

**SEARS CANADA INC. / PENSION BENEFITS GUARANTEE FUND / PENSION REPRESENTATIVES /
EMPLOYEE REPRESENTATIVES AND COUNSEL**

TERM SHEET

Subject to the terms and conditions set out below, the Superintendent of Financial Services, as Administrator of the Pension Benefits Guarantee Fund, (“**PBGF**”), Koskie Minsky LLP as pension and benefits representative counsel (“**Pension Representative Counsel**”) and the representatives as defined in the Pension Representative Counsel order (as “**Pension Representatives**” and, together with Pension Representative Counsel and PBGF, the “**Pension Group**”) and Ursel Phillips Fellows Hopkinson LLP, as employee representative counsel (“**Employee Representative Counsel**”) and the representatives as defined in the Employee Representative Counsel order (together with Employee Representative Counsel and the Pension Group, the “**Pension and Employee Group**”) do not oppose the orders sought approving (i) the DIP Facilities and the court ordered charges securing the obligations thereunder; (ii) the terms of paragraph 46 of the proposed Amended and Restated Initial Order in respect of provisional execution of such order and in respect of Variations (as described therein); and (iii) the SISP, in each case on terms of the related draft orders (the “**Draft Orders**”) included in the motion record of Sears Canada Inc. and its affiliates, dated July 5, 2017 (the “**Motion Record**”), as subsequently modified including where necessary to reflect the terms and conditions set out below.

The non-opposition of the Pension and Employee Group set out above is subject to the following conditions:

Payment of special payments and other post-retirement benefits under the PRB Plan

Payment of special payments and other post-retirement benefits (including life insurance), and payment of the supplemental pension benefits other than those paid from the RCA Trust, shall be made up to and including, but not beyond, September 30, 2017, subject to further order of the court, and the draft orders shall be reflected to provide as such.

Pension Deemed Trust

Nothing in this term sheet derogates or takes away from PBGF, Pension Representative Counsel’s or pension beneficiaries’ rights to claim a deemed trust and/or administrator’s lien and charge in accordance with the Pension Benefits Act, R.S.O. 1990, c P.8 and the Personal Property Security Act, R.S.O. 1990, c P.10 in respect of all creditors save and except for the DIP Lenders (with respect to all pre- or post-filing obligations owed to them) and the other court-ordered charges contained in the Amended and Restated Initial Order, and the PBGF, Pension Representative Counsel and pension beneficiaries reserve all of their rights to assert such a deemed trust and lien.

Nothing in this term sheet derogates or takes away from the rights of the Pension Representatives to bring a motion before the court to seek a wind-up of the pension plan, without prejudice to the rights of the Applicants, the Monitor, the DIP Lenders, or any other party to this Term Sheet to take any positions that they deem appropriate in connection therewith.

Confidentiality

The provision of information contemplated herein shall be subject to the execution of a confidentiality agreement by the PBGF, in a form acceptable to Sears Canada Inc. and the Monitor, in each case acting reasonably, or as approved by the court. For greater certainty, PBGF will not be permitted to share information subject to such confidentiality agreement with the other members of the Pension and Employee Group.

Prior to receiving any information hereunder, Pension Representative Counsel, Employee Representative Counsel and their respective financial advisors shall also have entered into a confidentiality agreement in a form acceptable to Sears Canada Inc. and the Monitor, in each case acting reasonably

Access to Financial Information

The PBGF will be provided with historical data and updates from the Monitor and the Company (and/or its financial advisors) at the same frequency and on the same basis as the DIP Lenders, including but not limited to the Reporting Requirements and Collateral Monitoring and Review provisions referenced in para 6.01 (j) and 6.01 (k) of the Senior Secured Superpriority Debtor-In-Possession Amended and Restated Credit Agreement dated June 22, 2017 ("DIP Agreement"), on the status of the business optimization plan of Sears Canada Inc., proceeds received from the liquidation of assets at closing stores, as well as the cash flows, inventory and working capital balances of Sears Canada Inc. and its subsidiaries.

