

**IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

ROBERT F. BOOTH TRUST and RONALD)
GROSS, derivatively on behalf of nominal)
defendant SEARS HOLDINGS)
CORPORATION,)

Plaintiff,)

v.)

WILLIAM C. CROWLEY, EDWARD S.)
LAMPERT, STEVEN T. MNUCHIN,)
RICHARD C. PERRY, ANN N. REESE,)
KEVIN B. ROLLINS, EMILY SCOTT and)
THOMAS J. TISCH,)

Defendants,)

and)

SEARS HOLDINGS CORPORATION,)

Nominal Defendant.)

No. 1:09-cv-05314

Hon. Ronald A. Guzmán

AMENDED STIPULATION OF SETTLEMENT

This Stipulation of Settlement (the “Stipulation”), dated as of April 28, 2010, is entered into, by and through their respective counsel, by: (a) plaintiffs Robert F. Booth Trust and Ronald Gross (the “Plaintiffs”); (b) nominal defendant Sears Holding Corporation (“Sears” or the “Company”); and (c) defendants William C. Crowley, Edward S. Lampert, Steven T. Mnuchin, Richard C. Perry, Ann N. Reese, Kevin B. Rollins, Emily Scott, and Thomas J. Tisch (collectively, the “Individual Defendants,” with (a) and (b), collectively, the “Settling Parties,” and with (b) collectively, the “Settling Defendants”). This Stipulation is intended by the Settling Parties to fully, finally and forever compromise, resolve, discharge, and settle the Released

Claims in accordance with the terms and conditions set forth below, subject to the approval of the United States District Court for the Northern District of Illinois (the “Court”):

HISTORY OF THE LITIGATION AND THE SETTLEMENT PROCESS

A. On August 28, 2009, the Robert F. Booth Trust, a shareholder of Sears, filed a derivative complaint in the United States District Court for the Northern District of Illinois (the “Court”) against the Individual Defendants and nominally against Sears (the “Booth Trust Action”).

B. On September 14, 2009, Ronald Gross, a shareholder of Sears, filed a derivative complaint in the Court against the Individual Defendants and nominally against Sears (the “Gross Action”).

C. On September 28, 2009, the Court entered an Order consolidating the Booth Trust Action and the Gross Action under the case number 09-C-5314 (the “Action”) and appointing Vianale & Vianale LLP and Sarraf Gentile LLP as Lead Counsel and Susman Heffner & Hurst LLP as Liaison Counsel.

D. On October 13, 2009, Plaintiffs filed an Amended Consolidated Verified Derivative Complaint (the “Amended Complaint”). The Amended Complaint alleged that two directors of Sears, William C. Crowley (“Crowley”) and Ann N. Reese (“Reese”), had violated Section 8 of the Clayton Antitrust Act, which bars individuals from serving as directors of two or more corporations with competitive sales above certain monetary thresholds. The Amended Complaint further alleged that the Individual Defendants had breached their fiduciary duties by nominating Crowley and Reese to the Sears board of directors in alleged violation of Section 8.

E. On November 20, 2009, the Settling Defendants moved to dismiss the Action on the grounds that Plaintiffs lacked standing because they did not make a pre-suit demand on the Board of Sears and did not sufficiently allege demand futility. In an Opinion of February 26, 2010, the Court denied the Settling Defendants' motion to dismiss.

F. On March 5, 2010, plaintiffs moved to preliminarily enjoin the Settling Defendants from nominating and endorsing Crowley and Reese for reelection to the Sears board of directors in 2010.

G. In preparation for a preliminary injunction hearing scheduled for March 24, 2010, Plaintiffs' Counsel sought and received discovery materials from Defendants, including 1556 pages of documents and responses to 23 interrogatories and 56 requests for admission. Subsequently, Plaintiffs' Counsel received additional documents and took the depositions of Reese and Crowley.

H. At approximately the same time as the Plaintiffs' filing of the Motion for Preliminary Injunction, Plaintiffs' Counsel and counsel for the Individual Defendants engaged in a series of negotiations for a potential settlement over a period of nearly two weeks. Counsel discussed possible steps that Sears could take to address the issues raised in the Amended Complaint with respect to the alleged violations of the Clayton Act. After reaching agreement on the material terms of a proposed settlement, counsel also discussed the position that the Settling Defendants would take on Plaintiffs' Counsel's application for attorney's fees and reimbursement of expenses. A tentative agreement resolving the matter was reached on Thursday, March 18, 2010, and a Memorandum of Understanding memorializing the settlement was signed on March 19, 2010. On March 19, the Court was advised of the settlement, and the preliminary injunction hearing was removed from the Court's calendar.

I. As a result of the aforementioned negotiations, the Settling Parties have agreed to the material terms of a settlement, resulting in the agreement set forth herein.

THE SETTLING DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

J. The Settling Defendants have denied and continue to deny each and every one of the claims and contentions alleged in the Amended Complaint. The Settling Defendants also have denied and continue to deny all allegations that Sears has suffered damage by or as a result of the conduct alleged in the Derivative Claims with respect to the Settling Defendants.

K. The Settling Defendants have nevertheless concluded that it is desirable to settle the Derivative Claims in the manner and upon the terms and conditions set forth in this Stipulation.

L. Neither this Stipulation, nor any of its terms or provisions, nor entry of the Judgment, nor any document referred to herein or exhibit attached hereto, nor any action taken to carry out this Stipulation is, may be construed as, or may be used as, evidence of the validity of any Released Claims or as an admission by or against the Settling Defendants of any fault, wrongdoing, or concession of liability whatsoever.

M. Neither this Stipulation nor the Exhibits hereto shall be offered or received into evidence, nor used in any way, in any action or proceeding in any court or other tribunal for any purpose whatsoever other than to enforce the provisions of this Stipulation, except that this Stipulation and the Exhibits hereto may be filed as evidence of the Settlement or in any action against the Released Parties to support a defense of res judicata, collateral estoppel, release, or other theory of claim or issue preclusion or similar defense.

THE DERIVATIVE CLAIMS AND THE BENEFITS OF SETTLEMENT

N. Based on their review and analysis of the relevant facts and controlling legal principles, Plaintiffs' Counsel and the Settling Defendants believe that the Settlement set forth in this Stipulation confers substantial benefits upon, and is in the best interests of, Sears. The Individual Defendants acknowledge Plaintiffs' efforts that resulted in the Settlement. The Settling Parties have agreed to settle pursuant to the terms and provisions of this Stipulation after considering, inter alia, the substantial benefits that Sears will receive.

O. Although the Plaintiffs believe that the Derivative Claims have substantial merit, Plaintiffs and their Counsel recognize and acknowledge the expense and length of time that would be required to prosecute the Derivative Claims through a preliminary injunction hearing, trial, and appeal. Plaintiffs and their Counsel have also taken into account the uncertain outcome and the risks of litigating the Derivative Claims, as well as the difficulties and delays inherent in such litigation.

P. The Settling Parties acknowledge that the Derivative Claims have been filed, commenced and prosecuted by the Plaintiffs and defended by the Settling Defendants in good faith and with adequate basis in fact and law under Federal Rule of Civil Procedure 11, and that the Derivative Claims are being voluntarily settled based on the advice of counsel.

Q. The Settling Parties, through their counsel, have conducted extensive, arm's length negotiations with respect to the compromise and settlement of the Derivative Claims. Plaintiffs, through their counsel, have conducted a thorough investigation into the underlying facts and strength of the Derivative Claims. Plaintiffs' Counsel have concluded that the terms and conditions of the Stipulation confer substantial benefits upon, and are in the best

interest of, Sears, and have agreed to settle the claims raised in the Amended Complaint, pursuant to the terms and provisions of this Stipulation.

NOW, THEREFORE, without any admission or concession on the part of Plaintiffs of any lack of merit of the Derivative Claims whatsoever, and without any admission or concession on the part of the Settling Defendants as to the merits of the Derivative Claims or as to any liability or wrongdoing whatsoever, IT IS HEREBY STIPULATED AND AGREED, by and among the Settling Parties, through their respective counsel, that, subject to the approval of the Court, in consideration of the substantial benefits flowing to the Settling Parties hereto from the Settlement, the Released Claims shall be finally and fully compromised, settled, and released and the Derivative Claims shall be dismissed with prejudice:

1. DEFINITIONS

As used in this Stipulation, the following terms have the meanings specified below:

1.1 “Derivative Claims” means the claims asserted or encompassed in the Amended Complaint or any predecessor action.

1.2 “Effective Date” means the date upon which the Judgment approving the Settlement in accordance with this Stipulation becomes Final as a matter of law and is no longer subject to appellate review.

1.3 “Final” means the latest of: (a) the expiration of the time for the filing or noticing of any motion for reconsideration of or appeal from of the Judgment; (b) the final affirmance of the Judgment on an appeal or after reconsideration, the expiration of the time for a petition, or a denial of any petition, to review the affirmance of the Judgment on appeal, or, if such petition is granted, the final affirmance of the Judgment following review

pursuant to that grant; or (c) the final dismissal of any appeal from the Judgment or the final resolution of any proceeding to review any appeal from the Judgment without any material change to the Judgment. Any proceeding or order, or any appeal or petition for a review of a proceeding or order, pertaining solely to any application for or award of attorneys' fees or expenses shall not in any way delay or preclude the Judgment from becoming Final.

