims procedure has yet been established, you will be notified by the Monitor of any applicable claims procedure at the appropriate time.

We remind you that after your employment with the Company ceases, you will continue to be bound by your obligations to maintain confidential information about Sears Canada strictly confidential. In addition, on your last day worked, you will be required to return to the Company all Company property in your possession, including any electronic equipment such as laptops and mobile phones.

On behalf of Sears Canada, we would like to thank you for your contributions and hard work. The enclosed FAQ provides additional information on the CCAA Proceedings and other information that may be relevant to you.



Sincerely,

Brandon Stranzl
Executive Chairman

This is Exhibit "G" referred to
in the Affidavit of Ashley Schuitema
Affirmed this 12th day of July, 2017.


A COMMISSIONER FOR TAKING AFFIDAVITS



Private & Confidential
Delivered via Regular Mail

June 22, 2017

[Name]
[Address]

Dear **[Name]**:

Sears Canada Inc. (the "Company") and certain of its affiliates and subsidiaries (collectively, "Sears Canada") filed for and were granted creditor protection under the *Companies' Creditors Arrangement Act* ("CCAA"), pursuant to an Initial Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") (the "CCAA Proceedings") dated June 22, 2017.

As part of the proceedings and in connection with the CCAA filing, the Court has appointed FTI Consulting Canada Inc. as the Monitor to oversee Sears Canada's CCAA Proceedings. More information regarding the CCAA Proceedings is available at the Monitor's website at <http://cfcanada.fticonsulting.com/searscanada>.

In connection with the CCAA Proceedings, Sears Canada is restructuring its operations. As part of the restructuring, this letter confirms that your store will be closing and your employment with the Company will cease. We anticipate it will take approximately 15 weeks to complete the store closure. As such, we are giving you notice that your employment will cease effective October 5, 2017 (the "Separation Date"). If the store closure is completed prior to the Separation Date, we will advise you as soon as practicable when your ongoing services are no longer required.

As an employee on an approved leave of absence, you will not be required to attend work between now and the Separation Date. If, however, you are willing and able to return to work prior to the Separation Date, please contact your HR Representative at your local unit so we may explore this possibility with you. After your Separation Date, you will receive payment by the Company of any accrued but unpaid vacation pay.

If the Company is currently making any group insurance premium contributions on your behalf towards your participation in the Company's group benefits plan or pension plan, the Company will continue to do so until the Separation Date, provided you continue to



make any required payments for the coverage you are receiving. Once your current group benefits coverage ends, we strongly encourage you to make whatever arrangements for replacement benefit coverage as you deem fit. You may have 30 days from the date your coverage terminates to convert your Health, Dental and Life Insurance coverage with Sun Life Financial's Making Choices plan, should you choose to. Please contact Sun Life Financial directly to learn more. For additional details regarding your conversion and other options, as well as information about your pension and other retirement arrangements, please contact the HR Service Centre at HRSC@sears.ca or 1-888-444-9444 (locally in Toronto 416-572-7300) or visit my.sears.ca. You will continue to have access to the my.sears.ca portal for 18 months from your last day worked to access your T4 and other information.

To the extent that you believe you have any claims for further compensation, you will be eligible to participate in any claims process established in connection with the CCAA Proceedings. While no claims procedure has yet been established, you will be notified by the Monitor of any applicable claims procedure at the appropriate time.

We remind you that after your employment with the Company ceases, you will continue to be bound by your obligations to maintain confidential information about Sears Canada strictly confidential. In addition, should you have any Company property, you must return to the Company all Company property in your possession, including any electronic equipment such as laptops and mobile phones, prior to the Separation Date.

On behalf of Sears Canada, thank you for your contributions to the Company. The enclosed FAQ provides additional information on the CCAA Proceedings and other information that may be relevant to you.

Sincerely,

A handwritten signature in black ink, appearing to read "Brandon Stranzl".

