

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

**MOTION RECORD
OF THE MAJORITY SHAREHOLDERS**

July 12, 2017

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to certain clients that own equity interests in Sears
Canada Inc. (together with ESL, the "**Majority
Shareholders**")

TO: SERVICE LIST

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

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Tab No.	Description
1.	Notice of Motion of the Majority Shareholders dated July 12, 2017
2.	Affidavit of Kiran Dillon sworn July 12, 2017
A.	Exhibit "A" - Letter to Counsel for Sears Canada Inc. dated June 28, 2017
B.	Exhibit "B" - Letter from Counsel for Sears Canada Inc. dated July 7, 2017
C.	Exhibit "C" - Letter to Counsel for Sears Canada Inc. dated July 10, 2017
D.	Exhibit "D" - Letter to Counsel for Sears Canada Inc. dated July 10, 2017

TAB 1

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

**NOTICE OF MOTION
(Returnable July 13, 2017)**

Mr. Edward S. Lampert, ESL Investments Inc., ESL Partners, L.P. and RBS Partners, L.P. (collectively, “**ESL**”) and Fairholme Capital Management, L.L.C. as investment adviser to certain clients that own equity interests in Sears Canada Inc., (collectively, the “**Majority Shareholders**”) and will make a motion to Justice Heaney of the Ontario Superior Court of Justice (Commercial List), on Thursday, July 13, 2017 at 10:10 AM or as soon after that time as the motion can be heard, at 330 University Ave, Toronto, Ontario.

THE MOTION IS FOR AN ORDER:¹

1. Directing Sears Canada Inc. and certain of its affiliates (collectively, the “**Sears Canada Entities**” or the “**Applicants**”) to grant counsel for the Majority Shareholders access to the following information, documents, and/or records:
 - (a) The KERP, which was approved pursuant to paragraph 21 of the Initial Order, or, in the alternative, the summary of the terms of the KERP attached as Confidential Appendix “B” to the Monitor’s Pre-Filing Report;
 - (b) The BMO Engagement Letter which was approved pursuant to paragraph 23 of the Initial Order and is attached as Confidential Appendix “C” to the Monitor’s Pre-Filing Report;
 - (c) The Monitor’s analysis of the BMO Engagement Letter described in paragraph 114 of the Monitor’s Pre-Filing Report; and
 - (d) A breakdown of anticipated store closing costs relative to the savings expected to be obtained as a result of such closures.
2. Revising the SISP and SISP Order as follows:
 - (a) adding an outside date of August 1, 2017 on which the Applicants will make available a definitive form of asset purchase agreement and plan sponsor investment agreement;
 - (b) adding a reference to the solicitation of investment proposals in paragraph 1 of the SISP and ensure that the timeline in the SISP allows for the successful completion of a plan of arrangement;

¹ Unless otherwise defined, capitalized terms have the meanings ascribed to them in the affidavits of Billy Wong sworn June 22, 2017 and July 5, 2017.

- (c) make it clear in paragraph 15 of the SISP that any DIP Lender that issues a Participation Notice (“**Conflicted DIP Lenders**”) will (i) be prohibited from participating in the exercise of any consent and/or consultation right of the DIP Lenders under the SISP, and (ii) agree, as a condition of participation in the SISP, that such Conflicted DIP Lender will: (i) refrain from directly exercising any right or remedy against the borrowers under the DIP Documents under the SISP as a consequence of a competing bid being accepted by the Sears Canada Entities as the successful bid in the SISP, and (ii) agree, as a condition of participation in the SISP, to withdraw itself from any discussions amongst other DIP Lenders/or the Agents relating to the SISP and refrain from instructing (or abstain from voting on any resolution that instructs) the relevant Agent in respect of any matter pertaining to the SISP, particularly in respect of whether any particular bid is acceptable to the DIP Lenders;
- (d) make it clear in paragraph 17 of the SISP that each member of management who has advised the special committee of the board of directors, the Sears Canada Entities, the Financial Advisor or the Monitor of his or her intention to submit a bid or proposal in the SISP (the “**Conflicted Management**”) is expressly excluded from any involvement whatsoever in the SISP, including with respect to any decisions around the selection of a successful bid.
- (e) Substituting paragraph 5 of the SISP Order with:

THIS COURT ORDERS that the Monitor, and it respective affiliates, partners, directors, employees, and agents shall have no liability with respect to any and all losses, claims, damages or liability of any nature or kind to any person in connection or as a result of performing their duties under the Sales Process, except to the extent of such losses, claims,

damages or liabilities resulting from gross negligence or willful misconduct of the Monitor as determined by this Court.

