

**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., 9370-2751 QUÉBEC INC.,  
191020 CANADA INC., THE CUT INC., SEARS CONTACT SERVICES  
INC., INITIUM LOGISTICS SERVICES INC., 9845488 CANADA INC.,  
INITIUM TRADING AND SOURCING CORP., SEARS FLOOR  
COVERING CENTRES INC., 173470 CANADA INC., 2497089  
ONTARIO INC., 6988741 CANADA INC., 10011711 CANADA INC.,  
1592580 ONTARIO LIMITED, 955041 ALBERTA LTD., 4201531  
CANADA INC., 168886 CANADA INC., AND 3339611 CANADA INC.

**Applicants**

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**JOINT PLAN OF COMPROMISE AND ARRANGEMENT  
PURSUANT TO THE *COMPANIES' CREDITORS ARRANGEMENT ACT***

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**FEBRUARY 15, 2019**

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## JOINT PLAN OF COMPROMISE AND ARRANGEMENT

### WHEREAS:

- (A) On June 22, 2017, the Court issued an Order (as amended and restated on July 13, 2017, and as further amended, restated or supplemented from time to time, the “**Initial Order**”) commencing proceedings (the “**CCAA Proceedings**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) in respect of the applicants (collectively, the “**Applicants**”), being Sears Canada Inc. (“**Sears Canada**”), The Cut Inc, Sears Contact Services Inc., Initium Logistics Services Inc., 9845488 Canada Inc. (formerly “Initium Commerce Labs Inc.”), Initium Trading and Sourcing Corp., Sears Floor Covering Centres Inc., 173470 Canada Inc., 2497089 Ontario Inc., (“**2497089**”) 6988741 Canada Inc., 10011711 Canada Inc., 1592580 Ontario Limited, 955041 Alberta Ltd., 4201531 Canada Inc., 3339611 Canada Inc., 9370-2571 Québec Inc. (“**Former Corbeil**”), 191020 Canada Inc. (“**Former SLH**”), and 168886 Canada Inc. (“**168886**”);
- (B) The Initial Order declared that, although not an Applicant, the general partnership SearsConnect shall enjoy the protections and authorizations provided by the Initial Order (together with the Applicants, the “**Sears Canada Entities**”);
- (C) Pursuant to the Initial Order, FTI Consulting Canada Inc. was appointed Monitor (in such capacity and not in its personal or corporate capacity, the “**Monitor**”) in the CCAA Proceedings;
- (D) As of the date hereof, substantially all material assets of the Sears Canada Entities have been realized upon. With the exception of certain sale proceeds distributed to parties with Proven Secured Claims or other Proven Priority Claims, amounts expended on operating costs and the fees and expenses incurred by the Sears Canada Entities in connection with the CCAA Proceedings, the Monitor and Sears Canada together currently hold the net sale proceeds from these transactions and other amounts received in these CCAA Proceedings, together with any cash on hand at the commencement of these CCAA Proceedings that has not been expended during the CCAA Proceedings and all interest on the foregoing;
- (E) There are certain material outstanding matters that remain to be completed in the CCAA Proceedings, including implementation of the settlement of the Pension Claims that are the subject of the Deemed Trust Motions, as well as the pursuit of the LT Claims by the Litigation Trustee and the pursuit of the TUV Claim by the Monitor;
- (F) Certain Creditors of Sears Canada have opted not to have their recoveries, if any, as unsecured creditors of Sears Canada reduced by their pro rata share of the costs of pursuing the LT Claims and the TUV Claim, and as a consequence will not receive a distribution of any portion of any recoveries of the LT Claims or the TUV Claim;
- (G) Further to a mediation process commenced before Regional Senior Justice Morawetz, the Sears Canada Entities have obtained the support of and have reached settlements with various Affected Unsecured Creditors with respect to their Claims, including the Pension Parties pursuant to the Pension Support Agreement, as well as the Dealer Representative Plaintiff, and a substantial majority of Landlords, the terms and conditions of which settlement are reflected in this Plan; and
- (H) To implement the Pension Claim Settlement and other settlements of material Claims noted above (collectively, and including the Pension Claim Settlement, the “**Mediated Claim Settlements**”), and to provide (a) a method of distribution of their available cash to Affected Unsecured Creditors with Proven Affected Unsecured Claims, (b) a mechanism by which Sears

Opt-In Creditors may benefit from any contingent value that may be derived from the pursuit of the LT Claims and the TUV Claim, and (c) a framework for the completion of the orderly wind-down of the Sears Canada Entities, the Applicants, at the direction of the Monitor, hereby propose this Plan to the Affected Creditors under and pursuant to the CCAA.

## **Article 1 Interpretation**

### **1.1 Definitions**

In the Plan, including the Recitals herein, unless otherwise stated or unless the subject matter otherwise requires, all capitalized terms used shall have the meanings ascribed thereto in **Schedule A**.

### **1.2 Certain Rules of Interpretation**

For the purposes of the Plan:

- (a) any reference in the Plan to a contract, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions;
- (b) any reference in the Plan to an Order of the Court or an existing document or exhibit filed or to be filed means such Order of the Court, document or exhibit as it may have been or may be amended, restated or varied from time to time;
- (c) unless otherwise specified, all references to currency and to "\$" or "Cdn\$" are to Canadian dollars and references to "US\$" are to United States dollars;
- (d) the division of the Plan into "Articles" and "Sections" and the insertion of a Table of Contents are for convenience of reference only and do not affect the construction or interpretation of the Plan, nor are the descriptive headings of "Articles" and "Sections" otherwise intended as complete or accurate descriptions of the content thereof;
- (e) references in the Plan to "Articles", "Sections", "Subsections" and "Schedules" are references to Articles, Sections, Subsections and Schedules of or to the Plan;
- (f) the use of words in the singular or plural, or with a particular gender, including a definition, shall not limit the scope or exclude the application of any provision of the Plan or a Schedule hereto to such Person (or Persons) or circumstances as the context otherwise permits;
- (g) the words "includes" and "including" and similar terms of inclusion shall not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation, but rather shall mean "includes but is not limited to" and "including but not limited to", so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive;
- (h) unless otherwise provided, any reference to a statute or other enactment of parliament or a legislature includes all regulations made thereunder, all amendments to or re-enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation;
- (i) the terms "the Plan", "hereof", "herein", "hereto", "hereunder" and similar expressions shall be deemed to refer generally to this Plan and the Schedules hereto and not to any

particular "Article", "Section" or other portion of the Plan and include any documents supplemental hereto; and

- (j) the word "or" is not exclusive.

### **1.3 Time**

For purposes of the Plan, unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean prevailing local time in Toronto, Ontario, Canada.

### **1.4 Date and Time for any Action**

For purposes of the Plan:

- (a) in the event that any date on which any action is required to be taken under the Plan by any Person is not a Business Day, that action shall be required to be taken on the next succeeding day which is a Business Day, and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day; and
- (b) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day.

### **1.5 Successors and Assigns**

The Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, liquidators, receivers, trustees in bankruptcy, and successors and assigns of any Person or party named or referred to in the Plan.

### **1.6 Governing Law**

The Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation of or application of the Plan and all proceedings taken in connection with the Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

### **1.7 Currency**

Unless specifically provided for in the Plan or the Sanction Order, for the purposes of voting or distribution under the Plan, a Claim shall be denominated in Canadian dollars and all payments and distributions to Affected Unsecured Creditors on account of their Proven Claims shall be made in Canadian dollars. In accordance with paragraph 6 of the Claims Procedure Order (General) and paragraph 7 of the Claims Procedure Order (E&R), any Claim in a currency other than Canadian dollars is to be converted to Canadian dollars, and any such amount shall be regarded as having been converted at the noon spot rate of exchange quoted by the Bank of Canada for exchanging such currency to Canadian dollars as at the Filing Date, which rate in the case of United States dollars is US\$1:Cdn\$1.3241.

### **1.8 Actions of the Sears Canada Entities**

For greater certainty, any reference to an action of any one or more of the Sears Canada Entities in this Plan or any document contemplated hereunder shall be subject to, and read together with, the Governance Protocol Order, which provides among other things that the Monitor will: (a) cause the Sears Canada Entities to perform such functions as the Monitor considers necessary or desirable in order to facilitate or assist the Sears Canada Entities in dealing with their operations, winding down their estates

or performing other activities; and (b) cause the Sears Canada Entities to administer their remaining property for the purposes of facilitating distributions to creditors of the Sears Canada Entities, including by way of a Plan. Accordingly, any steps to be performed hereunder by any one or more of the Sears Canada Entities may be performed by the Monitor, on behalf of the Sears Canada Entities, subject to the terms of and the protections provided under the Governance Protocol Order.

## **1.9 Schedules**

The following are the Schedules to the Plan, which are incorporated by reference into the Plan and form a part of it:

Schedule A – Definitions

Schedule B – Pre-Filing Interco Claims

Schedule C – Pension Claims

Schedule D – Litigation Cost Recovery Amount Illustration

## **Article 2 Purpose and Effect of the Plan**

### **2.1 Purpose of Plan**

The purpose of the Plan is to:

- (a) effect a compromise and settlement of all Affected Claims, in exchange for the distributions to Affected Unsecured Creditors with Proven Affected Unsecured Claims as contemplated by the Plan; provided, however, and for greater certainty that none of the compromises, settlements, releases and discharges contemplated herein shall release, affect or prejudice Non-Released Claims, including any claims that arise out of or relate to the dividend paid to shareholders of Sears Canada on or around December 3, 2013 in the amount of approximately \$509 million, the LT/TUV Litigation or Pension/Dealer Litigation, any crossclaims against named defendants in the LT/TUV Litigation or Pension/Dealer Litigation, or claims over arising from the LT/TUV Litigation or Pension/Dealer Litigation, and nothing herein shall provide any defence to any party to such present or future litigation;
- (b) facilitate the distribution of the consideration provided for herein in respect of Proven Affected Unsecured Claims, Proven Priority Claims and Proven Secured Claims, if any;
- (c) implement the Pension Claim Settlement and other Mediated Claim Settlements; and
- (d) allow Sears Opt-In Creditors to benefit from any contingent value that may be derived from the pursuit of the LT Claims by the Litigation Trustee and the TUV Claim by the Monitor,

all in the expectation that Persons with an economic interest in the Property will, collectively, derive a greater benefit from the implementation of the Plan than would result from any alternative distribution and claims resolution processes for the Sears Canada Entities, including bankruptcy.

### **2.2 Persons Affected**

The Plan provides for a compromise and/or settlement of the Affected Claims. The Plan will become effective at the Effective Time on the Plan Implementation Date. The Plan shall be binding on and shall

enure to the benefit of the Sears Canada Entities, the Affected Creditors, the Released Parties and all other Persons named or referred to herein, receiving the benefit of, or subject to, the Plan. On, from and after the Plan Implementation Date, all Affected Claims will be fully and finally compromised and settled (and in the case of the Released Parties, De Minimis Claims and Equity Claims, released and discharged) to the extent provided for under the Plan.

### **2.3 Persons Not Affected**

The Plan does not affect Unaffected Creditors with respect to and to the extent of their Unaffected Claims. Nothing in the Plan shall affect any of the Sears Canada Entities' rights and defenses, both legal and equitable, with respect to any Unaffected Claims, including all rights with respect to entitlements to set-offs or recoupment against any and all such Unaffected Claims.

### **2.4 Claims Against the Sears Canada Entities**

Without limiting the effect of the releases, discharges, compromises and settlements herein in favour of the Released Parties:

- (a) any Affected Claim against the Sears Canada Entities that is not, or does not become, a Proven Claim, including Affected Claims that have not been filed by the claims bar date provided under the Claims Procedure Orders, shall be deemed fully and finally released, discharged, barred and extinguished; and
- (b) any Affected Claim against the Sears Canada Entities that is a Proven Claim shall not be released but shall be entitled to recoveries against the assets of the Sears Canada Entities solely in accordance with distributions provided by this Plan and any further rights in respect of such Affected Claims against the Sears Canada Entities or their assets are compromised and settled in accordance with this Plan.

## **Article 3 Substantive Consolidation and Claims Valuation**

### **3.1 Substantive Consolidation**

The Sears Canada Entities, except for Former Corbeil, shall be partially substantively consolidated, into two Debtor Group estates, in the manner set out herein as follows:

- (a) Sears Canada, The Cut Inc., Sears Contact Services Inc., Initium Logistics Services Inc., 9845488 Canada Inc., Initium Trading and Sourcing Corp., Sears Floor Covering Centres Inc., 173470 Canada Inc., 2497089, 6988741 Canada Inc., 10011711 Canada Inc., 1592580 Ontario Limited, 955041 Alberta Ltd., 4201531 Canada Inc., 3339611 Canada Inc. and SearsConnect (collectively, the "**Sears Parties**"); and
- (b) Former SLH and 168886 (together, the "**SLH Parties**"),

such that the Affected Unsecured Creditors of each set of consolidated Sears Canada Entities shall (i) as provided in Article 4 below, be members of the same Unsecured Creditor Class for purposes of voting on the Plan, and (ii) as provided in Sections 5.2 and 7.1 below, receive Plan Distributions as if each of the individual members of such set of consolidated Sears Canada Entities comprised one Sears Canada Entity.

### 3.2 Claims Procedure and Adjustment of Pension Claims

- (a) The procedure for determining the validity and quantum of Affected Unsecured Claims for voting and distribution purposes under the Plan shall be governed by the Claims Procedure Orders, subject to the following:
- (i) Pre-Filing Interco Claims shall, subject to Section 4.2(b), be allowed for voting and distribution purposes in the amounts set out on **Schedule B** hereto and shall be treated as Proven Affected Unsecured Claims for the purposes of the Plan;
  - (ii) solely for the purpose of determining the quantum of the Warranty Reimbursement Pool pursuant to Section 5.3(a)(ii), each Pre-Filing Warranty Claim shall be allowed in the amount of the remaining unamortized value (as at October 19, 2017) of the underlying Warranty Payment Amount, as calculated by the Monitor based upon the records of Sears Canada; and
  - (iii) subject to Section 3.2(b) below and solely for the purposes of the Plan, the Pension Claims shall be allowed for voting and distribution purposes in the amounts and as against the applicable Sears Canada Entities as set out on **Schedule C** hereto and shall be treated as Proven Affected Unsecured Claims for the purposes of the Plan.
- (b) The Pension Claims for distribution purposes shall be subject to reduction immediately prior to each distribution by Cdn\$2.50 for every Cdn\$1 of recovery (if any) that any Pension Party has received at the time of such distribution (such reductions to be allocated between the Sears Parties and the SLH Parties in the proportions set out on **Schedule C** hereto) directly as a result of any litigation commenced by any of the Pension Parties against any Directors and/or Officers or any third party for Pension Claims, net of all fees, costs and disbursements incurred by the Pension Parties further to such litigation, and not recovered by them (the "**Pension Litigation Recovery Adjustment**"). For greater certainty, nothing in this Section 3.2(b) shall require any retroactive adjustment to the Pension Claim amount for past distributions and any adjustment in respect of past distributions shall solely be effected pursuant to the reimbursement obligation provided under Section 5.2(b) herein.

## Article 4

### Classification of Creditors, Voting Claims and Related Matters

#### 4.1 Classification

For the purposes of considering, voting on and receiving distributions under the Plan, the Affected Unsecured Creditors shall be grouped into the following classes (each an "**Unsecured Creditor Class**", and collectively, the "**Unsecured Creditor Classes**"):

- (a) **Sears Creditor Class:** Affected Unsecured Creditors of any of the Sears Parties; and
- (b) **SLH Creditor Class:** Affected Unsecured Creditors of any of the SLH Parties.

As the Proven Affected Unsecured Claims of Creditors of Former Corbeil are to be paid in full under the Plan, no holder of an Affected Unsecured Claim against Former Corbeil shall be a member of either Unsecured Creditor Class, be entitled to vote on or approve the Plan or attend at any Meeting in respect of such Affected Unsecured Claim.

## 4.2 Voting

- (a) Except as otherwise provided in the Meetings Order, and subject to the provisions of the Plan, Affected Unsecured Creditors shall be entitled to vote their Eligible Voting Claims at the applicable Meeting in respect of the Plan.
- (b) In accordance with the CCAA, the Sears Canada Entities (through the Monitor), as related parties, will only be permitted to vote their Eligible Voting Claims, if any, against, but not for, the Plan.
- (c) Employee Representative Counsel shall be deemed to be a proxy holder in respect of each Eligible Voting Claim of an ERC Employee that is an Employee Claim and shall vote such Claims at the applicable Meeting on all ERC Employees' behalf, without the requirement for any ERC Employee to submit a proxy form to the Monitor or any other Person.
- (d) Pension Representative Counsel shall be deemed to be a proxy holder in respect of each Eligible Voting Claim of a PRC Retiree (other than relating to the Pension Claims or Employee Claims) and shall vote such Claims at the applicable Meeting on such PRC Retirees' behalf, without the requirement for any PRC Retiree to submit a proxy form to the Monitor or any other Person.
- (e) For greater certainty, only the Pension Plan Administrator or its designated proxy may vote the Pension Claims.

