

**NOTICE OF SETTLEMENT APPROVAL HEARING IN SEARS HOMETOWN
DEALERS OPPRESSION CLASS ACTION**

TO: All corporations, partnerships, and individuals that carried on business as a Sears Hometown Store under a Dealer Agreement with Sears Canada Inc. at any time from July 5, 2011 to November 19, 2013.

**A PARTIAL SETTLEMENT HAS BEEN REACHED IN THIS CASE,
SUBJECT TO COURT APPROVAL**

**PLEASE READ THIS NOTICE CAREFULLY. IT DESCRIBES THE PARTIAL
SETTLEMENT AND HOW IT MAY AFFECT YOUR LEGAL RIGHTS.**

A. What is this class action about?

This class action alleges that the payment of a \$509 million extraordinary dividend by Sears Canada Inc. (“**Sears**”) on December 6, 2013 was oppressive and contrary to the Canada Business Corporations Act (the “**CBCA**”). The claim seeks damages against Sears Canada Inc., its directors and its significant shareholders, ESL Investments Inc. and Sears Holding Corporation for conduct contrary to the CBCA on behalf of the Class Members.

On June 22, 2017, Sears Canada filed for creditor protection under the Companies’ Creditors Arrangement Act (the “**CCAA**”) staying the action against Sears Canada.

The class action is being advanced together with three other claims against some or all of the defendants brought by: (i) Sears’ Court-appointed Monitor in the CCAA proceeding; (ii) Sears’ Litigation Trustee appointed in the CCAA proceeding; and (iii) Sears’ pension plan administrator (together with this proceeding, the “**Actions**”). Each of the Actions relates to the payment of the extraordinary dividend in 2013 by Sears Canada.

B. Who is affected by the settlement?

Class Members will be affected by the settlement.

You are a Class Member if you are a corporation, partnership, or individual that carried on business as a Sears Hometown Store under a Dealer Agreement with Sears Canada Inc. at any time from July 5, 2011 to November 19, 2013.

C. What settlement has been reached in this class action?

The Representative Plaintiff and the individual Defendants, being the former directors of Sears Canada in 2013, William C. Crowley, William R. Harker, Donald Campbell Ross, Ephraim J. Bird, Deborah E. Rosati, R. Raja Khanna, James McBurney and Douglas Campbell (the “**Director Defendants**”), have agreed to settle the class action as against the Director Defendants as part of

a settlement of all claims against the Director Defendants in the Actions. The settlement does not constitute a concession or admission of liability, wrongdoing, fault or omission by the Director Defendants and such are expressly denied by the Director Defendants.

Under the terms of the Settlement Agreement, the Actions against the Director Defendants are resolved by payment by the Director Defendants' insurers to the plaintiffs in the amount of CAD\$50,000,000.00. The Class Members' share of the settlement proceeds is CAD\$4,500,000.00, less legal fees and expenses (the "**Settlement Amount**").

If the settlement is approved by the Court, the Settlement Amount will cover all compensation to the Class Members from the Director Defendants, including legal fees and related disbursements (including taxes), and the costs of administration and distribution of money to Class Members. In exchange for the Settlement Amount, the Director Defendants will receive a full release of all claims, including the claims made in this class action.

The Representative Plaintiff and Class Counsel recommend the settlement because it will provide significant monetary compensation to Class Members, weighed against the further delays, risks and unknown results, and a potential unfavorable finding, if the case proceeds to a contested trial.

The settlement is subject to the approval of the Court, which will decide whether the settlement is fair, reasonable, and in the best interests of Class Members.

The Court will hold a hearing, likely by video conference to decide whether to approve the settlement in the Ontario Superior Court of Justice – Commercial List, 330 University Avenue, Toronto, Ontario on August 25, 2020 at 1:00 p.m.

D. What will happen if the settlement is rejected by the Court?

The Court will decide whether to approve or reject the settlement. It does not have the authority to unilaterally change the material terms of the settlement. If the Court does not approve the settlement, the lawsuit against the Director Defendants will continue.

E. What steps should I take now?

Class Members are entitled, but not obligated, to express their opinions about the settlement and whether it should be approved. If you wish to make a submission to the Court supporting or objecting to the proposed settlement, you must send the submissions in writing (by mail or email) to Class Counsel, at the address below, and ensure they are received no later than August 20, 2020. Class Counsel will provide all submissions to the Court and the Director Defendants in advance of the hearing.

The written submissions should include:

- a. Your name, address and telephone number;

- b. A brief statement of the reasons that you support or oppose the proposed settlement terms; and
- c. Whether you plan to attend at the settlement approval hearing (which may be made by video conference).

F. What Happens to the Money Paid Under the Settlement?

At this stage, the Settlement Amount (minus approved fees and expenses) will be held in an interest-bearing trust account. At a later date, the Court will decide how the settlement funds will be distributed and how you can apply to receive money from the settlement. Watch for another notice explaining how to claim money from the settlement. Register online at www.sotosclassactions.com/cases/current-cases/sears-canada-oppression/ to ensure you are sent this notice by email.

G. When and Where will the Hearing Be?

The hearing will be held in the Superior Court of Justice – Commercial List, 330 University Avenue, Toronto, Ontario on August 25, 2020 at 1:00 p.m.

The Court will be asked to (1) approve the Settlement Agreement; and (2) approve Class Counsel’s legal fees.

Given the current pandemic, the settlement approval hearing will likely be held by video conference. Class Members and members of the public may attend the settlement approval hearing by joining the video conference but are not required to do so. If you wish to attend by video conference, you can contact Class Counsel at the contact information below and the video conference information will be provided to you.

H. Who are the lawyers working on this class action?

The law firms of **Sotos LLP** and **Blaney McMurtry LLP** are Class Counsel and represent members of this class action in Canada.

Sotos LLP can be reached at:

(toll free): 1-888-977-9806

Email: info@sotosclassactions.com

Mail: 180 Dundas Street West, Suite 1200, Toronto ON M5G 1Z8, Attention: Karen Whibley

Class members will not have to personally pay Class Counsel for the work that they have done or for the disbursements that they have carried over the past several years since this case began. The Representative Plaintiff entered into a contingency fee agreement with Class Counsel, providing that Class Counsel are to be paid only in the event of a successful settlement or trial judgment. As provided for in that contingency fee agreement, Class Counsel will be asking that the Court approve legal fees of 33% of the settlement funds, plus disbursements and applicable taxes.

Approval of the Settlement Agreement will not be contingent upon the court approval of legal fees. Any approved legal fees and disbursements will be paid out of the \$4,500,000.00 settlement funds.

I. Where can I ask more questions?

For more information about this class action and the settlement (including the terms of the Settlement Agreement), please visit the following website <https://sotosclassactions.com/cases/current-cases/sears-canada-oppression/>. If you have further questions, you can also contact Class Counsel as set out above.

To receive future notices and updates regarding the class action, register online at <https://sotosclassactions.com/cases/current-cases/sears-canada-oppression/>.

J. Interpretation

This notice contains a summary of some of the terms of the Settlement Agreement. If there is a conflict between the provisions of this notice and the Settlement Agreement, the terms of the Settlement Agreement shall prevail.

PLEASE DO NOT CALL THE DIRECTOR DEFENDANTS, THE COURTHOUSE, OR THE REGISTRAR OF THE COURT ABOUT THIS ACTION.

This notice was approved by the Ontario Superior Court of Justice.