

**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
ELECTRIQUE 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 LIMTIED, 955041 ALBERTA LTD., 4201531 CANADA
INC., 168886 CANADA INC. and 3339611 CANADA INC.**

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

RESPONDING MOTION RECORD
(Returnable July 13, 2017)

July 12, 2017

BLANEY McMURTRY LLP
Barristers and Solicitors
1500 - 2 Queen Street East
Toronto, ON M5C 3G5

Lou Brzezinski
Tel: (416) 596-2952
Fax: (416) 593-5437

Alexandra Teodorescu
Tel: (416) 596-4279
Fax: (416) 593-5437

Lawyers for the HG International, a
Division of 1157472 Ontario Ltd.

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

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(Returnable July 13, 2017)

I N D E X

Tab

1.	Affidavit of Alexandra Teodorescu sworn July 12, 2017
A.	Exhibit "A" - HG International's accounts receivable listing
B.	Exhibit "B" - HG International socks with Sears labels and packaging
C.	Exhibit "C" - Example of cancel orders received from Sears on June 22, 2017
D.	Exhibit "D" - Copy of the SISP
E.	Exhibit "E" - Article from the Globe & Mail, dated July 10, 2017
F.	Exhibit "F" - Mr. Brzezinski's letter, dated July 12, 2017
2.	Service List and Email Service List

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
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ELECTRIQUE INC., S.L.H. TRANSPORT INC., THE CUT INC.,
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INC., 168886 CANADA INC. and 3339611 CANADA INC.**

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

AFFIDAVIT OF ALEXANDRA TEODORESCU

I, **ALEXANDRA TEODORESCU**, of the City of Toronto, in the Province of Ontario,

MAKE OATH AND SAY:

1. I am a lawyer at Blaney McMurtry LLP, counsel to H.G. International, a division of 1157472 Ontario Ltd. (“**HG International**”), and, as such, I have personal knowledge of the matters deposed in my affidavit, except where I have indicated that I have obtained facts from other sources, in which case I believe those facts to be true.

2. Where the information in this affidavit is based upon information and belief, I have stated the source of my information and belief and, unless stated otherwise, do verily believe it to be true. To the extent that any of the information set out in this affidavit is based on my review of documents, unless stated otherwise, I verily believe the information in such documents to be true.

3. On or about July 7, 2017, Blaney McMurtry LLP was retained by HG International in the herein proceedings. HG International is a company incorporated under the laws of the Province of Ontario with a main office located in Markham, Ontario. HG International supplied apparel, such as hats, gloves, hosiery and scarves, to Sears Canada Inc. (“**Sears**”).

4. I am advised by Gurmeet Singh, the President of HG International, that Sears is indebted to HG International for pre-filing goods in the amount of \$1,201,564.97. Attached hereto and marked as **Exhibit “A”** is a copy of HG International’s accounts receivable listing with respect to the outstanding amounts owed by Sears.

5. I am further advised by Gurmeet Singh that HG International has approximately \$1.37 million worth of Sears labelled apparel currently in a warehouse, and another \$420,000 worth of Sears hosiery on a cargo ship currently on its way to Canada. On June 22, 2017, when Sears filed for protection under the *Companies’ Creditors Arrangement Act*, it cancelled orders related to these products. Attached hereto and marked as **Exhibit “B”** is an image of a pair of HG International socks with Sears labels and packaging. Attached hereto and marked as **Exhibit “C”** is an example of cancel orders received from Sears on June 22, 2017.

6. Gurmeet Singh has advised me that Sears is currently in the process of re-ordering merchandise from HG International, and working out the terms of “cash on delivery” payment.

Sales Process

7. Sears is seeking approval of a sale and investment solicitation process (“**SISP**”), which contemplates that certain information regarding the bids will be provided by the Monitor to personnel and/or categories of personnel (“**Restricted Process Observers**”) on a confidential basis. A copy of the SISP is attached hereto and marked as **Exhibit “D”**.

8. Paragraph 17 of the SISP also states that certain members of management have advised Sears' advisors that they intend to submit a bid or proposal.

9. Mr. Edward S. Lampert, ESL Investments Inc., and Fairholme Capital Management, L.L.C., which represent the majority shareholders of Sears ("**Majority Shareholders**"), have publicly announced that they are considering a potential transaction with Sears. Attached hereto and marked as **Exhibit "E"** is a copy of an article from the Globe & Mail, dated July 10, 2017.

10. In addition, the Majority Shareholders, through their counsel, have brought a motion seeking amendments to the SISP, including adding a reference to the solicitation of investment proposals in paragraph 1 of the SISP.

11. In light of the fact that the SISP may result in a transaction to a non-arm's length party (in the form a management or shareholder buyout), Lou Brzezinski of Blaney McMurtry LLP wrote to counsel for Sears and the Monitor to request that HG International be included as a Restricted Process Observer under the SISP. A copy of Mr. Brzezinski's letter, dated July 12, 2017, is attached hereto and marked as **Exhibit "F"**.

12. Blaney McMurtry LLP has developed a website to keep suppliers and creditors updated with respect to Sears' insolvency proceedings: <http://www.blaney.com/sears-ccaa#about>. We, on our own behalf and on behalf of our client, HG International, will provide an undertaking or execute a non-disclosure agreement confirming that we will not (and that our client will not) disseminate any confidential information obtained in the role of a Restricted Process Observer.

13. I swear this affidavit in response to the Applicants' motion for an order approving the SISP, and for no improper purpose.

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


A Commissioner for Taking Affidavits, etc.
LABRZEZINSKI

}


ALEXANDRA TEODORESCU

TAB A

This is **Exhibit "A"** referred to in the
Affidavit of
ALEXANDRA TEODORESCU herein,
Sworn before me
this 20th day of July, 2017.



A Commissioner for Taking Affidavits

LOU BRZEZINSKI

HG International
A/R Aged Trial Balance by Due Date (ARTBAL01)

From Customer Number [230] To [230]
 Account Type [All Customers]
 Age Transactions As Of [12/07/2017]
 Cutoff by Document Date [12/07/2017]
 Print Transactions In [Detail by Document Date]
 Transaction Types [Invoice, Debit Note, Credit Note, Interest, Unapplied Cash, Prepayment, Receipt, Refund]
 Include Contact/Phone/Credit Limit [No]
 Include Space For Comments [No]
 Include Only Customers Over Their Credit Limits [No]
 Include Zero-Balance Customers [No]
 Show Applied Details [No]
 Show Fully Paid Transactions [No]
 Sort Transactions by Transaction Type [No]
 Print Amounts In [Customer Currency]

Customer Number/Name/ Document Type/Number	Doc. Date	Due Date or Check/Recpt. No.	1 to 30 Current	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
230 SEARS CANADA INC. EDI							
IN 00080214	3/28/2017	28/03/2017				0.48	0.48
IN 00080284	4/10/2017	10/04/2017				16,034.76	16,034.76
IN 00080536	4/13/2017	13/04/2017		5,834.22			5,834.22
IN 00080537	4/13/2017	13/04/2017		3,998.40			3,998.40
IN 00080538	4/13/2017	13/04/2017		5,698.35			5,698.35
IN 00080539	4/13/2017	13/04/2017		5,769.23			5,769.23
IN 00080540	4/13/2017	13/04/2017		4,078.20			4,078.20
IN 00080541	4/13/2017	13/04/2017		5,703.60			5,703.60
IN 00080542	4/13/2017	13/04/2017		5,755.05			5,755.05
IN 00080543	4/13/2017	13/04/2017		5,778.68			5,778.68
IN 00080544	4/13/2017	13/04/2017		5,769.23			5,769.23
IN 00080545	4/13/2017	13/04/2017		5,071.50			5,071.50
IN 00080546	4/13/2017	13/04/2017		4,592.70			4,592.70
IN 00080547	4/13/2017	13/04/2017		4,694.76			4,694.76
IN 00080548	4/13/2017	13/04/2017		4,592.70			4,592.70
IN 00080549	4/13/2017	13/04/2017		5,783.40			5,783.40
IN 00080550	4/13/2017	13/04/2017		5,783.40			5,783.40
IN 00080551	4/13/2017	13/04/2017		4,592.70			4,592.70
IN 00080552	4/13/2017	13/04/2017		5,511.24			5,511.24
IN 00080553	4/13/2017	13/04/2017		4,490.64			4,490.64
IN 00080554	4/13/2017	13/04/2017		6,633.90			6,633.90
IN 00080555	4/13/2017	13/04/2017		8,164.80			8,164.80
IN 00080556	4/13/2017	13/04/2017		6,426.00			6,426.00
IN 00080557	4/13/2017	13/04/2017		5,783.40			5,783.40
IN 00080558	4/13/2017	13/04/2017		5,783.40			5,783.40
IN 00080559	4/13/2017	13/04/2017		5,783.40			5,783.40

