

Exhibit A

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**KMART CORPORATION DEFERRED COMPENSATION
AND RESTORATION PLAN TRUST AGREEMENT**

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**KMART CORPORATION DEFERRED COMPENSATION
AND RESTORATION PLAN TRUST AGREEMENT**

This Agreement made this day of February, 1998 by and between Kmart Corporation ("Company") and Boston Safe Deposit and Trust Company ("Trustee").

WHEREAS, Company has adopted the Kmart Corporation 1998 Management Deferred Compensation and Restoration Plan (the "Plan");

WHEREAS, Company has incurred or expects to incur liability under the terms of such Plan with respect to the individuals participating in such Plan (individually a "Participant" and collectively the "Participants");

WHEREAS, Company wishes to establish a trust (the "Trust") and to contribute to the Trust the assets that shall be held therein, subject to the claims of Company's creditors in the event of Company's insolvency, as herein defined, until paid to Participants and their beneficiaries in such manner and at such times as specified in the Plan;

WHEREAS, it is the intention of the parties that this Trust shall constitute an unfunded arrangement and shall not affect the status of the Plan as an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"); and

WHEREAS, it is the intention of Company to make contributions to the Trust to provide a source of funds to assist in the meeting of the Company's liabilities under the Plan;

NOW THEREFORE, the parties do hereby establish the Trust and agree that the Trust shall be comprised, held and disposed of as follows.

Section 1. Establishment of Trust.

(a) Company hereby establishes the Trust with Trustee, consisting of such sums of money and other property acceptable to Trustee as from time to time shall be paid and delivered to and accepted by Trustee from Company. Trustee shall have no duty or responsibility with respect to the determination of amounts to be paid by the Company to the Trust or the collection of amounts from the Company. Trustee shall have no responsibility for any property until it is received by Trustee. All such money and other property paid or delivered to Trustee shall become the principal of the Trust to be held, administered and disposed of by Trustee as provided in this Trust Agreement. Notwithstanding anything in this Agreement, Trustee reserves the right not to accept any property delivered by Company if Trustee in its discretion determines that it is not reasonably feasible for Trustee to hold such property or that the holding of such property will substantially increase its risk of liability. Trustee shall provide Company with reasonably prompt notice of any such determination.

(b) The Trust hereby established is irrevocable.

(c) The Trust is intended to be a grantor trust, of which Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended, and shall be construed accordingly. Company represents that the Plan for which benefits are or may become payable under this Trust is not subject to Part 4 of Title I of ERISA.

(d) The principal of the Trust, and any earnings thereon shall be held separate and apart from other funds of Company and shall be used exclusively for the uses and purposes of the Participants and general creditors as herein set forth. The Participants and their beneficiaries shall have no preferred claim on, or any beneficial ownership interest in, any assets of the Trust. Any rights created under the Plan and this Trust Agreement shall be mere unsecured contractual rights of the Participants and their beneficiaries against Company. Any assets held by the Trust will be subject to the claims of Company's general creditors under federal and state law in the event of insolvency, as defined in Section 3(a) herein.

(e) Company, in its sole discretion, may at any time, or from time to time, make additional deposits of cash or other property in trust with Trustee to augment the principal to be held, administered and disposed of by Trustee as provided in this Trust Agreement. Neither Trustee nor any Participant or beneficiary shall have any right to compel such additional deposits.

Section 2. Payments to Participants and Their Beneficiaries.

(a) Company or a Third Party Administrator appointed by Company ("TPA") shall deliver to Trustee a schedule (the "Payment Schedule") that indicates the amounts payable in respect of each Participant (and his or her beneficiaries) or that provides a formula or other information or instructions reasonably acceptable to Trustee for determining the amounts so payable, the form in which such amount is to be paid (as provided for or available under the Plan), and the time of commencement for payment of such amounts. Except as otherwise provided herein, Trustee shall make payments to the Participants and their beneficiaries in accordance with such Payment Schedule. On Company's behalf, Trustee shall make provision for the reporting and withholding of any federal, state or local taxes that may be required to be withheld with respect to the payment of amounts hereunder to Participants or their beneficiaries and shall pay amounts withheld to the appropriate taxing authorities or determine (based on information provided to Trustee by Company) that such amounts have been reported, withheld and paid by Company.