## 4.3 Unaffected Claims

Unaffected Claims shall not be compromised under the Plan. No holder of an Unaffected Claim shall be:

- (a) entitled to vote on or approve the Plan or attend at any Meeting in respect of such Unaffected Claim; or
- (b) entitled to or receive any distributions pursuant to the Plan in respect of such Unaffected Claim, unless specifically provided for under and pursuant to the Plan.

## 4.4 Meetings

- (a) The Meetings shall be held in accordance with the Plan, the Meetings Order and any further Order of the Court. The only Persons entitled to notice of, to attend or to speak at the Meetings are the Eligible Voting Creditors (or their respective duly-appointed proxyholders), representatives of the Monitor, the Sears Canada Entities, Employee Representative Counsel, the Pension Parties, all such parties' financial and legal advisors, the chair, and secretary and scrutineers thereof. Any other Person may be admitted to the Meetings only by invitation of the Monitor or as permitted under the Meetings Order or any further Order of the Court.
- (b) If the Plan is approved by the Required Majority in each Unsecured Creditor Class, then the Plan shall be deemed to have been agreed to, accepted and approved by the Affected Unsecured Creditors and, if sanctioned by the Court, shall be binding upon all Affected Creditors immediately upon the delivery of the Plan Implementation Date Certificate in accordance with Section 10.4.

#### **4.5 No Double Proof or Recovery**

In respect of any Claim which is compromised under the Plan (a) which is subject to a Guarantee or (b) in respect of which a Person has any right to or claim over in respect of or to be subrogated to the rights of any Person (such compromised Claim being the “**Principal Claim**”), no Person shall:

- (a) be entitled to any greater rights against the Sears Canada Entity in respect of which the Principal Claim relates than the Person holding the Principal Claim;
- (b) be entitled to vote on the Plan to the extent that the Person holding the Principal Claim votes on the Plan; or
- (c) be entitled to receive any distribution under the Plan to the extent that the Person holding the Principal Claim is receiving a distribution.

### **Article 5 Treatment of Claims**

#### **5.1 Treatment of Pre-Filing Interco Claims and Tax Loss Utilization Structure**

- (a) In accordance with Section 7.1(a), each Debtor Group holding a Pre-Filing Interco Claim against:
  - (i) another Debtor Group (other than Former Corbeil) shall be entitled to receive an amount equal to its Pre-Filing Interco Pro Rata Share of the Debtor Cash Pool for the Debtor Group against which such Pre-Filing Interco Claim is made; and
  - (ii) Former Corbeil shall be entitled to receive an amount equal to its Pre-Filing Interco Claim.
- (b) For greater certainty with respect to the Tax Loss Utilization Structure and as a result of the substantive consolidation effected pursuant to Section 3.1 above:
  - (i) the Pre-Filing Interco Claim of 2497089 resulting from the 249 SCI Loan made by 2497089 to Sears Canada as part of the Sears Canada Entities’ Tax Loss Utilization Structure shall receive no distribution under the Plan;
  - (ii) no value shall be distributable under the Plan from 2497089 to Former SLH in respect of its preferred equity interest in 2497089 as such interest only gives rise to an Equity Claim; and
  - (iii) no value shall be distributable under the Plan from Former SLH to Sears Canada on account of the Pre-Filing Interco Claim that arises as a result of its Sears Canada Subordinated Transport Loan from Sears Canada, which loan was agreed to be treated as subordinated to all other indebtedness of Former SLH, which will not be paid in full.

#### **5.2 Treatment of Affected Third Party Unsecured Claims, Pension Litigation Recovery Adjustment and Dealer Matters**

- (a) In accordance with Section 7.1(c), each:
  - (i) Affected Third Party Unsecured Creditor with a Proven Affected Unsecured Claim against Former Corbeil shall be entitled to receive a distribution from the Corbeil Cash Pool in an amount equal to its Proven Affected Unsecured Claim;

- (ii) Affected Third Party Unsecured Creditor with a Proven Affected Unsecured Claim against an SLH Party shall be entitled to receive a distribution in an amount equal to its Third Party Pro Rata Share of the SLH Cash Pool, as adjusted by the applicable Cash Pool/Holdback Adjustments;
  - (iii) Affected Third Party Unsecured Creditor with a Proven Affected Unsecured Claim against a Sears Party shall be entitled to receive a distribution in an amount equal to its Third Party Pro Rata Share of the Sears Cash Pool, as adjusted by the applicable Cash Pool/Holdback Adjustments; and
  - (iv) Sears Opt-In Creditor with a Proven Affected Unsecured Claim shall be further entitled to receive a distribution in an amount equal to its Third Party Pro Rata Share of the Litigation Recoveries Pool, subject to adjustment under any applicable Cash Pool/Holdback Adjustments.
- (b) The Pension Parties shall reimburse the Monitor, in trust for Affected Unsecured Creditors other than the Pension Parties, in the amount by which any Plan Distributions the Pension Parties have received in respect of the Pension Claims as determined pursuant to Section 3.2(a)(iii) exceed the Plan Distributions that would have been received if, at the time of such distribution, the Pension Claims for distribution purposes were equal to: (X) the value of the Pension Claims pursuant to Section 3.2(a)(iii); less (Y) the Pension Litigation Recovery Adjustment described in Section 3.2(b).
- (c) Notwithstanding any other provisions of this Plan, the treatment of all Dealer Claims shall be as follows:
- (i) as soon as practicable following the Plan Implementation Date, the Monitor, on behalf of Sears Canada, will pay to the Dealer Representative Plaintiff, on behalf of all Dealers, out of the Sears Cash Pool, \$334,495 (the “**Upfront Dealer Payment**”);
  - (ii) the Dealers will not be entitled to receive any other amounts from any Debtor Cash Pool on account of or in respect of any Dealer Claims;
  - (iii) the Dealer Representative Plaintiff shall be further entitled to receive, on behalf of all Dealers, a distribution in an amount equal to its Third Party Pro Rata Share (based upon a Proven Affected Unsecured Claim against Sears Canada valued solely for the purposes of the Plan at \$80,000,000) of any amount in the Litigation Recoveries Pool in excess of \$10,000,000, subject to adjustment under any applicable Cash Pool/Holdback Adjustments; and
  - (iv) the first \$334,495 of distributions that may be received by the Dealer Representative Plaintiff, on behalf of the Dealers, pursuant to Section 5.2(c)(iii) shall be deemed re-contributed by the Dealer Representative Plaintiff, on behalf of the Dealers, to the Sears Cash Pool for distribution in accordance with this Plan.

Except as set out above, no Dealer shall have an entitlement to any distributions under the Plan.

### 5.3 Treatment of Warranty Claims

- (a) Notwithstanding any other provisions of this Plan, the treatment of all Pre-Filing Warranty Claims shall be solely as follows:

- (i) forthwith following the Plan Implementation Date, the Monitor shall publish for two days in *The Globe and Mail* (National Edition) and the electronic edition of *La Presse* (and in such other publications and with such frequency as the Monitor may deem appropriate) notice of the establishment of the Warranty Reimbursement Pool and the opportunity to submit an application for recovery on a Reimbursable Warranty Claim from the Warranty Reimbursement Pool;
- (ii) on the Initial Distribution Date, the Warranty Claims Administrator shall establish and maintain, on behalf of the Sears Parties, a Warranty Reimbursement Pool in an amount equal to the funds that would otherwise be distributable under the Plan on account of all Pre-Filing Warranty Claims (as valued for such purpose in accordance with Section 3.2(a)(ii)) if such Pre-Filing Warranty Claims were treated as Proven Affected Unsecured Claims and received distributions pursuant to Section 7.1(c)(ii), without accounting for Litigation Recoveries; provided however that the amount of the Warranty Reimbursement Pool shall in no event exceed \$8,000,000;
- (iii) in order to receive a distribution from the Warranty Reimbursement Pool, a holder's Pre-Filing Warranty Claim must be a Reimbursable Warranty Claim and such holder must submit, on or before 5:00 p.m. (Eastern Standard Time) on the date that is 180 days following the Plan Implementation Date (the "**Warranty Claims Bar Date**") and in the manner and using the documentation contemplated by the Warranty Claims Protocol, an application establishing to the satisfaction of the Warranty Claims Administrator that they have a valid Reimbursable Warranty Claim;
- (iv) any Pre-Filing Warranty Claim for which a claimant has not submitted the application required by the Warranty Claims Protocol on or before the Warranty Claims Bar Date or that has been Finally Determined not to be a Reimbursable Warranty Claim shall be forever barred as against the Sears Canada Entities without any compensation therefor; and
- (v) on or following the Initial Distribution Date, and once (i) all Reimbursable Warranty Claims have been Finally Determined to be or not to be Proven Claims in accordance with the Warranty Claims Protocol, and (ii) all Warranty Administration Costs have been paid from the Warranty Reimbursement Pool, the Monitor, on behalf of the Sears Parties, shall forthwith distribute from the Warranty Reimbursement Pool to each holder of a Proven Reimbursable Warranty Claim an amount equal to the lesser of such holder's (A) Third Party Pro Rata Share of the Warranty Reimbursement Pool; and (B) Proven Reimbursable Warranty Claim. If Proven Reimbursable Warranty Claims have been paid in full, the Monitor shall transfer the remaining balance in the Warranty Reimbursement Pool, if any, to the Sears Cash Pool for further distribution to Affected Unsecured Creditors of the Sears Parties.

Except as set out above, no Person holding a Pre-Filing Warranty Claim shall have an entitlement to any distributions under the Plan with respect to such Pre-Filing Warranty Claim.

- (b) For greater certainty, any Warranty Claim that arises under a Warranty purchased from a Sears Canada Entity on or after the Filing Date shall constitute a Post-Filing Claim. Creditors holding such Warranty Claims shall be unaffected by the Plan and to the extent not previously paid, shall receive payment out of the Administrative Reserve as soon as reasonably practicable after the Plan Implementation Date on account of such Warranty Claims, such payment to be at the remaining unamortized value (as at October 19, 2017)

of the underlying Warranty Payment Amount as determined by the Sears Canada Entities, in consultation with Monitor.

#### **5.4 Treatment of De Minimis Claims**

Notwithstanding any other provision of this Plan, no holder of an Affected Unsecured Claim (other than a Pre-Filing Warranty Claim, which shall be entitled solely to the recoveries expressly provided for Pre-Filing Warranty Claims pursuant to Section 5.3(a)) that has been Finally Determined to be less than \$80 (a "**De Minimis Claim**") shall be entitled to or receive any distributions pursuant to the Plan in respect of such De Minimis Claim, and all such De Minimis Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred, and shall be treated as such in the calculation of any Third Party Pro Rata Share under this Plan.

#### **5.5 Unresolved Claims**

- (a) No Affected Unsecured Creditors or holders of Priority Claims shall be entitled to receive any distributions or any payments under or pursuant to the Plan with respect to an Affected Unsecured Claim, or Priority Claim, or in each case, any portion thereof, unless and until, and then only to the extent that (i) such Claim is Finally Determined to be a Proven Claim, or (ii) is treated as a Proven Claim in accordance with the terms of the Plan, such that, in each case, the Claim is a Proven Affected Unsecured Claim or Proven Priority Claim and is entitled to the treatment described in the Plan. Except with respect to Reimbursable Warranty Claims, potential maximum distributions in respect of Unresolved Affected Unsecured Claims or potential maximum payments to Unresolved Priority Claims for each Debtor Group will be maintained by the Monitor in the Unresolved Claims Reserve for such Debtor Group until such Claims are Finally Determined.
- (b) An Unresolved Claims Reserve may be reduced by the Monitor from time to time to the extent the amount of such Unresolved Claims Reserve exceeds the maximum amounts distributable or payable for remaining Unresolved Affected Unsecured Claims, or Unresolved Priority Claims in respect of the applicable Debtor Group.

#### **5.6 D&O Claims, Directors' Indemnities, and Claims for Contribution from ESL Parties**

- (a) Any Claim of a Director, Officer or ESL Party for indemnification or contribution and indemnity from a Sears Canada Entity arising out of or resulting from any such Director, Officer or ESL Party paying awards or settlement amounts in connection with the LT/TUV Litigation shall receive no distribution from the applicable Debtor Cash Pool or Litigation Recoveries Pool. To the extent any Director, Officer or ESL Party is determined to have a Proven Affected Unsecured Claim in respect of such indemnification or contribution and indemnity from a Sears Canada Entity, such distributions shall be satisfied through a reduction of the amount owing by such Director, Officer or ESL Party in connection with the LT/TUV Litigation (the "**LT/TUV Litigation Payment Reduction**").

The quantum of such LT/TUV Litigation Payment Reduction, including whether such quantum is: (i) based upon any dollar-for-dollar set off rights that may be available to such Director, Officer or ESL Party, or (ii) limited to the amount such Director, Officer and/or ESL Party would receive under the Plan if the indemnity or contribution and indemnity claim is treated as a Proven Affected Unsecured Claim, shall be determined by the further order of the Court.

- (b) With respect to an award or settlement amount in connection with the Dealer 2013 Dividend Claim that (i) is to be paid by a Director, Officer or ESL Party to or on behalf of the Dealer Representative Plaintiff in such litigation, and (ii) is subject to a Claim by such Director, Officer or ESL Party for indemnification or contribution and indemnity from a

Sears Canada Entity, the Dealer Representative Plaintiff shall direct that such Director, Officer or ESL Party shall pay the portion of such award or settlement amount equal to the distribution that would be payable to such Director, Officer or ESL Party under the Plan on account of the Proven Affected Unsecured Claim that such Director, Officer, or ESL Party has, if any, for indemnification or contribution and indemnity in connection with the Dealer 2013 Dividend Claim (as calculated by the Monitor) to the Monitor, in trust, for distribution under the Plan to such Director, Officer or ESL Party.

- (c) With respect to an award or settlement amount in connection with a Non-Released Claim (other than a Non-Released Claim asserted by a Pension Party) that: (i) is to be paid by a Director, Officer or ESL Party to or on behalf of the holder of such Non-Released Claim (excluding, for greater certainty, any Pension Party), and (ii) is subject to a Claim by such Director, Officer or ESL Party for indemnification or contribution and indemnity from a Sears Canada Entity, the holder of such Non-Released Claim (excluding, for greater certainty, any Pension Party) shall direct that such Director, Officer or ESL Party shall pay the portion of such award or settlement amount equal to the distribution that would be payable to such Director, Officer or ESL Party under the Plan on account of the Proven Affected Unsecured Claim that such Director, Officer, or ESL Party has, if any, for indemnification or contribution and indemnity in connection with the Non-Released Claim (as calculated by the Monitor) to the Monitor, in trust, for distribution under the Plan to such Director, Officer or ESL Party.
- (d) To the extent any Claim of a Director, Officer or ESL Party for indemnification or contribution and indemnity from a Sears Canada Entity arises from a Claim that is itself in respect of an Equity Claim, such claim for indemnification or contribution and indemnity shall be treated for all purposes under the Plan as an Equity Claim.

## 5.7 Equity Claims

On the Plan Implementation Date, all Equity Claims (other than those in respect of Former Corbeil), if any, shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred. Holders of Equity Claims shall not be entitled to vote on the Plan at the Meetings.

## 5.8 Employee Priority Claims and Government Priority Claims

- (a) All Employee Priority Claims and Government Priority Claims which are Proven Claims, if any, to the extent unpaid prior to the Plan Implementation Date, shall be paid in accordance with Sections 6(3) and 6(5) of the CCAA from the applicable Debtor Cash Pool for the Debtor Group(s) such Proven Claims are made against.
- (b) There are no amounts payable pursuant to Section 6(6) of the CCAA.