1.4 "Judgment" means the Final Order and Judgment entered by the Court in a form substantially similar to the Proposed Final Order and Judgment attached hereto as Exhibit A.

1.5 "Notice of Settlement" means the long-form notice of settlement to be mailed to shareholders of Sears pursuant to the terms of the Preliminary Approval Order, substantially in the form of Exhibit D.

1.6 "Person" means an individual, business or legal entity, including any corporation, limited liability corporation, professional corporation, limited liability partnership, partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and their spouses, heirs, predecessors, successors, representatives, or assignees.

1.7 "Plaintiffs" means Robert F. Booth Trust and Ronald Gross.

1.8 "Plaintiffs' Counsel" means Vianale & Vianale LLP, Sarraf Gentile LLP, and Susman Heffner & Hurst LLP.

1.9 "Preliminary Approval Order" means an order entered by the Court substantially in the form attached hereto as Exhibit B.

1.10 “Released Claims” means any and all claims, demands, rights, remedies, or causes of action, whether based on federal, state, local, statutory, common or foreign law or any other law, rule, regulation, or principle of equity, whether known or unknown, including without limitation Unknown Claims, whether suspected or unsuspected, whether contingent or non-contingent, whether accrued or unaccrued, whether or not concealed or hidden, whether factual or legal, and for any remedy whether at equity or law, that were or that could have been asserted from the beginning of time through the Effective Date against the Released Parties in the Amended Complaint, or by any Sears shareholder claiming in the right of, or on behalf of, Sears arising out of or related, directly or indirectly, in any way to any of the facts, allegations, transactions, events, occurrences, acts, disclosures, statements, omissions, failures to act, or matters set forth, referred to, or that could have been alleged in the Amended Complaint. By operation of the Judgment, the Releasing Parties shall have waived any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to California Civil Code § 1542 (see ¶ 1.17, below).

1.11 “Released Parties” means all Settling Defendants, including Sears, to the extent that it may be subject to a direct claim, and each and all members of their families, parent entities, affiliates, or subsidiaries, and each and all of their respective past, present, or future officers, directors, employees, attorneys, accountants, auditors, heirs, executors, personal representatives, estates, administrators, predecessors, successors, and assigns.

1.12 “Releasing Parties” means the Plaintiffs (individually, and derivatively on behalf of Sears), Sears, to the extent a derivative claim was properly brought, and the Sears shareholders and any of their heirs, executors, administrators, predecessors, successors, and

assigns, and all Persons acting in concert with any of the aforementioned persons and entities.

1.13 “Settlement” means the agreement made and entered into by and among the Settling Parties and set forth in this Stipulation.

1.14 “Settlement Hearing” means the hearing the Settling Parties will request that the Court hold after publication of the Settlement Notice in order to consider and determine, among other things, whether the Settlement should be approved, whether Judgment should be entered dismissing the Derivative Claims with prejudice, and whether and in what amount attorneys’ fees and expenses should be awarded.

1.15 “Summary Notice” means the short-form notice of the Settlement that will be published pursuant to the Preliminary Approval Order, substantially in the form attached hereto as Exhibit C.

1.16 “Settling Defendants” means, collectively, nominal defendant Sears and the Individual Defendants.

1.17 “Unknown Claims” means any Released Claims that the Plaintiffs (individually, and derivatively on behalf of Sears), Sears, or any past or present Sears shareholder does not know or suspect to exist in his, her, or its favor at the time of the release of the Released Parties that, if known by him, her, or it might have affected his, her, or its settlement with, and release of, the Released Parties, or might have affected his, her, or its decision not to object to this Settlement, including claims based on the discovery of facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the Released Claims. The Settling Parties further agree that the

Released Claims constitute an express waiver of all rights and protections to the fullest extent permitted by California Civil Code § 1542 and all similar federal, state, or foreign laws, rights, rules, or legal principles. Section 1542 states:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

The Plaintiffs, Sears, and past and present Sears shareholders shall be deemed by operation of the Judgment to have acknowledged that the release of Unknown Claims was separately bargained for and is a key element of the Settlement.

2. SETTLEMENT OF THE DERIVATIVE CLAIMS

In settlement of and as a result of the Derivative Claims, and effective as of the date of this Stipulation, the Settling Defendants have agreed to each of the following:

2.1 Defendant Crowley will not stand for reelection in 2010 to the Sears board of directors. Crowley will also cease serving as an executive officer of Sears, though he may act as a consultant or advisor to Sears.

2.2 Any person not currently on the Sears board of directors or an officer of Sears who is nominated in 2010 to serve as a director shall be an independent director who is not employed by ESL Investments Inc. (“ESL”) and who is not an officer or director of any Sears competitor in the apparel, footwear, automotive parts, or automobile repair services businesses. Sears will add at least one such independent director to its board at or before its 2011 annual meeting of shareholders. Plaintiffs shall have the right to withdraw from the settlement if any such nominee does not meet these criteria. If plaintiffs withdraw,

the settlement will become void, and all attorneys' fees or expenses that have been awarded must be repaid.

2.3 In settlement of and as a result of the Derivative Claims, Sears further agrees to the following:

Guidelines Regarding Protection of Sears Holdings Corporation Information. Sears has adopted and taken, or agrees to adopt and to take, such actions as are necessary to implement the measures set forth in the Guidelines Regarding Protection of Sears Holdings Corporation Information attached hereto as Exhibit E. Provided, however, that none of the terms, agreements or modifications set forth in Exhibit E shall be deemed to be an admission that Sears's prior corporate procedures were deficient.

Review of Corporate Governance Procedures. Sears will review and, if necessary, enhance corporate governance procedures to ensure compliance with Section 8 of the Clayton Antitrust Act by the Sears board of directors and its committees.

Sears or its counsel will report to Plaintiffs' Counsel on the implementation of the procedures described in this Paragraph 2.3 thirty (30) days and one hundred and eighty (180) days following the election of directors this year and in 2011.

2.4 Nothing in this Stipulation or Settlement shall be construed to restrict the ability of the Sears board of directors to nominate additional employees of ESL to the Sears board of directors if there is no person employed by ESL on the boards of directors of AutoZone, Inc. or AutoNation, Inc. In the event that the *Copperweld* or similar standard applies, ESL shall be entitled to nominate additional persons employed by ESL to such boards.

2.5 Term of Agreement. Any and all forward-looking provisions of this Settlement shall terminate two (2) years from the Effective Date. Sears shall have no obligations pursuant to this Settlement once the two-year period has passed.

2.6 Attorneys' Fees and Expenses. Subject to approval by the Court, the Settling Defendants agree that they will not contest an application by Plaintiffs' Counsel for an award of attorneys' fees and expenses not to exceed a total within the range of \$200,000 to \$925,000, to be paid within fourteen (14) days after the Effective Date. Provided, however, that the Defendants reserve the right to contest any claim by Plaintiffs' Counsel that the Clayton Antitrust Act or any other antitrust law mandates a particular award of attorneys' fees or expenses, or to contest any award by the Court of more than \$925,000.

**3. PRELIMINARY APPROVAL, NOTICE ORDERS,
AND SETTLEMENT HEARING**

3.1 Upon execution of this Stipulation by all Settling Parties, the Settling Parties shall submit this Stipulation, together with its Exhibits, to the Court, and shall apply for entry of a Preliminary Approval Order, substantially in the form of Exhibit B attached hereto, that (a) preliminarily approves the Settlement set forth in this Stipulation; (b) sets a date for the Settlement Hearing; (c) approves the Notice of Settlement and Summary Notice; and (d) preliminarily enjoins the Releasing Parties from commencing, instituting, or prosecuting any of the Released Claims. Sears shall be responsible for paying all costs incurred in connection with distribution of the Notice of Settlement to Sears shareholders and publication of the Summary Notice.

3.2 The Settling Parties shall request that, after notice of the Settlement is made, the Court hold a Settlement Hearing to consider and determine: (a) whether to

approve the Settlement; (b) whether Judgment should be entered dismissing the Amended Complaint with prejudice; (c) whether permanently to bar and enjoin the Releasing Parties from litigating any of the Released Claims against any of the Released Parties; and (d) whether to approve the application of Plaintiffs' Counsel for an award of fees and reimbursement of expenses.

4. RELEASES AND BAR

4.1 Upon the Effective Date, each of the Releasing Parties, on behalf of himself/herself and/or itself and each of his/her/its predecessors, successors, parents, subsidiaries, affiliates, custodians, agents, attorneys, assigns, representatives, heirs, estates, executors, trusts, trustees, trust beneficiaries, administrators, spouses, marital communities, and immediate family members, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged all Released Claims as against the Released Parties, will be forever barred and enjoined from commencing, instituting, or prosecuting any of the Released Claims and covenants not to bring any Released Claims.