3. Such further and other relief as counsel may request and this Honourable Court deem just.

THE GROUNDS FOR THE MOTION ARE:

1. On June 22, 2017, the Sears Canada Entities filed a Notice of Application for an Initial Order under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 (the "CCAA"), and were granted protection under the CCAA on the same day.
2. The Application for an Initial Order was made by the Sears Canada Entities on June 22, 2017, on an *ex parte* basis;
3. The Majority Shareholders hold 65.3% of the common shares of the Sears Canada Entities and are significant stakeholders in the restructuring of the Sears Canada Entities;
4. The Majority Shareholders were not approached on a timely basis in advance of the CCAA filing to have constructive discussions regarding possible opportunities to preserve value in the Sears Canada Entities;
5. The Majority Shareholders were not provided with an opportunity to provide input on, among other things, the Initial Order, the KERP or the BMO Engagement Letter;
6. The Majority Shareholders have requested access to such information along with certain other financial and operational disclosure subject to a non-disclosure agreement, but the Sears Canada Entities have denied that request;
7. Pursuant to the 13 week cash flow projection filed with the Court, the Applicants have projected professional fees of approximately \$25 million over the course of the 13 weeks;
8. The Majority Shareholders are focused on preserving value;

9. In order to preserve value and participate in these proceedings in a meaningful way it is necessary for counsel for the Majority Shareholders to have access to, among other things, the information requested above;
10. The integrity of the SISP process is also critical to preserving value;
11. The requested revisions to the SISP and SISP Order will enhance the integrity of the SISP process by establishing a timeline for the provision of a definitive form of asset purchase agreement and investment agreement;
12. The provisions of the CCAA and the inherent and equitable jurisdiction of this Honourable Court; and
13. Such further and other grounds as counsel may advise and this Court may permit

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

1. the Affidavit of Billy Wong sworn June 22, 2017;
2. the Affidavit of Billy Wong sworn July 5, 2017;
3. the Affidavit of Kiran Dillon sworn July 11, 2017
4. the Pre-Filing Report of the Monitor dated June 22, 2017; and
5. Such further and other materials as counsel may advise and this Court may permit.

July 12, 2017

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TO: THE SERVICE LIST

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SEARS CANADA INC., CORBEIL ÉLECTRIQUE INC., S.L.H. TRANSPORT INC., THE CUT INC., SEARS CONTACT SERVICES INC., INITIUM LOGISTICS SERVICES INC., INITIUM COMMERCE LABS INC., INITIUM TRADING AND SOURCING CORP., SEARS FLOOR COVERING CENTRES INC., 173470 CANADA INC., 2497089 ONTARIO INC., 6988741 CANADA INC., 10011711 CANADA INC., 1592580 ONTARIO LIMITED, 955041 ALBERTA LTD., 4201531 CANADA INC., 168886 CANADA INC., AND 3339611 CANADA INC.

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

ONTARIO

**SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST**

Proceeding commenced at Toronto

NOTICE OF MOTION

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TAB 2

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF SEARS CANADA INC., CORBEIL ÉLECTRIQUE INC.,
S.L.H. TRANSPORT INC., THE CUT INC., SEARS CONTACT SERVICES
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LIMITED, 955041 ALBERTA LTD., 4201531 CANADA INC., 168886
CANADA INC., AND 3339611 CANADA INC.

