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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS**

In re:)	Case No. 02-B02474
)	(Jointly Administered)
KMART CORPORATION, et al.,)	
)	Chapter 11
Debtors.)	Hon. Susan Pierson Sonderby
)	

**STIPULATION RESOLVING CLAIMS OF THE STATE OF NEW YORK
WORKERS' COMPENSATION BOARD**

Kmart Corporation ("Kmart") and the State of New York Workers' Compensation Board (the "Board"), to resolve all rights and claims of the Board relating to Kmart's status as a self-insured employer, hereby stipulate and agree as follows:

1. Recognition of Claim. Kmart recognizes the Board as holding a Class 1 (secured) claim under Kmart's Joint Plan of Reorganization in the amount of \$4,469,102 (the "Claim Amount") through October 3, 2008 ("Settlement Date").

2. Kmart Reimbursement Right. The Board shall provide reimbursement of \$2,543,611.94 (the "Reimbursement Amount") to Kmart from the supplemental and/or special injury funds (the "Fund").

3. Payment; Reduction of Letter of Credit; Guaranty. Kmart shall wire transfer to the Office of the New York State Attorney General the Claim Amount less the Reimbursement Amount upon confirmation of the Board's delivery to the letter of credit issuer of a letter (the "Amendment Letter") from the Board directing that the face amount of the existing letter of credit posted by Kmart with the Board be reduced to \$13,938,971.25. The Board shall submit the Amendment Letter to the letter of credit issuer promptly upon its receipt of a guaranty from Sears Holdings Corp. in the form attached hereto as Exhibit A and audited financial statements for Sears Holding Corp. for the year ending February 2, 2008.

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4. Additional Reimbursement Right. Kmart retains the right to seek additional reimbursements from the Fund in accordance with Sections 15 and 25-a of the New York Workers Compensation Laws.

5. Future Assessments. Kmart shall pay all assessments of the Board for periods after the Settlement Date when such bills become ordinarily due.

6. Complete Settlement. This Stipulation sets forth the complete resolution of all claims of the Board that were or could have been raised in Kmart's bankruptcy case or otherwise with respect to Kmart's status as a self-insured employer, the complete resolution of all defenses and objections of Kmart to such claims, and the complete resolution of all claims of Kmart for reimbursements from any special or supplemental funds administered by the Board. Except for those rights expressly reserved under this Stipulation, and subject to Court entry of this Stipulation, by entering into this Stipulation Kmart and the Board release each other, and their successors and assigns, of all claims and rights arising from or relating to Kmart's status as a self-insured employer.

KMART CORPORATION

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STATE OF NEW YORK WORKER'S
COMPENSATION BOARD

By Nancy Hershey Lord
Nancy Hershey Lord
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ORDER

IT IS SO ORDERED.

[Signature]
United States Bankruptcy Judge
1.6.09

State of New York
WORKERS' COMPENSATION BOARD

AGREEMENT FOR PAYMENT OF WORKERS' COMPENSATION LIABILITY

WHEREAS, Sears Holdings Corporation (hereinafter called the Undersigned), has good and sufficient reason for executing this Agreement; and

WHEREAS, Kmart Corporation and all subsidiaries self-insured in the State of New York (hereinafter called Self-Insurers), were self-insured pursuant to Section 50, subdivision 3 of the New York Workers' Compensation Law, during the period from April 24, 1934 to March 19, 2002.

NOW, THEREFORE, it is understood and agreed that:

1. In consideration of the Chair of the Workers' Compensation Board having granted permission to self-insure to said Self-Insurers for the period specified above, the Undersigned agrees to be jointly and severally liable with the former Self-Insurers, for all liabilities and obligations of the Self-Insurers arising out of said period of self-insurance under the New York State Workers' Compensation Law. These liabilities include, but are not limited to, the payment of workers' compensation benefits, medical and related expenses, penalties and assessments.

2. This agreement shall remain in full force and effect unless terminated in the manner hereinafter provided.

3. This agreement may be terminated at any time by the Undersigned, upon giving sixty (60) days written notice, to the Chair of the Workers' Compensation Board. Said notice must be sent by registered or certified mail, return receipt requested. At the expiration of sixty (60) days from receipt of said notice by the Chair, liability of the Undersigned for obligations of the self-insurer shall cease, for those accidental injuries and industrial exposures occurring during the self-insured period. The Undersigned continues to be jointly and severally liable with the self-insurers for liabilities and obligations of the self-insurers under the New York State Workers' Compensation Law, arising from accidents and exposures occurring prior to the effective date of termination.

4. The Undersigned is held and firmly bound for the payment of all legal costs incurred by the State of New York in any actions taken to enforce this agreement.

5. If the Undersigned has not filed with the New York Secretary of State to the extent required to entitle it to transact intrastate business in New York, it hereby agrees to submit itself to the jurisdiction of the New York Workers' Compensation Board and the New York courts for the purpose of enforcing the liabilities and obligations arising from this agreement and further hereby agrees that service of process may be effected on the Undersigned by sending notice to

by registered or certified mail, return receipt requested.

6. This Agreement shall be binding upon the Undersigned, its successors and assigns.

Dated: _____

(Name of Corporation)

(SEAL)

By: _____

(Signature of Officer)

In the presence of _____

(Title)

(Telephone Number)

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