IN 00080560	4/13/2017	13/04/2017	5,783.40	5,783.40					5,783.40	
IN 00080561	4/13/2017	13/04/2017	5,783.40	5,783.40					5,783.40	
IN 00080562	4/13/2017	13/04/2017	5,783.40	5,783.40					5,783.40	
IN 00080563	4/13/2017	13/04/2017	4,592.70	4,592.70					4,592.70	
IN 00080573	4/17/2017	17/04/2017	2,660.70	2,660.70					2,660.70	
IN 00080581	4/19/2017	19/04/2017	57,463.21	57,463.21					57,463.21	
IN 00080582	4/19/2017	19/04/2017	19,452.51	19,452.51					19,452.51	
IN 00080583	4/19/2017	19/04/2017	6,282.36	6,282.36					6,282.36	
IN 00080584	4/19/2017	19/04/2017	59,353.56	59,353.56					59,353.56	
IN 00080809	4/25/2017	25/04/2017	2,283.07	2,283.07					2,283.07	
IN 00080948	4/27/2017	27/04/2017	576.32	576.32					576.32	
IN 00080949	4/27/2017	27/04/2017	17,750.04	17,750.04					17,750.04	
IN 00080950	4/27/2017	27/04/2017	56,045.64	56,045.64					56,045.64	
IN 00080947A	5/1/2017	01/05/2017	2,516.80	2,516.80					2,516.80	
IN 00080951A	5/1/2017	01/05/2017	74,629.41	74,629.41					74,629.41	
IN 00081145	5/3/2017	03/05/2017	2,310.63	2,310.63					2,310.63	
IN 00081159	5/3/2017	03/05/2017	3,193.81	3,193.81					3,193.81	
IN 00081160	5/3/2017	03/05/2017	2,214.12	2,214.12					2,214.12	
IN 00081168	5/3/2017	03/05/2017	203,779.68	203,779.68					203,779.68	
IN 00081193	5/8/2017	08/05/2017	170.85	170.85					170.85	
IN 00081194	5/8/2017	08/05/2017	2,788.88	2,788.88					2,788.88	
IN 00081195	5/8/2017	08/05/2017	72,934.49	72,934.49					72,934.49	
DB SCIP-2017-05-12-REV	5/8/2017	08/05/2017	18,033.60							
IN 00081202	5/10/2017	10/05/2017		1,457.04					1,457.04	
IN 00081203	5/10/2017	10/05/2017		18,423.72					18,423.72	
IN 00081204	5/10/2017	10/05/2017		19,875.24					19,875.24	
IN 00081238	5/17/2017	17/05/2017			1,272.71					1,272.71
IN 00081239	5/17/2017	17/05/2017			135,336.96					135,336.96
IN 00081240	5/17/2017	17/05/2017			5,481.71					5,481.71
IN 00081360	5/24/2017	24/05/2017			782.36					782.36
IN 00081364	5/24/2017	24/05/2017			8,453.34					8,453.34
IN 00081365	5/24/2017	24/05/2017			10,311.84					10,311.84
IN 00081351A	5/25/2017	25/05/2017			6,223.56					6,223.56
IN 00081352A	5/25/2017	25/05/2017			151,409.76					151,409.76
IN 00081444	5/30/2017	30/05/2017			2,415.11					2,415.11
IN 00081514	6/7/2017	07/06/2017			761.46					761.46
CR 2017-0602-SCIP	6/13/2017	13/06/2017			-635.00					-635.00
IN 00081534	6/14/2017	14/06/2017								516.34
IN 00081550	6/19/2017	19/06/2017								2,658.00
IN 00081551	6/19/2017	19/06/2017								62,330.10
Customer Total:					17,398.60					
						322,448.81				
										16,035.24
										1,201,564.97
										1,201,564.97

Report Total: 17,398.60 ## 322,448.81 780,177.88 16,035.24 1,201,564.97

CR: Credit Note DB: Debit Note IN: Invoice IT: Interest Charge PI: Prepayment UC: Unapplied Cash MC: Miscellaneous Receipt
 AD: Adjustment CF: Applied Credit (from) CT: Applied Credit (to) DF: Applied Debit (from) DT: Applied Debit (to) ED: Earned Discount Taken
 GL: Gain or Loss (multicurrency ledgers) PY: Receipt WO: Write-Off RD: Rounding RF: Refund

1 customer printed

TAB B

This is **Exhibit "B"** referred to in the
Affidavit of
ALEXANDRA TEODORESCU herein,
Sworn before me
this 12th day of July, 2017.



A Commissioner for Taking Affidavits

LOU BRZEZINSKI



6
COMBED COTTON QUARTERS

COMBED COTTON QUARTERS
CHAUSSETTES BASSES EN COTON PEINÉ
6-10

SEARS

COMBED COTTON QUARTERS
CHAUSSETTES BASSES EN COTON PEINÉ

TAB C

This is **Exhibit "C"** referred to in the
Affidavit of
ALEXANDRA TEODORESCU herein,
Sworn before me
this 24 day of July, 2017.



A Commissioner for Taking Affidavits

LOU BRZEZINSKI

Cancelled Orders

Tasks

Reports

--	--

Partner	PO Number	PO Release	Order	Order Date	Ship Date	Cancel Date	Ship To	Sh	In
Sears (RIM)	560300		41637/1	22 Jun 2017	20 Aug 2017	{unavailable}	C005304 Vaughan		
Sears (RIM)	560299		41636/1	22 Jun 2017	28 Jun 2017	{unavailable}	C005304 Vaughan		
Sears (RIM)	560298		41635/1	22 Jun 2017	20 Aug 2017	{unavailable}	C005304 Vaughan		
Sears (RIM)	560297		41634/1	22 Jun 2017	20 Aug 2017	{unavailable}	C005304 Vaughan		
Sears (RIM)	560296		41633/1	22 Jun 2017	20 Aug 2017	{unavailable}	C005304 Vaughan		
Sears (RIM)	560295		41632/1	22 Jun 2017	20 Aug 2017	{unavailable}	C005304 Vaughan		
Sears (RIM)	560294		41631/1	22 Jun 2017	20 Aug 2017	{unavailable}	C005304 Vaughan		
Sears (RIM)	560293		41630/1	22 Jun 2017	20 Aug 2017	{unavailable}	C005304 Vaughan		
Sears (RIM)	560292		41629/1	22 Jun 2017	20 Aug 2017	{unavailable}	C005304 Vaughan		
Sears (RIM)	560291		41628/1	22 Jun 2017	20 Aug 2017	{unavailable}	C005304 Vaughan		
Sears (RIM)	560290		41627/1	22 Jun 2017	20 Aug 2017	{unavailable}	C005304 Vaughan		
Sears (RIM)	560289		41626/1	22 Jun 2017	20 Aug 2017	{unavailable}	C005304 Vaughan		
Sears (RIM)	560288		41625/1	22 Jun 2017	20 Aug 2017	{unavailable}	C005304 Vaughan		
Sears (RIM)	560287		41624/1	22 Jun 2017	20 Aug 2017	{unavailable}	C005304 Vaughan		
Sears (RIM)	560286		41623/1	22 Jun 2017	20 Aug 2017	{unavailable}	C005304 Vaughan		
Sears (RIM)	560285		41622/1	22 Jun 2017	20 Aug 2017	{unavailable}	C005304 Vaughan		
Sears (RIM)	560284		41621/1	22 Jun 2017	20 Aug 2017	{unavailable}	C005304 Vaughan		

TAB D

This is **Exhibit "D"** referred to in the
Affidavit of
ALEXANDRA TEODORESCU herein,

Sworn before me
this 12th day of July, 2017.