## 5.9 WEPP

Without limiting the subrogation rights available to the Government of Canada, any Employee who receives a payment from the Wage Earner Protection Program shall not receive a distribution under the Plan in respect of the portion of such Employee's Affected Unsecured Claim satisfied by such payment

## 5.10 Landlord Cost Payments

Every Landlord whose Affected Unsecured Claim was settled pursuant to a Landlord Settlement Agreement shall be paid the amount of \$2,272.72 (each, a "**Landlord Cost Payment**") per location that such Landlord leased as of the Filing Date to the Sears Canada Entities as soon as reasonably practicable after the Plan Implementation Date, such amounts to be paid (a) from the Debtor Cash Pool for the applicable Sears Canada Entity that was tenant under the lease arrangements for such location;

and (b) on account of the legal costs of such Landlords incurred in connection with their negotiation of, and entrance into, the Landlord Settlement Agreements.

### **5.11 Duplicate Claims**

Where (a) an Affected Unsecured Creditor has or would have had a Duplicate Claim, arising from a Guarantee, where the principal debtor is a Sears Canada Entity and the guarantor is a Sears Canada Entity in a different Debtor Group, or (b) there is joint and several liability of two or more Sears Canada Entities in different Debtor Groups in respect of an Affected Unsecured Claim or portion thereof, such Affected Unsecured Creditor (to the extent its Affected Unsecured Claim is found to be a Proven Claim against each applicable Sears Canada Entity) shall be entitled to receive distributions under and vote on the Plan on account of its Proven Affected Unsecured Claims in each such Sears Canada Entity's Unsecured Creditor Class, provided that such Affected Unsecured Creditor shall not receive Plan Distributions in an aggregate amount more than the total amount of its Proven Affected Unsecured Claim.

### **5.12 Extinguishment of Affected Claims**

On the Plan Implementation Date, in accordance with the provisions of the Plan and Sanction Order, the treatment of Affected Claims (including Proven Claims and Unresolved Affected Unsecured Claims) and all Released Claims, in each case as set forth herein, shall be final and binding on all Sears Canada Entities, all Affected Creditors (and their respective heirs, executors, administrators, legal personal representatives, successors and assigns) and any Person holding a Released Claim. All Affected Claims shall be compromised, settled, barred and shall be entitled to no further recovery from the assets of the Sears Canada Entities other than as set out herein, and all Released Claims shall be fully, finally, irrevocably and forever released, discharged, cancelled, and barred, and the Released Parties and the Sears Canada Entities shall thereupon have no further obligations whatsoever in respect of the Affected Claims and the Released Claims, as applicable; provided that:

- (a) nothing herein releases any of the Sears Canada Entities (including through the Monitor) or any other Person from their obligations to make distributions in the manner and to the extent provided for in the Plan;
- (b) such compromise, settlement and bar in favour of the Sears Canada Entities shall be without prejudice to the right of an Affected Creditor in respect of an Unresolved Affected Unsecured Claim to prove such Unresolved Affected Unsecured Claim in accordance with the applicable Claims Procedure Order so that such Unresolved Affected Unsecured Claim may become a Proven Claim entitled to receive consideration under Section 5.2 of the Plan; and
- (c) for greater certainty, the compromises, settlements, releases and discharges contemplated herein shall not release, affect or prejudice (i) the LT/TUV Litigation or Pension/Dealer Litigation or provide any defence to any party to such litigation, nor (ii) any cross claims against named defendants in the LT/TUV Litigation or Pension/Dealer Litigation or claims over arising from the LT/TUV Litigation or Pension Dealer Litigation against any other Person, and all such compromises, settlements, releases and discharges shall be limited accordingly.

### **5.13 Section 19(2) Claims**

Claims listed under Section 19(2) of the CCAA ("**Section 19(2) Claims**") shall be Affected Claims for the purposes of this Plan; provided, however, that Section 19(2) Claims shall be deemed Unaffected Claims to the extent held by any Creditors who have not voted in favour of the Plan.

## **Article 6**

### **Establishment and Maintenance of Reserves, Cash Pools and Litigation Costs Recovery Fund**

#### **6.1 Establishment and Maintenance on Accounting Basis**

The Monitor shall establish and maintain each of the Reserves and Cash Pools required under the Plan as well as the Litigation Costs Recovery Fund, and may do so in each case on an accounting basis only. The Monitor, may, but is not required, to establish separate bank accounts for any of the Reserves, or in connection with any of the Cash Pools, the Litigation Costs Recovery Fund or the Warranty Reimbursement Pool. The Monitor is authorized to delegate authority to the Warranty Claims Administrator to administer any separate bank account established for the Warranty Reimbursement Pool.

#### **6.2 Administrative Reserve**

- (a) An Administrative Reserve shall be established by the Monitor, on behalf of the Sears Canada Entities, from the SLH Cash, the Corbeil Cash, and the Sears Cash in an aggregate amount sufficient to fund the Administrative Reserve Amounts, from time to time, all as allocated among the Debtor Groups in accordance with the Cost Allocation Methodology.
- (b) The Monitor shall hold and maintain the Administrative Reserve for the purposes of paying the Administrative Reserve Amounts, from time to time, in accordance with the Plan and in accordance with the Cost Allocation Methodology. The Monitor shall be entitled from time to time to transfer amounts held in the Administrative Reserve that the Monitor in its sole discretion determines are no longer needed to fund Administrative Reserve Amounts to the Debtor Cash Pools for further distribution to Affected Unsecured Creditors. After the Final Distribution and all remaining Administrative Reserve Amounts have been paid, the Monitor shall distribute the remaining balance in the Administrative Reserve, if any, in accordance with Section 7.8 of the Plan.

#### **6.3 Litigation Costs Recovery Fund**

- (a) A Litigation Costs Recovery Fund shall be established by the Monitor, on behalf of the Sears Parties and for the Sears Opt-In Creditors, in the amount of the aggregate of the Litigation Cost Recovery Amounts.
- (b) The Litigation Costs Recovery Fund is established to reimburse Litigation Costs incurred as of the Plan Implementation Date and to pay Litigation Costs going forward from time to time in accordance with the Plan. The Monitor, in its discretion, following consultation with the Litigation Trustee, shall be entitled to transfer amounts held in the Litigation Costs Recovery Fund that are no longer needed to fund Litigation Costs as a result of the resolution, settlement or other termination of the TUV Claim and LT Claims and the full payment of any Monitor's Cost Indemnity Claims or Litigation Trustee's Indemnity to the Litigation Recoveries Pool for further distribution to Sears Opt-In Creditors (a) if so ordered by the Court; or (b) as a part of the Final Distribution. Subject to Section 7.1 below, after the Final Distribution and once all remaining Administrative Reserve Amounts have been paid, the Monitor shall distribute the remaining balance in the Litigation Costs Recovery Fund, if any, in accordance with Section 7.8 of the Plan.

#### 6.4 Unresolved Claims Reserves

- (a) **General:** The Monitor shall establish a separate Unresolved Claims Reserve for and on behalf of each Debtor Group from the applicable Available Cash for such Debtor Group, in an aggregate amount sufficient to fund, without duplication:
- (i) Plan Distributions of such Debtor Group should all Unresolved Affected Unsecured Claims in respect of such Debtor Group be Finally Determined to be Proven Affected Unsecured Claims; and
  - (ii) payments on account of Unresolved Priority Claims in respect of such Debtor Group should all such Unresolved Claims be Finally Determined to be Proven Priority Claims,

and the Monitor shall hold and maintain each Unresolved Claims Reserve for the purposes of paying all such aforesaid claims if such claims are Finally Determined to be Proven Claims in accordance with Section 6.4(b).

- (b) **Unresolved Claims:** As Unresolved Affected Unsecured Claims and Unresolved Priority Claims are Finally Determined, the Monitor shall:
- (i) if an Unresolved Affected Unsecured Claim is Finally Determined to be :
    - (A) a Proven Affected Unsecured Claim against a Sears Party or SLH Party, distribute to the Affected Unsecured Creditor holding such Claim, an amount equal to its Third Party Pro Rata Share of the applicable Cash Pool plus or minus, if such Affected Unsecured Creditor is a Sears Opt-In Creditor, such further amounts which it is entitled to receive and/or required to contribute pursuant to Sections 7.1(d) and (e); or
    - (B) a Proven Affected Unsecured Claim against Former Corbeil, distribute to the Affected Unsecured Creditor holding such Claim, an amount equal to such Proven Affected Unsecured Claim;
  - (ii) if the Unresolved Priority Claim is Finally Determined to be a Proven Priority Claim, pay the holder of such Proven Priority Claim in accordance with Section 5.8; or
  - (iii) if the Unresolved Claim is Finally Determined not to be a Proven Claim, transfer cash, on an accounting basis, from the applicable Unresolved Claim Reserve to the applicable Cash Pool for distribution to Affected Unsecured Creditors thereof with Proven Affected Unsecured Claims, including Pre-Filing Interco Claims.

#### 6.5 Creation of the Debtor Cash Pools and Litigation Recoveries Pool

- (a) On the Plan Implementation Date, the Monitor shall establish and maintain:
- (i) the SLH Cash Pool from the SLH Cash, after first deducting or adding, as applicable, the Landlord Cost Payments, the Cost Allocation Amount and Ordinary Course Post-Filing Intercompany Position for the SLH Parties, and reserving for the SLH Reserves;
  - (ii) the Corbeil Cash Pool from the Corbeil Cash, after first deducting or adding, as applicable, the Landlord Cost Payments, the Cost Allocation Amount and

Ordinary Course Post-Filing Intercompany Position for Former Corbeil and reserving for the Corbeil Reserves; and

- (iii) the Sears Cash Pool from the Sears Cash, after first deducting or adding, as applicable, the Landlord Cost Payments, the Upfront Dealer Payment, the Cost Allocation Amount and Ordinary Course Post-Filing Intercompany Position for the Sears Parties, and reserving for the Sears Reserves.
- (b) From and after the Plan Implementation Date, the Monitor shall further establish and maintain a Litigation Recoveries Pool from any Litigation Recoveries, if any, and all such Litigation Recoveries received from time to time by or on behalf of Sears Canada shall be transferred by the Monitor to the Litigation Recoveries Pool.
- (c) The Monitor, on behalf of the Sears Canada Entities, shall distribute the cash in the Cash Pools and make the Cash Pool/Holdback Adjustments, in each case in accordance with Section 7.1 of the Plan, and shall distribute any remaining balance in the Sears Cash Pool or SLH Cash Pool after the Final Distribution in accordance with Section 7.8 of the Plan. When all Proven Claims existing from time to time against Former Corbeil have been paid any remaining balance in the Corbeil Cash Pool, net of the Unresolved Claims Reserve for Former Corbeil shall be distributed by the Monitor in accordance with Section 7.1(b) of the Plan.

## **Article 7**

### **Provisions Regarding Distributions, Payments, Disbursements and Contributions**

#### **7.1 Distributions, Payments and Disbursements Generally; Order and Sequencing of Distributions and Payments**

Each and every Plan Distribution, payment and disbursement by or on behalf of the Sears Canada Entities, made on or after the Plan Implementation Date pursuant to or in accordance with the Plan shall, in each case, be made (A) in the manner, order and sequencing set out in Sections 7.1(a) to (e) below, (B) subject to and in accordance with Sections 7.2, 7.3, 7.4, and 7.7, and (C) shall be reflected by accounting entries and adjustments in the applicable Cash Pools and Litigation Costs Recovery Fund:

- (a) the Monitor, on behalf of the Sears Canada Entities, shall distribute from the applicable Debtor Cash Pool to each holder of a Pre-Filing Interco Claim an amount equal to (X) their Pre-Filing Interco Pro Rata Share, or (Y) in the case of a Pre-Filing Interco Claim against Former Corbeil, an amount equal to such holder's Pre-Filing Interco Claim, as set out below:
  - (i) **Corbeil Cash Pool:** each holder of a Pre-Filing Interco Claim against Former Corbeil shall receive from the Corbeil Cash Pool an amount equal to such holder's Pre-Filing Interco Claim; and
  - (ii) **Sears Cash Pool:** each holder of a Pre-Filing Interco Claim against the Sears Parties shall receive an amount equal to such holder's Pre-Filing Interco Pro Rata Share of the Sears Cash Pool;
- (b) the Monitor, on behalf of Former Corbeil, shall distribute from the Corbeil Cash Pool to each Affected Third Party Unsecured Creditor with a Proven Affected Unsecured Claim against Former Corbeil, an amount equal to such Proven Affected Unsecured Claim, and upon the payment in full of all Proven Affected Unsecured Claims against Former Corbeil, shall transfer on behalf of Former Corbeil any balance in the Corbeil Cash Pool remaining from time to time over to the Sears Cash Pool as a corporate dividend paid to Sears Canada, which dividend shall first be subject to distribution in accordance with Section

7.1(a)(ii) above before any further distribution of the remaining portion of such dividend to Affected Third Party Unsecured Creditors in accordance with Section 7.1(c) below;

- (c) the Monitor, on behalf of the Sears Canada Entities, shall distribute to each Affected Third Party Unsecured Creditor with a Proven Affected Unsecured Claim its Third Party Pro Rata Share of the applicable Debtor Cash Pools, after adjustments for the distributions described in Sections 7.1(a) and 7.1(b) above, as set out below:
- (i) **SLH Cash Pool:** Each Affected Third Party Unsecured Creditor of the SLH Parties with a Proven Affected Unsecured Claim against the SLH Parties shall receive an amount equal to its Third Party Pro Rata Share of the SLH Cash Pool. In the case of an Unresolved Affected Unsecured Claim that has become a Proven Affected Unsecured Claim, this distribution will include any amounts that would have been distributed on account of such Affected Unsecured Claim on prior distributions had it been a Proven Affected Unsecured Claim at the Initial Distribution Date; and
  - (ii) **Sears Cash Pool:** Each Affected Third Party Unsecured Creditor of the Sears Parties with a Proven Affected Unsecured Claim against the Sears Parties shall receive an amount equal to its Third Party Pro Rata Share of the Sears Cash Pool, subject to Sections 7.1(d) and (e). In the case of an Unresolved Affected Unsecured Claim that has become a Proven Affected Unsecured Claim, this distribution will include any amounts that would have been distributed on account of such Affected Unsecured Claim on prior distributions had it been a Proven Affected Unsecured Claim at the Initial Distribution Date in addition, each Affected Third Party Unsecured Creditor of the Sears Parties who is not a Sears Opt-In Creditor shall receive its pro rata share of any Litigation Reimbursement Amount;
- (d) as illustrated in the example set out at **Schedule D** hereto the Monitor shall hold back the Litigation Cost Recovery Amount from the first Plan Distribution made on account of each Proven Affected Unsecured Claim (including any Unresolved Affected Unsecured Claim that becomes a Proven Claim) of a Sears Opt-In Creditor; such Litigation Cost Recovery Amount to be deducted in equal proportion from the first Plan Distribution made to each Sears Opt-In Creditor on account of its Proven Affected Unsecured Claim. The Monitor shall also be permitted to increase the Litigation Cost Recovery Amount from time to time as deemed necessary to satisfy any Monitor's Cost Indemnity Claim or the Litigation Trustee's Indemnity, provided that any such increase shall be funded pro rata from amounts otherwise distributable hereunder to all Sears Opt-In Creditors;
- (e) once (i) the LT Claims and TUV Claim have been Finally Determined, (ii) all applicable Litigation Recoveries, if any, from such Final Determination have been received by or on behalf of Sears Canada Entities, (iii) all Litigation Costs have been paid, and (iv) all Unresolved Affected Unsecured Claims have been Finally Determined to be or not be Proven Claims, the Monitor, on behalf of the Sears Parties, shall distribute to each Sears Opt-In Creditor with a Proven Affected Third Party Unsecured Claim:
- (A) its Third Party Pro Rata Share of the Litigation Recoveries Pool; and
  - (B) such share of the remaining balance of Litigation Costs Recovery Fund as determined by the Monitor in its sole discretion that is necessary to ensure that:
    - (I) all remaining Cash in the Litigation Costs Recovery Fund is returned to the Sears Opt-In Creditors; and

- (II) each Sears Opt-In Creditor with a Proven Affected Unsecured Claim has contributed its pro rata share of the aggregate amount of the Litigation Costs,

and notwithstanding the foregoing, interim distributions from the Litigation Recoveries Pool and Litigation Costs Recovery Fund shall be permitted as the Monitor deems appropriate or as approved by the Court.