(b) The entitlement of a Participant or his or her beneficiaries to benefits under the Plan shall be determined as provided in the Plan, and any claim for such benefits shall be considered and reviewed under the Plan's claims procedures. Upon receiving notification from Company or TPA, including the Payment Schedule contemplated by Section 2(a), that a

Participant or beneficiary has become entitled to benefits, Trustee shall pay such benefits in accordance with the such Payment Schedule.

(c) Company may make payment of benefits directly to the Participants or their beneficiaries as they become due under the terms of the Plan. Company shall notify Trustee of its decision to make payment of benefits directly prior to the time amounts are payable to Participants or their beneficiaries. Upon Company's submission of documentation to Trustee that Company has made any such direct payments, Trustee shall credit a like amount of Trust assets to a bank account designated by Company or shall return such amount to Company, as directed by Company. Also, upon notification by Company that Plan benefits of a Participant or beneficiary have been forfeited in whole or in part or that Company is unable (after diligent inquiry) to locate a Participant or beneficiary who is entitled to benefits, Trustee shall credit to a bank account designated by Company or return to Company, in accordance with Company's directions, an amount from Trust assets corresponding to the forfeited amount or the benefit amount, as the case may be. In addition, if the principal of the Trust, and any earnings thereon, are not sufficient to make payments of benefits in accordance with the terms of the Plan, Company shall promptly make up the balance of each such payment as it falls due. Trustee shall notify Company when principal and earnings are not sufficient.

(d) Notwithstanding the other provisions of this Agreement, the following rules shall apply after a Change in Control (as defined in Section 17(e)). If Company or the TPA does not provide the requisite information regarding a Plan participant's or beneficiary's entitlement to benefit payments within thirty (30) days following the Plan participant's or beneficiary's entitlement to benefits, or if the Plan participant and Company (or TPA) do not agree as to the time and amount of benefit payments that are to commence following a Change in Control, Trustee may rely upon information provided to Trustee by Plan participant (or the beneficiary of a deceased Plan participant). In such case, Trustee may make distributions to Plan participant (or the beneficiary of a deceased Plan participant) based upon information provided by such individual to the extent such information is consistent with the Payment Schedule provided by the Employer to the Trustee as of the date of such Change in Control.

Section 3. Trustee Responsibility Regarding Payments to Trust Beneficiary if Company is Insolvent.

(a) Trustee shall cease payment of benefits to the Participants and their beneficiaries if the Company is Insolvent. Company shall be considered "Insolvent" for purposes of this Trust Agreement if (i) Company is unable to pay its debts as they become due, or (ii) Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

(b) At all times during the continuance of this Trust, as provided in Section 1(d) hereof, the principal and income of the Trust shall be subject to claims of general creditors of Company under federal and state law as set forth below.

(1) The Chief Financial Officer of Company (or his/her delegate) shall have the duty to inform Trustee in writing of Company's Insolvency as soon as reasonably possible, consistent with Company's obligations under the securities laws. If a person claiming to be a creditor of Company alleges in writing to Trustee that Company has become Insolvent, Trustee shall determine whether Company is Insolvent and, pending such determination, Trustee shall discontinue payment of benefits to the Participants or their beneficiaries.

(2) Unless Trustee has actual knowledge of Company's Insolvency, or has received notice from Company or a person claiming to be a creditor alleging that Company is Insolvent, Trustee shall have no duty to inquire whether Company is Insolvent. Trustee may from time to time request from Company a certification as to whether the Company is Insolvent and the Company shall respond promptly to any such request. Company's failure to respond promptly to such a request shall be deemed to be a certification that Company is not Insolvent (until a contrary certification is received by Trustee from Company). Trustee may in all events rely on such evidence concerning Company's solvency as may be furnished to Trustee and that provides Trustee with a reasonable basis for making a determination concerning Company's solvency.