A Commissioner for Taking Affidavits

LOU BRZEZINSKI

Schedule “A” Sale Process

On June 22, 2017, Sears Canada Inc. and certain of its subsidiaries (collectively, “**Sears Canada**”) sought and obtained protection under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) pursuant to an initial order (the “**Initial Order**”) granted by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). The Initial Order contemplates Sears Canada pursuing all avenues of refinancing, restructuring, selling and reorganizing their Business and Property (each as therein defined) subject to prior approval of the Court.

Sale and Investment Solicitation Process

1. This sale and investment solicitation process (the “**Sale Process**”) sets out the manner in which (i) bids and proposals for a broad range of transaction alternatives involving the Business, assets (the “**Assets**”) and/or leases (the “**Leases**”) of Sears Canada, whether *en bloc* or any portion(s) thereof, will be solicited from interested parties, (ii) any Binding Bids and/or Binding Lease Proposals (each as defined below) received will be considered and negotiated with interested parties, (iii) any Binding Bids and/or Binding Lease Proposals as subsequently negotiated, may be selected as Successful Bid(s) (as defined below), and (iv) the Court’s approval of such Successful Bid(s) will be sought, with an anticipated completion date of all transactions by no later than October 25, 2017.
2. The Sale Process shall be conducted by BMO Nesbitt Burns Inc. (“**BMO Capital Markets**”, the “**Sale Advisor**”) on behalf of Sears Canada and under the supervision of both the Special Committee of the Board of Directors of Sears Canada Inc. (the “**Special Committee**”) and FTI Consulting Canada Inc. in its capacity as court-appointed monitor of Sears Canada (the “**Monitor**”). References to Sears Canada throughout this Sale Process shall mean the Special Committee in circumstances where the integrity of this Sale Process so requires (as determined by the Special Committee or any of the advisors, the Sale Advisor or the Monitor).
3. Parties who wish to have their bids or proposals considered with respect to the Business, Assets and/or Leases, whether as a whole or any portions thereof, shall participate in this Sale Process in accordance with the procedures set out herein.
4. The sale of the Business, Assets and/or Leases will be on an “as is, where is” basis and without surviving representations or warranties of any kind, nature, or description by Sears Canada, the Sale Advisor, the Monitor or any of their respective agents or estates, except to the extent set forth in a definitive transaction agreement executed by Sears Canada in accordance with this Sale Process.

Solicitation Process

5. The Sale Process will be conducted as follows:
 - a. The Sale Advisor and Sears Canada with the assistance of its advisors and in consultation with the Monitor will:

July 5, 2017

- (i) prepare a form of non-disclosure agreement acceptable to the Monitor (“**NDA**”) to be executed by interested parties;
 - (ii) prepare forms of transaction documents to be used by interested parties in submitting bids and proposals to Sears Canada, the form and substance of such transaction documents to be acceptable to the Monitor after consultation with the DIP ABL Lenders and DIP Term Lenders (as defined in the Initial Order, and together the “**DIP Lenders**”) (the “**Transaction Documents**”);
 - (iii) solicit interest from parties to enter into NDAs, and begin analyzing the transaction alternatives;
 - (iv) require that all potential bidders that wish to participate in the Sale Process must sign an NDA in form acceptable to Sears Canada and the Monitor prior to participation in the Sale Process; and
 - (v) provide potential bidders who have executed an NDA with access to an electronic data room of due diligence information.
- b. Landlords may submit to the Sale Advisor proposals in connection with existing Leases to which they are a party (the “**Binding Lease Proposals**”) provided that all such proposals must be received in binding form on or before 5:00 p.m. Eastern Daylight Time on August 15, 2017 (the “**Binding Lease Proposal Deadline**”), with a contemporaneous copy delivered to the Monitor;
- c. Parties interested in pursuing a transaction must submit binding offers based on the relevant forms of Transaction Documents including the items set out in paragraph 7 below (a “**Binding Bid**”) by 5:00 p.m. Eastern Daylight Time on August 31, 2017 (the “**Binding Bid Deadline**”) to the attention of the Sale Advisor as set out below, with a contemporaneous copy delivered to the Monitor; and
- d. Subject to the terms set forth herein, following the Binding Bid Deadline and the Binding Lease Proposal Deadline, Sears Canada and its advisors, in consultation with the Monitor and the DIP Lenders, may seek to negotiate final terms with one or more parties, and may select one or more Successful Bid(s) subject to the approval of the Court, all in accordance with the timeline set out in the process letter, which shall be in a form acceptable to the Monitor and the DIP Lenders, to be delivered by the Sale Advisor to interested parties.
6. The Sale Advisor may, in consultation with Sears Canada and the Monitor, and subject to the terms of the Definitive Documents (as defined in the Initial Order), engage local market leasing agents or real estate brokers to solicit Binding Bids or Binding Lease Proposals for discrete assets or assignments of leases.

Submission of Binding Offers

7. In order for a bid to be considered a Binding Bid, it shall comply with the following:

July 5, 2017

- (i) it shall contain:
 - a. duly executed Transaction Documents;
 - b. the identity and contact information of the bidder and the identities of each person or entity that will be sponsoring or participating in such bid, including direct and indirect owners;
 - c. a blackline showing changes to the relevant Transaction Documents provided to the interested party by Sears Canada; and
 - d. evidence of authorization and approval to submit and consummate the bid from the bidder's board of directors (or comparable governing body);
- (ii) it includes a letter stating that the bid is irrevocable for a period of at least 20 business days after the Binding Bid Deadline;
- (iii) it provides written evidence of a firm, irrevocable financial commitment for all required funding or financing in connection with the bid;
- (iv) a separate allocation of value to each individual Asset or Lease subject to the bid that is the subject of a valid and enforceable right of first refusal, option or similar right;
- (v) it is accompanied by a cash deposit (the "**Deposit**") of 10% of the total cash purchase price contemplated by such bid, which shall be paid to the Monitor by wire transfer (to a bank account specified by the Monitor) and held in trust in accordance with this Sale Process;
- (vi) it does not include any request for or entitlement to any break fee, expense reimbursement or similar type of payment;
- (vii) it is not conditional upon:
 - a. the outcome of unperformed due diligence by the bidder, and/or
 - b. obtaining financing; and
- (viii) it is received by the Binding Bid Deadline.

8. A Binding Lease Proposal shall comply with the following:

- (i) it shall contain:
 - a. duly executed relevant Transaction Documents;
 - b. the identity and contact information of the landlord contact person;
 - c. a blackline showing changes to the relevant Transaction Documents provided to the interested party by Sears Canada; and
 - d. evidence of authorization and approval to submit and consummate the proposal from the landlord's board of directors (or comparable governing body);
- (ii) it includes a letter stating that the proposal is irrevocable for a period of at least 20 business days after the Binding Bid Deadline;
- (iii) it provides written evidence of a firm, irrevocable financial commitment for all required funding or financing;
- (iv) it is not conditional upon:

July 5, 2017

- a. the outcome of unperformed due diligence by the landlord, and/or
 - b. obtaining financing;
- (v) it is received by the Binding Lease Proposal Deadline; and
- (vi) to the extent that a landlord intends to submit a Binding Lease Proposal contemplating a material modification of the Lease (a “**Lease Modification Proposal**”), such Lease Modification Proposal must, in addition to the foregoing requirements, contain landlord consent that the Sale Advisor and Sears Canada may share such Lease Modification Proposal with other bidders in the Sale Process who have signed NDAs.
9. Sears Canada, with the consent of the Monitor, the Sale Advisor and the DIP Lenders, may waive compliance with any one or more of the requirements specified in section 7 and 8 and deem a non-compliant bid or lease proposal to be a Binding Bid or Binding Lease Proposal, respectively, with the exception of a bid that is received after the Binding Bid Deadline or a lease proposal that is received after the Binding Lease Proposal Deadline.

