

In the United States Bankruptcy Court
For the Northern District of Illinois
Eastern Division

Date May 22, 2009

Case Number: 02-2474

Case Name: Kmart

In re: Introduction

Kmart Corporation and certain of its direct and indirect subsidiaries, as debtors and debtors-in-possession in the above jointly administered Chapter 11 cases, hereby propose the following First Amended Joint Plan of Reorganization for the resolution of the outstanding claims against and interest in the Debtors. Capitalized terms used herein shall have the meanings ascribed to such terms in Article 1.B of this Plan.

The Debtors are the proponents of this Plan within the meaning of section 1129 of the Bankruptcy Code.

FILED
UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
JUN - 1 2009
KENNETH S. GARDNER, CLERK
PS REP. - MBM

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The direct and indirect subsidiaries incorporated outside of the United States have not commenced causes under Chapter 11 of the Bankruptcy Code. These subsidiaries continue to operate their businesses outside of bankruptcy.

This Plan contemplates the reorganization of the Debtors and the resolution of the outstanding Claims against and Interest in the Debtors pursuant to sections 1121(a) and 1123 of the Bankruptcy Code.

Under the Plan holders of Prepetition Lender Claims are entitled to receive in cash in an amount equal to 40 percent (40%) of the Allowed amount of the Prepetition Lender Claims utilizing cash to be contributed by two Plan Investors and from the Debtors. Under the Investment Agreement, the Plan Investors shall receive a portion of New Holding Company Common Stock in exchange for their cash investment. However, the Majority of the New Holding Company Common Stocks that the Plan Investors will receive will be in exchange for the Claims against the Debtors which they hold.

As a general matter, most other obligations owed to other unsecured creditors of the Debtors, including holders of Prepetition

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Note Claims and Trade Vendor/Lease Rejection Claims, will be converted into New Holding Company Common Stock. Existing holders of Kmart equity interest will not receive any distribution of New Holding Company Common Stock on account of their existing equity interest in Kmart. However, subject to the terms and conditions hereof, such holders are entitled to receive a distribution of a portion of the Trust Recoveries, if any, on account of the Trust Claims under the Plan. Similarly, holders of certain Trust Preferred Obligations also are entitled to share in a portion of such Trust Recoveries, if any, subject to the terms and condition of the Plan.

This Plan provides for the substantive consolidation of the Estates, but only for purposes of effectuating the settlements contemplated by and making distributions to holders of Claims under, this Plan and not for voting purposes. For such limited purposes, on the Effective Date, (a) all guaranties of any Debtor of the payment, performance, or collection of another Debtor with respect to any class of Claims or Interest shall be deemed eliminated and cancelled; (b) any obligation of any Debtor and all guaranties with respect to any class of Claims

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or Interest executed by one or more of the other Debtors and any joint or several liability of any of the Debtors shall be treated as a single obligation, and any obligation of two or more Debtors, and all multiple Impaired Claims against Debtors on account of such joint obligations, shall be treated and Allowed only as a single Claim against the Consolidated Debtors, and (c) each Claim filed in the Chapter 11 Cases of any Debtor shall be deemed filed against the Consolidated Debtors and shall be deemed a Claim against and an obligation of the Consolidated Debtors.

Except as set forth in this Plan, such substantive Consolidation will not (other than for purposes related to this Plan) (a) affect the legal and Corporate structures of the Debtors or Reorganized Debtors, subject to the right of the Debtors or Reorganized Debtors to effect the Restructuring Transactions contemplated by this Plan, (b) cause any debtor to be liable for any Claim or Interest under this Plan for which it otherwise is not liable, and the liability of any debtor for any such Claim or Interest will not be affected by such substantive Consolidation, (c) except as otherwise stated in this Plan, affect Intercompany Claims

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of Debtors against Debtors, and (d) affect Interest in the Affiliate Debtors except as otherwise may be required in connection with Restructuring Transactions contemplated by this Plan. Notwithstanding anything herein to the contrary, the Debtors may elect in their sole and absolute discretion, at any time through and until the Effective Date, to substantively consolidate the Estate for additional purposes, including for voting purposes; provided however that such further substantive consolidation does not alter the treatment of the Petition Lenders, holders of Petition Note Claims, or holders of Trade Vendor/Lease Rejection Claims as called for by this Plan as filed on February 25, 2003, and; provided, further, that nothing herein shall impair the Plan Investors right under the Investment Agreement. Should the Debtors make such election, The Debtors will not, nor will they be required to resolicit votes with respect to the Plan.