(3) If at any time Trustee has determined that Company is Insolvent, Trustee shall discontinue payments to the Participants or their beneficiaries and shall hold the assets of the Trust for the benefit of Company's general creditors. Nothing in this Trust Agreement shall in any way diminish any rights of the Participants or their beneficiaries to pursue their rights as general creditors of Company with respect to benefits due under the Plan or otherwise.

(4) Trustee shall resume the payment of benefits to the Participants or their beneficiaries in accordance with Section 2 of this Trust Agreement only after Trustee has determined that Company is not Insolvent (or is no longer Insolvent).

(c) Provided that there are sufficient assets, if Trustee discontinues the payment of benefits from the Trust pursuant to Section 3(b) hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due to the Participants or their beneficiaries under the terms of the Plan as certified to Trustee by Company for the period of such discontinuance, less the aggregate amount of any payments made to the Participants or their beneficiaries by Company in lieu of the payments provided for hereunder during any such period of discontinuance.

Section 4. Payments to Company.

Except as provided in Section 2 or Section 3 hereof, Company shall have no right or power to direct Trustee to return to Company or to divert to others any of the Trust assets before all payment of benefits have been made to the Participants and their beneficiaries pursuant to the terms of the Plan.

Section 5. Investment and Administrative Authority.

The Trustee shall have the power:

(1) Pursuant to the direction of Company or an investment manager appointed by Company, to invest and reinvest the principal and income of the Trust and keep invested, without distinction between principal and income, in any Property or securities, including stock (or rights to acquire stock) or obligations issued by Company. Absent such direction, Trustee shall invest in a principal-safe money market fund or bank deposit account which is credited with interest at current market rates. In connection with investment in Company stock, (i) there shall be no duty to sell any portion of the Trust assets invested in Company stock for the purpose of establishing a mixed, balanced or diversified portfolio of investments, and (ii) Trustee shall exercise voting or other rights (for example, tender rights) inuring to the benefits of Company stock held in the Trust in accordance with the directions of the Company. All rights associated with assets of the Trust shall be exercised by Trustee or the person designated by Trustee, and shall in no event be exercisable by or rest with the Participants, except that voting rights and dividend rights with respect to Trust assets will be exercised by Company. Company shall have the right at anytime, and from time to time in its sole discretion, to substitute assets of equal fair market value for any asset held by the Trust. This right is exercisable by Company in a nonfiduciary capacity without the approval or consent of any person in a fiduciary capacity. In no event shall the Trust invest in real estate. "Property," as used herein, shall not include any direct or indirect interest in real estate. For this purpose, "real estate" includes, but is not limited to, real property, mortgages, leaseholds, mineral interests, and any form of asset which is secured by any of the foregoing, but does not include beneficial interests in real estate investment trusts (REITs) or freely traded interests in mortgage pools, pool certificates, federal agency certificates, real estate mortgage investment conduits (REMICs) and similar securitized investment vehicles.

(2) To collect and receive any and all money and other property due to the Trust and to give full discharge therefor;

(3) Pursuant to the direction of Company or an investment manager appointed by Company, to purchase, enter, sell, hold, and generally deal in any manner in and with contracts for the immediate or future delivery of financial instruments of any issuer or of any other property; to grant, purchase, sell, exercise, permit to expire, permit to be held in escrow, and otherwise to acquire, dispose of, hold and generally deal in any manner with and in all forms of options in any combination;

(4) With the Company's consent, to settle, compromise or submit to arbitration any claims, debt or damages due or owing to or from the Trust; to commence or defend suits or legal proceedings to protect any interest of the Trust; and to represent the Trust in all suits or legal proceedings in any court or before any other body or tribunal; and

(5) To take all action necessary to pay for authorized transactions, including borrowing or raising monies from any lender, including Trustee, in its corporate capacity in conjunction with its duties under this Agreement and upon such reasonable and prudent terms and conditions as Trustee may deem advisable to settle security purchases and securing the repayments thereof by pledging all or any part of the Trust. Trustee shall be entitled to collect from the Trust sufficient cash for reimbursement, and if such cash is insufficient, dispose of the assets of the Account to the extent necessary to obtain reimbursement;

