

To: The Active and Former Employees of the Sears Canada Entities

Re: Court Approved Employee Claims Procedure

1. Why am I receiving this letter?

The purpose of this letter is to inform you that on February 22nd, 2018, the Ontario Superior Court of Justice (the “**Court**”) approved the Employee and Retiree Claims Procedure Order. This Court Order approved a process for calculating and submitting claims of Employees and Retirees against the Sears Canada Entities and/or their Directors or Officers.

The Sears Canada Entities, in consultation with the Monitor, worked closely with Ursel Phillips Fellows Hopkinson LLP, the Court-appointed Employee Representative Counsel to develop and agree upon an acceptable methodology for the calculation of claims that you and other former employees may have against the Sears Canada Entities in relation to the termination of your employment (a “**Termination Claim**”, and the methodology used to calculate the claim, the “**Termination Claims Methodology**”) as well as a streamlined process for dealing with all employment-related claims. Your Termination Claim has been calculated using the Termination Claims Methodology, and is included in the accompanying Termination Claim Statement.

Please note that any amount distributed to you in respect of your Termination Claim will be significantly less than the amount set out in your Termination Claim Statement, as funds available for distribution are expected to be significantly less than the amount the Sears Canada Entities owe to their creditors, including former employees. Please refer to question 9 below for further information.

2. Do all former employees have a claim relating to the termination of their employment?

Employees who were terminated without cause will have a claim calculated in accordance with the Termination Claims Methodology, which is explained below. Other employees may have claims that are valued by the Sears Canada Entities at “nil” (or \$0), including, for example, employees who were terminated for cause or who resigned their employment.¹ As explained below, all employees will have the ability to review and correct the Personal Information used to calculate their Termination Claim, as well as to file a separate claim against the Sears Canada Entities and/or their Director and Officers, if they believe they have additional claims.

3. I was terminated without cause. What is included in my Employee Termination Claim?

Based on the Court-approved Termination Claims Methodology, your Termination Claim includes all claims you may have relating to the termination of your employment. This includes all claims for termination and severance pay and for damages for loss of employment-related perquisites and

¹ As explained in question 8 below, employees terminated for cause and employees who resigned will be able to dispute their Termination Claim by, for example, challenging the assertion of cause.

benefits that you may have participated in during your notice period. Please see question 5 below for more detail regarding the benefits accounted for in your Termination Claim. If you were enrolled in the defined benefit pension plan and/or supplemental plan, or have any other post-employment benefits, these are not included in your Termination Claim and a separate package will be sent to you with further information.

4. How was my Termination Claim calculated? What Personal Information was used?

Your Termination Claim has been calculated using the Termination Claims Methodology approved by the Court, and is included in the Termination Claim Statement.

As an employee who opted-out of the representation of Employee Representative Counsel and was terminated without cause on or after June 22, 2017, your Termination Claim is calculated based on the following formula, which is part of the Termination Claims Methodology approved by the Court:

$$\text{Termination Claim} = \frac{\text{Severance Pay Period}}{\text{(multiplied by) average hourly wage rate/salary}} \text{ (plus) } \frac{\text{Severance Pay Period (multiplied by) average hourly wage rate/salary}}{\text{(multiplied by) (Benefits Gross-Up \% (plus) DC Gross-Up \%)}} \text{ (plus) } \$175 \text{ for Associate Discount and Associate Assistance Plan}$$

Your Severance Pay Period is calculated based on the *greatest* of your entitlements under (i) applicable employment standards legislation, (ii) Sears Canada severance policies and (iii) an agreed upon formula based on common law principles.

The following Personal Information was used when calculating your Termination Claim:

- Your employment status (e.g. part-time or full-time);
- Your level (e.g. associate, supervisor, etc.);
- Your length of service;
- Your age;
- Your average hourly wage rate or salary;
- The province or other jurisdiction in which you worked at the time of your termination.

For more information about the Termination Claims Methodology, please review Schedule “A” to the Employee and Retiree Claims Procedure Order, which can be found on the Monitor’s website at <http://cfcanada.fticonsulting.com/searscanada/>.

5. I was terminated without cause. Are my lost benefits and pension plan contributions included in my Termination Claim?

If you were actively enrolled in the benefit plans (including health, dental or other welfare benefits or participation in the defined contribution pension plan), your Termination Claim will include an additional amount in respect of the loss of such benefits during your notice period. If you did not

receive benefits and did not participate in the defined contribution pension plan, you will not receive this additional amount.

Your Termination Claim will include \$175 for the loss of associate discount and associate assistance plan.

6. Will I be entitled to a Termination Claim if I received working notice?

If your period of working notice met or exceeded your entitlement as calculated under the Termination Claims Methodology, you will not have any further Termination Claim.

If your period of working notice was less than your entitlement as calculated under the Termination Claims Methodology, you will have a claim based on the difference between the period you worked and the entitlement under the Termination Claims Methodology.

7. I was receiving severance payments that ceased on or after June 22, 2017. Will I be entitled to a Termination Claim?

Yes, your Termination Claim will be the amount of severance payments that remained to be paid to you by the Sears Canada Entities.

8. If my Termination Claim has been valued at \$0 due to the fact that I was terminated for cause or I resigned, do I have the ability to dispute this?

Yes. If you were terminated for cause or resigned prior to your termination date, your Termination Claim may be valued at \$0. However, if you wish to dispute your Termination Claim, then you may do so by submitting a Request for Correction form to the Monitor by no later than 5:00 p.m. (Toronto time) on May 7, 2018. Please see the instructions in question 10 below for more detail regarding how to submit this form.