Evaluation of Competing Bids and Proposals and Court Approval

10. Following the Binding Bid Deadline and the Binding Lease Proposal Deadline, as applicable, Sears Canada shall consult with the Monitor, the Sale Advisor and the DIP Lenders and decide whether to (i) continue negotiations with a selected number of bidders that have submitted Binding Bids and/or Binding Lease Proposals, with a view to selecting one or more non-overlapping Bindings Bids and/or Binding Lease Proposals (collectively, the “**Successful Bid(s)**”) upon approval of the Board of Directors of Sears Canada, and (ii) take such steps as are necessary to finalize and consummate the Successful Bid(s). Sears Canada shall have no obligation to conclude a sale arising out of this Sale Process and reserves the right and unfettered discretion to reject any bid or proposal (including any Binding Bid and any Binding Lease Proposal), but shall not do so without the approval of the Monitor after consultation with the DIP Lenders. If Sears Canada does select any Successful Bid(s), it shall be under no obligation to accept the highest bid.
11. Following selection of a Successful Bid(s), Sears Canada and its advisors in consultation with the Monitor shall seek to settle any necessary definitive agreement(s) with respect to the Successful Bid(s) in form and substance acceptable to the DIP Lenders and the Board of Directors of Sears Canada. Once all necessary definitive agreement(s) with respect to a Successful Bid have been finalized, Sears Canada will apply to the Court as soon as reasonably practicable for an order in form and substance acceptable to the Monitor and the DIP Lenders (an “**Approval and Vesting Order**”) approving such Successful Bid and authorizing Sears Canada to (i) enter into any and all necessary agreements with respect to the Successful Bid, (ii) undertake such other actions as may be necessary to give effect to such Successful Bid, and (iii) implement the transaction(s) contemplated in such Successful Bid.

Deposits

12. All Deposits shall be retained by the Monitor and invested in an interest bearing trust account. If one or more Successful Bids are selected and an Approval and Vesting Order is granted in connection therewith, the Deposit paid in connection with such Successful Bid(s) (plus applicable interest) will be non-refundable and shall, upon closing of the transaction

July 5, 2017

contemplated by such Successful Bid(s), be applied to the purchase price to be paid in connection with such Successful Bid(s) or be dealt with as otherwise set out in the definitive agreement(s) entered into in connection with such Successful Bid(s). Any Deposit (plus applicable interest) delivered with a Binding Bid that is not selected as a Successful Bid, will be returned to the applicable bidder within ten (10) business days of the date of expiration of such Binding Bid or an earlier date as may be determined by Sears Canada, in consultation with the Monitor and the Sale Advisor.

Consents and Information

13. Any amendments to this Sale Process, including the relevant dates and deadlines set forth herein, may only be made with the written consent of the Special Committee, the Monitor and the DIP Lenders, or by further order of the Court.
14. Notwithstanding anything else contained herein, Sears Canada, in its reasonable business judgment and in consultation with the Sale Advisor, the Monitor and the DIP Lenders may, from time to time, withdraw any Leases or Assets from this Sale Process in accordance with the CCAA, and Sears Canada's rights under the Initial Order.
15. If any DIP Lender intends to participate as a bidder in this Sale Process, such party must provide written notice of such intention (the "**Participation Notice**") to the Sale Advisor, with a copy to the Monitor, on or before July 17, 2017 (the "**Participation Notice Deadline**"). Any DIP Lender who delivers a Participation Notice shall not be entitled to any Bid Information or Confidential Information (each as defined below). The failure of such parties to deliver a Participation Notice by the Participation Deadline shall render such parties unable to participate as a bidder in this Sale Process.
16. Subject to the confidentiality terms hereof, the Sale Advisor shall provide regular updates to the DIP Lenders and their advisors with respect to matters related to the Sale Process. Any information that is provided by the Sale Advisor, Sears Canada, the Monitor or their advisors to any of the DIP Lenders or their advisors, in respect of the Sale Process, including regarding any participants therein, any bids received or terms thereof or otherwise ("**Confidential Information**"), will be provided on a strictly confidential basis only and such parties shall not be permitted to share such Confidential Information with anyone other than any other DIP Lenders or the DIP Lenders' advisors, without the consent of Sears Canada and the Sale Advisor in consultation with the Monitor.

In addition, the following highly-sensitive information will solely be provided on a strictly confidential basis only to the Restricted Process Observers (as defined below), notwithstanding the terms of any bids or proposals received: the identity of the bidders; the particular Assets, Leases and/or Business that are the subject of a particular Binding Bid or Binding Lease Proposal; the proposed purchase price for the Business, Assets and/or Leases identified in a Binding Bid or Binding Lease Proposal; and the number of bidders that are considering or have submitted Binding Bids and/or Binding Lease Proposals for a particular Asset, Lease or Business, and copies of all bids or proposals received in the Sale Process (collectively, the "**Bid Information**"). The Monitor will maintain a list of personnel and/or categories of personnel who have a need to know the Bid Information, including personnel and/or categories of personnel of the financial and legal advisors to the DIP Lenders (the "**Restricted Process Observers**"). No Bid Information

July 5, 2017

will be provided to any individual who is not a Restricted Process Observer and, notwithstanding the terms of the DIP Facilities (as defined in the Initial Order), Restricted Process Observers shall only be permitted to share such Bid Information with other Restricted Process Observers unless the prior written consent of the Monitor in consultation with the Sale Advisor is obtained.

17. Subject to the terms hereof, the Special Committee or its designate may participate in the negotiations under the Sale Process and shall give instructions to Sears Canada's advisors in respect of or relating to this Sale Process. Certain members of management of Sears Canada have advised the Special Committee and Sears Canada's advisors that they intend to submit a bid or proposal. Management of Sears Canada involved in the design and development of any bid or proposal will not be provided with Confidential Information or Bid Information, including information about Binding Bids or Binding Lease Proposals that third parties have made or information about whether any particular party has made a Binding Bid or Binding Lease Proposal, and may be subject to further restrictions as may be determined from time to time by the Special Committee in consultation with Sears Canada's advisors and the Monitor.
18. **Under no circumstances should an interested party communicate with management of Sears Canada without one of the Sale Advisor, the Monitor or Osler, Hoskin & Harcourt LLP ("Osler"), legal advisor to Sears Canada, present.**
19. All communications relating to a potential bid must be addressed to the Sale Advisor. Interested parties must adhere to the following communication protocol:
 - (i) members of Sears Canada's management team will only be available to prospective bidders at times scheduled by BMO Capital Markets as it determines necessary to advance the Sale Process, provided that such meetings or other communications with management must be supervised by any one of the Sale Advisor, the Monitor or Osler; and
 - (ii) members of Sears Canada's management and outside advisory teams have been instructed to direct any and all inquiries from prospective bidders to BMO Capital Markets.

Failure to adhere to this communication protocol may result in disqualification of the interested party from the Sale Process and/or the rejection of any bid made by such interested party.

TAB E

This is **Exhibit "E"** referred to in the
Affidavit of
ALEXANDRA TEODORESCU herein,
Sworn before me
this 12th day of July, 2017.



A Commissioner for Taking Affidavits

LOU BRZEZINSKI

Eddie Lampert says might consider deal with Sears Canada

Reuters

Published Monday, Jul. 10, 2017 10:13AM EDT

Last updated Monday, Jul. 10, 2017 12:11PM EDT

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Billionaire Eddie Lampert's ESL Partners LP and Fairholme Capital Management LLC said they are considering a potential deal with Sears Canada as the retailer looks to restructure itself under bankruptcy protection.

Lampert is the chief executive of U.S.-based Sears Holdings Co, from which Sears Canada was spun off in 2012.

Sears Canada sought creditor protection last month after suffering a steady decline in sales due to competition from big-box retailers and online merchants.

