According to Greek Mythology, the Altus was a bird which set itself apart by flying the highest of all. Therefore, it is an appropriate symbol for our Licensed Business Goalsharing Team who have a commitment to achieve the highest goals in the company.
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I. Identity

*Sears Licensed Businesses are specialty businesses managed through contracts with other companies, known as Licensees, to market goods or services which complement Sears strategic direction, either in mall or off mall locations.*

Sears receives a commission on sales or a fee paid in return for use of our name, facility space, and charge card. The businesses selected are designed to enhance overall store appeal, resulting in additional customer traffic within our stores. In most cases, all marketing, inventory, fixtures, and payroll associated with operating the business are provided by the Licensee. Revenue and income from Licensed Businesses have a significant impact on Sears overall financial performance, and enhances shareholder value.

HISTORY

*The history of Licensed Businesses at Sears spans more than 50 years, beginning with a single key shop located on a retail store parking lot in Cleveland, Ohio.*

This venture, a partnership with Cole Key Company, proved to be well accepted by Sears customers and mutually beneficial to both companies. Cole Key Company then rapidly expanded locations and today operates as Cole National Corporation, the key and gift business, as well as the optical business, in most Sears stores.

The next major Licensed Business was the Portrait Studio. CPI Corporation and Sears initiated this business in the 1960's as a traveling portrait studio, moving from store to store taking customer portraits with portable equipment. Later, Sears and CPI pioneered the concept of permanent studios inside a retail store environment. Currently, portrait studios are positioned in every full line Sears store and in an additional 115 off mall
location throughout the country. This relationship has resulted in Sears Portrait Studios achieving the number one market share in this industry.

Sears continued to expand Licensed Businesses throughout the 1970's and 1980's, primarily driven by local decisions. At it's peak in 1992 Sears was licensing over 100 different businesses with more than 3000 individual contracts. As Sears strategies began to change in 1993, it became necessary to re-define the role of Licensed Businesses within the Full Line Stores. A strategy that more effectively complemented that of our merchandise businesses was deemed important to the overall success of the company. To support this new direction, it became necessary to eliminate a significant number of non-strategic businesses. By year end 1995, the number of businesses had been reduced from 105 to 49 and contracts from over 3000 to 1300.

Current Situation

**Having undergone a transformation, Licensed Businesses is now poised to deliver sustained growth and to enhance Sears Shareholder Value. The Licensed Business Team understands and aligns our business focus with Sears strategic priorities.**

Making Sears A More Compelling Place to Shop:

**Our customers require the right merchandise and services, and associates who deliver excellent customer service, with a high level of integrity and trust.**

We believe that it's everyone's responsibility to serve and satisfy every Sears customer. We build lasting relationships with our customers by creating experiences that make Sears their first choice. We keep our promises and proudly support "Satisfaction Guaranteed or Your Money Back." We have developed a trust with our customers based on integrity and we are committed
tostrengthening that trust. Through partnership and teamwork with our Licensees, we provide quality merchandise and services that exceed our customers' expectations and enrich their quality of life. We listen to our customers and respond quickly.

The transformational skills required to achieve this strategic priority are customer orientation, empowerment, and decisiveness.

**Making Sears A More Compelling Place to Work:**

Our associates require an environment for achievement of personal goals, personal development, empowerment and involvement, while being encouraged to contribute new ideas.

Our associates' ideas and decisions ultimately create value for our customers. We value each associate's unique character and potential contribution. We will treat our associates fairly, in an environment of mutual dignity and respect. We will openly share information with our associates and encourage them to question and raise issues, individually and as a team. Associates who add value to our business results should receive rewards for their efforts. We will face the competition as a team and we will all share in the rewards of the success of the team.

The transformational skills required to achieve this strategic priority are interpersonal and team relations, open and honest two-way communication and trust, and valuing diversity.

**Making Sears A More Compelling Place to Invest:**

Our investors require revenue growth, improvements in operating margin, asset management, and increased productivity.
We will act as owners of our business to deliver growth and shareholder return. We will encourage innovation, speed and simplicity, and accept the resulting risks and possible resulting consequences. We will create an environment which removes obstacles to achieving financial success, and we will share our financial success with all associates.

