

# **SEARS HOLDINGS PENSION PLAN**

## **SUMMARY PLAN DESCRIPTION**

**FOR**

## **SEARS PARTICIPANTS**

REVISED EFFECTIVE JANUARY 1, 2017

Does not fully reflect PBGC's benefit guarantees or procedures.  
Created by Sears prior to plan termination.  
For information only.

## TABLE OF CONTENTS

<b>About the Pension Plan .....</b>	<b>1</b>
<b>Frozen Status .....</b>	<b>1</b>
<b>How the Pension Plan Works .....</b>	<b>1</b>
Service .....	1
Participation and Eligibility Service .....	1
Continuous Service .....	2
Vesting and Vesting Service .....	2
Credited Service .....	2
Break in Service .....	2
Leave of Absence .....	2
Retirement Dates .....	3
Spouse .....	3
Designated Beneficiary .....	3
<b>How Your Benefit Is Determined .....</b>	<b>3</b>
Career Pay Benefit - Post 1999 .....	3
Final Average Pay Benefit - Pre-2000 .....	4
Post-1988 Benefit .....	4
Pre-1989 Updated Benefit and Immediate Credit Benefit .....	5
Supplemental Plan Benefit .....	7
<b>When You Can Retire .....</b>	<b>7</b>
Normal Retirement .....	7
Early Retirement .....	8
Deferred Vested Pension .....	8
Early Commencement Reductions .....	8
Age 55 or Older With Less Than 10 Years of Continuous Service: Subsidized Reductions .....	8
Age 55 or Older With Less Than 10 Years of Continuous Service or Before Age 55: Actuarial Reductions .....	9
<b>Forms of Benefit Payment .....</b>	<b>9</b>
Normal Forms of Payment .....	9
Optional Forms of Payment .....	9
Lump Sum Payments .....	10
<b>When Benefit Payments Begin .....</b>	<b>10</b>
Required Beginning Date .....	10
Part-Time Associates Working Past Age 65 .....	11
Continued Accrual .....	11
<b>Death Benefits .....</b>	<b>11</b>
Payment of Death Benefits .....	11
If You Die While Actively Employed .....	11
If You Die After Leaving the Company .....	11
<b>If You Leave The Company And Are Reemployed .....</b>	<b>12</b>
Restoration of Service .....	12
Reemployment After Benefit Payments Have Begun .....	12
<b>Transfers .....</b>	<b>13</b>
Transfer to an Affiliated Employer Not Covered by the Plan .....	13
Transfer From an Affiliated Employer Not Covered by the Plan .....	13
Transfer to an Affiliated Employer Covered by the Plan .....	13
Coverage Under a Collective Bargaining Agreement .....	13
<b>Additional Provisions Of The Plan .....</b>	<b>13</b>
Circumstances Under Which Benefits Could be Forfeited, Assigned, Reduced or Lost .....	13
Agencies That Regulate the Plan .....	14
Employment Rights Not Guaranteed .....	14
Plan Termination or Amendment .....	14
<b>Tax Considerations .....</b>	<b>14</b>
Monthly Payments .....	14
Lump Sum Payments .....	14
Mandatory Distributions .....	14

**TABLE OF CONTENTS (cont'd)**

**Maximum Qualified Plan Benefit** ..... 14  
Internal Revenue Service ..... 14

**Pension Benefit Guaranty Corporation** ..... 15

**Plan Administrator** ..... 15

**Claims Procedures** ..... 15  
Applying for Benefits ..... 15  
Claim for Benefits ..... 15  
Appeal of an Adverse Benefit Determination ..... 16  
Right to File Civil Suit ..... 16

**Additional Plan Information** ..... 16

**Statement of ERISA Rights** ..... 17

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## ABOUT THE PENSION PLAN

The Sears Holdings Pension Plan (“Pension Plan” or “Plan”) was created by the merger of the Sears Pension Plan (“Prior Sears Plan”) with the Kmart Corporation Employee Pension Plan (“Prior Kmart Plan”) as of January 30, 2008. The Prior Sears Plan was frozen in two phases, but was fully frozen as of December 31, 2005. The Prior Kmart Plan was frozen as of January 31, 1996. Therefore, the Pension Plan is a frozen defined benefit plan. The merged Pension Plan is sponsored by Sears Holdings Corporation (referred to herein as “Sears Holdings” or “Company”).

As of December 1, 2016 the Pension Plan was split in to two separate pension plans. Sears Holdings Pension Plan 1 (“Plan 1”), which is the continuation of the Pension Plan and Sears Holdings Pension Plan 2 (“Plan 2”). All benefits, rights and features of the plan were preserved. Your pension benefit is based on your employment with Sears Roebuck and Co., and you are a participant in either Plan 1 or Plan 2. Your Annual Funding Notice (“Notice”) will indicate whether you are in Plan 1 or Plan 2. Please keep the Notice with your important documents. References to “the Pension Plan”, “Plan” or “Plan Document” refer to both Plan 1 and Plan 2 (as applicable).

This booklet, called a Summary Plan Description (“SPD”), highlights key features of the Pension Plan with respect to Sears participants. In regard to the Sears portion of the Plan, there were no new participants after January 1, 2005.

This SPD is effective December 1, 2016. This SPD is a summary of the legal documents establishing in detail the benefits, rights and features of the Plan (referred to as the “Plan Documents”) and of the trust agreement (“Trust Agreement”), which provides for the holding and management of the Plan’s assets. This SPD is not intended to and does not alter or modify any provisions of any Plan Document or of the Trust Agreement. All questions and issues relating to any benefit, right or feature of the Plan will be governed by the terms of the Plan Document and/or Trust Agreement, as applicable. If there is any conflict between this SPD or any written or verbal explanation from the Company or Plan representatives and the Plan Document, the Plan Document will govern in all cases.

All participants and beneficiaries may examine the underlying Plan Document at reasonable times set by the Plan Administrator. If you need additional information about the Plan, this SPD tells you how to obtain that information.

***We encourage you to read the SPD carefully and to keep it with your important documents.*** Financial security in retirement is important, and one of the keys to financial security is planning ahead. Knowing what benefits you can expect from the Company will help as you plan for retirement and will give you a better idea of what should be your own savings targets.

Information about the Plan and your pension can be obtained online at <https://searspension.ehr.com>. If you have pension-related questions, contact the Sears Holdings Pension Service Center by calling 1-800-953-5390 or by sending a letter to P.O. Box 3411, Hopkins, MN 55343-2111.

## FROZEN STATUS

The Sears portion of the Plan was frozen with respect to participation as of January 1, 2005, meaning no associates could

become a participant after January 1, 2005. The Sears portion of the Plan was fully frozen with respect to additional benefit accruals as of December 31, 2005.

Accrued benefits under the Prior Sears Plan were frozen in two phases. Under the first phase, the accrued benefit for any participant who was not a “Grandfathered Participant” was frozen as of December 31, 2004 and no compensation or service earned after that date for non-grandfathered participants is taken into account for purposes of calculating such participant’s accrued benefit.

A participant who was a “Grandfathered Participant” continued to accrue a benefit during the first phase. A “Grandfathered Participant” was any participant who (a) was at least age 40 as of December 31, 2004, (b) had completed a year of Eligibility Service, (c) was employed on December 31, 2004, by an entity that was a participating employer under the Prior Sears Plan on December 31, 2004 and (d) did not elect the enhanced match under the Sears 401(k) Savings Plan effective January 1, 2005.

Under the second phase, the accrued benefit for Grandfathered Participants was frozen as of December 31, 2005 and no compensation or service earned after that date for Grandfathered Participants is taken into account for purposes of calculating such participant’s accrued benefit.

## HOW THE PENSION PLAN WORKS

The following information will help you understand the key features of the Plan and how they affect you, as a Sears participant.

### SERVICE

Your service with the Company and its affiliates is used to determine:

- Your eligibility for Plan participation;
- When you are vested in your benefit;
- The amount of the benefit you have accrued; and
- The type and amount of reduction applied to pension payments before age 65.

The four primary types of service are Eligibility Service, Continuous Service, Vesting Service and Credited Service.

### PARTICIPATION AND ELIGIBILITY SERVICE

Prior to the freeze:

If you were an eligible associate of Sears or any of its participating affiliates, were at least age 21 and had completed a year of Eligibility Service, you were automatically a Plan participant as of your first active day following completion of these eligibility requirements.

You met the Eligibility Service requirement on the first anniversary of your hire date, provided that you were credited with at least 1,000 Hours of Service by that date. If you did not complete 1,000 Hours of Service during your first anniversary year, you needed to have completed 1,000 Hours of Service during the calendar year following your hire date, or in any subsequent calendar year. You then became a participant in the Plan on the January 1 following the calendar year during which you first met the 1,000 hour requirement (or on the date your company or business group became a participating employer or business group, if later).

**Example:** An associate was hired by the company on July 1, 2000 and did not accumulate 1,000 hours of service between July 1, 2000 and June 30, 2001. During the calendar year following their hire date (i.e., from January 1, 2001 to December 31, 2001), they satisfied the eligibility requirement by accumulating 1,000 Hours of Service. Assuming the associate was at least 21 years old, they became a participant in the Plan on January 1, 2002.

**Hour of Service:** An Hour of Service means any hour for which you were paid by the Company, including paid time at work and paid time off, such as vacations and holidays. Your employment with Sears and any other participating affiliate is included in computing your Hours of Service. No associate earned Hours of Service (a) for initial participation purposes after December 31, 2003, (b) for Credited Service purposes (unless a Grandfathered Participant) after December 31, 2004 and (c) for Credited Service purposes if a Grandfathered Participant, after December 31, 2005. No associate earned Hours of Service after incurring a Break In Service (unless rehired and subject to the post-freeze service rules).

**Not a Participating Employer:** If you completed 1,000 Hours of Service within your first anniversary year or, alternatively, during any subsequent calendar year, but your employer was not a participating employer under the Plan on your anniversary date or at the end of such subsequent calendar year, you would have become a participant on the date your company or business group became a participating employer, provided that occurred prior to the participation freeze.

**Not Active on Anniversary or Calendar Date:** If you were no longer working for Sears (or a participating employer) on your anniversary date or, alternatively, on the subsequent January 1, you would still have earned a year of Eligibility Service if you completed 1,000 Hours of Service before your departure. As discussed below, you will keep this service if you return to employment within seven years.