4.2 Upon the Effective Date, each of the Settling Defendants, on behalf of him/herself and/or itself and each of his/her/its predecessors, successors, parents, subsidiaries, affiliates, custodians, agents, assigns, representatives, heirs, estates, executors, trusts, trustees, trust beneficiaries, administrators, spouses, marital communities, and immediate family members, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged the Plaintiffs and Plaintiffs' Counsel from all claims or demands relating to or arising out of, or

connected with, the institution, prosecution, assertion, settlement, or resolution of the Derivative Claims and/or the Released Claims.

4.3 Pending final approval of the Settlement by the Court, neither the Plaintiffs, Sears, nor any past or present Sears shareholder shall commence, maintain, or prosecute any action or proceeding against the Released Parties in any court or tribunal asserting any of the Released Claims.

4.4 If any Settling Defendant files, commences, prosecutes, intervenes in, or otherwise participates in, any subsequent action or proceeding against the Released Parties, or asserts any claims (including claims for contribution or indemnity) against the Released Parties in any subsequent action or proceeding, nothing in paragraph 4.1 shall be deemed to have released claims, if any, that the Released Parties may have against any Settling Defendant relating in any way to the subject matter of that subsequent action or proceeding.

5. PLAINTIFFS' COUNSEL'S ATTORNEYS' FEES AND REIMBURSEMENT OF EXPENSES

5.1 Plaintiffs' Counsel will together apply to the Court for an award of attorneys' fees and expenses not to exceed \$925,000. Plaintiffs' Counsel may seek a case contribution award of up to \$750 for each of the Plaintiffs, to be taken out of any expenses awarded by the Court. Sears or its directors' and officers' insurers will pay such award, as is approved by the Court, to Plaintiffs' Counsel, in accordance with instructions from Plaintiffs' Counsel, within fourteen (14) days of the Effective Date. Neither Sears nor its directors' and officers' insurance carriers shall have any obligation with respect to Plaintiffs' Counsel's fees and/or expenses beyond the amounts awarded by the Court in

response to the application for fees and expenses agreed to in this paragraph 5.1, subject to the provisions of paragraph 2.6.

5.2 The Settling Defendants, Sears, and their directors' and officers' insurers shall have no obligations or liability with respect to the apportionment or distribution of any attorneys' fees or expenses awarded by the Court.

5.3 No order of the Court, or modification or reversal on appeal of any order of the Court, concerning the amount or allocation of attorneys' fees or expenses referenced in paragraph 5.1 shall constitute grounds for cancellation or termination of this Stipulation or prevent the Judgment from becoming Final.

5.4 Except as otherwise expressly provided in paragraphs 3.1 and 5.1, the Settling Parties shall bear their own attorneys' fees and costs incurred in connection with the Derivative Claims and Settlement.

6. CONDITIONS OF SETTLEMENT; EFFECT OF DISAPPROVAL, CANCELLATION OR TERMINATION

6.1 The Settling Defendants and the Plaintiffs, each in his, her or its sole discretion, shall have the right to terminate the Settlement and this Stipulation by providing written notice of his or her election to do so within thirty (30) days of: (a) the Court declining to enter in any material respect the proposed Preliminary Approval Order attached hereto as Exhibit B; (b) the Court refusing to approve the Stipulation or any material part of it; (c) the Court declining to enter in any material respect the Proposed Final Order and Judgment attached hereto as Exhibit A; or (d) the date upon which the Final Order and Judgment is modified or reversed in any material respect on appeal or by writ, except that, with respect to subparagraphs (b), (c) and (d) of this paragraph 6.1, an award of attorneys'

fees and expenses that is less than the amount requested by Plaintiffs shall not be grounds for termination or cancellation of the Settlement.

6.2 In the event that the Settlement is not approved by the Court, or is terminated for any reason, the parties thereto shall be restored to their respective positions in the Derivative Actions as of the date of the non-approval or termination of the Settlement, and all negotiations, proceedings, documents prepared, and statements made in connection with the Settlement shall be without prejudice to the Settling Parties, shall not be deemed or construed to be an admission by any Settling Party of any act, matter or proposition, and shall not be used in any manner or be admissible for any purpose in any of the Derivative Claims or in any other action or proceeding.

6.3 In the event that the Settlement is not approved by the Court, or is terminated for any reason, the terms and provisions of this Stipulation shall have no further force and effect with respect to the Settling Parties, and shall not be used or admitted in any of the Derivative Claims or in any other action or proceeding for any purpose.

7. MISCELLANEOUS PROVISIONS

7.1 The Settling Parties: (a) acknowledge that it is their intent to consummate the terms and conditions of this Stipulation; (b) acknowledge that this Stipulation, including the agreement to pay attorneys' fees and expenses not to exceed \$925,000, subject to Court approval, has been authorized by the Board; and (c) agree to cooperate to the extent reasonably necessary to effectuate and implement all terms and conditions of this Stipulation and to exercise their best efforts to accomplish the foregoing terms and conditions of this Stipulation.

7.2 The Settling Parties intend this Settlement to be a final and complete resolution of all disputes among themselves with respect to the Derivative Claims. The Settlement compromises claims that are contested and shall not be deemed an admission by any Settling Party as to the merits of any claim, demand, or defense. While the Settling Defendants deny that the claims and contentions advanced in the Amended Complaint are meritorious, the Settling Defendants agree that the Derivative Claims were filed or raised in good faith and are being settled voluntarily after negotiating at arm's length and in good faith after consultation with competent legal counsel. The Settling Parties agree not to assert in any forum that the Derivative Claims were brought, commenced or prosecuted by Plaintiffs or defended by the Settling Defendants in bad faith. The Settling Parties hereto shall assert no claims of any violation of Rule 11 of the Federal Rules of Civil Procedure relating to the prosecution, defense, or settlement of the Derivative Claims. The Settling Parties agree that the terms of this Settlement, including the amount of attorneys' fees and expenses, were negotiated at arm's length and in good faith by the Settling Parties and reflect a settlement that was reached voluntarily after consultation with experienced legal counsel.

7.3 This Stipulation and its exhibits constitute the entire agreement among the Settling Parties concerning the Settlement of the Derivative Claims, and no representations, warranties, or inducements have been made by any party hereto concerning this Stipulation and its exhibits other than those contained and memorialized in such documents.

7.4 All of the Exhibits to this Stipulation are material and integral parts hereof and are fully incorporated herein by this reference.

7.5 All the agreements made and orders entered in the Action concerning the confidentiality of documents and information shall survive this Stipulation and Settlement. Within ten (10) business days after payment of any attorneys' fees and expenses awarded by the Court pursuant to this Stipulation, Plaintiffs' Counsel shall return to Counsel for the Settling Defendants all confidential material produced or otherwise transmitted to them.

7.6 Any written or oral public statement regarding the Settlement contained herein shall be limited to the terms set forth in this Stipulation and to statements that the Derivative Claims were resolved to the mutual satisfaction of the Settling Parties. None of the Settling Parties shall make any public statement regarding the terms of this Stipulation or the Settlement contained herein that is critical of or disparages the Settlement or the conduct of the Settling Parties.

7.7 This Stipulation may be amended or modified only by a written instrument signed by or on behalf of all Settling Parties or their respective successors-in-interest.

7.8 This Stipulation may be executed in one or more counterparts, including by facsimile and/or electronically scanned counterparts. All executed counterparts, including facsimile and/or electronically scanned counterparts, shall be deemed to be one and the same instrument.

7.9 This Stipulation shall be binding upon, and inure to the benefit of, the Settling Parties and their respective successors, assigns, beneficiaries, heirs, spouses, marital communities, executors, administrators, and legal representatives.

7.10 This Stipulation shall not be construed more strictly against one Settling Party over another merely by virtue of the fact that it, or any part of it, may have been

prepared by counsel for one of the Settling Parties, it being recognized that this Stipulation is the result of arm's length negotiations between the Settling Parties and all Settling Parties have contributed substantially and materially to the preparation of this Stipulation.

7.11 The Settling Parties and their counsel agree to cooperate fully with one another in seeking approval by the Court of the Preliminary Approval Order, the Stipulation and the Settlement, and to promptly agree upon and execute all such other documentation as may be reasonably required to obtain final approval of the Settlement by the Court.

7.12 All Persons executing this Stipulation and any of the Exhibits hereto, or any related settlement documents, warrant and represent that they have the full authority to do so and that they have the authority to take appropriate action required or permitted to be taken pursuant to the Stipulation to effectuate its terms. The Trustees of plaintiff Robert H. Booth Trust further represent and warrant that they have the authority to enter into this stipulation on behalf of the Trust.

7.13 The waiver by any party of any breach of this Stipulation shall not be deemed or construed as a waiver of any other breach, whether prior or subsequent to, or contemporaneous with, the execution of this Stipulation.

7.14 Without affecting the finality of the Judgment entered in accordance with this Stipulation, the Court shall retain jurisdiction with respect to the implementation and enforcement of the terms of this Stipulation, and the Settling Parties hereto submit to the jurisdiction of the Court for purposes of implementing and enforcing the Settlement embodied in this Stipulation.

7.15 The rights and obligations of the Settling Parties to this Stipulation shall be construed and enforced in accordance with, and governed by, the internal, substantive laws of the State of Illinois without giving effect to any state's choice-of-law principles.