The transformational skills required to achieve this strategic priority are business knowledge, participation, problem-solving, innovation, flexibility and sense of urgency.

**THE NEED FOR CHANGE AND GROWTH**

*We are in a battle for survival in a highly competitive retail industry. The winners in this battle will be companies that quickly react to the constant changes occurring every day. Those who cannot or will not change will not prosper.*

Any change must support the strategic priorities of Sears through developing a growth strategy, maintaining momentum in improving business results, and serving to reinforce a performance-oriented culture. We accept the fact that change must occur in the way we manage our business.

*The entire Licensed Business Team has participated in creating change in the manner in which we will work together to solve problems and participate in the rewards of growth.*

Our goal is to create an environment that will provide continuing opportunity for all Team Members to participate and learn and an opportunity for all Team Members to be rewarded for outstanding team performance. We agree to a fair and balanced program that will include all associates participating as true business partners, focused on common goals and personally contributing to the achievement of those goals.
THE FUTURE

The future will continue to present opportunities and threats to our business and thus, we will face a continuing need for change.

As we move into the future, the competitive landscape will become more intense and challenging. We must put aside traditional assumptions about what our customers will require, and how our competitors will respond to their needs. We must think and act ahead of our competitors by calling on the knowledge, talent, and innovation of each of our Team Members. The power of our team can and will be leveraged as a competitive advantage in our business.

Goalsharing provides a framework by which we can win in the future: a process of ongoing communication, learning, involvement, performance leadership and equity. It will enable us to recognize our own strengths and weaknesses, identify new opportunities as they develop and outpace our competition.

The future must also include periodic evaluation of the relativity of the principles in this document as well as our individual and organizational commitment to those principles. Consequently, we will undergo a process of reaffirmation and renewal every two years in the future.

Our plan is called COEDS, and it engages the entire Sears Licensed Business Team as participants in the processes we have outlined for change and growth.
THE ESSENCE OF TEAM COEDS

⇒ Each Team Member commits to understand and embrace the principles of goalsharing.

⇒ Each Team Member commits to continually improve their personal skills and competencies.

⇒ Each Team Member commits to contribute through participation.

⇒ Each Team Member commits to be aware of and welcome the potential contributions of others.

⇒ Each Team Member commits to be willing to help others contribute so that all can benefit.

⇒ Each Team Member commits to performance leadership that benefits our customers, associates, and shareholders.
II. Learning And Communication

Learning and Communication Overview

Continuous learning, and open and honest communication are essential ingredients in an environment that requires full participation of all Team Members.

Learning builds competency and skills, and communication creates a higher level of understanding and knowledge of business strategies and performance. Learning includes a structured annual education plan that is tailored to the needs of each associate, as well as appropriate group education needed by the entire team. Open and honest communication allows sharing of diverse ideas and opinions and leads to a higher level of trust and confidence between all members of the team. Together, these principles will enable us to better serve our customers, create a more compelling place to work, and to maximize our individual and collective contribution to the company and our shareholders.

Learning and Communication Objectives

➢ To develop effective two-way communication skills, enhance problem solving, and establish an environment which welcomes diverse ideas and opinions.
➢ To elevate the competency level of each team member.
➢ To achieve a high level of literacy relative to our own business and the total company.
➢ To build the team skills necessary to function as a high performance organization.
Communication Plan

*Open and honest communication is essential to the success of our organization.*

Specific communication objectives are as follows:

- To openly share with all Team Members the goals and performance to goal of our company and our business.
- To foster open and meaningful two-way communication between all Team Members.
- To improve the level of communication, ensuring each Team Member is notified of changes and events that are relevant to the management and growth of our business.
- To empower each associate to responsibly communicate relevant information in a timely manner to all Team Members to ensure effective execution of department objectives.
- To acknowledge all Team Members as respected individuals who will handle sensitive issues with appropriate discretion & in a professional manner.