AFFIDAVIT OF KIRAN DHILLON


I, Kiran Dhillon of the City of Toronto, in the Province of Ontario, MAKE OATH AND
SAY:

1. I am a legal assistant with the firm McMillan LLP (“**McMillan**”), counsel to Mr. Edward S. Lampert, ESL Investments Inc., ESL Partners, L.P. and RBS Partners, L.P. and Fairholme Capital Management, L.L.C. as investment adviser to certain clients that own equity interests in Sears Canada Inc., and as such I have personal knowledge of the following information deposed to herein, except where I have relied on information from others, in which case I state the source of my information and believe it to be true.
2. Attached hereto as Exhibit “**A**” is a copy of correspondence from McMillan to counsel for Sears Canada Inc. (“**Sears**”) dated June 28, 2017, which was sent by email to Mr. Marc Wasserman.
3. Attached hereto as Exhibit “**B**” is a copy of correspondence from counsel for Sears to McMillan dated July 7, which was sent by email to Mr. Wael Rostom.

4. Attached hereto as Exhibit "C" is a copy of correspondence from McMillan to counsel for Sears dated July 10, 2017, which was sent by email to Mr. Marc Wasserman.

5. Attached hereto as Exhibit "D" is a copy of correspondence from McMillan to counsel for Sears dated July 10, 2017, which was sent by email to Mr. Michael De Lellis.

SWORN BEFORE ME at the City of Toronto the
Province of Ontario this 12th day of July, 2017.



A Commissioner for taking Affidavits (or as may be)
Brett Harrison



KIRAN DHILLON

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985,
c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF SEARS CANADA INC., CORBEIL ÉLECTRIQUE INC., S.L.H.
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1592580 ONTARIO LIMITED, 955041 ALBERTA LTD., 4201531 CANADA INC., 168886
CANADA INC., AND 3339611 CANADA INC.

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

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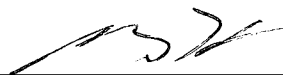
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Lawyers for Mr. Edward S. Lampert, ESL Investments Inc., ESL Partners, L.P. and RBS Partners, L.P. (collectively, "ESL") and Fairholme Capital Management, L.L.C. as investment adviser to certain clients that own equity interests in Sears Canada Inc. (together with "ESL", the "Majority Shareholders")

TAB A

This is Exhibit "A" referred to in the
Affidavit of Kiran Dhillon
Sworn before me, this 12th day of
July, 2017.



A Commissioner for Taking Affidavits



Reply to the Attention of Wael Rostom
Direct Line 416.865.7790
Direct Fax 647.722.6736
Email Address wael.rostom@mcmillan.ca
Date June 28, 2017

E-MAIL

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Attention: Marc Wasserman

Dear Mr. Wasserman

Re: Sears Canada Inc. (“Sears Canada”)

As you are aware, we are counsel to Mr. Edward S. Lampert, ESL Investments Inc., and certain of its affiliates (collectively, (“**ESL**”) as well as Fairholme Capital Management, L.L.C. as investment adviser to certain clients that own equity interests in Sears Canada (“**Fairholme**”). ELS is the largest single shareholder of Sears Canada holding 45.3% of the common shares and Fairholme is the holder of, or advises holders of, approximately 20% of the common shares of Sears Canada on an aggregate basis.

We have reviewed the provisions of the Initial Order granted by the Ontario Superior Court (the “**Court**”) under the *Companies’ Creditors Arrangement Act* (“**CCAA**”) on June 22, 2017 (the “**Initial Order**”) and the corresponding application materials, including the 13 week cash flow forecast (the “**13 Week Cash Flow**”) filed by Sears Canada and its applicant subsidiaries in connection therewith.

In order to properly assess the relief granted by the Court in the Initial Order, the uses of cash in the CCAA proceedings and the implications on our clients as material equity holders of Sears Canada, we request the following important additional information and details with respect to the following:

1. The detailed back-up to the 13 Week Cash Flow, including the specific line items of professional fees, capital expenditures and employee related costs together with all detailed assumptions made by the company.

