

**MATERIAL CHANGE REPORT UNDER SECTION 75(2)
OF THE *SECURITIES ACT* (ONTARIO)**

1. Reporting Issuer

The T. Eaton Company Limited
c/o Sears Canada Inc.
222 Jarvis Street
9th Floor
Toronto, Ontario
M5B 2V8

2. Date of Material Change

December 30, 1999

3. Press Release

A news release disclosing the implementation of the plan of compromise and arrangement of The T. Eaton Company Limited pursuant to the *Companies' Creditors Arrangement Act* and the *Ontario Business Corporations Act*, and the amalgamation of Sears Canada Inc. and The T. Eaton Company of Canada Limited, was issued on December 30, 1999. The news releases were distributed pursuant to section 75(1) of the *Securities Act* (Ontario) (the "Act").

4. Summary of Material Change

On December 30, 1999 the common shares of The T. Eaton Company Limited were acquired by Sears Canada Inc. pursuant to a plan of compromise and arrangement under the *Companies' Creditors Arrangement Act* and the *Ontario Business Corporations Act*. Also on December 30, 1999 Sears Canada Inc. and The T. Eaton Company Limited amalgamated and continued as Sears Canada Inc.

5. Full Description of Material Change

See the press releases attached as Schedule A.

6. Reliance on Section 75(3) of the Act

Not applicable.

7. Omitted Information

Not applicable.

8. **Senior Officers**

The senior officers of Sears who are knowledgeable about this material change are:

Rudolph R. Vezér
Secretary

Telephone: (416) 941-4417

9. **Statement of Senior Officer**

The foregoing accurately discloses the material change referred to herein.

Dated at Toronto, Ontario this 7th day of January, 2000.

“Rudolph R. Vezér”

Rudolph R. Vezér
Secretary

Schedule A

SEARS CANADA INC. AND THE T. EATON COMPANY LIMITED

JOINT PRESS RELEASE

TORONTO, DECEMBER 30, 1999 - Sears Canada Inc. (TSE: SCC) and The T. Eaton Company Limited (TSE: ETN) have announced that the plan of compromise and arrangement pursuant to the *Companies' Creditors Arrangement Act* and the *Ontario Business Corporations Act* which was approved by the creditors and shareholders of Eaton's and sanctioned by the Superior Court of Justice of Ontario, has been implemented, effective today.

In accordance with the plan, Sears Canada Inc. has acquired all of the common shares of Eaton's. The acquisition of Eaton's includes 16 Eaton's store locations listed below and the "Eaton's" name.

Brentwood Mall, Burnaby, B.C.
Orchard Park Shopping Centre, Kelowna, B.C.
Eaton Centre, Victoria, B.C.
Pacific Centre, Vancouver, B.C.
South Centre Mall, Calgary, Alberta
Calgary Eaton Centre, Calgary, Alberta
St. Vital Centre, Winnipeg, Manitoba
Polo Park, Winnipeg, Manitoba
Westmount S.C., London, Ontario
Sherway Gardens, Toronto, Ontario
Yorkdale S.C., Toronto, Ontario
Scarborough Town Centre, Toronto, Ontario
Eaton Centre, Toronto, Ontario
Rideau Centre, Ottawa, Ontario
Galleries La Capitale, Québec City, Québec
Halifax S.C., Halifax, Nova Scotia

In addition, under separate arrangements with the respective landlords, Sears will lease two stores formerly occupied by Eaton's at the following locations: Guildford Place, Surrey, B.C. and Don Mills Centre, Toronto, Ontario.

All the other assets not included in the acquisition have been disposed of to third parties or transferred to Distributionco Inc., which will be liquidated by Richter & Partners Inc., the court appointed liquidator of Distributionco Inc. The liquidator will make distributions to creditors and shareholders in due course in accordance with the provisions of the plan.

Also effective today, Sears and Eaton's have amalgamated and will continue as Sears Canada Inc.

Sears expects that the common shares of Eaton's will be delisted shortly from The Toronto Stock Exchange.

Sears Canada Inc. will now initiate its plans to rebuild the Eaton's brand into a dominant, downtown department store retail presence, to be launched in the fall of the year 2000. "We are confident the Eaton's brand will once again be a vibrant, important part of Canadian retailing," said Paul Walters, Chairman and CEO of Sears Canada.

The new Eaton's stores will be meticulously developed to offer a unique shopping experience. "Our plans to enter these new markets under the Eaton's banner will allow us to offer a dramatically different merchandise and service selection to attract new customers, without causing any confusion about what our Sears stores already stand for," said Paul Walters. A number of the suburban stores acquired will be converted to Sears stores throughout the Spring of 2000 and will showcase Sears newest assortment and presentation strategies.

Sears is Canada's largest single full-line retailer of general merchandise and home-related services, with full-line department and specialty stores nationwide, complemented by the country's only full-line general merchandise catalogue, and a comprehensive web site offering real-time, on line ordering.

Sears has been part of the Canadian retail industry since 1953. Today, it operates 110 department stores, 25 furniture stores, 102 dealer stores, 14 floor covering centres, 12 outlet stores and 1,966 catalogue-selling locations. It employs more than 42,000 Canadians from coast to coast. The Sears catalogue is distributed to 4.5 million Canadian homes and 7.8 million Canadians have a Sears Card.

For further information concerning the distribution of proceeds to Eaton's stakeholders, please contact the Claims Administrator, Richter & Partners Inc. (416) 932-6261. For further information concerning Sears Canada Inc., please contact Sears Canada Public Affairs (416) 941-4425.