7.16 Any notice required by this Stipulation shall be submitted in writing and delivered either by overnight mail, electronic mail, facsimile or in person as follows:

If to counsel for the Settling Plaintiffs:

Kenneth J. Vianale, Esq.
VIANALE & VIANALE LLP
2499 Glades Road, Suite 112
Boca Raton, FL 33431
Tel: (561) 392-4750
Fax: (561) 392-4775

If to counsel for the Settling Defendants:

Paul Vizcarrondo, Esq.
WACHTELL, LIPTON, ROSEN & KATZ
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Fax: (212) 403-2000

Christopher Q. King, Esq.
Sonnenschein Nath & Rosenthal LLP
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Chicago, IL 60606-6404
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Fax: (312) 876-7934

William R. Harker, Esq.
Sears Holdings Corp.
3333 Beverly Road
Hoffman Estates, IL 60179
Tel: (847) 286-2500
Fax: (847) 286-2471

IN WITNESS WHEREOF, the parties hereto have caused this Stipulation to be executed,
by their duly authorized attorneys.

Dated: April 28, 2010

/s/ Kenneth J. Vianale
Kenneth J. Vianale
VIANALE & VIANALE LLP
2499 Glades Road, Suite 112
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/s/ Ronen Sarraf
Ronen Sarraf
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Lead Counsel for Plaintiffs

/s/ Matthew T. Hurst
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Liaison Counsel for Plaintiffs

/s/ Paul Vizcarrondo
Paul Vizcarrondo
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Christopher Q. King
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Attorneys for the Individual Defendants

/s/ Paula E. Litt
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Attorneys for Sears Holdings Corporation.

EXHIBIT A

**IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

ROBERT F. BOOTH TRUST and RONALD)
GROSS, derivatively on behalf of nominal)
defendant SEARS HOLDINGS)
CORPORATION,)

Plaintiff,)

v.)

WILLIAM C. CROWLEY, EDWARD S.)
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THOMAS J. TISCH,)

Defendants,)

and)

SEARS HOLDINGS CORPORATION,)

Nominal Defendant.)

No. 1:09-cv-05314

Hon. Ronald A. Guzmán

[PROPOSED] ORDER AND FINAL JUDGMENT

The above-captioned matter, having come before the Court for hearing, as noticed, on ____, 2010, at __.m., pursuant to the Order of this Court, dated _____, 2010 (the “Preliminary Approval Order”), to consider and determine the matters set forth in the Preliminary Approval Order; and due and sufficient notice having been given in accordance with the provisions of the Preliminary Approval Order, and all Persons having any objection to the proposed settlement of the Derivative Claims (the “Settlement”) embodied in the Amended Stipulation of Settlement, dated April 28, 2010 (the “Stipulation”) or the request for attorneys’ fees and reimbursement of expenses in this action having been given an opportunity to present

such objections to the Court; the Court having heard and considered the matter, including all papers filed in connection therewith, and the oral presentations of counsel and any objections raised at said hearing, and good cause appearing therefore;

THE COURT HEREBY FINDS, DETERMINES AND ORDERS AS FOLLOWS:

1. Unless otherwise defined below, all terms that are capitalized herein shall have the same definitions as used in the Stipulation.
2. This Court has jurisdiction over the subject matter of the Derivative Claims and the Settling Parties.
3. Based upon the evidence submitted by Counsel, this Court finds that the form and the method of dissemination of both the Notice of Settlement and the Summary Notice (collectively, the "Notice"), as previously preliminarily approved by the Court, complied with the requirements of Federal Rule of Civil Procedure 23.1 and satisfied the requirements of due process, and constituted due and sufficient notice of the matters set forth therein. A full opportunity has been offered to Sears Shareholders to object to the proposed Settlement and to participate in the hearing thereon.
4. The proposed Settlement of the Derivative Claims is found to be fair, reasonable, proper and in the best interests of Sears and Sears shareholders. In making this determination, the Court has considered the substantial benefits the Settlement provides Sears, taking into account among other factors the risks of establishing liability and obtaining relief exceeding that obtained through the Settlement, and the complexity, expense and likely duration of the litigation, and the stage of the proceedings.

5. The Court finds, for settlement purposes, that (1) the action was properly brought as a shareholder derivative suit pursuant to Federal Rule of Civil Procedure 23.1; and (2) the plaintiffs adequately represent the interests of Sears Shareholders in enforcing the rights of Sears.

6. The Stipulation and the terms of the proposed Settlement of the Derivative Claims set forth therein are, in all respects, approved. The Settling Parties are directed to consummate the Settlement in accordance with the terms and provisions of the Stipulation.

7. Subject to the provisions herein, this Court hereby dismisses the Amended Complaint and the Derivative Claims with prejudice and in their entirety, on the merits, as against all Settling Defendants, with each Settling Party to bear its own costs, except as set forth in Paragraph 10 below and in paragraph 3.1 of the Stipulation respecting the costs of Notice.

8. Upon the Effective Date, each of the Releasing Parties, on behalf of him/her/itself and each of his/her/its predecessors, successors, parents, subsidiaries, affiliates, custodians, agents, attorneys, assigns, representatives, heirs, estates, executors, trusts, trustees, trust beneficiaries, administrators, spouses, marital communities, and immediate family members, shall be deemed to have, and by operation of the Judgment shall: (i) have, fully, finally and forever released, relinquished and discharged all Released Claims as against all the Released Parties; and (ii) be forever barred and enjoined from commencing, instituting, prosecuting, continuing, or in any way participating in the commencement or prosecution of any action asserting any of the Released Claims against any of the Released Parties.

9. Upon the Effective Date, each of the Settling Defendants, on behalf of him/her/itself and each of his/her/its predecessors, successors, parents, subsidiaries, affiliates, custodians, agents, assigns, representatives, heirs, estates, executors, trusts, trustees, trust beneficiaries, administrators, spouses, marital communities, and immediate family members,

shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged the Plaintiffs and Plaintiffs' Counsel from all claims or demands relating to or arising out of, or connected with the institution, prosecution, assertion, settlement, or resolution of the Derivative Claims and/or the Released Claims.

10. Plaintiffs' Counsel in the action are hereby awarded attorneys' fees and expenses of \$ _____. This Court finds that this amount is fair and reasonable under the facts and circumstances of this case. Payment of such award of attorneys' fees and reimbursement of expenses (including case contribution awards of up to \$750 for each of the Plaintiffs) shall be made in accordance with the provisions of the Stipulation.

11. Without in any way affecting the finality of this Order and Final Judgment, this Court shall retain jurisdiction with respect to the implementation and enforcement of the terms of this Stipulation, and the Settling Parties hereto submit to the jurisdiction of the Court for purposes of implementing and enforcing the Settlement.

12. Neither the Settlement, nor this Order and Final Judgment, nor the Stipulation, nor its Exhibits, nor any other papers relating to the Settlement, nor any negotiations, discussions or proceedings in connection herewith shall be: (a) offered or received against any of the Settling Defendants as evidence of, or construed as, or deemed to be, evidence of any presumption, concession, or admission by any of the Settling Defendants of the truth of any fact alleged by the Plaintiffs or the validity of any claim that has been or could have been asserted in the Amended Complaint or in any other proceeding, or the deficiency of any defense that could have been asserted in response to the Amended Complaint or in any other proceeding, or of any alleged liability, negligence, fault, or wrongdoing of the Settling Defendants; (b) offered or received against any of the Settling Defendants as evidence of a presumption, concession, or admission of

any fault, misrepresentation or omission with respect to any statement or written document approved or made by any Settling Defendants, or against the Plaintiffs as evidence of any infirmity in the claims of the Plaintiffs; (c) offered or received against any of the Settling Defendants as evidence of a presumption, concession, or admission of any alleged liability, negligence, fault or wrongdoing, or in any way referred to for any other reason as against any of the Settling Parties, in any other civil, criminal or administrative action, arbitration, or other proceeding, other than such proceedings as may be necessary to effectuate the provisions of the Stipulation; provided, however, that the Settling Defendants may refer to it to effectuate the releases and the liability protection granted them hereunder; (d) construed against any of the Settling Defendants or the Plaintiffs as an admission or concession that the consideration to be given hereunder represents what could be or would have been achieved after trial; and (e) construed as or received in evidence as an admission, concession or presumption against the Plaintiffs or their counselors that any of the claims asserted in the Derivative Claims are without merit.

13. This Settlement shall be a final and complete resolution of all disputes among the Settling Parties with respect to the Derivative Claims. No Settling Party may assert in any forum that the Derivative Claims were brought, commenced or prosecuted by Plaintiffs or their counsel or defended by the Settling Defendants or their counsel in bad faith or that the Derivative Claims were not filed or raised in good faith or were not settled voluntarily after negotiating at arm's-length and in good faith after consultation with competent legal counsel. No claims of any violation of Rule 11 of the Federal Rules of Civil Procedure relating to the prosecution, defense, or settlement of the Derivative Claims may be brought by any Settling Party.

