

**NOTICE OF SETTLEMENT OF CLASS ACTION 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

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.

In 2010, the Ontario Superior Court of Justice certified this action as a class proceeding (the "Certification Order").

This notice is to all Class Members and Alberta Sub-class Members who operated a "Sears Floor Covering Centre" ("SFCC") at any time between 1998 to January 30, 2010 and are entitled to participate pursuant to the Certification Order.

TERMS OF PROPOSED SETTLEMENT

The defendants agree to establish a Settlement Fund of \$1,575,000.00. The defendants maintain their denial of all claims in the class proceeding and do not admit liability in any way. Each Class Member will be paid a portion of the Settlement Fund *pro-rata* based on the amount of total rebates received during the operation of the SFCC program.

The Court will be asked to approve a Counsel Fee representing 33.33% of the Settlement Fund, inclusive of disbursements and taxes.

The Court will be asked to approve compensation to the Representative Plaintiffs, McKee's Carpet Zone and Naismith Inc. in the amounts of \$20,000 and \$10,000, respectively.

The Court will be asked to define Eligible Class Members to receive distribution from the Net Settlement Fund.

The proposed Settlement Fund and distribution to Eligible Class Members is as follows:

| | |
|--|----------------|
| Gross Settlement | \$1,575,000.00 |
| Legal Costs to Class Counsel | \$525,000.00 |
| Representative Plaintiff Compensation | \$30,000.00 |
| Net Settlement Funds to Eligible Class Members | \$1,020,000.00 |

COURT HEARING

The Court will be asked to approve the proposed settlement as recommended by the plaintiffs and by Class Counsel.

A court hearing will be held on December 6, 2013, at 10:00 a.m. EST, at Osgoode Hall, 130 Queen Street West, Toronto.

Class Members who do not oppose the proposed settlement do not need to appear at the hearing or take any action at this time to indicate their desire to participate in the proposed settlement.

OBJECTIONS TO THE PROPOSED SETTLEMENT

At the hearing, the Court may consider any objections to the proposed settlement by Class Members. Class Members may, but need not, submit any objections in writing to Class Counsel on or before December 1, 2013:

BY MAIL TO:

THE SEARS/HCBG CLASS ACTION SCARFONE HAWKINS LLP

One James Street South, 14th Floor, P.O. Box 926, Depot #1
Hamilton, Ontario, L8N 3P9

ATTENTION: DAVIDTHOMPSON/MATTHEW G. MOLOCI

OR BY FAX TO: 1-905-523-5878

OR BY EMAIL TO: mckeesclassaction@shlaw.ca

A written objection should include the following information:

- (a) the Class Member's name, address, telephone number, fax number, mail and e-mail address;
- (b) a brief statement of the nature of and reason for the objection; and
- (c) whether the Class Member intends to appear at the hearing in person or by counsel and, if by counsel, the name, address, telephone number, fax number mail and e-mail address of counsel.

If the Court approves the proposed settlement, all Class Members will be bound by the terms of the settlement, unless they have previously opted-out. If the proposed settlement is approved, there will be a further court-approved Notice to Class Members.

ADDITIONAL INFORMATION

Questions for Class Counsel should be directed in writing or telephone to:

SCARFONE HAWKINS^{LLP}

One James Street South
14th Floor
P.O. Box 926, Depot 1
Hamilton, Ontario
L8N 3P9

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**THIS NOTICE HAS BEEN APPROVED BY THE SUPERIOR COURT OF JUSTICE.
QUESTIONS ABOUT THIS NOTICE SHOULD NOT BE DIRECTED TO THE COURT.**