9. Will I receive the full amount of my claims?

No. Any amount distributed to you in respect of your Termination Claim will be significantly less than the amount set out in your Termination Claim Statement, as funds available for distribution are expected to be significantly less than the amount the Sears Canada Entities owe to their creditors, including former employees. As a result, creditors, including employees, with proven claims against the Sears Canada Entities will receive only a percentage of their claim. According to the Monitor's Thirteenth Report dated February 18, 2018, the Monitor anticipates that the potential claim recoveries for employees and other similarly-situated creditors will be in the range of 0% - 10% (depending on the priority treatment of certain claims). For example, if an employee has a Termination Claim of \$1,000 and the recovery percentage is 5%, the employee would receive a cash distribution of \$50.

10. I disagree with the Personal Information contained in my Termination Claim Statement. How do I correct it?

If you do not agree with the Personal Information contained in your Termination Claim Statement you must submit a Request for Correction to the Monitor before 5:00 p.m. (Toronto time) on May 7, 2018.

You may submit a Request for Correction by correcting your Personal Information directly on the Monitor's Claims Website (<https://employee.searsclaimsite.com>) after logging in using the username and password provided to you in an email or letter from the Monitor. If you have not received an email or letter from the Monitor with this information, please contact the Monitor by email at the following address: SearsEmployeeClaimSite@fticonsulting.com.

If you are unable to access the Monitor's Claims Website, you may request a hard copy of the Request for Correction form from the Monitor, complete it and mail or email your form to the Monitor at the following address:

FTI Consulting Canada Inc., Sears Canada Monitor
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 101
Toronto, Ontario M5K 1G8

Attention: Sears Canada Employee and Retiree Claims Process
Email: SearsEmployeeClaimSite@fticonsulting.com
Fax: 416-649-8101

Please ensure you follow the instructions contained in the Request for Correction form.

11. What if I disagree with the methodology used to calculate my claim?

The Sears Canada Entities, in consultation with the Monitor, worked closely with Employee Representative Counsel to develop and agree upon a methodology that all parties considered to be fair and reasonable in the circumstances, and this methodology was approved by the Court.

However, as you are an employee who is not represented by Employee Representative Counsel, you will have the opportunity to dispute the application of the Termination Claims Methodology to your Termination Claim.

If you wish to calculate your Termination Claim for the purpose of this Claims Process in a different manner, please contact the Monitor at SearsEmployeeClaimSite@fticonsulting.com to obtain a Notice of Proposed Revision form that will allow you to describe your proposed methodology and recalculate your Termination Claim amount.

If you wish to submit this form, you must do so by 5:00 p.m. (Toronto time) on May 7, 2018. You may submit a Notice of Proposed Revision form to the Monitor by mail or email at the address listed in question 10 above.

12. Are there any special government programs that I can participate in?

The Federal Government has a program called the Wage Earner Protection Program (“WEPP”).

The WEPP provides for the payment of outstanding eligible wages, which includes termination and severance pay, to individuals whose employer is bankrupt or subject to receivership up to an amount equal to four times the maximum insurable earnings under the *Employment Insurance Act* (\$3,976.92 for 2018) minus the amounts prescribed by the Wage Earner Protection Program Regulations.

Depending on your individual circumstances, there is the possibility that any payment to you under the WEPP will be higher than the amount that you are eligible to receive as a distribution in respect of your Termination Claim.

You will be notified separately regarding your participation in the WEPP. When you do receive additional information regarding the WEPP, it is very important that you review the information and respond promptly. However, there is nothing you need to do at this time.

13. Will applicable taxes and deductions be taken from my Claim? What other amounts will be deducted?

Yes, all applicable taxes and deductions required by law, as well as any previous Employee Hardship Payments, will be deducted from the payment to you.

In addition, any payments made to you under the WEPP will reduce the amount of your distribution payment in respect of your Termination Claim.

14. What if I was eligible for a lifetime associate discount?

If you were eligible for a lifetime associate discount based on satisfying applicable age and service eligibility criteria, a claim in the amount of \$840 has been submitted on your behalf. There is nothing for you to do at this time.

15. What if I have other claims against the Sears Canada Entities or their directors and officers?

If you believe you have any claim for amounts owing to you by the Sears Canada Entities (other than claims covered in your Termination Claim or claims relating to any warranty, lifetime discount, defined benefit pension plan, supplemental plan or other post-employment benefits), or if you believe you have any claim against the Sears Canada Entities’ Directors and/or Officers, you must submit a Proof of Claim or D&O Proof of Claim form to the Monitor by 5:00 p.m. (Toronto time) on April 9, 2018.

You can find the Proof of Claim form, D&O Proof of Claim form, and instruction letters for submitting these forms, on the Monitor’s website at <http://cfcanada.fticonsulting.com/searscanada/> under the section entitled, “Employee and Retiree Claims Procedure Order”. If you are unable to

access the Monitor's website, you may also email the Monitor at SearsEmployeeClaimSite@fticonsulting.com to request copies of these forms.

16. When can I expect to receive a payment in respect of my claim?

The determination and timing of any payments cannot be determined at this time. This determination may take several months to complete. Please continue to refer to the Monitor's website for updates on any anticipated claim payment schedules.

17. Who can I contact if I have other questions?

If you have any further questions about the above or the process generally, please contact the Monitor by email at SearsEmployeeClaimSite@fticonsulting.com.

To view court documents, orders and other publicly available information with respect to the CCAA proceedings, please visit the Monitor's website at <http://cfcanada.fticonsulting.com/searscanada>.