2. The breakdown of the key employee retention plan (“**KERP**”) by the respective Sears entity employer and the support for the KERP payment proposed to be made to each employee.
3. The back-up information and calculation supporting the quantum of the director’s and officer’s charge.
4. A copy of the engagement letter with BMO Capital Markets and the comparisons used by FTI Consulting Canada Inc., in its capacity as monitor (the “**Monitor**”) to conclude that the amounts payable to BMO Capital Markets are high but not outside market parameters as it relates to each fee payable to BMO Capital Markets.
5. The breakdown of anticipated store closing costs relative to the savings expected to be obtained as a result of such closures.
6. A list of the critical suppliers identified at this time and the pre-filing amounts the company intends to pay in respect of such critical suppliers.

We look forward to receiving this information. Following receipt of the above information we believe that a call with the Monitor and the company would be productive. We will canvass availability once our clients have had a chance to review the requested information.

Yours truly,



Wael Rostom

Cc:

Paul Bishop, FTI Consulting Canada Inc.
Greg Watson, FTI Consulting Canada Inc.

TAB B

This is Exhibit "B" referred to in the
Affidavit of Kiran Dhillon
Sworn before me, this 12th day of
July, 2017.



A Commissioner for Taking Affidavits

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OSLER

Toronto
Montréal
Calgary
Ottawa
Vancouver
New York

July 7, 2017

Michael De Lellis
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Our Matter Number: 1179649

PRIVATE & CONFIDENTIAL

SENT BY ELECTRONIC MAIL

Wael Rostom
McMillan LLP
Brookfield Place, 181 Bay Street, Suite 4400
Toronto, Ontario M5J 2T3
Email: wael.rostom@mcmillan.ca

Dear Sir:

Re: In the Matter of a Plan of Compromise or Arrangement of Sears Canada Inc. et al. (Court File No. CV-17-11846-00CL)

As you know, we are counsel for Sears Canada Inc. (“SCI”) et al. (collectively, the “**Sears Canada Entities**”), which applied for and were granted protection from their creditors under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) pursuant to an Initial Order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated June 22, 2017. FTI Consulting Canada Inc. was appointed as Monitor in the CCAA proceedings.

We are writing in response to your letter dated June 28, 2017, sent on behalf of Mr. Edward S. Lampert, ESL Investments Inc. and certain of its affiliates (collectively, and together with Mr. Lampert, “**ESL**”), and Fairholme Capital Management, L.L.C. (“**Fairholme**”) as investment adviser to certain clients that own equity interests in SCI.

We have considered your requests for additional information and have addressed each in turn below:

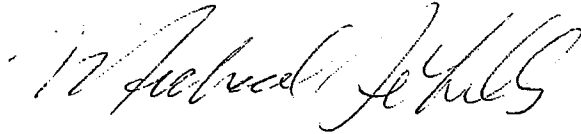
1. We are currently in the process of negotiating a mutually agreeable form of advisor non-disclosure agreement (“**NDA**”) with McMillan LLP (“**McMillan**”), in its capacity as counsel to ESL and Fairholme, based on the Sears Canada Entities’ form of NDA for use in the CCAA proceedings. To the extent that McMillan executes the NDA in a form acceptable to SCI, then we would be willing to provide McMillan with the back-up information supporting the 13-week cash flows that were included as Appendix “A” to the Monitor’s Pre-Filing Report dated June 22, 2017 to be used solely in accordance with the terms of the NDA.

