

Please A. Bartlette

P. O. Box 7095

St. Thomas, VI 00801

Case number: 02-02474

Case Name: Kmart

In re.: Article V Provision for Treatment of
Claims and Interests

(Trade Vendor/Lease Rejection Claims)

The treatment of Claims and Interest as provided in this Article V represents a compromise and full and final settlement pursuant to section 1123(b)(3) of the Bankruptcy Code and Bankruptcy Rule 9019, of the various Claims and Interest in the Chapter 11 Cases, including such Claims relating to guarantees by certain Affiliate Debtors of Kmart obligations under the Petition Credit Agreement and issues related to the substantive consolidation of the Debtors as contemplated by this Plan, but solely for the purpose of this Plan.

5.5 Class 5 (Trade Vendor/Lease Rejection Claims).

Except as otherwise provided in and subject to Article 9.8 of this Plan, commencing on the Distribution Date or first Periodic Distribution Date occurring after the latter of (i) the date a Trade Vendor/Lease Rejection Claim becomes an Allowed Trade Vendor/Lease Rejection Claim or (ii)

FILED
UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
JUN 12 2009
KENNETH S. GARDNER, CLERK
PS REP. - MBM

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The date a Trade Vendor/Lease Rejection Claim becomes payable pursuant to any agreement between the Debtors (or the Reorganized Debtors) and the holder of such Trade Vendor/Lease Rejection Claim, each Trade Vendor/Lease Rejection Claimholder shall receive, in full satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Trade Vendor/Lease Rejection Claim, (a) its Pro Rata share of the Trade Vendor/Lease Rejection Claimholder Shares, subject to dilution, with the amount of each Trade Vendor/Lease Rejection Claimholder Shares multiplied by a fraction, the numerator of which is equal to the amount of such Trade Vendor/Lease Rejection Claimholder's Allowed Trade Vendor/Lease Rejection Claims; and (b) its Pro Rata Share of the Trust Recoveries, if any, other than the rights to such Trust Recoveries to which holders of Subordinated Securities Claims and Existing Common Stock may be entitled pursuant to Article 5.10 and Article 5.11 of the Plan, with the amount of each Trade Vendor/Lease Rejection Claimholder's Pro Rata share equal to the total amount of such rights multiplied by a fraction, the numerator of which is equal to the amount of such Trade Vendor/Lease Rejection Claimholder's Allowed Trade Vendor/Lease Rejection Claim, and the denominator of which is equal to the sum of all Allowed Non Lender Claims, of such consideration representing a compromise

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and settlement, pursuant to section 1123(b)(3) of the Bankruptcy Code and Bankruptcy Rule 4019, of the Prepetition Lender Claims, including such Claims relating to guarantees by certain Affiliate Debtors of Kmart's obligations under the Prepetition Credit Agreements and issues related to the substantive Consolidation of the Debtors as contemplated by the Plan. The Debtors' failure to the Trade Vendor/Lease Rejection Claim in their Chapter 11 Cases shall be without prejudice to the Reorganized Debtors' right to contest or otherwise defend against such Claim in the Bankruptcy Court or other appropriate non-bankruptcy forum (at the option of the Debtors or the Reorganized Debtors) when and if such Claim is sought to be enforced by the Trade Vendor/Lease Rejection Claimholder. All distribution to holders of Trade Vendor/Lease Rejection Claims shall be made to the Disbursing Agent for immediate distribution to holders of Trade Vendor/Lease Rejection Claims pursuant to the Terms of the Plan.

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5.9 Class 9 (Intercompany Claims). On the Effective Date, at the option of the Debtors or the Reorganized Debtors in connection with the Restructuring Transactions contemplated by the Plan, the Intercompany Claims of any Debtor against any other Debtor, including, but not limited to, any Intercompany Claims arising as a result of rejection of an Intercompany Executory Contract or Intercompany Unexpired Lease, shall either be (a) Reinstated, in full or in part, or (b) cancelled and discharged, in full or in part, in which case such discharged and satisfied portion, shall be eliminated and the holders thereof shall not be entitled to, and shall not receive or retain, any property or interest in property on account of such portion under the Plan.

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5.1. (Secured Claims) Class 1.

Except as otherwise provided in and subject to Article 9.8 of this Plan, at the sole option of the Debtors or Reorganized Debtors, (i) the legal, equitable, and Contractual rights of each Allowed Secured Claimholder shall be Reinstated or (ii) each Allowed Secured Claimholder shall receive, in full satisfaction, settlement and release of, and in exchange for, its Allowed Secured Claims (A) Cash in the amount equal to the value of the Secured Claimholder's interest in the property of the Estate which constitute collateral for such Allowed Secured Claim, or (B) the property of the Estate which constitute collateral for such Allowed Secured Claim, or (C) such other treatment as to which the Debtors (or Reorganized Debtors) and the holder of such Allowed Secured Claim have agreed upon in writing provided that such treatment is not more favorable than the treatment in Clause (A) or clause (B) above. The Debtors or the Reorganized Debtors, as the case may be, shall determine which treatment of those set forth in the preceding sentence will be provided to each Allowed Secured Claim on the latter of (i) the Effective Date or (ii) ten days after the date such claim becomes an Allowed Secured Claim. The Reorganized Debtors shall provide Notice of the treatment to be provided to each holder of an Allowed Secured Claim as soon as practicable.

Class 1

5.1 Secured Claims

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after the latter of (x) the Effective Date or (y) ten after the date such Claimholder's claim becomes an Allowed Secured Claim. In the event the Debtors or Reorganized Debtors, as the case may be, fail to designate the treatment of an Allowed Secured Claim, the legal, equitable, and contractual rights of the Allowed Secured Claimholder with respect to such Allowed Secured Claim, shall be reinstated. The Debtors failure to object to such Secured Claims in the Chapter 11 cases shall be without prejudice to the Reorganized Debtors right to contest or otherwise defend against such claims in the Bankruptcy Court or other appropriate nonbankruptcy forum (at the option of the Debtors or the Reorganized Debtors) when and if such claims are sought to be enforced by the Secured Claimholder. Notwithstanding section 1141(C) or any other provision of the Bankruptcy Code, all valid, enforceable and perfected prepetition liens on property of the Debtors held by or on behalf of the Secured Claimholders with respect to such Claims shall survive the Effective Date and continue in accordance with the contractual terms of the underlying agreements with such Claimholders and/or applicable law until, as to each such Claimholder, the Allowed Secured Claims of such Secured Claimholder are satisfied in accordance with the provisions of this Article 5.1

I Certify that I sent in re. Articles
Provision for Treatment of Claims and
Interest on 6-10-2009 to the
United States Bankruptcy Court
Northern District of Illinois,
Eastern Division, 219 South Dearborn
Street, Chicago Illinois 60604

and

Mr. William Barrett Barack
Ferrozzone, Negulberg LLP
(and Kischbarm)

at 200 West Madison St.
Suite 3900, Chicago, IL 60606

Blase Bartlette