

Short-Term Disability Program (Full-time Hourly Associates)

TABLE OF CONTENTS

Short-Term Disability Program (Full-time Hourly)	6-1
How the Program Works	6-1
Eligibility	6-1
Benefit Amount and Duration	6-1
State Laws	6-2
Exclusions and Limitations	6-2
How STD Benefits are Paid	6-3
When Disability Benefits End	6-3
Waiver of Waiting Period	6-3
Alternate Assignments / Reduced Hours Schedules	6-3
Accidents at Another Company	6-3
Your Rights and Responsibilities	6-3
Direct Billing for Benefits Payments	6-4
How To File A Claim For Benefits	6-4
How To Appeal A Denied Claim For Benefits	6-4
Important Note	6-4
For More Information	6-4
Some Terms You Should Know	6-4

SHORT-TERM DISABILITY PROGRAM (FULL-TIME HOURLY)

The Sears Holdings Short-Term Disability Program (“STD Program”) is designed to help you cope with an off-the-job Illness or Injury, including pregnancy and childbirth, by providing benefits when you are unable to work. These benefits are provided at no cost to you. These benefits may be different for associates residing in states that have certain disability laws as explained below. The STD Program is administered by Life Insurance Company of North America (referred to as “Cigna” in this section).

An Illness covered by the STD Program is a non-work-related Illness, including for this purpose pregnancy and childbirth, that disables you to the extent you are unable to perform your regular duties.

An Injury covered by the STD Program is an Injury sustained in a non-work-related accident which disables you to the extent you are unable to perform your regular duties. This includes injuries resulting from employment with another company.

Note: Throughout this section of the Handbook, several terms are capitalized. Those terms are defined at the back of this section, under *Some Terms You Should Know*.

HOW THE PROGRAM WORKS

ELIGIBILITY

Eligibility for the STD Program is based on your employment status and your length of employment. The following hourly associates are eligible for the STD Program:

- Full-time hourly associates working for the Sears Holdings Corporation family of companies in a corporate Support Center at the following locations: Hoffman Estates, IL, Dallas, TX, Round Rock, TX, Seattle, WA, SHIPS Longwood, FL, San Francisco Apparel Office, San Jose, CA, Tucker, GA, and Troy, MI.

These associates are automatically covered by the STD Program after 90 days of continuous employment with the Company.

If your employment with the Company ends and you are rehired as a full-time associate within 90 days of your date of termination, your STD coverage will be reinstated effective the date of your full-time rehire, provided you were covered by the STD Program at the time of your termination. If you are re-employed as a full-time hourly associate within 90 days of your termination date, and you were not covered by the STD Program at the time of your termination (because you were still in a 90-day benefits eligibility period for STD benefits), you will not be covered by the STD Program until you complete 90 days of employment. In this case, your benefits eligibility period does not start over from your rehire date. Your previous service will be added to your current service to calculate the remaining days of your 90-day benefits eligibility period for STD benefits. If you are re-employed as a full-time hourly associate more than 90 days after your termination, the full 90-days benefits eligibility period will apply.

Benefits under this plan are payable beginning the fifteenth (15th) day you are off work if you are ill or injured and unable to work for more than fourteen (14) calendar days (the “Waiting Period”). You should call the Centralized Leave Management Team (CLMT) at 1-888-LEAVE90 (1-888-532-8390) regarding a leave

of absence and Cigna at 1-800-828-6352 to file your claim as soon as you think your absence for a disability may last longer than three (3) calendar days. Associates in Offshore units should contact their HR Representative for assistance with leaves of absence and STD benefits.

Your manager or HR representative has responsibility for managing alternate pay during the Waiting Period. During the Waiting Period, you may use accrued vacation, personal days or Paid Sick Time (where applicable) to receive pay.

Cigna will provide case management services during your absence and will advise you of the time period for which you are eligible for STD benefits based upon your medical condition and the objective medical documentation that Cigna receives from your Physician(s) that supports your Disability.

If you do not contact Cigna, STD benefits may not be paid. If you call and request a return phone call, a case manager from Cigna will confidentially discuss your Illness or Injury with you and advise you regarding what is needed to process your claim.

During the Waiting Period, your manager or HR Representative may request that you provide a written statement from your Physician to support the need for your absence.

You are responsible for making sure your Physician submits medical documentation to CLMT and Cigna that supports your inability to work. They will obtain your authorization and/or your Physician may have you sign a form allowing him/her to release your medical records, so be sure to ask your Physician about this when you see him/her.