2. We are unable to provide a breakdown of the key employee retention plan (“KERP”) and related supporting information. The information contained in the formulation of the KERP is confidential and contains personal information regarding specific employees of the Sears Canada Entities. Further, we cannot provide information regarding the terms of the KERP beyond what was disclosed in SCI’s materials and the Pre-Filing Report in connection with the application for the Initial Order, as such information has been sealed by Court order pursuant to paragraph 68 of the Initial Order.
3. To the extent that McMillan executes the NDA in a form acceptable to SCI, the Board of Directors and Special Committee of the Board of Directors of SCI, then we would be willing to provide McMillan, in its capacity as counsel to ESL and Fairholme, with the back-up information supporting the quantum of the directors’ and officers’ charge.
4. We are unable to provide a copy of the engagement letter (the “**BMO Engagement Letter**”) between SCI and BMO Nesbitt Burns Inc. (“**BMO**”). The BMO Engagement Letter has been sealed by Court order pursuant to paragraph 68 of the Initial Order and contains proprietary and commercially sensitive information of BMO. We refer you to paragraphs 246 to 250 of the Affidavit of Billy Wong sworn June 22, 2017 for a description of the key financial terms contained in the BMO Engagement Letter. A copy of such affidavit can be found on the Monitor’s website for the CCAA proceedings at: <http://cfcanada.fticonsulting.com/Searscanada>.
5. We are unable to provide a formal breakdown of anticipated store closing costs relative to the savings expected to be obtained as a result of each such store closure, as such a breakdown would contain commercially sensitive information important to the Sears Canada Entities.
6. The Sears Canada Entities intend to deal with third party suppliers on a case by case basis and have therefore not compiled a formal list of critical suppliers at this time. In accordance with the Initial Order, the Sears Canada Entities intend, subject to the prior consent of the Monitor, to exercise their discretion to authorize payment of up to a maximum amount of \$25 million, in the aggregate, to any suppliers deemed to be critical to the business and ongoing operations of the Sears Canada Entities. We understand that the First Report of the Monitor in connection with the July 13, 2017 Comeback Hearing will contain some information regarding payments to critical suppliers.

We look forward to receipt of a fully executed copy of the NDA from McMillan. We note that in order for your clients to receive any of the information contemplated to be disclosed to McMillan pursuant to the NDA as set forth herein, each of your clients will be required

to execute separate non-disclosure agreements with SCI prior to any such disclosure. Once McMillan has executed the NDA, we would be happy to make ourselves available for a call to discuss any of the matters set forth herein further at your convenience.

Yours very truly,

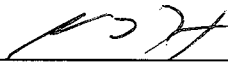
A handwritten signature in black ink, appearing to read "Michael De Lellis". The signature is written in a cursive, flowing style.

Michael De Lellis

c: Marc Wasserman, *Osler, Hoskin & Harcourt LLP*
Jeremy Dacks, *Osler, Hoskin & Harcourt LLP*
Virginie Gauthier, *Norton Rose Fulbright Canada LLP*
Paul Bishop, *FTI Consulting Canada Inc.*
Greg Watson, *FTI Consulting Canada Inc.*

TAB C

This is Exhibit "C" referred to in the
Affidavit of Kiran Dhillon
Sworn before me, this 12th day of
July, 2017.



A Commissioner for Taking Affidavits



Reply to the Attention of Tushara Weerasooriya
Direct Line 416.865.7890
Email Address tushara.weerasooriya@mcmillan.ca
Date July 10, 2017

E-MAIL

Osler, Hoskin & Harcourt LLP
100 King Street West
1 First Canadian Place
Suite 6200, P.O. Box 50
Toronto ON M5X 1B8

Attention: Marc Wasserman

Dear Mr. Wasserman,

Re: Sears Canada Inc. et al (“Sears Canada”)

As you are aware, we are counsel to Mr. Edward S. Lampert, ESL Investments Inc., ESL Partners, L.P. and RBS Partners, L.P. (collectively, “ESL”), as well as Fairholme Capital Management, L.L.C. as investment adviser to certain clients that own equity interests in Sears Canada (“Fairholme” together with ESL, the “Majority Shareholders”).

We have reviewed the terms of the sales and investor solicitation process (the “SISP”), proposed to be approved by the Ontario Superior Court (Commercial List) in the *Companies’ Creditors Arrangement Act* proceedings of Sears Canada on July 13, 2017.

In reviewing the SISP, the Majority Shareholders have a number of concerns and comments on the SISP that should be addressed by Sears Canada in order to ensure the integrity of the process, including the following:

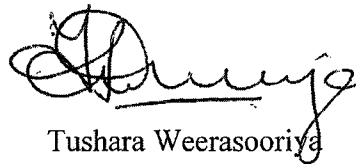
1. Paragraph 1 of the SISP should explicitly refer to the solicitation of investment proposals. The SISP is not clear that Sears Canada would be prepared to entertain investment proposals, particularly given the restrictive timeline on which a transaction must be implemented.
2. The SISP should provide an outside date on which the Applicants will make available a definitive form of asset purchase agreement and investment agreement in order to ensure that bidders have sufficient time to mark-up such agreement.
3. Paragraph 15 of the SISP should be amended to provide that any DIP Lender that issues a Participation Notice will: (i) be prohibited from participating in the exercise of any consent and/or consultation right of the DIP Lenders under the SISP; and (ii) agree, as a condition of participation in the SISP, to withdraw itself from any discussions amongst

the other DIP Lenders and/or the Agents relating to the SISP and refrain from instructing (or abstain from voting on any resolution that instructs) the relevant Agent in respect of any matter pertaining to the SISP, particularly in respect of whether any particular bid is acceptable to the DIP Lenders.

