

SEARS, ROEBUCK AND CO.

COMPENSATION COMMITTEE CHARTER

Purpose

The Compensation Committee (the “Committee”) is established by the Board of Directors (the “Board”) pursuant to Article III of the By-Laws of Sears, Roebuck and Co. (the “Company”) to discharge the Board’s responsibilities relating to (1) the analysis, determination and reporting of compensation paid by the Company to the Chief Executive Officer (“CEO”), its executive officers (“Covered Executives”), and (2) compliance by the Company with legal and regulatory requirements relating to such compensation and benefit plans.

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 shall have all the authority of the Board to act or exercise corporate powers with respect to the following:

- A. To review and approve, subject to ratification by the independent members of the Board, corporate goals and objectives relevant to CEO compensation and to

evaluate the CEO's performance in light of those goals and objectives and to approve the CEO's compensation level and elements as a result of this evaluation.

- B. To review and approve, subject to Board ratification, the amount of, and any actions, relating to compensation, including, but not limited to, salaries, bonuses, equity-based awards, benefits and other compensation arrangements, to be paid to the Covered Executives for services rendered to the Company.
- C. To review and approve of terms and conditions of the employment agreements, if any, entered into with the Covered Executives.
- D. To administer the Company's compensation and employee benefit plans, unless otherwise specified in or pursuant to plan terms or resolutions of the Board, including the approval of equity-based awards and any discretionary grants thereof by the CEO of the Company.
- E. To produce an annual report on executive compensation to be included in the Company's Proxy Statement for its Annual Shareholders' Meeting and, as may be otherwise required, report to the shareholders of the Company regarding the Company's executive compensation practices and policies.
- F. The Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist it in the evaluation of CEO or Covered Executive compensation and shall have sole authority to approve the consultant's fees and the other terms and conditions of the consultant's retention.

- G. To make recommendations to the Board regarding reservation of shares for issuance under employee benefit plans.
- H. To review the Charter of the Committee from time to time.
- I. To investigate, analyze and consider, on its own initiative or upon referral from the Board, the current and future financial practices of the compensation and employee benefit plans of the Company and its subsidiaries and report and make such recommendations to the Board as the Committee deems appropriate.
- J. To review, approve and administer to any other matters or plans delegated to the Committee by the Board.
- K. To annually participate in a performance evaluation of the Committee, as conducted by the independent members of the Board.
- L. To monitor compliance by executive officers with the Company's required share ownership program.

Proceedings

The Committee shall meet at least five times annually, and may meet more frequently as circumstances warrant. Meetings of the Committee shall be held on such dates as from time to time may be determined by the Committee or whenever called upon the direction of the Chairman of the Committee or upon the written request of one-third of the members of the Committee, which request shall state the date, place and purpose of such meeting. The Chairperson of the Committee, or his designee, will preside over each meeting.

One third of the members of the Committee, but in no event less than two, shall constitute a quorum. A majority of the members of the Committee present at any meeting at which a quorum is present may act on behalf of the Committee. The Committee shall vote on matters presented to it at the meetings, and a unanimous vote of the members will be required to approve, grant or pay any extraordinary remuneration (defined as any compensation in excess of standard compensation structure) to a Covered Executive.

The Committee may form and delegate authority to subcommittees when appropriate.

The Chairperson of the Committee or his designee shall present, to the Board, a periodic report, as the Chairperson deems appropriate, of the activities and actions of the Committee.

Miscellaneous

The Committee shall have all powers necessary to accomplish the purpose this charter including the power and authority to make such rules and policies consistent with the intended purpose and subject to Board approval.