ESL Partners and Fairholme, which together own about two-thirds of Sears Canada, said on Monday they had engaged a legal adviser and were "evaluating, discussing and considering a potential negotiated transaction" with the retailer.

The firms did not provide any details on the kind of transaction they were looking at, but said the talks could include financing, purchase and sale, or restructuring transactions.

ESL, however, warned that the discussions may not result in a deal.

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(0.00%)
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TAB F

This is **Exhibit "F"** referred to in the
Affidavit of
ALEXANDRA TEODORESCU herein,
Sworn before me
this 10th day of July, 2017.



A Commissioner for Taking Affidavits

LOU BRZEZINSKI

Lou Brzezinski
D: 416-593-2952 F: 416-594-5084
lbrzezin@blaney.com

July 12, 2017

BY EMAIL

Tracy Sandler
Osler, Hoskin & Harcourt LLP
Barristers and Solicitors
100 King Street West
Suite 6100
Toronto, ON M5X 1B8

Orestes Pasparakis
Norton Rose Fulbright Canada LLP
Barristers and Solicitors
Suite 3800, Royal Bank Plaza
South Tower, 200 Bay Street
Toronto, ON M5J 2Z4

Dear Counsel:

**Re: 1157472 Ontario Limited, carrying on business as
H.G. International ("HG") and Sears Canada Inc. ("Sears")**

We act for HG, a supplier to Sears of hosiery under the Sears brand name. We understand that Ms. Sandler acts for Sears and Mr. Pasparakis acts for the Monitor, FTI Consultant.

HG is presently owed approximately \$1.2 million as a result of product sold and delivered to Sears prior to the initial filing on June 22, 2017. Enclosed please find our client's spreadsheet statement of account.

We make reference to your motion returnable on Thursday, July 11, 2017, in which you seek an order approving the sales investment and solicitation process (the "**SISP**"), together with Schedule "A" that represents the Sales Process.

On review of the motion material seeking approval of the SISP, we note that reference is made to a potential management buy-out. We further note from media mentions and from a recent motion record filed on behalf of the majority shareholders that they, too, may be interested in an acquisition of or investment in Sears. They also seek amendments to the SISP and further production of documentation.

We are of the view that given the fact that there may be two non-arms' length bidders interested in acquiring the business assets of Sears, it is of extreme importance that special provision be made to ensure that this process is fair, open and transparent.

In this regard, it is our view that other stakeholders should be involved in the SISP. We have reviewed paragraph 16 of the sales process which provides for the maintenance by the Monitor of a list of certain corporations, individuals and personnel who will have access to the bid information (the "**Restricted Process Observers**").

In order to ensure and maintain the transparency of the process, it is our position that it would be appropriate in these circumstances to have other stakeholders involved as Restricted Process Observers. In this regard, we would recommend that our client or his legal representative should obtain the status of a Restricted Process Observer.

You may recall from Ms. Sandler's involvement in the Target CCAA that a consultative committee was formed to represent the interests of various creditors. That committee was instrumental in resolving many issues with the Monitor and ultimately ensuring that the plan of arrangement as proposed by Target was approved.

We believe that in this particular case, given the non-arms' length bidders, such a committee should be formed under the auspices of Restricted Process Observers. We would ask you to consider this suggestion.

We intend to mention to the presiding Judge on July 13th that we have forwarded this request to you for your consideration.

I would point out that I spoke with Mr. Dacks on July 11th about this matter and he asked me to correspond with Ms. Sandler directly as a result.

Yours very truly,

Blaney McMurtry LLP

A handwritten signature in cursive script that reads "Lou Brzezinski". The signature is written in black ink and is positioned above the printed name.

Lou Brzezinski

LB/jb
Encls.

From Customer Number [230] To [230]
 Account Type [All Customers]
 Age Transactions As Of [12/07/2017]
 Cutoff by Document Date [12/07/2017]
 Print Transactions In [Detail by Document Date]
 Transaction Types [Invoice, Debit Note, Credit Note, Interest, Unapplied Cash, Prepayment, Receipt, Refund]
 Include Contact/Phone/Credit Limit [No]
 Include Space For Comments [No]
 Include Only Customers Over Their Credit Limits [No]
 Include Zero-Balance Customers [No]
 Show Applied Details [No]
 Show Fully Paid Transactions [No]
 Sort Transactions by Transaction Type [No]
 Print Amounts In [Customer Currency]

Customer Number/Name/ Document Type/Number	Doc. Date	Due Date or Check/Receipt. No.	1 to 30 Currentlys	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
230 SEARS CANADA INC. EDI							
IN 00080214	3/28/2017	28/03/2017				0.48	0.48
IN 00080284	4/10/2017	10/04/2017				16,034.76	16,034.76
IN 00080536	4/13/2017	13/04/2017			5,834.22		5,834.22
IN 00080537	4/13/2017	13/04/2017			3,998.40		3,998.40
IN 00080538	4/13/2017	13/04/2017			5,698.35		5,698.35
IN 00080539	4/13/2017	13/04/2017			5,769.23		5,769.23
IN 00080540	4/13/2017	13/04/2017			4,078.20		4,078.20
IN 00080541	4/13/2017	13/04/2017			5,703.60		5,703.60
IN 00080542	4/13/2017	13/04/2017			5,755.05		5,755.05
IN 00080543	4/13/2017	13/04/2017			5,778.68		5,778.68
IN 00080544	4/13/2017	13/04/2017			5,769.23		5,769.23
IN 00080545	4/13/2017	13/04/2017			5,071.50		5,071.50
IN 00080546	4/13/2017	13/04/2017			4,592.70		4,592.70
IN 00080547	4/13/2017	13/04/2017			4,694.76		4,694.76
IN 00080548	4/13/2017	13/04/2017			4,592.70		4,592.70
IN 00080549	4/13/2017	13/04/2017			5,783.40		5,783.40
IN 00080550	4/13/2017	13/04/2017			4,592.70		4,592.70
IN 00080551	4/13/2017	13/04/2017			4,592.70		4,592.70
IN 00080552	4/13/2017	13/04/2017			5,511.24		5,511.24
IN 00080553	4/13/2017	13/04/2017			4,490.64		4,490.64
IN 00080554	4/13/2017	13/04/2017			6,633.90		6,633.90

IN 00081534	6/14/2017	14/06/2017	##	516.34
IN 00081580	6/19/2017	19/06/2017	##	2,658.00
IN 00081551	6/19/2017	19/06/2017	##	62,330.10

Customer Total: CAD 17,398.60 ## 322,448.81 780,177.88 16,035.24 1,201,564.97

Report Total: CAD 17,398.60 ## 322,448.81 780,177.88 16,035.24 1,201,564.97

<i>CR: Credit Note</i>	<i>DB: Debit Note</i>	<i>IN: Invoice</i>	<i>IT: Interest Charge</i>	<i>PL: Prepayment</i>	<i>UC: Unapplied Cash</i>	<i>MC: Miscellaneous Receipt</i>
<i>AD: Adjustment</i>	<i>CF: Applied Credit (from)</i>	<i>CT: Applied Credit (to)</i>	<i>DF: Applied Debit (from)</i>	<i>DT: Applied Debit (to)</i>	<i>ED: Earned Discount Taken</i>	
<i>GL: Gain or Loss (multicurrency ledgers)</i>		<i>PY: Receipt</i>	<i>WC: Write-Off</i>	<i>RD: Rounding</i>	<i>RF: Refund</i>	

1 customer printed

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 ELECTRIQUE 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.