Brandon Stranzl
Executive Chairman

This is Exhibit "H" referred to
in the Affidavit of Ashley Schuitema
Affirmed this 12th day of July, 2017.



A COMMISSIONER FOR TAKING AFFIDAVITS



Private & Confidential
Delivered via Regular Mail

June 22, 2017

[Name]
[Address]

Dear **[Name]**:

Sears Canada Inc. (the "Company") and certain of its affiliates and subsidiaries (collectively, "Sears Canada") filed for and were granted creditor protection under the *Companies' Creditors Arrangement Act* ("CCAA"), pursuant to an Initial Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") (the "CCAA Proceedings") dated June 22, 2017.

As part of the proceedings and in connection with the CCAA filing, the Court has appointed FTI Consulting Canada Inc. as the Monitor to oversee Sears Canada's CCAA Proceedings. More information regarding the CCAA proceedings is available at the Monitor's website at <http://cfcanada.fticonsulting.com/searscanada>.

In connection with the CCAA Proceedings, Sears Canada is restructuring its operations. As part of the restructuring, this letter confirms that your store will be closing and your employment with the Company will cease. We anticipate it will take approximately 15 weeks to complete the store closure. As such, we are giving you notice that your employment will cease effective October 5, 2017 (the "Separation Date"). If the store closure is completed prior to the Separation Date, we will advise you as soon as practicable when your ongoing services are no longer required.

As an employee on an approved disability leave, you will not be required to attend work between now and the Separation Date. If, however, you are willing and able to return to work prior to the Separation Date, please contact your HR Representative at your local unit so we may explore this possibility with you. To the extent you are in receipt of or have applied for and been approved for insured disability benefits, your entitlement to and eligibility for insured disability benefits will continue to be governed under the terms of the applicable benefit plan(s). After your Separation Date, you will receive payment by the Company of any accrued but unpaid vacation pay.



If the Company is currently making any group insurance premium contributions on your behalf towards your participation in the Company's group benefits plan or pension plan, the Company will continue to do so until the Separation Date, provided you continue to make any required payments for the coverage you are receiving. If you are on long-term disability, you will continue to be on a waiver of premium for your group benefits coverage until the Separation Date. Once your current group benefits coverage ends, we strongly encourage you to make whatever arrangements for replacement benefit coverage as you deem fit. You may have 30 days from the date your coverage terminates to convert your Health, Dental and Life Insurance coverage with Sun Life Financial's Making Choices plan, should you choose to. Please contact Sun Life Financial directly to learn more. For additional details regarding your conversion and other options, as well as information about your pension and other retirement arrangements, please contact the HR Service Centre at HRSC@sears.ca or 1-888-444-9444 (locally in Toronto 416-572-7300) or visit my.sears.ca. You will continue to have access to the my.sears.ca portal for 18 months from your last day worked to access your T4 and other information.

To the extent that you believe you have any claims for further compensation, you will be eligible to participate in any claims process established in connection with the CCAA Proceedings. While no claims procedure has yet been established, you will be notified by the Monitor of any applicable claims procedure at the appropriate time.

We remind you that after your employment with the Company ceases, you will continue to be bound by your obligations to maintain confidential information about Sears Canada strictly confidential. In addition, should you have any Company property, you must return to the Company all Company property in your possession, including any electronic equipment such as laptops and mobile phones, prior to the Separation Date.

On behalf of Sears Canada, thank you for your contributions to the Company. The enclosed FAQ provides additional information on the CCAA Proceedings and other information that may be relevant to you.

Sincerely,

A handwritten signature in black ink, appearing to read "Brandon Stranzl".

Brandon Stranzl
Executive Chairman

This is Exhibit "I" referred to
in the Affidavit of Ashley Schuitema
Affirmed this 12th day of July, 2017.



