
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

**Amendment No. 4
to
Form 10**

GENERAL FORM FOR REGISTRATION OF SECURITIES
Pursuant to Section 12(b) or (g) of
the Securities Exchange Act of 1934

Lands' End, Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-2512786
(I.R.S. Employer
Identification Number)

1 Lands' End Lane
Dodgeville, Wisconsin
(Address of principal executive offices)

53595
(Zip Code)

(608) 935-9341
(Registrant's telephone number, including area code)

Securities to be registered pursuant to Section 12(b) of the Act:

**Title of Each Class
to be so Registered**
Common Stock, par value \$0.01 per share

**Name of Each Exchange on which
Each Class is to be Registered**
The NASDAQ Stock Market LLC

Securities to be registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

The following documents are filed as exhibits hereto:

<u>Exhibit Number</u>	<u>Exhibit Description</u>
2.1	Form of Separation and Distribution Agreement by and between Sears Holdings Corporation and Lands' End, Inc.**
3.1	Form of Amended and Restated Certificate of Incorporation of Lands' End, Inc.**
3.2	Form of Amended and Restated Bylaws of Lands' End, Inc.**
10.1	Form of Transition Services Agreement by and between Sears Holdings Management Corporation and Lands' End, Inc.**
10.2	Form of Tax Sharing Agreement by and between Sears Holdings Corporation and Lands' End, Inc.**
10.3	Form of Master Lease Agreement by and between Sears, Roebuck and Co. and Lands' End, Inc.***†
10.4	Form of Master Sublease Agreement by and between Sears, Roebuck and Co. and Lands' End, Inc.***†
10.5	Form of Lands' End Shops at Sears Retail Operations Agreement by and between Sears, Roebuck and Co. and Lands' End, Inc.**
10.6	Form of Shop Your Way SM Retail Establishment Agreement by and between Sears Holdings Management Corporation and Lands' End, Inc.***†
10.7	Form of Financial Services Agreement by and between Sears Holdings Management Corporation and Lands' End, Inc.**
10.8	Form of Buying Agency Agreement by and between Sears Holdings Global Sourcing, Ltd. and Lands' End, Inc.***†
10.9	Letter from Sears Holdings Corporation to Edgar Huber relating to employment, dated July 18, 2011.***†
10.10	Executive Severance Agreement dated and effective as of July 18, 2011 between Sears Holdings Corporation and its affiliates and subsidiaries and Edgar Huber.***†
10.11	Letter from Lands' End, Inc. to Michael Rosera relating to employment, dated June 27, 2012.***
10.12	Executive Severance Agreement dated and effective as of July 2, 2012 between Sears Holdings Corporation and its affiliates and subsidiaries and Michael Rosera.***†
10.13	Letter from Lands' End, Inc. to Karl Dahlen relating to employment, dated January 31, 2014.***
10.14	Executive Severance Agreement dated and effective as of February 3, 2014 between Sears Holdings Corporation and its affiliates and subsidiaries and Karl Dahlen.***†
10.15	Letter from Lands' End, Inc. to Michele Donnan Martin relating to employment, dated September 19, 2013.***
10.16	Executive Severance Agreement dated and effective as of September 19, 2013 between Sears Holdings Corporation and its affiliates and subsidiaries and Michele Donnan Martin.***†
10.17	Executive Severance Agreement dated and effective as of January 21, 2013 between Sears Holdings Corporation and its affiliates and subsidiaries and Kelly Ritchie.***†
21.1	Subsidiaries of Lands' End, Inc.***
99.1	Information Statement of Lands' End, Inc., preliminary and subject to completion, dated February 21, 2014.**
99.2	Form of Notice of Internet Availability of Information Statement Materials.*

* To be filed by amendment.

** Filed herewith.

*** Previously filed.

† Confidential treatment requested as to certain terms in this agreement; these terms have been omitted from this filing and filed separately with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

LANDS' END, INC.

By: /s/ Edgar O. Huber

Name: Edgar O. Huber

Title: Chief Executive Officer

Date: February 21, 2014

SEPARATION AND DISTRIBUTION AGREEMENT

BY AND BETWEEN

SEARS HOLDINGS CORPORATION

AND

LANDS' END, INC.

DATED AS OF [✕]

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SEPARATION AND DISTRIBUTION AGREEMENT

This SEPARATION AND DISTRIBUTION AGREEMENT (this “Agreement”) is made as of [✕], by and between Sears Holdings Corporation, a Delaware corporation (“SHC”), and Lands’ End, Inc., a Delaware corporation and, prior to the Distribution, an indirect wholly owned subsidiary of SHC (“LE”). Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned to them in Article I.

WHEREAS, the board of directors of SHC (the “SHC Board”) has determined that it is in the best interests of SHC and its stockholders to separate the LE Business from the rest of SHC;

WHEREAS, in furtherance of the foregoing, the SHC Board has determined that it is appropriate and desirable for SHC and certain of its Subsidiaries to enter into a series of transactions in the manner provided in this Agreement and the Ancillary Agreements whereby (x) SHC will, directly or indirectly through its Subsidiaries, own all of the SHC Assets and assume (or retain) all of the SHC Liabilities, and (y) LE will, directly or indirectly through its Subsidiaries, own all of the LE Assets and assume (or retain) all of the LE Liabilities, in each case as more fully described in this Agreement and the Ancillary Agreements;

WHEREAS, SHC currently intends that, on the Distribution Date, SHC shall distribute to holders of shares of SHC common stock, through a spin-off, all of the outstanding shares of LE Common Stock, as more fully described in this Agreement and the Ancillary Agreements (the “Distribution”);

WHEREAS, the Distribution and certain related transactions, taken together, are intended to qualify as a reorganization under Sections 355 and 368 of the Code for U.S. federal income tax purposes; and

WHEREAS, it is appropriate and desirable to set forth the principal corporate transactions required to effect the Separation and the Distribution and certain other agreements that will govern certain matters relating to the Separation and the Distribution and the relationship of SHC, LE and their respective Subsidiaries, following the Distribution;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, SHC and LE hereby agree as follows:

ARTICLE I.

DEFINITIONS

For purposes of this Agreement, the following terms shall have the following meanings:

“2011 SHC LTIP” has the meaning set forth in Section 7.4(b)(i).

“2012 SHC LTIP” has the meaning set forth in Section 7.4(b)(i).

“2013 SHC LTIP” has the meaning set forth in Section 7.4(b)(i).

“AAA Commercial Arbitration Rules” has the meaning set forth in Section 11.3(a).

“Action” means any written demand, claim, counterclaim, action, dispute, suit, arbitration, inquiry, subpoena, proceeding or investigation, of any nature (whether criminal, civil, legislative, administrative, regulatory, prosecutorial or otherwise), in each case, by or before any federal, state, local, foreign or international Governmental Authority or any arbitration or mediation tribunal.

“Affiliate” means (solely for purposes of this Agreement and for no other purpose) (i) with respect to LE, its Subsidiaries, and (ii) with respect to SHC, its Subsidiaries; provided, however, that except where the context indicates otherwise, only for purposes of this Agreement and for no other purpose, from and after the Effective Time (1) no SHC Entity shall be deemed to be an Affiliate of any LE Entity and (2) no LE Entity shall be deemed to be an Affiliate of any SHC Entity.

“Agreement” has the meaning set forth in the Preamble.

“Ancillary Agreements” means (i) the Tax Sharing Agreement; (ii) the Transition Services Agreement; (iii) the Master Lease Agreement; (iv) the Master Sublease Agreement; (v) the LES Agreement; (vi) the SYW Agreement; (vii) the Financial Services Agreement; (viii) the Co-Location and Services Agreement; (ix) the Buying Agency Agreement; (x) the Call Center Services Agreement; (xi) the Sears Marketplace Seller Agreement; (xii) the Gift Card Services Agreement; and (xiii) the Implementation Documents.

“Applicable Law” means all applicable laws, ordinances, regulations, rules, and court and administrative orders and decrees of all national, regional, state, local and other governmental units (whether domestic or foreign) that have jurisdiction in the given circumstances.

“Assets” means, with respect to any Person, the assets, properties, claims and rights (including goodwill) of such Person, wherever located (including in the possession of vendors or other Persons or elsewhere), of every kind, character, and description, whether tangible or intangible, real, personal or mixed, or accrued or contingent, in each case whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of such Person, including the following:

(i) all accounting and other Records, whether in paper, microfilm, microfiche, computer tape or disk, magnetic tape, electronic or any other form;

(ii) all apparatus, computers and other electronic data processing and communications equipment, fixtures, electronic kiosks, machinery, equipment, furniture, office equipment, automobiles, trucks, vessels, motor vehicles and other transportation equipment, special and general tools, test devices, prototypes and models and other tangible personal property;

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- (iii) all inventories of materials, parts, raw materials, components, supplies, work-in-process and finished goods and products;
- (iv) all Real Property Assets;
- (v) all interests in any capital stock or other equity interests of any Subsidiary or any other Person, all bonds, notes, debentures or other securities issued by any Subsidiary or any other Person, all loans, advances or other extensions of credit or capital contributions to any Subsidiary or any other Person and all other investments in securities of any Person, and all rights as a partner, joint venturer or participant;
- (vi) all licenses and leases of personal property, open purchase orders for raw materials, supplies, parts or services, unfilled orders for the manufacture and sale of products and other Contracts, agreements or commitments and all rights arising thereunder;
- (vii) all deposits, letters of credit and performance and surety bonds;
- (viii) all written (including in electronic form) or oral technical Information, data, specifications, research and development Information, engineering drawings and specifications, operating and maintenance manuals, and materials and analyses prepared by consultants and other third parties;
- (ix) all Intellectual Property;
- (x) all Software;
- (xi) all Information;
- (xii) all prepaid expenses, trade accounts and other accounts and notes receivable;
- (xiii) all rights under Contracts, all claims or rights against any Person arising from the ownership of any Asset, all rights in connection with any bids or offers and all claims, choses in action or similar rights, whether accrued or contingent, whether in tort, contract or otherwise and whether arising by way of counterclaim or otherwise;
- (xiv) subject to Section 8.1(b), all rights under insurance policies and all rights in the nature of insurance, indemnification or contribution;
- (xv) all licenses, permits, approvals and authorizations which have been issued by any Governmental Authority and all pending applications therefor;
- (xvi) all cash or cash equivalents, bank accounts, lock boxes and other deposit arrangements;
- (xvii) all assets of any Benefit Plan sponsored or maintained by such Person (except as provided in Section 7.6 with respect to the LE Retiree Program and the Sears Holdings Master Retiree Medical Plan); and
- (xviii) all goodwill as a going concern and other intangible properties.

“Balance Sheet Date” means the date of the Reference Balance Sheet.

“Benefit Plan” means, with respect to an entity, each plan, program, policy, agreement, arrangement or understanding that is a deferred compensation, executive compensation, incentive bonus or other bonus, pension, profit sharing, savings, retirement, severance pay, salary continuation, life, death benefit, health, hospitalization, sick leave, vacation pay, disability or accident insurance or other employee benefit plan, program, agreement or arrangement, including any “employee benefit plan” (as defined in Section 3(3) of ERISA) sponsored, maintained or contributed to by such entity or to which such entity is a party or under which such entity has any obligation; provided that no SHC Restricted Stock Award, nor any plan under which any such SHC Restricted Stock Award is granted, shall constitute a “Benefit Plan” under this Agreement.

“Business” means either the LE Business or the SHC Business, as the context requires.

“Business Day” means any day that is not a Saturday, a Sunday or any other day on which banks are required or authorized by Applicable Law to remain closed in the New York, New York.

“Buying Agency Agreement” means the Buying Agency Agreement, dated as of the date hereof, by and between Sears Holdings Global Sourcing, Ltd. and LE, as such agreement may be amended, modified or waived from time to time.

“Call Center Services Agreement” means the Shop Your Way Rewards Program Statement of Work (SOW), dated as of November 1, 2012 by and between SHMC and LE, as such agreement may be amended, modified or waived from time to time.

“COBRA” means the U.S. Consolidated Omnibus Budget Reconciliation Act of 1985, as codified at Section 601 et seq. of ERISA and at Section 4980B of the Code, as amended, and the regulations promulgated thereunder.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

“Co-Location and Services Agreement” means the Services Agreement (Lands’ End Co-location Services), dated as of the date hereof, by and between SHMC and LE, as such agreement may be amended, modified or waived from time to time.

“Common Privileges” has the meaning set forth in Section 5.8.

“Competitor” means, solely for purposes of this Agreement and for no other purpose, BJ’s Wholesale Club, Costco Wholesale Corporation, Dillard’s, Inc., Eddie Bauer, Gap Inc., J. C. Penney Company, Inc., J.Crew Group, Inc., Kohl’s Corporation, L.L. Bean, Inc., Limited Brands, Inc., Limited Stores, LLC, Macy’s Inc., Meijer, TJX Companies, Inc., Target Corporation, Wal-Mart Stores, Inc., Amazon.com, Inc., ebay, Inc., each other retailer that competes in any material respect with any SHC Entity, and the Competitor Affiliates of each of them.

“Competitor Affiliates” means each Person that directly or indirectly, and by whatever means, Controls, is under common Control with, or is Controlled by, a Competitor.

“Confidential Information” means all Information, whether disclosed in oral, written, visual, electronic or other form, that (i) a party hereto, its Affiliates or their Personnel (the “Disclosing Party”) discloses to the other party, its Affiliates or their Personnel (the “Receiving Party”), (ii) relates to or is disclosed in connection with this Agreement (including pursuant to Section 6.1 and Section 6.2) or a party’s or a party’s Affiliate’s business, and (iii) is designated as “confidential” by the Disclosing Party (in which event the Information is deemed to be Confidential Information) or is or reasonably should be understood by the Receiving Party to be confidential or proprietary to the Disclosing Party. The Disclosing Party’s sales, pricing, costs, inventory, operations, employees, current and potential customers, financial performance and forecasts, and business plans, strategies, forecasts and analyses, as well as Information for which the Securities and Exchange Commission has granted confidential treatment pursuant to Rule 406 of Regulation C shall be deemed Confidential Information.

“Consents” means any consents, waivers or approvals from, or notification requirements to, any Person other than a Governmental Authority or a member of either Group.

“Contract” means each contract, agreement, lease, commitment, license, consensual obligation, promise or undertaking (whether written or oral and whether express or implied) that is legally binding on any Person or any part of its property under Applicable Law, including all claims or rights against any Person, choses in action and similar rights, whether accrued or contingent with respect to any such contract, agreement, lease, purchase and/or commitment, license, consensual obligation, promise or undertaking.

“Control” (including the terms “Controlled by” and “under common Control with”), with respect to the relationship between or among two or more Persons, means the possession, directly or indirectly or as trustee, personal representative or executor, of the power to direct or cause the direction of the affairs or management of a Person, whether through the ownership of voting securities or other interests, as trustee, personal representative or executor, by contract, agreement, obligation, indenture, instrument, lease, promise, credit arrangement, release, warranty, commitment, undertaking or otherwise.

“Deferred Transfer Asset” has the meaning set forth in Section 4.3(a).

“Deferred Transfer Liability” has the meaning set forth in Section 4.3(a).

“Disclosing Party” has the meaning set forth in the definition of “Confidential Information.”

“Disclosure Document” means any registration statement (including the LE Registration Statement) filed with the SEC by or on behalf of any SHC Entity or LE Entity and also includes any information statement (including the Information Statement), prospectus, offering memorandum, offering circular, periodic report or similar disclosure document, whether

or not filed with the SEC or any other Governmental Authority, in each case which describes the Separation or the Distribution or the LE Entities or primarily relates to the transactions contemplated by this Agreement or the Ancillary Agreements.

“Dispute” has the meaning set forth in Section 11.1.

“Dispute Meeting” has the meaning set forth in Section 11.2(a).

“Dispute Notice” has the meaning set forth in Section 11.2(a).

“Dispute Resolution Committee” has the meaning set forth in Section 11.2(a).

“Distribution” has the meaning set forth in the Recitals.

“Distribution Agent” means Computershare Trust Company, N.A.

“Distribution Date” means the date of the consummation of the Distribution, which shall be determined by SHC in its sole and absolute discretion.

“Effective Time” means the time at which the Distribution occurs on the Distribution Date, which shall be deemed to be 11:59 p.m., New York City Time, on the Distribution Date.

“Encumbrance” means any security interest, pledge, charge, claim, option, right to acquire, voting or other restriction, right-of-way, covenant, condition, easement, encroachment, restriction on transfer, hypothecation, mortgage, lien or encumbrance of any other nature, whether or not filed, recorded or otherwise perfected under Applicable Law.

“ERISA” means the U.S. Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

“Financial Services Agreement” means the Financial Services Agreement, dated as of the date hereof, by and between SRC and LE, as such agreement may be amended, modified or waived from time to time.

“Gift Card Services Agreement” means the Gift Card Services Agreement, dated as of January 1, 2008, between LE and SHC Promotions LLC, a Virginia limited liability company, and successor to SHC Promotions, Inc., and the First Amendment thereto, dated as of the date hereof, as such agreement may be amended, modified or waived from time to time.

“Good Faith” means honesty in fact and the observance of reasonable commercial standards of fair dealing in accordance with Applicable Law.

“Governmental Approvals” means any notices or reports to be submitted to, or other filings to be made with, or any consents, registrations, approvals, permits or authorizations to be obtained from, any Governmental Authority.

“Governmental Authority” means any federal, state, local, foreign or international court, government, department, commission, board, bureau, agency, official or other legislative, judicial, regulatory, administrative or governmental authority.

“Group” means the SHC Entities or the LE Entities, as the context requires.

“Implementation Documents” has the meaning set forth in Section 4.1.

“Indemnified Party” has the meaning set forth in Section 10.5(a).

“Indemnifying Party” has the meaning set forth in Section 10.5(a).

“Indemnity Payment” has the meaning set forth in Section 10.5(a).

“Information” means information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including, studies, reports, records, books, Contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, artwork, design, research and development files, formulations and specifications, quality records and reports, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer information, cost information, sales and pricing data, customer prospect lists, supplier records and vendor data, correspondence and lists, product data and literature, communications by or to attorneys (including attorney-client privileged communications), memoranda and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information, documents or data.

“Information Statement” means the information statement to be sent to each holder of shares of SHC common stock in connection with the Distribution, as filed with the SEC, as such information statement may be amended or supplemented from time to time prior to the Effective Time.

“Insurance Proceeds” means those monies (i) received by an insured or reinsured from an insurer or reinsurer, (ii) paid by an insurer or reinsurer on behalf of the insured or reinsured or (iii) received (including by way of set-off) from any Third Party in the nature of insurance, contribution or indemnification in respect of any Liability; in any such case net of any applicable premium adjustments (including, retrospectively rated premium adjustments) and net of any self-insured retention, deductible or other form of self-insurance and net of any third party costs or expenses incurred in the collection thereof.

“Intellectual Property” means all right, title and interest in or relating to intellectual property or industrial property, whether arising under the law of the United States or any other country or any political subdivision thereof or multinational laws or any other law, including, (i) patents, patent applications, and all divisionals, continuations and continuations-in-part

thereof, together with all reissues, reexaminations, renewals and extensions thereof and all rights to obtain such divisionals, continuations and continuations-in-part, reissues, reexaminations, renewals and extensions, and all utility models and statutory invention registrations and any other such analogous rights, (ii) trademarks, service marks, Internet domain names, trade dress, trade styles, logos, trade names, services names, brand names, corporate names, assumed business names and general intangibles and other source identifiers of a like nature, together with the goodwill associated with any of the foregoing, and all registrations and applications for registrations thereof, together with all renewals and extensions thereof and all rights to obtain such renewals and extensions, (iii) copyrights, mask work rights, database and design rights, moral rights and rights in Internet websites, whether registered or unregistered and whether published or unpublished, all registrations and recordings thereof and all applications in connection therewith, together with all renewals, continuations, reversions and extensions thereof and all rights to obtain such renewals, continuations, reversions and extensions and (iv) confidential and proprietary Information, including, trade secrets and know-how. "Intellectual Property" also includes all goodwill associated with Intellectual Property and the right to sue and recover at law or in equity for past, present and future infringement, misappropriation, dilution, violation or other impairment of such Intellectual Property and all license agreements (including, licenses from or to third parties in respect of Intellectual Property).

"Intercompany Accounts" means all intercompany receivables and payables between one or more of the LE Entities, on the one hand, and one or more of the SHC Entities, on the other hand.

"Intercompany Agreements" means this Agreement, the Ancillary Agreements and the other agreements, arrangements, commitments or understandings, whether or not in writing, between one or more of the LE Entities, on the one hand, and one or more of the SHC Entities, on the other hand.

"Internal Control Audit and Management Assessments" has the meaning set forth in Section 6.2.

"Internal Transactions" has the meaning set forth in Section 3.3.

"Joint Litigation Matter" means each Action (i) in which both a LE Entity and a SHC Entity are named as defendants or in which one or more officers or directors of any LE Entity and one or more officers or directors of any SHC Entity are named as defendants that is a LE Assumed Transaction Liability or (ii) that primarily relates to, arises out of or results from the LE Business, the LE Liabilities, the LE Assets (including product returns and other product Liability, litigation matters that have been commenced on or before the Effective Time and any Liabilities relating to, arising out of or resulting from the items set forth on Schedule B) or any other actions, inactions, events, omissions, conditions, facts or circumstances by or under the control of a LE Entity that SHC believes (in its sole and absolute discretion) the unfavorable resolution of which could have an adverse effect on any SHC Entity or any of its Businesses; provided that for the avoidance of doubt, none of the Actions set forth on Schedule D (or any Actions arising out of such Actions or relating thereto) shall be deemed Joint Litigation Matters.

"LE" has the meaning set forth in the Preamble.

“LE 2013 Cash LTI” has the meaning set forth in Section 7.4(b)(ii).

“LE Annual Report” has the meaning set forth in Section 6.1(b).

“LE Assets” means:

(i) all issued and outstanding capital stock or other equity interests in all the LE Entities other than the LE Common Stock;

(ii) all Assets of any SHC Entity or LE Entity included or reflected on the Reference Balance Sheet, subject to any dispositions of such Assets subsequent to the Balance Sheet Date; provided that the amounts set forth on the Reference Balance Sheet with respect to any Assets shall not be treated as minimum amounts or limitations on the amount of such Assets that are included in the definition of LE Assets pursuant to this clause (ii);

(iii) all Assets of any SHC Entity or LE Entity as of the Effective Time that are of a nature or type that would have been reflected on the combined balance sheet of the “Company” (as such term is used in the Reference Balance Sheet) or any notes or subledgers thereto as of the Effective Time (were such balance sheet, notes and subledgers to be prepared on a basis consistent with the determination of the Assets included on the Reference Balance Sheet), it being understood that (x) the Reference Balance Sheet shall be used to determine the types of, and methodologies used to determine, those Assets that are included in the definition of LE Assets pursuant to this subclause (iii); and (y) the amounts set forth on the Reference Balance Sheet with respect to any Assets shall not be treated as minimum amounts or limitations on the amount of such Assets that are included in the definition of LE Assets pursuant to this subclause (iii);

(iv) all Assets of the SHC Entities and the LE Entities as of the Effective Time that are expressly provided by this Agreement or any Ancillary Agreement as Assets to be transferred to LE or any other LE Entity;

(v) all Contracts (1) to which a LE Entity is a party as of the Effective Time or (2) with respect to the purchase of inventory attributable to the LE Business (as determined by SHC in its sole and absolute discretion) and all rights, interests or claims of either the SHC Entities or the LE Entities as of the Effective Time under all such Contracts (but excluding any Contracts to which one or more LE Entities and one or more SHC Entities are parties, if (x) the LE Entity cannot continue to exercise its rights under such Contracts independent from, and without imposing Liability (contingent or otherwise) upon, any SHC Entity or (y) the SHC Entity party thereto cannot continue to exercise its rights under such Contracts independent from any LE Entity);

(vi) all Assets of the SHC Entities and the LE Entities as of the Effective Time that are exclusively related to the LE Business;

(vii) all Intellectual Property owned by or registered to a LE Entity;

(viii) the LE Employment Agreements;

(ix) all Assets of the LE Benefit Plans; and

(x) all Assets set forth on Schedule A.

Notwithstanding the foregoing, the LE Assets shall not in any event include any Asset referred to in clauses (i) through (vi) of “SHC Assets.”

“LE Assumed Transaction Liabilities” means any and all Liabilities arising from, relating to, or derivative of any Action, whether commenced prior to, on or subsequent to the Effective Time, with respect to the Separation or Distribution made or brought by any Person against any SHC Entity or LE Entity and arising from, relating to, or derivative of allegations (i) of breach of fiduciary duty by one or more of the members of LE’s Board of Directors or (ii) that one or more statements made in, or one or more omissions from, the LE Registration Statement, the Information Statement (as amended or supplemented if LE shall have furnished any amendments or supplements thereto) or any other Disclosure Document, other than with respect to the matters described in Section 10.3(e), violated one or more federal or state securities laws.

“LE Benefit Plans” has the meaning set forth in Section 7.2(a).

“LE-Branded Gift Cards” has the meaning set forth in the Gift Card Services Agreement.

“LE Business” means the businesses and operations of the LE Entities, including selling casual clothing, accessories and footwear and home products via catalogs, online at *www.landsend.com* and affiliated specialty and international websites, and through retail locations, primarily at Lands’ End Shops at Sears and standalone Lands’ End Inlet stores, as more fully described in the LE Registration Statement. Solely with respect to “LE Business” and for purposes of Section 5.8 (Privileged Matters), Section 9.1 (Control of Legal Matters), Section 10.2 (Indemnification by LE) and determining whether a “Stockholding Change” has occurred and for no other purpose, “LE Entities” shall also include any other Persons that Control, are Controlled by or under common Control with any LE Entities and shall exclude SHC Entities.

“LE Cash Distribution” has the meaning set forth in Section 3.1(b).

“LE Common Stock” means the shares of common stock, par value \$0.01 per share, of LE.

“LE Employment Agreement” means any individual employment, retention, incentive bonus, severance or other individual compensatory agreement between, as of the Effective Time, any LE Personnel, on the one hand, and any SHC Entity or LE Entity, on the other.

“LE Entities” means, collectively, LE; Lands’ End Direct Merchants, Inc., a Delaware corporation; Lands’ End International, Inc., a Delaware corporation; Lands’ End Media Company, a Wisconsin corporation; Lands’ End Japan KK, a Japanese corporation; Lands’ End Japan Inc., a Delaware corporation; Lands’ End Europe Ltd., a company organized under the laws of England and Wales; Lands’ End GmbH, a corporation with limited liability organized under the laws of the Federal Republic of Germany; Lands’ End Canada Outfitters ULP, a corporation organized under the laws of British Columbia, Canada; and all other Persons that are or hereafter become a Subsidiary of LE.

“LE Financing” has the meaning set forth in Section 3.1(b).

“LE Indemnified Party” has the meaning set forth in Section 10.3.

“LE Liabilities” means:

(i) all Liabilities included or reflected on the Reference Balance Sheet, subject to any discharge of such Liabilities subsequent to the Balance Sheet Date (including all Liabilities under outstanding purchase orders relating to LE, and, for avoidance of doubt Liabilities relating to, arising out of or resulting from LE-Branded Gift Cards); provided that the amounts set forth on the Reference Balance Sheet with respect to any Liabilities shall not be treated as minimum amounts or limitations on the amount of such Liabilities that are included in the definition of LE Liabilities pursuant to this subclause (i);

(ii) all Liabilities as of the Effective Time that are of a nature or type that would have been reflected on the combined balance sheet of the “Company” (as such term is used in the Reference Balance Sheet) or any notes or subledgers thereto as of the Effective Time (were such balance sheet, notes and subledgers to be prepared on a basis consistent with the determination of the Liabilities included on the Reference Balance Sheet), it being understood that (x) the Reference Balance Sheet shall be used to determine the types of, and methodologies used to determine, those Liabilities that are included in the definition of LE Liabilities pursuant to this subclause (ii); and (y) the amounts set forth on the Reference Balance Sheet with respect to any Liabilities shall not be treated as minimum amounts or limitations on the amount of such Liabilities that are included in the definition of LE Liabilities pursuant to this subclause (ii);

(iii) all Liabilities relating to, arising out of or resulting from the actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the Effective Time (whether or not such Liabilities cease being contingent, mature, become known, are asserted or accrue, in each case before, at or after the Effective Time), in each case to the extent that such Liabilities relate to, arise out of or result from the LE Business, the LE Liabilities, the LE Assets (including product returns and other product Liability, litigation matters that have been commenced on or before the Effective Time and any Liabilities relating to, arising out of or resulting from the items set forth on Schedule B) or any other actions, inactions, events, omissions, conditions, facts or circumstances by or under the control of a LE Entity, including all LE Litigation Matters;

(iv) all Liabilities relating to, arising out of or resulting from the actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the Effective Time (whether or not such Liabilities cease being contingent, mature, become known, are asserted or accrue, in each case before, at or after the Effective Time), in each case to the extent that such Liabilities relate to, arise out of or result from the LE Employment Agreements;

(v) all Liabilities relating to, arising out of or resulting from the actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the Effective Time (whether or not such Liabilities cease being contingent, mature, become known,

are asserted or accrue, in each case before, at or after the Effective Time), in each case to the extent that such Liabilities relate to, arise out of or result from (x) the LE Benefit Plans, (y) any special cash retention bonus awarded to LE Personnel by LE that is unvested (or accrued by unpaid) as of or after the Effective Date and (z) fiscal year 2013 attributable to LE Personnel under the LE 2013 Cash LTI;

(vi) all Liabilities relating to, arising out of or resulting from the actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the Effective Time (whether or not such Liabilities cease being contingent, mature, become known, are asserted or accrue, in each case before, at or after the Effective Time), in each case to the extent that such Liabilities relate to, arise out of or result from the LE Retiree Program;

(vii) all Liabilities relating to, arising out of or resulting from the actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the Effective Time (whether or not such Liabilities cease being contingent, mature, become known, are asserted or accrue, in each case before, at or after the Effective Time), in each case to the extent that such Liabilities relate to, arise out of or result from the LE Financing;

(viii) any and all Liabilities that are expressly provided by this Agreement or any Ancillary Agreement (or the exhibits, schedules and appendices hereto or thereto) as Liabilities to be assumed by LE or any other LE Entity and all agreements and obligations of any LE Entity under this Agreement or any of the Ancillary Agreements;

(ix) any Liabilities for which SHC Entities are entitled to indemnification from the LE Entities pursuant to the Tax Sharing Agreement;

(x) any LE Assumed Transaction Liabilities;

(xi) all obligations with respect to LE's Personnel (and such individual Personnel's dependents, beneficiaries, alternate payees and alternate recipients, as applicable under any benefit plan), including accrued but unpaid salaries, wages, overtime, bonuses/incentives, including without limitation any incentive programs and the related payroll taxes; Liabilities for accrued but unpaid vacation, illness and other approved leaves of absence; Liabilities for insurance and pension contributions to multi-employer plans, if any, pursuant to the terms of any applicable collective bargaining agreement; any Liabilities and requirements under COBRA; all Liabilities arising out of or relating to any LE Employment Agreement and all other Liabilities with respect to the employment, service, termination (or alleged termination) of employment or termination (or alleged termination) of service of any such employee, including as provided for under Section 7.1 and Section 7.8; and

(xii) all Liabilities for claims made by any Third Party (but including directors, officers, employees or agents of any LE Entity or SHC Entity acting in their individual capacities and not in their official capacities) against any LE Entity or SHC Entity to the extent relating to, arising out of or resulting from the LE Business, the LE Liabilities or the LE Assets.

Notwithstanding the foregoing, the Liabilities relating to, arising out of or resulting from the Actions set forth on Schedule D shall not in any event be LE Liabilities but instead shall be SHC Liabilities.

“LE Litigation Matters” means such Actions that primarily relate to, arise out of or result from the LE Business, the LE Liabilities, the LE Assets (including product returns and other product Liability, litigation matters that have been commenced on or before the Effective Time and any Liabilities relating to, arising out of or resulting from the items set forth on Schedule B) or any other actions, inactions, events, omissions, conditions, facts or circumstances by or under the control of a LE Entity, but in each case excluding the Actions set forth on Schedule D.

“LE LTIP” has the meaning set forth in Section 7.4(b)(i).

“LE Personnel” has the meaning set forth in Section 7.1.

“LE Pre-65 Retirees” has the meaning set forth in Section 7.6.

“LE Quarterly Report” has the meaning set forth in Section 6.1(a).

“LE Registration Statement” means the registration statement on Form 10 filed by LE with the SEC to effect the registration of LE Common Stock pursuant to the Exchange Act in connection with the Distribution, as such registration statement may be amended or supplemented from time to time prior to the Effective Time.

“LE Retiree Program” means the Lands’ End, Inc. Retiree Program, a participating program under the Sears Holdings Master Retiree Medical Plan which had previously been administered by LE.

“LE Shops” means the Lands’ End Shops at Sears business contemplated in the LES Agreement.

“LES Agreement” means the Lands’ End Shops at Sears Retail Operations Agreement, dated as of the date hereof, by and between SRC and LE, as such agreement may be amended, modified or waived from time to time.

“Liabilities” or “Liability” means with respect to any Person, any and all claims, debts, demands, actions, causes of action, suits, damages, costs, obligations, accruals, accounts payable, reckonings, bonds, indemnities and similar obligations, agreements, promises, guarantees, make whole agreements and similar obligations, and other liabilities and requirements of such Person, including all contractual obligations, whether accrued or fixed, absolute or contingent, matured or unmatured, liquidated or unliquidated, reserved or unreserved, known or unknown, or determined or determinable, whenever arising and including those arising under any Applicable Law, rule, regulation, Action, threatened or contemplated Action, order or consent decree of any Governmental Authority or any award of any arbitrator or mediator of any kind, and those arising under any Contract, including those arising under this Agreement, in each case, whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of any Person. For the avoidance of doubt, Liabilities shall include reasonable attorneys’ fees, the costs and expenses of all demands, assessments, judgments, settlements and compromises, and any and all other costs and expenses whatsoever reasonably incurred in connection with anything contemplated by the preceding sentence.

“Marks” has the meaning set forth in Section 4.5.

“Master Lease Agreement” means the Master Lease Agreement, dated as of the date hereof, by and between SRC and LE, as such agreement may be amended, modified or waived from time to time.

“Master Sublease Agreement” means the Master Sublease Agreement, dated as of the date hereof, by and between SRC and LE, as such agreement may be amended, modified or waived from time to time.

“NASDAQ” means the NASDAQ Stock Market LLC.

“Non-Solicit Period” has the meaning set forth in Section 7.9(a).

“Person” means an individual, a general or limited partnership, a corporation, a trust, a joint venture, an unincorporated organization, a limited liability company, any other entity and any Governmental Authority.

“Personnel” means the officers, directors, employees, agents, suppliers, licensors, licensees, contractors, subcontractors, advisors (including attorneys, accountants, technical consultants or investment bankers) and other representatives, from time to time, of a party and its Affiliates; provided that the Personnel of the LE Entities shall not be deemed Personnel of the SHC Entities and the Personnel of the SHC Entities shall not be deemed Personnel of the LE Entities.

