

**NOTICE OF CERTIFICATION OF CLASS PROCEEDING AGAINST  
SEARS CANADA INC., SEARS ROEBUCK AND CO.  
AND HOME COVERINGS BUYING GROUP INC.**

**Read this notice carefully as it may affect your legal rights.**

**PURPOSE OF THIS NOTICE**

This notice is to all individuals or entities in Canada who/which entered into a license agreement with Sears for operation of a "Sears Floor Covering Centre" from 1998 to January 30, 2010.

In May, 2009, 578115 Ontario Inc. operating as McKee's Carpet Zone ("McKee's Carpet Zone") commenced a proposed class proceeding against Sears Canada Inc., Sears Roebuck and Co. (together "Sears") and Home Coverings Buying Group Inc. ("HCBG") in the Superior Court of Justice, Court File No. CV-09-378780-00CP. McKee's Carpet Zone alleges that Sears and/or HCBG received undisclosed rebates from approved suppliers arising from the sale of flooring products to licensees.

By reasons for decision released on August 23, 2010 and a further endorsement released on October 15, 2010, the Ontario Superior Court of Justice certified this action as a class proceeding. This notice does not mean that the Court has made a decision as to the likelihood of recovery by the plaintiff, or as to the merits of the claims or defences asserted by either side. This notice is provided because you are a member of the Class or Alberta Sub-class whose rights may be affected by the lawsuit.

**COMMON ISSUES**

In summary, the class proceeding will determine the following common issues:

1. did Sears receive rebates and other financial benefits from suppliers? (this is admitted)
2. was Sears required by contract or by law to disclose such rebates and other financial benefits to franchisees?
3. if so, did it make such disclosure?
4. if not, what are the consequences?

The common issues to be determined are set-out in detail in the Appendix to the Order of the Superior Court of Justice on certification, dated October 15, 2010 at: [www.classactionlaw.ca](http://www.classactionlaw.ca).

**PARTICIPATION AND EXCLUSION FROM THE CLASS**

If you wish to remain a member of the Class or Alberta Sub-class, you do not have to do anything at this time. If you wish to obtain more information about your rights as a Class Member or Alberta Sub-class Member, you may contact class counsel as listed below.

**If you wish to exclude yourself from this class proceeding** ("opt-out") you must deliver written notice on or before **January 15, 2011** to the opt-out administrator:

- a. by mail to: Nicholas Mastroluisi, C.A.,  
Pettinelli, Mastroluisi<sup>LLP</sup>  
6<sup>th</sup> Floor, 1 James Street South  
Hamilton, ON L8P 4R5
- b. by fax to: 905-522-6574
- c. by e-mail to: [nickm@petmas.ca](mailto:nickm@petmas.ca)

The written opt-out notice must be signed by the Class Member or Alberta Sub-class Member or his/her authorized representative and include the class member's name, address, telephone number and the statement that he/she is opting-out of the class proceeding.

Any Class Member or Alberta Sub-class Member who does not opt-out will be bound by the result in the action whether favourable or not. You must opt-out if you wish to proceed with individual legal action.

**FINANCIAL CONSEQUENCES**

The class proceeding will deal with the common issues as outlined above. Unless otherwise agreed to in writing with class counsel and/or McKee's Carpet Zone, no class member will be liable for costs with respect to the determination of the common issues. Once the Court has determined the common issues, it may be necessary for individual members of the class to participate in individual proceedings to determine issues which are not common to the class in order to establish their claims. If this is necessary, each member of the class may have to bear costs of such individual proceedings and, if unsuccessful, could be liable to pay a portion of the defendants' costs incurred with respect to such individual proceedings.

Class members and Alberta Sub-class Members may be entitled to receive financial compensation from the defendants if the class proceeding is successful.

The representative plaintiff has entered into an agreement with class counsel whereby fees related to the trial of the common issues will be payable only in the event of success in the class proceeding. Any fees charged by class counsel must be approved by the Court. The class counsel acting in this case is as follows:

**SCARFONE HAWKINS<sup>LLP</sup>**

Barristers & Solicitors  
One James Street South  
14<sup>th</sup> Floor  
P.O. Box 926, Depot 1  
Hamilton, Ontario L8N 3P9

DAVID THOMPSON

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Tel : 905-523-1333

Fax: 905-523-5878

**ADDITIONAL INFORMATION**

**Additional information can be obtained by contacting class counsel as set-out above or through the website, [www.classactionlaw.ca](http://www.classactionlaw.ca).**

**This notice has been approved by the Superior Court of Justice.  
Questions about this notice should NOT be directed to the court.**