## 7.2 Tax Matters

- (a) Subject to Section 7.2(b), notwithstanding any provisions of the Plan, each Person that receives a distribution, disbursement or other payment pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed on such Person by any Taxing Authority on account of such distribution, disbursement or payment.
- (b) Any payor shall be entitled to deduct and withhold and remit from any distribution, payment or consideration otherwise payable to any Person pursuant to the Plan such amounts as are required to be deducted and withheld with respect to such payment under the *Income Tax Act* (Canada), or any provision of federal, provincial, territorial, state, local or foreign tax law, in each case, as amended or restated (a "**Withholding Obligation**"). For greater certainty, no distribution, payment or other consideration shall be made to or on behalf of a Person until such Person has delivered to the Monitor such documentation prescribed by Applicable Law or otherwise reasonably required by the Monitor as will enable it to determine whether or not, and to what extent, such distribution, payment or consideration to such Person is subject to any Withholding Obligation imposed by any Taxing Authority.
- (c) To the extent that amounts are withheld or deducted from an amount payable to any Person and paid over to the applicable Taxing Authority, such withheld or deducted amounts shall be treated for all purposes of the Plan as having been paid to such Person, together with the remainder of the payment in respect of which such withholding and deduction were made.
- (d) For the avoidance of doubt, it is expressly acknowledged and agreed that all distributions, payments and disbursements made hereunder shall be made by, or on behalf of, the Sears Canada Entities, and no provision hereof shall be construed to have effect to the contrary.

## 7.3 Priority of Payments

The aggregate amount payable (the "**Payment Amount**") under this Plan to a particular Creditor (the "**Payee Party**") in respect of a particular Plan Distribution from a particular Sears Canada Entity (the "**Payor Party**") shall be applied as follows in respect of the particular Claims giving rise to the applicable distribution or payment:

- (a) first, to the repayment of the principal amount of any loans or cash advances made by the Payee Party to the Payor Party up to the total principal amount;
- (b) second, to the extent that the applicable Payment Amount exceeds the aggregate of the amounts described in paragraph (a), to interest payable on any such loans or cash advances;
- (c) third, to the extent that the applicable Payment Amount exceeds the aggregate of the amounts described in paragraphs (a) and (b), to unpaid fees in respect of services

provided by or on behalf of the Payee Party to the Payor Party, other than any such unpaid fees in respect of services rendered in Canada; and

- (d) finally, to the extent that the applicable Payment Amount exceeds the aggregate of the amounts described in paragraphs (a) through (c), to any remaining Claims not described in such paragraphs.

For greater certainty, any terms or conditions of any Affected Claim that purport to deal with the ordering or grant of priority of payment of principal, interest, payments or other amounts shall be deemed void and ineffective to the extent inconsistent with the ordering provided for in this Section 7.3.

#### **7.4 Method of Payment**

All Plan Distributions to Affected Unsecured Creditors with Proven Affected Unsecured Claims (other than to Sears Canada Entities, which shall be made as set out in Sections 5.1 and 7.1, and other than Plan Distributions effected by set-off) to be made by the Monitor, on the Sears Canada Entities' behalf, under the Plan shall be made:

- (a) in the case of an Affected Unsecured Creditor that has not assigned its Affected Unsecured Claim:
  - (i) subject to subsection (ii) below, if the Affected Unsecured Creditor duly filed a Proof of Claim that set out an address for such Creditor or its agent, to the address set out in such Proof of Claim;
  - (ii) if any address was subsequently provided to the Monitor in accordance with the applicable Claims Procedure Order, to such address;
  - (iii) if no address was provided to the Monitor under subsections (i) and (ii) above, and the Affected Unsecured Creditor is an Employee in respect of whom Employee Representative Counsel has provided an address, to such address;
  - (iv) if no address was provided to the Monitor under subsections (i) and (ii) above, and the Affected Unsecured Creditor is a Retiree in respect of whom Pension Representative Counsel has provided an address, to such address; and
  - (v) in all other cases, to the address on file in the books and records of the Sears Canada Entities; and
- (b) in the case of an Affected Unsecured Creditor that is a Valid Transferee, to the address set out in such Valid Transferee's Notice of Transfer or Assignment.

#### **7.5 Treatment of Uncashed Distributions or Payments**

- (a) If any Creditor's distribution in respect of its Affected Unsecured Claim, Priority Claim or Secured Claim is not cashed and becomes stale-dated or is returned as undeliverable or a social insurance number, which is required to deliver distributions to an Employee or Retiree, is not provided by or on behalf of such Employee or Retiree to the Monitor in accordance with the terms of any Order of the Court (an "**Undeliverable Distribution**"), no distributions shall be made to such Creditor unless and until the Monitor is notified in writing by such Creditor of such Creditor's current address and (if applicable) social insurance number, at which time all such distributions shall be made to such Creditor. The Monitor (or the Warranty Claims Administrator, as applicable) shall reserve from the applicable Cash Pool (or the Warranty Reimbursement Pool, if applicable) the amount of cash equal to the Undeliverable Distribution.

- (b) All notices from Creditors seeking to recover an Undeliverable Distribution existing prior to the Final Distribution must be made in writing to the Monitor (in the manner contemplated by Section 11.8 hereof) on or before the date that is sixty (60) days following the date on which the Monitor serves on the Service List and posts a copy of the Final Distribution Certificate on the Website (the "**Final Distribution Bar Date**"), after which date any Affected Unsecured Claims, Priority Claims or Secured Claims underlying any Undeliverable Distributions shall be forever barred as against the Sears Canada Entities without any compensation therefor, notwithstanding any Applicable Law to the contrary.
- (c) The amount of any Undeliverable Distributions that remain unclaimed, undeliverable or uncashed and stale-dated sixty (60) days following the Final Distribution Bar Date shall be returned to the applicable Cash Pools for distribution to Affected Unsecured Creditors on the Final Distribution. Any Undeliverable Distributions that may arise from the Final Distribution shall be delivered to the Pension Plan Administrator for distribution to the Pension Plan.
- (d) Nothing in the Plan or Sanction Order shall (i) require the Monitor or the Sears Canada Entities to attempt to locate any Affected Unsecured Creditor, Employee, Retiree, Governmental Authority or Secured Creditor with respect to an Undeliverable Distribution, nor (ii) require the Monitor or the Sears Canada Entities to make any further distribution to any Creditor while a prior distribution in respect of such Creditor's Affected Unsecured Claim, Priority Claim or Secured Claim constitutes an Undeliverable Distribution. No interest shall be payable in respect of an Undeliverable Distribution.

#### **7.6 Payment and Treatment of Certain Unaffected Claims, Including Litigation Costs**

- (a) The following Unaffected Claims shall be paid from the Administrative Reserve, and allocated in each case to such Debtor Group's share of the Administrative Reserve in accordance with the Cost Allocation Methodology, all in accordance with this Article 7 and pursuant to the Sanction Order and the CCAA:
  - (i) all fees and disbursements of counsel to the Sears Canada Entities, the Monitor and counsel to the Monitor, Employee Representative Counsel, and Pension Representative Counsel (x) accrued but not yet paid prior to the Plan Implementation Date, and (y) accruing after the Plan Implementation Date; and
  - (ii) ordinary course expenses of the Sears Canada Entities.
- (b) All Litigation Costs shall be paid from or credited against the Litigation Costs Recovery Fund. For greater certainty, any adverse cost awards against Sears Canada, the Monitor or the Litigation Trustee in connection with the pursuit of the TUV Claim and LT Claims shall remain Unaffected Claims, the recovery of which shall not be limited by this Section 7.6(b).
- (c) From and after the Plan Implementation Date, the Administration Charge and Litigation Trustee's Charge shall continue against the Cash Pools, the Reserves, the Litigation Costs Recovery Fund, all remaining Property of the Sears Canada Entities and any additional proceeds realized by the Sears Canada Entities (including Tax Refunds and Litigation Recoveries) until such monies are disbursed or distributed by the Monitor, on behalf of the applicable Sears Canada Entity. The Administration Charge shall be in the same amounts and priority as set out in the Initial Order (as amended by the Litigation Approval Orders) pursuant to and in accordance with the Sanction Order, as such amounts may be reduced from time to time in the determination of the Monitor or by further Order of the Court.

- (d) On the Plan Implementation Date, the CCAA Charges (other than the Administration Charge and the Litigation Trustee's Charge) shall be terminated in accordance with the Sanction Order.
- (e) Notwithstanding anything to the contrary herein, Insured Claims shall not be compromised, released, discharged, cancelled and barred by this Plan, provided that from and after the Plan Implementation Date, any Person having an Insured Claim shall be irrevocably limited to recovery in respect of such Insured Claim solely from the applicable Insurance Policies. This Section 7.6(e) may be relied upon and raised or pleaded by the Sears Canada Entities in defence or estoppel of or to enjoin any claim, action or proceeding brought in contravention of this Section. Nothing in this Plan shall prejudice, compromise, release or otherwise affect any right or defence of any insured or insurer in respect of an Insured Claim.

### **7.7 Timing of Distributions**

The Monitor may from time to time make Plan Distributions on account of Proven Affected Unsecured Claims and will make no distribution in respect of a Claim until it is a Proven Claim.

### **7.8 Remaining Cash**

If the final amount in the applicable Cash Pool is an amount for which the Monitor determines the cost of such distribution relative to the amount to be distributed is not justified, no Plan Distribution of such final amount shall occur and instead such amount shall be paid to the Pension Plan Administrator for distribution to the Pension Plan.

## **Article 8 Plan Implementation**

### **8.1 Corporate Authorizations**

The adoption, execution, delivery, implementation and consummation of all matters contemplated under the Plan involving any corporate or other action of any of the Sears Canada Entities will occur and be effective as of the Effective Time, and will be authorized and approved under the Plan and by the Court, where appropriate, as part of the Sanction Order, in all respects and for all purposes without any requirement of further action by shareholders, partners, Directors or Officers of such Sears Canada Entity. All necessary approvals to take actions shall be deemed to have been obtained from the Directors or shareholders or partners of the Sears Canada Entities, as applicable.

## **Article 9 Releases**

### **9.1 Plan Releases**

- (a) As at the Effective Time, each of the Directors, Officers and Employees, as well as the Specified Advisors (being referred to individually as a "**Sears Released Party**") shall be released and discharged from any and all demands, claims, actions, applications, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders (including for priority, injunctive relief or specific performance and compliance orders), expenses, executions, encumbrances and other recoveries on account of any Liability, obligation, demand or cause of action of whatever nature, which any Affected Creditor, Unaffected Creditor (except to the extent of its Unaffected Claim) or other Person may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act, omission, transaction, duty, responsibility, indebtedness, Liability,

obligation, dealing or other occurrence existing or taking place on or prior to the Plan Implementation Date that are in any way relating to, arising out of or in connection with the Claims, the Business and affairs of the Sears Canada Entities whenever or however conducted, the Plan, the CCAA Proceedings or any matter or transaction involving any of the Sears Canada Entities occurring in or in connection with the CCAA Proceedings (including the Plan or the development thereof, the Deemed Trust Motions, any Claim that has been barred or extinguished by the Claims Procedure Orders, or any distributions, payments, disbursements, actions, steps or transactions, taken to implement the Plan), and in each case all claims arising out of such aforesaid matters shall be forever waived and released all to the full extent permitted by Applicable Law; with the following exceptions:

- (i) nothing herein shall release, affect, prejudice or discharge Non-Released Claims or shall release, affect prejudice or discharge (X) the LT/TUV Litigation or Pension/Dealer Litigation, (Y) any crossclaims against named defendants in the LT/TUV Litigation or Pension/Dealer Litigation, or (Z) claims over arising from the LT/TUV Litigation or Pension/Dealer Litigation against any other Person, and nothing herein shall provide any defence to any party to such litigation or to any future litigation in respect of any Non-Released Claims; and
  - (ii) any claim (excluding, for greater certainty, the LT/TUV Litigation, the Pension/Dealer Litigation or any future litigation in respect of any Non-Released Claim) that has been commenced as of the Plan Implementation Date against an Employee personally solely as a result of performing their duties as an Employee of a Sears Canada Entity shall not be released but shall be limited to recovery from any insurance proceeds payable in respect of such claim under any insurance policy of a Sears Canada Entity, and any Persons with any such claim shall have no right to, and shall not, make any claim or seek any recoveries from any Person (including any such Employee) other than enforcing such Person's rights to be paid from such insurance proceeds by the applicable insurer(s); provided further that nothing in this Plan shall prejudice, compromise, release or otherwise affect any right or defence of any insured or insurer in respect of any such claim.
- (b) As at the Effective Time, the Monitor, FTI (including in its capacity as receiver further to the Receivership Order) and their respective current and former affiliates, directors, officers and employees and all of their respective advisors, legal counsel and agents, as well as Employee Representative Counsel, Pension Representative Counsel, the Employee Representatives, and the Pension Representatives (being referred to individually as a "**Third Party Released Party**") shall be released and discharged from any and all demands, claims, actions, applications, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders (including for priority, injunctive relief or specific performance and compliance orders), expenses, executions, encumbrances and other recoveries on account of any Liability, obligation, demand or cause of action of whatever nature, which any Affected Creditor, Unaffected Creditor or other Person may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act, omission, transaction, duty, responsibility, indebtedness, Liability, obligation, dealing or other occurrence existing or taking place on or prior to the Plan Implementation Date that are in any way relating to, arising out of or in connection with the Claims, the Business and affairs of the Sears Canada Entities whenever or however conducted, the Plan, the CCAA Proceedings or any matter or transaction involving any of the Sears Canada Entities occurring in or in connection with the CCAA Proceedings (including the Plan or the development thereof, the Deemed Trust Motions, any Claim that has been barred or extinguished by the Claims Procedure Orders, or any distributions, payments, disbursements, actions, steps or transactions, taken to

implement the Plan), and in each case all claims arising out of such aforesaid matters shall be forever waived and released all to the full extent permitted by Applicable Law, provided that nothing herein shall release or discharge any Non-Released Claims.

- (c) Without limiting the foregoing releases and discharges in favour of the Released Parties, as against any Sears Canada Entity, any
  - (i) De Minimis Claim,
  - (ii) Equity Claim; and
  - (iii) other Affected Claim against the Sears Canada Entities that is not, or does not become, a Proven Claim, including Affected Claims that have not been filed by the claims bar date provided under the Claims Procedure Orders,

shall be deemed fully and finally released, discharged, barred and extinguished.

- (d) Any Affected Claim against the Sears Canada Entities that is a Proven Claim shall not be released but shall be entitled to recoveries against the assets of the Sears Canada Entities solely in accordance with distributions provided by this Plan and any further rights in respect of such Affected Claims against the Sears Canada Entities or their assets are compromised and settled in accordance with this Plan.

## **Article 10**

### **Court Sanction, Conditions Precedent and Plan Implementation**

#### **10.1 Application for Sanction Order**

If the Plan is approved by the Required Majority in each Unsecured Creditor Class at the Meetings, the Monitor shall file a motion seeking the Sanction Order to be heard on or before April 3, 2019 or such later date as the Court may order.