To improve and maintain efficient communications, the Learning and Communication Committee has developed the following format for department staff meetings:

- All Licensed Business Team Members will be scheduled to attend a semi-monthly staff meeting.
- Team Members should attend each meeting unless prohibited by vacation or extraordinary circumstances.
- All meetings will begin promptly at 10:00am and generally should not exceed one hour and thirty minutes.
- The meeting format will include the following regular agenda topics with the frequency prescribed below:
Sales / Performance Update ............... Every Meeting
(Company & Licensed Businesses)

Current Issues / Field Update ............. Every Meeting
Business Imperative Committee Updates ... Once per Qtr.
Goalsharing Committee Updates .......... Once per Qtr.
Learning & Communication
Involvement
Equity

Business Updates
Marketing .................................. Monthly
Finance .................................... Once per Qtr.
Customer Service ........................ Once per Qtr.
Quality .................................... Once per Qtr.
Systems .................................... Once per Qtr.
Facility Planning .......................... Once per Qtr.
Licensing Manager Updates ............. Once per Qtr.
Question & Answer

➢ The meeting Timekeeper will be responsible for ensuring that the agenda schedule is followed.

➢ The Learning & Communication Committee will be responsible for creating and publishing the agenda for all Licensed Business department staff meetings.

Understanding that communication of performance must be constant, information of importance may need to be communicated outside the semi-monthly staff meeting. Therefore, the responsibility is incumbent on each associate who has ownership of pertinent information to advise all Team Members on a regular basis in a manner they deem most appropriate.
Education Plan

To contribute to the success of our business and share in the rewards of the goalsharing program, each Licensed Business Team Member will participate in a minimum of three Personal Development courses within each calendar year.

As part of the Learning and Communication Objectives of Licensed Businesses, the Learning and Communication Committee believes that continuing education in the form of Personal Development courses is an essential tool for achieving these objectives both as individuals and a team. Team members may select from Sears internal courses or outside courses. While three Personal Development courses are the annual minimum requirement, all Licensed Business Team Members are encouraged to participate in as many Personal Development courses as is possible within the timeframe of their personal and work schedules.

Some group or team Personal Development courses designed for the entire team will be coordinated by the Learning and Communication Committee. Typically, group courses will focus on courses that enhance our ability to function as a cohesive and high performance team. The Learning and Communication committee will strive to offer several such courses to the entire team each year. These group or team courses will count towards the individual's annual goal of three Personal Development courses.

Collectively, the intended purpose of these team and individual Personal Development courses is to build increased levels of focused core and business competencies and confidence to enable the Licensed Business Group to maximize its sales and income contributions. It is also intended to help in the career development of all Team Members by helping each team member to become better qualified for advancement within the company. However, it is the responsibility of each team member to take ownership and responsibility for the development of and adherence to their Personal Development course schedule.
Recognizing that education needs may change from year to year, a detailed annual Education Plan will be published each year as a supplement to this manual. The Learning and Communication Committee will publish this supplement annually by December of the previous year.

**Library And Training Center**

➤ **Library**

- Located within our Licensed Business Department, the Library provides all Team Members with an easy access to a wide variety of learning materials.

- Contained within the Library is a selection of books, magazine articles, "Today's News" (clippings, transcripts, news items from Wall Street, Etc.) and audio/video tapes about timely issues, information about Licensed Businesses and/or Educational information.

- All materials contained in the library are supplied through donation from Team Members.

➤ **Training**

- Also maintained along with the Library is a collection of course and class information from Sears University, Sears Training Systems and various other educational opportunities.

- All of the above materials are for use by all Team Members on an honor system basis, donations to the Library are encouraged to keep it a source of current viable information.
III. Involvement

Involvement Overview

We will maintain an environment that promotes an open exchange of ideas and opinions through active participation and recognizes all members of the team as integral contributors to the success of the department.

<table>
<thead>
<tr>
<th>INVOLVEMENT OBJECTIVES</th>
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<tbody>
<tr>
<td>&gt; Ensure that all Team Members are encouraged to contribute ideas, challenges and solutions through a suggestion system.</td>
</tr>
<tr>
<td>&gt; Ensure the participation of all Team Members in Action Teams designed to address business specific issues.</td>
</tr>
<tr>
<td>&gt; Communicate the goals, progress, and results of all Action Teams &amp; committees to the entire team on a regular basis.</td>
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Meetings

Departmental meetings provide an excellent environment for learning about our business and contributing ideas, challenges, and solutions.