“Public Filings” has the meaning set forth in Section 6.1(c).

“Real Property Assets” means all interests in real property of whatever nature, including easements, whether as owner, mortgagee or holder of an Encumbrance in real property, lessor, sublessor, lessee, sublessee, licensor, licensee, sublicensor, sublicensee or otherwise.

“Receiving Party” has the meaning set forth in the definition of “Confidential Information.”

“Record Date” shall mean the close of business on [] or the close of business on another date if determined by the SHC Board as the record date for determining holders of shares of SHC common stock entitled to receive LE Common Stock pursuant to the Distribution.

“Records” means documents, files and other books and records, including, books and records relating to financial reporting, internal audit, employee benefits, past acquisition or disposition transactions, Actions, and email files and backup tapes regarding any of the foregoing.

“Reference Balance Sheet” means the most recent combined balance sheet of LE, including the notes thereto, included in the LE Registration Statement prior to the Effective Time.

“Representatives” means Personnel, partners, members, counsel, investment advisors, third-party contractors, and other representatives.

“Resolution Failure Date” has the meaning set forth in Section 11.2(a).

“Sears Holdings Master Retiree Medical Plan” means the Sears Holdings Master Retiree Medical Plan, as amended and restated January 1, 2011 and as amended from time to time thereafter.

“Sears Marketplace Seller Agreement” means the Sears Marketplace—Local Marketplace—MyGofer Fulfilled By Merchant (FBM) Agreement, dated as of July 24, 2013 and amended as of the date hereof, by and between SHMC and LE, as such agreement may be amended, modified or waived from time to time.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder.

“Separation” has the meaning set forth in Section 2.1.

“Shared Privileges” has the meaning set forth in Section 5.8(d).

“SHC” has the meaning set forth in the Preamble.

“SHC AIP” has the meaning set forth in Section 7.4(a).

“SHC ASPP” has the meaning set forth in Section 7.3.

“SHC Assets” means all Assets of the SHC Entities and the LE Entities as of the Effective Time, other than the LE Assets, it being understood that the SHC Assets shall include:

(i) all Contracts or rights thereunder of any SHC Entity or LE Entity as of the Effective Time (other than the Contracts and rights thereunder constituting LE Assets pursuant to clause (v) of the definition of “LE Assets”);

(ii) except as provided in the Master Lease Agreement or the Master Sublease Agreement, any Real Property Assets of the LE Entities relating to the Lands’ End Shops at Sears;

(iii) any and all Assets with respect to, arising out of, or resulting from (A) any Actions relating to any of the SHC Entities or LE Entities or their respective Assets, Liabilities or Businesses and commenced on or before the Effective Time that are not LE Litigation Matters or Joint Litigation Matters, including any and all rights to damage awards, settlement payments, reimbursements or indemnities and (B) the SHC Litigation Matters;

(iv) any and all Assets relating to, arising out of or attributable to the Sears Holdings Master Retiree Medical Plan (including any Assets relating to, arising out of or attributable to the LE Retiree Program);

(v) all Intellectual Property of any SHC Entity or LE Entity (but specifically excluding any Intellectual Property described in clause (vii) of “LE Assets”); and

(vi) all Assets set forth on Schedule C.

“SHC ASPP” has the meaning set forth in Section 7.3.

“SHC Board” has the meaning set forth in the Recitals.

“SHC Business” means (A) the businesses and operations of the SHC Entities and (B) any terminated, divested or discontinued businesses and operations of any SHC Entity or any of its predecessors; provided, however, that the SHC Business shall not include the LE Business.

“SHC Cash Award” has the meaning set forth in Section 7.5.

“SHC Entities” means, collectively, SHC and all of its Subsidiaries other than the LE Entities.

“SHC Indemnified Party” has the meaning set forth in Section 10.2.

“SHC Liabilities” means, without duplication, any and all Liabilities relating to, arising out of or resulting from actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the Effective Time (whether or not such Liabilities cease being contingent, mature, become known, are asserted or accrue, in each case before, at or after the Effective Time) of any SHC Entity, in each case that are not LE Liabilities, including any and all Liabilities set forth on Schedule D.

“SHC Litigation Matters” means any and all Actions (i) that are primarily related to the SHC Assets, the SHC Liabilities or the SHC Business, (ii) in which any SHC Entity or LE Entity is a defendant, plaintiff or member of a class of plaintiffs that have been commenced on or before the Effective Time and are not primarily related to the LE Assets, the LE Liabilities or the LE Business, (iii) in which any SHC Entity or LE Entity is a plaintiff that are filed after the Effective Time and relate to the subject matter of an Action in which any SHC Entity or LE Entity is a plaintiff or member of a class of plaintiffs that has been commenced on or prior to the Effective Time (for example, an Action commenced by any SHC Entity after such SHC Entity has opted out of a class action and determined to prosecute a claim outside of the class) or arising out of such Actions or relating thereto, but in each case excluding any LE Litigation Matters and any Joint Litigation Matters or (iv) set forth on Schedule D.

“SHMC” means Sears Holdings Management Corporation, a Delaware corporation.

“SHC Restricted Stock Award” has the meaning set forth in Section 7.5.

“Software” means computer software, programs, databases and applications, whether in source code, object code or other form, including, operating software, network software, Internet websites, web content and links, all versions, updates, corrections, enhancements, replacements and modifications thereof, and all documentation related thereto.

“SRC” means Sears, Roebuck and Co., a New York corporation.

“Stockholding Change” means the occurrence of any transaction or event (or series of any transactions or events), whether voluntary or involuntary, that results in any LE Entity or material portion of the LE Business or material portion of the LE Assets Controlling, being Controlled by or under common Control with a Competitor.

“Subsidiaries” means any and all corporations, partnerships, limited liability companies, joint ventures, associations and other entities Controlled by a Person directly or indirectly through one or more intermediaries.

“SYW Agreement” means the Shop Your WaySM Retail Establishment Agreement, dated as of the date hereof, by and between SHMC and LE, as such agreement may be amended, modified or waived from time to time.

“Tax” or “Taxes” has the meaning set forth in the Tax Sharing Agreement.

“Tax Sharing Agreement” means the Tax Sharing Agreement, dated as of the date hereof, by and between SHC and LE, as such agreement may be amended, modified or waived from time to time.

“Third Party” means any Person that is not a party hereto or an Affiliate of any party hereto.

“Third Party Claim” has the meaning set forth in Section 10.8(a).

“Third Party Proceeds” has the meaning set forth in Section 10.5(a).

“Transfer Impediment” has the meaning set forth in Section 4.3(a).

“Transition Services Agreement” means the Transition Services Agreement, dated as of the date hereof, by and between SHMC and LE, as such agreement may be amended, modified or waived from time to time.

“Unreleased Liability” has the meaning set forth in Section 4.2.

“Unreleased Person” has the meaning set forth in Section 4.2.

“Unresolved Disputes” has the meaning set forth in Section 11.2(a).

“WARN Act” has the meaning set forth in Section 7.1.

ARTICLE II.

THE SEPARATION

Section 2.1. Separation. On the terms and subject to the conditions set forth in this Agreement, on or prior to the Distribution Date (but subject to Section 4.2 with respect to Unreleased Liabilities and Section 4.3 with respect to Deferred Transfer Assets and Deferred Transfer Liabilities), the transactions set forth in this Section 2.1 (collectively, the “Separation”) shall take place in the order provided below:

(a) Release of Liens and Obligations. SHC shall, and shall cause any applicable SHC Entities to, have taken all actions necessary to cause the LE Entities to be released from all collateral and guarantee obligations under the Second Amended and Restated Credit Agreement, dated April 8, 2011 (as amended or otherwise modified from time to time), among SHC, the other parties party thereto, and Bank of America, N.A., as agent and the Indenture, dated October 12, 2010 (as amended or otherwise modified from time to time), among SHC, the guarantors party thereto and Wells Fargo Bank, National Association, as trustee and collateral agent, at the Effective Time.

(b) Internal Reorganization. The total number of shares of LE Common Stock shall be increased from 160,000,000 shares to 480,000,000 shares by means of a stock split or otherwise.

(c) Assets Contribution and Liabilities Assumption.

(i) SHC shall, and shall cause the other applicable SHC Entities to, transfer to SRC all of SHC’s and such other SHC Entities’ respective right, title and interest in and to the LE Assets and SRC shall convey, assign and transfer as a capital contribution by way of contribution to surplus to LE or another applicable LE Entity designated in writing by LE prior to the Effective Time, all such right, title and interest in and to the LE Assets.

(ii) LE shall, and shall cause the other applicable LE Entities to, distribute to SRC or another applicable SHC Entity designated in writing by SHC all of LE’s and such other LE Entities’ respective right, title and interest in and to the SHC Assets held by a LE Entity.

(iii) LE and the applicable LE Entities shall assume all of the LE Liabilities.

(iv) SRC and the applicable SHC Entities shall assume all of the SHC Liabilities.

Each Person required pursuant to this Section 2.1 to assume any Liability shall accept, assume, perform, discharge and fulfill such Liability in accordance with its terms, regardless of (1) when or where such Liabilities arose or arise, were asserted or determined, (2) whether the facts upon which they are based occurred prior to, on or subsequent to the Distribution Date, (3) where or against whom such Liabilities are asserted or determined and (4) whether arising from or alleged

to arise from negligence, recklessness, violation of law, fraud or misrepresentation by any SHC Entity or LE Entity, as the case may be, or any of their past or present respective directors, officers, employees, agents, Subsidiaries or Affiliates.

Section 2.2. Intercompany Agreements.

(a) Except as set forth in Section 2.2(b), in furtherance of the releases and other provisions of Section 10.1, LE, on behalf of itself and each other LE Entity, on the one hand, and SHC, on behalf of itself and each other SHC Entity, on the other hand, shall terminate, effective as of the Effective Time, any and all Intercompany Agreements in effect as of the Distribution Date and shall settle, or cause to be settled, all Intercompany Accounts at or prior to the Effective Time. Without limiting the foregoing and for the avoidance of doubt, that certain Borrowing Agreement dated as of January 31, 2008 between LE and SHC Promotions LLC and the Borrower's Note dated as of January 31, 2008 issued by LE shall be terminated as of the Effective Time. No such terminated Intercompany Agreements (including any provision thereof that purports to survive termination) shall be of any further force or effect after the Effective Time. Each party hereto shall, at the reasonable request of the other party hereto, take, or cause to be taken, such other actions as may be necessary to effect the foregoing.

(b) The provisions of Section 2.2(a) shall not apply to any of the following Intercompany Agreements (or to any of the provisions thereof) or Intercompany Accounts: (i) this Agreement and the Ancillary Agreements (and each other Intercompany Agreement or Intercompany Account expressly contemplated hereby or thereby, including the Implementation Documents); (ii) any outstanding intercompany trade receivables or payables that are included or reflected on the Reference Balance Sheet or that are of a nature or type that would have been reflected on the combined balance sheet of the "Company" (as such term is used in the Reference Balance Sheet) or any notes or subledgers thereto were such balance sheet, notes and subledgers prepared on a basis consistent with the preparation of the Reference Balance Sheet; and (iii) any accrued Liabilities incurred in connection with Real Property Assets of the LE Entities relating to the Lands' End Shops at Sears or services received by LE or the LE Entities from SHC or another SHC Entity under this Agreement or the Ancillary Agreements, in each case, which shall remain outstanding and be paid by LE or the applicable LE Entities to SHC or the applicable SHC Entities in due course.

Section 2.3. Resignation. On or before the Effective Time:

(a) SHC shall deliver to LE the resignation, effective as of the Effective Time, of each Person who is an officer or a director of any LE Entity immediately prior to the Effective Time and who will be an employee or officer of any SHC Entity immediately after the Effective Time.

(b) LE shall deliver to SHC the resignation, effective as of the Effective Time, of each Person who is an officer or a director of any SHC Entity immediately prior to the Effective Time and who will be an employee or officer of any LE Entity immediately after the Effective Time.

ARTICLE III.

THE DISTRIBUTION

Section 3.1. Actions On or Prior to the Distribution Date. Prior to the Distribution, the following shall occur:

(a) Information Statement; Listing. SHC shall make available the Information Statement to the holders of shares of SHC common stock as of the Record Date. LE shall take (with such reasonable assistance as requested of SHC) all such actions as may be necessary or appropriate under the securities or “blue sky” laws of states or other political subdivisions of the United States and shall use commercially reasonable efforts to comply with all applicable foreign securities laws in connection with the transactions contemplated by this Agreement and the Ancillary Agreements. LE shall prepare, file, and use its reasonable best efforts to have approved, an application to permit listing of the LE Common Stock on NASDAQ.

(b) Borrowings and Financings; LE Cash Distribution. In connection with the Separation, (i) LE shall have entered into, and received the resulting proceeds from, the financing transactions described in the Information Statement as occurring on or prior to the Distribution Date (the “LE Financing”) and (ii) LE shall make a cash distribution to SHC (or another SHC Entity) in an amount equal to \$[✕] (the “LE Cash Distribution”).

(c) Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws. (i) SHC and LE shall each take all necessary action that may be required to provide for the adoption by LE of the Amended and Restated Certificate of Incorporation of LE in substantially the form filed as an exhibit to the Registration Statement (the “Amended and Restated Certificate of Incorporation”), and the Amended and Restated Bylaws of LE in substantially the form filed as an exhibit to the Registration Statement (the “Amended and Restated Bylaws”) and (ii) LE shall file the Amended and Restated Certificate of Incorporation of LE with the Secretary of State of the State of Delaware.

Section 3.2. The Distribution Agent. SHC shall enter into a distribution agent agreement with the Distribution Agent or otherwise provide instructions to the Distribution Agent regarding the Distribution.

Section 3.3. Conditions Precedent to the Distribution. In no event shall the Distribution occur unless each of the following conditions shall have been satisfied (or waived by SHC, in whole or in part, in its sole and absolute discretion):

(a) the SHC Board shall have authorized and approved the Separation and not withdrawn such authorization and approval, and shall have declared the Distribution;

(b) the transactions contemplated by Article II (the “Internal Transactions”) shall have been completed;

(c) the LE Financing shall have been completed and the LE Cash Distribution shall have been paid to SHC;

(d) the Registration Statement filed with the SEC shall have become effective, no stop order suspending the effectiveness of the Registration Statement shall be in effect and no proceedings for such purpose shall be pending before or threatened by the SEC;

(e) the Information Statement shall have been made available to holders of shares of SHC common stock as of the Record Date;

(f) all actions and filings necessary or appropriate under applicable federal, state or foreign securities or “blue sky” laws and the rules and regulations thereunder shall have been taken and, where applicable, become effective or been accepted;

(g) the LE Common Stock to be delivered in the Distribution shall have been approved for listing on NASDAQ, subject to official notice of issuance;

(h) each of the other Ancillary Agreements shall have been duly executed and delivered by the parties thereto;

(i) no order, injunction or decree issued by any Governmental Authority of competent jurisdiction or other legal restraint or prohibition preventing consummation of the Distribution or the transactions related thereto shall be in effect, and no other event outside the control of SHC shall have occurred or failed to occur that prevents the consummation of the Distribution or the transactions related thereto;

(j) the SHC Board shall have received an opinion from an outside financial advisor confirming the solvency and financial viability of SHC before the Distribution and of each of SHC and LE after the Distribution, in each case, that is in form and substance acceptable to the SHC Board in its sole and absolute discretion;

(k) the SHC Board shall have received an opinion from the law firm of Simpson Thacher & Bartlett LLP as to the satisfaction of certain requirements necessary for the Distribution and certain related transactions to receive tax-free treatment under Sections 355, 368 and related provisions of the Code;

(l) SHC and LE shall have taken all necessary action to cause the Board of Directors of LE to consist of the individuals identified in the Information Statement as directors of LE as of immediately following the Effective Time;

(m) SHC and LE shall have taken all necessary action to enable SHC to assume operation, maintenance and administration of the LE Retiree Program as of or prior to the Effective Time in accordance with Section 7.6;

(n) LE’s Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws shall be in effect; and

(o) no event or development shall have occurred or exist that, in the judgment of the SHC Board, in its sole and absolute discretion, makes it inadvisable to effect the Distribution or the other transactions contemplated hereby.

Each of the foregoing conditions is for the sole benefit of SHC and shall not give rise to or create any duty on the part of SHC or the SHC Board to waive or not to waive any such condition or to effect the Distribution, or in any way limit SHC's rights of termination set forth in this Agreement. Any determination made by SHC prior to the Distribution concerning the satisfaction or waiver of any or all of the conditions set forth in this Section 3.3 shall be conclusive and binding on the parties.

Section 3.4. The Distribution.

(a) Subject to the terms and conditions set forth in this Agreement:

(i) SRC shall convey, transfer and deliver to SHC all of the issued and outstanding shares of LE Common Stock;

(ii) on or prior to the Distribution Date, SHC shall deliver to the Distribution Agent for the benefit of holders of record of shares of SHC common stock on the Record Date, book-entry transfer authorizations for such number of the issued and outstanding shares of LE Common Stock necessary to effect the Distribution;

(iii) SHC shall effect the Distribution by instructing the Distribution Agent to distribute, on or as soon as practicable after the Effective Time, to each holder of record of shares of SHC common stock as of the Record Date, by means of a *pro rata* distribution, [] shares of LE Common Stock for every [] SHC Common Share so held;

(iv) the Distribution shall be effective at the Effective Time; and

(v) following the Distribution Date, LE agrees to provide all book-entry transfer authorizations for shares of LE Common Stock that SHC or the Distribution Agent shall require in order to effect the Distribution.

(b) Notwithstanding anything to the contrary contained in this Agreement, SHC shall, in its sole and absolute discretion, determine the Distribution Date and all terms of the Distribution, including the form, structure and terms of any transactions and/or offerings to effect the Distribution and the timing of and conditions to the consummation thereof. In addition, SHC may at any time and from time to time until the completion of the Distribution decide to abandon the Distribution or modify or change the terms of the Distribution, including by accelerating or delaying the timing of the consummation of all or part of the Distribution.

Section 3.5. Fractional Shares. Fractional shares of LE Common Stock will not be distributed in the Distribution nor credited to book-entry accounts. The Distribution Agent shall, as soon as practicable after the Effective Time, (a) determine the number of whole shares and fractional shares of LE Common Stock allocable to each holder of record or beneficial owner of shares of SHC common stock as of the close of business on the Record Date, (b) aggregate all such fractional shares into whole shares and sell the whole shares obtained thereby in open market transactions, in each case, at then-prevailing trading prices on behalf of holders who would otherwise be entitled to fractional share interests, and (c) distribute to each such holder, or for the benefit of each such beneficial owner, such holder or owner's ratable share of the cash proceeds (net of discounts and commissions) of such sale, based upon the

average gross selling price per share of LE Common Stock after making appropriate deductions for any amount required to be withheld for United States federal income tax purposes and any brokerage fees incurred in connection with these sales of fractional shares. The sales of fractional shares shall occur as soon after the Effective Time as practicable and as determined by the Distribution Agent. Neither SHC nor LE or the Distribution Agent will guarantee any minimum sale price for the fractional shares of LE Common Stock. Neither SHC nor LE will pay any interest on the proceeds from the sale of fractional shares. The Distribution Agent will have the sole discretion to select the broker-dealers through which to sell the aggregated fractional shares and to determine when, how and at what price to sell such shares. Neither the Distribution Agent nor the broker-dealers through which the aggregated fractional shares are sold will be Affiliates of SHC or LE.

ARTICLE IV.

GENERAL PROVISIONS

Section 4.1. Implementation Documents. In order to effectuate the transactions contemplated in this Agreement, each of SHC and LE shall (and shall cause any applicable members of its Group to) execute and deliver, or cause to be executed and delivered, such deeds, bills of sale, instruments of assumption, instruments of assignment, stock powers, certificates of title and other instruments of assignment, transfer, contribution, assumption, license and conveyance (collectively, the "Implementation Documents") as and to the extent necessary to effect such transactions.

Section 4.2. Novation and Release of Liabilities. If at any time after the Effective Time, any SHC Entity shall remain obligated to any Third Party in respect of any LE Liability or any LE Entity shall remain obligated to any Third Party in respect of any SHC Liability, in each case, as guarantor, assignor, original tenant, primary obligor or otherwise, the following provisions shall apply. Any Liability referred to in this Section 4.2 is hereinafter referred to as an "Unreleased Liability" and any Person remaining obligated for such Liability is hereinafter referred to as an "Unreleased Person."

(a) LE, at the request of SHC, shall (and shall cause the applicable LE Entity to) use its reasonable best efforts to obtain, or to cause to be obtained, as soon as reasonably practicable, any consent, substitution, approval or amendment required to novate or assign all LE Liabilities and shall use its reasonable best efforts pursuant to the provisions of this Section 4.2 to cause any SHC Entity that may be an Unreleased Person to be released from any Unreleased Liabilities relating thereto, so that, in any such case, the LE Entities shall be solely responsible for such LE Liabilities.

(b) The parties hereto shall continue on and after the Effective Time to use reasonable best efforts to cause each Unreleased Person to be released from each of its Unreleased Liabilities; provided, however, that, except as otherwise expressly provided in this Agreement or any of the Ancillary Agreements, no SHC Entity shall be obligated to contribute any capital or pay any consideration in any form (including providing any letter of credit, guaranty or other financial accommodation) to any Third Party from whom any such release is requested.

(c) If, as and when it becomes possible to delegate, novate or extinguish any Unreleased Liability in favor of an Unreleased Person, the relevant party shall promptly execute and deliver, or cause to be promptly executed and delivered, all such documents and perform all such other acts as may be necessary or desirable to give effect to such delegation, novation, extinction or other release, pursuant to the provisions of this Section 4.2.

(d) The LE Entities and the SHC Entities will cause all letters of credit, guarantees and other credit support currently provided by the SHC Entities (or with respect to which any SHC Entity has any Liability) to be terminated as of the Effective Time such that no SHC Entity shall have further Liability with respect thereto.

Section 4.3. Deferred Transfers.

(a) If and to the extent that the transfer, assignment or novation to the LE Entities of any LE Assets or LE Liabilities, or to the SHC Entities of any SHC Assets or SHC Liabilities, would be a violation of Applicable Law or require any Consent or Governmental Approval or the fulfillment of any condition that cannot be fulfilled prior to the Effective Time by the applicable LE Entity or SHC Entity (the "Transfer Impediments," which, for the avoidance of doubt, shall not include purely monetary conditions to the extent the necessary funds are advanced, assumed or agreed in advance to be reimbursed by the applicable transferee), then the transfer, assignment or novation to the transferee or assignee of such LE Assets or LE Liabilities or SHC Assets or SHC Liabilities, as applicable, shall be automatically deemed deferred and any such purported transfer or assignment shall be null and void until such time as all Transfer Impediments have been removed. Any such Liability shall be deemed a "Deferred Transfer Liability" and any such Asset shall be deemed a "Deferred Transfer Asset."

(b) If the transfer or assignment of any Deferred Transfer Asset or assumption of any Deferred Transfer Liability is not consummated prior to or at the Effective Time, whether as a result of the provisions of Section 4.3(a) or for any other reason, then, insofar as reasonably possible, (i) the Person retaining such Deferred Transfer Asset shall thereafter hold such Deferred Transfer Asset for the use and benefit of the Person entitled thereto (at the expense of the Person entitled thereto) and (ii) the Person intended to assume such Deferred Transfer Liability shall, or shall cause the applicable member of its Group to, pay or reimburse the Person retaining such Deferred Transfer Liability for all amounts paid or incurred in connection with the retention of such Deferred Transfer Liability. In addition, but subject to the provisions of Section 4.2, the Person retaining such Deferred Transfer Asset shall, insofar as reasonably possible and to the extent permitted by Applicable Law, treat such Asset in the ordinary course of business in accordance with past practice and take such other actions as may be reasonably requested by the Person to which such Deferred Transfer Asset is to be transferred in order to place such Person, insofar as reasonably possible, in the same position as if such Deferred Transfer Asset had been transferred as contemplated hereby and so that all the benefits and burdens relating to such Deferred Transfer Asset, including, possession, use, risk of loss, potential for gain, and dominion, control and command over such Deferred Transfer Asset, are to inure from and after the Effective Time to the LE Entity or the SHC Entity entitled to the receipt of such Deferred Transfer Asset. For the avoidance of doubt, the Person holding a Deferred Transfer Asset that is a Contract shall not be obligated to renew, extend or otherwise consent to a modification of such Contract.

(c) If and when all Transfer Impediments, which caused the deferral of transfer of any Deferred Transfer Asset or Deferred Transfer Liability pursuant to Section 4.3(a), are removed, the transfer, assignment or novation of the applicable Deferred Transfer Asset or Deferred Transfer Liability shall be effected in accordance with and subject to the terms of this Agreement and any applicable Ancillary Agreement or Implementation Document.

(d) The Person retaining any Deferred Transfer Asset or Deferred Transfer Liability due to the deferral of the transfer or assignment of such Deferred Transfer Asset or the deferral of the assumption of such Deferred Transfer Liability pursuant to Section 4.3(a) or otherwise shall continue on and after the Effective Time to use commercially reasonable efforts to remove all Transfer Impediments; provided, however, that such Person shall not be obligated, in connection with the foregoing, to expend any money or pay any consideration in any form (including providing any letter of credit, guaranty or other financial accommodation) unless the necessary funds are advanced, assumed, or agreed in advance to be reimbursed by the Person entitled to such Deferred Transfer Asset or the Person intended to be subject to such Deferred Transfer Liability other than reasonable out-of-pocket expenses, attorneys' fees and recording or similar fees, all of which shall be promptly reimbursed by the Person entitled to such Deferred Transfer Asset or the Person intended to be subject to such Deferred Transfer Liability.

(e) Any Deferred Transfer Asset shall be deemed to have been contributed, distributed, assigned, transferred, conveyed, licensed or delivered pursuant to this Section 4.3 on the date such transfer should have occurred pursuant to Section 2.1 in the absence of the Transfer Impediments upon its actual contribution, distribution, assignment, transfer, conveyance, license or delivery to the applicable Group as contemplated in Section 4.3. Any Deferred Transfer Liability shall be deemed to have been accepted or assumed pursuant to this Section 4.3 on the date such assumption should have occurred pursuant to Section 2.1 in the absence of the Transfer Impediments upon its actual acceptance or assumption by the applicable Group as contemplated in Section 4.3.

Section 4.4. Transfers of Assets or Liabilities Following the Separation. Subject to Section 4.3, if at any time on or after the Separation (including after the Effective Time), any SHC Entity or LE Entity shall receive or otherwise possess any Asset or incur any Liability that is allocated to a member of the other Group pursuant to this Agreement or an Ancillary Agreement, such Person shall, in accordance with the terms hereof, promptly transfer, or cause to be transferred, such Asset or Liability to the Person so entitled thereto or responsible therefor (or another member of the other Group, as designated by such Person in writing) once becoming aware that such Asset or Liability is required to be transferred hereunder, and such other Person shall accept or assume, or cause to be accepted or assumed, such Asset or Liability. Prior to such transfer and after becoming aware that such Asset or Liability is required to be transferred hereunder, such Person shall hold such Asset or Liability in trust for such other Person so entitled thereto or responsible therefor.

Section 4.5. Corporate Names; Trademarks. Except as specifically provided in this Agreement or the Ancillary Agreements, after the Effective Time, no member of one Group may use any trademark, service mark, trade dress, trade name, business name, brand name, slogan, logo, Internet domain name or other indicia of origin or identifiers of name, whether or not registered, including all common law rights therein, and registrations and applications for

registrations thereof, and all goodwill associated with the use of, and symbolized by, any of the foregoing (collectively, the “Marks”) owned by any member of the other Group, except as permitted under Applicable Law or subsequent agreement in writing between the parties. Notwithstanding the foregoing or anything in the Ancillary Agreements to the contrary, no member of one Group shall be required to take any action to remove any reference to any Mark of a member of the other Group from materials already in the rightful possession of customers or other Third Parties as of the Effective Time.

Section 4.6. Certain Matters Governed Exclusively by Ancillary Agreements; Construction of Agreements.

(a) Effective as of the Effective Time, the parties hereto shall, and shall cause applicable members of their respective Groups to, execute and deliver the Ancillary Agreements.

(b) Each of SHC and LE agrees on behalf of itself and members of its Group that, except as otherwise expressly provided for in this Agreement or any Ancillary Agreement, the Tax Sharing Agreement shall exclusively govern all matters relating to the payment of Taxes between such parties and the other Ancillary Agreements shall exclusively govern those matters subject to such agreements.

(c) In the event of:

(i) a conflict that cannot be reconciled between the terms of this Agreement and the terms of any Ancillary Agreement, the terms of the Ancillary Agreement shall control;

(ii) a conflict between the terms of any two or more Ancillary Agreements that cannot be reconciled that relates to, arises out of or is in connection with (A) the Shop Your Way program or Information relating to members of the Shop Your Way program, the terms and conditions of the SYW Agreement shall control, (B) merchandise sold at and services being provided in connection within the Lands’ End Shops at Sears, the terms and conditions of the LES Agreement shall control, (C) the processing of credit card or other similar electronic payments, the terms and conditions of the Financial Services Agreement shall control, (D) the issuance, redemption and acceptance of LE-Branded Gift Cards, SHC-Branded Gift Cards (as defined in the Gift Card Services Agreement) and other gift cards and gift certificates issued by an SHC Entity accepted for payment by LE Entities, the terms and conditions of the Gift Card Services Agreement shall control, (E) real property interests used in the Lands’ End Shops at Sears, the Master Lease Agreement or Master Sublease shall control, (F) services provided by Sears Holdings Global Sourcing, Ltd. to LE, the terms and conditions of the Buying Agency Agreement shall control and (G) all other services contemplated as of the date hereof to be provided by any SHC Entity to any LE Entity after the Effective Time and not contemplated to be so provided under a different Ancillary Agreement, the terms and conditions of the Transition Services Agreement shall control.

Section 4.7. Disclaimer of Representations and Warranties.

(a) LE (on behalf of itself and each LE Entity and the LE Indemnified Parties) understands and agrees that, except as expressly set forth in any Ancillary Agreement, no party to this Agreement, any Ancillary Agreement or any other agreement or document contemplated by this Agreement, any Ancillary Agreement or otherwise, is representing or warranting in any way as to the LE Assets or LE Liabilities transferred, assumed or retained as contemplated hereby or thereby, as to any Consents or Governmental Approvals required in connection therewith, as to the value or freedom from any Encumbrances of, or any other matter concerning, any LE Asset or LE Liability, or as to the absence of any defense or right of setoff or freedom from counterclaim with respect to any claim or other LE Asset, including any Intercompany Accounts or any accounts receivable of any party, or as to the legal sufficiency of any assignment, document or instrument delivered hereunder or thereunder to convey title to any LE Asset or thing of value upon the execution, delivery and filing hereof or thereof.

(b) SHC (on behalf of itself and each SHC Entity and the SHC Indemnified Parties) understands and agrees that, except as expressly set forth in any Ancillary Agreement, no party to this Agreement, any Ancillary Agreement or any other agreement or document contemplated by this Agreement, any Ancillary Agreement or otherwise, is representing or warranting in any way as to the SHC Assets or SHC Liabilities transferred, assumed or retained as contemplated hereby or thereby, as to any Consents or Governmental Approvals required in connection therewith, as to the value or freedom from any Encumbrances of, or any other matter concerning, any SHC Asset or SHC Liability, or as to the absence of any defense or right of setoff or freedom from counterclaim with respect to any claim or other SHC Asset, including any Intercompany Accounts or any accounts receivable of any party, or as to the legal sufficiency of any assignment, document or instrument delivered hereunder to convey title to any SHC Asset or thing of value upon the execution, delivery and filing hereof or thereof.

(c) Except as may expressly be set forth in any Ancillary Agreement, all LE Assets and SHC Assets are being transferred on an “as is,” “where is” basis and the respective transferees shall bear the economic and legal risks that (i) any conveyance shall prove to be insufficient to vest in the transferee good and marketable title (or leasehold, as applicable), free and clear of any Encumbrance, and (ii) any necessary Consents or Governmental Approvals are not obtained or any requirements of Applicable Law are not complied with.

Section 4.8. Waiver of Bulk-Sale and Bulk-Transfer Laws. Each of the LE Entities hereby waives compliance by each and every SHC Entity with the requirements and provisions of any “bulk-sale” or “bulk-transfer” laws of any jurisdiction that may otherwise be applicable with respect to the transfer or sale of any or all of the LE Assets to any LE Entity. Each of the SHC Entities hereby waives compliance by each and every LE Entity with the requirements and provisions of any “bulk-sale” or “bulk-transfer” laws of any jurisdiction that may otherwise be applicable with respect to the transfer or sale of any of the SHC Assets to any SHC Entity.

ARTICLE V.

CONFIDENTIALITY; EXCHANGE OF INFORMATION

Section 5.1. Agreement for Exchange of Information; Archives.

(a) Except in the case of an Action or threatened Action by either party hereto or any Person in such party’s Group against the other party hereto or any Person in its Group, and subject to Section 5.1(b), each party hereto shall provide, or cause to be provided, to the other party or any member of its Group, at any time before or after the Separation, as soon as reasonably practicable after written request therefor, all Information in the possession or under the control of its Group (and access to the Personnel of its Group during normal business hours and upon reasonable notice in connection with the discussion and explanation of such Information), which any member of the other party’s Group reasonably requests and is necessary or reasonably advisable (i) to comply with reporting, disclosure, filing or other requirements under Applicable Law or imposed by any national securities exchange or any Governmental Authority having jurisdiction over such Person, (ii) for use in any other judicial, regulatory, administrative or other proceeding (including the SHC Litigation Matters and/or LE Litigation Matters, as applicable) or in order to satisfy audit, accounting, regulatory, litigation or other similar requirements, (iii) to comply with its obligations under this Agreement or any Ancillary Agreement or (iv) to the extent that SHC and LE have agreed upon, in writing, a fee and the terms and conditions applicable thereto, to facilitate the conduct of its Business in the manner in which it was conducted at any time on or between the date of this Agreement and the Distribution Date. The receiving party shall use any Information received pursuant to this Section 5.1(a) solely to the extent reasonably necessary to satisfy the applicable obligations or requirements described in clause (i), (ii), (iii) or (iv) of the immediately preceding sentence.

(b) Subject to the last sentence of this Section 5.1(b), in the event that either SHC or LE, as applicable, reasonably determines that the exchange of any Information pursuant to Section 5.1(a) could be commercially detrimental, violate any Applicable Law, agreement or policy (including SHC’s or LE’s privacy policies) or waive or jeopardize any attorney-client privilege or attorney work product protection (or in the case of Section 5.1(a)(iv), SHC and LE shall not have reached a written agreement with respect to the fee and/or other terms and conditions associated with the provision of such Information) such party shall not be required to provide access to or furnish such Information to the other party; provided, however, that the parties shall take all commercially reasonable measures to permit compliance with Section 5.1(a) in a manner that avoids any such harm or consequence (as reasonably determined by the Group providing the Information). Both SHC and LE intend that any provision of access to or the furnishing of Information pursuant to this Section 5.1 that would otherwise be within the ambit of any legal privilege shall not operate as waiver of such privilege.