**Periods of Service Applicable for Eligibility:** Generally, all periods of service with Sears and its participating employers are added together for purposes of determining your eligibility. Consequently, it is very important that you inform the Company if you have prior service with Sears or one of its affiliates. However, in most cases, if your employment was interrupted before you earned any benefit under the Plan, and you are gone for seven or more years, your prior service will not be counted toward your Eligibility Service; and you would be treated like a new associate upon rehire.

### CONTINUOUS SERVICE

Continuous Service generally refers to all of your service for the Company or an affiliate beginning with your date of hire (or rehire) and ending on the day you incur a one year Break In Service; that is, the number of years, and fraction of a year, from your hire date until you leave the Company—regardless of the number of hours worked. Continuous Service is also used to determine the type and amount of reduction applied to the calculation of your benefit in the event you elect to receive your benefit early (i.e., prior to age 65). Early payment of benefits is discussed in greater detail in the *Early Retirement* section.

### VESTING AND VESTING SERVICE

Vesting refers to your non-forfeitable right to receive a benefit from the Plan, even if your employment with the Company ends before attaining

your Normal Retirement Age. You have a right to receive a benefit only after you are vested. You are fully vested in your benefit after completing five (5) years of Vesting Service. However, if you are a participant in the Plan and attain age 65, your benefit automatically vests in full even if you have completed less than five (5) years of Vesting Service.

Vesting Service refers to (a) for a participant hired (or rehired and treated as a new employee) prior to January 1, 2000 (and not yet vested as of December 31, 1999), their Continuous Service and (b) for a participant hired (or rehired and treated as a new employee) after December 31, 1999, the number of years in which the participant works at least 1,000 hours from date of hire until attainment of five (5) years of Vesting Service.

### CREDITED SERVICE

Credited Service is used to calculate your benefit from the Plan. Generally, an eligible employee earned a year of Credited Service for each year of Continuous Service earned after December 31, 1988 and before January 1, 2000. For years prior to January 1, 1989, your Credited Service is determined in accordance with the Prior Sears Plan in effect at that time.

### BREAK IN SERVICE

Prior to January 1, 2005, you incurred a Break In Service if you terminated your employment before earning five full years of Continuous Service (if hired before January 1, 2000) or five years of Vesting Service (if hired on or after January 1, 2000) or before otherwise becoming vested in your Plan benefit, and the number of your consecutive one year Breaks In Service equaled or exceeded seven (six if the first 12 months is disregarded because it is due to a maternity or paternity absence). If you incurred such a Break In Service, your Eligibility Service, Continuous Service, Vesting Service and Credited Service earned prior to such break will be erased and, therefore, if you are later employed or reemployed by the Company or an affiliate, you will be considered a new employee for all purposes under the Plan. Refer also to the section below entitled *If You Leave the Company and are Reemployed*.

For Plan Years starting after December 31, 2004, you incur a Break In Service if you terminate your employment before earning five full years of Continuous Service (if hired before January 1, 2000) or five years of Vesting Service (if hired on or after January 1, 2000), or before otherwise becoming vested in your Plan benefit, and the number of your consecutive one year Breaks In Service equals or exceeds five. If you incur such a Break In Service, your Eligibility Service, Continuous Service, Vesting Service and Credited Service earned prior to such break will be erased and, if you are later employed or reemployed by the Company or an affiliate, you will be considered a new employee for all purposes under the Plan.

An absence of less than 12 months following a termination of employment or Leave of Absence will be disregarded in determining whether you have incurred a one year break. Also, if you are absent because of qualified military service you will begin a one year break on the 91st day following your discharge from such military service, if you do not return to work within 90 days of such discharge.

### LEAVE OF ABSENCE

If you are absent from work because you are on an approved Leave of Absence, you will not incur a one year break during the leave, provided that you retire or return to employment with an Employer

within the period specified by the approved Leave of Absence and subject to the Break In Service rules (as summarized above).

A Leave of Absence means any absence from work that is authorized under the Company's standard personnel practices and is not treated by the Company as a termination of employment or that is required by law to be treated as an authorized leave of absence, including but not limited to leaves under the Family and Medical Leave Act (FMLA) or for qualified military service, and excluding without limitation a leave under a severance pay plan or policy. In any case, service credit shall be provided in accordance with Code Section 414(u) for qualified military service.

#### RETIREMENT DATES

Under the Plan, your "Retirement Date" is the first date for which you begin receiving benefits from the Plan and may also be referred to as your "Benefit Commencement Date." Your Retirement Date is always (and can only be) the first day of a month. Also, your Retirement Date (i.e., your Benefit Commencement Date) cannot occur before you have received from the Recordkeeper the statutorily required retirement election information, ended your employment with the Company and returned a fully completed election kit. You can request retirement election information at least 30 days, and not more than 90 days, prior to your intended Benefit Commencement Date.

#### SPOUSE

Your Spouse, for purposes of being eligible for Plan benefits, is the person to whom you are legally married as of your benefit commencement date or date of death. A former spouse will be treated as a surviving Spouse to the extent provided in any Qualified Domestic Relations Order.

#### DESIGNATED BENEFICIARY

Your Designated Beneficiary is the person or persons (including a trustee or other legal representative) that you designated as the person on your last effective Beneficiary Designation Form to whom any amount payable under the Plan upon your death is payable. However, if you are married and unless you designated otherwise (with proper spousal consent), your Spouse is deemed to be your Designated Beneficiary for all purposes under the Plan. You may revoke or change your Designated Beneficiary only by an instrument signed by you and filed with the Plan Administrator or Recordkeeper prior to your death.

If your Designated Beneficiary on file dies prior to your death and no replacement is named, your death benefit will be paid to your estate (assumes your Spouse, if you are married, consented to your alternative designation).

If your Designated Beneficiary dies after you but before your death benefit has begun to be paid, your death benefit will be paid to your estate assuming your Designated Beneficiary is not your Spouse.

If your Spouse is your Designated Beneficiary and your Spouse dies after you but before your death benefit is paid, the death benefit will be paid to your Spouse's estate.

If your death benefit is payable to an estate and the estate is closed, the following priority payment rule applies:

- Payment will be made in accordance with the "Small Estate Affidavit" rules of the applicable state law;

- If the "Small Estate Affidavit" rules do not apply, the death benefit will be paid in the following priority:
  - First, to your surviving Spouse,
  - Second, to your surviving children, if any, per stirpes,
  - Third, to your surviving parents, if any per stirpes,
  - Fourth, to your siblings, if any, per stirpes.

#### HOW YOUR BENEFIT IS DETERMINED

Depending on your period of employment, your pension benefit is made up of the sum of your monthly **Career Pay Benefit** and your monthly **Final Average Pay Benefit**, as applicable, payable as of your Normal Retirement Date, each as defined below.

#### CAREER PAY BENEFIT – POST 1999

Under the Career Pay Benefit formula, your monthly benefit is the sum of a yearly accrual of a Base Benefit and an Additional Benefit (if applicable) for each Plan Year during which you were credited with at least 1,000 Hours of Service beginning after December 31, 1999 and ending with your applicable freeze date, divided by 12:

#### Career Pay Base Benefit

Annual Compensation for Each Plan Year After 1999	X	.85%
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#### Career Pay Additional Benefit

Annual Compensation in Excess of Covered Compensation for Each Plan Year After 1999	X	.65%
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**Annual Compensation:** Prior to the applicable freeze date, your annual compensation included your salary; wages; pre-tax contributions under the 401(k) Savings Plan; pre-tax contributions you make for your medical plan premiums, flexible spending account or dental plan; bonuses; incentive payments; commissions; overwrites; and regular vacation pay.

Annual compensation excludes special payments like awards under any long-term executive compensation plan; payments from any nonqualified deferred compensation plan; service allowances; retirement or 401(k) Savings Plan benefits; long-term disability benefit payments; prizes or awards; retainers; living expense allowances; moving allowances; payments or reimbursements in connection with moving expenses; special geographic differentials; medical expense reimbursements; lump sum payments for vacations earned but not taken; severance or salary continuation pay or allowances; overseas compensation adjustments (as determined under the Company's personnel policy); dividends paid on shares of restricted stock; cash payments for stock options, and all other special compensation of any kind.

**Compensation Limit:** By law, there is a maximum amount of annual compensation that the Plan can recognize. For the year the Plan was fully frozen (2005), the compensation limit was \$210,000.

**Covered Compensation:** Covered compensation refers to the average of the taxable wage bases for the 35 calendar years ending with the year you will reach the Social Security retirement age. The taxable wage base is the maximum annual salary taxable for Social Security. The Social Security retirement age depends on your year of birth:

Year of Birth	Social Security
1937 and before	65
1938 to 1954	66
1955 and after	67

Covered compensation uses actual wage bases in past years and projects the current year's taxable wage base for future years through the year in which you reach the Social Security retirement age. Covered compensation increases each year as the taxable wage base increases, until the Social Security retirement age.

Once your benefit is determined when you leave the Company, it is

**Example – Career Pay Benefit:**

In the following example, the Sears associate earns benefits under the Career Pay Benefit formula from 2000 through 2005. The associate's compensation is \$48,000 beginning in 2000, and his compensation increases \$2,000 each year. Covered compensation is assumed to be \$50,000 in 2000 and increases \$500 each year. In this example, an Additional Benefit is earned in years 2002 to 2005 since annual compensation in those years exceeds the applicable taxable wage base.

Year	(A) Annual Compensation	(B) Covered Compensation	Base Benefit (A x .85%)	Additional Benefit ((A-B) x .65%)	Total Annual Benefit
2000	\$48,000	\$50,000	\$408.00	\$ 0.00	
2001	\$50,000	\$50,500	\$425.00	\$ 0.00	
2002	\$52,000	\$51,000	\$442.00	\$ 6.50	
2003	\$54,000	\$51,500	\$459.00	\$ 16.25	
2004	\$56,000	\$52,000	\$476.00	\$ 26.00	
2005	\$58,000	\$52,500	\$493.00	\$ 35.75	
Totals			\$2,703.00	+ \$ 84.50	= \$2,787.50

In this example, the total annual benefit represents the benefit payable on an annual basis beginning as of his Normal Retirement Date. As can be seen from the example, the associate's retirement benefit increases annually, as each year's Base (and Additional) Benefit is added to the Base (and Additional) Benefits earned in prior years. The associate's monthly Career Pay Benefit would be approximately \$232.29.

