

July 15, 2014

Paul Halucha
Director-General
Marketplace Framework Policy Branch
Industry Canada

235 Queen Street, 10th Floor, East Tower
Ottawa, Ontario K1A 0H5

Dear, Mr. Halucha:

Re: Review of Bankruptcy and Insolvency Act (BIA) and Companies' Creditors Arrangement Act

SCRG is a Sears Canada retiree association representing over 5,500 Sears Canada retirees. SCRG members are pleased to learn of the continuing development of regulations and appreciate the opportunity to comment.

We are a founding member of the Canadian Federation of Pensioners and we wish to communicate our endorsement of CFP's submission of July 15th, 2014 which contains a list of legislative amendment recommendations, such as:

- Extend the priority ranking to normal costs today to all special payments
- Grant priority over second creditors to amounts covered by a deemed trust, no matter when the security was granted to the lender
- Ensure the deemed trust is given effect even if the plan is wound up after the insolvency proceedings have commenced

The enactment of these recommendations is of particular interest to SCRG's members and to an additional estimated 5,000 Sears Canada Inc. Defined Benefit pension plan recipients across Canada. The security of the defined benefit promise is paramount for the well-being of this particularly vulnerable group of senior citizens.

We submit that the direction, actions and overall performance of Sears Canada Inc. in recent years should be considered by legislators as context behind their consultations, recommendations and legislative deliberations. Sears Canada retirees are witnessing a once great Canadian icon that is rapidly losing market share, declining in sales volume, reducing capital investment in the business, monetizing assets, distributing record dividends (much of which has gone to its American owners) and reporting unfunded pension liabilities. If this trend is allowed to continue it will leave Sears retirees facing the worst case scenario--wind up brought on by insolvency.

Risk mitigation of the Defined Benefit Pension Plan is SCRG's top priority. The list of legislative amendment recommendations tabled by CFP would take us part way to securing the pension promise in the event that a windup occurs.

We would like to bring two statements made by CFP in their July 2014 submission to your attention:

1. "Pensioners have earned their pensions through a lifetime of work. Pensions are deferred wages, as confirmed by the Supreme Court of Canada.¹ Pensioners cannot relive their years of employment; they are in no position to replace pension losses with some other form of income. Because pension plan underfunding is commonplace, of all those who rely on the financial health of a company, that company's pensioners are the most vulnerable to its insolvency."

2. "Retirees are looking to government to put in place rules that will give assurance that the pensions that had been earned by them will be delivered. It is all the more important for government to support the promises made to pensioners, given that the government has curtailed their savings opportunities because of these promises."

We thank you for the opportunity to comment and look forward to any further opportunity to discuss these matters.

Yours truly



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