(c) Except as otherwise provided in the Ancillary Agreements, a member of one Group will only process Information about individual customers and/or Personnel, including, names, addresses, telephone numbers, account numbers, customer lists, and demographic, financial and transaction Information, in each case provided by the other Group pursuant to this Section 5.1, in accordance with the privacy policies of the Group providing the Information existing as of the Effective Time (or, as such policies may be revised from time to time, as provided by the Group providing Information to the receiving Group) and all applicable privacy and data protection law obligations and will implement and maintain at all times appropriate technical and organizational measures to protect such personal data against unauthorized or unlawful processing and accidental loss, destruction, damage, alteration and disclosure. In addition, each party hereto agrees to provide reasonable assistance to the other party's Group in respect of any obligations under privacy and data protection law affecting the disclosure of such personal data to the other party's Group and will not knowingly process such personal data in such a way to cause the other party's Group to violate any of its obligations under any Applicable Law.

(d) The party requesting Information shall reimburse the other party for the reasonable out-of-pocket costs and expenses, if any, in complying with a request for Information pursuant to this Article V.

Section 5.2. Ownership of Information. Except as otherwise provided in this Agreement or an Ancillary Agreement, all Confidential Information provided by or on behalf of a Disclosing Party to a Receiving Party shall remain the property of the Disclosing Party and nothing herein shall be construed as granting or conferring rights of license or otherwise in any such Confidential Information to the Receiving Party or any other Person.

Section 5.3. Record Retention.

(a) To facilitate the possible exchange of Information pursuant to this Article V and other provisions of this Agreement, except as otherwise expressly provided in any Ancillary Agreement, (i) each party hereto shall, and shall cause members of its Group to, use reasonable best efforts to retain all Information in accordance with their respective record retention policies and procedures as in effect as of the Effective Time and (ii) no party hereto shall destroy, or permit any member of its Group to destroy, any Information which any member of the other Group may have the right to obtain pursuant to this Agreement prior to the later of the period in the applicable retention policy or the fifth (5th) anniversary of the Effective Time without first notifying the other party hereto of the proposed destruction and giving the other party hereto the opportunity to take possession of such Information prior to such destruction.

(b) Each of the parties hereto shall, and shall cause members of its respective Group to, use commercially reasonable efforts to deliver to the other party (i) on or prior to the Effective Time, any and all original corporate organizational books that such party or any member of its Group has in its possession primarily relating to the other party's Business, and (ii) as soon as reasonably practicable following written request, originals of any materials

described in (i) and (ii) above which it or any member of its Group are in its possession or control following the Effective Time; provided, however, that with respect to clauses (i) and (ii) of this paragraph (b), the party providing such Records may retain copies of any such Records that relate to its Business, including corporate minute books and risk management files.

Section 5.4. Production of Witnesses; Records; Cooperation.

(a) After the Effective Time and subject to Section 5.1(b), but only with respect to a Third Party Claim, each of SHC and LE shall, and shall cause the other members of its Group to, use commercially reasonable efforts to, make available, upon written request, their officers, employees, other Personnel and agents (whether as witnesses or otherwise) and any books, records or other documents within their control or that they otherwise have the ability to make available, to the extent that each such Person (giving consideration to business demands of such officers, employees, other Personnel and agents) or books, records or other documents may reasonably be required in connection with any Action or threatened or contemplated Action (including preparation for such Action) in which SHC or LE, as applicable, may from time to time be involved, regardless of whether such Action is a matter with respect to which indemnification may be sought hereunder. The requesting party shall bear all reasonable out-of-pocket costs and expenses in connection therewith.

(b) SHC and LE shall use their commercially reasonable efforts to cooperate and consult to the extent reasonably necessary with respect to any Actions or threatened or contemplated Actions involving each other's Group, other than an Action by one or more members of a Group against one or more members of the other Group.

(c) The obligation of SHC and LE to make available directors, officers, employees and other Personnel and agents or provide witnesses and experts pursuant to this Section 5.4 is intended to be interpreted in a manner so as to facilitate cooperation and shall include the obligation to make available Personnel and other officers without regard to whether such individual or the employer of such individual could assert a possible business conflict (subject to the exception set forth in the first sentence of Section 5.4(a)). Without limiting the foregoing, each of SHC and LE agrees that neither it nor any Person or Persons in its respective Group will take any adverse action against any Person of its Group based on such Person's provision of assistance or Information to the other Group pursuant to this Section 5.4.

(d) Upon the reasonable request of SHC or LE, SHC and LE shall, and shall cause all other relevant members of their respective Group to, enter into a mutually acceptable common interest agreement so as to maintain to the extent practicable any applicable attorney-client privilege or work product immunity of any member of either Group.

Section 5.5. Confidential Information.

(a) Subject to Section 5.6 and the Ancillary Agreements, the Receiving Party, its Affiliates and its and their Personnel will use Confidential Information only in connection with this Agreement and, except as expressly permitted by this Agreement and subject to the first sentence of Section 5.5(b), will not disclose any Confidential Information.

(b) The Receiving Party will (i) restrict disclosure of the Confidential Information to its and its Affiliates' Personnel with a need to know the Confidential Information for purposes of performing the Receiving Party's responsibilities or exercising the Receiving Party's rights under this Agreement, (ii) advise those Personnel of the obligation not to disclose the Confidential Information or use the Confidential Information in a manner prohibited by this Agreement, (iii) copy the Confidential Information only as necessary for those Personnel who need it for performing the Receiving Party's responsibilities under this Agreement and ensure that confidentiality is maintained in the copying process, and (iv) protect the Confidential Information, and require those Personnel to protect it, using the same degree of care as the Receiving Party uses with its own Confidential Information, but no less than reasonable care. The Receiving Party will be liable to the Disclosing Party for any unauthorized disclosure or use of Confidential Information by any of its and its Affiliates current or former Personnel in violation of this Section 5.5. The parties acknowledge that notwithstanding the foregoing, the SYW Agreement shall govern the treatment of Confidential Information with respect to Shop Your Way members and the LES Agreement shall govern the treatment of Confidential Business Information and Confidential Personal Information (as such terms are defined in the LES Agreement) with respect to the operation of the LE Shops.

(c) Without limiting the foregoing, when any Confidential Information is no longer needed for the purposes contemplated by this Agreement the Receiving Party will, promptly after request of the Disclosing Party, either return such Confidential Information in tangible form (including all copies thereof and all notes, extracts or summaries based thereon) or certify to the other party that it has destroyed such Confidential Information (other than electronic copies residing in automatic backup systems that are not generally available to the Receiving Party's Personnel or one copy retained to the extent required by Applicable Law, regulation or a bona fide document retention policy).

(d) The obligations under this Section 5.5 do not apply to any Confidential Information that the Receiving Party can demonstrate (i) was known to the Receiving Party prior to the disclosure thereof to the Receiving Party from the Disclosing Party without any obligation owed to the Disclosing Party or its Affiliates to hold it in confidence, (ii) is disclosed to third parties by the Disclosing Party or its Affiliates without an obligation of confidentiality to the Disclosing Party or its Affiliate, as applicable, (iii) is or becomes available to any member of the public other than by disclosure by the Receiving Party, its Affiliates or its or their Personnel in violation of Section 5.5, (iv) was or is independently developed by the Receiving Party or its Affiliates or Personnel without use of the Confidential Information, (v) legal counsel's advice is that the Confidential Information is required to be disclosed by Applicable Law or the rules and regulations of any applicable Governmental Authority or any stock exchange on which such party's securities are listed and the Receiving Party has complied with Section 5.6 below, or (vi) legal counsel's advice is that the Confidential Information is required to be disclosed in response to a valid subpoena or order of a court or other governmental body of competent jurisdiction or other valid legal process and the Receiving Party has complied with Section 5.6 below.

Section 5.6. Protective Arrangement. If the Receiving Party determines that the exceptions under Section 5.5(d)(v) or Section 5.5(d)(vi) apply, the Receiving Party shall give the Disclosing Party, to the extent legally permitted and reasonably practicable, prompt prior notice of such disclosure and an opportunity to contest such disclosure and shall use commercially

reasonable efforts to cooperate, at the expense of the Receiving Party, in seeking any reasonable protective arrangements requested by the Disclosing Party. In the event that such appropriate protective order or other remedy is not obtained, the Receiving Party may furnish, or cause to be furnished, only that portion of such Confidential Information that the Receiving Party is advised by legal counsel is legally required to be disclosed and shall take commercially reasonable steps to ensure that confidential treatment is accorded such Confidential Information.

Section 5.7. Other Agreements Providing for Exchange of Information. The rights and obligations granted or created under this Article V are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange, retention or confidential treatment of Information set forth in any Ancillary Agreement.

Section 5.8. Privileged Matters. To allocate the interests of each party in the Information as to which any party is entitled to assert a privilege in connection with professional services that have been provided prior to the Effective Time for the collective benefit of each of the SHC Entities and the LE Entities, whether or not such a privilege exists or the existence of which is in dispute (collectively, "Common Privileges"), the parties hereto agree as follows:

(a) SHC shall be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged Information which relates to the SHC Business and, subject to Section 5.8(c), not to the LE Business, whether or not the privileged Information is in the possession of or under the control of the SHC Entities or the LE Entities. SHC also shall be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged Information which relates to any pending or future Action that is, or which SHC reasonably anticipates may become, a SHC Liability and that is not also, or that SHC reasonably anticipates will not become, a LE Liability, whether or not the privileged Information is in the possession of or under the control of the SHC Entities or the LE Entities.

(b) Subject to Section 5.8(c), LE shall be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged Information which relates to the LE Business and not to the SHC Business, whether or not the privileged Information is in the possession of or under the control of the SHC Entities or the LE Entities. LE also shall be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged Information which relates to any pending or future Action that is, or which LE reasonably anticipates may become, a LE Liability and that is not also, or that LE reasonably anticipates will not become, a SHC Liability, whether or not the privileged Information is in the possession of or under the control of the SHC Entities or the LE Entities.

(c) SHC shall be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged Information which relates to the Separation, the Distribution or the transactions contemplated thereby, it being understood and agreed that the expectation and intention as between SHC and LE with respect to any communications between advisors to SHC and LE occurring up to and including the Effective Time in connection with the Separation, the Distribution and such transactions are that the privilege and the expectation of client confidence belong exclusively to SHC.

(d) Subject to the restrictions in this Section 5.8, SHC and LE agree that they shall have equal right to assert all Common Privileges not allocated pursuant to the terms of Section 5.8(a), (b) or (c) ("Shared Privileges") with respect to Information as to which the SHC Entities or the LE Entities may assert a privilege.

(e) Each party hereto shall ensure that no member of its Group may waive any Shared Privilege, without the written consent of the other party which shall not be unreasonably withheld or delayed.

(f) In the event of an Action between one or more of the LE Entities, on the one hand, and one or more of the SHC Entities, on the other hand, each such party shall have the right to use any Information that may be subject to a Shared Privilege, without obtaining the consent of the other party, it being understood and agreed that the use of Information with respect to the Action or other dispute between the LE Entities, on the one hand, and the SHC Entities, on the other hand, shall not operate as or be used by either party as a basis for asserting a waiver of such Shared Privilege with respect to Third Parties.

(g) If a dispute arises between any LE Entity, on the one hand, and any SHC Entity, on the other hand, regarding whether a Shared Privilege should be waived to protect or advance the interest of either party, each party hereto agrees that it shall negotiate in Good Faith and endeavor to minimize any prejudice to the rights of the other party, and shall not unreasonably withhold consent to any request for waiver by the other party.

(h) Upon receipt by either party hereto or by any member of its Group of any subpoena, discovery or other request which arguably calls for the production or disclosure of Information subject to a Shared Privilege or as to which the other party or a member of such other party's Group has the sole right hereunder to assert a privilege, or if either party obtains knowledge that any of its Group's current or former directors, officers, agents or employees have received any subpoena, discovery or other requests which arguably call for the production or disclosure of such privileged Information, such party shall promptly notify the other party of the existence of the request and shall provide the other party a reasonable opportunity to review the Information and to assert any rights it or any member of its Group may have under this Section 5.8 or otherwise to prevent the production or disclosure of such privileged Information. Each party shall bear its own expenses in connection with any such request.

(i) The transfer of all Records and other Information and each party's retention of Records and other Information which may include privileged Information of the other pursuant to this Agreement is made in reliance on the agreement of SHC and LE, as set forth in this Article V to maintain the confidentiality of the Confidential Information and to assert and maintain all applicable privileges. The access to Information being granted and the agreement to provide witnesses herein, the furnishing of notices and documents and other cooperative efforts contemplated hereby, and the transfer of privileged Information between and among the parties hereto and members of their respective Groups pursuant hereto shall not be deemed a waiver of any privilege that has been or may be asserted under this Agreement or otherwise.

ARTICLE VI.

FINANCIAL AND OTHER INFORMATION

Section 6.1. Financial and Other Information.

(a) As soon as practicable, and in any event no later than the earlier of (i) thirty-five (35) days prior to the date LE publicly files its first quarterly report with the SEC that includes its financial statements for such fiscal quarter (the "LE Quarterly Report") or otherwise makes the LE Quarterly Report publicly available or (ii) thirty-five (35) days before SHC is required to file with the SEC its quarterly financial statements following the Effective Time, LE shall deliver to SHC a substantially final draft of the LE Quarterly Report certified by the chief financial officer of LE as presenting fairly, in all material respects, the financial condition and results of operations of the LE Entities. Following such delivery, (x) LE and SHC shall actively consult with each other regarding any changes (whether or not substantive) which LE may consider making to the LE Quarterly Report and related disclosures prior to the filing with the SEC, with particular focus on any changes which would have any effect upon SHC's financial statements or related disclosures and (y) LE shall deliver to SHC all material revisions to such draft as soon as any such revisions are prepared or made.

(b) As soon as practicable, and in any event no later than the earlier of (i) forty-five (45) days prior to the date LE publicly files its first annual report with the SEC that includes its financial statements for the fiscal year in which the Effective Time occurs (the "LE Annual Report") or otherwise makes the LE Annual Report publicly available or (ii) forty-five (45) days before SHC is required to file with the SEC its annual financial statements for such fiscal year, LE shall deliver to SHC the substantially final draft of the LE Annual Report certified by the chief financial officer of LE as presenting fairly, in all material respects, the financial condition and results of operations of the LE Entities. Following such delivery, (x) LE and SHC shall actively consult with each other regarding any changes (whether or not substantive) which LE may consider making to the LE Annual Report and related disclosures prior to the filing with the SEC, with particular focus on any changes which would have any effect upon SHC's financial statements or related disclosures and (y) LE shall deliver all material revisions to such drafts as soon as any such revisions are prepared or made.

(c) With respect to Public Filings by SHC, until the date on which SHC's annual report on Form 10-K for the year in which the Effective Time occurs is filed, and with respect to Public Filings by LE, until the date on which the LE Annual Report is filed, SHC and LE shall cooperate fully, and cause their respective accountants to cooperate fully, to the extent requested by the other party, in the preparation of the other party's public earnings releases, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other proxy, information and registration statements, reports, notices, prospectuses and filings made with the SEC or any national securities exchange or otherwise made publicly available (collectively, the "Public Filings"). SHC and LE agree to provide to each other all Information that the other party reasonably requests in connection with any Public Filings or that, in either party's judgment, is required to be disclosed or incorporated by reference therein under any Applicable Law. Such Information shall be provided by such party in a timely manner to enable the other party to prepare, print and release all Public Filings on such dates as such party shall

determine. SHC and LE shall use their reasonable best efforts to cause their respective auditors to consent to any reference to them as experts in any Public Filings required under any Applicable Law. If and to the extent requested by either party, the other party shall diligently and promptly review all drafts of such Public Filings.

(d) To the extent it relates to a pre-Effective Time period, LE shall authorize its auditors to make available to SHC's auditors both the Personnel who performed or are performing the annual audit of LE and work papers related to the annual audit of LE, in all cases within a reasonable time prior to the opinion date of SHC's auditors, so that SHC's auditors are able to perform the procedures they consider necessary to take responsibility for the work of LE's auditors as it relates to SHC's auditors' report on SHC's annual financial statements, all within sufficient time to enable SHC to meet its timetable for the printing, filing and public dissemination of SHC's audited annual financial statements.

(e) To the extent it relates to a pre-Effective Time period, LE shall provide SHC's auditors and management access to Personnel and Records of the LE Entities so that SHC may conduct reasonable audits relating to the financial statements provided by LE pursuant to the provisions of this Section 6.1.

(f) To the extent it relates to a pre-Effective Time period, (i) each of the parties hereto shall give the other party hereto as much prior notice as is reasonably practicable of any changes in, or proposed determination of, its accounting estimates or accounting principles from those in effect as of immediately prior to the Effective Time or of any other action with regard to its accounting estimates or accounting principles or previously reported financial results which may affect the other party's financial results, (ii) each of the parties hereto will consult with the other and, if requested by the party contemplating such changes, with such party's auditor and (iii) unless required by generally accepted accounting principles, Applicable Law or a Governmental Authority, LE shall not make such determination or changes which would affect SHC's previously reported financial results without SHC's prior written consent, which shall not be unreasonably withheld. Further, LE will give SHC prompt notice of any amendments or restatements of accounting statements with respect to pre-Effective Time period, and will provide SHC with access as provided in Article VI as promptly as possible such that SHC will be able to satisfy its financial reporting requirements.

(g) Until the end of the fiscal year of SHC in which the Effective Time occurs, LE shall, and shall cause each member of its Group to, maintain a fiscal year that commences and ends on the calendar days immediately preceding the days that SHC's fiscal year commences and ends, respectively, and to maintain monthly accounting periods that commence and end on the calendar days immediately preceding the days that SHC's monthly accounting periods commence and end, respectively.

(h) If either LE or SHC is the subject of any SEC comment, review or investigation (formal or informal) and which in any way relates to the other party or the other party's Public Filings, such party shall provide the other party with a copy of any comment or notice of such review or investigation and shall give the other party a reasonable opportunity to be involved in responding to such comment, review or investigation, and the other party shall cooperate with such party in connection with responding to such comment, review or investigation.

(i) Within ten (10) days after the end of each quarter following the Effective Time during which SHC and LE are affiliates, each of SHC and LE shall (i) provide the other party hereto with all related party Information required to be disclosed under the Applicable Law with respect to such quarter and (ii) cooperate to provide consistent disclosure with regard to such Information in any Public Filings.

(j) Information provided pursuant to this Section 6.1 and Section 6.2, other than Information required to be included in the Public Filings, shall be deemed Confidential Information for purposes of this Agreement subject to the terms and conditions of Section 5.5(a). Nothing in this Section 6.1 shall require SHC or LE to violate any agreement with any of its customers, suppliers or other third parties regarding the confidentiality of Information relating to such customer, supplier or other third party or its business; provided that in the event that SHC or LE is required under this Section 6.1 to disclose any such Information, SHC or LE shall use all commercially reasonable efforts to seek to obtain such customers', suppliers' or other third parties' consent to the disclosure of such Information.

(k) Each party hereto agrees and acknowledges, on behalf of itself and members of its Group, that it is aware and will advise its Personnel who receive Information provided hereunder and are otherwise not aware, that (i) the Information provided hereunder may contain material nonpublic Information concerning the other party and (ii) that United States securities laws prohibit any person who has material nonpublic Information concerning a publicly traded Person from purchasing or selling securities of such Person, or from communicating such Information to any other Person under circumstances in which it is reasonably foreseeable that such Person is likely to purchase or sell such securities.

Section 6.2. Sarbanes-Oxley Section 404 Compliance. Following the Separation, each party hereto shall continue to provide access to the other party hereto on a timely basis to all Information reasonably required to meet its schedule for management's assessment of the effectiveness of its disclosure controls and procedures and its internal control over financial reporting in accordance with Items 307 and 308, respectively, of Regulation S-K and, to the extent applicable to such party, its auditor's audit of its internal control over financial reporting and management's assessment thereof in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 and the SEC's and Public Company Accounting Oversight Board's rules and auditing standards thereunder (such assessments and audit being referred to as the "Internal Control Audit and Management Assessments"). Without limiting the generality of the foregoing, each party hereto will provide all required financial and other Information with respect to itself and members of its Group (including access to personnel and Records) to the other party's auditors and management in a sufficient and reasonable time and in sufficient detail to permit such other party's auditors and management to complete the Internal Control Audit and Management Assessments.

ARTICLE VII.

EMPLOYMENT MATTERS; EXECUTIVE COMPENSATION

Section 7.1. Notice Requirements. The LE Entities shall bear any liability that may accrue to any Personnel of the LE Entities (collectively, the "LE Personnel") or to any unit of government under the Worker Adjustment and Retraining Notification Act of 1988, as amended (the "WARN Act"), or any similar state Law, arising out of (a) the transactions under this Agreement and (b) any actions any action taken by the LE Entities after the Effective Time.

Section 7.2. Administration of LE Benefit Plans.

(a) As of the Effective Time, the LE Personnel will be eligible to continue to participate in the benefit plans sponsored, maintained or made available by any LE Entity (the "LE Benefit Plans"), to the extent they were eligible to participate in such plans prior to the Effective Time or become eligible to participate during the period from the Effective Time, subject to the terms and conditions of the LE Benefit Plans, and through the date on which such LE Benefit Plan ceases to be available to the LE Personnel, whether by operation, expiration, or termination of such plan or otherwise. As of and after the Effective Time, LE Benefit Plans shall not include the LE Retiree Program (as discussed in Section 7.6), the SHC ASPP (as discussed in Section 7.3) and the SHC incentive plans (as discussed in Section 7.4).

(b) As of and after the Effective Time, LE or its delegate shall be exclusively responsible for administering each LE Benefit Plan in accordance with its terms, subject to the provisions of Section 7.6. LE shall not assume sponsorship, maintenance or administration of any Benefit Plan that is not a LE Plan or receive or assume any assets or liabilities in connection with any such Benefit Plan.

Section 7.3. Associate Stock Purchase Plan. All LE Personnel shall cease active participation in the Sears Holdings Corporation Associate Stock Purchase Plan (the "SHC ASPP") with respect to offering periods ending after the Effective Time and shall be treated in the same manner as other similarly situated terminated Personnel of SHC or the other SHC Entities. For the avoidance of doubt, LE's Personnel who participated in the SHC ASPP prior to the Effective Time shall continue to participate in any offering period under the SHC ASPP ending prior to the Effective Time (subject to any action taken by any such LE Personnel who is participating in this plan to terminate his or her participation prior to the Effective Time). The LE Entities will have no Liability with respect to the SHC ASPP for any LE Personnel, except as required by Law.

Section 7.4. Incentive Plans.

(a) Annual Incentive Plan. As of the Effective Time, LE Personnel shall cease to be eligible to receive any incentive award under the Sears Holdings Corporation Annual Incentive Plan (the "SHC AIP") with respect to the 2013 fiscal year or any fiscal year thereafter. LE shall be solely responsible for any annual incentive awards that become payable under the terms of annual incentive plan established and sponsored by any LE Entity as of or after the Effective Time.

(b) *Long-Term Incentive Plans.*

(i) As of the Effective Time, LE Personnel shall cease to be eligible to receive any incentive award under the (x) 2011 Sears Holdings Corporation Long-Term Incentive Program (the "2011 SHC LTIP"), (y) 2012 Sears Holdings Corporation Long-Term Incentive Program (the "2012 SHC LTIP") and the (z) 2013 Sears Holdings Corporation Long-Term Incentive Program (the "2013 SHC LTIP"). LE shall establish a performance-based long-term incentive program (the "LE LTIP") as of the Effective Time and shall be solely responsible for all incentive awards that become payable under the terms of the LE LTIP for 2014 and any other performance period ending on or after the Effective Time. Any accruals and the outstanding liabilities arising out of or relating to the close out of the 2011 SHC LTIP, 2012 SHC LTIP and 2013 SHC LTIP, if any, with respect to LE Personnel will be forfeited as of the Effective Time and/or canceled by SHC prior to the payment date.

(ii) SHC shall assign and LE shall assume, as of the Effective Time, the portion of the 2013 Sears Holdings Corporation Cash Long-Term Incentive Plan applicable to LE Personnel (including the applicable plan document, performance metrics and specifics) (the "LE 2013 Cash LTI") as of the Effective Time. Any accruals and the outstanding Liabilities arising out of or relating to fiscal year 2013 attributable to LE Personnel under the LE 2013 Cash LTI will be transferred to and assumed by LE as of the Effective Time or prior to the payment date for the LE 2013 Cash LTI, as agreed by the parties hereto prior to the Effective Time. LE hereby accepts and agrees to such assumption and agrees to pay all such Liabilities under the LE 2013 Cash LTI.

(c) LE shall be solely responsible for any other incentives or bonuses that have been awarded to LE Personnel as of or after the Effective Time that become payable to LE Personnel under any other LE incentive or bonus program as of or after the Effective Time and any other performance period ending after the Effective Time.

Section 7.5. Restricted Stock Awards; Cash Awards. Any unvested restricted stock award with respect to shares of SHC common stock ("SHC Restricted Stock Award") and any cash right or award issued with respect to such SHC Restricted Stock Award ("SHC Cash Award") that was granted under or pursuant to any equity compensation plan or arrangement of SHC, shall be forfeited in accordance with its terms.

Section 7.6. LE Retiree Program. Following the Effective Time, SHC shall assume the administration and funding of the LE Retiree Program, and LE agrees to provide SHC all participant records, participant communications, policy and procedural documentation, summary plan descriptions, program data and any other Information regarding the pre-65 and post-65 components of the LE Retiree Program to enable SHC to assume such administration. Further, LE agrees to allow any former LE Personnel who are eligible retirees under the pre-65 component (including eligible spouses) ("LE Pre-65 Retirees") as of the Effective Time to continue to receive retiree medical coverage under the LE active group health plan, after the Effective Time and until at least December 31, 2015, after which time (if not sooner), SHC shall determine and communicate any changes to the pre-65 component of the LE Retiree Program. With respect to the remaining LE Pre-65 Retirees as of and after the Effective Time, SHC shall

reimburse LE, on a mutually agreed periodic basis (not more frequently than quarterly), LE's portion of the benefits provided under the LE active group health plan in accordance with the current terms of the LE Retiree Program to LE Pre-65 Retirees enrolled in the LE active group health plan as of the Effective Time.

Section 7.7. No Duplication or Acceleration of Benefits. Notwithstanding anything to the contrary in this Agreement, no LE Personnel shall receive benefits under a Benefit Plan sponsored or maintained by SHC that duplicate benefits provided by the corresponding LE Benefit Plan. Furthermore, unless expressly provided for in this Agreement or required by Applicable Law, no provision in this Agreement shall be construed to create any right to accelerate vesting or entitlements to any compensation or Benefit Plan on the part of any LE Personnel or former LE Personnel, except as specifically provided for under an applicable LE Employment Agreement.

Section 7.8. Employment Agreements; Severance. To the extent LE does not have final copies of any LE Employment Agreements and SHMC has copies of such documents, SHMC will provide copies of all LE Employment Agreements and other assumed documents to LE upon LE's written request. Except as expressly provided in this Agreement, neither the consummation of the transactions contemplated by this Agreement nor the termination of the status of LE as an affiliate of SHC shall cause any employee to be deemed to have incurred a termination of employment which entitles such individual to the commencement of benefits under any severance program or LE Employment Agreement. Notwithstanding the foregoing, LE shall be solely responsible for all Liabilities in respect of all costs arising out of payments and benefits relating to the termination or alleged termination of any LE Employee's employment with SHC that occurs as a result of or in connection with the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements, including any amounts required to be paid (including any payroll or other Taxes), and the costs of providing benefits, under any applicable severance, separation, redundancy, termination or similar plan, program, practice, contract, agreement, law or regulation (such benefits to include any medical or other welfare benefits, outplacement benefits, accrued vacation, and Taxes).

Section 7.9. No Solicit; No Hire.

(a) Neither LE nor any other LE Entity shall, from the Effective Time through and including the second (2nd) anniversary of the later of (x) the date on which the SHC Entities cease to provide transition services to the LE Entities under the Transition Services Agreement and (y) the date on which the SHC Entities cease to provide services to the LE Entities under the LES Agreement (the "Non-Solicit Period"), either directly or indirectly, on its own behalf or in the service or on behalf of others, solicit or hire as an employee or an independent contractor any individual who (1) is employed by any SHC Entity at the time of such solicitation or discussion of hiring or (2) was employed by any SHC Entity as of the Effective Time; provided that the foregoing shall not apply to persons whom LE and SHC agree in writing and acting in Good Faith were not involved in the six (6) month period prior to such solicitation or hiring, directly or indirectly, in the provision of support or services to any LE Entity or the LE Business or management of any such persons providing support or services to any LE Entity or the LE Business; provided, further, that in the case of both clauses (1) and (2), the LE Entities shall not be precluded from placing general advertisements for employment not directed at the

SHC Entities or soliciting or hiring any such individual whose employment with such SHC Entity was involuntarily terminated; provided, further, that this Section 7.9(a) shall not apply six (6) months after the termination of the Buying Agency Agreement in accordance with its terms to the solicitation or hiring of the Personnel that dedicated substantially all of their business time and attention to providing services to the LE Entities pursuant to the Buying Agency Agreement while that agreement was in effect. Upon SHC's written request, unless LE and SHC, acting in Good Faith, otherwise agree in writing after such request (it being understood that LE may consult with SHC regarding such request), LE shall take those steps reasonably necessary to enforce the protective covenants contained in any LE Employment Agreement with respect to any termination occurring within two (2) years after the Effective Time involving an individual whose protective covenants in an LE Employment Agreement are still in effect at such time. If such enforcement action is undertaken solely at SHC's request, SHC shall bear any out-of-pocket costs (including, without limitation, attorney's fees) incurred by LE associated with such enforcement action. Further, LE agrees that to the extent it desires to amend or replace any protective covenant contained in any LE Employment Agreement after the Effective Time and before second anniversary of the Distribution Date, it shall consult with SHC regarding any such changes and LE and SHC, acting in Good Faith, shall attempt to reach agreement on the scope of any such changes before attempting to implement them and any such replacement agreement shall be deemed to be an LE Employment Agreement for purposes of this Section 7.9(a).

(b) During the Non-Solicit Period, no SHC Entity shall either directly or indirectly, on its own behalf or in the service or on behalf of others, solicit as an employee or an independent contractor any individual who, in the six (6)-month period prior to such solicitation, was employed by any LE Entity and was materially involved in the management of any material portion of the relationship between the LE Entities and the SHC Entities as provided for under this Agreement and the Ancillary Agreements; provided that the foregoing shall not apply to persons whom LE and SHC agree in writing and acting in Good Faith were not materially involved in the management of any material portion of the relationship between the LE Entities and the SHC Entities as provided for under this Agreement and the Ancillary Agreements; provided, further, that the SHC Entities shall not be precluded from general employment solicitations not directed specifically at the LE Entities or soliciting or hiring any such individual whose employment with such LE Entity was involuntarily terminated.

Section 7.10. Non-Disparagement. Neither SHC nor LE shall (and shall cause the respective members of their Groups, as applicable, not to) publicly disparage the SHC Entities or the LE Entities, their respective products, services, or present or former Personnel.

ARTICLE VIII.

INSURANCE

Section 8.1. Insurance Matters.

(a) SHC and LE agree to cooperate in Good Faith to arrange insurance coverage for LE to be effective no later than the Distribution Date. If not obtained prior to the Distribution Date, then following such date, LE agrees to use its commercially reasonable efforts to obtain appropriate insurance policies for itself and the LE Entities covering those risks that,

prior to the Effective Time, were jointly insured with the SHC Entities (such as foreign liability, umbrella liability, directors' and officers', crime and ocean freight insurance). In no event shall SHC, any other SHC Entity or any SHC Indemnified Party have any Liability or obligation whatsoever to any LE Entity in the event that any insurance policy or other contract or policy of insurance shall be terminated or otherwise cease to be in effect for any reason, shall be unavailable or inadequate to cover any Liability of any LE Entity for any reason whatsoever or shall not be renewed or extended beyond the current expiration date. LE does hereby, for itself and each other LE Entity, agree that no SHC Entity or any SHC Indemnified Party shall have any liability whatsoever as a result of the insurance policies and practices of SHC and its Affiliates as in effect at any time prior to the Effective Time, including as a result of the level or scope of any such insurance, the creditworthiness of any insurance carrier, the terms and conditions of any policy, the adequacy or timeliness of any notice to any insurance carrier with respect to any claim or potential claim or otherwise, any professional or other advice with respect to the initial policies for LE, any handling of claims for LE, or any oversight or advice with respect to risk management or other insurance-related issues; provided that this Section 8.1(a) shall not negate SHC's agreement under Section 8.1(b).

(b) SHC agrees to use its reasonable best efforts to cause the interests and rights of LE and the other LE Entities as of the Effective Time as insureds or beneficiaries or in any other capacity under occurrence-based insurance policies and programs (and under claims-made policies and programs to the extent a claim has been submitted prior to the Effective Time) of SHC or any other SHC Entity in respect of the period prior to the Effective Time to survive the Effective Time for the period for which such interests and rights would have survived without regard to the transactions contemplated hereby to the extent permitted by such policies; and any proceeds received by SHC or any other SHC Entity after the Effective Time under such policies and programs in respect of LE and the other LE Entities shall be for the benefit of LE and the other LE Entities; provided that the interests and rights of LE and the other LE Entities shall be subject to the terms and conditions of such insurance policies and programs, including any limits on coverage or scope, any deductibles and other fees and expenses and SHC's allocation of the cost of claims to its business units, including LE, according to its allocation program in effect as of the Effective Time, and shall be subject to the following additional conditions:

(i) LE shall report, on behalf of itself and other the LE Entities, as promptly as practicable, claims to SHC's Vice President for Risk Management and the Deputy General Counsel of Litigation (or such other individuals as SHC may designate in writing) and otherwise in accordance with SHC's claim reporting procedures in effect immediately prior to the Effective Time (or in accordance with any modifications to such procedures after the Effective Time communicated by SHC to LE in writing);

(ii) LE and the other LE Entities shall indemnify, hold harmless and reimburse SHC and the other SHC Entities for any premiums, retrospectively rated premiums, defense costs, settlements, judgments, legal fees, indemnity payments, deductibles, retentions, claim expenses and claim handling fees or other charges allocated to the LE Entities pursuant to the allocation program maintained by SHC in effect as of the Effective Time, whether such underlying claims are made by a LE Entity, its employees or a Third Party; and

(iii) LE shall, and shall cause the other LE Entities to, cooperate with and assist SHC and the other SHC Entities and share such Information as is reasonably necessary in order to permit SHC and the SHC Entities to manage and conduct the insurance matters contemplated by this Article VIII, including, without limitation, the production of witnesses in accordance with Section 5.4;

(iv) LE shall exclusively bear (and neither SHC nor any other SHC Entity shall have any obligation to repay or reimburse LE or any other LE Entity for) and shall be liable for all uninsured, uncovered, unavailable or uncollectible amounts of all such claims made by LE or any other LE Entity under the policies as provided for in this Section 8.1(b). In the event an insurance policy aggregate is exhausted, or believed likely to be exhausted, due to noticed claims, the LE Entities, on the one hand, and the SHC Entities, on the other hand, shall be responsible for their pro rata portion of the reinstatement premium, if any, based upon the losses of such Group submitted to SHC's insurance carrier(s) (including any submissions prior to the Effective Time). To the extent that either Group is allocated more than its pro rata portion of such premium due to the timing of losses submitted to SHC's insurance carrier(s), the other party shall promptly pay the first party an amount so that each Group has been properly allocated its pro rata portion of the reinstatement premium. Subject to the following sentence, SHC may elect not to reinstate the policy aggregate. In the event that SHC elects not to reinstate the policy aggregate, it shall provide prompt written notice to LE, and LE may direct SHC in writing to, and SHC shall, in such case, reinstate the policy aggregate in which case the policy aggregate shall accrue solely to LE's benefit; provided that LE shall be responsible for all reinstatement premiums and other costs associated with such reinstatement; provided, further, that SHC shall have the right to pay its pro rata portion of the reinstatement premium and receive the pro rata benefit of the policy aggregate.