14. The provisions of this Order and Final Judgment constitute a full and complete adjudication of the matters considered and adjudged herein and the Derivative Claims shall be dismissed with prejudice. The Clerk is hereby directed to enter judgment in accordance with this Order and Final Judgment as a final judgment with respect to all matters ordered, judged and decreed. Without further order of the Court, the Settling Parties may agree to reasonable extensions of time to carry out any of the provisions of the Stipulation.

15. Entry of the Order and Final Judgment settles and disposes of and discharges all of the Released Claims.

Dated this ___ day of _____, 2010

IT IS SO ORDERED.

PRESIDING JUDGE

EXHIBIT B

**IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

ROBERT F. BOOTH TRUST and RONALD)	
GROSS, derivatively on behalf of nominal)	
defendant SEARS HOLDINGS)	
CORPORATION,)	
)	
Plaintiff,)	
)	
v.)	
)	
WILLIAM C. CROWLEY, EDWARD S.)	
LAMPERT, STEVEN T. MNUCHIN,)	
RICHARD C. PERRY, ANN N. REESE,)	
KEVIN B. ROLLINS, EMILY SCOTT and)	
THOMAS J. TISCH,)	
)	
Defendants,)	
)	
and)	
)	
SEARS HOLDINGS CORPORATION,)	
)	
Nominal Defendant.)	

No. 1:09-cv-05314

Hon. Ronald A. Guzmán

PRELIMINARY APPROVAL ORDER

This matter came before the Court on the application of the Settling Parties for preliminary approval of the proposed settlement (the “Settlement”) set forth in the Amended Stipulation of Settlement, dated as of April 28, 2010 (the “Stipulation”). Due and adequate notice having been given to the Settling Parties, and the Court having considered the Stipulation and all other papers filed and proceedings had herein and otherwise being fully advised in the premises and good cause appearing therefore, IT IS HEREBY ORDERED:

1. This Order incorporates by reference the definitions in the Stipulation, and all terms used herein shall have the same meanings as set forth in the Stipulation, unless otherwise

set forth herein.

2. This Court preliminarily approves the proposed Settlement, as set forth in the Stipulation.

3. In connection with preliminary approval of the proposed Settlement, the Court preliminarily finds, for the purposes of the Settlement, that the Action was properly brought pursuant to Federal Rule of Civil Procedure 23.1 as a shareholder derivative action on behalf of Sears, and that plaintiffs fairly and adequately represent the interests of Sears Shareholders in enforcing the rights of Sears.

4. The Court will hold a settlement hearing on July 9, 2010 at _____ in Courtroom 1219, United States District Court, Northern District of Illinois, Everett McKinley Dirksen United States Courthouse, 219 South Dearborn Street, Chicago, Illinois 60604 (the "Settlement Hearing"): (i) to determine pursuant to Federal Rule of Civil Procedure 23.1 whether to grant final approval of the proposed Settlement as fair, reasonable and adequate and in the best interests of Sears and Sears Shareholders; (ii) to hear and determine any objections to the Settlement; (iii) to determine whether a Judgment substantially in the form attached as Exhibit A to the Stipulation should be entered dismissing all claims in the Amended Consolidated Derivative Complaint against the Released Persons with prejudice and releasing the claims released in the Stipulation; (iv) in the event the Court approves the Settlement, to rule upon an application by Plaintiffs' Counsel for an award of attorneys' fees and reimbursement of expenses; and (v) to consider any other matters that may properly be brought before the Court in connection with the Settlement.

5. Notice of Sears' Settlement of Derivative Claims, including the date and time of the Settlement Hearing and the application of Plaintiffs' Counsel for fees and expenses, shall be

carried out as follows:

a. Within 21 days of the date of this Order, the Notice of Settlement, substantially in the form of Exhibit D to the Stipulation, shall be sent by U.S. First Class mail to all owners of Sears shares as of the date of this Order who can be identified using reasonable efforts. Pursuant to the Stipulation, Sears will bear the cost of complying with this requirement.

b. Within 28 days of the date of this Order, the Summary Notice, substantially in the form of Exhibit C to the Stipulation, shall be published once via the internet over PR Newswire, or an alternative national news service. The news service that issues the Summary Notice shall be informed that the Summary Notice should be tickered to Sears' stock symbol. Pursuant to the Stipulation, Sears will bear the cost of complying with this requirement.

6. Nominees who hold Sears stock shall send the Notice of Settlement to the beneficial owners of such Sears stock within ten days after receipt thereof, or send a list of the names and addresses of such beneficial owners to the Notice Administrator within ten days of receipt thereof in which event the Notice Administrator shall promptly mail the Notice to such beneficial owners.

7. At or prior to the Settlement Hearing, counsel for the Settling Parties shall file proof by affidavit that the Notice of Settlement and Summary Notice were disseminated as required in this Order. All papers in support of the Settlement shall be filed seven (7) days before the Settlement Hearing.

8. The mechanism for providing notice to Sears shareholders described in paragraph 5 is hereby preliminarily found to be reasonable and sufficient under the circumstances, and to comply with the provisions of Federal Rule of Civil Procedure 23.1 and the requirements of due process of the United States Constitution, and to constitute due and sufficient notice to all

Persons affected by the proposed Settlement or entitled to participate in the Settlement Hearing regarding the Derivative Claims.

9. The Court will consider at the Settlement Hearing objections to the proposed Settlement or the award of attorneys' fees and reimbursement of expenses, and requests to be heard or to present evidence or testimony in opposition to the proposed Settlement, but only if such objections, requests and any supporting papers, are filed with the Clerk of the Court, United States District Court, Northern District of Illinois, Everett McKinley Dirksen United States Courthouse, 219 South Dearborn Street, Chicago, Illinois 60604, not later than fourteen (14) days before the settlement hearing, and, by the same date, copies of all such papers are also served upon:

Plaintiffs' Counsel:

Kenneth J. Vianale
VIANALE & VIANALE LLP
2499 Glades Road, Suite 112
Boca Raton, Florida 33431

Plaintiff's Counsel shall e-mail a complete copy of any objections he receives to all other counsel of record no later than one business day after his receipt of an objection. Written objections must comply in form and content with all of the requirements described in the Notice of Settlement. Any Person who fails to object in the manner described in the Notice of Settlement shall be deemed to have waived such objections and shall be forever barred from raising such objections or otherwise contesting the Settlement in this or any other action or proceeding.

10. The Court reserves the right to approve the Stipulation with modifications agreed to by the Settling Parties and without further notice to any Sears Shareholders, and retains

jurisdiction over the Derivative Claims to consider all further applications arising out of or connected with the proposed Settlement.

11. Pending final determination whether the Settlement and Stipulation should be approved, all proceedings in this action, other than proceedings necessary to carry out the terms and conditions of the Settlement, are stayed, and the Plaintiffs and/or every Sears Shareholder, or any of them, are preliminarily barred and enjoined from (a) commencing, prosecuting, instigating, continuing, or in any way participating in the commencement or prosecution of any action asserting any Released Claims against any of the Released Parties, or (b) challenging the Settlement other than in this Action in accordance with the procedures established by the Court.

12. Neither the Stipulation, nor the Exhibits thereto, nor any document referred to therein, nor any action taken to carry out the Stipulation is, may be construed as, or may be used as an admission by or against Released Parties, or any of them, of any fault, wrongdoing or liability whatsoever.

13. In the event the Settlement is not approved by the Court, or is terminated for any reason, the Settlement and all of its terms shall be null and void, of no further force or effect, without prejudice to any Settling Party, and may not be introduced as evidence or referred to in any actions or proceedings by any Person.

Date: _____, 2010
Chicago, Illinois

SO ORDERED

Ronald A. Guzmán, U.S.D.J.

EXHIBIT C

**IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

ROBERT F. BOOTH TRUST and RONALD)
 GROSS, derivatively on behalf of nominal)
 defendant SEARS HOLDINGS)
 CORPORATION,)
)
 Plaintiff,)
)
 v.)
)
 WILLIAM C. CROWLEY, EDWARD S.)
 LAMPERT, STEVEN T. MNUCHIN,)
 RICHARD C. PERRY, ANN N. REESE,)
 KEVIN B. ROLLINS, EMILY SCOTT and)
 THOMAS J. TISCH,)
)
 Defendants,)
)
 and)
)
 SEARS HOLDINGS CORPORATION,)
)
 Nominal Defendant.)

No. 1:09-cv-05314

Hon. Ronald A. Guzmán

**SUMMARY NOTICE OF PENDENCY OF SHAREHOLDER
DERIVATIVE ACTION, PROPOSED SETTLEMENT AND SETTLEMENT HEARING**

TO: ALL OWNERS OF SEARS HOLDINGS CORPORATION COMMON STOCK

YOU ARE HEREBY NOTIFIED that the parties to the above-captioned derivative action brought against certain current and former directors of Sears Holdings Corporation (“Sears”) have reached a proposed settlement of the claims. A settlement hearing will be held before the Honorable Ronald A. Guzmán in the United States District Court for the Northern District of Illinois, Everett McKinley Dirksen United States Courthouse, 219 South Dearborn Street, Chicago, Illinois 60604, at ___ on July 9, 2010 to determine

whether the proposed settlement should be approved by the Court as fair, reasonable, and adequate, and to consider the application of plaintiffs' counsel for attorneys' fees and reimbursement of expenses.