A CLMT consultant and/or Cigna case manager may also work with your manager or HR Representative to look at ways you can return to work – perhaps with modified job duties. If it’s not possible for you to return to work after your STD benefits cease, your Cigna case manager can help you transition to the Sears Holdings Long-Term Disability Plan (“LTD Plan”) if you participate in the LTD plan, or to community services that can help you with your Illness or Injury.

BENEFIT AMOUNT AND DURATION

Once eligible, while you are Disabled for purposes of the STD Program, you may receive a percentage of your pay. The Maximum Benefit during any 52-week period, required service and the Waiting Period required prior to receiving these benefits are provided in the following table:

Continuous Service Eligibility Period	Waiting Period	Maximum Benefit During Any 52-Week Period
90 days	14 calendar days	50% for 20 weeks

- The Waiting Period consists of fourteen (14) calendar days, including holidays and weekends.
- The Waiting Period is unpaid, however, you may use accrued but unused vacation, personal days or paid sick time (where applicable) during the Waiting Period.
- At your request, STD benefits may be supplemented with accrued and unused vacation hours, personal days or paid sick time hours (as applicable) to bring your pay up to 100% of pay.

- The Waiting Period requires you to be off work for fourteen (14) calendar days. However, if you return to work for up to one full work day during the Waiting Period and go out again, and your absence is due to the same cause, you will not have to begin a new Waiting Period, but your waiting period will be extended by one (1) day. However if you return for less than one (1) day, that will still count as a full day out in your waiting period.
- You must be out for fourteen (14 continuous) calendar days prior to benefits being paid on an approved claim by Cigna. Paid benefits begin on the fifteenth (15th) day. Your waiting period will still be continuous if your return to work was for no more than one day.

Once 20 weeks of STD benefits are exhausted within any 52-week period, no additional STD benefits are payable for the six (6)-month period following the exhaustion of the payment of STD benefits. You must return to full-time work for six (6) or more consecutive months before you are again eligible to receive STD benefits for a covered Illness or Injury.

STD benefits are only payable if you are taking time off pursuant to an applicable Sears Holdings leave of absence approved by the CLMT, or if you are in an Offshore unit, the time off must be approved by your HR Representative for your Illness or Injury.

STATE LAWS

In states that have mandatory disability coverage laws, any applicable payroll deductions are made and benefits are paid in accordance with the applicable state law. In those states, benefits are different than described in this section. States with mandatory disability programs at the time the Handbook was issued include California, Hawaii, New Jersey, New York, Rhode Island and the Commonwealth of Puerto Rico. If you work in one of these locations, your manager, or HR representative can provide you with information regarding the specific state disability benefits. Associates who work in Commonwealth of Puerto Rico are paid STD and statutory disability benefits through payroll. Associates who work in Hawaii and New York are paid statutory disability benefits through Cigna and STD through payroll. All others must apply to the state or commonwealth for any statutory benefits.

The following information should help you determine if your state has a plan or a program for Disability payments. If you work in one of these locations, your manager or HR representative will provide you with information regarding the specific state disability benefits. Please note, however, that statutory disability amounts and agency information are subject to change. The Elimination Period and benefits payable in these states for statutory disability benefits are based on state law.

Associates who work in California must file for statutory disability benefits directly with the state and file for “topped up” STD benefits with Cigna as follows:

California

- You must file for statutory disability benefits directly with the state:
- State of California EDD State Disability Insurance
English: **1-800-480-3287**
Spanish: **1-866-658-8846**
Website: <http://www.edd.ca.gov/Disability/>
- You must file for “topped up” STD benefits with the Disability Claims Administrator: **Cigna 1-800-828-6352**

Associates who work in Rhode Island must file for statutory disability benefits directly with the state, as follows:

Rhode Island

- Disability Determination Services
1-401-462-8420
Website: <http://www.dlt.ri.gov/>

Associates who work in New Jersey must file for statutory disability benefits only with the Disability Claims Administrator as follows:

New Jersey

- Disability Claims Administrator: Cigna
1-800-828-6352

EXCLUSIONS AND LIMITATIONS

Except if otherwise required by state law, STD benefits are not paid for:

- Time off for doctor’s or dentist’s appointments if you are not Disabled.
- Time off for non-medically necessary cosmetic procedures.
- Conditions involving your remaining at home because of appearance or neglect of bodily hygiene.
- Illness/Injury resulting from the use of alcohol or drugs. (However, if you are receiving medical care and treatment for alcoholism or drug addiction, the absence is eligible for STD benefits while you are Disabled and unable to work.)
- Self-inflicted injuries or those that result from participation in riots, fights or other criminal acts.
- Emotional problems, nervousness or mental conditions, unless you are under the care of a Physician or supervision of a psychiatrist, or you are confined to a hospital or institution for treatment of such conditions.
- Work-related Injuries and Illnesses incurred during your assigned work with Sears Holdings.
- Situations where you or your Physician(s) refuse to cooperate with Sears Holdings or the Cigna case manager.
- Illness/Injury occurring while on leave of absence or while receiving LTD benefits from a Sears Holdings-sponsored LTD plan.