A COMMISSIONER FOR TAKING AFFIDAVITS



Private & Confidential
Hand Delivered

June 22, 2017

[Name]
[Address]

Dear [Name]:

Sears Canada Inc. (the "Company") and certain of its affiliates and subsidiaries (collectively, "Sears Canada") filed for and were granted creditor protection under the *Companies' Creditors Arrangement Act* ("CCAA"), pursuant to an Initial Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") (the "CCAA Proceedings") dated June 22, 2017.

As part of the proceedings and in connection with the CCAA filing, the Court has appointed FTI Consulting Canada Inc. as the Monitor to oversee Sears Canada's CCAA Proceedings. More information regarding the CCAA Proceedings is available at the Monitor's website at <http://cfcanada.fticonsulting.com/searscanada>.

As part of the restructuring, your store will be closing and your employment with the Company will cease effective June 22, 2017 (the "Separation Date"). You will receive all wages owing up to your last day worked. After your Separation Date, you will receive payment by the Company of any accrued and unpaid vacation pay. Because of the CCAA Proceedings, no further amounts will be paid to you at this time.

The Company will continue to make its group insurance premium contributions on your behalf so as to provide for your continued participation in the Company's group benefit plans until the Separation Date. Once your current group benefits coverage ends, we strongly encourage you to make whatever arrangements for replacement benefit coverage as you deem fit. You may have 30 days from the date your coverage terminates to convert your Health, Dental and Life Insurance coverage with Sun Life Financial's Making Choices plan, should you choose to. Please contact Sun Life Financial directly to learn more. For additional details regarding your conversion and other options, as well as



information about your pension and other retirement arrangements, please contact the HR Service Centre at HRSC@sears.ca or 1-888-444-9444 (locally in Toronto 416-572-7300) or visit my.sears.ca. You will continue to have access to the my.sears.ca portal for 18 months from your last day worked to access your T4 and other information.

To the extent that you believe you have any claims for further compensation, you will be eligible to participate in any claims process established in connection with the CCAA Proceedings. While no claims procedure has yet been established, you will be notified by the Monitor of any applicable claims procedure at the appropriate time.

We remind you that after your employment with the Company ceases, you will continue to be bound by your obligations to maintain confidential information about Sears Canada strictly confidential. In addition, on your last day worked, you will be required to return to the Company all Company property in your possession, including any electronic equipment such as laptops and mobile phones.

On behalf of Sears Canada, we would like to thank you for your contributions and hard work. The enclosed FAQ provides additional information on the CCAA Proceedings and other information that may be relevant to you.

Sincerely,

Brandon Stranzl
Executive Chairman

This is Exhibit "J" referred to
in the Affidavit of Ashley Schuitema
Affirmed this 12th day of July, 2017.


A COMMISSIONER FOR TAKING AFFIDAVITS



Private & Confidential
Delivered via Regular Mail

June 22, 2017

[Name]
[Address]

Dear [Name]:

Sears Canada Inc. (the "Company") and certain of its affiliates and subsidiaries (collectively, "Sears Canada") filed for and were granted creditor protection under the *Companies' Creditors Arrangement Act* ("CCAA"), pursuant to an Initial Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated June 22, 2017 (the "Filing Date") (the "CCAA Proceedings").

As part of the proceedings and in connection with the CCAA filing, the Court has appointed FTI Consulting Canada Inc. as the Monitor to oversee the Sears Canada's CCAA Proceedings. More information regarding the CCAA Proceedings is available at the Monitor's website at <http://cfcanada.fticonsulting.com/searscanada>.

As you know, you have been absent from work for an extended period of time and are in receipt of long-term disability ("LTD") benefits since **[Insert date]**. We have not been advised of any changes to your restrictions, and as such, have concluded that there is no reasonable prospect of your returning to work in the foreseeable future. Further, you were previously working at a store that is now closed and, in connection with the CCAA Proceedings, Sears Canada anticipates closing additional stores. In all the circumstances, your employment with the Company is deemed to cease on the Filing Date (the "Separation Date"). It is our position that your employment has been frustrated. In the alternative, if your employment had not been frustrated, your employment would have been terminated without cause as we have no ongoing position for you.