Applicants

SERVICE LIST

TO: **OSLER, HOSKIN & HARCOURT LLP**
Box 50, 1 First Canadian Place
Toronto, ON M5X 1B8

Marc Wasserman

Tel: +1 416.862.4908

Jeremy Dacks

Tel: +1 416.862.4923

Tracy Sandler

Tel: +1 416.862.5890

Michael De Lellis

Tel: +1 416.862.5997

Shawn Irving

Tel: 416.862.4733

Martino Calvaruso

Tel: +1 416.862.6665

Karin Sachar

Tel: +1 416.862.5949

Fax: +1 416.862.6666

mwasserman@osler.com

jdacks@osler.com

tsandler@osler.com

mdelellis@osler.com

sirving@osler.com

mcalvaruso@osler.com

ksachar@osler.com

Lawyers for the Applicants

AND **FTI CONSULTING CANADA INC.**
TO: TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, Ontario M4K 1G8

Greg Watson
Paul Bishop
Jim Robinson
Steven Bissell
Linda Kelly
Kamran Hamidi

Toll Free: 1.855.649.8113
Tel: +1 416.649.8100
+1 416.649.8113
Fax: +1 416.649.8101

searscanada@fticonsulting.com
greg.watson@fticonsulting.com
paul.bishop@fticonsulting.com
jim.robinson@fticonsulting.com
steven.bissell@fticonsulting.com
linda.kelly@fticonsulting.com
kamran.hamidi@fticonsulting.com

Monitor

AND **BENNETT JONES LLP**
TO: 3400 One First Canadian Place
P.O. Box 130
Toronto, Ontario M5X 1A4

Gary Solway
Tel: +1 416.777.6555
Raj Sahni
Tel: +1 416.777.4804
Sean Zweig
Tel: +1 416.777.6254
Fax: +1 416.863.1716

solwayg@bennettjones.com
sahnir@bennettjones.com
zweigs@bennettjones.com

Lawyers to the Board of Directors and
the Special Committee of the Board of
Directors of Sears Canada Inc.

AND **NORTON ROSE FULBRIGHT CANADA LLP**
TO: Royal Bank Plaza, South Tower
200 Bay Street, Suite 3800, P.O. Box 84
Toronto, Ontario M5J 2Z4

Orestes Pasparakis
Tel: +1 416.216.4815
Virginie Gauthier
Tel: +1 416.216.4853
Alan Merskey
Tel: +1 416.216.4805
Evan Cobb
Tel: +1 416.216.1929
Alexander Schmitt
Tel: +1 416.216.2419
Catherine Ma
Tel: +1 416.216.4838
Fax: +1 416.216.3930

orestes.pasparakis@nortonrosefulbright.com
virginie.gauthier@nortonrosefulbright.com
alan.merskey@nortonrosefulbright.com
evan.cobb@nortonrosefulbright.com
alexander.schmitt@nortonrosefulbright.com
catherine.ma@nortonrosefulbright.com

Lawyers to the Monitor, FTI Consulting Canada
Inc.

AND **KOSKIE MINSKY LLP**
TO: 20 Queen Street West, Suite 900,
Box 52
Toronto, Ontario M5H 3R3

Andrew J. Hatnay
Tel: +1 416.595.2083
Mark Zigler
Tel: +1 416.595.2090
Fax: +1 416.977.3316

ahatnay@kmlaw.ca
mzigler@kmlaw.ca

Representative Counsel for Active Employees and
Retirees of Sears Canada Inc. with respect to
pension matters regarding the defined benefit
component of the Sears Pension Plan, the
Supplemental Plan and the post-employment
benefits

AND **GOODMANS LLP**
TO: Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Ontario M5H 2S7

Joe Latham

Tel: +1 416.597.4211

Jean Anderson

Tel: +1 416.597.4297

Dan Dedic

Tel: +1 416.597.4232

Jason Wadden

Tel: +1 416.597.5165

Ryan Baulke

Tel: +1 416.849.6954

Fax: +1 416.979.1234

jlatham@goodmans.ca
janderson@goodmans.ca
ddedic@goodmans.ca
jwadden@goodmans.ca
rbaulke@goodmans.ca

Lawyers to Wells Fargo Capital Finance
Corporation Canada as DIP ABL Agent,
as well as the Lenders thereunder

AND **ALVAREZ & MARSAL**
TO: Royal Bank Plaza, South Tower
200 Bay Street, Suite 2900, P.O. Box 22
Toronto, Ontario M5J 2J1

Douglas McIntosh

dmcintosh@alvarezandmarsal.com

Al Hutchens

ahutchens@alvarezandmarsal.com

Joshua Nevsky

jnevsky@alvarezandmarsal.com

Advisors to the DIP ABL Lenders and
DIP Term Loan Lenders

AND **CASSELS BROCK & BLACKWELL LLP**
TO: Suite 2100, Scotia Plaza
40 King Street West
Toronto, Ontario M5H 3C2

Ryan C. Jacobs

Tel: +1 416.860.6465

Jane O. Dietrich

Tel: +1 416.860.5223

R. Shayne Kukulowicz

Tel: +1 416.860.6463

Tim Pinos

Tel: +1 416.869.5784

Lara Jackson

Tel: +1 416.860.2907

Ben Goodis

Tel: +1 416.869.5312

Fax: +1 416.360.8877

rjacobs@casselsbrock.com
jdietrich@casselsbrock.com
skukulowicz@casselsbrock.com
tpinos@casselsbrock.com
ljackson@casselsbrock.com
bgoodis@casselsbrock.com

Lawyers to GACP Finance Co., LLC as DIP Term
Loan Agent and Term Loan Agent, as well as the
Lenders thereunder

AND **DAVIES WARD PHILLIPS &**
TO: **VINEBERG LLP**
155 Wellington Street West
Toronto, Ontario M5V 3J7

Robin B. Schwill
Tel: +1 416.863.5502
Natasha MacParland
Tel: +1 416.863.5567
Fax: +1 416.863.0871

rschwill@dwpv.com
nmacparland@dwpv.com

Lawyers to The Cadillac Fairview
Corporation Limited

AND **AIRD & BERLIS LLP**
TO: Brookfield Place
181 Bay Street, Suite 1800
Toronto, Ontario M5J 2T9

Steven L. Graff
Tel: +1 416.865.7726
Fax: +1 416.863.1515
sgraff@airdberlis.com

Lawyers to Beauty Express Canada Inc.

AND **URSEL PHILLIPS FELLOWS HOPKINSON**
TO: **LLP**
555 Richmond Street West, Suite 1200
Toronto, Ontario M5V 3B1

Susan Ursel
Tel: +1 416.969.3515
Ashley Schiuitema
Tel: +1 416.969.3062
Fax: +1 416.968.0325

sursel@upfhlaw.ca
ASchiuitema@upfhlaw.ca

Representative Counsel for Current and Former
Employees

AND **PALIARE ROLAND ROSENBERG**
TO: **ROTHSTEIN LLP**
155 Wellington St West, 35th Floor
Toronto, Ontario M5V 3H1

Ken Rosenberg
Tel: +1 416.646.4304
Max Starnino
Tel: +1 416.646.7431
Lily Harmer
Tel: +1 416.646.4326
Lauren Pearce
Tel: +1 416.646.6308
Fax: +1 416.646.4301

ken.rosenberg@paliareroland.com
max.starnino@paliareroland.com
lily.harmer@paliareroland.com
lauren.pearce@paliareroland.com

Lawyers to the Superintendent of Financial
Services as Administrator of the Pension Benefits
Guarantee Fund

AND **THORNTON GROUT FINNIGAN**
TO: **LLP**
100 Wellington St. West, Suite 3200
TD West Tower, Toronto-Dominion
Centre
Toronto, Ontario M5K 1K7

D. J. Miller
Tel: +1 416.304.0559
Mudasir Marfatia
Tel: +1 416.304.0332
Fax: +1 416.304.1313

djmiller@tgf.ca
mmarfatia@tgf.ca

Lawyers for Oxford Properties Group
Inc.

AND **MILLER THOMSON LLP**
TO: Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, Ontario M5H 3S1

Jeffrey C. Carhart
Tel: 416.595.8615
Sherry Kettle
Tel: 519.931.3534
Fax: 416.595.8695

jcarhart@millerthomson.com
skettle@millerthomson.com

Lawyers for Sealy Canada Ltd., Gestion
Centurian Inc., 1390658 Ontario Inc. o/a
TEMPUR Canada and MTD Products
Limited

AND **BLAKE, CASSELS & GRAYDON LLP**
TO: 1 Place Ville Marie, Suite 3000
Montreal, Quebec H3B 4N8

Bernard Boucher
Tel: +1 514.982.4006
Sébastien Guy
Tel: +1 514.982.4020
Fax: +1 514.982.4099

bernard.boucher@blakes.com
sebastien.guy@blakes.com

Lawyers for Ovation Logistic Inc.