If you participated in the Prior Sears Plan before January 1, 2000, your benefits earned through December 31, 1999 are protected. If you retire or terminate from the Company after 1999, your benefit earned before 2000 will be added to any Career Pay Benefits (as described above).

- (ii) A Minimum Benefit equal to the product of seven times your years of Credited Service earned beginning on or after January 1, 1994 and on or before December 31, 1999.

**FINAL AVERAGE PAY BENEFIT – PRE-2000**

Under the Final Average Pay Benefit, your benefit is your accrued benefit as of December 31, 1999, calculated as though you had terminated employment on December 31, 1999 (or your actual termination date if earlier) and calculated as a monthly amount equal to the greater of (i) and (ii):

- (i) The sum of your:
  - (a) monthly "Post-1988 Benefit", as described below, and
  - (b) monthly "Pre-1989 Updated Benefit", as described below, and
  - (c) monthly "Immediate Credit Benefit", as described below; OR

**POST- 1988 BENEFIT**

Under the **Post-1988 Benefit** formula, your monthly benefit is the sum of a Base Benefit and an Additional Benefit. All participants at this time earned a Base Benefit. You earned an Additional Benefit if your Final Average Monthly Compensation exceeded Covered Compensation (as defined above).

**Post-1988 Benefit - Base Benefit**

Years of Credited Service from 1989-1999	X	Final Average Monthly Compensation	X	.85%
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**Post-1988 Benefit - Additional Benefit**

Years of Credited Service from 1989-1999	X	Final Average Monthly Compensation in Excess of Covered	X	.65%
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## Compensation

**Final Average Monthly Compensation:** Final Average Monthly Compensation means the highest average Annual Compensation (as defined above) in any five consecutive, complete calendar years of Continuous Service in your last 10 consecutive, complete calendar years of Continuous Service ending with 1999 (excluding any years in which you were on an approved Leave of Absence for longer than 120 days), divided by 12.

**Compensation Limit:** By law, there is a maximum amount of Annual Compensation that the Plan can recognize. From 1994 through 1996, the compensation limit was \$150,000. For benefits determined after December 31, 1993, this limit applies retroactively to all years of compensation used in the benefit calculation. That is, the \$150,000 limit applies to compensation recognized for 1996 and all prior years. A \$160,000 limit applies to annual compensation recognized for 1997 through 1999.

Higher limits were in effect prior to 1994. The annual maximum was \$200,000 in 1989 and before; \$209,200 in 1990; \$222,220 in 1991; \$228,860 in 1992; and \$235,840 in 1993. If your benefit is affected by the compensation maximum, your accrued benefit as of December 31, 1993, using the pre-1994 compensation limits, will be protected. In addition, in order to maximize your Pension Plan benefit, you will receive the greater of: (1) your December 31, 1993 accrued benefit computed using pre-1994 compensation limits, plus the benefit earned after December 31, 1993, using the lower pay limits; or (2) your benefit computed using the lower pay limits retroactively.

**Limit on Years Applied to Additional Benefit:** If you are eligible for an Additional Benefit, federal law limits the number of years of service that may be used to calculate this benefit to 35. The actual number of years—and fraction of a year—of credited service before 1989, subtracted from the legal limit of 35 years, is the maximum number of years that may be used in calculating your Additional Benefit. Bear in mind that this amount will also count towards the 35-year maximum used to calculate your current Additional Benefit under the career pay formula.

### Example - Post-1988 Benefit:

Assume a Sears associate began earning Credited Service in 1990 and left the Company in 1999 after nine years of Credited Service. In addition, his Final Average Monthly Compensation was \$3,000 and his Covered Compensation was \$2,000 a month. This means that excess Final Average Monthly Compensation is \$1,000 (\$3,000 minus \$2,000).

The Base Benefit and Additional Benefit at Normal Retirement Age are calculated as follows:

#### Step 1: Calculate Base Benefit

$$0.85\% \times 9 \text{ Years} \times \$3,000 = \$229.50$$

#### Step 2: Calculate Additional Benefit

$$0.65\% \times 9 \text{ Years} \times \$1,000 = \$58.50$$

#### Step 3: Add Results of Steps 1 and 2

$$\$229.50 + \$58.50 = \$288.00$$

The associate's unreduced monthly Base Benefit and Additional Benefit at age 65 for Credited Service from 1990 to 1999 is \$288.

**Special 1% Base Benefit:** If you were participating in the Plan as an active associate on December 31, 1988, your Post-1988 Base Benefit accrued at an increased rate, depending on your pre-1989 Credited Service. This feature was designed by the Company to provide eligible participants with a greater Base Benefit for a limited period of up to 11 years of Credited Service after January 1, 1989. Since the Base Benefit for this period accrued at a higher rate, an eligible participant's total benefit will be greater.

Under the Special 1% Base Benefit, your Base Benefit rate after 1988 will be 1.0% instead of 0.85% based on the number of years of Credited Service before 1989. This can be as many as 11 years – from January 1, 1978 through December 31, 1988.

- If you had 11 years of Credited Service prior to 1989, your entire Base Benefit from January 1, 1989 through December 31, 1999 will be calculated at the higher rate.
- If you had less than 11 years of service prior to 1989, once the eligible years at the 1.0% rate are completed, the 0.85% rate will apply to remaining credited service earned through December 31, 1999.

### Example - Special 1% Base Benefit:

Assume a Sears associate earned Credited Service beginning on January 1, 1981 – giving her eight years of Credited Service before 1989:

- Base Benefit accrued at the special 1.0% rate for eight years (1989 – 1996)
- Base Benefit accrued at the normal 0.85% rate for three years (1997 – 1999)

### PRE-1989 UPDATED BENEFIT AND IMMEDIATE CREDIT BENEFIT

For Credited Service before January 1, 1989, two benefits are available – a **Pre-1989 Updated Benefit** for Credited Service between January 1, 1978 and December 31, 1988, and a past service benefit, referred to as the **Immediate Credit Benefit**, for Credited Service before 1978.

**Pre-1989 Updated Benefit:** Your unreduced monthly Pre-1989 Updated Benefit is for Credited Service between January 1, 1978 and December 31, 1988. The benefit for service before 1989 has special features that may provide a greater benefit to some associates. The Pre-1989 Updated Benefit:

- grows as Final Average Monthly Compensation increases (through December 31, 1999),
- can be paid unreduced as early as age 63 and
- is even greater for lower paid associates.

The unreduced monthly Pre-1989 Updated Benefit for eligible participants is calculated under the following three steps.



### Step 1: Formula Percentage

The formula percentage takes into account two periods of Credited Service within the 11-year period from January 1, 1978 through December 31, 1988. The first is your Credited Service before you reach age 50 and complete 15 years of Continuous Service. The second is your period of Credited Service, if any, after you reach age 50 and complete 15 years of Continuous Service. The formula percentage is calculated as follows:

$$1.5\% \times \left[ \begin{array}{c} \text{Years of Credited Service} \\ \text{Before Age 50 and 15 Years} \\ \text{of Continuous Service} \end{array} \right] + 2.0\% \times \left[ \begin{array}{c} \text{Years of Credited Service} \\ \text{from Age 50 and 15 Years} \\ \text{of Continuous Service} \end{array} \right] = \text{FORMULA PERCENTAGE}$$

- If you attained age 50 and had 15 years of Continuous Service prior to January 1, 1978, your formula percentage will be calculated entirely at the higher 2.0% rate.
- If you attained age 50 and had 15 years of Continuous Service after January 1, 1978 but prior to 1989, your formula percentage will be calculated based on the split between years of Credited Service before age 50 and 15 years of Continuous Service and years of Credited Service from age 50 and 15 years of Continuous Service.
- If you didn't reach age 50 and complete 15 years of Continuous Service before January 1, 1989, your formula percentage will be calculated entirely at the lower 1.5% rate.

### Step 2: Monthly Benefit as of December 31, 1988

Your monthly benefit as of December 31, 1988 is calculated based on your Credited Service between January 1, 1978 and December 31, 1988, and reflects a Social Security offset (as defined below). The monthly benefit is calculated as follows:

$$\begin{array}{r} \text{Formula} \\ \text{Percentage} \end{array} \times \begin{array}{r} \text{Final Average Monthly} \\ \text{Compensation on} \\ \text{December 31, 1988} \end{array} - \begin{array}{r} \text{Social Security} \\ \text{Offset} \end{array}$$

**Social Security Offset:** The Social Security Offset is based on the Social Security benefit formula in effect on December 31, 1988. To determine the offset, it is assumed that your Final Average Compensation on December 31, 1988 was the amount you earned in each calendar year from 1988 until age 65. Estimated earnings are used before 1988.

Your actual Social Security benefit as of December 31, 1988 may be lower than the estimate. If so, it is to your advantage to use it in place of the estimated benefit because you would receive a higher benefit from the Plan. To determine this, submit your actual earnings history to the Pension Service Center. You can obtain your earnings history from the Social Security Administration.

In some cases, the monthly benefit for Credited Service between January 1, 1978 and December 31, 1988 will be increased to comply with the maximum allowable Social Security Offset. The Tax Reform Act of 1986 redefined this offset to be no more than 50% of the pension amount before the offset is applied. This will result in an increased Pre-1989 Updated Benefit for many lower paid associates.

#### Example:

Assume an associate's benefit for that period of Credited Service is \$400 a month before the offset. If the offset is \$270, the total benefit would equal \$130. However, since the offset cannot be more than 50% of \$400 (i.e., \$200), the benefit increases from \$130 to \$200 (i.e., \$400 minus \$200 instead of \$270).

### Step 3: Updating Your Monthly Benefit as of December 31, 1988

Your monthly benefit as of December 31, 1988 is increased to reflect your Final Average Monthly Compensation as of December 31, 1999. This means your Pre-1989 Updated Benefit will increase (assuming your December 31, 1999 Final Average Compensation is higher than on December 31, 1988), but it will never decrease. Your monthly benefit is updated as follows:

$$\begin{array}{r} \text{Monthly Benefit as of} \\ \text{December 31, 1988} \end{array} \times \begin{array}{r} \text{Final Average Monthly} \\ \text{Compensation on} \\ \text{December 31, 1999} \end{array} \div \begin{array}{r} \text{Final Average Monthly} \\ \text{Compensation on} \\ \text{December 31, 1988} \end{array}$$

For associates who terminated prior to December 31, 1999, this benefit was updated using Final Average Monthly Compensation at the time they left the Company.