(6) With reasonable notice to the Company, to appoint custodians, subcustodians or subtrustees (including affiliates of Trustee), as to part or all of the Trust; provided, however, that Trustee shall not be responsible or liable for any losses or damages suffered by the Trust arising as a result of the insolvency of any subcustodian, except to the extent Trustee was negligent in its selection or continued retention of such subcustodian; and provided further that the custodial fees payable to such custodians, subcustodians or subtrustees shall not be charged to Company or the Trust without the Company's consent. In no event shall Trustee be liable for the acts or omissions of any subcustodian appointed pursuant to the direction of Company or an investment manager.

(7) To hold property in nominee name, in bearer form, or in book entry form, in a clearinghouse corporation or in a depository (including an affiliate of Trustee), so long as Trustee's records clearly indicate that the assets held are a part of the Trust; provided, however, that Trustee shall not be responsible for any losses resulting from the deposit or maintenance of securities or other property (in accordance with market practice, custom, or regulation) with any recognized domestic clearing facility, book-entry system, centralized custodial depository, or similar organization.

(8) Generally to do all acts, whether or not expressly authorized, which Trustee may reasonably deem necessary or desirable for the protection of the Trust.

Notwithstanding anything to the contrary contained in this Trust Agreement, in the event of a Change in Control as defined in Section 17(e), Trustee shall have and exercise investment discretion with respect to all assets of the Trust.

Notwithstanding anything to the contrary contained in this Agreement, assets of the Trust may be invested only in domestic, United States securities (including shares of registered investment companies established and maintained in the United States), securities which may be registered with Depository Trust Company, insurance products issued within the United States, or in deposits with banks within the United States (including the Trustee or any of its affiliates).

Section 6. Disposition of Income.

During the term of this Trust, all income received by the Trust, net of expenses, taxes,

and benefit distributions and other payments made from the Trust authorized under this Agreement, shall be accumulated and reinvested.

Section 7. Accounting by Trustee.

Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be made, including such specific records as shall be agreed upon in writing between Company and Trustee, any or all of which shall be subject to audit by Company or its accountants or other agents during regular business hours upon reasonable advance notice to Trustee. Within 90 days following the close of each calendar year and within 90 days after the removal or resignation of Trustee, Trustee shall deliver to Company a written account of its administration of the Trust during such year or during the period from the close of the last preceding year to the date of such removal or resignation, setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of such year or as of the date of such removal or resignation, as the case may be.

Section 8. Responsibility of Trustee.

(a) Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, provided, however, that Trustee shall incur no liability to any person for any action taken pursuant to a direction, request or approval given by Company which is contemplated by, and in conformity with, the terms of the Plan (as certified to the Trustee by Company) or this Trust and is given in writing by Company. In the event of a dispute between Company and a party, Trustee may apply to a court of competent jurisdiction to resolve the dispute, provided that nothing in this subsection (a) shall be interpreted as relieving any Participant or beneficiary from the obligation to exhaust available administrative remedies under the Plan. Company agrees to indemnify Trustee against Trustee's reasonable costs, expenses and liabilities (including, without limitation, attorneys' fees and expenses) which Trustee may sustain by reason of carrying out its duties and obligations in accordance with this Agreement, including but not limited to acting in accordance with any directions of Company and any investment manager or trustee other than this Trustee, excluding however any costs, expenses or liabilities attributable to Trustee Breach (as defined below). In any case in which the indemnification provided under the preceding sentence is held to be unavailable for any reason, Company and Trustee shall contribute to the losses and expenses that would otherwise be subject to the indemnification in the following proportions: Trustee shall contribute one-tenth of one percent (.01%) of such losses and expenses and Company shall contribute the balance thereof. Further, Trustee agrees to indemnify Company against Company's reasonable costs, expenses and liabilities (including, without limitation, attorneys' fees and expenses) which Company may sustain, to the extent they are attributable to Trustee Breach. For purposes of this Trust

Agreement, the term "Trustee Breach" means Trustee's negligence, bad faith, wilful misconduct, or other breach of this Agreement.