In the event that any SHC Entity incurs any losses, damages or Liability prior to or in respect of the period prior to the Effective Time for which such SHC Entity is entitled to coverage under LE's third-party insurance policies, the same process pursuant to this Section 8.1(b) shall apply, substituting "SHC" for "LE" and "LE" for "SHC."

(c) Except as provided in Section 8.1(b), from and after the Effective Time, neither LE nor any other LE Entity shall have any rights to or under any of the insurance policies of SHC or any other SHC Entity.

(d) Neither LE nor any other LE Entity, in connection with making a claim under any insurance policy of SHC or any other SHC Entity pursuant to this Section 8.1, shall take any action that would be reasonably likely to (i) have an adverse impact on the then-current relationship between SHC or any other SHC Entity, on the one hand, and the applicable insurance company, on the other hand; (ii) result in the applicable insurance company terminating or reducing coverage, or increasing the amount of any premium owed by SHC or any other SHC Entity under the applicable insurance policy; or (iii) otherwise compromise, jeopardize or interfere with the rights of SHC or any other SHC Entity under the applicable insurance policy.

(e) Subject to Section 8.1(b), SHC and the other SHC Entities shall retain the exclusive right to control their insurance policies and programs, including the right to defend, exhaust, settle, release, commute, buy-back or otherwise resolve disputes with respect to any of their insurance policies and programs and to amend, modify or waive any rights under any such insurance policies and programs, notwithstanding whether any such policies or programs apply to any LE Liabilities and/or claims LE has made or could make in the future, and no LE Entity shall, without the prior written consent of SHC, erode, exhaust, settle, release, commute, buy-back or otherwise resolve disputes with insurers of SHC or other SHC Entities with respect to any of the insurance policies and programs of the SHC Entities, or amend, modify or waive any rights under any such insurance policies and programs. Neither SHC nor any other SHC Entity shall have any obligation to secure extended reporting for any claims under any of the insurance policies and programs of SHC or other SHC Entity for any acts or omissions by any LE Entity incurred prior to the Effective Time.

(f) This Agreement is not intended as an attempted assignment of any policy of insurance or as a contract of insurance and shall not be construed to waive any right or remedy of any LE Entity in respect of any insurance policy or any other contract or policy of insurance.

(g) Nothing in this Agreement shall be deemed to obligate SHC or any other SHC Entity to obtain or maintain credit insurance coverage to cover any Liabilities of the LE Entities that may at any time arise under any insurance coverage for any LE Entity.

(h) Nothing in this Agreement shall be deemed to restrict any LE Entity from acquiring at its own expense any insurance policy in respect of any Liabilities or covering any period.

Section 8.2. Miscellaneous. Each of the parties intends by this Agreement that a Third Party, including a third-party insurer or reinsurer, or other Third Party that, in the absence of the Agreement would otherwise be obligated to pay any claim or satisfy any indemnity or other obligation, shall not be relieved of the responsibility with respect thereto and shall not be entitled to a “windfall” (i.e., avoidance of the obligation that such Person would have in the absence of this Agreement). To the extent that any such Person would receive such a windfall, SHC and LE shall negotiate in Good Faith concerning an amendment of this Agreement to avoid such a windfall.

ARTICLE IX.

LEGAL MATTERS

Section 9.1. Control of Legal Matters.

(a) At all times from and after the Effective Time, LE shall assume (or, as applicable, retain) control of each of the LE Litigation Matters, and LE shall use its reasonable best efforts to cause any SHC Entity named as a defendant in any such LE Litigation Matter to be removed and dismissed from such LE Litigation Matter; provided, however, that LE shall not be required to make any such effort if the removal of any SHC Entity would jeopardize insurance coverage or rights to indemnification from Third Parties applicable to such LE Litigation Matter.

(b) At all times from and after the Effective Time, SHC shall assume (or, as applicable, retain) control of each of the SHC Litigation Matters, and SHC shall use its reasonable best efforts to cause any LE Entity named as a defendant in any such SHC Litigation Matters to be removed and dismissed from such SHC Litigation Matter; provided, however, that SHC shall not be required to make any such effort if the removal of any LE Entity would jeopardize insurance coverage or rights to indemnification from Third Parties or other rights applicable to such SHC Litigation Matter.

(c) To the extent LE or SHC is unable to cause a member of the other party's Group to be removed and dismissed pursuant to Section 9.1(a) or (b), the parties hereto agree to cooperate in defending against such Action and, subject to Section 5.8, to provide each other with access to all Information relating to such Action except to the extent that providing such access and such Information would prejudice an indemnification claim available to such party as contemplated in Article X.

(d) At all times from and after the Effective Time, SHC and LE shall jointly control any Joint Litigation Matter and shall cooperate in defending against such Action; provided, however, that no member of either Group may settle a Joint Litigation Matter without the prior written consent of the members of the other Group named or involved in such Joint Litigation Matter, which consent shall not be unreasonably withheld or delayed; provided, further, that either party may settle a Joint Litigation Matter if such settlement is for monetary relief only, payable solely by the settling party and provides a full release from, or indemnity for, any Liability under such Joint Litigation Matter for the other party and, as applicable, the members of the other party's Group and their respective Representatives.

Section 9.2. Notice to Third Parties; Service of Process; Cooperation.

(a) SHC and LE shall cause the SHC Entities and the LE Entities to promptly notify their respective agents for service of process and all other necessary parties, including plaintiffs and courts, of the Separation and shall provide instructions for proper service of legal process and other documents.

(b) LE and SHC shall, and shall cause the members of their respective Groups to, use their reasonable best efforts to deliver to each other any legal process or other documents incorrectly served upon them or their agents as soon as practical following receipt.

(c) If any party hereto or any members of its Group receives notice or otherwise learns of the assertion of a Joint Litigation Matter, such party or member of its Group shall give the other party hereto written notice of such Joint Litigation Matter in reasonable detail. The failure to give notice under this subsection shall not relieve any party hereto (or any member of its Group) its Liability for any Joint Litigation Matter as provided hereunder or under any Ancillary Agreement, except to the extent such party is actually prejudiced by the failure to give such notice. The parties hereto shall be deemed to be on notice of any Joint Litigation Matter pending prior to the Effective Time.

Section 9.3. Orders; Consent Decrees, etc. To the extent that any order, judgment, consent decree or other similar order of any Governmental Authority is binding on any LE Entity, each such LE Entity so bound shall perform all of its obligations under such order, judgment, consent decree or other similar order as and when required.

ARTICLE X.

RELEASES; INDEMNIFICATION

Section 10.1. Release of Pre-Separation Claims.

(a) Except as provided in Section 10.1(c), effective as of the Effective Time, LE does hereby, for itself and each other LE Entity, their respective Affiliates, successors and assigns, and all Persons who at any time on or prior to the Effective Time have been stockholders, directors, officers, agents or employees of any LE Entity and their respective heirs, executors, administrators, successors and assigns (in each case, in their respective capacities as such), remise, release and forever discharge SHC and the other SHC Entities, their respective Affiliates, and all Persons who at any time on or prior to the Effective Time have been stockholders, directors, officers, agents or employees of any SHC Entity (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed at or before the Effective Time, including in connection with the transactions and all other activities to implement the Separation and the Distribution.

(b) Except as provided in Section 10.1(c), effective as of the Effective Time, SHC does hereby, for itself and each other SHC Entity, their respective Affiliates, and all Persons who at any time on or prior to the Effective Time have been stockholders, directors, officers, agents or employees of any SHC Entity and their respective heirs, executors, administrators, successors and assigns (in each case, in their respective capacities as such), remise, release and forever discharge LE, the other LE Entities, their respective Affiliates, and all Persons who at any time on or prior to the Effective Time have been stockholders, directors, officers, agents or employees of any LE Entity (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed at or before the Effective Time, including in connection with the transactions and all other activities to implement the Separation and the Distribution.

(c) Nothing contained in Section 10.1(a) or (b) shall impair any right of any Person to enforce this Agreement, any Ancillary Agreement or any other Intercompany Agreements or Intercompany Accounts that are specified in Section 2.2(b) as not to terminate as of the Effective Time, in each case in accordance with its terms. For the avoidance of doubt, nothing contained in Section 10.1(a) or (b) shall release any Person from:

(i) any Liability provided in or resulting from any agreement among any the SHC Entities or the LE Entities that is specified in Section 2.2(b) as not to terminate as of the Effective Time, or any other Liability specified in such Section 2.2(b) as not to terminate as of the Effective Time;

(ii) any Liability, contingent or otherwise, assumed, transferred, assigned or allocated to the Group of which such Person is a member in accordance with, or any other Liability of any member of any Group under, this Agreement or any Ancillary Agreement;

(iii) any Liability provided in or resulting from any other agreement or understanding that is entered into on or after the Effective Time between one party hereto (or a member of such party's Group), on the one hand, and the other party hereto (or a member of such party's Group), on the other hand;

(iv) any Liability that the parties hereto may have with respect to indemnification or contribution pursuant to this Agreement or any Ancillary Agreement;

(v) any Liability the release of which would result in the release of any Person not otherwise intended to be released pursuant to this Section 10.1; or

(vi) any obligation existing prior to the Effective Time of any member of a Group to indemnify any Person who has been a Representative of any member of the Group at any time on or prior to the Effective Time.

(d) LE shall not make, and shall not permit any other LE Entity to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against SHC or any other SHC Entity, or any other Person released pursuant to Section 10.1(a), with respect to any Liabilities released pursuant to Section 10.1(a). SHC shall not make, and shall not permit any other SHC Entity to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification against LE or any other LE Entity, or any other Person released pursuant to Section 10.1(b), with respect to any Liabilities released pursuant to Section 10.1(b).

(e) It is the intent of each of SHC and LE, by virtue of the provisions of this Section 10.1, to provide for a full and complete release and discharge of all Liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed on or before the Effective Time, between or among LE or any other LE Entity, on the one hand, and SHC or any other SHC Entity, on the other hand (including any contractual agreements or arrangements existing or alleged to exist between or among any such members on or before the Effective Time), except as otherwise set forth in Section 10.1(c). At any time, at the request of the other party hereto, each party hereto shall, no later than the fifth (5th) Business Day following the receipt of such request, cause each member of its respective Group to execute and deliver releases reflecting the provisions hereof.

Section 10.2. Indemnification by LE. Following the Effective Time and subject to Section 14.1, LE shall, and shall cause the LE Entities to, indemnify, defend and hold harmless each SHC Entity and its Affiliates, and each of their respective current or former directors, officers, employees, agents, and each of the heirs, executors, administrators, successors and assigns of any of the foregoing (each, a “SHC Indemnified Party”), from and against all Liabilities actually incurred or suffered by the SHC Indemnified Parties relating to, arising out of or resulting from one or more of the following:

- (a) each LE Liability, including arising out of the failure of any LE Entity or any other Person to pay, perform or otherwise promptly discharge any such LE Liability;
- (b) any LE-Branded Gift Card;
- (c) each breach by LE or any LE Entity of this Agreement;
- (d) each breach by LE or any LE Entity of the Tax Sharing Agreement, the Gift Card Services Agreement or any of the Implementation Documents, subject to any specific limitation on liability contained in the applicable agreement and without duplication taking into account the performance by each LE Entity of its indemnification obligations in the agreement;
- (e) except to the extent it relates to a SHC Liability, any direct or indirect guarantee, indemnification or contribution obligation, surety bond or other credit support agreement, arrangement, commitment or understanding for the benefit of any LE Entity by any SHC Entity that survives the Effective Time; and
- (f) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all Information contained in the LE Registration Statement, the Information Statement (as amended or supplemented if LE shall have furnished any amendments or supplements thereto) or any other Disclosure Document, other than with respect to the matters described in Section 10.3(e).

Section 10.3. Indemnification by SHC. Following the Effective Time and subject to Section 14.1, SHC shall, and shall cause the SHC Entities to, indemnify, defend and hold harmless each LE Entity and its Affiliates, and each of their respective current or former directors, officers, employees, agents, and each of the heirs, executors, administrators, successors and assigns of any of the foregoing (each, a “LE Indemnified Party”), from and against any and all Liabilities arising out of or resulting from any of the following items:

- (a) each SHC Liability, including arising out of the failure of any SHC Entity or any other Person to pay, perform or otherwise promptly discharge any such SHC Liability;
- (b) each breach by SHC or any SHC Entity of this Agreement;
- (c) each breach by SHC or any SHC Entity of the Tax Sharing Agreement or any of the Implementation Documents, subject to any specific limitation on liability contained in the applicable agreement and without duplication taking into account the performance by each LE Entity of its indemnification obligations in the agreement;

(d) except to the extent it relates to a LE Liability, any guarantee, indemnification or contribution obligation, surety bond or other credit support agreement, arrangement, commitment or understanding for the benefit of any SHC Entity by any LE Entity that survives the Effective Time; and

(e) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to statements made explicitly in SHC's or another SHC Entity's name in the LE Registration Statement, the Information Statement (as amended or supplemented if LE shall have furnished any amendments or supplements thereto) or any other Disclosure Document.

Section 10.4. Indemnification with Respect to Unreleased Liabilities. Without limiting the generality of Section 10.2 and 10.3, LE shall indemnify, defend and hold harmless each SHC Indemnified Party that is an Unreleased Person against any Liabilities arising in respect of each Unreleased Liability of such Person and SHC shall indemnify, defend and hold harmless each LE Indemnified Party that is an Unreleased Person against any Liabilities relating to, arising out of or resulting from each Unreleased Liability of such Person.

Section 10.5. Adjustments to Indemnification Obligations.

(a) The parties hereto intend that each Liability subject to indemnification, contribution or reimbursement pursuant hereto will be net of (i) all Insurance Proceeds, and (ii) all recoveries, judgments, settlements, contribution, indemnities and other amounts received (including by way of set-off) from all Third Parties, in each case that actually reduce the amount of, or are paid to the applicable indemnitee in respect of, such Liability ("Third Party Proceeds"). Accordingly, the amount that a party (each, an "Indemnifying Party") is required to pay to each Person entitled to indemnification hereunder (each an "Indemnified Party") shall be reduced by all Insurance Proceeds and Third Party Proceeds received by or on behalf of the Indemnified Party in respect of the relevant Liability; provided, however, that all amounts described in Section 10.2 or Section 10.3 which are incurred by an Indemnified Party shall be paid promptly by the Indemnifying Party and shall not be delayed pending any determination as to the availability of Insurance Proceeds or Third Party Proceeds; provided, further, that upon such payment by or on behalf of an Indemnifying Party to an Indemnified Party in connection with a Third Party Claim, to the extent permitted by Applicable Laws such Indemnified Party shall assign its rights to recover all Insurance Proceeds and Third Party Proceeds to the Indemnifying Party and such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnified Party as to all events and circumstances in respect of which such Indemnified Party may have with respect to all rights, defenses, and claims relating to such Third Party Claim. If, notwithstanding the second proviso in the preceding sentence, an Indemnified Party receives a payment required to be made under this Article X (an "Indemnity Payment") from an Indemnifying Party in respect of a Liability and subsequently receives Insurance Proceeds or Third Party Proceeds in respect of such Liability, then the Indemnified Party shall pay to the Indemnifying Party an amount equal to the excess of the amount paid by the Indemnifying Party over the amount that would have been due if such Insurance Proceeds and Third Party Proceeds had been received before the Indemnity Payment was made. Each SHC Entity and each LE Entity shall use reasonable best efforts to seek to collect or recover all Insurance Proceeds and all

Third Party Proceeds to which such Person is entitled in respect of a Liability for which such Person seeks indemnification pursuant to this Article X; provided, however, that such Person's inability to collect or recover any such Insurance Proceeds or Third Party Proceeds shall not limit the Indemnifying Party's obligations hereunder.

(b) An insurer that would otherwise be obligated to pay a claim shall not be relieved of the responsibility with respect thereto or, solely by virtue of the indemnification provisions hereof, have any subrogation rights with respect thereto, it being expressly understood and agreed that no insurer or other third party shall be entitled to a "windfall" (i.e., a benefit it would not be entitled to receive in the absence of the indemnification provisions hereof) by virtue of the indemnification provisions hereof.

Section 10.6. Contribution. If the indemnification provided for in this Article X is unavailable to, or insufficient to hold harmless, an Indemnified Party in respect of a Liability for which indemnification is provided for herein then each Indemnifying Party shall, in lieu of indemnifying such Indemnified Party, contribute to the amount paid or payable by such Indemnified Party as a result of such Liability, in such proportion as shall be sufficient to place the Indemnified Party in the same position as if such Indemnified Party were indemnified hereunder. If the contribution provided for in the previous sentence shall, for any reason, be unavailable or insufficient to put the Indemnified Party in the same position as if it were indemnified under Section 10.2 or Section 10.3, as the case may be, then the Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party as a result of such Liability, in such proportion as shall be appropriate to reflect the relative benefits received by and the relative fault of the Indemnifying Party on the one hand and the Indemnified Party on the other hand with respect to the matter giving rise to the Liability.

Section 10.7. Procedures for Indemnification of Direct Claims. Each claim for indemnification made directly by the Indemnified Party against the Indemnifying Party that does not result from a Third Party Claim shall be asserted by written notice from the Indemnified Party to the Indemnifying Party specifically claiming indemnification hereunder, which notice shall state the amount claimed, if known, and method of computation thereof, and shall contain a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed by such Indemnified Party. Such Indemnifying Party shall have a period of thirty (30) days after the receipt of such notice within which to respond thereto. If such Indemnifying Party does not respond within such thirty (30)-day period, such Indemnifying Party shall be deemed to have accepted responsibility for the indemnification sought and shall have no further right to contest the validity of such claim. If such Indemnifying Party does respond within such thirty (30) day period and rejects such claim in whole or in part, such Indemnified Party shall be free to pursue resolution as provided in Article XI.

Section 10.8. Procedures for Indemnification of Third Party Claims.

(a) If an Indemnified Party shall receive notice of the assertion of a claim, or commencement of an Action, by a Third Party against it (each, a "Third Party Claim") that may give rise to a claim for indemnification pursuant to this Agreement, within thirty (30) days of the receipt of such notice, the Indemnified Party shall give the Indemnifying Party notice of such Third Party Claim, which notice shall describe such Third Party Claim in reasonable detail;

provided, however, that the failure to provide such notice as provided in this Section 10.8 shall not release the Indemnifying Party from any of its obligations under this Article X, except to the extent such Indemnifying Party is actually prejudiced by such failure to give notice.

(b) Each Indemnifying Party shall be entitled (but shall not be required) to assume and control the defense of each Third Party Claim at its expense and through counsel of its choice that is reasonably acceptable to the Indemnified Party if it gives notice of its intention to do so to the Indemnified Party within thirty (30) days of the receipt of notice from the Indemnified Party in accordance with Section 10.8(a); provided, however, that the Indemnifying Party shall not, without the prior written consent of the Indemnified Party, settle, compromise or offer to settle or compromise such Third Party Claim; provided, further, that such Indemnified Party shall not withhold such consent if the settlement or compromise (i) contains no finding or admission of a violation of Applicable Law or a violation of the rights of a Person by the Indemnified Party or any of its Affiliates, (ii) contains no finding or admission that would have an adverse effect on the Indemnified Party or any of its Affiliates as determined by the Indemnified Party in Good Faith, (iii) involves only monetary relief which the Indemnifying Party has agreed to pay and does not contain an injunction or other non-monetary relief affecting the Indemnified Party or any of its Affiliates, and (iv) includes a full, irrevocable unconditional release of the Indemnified Party from such Third Party Claim.

(c) If the Indemnifying Party elects to undertake the defense against a Third Party Claim as provided by Section 10.8(b), the Indemnified Party shall cooperate with the Indemnifying Party with respect to such defense and shall have the right, but not the obligation, to participate in such defense and to employ separate counsel of its choosing at its own expense; provided, however, that such expense shall be the responsibility of the Indemnifying Party if (i) the Indemnifying Party and the Indemnified Party are both named parties to the proceedings and the Indemnified Party shall have reasonably concluded that representation of both parties by the same counsel would be inappropriate due to actual or potential conflicts of interest (in which case the Indemnifying Party shall not be responsible for expenses in respect of more than one counsel for the Indemnified Party in any single jurisdiction), or (ii) the Indemnified Party assumes the defense of the Third Party Claim after the Indemnifying Party has failed, in the reasonable judgment of the Indemnified Party, to diligently defend the Third Party Claim after having elected to assume its defense.

(d) If the Indemnifying Party (i) does not elect to assume the defense in accordance with Section 10.8(b), or (ii) after assuming the defense of a Third Party Claim, fails to take reasonable steps necessary to defend diligently such Third Party Claim within ten (10) days after receiving written notice from the Indemnified Party to the effect that the Indemnifying Party has so failed, the Indemnified Party shall have the right but not the obligation to assume its own defense; provided, however, that the Indemnified Party shall not settle or compromise such Third Party Claim without the consent of the Indemnifying Party, which consent shall not be unreasonably withheld. For the avoidance of doubt, the Indemnified Party's right to indemnification for a Third Party Claim shall not be adversely affected by assuming the defense of such Third Party Claim.

(e) Subject to Article V, the Indemnified Party and the Indemnifying Party shall reasonably cooperate in the defense of a Third Party Claim including by (i) making

available all witnesses, all pertinent records, all materials, and all Information in each other's possession or under each other's control relating to the Third Party Claim, (ii) assisting with litigation defense strategy, investigations, discovery preparation, trial preparation, and similar activities with respect to the Third Party Claim, and (iii) using commercially reasonable efforts to avoid taking any action, or omitting to take any action, that would materially and adversely prejudice each other's defense of, or actual or potential rights of recovery with respect to, the Third Party Claim. The Indemnifying Party shall have no obligation in accordance with this Article X to an Indemnified Party for any Third Party Claim to the extent such Indemnified Party fails to comply with this Section 10.8(e) with respect to the Third Party Claim and such failure shall have materially and adversely prejudiced the Indemnifying Party.

Section 10.9. Remedies Cumulative. The remedies provided in this Article X shall be cumulative and, subject to the provisions of Article XI, shall not preclude assertion by any Indemnified Party of any other rights or the seeking of any and all other remedies against any Indemnifying Party.

Section 10.10. Survival of Indemnities. The rights and obligations of each of SHC and LE and their respective Indemnified Parties hereto under this Article X shall survive (a) the sale or other transfer by any LE Entity or SHC Entity of any Assets or businesses or the assignment by it of any Liabilities; or (b) any merger, consolidation, business combination, sale of all or substantially all of its Assets, restructuring, recapitalization, reorganization or similar transaction involving any LE Entity or SHC Entity, subject to the provisions of Section 14.9.

ARTICLE XI.

DISPUTE RESOLUTION

Section 11.1. Disputes. Except as otherwise specifically provided in any Ancillary Agreement (the terms of which, to the extent so provided therein, shall govern the resolution of "Disputes" as that term is defined in the Ancillary Agreements), the procedures for discussion, negotiation and arbitration set forth in this Article XI shall apply to all disputes, controversies or claims (whether arising in contract, tort or otherwise) that may arise out of, relate to, arise under or in connection with, this Agreement or any Ancillary Agreement, or the transactions contemplated hereby or thereby (including, all actions taken in furtherance of the transactions contemplated hereby or thereby on or prior to the Effective Time), between or among any SHC Entity and LE Entity (collectively, "Disputes").

Section 11.2. Dispute Resolution.

(a) On the Distribution Date, SHC and LE shall form a committee (the "Dispute Resolution Committee") that will attempt to resolve all Disputes. The Dispute Resolution Committee shall initially consist of four (4) representatives, two (2) of which shall be designated by each party hereto. Only LE's chief executive officer, chief financial officer, general counsel or chief merchant officer may serve as a LE representative on the Dispute Resolution Committee. Subject to the foregoing sentence, each party hereto may replace one or more of its representatives at any time upon written notice to the other party hereto. A reasonable number of additional representatives of each party who have been involved with matters surrounding the Dispute may also participate in Dispute Resolution Committee meetings, subject to prior written notice being provided to the other party.

(b) If a Dispute arises, no party hereto may take any formal legal action (such as seeking to terminate this Agreement, seeking arbitration in accordance with Section 11.3, or instituting or seeking any judicial or other legal action, relief, or remedy with respect to or arising out of this Agreement) unless such party has first (i) delivered a notice of dispute (the "Dispute Notice") to all of the members of the Dispute Resolution Committee and (ii) complied with the terms of this Article XI; provided, however, that the foregoing shall not apply to any Disputes with respect to compliance with obligations with respect to confidentiality or preservation of privilege. The Dispute Resolution Committee shall meet no later than the tenth (10th) Business Day following delivery of the Dispute Notice (the "Dispute Meeting") and shall attempt to resolve each Dispute that is listed on the Dispute Notice. Each party hereto shall cause its designees on the Dispute Resolution Committee to negotiate in Good Faith to resolve all Disputes in a timely manner. If by the end of the twentieth (20th) Business Day following the Dispute Meeting the Dispute Resolution Committee has not resolved all of the Disputes (the "Resolution Failure Date"), the parties shall proceed to arbitrate the unresolved Disputes ("Unresolved Disputes") in accordance with Section 11.3.

Section 11.3. Arbitration of Unresolved Disputes.

(a) In the event any Dispute is not finally resolved pursuant to Section 11.2(a), and unless the parties have mutually agreed to mediate or use some other form of alternative dispute resolution in an attempt to resolve the Dispute, then such Dispute may be submitted to be finally resolved by binding arbitration pursuant to the Commercial Arbitration Rules of the American Arbitration Association as then in effect (the "AAA Commercial Arbitration Rules").

(b) Without waiving its rights to any remedy under this Agreement and without first complying with the provisions of Section 11.2(a), either party may seek any interim or provisional relief that is necessary to protect the rights or property of that party either (i) before any federal or state court located in Cook County, Illinois, (ii) before a special arbitrator, as provided for under the AAA Commercial Arbitration Rules, or (iii) before the arbitral tribunal established hereunder.

(c) Unless otherwise agreed by the parties in writing, any Dispute to be decided in arbitration hereunder shall be decided (i) before a sole arbitrator if the amount in dispute, inclusive of all claims and counterclaims, totals less than \$3 million; or (ii) by an arbitral tribunal of three (3) arbitrators if (A) the amount in dispute, inclusive of all claims and counterclaims, is equal to or greater than \$3 million or (B) either party elects in writing to have such dispute decided by three (3) arbitrators when one of the parties believes, in its sole judgment, the issue could have significant precedential value; provided, however, that the party that makes a request referred to the in foregoing clause (B) shall solely bear the increased costs and expenses associated with a panel of three (3) arbitrators (i.e., the additional costs and expenses associated with the two (2) additional arbitrators).

(d) If the arbitration shall be before an arbitral tribunal of three (3) arbitrators, the panel of three (3) arbitrators shall be chosen as follows: (i) upon the written demand of either party and within ten (10) Business Days from the date of receipt of such demand, each party shall name an arbitrator selected by such party in its sole and absolute discretion; and (ii) the two (2) party-appointed arbitrators shall thereafter, within twenty (20) Business Days from the date on which the second of the two (2) arbitrators was named, name a third, independent arbitrator who shall act as chairperson of the arbitral tribunal. In the event that either party fails to name an arbitrator within ten (10) Business Days from the date of receipt of a written demand to do so, then upon written application by either party, that arbitrator shall be appointed pursuant to the AAA Commercial Arbitration Rules. In the event that the two (2) party-appointed arbitrators fail to appoint the third, independent arbitrator within twenty (20) Business Days from the date on which the second of the two (2) arbitrators was named, then upon written application by either party, the third, independent arbitrator shall be appointed pursuant to AAA Commercial Arbitration Rules. If the arbitration shall be before a sole independent arbitrator, then the sole independent arbitrator shall be appointed by agreement of the parties within fifteen (15) Business Days from the date of receipt of written demand of either party. If the parties cannot agree to a sole independent arbitrator, then upon written application by either party, the sole independent arbitrator shall be appointed pursuant to AAA Commercial Arbitration Rules. If the parties have agreed upon a single arbitrator, then each party hereto shall have a one-time right during such arbitration to remove such arbitrator for any reason (in which case the parties shall then re-select their arbitrator(s) as provided above).

(e) All arbitrators selected pursuant to this Section shall be practicing attorneys with at least five (5) years' experience with the technology and/or law applicable to the technology, services or transactions relevant to the Dispute.

(f) The place of arbitration shall be Cook County, Illinois. Along with the arbitrator(s) appointed, the parties shall agree to a mutually convenient date and time to conduct the arbitration, but in no event shall the final hearing(s) be scheduled more than nine (9) months from submission of the Dispute to arbitration unless the parties agree otherwise in writing.

(g) The arbitral tribunal shall have the right to award, on an interim basis, or include in the final award, any relief that it deems proper in the circumstances, including money damages (with interest on unpaid amounts from the due date), injunctive relief (including specific performance) and only to the extent expressly permitted by Section 11.3(m), attorneys' fees and costs; provided that the arbitral tribunal shall not award any relief not specifically requested by the parties and, in any event, shall not award any damages of the types prohibited under Section 14.1. Upon constitution of the arbitral tribunal following any grant of interim relief by a special arbitrator or court pursuant to Section 11.3(b), the tribunal may affirm or disaffirm that relief, and the parties shall seek modification or rescission of the order entered by the special arbitrator or court as necessary to accord with the tribunal's decision.

(h) Neither party shall be bound by Rule 13 of the Federal Rules of Civil Procedure or any analogous Law or provision in the AAA Commercial Arbitration Rules governing deadlines for compulsory counterclaims; rather, each party may only bring a counterclaim within sixty (60) days after the initial submission of the Dispute to arbitration (subject to any applicable statutes of limitation).

(i) So long as either party has a timely claim to assert, the agreement to arbitrate Disputes set forth in this Section 11.3 shall continue in full force and effect subsequent to, and notwithstanding the completion, expiration or termination of, this Agreement.

(j) The interim or final award in an arbitration pursuant to this Section 11.3 shall be conclusive and binding upon the parties, and a party obtaining a final award may enter judgment upon such award in any court of competent jurisdiction.

(k) It is the intent of the parties that the agreement to arbitrate Disputes set forth in this Section 11.3 shall be interpreted and applied broadly such that all reasonable doubts as to arbitrability of a Dispute shall be decided in favor of arbitration.

(l) The parties agree that any Dispute submitted to arbitration shall be governed by, and construed and interpreted in accordance with the laws of the State of Illinois, as provided in Section 14.11, and, except as otherwise provided in this Article XI or mutually agreed to in writing by the parties, the Federal Arbitration Act, 9 U.S.C. §§ 1 et seq., shall govern any arbitration between the parties pursuant to this Section 11.3.

(m) Subject to Section 11.3(c)(ii)(B), each party shall bear its own fees, costs and expenses and shall bear an equal share of the costs and expenses of the arbitration, including the fees, costs and expenses of the three (3) arbitrators; provided that the arbitral tribunal may award the prevailing party its reasonable fees and expenses (including attorneys' fees), if it finds that there was no good-faith basis for the position taken by the other party in the arbitration.

Section 11.4. Continuity of Service and Performance. Unless otherwise agreed in writing, the parties hereto shall continue to provide undisputed services and honor all other undisputed commitments under this Agreement and each Ancillary Agreement during the course of dispute resolution pursuant to the provisions of this Article XI.

ARTICLE XII.

FURTHER ASSURANCES

Section 12.1. Further Assurances.

(a) The parties hereto shall use all reasonable best efforts to take, or cause to be taken, all appropriate action, to do or cause to be done all things necessary, proper or advisable under Applicable Law, and to execute and deliver such documents and other papers, as may be required to carry out the provisions of this Agreement and to consummate and make effective the transactions contemplated by this Agreement, whether before or after the Effective Time.

(b) Without limiting the foregoing, prior to, on and after the Effective Time, each party hereto shall reasonably cooperate with the other party, and without any further consideration, but at the expense of the requesting party, to execute and deliver, or use its reasonable best efforts to cause to be executed and delivered, all instruments, including, instruments of conveyance, assignment and transfer, and to make all filings with, and to obtain all necessary Consents and Governmental Approvals, including, under any permit, license,

agreement, indenture or other instrument, and to take all such other actions as such party may reasonably be requested to take by any other party hereto from time to time, consistent with the terms of this Agreement, in order to effectuate the provisions and purposes of this Agreement and the transactions contemplated hereby and thereby.

(c) SHC will cause to be performed and hereby guarantees the performance of all actions, agreements and obligations set forth in this Agreement or any of the Ancillary Agreements to be performed by any SHC Entity. LE will cause to be performed and hereby guarantees the performance of all actions, agreements and obligations set forth in this Agreement or any of the Ancillary Agreements to be performed by any LE Entity.

ARTICLE XIII.

AMENDMENT AND TERMINATION

Section 13.1. Sole Discretion of SHC. Notwithstanding any other provision of this Agreement or any Ancillary Agreement, until the Effective Time, SHC shall have the sole and absolute discretion:

(a) to determine whether to proceed with all or any part of the Separation, and to determine the timing of and any and all conditions to the completion of the Separation or any part thereof or of any other transaction contemplated by this Agreement; and

(b) to amend or otherwise change, delete or supplement, from time to time, any term or element of the Separation or any other transaction contemplated by this Agreement or any Ancillary Agreement; provided that SHC shall consult with LE, to the extent practicable, prior to implementing any such amendment, change, deletion or supplement.

Section 13.2. Amendment and Termination. This Agreement and the Ancillary Agreements may be amended, supplemented, terminated and the transactions contemplated hereby may be modified or abandoned at any time without the approval of LE or of the stockholders of SHC in the sole and absolute discretion of SHC prior to the Effective Time, if the SHC Board determines, in its sole and absolute discretion, that (i) any of the conditions set forth in Section 3.3 have not been satisfied, (ii) the Distribution is not in the best interest of SHC or its stockholders, or (iii) that market or other conditions are such that it is not advisable to consummate the Distribution. In the event of a termination in accordance with the foregoing, this Agreement shall forthwith become void and there shall be no Liability on the part of either party hereto; provided, however, such termination shall have no effect on any transactions effected prior to such termination pursuant to Article II and the Implementation Documents in connection therewith shall remain in full force and effect in accordance with the terms thereof. After the Effective Time, this Agreement may not be amended, supplemented or terminated except by an agreement in writing signed by the parties hereto; provided, further, that SHC shall consult with LE, to the extent practicable, prior to implementing any amendment, change, deletion or supplement of this Agreement or any Ancillary Agreement.

