COMPANY NAME: Sears Holdings Corporation

U.S. EMPLOYEES: 238,200

TYPE OF PLAN(S): Cash Balance — 113,100 participants affected

DATE ANNOUNCED: May 2005

DATE EFFECTIVE: January 1, 2006

DESCRIPTION OF FREEZE: Total Freeze. All employees stopped accruing defined benefit pension benefits on January 1, 2006.

PLAN SOLVENCY: At year end 2003, defined benefit plan assets were $2.7 billion and obligations were $2.9 billion.

REPORTED FINANCIAL IMPLICATION: The pension freeze reduced pension liabilities by $80 million. Long-term savings have not been reported.

NEW ARRANGEMENTS FOR EMPLOYEES: The 401(k) plan will have a company match, dollar for dollar, of up to 3 percent of salary, and $.50 for every dollar of contributions on the next 2 percent of salary.

BACKGROUND: Sears Holdings Corporation is the largest broadline retailer in the United States. It is the parent company of Kmart and Sears, Roebuck and Co. Kmart Holding Corporation and Sears, Roebuck and Co. merged and became Sears Holdings Corporation in March of 2005. Prior to the merger, on January 29, 2004, Sears announced that it was closing its defined benefit plan to employees hired in 2004 and employees below the age of 40 as of, and effective, January 1, 2005. These employees would be able to participate in a 401(k) plan with an increased company match on their contributions. Kmart Holding Corporation did not have a defined benefit plan.