All Team Members will be asked to attend staff meetings and will be encouraged to participate in other appropriate internal/external meetings and Action Teams.
SUGGESTION PROCESS

Suggestions should be positive business actions that can be acted upon by members of the department or by others asked to assist the department.

Ideas, challenges and solutions may be presented by Team Members in either written or verbal form. Verbal suggestions may be directly communicated to either an Involvement Committee Member or directly to an individual responsible for the area of the business to which the suggestion pertains. Verbal suggestions will normally consist of ideas and solutions which are easily and inexpensively executed upon agreement between the suggestor and the process owner. For the more complex or costly suggestion, a formal written suggestion process should be utilized and is as follows:

WRITTEN SUGGESTION PROCESS

➢ We have provided a suggestion box in the department for convenience. The suggestion box will be monitored by the Involvement Committee on a regular basis.

➢ Each suggestion should include recommendation on how it should be implemented and the desired outcome.

➢ The Involvement Committee will be responsible for reviewing all written suggestions. The committee will contact the individual(s) necessary to act upon the suggestion.

➢ The suggestor will be informed of the status of the suggestion. If the committee agrees that the suggestion cannot be pursued, the suggestor will be notified of the reason.

➢ The Involvement Committee will work with the Team Member who has accountability for the process addressed by the suggestion.

➢ The Vice President & General Manager will have the final decision on all suggestions.
Each month the committee will provide the Learning and Communication Committee a summary of the suggestions reviewed and the status and action taken upon each.

**Action Team Process**

*Everyone within the department should feel encouraged to form and lead an Action Team upon identifying an opportunity.*

An Action Team may be formed when a specific departmental opportunity is identified and the identifier cannot affect resolution because it falls outside of the identifier's area of expertise or control.

- The Licensed Business department should be notified of the intent to form an Action Team.
- The identifier should sit on the Action Team and have the responsibility of forming the Action Team.
- The Team Member accountable for the opportunity should be asked but not required to sit on the Action Team.
- If possible, the Action Team should meet as soon as possible.
- Each Action Team should provide updates as appropriate to the department.
- Final resolution should be communicated to the Licensed Business Department.
Suggestion Form

Name: ___________________________ Date: ___________

Description of Suggestion (include your recommendation for implementing the suggestion):

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

To be completed by the committee:
Date Received: ___________ Date Completed: ___________

Action Required:
Forward to ___________________________ for feedback.
Further Discussion Required by committee: ___________________________

Suggestion Accepted: ___________ Date of Implementation: ___________

Outcome:

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

Suggestion Declined: _____ Reason: ___________________________

________________________________________________________________________

Referred to: ___________________________ for further research.
IV. Equity

Equity Overview

The Equity Plan measures and rewards team oriented achievement of departmental goals and accountabilities.

- The Licensed Business Team is in a unique position to create a framework of change in the manner in which we work together to solve problems and share in the rewards of growth.

<table>
<thead>
<tr>
<th>Equity Objectives</th>
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</thead>
<tbody>
<tr>
<td>➤ Fairness: provide a fair and balanced return to our customers, associates, and shareholders.</td>
</tr>
<tr>
<td>➤ Clarity: provide associates with a clear understanding of how we as a team can impact both department and company performance.</td>
</tr>
<tr>
<td>➤ Non-Financial Rewards: equity may also be expressed in the form of non-financial rewards. Non-financial rewards may consist of recognition and/or investment in personal development.</td>
</tr>
<tr>
<td>➤ Effectiveness: our plan must be results oriented, in line with company strategies and priorities, and challenge us to achieve and sustain industry performance leadership. Conversely, we must understand that rewards are not possible when performance targets are not met.</td>
</tr>
</tbody>
</table>
Equity Plan

The Equity Plan identifies Key Components which measure achievement of short and long term department goals.

The three Key Components that are considered core to our department’s performance are as follows:

1. **Income Growth**: The most important department goal is the achievement of our income growth target.

2. **Business Imperatives**: In each quarter there will be specific goals for achieving outstanding performance.

3. **Customer Service**: The department is committed to assuring that our customers are highly satisfied with the products and services delivered by our licensees.