STD benefit payments are not necessarily payable for absences due to operations and/or hospital confinements. If the condition for which the operation is performed or the hospital confinement that is required is not a covered Illness or Injury, no disability benefits will be paid for the absence.

Illness and Injuries cease being fully covered if alternate assignments or reduced hours schedules are available that you are able to perform. Should you refuse such assignments, STD benefits will cease.

Dental work should be performed on your own time. Should extensive dental work disable you to the extent that you are unable to perform your job, STD benefits may be paid if your Physician submits documentation to Cigna that supports your inability to work.

Disability benefits will not be paid if appearance is the only disabling factor.

STD benefits are paid entirely by Sears Holdings (or the participating affiliate) and can be withheld or terminated by Sears

Holdings at any time. It is not the intent of Sears Holdings to indefinitely subsidize associates' pay when they are repeatedly absent due to Illness or Injury.

You may not work elsewhere while receiving STD benefits without the advance approval of your manager.

HOW STD BENEFITS ARE PAID

STD benefits under this program are paid through Payroll according to your normal payroll schedule.

Eligible associates who become ill or injured while on vacation are paid STD benefits instead of vacation pay (vacation days are deferred) if they:

- Have a covered Illness or Injury,
- Are under the care of a Physician,
- Present a statement from the Physician stating the diagnosis and the date they were first treated, and
- Satisfy the Waiting Period, if applicable.

STD benefits, or the tracking of the Waiting Period, will begin the first full day you are absent from scheduled work due to a Disability that is supported by medical documentation from your Physician.

The benefit duration is measured using a seven (7)-day calendar week, not a work week schedule. The STD benefit will not be converted to hours to adjust for a partial day worked or intermittent absences.

For example, assume that Cigna has determined that Pat's disabling medical condition is payable for four (4) weeks beginning on March 1. Pat's STD benefit will begin on March 1 and end on March 29 (four (4) calendar weeks). If during week four (4), Pat is released by the Physician to return to work for three (3) days or 24 hours, week four (4) remains a week of disability, not 24 hours worked. Pat's disability remains compensable through March 29.

WHEN DISABILITY BENEFITS END

Benefits under the STD Program will end upon the earliest of the following to occur:

- You are able to return to work full-time with or without medical restrictions;
- You have received the Maximum Benefit;
- Your employment terminates;
- You retire from Sears Holdings;
- You die;
- You fail to provide proof of disability; or
- You no longer meet the definition of Disabled.

WAIVER OF WAITING PERIOD

The Waiting Period is waived for a subsequent absence for the same Illness or Injury within four weeks from the date of return from the original absence if the Waiting Period was satisfied during the initial absence.

Subsequent absences due to chronic conditions, such as migraine headaches or asthma, are not considered absences for the same Illness or Injury. For example, each migraine headache is a new Illness, not a continuation of the previous Illness.

ALTERNATE ASSIGNMENTS / REDUCED HOURS SCHEDULES

Illnesses and Injuries cease being fully covered under the STD Program if alternate assignments or reduced hours schedules are available that you are able to perform. Should you refuse such assignments, STD benefits will cease. Associates who can return to work on reduced hours schedules are paid regular pay for hours worked and are paid STD benefits for the balance of their normal weekly work schedule.

ACCIDENTS AT ANOTHER COMPANY

If you are absent from work due to Illness or Injury resulting from employment with another company, you may be eligible, based on state law, to receive Workers Compensation benefits through the other company for time lost from Sears Holdings. In these cases, STD benefits are adjusted or eliminated, as applicable. If you do not receive Workers Compensation benefits in such a case, you will be compensated according to the STD Program.

YOUR RIGHTS AND RESPONSIBILITIES

Unless prohibited by law, it is Sears Holdings policy to run time off under Sears Holdings' STD Program concurrently with time off under the federal Family and Medical Leave Act ("FMLA"), similar state laws, and /or the applicable Sears Holdings Leave of Absence policies. Many of the rights and responsibilities that apply under the FMLA, similar state laws and Sears Holdings' Family and Medical Leave ("FML"), Associate and Family Leave ("AFL"), and Extended Care Leave ("ECL") policies are independent of and/or in addition to the rights and responsibilities that apply under Sears Holdings' STD Program. Additional information about the FMLA may be found in A Notice to Employees of Rights under FMLA (WHD Publication 1420) at <http://www.dol.gov/whd/regs/compliance/posters/fmla.htm>. Information regarding Sears Holdings' FML, ECL and AFL policies can be found on MyHR > Compliance > Centralized Leave Management > Forms and Policies, or contact the CLMT at 1-888-Leave90 (1-888-532-5390) for more information, or contact your manager, or HR representative.