The persons who have signed confidentiality agreements as noted above will be provided with:

- (a) an estimated liquidation value of any remaining Company assets, which are not included in the initial store closings by August 31, 2017; or as soon as practically available thereafter;
- (b) each Variance Report (as defined in the DIP ABL Credit Agreement (as defined below)), and at the times specified in the DIP ABL Credit Agreement;
- (c) updated cash flow forecasts at the times specified in the DIP ABL Credit Agreement (and in no event shall the interval of reporting exceed two weeks);
- (d) Monitor's analysis of variances to the extent provided to the DIP Lenders;
- (e) Borrowing Base Certificates (as defined in the DIP ABL Credit Agreement) at the times specified in the DIP ABL Credit Agreement (and in no event shall the interval of reporting exceed 7 days); and
- (f) regular SISP updates, including: number of parties contacted as part of the SISP; number of parties signing NDAs; and number of parties declining the opportunity.

Access to Pension Information

Sears Canada Inc. as administrator of the pension plan shall immediately provide the PBGF with complete transparency into and access to all information about and concerning the pension plan and its administration, including but not limited to pension data and analysis and any work product, including in respect of any December 31, 2016 pension valuation information and analysis.

Pension administration

If and when required by the PBGF, at a time designated by the

transition

PBGF, the Monitor, Sears Canada Inc., and the pension plan administrator shall use best efforts to facilitate a smooth transition of the administration of the pension plan to a new administrator appointed by the Superintendent.

Access to DIP Information

PBGF will be provided with copies of Notices of Borrowing on the date those Notices are provided to the DIP Lenders, and with updates from the Monitor on the status and amount of Aggregate Commitments, Borrowing Base, Line Cap, Excess Availability and other similar information (all as defined in the Senior Secured Superpriority Debtor-In-Possession Amended and Restated Credit Agreement dated as of June 22, 2017, marked as Exhibit D to the Affidavit of Billy Wong sworn June 22, 2017 (the "**DIP ABL Credit Agreement**"))

Access to SISP Information

Paliare Roland Rosenberg Rothstein LLP, as legal counsel to PBGF, Farber Financial, as financial advisor to PBGF and specified individual representatives of PBGF (collectively the "**Permitted Recipients**") shall be provided with the same updates with respect to the SISP as those updates provided to representatives of the DIP Lenders that are Restricted Process Observers (as defined in the SISP).

For greater certainty, the Permitted Recipients will be provided, as soon as practical, information on the key economic terms of the bids, and shall be subject to the same restrictions as Restricted Process Observers under the SISP and may not share any Bid Information (as defined in the SISP) with any other person, including any other representative of or advisor to the PBGF that is not also a Permitted Recipient

Application to Court

If any party within the Pension Group determines that the positions of the beneficiaries under the Sears Pension Plan with respect to any wind-up deficit that may exist or may arise under the Sears Pension Plan and/or other retiree claims is prejudiced by steps taken by Sears Canada Inc. in the CCAA proceedings, the consent of any party in the Pension Group as contained herein shall not prejudice the rights of such party in the Pension Group to propose an alternative structure to monetize the assets and businesses of the Sears Canada Group, including but not limited to replacement and repayment in full of the DIP Lenders (which must provide for both pre-filing and post-filing obligations to the DIP Lenders) with an alternative DIP, on not less than four (4) days prior notice to Sears Canada Inc., the Monitor, the DIP Lenders and any other affected parties, or such lesser period as the court may permit (the "**Application**").

Sears Canada Inc. and its affiliates, as well as the DIP Lenders do not consent to, and reserve all rights to oppose, any such Application by any party in the Pension Group.

If any such Application is made in the CCAA proceedings, and it is determined by the court in favour of the Pension Group, or if such Application remains outstanding when any payment obligations noted

immediately below are due, the Pension and Employee Group agrees that obligations set out herein for the Sears Canada Group to make special payments, supplementary plan payments or to make other post-retirement benefits (including life insurance) payments shall immediately be suspended, subject to further order of the court and the draft orders shall be reflected to provide as such.

**No Credit Bid by DIP
Lenders**

The DIP Lenders will agree that no credit bid can be made by them without further order of the court.

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