Plaintiffs, shareholders of Sears, brought claims under Section 8 of the Clayton Act, which prohibits directors from sitting on the boards of competing companies. Plaintiffs claimed that Mr. Crowley and Ms. Reese, directors of Sears, were interlocking directors in violation of the statute. Defendants denied all of plaintiffs' claims, including that there was any violation under Section 8 of the Clayton Act. Plaintiffs did not seek damages but rather injunctive relief directing the Board to eliminate the purported interlocks. Under the settlement, Mr. Crowley agreed not to stand for reelection as a director at the Annual Meeting on May 4, 2010, and will resign as an executive officer. In addition, Sears has agreed to enhance and maintain procedures that will prevent Ms. Reese from participating in any Board discussions regarding the operation of Sears women's apparel or footwear business except to the extent necessary to carry out her fiduciary duties as a board member, and other corporate governance relief.

If you are a holder of Sears common stock, and you approve of the proposed settlement, you do not need to do anything. If you object to the proposed Settlement, you are entitled to share those objections with the Court. The method for objecting and the deadline to do so are explained in the "Notice of Proposed Settlement of Shareholder Derivative Lawsuit Brought on Behalf of Sears Holdings Corporation" ("Notice"). If you have not received a copy of the Notice in the mail you may view, download and print a copy by going to this link [insert link], or by visiting the following website: [to be provided by Notice Administrator]. If you are unable to view, download or print the

Notice on the internet, you may obtain a copy by mail by contacting the Notice Administrator at [phone number to be provided by Notice Administrator].

If you are a holder of Sears common stock and do not take steps to appear in this action or to object to the proposed settlement, you will be bound by the Order and Final Judgment of the Court, you will forever be barred from raising an objection to such settlement in this or any other action or proceeding, and certain claims that you might have may be released.

You may obtain further information by contacting plaintiffs' counsel at the telephone number and address listed in the Notice.

BY ORDER OF THE COURT

Ronald A. Guzmán
United States District Judge

EXHIBIT D

**IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

ROBERT F. BOOTH TRUST and RONALD)	
GROSS, derivatively on behalf of nominal)	
defendant SEARS HOLDINGS)	
CORPORATION,)	
)	
Plaintiff,)	
)	
v.)	
)	
WILLIAM C. CROWLEY, EDWARD S.)	
LAMPERT, STEVEN T. MNUCHIN,)	
RICHARD C. PERRY, ANN N. REESE,)	
KEVIN B. ROLLINS, EMILY SCOTT and)	
THOMAS J. TISCH,)	
)	
Defendants,)	
)	
and)	
)	
SEARS HOLDINGS CORPORATION,)	
)	
Nominal Defendant.)	

No. 1:09-cv-05314

Hon. Ronald A. Guzmán

**NOTICE OF PROPOSED SETTLEMENT OF SHAREHOLDER DERIVATIVE
LAWSUIT BROUGHT ON BEHALF OF SEARS HOLDINGS CORPORATION**

**TO: ALL SHAREHOLDERS OF SEARS HOLDINGS CORPORATION
("SEARS SHAREHOLDERS").**

PLEASE READ THIS NOTICE CAREFULLY.

**THE DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS
(THE "COURT") HAS AUTHORIZED THIS NOTICE. THIS IS NOT A
SOLICITATION.**

**SECURITIES BROKERS AND OTHER NOMINEES: PLEASE SEE INSTRUCTIONS
ON PAGE ___ HEREIN.**

You have been sent this notice (the "Notice") to advise you of the proposed settlement (the "Settlement") of a shareholder derivative lawsuit (the "Lawsuit") brought against certain

current and former directors of Sears Holdings Corporation (“Sears” or the “Company”). This Notice explains the claims made in the Lawsuit, the relief achieved in the Settlement, and your rights as a Sears shareholder.

The Lawsuit was not brought to recover money for Sears shareholders. Rather, it sought injunctive relief, that is, an order requiring the defendants to take certain action. The Lawsuit was brought under the federal antitrust laws by two shareholders of Sears. The Lawsuit asked the Court to issue an order requiring Sears to remove two directors from the Sears Board of Directors (the “Sears Board”). The parties to the Lawsuit have entered into a settlement agreement called a Stipulation of Settlement (the “Stipulation”), which the Court must approve before it can become final. As a result of the Settlement, Sears agreed that one of the challenged board members would not stand for re-election to the Sears Board at the annual meeting of shareholders. The other challenged board member will continue to serve, but with certain restrictions on her board involvement. Plaintiffs and their attorneys believe that the proposed Settlement achieves the objectives of the Lawsuit, provides substantial benefits to the Company, and is in the best interests of the Company and its shareholders.

No money was sought or recovered in this Lawsuit. There is no process for shareholders to file claims or receive any money from the Settlement.

A hearing (the “Settlement Hearing”) is scheduled to be held on July 9, 2010 at _____ m. before the Honorable Ronald A. Guzmán in Courtroom 1219, United States District Court for the Northern District of Illinois, Everett McKinley Dirksen United States Courthouse, 219 South Dearborn Street, Chicago, Illinois 60604, for the Court to determine whether to approve the Settlement and whether to approve the payment of attorneys’ fees and expenses to Plaintiffs’ attorneys. **If you are satisfied with the outcome of the Lawsuit as described in this Notice, you do not need to do anything. You may attend the hearing, but you are not required to do so.**

The Lawsuit was settled before trial. At the time the Settlement was reached, the Judge had not determined whether Defendants committed any of the violations of law alleged in the Lawsuit. Neither this Notice nor the Settlement amounts to a finding by the Court about the merits of the claims or defenses asserted by any party, the merits of the Settlement, or any other matter. The Defendants have denied and continue to deny each and every allegation of liability and wrongdoing on their part and contend that the claims asserted against them in the Lawsuit are without merit. The Defendants deny that they have breached any duty, violated any law, or engaged in wrongdoing of any form.

This Notice reflects only the statements and opinions of the parties to the proposed Settlement, and not the views of the Court.

You should read the Notice carefully because your legal rights may be affected.

What Is The Lawsuit About?

In August 2009, the first derivative complaint was filed in the Northern District of Illinois. In September 2009, another, similar shareholder action was filed in the same court. The two cases were later consolidated into the single action entitled *Robert Booth Trust v. William*

Crowley, No. 1:09-cv-05314 (the “Lawsuit”). On October 13, 2009, Plaintiffs filed an Amended Consolidated Verified Derivative Complaint (the “Complaint”) against the Individual Defendants and nominally against Sears.

The Lawsuit makes claims on behalf of Sears against the following present and former directors of Sears: William C. Crowley (“Mr. Crowley”), Edward S. Lampert (“Mr. Lampert”), Steven T. Mnuchin, Richard C. Perry, Ann N. Reese (“Ms. Reese”), Kevin B. Rollins, Emily Scott, and Thomas J. Tisch (collectively referred to as the “Individual Defendants”).

The Complaint alleged that two directors of Sears, Mr. Crowley and Ms. Reese, committed violations of Section 8 of the Clayton Antitrust Act (“Section 8”). Section 8 prohibits individuals from serving at the same time as directors of corporations which compete with each other. This situation is sometimes referred to as having “interlocking directors.” The antitrust laws prohibit the boards of competing companies from sharing directors because such interlocks can potentially lead to conduct that results in the stifling of competition between the companies. Director interlocks are only unlawful, however, if the competing companies sharing a director have at least a certain percentage of competing sales.

Mr. Crowley was on the Boards of Directors of AutoZone, Inc. and AutoNation, Inc. at the same time he was on the Sears Board. Mr. Crowley is also an employee of ESL Investments, Inc. (“ESL”), a company which owns a substantial interest in AutoZone and AutoNation. Ms. Reese was on the Board of Directors of Jones Apparel Group, Inc. while she was a director of Sears. The Complaint alleged that Crowley’s board service violated Section 8 because Sears, AutoZone and AutoNation competed for sales of automobile parts and service. It alleged that Ms. Reese’s board service violated Section 8 because Sears competes with Jones Apparel Group for sales of women’s apparel, footwear and accessories. The Amended Complaint further alleged that the members of the Sears Board had breached their fiduciary duties by nominating Mr. Crowley and Ms. Reese to the Sears Board in alleged violation of Section 8. The Complaint did not seek money damages but rather injunctive relief directing the Sears Board to eliminate the alleged director interlocks.

The parties to the Lawsuit disagree about whether the companies alleged to have interlocking directors – Sears, AutoZone and AutoNation as to automobile parts and services, and Sears and Jones Apparel Group as to women’s clothing and footwear -- compete for sales to the same market of consumers in amounts large enough to make them subject to Section 8’s interlocking director rules. If the allegations regarding Mr. Crowley’s board service had gone to trial, resolving this issue might have required an expensive and time-consuming analysis of Sears’, AutoZone’s and AutoNation’s automobile parts and services businesses. Similarly, if the allegations regarding Ms. Reese’s board service had gone to trial, resolving this issue might have required an expensive and time-consuming analysis of Sears’ and Jones Apparel’s women’s clothing and footwear lines and the consumer market for these products. The parties would likely have needed the assistance of costly experts on these issues. Plaintiffs and their attorneys considered as a factor favoring settlement the expense and time that would have been required to resolve these difficult fact issues. Plaintiffs also considered the possibility that after these factual issues were fully developed, the Court may have ruled in favor of the Defendants.