ARTICLE XIV.

MISCELLANEOUS

Section 14.1. Limitation of Liability.

(a) IN NO EVENT SHALL ANY SHC ENTITY OR LE ENTITY BE LIABLE TO ANY LE ENTITY OR SHC ENTITY, RESPECTIVELY, FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT, INCIDENTAL OR PUNITIVE DAMAGES OR LOST PROFITS, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING NEGLIGENCE) ARISING IN ANY WAY OUT OF THIS AGREEMENT, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES; PROVIDED, HOWEVER, THAT THE FOREGOING LIMITATIONS SHALL NOT LIMIT AN INDEMNIFYING PARTY'S INDEMNIFICATION OBLIGATIONS HEREUNDER WITH RESPECT TO ANY LIABILITY ANY INDEMNIFIED PARTY MAY HAVE TO ANY THIRD PARTY FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT, INCIDENTAL OR PUNITIVE DAMAGES OR LOST PROFITS, EXCEPT AS OTHERWISE PROVIDED IN THE ANCILLARY AGREEMENTS.

(b) Neither party hereto nor any member of its Group shall have any Liability to the other party's Group in the event that any Information exchanged or provided pursuant to this Agreement that is an estimate or forecast, or that is based on an estimate or forecast, is found to be inaccurate in the absence of willful misconduct by the providing Person. Neither party hereto nor any member of its Group shall have any Liability to the other party's Group if any Information is destroyed after reasonable best efforts by the Person from whom Information is requested, to comply with the provisions of Section 5.3.

Section 14.2. Expenses.

(a) Expenses Incurred on or Prior to the Effective Time. Except (i) as otherwise expressly set forth in this Agreement or any Ancillary Agreement, (ii) costs and expenses incurred in connection with any Joint Litigation Matter, which shall be borne by the party incurring such costs or expenses, (iii) or as otherwise agreed to in writing by the Parties, all costs and expenses incurred on or prior to the Effective Time in connection with the preparation, execution and delivery of this Agreement and any Ancillary Agreement, the Separation, the Registration Statement, the plan of Separation and the Distribution and the consummation of the transactions contemplated hereby and thereby on or prior to the Effective Time, in each case to the extent approved by SHC, shall be charged to and paid by a SHC Entity.

(b) Expenses Incurred or Accrued After the Effective Time. Except as otherwise expressly set forth in this Agreement or any Ancillary Agreement, or as otherwise agreed to in writing by the Parties, each party hereto shall bear its own costs and expenses incurred or accrued after the Effective Time; provided that any costs and expenses incurred in obtaining any Consent or novation from a Third Party in connection with the assignment to and assumption by a party or its Subsidiary of any contracts, commitments or understandings in connection with the Separation and the transactions contemplated hereby shall be borne by the party or its Subsidiary to which such contract, commitment or understanding is being assigned.

Section 14.3. Counterparts. This Agreement may be executed and delivered (including by facsimile or other electronic transmission (e.g., .pdf file)) in counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

Section 14.4. Notices. All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement must be in writing and will be deemed to have been duly given (i) when delivered by hand, (ii) three (3) Business Days after it is mailed, certified or registered mail, return receipt requested, with postage prepaid, (iii) on the same Business Day when sent by facsimile or electronic mail (return receipt requested) if the transmission is completed before 5:00 p.m. recipient's time, or one (1) Business Day after the facsimile or email is sent, if the transmission is completed on or after 5:00 p.m. recipient's time or (iv) one (1) Business Day after it is sent by Express Mail, Federal Express or other courier service, as follows (or at such other address for a party as shall be specified in a notice given in accordance with this Section 14.4):

If to SHC, to:

Sears Holdings Corporation
3333 Beverly Road
Hoffman Estates, Illinois 60179
Attn.: General Counsel
Facsimile: (847) 286-2471
Email: Dane.Drobny@searshc.com

If to LE, to:

1 Lands' End Lane
Dodgeville, Wisconsin 53595
Attn.: General Counsel
Facsimile: (608) 935-6550
Email: Karl.Dahlen@landsend.com

Section 14.5. Public Announcements. Following the Effective Time, the parties hereto shall be permitted to make, or cause to be made, any press release or public announcement in respect of this Agreement or the transactions contemplated by this Agreement or otherwise communicate with any news media unless otherwise prohibited by Applicable Law or applicable stock exchange regulation or the provisions of this Agreement or any Ancillary Agreement; provided, that the parties hereto shall consult with each other prior to issuing, and shall, subject to the requirements of Section 5.5, provide the other party the opportunity to review and comment upon, press releases and other public statements in connection with the Separation, the Distribution or any of the other transactions contemplated hereby or by any Ancillary Agreement and prior to making any filings with any Governmental Authority or national securities exchange with respect thereto.

Notwithstanding the foregoing, except as may be required by federal or state law including any SEC rules and regulations or the rules and regulations of any securities exchange or any inter-dealer quotation system, neither party shall (i) issue any publicity or press release regarding its relationship with the other party or the LE Shops program except as mutually agreed, or (ii) disclose or refer to any Ancillary Agreement, the LE Shops program or the other party in any prospectus, annual report or other filing, without the prior consent of the other party. Neither party shall refer to this Agreement, the LE Shops program or the other party in the solicitation of business without obtaining the other party's prior written approval.

Section 14.6. Severability. If any provision of this Agreement is declared by any court of competent jurisdiction to be illegal, invalid, void or unenforceable, such provision will (to the extent permitted under Applicable Law) be construed by modifying or limiting it so as to be legal, valid and enforceable to the maximum extent compatible with, and possibly under, Applicable Law, and all other provisions of this Agreement will not be affected and will remain in full force and effect.

Section 14.7. Entire Agreement. This Agreement and the Ancillary Agreements, including the exhibits, schedules and appendices thereto and together with all the agreements contemplated hereby and thereby (including the Implementation Documents), constitute the entire agreement of the parties hereto with respect to the subject matter hereof and thereof and supersede all prior agreements and undertakings, both written and oral, between the parties hereto with respect to the subject matter hereof and thereof.

Section 14.8. Amendment; No Waiver. The terms, covenants and conditions of this Agreement may be amended, modified or waived only by a written instrument signed by the parties hereto, or in the event of a waiver, by the party waiving such compliance. Any party's failure at any time to require performance of any provision will not affect that party's right to enforce that or any other provision at a later date. No waiver of any condition or breach of any provision, term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances will be deemed to be or construed as a further or continuing waiver of that or any other condition or of the breach of that or another provision, term or covenant of this Agreement.

Section 14.9. Assignment; Stockholding Change. LE may not assign its rights or obligations under this Agreement without the prior written consent of SHC, which may be withheld in SHC's absolute discretion. The rights of the LE Entities under this Agreement shall terminate and be of no further force and effect from and after the date on which any Stockholding Change not specifically approved in writing by SHC shall have occurred (it being understood that the LE Entities' obligations hereunder shall survive any such Stockholding Change and termination of the LE Entities' rights). SHC may freely assign its rights and obligations under this Agreement to any of its Affiliates without the prior consent of LE; provided that any such assignment will not relieve SHC of its obligations hereunder. This Agreement will be binding on, and will inure to the benefit of, the successors and assigns of the Parties.

Section 14.10. Third-Party Beneficiaries. Except for the indemnification rights under this Agreement of any SHC Indemnified Party or LE Indemnified Party in their respective

capacities as such and members of each party's Group, (a) the provisions of this Agreement are solely for the benefit of the parties hereto and are not intended to confer upon any Person except the parties hereto any rights or remedies hereunder and (b) there are no third-party beneficiaries of this Agreement and this Agreement shall not provide any other Person with any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Agreement.

Section 14.11. Governing Law: Jurisdiction.

This Agreement (and all claims, controversies or causes of action, whether in contract, tort or otherwise, that may be based upon, arise out of or relate to this Agreement or the negotiation, execution, termination, performance or nonperformance of this Agreement (including any claim, controversy or cause of action based upon, arising out of or relating to any representation or warranty made in or in connection with this Agreement or as an inducement to enter into this Agreement)) shall be governed by, and construed and enforced in accordance with, the laws of the State of Illinois, without regard to any choice or conflict of law provision or rule (whether of the State of Illinois or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Illinois. Each of the parties hereto irrevocably agrees that all proceedings arising out of or relating to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by the other party hereto or its successors or assigns shall be brought, heard and determined exclusively in any federal or state court sitting in Cook County, Illinois. Consistent with the preceding sentence, each of the parties hereto hereby (a) submits to the exclusive jurisdiction of any federal or state court sitting in Cook County, Illinois for the purpose of any proceeding arising out of or relating to this Agreement or the rights and obligations arising hereunder brought by any party hereto and (b) irrevocably waives, and agrees not to assert by way of motion, defense, counterclaim, or otherwise, in any such proceeding, any claim that it or its property is not subject personally to the jurisdiction of the above-named courts, that the proceeding is brought in an inconvenient forum, that the venue of the proceeding is improper, or that this Agreement, the Distribution or any of the other transactions contemplated by this Agreement may not be enforced in or by any of the above-named courts. Each party agrees that service of process upon such party in any such action or Proceeding shall be effective if notice is given in accordance with Section 14.4.

Section 14.12. Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH OF THE PARTIES HERETO HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 14.12.

Section 14.13. Headings. The descriptive headings contained in this Agreement are included for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 14.14. Interpretation. In this Agreement:

(a) “include,” “includes,” and “including” are inclusive and mean, respectively, “include without limitation,” “includes without limitation,” and “including without limitation,”

(b) “or” is disjunctive but not necessarily exclusive,

(c) “will” expresses an imperative, an obligation, and a requirement,

(d) numbered “Section” references refer to sections of this Agreement unless otherwise specified,

(e) section headings are for convenience only and will have no interpretive value,

(f) unless otherwise indicated all references to a number of days will mean calendar (and not business) days and all references to months or years will mean calendar months or years,

(g) references to \$ or Dollars will mean U.S. Dollars, and

(h) hereof,” “herein” and “herewith” and words of similar import, unless otherwise stated, shall be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement.

Section 14.15. Fair Construction. This Agreement will be deemed to be the joint work product of the parties hereto without regard to the identity of the draftsperson, and any rule of construction that a document will be interpreted or construed against the drafting party will not be applicable.

Section 14.16. Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the affected party shall have the right to specific performance and injunctive or other equitable relief of its rights under this Agreement, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. The other party shall not oppose the granting of such relief. The parties hereto agree that the remedies at law for any breach or threatened breach hereof, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is waived. Any requirements for the securing or posting of any bond with such remedy are waived.

Section 14.17. Good Faith. SHC and LE each will exercise Good Faith in the performance of its obligations under this Agreement.

Section 14.18. Force Majeure. Neither party will be responsible to the other for any delay in or failure of performance of its obligations under this Agreement to the extent such delay or failure is attributable to any act of God, act of terrorism, fire, accident, war, embargo or other governmental act, or riot; provided, however, that the party affected thereby gives the other party prompt written notice of the occurrence of any event which is likely to cause any delay or failure setting forth its best estimate of the length of any delay and any possibility that it will be unable to resume performance; provided, further, that said affected party will use its commercially reasonable efforts to expeditiously overcome the effects of that event and resume performance.

Section 14.19. Payment Terms.

(a) Except as expressly provided to the contrary in this Agreement or in any Ancillary Agreement, any amount to be paid or reimbursed by one party to the other under this Agreement shall be paid or reimbursed hereunder within fifteen (15) days after presentation of an invoice or a written demand therefor. Upon LE's request, SHC shall provide LE with reasonable documentation or other reasonable explanation supporting such amount to the extent such information is then readily available to SHC.

(b) Except as expressly provided to the contrary in this Agreement or in any Ancillary Agreement, any amount not paid when due pursuant to this Agreement (and any amount billed or otherwise invoiced or demanded and properly payable that is not paid within fifteen (15) days of such bill, invoice or other demand) shall bear interest at a rate per annum equal to the prime rate plus 2% (or the maximum legal rate, whichever is lower), calculated for the actual number of days elapsed, accrued from the date on which such payment was due up to the date of the actual receipt of payment.

Section 14.20. Survival of Covenants. Except as expressly set forth in this Agreement, the covenants, representations and warranties contained in this Agreement, and the Liabilities for the breach of any obligations contained herein, shall survive the Effective Time and shall remain in full force and effect.

Section 14.21. Condition Precedent to the Effectiveness of this Agreement. This Agreement will not become effective until it has been approved by the Audit Committee of the SHC Board.

Section 14.22. No Agency. Nothing in this Agreement shall or shall be construed to create or establish a relationship of agency, partnership, employer/employee or any other fiduciary relationship between any SHC Entity and any LE Entity, and it is the intent and desire of the parties hereto that the relationship be and be construed as that of independent contracting parties and not as agents, partners, joint venturers or a relationship of employer/employee.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

SEARS HOLDINGS CORPORATION

By: _____
Name: [X]
Title: [X]

LANDS' END, INC.

By: _____
Name: [X]
Title: [X]

[Signature Page to Separation and Distribution Agreement]

Schedule A

LE Assets

All Assets relating, arising out of or attributable to the Actions listed on Schedule B under *Lands' End, Inc. v. City of Dodgeville*.

Schedule B

LE Liabilities

Lands' End, Inc. v. City of Dodgeville WI

Wisconsin Circuit Court - Iowa
County

Lands' End has filed a series of state court actions seeking refunds as a result of City of Dodgeville's property tax assessment for the main Lands' End facility for tax years 2005-2010, inclusive.

Schedule C

SHC Assets

Assets of SHC Promotions, LLC, including those related to SHC-Branded Gift Cards, but excluding assets related to LE-Branded Gift Cards sold after the Effective Time.

All Information relating to the Shop Your Way program and its members

All Assets relating, arising out of or attributable to the Actions listed on Schedule D, in each case with respect to actions or omissions occurring, or causes of action accrued, prior to the Effective Time.

Schedule D

SHC Litigation Matters

Sears v. Marsh & McLennan Companies, Inc. et al. and any Action in which any SHC Entity or LE Entity is a plaintiff that is filed after the Effective Time and relates to the subject matter thereof (for example, an Action commenced by any SHC Entity after such SHC Entity has opted out of a class action and determined to prosecute a claim outside of the class)	NJ	District of New Jersey	On behalf of Lands' End, SHC sued Marsh and Aon alleging fraud in connection with the defendants' practice of accepting contingent commissions procured through insurance bid-rigging.
In re Payment Card Interchange Fee and Merchant Discount Antitrust Litig. and any Action in which any SHC Entity or LE Entity is a plaintiff that is filed after the Effective Time and relates to the subject matter thereof (for example, an Action commenced by any SHC Entity after such SHC Entity has opted out of a class action and determined to prosecute a claim outside of the class)	NY	Eastern District of New York	On behalf of Lands' End, SHC opted out of a proposed settlement of a nationwide class action regarding credit and debit interchange fees. SHC has not yet filed a claim on behalf of Lands' End.

**AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
LANDS' END, INC.**

Lands' End, Inc., a corporation organized and existing under the laws of the State of Delaware, does hereby certify:

1. That the name of the corporation and the name under which it was originally incorporated is "Lands' End, Inc.";
2. That the original Certificate of Incorporation of Leys Merger Corporation was filed with the Secretary of State of the State of Delaware on August 19, 1986, and the Certificate of Agreement of Merger, merging Lands' End, Inc., a Illinois corporation, with and into Leys Merger Corporation under the name of Lands' End, Inc. was filed with the Secretary of State of the State of Delaware on August 21, 1986;
3. That, pursuant to Sections 242 and 228 of the General Corporation Law of the State of Delaware, the amendment herein set forth has been duly adopted by the Board of Directors and the sole stockholder of Lands' End, Inc.;
4. That this Amended and Restated Certificate of Incorporation has been duly adopted in accordance with Section 245 of the General Corporation Law of the State of Delaware; and
5. That the text of the Certificate of Incorporation is hereby amended and restated to read in its entirety as follows:

ARTICLE I

The name of the corporation (which is hereinafter referred to as the "Corporation") is Lands' End, Inc.

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is . The name of the Corporation's registered agent at such address is .

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "DGCL").

ARTICLE IV

The total number of shares of stock which the Corporation shall be authorized to issue is 480,000,000 shares. All such shares are to be common stock, par value of \$0.01 per share and are to be of one class. Upon the filing and effectiveness (the "Effective Time"), pursuant to the DGCL, of the Certificate of Amendment of the Corporation's Certificate of Incorporation containing this sentence, each share of common stock of the Corporation, par value \$0.01 per share, issued and outstanding immediately prior to the Effective Time shall be automatically reclassified as and converted into three (3) shares of common stock of the Corporation, par value \$0.01 per share, without any further action of the Corporation or the holder thereof.

ARTICLE V

Unless and except to the extent that the bylaws of the Corporation shall so require, the election of directors of the Corporation need not be by written ballot.

ARTICLE VI

In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors of the Corporation is expressly authorized to make, alter and repeal the bylaws of the Corporation.

ARTICLE VII

A. The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (a "Covered Person") who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Covered Person. Notwithstanding the preceding sentence, except as otherwise provided in Section C of this Article SEVENTH, the Corporation shall be required to indemnify a Covered Person in connection with a proceeding (or part thereof) commenced by such Covered Person only if the commencement of such proceeding (or part thereof) by the Covered Person was authorized in the specific case by the Board of Directors of the Corporation.

B. The Corporation shall to the fullest extent permitted by applicable law pay the expenses (including attorneys' fees) incurred by a Covered Person in defending any proceeding in advance of its final disposition, provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by the Covered Person to repay all amounts advanced if it should be ultimately determined that the Covered Person is not entitled to be indemnified under this Article SEVENTH or otherwise.

C. If a claim for indemnification under this Article SEVENTH (following the final disposition of such proceeding) is not paid in full within sixty (60) days after the Corporation has

received a claim therefor by the Covered Person, or if a claim for any advancement of expenses under this Article SEVENTH is not paid in full within thirty (30) days after the Corporation has received a statement or statements requesting such amounts to be advanced, the Covered Person shall thereupon (but not before) be entitled to file suit to recover the unpaid amount of such claim. If successful in whole or in part, the Covered Person shall be entitled to be paid the expense of prosecuting such claim to the fullest extent permitted by law. In any such action, the Corporation shall have the burden of proving that the Covered Person is not entitled to the requested indemnification or advancement of expenses under applicable law.

D. The rights conferred on any Covered Person by this Article SEVENTH shall not be exclusive of any other rights which such Covered Person may have or hereafter acquire under any statute, provision of this Certificate of Incorporation, the bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

E. The Corporation's obligation, if any, to indemnify or to advance expenses to any Covered Person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such Covered Person may collect as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, enterprise or nonprofit enterprise.

F. Any right to indemnification or to advancement of expenses of any Covered Person arising hereunder shall not be eliminated or impaired by an amendment to or repeal of this Article SEVENTH after the occurrence of the act or omission that is the subject of the civil, criminal, administrative or investigative action, suit or proceeding for which indemnification or advancement of expenses is sought.

G. This Article SEVENTH shall not limit the right of the Corporation, to the extent and in a manner permitted by law, to indemnify and to advance expenses to persons other than Covered Persons when and as authorized by appropriate corporate action.

ARTICLE VIII

A director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or may hereafter be amended. Any amendment, modification or repeal of the foregoing sentence shall not adversely affect any right or protection of a director of the Corporation hereunder in respect of any act or omission occurring prior to the time of such amendment, modification or repeal.

ARTICLE IX

The Corporation reserves the right at any time, and from time to time, to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of any nature conferred upon stockholders, directors or any other persons by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the rights reserved in this Article NINTH.

ARTICLE X

The Corporation shall not be subject to the provisions of Section 203 of the DGCL.

AMENDED AND RESTATED

BYLAWS

OF

LANDS' END, INC.

Incorporated under the Laws of the State of Delaware

ARTICLE I

Stockholders

Section 1.1. Annual Meetings. If required by applicable law, an annual meeting of stockholders shall be held for the election of directors at such date, time and place, if any, either within or without the State of Delaware, as may be designated by resolution of the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting. The Board of Directors may postpone, reschedule or cancel any annual meeting of stockholders previously scheduled by the Board of Directors.

Section 1.2. Special Meetings. Special meetings of stockholders may be called at any time by the Board of Directors or upon the written request of one or more record holders of shares of stock of the Corporation representing in the aggregate not less than twenty percent (20%) of the total number of shares of stock outstanding and entitled to vote on the matter or matters to be brought before the proposed special meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice. The Board of Directors may postpone, reschedule or cancel any special meeting of stockholders previously scheduled by the Board of Directors.

Section 1.3. Notice of Meetings. Whenever stockholders are required or permitted to take any action at a meeting, a notice of the meeting shall be given that shall state the place, if any, date and hour of the meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting) and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the Certificate of Incorporation or these bylaws, the notice of any meeting shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at the meeting as of the record date for determining the stockholders entitled to notice of the meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation.

Section 1.4. Adjournments. Any meeting of stockholders, annual or special, may be adjourned from time to time in accordance with Section 1.13 to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record as of the record date so fixed for notice of such adjourned meeting.

Section 1.5. Quorum. Except as otherwise provided by law, the Certificate of Incorporation or these bylaws, at each meeting of stockholders the presence in person or by proxy of the holders of a majority in voting power of the outstanding shares of stock entitled to vote at the meeting shall be necessary and sufficient to constitute a quorum. In the absence of a quorum, the stockholders so present may, by a majority in voting power thereof, adjourn the meeting from time to time in the manner provided in Section 1.4 of these bylaws until a quorum shall attend. Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the Corporation or any subsidiary of the Corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity. The stockholders present at a duly called meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 1.6. Organization. Meetings of stockholders shall be presided over by the Chief Executive Officer or, in his or her absence, by the President or, in his or her absence, by a Vice President or, in the absence of the foregoing persons, by a chairman designated by the Board of Directors or, in the absence of such designation, by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his or her absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 1.7. Voting; Proxies. Except as otherwise provided by law or pursuant to the provisions of the Certificate of Incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by such stockholder which has voting power upon the matter in question. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy executed in writing (or in such manner prescribed by the General Corporation Law of the State of Delaware), but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by delivering to the Secretary of the Corporation a

revocation of the proxy or a new proxy bearing a later date. Voting at meetings of stockholders need not be by written ballot. At all meetings of stockholders for the election of directors at which a quorum is present a plurality of the votes cast shall be sufficient to elect. All other elections and questions presented to the stockholders at a meeting at which a quorum is present shall, unless otherwise provided by the Certificate of Incorporation, these bylaws, the rules or regulations of any stock exchange applicable to the Corporation, or applicable law or pursuant to any regulation applicable to the Corporation or its securities, be decided by the affirmative vote of the holders of a majority in voting power of the shares of stock of the Corporation which are present in person or by proxy and entitled to vote thereon.

Section 1.8. Fixing Date for Determination of Stockholders of Record.

(a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to express consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date for determining stockholders entitled to express consent to corporate action in writing without a meeting is fixed by the Board of Directors, (i) when no prior action of the Board of Directors is required by law, the record date for such purpose shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in accordance with applicable law, and (ii) if prior action by the Board of Directors is required by law, the record date for such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which shall not be more than sixty (60) days prior to such other action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 1.9. List of Stockholders Entitled to Vote. The officer who has charge of the stock ledger shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, that if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth (10th) day before the meeting date), arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, at least ten (10) days prior to the meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of meeting or (ii) during ordinary business hours at the principal place of business of the Corporation. If the meeting is to be held at a place, then a list of stockholders entitled to vote at the meeting shall be produced and kept at the time and place of the meeting during the whole time thereof and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Except as otherwise provided by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders required by this Section 1.9 or to vote in person or by proxy at any meeting of stockholders.

Section 1.10. Action by Written Consent of Stockholders. Unless otherwise restricted by the Certificate of Incorporation, any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which minutes of proceedings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall, to the extent required by law, be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for notice of such meeting had been the date that written consents signed by a sufficient number of holders to take the action were delivered to the Corporation. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the

earliest dated written consent received in accordance with this Section 1.10, a written consent or consents signed by a sufficient number of holders to take such action are delivered to the Corporation in the manner prescribed in this Section 1.10.

Section 1.11. Inspectors of Written Consent. In the event of the delivery, in the manner provided by Section 1.10, to the Corporation of the requisite written consent or consents to take corporate action and/or any related revocation or revocations, the Corporation shall engage one or more independent inspectors of elections for the purpose of promptly performing a ministerial review of the validity of the consents and revocations. For the purpose of permitting the inspectors to perform such review, no action by written consent without a meeting shall be effective until such date as the independent inspectors certify to the Corporation that the consents delivered to the Corporation in accordance with Section 1.10 represent at least the minimum number of votes that would be necessary to take the corporate action. Nothing contained in this paragraph shall in any way be construed to suggest or imply that the Board of Directors or any stockholder shall not be entitled to contest the validity of any consent or revocation thereof, whether before or after such certification by the independent inspectors, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

Section 1.12. Inspectors of Election. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be employees of the Corporation, to act at the meeting or any adjournment thereof and to make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each such share, (ii) determine the shares of capital stock of the Corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares of capital stock of the Corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

Section 1.13. Conduct of Meetings. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the person presiding over the meeting. The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the person presiding over any meeting of stockholders shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn the

meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such presiding person, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the presiding person of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies or such other persons as the presiding person of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The presiding person at any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such presiding person should so determine, such presiding person shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board of Directors or the person presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 1.14. Notice of Stockholder Business and Nominations.

(A) Annual Meetings of Stockholders. (1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of other business to be considered by the stockholders may be made at an annual meeting of stockholders only (a) pursuant to the Corporation's notice of meeting (or any supplement thereto), (b) by or at the direction of the Board of Directors or any committee thereof or (c) by any stockholder of the Corporation who was a stockholder of record of the Corporation at the time the notice provided for in this Section 1.14 is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 1.14.

(2) For any nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (A)(1) of this Section 1.14, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and any such proposed business (other than the nominations of persons for election to the Board of Directors) must constitute a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day, nor earlier than the close of business on the one hundred twentieth (120th) day, prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. Such stockholder's

notice shall set forth: (a) as to each person whom the stockholder proposes to nominate for election as a director (i) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules and regulations promulgated thereunder, and (ii) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the bylaws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner, (iii) a description of any agreement, arrangement or understanding with respect to the nomination or proposal between or among such stockholder and/or such beneficial owner, any of their respective affiliates or associates, and any others acting in concert with any of the foregoing, including, in the case of a nomination, the nominee, (iv) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, such stockholder and such beneficial owners, whether or not such instrument or right shall be subject to settlement in underlying shares of capital stock of the Corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or such beneficial owner, with respect to securities of the Corporation, (v) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, (vi) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (b) otherwise to solicit proxies or votes from stockholders in support of such proposal or nomination, and (vii) any other information relating to such stockholder and beneficial owner, if any, required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in an election contest pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder. The foregoing notice requirements of this Section 1.14 shall be deemed satisfied by a stockholder with respect to business other than a nomination if the stockholder has notified the Corporation of his, her or its intention to present a proposal at an annual meeting in compliance with applicable rules and regulations promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. The Corporation may require any proposed nominee to furnish such other information as the Corporation may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this Section 1.14 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation at the annual meeting is increased effective after the time period for which nominations would otherwise be due under paragraph (A)(2) of this Section 1.14 and there is no public announcement by the Corporation naming the nominees for the additional directorships at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 1.14 shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

(B) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (1) by or at the direction of the Board of Directors or any committee thereof or (2) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time the notice provided for in this Section 1.14 is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting and upon such election and who complies with the notice procedures set forth in this Section 1.14. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (A)(2) of this Section 1.14 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(C) General. (1) Except as otherwise expressly provided in any applicable rule or regulation promulgated under the Exchange Act, only such persons who are nominated in accordance with the procedures set forth in this Section 1.14 shall be eligible to be elected at an annual or special meeting of stockholders of the Corporation to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.14. Except as otherwise provided by law, the person presiding over the meeting shall have the power and duty (a) to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 1.14

(including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies or votes in support of such stockholder's nominee or proposal in compliance with such stockholder's representation as required by clause (A)(2)(c)(vi) of this Section 1.14 and (b) if any proposed nomination or business was not made or proposed in compliance with this Section 1.14, to declare that such nomination shall be disregarded or that such proposed business shall not be transacted. Notwithstanding the foregoing provisions of this Section 1.14, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or proposed business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 1.14, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(2) For purposes of this Section 1.14, "public announcement" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or other national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder.

(3) Notwithstanding the foregoing provisions of this Section 1.14, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 1.14; provided, however, that any references in these bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations or proposals as to any other business to be considered pursuant to this Section 1.14 (including paragraphs (A)(1)(c) and (B) hereof), and compliance with paragraphs (A)(1)(c) and (B) of this Section 1.14 shall be the exclusive means for a stockholder to make nominations or submit other business (other than, as provided in the penultimate sentence of (A)(2), business other than nominations brought properly under and in compliance with Rule 14a-8 of the Exchange Act, as may be amended from time to time). Nothing in this Section 1.14 shall be deemed to affect any rights of stockholders to request inclusion of proposals or nominations in the Corporation's proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act.

Section 1.15. Corporate Powers. All of the corporate powers of the Corporation not expressly reserved to the stockholders by law shall be vested in the Board of Directors.

ARTICLE II

Board of Directors

Section 2.1. Number; Qualifications. Subject to the Certificate of Incorporation, the Board of Directors shall consist of one or more members, the number thereof to be determined from time to time by resolution of the Board of Directors. Directors need not be stockholders.

Section 2.2. Election; Resignation; Vacancies; Removal. The Board of Directors shall initially consist of the persons named as directors in the Certificate of Incorporation or elected by the incorporator of the Corporation, and each director so elected shall hold office until the first annual meeting of stockholders or until his or her successor is duly elected and qualified. At the first annual meeting of stockholders and at each annual meeting thereafter, the stockholders shall elect directors each of whom shall hold office for a term of one year or until his or her successor is duly elected and qualified, subject to such director's earlier death, resignation, disqualification or removal. Any director may resign at any time upon written notice to the Corporation. Unless otherwise provided by law or the Certificate of Incorporation, any newly created directorship or any vacancy occurring in the Board of Directors for any cause may be filled only by a majority of the remaining members of the Board of Directors, although such majority is less than a quorum, or by a plurality of the votes cast at a meeting of stockholders, and each director so elected shall hold office until the expiration of the term of office of the director whom he or she has replaced or until his or her successor is elected and qualified. Any director may be removed, with or without cause, from office at any time by the affirmative vote of the holders of not less than a majority of the shares of the Corporation's common stock then outstanding and entitled to vote at an election of directors.

Section 2.3. Regular Meetings. Regular meetings of the Board of Directors may be held at such places within or without the State of Delaware and at such times as the Board of Directors may from time to time determine.

Section 2.4. Special Meetings. Special meetings of the Board of Directors may be held at any time or place within or without the State of Delaware whenever called by the Chief Executive Officer, the Secretary, or by any two members of the Board of Directors. Notice of a special meeting of the Board of Directors shall be given by the person or persons calling the meeting at least twenty-four (24) hours before the special meeting.

Section 2.5. Telephonic Meetings Permitted. Members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting thereof by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 2.5 shall constitute presence in person at such meeting.

Section 2.6. Quorum; Vote Required for Action. Subject to Section 2.2, at all meetings of the Board of Directors, a whole number of directors equal to at least a majority of the total number of directors which the Corporation would have if there were no vacancies shall constitute a quorum for the transaction of business. Except in cases in which the Certificate of Incorporation, these bylaws or applicable law otherwise provides, the act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 2.7. Organization. Meetings of the Board of Directors shall be presided over by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his or her absence, the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 2.8. Action by Unanimous Consent of Directors. Unless otherwise restricted by the Certificate of Incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing or by electronic transmission and the writing or writings or electronic transmissions are filed with the minutes of proceedings of the Board or committee in accordance with applicable law.

ARTICLE III

Committees

Section 3.1. Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent permitted by law and to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it.

Section 3.2. Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may make, alter and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article II of these bylaws.

ARTICLE IV

Officers

Section 4.1. Officers. The officers of the Corporation shall consist of a Chief Executive Officer, a Chief Financial Officer, a President and such other officers as the Board of Directors may from time to time determine, each of whom shall be elected by the Board of Directors, each to have such authority, functions or duties as set forth in these bylaws or as determined by the Board of Directors. The Board of Directors shall have the power to appoint an individual to one or multiple offices. Each officer shall be chosen by the Board of Directors and shall hold office for such term as may be prescribed by the Board of Directors and until such person's successor shall have been duly chosen and qualified, or until such person's earlier death, disqualification, resignation or removal.

Section 4.2. Removal, Resignation and Vacancies. Any officer of the Corporation may be removed, with or without cause, by the Board of Directors, without prejudice to the rights, if any, of such officer under any contract to which it is a party. Any officer may resign at any time upon written notice to the Corporation, without prejudice to the rights, if any, of the Corporation under any contract to which such officer is a party. If any vacancy occurs in any office of the Corporation, the Board of Directors may elect a successor to fill such vacancy for the remainder of the unexpired term and until a successor shall have been duly chosen and qualified.

Section 4.3. Chief Executive Officer. The Chief Executive Officer shall have general supervision and direction of the business and affairs of the Corporation, shall be responsible for corporate policy and strategy, and shall report directly to the Board of Directors. Unless otherwise provided in these bylaws, all other officers of the Corporation shall report directly to the Chief Executive Officer or as otherwise determined by the Chief Executive Officer.

Section 4.4. Chief Financial Officer. The Chief Financial Officer shall exercise all the powers and perform the duties of the office of the chief financial officer and in general have overall supervision of the financial operations of the Corporation. The Chief Financial Officer shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as such officer may agree with the Chief Executive Officer or as the Board of Directors may from time to time determine.

Section 4.5. President. The President shall have general responsibility for the management and control of the operations of the Corporation. The President shall have the power to affix the signature of the Corporation to all contracts that have been authorized by the Board of Directors or the Chief Executive Officer. The President shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as such officer may agree with the Chief Executive Officer or as the Board of Directors may from time to time determine.

Section 4.6. Vice Presidents. The Vice Presidents shall have such powers and duties as shall be prescribed by his or her superior officer or the Chief Executive Officer. A Vice President shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as such officer may agree with the Chief Executive Officer or as the Board of Directors may from time to time determine.

Section 4.7. Treasurer. The Treasurer shall supervise and be responsible for all the funds and securities of the Corporation, the deposit of all moneys and other valuables to the credit of the Corporation in depositories of the Corporation, borrowings and compliance with the provisions of all indentures, agreements and instruments governing such borrowings to which the Corporation is a party, the disbursement of funds of the Corporation and the investment of its funds, and in general shall perform all of the duties incident to the office of the Treasurer. The Treasurer shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as such officer may agree with the Chief Executive Officer or as the Board of Directors may from time to time determine.

Section 4.8. Controller. The Controller shall be the chief accounting officer of the Corporation. The Controller shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as such officer may agree with the Chief Executive Officer or the Chief Financial Officer or as the Board of Directors may from time to time determine.