These Equity Plan Key Components emphasize the importance of achieving our financial goals, which will directly impact Shareholder Value.

Award Payouts

A potential Quarterly Award Payout and an Annual Award Payout (at year end) will be distributed based upon achievement of the three Key Components, and the specific rationale, actual targets, and calculations for each will be developed by the Equity Committee are included in the annual Equity Plan Supplement.

Eligibility For The Award Payouts

Eligibility determines which associates can participate in a potential Quarterly and Annual Award Payout.

Eligible associates are active associates of Sears, Roebuck and Co., and are:
Members of the Licensed Business Team (D/725 associates) and/or,

Members of a support team solely dedicated to Licensed Businesses (i.e., D/824 Planning, Visual, etc. associates assigned to the Licensed Business team).

Any Sears associates who are added as part of a new support team or position solely dedicated to Licensed Businesses (but are not D/725 associates), may be granted eligibility upon the following conditions:

1. The approval by the current Licensed Business Team participants. An 80% affirmative vote is required. The vote will be taken within thirty (30) days of the associates start date in their new position.

2. The approval of senior management in the associates functional area.

3. The associate's acknowledgment that they will become an active participant in the goalsharing process.

An associate is considered eligible to participate in the Quarterly Award Payout, if they meet the criteria in point #1 and are actively employed in the department for the complete Sears fiscal quarter.

An associate is considered eligible to participate in the Annual Award Payout:

➢ If they meet the criteria above.

➢ Are actively employed in the department for at least one full quarter.

➢ Are actively employed in the company on the last day of the Sears fiscal year.

**Distribution of the Award Payouts**

*Distribution will be made to each eligible associate based upon the number of hours worked each quarter.*
Quarterly assumption is that each associate works 520 hours (13 weeks x 40 hours). Non-exempt associates will also be credited for overtime worked at time and a half. These hours will be added into their personal calculation for the Quarterly Award Payout distribution. All hours worked by eligible associates will be added together, and then the total amount of hours will be divided into the total dollar equity that has been earned by the department as a whole each quarter. This will establish a dollar per hour base. Each individual's hours will be multiplied by this dollar per hour base to calculate that individual's Quarterly Award Payout.

➢ All associates will receive credit for 520 hours per quarter if a complete quarter is worked within the department.

➢ Non-exempt associates will have overtime hours at time and a half added to the 520 hour base.

➢ The Quarterly Award Payout will be made within 30 days of the end of the prior Sears fiscal quarter.

➢ The Annual Award Payout will be calculated and distributed using the same premise as the Quarterly Award Payout. Total quarterly hours for each Annual Award Payout eligible associate will be added together, and then the Annual Award Payout will be divided by these total hours to calculate the dollar per hour figure. The dollar per hour figure is then multiplied by an individual's total yearly eligible hours to determine the individual's Annual Award Payout.

➢ The Equity Committee will review any situation that is not specifically addressed by the Eligibility and Distribution Guidelines, and will make a recommendation for resolution to the Vice President of the Licensed Business team.

**Rationale For Distribution**

*The Equity Committee desired to adopt a formula in which all members of the team would share equally in the Equity Plan payout.*
However, the Fair Labor Standards Act (FLSA) presents legal restrictions which left us with three options to consider in the distribution formula:

**Option 1:** A distribution based upon gross earnings; this option was rejected as more highly compensated Team Members would receive a disproportionate amount of the *Equity Fund* payout.

**Option 2:** A distribution based upon actual hours worked; this option was rejected as payouts would be reduced for those associates who receive reduced hours coverage for illness, etc.

**Option 3:** A distribution based upon hours worked assuming that each associate works 520 hours. FLSA permits this assumption provided that overtime hours (at time and a half) are added to the 520 assumed hours worked.

Option 3 was selected as it comes closest to providing an equal share of the *Equity Fund* to each member of the team. The *Equity Committee* does have a concern that overtime as a normal weekly occurrence would distort individual payouts. If overtime is permitted week after week as a matter of course, the associates involved will receive a payout greater than other associates. At the same time, that additional payout would result in other associates in the department receiving less for the quarter.