I hereby certify that on 5-29-2009
Introduction a True Copy was
sent to The United States Bankruptcy
Court, Northern District of Illinois
at 219 South Dearborn Street
Chicago, Illinois 60604

and

Mr. William J. Barrett, Barack
Ferrazzana, Kirchbaum, and
Nagelberg LLP at 200 West
Madison Street Suite 3900
Chicago, Illinois 60606

Theresa Bartlett

Copy of The
Confirmation Order

May 4 - 09

In the United States Bankruptcy Court
For the Northern District of Illinois
Eastern Division

In re: Kmart Corporation et al., Debtors
Case No. 02-802474 Confirmation Order
Claimants: Jointly Administrated Chapter 11 Cases,
Honorable Susan Pierson Sonderby

Notice Regarding (A) Entry of Order Confirming
The First Amended Joint Plan of Reorganization
of Kmart Corporation and its Affiliated Debtors
and Debtors-In-Possession, (B) Recurrence of
Effective Date and (C) Notice of Administrative
Bar Date.

1. Confirmation of the Plan. On April
23, 2003, the United States Bankruptcy Court
for the Northern District of Illinois, Eastern Division
(the "Bankruptcy Court") entered an order the
(Confirmation Order) confirming the First Amended
Joint Plan of Reorganization of Kmart Corporation
and Its Affiliated Debtors and Debtors-in-
Possession, as modified, dated February 25, 2003
(the "Plan"), in the Chapter 11 Cases of the
Above-captioned Debtors and Debtors in
Possession (collectively, the "Debtors"). Unless
otherwise defined in this Notice, Capital
Terms and Phrases used herein have the

meanings given to them in the Plan and the Confirmation Order.

2. Discharge of Claims and Termination of Interest. Pursuant to section 1141 (d) of the bankruptcy Code, except as otherwise specifically provided in the Plan or in the Confirmation Order, the distributions and rights that are provided in the Plan shall be in complete satisfaction, discharge and release effective as of the Confirmation Date (but subject to the occurrence of the Effective Date) of claims and causes of action, whether known or unknown, against, liabilities of liens on, obligation of, rights against, and interest in the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan or account of such claims, rights, and interest, including but not limited to claims and interest that arose before the Confirmation Date any liability (including withdrawal liability) to the extent such claims relate to services performed by employees of the Debtor prior to the Petition Date and that arise from a termination of employment or a termination of any employee or retiree Benefit Program, regardless of whether such

such termination occurred prior to or after the Confirmation Date, and all Debts of the kind specified in section 502(g) 502(h) or 502(i) of the Bankruptcy Code, in each case whether or not (a) a proof of claim or interest based upon such claim, debt, right, or interest is filed or deemed filed under section 501 of the Bankruptcy Code, (b) a claim or interest based upon such claim, debt, right, or interest is allowed under section 502 of the Bankruptcy Code, or (c) the holder of such a claim, right or interest accepted the Plan. The Confirmation Order shall be a judicial determination of the discharge of all claims against and interest in the Debtors, subject to the Effective Date occurring.

3. Releases by Debtors and Debtors in Possession. Pursuant to section 1123(b)(3) of the Bankruptcy Code but subject to Article 12.10 of the Plan, Effective of the Effective Date, each Debtor, in its Individual Capacity and as Debtor-in-Possession for and on behalf of Its Estate, shall Release and Discharge and be Deemed to have Conclusively, Absolutely, Unconditionally, Irrevocably and Forever Released and Discharged All Released Parties for and from Any and All Claims or Causes of Action existing as of the Effective Date

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in any manner arising from, Based on, or Relating to, in Whole or in Part, the Debtors, the the Subject Matter of, or the Transactions or Events giving Rise to, any Claim or Interest that is treated in the Plan, the Business or Contractual Arrangements between the Debtors or any Released Party, the Restructuring of Claims and Interest prior to or in the Chapter 11 Cases, or any Act, Omission, Occurrence, or Event in any manner to Any Such Claims, Interest, Restructuring or the Chapter 11 Cases. The Reorganized Debtors, The Kmart Creditors Trust, and any Newly-Formed Entities that will be continuing the Debtors Businesses after the Effective Date shall be Bound, to the same Extent the Debtors are Bound, by All of the Releases set forth Above. Notwithstanding, the foregoing Nothing in the Plan shall be Deemed to Release Any of the Debtors or the Plan Investors or Their Affiliate from Their Obligations under the Investment Agreement or the Transaction Contemplated Thereby.