Section 4.9. Secretary. The powers and duties of the Secretary are: (i) to act as Secretary at all meetings of the Board of Directors, of the committees of the Board of Directors and of the stockholders and to record the proceedings of such meetings in a book or books to be kept for that purpose; (ii) to see that all notices required to be given by the Corporation are duly given and served; (iii) to act as custodian of the seal of the Corporation and affix the seal or cause it to be affixed to all certificates of stock of the Corporation and to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these bylaws; (iv) to have charge of the books, records and papers of the Corporation and see that the reports, statements and other documents required by law to be kept and filed are properly kept and filed; and (v) to perform all of the duties incident to the office of Secretary. The Secretary shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as such officer may agree with the Chief Executive Officer or as the Board of Directors may from time to time determine.

Section 4.10. Additional Matters. The Chief Executive Officer and the Chief Financial Officer of the Corporation shall have the authority to designate employees of the Corporation to have the title of Vice President, Assistant Vice President, Assistant Treasurer or Assistant Secretary. Any employee so designated shall have the powers and duties determined by the officer making such designation. The persons upon whom such titles are conferred shall not be deemed officers of the Corporation unless elected by the Board of Directors.

ARTICLE V

Capital Stock

Section 5.1. Certificates. The interest of each stockholder of the Corporation may be evidenced by certificates for shares of stock in such form as the appropriate officers of the Corporation may from time to time prescribe or be uncertificated. The certificates of stock shall be signed, countersigned and registered in such manner as the Board of Directors may by resolution prescribe, which resolution may permit all or any of the signatures on such certificates to be in facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Notwithstanding anything to the contrary in these bylaws, at all times that the Corporation's stock is listed on a stock exchange, the shares of the stock of the Corporation shall comply with all direct registration system eligibility requirements established by such exchange, including any requirement that shares of the Corporation's stock be eligible for issue in book-entry form. All issuances and transfers of shares of the Corporation's stock shall be entered on the books of the Corporation with all information necessary to comply with such direct

registration system eligibility requirements, including the name and address of the person to whom the shares of stock are issued, the number of shares of stock issued and the date of issue. The Board of Directors shall have the power and authority to make such rules and regulations as it may deem necessary or proper concerning the issue, transfer and registration of shares of stock of the Corporation in both the certificated and uncertificated form.

Section 5.2. Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates. The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

Section 5.3. Transfer of Shares. The shares of the stock of the Corporation shall be transferred on the books of the Corporation, in the case of certificated shares of stock, by the holder thereof in person or by his or her attorney duly authorized in writing, upon surrender for cancellation of certificates for at least the same number of shares, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, with such proof of the authenticity of the signature as the Corporation or its agents may reasonably require; and, in the case of uncertificated shares of stock, upon receipt of proper transfer instructions from the registered holder of the shares or by such person's attorney duly authorized in writing, and upon compliance with appropriate procedures for transferring shares in uncertificated form. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred. The Corporation shall be entitled to treat the holder of record of any shares of stock as the absolute owner thereof, and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law. The Board of Directors may appoint one or more stock transfer agents and registrars (which functions may be combined), and may require all stock certificates to bear the signature of such transfer agent and such registrar.

ARTICLE VI

Indemnification and Advancement of Expenses

Section 6.1. Right to Indemnification. The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (a "Covered Person") who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Covered Person. Notwithstanding the preceding sentence, except as

otherwise provided in Section 6.3, the Corporation shall be required to indemnify a Covered Person in connection with a proceeding (or part thereof) commenced by such Covered Person only if the commencement of such proceeding (or part thereof) by the Covered Person was authorized in the specific case by the Board of Directors of the Corporation.

Section 6.2. Prepayment of Expenses. The Corporation shall to the fullest extent permitted by applicable law pay the expenses (including attorneys' fees) incurred by a Covered Person in defending any proceeding in advance of its final disposition, provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by the Covered Person to repay all amounts advanced if it should be ultimately determined that the Covered Person is not entitled to be indemnified under this Article VI or otherwise.

Section 6.3. Claims. If a claim for indemnification under this Article VI (following the final disposition of such proceeding) is not paid in full within sixty (60) days after the Corporation has received a claim therefor by the Covered Person, or if a claim for any advancement of expenses under this Article VI is not paid in full within thirty (30) days after the Corporation has received a statement or statements requesting such amounts to be advanced, the Covered Person shall thereupon (but not before) be entitled to file suit to recover the unpaid amount of such claim. If successful in whole or in part, the Covered Person shall be entitled to be paid the expense of prosecuting such claim to the fullest extent permitted by law. In any such action, the Corporation shall have the burden of proving that the Covered Person is not entitled to the requested indemnification or advancement of expenses under applicable law.

Section 6.4. Nonexclusivity of Rights. The rights conferred on any Covered Person by this Article VI shall not be exclusive of any other rights which such Covered Person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, these bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

Section 6.5. Other Sources. The Corporation's obligation, if any, to indemnify or to advance expenses to any Covered Person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such Covered Person may collect as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, enterprise or non-profit enterprise.

Section 6.6. Amendment or Repeal. Any right to indemnification or to advancement of expenses of any Covered Person arising hereunder shall not be eliminated or impaired by an amendment to or repeal of this Article VI after the occurrence of the act or omission that is the subject of the civil, criminal, administrative or investigative action, suit or proceeding for which indemnification or advancement of expenses is sought.

Section 6.7. Other Indemnification and Advancement of Expenses. This Article VI shall not limit the right of the Corporation, to the extent and in a manner permitted by law, to indemnify and to advance expenses to persons other than Covered Persons when and as authorized by appropriate corporate action.

ARTICLE VII

Miscellaneous

Section 7.1. Fiscal Year. The fiscal year of the Corporation shall be determined by resolution of the Board of Directors.

Section 7.2. Seal. The corporate seal shall have the name of the Corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors.

Section 7.3. Manner of Notice. Except as otherwise provided herein or permitted by applicable law, notices to directors and stockholders shall be in writing and delivered personally or mailed to the directors or stockholders at their addresses appearing on the books of the Corporation. Without limiting the manner by which notice otherwise may be given effectively to stockholders, and except as prohibited by applicable law, any notice to stockholders given by the Corporation under any provision of applicable law, the Certificate of Incorporation, or these bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any stockholder who fails to object in writing to the Corporation, within sixty (60) days of having been given written notice by the Corporation of its intention to send the single notice permitted under this Section 7.3, shall be deemed to have consented to receiving such single written notice. Notice to directors may be given by telecopier, telephone or other means of electronic transmission.

Section 7.4. Waiver of Notice of Meetings of Stockholders, Directors and Committees. Any waiver of notice, given by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at nor the purpose of any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in a waiver of notice.

Section 7.5. Exclusive Forum. Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if that court does not have jurisdiction, the federal district court for the District of Delaware) shall be the sole and exclusive forum for each of the following: (i) each derivative action or proceeding brought on behalf of the Corporation; (ii) each action asserting a claim of breach of a fiduciary duty owed by any director, officer, or other employee of the Corporation to the Corporation or the Corporation's stockholders; (iii) each action asserting a claim against the Corporation or any of its directors, officers, or other employees arising pursuant to any provision of the Delaware General Corporation Law, the Corporation's Certificate of Incorporation, as amended, or these bylaws (in each case, as may be amended from time to time); and (iv) each action asserting a claim against the Corporation or any of its directors, officers, or other employees governed by the internal affairs doctrine of the State of Delaware; but only if, in an action or a proceeding described in one or more of clauses (i), (ii), (iii), or (iv) above, the court has personal jurisdiction

over all indispensable parties named as defendants in the action or the proceeding. Each natural person, entity, organization, enterprise, or instrumentality purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of, and to have consented to, the provisions of this Section 7.5.

Section 7.6. Form of Records. Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account and minute books, may be kept on, or by means of, or be in the form of, any information storage device or method, provided that the records so kept can be converted into clearly legible paper form within a reasonable time.

ARTICLE VIII

Amendments

Section 8.1. By Directors. These bylaws may be altered, amended or repealed, and new bylaws made, by the Board of Directors by a majority vote of the members of the Board then in office.

Section 8.2. By Stockholders. These bylaws may be amended, altered or repealed and new bylaws may be adopted at any meeting of stockholders, if such purpose is contained in the notice of meeting (pursuant to Section 1.3), by a majority of the votes cast by the holders of shares entitled to vote thereon, given in person or by proxy, at an annual or special meeting of the stockholders called and held for such purpose. These bylaws may also be amended, altered or repealed and new bylaws may be adopted by an action taken in writing by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize such action at a meeting at which all shares entitled to vote thereon were present and voted, in accordance with Section 228 of the General Corporation Law of the State of Delaware.

TRANSITION SERVICES AGREEMENT

Between

SEARS HOLDINGS MANAGEMENT CORPORATION

And

LANDS' END, INC.

, 2014

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TRANSITION SERVICES AGREEMENT

, 2014

This **Transition Services Agreement** (this “**Agreement**” or “**TSA**”) is between **Sears Holdings Management Corporation**, a Delaware corporation (“**SHMC**”), and **Lands’ End, Inc.**, a Delaware corporation (“**LE**”). SHMC and LE each are sometimes referred to as a “**Party**” and together sometimes are referred to as the “**Parties.**” Certain terms are defined where they are first used below, while others are defined in Appendix #1 (Glossary).

Terms and Conditions

For good and valuable consideration, the receipt of which SHMC and LE acknowledge, SHMC and LE agree as follows:

ARTICLE I SERVICES

1.01 **Transition Services to be Provided.** During the Service Period SHMC will provide to LE the transition services described on Appendix #2 (Transition Services) to the extent not prohibited by Applicable Law (together, the “**Services**”). “**Service Period**” means the period commencing immediately following the “**Effective Time**” specified in the Separation and Distribution Agreement (the “**Separation Agreement**”) to be executed and delivered by LE and Sears Holdings Corporation (the date on which the Effective Time occurs, the “**Effective Date**”) and continuing until 5:00 p.m. (Central Time) on the last day of the 12th full calendar month following the Effective Date. This Agreement will expire at 11:59 p.m. (Central Time) on the last day of the Service Period, automatically and without notice. Neither party has rights to renew or extend the Service Period. The calendar day that becomes the Effective Date will be inserted on Appendix #3 (Effective Date) after the Effective Date has occurred. Except as expressly stated on Appendix #2 (Transition Services), in the event of any conflict or inconsistency between this Agreement and Appendix #2, this Agreement will control. Unless otherwise agreed in writing by the Parties, the Services to be provided by SHMC under this Agreement are limited to those expressly stated herein. This Agreement, and the Services, Fees and Expenses hereunder, may only be modified by a written amendment which must be signed by both parties to be effective. LE acknowledges that modifications to this Agreement will require certain internal approvals by SHMC and therefore absent a signed written amendment; LE will not rely (and any such reliance would be unreasonable) upon any proposed amendment or course of dealing by the parties. If either Party identifies a service that was previously provided by SHMC that is not described in included in Appendix #2, it will notify the other party’s Contact Person (as provided for in Section 1.12), and the parties will work together to Good Faith to determine whether they wish to have such service added to this Agreement; any such addition will require a written amendment signed by both parties to be effective. The parties will include in such an amendment, if they agree to execute one, a description of the service, the Fees (if any), and allocation of expenses (if any) for such Service.

1.02 **Quantity and Nature of Service.** Except as otherwise provided in this Agreement, there will be no change in the scope or level of, or use by, LE of Services during the Service Period (including changes requiring the hiring or training of additional employees by SHMC) without the mutual written agreement of the Parties and adjustments, if any, to the charges for such Services. However, SHMC may make changes from time to time in the manner of performing Services (including changes to its, its Affiliates' and its Personnel's systems without LE's consent), whether the Services are provided by SHMC through its employees, through Vendors that are described on Appendix #2, or through shared contracts that are described in Appendix #5. Notwithstanding anything in this Agreement to the contrary, SHMC will not provide any legal services or legal advice to LE. LE is not entitled to rely on SHMC for legal advice or counsel, and any advisory communications given by SHMC to LE is not to be construed as legal advice. LE will not resell any Services, provide the Services to any joint-venture or non-wholly owned subsidiary, or otherwise use the Services in any way other than in connection with the conduct of LE's business as it is operated on the day before the Effective Date.

1.03 **Changes in the Services.** If LE desires to make changes in this Agreement to provide for different or additional Services (each a "**Service Change**") to be provided by SHMC, the parties shall comply with the following Service Change process:

(a) LE shall prepare a written proposal for the Service Change including a description of the services, deliverables, and schedule, in such detail as would be needed by an unaffiliated third party contractor to develop a competent price proposal for similar services. For special project work that is within the scope of services covered by an hourly or unit rate in Appendix #2, LE may use the hourly rate or unit rate stated in Appendix #2 in developing the proposal price.

(b) If SHMC is willing to consider the Service Change, SHMC will send to LE a response, including any changes to the services, deliverables, schedule and fees under this Agreement.

(c) All Service Change proposals and responses must be delivered by a Party's Contact Person to the other Party's Contact Person. If the Parties desire, each in their sole discretion, to move forward with the Service Change the Parties will negotiate a proposed amendment documenting the Service Change, after which each party will need to obtain all necessary internal approvals prior to signing the proposed amendment. In the absence of a signed amendment, the Parties must fulfill their obligations under this Agreement without regard to such proposed amendment.

1.04 **Transition Plan.** At least quarterly, and in the event of a Stockholding Change, at least monthly, throughout the Service Period, LE will provide SHMC with current information and reasonable assistance concerning LE's plans for transitioning the performance of all Services to LE or its designees prior to the completion of the Service Period. SHMC will provide LE with such information as is reasonably necessary to assist LE with such transition.

1.05 **Transition Services Shared Agreements.** In addition to those activities described in Appendix #2, the Services include SHMC allowing LE to continue to procure products and services under written contracts described in Appendix #5 (the “**Shared Agreements**”); provided that LE’s continued use of each Shared Agreement is contingent upon the Vendor in such agreement not objecting to such continued use. Furthermore, notwithstanding any other provision in this Agreement, SHMC has no liability to LE or its Representatives in connection with or resulting from the Vendor’s actions (or failures to act) under any Shared Agreement.

(a) SHMC shall, upon LE’s written request, provide reasonable administrative assistance to LE as requested by LE from time to time to assist LE in placing orders, reconciling and paying invoices directly with the Vendor under the Shared Agreements; it is not expected that SHMC will serve as LE’s order clerk or billing clerk for day-to-day transactions under the Shared Agreements. LE’s right to use the Shared Agreements will continue until the earlier of the following occurs: a) the loss of LE’s right to continue being served under the Shared Agreement by operation of its terms (e.g., expiration or termination, changes in LE’s eligibility for service, etc.) or b) expiration of the Service Period (except as notated for extended service in Appendix #5). SHMC and its Affiliates are not restricted in any way from terminating any Shared Agreements, in whole or in part, for cause or for convenience, nor from allowing any Shared Agreement or any part thereof to expire, nor from exercising or forgoing the exercise of any option to extend or renew the term of any Shared Agreement or any part thereof, nor from deciding in its sole discretion whether to negotiate for extension, renewal, or changes to any Shared Agreement or any part thereof. However, SHMC and its Affiliates will not extend any Shared Agreement that commits LE to procure goods or services from the Vendor without LE’s prior approval. SHMC is not obligated to revive or replace any terminated or expired Shared Agreement or portion thereof.

(b) LE will perform as and when due, each and every one of the obligations set forth in each Shared Agreement applicable to SHMC, to the same extent as if LE (rather than SHMC or its Affiliates, as applicable) were the party to such Shared Agreement. Without limiting the foregoing, LE shall take such actions as directed by SHMC to fulfill its obligations under the Shared Agreements. LE represents and warrants to SHMC that (a) it has the power, capacity and authority to execute and deliver this Agreement, and to perform its obligations hereunder and under the Shared Agreements, (b) the execution and delivery of this Agreement by it, and the performance by it of its obligations under this Agreement and the Shared Agreements does not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which it or any of its affiliates is a party or by which any of them is bound, and (c) upon LE’s execution and delivery of this Agreement, this Agreement will be valid and binding on LE and enforceable in accordance with its terms.

1.06 **Standard of Care.** Except as otherwise set forth in this Agreement, SHMC does not assume any responsibility under this Agreement other than to render the Services in Good Faith and in compliance with all Applicable Laws, without willful misconduct or gross negligence. SHMC MAKES NO OTHER GUARANTEE, REPRESENTATION, OR WARRANTY OF ANY KIND (WHETHER EXPRESS OR IMPLIED) REGARDING ANY OF THE SERVICES PROVIDED HEREUNDER, AND EXPRESSLY DISCLAIMS ALL OTHER GUARANTEES, REPRESENTATIONS, AND WARRANTIES OF ANY NATURE WHATSOEVER, WHETHER STATUTORY, ORAL, WRITTEN, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE AND ANY WARRANTIES ARISING FROM COURSE

OF DEALING OR USAGE OF TRADE. SUBJECT TO THE OTHER PROVISIONS OF THIS AGREEMENT, SHMC WILL ONLY BE OBLIGATED TO PROVIDE SERVICES IN A MANNER CONSISTENT WITH PAST PRACTICE (INCLUDING PRIORITIZATION AMONG PROJECTS FOR SHMC, SHMC'S AFFILIATES, AND LE).

1.07 **Responsibility For Errors; Delays.** SHMC's sole responsibility to LE for errors or omissions in Services caused by SHMC will be to furnish correct information, payment or adjustment in the Services, and if such errors or omissions are solely or primarily caused by SHMC, SHMC will promptly furnish such corrections at no additional cost or expense to LE if LE promptly advises SHMC of such error or omission.

1.08 **Good Faith Cooperation; Alternatives.** SHMC and LE will use Good Faith efforts to cooperate with each other in all matters relating to the provision and receipt of the Services. If SHMC reasonably believes it is unable to provide any Service because of a failure to obtain Vendor consents or because of impracticability, SHMC will notify LE promptly after SHMC becomes aware of such fact and the Parties will cooperate to determine the best alternative approach. LE shall provide such reasonable advance notice and forecasts of Services as are requested by SHMC or its Vendor performing the Services from time to time.

1.09 **Use of Third Parties.** SHMC may use any Affiliate or any Vendor (including former Affiliates) to provide the Services, however SHMC will remain responsible at all times for the performance of Services by its Affiliate or any Vendor under this Agreement, except as stated in Section 1.06.

1.10 **Assets of LE.** During the Service Period, (i) SHMC and its Affiliates and Vendors may use, at no charge, all of the software and other assets, tangible and intangible, of LE (together, the "Assets") to the extent necessary to perform the Services (but for no other purpose), and (ii) LE will consult with SHMC prior to upgrading or replacing any of the Assets that are necessary for SHMC to provide the Services.

1.11 **Ownership of Data and Other Assets.** Neither Party will acquire under this Agreement any right, title or interest in any Asset that is owned or licensed by the other. All data provided by or on behalf of a Party to the other Party for the purpose of providing the Services will remain the property of the providing Party. To the extent the provision of any Service involves intellectual property, including software or patented or copyrighted material, or material constituting trade secrets, neither Party will copy, modify, reverse engineer, decompile or in any way alter any of such material, or otherwise use such material in a manner inconsistent with the terms and provisions of this Agreement, without the express written consent of the other Party. All specifications, tapes, software, programs, services, manuals, materials, and documentation developed or provided by SHMC, its Affiliate or Vendor, and utilized in performing this Agreement, will be and remain the property of SHMC, its Affiliate or Vendor, as the case may be, and may not be sold, transferred, disseminated, or conveyed by LE to any other entity or used other than in performance of this Agreement without the express written permission of SHMC.

1.12 **Contact Person.** Each Party will appoint a contact person (each, a "Contact Person") to facilitate communications and performance under this Agreement. The initial Contact Person of each Party is set forth on Appendix #4. Each Party will have the right at any time and from time to time to replace its Contact Person by written notice to the other Party.

**ARTICLE II.
CHARGES AND PAYMENTS FOR SERVICES**

2.01 Compensation.

(a) **Fees.** As consideration for the provision of Services, LE will pay SHMC fees for the Services specified on Appendix #2 (the “**Fees**”), payable in equal installments in advance as provided on Appendix #2. Upon termination of an individual Service, LE will pay a pro rata portion of the applicable Fee specified on Appendix #2, calculated based on the portion of the individual Service actually performed, or expense actually incurred, through the date SHMC performs the Service. If the Fees include charges for Services performed by a Vendor and the Vendor’s fees increase during the Service Period, then SHMC may pass through the increased charges as an increase in the Fees.

(b) **Expenses.** In addition to the Fees, LE will reimburse SHMC for all reasonable out-of-pocket expenses actually incurred in its performance of the Services that are not included in the Fees (“**Expenses**”). To the extent reasonably practicable, SHMC will provide LE with notice of such Expenses prior to incurring them. If directed by SHMC, LE will pay directly any or all Vendors providing Services to or for the benefit of LE.

2.02 Payments. LE will pay Fees in accordance with Section 2.01(a). Unless otherwise mutually agreed in writing, all amounts payable under this Agreement will be reconciled weekly and the Parties will after netting amounts due under the other Ancillary Agreements make payment (to the Party who is owned the net amount) by electronic transfer of immediately available funds to a bank account designated by such Party from time to time. Monthly installments will be included the first week’s reconciliation of each month. All amounts remaining unpaid for more than 15 days after their respective due date(s) will accrue interest as set forth in Section 14.19 (Payment Terms) of the Separation Agreement until paid in full.

2.03 Taxes. Fees do not include applicable taxes. LE will be responsible for the payment of all taxes payable in connection with the Services including sales, use, excise, value-added, business, service, goods and services, consumption, withholding, and other similar taxes or duties, including taxes incurred on transactions between and among SHMC, its Affiliates, and Vendors, along with any related interest and penalties (“**Transaction Taxes**”). LE will reimburse SHMC for any deficiency relating to Transaction Taxes that are LE’s responsibility under this Agreement. Notwithstanding anything in this Section 2.03 to the contrary, each Party will be responsible for its own income and franchise taxes, employment taxes, and property taxes. The Parties will cooperate in Good Faith to minimize Transaction Taxes to the extent legally permissible. Each Party will provide to the other Party any resale exemption, multiple points of use certificates, treaty certification and other exemption information reasonably requested by the other Party.

**ARTICLE III.
TERMINATION**

3.01 **Termination of an Individual Service for Convenience by LE.** Subject to the next sentence, LE, upon 60 days' prior written notice to SHMC, may reduce or terminate for LE's convenience any individual Service at the end of a LE fiscal month. LE may not terminate an individual Service if the termination would adversely affect SHMC's ability to perform another Service. If LE's reduction or termination of a Service (including a Shared Agreement) results in charges to SHMC or its Affiliate during the Term of this Agreement by a Vendor (e.g., termination charges or loss of volume discounts), LE will reimburse SHMC for such charges.

3.02 **Termination of the Agreement.**

(a) Subject to the next sentence, LE or SHMC may terminate this Agreement in the event of a material breach of this Agreement by the other Party if the breach is curable by the breaching Party and the breaching Party fails to cure the breach within 30 days following its receipt of written notice of the breach from the non-breaching Party, or in the event of an assignment with respect to which SHMC has not consented in accordance with Section 6.06 (Assignment). If the breach is not curable by the breaching Party, the non-breaching Party may immediately terminate this Agreement following the non-breaching Party's delivery of notice to the breaching Party.

(b) LE's breach any of the Cross Default Agreements constitutes a breach by LE of this Agreement (which breach may only be cured, if at all, in accordance with the express provisions of the affected Cross Default Agreement). Furthermore, if LE wrongfully terminates a Cross Default Agreement or if LE's breach of a Cross Default Agreement results in the SHC Entity counterparty terminating that agreement; then SHMC may also terminate this Agreement for cause. SHMC's remedies under this Section 3.02 are in addition to and not in lieu of any and all other legal and equitable remedies available to SHMC upon LE's breach of this Agreement.

3.03 **Obligations on Termination.** Upon termination of this Agreement LE will return to SHMC, as soon as reasonably practicable, all equipment or other property of SHMC, whether owned, leased, or licensed, and LE will pay all outstanding Fees for Services rendered and Expenses incurred through the date this Agreement is terminated in accordance with its terms.

3.04 **Termination of an Individual Service by SHMC.** If an Affiliate of SHMC that provides a Service is unwilling or unable to provide the Service and: (i) the Affiliate of SHMC does not provide a similar service to SHMC or its other Affiliates on terms that are comparable to the terms of this Agreement, and (ii) SHMC is unable to retain a replacement Vendor to provide the Service on terms that are comparable to the terms of this Agreement, SHMC, upon providing 90-days' prior written notice to LE, may terminate the Service, but the termination of the Service will have no effect upon the provision of the other Services to LE. If an Affiliate or Vendor that provides a Service is unwilling or unable to allow LE to use the Service under the existing (or comparable) terms, and SHMC is unable to retain a replacement Vendor to provide the Service on terms that are comparable to the terms of this

Agreement, SHMC, upon providing 90-days' prior written notice to LE, may terminate the Service, but the termination will have no effect upon the provision of the other Services to LE. If SHMC is unable to give LE 90-days' prior written notice to LE due to a Vendor's refusal to allow LE to use the Service for 90 days, then SHMC will provide as much notice as possible.

ARTICLE IV. CONFIDENTIALITY

4.01 **Confidential Information.** "Confidential Information" means all information, whether disclosed in oral, written, visual, electronic or other form, that (i) one Party (the "**Disclosing Party**"), its Affiliates or its Personnel discloses to the other Party (the "**Receiving Party**"), its Affiliates or its Personnel, (ii) relates to or is disclosed in connection with this Agreement or a Party's or a Party's Affiliate's business, and (iii) is or reasonably should be understood by the Receiving Party to be confidential or proprietary to the Disclosing Party (whether or not such information is marked "Confidential" or "Proprietary"). The Disclosing Party's sales, pricing, costs, inventory, operations, employees, current and potential customers, financial performance and forecasts, and business plans, strategies, forecasts and analyses, as well as information as to which the Securities and Exchange Commission has granted confidential treatment pursuant to its Rule 406 of Regulation C (the "**CTR Information**"), are Confidential Information.

4.02 **Treatment of Confidential Information.** The Receiving Party will use Confidential Information only in connection with this Agreement and, except as expressly permitted by this Agreement and subject to the next sentence, will not disclose any Confidential Information for three years from the date of receipt of the Confidential Information. Neither Party will disclose the CTR Information for a period of ten years from the date or receipt.

(a) **Limitations.** The Receiving Party will (A) restrict disclosure of the Confidential Information to its and its Affiliates' Personnel with a need to know the Confidential Information for purposes of performing the Receiving Party's responsibilities or exercising the Receiving Party's rights under this Agreement, (B) advise those Personnel of the obligation not to disclose the Confidential Information or use the Confidential Information in a manner prohibited by this Agreement, (C) copy the Confidential Information only as necessary for those Personnel who need it for performing the Receiving Party's responsibilities under this Agreement, and ensure that confidentiality is maintained in the copying process; and (D) protect the Confidential Information, and require those Personnel to protect it, using the same degree of care as the Receiving Party uses with its own Confidential Information, but no less than reasonable care.

(b) **Liability for Unauthorized Use.** The Receiving Party will be liable to the Disclosing Party for any unauthorized disclosure or use of Confidential Information in violation of this Agreement by its Affiliates and any of its and its Affiliates' current or former Personnel.

(c) **Destruction.** Without limiting the foregoing, when any Confidential Information is no longer needed for the purposes contemplated by this Agreement the Receiving Party will, promptly after request of the Disclosing Party, either return such Confidential Information in tangible form (including all copies thereof and all notes, extracts or summaries based thereon) or certify to the other Party that it has destroyed such Confidential Information (other than electronic copies residing in automatic backup systems and copies retained to the extent required by Applicable Law, regulation or a bona fide document retention policy).

4.03 **Exceptions to Confidential Treatment.** The obligations under this Section 4.03 do not apply to any Confidential Information that the Receiving Party can demonstrate (A) was previously known to the Receiving Party without any obligation owed to the Disclosing Party or its Affiliates to hold it in confidence, (B) is disclosed to third parties by the Disclosing Party or its Affiliates without an obligation of confidentiality to the Disclosing Party or its Affiliate, as applicable, (C) is or becomes available to any member of the public other than by unauthorized disclosure by the Receiving Party, its Affiliates or its or their Personnel, (D) was or is independently developed by the Receiving Party or its Affiliates or Personnel without use of the Confidential Information, (E) legal counsel's advice is that the Confidential Information is required to be disclosed by Applicable Law or the rules and regulations of any applicable Governmental Authority and the Receiving Party has complied with Section 4.04 (Protective Arrangement) below, or (F) legal counsel's advice is that the Confidential Information is required to be disclosed in response to a valid subpoena or order of a court or other governmental body of competent jurisdiction or other valid legal process and the Receiving Party has complied with Section 4.04 (Protective Arrangement) below.

4.04 **Protective Arrangement.** If the Receiving Party determines that the exceptions under Section 4.03(E) or Section 4.03(F) apply, the Receiving Party shall give the Disclosing Party, to the extent legally permitted and reasonably practicable, prompt prior notice of such disclosure and an opportunity to contest such disclosure and shall use commercially reasonable efforts to cooperate, at the expense of the Receiving Party, in seeking any reasonable protective arrangements requested by the Disclosing Party. In the event that such appropriate protective order or other remedy is not obtained, the Receiving Party may furnish, or cause to be furnished, only that portion of such Confidential Information that the Receiving Party is advised by legal counsel is legally required to be disclosed and shall take commercially reasonable steps to ensure that confidential treatment is accorded such Confidential Information.

4.05 **Ownership of Information.** Except as otherwise provided in this Agreement, all Confidential Information provided by or on behalf of a Party (or its Affiliates) that is provided to the other Party or its Personnel shall remain the property of the disclosing entity and nothing herein shall be construed as granting or conferring rights of license or otherwise in any such Confidential Information.

ARTICLE V.
INDEMNIFICATION; LIMITATION OF LIABILITY

5.01 **Indemnification by LE.** LE will defend, indemnify, and hold harmless SHMC and its Affiliates and their respective Representatives from and against any and all costs, liabilities, losses, penalties, expenses and damages (including reasonable attorneys' fees) of every kind and nature arising from third-party claims, demands, litigation, and suits related to or arising out of: (i) the Shared Agreements, including LE Personnel's actions and failure or act in connection therewith (collectively, "**Shared Agreement Claims**"), and (ii) this Agreement (together with the Shared Agreement Claims, "**LE Claims**"), except to the extent that such LE Claims are found by a final judgment or opinion of an arbitrator or a court of appropriate jurisdiction to be caused by: (i) a breach of any provision of this Agreement by SHMC; or (ii) any negligent act or omission, or willful misconduct of SHMC, its Affiliates, or their respective Representatives in performance of this Agreement. Without limiting the foregoing in any way, SHMC may, at its sole option, cost and expense, take control of any Shared Agreement Claim including, without limitation, the right to engage counsel of its own choice and to defend, prosecute compromise and settle any Shared Agreement Claim.

5.02 **Indemnification by SHMC.** SHMC will defend, indemnify, and hold harmless LE and its Affiliates, and their respective Representatives from and against any and all costs, liabilities, losses, penalties, expenses and damages (including reasonable attorneys' fees) of every kind and nature arising from third-party claims, demands, litigation, and suits, that: (i) relate to bodily injury or death of any person or damage to real and/or tangible personal property directly caused by the negligence or willful misconduct of SHMC or its Affiliates during the performance of the Services, or (ii) relate to the intentional infringement of any copyright or trade secret by an Asset owned by SHMC or its Affiliates and used by SHMC in the performance of the Services (together, "**SHMC Claims**"). Notwithstanding the obligations set forth above in this Section 5.02, SHMC will not defend or indemnify LE, its Affiliates, or their respective Representatives to the extent that such SHMC Claims are found by a final judgment or opinion of an arbitrator or a court of appropriate jurisdiction to be caused by: (a) a breach of any provision of this Agreement by LE; (b) any negligent act or omission, or willful misconduct of LE, its Affiliates, or their respective Representatives in performance of this Agreement; or (c) with respect to infringement claims: (I) LE's use of the Asset in combination with any product or information not provided by SHMC; (II) LE's distribution, marketing or use for the benefit of third parties of the Asset; (III) LE's use of the Asset other than as contemplated by this Agreement; or (IV) information, direction, specification or materials provided by or on behalf of LE. LE Claims and SHMC Claims are each individually referred to as a "**Claim.**"

5.03 **Procedure.** In the event of a Claim, the indemnified Party will give the indemnifying Party prompt notice in writing of the Claim; but the failure to provide such notice will not release the indemnifying Party from any of its obligations under this Article except to the extent the indemnifying Party is materially prejudiced by such failure. Upon receipt of such notice the indemnifying Party will assume and will be entitled to control the defense of the Claim at its expense and through counsel of its choice, and will give notice of its intention to do so to the indemnified Party within 20 business days of the receipt of such notice from the indemnified Party. The indemnifying Party will not, without the prior written consent of the indemnified Party, (i) settle or compromise any Claim or consent to the entry of any judgment that does not include as an unconditional term thereof the delivery by the claimant or plaintiff to the indemnified Party of a written release from all liability in respect of the Claim or (ii) settle or compromise any Claim in any manner that may adversely affect the Indemnified Party other than as a result of money damages or other monetary payments that are indemnified hereunder. The indemnified Party will have the right at its own cost and expense to employ separate counsel and participate in the defense of any Claim.

5.04 **Joint Claims.** If any third-party claim, demand, litigation, or suit involves allegations for which both Parties may assert claims for defense and indemnity from each other under this Agreement (“**Mixed Claims**”); then LE shall defend both Parties and their Representatives from such Mixed Claims at LE’s sole reasonable expense, provided that SHMC may, upon written notice to LE, take control of the defense of such Mixed Claims.

5.05 **Independent Obligation.** The obligations of each Party to defend, indemnify and hold harmless, the other Parties’ Indemnified Parties under this Section are independent of each other and any other obligation of the Parties under this Agreement.

5.06 **Limitation of Liability.** EXCEPT FOR (I) EACH PARTY’S INDEMNITY AND DEFENSE OBLIGATIONS AS SET FORTH IN SECTIONS 5.01, 5.02, AND 5.03 AND OTHER LIABILITIES TO UNAFFILIATED THIRD PARTIES, (II) A PARTY’S BREACH OF ITS CONFIDENTIALITY OBLIGATIONS, AND (III) BREACH OF SECTION 1.11 (OWNERSHIP OF DATA AND OTHER ASSETS), IN NO EVENT WILL EITHER PARTY, NOR ITS AFFILIATES, CONTRACTORS OR AGENTS BE LIABLE FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL, OR PUNITIVE DAMAGES, LOSSES OR EXPENSES (INCLUDING BUSINESS INTERRUPTION, LOST BUSINESS, LOST PROFITS, LOST DATA, LOST SAVINGS, DAMAGES TO SOFTWARE OR FIRMWARE, OR COST OF PROCURING OR TRANSITIONING TO SUBSTITUTE SERVICES), REGARDLESS OF THE LEGAL THEORY UNDER WHICH SUCH LIABILITY IS ASSERTED, AND REGARDLESS OF WHETHER A PARTY HAD BEEN ADVISED OF THE POSSIBILITY OF SUCH LIABILITY. THE SOLE LIABILITY OF SHMC AND ITS AFFILIATES FOR ERRORS AND OMISSIONS IN THE SERVICES ARE LIMITED AS PROVIDED FOR IN SECTION 1.07 ABOVE, AND FOR ALL OTHER CLAIMS IN ANY MANNER RELATED TO THIS AGREEMENT ARE LIMITED TO THE PAYMENT OF DIRECT DAMAGES, NOT TO EXCEED (FOR ALL CLAIMS IN THE AGGREGATE) THE FEES RECEIVED BY SHMC UNDER THIS AGREEMENT DURING THE SIX MONTHS PRECEDING THE DATE SUCH CLAIM AROSE. NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, SHMC WILL NOT BE LIABLE FOR DAMAGES CAUSED BY SHMC’S VENDORS; HOWEVER, TO THE EXTENT PERMITTED IN A VENDOR AGREEMENT, SHMC WILL PASS THROUGH TO LE APPLICABLE RIGHTS AND REMEDIES UNDER THE RESPECTIVE VENDOR AGREEMENT.