(b) If Trustee (i) undertakes or defends any litigation (or governmental administrative proceedings, or arbitration, or similar dispute resolution proceedings) arising in connection with this Trust, or (ii) responds to any subpoena, discovery request, or similar disclosure obligation under law (or in connection with any arbitration or similar dispute resolution proceeding directly involving the Trust), or to any judicial or governmental order, assessment, inquiry, audit, investigation, or similar communication relating specifically to the Trust, or (iii) consults with counsel with respect to its duties and obligations under the Trust with regard to any of the foregoing, or consults with counsel with regard to any direction or inquiry by the TPA, the Company, or any claim or inquiry by or on behalf of any Participant, beneficiary, or other claimant under the Plan, or any other person (including, without limitation, any person alleging to be a creditor of the Company or of the Trust, or a trustee or other person acting in connection with bankruptcy or similar proceedings) claiming or asserting or inquiring as to an interest in the Plan or Trust or rights against the Plan or Trust (whether payment therefrom or otherwise), or claiming or asserting or inquiring as to rights against Trustee in its capacity as such, or questioning the permissibility, validity, or sufficiency of any actions or omissions (or alleged actions or omissions) with respect to the Plan or Trust, under applicable law, or (iv) consults with counsel regarding changes in the law or facts (including, without limitation, changes (or proposed changes) to the Plan or Trust Agreement) which may directly affect Trustee's responsibilities or liabilities in connection with the Plan or Trust under applicable law, or regarding any matters similar to the foregoing which relate directly to the to the Trustee's obligations hereunder and Trustee incurs liabilities or reasonable costs or expenses (including reasonable attorneys' fees) in connection with any of the activities described in the foregoing clauses (i) through (iv) and such liabilities, costs, or expenses are not the result of Trustee Breach, and Company does not pay for such liabilities, costs, or expenses in a reasonably timely manner, then Trustee may pay such liabilities, costs, or expenses from the Trust (or reimburse itself from the Trust for such liabilities, costs, or expenses). This subsection (b) shall not permit charging the Company or the Trust for expenses or costs associated with legal or other matters that pertain to rabbi trusts generally unless the Company agrees in advance to bear all or a part of such costs or expenses or unless the Trustee is required under the circumstances to take action specifically with regard to the Trust as a result of such matters.

(c) Trustee may consult with legal counsel (who may also be counsel for Company generally) with respect to any of its duties or obligations hereunder; provided that Trustee shall charge the costs of such consultation to the Trust only if permitted to do so under Section 8(b) or if the Company otherwise consents.

(d) Trustee may hire agents, accountants, actuaries, investment advisors, financial consultants or other professionals to assist it in performing any of its duties or obligations hereunder; provided, however, that the Trustee shall charge the costs of engaging such persons to the Trust only if permitted to do so under Section 8(b) or if the Company otherwise

consents.

(e) Trustee shall have, without exclusion, all powers necessary or appropriate to carrying out the purposes of the Trust, as conferred on trustees by applicable law, unless expressly provided otherwise herein. However, if an insurance policy is held as an asset of the Trust, Trustee shall have no power to name a beneficiary of the policy other than the Trust, to assign the policy (as distinct from conversion of the policy to a different form) other than to a successor Trustee, or to loan to any person the proceeds of any borrowing against such policy.

(f) However, notwithstanding the provisions of Section 8(e) above, Trustee may loan to Company the proceeds of any borrowing against an insurance policy held as an asset of the Trust.

(g) Notwithstanding any powers granted to Trustee pursuant to this Trust Agreement or to applicable law, Trustee shall not have any power that could result in this Trust being treated as a joint enterprise for conduct of business for profit, within the meaning of Section 301.7701-4 of the Procedure and Administrative Regulations promulgated pursuant to the Internal Revenue Code.