#### Example - Pre-1989 Updated Benefit:

Assume a Sears associate was hired by the Company on January 1, 1980, began earning Credited Service on January 1, 1981, and left the Company in 2010, at age 65, with 29 years of Credited Service. The associate turned 50 in 1995, the same year that the associate completed 15 years of continuous service. As of December 31, 1988 the associate had eight years of Credited Service up to the month he reached age 50

and completed 15 years of continuous service, and zero years after.

**Step 1: Formula Percentage**

$$(1.5\% \times 8 \text{ Years}) + (2.0\% \times 0 \text{ Years}) = 12\%$$

**Step 2: Monthly Benefit as of December 31, 1988**

The final average monthly compensation on December 31, 1988 is \$1,500 and the Social Security offset is \$125.  
(12% x \$1,500) - \$125 = \$55

**Step 3: Monthly Pre-1989 Updated Benefit**

The final average monthly compensation on December 31, 1999 equals \$3,000.  
\$55 x (\$3,000 ÷ \$1,500) = \$110

The associate's unreduced monthly Pre-1989 Updated Benefit at age 65 for credited service between January 1, 1978 and December 31, 1988 is \$110.

**Immediate Credit Benefit:** Your Immediate Credit Benefit (or past service benefit) for Credited Service before 1978 is frozen and does not change. It is calculated as follows:

0.2%	X	Years of Credited Service before 1978	X	Monthly Compensation in 1976 or 1977 (whichever is higher but not more than \$1,250).
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**Example - Immediate Credit Benefit:**

Assume a Sears associate began earning Credited Service on January 1, 1974 and left the Company in 2010 with 36 years of Credited Service. Assuming monthly compensation in 1977 was \$1,000 (and higher than the 1976 monthly compensation), the monthly Immediate Credit Benefit for the four years of Credited Service before 1978 is calculated as follows:

- 0.2% x 4 Years x \$1,000 = \$8

The unreduced monthly Immediate Credit Benefit at age 65 for Credited Service before 1978 is \$8.

**SUPPLEMENTAL PLAN BENEFIT**

If you were a salaried associate who earned Credited Service prior to 1978, you may also have a benefit under the Supplemental Plan, which was the predecessor to the Sears Pension Plan.

You are a Supplemental Plan participant if:

- You were a salaried associate as of December 31, 1977 with at least one year of continuous service before January 1, 1978; or
- You were previously (before December 31, 1977) a salaried associate who had earned a Supplemental Plan Benefit before January 1, 1978.

Your Supplemental Plan Benefit:

- Grew as Final Average Monthly Compensation (as a salaried associate) increased through December 31, 1999; and
- Can be paid unreduced as early as age 60.

A Supplemental Plan Benefit is based on your Final Average Monthly Compensation (as a salaried associate) in excess of \$1,250 a month as of December 31, 1999 – not as of December 31, 1977.

Your monthly Supplemental Plan Benefit is calculated as follows:

1.5%	X	Years of Credited Service before 1978	X	Final Average Monthly Compensation in Excess of \$1,250 as of December 31, 1999
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For salaried associates who terminated prior to December 31, 1999, this benefit is calculated using Final Average Monthly Compensation in excess of \$1,250 at the time they left the Company.

**Example – Supplemental Plan Benefit:**

Assume a Sears salaried associate's Credited Service before 1978 is nine years and his final average monthly compensation (as a salaried associate) as of December 31, 1999 is \$3,300. This means that final average monthly compensation in excess of \$1,250 is \$2,050 (\$3,300 minus \$1,250). The monthly Supplemental Plan Benefit is calculated as follows:

$$1.5\% \times 9 \text{ Years} \times \$2,050 = \$276.75$$

The unreduced monthly Supplemental Plan Benefit payable at age 60 is \$276.75.

To summarize, your benefit under the Plan will be based on the calculation of multiple benefit formulas, as applicable, to arrive at your aggregate monthly payment. The primary components are the Career Pay Benefit and Final Average Pay Benefit (if you earned Credited Service prior to 2000). The latter consists of all your pre-2000 benefits, including the Post-1988 Benefit, the Pre-1989 Updated Benefit and the Immediate Credit Benefit, if applicable. Finally, if you were a Sears salaried associate prior to 1978, you also may have earned a benefit under the Supplemental Plan. The benefit components are added together and generally payable at the same time; however, Supplemental Plan participants may begin payment of the Supplemental Benefit separately between ages 60 and 65.

**WHEN YOU CAN RETIRE**

After you are vested, the Plan provides that you are entitled to begin receiving a benefit under the following conditions:

- Normal Retirement
- Early Retirement

**NORMAL RETIREMENT**

You are eligible for a Normal Retirement Pension if you retire from the Company upon attaining your Normal Retirement Date. Your Normal Retirement Date is the first day of the calendar month following your attainment of your Normal Retirement Age (i.e., age 65), provided you terminate employment and submit a written application for benefit commencement. However, your Normal Retirement Date cannot occur before you have received from the Recordkeeper the statutorily required retirement election information. You can request retirement election information at least 30 days, and not more than 90 days, prior to your intended Benefit Commencement Date.

Benefits payable to a participant beginning at Normal Retirement Age cannot be forfeited under ERISA. However, if a participant does not apply for benefits until after age 65 the Plan cannot make retroactive payments back to Normal Retirement Age. The Plan will, however, actuarially increase the monthly benefit payment beginning with the post-65 annuity starting date to ensure that the monthly pension benefit is actuarially equivalent to the Normal Retirement Pension.

**EARLY RETIREMENT**

You are eligible for an Early Retirement Pension if your employment with the Company ends after you reach age 55, but before you reach age 65, and after completing at least 10 years of Vesting Service. Your Early Retirement Pension is payable as of your Early Retirement Date, which is the first day of any calendar month after you have reached age 55 (except if you were a participant before January 1, 1989, in which case it means termination of employment after attainment of age 63), completed at least 10 years of Vesting Service, terminated employment and submitted a written application for benefit commencement. However, your Early Retirement Date cannot occur before you have received from the Recordkeeper the statutorily required retirement election information. You can request retirement election information at least 30 days, and not more than 90 days, prior to your intended Benefit Commencement Date.

**DEFERRED VESTED PENSION**

If your employment with the Company ends before you are eligible to retire under the Plan but after you become vested, you will be eligible to receive a Deferred Vested Pension. Your vested status is based on the vesting rules in effect at the time of your termination.

**Subsidized Reductions**

Percentage of Your Age 65 Benefit Payable		
Age When Benefit Payments Begin	Base Benefit <sup>1 2</sup>	Additional Benefit <sup>1</sup>
65	100%	100%
64	95%	92%
63	90%	84%
62	85%	76%
61	80%	72%
60	75%	68%
59	70%	64%
58	65%	60%
57	60%	56%
56	55%	52%
55	50%	48%

<sup>1</sup>When an actual calculation is made, the reduction for early payment reflects your exact age on the date payment begins.

<sup>2</sup>You are eligible for an unreduced Base Benefit as early as age 63 if, by December 31, 1999, you reached age 55 and completed 20 years of service.

**Example - Subsidized Reduction**

Assume a Sears associate leaves the Company at age 57 with a total monthly benefit payable at age 65 of \$754.79. The associate decides to begin payment of this benefit as soon as he leaves the Company. His benefit is reduced as follows:

Benefit	Monthly Amount Payable at Age 65	Multiplied by Percentage Payable	Monthly Benefit Payable at Age 57
Base Benefit	\$595.00	60%	\$357.00
Additional Benefit	\$159.79	56%	\$89.48
<b>TOTALS</b>	<b>\$754.79</b>		<b>\$446.48</b>

The associate's monthly benefit payable at age 57 is \$446.48.

You are eligible to begin receiving your Deferred Vested Pension as of your Normal Retirement Date, or as early as your Early Retirement Date (subject to an actuarial reduction for early distribution), if you submit a written application for benefit commencement. However, your Deferred Vested Pension cannot commence with respect to a given date before you have received from the Recordkeeper the statutorily required retirement election information. You can request retirement election information at least 30 days, and not more than 90 days, prior to your intended Benefit Commencement Date.

**EARLY COMMENCEMENT REDUCTIONS**

Although your benefit is calculated as of your Normal Retirement Date, if you are vested you can elect to begin receiving your benefit as of your Early Retirement Date. If you elect to receive your benefit before your Normal Retirement Date, your benefit will be reduced. The amount of the reduction generally depends on your age and years of Continuous Service as of your date of termination.

**AGE 55 OR OLDER WITH 10 YEARS OF CONTINUOUS SERVICE: SUBSIDIZED REDUCTIONS**

Your benefit will be reduced for early payment if you leave the Company between ages 55 and 65 with at least 10 years of Continuous Service, but the reduction will be subsidized, which means your benefit will be larger than a benefit subject to an actuarial reduction. The chart below shows the percentage of your age 65 benefit that is payable based on various starting ages.

**AGE 55 OR OLDER WITH LESS THAN 10 YEARS OF CONTINUOUS SERVICE OR BEFORE AGE 55: ACTUARIAL REDUCTIONS**

Your benefit will be actuarially reduced for early payment if you leave the Company between ages 55 and 65 with less than 10 years of Continuous Service; or you leave before age 55 and you decide

to start payments before you reach age 65. This actuarial reduction is not subsidized. The chart below shows the percentage of your age 65 benefit that is payable based on various starting ages.

**Actuarial Reductions**

Percentage of Your Age 65 Benefit Payable	
Age When Benefit Payments Begin	Base and Additional Benefits <sup>1</sup>
65	100.00%
64	88.83%
63	79.11%
62	70.62%
61	63.19%
60	56.67%
59	50.92%
58	45.84%
57	41.34%
56	37.34%
55 <sup>2</sup>	33.78%

<sup>1</sup> When an actual calculation is made, the reduction for early payment reflects your exact age on the date payment begins.