4. Releases by Holders of Claims and Interest. On the Effective Date (a)

each person that votes to accept this Plan; and (b) to the fullest extent permissible under applicable law, as such law may be extended or interpreted subsequent to the Effective Date, each Entity (other than a Debtor), that has Held, Holds or may Hold a Claim or Trust Preferred Obligation, in consideration for the Obligation of the Debtors and the Reorganized Debtors under this Plan and the Cash, New Holding Company Common Stock, and other Contracts, Instruments, Releases, Agreements or Documents to be Delivered in Connection with the Plan (each a Released Obligator), shall have Conclusively, Absolutely, Unconditionally, Irrevocable, and Forever, Released and Discharged Each Released Party from Any Claim or Cause of Action existing as of the Effective Date arising from, based on or relating to, in Whole or in Part, the Subject Matter of or the Transaction or Event giving rise to, the Claim or Trust Preferred Obligation of such Released Obligator, and Any Act, Omission, Occurrence of Event in any Matter related to such Subject Matter, Transaction or Obligation, provided, however, that (A) Article 12.5 of the Plan is Subject to and Limited by Article 12.10 of the Plan. (B) Article 12.5 of the Plan shall not Release Any Released Party from Any Cause of Action held by a Government Entity Existing as of the

Effective Date, Based on (i) the Internal Revenue Code or Other Domestic State, City or Municipal Tax Code (ii) the Environment Laws of the United States or any Domestic State, City or Municipality, (iii) any Criminal Law of the United States or Any Domestic State, City or Municipality (iv) The Exchange Act, the Security Act, or other Securities Laws of the United State or any Domestic State, City, or Municipality, (v) the Employee Retirement Income Security Act of 1974, as amended, or (vi) the Laws and Regulations of the Bureau of Customs and Border Protection of the United State Department of Homeland Security; (C) Article 12.5 of the Plan shall not Waive, Impair, or Release Any Released Party arising from a Trust Claim; and (D) Article 12.35 of the Plan shall not Waive, Impair, or Release Any Securities Action, Including Without Limitation, All Subordinated Securities Claims against Any Released Party, if Any.

5. Injunction. Subject to Article 12.10 of The Plan the Satisfaction, Release, and Discharge pursuant to Article XII of the Plan shall Act as an Injunction Against Any Person Commencing, or Continuing Any Action, Employment of Process or Act to Collect, Offset, or Recover

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Any Claim or Cause of Action Satisfied, Released or Discharged Under the Plan to the Fullest Extent Authorized or Provided by the Bankruptcy Code, Including Without Limitation, to the Extent Provided for or Authorized by section 524 and 1141 Thereof.

6. Executory Contracts and Unexpired Leases to be Rejected. Pursuant to Article 8-1 of the Plan, section 365 of the Bankruptcy Code and the Confirmation Order, the Debtors Rejected, as of the Effective Date: (A) each InterCompany Executory Contract or InterCompany Unexpired Lease that (i) has been Previously Rejected by the Debtors by Order of the Bankruptcy Court, (ii) is the Subject of a Motion to Reject Pending on or before the Effective Date, (iii) is Listed on the Schedule of Rejected Intercompany Executory Contracts and InterCompany Unexpired Lease on Plan Exhibit L-1, or (iv) is otherwise Rejected Pursuant to the Terms of the Plan; (B) Each Employee-Related Agreement that (i) Has not Been Previously Assumed by the Debtors by Order of the Bankruptcy Court, (ii) Is Not The Subject of a Motion to Assume Pending On or Before the Effective Date, (iii) Is Not Listed on the Schedule of Assumed Employee-

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Related Agreements on Plan Exhibit L-2, or (iv) Is Not Otherwise Assumed Pursuant to the Terms of This Plan; and (c) Each Other Executory Contract or Unexpired Lease that (i) Has Not Been Previously Assumed by the Debtors by Order of the Bankruptcy Court, (ii) IS Not the Subject of a Motion to Assume Pending On or Before the Effective Date, (iii) IS Not Listed on the Schedule of Assumed Other Executory Contracts or Unexpired Leases on Plan Exhibit L-3 or (iv) Is Not Otherwise Assumed Pursuant to the Terms of This Plan. Copies of such Plan Exhibits may be obtained at the requesting party's expense, upon written request, from the Debtors' Claims Agent, Trumbull Services Company LLC, P.O. Box 426, Windsor, CT 06095, attn. Kmart Corporation, et al. or from the official document service provider, Landmark Document Services, 308 West Randolph Street Suite 500, Chicago IL 60606. Tel. (312) 845-1000. Fax (312) 726-9027. If the contracts and/or leases to which you are a party are rejected and such rejection gives rise to any claims against the Debtors, you must file a proof of claim in accordance with the procedures set forth in section 7c below.