(h) During and after the term of this Agreement, except as provided herein, Trustee shall not divulge, without the Company's consent, to any other person any details of the business or affairs of Company or any subsidiary (including, without limitation, financial information, compensation information, or details of Company's compensation or benefit plans, policies or arrangements) or any other information which is provided to Trustee, and which is identified as confidential, by Company (or TPA) during the term of, and in connection with, this Agreement. Notwithstanding the foregoing, Trustee may provide any such information to the extent lawfully required pursuant to subpoena, other legal process (or similar governmental disclosure order), or discovery request if (i) Trustee shall have notified the Company, reasonably promptly under applicable circumstances, of such subpoena, other legal process (or similar governmental disclosure order), or discovery request and shall have fully cooperated with the reasonable requests of the Company in seeking to enjoin, stay, quash or otherwise dispose of (or satisfy) such subpoena, other legal process (or similar governmental disclosure order), or discovery request and (ii) Trustee shall not have provided any such information pursuant to such subpoena, other legal process (or similar governmental disclosure order), or discovery request until the latest time permitted for the provision thereof under the applicable statute, regulation or rule of procedure without penalty or sanction. Company shall indemnify and hold harmless Trustee from liabilities, costs, and expenses (including attorneys' fees) incurred by Trustee in opposing disclosure of information in accordance with this section. This section shall not restrict Trustee from providing information to Trustee's counsel. Further, this section shall not restrict Trustee from disclosing relevant information in any action brought by Trustee in an action to enforce its rights and protections under this Agreement.

Section 9. Settlement.

(a) Settlements of transactions may be effected in trading and processing practices customary in the jurisdiction or market where the transaction occurs. Company acknowledges that this may, in certain circumstances, require the delivery of cash or securities (or other property) without the concurrent receipt of securities (or other property) or cash. In such circumstances, Trustee shall have no responsibility for nonreceipt of payment (or late payment) or nondelivery of securities or other property (or late delivery) by the counterparty, provided Trustee has acted with reasonable diligence and reasonable care under the circumstances.

(b) Contractual Income. Trustee shall credit the Trust Fund with income and maturity proceeds (net of any taxes) on securities on contractual payment date or upon actual receipt as agreed between Trustee and Company. To the extent Company and Trustee have agreed to credit income on contractual payment date, Trustee may reverse such accounting entries with back value to the contractual payment date if Trustee reasonably believes that such amount will not be received by it within a reasonable time.

(c) Contractual Settlement. Trustee will attend to the settlement of securities transactions on the basis of either contractual settlement day accounting or actual settlement day accounting as agreed between Company and Trustee. To the extent Company and Trustee have agreed to settle certain securities transactions on the basis of contractual settlement date accounting, Trustee may reverse with back value to the contractual settlement day any entry relating to such contractual settlement where the related transactions remain unsettled but in no event later than two weeks following contractual settlement date.

Section 10. Force Majeure.

Notwithstanding anything in this Agreement to the contrary, Trustee shall not be responsible or liable for any losses to the Trust resulting from any event beyond the reasonable control of Trustee, its agents or subcustodians, including but not limited to nationalization, strikes, expropriation, devaluation, seizure, or similar action by any governmental authority, de facto or de jure; or enactment, promulgation, imposition or enforcement by any such governmental authority of currency restrictions, exchange controls, levies or other charges affecting the Trust's property; or the breakdown, failure or malfunction of any utilities or telecommunications systems; or any order or regulation of any banking or securities industry including changes in market rules and market conditions affecting the execution or settlement of transactions; or acts of war, terrorism, insurrection or revolution; or acts of God; or any other similar or third-party event, unless (as to any of the foregoing) Trustee or its agents had advance notice of such event and could have taken reasonable steps (or advised others to take steps) to avoid or mitigate such losses. beyond the control of the Trustee or its agents This Section shall survive the termination of this Trust Agreement.

Section 11. Compensation and Expenses of Trustee.