<sup>2</sup> Under certain circumstances, benefits may commence earlier than age 55 with further actuarial reductions (see *Lump Sum Payments*).

**Example - Actuarial Reduction**

Assume a Sears associate leaves the Company before age 55 with a total monthly benefit payable at age 65 of \$754.79. The associate decides to begin payment of this benefit upon attaining age 57. His benefit is reduced as follows:

Benefit	Monthly Amount Payable at Age 65	Multiplied by Percentage Payable	Monthly Benefit Payable at Age 57
Base Benefit	\$595.00	41.34%	\$245.97
Additional Benefit	\$159.79	41.34%	\$66.06
<b>TOTALS</b>	<b>\$754.79</b>		<b>\$312.03</b>

The associate's monthly benefit payable at age 57 is \$312.03.

**FORMS OF BENEFIT PAYMENT**

Upon your requesting pension election materials, you will receive an explanation of your normal and optional forms of benefit payment. You must generally elect a form of payment before you commence benefit payments. You can change your election of the form of benefit payment by providing the Company with written notice of your change any time before your pension starts. You cannot, however, change the payment method after you begin receiving your benefits.

**NORMAL FORMS OF PAYMENT**

If you are single, your benefit will be paid to you in the form of a Single Life Annuity unless you elect an optional form of payment. Under a Single Life Annuity, your benefit is payable to you monthly for your lifetime, stopping at your death.

If you are married, your benefit will be paid to you in the form of a 50% Joint and Survivor Annuity, unless you elect an optional form of payment. Instead of the Single Life Annuity, you will receive a reduced monthly benefit for as long as you live and after your death, 50% of your reduced pension will continue for your Spouse's lifetime.

**OPTIONAL FORMS OF PAYMENT**

If you elect to receive your pension benefit under one of the optional forms of payment, your election must be submitted in writing to the Recordkeeper before your benefit payments begin. If you are married, your Spouse must provide written notarized consent to your election of an optional form of payment.

For options that provide a benefit to a surviving Designated Beneficiary, generally you may name anyone as a Designated Beneficiary if you are single. If you are married, your Spouse must provide written notarized consent to your designation of someone else as a Designated Beneficiary.

**Single Life Annuity**

A Single Life Annuity pays you a monthly benefit for your lifetime, stopping at your death.

**50%, 75% or 100% Joint and Survivor Annuity**

Under this option you will receive a reduced monthly benefit during your lifetime. After your death, your Designated Beneficiary, if surviving, will receive for his or her lifetime a monthly benefit equal to 50%, 75% or 100%, depending on your election, of the monthly benefit you were receiving. The reduction is based on your age and your Designated Beneficiary's age, and the amount (50%, 75% or 100%) of your reduced benefit to be continued to your surviving Designated Beneficiary after your death.

**50%, 75% or 100% Joint and Survivor With "Pop-Up" Feature**

This option is similar to the one immediately above; except that if your Designated Beneficiary dies before you, your pension increases ("pops up") to the full amount you would have received under the Single Life Annuity form of payment.

**Life With 10 Years Certain Annuity**

Under this option you will receive a reduced monthly benefit for life; but, if you die during the first 10 years (120 months) of receiving benefits, your Designated Beneficiary receives a monthly

benefit equal to your reduced monthly benefit until the end of the 10 years (120 months).

**100% Joint and Survivor With 10 Years Certain Annuity**

Under this option you will receive a reduced monthly benefit that is payable for the lifetimes of both you and your Designated

Beneficiary. If you both die before 10 years (120 months) of payments have been made, a second Designated Beneficiary will receive the balance of the monthly payments until the end of 10 years or 120 payments.

**Example - Financial Effect of Payment Options (if You Leave the Company at Age 65)**  
 This chart compares the forms of payment assuming you are age 65 and your Normal Retirement Pension is \$1,000 per month. For single associates, the normal form of payment is a Single Life Annuity. For forms of payment that require a Designated Beneficiary, the chart also assumes your Spouse or Designated Beneficiary is age 65 when your benefit payments begin.

Payable:	Single Life Annuity	50% Joint and Survivor	100% Joint and Survivor	50% Joint and Survivor With "Pop-Up"	100% Joint and Survivor With "Pop-Up"	Life With 10 Years Certain Annuity	100% Joint and Survivor With 10 Years Certain Annuity
While associate lives	\$1,000	\$909	\$833	\$889	\$800	\$911	\$822
To Spouse or beneficiary after associate dies	N/A	\$454	\$833	\$444	\$800	\$911 <sup>1</sup>	\$822 <sup>1</sup>
To associate after Spouse or beneficiary dies	\$1,000	\$909	\$833	\$1,000	\$1,000	\$911	\$822

<sup>1</sup> If death occurs within 10 years of retirement.

**LUMP SUM PAYMENTS**

**What a Lump Sum Payment Is:** A Lump Sum Payment is the lump sum present actuarial value of the total benefit you could expect to receive over the years of your retirement. It is calculated using current applicable interest rate assumptions. The applicable interest rate used to calculate a lump sum is based on three segment rates as specified by the IRS for the August immediately preceding the year in which the payment date occurs.

**Who Is Eligible to Choose a Lump Sum Payment:** Subject to the applicability of lump sum funding-based restrictions under the Pension Protection Act of 2006 ("PPA"), you are eligible to elect to receive your benefit in the form of a Lump Sum Payment instead of monthly payments if, at the time you leave the Company:

- Your Single Life Annuity payable at age 65 is less than \$150 per month; or
- You are at least age 55 and have 20 or more years of Continuous Service; or
- You are at least age 60 and have 10 or more years of Continuous Service. (Ten years of Continuous Service are not required if you were born before 1930.)

Your Designated Beneficiary may elect a Lump Sum Payment of any death benefit payable following your death but only with respect to a benefit that had not commenced prior to your death.

**Who Must Take a Lump Sum Payment:** If at the time you leave the Company, the lump sum present actuarial value of your benefit is \$5,000 or less, your benefit will be subject to automatic distribution from the Plan. If the lump sum present actuarial value is \$1,000 or less, you will be notified about the small pension cash-out and if you do not timely respond to request the manner of payment it will automatically be paid to you in the form of a Lump Sum Payment (referred to as a "cash-out"). In this case, your automatic lump sum cash-out will be initiated as soon as administratively possible after you leave the Company and in accordance with current Plan distribution procedures. If the lump sum present actuarial value is more than \$1,000 but less than or equal to \$5,000 you will be notified about the small pension cash-out and if you do not timely respond to request the manner of payment it will be paid by direct transfer to an qualified individual

retirement plan established on your behalf in accordance with applicable law. The automatic lump sum distribution/rollover rule applies to any survivor benefit payable following your death but only with respect to a benefit that had not commenced prior to your death.

**Note:** If your lump sum present actuarial value of your benefit is more than \$5,000, generally it cannot be paid to you without your consent and, if you are married, without your Spouse's written, notarized consent.

**WHEN BENEFIT PAYMENTS BEGIN**

Your Retirement Date (i.e., your benefit commencement date) cannot be earlier than the first day of the month following retirement or termination, subject to your age 70½ required beginning date, as described below. In addition, you may select only the first day of a month as the payment date. Further, your Retirement Date cannot occur before you have received from the Recordkeeper the statutorily required retirement election information.

You, your surviving Spouse, or your Designated Beneficiary must submit an application to the Recordkeeper before benefits will begin. The application must include your marital status, your date of birth and your Spouse's (if any) date of birth. Benefit payments are paid as of the first day of a month.

**REQUIRED BEGINNING DATE**

Notwithstanding the foregoing, benefit payments must be paid no later than April 1 of the year following the year in which you reach age 70½ (i.e., your required beginning date), unless you reached that age before January 1, 1988. If you are still actively employed with the Company when you reach age 70½, you will receive your benefits while you continue working. You will be eligible to select any payment option as if you had left the Company on December 31 of the year you turned 70½ and began benefit payments on January 1 of the following year. If your benefits do not begin by your required beginning date, once they begin they will be actuarially increased to ensure that your monthly benefit amount is

actuarially equivalent to the amount you would have received as of your required beginning date.

If you do not return your election information to the Recordkeeper prior to the expiration date for a commencement date on the April 1 of the calendar year following the calendar year in which you reach age 70½ you will be deemed to have elected the Qualified Joint and Survivor Annuity and benefits will automatically start. Once automatic payments start, you will not be able to change to a different form of payment. The payment amount will assume that you are married and that you and your Spouse have the same date of birth. This may affect the monthly amount payable during and after your lifetime. You may provide proof of your marital status, i.e., that you are not married, or your Spouse's date of birth after benefits commence however, benefits will not be adjusted if proof is received more than 60 days after your benefit commencement date.

#### **PART-TIME ASSOCIATES WORKING PAST AGE 65**

If you attain age 65 while working as a part-time associate or after age 65 switch from a full-time to part-time associate, you will be required to begin receiving benefit payments.

#### **CONTINUED ACCRUAL**

In these mandatory payment instances, prior to your applicable freeze date, if you were required to receive benefits while still employed, you continued to earn a benefit accrual for each year in which you worked at least 1,000 hours. Your benefit was then recalculated every December 31 after you began receiving benefit payments to reflect additional benefits earned for each year in which you have eligible service.

#### **DEATH BENEFITS**

##### **PAYMENT OF DEATH BENEFITS**

If you die after your benefit has begun to be paid to you, your Designated Beneficiary will continue to receive benefit payments from the Plan after your death based on the form of payment in which you elected to have your benefit paid. For example, if you elected to have your benefit paid in the form of a 50% Joint and Survivor Annuity, your Designated Beneficiary will receive 50% of the amount of the benefit you received during your lifetime. If you elected a lump sum form of payment or if your benefit was automatically cashed out (paid to you directly or rolled over to an IRA), your survivor(s) will not receive any further benefit from the Plan after your death.

If you are vested in your benefit at the time of your death but your benefit had not begun to be paid to you, your Spouse is entitled to a survivor benefit from the Plan. If certain conditions are met (described below), you can name a Designated Beneficiary to receive a death benefit from the Plan even if you are not married at the time of your death.