4. Paragraph 17 of the SISP should be amended to provide that each member of management who has advised the special committee of the board of directors of his or her intention to submit a bid or proposal in the SISP (the “**Conflicted Management**”) is expressly excluded from any involvement whatsoever in the SISP, including with respect to any decisions around the selection of a successful bid. We appreciate that paragraph 2 of the SISP does provide the Monitor, the special committee and the relevant advisors with discretion to exclude the Conflicted Management from participating in the SISP process. However, we do not believe that it is appropriate to treat the exclusion of management bidders from the process as a discretionary matter. Clear wording excluding the Conflicted Management from the SISP process must be included to protect its integrity.
5. Paragraph 5 of the proposed Order approving the SISP should only apply to the Monitor and accordingly, the references to the Applicants and the Financial Advisor should be deleted.

Please let us know if these comments are acceptable in order for our clients to determine whether any material will need to be filed in connection with the motion for approval by the Court of the SISP.

Yours truly,



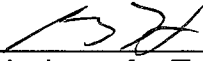
Tushara Weerasooriya

Cc:

Paul Bishop, FTI Consulting Canada Inc.
Greg Watson, FTI Consulting Canada Inc.
Virginie Gauthier, Norton Rose Fulbright LLP

TAB D

This is Exhibit "D" referred to in the
Affidavit of Kiran Dhillon
Sworn before me, this 12th day of
July, 2017.



A Commissioner for Taking Affidavits



Reply to the Attention of Wael Rostom
Direct Line 416.865.7790
Direct Fax 647.722.6736
Email Address wacl.rostom@mcmillan.ca
Date July 10, 2017

E-MAIL

Osler, Hoskin & Harcourt LLP
100 King Street West
1 First Canadian Place
Suite 6200, P.O. Box 50
Toronto ON M5X 1B8

Attention: Michael De Lellis

Dear Mr. De Lellis

Re: Sears Canada Inc. et al (“Sears Canada”)

We are in receipt of and thank you for your letter dated July 7, 2017 in response to our request for certain information from Sears Canada made on behalf of our clients Mr. Edward S. Lampert, ESL Investments Inc., ESL Partners, L.P. and RBS Partners, L.P. (collectively, “**ESL**”) as well as Fairholme Capital Management, L.L.C. as investment adviser to certain clients that own equity interests in Sears Canada (“**Fairholme**” together with ESL, the “**Majority Shareholders**”).

We have been in discussions with you in respect to finalizing a Non-Disclosure Agreement that is mutually acceptable to both of our clients and Sears Canada. Following execution of an acceptable NDA, we look forward to receiving all of the background detail with respect to the 13-week cash flow statement of Sears Canada appended to the Pre-Filing Report of FTI Consulting Canada Inc., in its capacity as monitor of Sears Canada (the “**Monitor**”) and the back-up information supporting the quantum of the directors’ and officers’ charge.

In response to your refusal to provide us with the requested breakdown of the key employee retention plan (the “**KERP**”), and a copy of the engagement letter (the “**BMO Engagement Letter**”) between Sears Canada and BMO Nesbitt Burns Inc. (“**BMO**”), it is our position that notwithstanding the Court has, in the Initial Order, sealed the KERP and the BMO Engagement Letter from forming the public record, this does not preclude Sears Canada from providing this information to McMillan LLP pursuant to an executed NDA. With respect to the KERP in particular, given that the proposed sale and investor solicitation process discloses that management may submit a bid, the Majority Shareholders should be entitled to know whether the KERPs have been designed to create appropriate incentives for these members of management in order to focus on operations and to maximize value for all stakeholders or will these individuals receive a KERP if they are the successful bidders in the process. The Majority Shareholders have a significant financial stake in Sears Canada and we are of the view that Sears