---

**Annual Equity Plan Supplement**

*An annual Equity Plan Supplement will be developed by December 1 of each year, to be implemented for the following year.*

The annual Equity Plan Supplement will include two sections:

1. Award Payouts (based upon the Key Components including criteria, goals and formulas).
2. Non-financial Reward Program

- Recognition for Licensed Business Team
- Recognition for individuals that support our business

**Non-Financial Rewards**

*A specific award program will be developed by the Equity Committee and will be included in the annual Equity Plan Supplement.*

<table>
<thead>
<tr>
<th>Recognition for Licensed Business Team</th>
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<tbody>
<tr>
<td>➤ The Equity Committee will coordinate the Licensed Business Team's participation in Sears Associate and Team recognition programs, in addition to programs developed specifically for Licensed Businesses. These awards/plans will be outlined in the annual Equity Plan Supplement.</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>Recognition for Individuals that Support Our Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>➤ There is the acknowledgement from the Licensed Business Team that there are non-Sears associates (i.e., temporaries, consultants) and Sears associates who support Licensed Businesses as only a portion of their overall responsibility, that make significant contributions to the success of the team.</td>
</tr>
<tr>
<td>➤ Because of the eligibility guidelines and/or legal reasons, these individuals cannot be compensated directly for their participation in helping to achieve our goals.</td>
</tr>
<tr>
<td>➤ As a result, a non-financial recognition plan will be developed to reward these individuals for their participation.</td>
</tr>
</tbody>
</table>

Individuals that support our business to be considered for non-financial recognition are either:

➤ Active associates of Sears, Roebuck and Co. who support the Licensed Business team, but not on a dedicated basis, or
Non-Sears associates (i.e., temporaries or consultants) who are assigned to either the Licensed Business team and/or, a support team solely dedicated to Licensed Businesses.

Eligibility for participation will be based upon:

➢ The approval by the current Licensed Business Team participants. An 80% affirmative vote is required. The vote will be taken within thirty (30) days of the associates start date in their new position.

➢ The associate's acknowledgment that they will become an active participant in the goalsharing process.

➢ Attendance and participation in semi-annual Goalsharing Team Meetings.

The guidelines for participation in the Distribution of the Non-Financial Award Payouts, will follow the same rationale as the Distribution of the Award Payouts.

Changes To The Equity Plan

The Equity Plan and Key Components (including the Licensed Business financial plan) are not expected to change during the fiscal year.

The possibility does exist that under unusual conditions, the Equity Plan or elements of the measurable Key Components may need to be modified during the fiscal year.

This may occur if there was a loss of a major licensee that was out of the department's control (i.e., change in Sears strategic direction resulting in unexpected exits from businesses).

Any changes to the plan must be recommended by the Equity Committee, and reviewed by the Ad-Hoc Committee with final approval by the Vice President & General Manager.
Award Payouts:
Key Component #1 - Income Growth

The most important goal is the achievement of our department income growth target.

Income Growth will be measured on a quarterly and annual basis.

An Annual Award Payout Reserve Fund will be calculated at 1% for each dollar growth over a threshold (which equals a 5% increase in net income over 1996), and is accumulated on a quarterly basis.

There is no cap on the upside of this component.

The Annual Award Payout Reserve Fund will accumulate until year end.

At year end, distribution will be made for the total balance of the Annual Award Payout Reserve Fund ONLY if the department year end net income growth is more than the threshold (which equals 5% increase in net income over 1996).

As a result of the Annual Award Payout Reserve Fund being held and paid at year end, there is no quarterly distribution for this Key Component.
## Licensed Businesses Goalsharing 1997 Equity Plan