You may name a Designated Beneficiary for death benefits by completing a Designated Beneficiary Form. Contact the Pension Service Center to obtain the form. (*Note:* Death benefit elections made on forms other than the Designated Beneficiary Form are not valid.) If you do not select a Designated Beneficiary in advance, your benefit payments will automatically be made to your Spouse if you are married and to your estate if you are single, in the forms of payment described below.

Death benefits will be paid as of the first day of the month following your death, unless you die before age 65 and your Designated Beneficiary chooses to defer payment. If deferred, the death benefit will be paid as of the first day of any month that your Designated Beneficiary elects, but no later than your Normal Retirement Date.

#### **IF YOU DIE WHILE ACTIVELY EMPLOYED**

##### **After Age 55, With 10 or More Years of Continuous Service**

If you are married and die while actively employed after age 55, and you have completed 10 or more years of Continuous Service, your Spouse will automatically receive a benefit that will equal the benefit he or she would have received if you had left the Company and elected to start receiving payment of your benefit in the form of a 100% Joint and Survivor Annuity. If you are single at the time of your death, your estate will receive a benefit equal to the benefit it would have received if you had left the Company and elected to start payment of your benefit in the form of a Life With 10 Years Certain Annuity.

As alternative forms of payment, you can elect to have your death benefit paid to your Designated Beneficiary in the form of a 100% Joint and Survivor Annuity (option applies automatically to Spouses), Life With 10 Years Certain Annuity (option applies automatically to non-Spouses), or 100% Joint and Survivor With 10 Years Certain Annuity. After your death but before death benefit payments have begun to be paid, your Designated Beneficiary may elect to have the entire amount of the death benefit distributed in the form of a lump sum\*.

*Note:* The Plan pays the same benefits described above (depending on your marital status) if you die while actively employed, before you begin receiving plan benefits and after reaching age 65, regardless of service.

##### **After Age 55, With Less Than 10 Years of Continuous Service or Before Age 55, Regardless of Service**

If you are vested in your Plan benefit, are married, and die while actively employed after age 55 but with less than 10 years of Continuous Service, or before age 55 regardless of service, your Spouse will automatically receive a benefit that will equal the benefit he or she would have received if you had left the Company and elected to start receiving payment of your benefit in the form of the 50% Joint and Survivor Annuity. If you are single, the Plan will pay your estate a monthly benefit for a period of 60 months, calculated under the Single Life Annuity form of payment. As an alternative, your Spouse, Designated Beneficiary or executor of your estate may elect to have the entire amount of the death benefit distributed in the form of a lump sum\*.

*Note:* If you die while actively employed, before you begin receiving Plan benefits and after reaching age 65, regardless of service, the Plan pays the same type of death benefit as if you were actively employed, had reached age 55 and completed 10 or more years of Continuous Service.

#### **IF YOU DIE AFTER LEAVING THE COMPANY**

##### **Leave Company After Age 55, With 20 or More Years of Continuous Service.**

If you leave the Company after reaching age 55 and completing 20 or more years of Continuous Service, and you die before your benefit commencement date is established, death benefits will be paid according to the most recent valid Designated Beneficiary Form on file.

If no valid form is on file, and you are married at the time of your death, your Spouse's benefit will equal the benefit he or she would have received if you had elected to start payment of your benefit in the form of the 100% Joint and Survivor. If you are single and there is no valid form on file, your estate will receive a monthly benefit for a period of 120 months, calculated under the Life With 10 Years Certain Annuity. As an alternative, your Spouse, Designated Beneficiary or executor of your estate may elect to have the entire amount of the death benefit distributed in the form of a lump sum\*.

- **Leave Company After Age 55, With Less Than 20 Years of Continuous Service or Leave Company Before Age 55, Regardless of Service.**

If you are vested and you leave the Company after reaching age 55 but with less than 20 years of Continuous Service, or before age 55 regardless of service, and die before your benefit payments begin, all Designated Beneficiary Forms on file are considered invalid. Your Spouse's benefit—if you are married at the time of your death—will equal the benefit he or she would have received if you had elected to start payment of your benefit in the form of the 50% Joint and Survivor Annuity. As an alternative, your Spouse, Designated Beneficiary or executor of your estate may elect to have the entire amount of the death benefit distributed in the form of a lump sum\*. If you are single, the plan pays no death benefits.

**Note:** If you die after leaving the Company but before benefit payments begin, your Spouse or beneficiary should contact the Pension Service Center at 1-800-953-5390 for information on death benefits.

\*Note that the availability of a Lump Sum Payments is subject to the funding-based restrictions under the Pension Protection Act of 2006.

## IF YOU LEAVE THE COMPANY AND ARE REEMPLOYED

### RESTORATION OF SERVICE

If you leave the Company and are reemployed within 12 months, your previous Vesting Service, Continuous Service and Credited Service will be restored, regardless of whether you were vested in your benefit when you left the Company. If you leave the Company for a period of time greater than 12 months, however, your Vesting Service, Continuous Service and Credited Service may be affected.

- If you left the Company with five or more years of vesting service, your previous years of Vesting, Continuous and Credited Service will be restored when you are reemployed.

**Note:** If you received a Lump Sum Payment of the benefit you earned for your service when you left the Company, your Credited Service will not be restored.

- If you left the Company with fewer than five years of Vesting Service or prior to attainment of age 65, or if you had not become a Plan participant at the time you left the Company,

your years of Vesting, Continuous and Credited Service before you left the Company will be restored if the number of consecutive years after you left the Company and before you are reemployed is less than seven (five if you terminated after December 31, 2004).

### REEMPLOYMENT AFTER BENEFIT PAYMENTS HAVE BEGUN

- If you began monthly benefit payments and are reemployed as a full-time associate under the age of 70½, your benefit payments will stop. Payments will begin again when you leave the Company. If you initially began payments before age 65, you may elect a new payment option when you leave the Company.

Your benefit will be recalculated to reflect any additional benefits earned for each year in which you have Credited Service (prior to the applicable freeze date), and will be adjusted to reflect any payments you received before age 65. However, your payments (under the same form of payment) will never be less than those you were receiving before you were reemployed.

- If you began benefit payments before age 65 and you are reemployed as a part-time associate, your benefit payments will continue and you may earn additional pension benefits.
  - If you were reemployed before age 65 and prior to the applicable freeze date, payment of any newly earned benefits will begin at age 65. You may elect a new payment option at that time, applicable only to your additional pension benefits. After age 65, your benefit will be recalculated at the end of each Plan Year to reflect additional benefits earned for each year in which you have eligible service. These additional pension payments will be made in the same payment form as the option you elected at age 65.

**Note:** If you terminate your employment with the Company and elect to receive your benefit from the Plan in the form of a Lump Sum Payment prior to your Normal Retirement Date, you are not eligible to be considered for reemployment by the Company (including any affiliate) for at least six months. This policy is intended to ensure that the Plan satisfies the bona fide termination rule in the case of early benefit commencement under the Plan.

- If you are reemployed at or after age 65, your benefit will be recalculated at the end of each Plan Year to reflect additional benefits earned for each year in which you have Credited Service (following reemployment and prior to the applicable freeze date). You may elect a new payment option, applicable only to your additional pension benefits, at the end of the first Plan Year of your reemployment. These additional benefit payments will be made in this payment form.
- If you began benefit payments at or after age 65 and are reemployed as a part-time associate, your benefit payments will continue. Your benefit will be recalculated at the end of each Plan Year to reflect additional benefits earned for each year in which you have Credited Service (following reemployment and prior to the applicable freeze date). These additional benefit payments will be made in the same payment form as the option you elected when you first began to receive your benefit payments.

## TRANSFERS

Your participation in the Plan and rights as a participant will be affected in the following ways if you transfer from or to an affiliated employer or business group within the Company's controlled group (Sears Holdings Corporation and its affiliates and subsidiaries) depending on whether it is a participating employer (or business group) covered under this Plan.

### TRANSFER TO AN AFFILIATED EMPLOYER NOT COVERED BY THE PLAN

If you transferred employment to a non-participating employer or business group of the Company prior to your applicable freeze date, you stopped earning Credited Service under the Plan but continue to earn Vesting Service. Your benefit will be based on the Credited Service and Compensation that you had earned as of the date of your transfer. Vesting Service will be credited during the period of employment with the non-participating employer. You would have begun earning additional Credited Service if you later transferred back to a participating employer (prior to the applicable freeze date), beginning with the date of such transfer.

### TRANSFER FROM AN AFFILIATED EMPLOYER NOT COVERED BY THE PLAN

If you transferred from a non-participating employer to a participating employer prior to your applicable freeze date, in addition to receiving credit for Eligibility Service and Vesting Service for your years of employment with the affiliated company (while it was an affiliate) you would have begun receiving Credited Service beginning with the date of such transfer.

### TRANSFER TO AN AFFILIATED EMPLOYER COVERED BY THE PLAN

If you transfer employment from one participating employer to another participating employer, your benefit will be based on your combined Vesting Service, Credited Service and Compensation (through your applicable freeze date).

### COVERAGE UNDER A COLLECTIVE BARGAINING AGREEMENT

You will continue to earn Vesting Service, but not Credited Service, under this Plan if you become covered by a collective bargaining agreement between the Company and a third party that does not provide for participation under the Plan.

**Note:** If you are employed by more than one participating employer at the same time, your total service will not be more than if a single employer of the Company employed you.

## ADDITIONAL PROVISIONS OF THE PLAN

You should be aware of the following additional provisions of the Plan.

### CIRCUMSTANCES UNDER WHICH BENEFITS COULD BE FORFEITED, ASSIGNED, REDUCED OR LOST

The following circumstances could result in your benefits from the Plan either being forfeited, assigned, reduced, or lost.

#### Break In Service

As described above under *How the Plan Works*, if your employment with the Company terminates before you become vested in your Plan benefit, all of the benefits you had accrued will be forfeited unless you are later re-employed by the Company before you are gone for seven or more years (five if you terminated after December 31, 2004).

## Assignment of Benefits

For the protection of your interests and those of your beneficiary(ies), the law provides that your benefits under this Plan cannot be assigned and are not subject to garnishment or attachment, except to the extent permitted by law (including an IRS lien) or required by a "Qualified Domestic Relations Order."

### Qualified Domestic Relations Order

Plans such as this Plan must obey certain court orders, called Qualified Domestic Relations Orders ("QDRO"), which assign a portion of your benefits to a Spouse, former Spouse, child or dependent. A copy of the Plan's QDRO procedures may be obtained, free of charge, by contacting the Recordkeeper or Plan Administrator.

