

**SEARS, ROEBUCK AND CO.**  
**AUDIT COMMITTEE CHARTER**

Purpose

The Audit Committee (the “Committee”) is appointed by the Board of Directors pursuant to Article III of the By-Laws of Sears, Roebuck and Co. (the “Company”) to assist the Board in monitoring (1) the integrity of the financial statements of the Company, (2) the Company’s system of internal control, (3) the qualifications, independence and performance of the Company’s independent public accountants, (4) the compliance by the Company with legal and regulatory requirements, and (5) the performance of the Company’s internal audit function.

Independence

The Committee shall consist of such number of directors, not fewer than three, as are selected for committee membership as set forth in the Company's Corporate Governance Guidelines ("Guidelines"), all of whom shall be "independent directors" and meet any other criteria for membership on the Committee as set forth in such Guidelines.

Responsibilities

The Committee (or as indicated, the Chairman) shall review with management, the Company’s independent public accountants, and its internal auditors:

1. upon completion of the audit, the annual financial statements of the Company, the independent public accountants’ report thereon, certifications by the Chief Executive Officer and Chief Financial Officer, the other relevant financial information to be included in the Company’s Annual Report on Form 10-K, and its annual report to shareholders;

2. prior to the filing of any Form 10-Q, the results of the interim financial review with the Committee or its Chairman including certifications by the Chief Executive Officer and Chief Financial Officer;
3. prior to publication, the management's discussion and analysis of financial condition and results of operations accompanying the Company's annual and quarterly financial statements; and
4. prior to issuance of annual or quarterly earnings announcements, the form and substance of the announcement with the Committee or its Chairman.

While the Committee has the duties and responsibilities set forth in this Charter, the Committee is not responsible for planning or conducting audits or for determining whether the Company's financial statements are complete and accurate or are in accordance with generally accepted accounting principles. Similarly, it is the responsibility of the Committee to assist the Board in monitoring and overseeing the Company's programs and policies for complying with law. Management carries out those programs and policies on a day-to-day basis. The designation of a person as an audit committee financial expert will not impose any duties, obligations or liability on that person that are greater than those imposed on other members of the Committee and the Board who do not carry this designation, nor will it affect the duties, obligations or liability of any other member of the Committee or the Board.

The Committee shall review:

1. the annual audited financial statements with management, internal auditors and the Company's independent public accountants, and discuss major changes or other issues regarding accounting principles and practices, significant financial reporting issues and

- judgments about the quality, not just the acceptability, of the Company's accounting principles as applied in its financial reporting;
2. the annual certification by the Company for its report on internal controls over financial reporting and the independent public accountant attestation on the Company's assertions over the adequacy of the internal controls over financial reporting;
  3. recommendations made by the Company's independent public accountants and internal auditors with respect to the accounting methods and the adequacy of the system of internal control used by the Company;
  4. the audit plans of the Company's independent public accountants and internal auditors;
  5. reports concerning compliance with governmental laws and regulations and with the Company's policies relating to business practices and procedures, ethics, conflicts of interest, perquisites and use of corporate assets;
  6. the Company's activities with respect to compliance with laws and regulations;
  7. generally, the Company's financial information and earnings guidance provided to analysts and rating agencies;
  8. with the independent accountant, any audit problems or difficulties and management's response; and
  9. the Company's guidelines and policies regarding risk assessment and risk management.

After such reviews, the Committee shall report thereon to the Board of Directors and prepare and file any other required reports.

The Committee shall have available appropriate funding from the Company, as

determined by the Committee, for compensation to the independent accountants, any other accounting firm or other advisers engaged, and for the Committee's ordinary administrative expenses.

### Meetings

The Committee shall meet at least four times annually, and may meet more frequently as circumstances warrant.

The Committee shall meet at a minimum annually, and whenever the Committee shall deem it appropriate, with each of the Company's independent public accountants, internal auditors, Chief Compliance Officer, and Chief Financial Officer in separate executive sessions. The Committee shall review with the General Counsel of the Company the status of legal matters that may have a material impact on the Company's financial statements, the Company's compliance policies, and any material reports or inquiries received from regulators or governmental agencies.

### Independent Accountants

The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any independent public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, and each such independent public accounting firm must report directly to the Committee.

The Committee shall instruct the Company's independent public accountants that they are ultimately accountable to the Committee, and that the Committee is responsible for the selection (subject to shareholder ratification if so determined by the Board), evaluation and

termination of such independent public accountants. The Committee shall each year, based on a review of qualifications, appoint the independent public accountants to audit the financial statements of the Company and to perform such other duties as the Committee may from time to time prescribe. The Committee will recommend that the Board of Directors request shareholder ratification of the appointment of the independent public accountants. As part of such review of qualifications, the Committee shall consider management's plans for engaging the independent public accountants for non-audit services to determine whether the nature of such services could impair the public accountants' independence. The Committee shall, at a minimum, review reports from the independent public accountants describing (1) its internal quality control procedures, (2) any material issues raised by internal quality control reviews, peer reviews, or reviews by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues, and (3) all relationships between the independent accountants and the Company, in each case to determine whether the independent public accountant remains qualified for the role as engaged by the Committee. The Committee shall request from the Company's independent public accountants each year a formal written statement delineating all relationships between the independent public accountants and the Company, and discuss with the independent public accountants any such disclosed relationships and their impact on the independence of the independent public accountants and take appropriate action to satisfy itself of the independence of such accountants.

The Committee shall review and approve all fees to be paid to the independent public accountants. Annually, the Committee shall review and approve an estimate of the audit, audit related, and non-audit services and related fees to be provided by the independent public

accountants. The Committee shall approve in advance of expenditure any fees in excess of the approved annual fees. The Committee's review shall include a detailed review of each major service to be performed by the independent auditor.

The Committee shall review the adequacy of and adherence to the Committee's policy regarding hiring current or former employees of the independent public accountants.

### Projects and Investigations

The Committee shall have the power and financial resources to conduct or authorize special projects or investigations that the Committee considers necessary to discharge its duties and responsibilities. It shall have the power and financial resources to retain independent outside counsel, accountants or others to assist it in the conduct of any investigations and may utilize the Company's General Counsel, internal auditors or compliance officer for such purpose. The Committee shall maintain adequate procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, and audit matters and the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters.

### Review of the Committee and the Charter

The Committee will annually perform a self-assessment of its effectiveness and shall report a summary of the assessment to the Board of Directors. The Committee shall review and reassess annually the adequacy of this Charter.

### Report

The Committee shall prepare the report required to be included in the Company's annual proxy statement after having completed the discussions and reviews and having considered the

matters required in connection with the report. The report shall include the Committee's recommendations to the Board concerning the inclusion of the audited financial statements in the Company's Annual Report on Form 10-K.