#### **10.2 Sanction Order**

The Sanction Order shall, among other things:

- (a) declare that (i) the Plan has been approved by the Required Majority in each Unsecured Creditor Class voting in conformity with the CCAA and the Meetings Order; (ii) the Sears Canada Entities (directly or through the Monitor) have complied with the provisions of the CCAA and the Orders of the Court; (iii) the Court is satisfied that the Sears Canada Entities (directly or through the Monitor) have not done or purported to do anything that is not authorized by the CCAA; (iv) the Sears Canada Entities (directly or through the Monitor) have each acted in good faith and with due diligence; and (v) the Plan and the implementation steps contemplated thereby are fair and reasonable;
- (b) authorize the Monitor to perform its functions under the Plan, including the establishment of the Reserves and Litigation Costs Recovery Fund, and cause the Sears Canada Entities to perform their obligations and functions under the Plan and to perform all such other acts and execute such documents as may be required in connection with the foregoing;
- (c) declare that the Plan and all associated steps, compromises, transactions and arrangements effected thereby are approved, binding and effective on the Sears Canada Entities, all Affected Creditors, the Released Parties and all Persons named or referred to in, affected by, or subject to the Plan as of the Effective Time;

- (d) order that, upon delivery to the Monitor of the Condition Certificate as to the fulfillment or waiver of the condition precedent to implementation of the Plan set out in Section 10.3(f) and satisfaction of the Monitor as to the fulfillment or waiver of all other conditions precedent to implementation of the Plan as set out in Sections 10.3(a) through (e) below, the Monitor shall issue forthwith the Plan Implementation Date Certificate, and file with the Court the Plan Implementation Date Certificate as soon as reasonably practicable after issuance thereof;
- (e) order that, upon issuance of the Plan Implementation Date Certificate, the Deemed Trust Motions and the motion of Employee Representative Counsel to lift the stay of proceedings to file bankruptcy applications against Sears Canada Entities shall be deemed to be withdrawn and discontinued without costs;
- (f) as of the Plan Implementation Date, declare that the ability of any Person to proceed against any one or more of the Sears Canada Entities in respect of or relating to any Affected Claims shall be forever discharged and restrained, and all proceedings with respect to, in connection with or relating to such Affected Claims be permanently stayed, subject only to the right of Affected Creditors to receive distributions pursuant to the Plan in respect of their Affected Claims (to the extent they are or become Proven Affected Unsecured Claims); provided, however, and for greater certainty that none of the compromises, settlements, releases and discharges contemplated herein shall release, affect or prejudice Non-Released Claims, including any claims that arise out of or relate to the dividend paid to shareholders of Sears Canada on or around December 3, 2013 in the amount of approximately \$509 million, including but not limited to the LT/TUV Litigation or Pension/Dealer Litigation or provide any defence to any party to such litigation;
- (g) as of the Plan Implementation Date, approve the releases set forth in Article 9 hereof and enjoin the prosecution, whether directly, derivatively or otherwise, of any Claim, obligation, suit, judgment, damage, demand, debt, right, cause of action, Liability or interest released, discharged, compromised or terminated pursuant to the Plan;
- (h) provide for discharge of the CCAA Charges (other than the Administration Charge and the Litigation Trustee's Charge) and the continuation of the Administration Charge and Litigation Trustee's Charge, which shall survive the Plan Implementation Date and attach to the Property, the Reserves and the Litigation Costs Recovery Fund, all in accordance with the Plan;
- (i) provide for the termination of the Hardship Process and that all remaining amounts shall become Sears Cash on the Plan Implementation Date; and
- (j) declare that, in carrying out the terms of the Sanction Order and the Plan, (i) the Monitor shall benefit from all the protections given to it by the CCAA, the Initial Order and any other Order in the CCAA Proceedings, and as an officer of the Court, including the stay of proceedings in its favour; (ii) the Monitor shall incur no liability or obligation as a result of carrying out the provisions of the Sanction Order and/or the Plan; and (iii) the Monitor and any Authorized Representative (as defined in the Governance Protocol Order) shall be entitled to rely on the books and records of the Sears Canada Entities and any information provided by any of the Sears Canada Entities without independent investigation and shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

### 10.3 Conditions Precedent to Implementation of the Plan

The implementation of the Plan, including distributions thereunder, shall be conditional upon the fulfilment or waiver, to the extent permitted by the CCAA, of the following conditions precedent by the date specified therefor:

- (a) each Unsecured Creditor Class shall have approved the Plan in the Required Majority;
- (b) each of the Meetings Order and the Sanction Order shall have been granted;
- (c) each of the Meetings Order and the Sanction Order shall have become Final Orders;
- (d) the Monitor shall have received such clearance certificates, or comfort letters in lieu thereof from the Canada Revenue Agency or any other applicable Taxing Authority, as the Monitor considers necessary or advisable, to make any Plan Distributions;
- (e) the Plan Implementation Date shall have occurred before April 30, 2019, or such later date as agreed to by the Pension Parties and Monitor; and
- (f) the Pension Parties shall be satisfied that:
  - (i) the Plan provides no less than \$155,000,000 available for distribution to Affected Unsecured Creditors, net of all Reserves and without accounting for any Litigation Recoveries or the contribution of amounts to the Litigation Cost Recovery Fund; and
  - (ii) Proven Affected Third Party Unsecured Claims shall be no more than \$1,550,000,000, excluding the Pension Claims, and any claims of Directors, Officers and ESL Parties for indemnification or contribution from the Sears Canada Entities, whether liquidated or unliquidated.

The Monitor may at any time and from time to time waive the fulfillment or satisfaction, in whole or in part, of the conditions set out herein, provided however, that (i) the conditions set out in (a) and (b) above cannot be waived; and (ii) the conditions set out in (e) and (f) above may be waived by the Monitor only with the consent or agreement of the Pension Parties.

At or prior to the time of the Meetings, the Pension Parties shall deliver to the Monitor written notice confirming, as applicable, the fulfillment or waiver, to the extent available, of the condition precedent to implementation of the Plan as set out in Section 10.3(f) above (the “**Condition Certificate**”).

### 10.4 Plan Implementation Date Certificate

Upon receipt by the Monitor of the Condition Certificate from the Pension Parties, and upon satisfaction of the Monitor as to the fulfillment or waiver, to the extent permitted herein, of the conditions described in Sections 10.3(a) through (e), the Monitor shall (a) issue forthwith the Monitor’s Plan Implementation Date Certificate to the Sears Canada Entities and serve a copy of such Plan Implementation Date Certificate on the Service List, and (b) file as soon as reasonably practicable a copy of the Monitor’s Plan Implementation Date Certificate with the Court. With respect to the condition set out at Section 10.3(f), the Monitor will be relying exclusively on the Condition Certificate, without any obligation whatsoever to verify the satisfaction or waiver of such condition. Following the filing of the Monitor’s Plan Implementation Date Certificate with the Court, the Monitor shall post a copy of same on the Website.

## **Article 11 General**

### **11.1 General**

On the Plan Implementation Date, or at such other times as provided in the Plan:

- (a) the Plan will become effective at the Effective Time;
- (b) the steps set out in Article 7 will commence;
- (c) the treatment of Claims under the Plan shall be final and binding for all purposes and enure to the benefit of the Sears Canada Entities, all Affected Creditors, the Released Parties and all other Persons and parties named or referred to in, or subject to, the Plan and their respective heirs, executors, trustees in bankruptcy, administrators and other legal representatives, successors and assigns;
- (d) all releases, compromises and settlements contained in Section 9.1 of the Plan shall become effective;
- (e) each Person named or referred to in, or subject to, the Plan shall be deemed to have consented and agreed to all of the provisions of the Plan, in its entirety; and
- (f) each Person named or referred to in, or subject to, the Plan shall be deemed to have executed and delivered to the Sears Canada Entities and/or Monitor all consents, releases, directions, assignments and waivers, statutory or otherwise, required to implement and carry out the Plan in its entirety.

### **11.2 Claims Bar Dates**

Nothing in this Plan extends or shall be interpreted as extending or amending any deadline or claims bar date provided for under either Claims Procedure Order, or gives or shall be interpreted as giving any rights to any Person in respect of Claims that have been barred or extinguished pursuant to the Claims Procedure Orders.

### **11.3 Deeming Provisions**

In the Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

### **11.4 Non-Consummation**

The Monitor reserves the right to revoke or withdraw the Plan at any time prior to the Plan Implementation Date with approval of the Court. If: (i) the Monitor revokes or withdraws the Plan in accordance with the foregoing, or (ii) the Plan Implementation Date does not occur before April 30, 2019 or such later date as agreed to by the Monitor and the Pension Parties, then: (a) the Plan (including all steps taken thereunder) shall be null and void in all respects, (b) any settlement or compromise embodied in the Plan, or any document or agreement executed pursuant to or in connection with the Plan shall be deemed to be null and void; and (c) nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, shall:

- (a) constitute or be deemed to constitute a waiver or release of any Claims by or against any of the Sears Canada Entities, the Pension Parties or any other Person;

- (b) prejudice in any manner the rights of the Sears Canada Entities, the Pension Parties or any other Person in any further proceedings involving any of the Sears Canada Entities; or
- (c) constitute an admission of any sort by any of the Sears Canada Entities or any other Person.

### **11.5 Modifications of the Plan**

The Monitor may at any time prior to and after the Meetings (and both prior to and subsequent to the obtaining of the Sanction Order), file a Plan Modification (a) pursuant to an Order of the Court, or (b) without further Court or Creditor approval, where such Plan Modification concerns (i) a matter which is of an administrative nature required to better give effect to the implementation of the Plan and the Sanction Order, or (ii) cure any errors, omissions or ambiguities, and in either case of foregoing clause (i) and (ii), is not materially adverse to the financial or economic interests of the Affected Creditors.

### **11.6 Paramountcy**

From and after the Effective Time, any conflict between:

- (a) the Plan; and
- (b) the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, lease or other agreement (including the Pension Support Agreement), written or oral and any and all amendments or supplements thereto existing between any Person and the Sears Canada Entities as at the Plan Implementation Date and the articles and by-laws or other constating documents of the Sears Canada Entities

will be deemed to be governed by the terms, conditions and provisions of the Plan and the Sanction Order, which shall take precedence and priority.

### **11.7 Responsibilities of the Monitor**

FTI is acting and will continue to act in all respects in its capacity as Monitor in the CCAA Proceedings with respect to the Sears Canada Entities and not in its personal or corporate capacity. The Monitor will not be responsible or liable in its personal or corporate capacity for carrying out its obligations under the Plan or the Sanction Order nor will the Monitor be responsible for any obligations of the Sears Canada Entities whatsoever. The Monitor will have the powers and protections granted to it by the Plan, the CCAA, the Initial Order, the Sanction Order and any other Order of the Court made in the CCAA Proceedings.

### **11.8 Notices**

Any notice or other communication to be delivered hereunder must be in writing and reference the Plan and may, subject as hereinafter provided, be made or given by personal delivery, or by email addressed to the respective parties as follows:

- (a) If to the Sears Canada Entities:  
  
Sears Canada Inc.  
c/o FTI Consulting Canada Inc.  
79 Wellington Street West  
TD South Tower, Suite 2010

PO Box 104  
Toronto, ON M5K 1G8

Attention: Steve Bissell  
Email: [searscanada@fticonsulting.com](mailto:searscanada@fticonsulting.com)

with a copy to:  
Norton Rose Fulbright Canada LLP  
Royal Bank Plaza, South Tower. Suite 3800  
200 Bay Street  
Toronto, ON M5J 2Z4

Attention: Orestes Pasparakis & Virginie Gauthier  
Email: [orestes.pasparakis@nortonrosefulbright.com](mailto:orestes.pasparakis@nortonrosefulbright.com) /  
[virginie.gauthier@nortonrosefulbright.com](mailto:virginie.gauthier@nortonrosefulbright.com)

(b) If to the Monitor:

FTI Consulting Canada Inc.  
79 Wellington Street West  
TD South Tower, Suite 2010  
PO Box 104  
Toronto, ON M5K 1G8

Attention: Steve Bissell  
Email: [searscanada@fticonsulting.com](mailto:searscanada@fticonsulting.com)

with a copy to:

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

Attention: Orestes Pasparakis & Virginie Gauthier  
Email: [orestes.pasparakis@nortonrosefulbright.com](mailto:orestes.pasparakis@nortonrosefulbright.com) /  
[virginie.gauthier@nortonrosefulbright.com](mailto:virginie.gauthier@nortonrosefulbright.com)

or to such other address as any party may from time to time notify the others in accordance with this Section. Any such communication so given or made shall be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of sending by means of recorded electronic communication, provided that such day in either event is a Business Day and the communication is so delivered or sent before 5:00 p.m. on such day. Otherwise, such communication shall be deemed to have been given and made and to have been received on the next following Business Day.

### **11.9 Further Assurances**

Each of the Persons named or referred to in, or subject to, the Plan will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of the Plan and to give effect to the transactions contemplated herein.

DATED as of the 15th day of February, 2019.

## Schedule A Definitions

“**168886**” has the meaning ascribed thereto in the Recitals;

“**2497089**” has the meaning ascribed thereto in the Recitals;

“**249 SCI Loan**” means the \$160 million loan made by 2497089 to Sears Canada under the Tax Loss Utilization Structure;

“**Administration Charge**” has the meaning given to such term in the Initial Order;

“**Administrative Reserve**” means a Cash reserve from the SLH Cash, Corbeil Cash and Sears Cash, as applicable in accordance with the Cost Allocation Methodology, in an amount to be adjusted from time to time as determined by the Monitor, and to be reserved by the Monitor on an accounting basis, for the purpose of paying the Administrative Reserve Amounts, from time to time;

“**Administrative Reserve Amounts**” means:

- (a) costs incurred and in respect of: (i) the Monitor’s fees and disbursements (including of its legal counsel and other consultants and advisors) in connection with the performance of its duties under the Plan and in the CCAA Proceedings, including all costs associated with resolving Unresolved Claims; (ii) any third party fees in connection with the administration of distributions, disbursements and payments under the Plan; (iii) fees and disbursements of the Sears Canada Entities’ legal counsel, consultants and other advisors; (iv) the fees and disbursements of Employee Representative Counsel and Pension Representative Counsel; (v) the fees and disbursements of any Claims Officer appointed under the Claims Procedure Orders; (vi) ordinary course costs (including operating costs such as wages and rent) expected to be incurred following the previous Distribution Date; and (vii) any other reasonable amounts in respect of any determinable contingency as the Monitor may determine in its sole discretion, but excluding any and all Litigation Costs; and
- (b) Post-Filing Claims and Unaffected Claims, to the extent not already resolved and paid;

“**Affected Claim**” means any Claim other than an Unaffected Claim;

“**Affected Creditor**” means any Creditor holding an Affected Claim, including a Sears Canada Entity holding an Affected Claim;

“**Affected Third Party Unsecured Claim**” means an Affected Unsecured Claim of an Affected Third Party Unsecured Creditor;

“**Affected Third Party Unsecured Creditor**” means the Pension Plan Administrator in respect of the Pension Claims or an Affected Unsecured Creditor, other than a Sears Canada Entity;

“**Affected Unsecured Claim**” means an Unsecured Claim that is an Affected Claim, which for greater certainty includes the Pension Claims;

“**Affected Unsecured Creditor**” means a Creditor who has an Affected Unsecured Claim;

“**Affiliate**” means, with respect to any Person, any other Person who directly or indirectly controls, is controlled by, or is under direct control or indirect common control with, such Person, and includes any Person in like relation to an Affiliate. A Person shall be deemed to “**control**” another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and

policies of such other Person, whether through ownership of voting securities, by contract or otherwise, and the term “**controlled**” shall have a similar meaning;

“**Applicants**” has the meaning ascribed thereto in the Recitals;

“**Applicable Law**” means any law (including any principle of civil law, common law or equity), statute, order, decree, judgment, rule, regulation, ordinance, by-law or other pronouncement having the effect of law, whether in Canada or any other country or any domestic or foreign province, state, city, county or other political subdivision;

“**Assessments**” means Claims of Her Majesty the Queen in Right of Canada or of any province or territory or municipality or any other Taxing Authority in any Canadian or foreign jurisdiction, including amounts which may arise or have arisen under any notice of assessment, notice of objection, notice of reassessment, notice of appeal, audit, investigation, demand or similar request from any Taxing Authority;

“**Available Cash**” means, in respect of a Debtor Group, either the SLH Cash, the Corbeil Cash, or the Sears Cash, as applicable, for such Debtor Group;

“**BIA**” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended;

“**Business**” means the direct and indirect business operations, activities and affairs carried on, or formerly carried on, by Sears Canada Entities both before and on and after the Filing Date;

“**Business Day**” means a day on which banks are open for business in the City of Toronto, Ontario, Canada, but does not include a Saturday, Sunday or a statutory holiday in the Province of Ontario;

“**Cash**” means cash, certificates of deposit, bank deposits, commercial paper, treasury bills and other cash equivalents;

“**Cash Pools**” means, together, the Debtor Cash Pools and the Litigation Recoveries Pool;

“**Cash Pool/Holdback Adjustments**” means, with respect to a Cash Pool or the Litigation Cost Recovery Fund, the adjustments to such Cash Pool or the Litigation Cost Recovery Fund, as applicable, as applied in the order set out in Sections 7.1(a) to (e);

“**CCAA**” has the meaning ascribed thereto in the Recitals;

“**CCAA Charges**” means the Administration Charge, the Litigation Trustee’s Charge, the KERP Priority Charge, the Directors’ Priority Charge, the DIP ABL Lenders’ Charge, the DIP Term Lenders’ Charge, the KERP Subordinated Charge, and the Directors’ Subordinated Charge, the FA Charge, and any other charges granted by the Court in the CCAA Proceedings;

“**CCAA Proceedings**” has the meaning ascribed thereto in the Recitals;

“**Claim**” means a Pre-Filing Claim, a Restructuring Period Claim, a Post-Filing Claim, and a D&O Claim, and for greater certainty shall include a Construction Claim, a Warranty Claim, an Employee Claim and a Retiree Claim, as well as any Claim arising through subrogation or assignment against any Sears Canada Entity or Director or Officer;

“**Claims Officer**” means any individual or individuals appointed by the Court pursuant to a Claims Procedure Order;

“**Claims Procedure Order (E&R)**” means the Employee and Retiree Claims Procedure Order of the Court dated February 22, 2018 (as such order may be amended, supplemented or restated from time to time), approving and implementing the claims procedure for the Claims of Employees and Retirees made

in respect of the Sears Canada Entities and the Directors and Officers (including all schedules and appendices thereof);