### Incompetence

In the case of a benefit that becomes payable from the Plan to a minor or to a person who is legally judged to be incompetent, the Plan has a right to make benefit payments to (i) the participant's legally appointed guardian if the Plan Administrator receives acceptable written notice of guardianship; or (ii) the participant's Spouse, child or dependent if the Plan Administrator determines that the participant is unable to care for his or her affairs. Any payments made in accordance with this section will constitute a complete discharge of liability for such payments under the Plan, to the extent permitted by law.

### Missing Participants and Uncashed Checks

It is important for you, your surviving Spouse or your Designated Beneficiary to maintain a current address with the Plan Administrator and/or Recordkeeper. If you (your surviving Spouse or Designated Beneficiary) become entitled to a benefit from the Plan and the Plan is unable to locate you, your benefit will be treated as forfeited unless or until you are later found or come forward, in which case your benefit will be reinstated (without adjustment for interest). If you (your surviving Spouse or Designated Beneficiary) are issued a benefit check or checks from the Plan and the check is uncashed as of the end of the first Plan Year following the year in which the first check is mailed to you, the Plan will assume that you are deceased and stop payment on all outstanding checks. If you are later found or come forward, before your claim for reinstatement of the benefit would have expired under applicable federal and state law, your benefit will be reinstated (without adjustment for interest). To reduce missing checks, you can sign up to have your payments directly deposited to your checking or savings account online at <https://searspension.ehr.com> or by calling the Recordkeeper at 1-800-953-5390.

### Clerical Error

A clerical error will not void a benefit that should be in force nor will it continue a benefit that should have ended or never begun. When an error is found, a fair adjustment will be made. However, clerical and payroll errors not reported by you within 12 months are not subject to correction.

An error in claims processing will not set precedent for future benefits. Also, verbal misinformation from a telephone representative, a representative of the Recordkeeper or manager that goes against the intent of the Plan cannot supersede this SPD or the terms of the official Plan document.



## Material Misstatements or Omissions

At all times, it is necessary to provide accurate and complete information. A material misstatement or failure to disclose important information could result in payment of benefits in error to someone who is ineligible for such benefits.

If this occurs, the Plan Administrator may rescind the benefit, subject to appropriate review procedures as required by ERISA. You will be obligated to refund to the Plan any benefit payments resulting from the material misstatements or omissions. You will be obligated to refund such benefit payments to the Plan even if you make an unintended material misstatement or omission.

## Recovery of Overpayment

If it should happen that you receive benefits in excess of the amount of benefits to which you are otherwise entitled to receive under the express terms of the Plan, you will be required to return such excess amounts to the Plan. The Plan Administrator may pursue recovery of these amounts either by requiring the payee to return the excess to the Plan, by offsetting the payee's future benefit payments or by any other method deemed reasonable to the Plan Administrator.

## Top Heavy Provisions

The Internal Revenue Service has established special rules if a plan such as this Plan becomes "top heavy." In general, the Plan will become top heavy if the value of the benefits of certain key associates is more than 60% of the value of benefits earned by all covered associates. Key associates are generally the owners of at least 5% of the common stock of Sears Holdings Corporation or Company officers. Top heavy rules are designed to protect the benefits and rights of associates not considered to be key associates. It is unlikely that this Plan will become top heavy. If this should happen, you will receive complete information about any benefit adjustments.

## AGENCIES THAT REGULATE THE PLAN

The Plan is subject to the rules, regulations and guidance of the Internal Revenue Service, U.S. Department of Labor and Pension Benefit Guaranty Corporation (PBGC) and will be amended to comply with any changes in these rules, regulations and statutes.

## EMPLOYMENT RIGHTS NOT GUARANTEED

Neither the establishment of this Plan, nor any provision of or action taken under this Plan, nor your participation in this Plan guarantees you continued employment or gives you any right to be retained in the employ of the Company or other participating employer, or alters your at-will employment status or affects or limits in any way the right of the Company or other participating employer to terminate your employment. If your employment terminates for any reason, this Plan does not give you any benefit or interest except as specifically provided in the Plan.

## PLAN TERMINATION OR AMENDMENT

While the Company intends to continue maintaining the Plan, the Company explicitly reserves the right to terminate, discontinue, change, or amend the Plan at any time and for any reason.

If the Plan is terminated, all benefits will become 100% vested on Plan termination to the extent funded. If the assets of the Plan are not sufficient to cover all benefits, the Plan cannot terminate unless it satisfies at least one of four statutory tests. Under a distress

termination, the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) specify the priority categories for the allocation of assets. If the assets in the Plan's trust fund are not sufficient to provide for all benefits, participants in the remaining categories will be entitled to benefits only if they are benefits that are insured by the Pension Benefit Guaranty Corporation.

## TAX CONSIDERATIONS

### MONTHLY PAYMENTS

When benefits are paid on a monthly basis, they are subject to federal income tax. State and local taxes may also apply.

Federal income tax will be withheld from your monthly benefit payments unless you elect not to have withholding apply. If you elect not to withhold, you may be required by federal law to pay estimated taxes directly to the Internal Revenue Service on a quarterly basis. Your withholding election can be changed at any time online at <https://searspension.chr.com> or by calling the Recordkeeper at 1-800-953-5390.

Monthly pension payments are not eligible for rollover to an individual retirement account or annuity (IRA) nor to another employer's qualified retirement plan.

### LUMP SUM PAYMENTS

If you receive your pension benefit as a Lump Sum Payment (including as a small pension cash-out because the lump sum present value of your benefit is valued at \$5,000 or less at or after your termination of employment), this payment is eligible for rollover to an IRA or to the qualified plan of another employer that accepts rollovers. You or your Designated Beneficiary may instruct the Plan to roll over all or part of the lump sum distribution directly to an individual retirement account or annuity ("IRA") or another employer's eligible retirement plan. A non-spousal Designated Beneficiary may instruct the Plan to roll over all or part of the lump sum distribution directly to an inherited IRA. If you (or your Designated Beneficiary) have elected to receive the payment directly (instead of by a direct rollover), you can still elect to a rollover within 60 days of receipt from the Pension Plan.

Any portion of your Lump Sum Payment that is not rolled over is subject to ordinary income taxes; and, if you are not at least age 55 in the calendar year in which you leave the company, a 10% federal tax penalty may also apply. Please note that if you are over age 70 ½ on your payment date a part or all of your Lump Sum Payment may not be eligible for rollover and will be subject to ordinary income taxes. More information regarding taxation of lump sums will be provided as part of your election kit when you retire.

Federal income tax must generally be withheld from a Lump Sum Payment at the rate of 20%. However, as noted above, you or your spousal Designated Beneficiary may choose to have the Plan directly roll over the lump sum amount into an IRA or to another employer eligible qualified retirement plan to avoid the 20% withholding and 10% early withdrawal penalty. (A non-spousal Designated Beneficiary may instruct the Plan to roll over all or part of the lump sum distribution directly to IRA.) The Plan cannot refund any amounts withheld. You may be required by federal law to pay estimated taxes directly to the Internal Revenue Service if the amount withheld is not sufficient.

## MANDATORY DISTRIBUTIONS

If you are still employed with the Company after you reach age 70½, Plan rules require that your accrued benefit on December 31 of the year you reach 70½ must begin to be paid to you no later than the following April 1. If that distribution is paid in the form of a lump sum prior to that April 1, all of it is eligible for a tax-deferred rollover.

*Note: This tax information is based on the Plan's interpretation of federal laws. Tax laws and regulations are complex and subject to change from time to time. You should consult with a professional tax advisor about any distributions from the Plan.*

## MAXIMUM QUALIFIED PLAN BENEFIT

### INTERNAL REVENUE SERVICE

The Internal Revenue Service places certain limits on the amount of benefits that can be paid to participants under qualified retirement plans such as the Pension Plan. You will be notified by the Plan Administrator if you are affected by the IRS limits.

If your benefit is affected by these limits, a portion of your benefit may be paid through the Sears, Roebuck and Company Supplemental Retirement Income Plan ("SRIP"). The SRIP is what is referred to as a non-qualified retirement plan, which means that it is not designed to meet the requirements of tax-qualified retirement plans under the Internal Revenue Code. Benefits from such plans are generally taxable as ordinary income.

**Compensation Limit:** By law, there is a maximum amount of annual compensation that the Plan can recognize.

**Tax Considerations:** As noted above, any payments received from the SRIP are always subject to ordinary income taxes regardless of whether such payments are received monthly or in a lump sum. Such payments are not eligible for rollover. However, SRIP payments are not subject to the 10% tax penalty.

## PENSION BENEFIT GUARANTY CORPORATION

Your pension benefits under this Plan are insured by the Pension Benefit Guaranty Corporation ("PBGC"), a federal insurance agency. If the Plan terminates (ends) without enough money to pay all benefits, the PBGC will step in to pay pension benefits. Most people receive all of the pension benefits they would have received under their Plan, but some people may lose certain benefits. **The PBGC guarantee generally covers:** (1) normal and early retirement benefits; (2) disability benefits if you become disabled before the plan terminates; and (3) certain benefits for your survivors.

**The PBGC guarantee generally does not cover:** (1) benefits greater than the maximum guaranteed amount set by law for the year in which the plan terminates; (2) some or all benefit increases and new benefits based on plan provisions that have been in place for fewer than 5 years at the time the plan terminates; (3) benefits that are not vested because you have not worked long enough for the company; (4) benefits for which you have not met all of the requirements at the time the plan terminates; (5) certain early retirement payments (such as supplemental benefits that stop when you become eligible for Social Security) that result in an early retirement monthly benefit greater than your monthly benefit at the plan's normal retirement age; and (6) non-pension benefits, such as health insurance, life insurance, certain death benefits, vacation

pay, and severance pay. Even if certain of your benefits are not guaranteed, you still may receive some of those benefits from PBGC depending on how much money your plan has and on how much the PBGC collects from employers.