Bar Dates.

a. Except as otherwise provided below, unless previously filed, request for payment of Administrative Claims must be filed in substantially the form of the Administrative Claim Request Form Exhibit M with the Claims Agent and served on: (i) the undersigned Counsel to the Debtors at the address listed below; and (ii) Counsel to the Plan Trustees: Wachstall, Lipton, Rosen, and Katz, 51 West 52nd Street, New York, New York 10019, attn. Scott K. Charles, Esq. and Weil, Gotshalk and Manges, 767 Fifth Avenue, New York, NY 10153, attn. Eric L. Schondorf, no later than forty-five (45) days after the Effective Date. Any request for payment of an Administrative Claim pursuant to Article 10.4 of the Plan that is not timely filed and served shall be disallowed automatically without the need for any objection from the Debtors or Reorganized Debtors. The Debtors or the Reorganized Debtors may settle an Administrative Claim without further Bankruptcy Court approval, subject to review by the Post-Effective Date Committee. Unless the Debtors or the Reorganized Debtors object to an Administrative Claim by the Claims Interest Objection Deadline, such Administrative Claim shall be deemed allowed in the amount requested. In the event that the Debtors

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or the Reorganized Debtors object to an Administrative Claim, The Bankruptcy Court shall determine the allowed amount of such Administrative Claim.

b. All final request for payment of Professional Claims, Key Ordinary Course Professional Claims, and request for reimbursement of expenses of members of the Statutory Committees but be filed no later than the last day of the second full month after the Effective Date. After Notice and a hearing in accordance with the procedures established by the Bankruptcy Code and prior orders of the Bankruptcy Court, the allowed amounts of such Professional Claims, Key Ordinary Course Professional Claims, and expenses shall be determined by the Bankruptcy Court. Upon the Effective Date, any requirement that Professional or Key Ordinary Course Professionals comply with sections 327 through 331 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date will terminate, and the Reorganized Debtors will employ and pay Professionals and Key Ordinary Course Professionals in the ordinary course of business.

C. Any person who request Compensation or expense reimbursement for making a substantial Contribution in the Chapter 11 Cases pursuant to sections 503 (b) (3), (4), and (5) of the Bankruptcy Code must file an application with the clerk of the Bankruptcy Court on or before the forty-fifth (45th) day after the Effective Date (the "503 Deadline"), and serve such application on: (i) Counsel to the Official Unsecured Creditors Committee: Otterbourg, Steindler, Houston, and Rosen P.C. 236 Park Avenue, New York, New York 10169, attn: Glen B Rice, Esq. and Scott L Hazen, Esq. and Winston and Strawn, 35 West Wacker Drive Chicago Illinois 60601. 9703, attn. Matthew J. Botica, Esq.; (ii) Counsel to the Official Institutions' Committee: Jones Day, Reavis & Pogue, 901 Lakeside Avenue, Cleveland, Ohio 44144-1190, attn: Richard M. Cieri, Esq. and Jones, Day, Reavis and Pogue, 77 West Wacker Drive, Chicago Illinois 60601-1692. Attn: Paul E Harner, Esq.; (iv) Counsel to the Official Committee of Equityholders: Goldenberg, Kohn, Bell, Black, Rosenbloom & Moritz, Ltd, 55 East Monroe Street, suit 3700 Chicago Illinois 60603, Attn: Randall L. Klein, Esq. and (v) Counsel to the Plan Investors: Walcott, Lipton,

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Rosen & Katz 51 West 52nd Street,
New York, New York 10019, attn: Scott K
Charles, Esq. and Weil, Gotshal, & Manges,
767 Fifth Avenue, New York NY 10153,
attn: Eric L. Schondorf and as otherwise
required by the Bankruptcy Court and
the Bankruptcy Code on or before 503
Deadline, or be forever barred from
seeking such compensation or expense
reimbursement.

d. Notwithstanding the foregoing, no
request for payment of an Administrative
Claim need be filed with respect to an
Administrative Claim arising in the
ordinary course of business as a
result of retail merchandise or service
provided by trade vendors or service
providers which is paid or payable by
the Debtors in the ordinary course
of business.

e. Bar Date for Proofs of Claim.
If the rejection by the Debtors (pursuant
to the Plan or otherwise) of an Intercompany
Executory Contract, Intercompany Unexpired
Lease, Employee-Related Agreement, or Other

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attn: Eric I. Schondorf within ^{thirty} (30) days
after service of the letter of (a) Notice
of Confirmation Order or (b) other Notice
that the executory contract or
unexpired lease has been rejected.

8. Effective Date. On _____ 2003
The Effective Date of the Plan occurred

9. Administrative Bar Date. Pursuant
to 7(a) of this Notice and Article 10.4
of the Plan, all requests for payment
of Administrative Claims must be filed
with the bankruptcy Court and serve
on Counsel for the Reorganized Debtors
no later than June _____ 2003.

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Copy of Confirmation Order

I Certify that a true Copy was sent to and the Copy is Confirmation Order on 5-29-09 to the United States Bankruptcy Court, Northern District of Illinois, Eastern Division at 219 South Dearborn Street Chicago, Illinois 60604

and

Mr. William T Barrett, Barack Ferrazzano, Kirschbaum, and Negelberg, LLP at 200 West Madison Street, Suite 3900 Chicago Illinois 60606

Heese Barrett