ARTICLE VI. MISCELLANEOUS

6.01 **Expenses.** In addition to the fees state herein, unless otherwise expressly stated herein, LE will reimburse SHMC for all other reasonable out-of-pocket expenses actually incurred in its performance of the Services (“**Expenses**”). To the extent reasonably practicable, SHMC will provide LE with notice of such Expenses prior to incurring them. If directed by SHMC, LE will pay directly any or all Vendors providing Services to or for the benefit of LE. The cost of all third-party Personnel used to perform the Services hereunder will be reimbursed by LE on a cost plus five percent (5%) basis. Except as otherwise provided for in this Agreement, each Party will bear its own expenses with respect to the transactions contemplated by this Agreement.

6.02 **Vendor Agreements.** The Parties anticipate that SHMC will be relying upon its and its Affiliates existing agreements with third parties (including the Shared Agreements) to provide certain of the Services described herein (“**Vendor Agreements**”) and that the Parties have assumed that SHMC’s and/or its Affiliates’ Vendor under each Vendor Agreement will permit SHMC and/or its Affiliates to procure goods, services and/or license software, as applicable under such Vendor Agreement, on behalf of LE, at no additional cost, as if LE were an affiliate of SHMC and/or its Affiliates under such Vendor Agreement, and will permit LE to procure such goods, services and/or licensed software directly from the Vendor, in the case of Shared Agreements. If: (a) SHMC’s or its Affiliates’ costs, fees, or expenses increase under the terms of such Vendor Agreements, or (b) the Vendor demands or is entitled to additional costs, fees, or expenses now or in the future, as a result of LE receiving benefits under such Agreement, then, in addition to all other amounts due hereunder, LE shall be liable for its proportionate share of all increased amounts under subsection (a) and all of the increased amounts under subsection (b), in each case as such amounts are determined by SHMC in Good Faith. SHMC will notify LE once it learns of any increased amounts due under the immediately foregoing sentence, and will work with the Vendor to try to mitigate such cost increase. To the extent any such Vendor Agreement includes early termination fees (or similar charges, “**Termination Fees**”), LE will be solely responsible for any such Termination Fees SHMC or its Affiliates incur as a result of the Separation of LE and/or LE ceasing to use the Services under this Agreement.

6.03 **Computer Access.** If either Party, its Affiliates or its Personnel are given access, whether on-site or through remote facilities, to any communications, computer, or electronic data storage systems of the other Party, its Affiliates or its Personnel (each an “**Electronic Resource**”), in connection with this Agreement, then the Party on behalf of whom such access is given will ensure that its Personnel’s use of such access shall be solely limited to performance or exercise of, such Party’s duties and rights under this Agreement, and that such Personnel will not attempt to access any Electronic Resource other than those specifically required for the performance of such duties and/or exercise of such rights. The Party given access will limit such access to those of its and its Affiliates’ Personnel who need to have such access in connection with this Agreement, will advise the other Party in writing of the name of each of such Personnel who will be granted such access, and will strictly follow all security rules and procedures for use of such Electronic Resources. All user identification numbers and passwords disclosed to a Party’s Personnel and any information obtained by such Party’s Personnel as a result of its access to, and use of the other Party’s, its Affiliates’ or its Personnel’s Electronic Resources will be deemed to be, and will be treated as, Confidential Information of the Party on behalf of whom such access is granted. Each Party will reasonably cooperate with the other Party in the investigation of any apparent unauthorized access by the other Party, its Affiliates, or its Personnel to any Electronic Resources or unauthorized release of Confidential Information. Each Party will promptly notify the other Party of any actual or suspected unauthorized access or disclosure of any Electronic Resource of the other Party, its Affiliates, or its Personnel.

6.04 **Amendment; No Waiver.** The terms, covenants and conditions of this Agreement may be amended, modified or waived only by a written instrument signed by both Parties, or in the event of a waiver, by the Party waiving such compliance. Any Party's failure at any time to require performance of any provision will not affect that Party's right to enforce that or any other provision at a later date. No waiver of any condition or breach of any provision, term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances will be deemed to be or construed as a further or continuing waiver of that or any other condition or of the breach of that or another provision, term or covenant of this Agreement.

6.05 **Assignment.** LE may not assign its rights or obligations under this Agreement without the prior written consent of SHMC, which consent may be withheld in SHMC's absolute discretion. A Stockholding Change will constitute an assignment of this Agreement by LE for which assignment SHMC's prior written consent will be required. SHMC may freely assign its rights and obligations under this Agreement to any of its Affiliates without the prior consent of LE; provided that any such assignment will not relieve SHMC of its obligations and liabilities hereunder. This Agreement will be binding on, and will inure to the benefit of, the permitted successors and assigns of the Parties.

6.06 **Notices.** All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement must be in writing and will be deemed to have been duly given (i) when delivered by hand, (ii) three (3) Business Days after it is mailed, certified or registered mail, return receipt requested, with postage prepaid, (iii) on the same Business Day when sent by facsimile or electronic mail (return receipt requested) if the transmission is completed before 5:00 p.m. recipient's time, or one (1) Business Day after the facsimile or email is sent, if the transmission is completed on or after 5:00 p.m. recipient's time or (iv) one (1) Business Day after it is sent by Express Mail, Federal Express or other courier service specifying same day or next day delivery, as follows (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 6.07):

If to SHMC, to: Sears Holdings Management Corporation
3333 Beverly Road
Hoffman Estates, Illinois 60179
Attn.: Larry Meerschaert
Facsimile: (847) 286-4908
Email: Larry.Meerschaert@searshc.com

With a copy to: Sears Holdings Corporation
3333 Beverly Road
Hoffman Estates, Illinois 60179
Attn.: General Counsel
Facsimile: (847) 286-2471
Email: Dane.Drobny@searshc.com

If to LE, to: Lands' End, Inc.
5 Lands' End Lane
Dodgeville, Wisconsin 53595
Attn.: Brian Leek
Facsimile: (608) 935-4470
Email: Brian.Leek@landsend.com

With a copy to: Lands' End
5 Lands' End Lane
Dodgeville, Wisconsin 53595
Attn.: General Counsel
Facsimile: 608-935-6550
Email: Karl.Dahlen@landsend.com

6.07 **Publicity.** All publicity regarding this Agreement is subject to [Section 14.5](#) (Public Announcements) of the Separation Agreement.

6.08 **Survival.** Each term of this Agreement that would, by its nature, survive the termination or expiration of this Agreement will so survive, including the obligation of either Party to pay all amounts accrued hereunder and including the provisions of [Section 1.05](#) (Transition Services Shared Agreements), [Section 1.11](#) (Ownership of Data and Other Assets), [Article IV](#) (Confidentiality), [Article V](#) (Indemnification; Limitation of Liability), [Section 6.04](#) (Computer Access), [Section 6.08](#) (Publicity), [Section 6.13](#) (Equitable Relief), [Section 6.15](#) (Fair Construction), [Section 6.16](#) (No Agency), [Section 6.17](#) (Construction and Interpretation), [Section 6.19](#) (Dispute Resolution), and [Section 6.20](#) (Governing Law; Jurisdiction).

6.09 **No Third Party Rights.** Except for the indemnification rights under this Agreement of any SHMC or LE indemnitee in their respective capacities as such, this Agreement is intended to be solely for the benefit of the Parties and is not intended to confer any benefits upon, or create any rights in favor of, any person other than the Parties.

6.10 **Severability.** If any provision of this Agreement is declared by any court of competent jurisdiction to be illegal, invalid, void or unenforceable, such provision will (to the extent permitted under Applicable Law) be construed by modifying or limiting it so as to be legal, valid and enforceable to the maximum extent compatible with Applicable Law, and all other provisions of this Agreement will not be affected and will remain in full force and effect.

6.11 **Entire Agreement.** This Agreement (including the Exhibits, Appendixes and Schedules hereto) constitutes the entire agreement between the Parties hereto and supersedes all prior agreements and understandings, oral and written, between the Parties hereto with respect to the subject matter hereof.

6.12 **Equitable Relief.** Each Party acknowledges that any breach by a Party of [Section 4](#) (Confidential Information), [Section 1.11](#) (Ownership of Data and Other Assets) and [Section 6.04](#) (Computer Access) of this Agreement may cause the non-breaching Party and its Affiliates irreparable harm for which the non-breaching Party and its Affiliates have no adequate remedies at law. Accordingly, in the event of any actual or threatened default in, or

breach of the foregoing provisions, each Party and its Affiliates are entitled to seek equitable relief, including specific performance, and injunctive relief; in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. A Party seeking such equitable relief is not obligated to comply with Section 6.19 (Dispute Resolution) and may seek such relief regardless of any cure rights for such actual or threatened breach. Each Party waives all claims for damages by reason of the wrongful issuance of an injunction and acknowledges that its only remedy in that case is the dissolution of that injunction. Any requirements for the securing or posting of any bond with such remedy are waived.

6.13 **Force Majeure.** Neither Party will be responsible to the other for any delay in or failure of performance of its obligations under this Agreement, to the extent such delay or failure is attributable to any act of God, act of terrorism, fire, accident, war, embargo or other governmental act, or riot; provided, however, that the Party affected thereby gives the other Party prompt written notice of the occurrence of any event which is likely to cause (or has caused) any delay or failure setting forth its best estimate of the length of any delay and any possibility that it will be unable to resume performance; provided, further, that said affected Party will use its commercially reasonable efforts to expeditiously overcome the effects of that event and resume performance.

6.14 **Fair Construction.** This Agreement will be deemed to be the joint work product of the Parties without regard to the identity of the draftsperson, and any rule of construction that a document will be interpreted or construed against the drafting Party will not be applicable.

6.15 **No Agency.** Nothing in this Agreement creates a relationship of agency, partnership, or employer/employee between SHMC and LE and it is the intent and desire of the Parties that the relationship be and be construed as that of independent contracting parties and not as agents, partners, joint venturers or a relationship of employer/employee.

6.16 **Construction and Interpretation.** In this Agreement (1) “include,” “includes,” and “including” are inclusive and mean, respectively, “include without limitation,” “includes without limitation,” and “including without limitation,” (2) “or” is disjunctive but not necessarily exclusive, (3) “will” and “shall” expresses an imperative, an obligation, and a requirement, (4) numbered “Section” references refer to sections of this Agreement unless otherwise specified, (5) section headings are for convenience only and will have no interpretive value, (6) unless otherwise indicated all references to a number of days mean calendar (and not business) days and all references to months or years mean calendar months or years, (7) references to \$ or Dollars mean U.S. Dollars, and (8) “hereof,” “herein” and “herewith” and words of similar import, unless otherwise stated, shall be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement.

6.17 **Condition Precedent to the Effectiveness of this Agreement.** This Agreement will not become effective until it has been approved by the Audit Committee of the SHC Board.

6.18 **Dispute Resolution.** Except as provided for in Section 6.13 (Equitable Relief), all Disputes related to this Agreement are subject to Article XI (Dispute Resolution) of the Separation Agreement.

6.19 **Governing Law; Jurisdiction.** (a) **Governing Law.** This Agreement and all claims, controversies or causes of action, whether in contract, tort or otherwise, that may be based upon, arise out of or relate to this Agreement or the negotiation, execution, termination, performance or nonperformance of this Agreement (including any claim, controversy or cause of action based upon, arising out of or relating to any representation or warranty made in or in connection with this Agreement or as an inducement to enter into this Agreement) shall be governed by, and construed and enforced in accordance with, the federal laws of the United States, including the Lanham Act, and the internal laws of the State of Illinois, without regard to any choice or conflict of law provision or rule (whether of the State of Illinois or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Illinois. This Agreement will not be subject to any of the provisions of the United Nations Convention on Contracts for the International Sale of Goods.

(b) **Jurisdiction.** Each of the Parties hereto irrevocably agrees that all proceedings arising out of or relating to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by the other Party hereto or its successors or assigns shall be brought, heard and determined exclusively in any federal or state court sitting in Cook County, Illinois. Consistent with the preceding sentence, each of the Parties hereto hereby (a) submits to the exclusive jurisdiction of any federal or state court sitting in Cook County, Illinois for the purpose of any proceeding arising out of or relating to this Agreement or the rights and obligations arising hereunder brought by any Party hereto and (b) irrevocably waives, and agrees not to assert by way of motion, defense, counterclaim, or otherwise, in any such proceeding, any claim that it or its property is not subject personally to the jurisdiction of the above-named courts, that the proceeding is brought in an inconvenient forum, that the venue of the proceeding is improper, or that this Agreement or any of the other transactions contemplated by this Agreement may not be enforced in or by any of the above-named courts. Each Party agrees that service of process upon such party in any such action or Proceeding shall be effective if notice is given in accordance with Section 6.07 (Notices).

(c) **Waiver of Jury Trial.** EACH OF THE PARTIES HERETO HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH OF THE PARTIES HERETO HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 6.20(c).

6.20 **Counterparts.** This Agreement may be executed and delivered (including by facsimile or other electronic transmission (e.g., .pdf file) in counterparts, and by the Parties in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement effective as of the Effective Date.

LANDS' END, INC.

By: _____
Name: _____
Its: Chief Executive Officer

SEARS HOLDINGS MANAGEMENT CORPORATION

By: _____
Name: _____
Its: _____

Appendix #1

GLOSSARY

Definitions. The following defined terms will have the meaning ascribed to them below. Other terms are defined in the body of this Agreement. All defined terms include the singular and the plural form of such terms.

(a) “**Affiliate**” means (solely for purposes of this Agreement and for no other purpose) (i) with respect to LE, its Subsidiaries, and (ii) with respect to SHMC SHC and its Subsidiaries; provided, however, that except where the context indicates otherwise, for purposes of this Agreement, from and after the Effective Time (1) no SHC Entity shall be deemed to be an Affiliate of any LE Entity and (2) no LE Entity shall be deemed to be an Affiliate of any SHC Entity.

(b) “**Ancillary Agreements**” has the meaning ascribed to it in the Separation Agreement.

(c) “**Applicable Law**” means all applicable common law, laws, ordinances, regulations, rules, and court and administrative orders and decrees of all national, regional, state, local and other governmental units that have jurisdiction in the given circumstances.

(d) “**Business Day**” means any day that is not a Saturday, a Sunday or any other day on which banks are required or authorized by Applicable Law to be closed in New York, New York.

(e) “**Competitor**” has the meaning ascribed to it in the Separation Agreement.

(f) “**Competitor Affiliates**” has the meaning ascribed to it in the Separation Agreement.

(g) “**Cross Default Agreements**” means the Ancillary Agreements except the Co-Location and Services Agreement.

(h) “**Dispute**” has the meaning ascribed to it in the Separation Agreement.

(i) “**Good Faith**” means honesty in fact and the observance of reasonable commercial standards of fair dealing in accordance with Applicable Law.

(j) “**LE Entities**” has the meaning ascribed to it in the Separation Agreement.

(k) “**Personnel**” means the officers, directors, employees, agents, suppliers, licensors, licensees, contractors, subcontractors, advisors (including attorneys, accountants, technical consultants or investment bankers) and other representatives, from time to time, of a Party and its Affiliates; provided that the Personnel of the LE Entities shall not be deemed Personnel of the SHC Entities and the Personnel of the SHC Entities shall not be deemed Personnel of the LE Entities.

(l) “**SHC**” means Sears Holdings Corporation.

(m) “**SHC Entities**” has the meaning ascribed to it in the Separation Agreement.

(n) “**Subsidiaries**” has the meaning ascribed to it in the Separation Agreement.

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- (o) “**Representatives**” means Personnel, partners, shareholders, and members.
 - (p) “**SHC Board**” has the meaning ascribed to it in the Separation Agreement.
 - (q) “**Stockholding Change**” has the meaning ascribed to it in the Separation Agreement.
 - (r) “**Vendor**” means any third party provider contracted by SHMC or its Affiliates or, in the case of “Shared Agreements”, by LE.

Appendix #2

Transition Services

<u>Service or Business Area</u>	<u>Services</u>	<u>Fees</u>
Tax (Excludes Property Tax and Payroll Tax)	<u>Fixed Fee Tax Services</u>	<u>Fixed Fee Tax Services – Annual Fee</u>
	1. Federal income tax	
	a. Prepare and coordinate filing return	
	b. Prepare estimated tax and extension filings	Estimated tax (1b, 2b) \$36,000
	c. Prepare LIFO tax calculations	Other FIT (1a, c-f) \$56,250
	d. Prepare supporting workpapers	Other SIT (2a, c-d) \$31,500
	e. Prepare tax elections	Fin Accting (3a-d) \$57,000
	f. Foreign tax credit calculations/Form 5471 preparation	Other (4-7) \$146,440
	2. State income tax	
	a. Prepare and coordinate filing returns	
	b. Prepare estimated tax and extension filings	
	c. Prepare supporting workpapers	
	d. Prepare tax allocations for periods when part of SHC unitary returns	
	3. Financial Accounting	
	a. Quarterly tax provision, effective tax rate calculations, tax accounting journal entry support	
	b. Analysis of uncertain tax positions and quarterly tax reserve calculations and journal entry support (if necessary)	
	c. Tax footnote disclosures for Form 10-K and Form 10-Qs	
	d. Return-to-accrual calculations and necessary journal entry support	
	4. Sales and use tax	
	a. Prepare and coordinate filing returns	
	b. Maintain tax tables in POS system (if continue to use Sears POS system)	
	5. Business license filings (state and local, not including state registrations of business name or LE entity)	
	6. Gross receipts tax filings and accrual estimates	
	7. Annual report/franchise tax filings	
	<u>Per-Hour Tax Services</u>	<u>Per-Hour Tax Services</u>
	1. Audit support	
	2. Preparation of accounting method changes	\$150/hour
	3. \$10,000 cash receipts reporting (when necessary; based on information provided by business)	
	4. Federal excise tax return (if applicable)	
	5. Maintain tax tables in POS system (if new POS system implemented)	
	6. Register new locations for sales tax and business licenses	

Service or Business Area	Services	Fees
	7. IT/POS support for sales tax reporting 8. Transition tax functions from SHMC to LE	<u>Service Cost Increases</u>
	<u>Lands' End Responsibilities</u>	If SHMC's cost of service increase due to change in business or legal requirements, the fees herein will be equitably adjusted to reflect increase in SHMC costs to provide Services (if any).
	Anything not listed above as under the Fixed Fee or Per-Hour Tax Services headings, including:	
	1. Foreign tax compliance/audits 2. Tax legal services 3. Tax software licenses (e.g., income tax reporting, sales tax) Use of software applications other than those used by SHMC may result in an increase in SHMC's fees relating to those services. 4. Providing data necessary to report any available employment-related tax credits (e.g., WOTC) either directly or through a third party	<u>Out-of-Pocket Costs</u>
		Travel, and other expenses and third party fees charged-through at cost.
COMPLIANCE		
Corporate Compliance	Provide the services of SHMC's Ethics Hotline vendor for call answering and case management for LE's Ethics Hotline.	\$10,000 per year.
Global Compliance	Social compliance auditing of the factories producing merchandise for Lands' End to ensure compliance with local law, Lands' End policies with respect to issues such as child labor, wages, hours, benefits, pay, discrimination, harassment, environmental, health and safety.	\$25,000 per year
	Social compliance audits services include:	
	<ul style="list-style-type: none"> -Identify the audit cycle for each LE factory -Invoice and collect payment for the audit before it is conducted -Conduct regular audits according to the GC audit schedule -Conduct supplemental audits as may be requested LE for follow up on compliance issues -Send audit results to the vendor, factory, and LE after each audit -Record the corrective action plan submitted by the vendor -Discuss audit results with vendor/factory when requested by LE 	
	Additional services would include:	
	<ul style="list-style-type: none"> -Use of the database for registration of LE vendors and factories -Registration of the vendors/factories with LE brand for Sears. -Managing a program to determining whether and when a LE factory may have basis for exemption from auditing -Coverage under the Worker Safety programs -Database reporting -Live training services provided to LE vendors/factories on LE social compliance standards -Prepare content for LE policy manuals -Perform database research on LE factories when required to respond to media inquiries 	

Service or Business Area	Services	Fees
LOGISTICS & DISTRIBUTION		
Transportation	<u>Customer Direct Transportation</u>	At SLS's cost. Annual volume rebates earned will be shared with LE as prior to Separation.
	<ul style="list-style-type: none"> • Direct-to-customer shipping services under SLS's master agreement with Parcel Delivery Carrier • Returns pickup services from LE customers under SLS's agreement with Customer Returns Carrier 	
INVENTORY MANAGEMENT		
Vendor Management	Vendor On-Boarding Support	\$1,100 per year, payable in monthly installments
	Financial Planning business support and technical support	\$1,500 per year, payable in monthly installments
IT SERVICES		
Software and Data Services	<ul style="list-style-type: none"> • LE Subscription and Support (S&S) for existing non-operating system software • LE new software purchases and 37 months of S&S 	\$631,741.04 (plus tax) per year, payable in monthly installments
	Mainframe License Charge (MLC): Currently paid through 11/30/14	\$133,501/mo. (plus tax)
	<ul style="list-style-type: none"> • These monthly charges cover LE's mainframe capacity usage 	Subject to increase or decrease based on actual mainframe capacity usage.
	Software Maintenance Services continue through 9/30/15	\$65,651.59
	<ul style="list-style-type: none"> • These charges are for software maintenance on operating system products. 	(plus tax) per year, payable in monthly installments

Appendix #3

EFFECTIVE DATE

Appendix #4

CONTACT PERSONS

For Lands' End:

Brian Leek

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Fax: (608) 935-4470

For Sears Holdings Management Corp.:

Larry Meerschaert

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Appendix #5

SHARED AGREEMENTS

SHMC's current agreements to be extended to LE for performance of the following described services:

<u>Contract</u>	<u>Current Contract End Date</u>	<u>Contract will continue to be made available to LE for use beyond the TSA Service Period?</u>
Contract for small package customer delivery	3/28/2015, plus renewals	Yes
Contract for customer returns parcel pickup and transportation	10/21/2016	No
Contract for Software licensing and maintenance (operating system and non-operating system); mainframe data processing capacity and usage	9/30/2015; 10/31/2015	Yes
Contract for software licensing and maintenance services; business software for a wide range of applications and database products	12/21/2015	No
Contract for employee travel – car rental	1/31/2015	No
Contract for customer large item delivery service	7/31/2015	No
Contract for employee Relocation Services	6/28/2015	No
Contract for employee travel—airline	11/30/2014	No
Contract for employee travel—airline	10/31/2015	No
Contract for employee travel—airline	12/31/2014	No
Contract for employee travel – Hotel RFP execution and rate audit services	9/30/2016	No
Contract for social media business website subscription and services	2/28/2015	No
Contract for specialty consumer marketing data analysis service	3/31/2015	No

Contract for employee outplacement support services	3/31/2016	No
Contract for state-specific sales tax software license	12/31/2014	No
Contract for print materials and printing services, including pre-press creative services, photography for print production, catalog production, forms and labels, freight to postal system	1/31/2017	Yes
Contract for print materials and print production, catalogs, direct mail production, freight to postal system	12/31/2015	No
Contract for network hardware and software maintenance services including on-site support	6/30/2014	No
Contract for software hosting and services of web analytics and reporting providing website traffic data at various levels	None	No
Contract for software as a service providing access to test and optimization software for use on websites for performing testing and optimization of online campaigns	None	No
Contract for marketing technology and services to manage audience, personalize consumer experiences, and create customer relationships. Includes customer data integration, multichannel marketing services, infrastructure management services and consulting. Also provides segmentation products, domestic fraud and risk mitigation products and online advertising products.	1/31/2016	No

TAX SHARING AGREEMENT

This Tax Sharing Agreement (the “**Agreement**”), dated as of [], is by and among Sears Holdings Corporation, a Delaware corporation (“**SHC**”), and Lands’ End, Inc., a Delaware corporation (“**LE**”), and all of its direct and indirect Subsidiaries (LE and its present and future Subsidiaries shall be collectively referred to herein as the “**LE Entities**”).

WHEREAS, one or more of the LE Entities is a member of the affiliated group of corporations of which SHC is the common parent corporation and which files a consolidated federal income tax return and combined and consolidated state tax returns;

WHEREAS, following the Distribution Date (as such term is defined in the Separation and Distribution Agreement between SHC and LE, dated as of [] (the “**Separation Agreement**”), such LE Entities will no longer be included in the affiliated group of corporations (within the meaning of Section 1504 of the Code) of which SHC is the common parent; and

WHEREAS, SHC and the LE Entities desire to set forth their agreement regarding the allocation of taxes, the filing of tax returns, the administration of tax contests and other related tax matters;

NOW, THEREFORE, in consideration of the mutual obligations and undertakings contained herein, the parties agree as follows:

ARTICLE I**DEFINITIONS**

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and the plural forms of the terms defined):

“**Active Trade or Business**” means the active conduct (as defined in Section 355(b)(2) of the Code and the regulations thereunder) by LE and its “separate affiliated group” (as defined in Section 355(b)(3)(B) of the Code) of the LE Business as conducted immediately prior to the Distribution.

“**Affiliate**” means, with respect to any specified person, a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the specified person.

“**Board Certificate**” has the meaning set forth in Section 8.02(d) of this Agreement.

“**Business Day**” means any day that is not a Saturday, a Sunday or any other day on which banks are required or authorized by applicable law to be closed in the New York, New York.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Consolidated Group**” means the affiliated group of corporations (within the meaning of Section 1504 of the Code) of which SHC is the common parent (and any successor group).

“**Contribution**” means the contribution of assets to LE pursuant to Section 2.1 of the Separation Agreement.

“**Distribution**” has the meaning set forth in the Separation Agreement.

“**Fifty-Percent or Greater Interest**” has the meaning ascribed to such term for purposes of Sections 355(d) and (e) of the Code.

“**Filing Date**” has the meaning set forth in Section 8.05(d) of this Agreement

“**Final Determination**” means the final resolution of liability for any Tax with respect to a taxable period (i) by Internal Revenue Service Form 870 or 870-AD (or any successor forms thereto), on the date of acceptance by or on behalf of the Internal Revenue Service (the “IRS”), or by a comparable form under the laws of other jurisdictions; except that a Form 870 or 870-AD or comparable form that reserves (whether by its terms or by operation of the law) the right of the taxpayer to file a claim for a refund and/or the right of the Taxing Authority to assert a further deficiency shall not constitute a Final Determination; (ii) by a decision, judgment, decree, or other order by a court of competent jurisdiction, which has become final and may not be appealed; (iii) by a closing agreement or accepted offer in compromise under Section 7121 or 7122 of the Code, or comparable agreements under the laws of other jurisdictions; (iv) by any allowance of a refund or credit in respect of an overpayment of Tax, but only after the expiration of all periods during which such refund may be recovered (including by way of offset) by the Taxing Authority jurisdiction; or (v) by any other final disposition, including by reason of the expiration of the applicable statute of limitations.

“**Foreign Taxes**” means any Taxes imposed by any foreign country or any possession of the United States, or by any political subdivision of any foreign country or United States possession that are imposed on, allocated or attributable to or incurred or payable by the LE Business or the LE Entities and any interest, penalties, additions to tax, or additional amounts in respect of the foregoing.

“**LE Business**” means the business and assets contributed to, or owned by, LE pursuant to the Separation Agreement.

“**LE Capital Stock**” means all classes or series of capital stock of LE, including (i) the LE Common Stock, (ii) all options, warrants and other rights to acquire such capital stock and (iii) all instruments properly treated as stock in LE for U.S. federal income tax purposes.

“**Member**” has the meaning ascribed to such term in Treasury Regulation Section 1.1502-1(b).

“**Notified Action**” has the meaning set forth in Section 8.04(a) of this Agreement.

“**Person**” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity or any department, agency or political subdivision thereof, without regard to whether any entity is treated as disregarded for U.S. federal income tax purposes.

“Post-Distribution Tax Period” means any taxable period beginning after the Distribution Date and, with respect to a taxable period that begins on or before such date and ends thereafter, the portion of such taxable period beginning after the Distribution Date.

“Pre-Distribution Tax Period” means any taxable period ending on or before the Distribution Date and, with respect to a taxable period that begins on or before such date and ends thereafter, the portion of such taxable period ending on the Distribution Date.

“Pre-Distribution Taxes” means any Taxes (other than Unpaid Non-Income Taxes and Foreign Taxes) that are imposed on, allocated or attributable to or incurred or payable by the LE Business or any LE Entity for any Pre-Distribution Tax Period, provided that Pre-Distribution Taxes shall be computed without regard to the carryback of any Tax Benefit Item of the Lands’ End Entities from a Post-Distribution Tax Period. For purposes of calculating “Pre-Distribution Taxes”, any liability for Taxes attributable to a Tax period that begins before and ends after the Distribution Date shall be apportioned between the portion of such period ending on such date and the portion of such period beginning after such date (a) in the case of real and personal property Taxes, by apportioning such Taxes on a per diem basis and (b) in the case of all other Taxes, on the basis of a closing of the books, provided, that exemptions, allowances or deductions that are calculated on an annual basis shall be apportioned on a per diem basis.

“Proposed Acquisition Transaction” means a transaction or series of transactions (or any agreement, understanding or arrangement, within the meaning of Section 355(e) of the Code and Treasury Regulation Section 1.355-7, or any other regulations promulgated thereunder, to enter into a transaction or series of transactions), whether such transaction is supported by LE management or shareholders, is a hostile acquisition, or otherwise, as a result of which LE would merge or consolidate with any other person or as a result of which any person or any group of related persons would (directly or indirectly) acquire, or have the right to acquire, from LE and/or one or more holders of outstanding shares of LE Capital Stock, a number of shares of LE Capital Stock that would, when combined with any other changes in ownership of LE Capital Stock pertinent for purposes of Section 355(e) of the Code, comprise 40% or more of (A) the value of all outstanding shares of stock of LE as of the date of such transaction, or in the case of a series of transactions, the date of the last transaction of such series, or (B) the total combined voting power of all outstanding shares of voting stock of LE as of the date of such transaction, or in the case of a series of transactions, the date of the last transaction of such series. Notwithstanding the foregoing, a Proposed Acquisition Transaction shall not include (A) the adoption by LE of a shareholder rights plan or (B) issuances by LE that satisfy Safe Harbor VIII (relating to acquisitions in connection with a person’s performance of services) or Safe Harbor IX (relating to acquisitions by a retirement plan of an employer) of Treasury Regulation Section 1.355-7(d). For purposes of determining whether a transaction constitutes an indirect acquisition, any recapitalization resulting in a shift of voting power or any redemption of shares of stock shall be treated as an indirect acquisition of shares of stock by the non-exchanging shareholders. This definition and the application thereof is intended to monitor compliance with Section 355(e) of the Code and shall be interpreted accordingly. Any clarification of, or change in, the statute or regulations promulgated under Section 355(e) of the Code shall be incorporated in this definition and its interpretation.

“Representation Letters” means the representation letters and any other materials delivered or deliverable by SHC and others in connection with the rendering by Tax Advisor of the Tax Opinion.

“Section 8.02(d) Acquisition Transaction” means any transaction or series of transactions that is not a Proposed Acquisition Transaction but would be a Proposed Acquisition Transaction if the percentage reflected in the definition of Proposed Acquisition Transaction were 25% instead of 40%.

“Separate Return Taxable Income” means, with respect to each taxable period or portion thereof and each state or locality for which the allocation is being computed, the amount of income calculated by multiplying the separate entity’s or group of entities’ (as applicable) tax base for that state or locality by the State Group’s apportionment formula for that state or locality, and taking into consideration nonapportionable items of income for that separate entity or group of entities (as applicable). If during any taxable period an LE Entity ceases to be a State Affiliated Company in any state or locality, the “Separate Return Taxable Income” for such taxable period in such state or locality shall be calculated as if the taxable period of such LE Entity ended on the date that such LE Entity ceased to be a State Affiliated Company in such state or locality.

“State Affiliated Companies” means all entities that SHC determines are included in a State Combined or Consolidated Return or that any jurisdiction determines under applicable law are included in a State Combined or Consolidated Return.

“State Combined or Consolidated Return” means a single state or local Tax Return filed for (i) one or more of SHC and its Subsidiaries (other than any LE Entity) as well as (ii) one or more LE Entities.

“State Group” means any group of corporations filing a State Combined or Consolidated Return.

“Subsidiary” means a corporation, limited liability company, partnership or other entity, whether or not such entity is treated as such for tax purposes.

“Tax” or “Taxes” means any and all forms of taxation, whenever created or imposed by a Taxing Authority, and, without limiting the generality of the foregoing, shall include net income, alternative or add-on minimum, estimated, gross income, sales, use, ad valorem, gross receipts, value added, franchise, profits, license, transfer, recording, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, windfall profit, custom duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any related interest, penalties or other additions to tax, or additional amounts imposed by any such Taxing Authority.

“Tax Advisor” means a United States tax counsel or accountant of recognized national standing.

“Taxing Authority” means a national, foreign, municipal, state, federal or other governmental authority responsible for the administration of any Tax.

“Tax Benefit Item” means any net operating loss, unused foreign Tax credit, unused charitable deduction, unused capital loss, or similar unused Tax benefit item that could reduce a Tax.

“Tax Controversy” means any pending or threatened audit, dispute, suit, action, proposed assessment or other proceeding relating to Taxes.

“Tax-Free Status” means the qualification of the Contribution and Distribution, taken together, (a) as a reorganization described in Sections 355(a), 368(a)(1)(D) and 368(a)(1)(E) of the Code, (b) as a transaction in which the stock distributed thereby is “qualified property” for purposes of Sections 355(d), 355(e) and 361(c) of the Code and (c) as a transaction in which SHC, LE and the shareholders of SHC recognize no income or gain for U.S. federal income tax purposes pursuant to Sections 355, 361 and 1032 of the Code, other than, in the case of SHC and LE, intercompany items or excess loss accounts taken into account pursuant to the Treasury Regulations promulgated pursuant to Section 1502 of the Code.

“Tax Opinion” means the opinion of Tax Advisor deliverable to SHC in connection with the Contribution and the Distribution.