Your participation in the Company's group benefits and pension plans, if any, will also cease on the Separation Date. We strongly encourage you to make whatever arrangements for replacement benefit coverage as you deem fit. You may have 30 days from the Separation Date to convert your Health, Dental and Life Insurance coverage with Sun Life Financial's Making Choices plan, should you choose to. Please contact Sun Life Financial directly to learn more. For additional details regarding your conversion and other options, as well as information about your pension and other retirement arrangements, please contact the HR Service Centre at HRSC@sears.ca or 1-888-444-9444 (locally in Toronto 416-572-7300) or visit my.sears.ca. You will continue to have access to the my.sears.ca portal for 18 months from the Separation Date to access your T4 and other information.

Please be assured that the cessation of your employment will not impact your existing entitlement (if any) to LTD benefits, which will continue to be governed by the terms and conditions of the applicable LTD plan. After the Separation Date, you will receive payment by the Company of any accrued but unpaid vacation pay. No further payments will be made at this time.

To the extent that you believe you have any claims for further compensation, you will be eligible to participate in any claims process established in connection with the CCAA Proceedings. While no claims procedure has yet been established, you will be notified by the Monitor of any applicable claims procedure at the appropriate time.

We remind you that after your employment with the Company ceases, you will continue to be bound by your obligations to maintain confidential information about Sears Canada strictly confidential. In addition, should you still have any Company property, you must immediately return to the Company all Company property in your possession, including any electronic equipment such as laptops and mobile phones.

On behalf of Sears Canada, we would like to thank you for your contributions and hard work. The enclosed FAQ provides additional information on the CCAA Proceedings and other information that may be relevant to you.

Sincerely,



Brandon Stranzl
Executive Chairman

This is Exhibit "K" referred to
in the Affidavit of Ashley Schuitema
Affirmed this 12th day of July, 2017.


A COMMISSIONER FOR TAKING AFFIDAVITS



Private & Confidential
Delivered via Regular Mail

June 22, 2017

[Name]
[Address]

Dear [Name]:

Sears Canada Inc. (the "Company") and certain of its affiliates and subsidiaries (collectively, "Sears Canada") filed for and were granted creditor protection under the *Companies' Creditors Arrangement Act* ("CCAA"), pursuant to an Initial Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated June 22, 2017 (the "Filing Date") (the "CCAA Proceedings").

As part of the proceedings and in connection with the CCAA filing, the Court has appointed FTI Consulting Canada Inc. as the Monitor to oversee the Sears Canada's CCAA Proceedings. More information regarding the CCAA Proceedings is available at the Monitor's website at <http://cfcanada.fticonsulting.com/searscanada>.

As you know, you have been absent from work for an extended period of time. Further, you were previously working at a store that is now closed and, in connection with the CCAA Proceedings, Sears Canada anticipates closing additional stores. In the circumstances, the Company has determined to end your employment on the Filing Date as we have no ongoing position for you.

Your participation in the Company's group benefits and pension plans, if any, will also cease on the Filing Date. We strongly encourage you to make whatever arrangements for replacement benefit coverage as you deem fit. You may have 30 days from the Filing Date to convert your Health, Dental and Life Insurance coverage with Sun Life Financial's Making Choices plan, should you choose to. Please contact Sun Life Financial directly to learn more. For additional details regarding your conversion and other options, as well as information about your pension and other retirement arrangements, please contact the HR Service Centre at HRSC@sears.ca or 1-888-444-9444 (locally in Toronto 416-572-7300) or visit my.sears.ca. You will continue to have access to the my.sears.ca portal for 18 months from the Separation Date to access your T4 and other information.

After the Filing Date, you will receive payment by the Company of any accrued but unpaid vacation pay. No further payments will be made at this time.

