

“What’s Happening at Sears Holdings?”

To help you answer this question when family, friends and neighbors ask, here are some key points you can share:

- Sears Holdings remains fully committed to restoring profitability to our company and creating meaningful value. We understand the concerns related to our operating performance as we have fallen short on our own time-table for achieving the performance that SHC is capable of generating.
- In our third quarter, we reported an Adjusted EBITDA loss of \$375 million, a decline of \$43 million versus the third quarter of last year driven by a decline in gross margin. We will continue to focus on our best stores, rewarding our best members and pursuing our best categories through innovative solutions to product and service offerings.
- We’re taking several steps as we work to restore SHC’s profitability:
 - Reducing unprofitable stores;
 - Reducing space in stores we continue to operate;
 - Reducing or eliminating specific categories we operate in where the performance and return on investment is poor; and
 - Improving gross profit performance and managing expenses relative to sales.

All of these actions have the potential to return the company to profitability in the near term. We believe that we have the resources to fund our transformation and meet all of our financial obligations.

- Sears Holdings still has 1,500 stores, many more stores than Costco, Macy’s, JC Penney, Kohl’s and Best Buy, and not too far below retailers like Target and Lowe’s to name a few. Our stores are a critical part of our integrated retail strategy.
- Even with our strength in store numbers, we’re continuing to innovate as we shift from a traditional brick and mortar retailer to one that leverages technology and a smaller store footprint. This matches how online and mobile have changed the way people shop today.
- Our Shop Your Way platform engages tens of millions of members every year. These members shop more frequently, they earn more points and we provide them with other opportunities to help them manage their lives. Since its inception, we have invested over \$2 billion in our Shop Your Way membership program in terms of points redeemed by members which has created substantial value and opportunities for our active members.
- We are a market leader in several of the key categories in which we do business, such as Home Appliances and Home Services, and we continue to invest in our best categories to further reinforce these leadership positions. The Home Appliance business and Kenmore, Craftsman and DieHard brands are focused on providing innovative products to better serve our members. The Home Services business continues to execute their revenue growth strategy while focusing on expense reductions.
- Leveraging our Shop Your Way platform as we enhance the member experience is a main focus for SHC. Examples of this include:
 - We entered into a strategic partnership with Citi Retail Services where we have made the Sears MasterCard the core credit card of the Shop Your Way Platform. The complimentary 5-3-2-1 benefit (5% back on gas, 3% on grocery and dining, 2% at Sears and Kmart and 1% on all other) went into effect in November 2016 and will evolve into a branded Shop Your Way credit card in early 2017.
 - Shop Your Way, along with Sears Auto Centers, entered into a partnership with Uber where riders and drivers can earn points.
 - Our new relationship with Activehours which integrates our Shop Your Way platform into Activehours’ mobile application, enabling our members to get paid upon completion of their work as opposed to waiting for a check.