AND **SEALY CANADA LTD.**
TO: c/o Tempur Sealy International, Inc.
1000 Tempur Way
Lexington, Kentucky 40511 USA

Joseph M. Kamer
SVP, General Counsel and Secretary
Tel: +1 859.455.2000
joe.kamer@tempursealy.com

AND **THORNTON GROUT FINNIGAN**
TO: **LLP**
100 Wellington St. West, Suite 3200
TD West Tower, Toronto-Dominion
Centre
Toronto, Ontario M5K 1K7

Leanne M. Williams
Tel: +1 416.304.0060
Puya Fesharaki
Tel: +1 416.304.7979
Fax: +1 416.304.1313

lwilliams@tgf.ca
pfesharaki@tgf.ca

Lawyers for Whirlpool Canada Inc.

AND **BISHOP & MCKENZIE LLP**
TO: Suite 2300, 10180 - 101 Street
Edmonton, Alberta T5J 1V3

Jerritt R. Pawlyk
Tel: +1 780.421.2477
JPawlyk@bmlp.ca

Lawyers for Clifton Associates Ltd.

AND **COMINAR REAL ESTATE**
TO: **INVESTMENT TRUST**
Complexe Jules-Dallaire – T3
2820 boul. Laurier, bureau 850
Québec QC G1V 0C1

Andrée Lemay-Roux
Tel: +1 418.681.6300 ext. 2268
Fax: +1 418.681.2946
andree.lemayroux@cominar.com

AND **BORDEN LADNER GERVAIS LLP**
TO: 1000, rue De La Gauchetière Ouest,
Bureau / Suite 900,
Montréal, QC, H3B 5H4

Francois D. Gagnon
Tel: +1 514.954.2553
Eugénie Lefebvre
Tel: +1 514.954.2502
Fax: +1 514.954.1905

FGagnon@blg.com
ELefebvre@blg.com

Lawyers for Bell Canada

AND **SHIBLEY RIGHTON LLP**
TO: 250 University Avenue, Suite 700
Toronto, Ontario M5H 3E5

Charles Simco
Tel: +1 416.214.5265
Fax: +1 416.214.5465
Isabelle Eckler
Tel: +1 416.214.5269
Fax: +1 416.214.5469

charles.simco@shibleyrighton.com
isabelle.eckler@shibleyrighton.com

Lawyers for the Respondent, 152610 Canada Inc.
carrying on business as Laurin and Company
General Contractor

AND **GILDAN**
TO: 1980 Clements Ferry Road
Charleston, SC 29492

Andrew E. Colvin
Director, Legal Affairs
Tel: 843.606.3627
acolvin@gildan.com

AND **SPORTS INDUSTRY CREDIT**
TO: **ASSOCIATION**
245 Victoria Ave., Suite 800
Westmount, Québec, H3Z 2M6

Brian Dabarno
Tel: +1 514.931.5561
Fax: +1 514.931.2896
brian@sica.ca

AND **LITESPEED MANAGEMENT LLC**
TO: 745 Fifth Avenue , 6th Floor
New York, NY 10151 USA

Irene E. Tarkov
Tel: +1 212.808.7418
Fax: +1 212.808.7425
irene@litespeedpartners.com

AND **MINISTRY OF JUSTICE AND**
TO: **ATTORNEY GENERAL**
Legal Services Branch, Revenue &
Taxation
400 - 1675 Douglas Street,
Victoria, BC V8W 2G5

Mailing Address:
PO BOX 9289 STN PROV GOVT,
Victoria, BC V8W 9J7

Aaron Welch
Tel: +1 250.356.8589
Fax: +1 250.387.0700

Aaron.Welch@gov.bc.ca
AGLSBRevTax@gov.bc.ca

AND **CANADIAN DOWN & FEATHER**
TO: **COMPANY INC.**
135 St. Regis Crescent South
Toronto, Ontario M3J 1Y6

Ashwin Aggarwal
Tel: +1 416.532.3200
ashwin@canadiandownandfeather.com

AND **COWEN SPECIAL INVESTMENTS, LLC**
TO: 830 Third Avenue, 4th Floor
New York, NY 10022 USA

Neil Desai
Tel: +1 646.616.3079
neil.desai@cowen.com

AND **MINDEN GROSS LLP**
TO: 2200 - 145 King Street West
Toronto, ON M5H 4G2

Timothy R. Dunn
Tel: +1 416.369.4335
Fax: +1 416.864.9223

tdunn@mindengross.com

Lawyers for NADG (LPM) G.P. Ltd. and I.G.
Investment Management, Ltd. (Lynden Park
Mall - Brantford, Ontario) and Partners REIT
(Cornwall Square Mall – Cornwall, Ontario),
Acrylic Fabricators Limited

AND **FOGLER, RUBINOFF LLP**
TO: Lawyers
77 King Street West, TD Centre
Suite 3000, North Tower
Toronto, Ontario M5K 1 G8

Martin R. Kaplan
Tel: +1 416.941.8822
Vern W. DaRe
Tel: +1 416.864.8842
Fax: +1 416.941.8852

mkaplan@foglers.com
vdare@foglers.com

Lawyers for Metroland Media Group
Ltd.

AND **MCLEAN & KERR LLP**
TO 130 Adelaide Street West,
Suite 2800
Toronto, Ontario M5H 3P5

Walter R. Stevenson
Tel: +1 416.369.6602
Linda Galessiere
Tel: +1 416.369.6609
Gustavo F. Camelino
Tel: +1 416.369.6621
Fax: +1 416.366.8571

wstevenson@mcleankerr.com
lgalessiere@mcleankerr.com
gcamelino@mcleankerr.com

Lawyers for the Respondents,
20 VIC Management Inc. on behalf of
OPB Realty Inc., Ivanhoe Cambridge
Inc., Morguard Investments Limited,
Crombie REIT, Triovest Realty
Advisors Inc., HOOPP Realty Inc.

AND **KATTEN MUCHIN ROSENMAN LLP**
TO: 575 Madison Avenue
New York, NY 10022-2585

Darius J. Goldman
Tel: +1 212.940.6355
Fax: +1 212.940.8776
darius.goldman@kattenlaw.com

AND **BLANEY MCMURTRY LLP**
TO: 2 Queen Street East, Suite 1500
Toronto Ontario M5C 3G5

John C. Wolf
Tel: +1 416. 593.2994
David T. Ullmann
Tel: +1 416.596.4289
Fax: +1 416. 594.2437

jwolf@blaney.com
dullmann@blaney.com

Lawyers for the Respondents, Bentall Kennedy
(Canada) LP/ QuadReal Property Group, Primaris
Management Inc. and First Capital Asset
Management ULC

AND **CHAITONS LLP**
TO: 5000 Yonge Street, 10th Floor
Toronto, Ontario M2N 7E9

Harvey Chaiton

Tel: +1 416.218.1129
Fax: +1 416.218.1849
harvey@chaitons.com

Lawyers for TravelBrands

AND **MILLER THOMSON LLP**
TO: Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, Ontario M5H 3S1

Craig A. Mills

Tel: +1 416.595.8596
Fax: +1 416.595.8695

cmills@millerthomson.com

Lawyers for Cherokee Inc.

AND **WEIRFOULDS LLP**
TO: 4100 - 66 Wellington Street West
PO Box 35, TD Bank Tower
Toronto, Ontario M5K 1B7

Edmond F.B. Lamek

Tel: +1 416.947.5042

Lisa Borsook

Tel: +1 416.947.5003

Danny M. Nunes

Tel: +1 416.619.6293
Fax: +1 416.365.1876

elamek@weirfoulds.com
lborsook@weirfoulds.com
dnunes@weirfoulds.com

Lawyers for RioCan Real Estate
Investment Trust

AND **LPLV Avocats, senc**
TO: 480 boul Saint-Laurent, bureau, 200
Montréal Quebec H2Y 3Y7

Chantal Labelle

Tel: +1 514.798.1814
Fax: +1 514.798.5599
c.labelle@lplv.com

Lawyers for Mall Owner in the City of Alma

AND **CORESTONE LAW**
TO: 117 Peter Street, Suite 310
Toronto, Ontario M5V 0M3

Harp Khukh

Tel: +1 416.591.2222
Fax: +1 416.591.2221

harp@corestone.ca

Lawyers for Pinchin Ltd.