What Is A Derivative Claim?

A derivative claim is a claim brought by a shareholder on behalf of the company, rather than on behalf of the shareholders of the company. The recovery sought in a derivative action is for the benefit of the company rather than directly for individual shareholders.

What Happened in the Case Before the Settlement?

The parties and the Court devoted considerable resources to this case before the Settlement was reached. Plaintiffs' counsel conducted an extensive investigation before filing the case. The Defendants moved to dismiss the amended complaint on the ground that Plaintiffs were required to make a written, pre-suit demand on Sears' current board, asking the Board to take action. Plaintiffs filed a brief opposing dismissal. After considering the briefs of both parties and the applicable law, the Court denied the motion to dismiss.

Plaintiffs then moved the Court for a preliminary injunction, to prevent the Sears Board from nominating Mr. Crowley and Ms. Reese for re-election to the board at the next Annual Shareholders Meeting. Plaintiffs asked the Defendants to produce numerous categories of documents to enable Plaintiffs to prepare for a hearing on this motion. Sears provided Plaintiffs' lawyers with more than a thousand pages of responsive documents, which Plaintiffs' counsel reviewed, as well as written answers to questions posed by Plaintiffs' counsel concerning the matters in dispute.

After evaluating the strengths and weaknesses of their respective positions, and mindful of the expense and uncertainty of protracted litigation, the parties agreed to engage in initial discussions regarding a possible settlement. The Parties reached a Memorandum of Understanding setting forth the settlement, subject to further discovery. The Defendants then provided Plaintiffs' attorneys with additional relevant documents. Plaintiffs' attorneys also took the depositions of Ms. Reese and Mr. Crowley. After researching the applicable law, evaluating the results of their investigation, reviewing the documents obtained from Defendants, and questioning Mr. Crowley and Ms. Reese under oath, Plaintiffs' attorneys concluded that a settlement on the terms described in this notice was in the best interest of Sears and its shareholders.

What Are The Terms Of The Proposed Settlement?

The primary objective of the Lawsuit was to eliminate the alleged Section 8 violation resulting from Mr. Crowley and Ms. Reese's service on the Sears Board. As a result of the proposed settlement, Mr. Crowley did not stand for re-election to the Sears Board at the annual meeting of shareholders held on May 4, 2010, and will cease serving as an executive officer of Sears. This agreement will end his board membership and completely cure the alleged Section 8 violation that resulted from his interlocking board service. The Defendants have also agreed to guidelines governing Ms. Reese's service on the Sears Board. You can read the Guidelines at [www._____](#). (Online version will supply a link to the Guidelines). These guidelines will require Ms. Reese to remove herself from board meeting discussions concerning the operation of Sears' women's apparel and footwear businesses, except to the extent necessary to exercise her fiduciary duty as a director and as a member of the Sears Board's audit committee, and from voting on such matters. Sears or its attorneys are required to report to Plaintiffs' coun-

sel on the steps taken to carry out the Guidelines. Plaintiffs' and their attorneys believe that the limitations on Ms. Reese's board service proposed in the Settlement address the underlying concerns of Section 8, namely, avoiding the potential for anti-competitive conduct, such as price fixing, monopolization, and attempts to injure the businesses of companies that might compete against Sears and Jones Apparel.

The Guidelines will also require Sears Board member Edward Lampert, who also serves as Chairman and Chief Executive Officer of ESL, to remove himself from Board discussions concerning the operations of Sears' auto parts and auto repair service businesses, except to the extent necessary to exercise his fiduciary duty as a director, and voting on such matters.

In addition, Sears has agreed to changes in its board composition that Plaintiffs and their attorneys believe will foster the goals of Section 8. One of the concerns arising from Mr. Crowley's board service was his employment by ESL, a company which has investment interests in many companies, including AutoZone and AutoNation. As part of the Settlement, the Defendants have agreed that any person not currently on the Sears Board or an officer of Sears who is nominated in 2010 to serve as a director will be an independent director who is not employed by ESL and who is not an officer or director of any Sears competitor in the apparel, footwear, automotive parts, or automobile repair services businesses. Defendants have also agreed that Sears will add at least one such independent director to its Board at or before its 2011 annual meeting of shareholders. Plaintiffs will have the right to withdraw from the settlement if any nominee does not meet the criteria provided for in the Settlement.

What Are The Reasons For The Settlement?

The Plaintiffs, the Defendants and Sears each believe that the proposed Settlement is fair, reasonable and adequate, and is in the best interests of Sears and its current shareholders. The Settlement removed Mr. Crowley from the Sears Board entirely and placed limitations on Ms. Reese's board service to eliminate any potential anti-competitive effect from her alleged interlocking board memberships. In addition, the Settlement will require Sears to add an independent director to the Board. Even if Plaintiffs had prevailed at a trial, they could not have forced Sears to add such a director to its Board; this beneficial relief could only be achieved through a Settlement. Likewise, the Settlement requires Mr. Lampert to remove himself from Board discussions of the operation of Sears' auto parts and service business. This relief was not sued for in the Lawsuit and was only obtained through the Settlement.

Although Plaintiffs believe the derivative claims in the Complaint have merit, they recognize the significant costs, risks and uncertainties of rejecting the proposed settlement and pressing the case through trial and appeals. In a shareholder derivative case such as this one, the Plaintiff is asserting claims on behalf of the company itself. In evaluating a possible settlement, the Plaintiffs had to consider what was in the best interest of the Company and its shareholders. A trial would have been difficult and expensive for Plaintiffs and for Sears. There have been few previous cases challenging interlocking directors under Section 8. For this reason, Plaintiffs' attorneys could not predict whether this case would be dismissed before trial, or if the case was allowed to proceed to trial, how a trial would come out. There was a possibility that, after extensive discovery, pre-trial motions, a trial and an appeal, the Court would have allowed Mr. Crowley, Ms. Reese, or both of them to remain on the Sears Board. In view of these risks, Plaintiffs

and Plaintiffs' counsel believe that the proposed settlement, which immediately accomplishes most of the relief sought in the Complaint, is in the best interests of Sears and its shareholders.

The Company believes that the Settlement provides substantial benefits to the Company, including assisting in the prevention and detection of potential violations of law, regulation or Company policy and is in the best interests of Sears and its current shareholders. The Company further believes that the Settlement allows Sears to avoid expensive and time-consuming litigation the outcome of which was uncertain and to maintain Ms. Reese, a highly-experienced independent director who is chair of the audit committee, on the Board.

In agreeing to settle the case, Sears and the Individual Defendants are not admitting that they did anything wrong. They have denied and continue to deny each and every allegation of liability and wrongdoing on their part and contend that the claims asserted against them in the Complaint are without merit. The Individual Defendants deny that they have breached any duty, violated any law, or engaged in wrongdoing of any form.

What Attorneys' Fees And Expenses Will Be Paid?

The Plaintiffs are represented by Kenneth J. Vianale, Vianale & Vianale LLP; Matthew T. Hurst, Susman Heffner & Hurst LLP; and Ronen Sarraf and Joseph Gentile, Sarraf Gentile LLP.

Plaintiffs retained their attorneys on a contingent fee basis. In a contingent fee case, the attorneys only get paid if the case is resolved successfully. The Plaintiffs' attorneys have not been paid anything for their legal services. Plaintiffs' attorneys have paid all of the expenses to prosecute the Lawsuit, for which they have not yet been reimbursed.

An additional term of the Settlement is the parties' agreement that Plaintiffs' counsel will seek an award of attorneys' fees for their work on the prosecution and settlement of the Lawsuit and reimbursement of expenses, which in total will not exceed \$925,000. Sears has agreed not to oppose a request for attorneys' fees and expenses up to \$925,000. Plaintiffs' Counsel will also seek permission from the Court to pay the Plaintiffs awards of up to \$750 for their contribution to the case. The case contribution awards would be paid out of any attorneys' fees awarded by the Court. The award of attorney's fees and reimbursement of expenses and the payment of a case contribution award are subject to approval of the Court.

What Will Happen At The Settlement Hearing?

The Court has scheduled a Settlement Hearing for July 9, 2010, at ___.m. At this hearing, the Court will hear objections any shareholder may raise as to any aspect of the Settlement. At or following the hearing, the Court will decide whether the Settlement is fair, reasonable, and adequate, and determine whether to enter the Final Order approving the Settlement. The Court will also, either at the Settlement Hearing or after it, consider the matter of attorneys' fees and whether the fees requested are fair and reasonable and in what amount to award attorneys' fees and expenses to Plaintiffs' counsel. Pending a final ruling on whether the Settlement should be approved, the Parties, the Company and all Sears shareholders are prohibited from beginning or continuing any action that asserts any of the Released Claims against any Released Parties. The terms "Released Claims" and "Released Parties" are defined below.