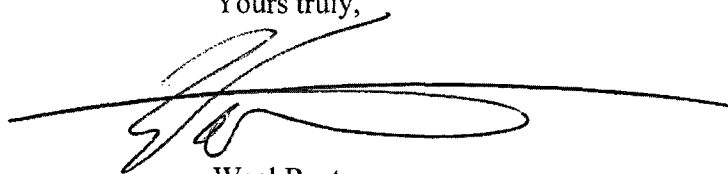
Canada should have no objections to sharing the KERP and the BMO Engagement Letter with McMillan LLP under the terms of an NDA.

With respect to the sealing of the KERP and the BMO Engagement Letter, we wish to point out that the Initial Order, including the sealing provision, was granted on an ex parte basis and therefore is subject to the comeback motion on July 13, 2017 (the “**Comeback Motion**”). In addition, paragraph 68 of the Initial Order provides that the sealing of the information is subject to further Order of the Court. Sears Canada did not submit any arguments in their application materials as to whether the sealing meets the test set out in *Sierra Club of Canada v. Canada (Minister of Finance)* and has not demonstrated that the sealing is necessary in order to prevent a serious risk. Should Sears Canada continue to reject the Majority Shareholders’ request for information with respect to the KERP and the BMO Engagement Letter, we will have no choice but to seek instructions to appear on the Comeback Motion to assert that the test for sealing was not met and that this information should, at the very least, be provided under the terms of an NDA.

In addition to the request for the BMO Engagement Letter, we have not received the relevant comparisons to support the conclusions by the Monitor that the amounts payable to BMO are high but not outside market parameters as it relates to each fee payable to BMO. Please provide us with these comparisons in order to allow the Majority Shareholders to determine whether they can support the payment of such fees on the Comeback Motion.

With respect to the refusal to provide the breakdown of anticipated store closing costs relative to the savings that would be obtained as a result of each store closure (the “**Store Closure Information**”), the decision to close certain stores may have significant implications on the restructuring and could be value destructive to Sears Canada. There is no evidence filed with the Court to date demonstrating that the closure of these stores is beneficial for the estate. It bears repetition that there does not appear to be a legitimate reason for Sears Canada to withhold this information from the Majority Shareholders, being significant stakeholders in this restructuring.

Yours truly,

A handwritten signature in black ink, appearing to read 'Wael Rostom', with a long horizontal flourish extending to the right.

Wael Rostom

Cc:
Marc Wasserman, Osler, Hoskin & Harcourt LLP
Paul Bishop, FTI Consulting Canada Inc.
Greg Watson, FTI Consulting Canada Inc.
Virginie Gauthier Norton Rose Fulbright LLP

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36,
AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
SEARS CANADA INC., CORBEIL ÉLECTRIQUE INC., S.L.H. TRANSPORT INC., THE CUT
INC., SEARS CONTACT SERVICES INC., INITIUM LOGISTICS SERVICES INC., INITIUM
COMMERCE LABS INC., INITIUM TRADING AND SOURCING CORP., SEARS FLOOR
COVERING CENTRES INC., 173470 CANADA INC., 2497089 ONTARIO INC., 6988741
CANADA INC., 10011711 CANADA INC., 1592580 ONTARIO LIMITED, 955041 ALBERTA
LTD., 4201531 CANADA INC., 168886 CANADA INC., AND 3339611 CANADA INC.

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**MOTION RECORD
OF THE MAJORITY SHAREHOLDERS**

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Brookfield Place
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Tel: 416.865-7932 | Fax: 416.865.7048

Lawyers for Mr. Edward S. Lampert, ESL Investments Inc.,
ESL Partners, L.P. and RBS Partners, L.P. (collectively,
"ESL") and Fairholme Capital Management, L.L.C. as
investment adviser to certain clients that own equity interests
in Sears Canada Inc. (together with "ESL", the "Majority
Shareholders")