Key responsibilities under the STD Program include, but are not limited to:

- You must give 30 days' advance notice of your need for the absence if your need is foreseeable. If it is not foreseeable, you must give Sears Holdings notice as soon as possible by calling the CLMT. Associates who work in Offshore units should contact their manager or HR Representative.
- You must provide medical certification when asked.
- You must file a claim with Cigna and you also must provide the requested medical documentation to them.
- You must submit periodic updates as requested by the CLMT, Cigna, or your HR Representative, as applicable.
- When you are ready to return to work, you must provide a note from your Physician releasing you to return to work, with or without restrictions. If you fail to provide the required release to return to work, you will not be permitted to return to work, and your employment may be terminated.

Similar responsibilities may apply under the FMLA and FML, AFL, and ECL policies. Job restoration rights of associates returning from time off under Sears Holdings' STD Program will be governed by applicable leave laws, the applicable leave of absence policy and, as applicable, the Americans with Disabilities Act and similar state laws. For associates with qualifying disabilities, Sears Holdings will explore reasonable

accommodations. Reasonable accommodations include, but are not limited to, reasonable additional leave, modified duty, modified schedules, part-time work, assistive devices and reassignment.

DIRECT BILLING FOR BENEFIT PAYMENTS

If your STD payments are insufficient to cover your benefit deductions, you may continue your other benefits (for example, medical, dental and vision insurance) by making payments on a post-tax basis. You will receive direct billing information from the Sears Holdings Benefits Center and are responsible for making timely payments for your benefits to prevent a lapse in coverage.

HOW TO FILE A CLAIM FOR BENEFITS

If you believe that you are eligible for STD benefits, you may file a claim for benefits with the claims administrator, Cigna. Contact Cigna at 1-800-828-6352.

HOW TO APPEAL A DENIED CLAIM FOR BENEFITS

If the claims administrator denies your STD claim and you wish to have the decision reviewed, you must submit a written request to the claims administrator for a review of the decision within 180 days of the receipt of the decision. This request should include why you disagree with the claims administrator's decision and any additional medical information that is available.

The appeal should be mailed to the claims administrator at the following address:

Cigna Disability Management Solutions
Paper Intake Team
P.O. Box 709015
Dallas, TX 75370-9015
Fax: 1-800-642-8553

The claims administrator will respond within 45 days of the receipt of the appeal. Under special circumstances, an additional 45 days may be required to review the claim. The claims administrator will notify the claimant if an additional 45-day extension is needed.

Notwithstanding the foregoing, appeals regarding the withholding of STD benefits due to failure in qualifying for a leave of absence (as determined by Sears Holdings) should be directed to the Sears Holdings Benefits Center.

IMPORTANT NOTE

The STD Program is a payroll practice that is exempt from welfare benefit plan status under ERISA. The fact that a summary of this program is included in this Handbook should not be construed as making it an ERISA plan.

FOR MORE INFORMATION

The following additional details about your benefit coverage are provided in the *Other Information* section of this Handbook:

- Coverage continuation for certain benefits.
- Contact information for benefit claims administrators and insurance carriers
- How to appeal a denied claim.

SOME TERMS YOU SHOULD KNOW

Date of Disability is the date that a new disability begins.

Disabled means you are not able to perform your regular job duties as a result of an Illness or Injury defined below.

Illness means a non-work related illness, including for this purpose pregnancy and childbirth, which disables you to the extent that you are unable to perform your regular duties. This includes injuries resulting from employment with another company.

Injury means a non-work related injury sustained in an accident, incurred away from work that disables you to the extent you are unable to perform your regular duties. This includes injuries resulting from employment with another company.

Maximum Benefit is described above in the *Benefit Amount and Duration* section.

Physician means a person who is licensed or otherwise legally authorized to administer medical care or treatment so long as the person is acting within the scope of his/her license or authorization. Physician also means an accredited Christian Science practitioner listed in the current issue of the Christian Science Journal.

Waiting Period is the first fourteen (14) calendar days of an Illness or Injury, including holidays and weekends. STD benefits are not paid during the Waiting Period, and as otherwise described above in the *How the Program Works* and *Benefit Amount and Duration* sections.