To the extent that you believe you have any claims for further compensation, you will be eligible to participate in any claims process established in connection with the CCAA Proceedings.

While no claims procedure has yet been established, you will be notified by the Monitor of any applicable claims procedure at the appropriate time.

We remind you that after your employment with the Company ceases, you will continue to be bound by your obligations to maintain confidential information about Sears Canada strictly confidential. In addition, should you still have any Company property, you must immediately return to the Company all Company property in your possession, including any electronic equipment such as laptops and mobile phones.

On behalf of Sears Canada, we would like to thank you for your contributions and hard work. The enclosed FAQ provides additional information on the CCAA Proceedings and other information that may be relevant to you.

Sincerely,

A handwritten signature in black ink, appearing to read "Brandon Stranzl". The signature is fluid and cursive, with a large initial "B" and a stylized "S".

Brandon Stranzl
Executive Chairman

This is Exhibit "L" referred to
in the Affidavit of Ashley Schuitema
Affirmed this 12th day of July, 2017.


A COMMISSIONER FOR TAKING AFFIDAVITS



Private & Confidential
Delivered via Regular Mail

June 22, 2017

[Name]
[Address]

Dear **[Name]**:

Sears Canada Inc. (the "Company") and certain of its affiliates and subsidiaries (collectively, "Sears Canada") filed for and were granted creditor protection under the *Companies' Creditors Arrangement Act* ("CCAA"), pursuant to an Initial Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated June 22, 2017 (the "Filing Date") (the "CCAA Proceedings").

As part of the proceedings and in connection with the CCAA filing, the Court has appointed FTI Consulting Canada Inc. as the Monitor to oversee Sears Canada's CCAA Proceedings. Additional information regarding the CCAA Proceedings is available at the Monitor's website at <http://cfcanada.fticonsulting.com/searscanada>.

In connection with the CCAA Proceedings, Sears Canada is restructuring its operations. As a part of the restructuring, this letter confirms that your severance payments with the Company ceased on the Filing Date. You are no longer required to check in bi-weekly using the Employee Severance Procedure Portal.

Your participation in the Company's group benefits and pension plans will also cease on the Filing Date. We strongly encourage you to make whatever arrangements for replacement benefit coverage as you deem fit. You may have 30 days from the Filing Date to convert your Health, Dental and Life Insurance coverage with Sun Life Financial's Making Choices plan, should you choose to. Please contact Sun Life Financial directly to learn more. For additional details regarding your conversion and other options, as well as information about your pension and other retirement arrangements, please contact the HR Service Centre at HRSC@sears.ca or 1-888-444-9444 (locally in Toronto 416-572-7300) or visit my.sears.ca. You will continue to have



access to the my.sears.ca portal for 18 months from your last day worked to access your T4 and other information.

To the extent that you believe you have any claims for further compensation, you will be eligible to participate in any claims process established in connection with the CCAA Proceedings. While no claims procedure has yet been established, you will be notified by the Monitor of any applicable claims procedure at the appropriate time.

We remind you that you will continue to be bound by your obligations to maintain confidential information about Sears Canada strictly confidential.

On behalf of Sears Canada, thank you for your contributions to the Company. The enclosed FAQ provides additional information on the CCAA Proceedings and other information that may be relevant to you.

Sincerely,

A handwritten signature in black ink, appearing to read "Brandon Stranzl".

Brandon Stranzl
Executive Chairman

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

(each, an "Applicant", and collectively, the "Applicants")

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at TORONTO

**AFFIDAVIT OF ASHLEY SCHUITEMA
AFFIRMED JULY 12, 2017**

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Employee Representative Counsel

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

(each, an "Applicant", and collectively, the "Applicants")

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at TORONTO

**MOTION RECORD OF
EMPLOYEE REPRESENTATIVE COUNSEL
(Returnable July 13, 2017)**

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Employee Representative Counsel