Break in Service

If your employment with the Company terminates before you have earned five years of Vesting Service, all of the benefits you had earned will be forfeited. If you are later re-employed by the Company, your years of Vesting Service and Credited Service may be reinstated, depending on the length of your previous service and how long you were gone (as described earlier in this SPD).

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 at 1-855-481-2661 or Plan Administrator.

Incompetence

In the case of a participant's incompetency, 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 Beneficiary to maintain a current address with the Plan Administrator and/or Recordkeeper. To update your address, either go online at https://searspension.ehr.com or call the Recordkeeper at 1-800-953-5390. If you (your surviving Spouse or 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 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 or manager that goes against the intent of the Plan cannot supersede this SPD or the 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.

Associate Contributions to the Plan

The Prior Kmart Plan has not accepted associate contributions since before 1966. Associates who participated in the Plan before 1966 could make their own contributions to the Plan before 1966. If you made contributions, you will have two options when your employment ends. You can:

- leave your contributions and any interest that these contributions have earned in the Plan, in which case you will receive a larger benefit; or
- receive a single payment of the contributions and any interest earned.

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.ehr.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 benefit as a Lump Sum Payment (including as an automatic small pension cash-out because the lump sum present value of your benefit is valued at $5,000 or less), this payment is eligible for rollover to an IRA or to the qualified plan of another employer that accepts rollovers. You or your 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 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 Beneficiary) have elected to receive the payment directly (instead of by a direct rollover), you can still elect to 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 70½ 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 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 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

As explained in *Required Beginning Date* above, if you are still employed with the Company after your required beginning date (i.e., April 1st of the calendar year following the year in which 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 your required beginning date. If your entire accrued benefit is eligible to be paid in the form of an automatic lump sum cash-out, any portion that is "required" to be paid out is not eligible for tax-deferred rollover to an IRA or another employer's qualified retirement plan.

***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

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

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 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 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 Beneficiary (claimant) wishes 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 Kmart Corporation Employee Pension Plan.)

Plan Sponsor: The Plan is sponsored by the Company, which is: Sears Holdings Corporation. (Prior to January 30, 2008, the Plan Sponsor was Kmart Holding Corporation.) 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 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: 38-0729500.)

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 Willis 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, 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.