Company shall pay all reasonable administrative and Trustee's fees and expenses. If not so paid, the fees and expenses shall be paid from the Trust. In making payments to service

providers pursuant to directions of Company, Company acknowledges that Trustee is acting as a paying agent, and not as the payor, for tax information reporting and withholding purposes. Trustee shall be entitled to the fees listed on Schedule a attached hereto as reasonable compensation for the services rendered under this Trust Agreement. Company acknowledges that, as part of Trustee's compensation, Trustee may earn interest on balances, including disbursement balances and balances arising from purchase and sale transactions.

If Trustee advances cash or securities for any purpose of this Trust, or in the event that Trustee shall incur or be assessed taxes, interest, charges, expenses, assessments, or other liabilities in connection with the performance of this Agreement, except such as may arise from a Trustee Breach, any property at any time held for the Trust Fund under this Agreement shall be security therefor and Trustee shall be entitled to collect from the Trust Fund sufficient cash for reimbursement, and if such cash is insufficient, dispose of the assets of the Trust Fund held under this Agreement to the extent necessary to obtain reimbursement. To the extent Trustee advances funds to the Trust for disbursement or to effect the settlement of purchase transactions, Trustee shall be entitled to collect from the Trust Fund any amount equal to what would have been earned on the sums advanced (an amount approximating the "federal funds" interest rate).

Section 12. Resignation and Removal of Trustee.

(a) Trustee may resign at any time by written notice to Company, which shall be effective 60 days after receipt of such notice unless Company and Trustee agree otherwise.

(b) Trustee may be removed by Company on 60 days notice or upon shorter notice accepted by Trustee; provided that Company may remove Trustee without prior notice (i) if Trustee shall become bankrupt or enter into voluntary or forced liquidation, or (ii) if Trustee defaults in the due observance or performance of any material obligation under this Trust Agreement.

(c) Upon a Change of Control, as defined herein, Trustee may not be removed by Company for one year.

(d) If Trustee resigns within one year of a Change of Control, as defined herein, Trustee shall select a successor trustee in accordance with the provisions of Section 13(b) hereof prior to the effective date of Trustee's resignation.

(e) Upon resignation or removal of Trustee and appointment of a successor trustee, all assets shall subsequently be transferred to the successor trustee. The transfer shall be completed within 180 days after receipt of notice of resignation, removal or transfer, unless Company extends the time limit.

(f) If Trustee resigns or is removed, a successor shall be appointed, in accordance with Section 13 hereof, by the effective date of resignation or removal under paragraph(s) (a)

or (b) of this section. If no such appointment has been made, Trustee may apply to a court of competent jurisdiction for appointment of a successor or for instructions. Trustee shall continue to perform its duties under this Agreement until its successor has been duly appointed and has accepted such appointment. All reasonable expenses of Trustee in connection with the proceeding shall be allowed as administrative expenses of the Trust.

Section 13. Appointment of Successor.

(a) If Trustee resigns or is removed in accordance with Section 12(a) or (b) hereof, Company may appoint any third party, such as a bank trust department or other party that may be granted corporate trustee powers under state law, as a successor to replace Trustee upon resignation or removal. The appointment shall be effective when accepted in writing by the new trustee, who shall have all of the rights and powers of the former Trustee, including ownership rights in the Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by Company or the successor trustee to evidence the transfer.

(b) If Trustee resigns or is removed pursuant to the provisions of Section 12(d) hereof and selects a successor trustee, Trustee may appoint any third party such as a bank trust department or other party that may be granted corporate trustee powers under state law. The appointment of a successor trustee shall be effective when accepted in writing by the new trustee. The new trustee shall have all the rights and powers of the former Trustee, including ownership rights in Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by the successor trustee to evidence the transfer.

(c) The successor trustee shall carry out the duties of Trustee in accordance with this Agreement, but shall not be responsible for any claim or liability resulting from any action or inaction of any prior Trustee or any past event or condition existing at the time it becomes successor trustee.

Section 14. Amendment or Termination.

(a) This Trust Agreement may be amended by a written instrument executed by Trustee and Company. Notwithstanding the foregoing, no such amendment shall conflict with the terms of the Plan (as certified to the Trustee by Company) or shall make the Trust revocable.