AND **LAWSON LUNDELL LLP**
TO: Suite 1600 Cathedral Place
925 West Georgia Street
Vancouver, British Columbia V6C 3L2

Heather M.B. Ferris

Tel: +1 604.631.9145

Fax: +1 604.669.1620

hferris@lawsonlundell.com

Lawyers for 0862223 B.C. Ltd., Shape
Brentwood Limited Partnership, Brentwood Town
Centre Limited Partnership, 1854 Holdings Ltd.,
Shape Properties (Nanaimo) Corp., NNTC
Equities Inc. and Catalyst Pulp and Paper Sales
Inc.

AND **LAVERY, DE BILLY, L.L.P.**
TO: 1, Place Ville Marie, Suite 4000
Montreal (Quebec) H2J 3S7

Jonathan Warin
Tel.: +1 514 878-5616
Fax: +1 514 871-8977
jwarin@lavery.ca

Lawyers for Dorel Juvenile Canada and
Pacific Cycle / Dorel Distribution

AND **SATPANTH CAPITAL, INC.**
TO: **d/b/a KING KOIL SLEEP
PRODUCTS**
5811 – 46th Street SE
Calgary, Alberta T2C 4Y5

Alykhan Sunderji, Vice President
Tel: +1 403.279.1020
Fax: +1 403.279.2343

AND **DELOITTE LLP**
TO: Bay Adelaide Centre, East Tower
22 Adelaide Street West, Suite 200
Toronto, ON M5H 0A9

Francesca Filippelli
Tel: +1 416. 601.6721
Fax: +1 416. 874.3804

ffilippelli@deloitte.ca

AND **TATA CONSULTANCY SERVICES
CANADA INC.**
TO: 400 University Avenue , Suite 2500
Toronto, Ontario M5G 1S5

Nagendra Krishnamoorthy
Head of Legal

k.nagendra@tcs.com

AND **BEAUWARD SHOPPING CENTRES LTD**
TO: 430 Arthur-Sauvé Blvd., Suite 6010
Saint-Eustache, Québec, J7R 6V7

Nathalie Parent, Vice-President, Legal Affairs
Tel. : +1 450.473.6831 Ext. 203
Richard Hamelin, Legal Counsel
Tel. : +1 450. 473.683 Ext. 202

nparent@beauward.com
rhamelin@beauward.com

AND **Revenue Quebec**
TO:

Alain Casavant
Tel: +1 514. 415.5083
Alain.Casavant@revenuquebec.ca

AND **DENTONS CANADA LLP**
TO: 1 Place Ville Marie, Suite 3900
Montréal, Québec H3K 1H9

Martin Poulin
Tel: +1 514.787.5882
Anthony Rudman
Tel: +1 514.673.7423
Fax: +1 514.866.2241

martin.poulin@dentons.com
anthony.rudman@dentons.com

Lawyers for Konica Minolta Business

Courtesy Copies:

TO: **LONGVIEW COMMUNICATIONS
INC.**

Suite 612 - 25 York Street
Toronto, Ontario M5J 2V5

Joel Shaffer

jshaffer@longviewcomms.ca

Peter Block

pblock@longviewcomms.ca

Irina Vukosavic

ivukosavic@longviewcomms.ca

Email Service List:

mwasserman@osler.com; jdacks@osler.com; tsandler@osler.com; mdelellis@osler.com;
sirving@osler.com; mcalvaruso@osler.com; ksachar@osler.com; searscanada@fticonsulting.com;
greg.watson@fticonsulting.com; paul.bishop@fticonsulting.com; jim.robinson@fticonsulting.com;
steven.bissell@fticonsulting.com; linda.kelly@fticonsulting.com; kamran.hamidi@fticonsulting.com;
orestes.pasparakis@nortonrosefulbright.com; virginie.gauthier@nortonrosefulbright.com;
alan.merskey@nortonrosefulbright.com; evan.cobb@nortonrosefulbright.com;
alexander.schmitt@nortonrosefulbright.com; catherine.ma@nortonrosefulbright.com;
solwayg@bennettjones.com; sahnir@bennettjones.com; zweigs@bennettjones.com;
ahatnay@kmlaw.ca; jlatham@goodmans.ca; janderson@goodmans.ca; ddedic@goodmans.ca;
jwadden@goodmans.ca; rbaulke@goodmans.ca; rjacobs@casselsbrock.com;
jdietrich@casselsbrock.com; skukulowicz@casselsbrock.com; bgoodis@casselsbrock.com;
dmcintosh@alvarezandmarsal.com; ahutchens@alvarezandmarsal.com;
jnevsky@alvarezandmarsal.com; rschwill@dwpv.com; nmacparland@dwpv.com; sursel@upfhlaw.ca;
sgraff@airdberlis.com; ken.rosenberg@paliareroland.com; max.starnino@paliareroland.com;
lily.harmer@paliareroland.com; djmiller@tgf.ca; mmarfatia@tgf.ca; bernard.boucher@blakes.com;
sebastien.guy@blakes.com; jcarhart@millertomson.com; skettle@millertomson.com;
joe.kamer@tempursey.com; lwilliams@tgf.ca; pfesharaki@tgf.ca; charles.simco@shibleyrighton.com;
JPawlyk@bmlp.ca; ashwin@canadiandownandfeather.com; andree.lemayroux@cominar.com;
jshaffer@longviewcomms.ca; pblock@longviewcomms.ca; ivukosavic@longviewcomms.ca;
acolvin@gildan.com; brian@sica.ca; FGagnon@blg.com; ELefebvre@blg.com ;
irene@litespeedpartners.com; neil.desai@cowen.com; Aaron.Welch@gov.bc.ca ;
AGLSBRevTax@gov.bc.ca ; tdunn@mindengross.com; mkaplan@foglers.com; vdare@foglers.com;
ljackson@casselsbrock.com; tpinos@casselsbrock.com; darius.goldman@kattenlaw.com;
manon.deslauriers@cominar.com; mzigler@kmlaw.ca; wstevenson@mcleankerr.com;
hferris@lawsonlundell.com; harvey@chaitons.com; c.labelle@lplv.com; elamek@weirfoulds.com;
jwolf@blaney.com; dullmann@blaney.com; john.mori@cowen.com; lborsook@weirfoulds.com
dnunes@weirfoulds.com; lgalessiere@mcleankerr.com; gcamelino@mcleankerr.com;
harp@corestone.ca; cmills@millertomson.com; jwarin@lavery.ca; nparent@beauward.com;
rhamelin@beauward.com; lauren.pearce@paliareroland.com; alykhans@pafgroup.com;
Alain.Casavant@revenuquebec.ca; isabelle.eckler@shibleyrighton.com; martin.poulin@dentons.com
anthony.rudman@dentons.com; ffilippelli@deloitte.ca; k.nagendra@tcs.com; ASchuitema@upfhlaw.ca

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., CORBELL ELECTRIQUE INC., S.L.I. 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, 935041 ALBERTA LTD., 4201531 CANADA INC., 168886 CANADA INC. and 3339611 CANADA INC.

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

**RESPONDING MOTION RECORD
(RETURNABLE JULY 13, 2017)**

BLANEY McMURTRY LLP
Barristers and Solicitors
1500 - 2 Queen Street East
Toronto, ON M5C 3G5

Lou Brzezinkski
Tel: (416) 596-2952
Fax: (416) 593-5437

Alexandra Teodorescu
Tel: (416) 596-4279
Fax: (416) 593-5437

Lawyers for the HG International, a Division of
1157472 Ontario Ltd.