

Corporate Governance

Code of Conduct for the Board of Directors of Sears Holdings Corporation

Introduction

This Code of Conduct sets forth the general expectations of Sears Holdings Corporation (SHC) for its Board of Directors, and describes standards of ethical behavior that each Director is expected to uphold. It does not address every situation that may be encountered, and is not a substitute for a Director's exercise of good judgment and common sense. A Director who has a question about a particular circumstance that may implicate a provision of this Code should address the question with the Chairperson of the Audit Committee, who may consult with inside or outside legal counsel as appropriate.

Directors who are also officers of SHC or one of its subsidiaries are also subject to the SHC Code of Conduct for Associates.

Compliance with Laws, Rules and Regulations

Directors shall comply with all applicable laws, regulations and rules, and with the SHC Insider Trading Policies.

Conflicts of Interest

Directors must avoid conflicts of interest with SHC and its subsidiaries (collectively "the Company"). A conflict of interest occurs when:

- a Director's private interests interfere in any way, or can reasonably be expected to interfere in any way, with the interests of the Company;
- a Director or a member of his or her immediate family¹ receives an improper personal benefit as a result of the Director's position as a Director of the Company; or
- a Director has other duties, responsibilities or obligations that run counter to his or her duty to the Company.

A Director must immediately disclose to the Chairperson of the Audit Committee and the Chairman of the Board any situation that involves, or may reasonably be expected to involve, a conflict of interest. While this Code does not attempt to describe all possible conflicts of interest that could arise, the following are some of the conflicts of interest that Directors must avoid:

- Receiving loans or guarantees of obligations as a result of one's position as a Director;
- Engaging in conduct or activity that improperly interferes with the Company's existing or prospective business relationships with a third party;
- Accepting bribes, kickbacks or any other improper payments for services relating to the conduct of the business of the Company; and

- Accepting, or having a member of a Director's immediate family accept, a gift from persons or entities that deal with the Company, in cases where the gift, considered in light of the totality of the circumstances, would reasonably be expected to influence the Director's actions as a member of the Board.

Business Relationships With Directors

Any direct or indirect monetary arrangement for goods and services between a Director or a member of the Director's immediate family and the Company or a member of the Company's senior management must be approved by the Board of Directors. Such approval shall not be required where:

1. The interest of the Director or family member is solely due to such person's status as a Director or the collective ownership by the Director and his or her family members of less than a 10% equity interest in the entity with which the Company has concluded such an arrangement;
2. The value of the payments made to or by the Company constitute less than \$200,000 or 5% of the annual gross revenues of the entity involved in the arrangement, whichever is greater; and
3. Neither the Director nor a member of his or her immediate family is personally involved in (a) the negotiation or execution of the arrangement; (b) the performance of services or provision of goods pursuant to the arrangement; or (c) the monetary aspects of the arrangement.

Use of Corporate Information, Opportunities and Assets

Directors may not compete with the Company or use opportunities that are discovered through the use of Company information or their position with the Company for their own personal benefit or for the benefit of persons or entities outside the Company. Directors may not waste or improperly use any Company asset.

Mr. Lampert, who is the Company's Chairman and the founder of ESL Investments, Inc. ("ESL"), and any employee, officer, director or advisor to ESL and its affiliated investment entities who also serves as an officer or Director of the Company (each a "Covered Party") are not prohibited from, and the Company has renounced any interest or expectancy in, or being offered an opportunity to participate in, any investment opportunities in Securities that may come to the attention of any Covered Party other than:

1. investment opportunities that come to such Covered Party's attention directly and exclusively in such Covered Party's capacity as director, officer or employee of the Company;
2. control investments in companies in the mass merchandising, retailing, commercial appliance distribution, product protection agreements, residential and commercial product installation and repair services and automotive repair and maintenance industries; and
3. investment opportunities in companies or assets with a significant role in the Company's business, including, without limitation, investment in real estate currently leased by the Company or its suppliers of which the Company is a substantial customer representing over 10% of such companies' revenues (collectively "Significant Suppliers"), provided that the foregoing clauses (i), (ii) and (iii) shall not include any investment of ESL prior to May 23, 2005.

Confidentiality

A Director may never use Confidential Information for his or her own personal benefit or to benefit persons or entities outside the Company. Directors shall not disclose Confidential Information outside the Company either during or after their service as a Director of the Company, except with the express or implied consent of the Board or as required by law.

“Confidential Information” means all non-public information entrusted to or obtained by a Director by reason of his or her position as a Director of the Company. It includes, but is not limited to, non-public information that might be useful to competitors or harmful to the Company or its customers if disclosed, such as:

- Non-public information about the Company’s financial condition, prospects or plans, its marketing and sales programs and research and development information, as well as information relating to mergers and acquisitions, stock repurchases and divestitures;
- Non-public information concerning possible transactions with other companies or information about the Company’s customers, suppliers or joint venture partners that the Company is under an obligation to maintain as confidential; and
- Non-public information about discussions and deliberations relating to business issues and decisions between and among employees, officers and Directors.

Reporting of Violations

Directors should communicate any suspected violations of this Code promptly to the Chairperson of the Audit Committee. Suspected violations shall be investigated by or at the direction of the Board or the Audit Committee, and appropriate action shall be taken in the event that a violation is confirmed.

Waiver

Waivers of a provision of this Code can only be made by the Board of Directors, and shall be granted only in very exceptional circumstances. The Company shall disclose any such waiver, and the reasons for it, in accordance with legal and regulatory requirements. A Director who becomes aware of a circumstance that may require a waiver shall promptly bring the circumstance to the attention of the Chairperson of the Audit Committee.