

## **Chapter 11 Filing Announcement – Letter to Retirees**

Date: October 15, 2018

To: Retirees

From: Rob Weber, Chief Human Resources Officer

Re: An Important Update from Sears Holdings

I am writing to give you an important update about Sears Holdings.

As you know, over the last several years, we have worked hard to transform our business. While our plan is delivering for our members, our efforts to become a profitable and more competitive retailer have been affected by a difficult retail environment, unsatisfactory operating performance and legacy liabilities impacted by historically low interest rates.

Today we have announced a series of actions to position us to establish a sustainable capital structure, continue streamlining our operations and grow profitably for the long term. While we sought to avoid a Chapter 11 process, we have ultimately determined that this is the most effective and orderly way to achieve a debt solution as efficiently as possible and be better positioned for the future. We began this process this evening.

Our goal is to emerge as a member-centric company, reorganized around a smaller platform of profitable stores, with the capital needed to allow us to prosper in the future. We are eager to move forward quickly and preserve as many jobs as possible. We also want to make sure that all of the hardworking associates of Sears Holdings, past and present, and the dedicated members of our Shop Your Way program, know that we are committed to trying to get the best possible result for the company – and for all of you.

### **RETIREMENT BENEFITS**

As a former associate, we understand that you will have questions about how SHC's restructuring impacts you and your retirement benefits:

- First and foremost, we know the pension is very important to you, and it will be an area of focus as the restructuring process moves forward. You will continue to receive your monthly pension payments as usual. You will be notified if there is further information to share. Importantly, the Sears Pension Plan is backed by the Pension Benefit Guaranty Corporation (PBGC).
- Moreover, any of the money you have contributed to your 401(k) plan is held in trust. By law, it is safe, secure and protected.
- Eligible retirees on the Company's benefits plans are not expected to see any disruption to their healthcare benefits.

I also want to highlight some additional key points from today's announcement:

- **We have sufficient funding for ongoing operations:** We have received commitments for \$300 million in senior priming debtor-in-possession (DIP) financing from our senior secured asset-based revolving lenders and are negotiating a \$300 million subordinated DIP financing. Subject

to court approval, this financing is expected to support our operations – and meet our obligations to vendors – during this process.

- **We are continuing to take action to streamline our store base.** We will close 142 additional unprofitable stores near the end of the year. These locations are being notified.
- **We also announced leadership changes in support of the continued transformation and restructuring process.** Eddie Lampert has stepped down as CEO. To manage the day-to-day operations of the Company, our Board of Directors has created an Office of the CEO, which will be comprised of Robert A. Riecker, Chief Financial Officer; Leena Munjal, Chief Digital Officer; and Gregory Ladley, President of Apparel and Footwear. This strong group will be supported by our new Chief Restructuring Officer, Mohsin Meghji of M-III Partners, as well as the rest of our Senior Leadership Team. We have every confidence in the team that will guide the Company through the restructuring process.

## **KEEPING YOU INFORMED**

We are committed to keeping you informed throughout the restructuring process, and we will provide you with timely updates as events warrant.

In the meantime, to help answer questions you may have about our restructuring, we have posted information on the following website: [restructuring.searsholdings.com](http://restructuring.searsholdings.com). If you have additional questions, please reach out to the Retiree Services Center.

We thank you for your years of dedicated service to Sears Holdings.

Sincerely,

Rob Weber  
Chief Human Resources Officer

###