(b) The Trust shall not terminate until the date on which the Participants and their beneficiaries are no longer entitled to benefits pursuant to the terms of the Plan unless sooner revoked in accordance with Section 1(b) hereof. Upon termination of the Trust any assets remaining in the Trust shall be returned to Company.

(c) Upon written approval of the Participants or beneficiaries entitled to payment of benefits pursuant to the terms of the Plan, Company may terminate this Trust prior to the time

all benefit payments under the Plan have been made. All assets in the Trust at termination shall be returned to Company.

(d) Notwithstanding any other provision in this Trust Agreement, this Trust Agreement may not be amended within one year of the occurrence of a Change of Control.

Section 15. Damages.

Under no circumstances shall Trustee be liable to any Plan Participant or beneficiary for any indirect, consequential, or special damages with respect to its role as Trustee.

Section 16. Representations.

Company and Trustee hereby each represent and warrant to the other that it has full authority to enter into this Agreement upon the terms and conditions hereof and that the individual executing this Agreement on their behalf has the requisite authority to bind Company or Trustee to this Agreement.

Section 17. Miscellaneous.

(a) Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.

(b) Notwithstanding anything to the contrary contained elsewhere in this Trust Agreement, any reference to the Plan or Plan provisions which require knowledge or interpretation of the Plan shall impose a duty upon Company to communicate such knowledge or interpretation to Trustee. Trustee shall have no obligation to know or interpret any portion of the Plan and shall in no way be liable for any proper action taken contrary to the Plan. Company (and not Trustee) shall be responsible for the compliance of the Plan, the Trust, and any investments thereunder with applicable regulatory requirements, including (without limitation) applicable federal and state securities laws requirements and shall provide to Trustee such assurances of compliance as the Trustee may reasonably request.

(c) This Trust Agreement shall be governed by and construed in accordance with the laws of New York.

(d) Company's duties and responsibilities under this Trust Agreement shall be performed by the Committee (as defined in the Plan) and with the establishment of the Trust the Company shall certify to the Trustee the identity of each member of the Committee. Notwithstanding the foregoing, (i) the Committee may delegate specific duties and responsibilities to one or more individuals, and may subsequently modify such delegation; and (ii) the Board (as defined in the Plan) may appoint or remove members of the Committee (as provided in the Plan) or withdraw authority from the Committee or from any other person(s), in whole or in part, and may either assume such authority itself or delegate it to one or more

individuals. Each of the foregoing actions by the Committee or the Board shall be promptly communicated by the Board or the Committee (as the case may be) to the Trustee in writing, and the Trustee may rely on such communication (and the delegation, or modification or withdrawal of delegation set forth therein) until the Trustee receives a superseding communication from the Board or Committee (as the case may be).

(e) For purposes of this Trust, "Change in Control" of Company is deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:

(i) The "beneficial ownership" of securities representing more than thirty-three percent (33%) of the combined voting power of Company is acquired by any "person" as defined in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (other than Company, any trustee or other fiduciary holding securities under an employee benefit plan of Company, or any corporation owned, directly or indirectly, by the stockholders of Company in substantially the same proportions as their ownership of stock of Company); or

(ii) The stockholders of Company approve a definitive agreement to merge or consolidate Company with or into another corporation or to sell or otherwise dispose of all or substantially all of its assets, or adopt a plan of liquidation; or

(iii) During any period of three consecutive years, individuals who at the beginning of such period were members of the Board cease for any reason to constitute at least a majority thereof (unless the election, or the nomination for election by Company's stockholders, of each new director was approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of such period or whose election or nomination was previously so approved).

Company shall furnish Trustee with written notice of the occurrence of a Change in Control.

Section 18. Effective Date.

The effective date of this Trust Agreement shall be the date first written above.

KMART CORPORATION

By: Michael J. Vobe
Title: VP + Treasurer
Date: 2/6/98

BOSTON SAFE DEPOSIT AND TRUST COMPANY

By: Gene C Spudakis
Title: Vice President
Date: 2/9/98

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