**YOU ARE NOT REQUIRED TO PARTICIPATE IN OR
ATTEND THE SETTLEMENT HEARING, BUT MAY DO SO IF YOU WISH.**

If you are satisfied with the outcome of the case, you do not need to do anything. You may attend the hearing, but you are not required to do so.

What if I Disagree With the Settlement?

If you are a shareholder of Sears as of the date of the Settlement Hearing and you want to object to any feature of the Settlement, you may do so by writing to the Court. In addition to writing to the Court, you may, if you wish, attend the hearing and speak to the Court about your objection. If you write to the Court with an objection, you do not need to also go to the hearing. The Court will read and consider your written objection whether you are at the hearing or not.

Only current Sears shareholders are entitled to object to the Settlement. If you are a Sears shareholder and you want to object to the Settlement, you must send a signed letter or other signed written submission stating that you object to the Settlement in *Robert F. Booth Trust, et al. v. Crowley, et al.*, No. 1:09-cv-05314. You may, but need not, hire a lawyer at your own expense to represent you in filing an objection. If you do hire a lawyer, he or she will need to file a Notice of Appearance along with the objection.

Your objection must include your name, address, and telephone number. You must also state that you are a Sears shareholder and state whether you purchased your shares before or after April 6, 2010. Your written objection must contain a plain statement of why you object to the Settlement. If there are any documents you want the Court to look at in support of your objection, you must send copies of the documents along with your objection. You are not required to attend the hearing for the purpose of explaining your objection to the Judge. However, if you plan on attending the hearing and would like to address the Court regarding your objection, you must state that in your written objection. If you want to ask permission from the Court to present testimony from any witnesses at the hearing, you must state that in your objection as well.

Mail the objection and any supporting papers to the Court and Plaintiffs' attorney at the addresses provided below to arrive no later than fourteen (14) days before the Settlement Hearing. **YOUR OBJECTION MUST BE IN WRITING AND RECEIVED BY THIS DATE TO BE CONSIDERED.** If the Court does not receive your objection at least fourteen days before the hearing, the Court may not be able to consider it.

Court	Plaintiffs' Counsel	
Clerk of the Court United States District Court Northern District of Illinois Everett McKinley Dirksen United States Courthouse 219 South Dearborn Street Chicago, Illinois 60604	Kenneth J. Vianale, Esq. VIANALE & VIANALE LLP 2499 Glades Road, Suite 112 Boca Raton, Florida 33431 Tel.: (561) 392-4750	

You will not be entitled to object to the proposed Settlement, to the final judgment to be entered in this action, to any award of attorneys' fees or expenses, or otherwise to be heard by the Court unless you file and serve written objections (and, if you wish to be heard, by stating that in the objection) in the form and manner, and by the date, required by this Notice. If you do not object in the manner and by the date required, you shall be considered to have waived any objections, and shall forever be barred in this or any other action or proceeding from raising any objections to the proposed Settlement and the application for an award of attorneys' fees and reimbursement of expenses by Plaintiffs' counsel.

The date of the Settlement Hearing may be changed without further notice to Sears shareholders. If you or your lawyer intends to attend the Settlement Hearing, you should confirm the date and time with Plaintiffs' counsel.

What Is The Effect Of The Court's Approval Of The Proposed Settlement?

The Stipulation gives a full description of the terms for dismissal of the Settled Claims. The following is only a summary. If the Court approves the Settlement, on the date the Judgment approving the Settlement becomes Final (as defined in the Stipulation), the Releasing Parties (which includes Plaintiffs and all Sears shareholders) will fully, finally and forever release all Released Claims against the Released Parties.

The "Releasing Parties" means the Plaintiffs (individually, and derivatively on behalf of Sears), Sears, to the extent a derivative claim was properly brought, and the Sears shareholders and any of their heirs, executors, attorneys, administrators, predecessors, successors, and assigns, and all Persons acting in concert with any of the aforementioned persons and entities.

The "Released Parties" are Sears, to the extent that it may be subject to a direct claim, the Individual Defendants (collectively, the "Settling Defendants"), and each and all members of their families, parent entities, affiliates, or subsidiaries, and each and all of their respective past, present, or future officers, directors, employees, attorneys, accountants, auditors, heirs, executors, personal representatives, estates, administrators, predecessors, successors, and assigns.

The "Released Claims" are any and all claims, demands, rights, remedies, or causes of action, whether based on federal, state, local, statutory, common or foreign law or any other law, rule, regulation, or principle of equity, whether known or unknown, including without limitation Unknown Claims, whether suspected or unsuspected, whether contingent or non-contingent, whether accrued or unaccrued, whether or not concealed or hidden, whether factual or legal, and for any remedy whether at equity or law, that were or that could have been asserted from the beginning of time through the Effective Date against the Released Parties in the Amended Complaint, or by any Sears shareholder claiming in the right of, or on behalf of, Sears arising out of or related, directly or indirectly, in any way to any of the facts, allegations, transactions, events, occurrences, acts, disclosures, statements, omissions, failures to act, or matters set forth, referred to, or that could have been alleged in the Amended Complaint. By operation of the Judgment, the Releasing Parties shall have waived any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to California Civil Code § 1542. "Unknown Claims" means any

Released Claims that the Plaintiffs (individually, and derivatively on behalf of Sears), Sears, or any Sears shareholder does not know or suspect to exist in his, her, or its favor at the time of the release of the Released Parties that, if known by him, her, or it might have affected his, her, or its settlement with, and release of, the Released Parties, or might have affected his, her, or its decision not to object to this Settlement, including claims based on the discovery of facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the Released Claims. The Settling Parties further agree that the Released Claims constitute an express waiver of all rights and protections to the fullest extent permitted by California Civil Code § 1542 and all similar federal, state, or foreign laws, rights, rules, or legal principles. Section 1542 states:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Upon final approval of the Settlement, all Releasing Parties will be enjoined and barred from bringing any Released Claims against any of the Released Parties.

SPECIAL NOTICE TO NOMINEES

If you hold any Sears securities as nominee for a beneficial owner, then, within ten days after you receive this Notice, you must either: (1) send a copy of this Notice by first class mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to the Notice Administrator:

Sears

[insert name and address of Notice Administrator]

If you choose to mail the Notice yourself, you may obtain from the Notice Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for reasonable administrative costs actually incurred in connection with forwarding the Notice and that would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Notice Administrator.

How Do You Get More Information About the Lawsuit And The Proposed Settlement?

This Notice summarizes the proposed Settlement. The Stipulation of Settlement, including the proposed Final Judgment attached to the Stipulation as Exhibit A, sets forth the complete terms of the Settlement. You can view the Stipulation at [www._____](#) (online version will supply a link to the Stipulation). You can view other relevant documents filed in connection with the Settlement of the Lawsuit by inspecting the papers filed in the Lawsuit at the

office of the Clerk of Court, United States District Court for the Northern District of Illinois, Everett McKinley Dirksen United States Courthouse, 219 South Dearborn Street, Chicago, Illinois 60604, during normal business hours or by requesting a copy of the relevant documents from Plaintiffs' counsel. If you have questions about the Settlement, you can contact Plaintiffs' counsel listed above.

Remember, please do not call the Court or the Company. They cannot help you with additional information.

DATE: _____, 2010

EXHIBIT E

**Guidelines Regarding Protection of Sears Holdings Corporation
Information**

- These guidelines are intended to supplement, and not to replace or limit, any other restrictions that may apply to the disclosure of information by the directors of Sears Holdings Corporation (“SHC”). Additionally, these guidelines are not intended to affect or interfere with the exercise of fiduciary duties that directors owe to their companies.
- Activities, such as information sharing, that facilitate, or may give the appearance of facilitating, conduct that would violate the antitrust laws are strictly prohibited.

ESL Directors

- Any directors, officers, or employees of ESL (“ESL Directors”) will remove themselves from SHC board meeting discussions concerning the operations of SHC’s U.S. auto business unit, except to the extent necessary to exercise their fiduciary duties as a director. In the event the SHC board is asked to vote on matters directly concerning the operations of SHC’s U.S. auto business unit, ESL Directors will abstain from voting.
- If, in the course of performing duties as an SHC director, any issues arise concerning areas of competition between Sears and other companies in which ESL holds equity interests, the ESL Directors will consult with counsel on the appropriate course of action to avoid potential antitrust issues.
- For clarity, ESL Directors are not prohibited from participating in meetings concerning the operations of SHC’s non-auto business units, or SHC as a whole.

Jones Directors

- Any directors, officers, or employees of the Jones Apparel Group (“Jones Directors”) will remove themselves from SHC board meeting discussions concerning the operations of SHC’s women's apparel and footwear businesses, except to the extent necessary to exercise their fiduciary duties as a director, including as a member of the audit committee. In the event the SHC board is asked to vote on matters directly concerning the operations of SHC women's apparel and footwear businesses, Jones Directors will abstain from voting.
- If, in the course of performing duties as an SHC director, any issues arise concerning areas of competition between Sears and Jones, the Jones Directors will consult with counsel on the appropriate course of action to avoid potential antitrust issues.

- For clarity, Jones Directors are not prohibited from participating in meetings concerning the operations and strategy of SHC business units other than women's apparel and footwear, or SHC as a whole.