### Annual Award Payout Reserve Fund Potential

<table>
<thead>
<tr>
<th>1996 Income</th>
<th>1st Qtr.</th>
<th>2nd Qtr.</th>
<th>3rd Qtr.</th>
<th>4th Qtr.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$41,900,000</td>
<td>$37,200,000</td>
<td>$33,700,000</td>
<td>$42,000,000</td>
<td>$154,800,000</td>
<td></td>
</tr>
<tr>
<td>$43,995,000</td>
<td>$39,060,000</td>
<td>$35,385,000</td>
<td>$44,100,000</td>
<td>$162,520,000</td>
<td></td>
</tr>
<tr>
<td>$43,995,000</td>
<td>$39,060,000</td>
<td>$35,385,000</td>
<td>$44,100,000</td>
<td>$162,520,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>%</th>
<th>1st Qtr.</th>
<th>2nd Qtr.</th>
<th>3rd Qtr.</th>
<th>4th Qtr.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;5%</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>6%</td>
<td>$4,190</td>
<td>$3,720</td>
<td>$3,370</td>
<td>$4,200</td>
<td></td>
</tr>
<tr>
<td>7%</td>
<td>$8,380</td>
<td>$7,440</td>
<td>$6,740</td>
<td>$8,400</td>
<td></td>
</tr>
<tr>
<td>8%</td>
<td>$12,570</td>
<td>$11,160</td>
<td>$10,110</td>
<td>$12,600</td>
<td></td>
</tr>
<tr>
<td>9%</td>
<td>$16,760</td>
<td>$14,880</td>
<td>$13,480</td>
<td>$16,800</td>
<td></td>
</tr>
<tr>
<td>10%</td>
<td>$20,950</td>
<td>$18,600</td>
<td>$16,850</td>
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</tr>
<tr>
<td>11%</td>
<td>$25,140</td>
<td>$22,320</td>
<td>$20,220</td>
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<td></td>
</tr>
<tr>
<td>12%</td>
<td>$29,330</td>
<td>$26,040</td>
<td>$23,590</td>
<td>$29,400</td>
<td></td>
</tr>
<tr>
<td>13%</td>
<td>$33,520</td>
<td>$29,760</td>
<td>$26,960</td>
<td>$33,600</td>
<td></td>
</tr>
<tr>
<td>14%</td>
<td>$37,710</td>
<td>$33,480</td>
<td>$30,330</td>
<td>$37,800</td>
<td></td>
</tr>
<tr>
<td>15%</td>
<td>$41,900</td>
<td>$37,200</td>
<td>$33,700</td>
<td>$42,000</td>
<td></td>
</tr>
<tr>
<td>16%</td>
<td>$46,090</td>
<td>$40,920</td>
<td>$37,070</td>
<td>$46,200</td>
<td></td>
</tr>
<tr>
<td>17%</td>
<td>$50,280</td>
<td>$44,610</td>
<td>$40,440</td>
<td>$50,400</td>
<td></td>
</tr>
<tr>
<td>19%</td>
<td>$58,660</td>
<td>$52,080</td>
<td>$47,180</td>
<td>$58,800</td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td>$62,850</td>
<td>$55,800</td>
<td>$50,550</td>
<td>$63,000</td>
<td></td>
</tr>
<tr>
<td>&gt;20%</td>
<td>1% for growth over 5% of LY</td>
<td>1% for growth over 5% of LY</td>
<td>1% for growth over 5% of LY</td>
<td>1% for growth over 5% of LY</td>
<td></td>
</tr>
</tbody>
</table>

### Award Payout:

**Key Component #2 - Business Imperatives**

*In each quarter there will be specific goals for achieving outstanding performance.*

A quarterly Business Imperative will have an impact that is critical to the achievement of our overall departmental goals.

This *Key Component* has a maximum payout of $40,000 annually.
If the goals are not met there is no payout. If the goal is achieved, the payout will be as follows:

**The Goals & Respective Payouts:**

1st Quarter: *Income Tax Unit Expansion*

- Net new unit expansion increase in Sears Income Tax Service. Payout of $100 per net new unit, over minimum.
  - Minimum: 20 units = $2,000
  - Target: 50 units = $5,000
  - Maximum: 100 units = $10,000

2nd Quarter: *Hearing Aid Event*

- Percent increase over goal for the 1997 Hearing Awareness Days’ event.
  - Minimum: 20% increase = $0
  - Target: 30% increase = $5,000
  - Maximum: 40% increase = $10,000

3rd Quarter: *Optical / National Eye Exam Month*

- Percent increase over goal for the 1997 National Eye Exam Month event.
  - Minimum: 7.5% increase = 0%
  - Target: 10.0% increase = $5,000
  - Maximum: 12.5% increase = $10,000
  ($1,000 for every 0.5% over 7.5% up to 12.5%)

4th Quarter: *Portrait / Underperforming Locations*

- Specific underperforming districts (one per region) in total must outperform the nation in the 4th Quarter.
  - Minimum: 50% increase (to the nation) = $0
  - Target: 100% increase (to the nation) = $5,000
  - Maximum: 150% increase (to the nation) = $10,000
  ($1,000 for every 10% over 50% up to 150%)

The measurement tool is the National 30-09 Report.
Award Payout:
Key Component #3 - Customer Service

The department is committed to assuring that our customers are highly satisfied with the products and services delivered by our licensees.