**“Claims Procedure Order (General)”** means the Claims Procedure Order of the Court dated December 8, 2017 (as such order may be amended, supplemented or restated from time to time), approving and implementing the claims procedure in respect of the Sears Canada Entities and the Directors and Officers (including all schedules and appendices thereof);

**“Claims Procedure Orders”** means together the Claims Procedure Order (General) and the Claims Procedures Order (E&R);

**“Condition Certificate”** has the meaning ascribed thereto in Section 10.3;

**“Construction Claim”** has the meaning ascribed thereto in the Claims Procedure Order (General);

**“Corbeil Cash”** means all Cash on hand of Former Corbeil as at the Filing Date, plus the proceeds of sale of the Corbeil Transaction, and all Cash that is received by Former Corbeil following the Filing Date, whether from the sale, disposition or monetization of any remaining assets, receipt of any Tax Refund or any other Cash received by Former Corbeil from time to time, less:

- (a) Cash actually spent or distributed by Former Corbeil since the Filing Date but prior to the Plan Implementation Date,
- (b) the amount of the Corbeil Reserves,
- (c) the amount of any Plan Distributions, payments on account of Proven Unaffected Claims, or payments made pursuant to or as contemplated by the Plan, attributable to or on behalf of Former Corbeil,

plus or minus, as applicable,

- (d) Former Corbeil’s Cost Allocation Amount and Ordinary Course Post-Filing Intercompany Position;

**“Corbeil Cash Pool”** means the Corbeil Cash available for distribution to (a) the Affected Unsecured Creditors of Former Corbeil with Proven Affected Unsecured Claims under the Plan, or (b) Sears Canada as the shareholder of Former Corbeil, calculated on each Distribution Date, immediately prior to any Cash Pool/Holdback Adjustment;

**“Corbeil Reserves”** means, collectively, the Unresolved Claims Reserve for Former Corbeil, that portion of the Administrative Reserve allocated in accordance with the Cost Allocation Methodology to Former Corbeil, and any other reserve the Monitor considers necessary or appropriate, as each of them may be adjusted from time to time in accordance with the Plan;

**“Corbeil Transaction”** means the sale transaction contemplated by the asset purchase agreement between Former Corbeil, as seller, and Am-Cam Electroménagers Inc. as buyer, Distinctive Appliances Inc., as guarantor, and Sears Canada, as intervenor, dated October 1, 2017 and approved by the Court on October 4, 2017;

**“Cost Allocation Amount”** means, in respect of a Debtor Group, an amount equal to the difference between:

- (a) the actual amounts paid out of such Debtor Group’s Available Cash on account of (i) post-filing professional fees incurred up to and including the relevant Distribution Date, (ii)

amounts repaid on account of principal, interest and fees under the DIP Loan Agreements, and (iii) any shared services overhead; and

- (b) such Debtor Group's share as determined by the Cost Allocation Methodology of all of the foregoing amounts paid by the Sears Canada Entities as a whole;

**"Cost Allocation Methodology"** means the methodology for the allocation of the costs of the CCAA Proceedings amongst the Sears Canada Entities as set out at paragraph 84 of the Sixteenth Report of the Monitor dated April 2, 2018;

**"Court"** means the Ontario Superior Court of Justice (Commercial List) or any appellate court seized with jurisdiction in the CCAA Proceedings, as the case may be;

**"Creditor"** means any Person having a Claim, but only with respect to and to the extent of such Claim, including the transferee or assignee of a transferred Claim that is recognized as a Creditor in accordance with the Claims Procedure Orders, the Plan and the Meetings Order, or a trustee, executor, liquidator, receiver, receiver and manager of, or other Person acting on behalf of or through, such Person;

**"D&O Claim"** means any right or claim of any Person against one or more of the Directors and/or Officers howsoever arising, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any Assessments and any right or ability of any Person to advance a claim for contribution, indemnity or otherwise against any of the Directors and/or Officers with respect to any matter, action, cause or chose in action, however arising, for which any Director or Officer is alleged to be, by statute or otherwise by law or equity, liable to pay in his or her capacity as a Director or Officer;

**"D&O Insurer"** means any insurer under a directors' and officers' insurance policy pursuant to which any Director and/or Officer is insured;

**"Dealer"** means any Person carrying on business as "Sears Hometown" stores any time after July 5, 2011 pursuant to a dealer agreement with Sears Canada;

**"Dealer 2013 Dividend Claim"** means the claim bearing court file number 4114/15 CP, against Sears Canada, Sears Holdings Corporation, ESL Investments and certain Directors and Officers commenced on or about October 21, 2015, for, among other things, oppression under the *Canada Business Corporations Act* (Canada);

**"Dealer Claim"** means any Claim of a Dealer;

**"Dealer Representative Plaintiff"** means 1291079 Ontario Inc., in its capacity as class representative for the following claims:

- (a) claim bearing court file number 3769/13 CP against Sears Canada and Sears Roebuck and Co. commenced on or about July 5, 2013 for, among other things, breaches under the *Arthur Wishart Act (Franchise Disclosure), 2000* (Ontario); and
- (b) claim bearing court file number 4114/15 CP, against Sears Canada, Sears Holdings Corporation, ESL Investments and certain Directors and Officers commenced on or about October 21, 2015, for, among other things, oppression under the *Canada Business Corporations Act* (Canada);

**"Debtor Cash Pools"** means, collectively, the SLH Cash Pool, the Corbeil Cash Pool and the Sears Cash Pool;

**“Debtor Groups”** means, collectively, Former Corbeil, the Sears Parties and the SLH Parties, and **“Debtor Group”** means any one of Former Corbeil, the Sears Parties (collectively), or the SLH Parties (collectively);

**“Deemed Trust Motions”** means the motions in the CCAA Proceedings brought variously by Pension Representative Counsel, the Superintendent and the Pension Plan Administrator for orders, among other things,

- (c) that the amount of the wind-up deficit in connection with the Pension Plan is deemed to be held in trust for the beneficiaries of the Pension Plan pursuant to Section 57(4) of the *Pension Benefits Act* (Ontario) (“**PBA**”) with priority ahead of the claims of all other creditors of Sears Canada other than amounts secured by the CCAA Charges;
- (d) that the Plan Administrator, has a lien and charge under Section 57(5) of the PBA for the amount of the wind-up deficit in connection with the Pension Plan;
- (e) that the foregoing orders survive any future bankruptcy or receivership of the Applicants; and
- (f) that Former Corbeil and the SLH Parties are jointly and severally liable with Sears Canada for the obligations under the Pension Plan and that the assets of Former Corbeil and the SLH Parties may also be subject to the deemed trust and lien under the PBA as described above,

but excluding the motion for directions with respect to spousal waivers provided in connection with the Pension Plan;

**“De Minimis Claim”** has the meaning ascribed thereto in Section 5.4;

**“DIP ABL Agent”** means Wells Fargo Capital Finance Corporation Canada as administrative agent under the DIP ABL Credit Agreement;

**“DIP ABL Credit Agreement”** the Senior Secured Superpriority Debtor-in-Possession Credit Agreement dated as of June 22, 2017 among the Sears Canada Entities, the DIP ABL Agent and the lenders from time to time party thereto;

**“DIP ABL Lenders’ Charge”** has the meaning given to such term in the Initial Order;

**“DIP Lenders”** means the DIP ABL Agent and the DIP Term Agent and those lenders party from time to time to the DIP Loan Agreements;

**“DIP Loan Agreements”** means, collectively, the DIP ABL Credit Agreement and the DIP Term Credit Agreement;

**“DIP Term Agent”** means GACP Financing Co., LLC, as administrative agent under the DIP Term Credit Agreement;

**“DIP Term Credit Agreement”** the Senior Secured Superpriority Credit Agreement dated as of June 22, 2017 among the Sears Canada Entities, the DIP Term Agent and the lenders from time to time party thereto;

**“DIP Term Lenders’ Charge”** has the meaning given to such term in the Initial Order;

**“Director”** means anyone who is or was or may be deemed to be or have been, whether by statute, operation of law or otherwise, a director or *de facto* director of any of the Sears Canada Entities, in such capacity;

**“Directors’ Priority Charge”** has the meaning given to such term in the Initial Order;

**“Directors’ Subordinated Charge”** has the meaning given to such term in the Initial Order;

**“Distribution Date”** means the date of any Plan Distribution;

**“Duplicate Claim”** means a Proven Affected Unsecured Claim against more than one of the Sears Canada Entities based on the same underlying obligation;

**“Effective Time”** means 12:01 a.m. on the Plan Implementation Date or such other time on the Plan Implementation Date as the Monitor shall determine or as otherwise ordered by the Court;

**“Eligible Voting Claims”** means a Voting Claim or an Unresolved Voting Claim;

**“Eligible Voting Creditors”** means, subject to Section 4.2(b), Affected Unsecured Creditors holding Voting Claims or Unresolved Voting Claims;

**“Employee”** means any (i) active or inactive union or non-union employee of any one or more of the Sears Canada Entities on or after the Filing Date, including an employee of any one or more of the Sears Canada Entities who received notice of termination of employment dated on or after the Filing Date or who resigned or otherwise ceased employment on or after the Filing Date; and (ii) former employee of any one of the Sears Canada Entities, including without limitation any former employee whose employment terminated with or without cause at any time, any former employee who received notice, on or after the Filing Date, of the cessation of his or her termination or severance payments, and any former employee who had an outstanding active action, claim or complaint as of the Filing Date;

**“Employee Claim”** means an “Employee Claim” as defined in the Claims Procedure Order (E&R);

**“Employee Priority Claims”** means, in respect of a Sears Canada Entity, the following claims of Employees of such Sears Canada Entity:

- (a) claims equal to the amounts that such Employees would have been qualified to receive under paragraph 136(1)(d) of the BIA if the Sears Canada Entity had become bankrupt on the Filing Date, which for greater certainty, excludes any OPEB, pension contribution, and termination and severance entitlements; and
- (b) claims for wages, salaries, commissions or compensation for services rendered by such Employees after the Filing Date and on or before the Plan Implementation Date together with, in the case of travelling salespersons, disbursements properly incurred by them in connection with the Business during the same period, which for greater certainty, excludes any OPEB, pension contribution, and termination and severance entitlements;

**“Employee Representative Counsel”** means Ursel, Phillips, Fellows, Hopkinson LLP as appointed pursuant to the Employee Representative Counsel Order made July 13, 2017, as amended;

**“Employee Representatives”** means Paul Webber, Nancy Demeter, Sheena Wrigglesworth, Barb Wilser, and Darrin Whitney, or such other representatives as may be duly appointed by Employee Representative Counsel;

**“Equity Claim”** has the meaning ascribed thereto in section 2 of the CCAA;

**“ERC Employee”** means any Employee other than a Non-ERC Employee;

**“ESL Parties”** means Sears Holdings Corporation and its affiliates, ESL Investments Inc., ESL Partners, LP, SPE I Partners, LP, SPE Master I, LP, ESL Institutional Partners, LP, Edward S. Lampert and any other Person (other than a Director or Officer) against whom a claim is made under the LT/TUV Litigation, the Dealer 2013 Dividend Claim, or by or on behalf of the Pension Plan Administrator or the beneficiaries of the Pension Plan under the Pension 2013 Dividend Claim, and **“ESL Party”** means any one of them;

**“FA Charge”** has the meaning given to such term in the Initial Order;

**“Former Corbeil”** has the meaning ascribed thereto in the Recitals;

**“Former SLH”** has the meaning ascribed thereto in the Recitals;

**“Filing Date”** means June 22, 2017;

**“Final Determination”** and **“Finally Determined”** as pertains to a Claim, matter or issue, means either:

- (a) in respect of a Claim, such Claim has been finally determined for distribution purposes in accordance with the applicable Claims Procedure Order (or Warranty Claims Protocol, if such Claim is a Reimbursable Warranty Claim) and the Plan;
- (b) there has been a Final Order in respect of the matter or issue; or
- (c) there has been an agreed and binding settlement of the issue or matter by the relevant parties;

**“Final Distribution”** means the final Plan Distribution made under the Plan by the Monitor, on behalf of the Sears Canada Entities;

**“Final Distribution Bar Date”** has the meaning ascribed to such term in Section 7.5;

**“Final Distribution Certificate”** means a certificate of the Monitor to be posted by the Monitor on the Website indicating that the Monitor intends to make a Final Distribution on a specified date not less than ninety (90) days following the date of the certificate, and a copy of which certificate shall be served on the Service List in the CCAA Proceedings and filed with the Court;

**“Final Order”** means an Order of the Court, which has not been reversed, modified or vacated, and is not subject to any stay or appeal, and for which any and all applicable appeal periods have expired;

**“FTI”** means FTI Consulting Canada Inc.;

**“Governance Protocol Order”** means the Governance Protocol and Stay Extension Order of the Court made December 3, 2018 (as such order may be amended, supplemented or restated from time to time) establishing a governance protocol for the Sears Canada Entities;

**“Governmental Authority”** means any government, including any federal, provincial, territorial or municipal government, and any government department, body, ministry, agency, tribunal, commission, board, court, bureau or other authority exercising or purporting to exercise executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government including without limitation any Taxing Authority;

**“Government Priority Claims”** means all claims of Governmental Authorities that are described in section 6(3) of the CCAA;

**“Guarantee”** means any guarantee, indemnity, surety or similar agreement granted by a Person to guarantee, indemnify or otherwise hold harmless any other Person from or against any losses, liabilities or damages of that other Person;

**“Hardship Process”** means the former employee hardship application process that was established pursuant to Order of the Court dated August 18, 2017, as same has been amended and extended from time to time as approved by the Court;

**“Initial Order”** has the meaning given to it in the Recitals;

**“Initial Distribution Date”** means the first date on which Plan Distributions are made under the Plan;

**“Insurance Policy”** means any insurance policy pursuant to which any Sears Canada Entity is insured, and for greater certainty excludes any insurance policy pursuant to which any Director, Officer or third party is insured;

**“Insured Claim”** means all or that portion of a Claim against a Sears Canada Entity that is insured under an Insurance Policy, but solely to the extent that such Claim, or portion thereof, is so insured, and only as against such insurance;

**“KERP Priority Charge”** has the meaning given to such term in the Initial Order;

**“KERP Subordinated Charge”** has the meaning given to such term in the Initial Order;

**“Landlord”** means a landlord under any real property lease or occupancy agreement for any of the Applicants' premises;

**“Landlord Cost Payment”** has the meaning ascribed thereto in Section 5.10;

**“Landlord Settlement Agreement”** means, in respect of a Landlord, either (i) the Landlord Claim Formula Term Sheet dated July 26, 2018 entered into among such Landlord and the Monitor, (ii) any joinder agreement entered into among such Landlord and the Monitor with respect to the same, or (iii) the settlement agreement dated November 30, 2018 entered into between the Monitor and Blaney McMurtry LLP on behalf of such Landlord;

**“Liability”** means any indebtedness, obligations and other liabilities of a Person whether absolute, accrued, contingent, fixed or otherwise, or whether due or to become due;

**“Lien”** means any lien, mortgage, charge, security interest, hypothec or deemed trust, arising pursuant to contract, statute or Applicable Law;

**“Litigation Approval Orders”** means the TUV Proceedings Approval Order and the Litigation Trustee Appointment Order;

**“Litigation Costs”** means costs incurred from and after December 3, 2018 in respect of: (a) the Monitor's fees and disbursements (including of its legal counsel and other consultants and advisors) in connection with the pursuit of the TUV Claim; (b) the Litigation Trustee's fees and disbursements (including of its legal counsel and other consultants and advisors) in connection with the pursuit of the LT Claims; (c) any third party fees in connection with the pursuit of the TUV Claim and LT Claims; (d) any adverse cost awards against Sears Canada, the Monitor or the Litigation Trustee in connection with the pursuit of the TUV Claim and LT Claims; and (e) any other reasonable amounts in respect of any contingency desirable or necessary for the pursuit of the TUV Claim and LT Claims, as the Monitor may determine, in consultation with the Litigation Trustee and Creditors' Committee (as continued in the Litigation Trustee Appointment Order);