For more information about the PBGC and the benefits it guarantees, ask your plan administrator or contact the PBGC's Technical Assistance Division, 1200 K Street N.W., Suite 930, Washington, D.C. 20005-4026 or call 202-326-4000. TTY/TDD users may call the federal relay service toll-free at 1-800-877-8339 and ask to be connected to 202-326-4000. Additional information about the PBGC's pension insurance program is available through the PBGC's Web site on the Internet at <http://www.pbgc.gov>.

## PLAN ADMINISTRATOR

In accordance with the terms of the Plan, the Chief Executive Officer of the Company appoints the members of the SHC Administrative Committee and SHC Investment Committee, each of which are named fiduciaries to the Plan.

The SHC Administrative Committee is the statutory Plan Administrator, and as such it has the discretionary authority to determine eligibility for benefits under the Plan, to determine the amount and form of benefits payable under the Plan, to construe the terms of the Plan, and to make factual determinations about all Plan matters. The decisions of the Plan Administrator or its delegate will be final and binding.

The Plan Administrator may appoint one or more persons to carry out the responsibilities for performing certain duties of the Plan Administrator under the terms of the Plan and may seek expert advice as the Plan Administrator deems reasonably necessary or appropriate with respect to the Plan. The Plan Administrator is entitled to rely upon the information and advice furnished by its delegate(s) and experts, unless it knows such information and advice to be inaccurate or unlawful.

In carrying out their respective responsibilities under the Plan, the Plan Administrator or its delegate(s) has full discretionary authority to determine eligibility for Plan benefits, to make factual findings and to interpret the terms of the Plan. Any interpretation or determination made under such discretionary authority will be given full force and effect, unless it can be shown that the interpretation or determination was arbitrary and capricious. Benefits under the Plan will be paid only if the Plan Administrator decides in its discretion that the applicant is entitled to them under the terms of the Plan.

Any amendments to the Plan must be authorized by the Company or the SHC Administrative Committee, to which certain amendment authority has been delegated by the Board of Directors of the Company.

The SHC Investment Committee has the discretionary authority to manage and administer the investment-related matters of the Plan. Among its duties and authority is the authority to appoint an investment advisor and investment managers to oversee and/or manage the investment of Plan assets and to monitor the performance of these investments.

## CLAIMS PROCEDURES

### APPLYING FOR BENEFITS

Apply for benefits by retiring online at <https://searspension.ehr.com> or by contacting the Sears Holdings Pension-Service Center at 1-800-953-5390. You will be supplied with all necessary forms. Your completed application must include your marital status, your date of birth and your Spouse's (if any) date of birth.

### CLAIM FOR BENEFITS

If a participant or Designated Beneficiary (“claimant”) contacts the Pension Service Center and is told that they are not entitled to a benefit under the Plan or they disagree with the benefit that they are told they are entitled to, the claimant may submit an official claim for benefits under the Plan in writing to the Pension Service Center (acting on behalf of the Plan Administrator). The Pension Service Center will review and process the claim and issue a written response either approving or denying the claim in whole or in part, which response will be issued within 90 days of the date that the claim is received. If special circumstances arise and the Pension Service Center (or Plan Administrator) cannot process the claim within 90 days, the claimant will be notified within the first 90 days that the review period is being extended for to an additional 90 days. This notice will indicate any special circumstances for the extension and the date by which the Plan Administrator expects to render its decision. If the Plan Administrator fails to notify the claimant within the first 90 days, the claim is considered denied and the claimant is permitted to proceed to the appeal stage described in below.

If the Pension Service Center (or Plan Administrator) makes a determination to deny the claimant’s benefits claim in whole or in part, the denial will be in writing and hand-delivered, mailed or sent electronically to the claimant and will indicate the following:

- Specific reasons for the denial;
- Specific Plan references used in making the decision;
- If the denial was because specific material or information was not provided, a description of the additional material or information that the claimant must provide in connection with the claim, along with an explanation of why such material or information is necessary; and
- An explanation of the application review process and the time limits applicable to such review procedure including a statement of the claimant’s right to bring civil action under ERISA Section 502(a) following an adverse benefit determination upon appeal.

### APPEAL OF AN ADVERSE BENEFIT DETERMINATION

A claimant who wishes to appeal an adverse benefit determination must, within 60 days of receiving the claim denial (or such later date as may be approved by the SHC Administrative Committee taking into account the nature of the benefit subject to the claim and other attendant circumstances), notify the SHC Administrative Committee in writing that he or she wishes to appeal the claim denial and have the Administrative Committee conduct a full and fair review of the adverse benefit determination (which may include holding a hearing if deemed necessary by the SHC Administrative Committee).

In connection with an adverse benefit determination, the claimant may review all relevant documents relating to his or her claim and submit issues and comments in writing to the Administrative Committee.

Any claimant who does not submit an appeal within 60 days after receiving an adverse benefit determination (or such later date as approved by the SHC Administrative Committee) is prohibited from appealing the adverse benefit determination and is prohibited from bringing a civil action in connection with the claim for benefits (as explained below).

Within 60 days after receiving a written appeal of an adverse benefit determination, the SHC Administrative Committee will conduct a full and fair review of the record and prepare its decision, either approving or disapproving the appeal in whole or in part, which response will be issued within 60 days of the date that the appeal is received. If special circumstances arise and the SHC Administrative Committee cannot process the claim within 60 days, the claimant will be notified within the first 60 days that the review period is being extended for an additional 60 days. This notice will indicate the special circumstances for the extension and the date by which the SHC Administrative Committee expects to render its decision. If the SHC Administrative Committee fails to notify the claimant within the first 60 days, the appeal is considered denied and the claimant is permitted to file a civil action.

If the SHC Administrative Committee makes an adverse determination upon appeal in whole or in part, the determination notice will be in writing and hand-delivered, mailed or sent electronically to the claimant and will indicate the following:

- Specify reasons for the denial;
- Specify Plan references upon which the adverse determination is based;
- A statement that the claimant is entitled to receive upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claimant’s claim for benefits; and
- A statement of the claimant’s right to bring civil action under ERISA Section 502(a).

### RIGHT TO FILE CIVIL SUIT

If you or your Designated Beneficiary (claimant) wish to bring civil action in connection with a claim for benefits under the Plan, you must first complete each step of the claims procedures described above (including the claim and appeal steps). In addition, any claimant who wishes to bring a civil action after having exhausted the claims procedures set forth above must bring such civil action within six months after he or she receives an adverse benefit determination on appeal. Any claimant who fails to file a civil action within such six months period is barred from filing such an action at any later date.

### ADDITIONAL PLAN INFORMATION

This Section of the SPD provides specific information identifying the Plan and other parties involved with the Plan as required by law.

**Plan Name:** Sears Holdings Pension Plan 1 or Sears Holdings Pension Plan 2. (Prior to January 30, 2008, the Plan name was the Sears Pension Plan.)

**Plan Sponsor:** The Plan is sponsored by the Company, which is: Sears Holdings Corporation. (Prior to January 1, 2008, the Plan Sponsor was Sears, Roebuck and Co.) The contact information is:  
Sears Holdings Corporation

3333 Beverly Road, Dept. 707BEN  
Hoffman Estates, IL 60179  
(847) 286-2500

**Type of Plan:** The plan is a defined benefit pension plan. This means that your Plan benefits are based on a specific formula or formulas contained in the Plan document.

**Employer Identification Number:**

The EIN for the Company is: 20-1920798. (Prior to January 30, 2008, the EIN for the Company was: 36-1750680.)

**Plan Number:** Sears Holdings Pension Plan 1 is Plan Number 001 and Sears Holdings Pension Plan 2 is Plan Number 002.

**Plan Year:** The Plan Year begins on December 1 and ends on November 30

**Effective Date of SPD:** This SPD summarizes the major characteristics of the Plan in effect as of December 1, 2016.

**Plan Administrator:** The Plan Administrator is the Sears Holdings Corporation Administrative Committee. The contact information is:

SHC Administrative Committee  
3333 Beverly Road, Dept. 707BEN  
Hoffman Estates, IL 60179  
(847) 286-2500

**Named Fiduciaries:** The Named Fiduciaries have the general authority over the administration and operation of the Plan. The Named Fiduciaries are the Company, the SHC Administrative Committee and the SHC Investment Committee.

**Agent for Service of Legal Process:** Legal process may be served on the Plan Administrator at the address shown above or the Trustee at the address shown below.

**Plan Trustee:** The Plan Trustee is:

State Street Bank and Trust Company  
1200 Crown Colony Drive  
Quincy, MA 02169

**Plan Recordkeeper:** The Company has contracted with Towers Watson to fulfill various administrative duties for the Plan. The contact information is:

Willis Towers Watson  
Sears Holdings Pension Service Center  
P.O. Box 3411  
Hopkins, MN 55343-2111

**Plan Funding:** The Company's funding of the Plan's Trust is determined by the Plan's independent actuary, in accordance with applicable law. Pension benefits are paid from the Trust. Funding contributions are deposited to the Trust within the timeframe required by applicable law.

The Trust is administered by the Plan Trustee in accordance with a formal trust agreement between the Company and the Trustee. The Trust is maintained for the exclusive benefit of Plan participants and their beneficiaries, except to the extent that the Company may use this money to pay the reasonable cost of administering the Plan. No assets can be returned to the Company unless the Plan is terminated and there are enough assets to pay all benefits earned by all participants.

## STATEMENT OF ERISA RIGHTS

As a participant under a qualified plan you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants shall be entitled to:

- Examine, without charge, at the plan administrator's office and at other specified locations, such as worksites and union halls, all documents governing the plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the plan administrator, copies of documents governing the operation of the plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The administrator may make a reasonable charge for the copies.
- Receive a summary of the plan's annual financial report. The plan administrator is required by law to furnish each participant with a copy of this summary annual report.
- Obtain a statement telling you whether you have a right to receive a pension at normal retirement age (age 65) and if so, what your benefits would be at normal retirement age if you stop working under the plan now. If you do not have a right to a pension, the statement will tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing.

In addition to creating rights for plan participants ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules. Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the plan's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in Federal court. If it should happen that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek

assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

If you have any questions about your plan, you should contact the plan administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the plan administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration (“EBSA”), U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. When writing, please include the employer and Plan Number listed above. You may also call the EBSA toll-free at 866-444-EBSA (866-444-3272). You may obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

For information only.  
Created by Sears prior to plan termination.  
Does not fully reflect PBGC's benefit guarantees or procedures.