We intend to monitor our customer’s level of satisfaction with quarterly store Shop and Check and telephone surveys.

The department Customer Service Team will establish which companies will be measured, the frequency and manner in which they will be surveyed, and minimum satisfaction levels.

The targeted acceptable level of customer service performance for the combined CSSP/60 Second Survey is 2 points higher than the prior year’s Licensed Business performance, during the comparable quarter.

<table>
<thead>
<tr>
<th>Points above/below Last Year Actual for Qtr.</th>
<th>Corresponding Quarterly Payout</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 or greater</td>
<td>$6,000</td>
</tr>
<tr>
<td>3</td>
<td>$4,500</td>
</tr>
<tr>
<td>2</td>
<td>$3,000</td>
</tr>
<tr>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>-1</td>
<td>0</td>
</tr>
<tr>
<td>-2</td>
<td>-$3,000</td>
</tr>
<tr>
<td>-3</td>
<td>-$4,500</td>
</tr>
<tr>
<td>-4 or less</td>
<td>-$6,000</td>
</tr>
</tbody>
</table>

Any negative payouts for the Customer Service component will be deducted from any payouts generated by the Business Imperative component.

Any net negative payouts will carry over to the next quarter.

At year end, any negative balance from these components will be deducted from any Annual Award Payout.
This *Key Component* has a maximum payout of $24,000 annually.

**Non-Financial Rewards**

*Recognition for Licensed Business Team Members:*

The Equity Committee will coordinate the Licensed Business Team's participation in Sears Associate and Team recognition program, in addition to programs developed specifically for Licensed Businesses.

These awards/plans include:

1. Excellence In Action / Support Awards
2. Licensed Business Recognition Day
3. Chairman's Compelling Awards
4. Chairman's Team Awards
5. Any other corporate award or recognition program developed during the year.

*Recognition for Individuals that Support our business:*

At the present time, the Equity Committee is exploring options for Non-Financial Recognition for Individuals that Support our Business.
Learning & Communication Plan
Supplement - 1997

To contribute to the success of our business and share in the rewards of the goalsharing program, each Licensed Business Team Member will participate in a minimum of three Personal Development courses within each calendar year.

The above statement from our goalsharing plan recognized continuing education as an important and required element of our departmental plan. This addendum, as required in the goalsharing manual, outlines the 1997 Personal Development Plan for Licensed Businesses.

To ensure that all Team Members meet the required three Personal Development courses in 1997, the Learning and Communication committee has determined that the course selection process should be part of the annual review process. The steps involved are as follows:

➢ Each team member should, prior to their annual review, do a personal assessment of their Personal Development goals. The goals and associated courses should be documented on the Career Aspiration Worksheet for hourly associates and the Career Planning Worksheet for salaried associates.

➢ As part of your annual review, you and your manager should discuss your Personal Development goals and course requests. You should collectively agree upon a plan of action to achieve your goal by the end of 1997. (If your annual review has already been conducted or you were not prepared to discuss your goals during your review, a separate session should be scheduled as soon as possible.)

➢ Periodically during the year, you and your manager should meet to review your progress in achieving your Personal Development goals for the year. The recommended time period for this review is once each quarter.
The Learning and Communication committee will continue to maintain a listing of known internal and external courses along with any feedback received on a course. Please provide the committee with feedback on all courses you take so that a compiled course listing with reviews can be made available to the entire team.
It's everyone's job to **Communicate**

and take **Ownership** of ideas and challenges.

We will provide **Education**

and enhance personal **Development**

to make **Solutions** happen

and share in the rewards of growth.