**“Litigation Costs Recovery Fund”** means a cash fund to be established from the aggregate of the Litigation Cost Recovery Amounts, to be reserved by the Monitor on an accounting basis, for the purpose of paying or recovering the Litigation Costs, from time to time, which amount may be increased by the Monitor from time to time as deemed necessary to satisfy any Monitor’s Cost Indemnity Claim or the Litigation Trustee’s Indemnity or any adverse cost awards against Sears Canada, the Monitor or the Litigation Trustee in connection with the pursuit of the TUV Claim and LT Claims, provided that any such increase shall be funded pro rata from distributions otherwise payable to all Sears Opt-In Creditors. The Monitor will consult with the Litigation Trustee and the Creditors’ Committee prior to any increase in the Litigation Cost Recovery Fund to an amount in excess of the Litigation Cost Recovery Amount, except in the case of any increases determined by the Monitor or by order of the Court to be necessary to satisfy any potential Monitor’s Cost Indemnity Claim or Litigation Trustee’s Indemnity or any adverse cost awards against Sears Canada, the Monitor or the Litigation Trustee in connection with the pursuit of the TUV Claim and LT Claims;

**“Litigation Cost Recovery Amount”** means, in respect of the first Plan Distribution to be made to each Sears Opt-In Creditor with a Proven Affected Unsecured Claim, whether at the Initial Distribution Date or otherwise, an amount equal to the product of (a) such first Plan Distribution; and (b) a fraction, the numerator of which is \$12 million, and the denominator of which is the aggregate the amount of all Plan Distributions to be made to Sears Opt-In Creditors with Proven Affected Unsecured Creditors on the Initial Distribution Date, without considering any deduction of Litigation Cost Recovery Amounts;

**“Litigation Recoveries”** means any net recoveries received by or on behalf of any of the Sears Canada Entities from time to time on account of the LT Claims and TUV Claim;

**“Litigation Recoveries Pool”** means the aggregate amount of Litigation Recoveries, determined on the Distribution Date immediately prior to any Cash Pool/Holdback Adjustment;

**“Litigation Reimbursement Amount”** means the amount of Litigation Costs paid or accrued up to the Initial Distribution Date;

**“Litigation Trustee”** means the Honourable J. Douglas Cunningham, Q.C. in his capacity as litigation trustee in respect of the LT Claims, as appointed pursuant to the Litigation Trustee Appointment Order, and any individual replacing Mr. Cunningham in such capacity pursuant to an Order of the Court;

**“Litigation Trustee Appointment Order”** means the Order of the Court dated December 3, 2018 (as such order may be amended, supplemented or restated from time to time), and which, among other things, appointed the Litigation Trustee and authorized and directed him to pursue the LT Claims;

**“Litigation Trustee’s Charge”** means the charge over the Property of Sears Canada created by paragraph 12 of the Litigation Trustee Appointment Order, and which has the priority provided by such paragraph;

**“Litigation Trustee’s Indemnity”** means the indemnity provided by Sears Canada in favour of the Litigation Trustee pursuant to paragraph 9 of the Litigation Trustee Appointment Order;

**“LT Claims”** means any claims pursued by the Litigation Trustee pursuant to the Litigation Trustee Appointment Order;

**“LT/TUV Litigation”** means, collectively, the TUV Claim and the LT Claims.

**“LT/TUV Litigation Payment Reduction”** has the meaning ascribed thereto in Section 5.6(a);

**“Mediated Claim Settlements”** has the meaning ascribed thereto in the Recitals;

**“Meetings”** means the meetings of Affected Unsecured Creditors in the Unsecured Creditor Classes in respect of the SLH Parties and the Sears Parties, and called for the purposes of considering and voting in respect of the Plan, which has been set by the Meetings Order to take place at the times, dates and locations as set out in the Meetings Order;

**“Meetings Order”** means the Order of the Court dated February 15, 2019, among other things, setting the time, date and location of the Meetings and establishing meeting procedures for the Meetings (as such order may be amended, supplemented or restated from time to time);

**“Monitor”** has the meaning ascribed thereto in the Recitals;

**“Monitor’s Cost Indemnity Claim”** means the claim provided for under paragraph 8 of the TUV Proceeding Approval Order allowing the Monitor to claim for indemnity against the Property to satisfy any legal costs associated with the TUV Claim and which may be awarded against the Monitor;

**“Non-ERC Employee”** means any of the following Employees (i) Unionized Employee; (ii) any Employee who is currently or was previously a member of senior management of any of the Sears Canada Entities and who was not eligible for representation by Employee Representative Counsel; and (iii) any Employee who was eligible for representation by Employee Representative Counsel and who opted out of such representation in accordance with the requirements contained in the Employee Representative Counsel Order made July 13, 2017, as amended;

**“Non-Released Claim”** means, collectively:

- (a) Sears Canada Entities’ obligations under the Plan (including the right of Affected Unsecured Creditors to receive distributions pursuant to the Plan);
- (b) any claim against a Released Party that is determined by a Final Order of a court of competent jurisdiction to have arisen from such Released Party’s fraud or wilful misconduct;
- (c) any claim that arises out of or relates to the dividend paid to shareholders of Sears Canada on December 6, 2013 in the amount of approximately \$509 million, including, but not limited to, (i) claims asserted in the LT/TUV Litigation or the Pension/Dealer Litigation, (ii) any crossclaims against named defendants in the LT/TUV Litigation or Pension/Dealer Litigation, or (iii) any claims over arising from the LT/TUV Litigation or Pension/Dealer Litigation against any other Person;
- (d) any Unaffected Claims as against the Sears Released Parties;
- (e) any D&O Claim that is not permitted to be released pursuant to section 5.1 (2) of the CCAA;
- (f) any obligation secured by any of the CCAA Charges; and
- (g) claims against Employees to the extent described in Section 9.1(a)(ii);

**“Notice of Transfer or Assignment”** means a written notice of transfer or assignment of a Claim, together with satisfactory evidence of such transfer or assignment in accordance with the applicable Claims Procedure Order and the Meetings Order;

**“Officer”** means any Person who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, an officer or *de facto* officer of any of the Sears Canada Entities;

**“OPEB”** means health and dental post-employment benefits and/or life insurance benefits, each as provided by any of the Sears Canada Entities as a post-employment benefit;

**“Ordinary Course Post-Filing Intercompany Position”** means, in respect of a Debtor Group, the net aggregate of all amounts payable by and receivable of such Debtor Group to or from the other Debtor Groups on account of transactions (which for greater certainty shall exclude all (a) post-filing professional fees, (b) amounts repaid on account of principal, interest and fees under the DIP Loan Agreements, and (c) shared services overhead) between such Debtor Groups after the Filing Date;

**“Payee Party”** has the meaning ascribed thereto in Section 7.3;

**“Payment Amount”** has the meaning ascribed thereto in Section 7.3;

**“Payor Party”** has the meaning ascribed thereto in Section 7.3;

**“Pension 2013 Dividend Claim”** means the claim bearing court file number CV-18-00611217-00CL commenced by the Pension Plan Administrator against ESL Investments Inc., certain Affiliates of ESL Investments Inc., Edward S. Lampert, and certain former directors and officers of Sears Canada Inc.;

**“Pension Claim Settlement”** means the settlement between the Sears Canada Entities, Monitor and the Pension Parties as made further to the Pension Support Agreement, and pursuant to which (a) the Pension Claims will be allowed as Proven Affected Unsecured Claims by the Monitor for the purposes of the Plan in the amounts and subject to the exceptions as agreed to by the parties, (b) the Pension Parties will discontinue the Deemed Trust Motions upon implementation of the Plan; and (c) the Pension Parties have agreed to adjust the value of the Pension Claims for distribution purposes, and reimburse the Sears Canada Parties, as applicable, in accordance with Sections 3.2(b) and 5.2(b) of the Plan;

**“Pension Claims”** means Claims with respect to the administration, funding or termination of the Pension Plan, including any Claim for unpaid normal cost payments, or special/amortization payments or any wind up deficiency, and further including any subrogated claim, and **“Pension Claim”** means any one of them;

**“Pension/Dealer Litigation”** means together the Dealer 2013 Dividend Claim and the Pension 2013 Dividend Claim;

**“Pension Litigation Recovery Adjustment”** has the meaning ascribed thereto in Section 3.2(b);

**“Pension Parties”** means the Pension Plan Administrator, the Superintendent and Pension Representative Counsel on behalf of the Retirees, and **“Pension Party”** means any one of them;

**“Pension Plan”** means the Registered Retirement Plan (Reg. #0360065), a pension plan registered under the Ontario *Pension Benefits Act*, R.S.O. 1990, c. P.8 and *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.);

**“Pension Plan Administrator”** means Morneau Shepell Ltd. in its capacity as administrator of the Sears Pension Plan;

**“Pension Representative Counsel”** means Koskie Minsky LLP, as appointed by the Court pursuant to the Representative Counsel Order for Pensions and Post-Retirement Benefits made July 13, 2017 (as amended);

**“Pension Representatives”** means Bill Turner, Ken Eady and Larry Moore;

**“Pension Support Agreement”** means the Pension Support Agreement dated October 18, 2018 among the Pension Plan Administrator, the Superintendent and Pension Representative Counsel, and the Sears Canada Entities by and through the Monitor;

**“Person”** means any individual, firm, corporation, limited or unlimited liability company, general or limited partnership, association, trust (including a real estate investment trust), unincorporated organization, joint venture, government or any agency or instrumentality thereof or any other entity;

**“Plan”** means this joint plan of compromise and arrangement under the CCAA, including the Schedules hereto, as amended, supplemented or replaced from time to time;

**“Plan Distributions”** means, from time to time, distributions made under this Plan to Affected Unsecured Creditors in accordance with Article 7 and Sections 5.2(c), 5.3(a), and 5.10;

**“Plan Implementation Date”** means the Business Day on which all of the conditions precedent to the implementation of the Plan have been fulfilled, or, to the extent permitted pursuant to the terms and conditions of the Plan, waived, as evidenced by filing of the Monitor’s Plan Implementation Date Certificate with the Court;

**“Plan Implementation Date Certificate”** means the certificate substantially in the form to be attached to the Sanction Order to be filed by the Monitor with the Court, declaring that all of the conditions precedent to implementation of the Plan have been satisfied or waived;

**“Plan Modification”** has the meaning ascribed thereto in the Meetings Order;

**“Post-Filing Claim”** means (i) any right or claim of any Sears Supplier against any of the Sears Canada Entities in connection with any non-payment by any such Sears Canada Entity to such Sears Supplier for goods or services supplied to such Sears Canada Entity on or after the Filing Date to the extent such right or claim is a Proven Claim; (ii) a Warranty Claim that arises under a Warranty purchased on or after the Filing Date, as valued in accordance with Section 5.3(b); and (iii) any Claim against any of the Sears Canada Entities that is not included in (i) or (ii) above and is based in whole on facts arising after the Filing Date (which shall exclude, for greater certainty, any Restructuring Period Claim).

**“PRC Retiree”** means any Retiree who is represented by Pension Representative Counsel and has primary coverage entitlements with respect to any entitlements to health and dental post-employment benefits and/or life insurance benefits provided by any Sears Canada Entity as a post-employment benefit and ;

**“Pre-Filing Claim”** means any right or claim of any Person against any of the Sears Canada Entities, whether or not asserted, including in connection with any indebtedness, liability or obligation of any kind whatsoever of any such Sears Canada Entity to such Person, in existence on the Filing Date, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including rights or claims with respect to any Assessment, Construction Claim, Warranty, any claim brought by any representative plaintiff on behalf of a class in a class action, or contract, or by reason of any equity interest, right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and any right or ability of any Person to advance a claim for contribution or indemnity or otherwise against any of the Sears Canada Entities with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which right or claim, including in connection with indebtedness, liability or obligation, is based in whole or in part on facts that existed prior to the Filing Date, including for greater certainty any claim against any of the Sears Canada Entities for indemnification by any Director or Officer in respect of a D&O Claim;

**“Pre-Filing Interco Claims”** means the Pre-Filing Claims of the Sears Canada Entities in one Debtor Group against the Sears Canada Entities in any other Debtor Group, as set out in Schedule B to the Plan;

**“Pre-Filing Interco Pro Rata Share”** means, in respect of Debtor Group holding a Pre-Filing Interco Claim against another Debtor Group (after accounting for all applicable set-off amounts), the fraction that is equal to (a) such Pre-Filing Interco Claim, divided by (b) the aggregate of all Affected Unsecured Claims, including all Pre-Filing Interco Claims held by all Sears Canada Entities against such Debtor Group;

**“Pre-Filing Warranty Claim”** means a Warranty Claim in which the underlying Warranty was purchased from a Sears Canada Entity prior to the Filing Date;

**“Principal Claim”** has the meaning ascribed thereto in Section 4.5;

**“Priority Claims”** means, collectively, the (a) Employee Priority Claims; and (b) Government Priority Claims;

**“Proof of Claim”** means the applicable proof of claim form that was required to be completed by a Creditor setting forth its applicable Claim and filed with the Monitor (including via the Website), pursuant to the applicable Claims Procedure Order;

**“Property”** means all current and future assets, rights, undertakings and properties of the Sears Canada Entities, of every nature and kind whatsoever, and wherever situate, including all Cash or other proceeds thereof;

**“Proven Affected Third Party Unsecured Claim”** means an Affected Third Party Unsecured Claim that is a Proven Claim;

**“Proven Affected Unsecured Claim”** means an Affected Unsecured Claim that is a Proven Claim;

**“Proven Claim”** means (a) a Claim as Finally Determined for voting, distribution and payment purposes in accordance with the applicable Claims Procedure Order and the Plan, (b) in the case of a Pre-Filing Interco Claim, as such Claim is valued for the purposes of the Plan pursuant to Section 3.2(a)(i) of the Plan, (c) in the case of the Pension Claims, as such Claims are valued for the purposes of the Plan pursuant to Section 3.2 of the Plan, and (d) in the case of a Reimbursable Warranty Claim, as Finally Determined for distribution and payment purposes in accordance with the Warranty Claims Protocol;

**“Proven Priority Claim”** means a Priority Claim that is a Proven Claim;

**“Proven Reimbursable Warranty Claim”** means a Reimbursable Warranty Claim that is a Proven Claim;

**“Proven Secured Claim”** means a Secured Claim that is a Proven Claim;

**“Receivership Order”** means the Amended and Restated Receivership Order dated October 16, 2018 (as such order may be amended, supplemented or restated from time to time, and including all schedules and appendices thereof);

**“Reimbursable Warranty Claim”** means the Pre-Filing Warranty Claim of a Creditor that has incurred costs that would be reimbursable under the terms of the underlying Warranty;

**“Released Claim”** means the matters that are subject to release and discharge pursuant to Article 9 hereof;

**“Released Party”** means any Person who is the beneficiary of a release under the Plan, including the Sears Released Parties and the Third Party Released Parties;

**“Required Majority”** means, with respect to each Unsecured Creditor Class, a majority in number of Affected Unsecured Creditors who represent at least two-thirds in value of the Voting Claims of such

Affected Unsecured Creditors in each case who actually vote on the Plan (in person, by proxy or by ballot) at the applicable Meeting or who were deemed to vote on the Plan in accordance with the Plan and the Meeting Order;

**“Reserves”** means, collectively, the Administrative Reserve, the Unresolved Claims Reserve for Former Corbeil, the Unresolved Claims Reserve for the Sears Parties, the Unresolved Claims Reserve for the SLH Parties, and any other reserve the Monitor, considers necessary or appropriate, as each of them may be adjusted from time to time in accordance with the Plan;

**“Restructuring Period Claim”** means any right or claim of any Person against any of the Sears Canada Entities, including in connection with any indebtedness, liability or obligation of any kind whatsoever of any such Sears Canada Entity to such Person, arising on or after the Filing Date, including without limitation rights or claims arising with respect to the restructuring, disclaimer, rescission, termination or breach by such Sears Canada Entity on or after the Filing Date of any contract, lease or other agreement whether written or oral; but excluding any Post-Filing Claim;

**“Retiree”** means any Person with any (i) entitlements under the Sears Pension Plan; (ii) entitlements under the Supplemental Plan; (iii) primary coverage entitlements with respect to any entitlements to health and dental post-employment benefits and/or life insurance benefits provided by any Sears Canada Entity as a post-employment benefit; (iv) entitlements to the lifetime associate discount provided as a post-employment benefit (including, for greater certainty, current and former Employees who qualify for this discount by virtue of satisfying applicable age and service eligibility criteria); or (v) entitlements under any other pension or retirement plan of the Sears Canada Entities;

**“Retiree Claim”** means a “Retiree Claim” as defined in the Claims Procedure Order (E&R);

**“Sanction Order”** means the Order of the Court to be sought by the Monitor from the Court as contemplated under the Plan which, *inter alia*, approves and sanctions the Plan and the transactions contemplated thereunder, pursuant to section 6(1) of the CCAA;

**“Sears Canada”** has the meaning ascribed thereto in Recital A;

**“Sears Canada Subordinated Transport Loan”** means the loan entered into on January 29, 2016 under which Former SLH borrowed \$160 million from Sears Canada further to the Tax Loss Utilization Structure, and further to which repayment of principal, interest, and other amounts is subordinated in right of payment to the prior payment of all other present and future indebtedness and other obligations of Former SLH;

**“Sears Canada Entities”** has the meaning ascribed thereto in the Recitals, and **“Sears Canada Entity”** means any one of them;

**“Sears Cash”** means all Cash of the Sears Parties as at the Filing Date, including but not limited to the Sears Parties’ Cash on hand, and all Cash that is received by any of the Sears Parties following Filing Date, whether from the sale, disposition or monetization of any remaining assets, receipt of any Tax Refund or any other Cash received by the Sears Parties from time to time, less:

- (a) Cash actually spent or distributed by the Sears Parties since the Filing Date but prior to the Plan Implementation Date,
- (b) the amount of the Sears Reserves, and
- (c) the amount of any Plan Distributions, payments on account of Proven Unaffected Claims, or payments made pursuant to or as contemplated by the Plan, attributable to or on behalf of the Sears Parties

plus or minus, as applicable,

- (d) the Sears Parties' Cost Allocation Amount and Ordinary Course Post-Filing Intercompany Position, all as attributable to or on behalf of the Sears Parties,

but excluding any Litigation Recoveries;

**"Sears Cash Pool"** means the Sears Cash available for distribution to the Affected Unsecured Creditors of the Sears Parties with Proven Affected Unsecured Claims under the Plan, calculated on each Distribution Date, immediately prior to any Cash Pool/Holdback Adjustment, and including any amounts re-contributed by the Dealer Representative Plaintiff, on behalf of the Dealers, to the Sears Cash Pool in accordance with Section 5.2(c)(iv).

**"Sears Opt-In Creditor"** means a Creditor of the Sears Parties, other than a Sears Opt-Out Creditor;

**"Sears Opt-Out Creditor"** means any Creditor of the Sears Parties who provides an opt-out notice to the Monitor in accordance with, and at the times required by, the TUV Proceeding Approval Order;

**"Sears Parties"** has the meaning ascribed thereto in Section 3.1(a), and **"Sears Party"** means any one of them;

**"Sears Released Parties"** has the meaning ascribed thereto in Section 9.1(a), and **"Sears Released Party"** means any one of them;

**"Sears Reserves"** means, collectively, the Unresolved Claims Reserve for the Sears Parties, that portion of the Administrative Reserve allocated in accordance with the Cost Allocation Methodology to the Sears Parties, and any other reserve the Monitor considers necessary or appropriate, as each of them may be adjusted from time to time in accordance with the Plan;

**"Sears Supplier"** means any Person who has supplied goods or services, including by way of their employment, to any Sears Canada Entity;

**"Section 19(2) Claims"** has the meaning ascribed thereto in Section 5.13;

**"Secured Claims"** means a Claim that is secured by a Lien;

**"Secured Creditors"** means Creditors holding Secured Claims;

**"Service List"** means the service list maintained by the Monitor in the CCAA Proceedings, as updated from time to time and posted on the Website;

**"SLH Cash"** means all Cash on hand of the SLH Parties as at the Filing Date, plus the proceeds of sale of the SLH Transaction, and all Cash that is received by any of the SLH Parties following the Filing Date, whether from the sale, disposition or monetization of any remaining assets, receipt of any Tax Refund or any other Cash received by the SLH Parties from time to time, less:

- (a) Cash actually spent or distributed by the SLH Parties since the Filing Date but prior to the Plan Implementation Date,
- (b) the amount of the SLH Reserves, and
- (c) the amount of any Plan Distributions, payments on account of Proven Unaffected Claims, or payments made pursuant to or as contemplated by the Plan, attributable to or on behalf of the SLH Parties,

plus or minus, as applicable,

- (d) the SLH Parties' Cost Allocation Amount and Ordinary Course Post-Filing Intercompany Position;

**"SLH Cash Pool"** means the SLH Cash available for distribution to the Affected Unsecured Creditors of the SLH Parties with Proven Affected Unsecured Claims under the Plan, calculated on the Plan Implementation Date and each Distribution Date, immediately prior to any Cash Pool/Holdback Adjustment;

**"SLH Parties"** has the meaning ascribed thereto in Section 3.1(b), and **"SLH Party"** means any one of them;

**"SLH Reserves"** means, collectively, the Unresolved Claims Reserve for the SLH Parties, that portion of the Administrative Reserve as allocated in accordance with the Cost Allocation Methodology to the SLH Parties, and any other reserve the Monitor considers necessary or appropriate, as each of them may be adjusted from time to time in accordance with the Plan;

**"SLH Transaction"** means the sale transaction contemplated by the asset purchase agreement between Former SLH, Sears Canada, and 168886, as sellers, and 8507597 Canada Inc., as purchaser, dated September 29, 2017 and approved by the Court on October 4, 2017;

**"Specified Advisors"** means, collectively, Osler, Hoskin & Harcourt LLP, BMO Nesbitt Burns Inc., CBRE Limited, Bennett Jones LLP (as legal counsel to the Board of Directors, and Special Committee of the Board of Directors of Sears Canada Inc.), and KSV Advisory Inc. (as financial advisor to the Special Committee of the Board of Directors of Sears Canada Inc.);

**"Specified Payee Party"** has the meaning ascribed thereto in Section 7.3(b);

**"Superintendent"** means the Ontario Superintendent of Financial Services in his capacity as administrator of the Pension Benefit Guarantee Fund;

**"Supplemental Plan"** means the Sears Canada Inc. Supplementary Retirement Plan, a non-registered supplemental pension plan maintained to provide enhanced pension benefits to eligible members of the defined benefit component of the Sears Pension Plan that are not provided under the Sears Pension Plan;

**"Tax"** and **"Taxes"** means any and all taxes including all income, sales, use, goods and services, harmonized sales, value added, capital gains, alternative, net worth, transfer, profits, withholding, payroll, employer health, excise, franchise, real property, and personal property taxes and other taxes, customs, duties, fees, levies, imposts and other Assessments or similar charges in the nature of a tax, including Canada Pension Plan and provincial pension plan contributions, employment insurance and unemployment insurance payments and workers' compensation premiums, together with any instalments with respect thereto, and any interest, penalties, fines, fees, other charges and additions with respect thereto;

**"Taxing Authorities"** means Her Majesty the Queen in right of Canada, Her Majesty the Queen in right of any province or territory of Canada, any municipality of Canada, the Canada Revenue Agency, the Canada Border Services Agency, any similar revenue or taxing authority of Canada and each and every province or territory of Canada (including Revenu Québec) and any political subdivision thereof and any Canadian or foreign government, regulatory authority, government department, agency, commission, bureau, minister, court, tribunal or body or regulation making entity exercising taxing authority or power, and **"Taxing Authority"** means any one of the Taxing Authorities;

**“Tax Loss Utilization Structure”** means the existing tax loss utilization structure of the Sears Canada Entities identified at paragraphs 79 to 82 of the Monitor’s Sixteenth Report made April 2, 2018;

**“Tax Refunds”** means refunds of any amounts paid by the Sears Canada Entities on account of Taxes, refunded to such Sears Canada Entities from time to time by the applicable Taxing Authorities;

**“Third Party Pro Rata Share”** means:

- (a) in respect of a distribution (other than in respect of a distribution of Litigation Recoveries or in respect of a Reimbursable Warranty Claim) to an Affected Third Party Unsecured Creditor with Proven Affected Third Party Unsecured Claims in respect of a Debtor Group other than Former Corbeil, the fraction that is equal to (i) the amount of the Proven Affected Unsecured Claim of such Affected Third Party Unsecured Creditor, divided by (ii) the aggregate of all Proven Affected Unsecured Claims held by Affected Third Party Unsecured Creditors, in each case in respect of such Debtor Group;
- (b) in respect of a distribution of Litigation Recoveries to a Sears Opt-In Creditor with Proven Affected Unsecured Claims, the fraction that is equal to (i) the amount of the Proven Affected Unsecured Claim(s) of such Sears Opt-In Creditor against the Sears Parties, divided by (ii) the aggregate of all Proven Affected Unsecured Claims held by Sears Opt-In Creditors against the Sears Parties; and
- (c) in respect of a distribution to an Affected Third Party Unsecured Creditor with Proven Reimbursable Warranty Claims, the fraction that is equal to (i) the amount of the Reimbursable Warranty Claim of such Affected Third Party Unsecured Creditor, divided by (ii) the aggregate of all Proven Reimbursable Warranty Claims held by Affected Third Party Unsecured Creditors;

**“Third Party Released Party”** has the meaning ascribed thereto in Section 9.1(b);

**“TUV Claim”** means the claim commenced by the Monitor pursuant to the TUV Proceeding Approval Order;

**“TUV Proceeding Approval Order”** means the Transfer at Undervalue Proceeding Approval Order issued by the Court on December 3, 2018 (as such order may be amended, supplemented or restated from time to time), approving, among other things, the pursuit of the TUV Claim by the Monitor;

**“Unaffected Claims”** means:

- (a) Post-Filing Claims;
- (b) Insured Claims;
- (c) Secured Claims, including any claim secured by any CCAA Charge;
- (d) Landlord Cost Payments;
- (e) amounts payable under sections 6(3), 6(5) and 6(6) of the CCAA;
- (f) Priority Claims; and
- (g) any adverse cost awards against Sears Canada, the Monitor or the Litigation Trustee in connection with the pursuit of the TUV Claim and LT Claims

**“Unaffected Creditors”** means Creditors holding Unaffected Claims;

**“Undeliverable Distribution”** has the meaning ascribed thereto in Section 7.5(a);

**“Unionized Employee”** means any Employee represented by a union pursuant to a collective agreement in connection with such Employee’s employment with any of the Sears Canada Entities;

**“Unresolved Affected Unsecured Claim”** means an Affected Unsecured Claim that is an Unresolved Claim;

**“Unresolved Claim”** means a Claim, which at the relevant time, in whole or in part: (a) has not been Finally Determined to be a Proven Claim in accordance with the applicable Claims Procedure Order and this Plan; or (b) is validly disputed and/or remains subject to review in accordance with the applicable Claims Procedure Order, including as to validity and/or quantum;

**“Unresolved Claims Reserve”** means, in respect of a Debtor Group, the aggregate of the reserves of the applicable Available Cash for such Debtor Group, to be held in respect of each Debtor Group on an accounting basis, in an aggregate amount to be calculated by the Monitor on the Initial Distribution Date, and recalculated as at any subsequent Distribution Date, equal to the amount that would have been paid if the full amount of all Unresolved Claims in respect of such Debtor Group are Proven Claims as at such later date, or such lesser amount as may be ordered by the Court;

**“Unresolved Priority Claim”** means a Government Priority Claim or Employee Priority Claim that is an Unresolved Claim;

**“Unresolved Voting Claim”** means the amount of the Unresolved Affected Unsecured Claim of an Affected Unsecured Creditor as determined in accordance with the terms of the applicable Claims Procedure Order entitling such Affected Unsecured Creditor to vote at the applicable Meeting in accordance with and subject to the limitations of the provisions of the Meetings Order, the Plan and the CCAA;

**“Unsecured Claim”** means a Claim that is not secured by any Lien;

**“Unsecured Creditor Class”** has the meaning ascribed thereto in Section 4.1;

**“Upfront Dealer Payment”** has the meaning ascribed thereto in Section 5.2(c);

**“Valid Transferee”** means the transferee or assignee of a Claim that has provided the Monitor with a Notice of Transfer or Assignment by no later than seven (7) days’ prior to the Initial Distribution Date and has had such Claim transferred or assigned to it in accordance with the applicable Claims Procedure Order and the Meetings Order;

**“Voting Claim”** means the amount of the Affected Unsecured Claim of an Affected Unsecured Creditor as Finally Determined in the manner set out in the applicable Claims Procedure Order or as provided pursuant to Section 3.2 of the Plan, entitling such Affected Unsecured Creditor to vote at the applicable Meeting in accordance with the provisions of the Meetings Order, the Plan and the CCAA;

**“Warranty”** means a customer warranty offered pursuant to a valid and unexpired protection agreement issued by Sears Canada to its customer, and for greater certainty Warranty does not include any manufacturer’s warranty;

**“Warranty Administration Costs”** means all costs incurred in connection with the administration of the Warranty Claims Protocol and of all distributions, disbursements, and payments under the Plan in respect of Reimbursable Warranty Claims;

**“Warranty Claim”** means a Claim in respect of a Warranty;

**“Warranty Claims Administrator”** means the claims administration firm selected by the Monitor for the purpose of administering the Warranty Claims Protocol ;

**“Warranty Claims Bar Date”** has the meaning ascribed thereto in Section 5.3(a)(iii);

**“Warranty Claims Protocol”** means a protocol to be developed and established by the Monitor, in consultation with the Warranty Claims Administrator, and pursuant to which the validity and quantum of Reimbursable Warranty Claims is to be determined;

**“Warranty Payment Amount”** means, in respect of a Warranty, the original cash purchase price paid for such Warranty;

**“Warranty Reimbursement Pool”** means that portion of the Sears Cash as calculated pursuant to Section 5.3(a)(ii) and available firstly for the payment of all Warranty Administration Costs, and thereafter for distribution to Affected Unsecured Creditors with Proven Reimbursable Warranty Claims pursuant to Section 5.3(a)(v) of the Plan;

**“Website”** means [www.cfcanada.fticonsulting.com/searscanada](http://www.cfcanada.fticonsulting.com/searscanada); and

**“Withholding Obligation”** has the meaning ascribed thereto in Section 7.2(b).

**Schedule B  
Pre-Filing Interco Claims**

	<b>Claimant(s)</b>	<b>Debtor(s)</b>	<b>Amount (Cdn\$)</b>
Sum of Claims "Pre-1" and "Pre-8", as detailed in the 16 <sup>th</sup> Report	Sears Parties	Former Corbeil	\$16,158,037
Sum of Claims "Pre-2", "Pre-9", "Pre-10" and Pre-13", as detailed in the 16 <sup>th</sup> Report	SLH Parties	Sears Parties	\$10,654,979

## **Schedule C Pension Claims**

The Pension Claims of the Pension Parties shall be deemed to be comprised of the following:

- (a) a single Voting Claim against Sears Canada in the amount of Cdn\$249,792,000;
- (b) a single Voting Claim against the SLH Parties in the amount of Cdn\$10,408,000;
- (c) a single Proven Affected Unsecured Claim against Sears Canada solely for distribution purposes in the amount of Cdn\$624,480,000; and
- (d) a single Proven Affected Unsecured Claim against the SLH Parties solely for distribution purposes in the amount of Cdn\$26,020,000.

## **Schedule D**

### **Litigation Cost Recovery Amount Illustration**

For illustrative purposes:

If:

- (a) the Monitor requires a Litigation Costs Recovery Fund of not less than \$12 million;
- (b) as of the Initial Distribution Date, there are 2,000 Sears Opt-In Creditors each with Proven Affected Unsecured Claims against Sears Canada that would receive distributions under the Plan (before the Litigation Cost Recovery Amount) of \$50,000 each (or \$100 million in aggregate); and
- (c) as of the Initial Distribution Date, there are 1,000 Creditors holding Unresolved Affected Unsecured Claims against Sears Canada who would also be Sears Opt-In Creditors if such Claims were Finally Determined to be Proven Claims, and if so Finally Determined, each would receive distributions under the Plan (before the Litigation Cost Recovery Amount) of \$25,000 (or \$25 million in aggregate),

Then the Monitor would deduct a Litigation Cost Recovery Amount of \$6,000 (being 12% of \$50,000, and calculated as the fraction equal to the \$12 million required for the Litigation Costs Recovery Fund divided by \$100 million available for Plan Distributions at the Initial Distribution Date (before the deduction of Litigation Cost Recovery Amounts)) from the first Plan Distribution made to each Sears Opt-In Creditor referred to in subparagraph (B) above for a total of \$12 million. Having thereby already contributed their share to the Litigation Costs Recovery Fund, such Sears Opt-In Creditors would not have any further Litigation Cost Recovery Amounts deducted from any of their future Plan Distributions.

The Monitor would also deduct \$3,000 (being 12% of \$25,000) from the Plan Distribution of \$25,000 made in respect of each Proven Claim of the Creditors referred to in subparagraph (C) above for the Litigation Costs Recovery Fund, and in such circumstance more than \$12 million would be collected.