“Tax-Related Losses” means (i) all federal, state and local Taxes (including interest and penalties thereon and without giving effect to any Tax Benefit Items of SHC or its Affiliates) imposed pursuant to any settlement, Final Determination, judgment or otherwise; (ii) all accounting, legal and other professional fees, and court costs incurred in connection with such Taxes; and (iii) all costs, expenses and damages associated with stockholder litigation or controversies and any amount paid by SHC (or any SHC Affiliate) or LE (or any LE Affiliate) in respect of the liability of shareholders, whether paid to shareholders or to the IRS or any other Taxing Authority, in each case, resulting from the failure of the Contribution and the Distribution to have Tax-Free Status.

“Tax Return” means any return, filing, questionnaire or other document, including requests for extensions of time, filings made with estimated Tax payments, claims for refund and amended returns, that may be filed for any taxable period with any Taxing Authority in connection with any Tax (whether or not a payment is required to be made with respect to such filing) or any information reporting requirement.

“Unpaid Non-Income Taxes” means any Taxes (other than income Taxes) that are imposed on, allocated or attributable to or incurred or payable by the LE Business or the LE Entities for any Pre-Distribution Tax Period, *provided* that Unpaid Non-Income Taxes shall include Taxes only to the extent such Taxes are accrued and unpaid as of the Distribution Date, including contingent Taxes for which a financial statement reserve has been accrued. For purposes of calculating “Unpaid Non-Income Taxes”, any liability for Taxes attributable to a Tax period that begins before and ends after the Distribution Date shall be apportioned between the portion of such period ending on such date and the portion of such period beginning after such date (a) in the case of real and personal property Taxes, by apportioning such Taxes on a per diem basis and (b) in the case of all other Taxes, on the basis of a closing of the books, provided, that exemptions, allowances or deductions that are calculated on an annual basis shall be apportioned on a per diem basis.

“Unqualified Tax Opinion” means an unqualified “will” opinion of a Tax Advisor, which opinion and which Tax Advisor are acceptable to SHC, on which SHC may rely to the effect that a transaction will not affect the Tax-Free Status. Any such opinion must assume that the Contribution and Distribution would have qualified for Tax-Free Status if the transaction in question did not occur.

ARTICLE II

PREPARATION AND FILING OF TAX RETURNS

Section 2.01. SHC Consolidated Group Tax Returns.

SHC shall timely prepare and file (or cause to be timely prepared and filed) all federal income Tax Returns for the Consolidated Group. The LE Entities shall provide to SHC all financial data and any other information and documentation reasonably requested by SHC in connection with the filing of any such federal income Tax Returns.

Section 2.02. State Combined or Consolidated Returns.

(a) SHC or one or more of its Subsidiaries shall prepare all State Combined or Consolidated Returns. To the extent permitted by law, SHC (or one of its Subsidiaries) shall timely file each such State Combined or Consolidated Return. If SHC (or one of its Subsidiaries) is not permitted to file any such State Combined or Consolidated Return, an LE Entity shall file such State Combined or Consolidated Return. The person responsible pursuant to the forgoing for filing any such State Combined or Consolidated Return shall timely pay (or cause to be timely paid) any Tax that is due in connection with any such State Combined or Consolidated Return. The LE Entities shall provide to SHC all financial data and any other information and documentation reasonably requested by SHC in connection with the preparation of any such State Combined or Consolidated Return.

(b) SHC shall (i) consult with the LE Entities regarding the preparation of a State Combined or Consolidated Return if the LE Entities are responsible for any portion of the Taxes reported thereon and (ii) deliver any such State Combined or Consolidated Return to the LE Entities for review and comment no later than five days prior to the date on which such State Combined or Consolidated Return is due. SHC shall make any changes to such State Combined or Consolidated Tax Return that are requested by the LE Entities to the extent that (x) such changes relate to items for which the LE Entities have responsibility hereunder, and (y) SHC approves of such changes, such approval not to be unreasonably withheld.

Section 2.03. Other Tax Returns of the LE Entities.

(a) Except as provided in Section 2.03(b), the LE Entities shall timely prepare and file, or cause to be timely prepared and filed, all appropriate Tax Returns relating to all Taxes attributable to the LE Business other than those described in Sections 2.01 and 2.02 herein. SHC shall provide to the LE Entities all financial data and any other information and documentation reasonably requested by the LE Entities in connection with the preparation of any such Tax Returns.

(b) To the extent any Tax Return described in Section 2.03(a) involves Pre-Distribution Taxes, SHC or one or more of its Subsidiaries shall prepare such Tax Return. The LE Entities shall provide to SHC all financial data and any other information and documentation reasonably requested by SHC in connection with the preparation of any such Tax Return. An LE

Entity shall file such Tax Return and shall timely pay (or cause to be timely paid) any Tax that is due in connection with any such Tax Return. SHC shall (i) consult with the LE Entities regarding the preparation of such Tax Return and (ii) deliver such Tax Return to the LE Entities for review and comment no later than five days prior to the date on which such Tax Return is due. SHC shall make any changes to such Tax Return requested by the LE Entities to the extent that (x) such changes relate to items for which the LE Entities have responsibility hereunder, and (y) SHC approves of such changes, such approval not to be unreasonably withheld. Within 15 days of filing any such Tax Return, SHC shall pay LE the amount of Pre-Distribution Taxes shown on such Tax Return.

ARTICLE III

ALLOCATION AND PAYMENT OF CONSOLIDATED FEDERAL TAXES

Section 3.01. Payment of Consolidated Federal Income Tax. SHC shall be responsible for all payments of federal income Tax due with respect to the Consolidated Group.

Section 3.02. Carrybacks. In the event any federal Tax Benefit Item of the LE Entities for any taxable period after they cease being Members of the Consolidated Group is eligible to be carried back to a taxable period while the LE Entities were Members of the Consolidated Group, the LE Entities shall, where possible, elect to carry such amounts forward to subsequent taxable periods. If the LE Entities are required by law to carry back any such federal Tax Benefit Item, the LE Entities shall be entitled to a payment at the time and to the extent that such Tax Benefit Item reduces the federal income Tax liability of the Consolidated Group. For purposes of computing the amount of the payment described in this Section 3.02, one or more federal Tax Benefit Items shall be considered to have reduced the Consolidated Group's federal income Tax liability in a given taxable period by an amount equal to the difference, if any, between (i) the amount of the Consolidated Group's federal income Tax liability for the taxable period computed without regard to such federal Tax Benefit Item or Items and (ii) the amount of the Consolidated Group's federal income Tax liability for the taxable period computed with regard to such federal Tax Benefit Item or Items. For the avoidance of doubt, if the LE Entities are required to carry back a federal Tax Benefit Item, such federal Tax Benefit Item shall reduce the Consolidated Group's federal income Tax liability only after all federal Tax Benefit Items of SHC have been applied to reduce the Consolidated Group's federal income Tax liability in such taxable period. Appropriate reconciliation payments shall be made in the event that it is subsequently determined that a Tax Benefit Item did not reduce the Consolidated Group's federal income Tax liabilities, including by reason of any such Tax Benefit Item being subsequently disallowed in whole or in part or by reason of other Tax benefits becoming available.

ARTICLE IV

ALLOCATION AND PAYMENT OF COMBINED/CONSOLIDATED STATE AND LOCAL TAXES

Section 4.01. Payment of Combined/Consolidated State and Local Tax. With respect to Post-Distribution Tax Periods, the LE Entities shall pay to SHC, or SHC shall pay to the LE Entities (in the case of a State Combined or Consolidated Return filed by an LE Entity, or in the case of payments with respect to Tax Benefit Items pursuant to Section 4.02(d)), at the times provided by Section 4.03, the amounts determined under Section 4.02.

Section 4.02. Allocation of Combined/Consolidated State and Local Tax. The state and local Tax liability of the LE Entities and all the other State Affiliated Companies for each State Combined or Consolidated Return shall be calculated in the following manner:

(a) An allocation of Tax (or payment attributable to a state or local Tax Benefit Item) pursuant to this Article IV shall be made to the LE Entities only if an LE Entity has a nexus presence in a state or locality for which the allocation of Tax or payment attributable to a state or local Tax Benefit Item is being determined. If SHC has no nexus presence in a state or locality, then all Tax or payments attributable to a state or local Tax Benefit Item shall be allocated to the LE Entities.

(b) Each allocation of Tax pursuant to this Article IV shall be computed between the LE Entities as one group and all other State Affiliated Companies as a separate group.

(c) Except as otherwise provided herein, with respect to any State Combined or Consolidated Tax Return that is an income Tax Return, the Tax allocated to the LE Entities shall equal the product of (i) the statutory rate imposed by the relevant state or locality for the Tax covered by such Tax Return and (ii) the amount (if any) of positive Separate Return Taxable Income for the LE Entities with respect to such Tax Return. For purposes of this Section 4.02(c), the LE Entities' allocated Tax shall not be reduced by the LE Entities' carrybacks and carryovers of state or local Tax Benefit Items from other taxable periods (such items being addressed by Section 4.02(d)).

(d) SHC shall pay to the LE Entities, in accordance with Section 4.03, the amount, if any, by which one or more state or local Tax Benefit Items of the LE Entities arising in a Post-Distribution Tax Period reduced a State Combined or Consolidated Return Tax liability with respect to any taxable period for which a State Combined or Consolidated Return is filed by SHC after the date of this Agreement but only to the extent that SHC receives the benefit of such reduction (taking into account the provisions of this Agreement). In computing the amount of the payment under this Section 4.02(d), one or more state or local Tax Benefit Items of the LE Entities shall be considered to have reduced the State Combined or Consolidated Return Tax liability in a given taxable period by an amount equal to the difference, if any, between (i) the amount of the State Combined or Consolidated Return Tax liability with respect to the taxable period computed without regard to such state or local Tax Benefit Item or Items and (ii) the amount of the State Combined or Consolidated Return Tax liability with respect to the taxable period computed with regard to such state or local Tax Benefit Item or Items. Appropriate reconciliation payments shall be made in the event that it is subsequently determined that a Tax Benefit Item of the Lands' End Entities did not reduce the State Combined or Consolidated Return Tax liability in a given taxable period, including by reason of any such Tax Benefit Item being subsequently disallowed in whole or in part or by reason of other Tax benefits becoming available. In no event shall the amount paid by SHC under this Section 4.02(d) with respect to any state or local Tax Benefit Item of the Lands' End Entities exceed the amount that the LE Entities would have received if they had independently filed a state or local Tax Return including all of the LE Entities. LE shall pay to SHC, in accordance with Section 4.03 herein, the amount, if any, by which one or more state or local Tax Benefit Items of SHC or any of its Subsidiaries reduced a State Combined or

Consolidated Return Tax liability with respect to any taxable period for which a State Combined or Consolidated Return is filed after the date of this Agreement but only to the extent that an LE Entity receives the benefit of such reduction (taking into account the provisions of this Agreement).

(e) With respect to any State Combined or Consolidated Return that is not an income Tax Return, the applicable state or local Tax liability shall be allocated among the LE Entities and all the other State Affiliated Companies pro rata based on the Tax that would have been paid by the LE Entities as one group, on the one hand, and all other State Affiliated Companies as a separate group, on the other hand.

Section 4.03. Payment.

(a) The computation of the state or local Tax allocations, as well as any required payment to and from SHC, shall be made within 15 days after SHC or any of its Affiliates (other than the LE Entities), or any LE Entity, makes a payment to, or receives a payment credit or offset from, any Taxing Authority pursuant to this Article IV.

(b) The same method used for the calculation of estimated Tax for any State Combined or Consolidated Return shall be used to determine the amount of estimated Tax allocated to the LE Entities. With regard to any estimated Tax that is calculated based upon income of a prior taxable period, the payments under this Agreement shall also be calculated based upon such income and appropriate adjustments made when the final Tax Return is filed with respect to such estimated Tax. For estimated Tax calculated in any other manner, the payments under this Agreement shall be determined based upon the principles of Section 4.02.

Section 4.04. Carrybacks. In the event any state Tax Benefit Item of the LE Entities with respect to any taxable period after they cease being State Affiliated Companies is eligible to be carried back to a taxable period while the LE Entities were State Affiliated Companies, the LE Entities shall, where possible, elect to carry such amounts forward to subsequent taxable periods. If the LE Entities are required by law to carry back any such state Tax Benefit Item, the LE Entities shall be entitled to a payment to the extent that such a payment would be required under the terms of Section 4.02(d).

ARTICLE V

PAYMENT OF OTHER TAXES

Section 5.01 Other Taxes. All Taxes of (or with respect to) an LE Entity or the LE Business shall be paid by the LE Entities, other than (i) Taxes of the Consolidated Group, (ii) Taxes reportable on a Tax Return described in Section 2.02(a) (which the LE Entities shall pay to the extent required by Article IV), and (iii) Pre-Distribution Taxes.

Section 5.02 Unpaid Non-Income Taxes. Notwithstanding any other provision of this Agreement, LE shall be responsible for and pay all Unpaid Non-Income Taxes.

Section 5.03 Foreign Taxes. Notwithstanding any other provision of this Agreement, LE shall be responsible for and pay all Foreign Taxes.

ARTICLE VI

TAX DEFICIENCIES AND REFUNDS

Section 6.01. Pre-Distribution Taxes. SHC shall be responsible for (and shall indemnify the LE Entities from and against) all Pre-Distribution Taxes, including any Pre-Distribution Taxes resulting from any audit, amendment, other change or adjustment. Any refund of Pre-Distribution Taxes (whether by payment, credit, offset against other Taxes due or otherwise) shall be for the benefit of (and paid to) SHC.

Section 6.02. Post-Distribution State Group Taxes. If as a result of any audit, amendment, other change or adjustment to the state or local Taxes of any State Group there is an additional amount of such state or local Taxes (other than Pre-Distribution Taxes) due and payable or a refund of such state or local Taxes (other than Pre-Distribution Taxes) previously paid (whether by payment, credit, offset against other Taxes due or otherwise), the obligations of the parties shall be redetermined under Section 4.02 as if the adjustments made as a result of such audit were included as part of the original Tax Return filed and any payments made under this Agreement shall be adjusted or reimbursed in accordance with the foregoing.

Section 6.03. Certain Property Tax Claims. Notwithstanding any other provision in this Agreement, LE shall be entitled to receive and retain any recoveries resulting from claims against the City of Dodgeville to recover overpaid property taxes resulting from the city's excessive assessment of LE's Dodgeville properties.

ARTICLE VII

COOPERATION AND TAX CONTROVERSY

Section 7.01. Cooperation.

(a) SHC and the LE Entities shall cooperate fully at such time and to the extent reasonably requested by the other party in connection with the preparation and filing of any Tax Return or the conduct of any Tax Controversy concerning any issues or any other matter contemplated hereunder. Such cooperation shall include, without limitation, (i) the retention and provision on demand of books, records, documentation or other information relating to any Tax Return until the later of (x) the expiration of the applicable federal or state statute of limitation (giving effect to any extension, waiver, or mitigation thereof) and (y) in the event any claim has been made under this Agreement for which such information is relevant, until a Final Determination with respect to such claim; (ii) the filing or execution of any document that may be necessary or reasonably helpful in connection with the filing of any Tax Return, or claim for a refund of Taxes previously paid, by either party, or in connection with any Tax Controversy addressed in the preceding sentence (including a requisite power of attorney); and (iii) the use of the parties' best efforts to obtain any documentation from a governmental authority or a third party that may be necessary or helpful in connection with the foregoing. Each party shall make its employees and facilities reasonably available on a mutually convenient basis to facilitate such cooperation.

(b) SHC and the LE Entities shall use reasonable efforts to keep each other informed as to the status of Tax Controversies involving any issue which could give rise to any liability of the other party under this Agreement. SHC and the LE Entities shall each promptly notify the other of any inquiries by any Taxing Authority or any other administrative, judicial or other governmental authority that relate to any Tax that may be imposed on the other or any Affiliate of the other that might give rise to any liability under this Agreement. SHC shall have sole control of any Tax Controversy relating to the Consolidated Group or to any Pre-Distribution Taxes. SHC shall have sole control of any Tax Controversy relating to any State Combined and Consolidated Return, provided, that in the case of any such Tax Controversy that may affect Taxes for which the LE Entities have responsibility hereunder, the LE Entities may participate in such Tax Controversies at their own expense. If the potential liability of the LE Entities under this Agreement relating to any Tax Controversy exceeds \$100,000, SHC shall not settle or concede such Tax Controversy without the prior written consent of the LE Entities, not to be unreasonably withheld, conditioned or delayed.

ARTICLE VIII

TAX-FREE STATUS

Section 8.01. Tax Opinions and Representation Letters.

(a) Each of LE and SHC hereby represents and agrees that (A) it will read the Representation Letters prior to the Distribution Date and (B) subject to any qualifications therein, all information contained in such Representation Letters that concerns or relates to such company or any of its Subsidiaries will be true, correct and complete.

(b) LE and SHC shall use their commercially reasonable efforts and shall cooperate in good faith to finalize the Representation Letters as soon as possible hereafter and to cause the same to be submitted to the Tax Advisor as SHC shall deem necessary or desirable and shall take such other commercially reasonable actions as may be necessary or desirable to obtain the Tax Opinion in order to confirm the Tax-Free Status.

Section 8.02. Restrictions on LE.

(a) LE agrees that it will not take or fail to take, or permit any LE Entity to take or fail to take, any action where such action or failure to act would be inconsistent with or cause to be untrue any material, information, covenant or representation in any Representation Letters or Tax Opinion. LE agrees that it will not take or fail to take, or permit any LE Entity to take or fail to take, any action which prevents or could reasonably be expected to prevent (A) the Tax-Free Status, or (B) any transaction contemplated by the Separation Agreement which is intended by the parties to be tax-free from so qualifying, including, in the case of LE, issuing any LE Capital Stock that would prevent the Distribution from qualifying as a tax-free distribution within the meaning of Section 355 of the Code.

(b) LE agrees that, from the date hereof until the first day after the two-year anniversary of the Distribution Date, it will (i) maintain its status as a company engaged in the Active Trade or Business for purposes of Section 355(b)(2) of the Code and (ii) not engage in any transaction that would result in it ceasing to be a company engaged in the Active Trade or Business for purposes of Section 355(b)(2) of the Code, in each case, taking into account Section 355(b)(3) of the Code.

(c) LE agrees that, from the date hereof until the first day after the two-year anniversary of the Distribution Date, it will not (i) enter into any Proposed Acquisition Transaction or, to the extent LE has the right to prohibit any Proposed Acquisition Transaction, permit any Proposed Acquisition Transaction to occur, (ii) merge or consolidate with any other Person or liquidate or partially liquidate, (iii) in a single transaction or series of transactions sell or transfer (other than sales or transfers of inventory in the ordinary course of business) 60% or more of the gross assets of the Active Trade or Business or 60% or more of the consolidated gross assets of LE and its Affiliates (such percentages to be measured based on fair market value as of the Distribution Date), (iv) redeem or otherwise repurchase (directly or through an LE Affiliate) any LE stock, or rights to acquire stock, except to the extent such repurchases satisfy Section 4.05(1)(b) of Revenue Procedure 96-30 (as in effect prior to the amendment of such Revenue Procedure by Revenue Procedure 2003-48), (v) amend its certificate of incorporation (or other organizational documents), or take any other action, whether through a stockholder vote or otherwise, affecting the voting rights of LE Capital Stock (including, without limitation, through the conversion of one class of LE Capital Stock into another class of LE Capital Stock) or (vi) take any other action or actions (including any action or transaction that would be reasonably likely to be inconsistent with any representation made in the Representation Letters or the Tax Opinion) which in the aggregate (and taking into account any other transactions described in this subparagraph (d)) would be reasonably likely to have the effect of causing or permitting one or more Persons (whether or not acting in concert) to acquire directly or indirectly stock representing a Fifty-Percent or Greater Interest in LE or otherwise jeopardize the Tax-Free Status, unless prior to taking any such action set forth in the foregoing clauses (i) through (vi), (A) LE shall provide SHC with an Unqualified Tax Opinion in form and substance satisfactory to SHC in its sole and absolute discretion, which discretion shall be exercised in good faith solely to preserve the Tax-Free Status (and in determining whether an opinion is satisfactory, SHC may consider, among other factors, the appropriateness of any underlying assumptions and management's representations if used as a basis for the opinion and SHC may determine that no opinion would be acceptable to SHC) or (B) SHC shall have waived the requirement to obtain such Unqualified Tax Opinion.

(d) Certain Issuances of LE Capital Stock. If LE proposes to enter into any Section 8.02(d) Acquisition Transaction or, to the extent LE has the right to prohibit any Section 8.02(d) Acquisition Transaction, proposes to permit any Section 8.02(d) Acquisition Transaction to occur, in each case, during the period from the date hereof until the first day after the two-year anniversary of the Distribution Date, LE shall provide SHC, no later than ten days following the signing of any written agreement with respect to the Section 8.02(d) Acquisition Transaction, with a written description of such transaction (including the type and amount of LE Capital Stock to be issued in such transaction) and a certificate of the Board of Directors of LE to the effect that the Section 8.02(d) Acquisition Transaction is not a Proposed Acquisition Transaction or any other transaction to which the requirements of Section 8.02(c) apply (a "**Board Certificate**").

Section 8.03. Restrictions on SHC. SHC agrees that it will not take or fail to take, or permit any Member of the Consolidated Group to take or fail to take, any action where such action or failure to act would be inconsistent with or cause to be untrue any material, information, covenant or representation in any Representation Letters or Tax Opinion. SHC agrees that it will not take or fail to take, or permit any Member of the Consolidated Group to take or fail to take, any action which prevents or could reasonably be expected to prevent (A) the Tax-Free Status, or (B) any other transaction contemplated by the Separation Agreement which is intended by the parties to be tax-free from so qualifying; *provided, however*, that this Section 8.03 shall not be construed as obligating SHC to consummate the Distribution without the satisfaction or waiver of all conditions set forth in Section 3.3 of the Separation Agreement nor shall it be construed as preventing SHC from terminating the Separation Agreement pursuant to Section 13.2 thereof.

Section 8.04. Procedures Regarding Opinions.

(a) If LE notifies SHC that it desires to take one of the actions described in clauses (i) through (vi) of Section 8.02(c) (a “**Notified Action**”), SHC and LE shall reasonably cooperate to attempt to obtain the Unqualified Tax Opinion referred to in Section 8.02(c), unless SHC shall have waived the requirement to obtain such Unqualified Tax Opinion.

(b) Unqualified Tax Opinion at LE’s Request. SHC agrees that at the reasonable request of LE, SHC shall cooperate with LE’s efforts to obtain, as expeditiously as possible, an Unqualified Tax Opinion for the purpose of permitting LE to take the Notified Action. SHC and LE shall each bear its own costs and expenses in obtaining an Unqualified Tax Opinion requested by LE.

(c) Unqualified Tax Opinion at SHC’s Request. SHC shall have the right to obtain an Unqualified Tax Opinion at any time in its sole and absolute discretion. If SHC determines to obtain an Unqualified Tax Opinion, LE shall (and shall cause each Affiliate of LE to) cooperate with SHC and take any and all actions reasonably requested by SHC in connection with obtaining the Unqualified Tax Opinion (including, without limitation, by making any representation or covenant or providing any materials or information requested by Tax Advisor; *provided* that LE shall not be required to make (or cause any Affiliate of LE to make) any representation or covenant that is inconsistent with historical facts or as to future matters or events over which it has no control. SHC and LE shall each bear its own costs and expenses in obtaining an Unqualified Tax Opinion requested by SHC.

Section 8.05. Liability for Tax-Related Losses.

(a) Notwithstanding anything in this Agreement or the Separation Agreement to the contrary, subject to Section 8.05(c), LE shall be responsible for, and shall indemnify and hold harmless SHC and its Affiliates and each of their respective officers, directors and employees from and against, one hundred percent (100%) of any Tax-Related Losses that are attributable to or result from any one or more of the following: (A) the acquisition (other than pursuant to the Contribution, as defined in the Separation Agreement, or the Distribution) of all or a portion of LE’s stock and/or its or its subsidiaries’ assets by any means whatsoever by any Person, (B) any negotiations, understandings, agreements or arrangements by LE with respect to transactions or events (including, without limitation, stock issuances, pursuant to the exercise of stock options or otherwise, option grants, capital contributions or acquisitions, or a series of such transactions or events) that cause the Distribution to be treated as part of a plan pursuant to which one or more Persons acquire directly or indirectly stock of LE representing a Fifty-Percent or Greater Interest therein, (C) any action or failure to act by LE after the Distribution (including, without limitation, any amendment to LE’s certificate of incorporation (or other organizational documents), whether through a stockholder vote or otherwise) affecting the voting rights of LE stock (including, without limitation, through the conversion of one class of LE Capital Stock into another class of LE Capital Stock), (D) any act or failure to act by LE or any LE Affiliate described in Section 8.02 (regardless whether such act or failure to act is covered by a Ruling, Unqualified Tax Opinion or waiver described in clause (A), (B) or (C) of Section 8.02(c), or a Board Certificate described in Section 8.02(d) or (E) any breach by LE of its agreement and representation set forth in Section 8.01(a).

(b) Notwithstanding anything in this Agreement or the Separation Agreement to the contrary, subject to Section 8.05(c), SHC shall be responsible for, and shall indemnify and hold harmless LE and its Affiliates and each of their respective officers, directors and employees from and against, one hundred percent (100%) of any Tax-Related Losses that are attributable to, or result from any one or more of the following: (A) the acquisition (other than pursuant to the Contribution, as defined in the Separation Agreement, or the Distribution) of all or a portion of SHC's stock and/or its assets by any means whatsoever by any Person, (B) any negotiations, agreements or arrangements by SHC with respect to transactions or events (including, without limitation, stock issuances, pursuant to the exercise of stock options or otherwise, option grants, capital contributions or acquisitions, or a series of such transactions or events) that cause the Distribution to be treated as part of a plan pursuant to which one or more Persons acquire directly or indirectly stock of SHC representing a Fifty-Percent or Greater Interest therein, (C) any act or failure to act by SHC or a member of the Consolidated Group described in Section 8.03 or (D) any breach by SHC of its agreement and representation set forth in Section 8.01(a).

(c)

(i) To the extent that any Tax-Related Loss is subject to indemnity under both Sections 8.05(a) and (b), responsibility for such Tax-Related Loss shall be shared by SHC and LE according to relative fault.

(ii) Notwithstanding anything in Section 8.05(b) or (c)(i) or any other provision of this Agreement or the Separation Agreement to the contrary:

(A) with respect to (I) any Tax-Related Loss resulting from Section 355(e) of the Code (other than as a result of an acquisition of a Fifty-Percent or Greater Interest in SHC) and (II) any other Tax-Related Loss resulting (for the absence of doubt, in whole or in part) from an acquisition after the Distribution of any stock or assets of LE (or any LE Affiliate) by any means whatsoever by any Person or any action or failure to act by LE affecting the voting rights of LE stock, LE shall be responsible for, and shall indemnify and hold harmless SHC and its Affiliates and each of their respective officers, directors and employees from and against, one hundred percent (100%) of such Tax-Related Loss; and

(B) for purposes of calculating the amount and timing of any Tax-Related Loss for which LE is responsible under this Section 8.05, Tax-Related Losses shall be calculated by assuming that SHC, the Consolidated Group and each Member of the Consolidated Group (I) pay Tax at the highest marginal corporate Tax rates in effect in each relevant taxable year and (II) have no Tax Benefit Items in any relevant taxable year.

(iii) Notwithstanding anything in Section 8.05(a) or (c)(i) or any other provision of this Agreement or the Separation Agreement to the contrary:

(A) with respect to (I) any Tax-Related Loss resulting from Section 355(e) of the Code (other than as a result of an acquisition of a Fifty-Percent or Greater Interest in LE) and (II) any other Tax-Related Loss resulting (for the absence of doubt, in whole or in part) from an acquisition after the Distribution of any stock or assets of SHC (or any SHC Affiliate) by any means whatsoever by any Person, SHC shall be responsible for, and shall indemnify and hold harmless LE and its Affiliates and each of their respective officers, directors and employees from and against, one hundred percent (100%) of such Tax-Related Loss and,

(B) for purposes of calculating the amount and timing of any Tax-Related Loss for which SHC is responsible under this Section 8.05, Tax-Related Losses shall be calculated by assuming that LE and its Subsidiaries (I) pay Tax at the highest marginal corporate Tax rates in effect in each relevant taxable year and (II) have no Tax Benefit Items in any relevant taxable year.

(d) LE shall pay SHC the amount of any Tax-Related Losses for which LE is responsible under this Section 8.05: (A) in the case of Tax-Related Losses described in clause (i) of the definition of Tax-Related Losses no later than five days prior to the date SHC files, or causes to be filed, the applicable Tax Return for the year of the Contribution or Distribution, as applicable (the "**Filing Date**") (provided that if such Tax-Related Losses arise pursuant to a Final Determination described in clause (i), (ii) or (iii) of the definition of "Final Determination", then LE shall pay SHC no later than five days after the date of such Final Determination with interest calculated at the London Interbank Offered Rate plus two and one-half percent, compounded semiannually, from the date that is five days prior to the Filing Date through the date of such Final Determination) and (B) in the case of Tax-Related Losses described in clause (ii) or (iii) of the definition of Tax-Related Losses, no later than five days after the date SHC pays such Tax-Related Losses. SHC shall pay LE the amount of any Tax-Related Losses (described in clause (ii) or (iii) of the definition of Tax-Related Loss) for which SHC is responsible under this Section 8.05 no later than five days after the date LE pays such Tax-Related Losses.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Effective Date. This Agreement applies to all matters related to any Tax Returns filed, Taxes paid, adjustments made in respect of any Tax, and any other matters involving Taxes on or after the Distribution Date between or among (i) SHC or any of its Subsidiaries (other than the LE Entities) and (ii) the LE Entities. Notwithstanding any other provisions of this Agreement, the representations and covenants of Section 8.1 shall be effective as of the date of this Agreement.

Section 9.02. Complete Agreement. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof. Any other agreements (including tax sharing agreements), whether or not written, in respect of any Tax between or among SHC and the LE Entities shall be terminated and have no further effect as of the Distribution Date. This Agreement may not be amended except by an agreement in writing signed by the parties hereto.

Section 9.03. Notices. All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement must be in writing and will be deemed to have been duly given (i) when delivered by hand, (ii) three (3) Business Days after it is mailed, certified or registered mail, return receipt requested, with postage prepaid, (iii) on the same Business Day when sent by facsimile or electronic mail (return receipt requested) if the transmission is completed before 5:00 p.m. recipient's time, or one (1) Business Day after the facsimile or email is sent, if the transmission is completed on or after 5:00 p.m. recipient's time or (iv) one (1) Business Day after it is sent by Express Mail, Federal Express or other courier service, as follows (or at such other address for a party as shall be specified in a notice given in accordance with this Section 9.03):

If to LE: Lands' End, Inc.
1 Lands' End Lane
Dodgeville, Wisconsin, WI 53595
Attn.: General Counsel
Facsimile: (608) 935-6550

If to SHC: Sears Holdings Corporation
3333 Beverly Road B2-131B
Hoffman Estates, IL 60179
Attn.: Vice President, Tax
Facsimile: (847) 286-4908

With a copy to: Sears Holdings Corporation
3333 Beverly Road B6-210B
Hoffman Estates, IL 60179
Attn: General Counsel
Facsimile: (847) 286-2471

Section 9.04. Governing Law; Jurisdiction; Waiver of Jury Trial.

(a) Governing Law; Jurisdiction. This Agreement (and all claims, controversies or causes of action, whether in contract, tort or otherwise, that may be based upon, arise out of or relate to this Agreement or the negotiation, execution, termination, performance or nonperformance of this Agreement (including any claim, controversy or cause of action based upon, arising out of or relating to any representation or warranty made in or in connection with this Agreement or as an inducement to enter into this Agreement)) shall be governed by, and construed and enforced in accordance with, the laws of the State of Illinois, without regard to any choice or conflict of law provision or rule (whether of the State of Illinois or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Illinois. Each of the parties hereto irrevocably agrees that all proceedings arising out of or relating to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by the other party hereto or its successors or assigns shall be brought, heard and determined exclusively in any federal or state court sitting in Cook County, Illinois. Consistent with the preceding sentence, each of the parties hereto hereby (a) submits to the exclusive jurisdiction of any federal or state court sitting in Cook County, Illinois for the purpose of any proceeding arising out of or relating to this Agreement or the rights and obligations arising hereunder brought by any party hereto and (b) irrevocably waives, and agrees not to assert by way of motion, defense, counterclaim, or otherwise, in any such proceeding, any claim that it or its property is not subject personally to the jurisdiction of the above-named courts, that the proceeding is brought in an inconvenient forum, that the venue of the proceeding is improper, or that this Agreement, the Distribution or any of the other transactions contemplated by this Agreement may not be enforced in or by any of the above-named courts. Each party agrees that service of process upon such party in any such action or proceeding shall be effective if notice is given in accordance with Section 9.03.

(b) Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH OF THE PARTIES HERETO HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS Section 9.04(b).

Section 9.05. Successors and Assigns. A party's rights and obligations under this Agreement may not be assigned without the prior written consent of the other party. All of the provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. If any party to this Agreement forms or acquires one or more Subsidiaries which become Members of the Consolidated Group or a State Affiliated Company, such party will cause any such Subsidiary to be bound by the terms of this Agreement, and this Agreement shall apply to any such Subsidiary in the same manner and to the same extent as the current party.

Section 9.06. Intended Third Party Beneficiaries. This Agreement is solely for the benefit of the parties to this Agreement and should not be deemed to confer upon third parties any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without this Agreement.

Section 9.07. Legal Enforceability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions. Any prohibition or unenforceability of any provision of this Agreement in any jurisdiction shall not invalidate or render unenforceable the provision in any other jurisdiction.

Section 9.08. Expenses. Unless otherwise expressly provided in this Agreement, each party shall bear any and all expenses that arise from its respective obligations under this Agreement.

Section 9.09. Counterparts. This Agreement may be executed and delivered (including by facsimile transmission) in counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

Section 9.10. Change in Law. If, after the date this Agreement is executed, as a result of an amendment to the Code, the promulgation of proposed, temporary or final regulations, the issuance of a ruling by a Taxing Authority, the decision of any court, or a change in any applicable state or local law, SHC believes that it is necessary or helpful to amend the provisions of this Agreement in order to preserve the rights and benefits contemplated herein, each of the parties

hereto agrees to negotiate in good faith all such amendments and modifications as shall be necessary or appropriate in order to preserve as nearly as possible for the parties hereto the rights and benefits contemplated herein.

[Remainder of page intentionally left blank; signature page to follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first written above.

SEARS HOLDINGS CORPORATION

By: _____
Name: Lawrence J. Meerschaert
Title: Vice-President, Tax

LANDS' END, INC

By: _____
Name:
Title:

RETAIL OPERATIONS AGREEMENT

This **RETAIL OPERATIONS AGREEMENT** (the “**Agreement**”) is entered into by Lands’ End, Inc., a Delaware corporation (“**LE**”) and Sears, Roebuck and Co., a New York corporation, (“**SRC**”). Certain terms are defined where they are first used below; while others are defined in Appendix #1 (Glossary). SRC and LE each are sometimes referred to herein as a “**Party**” and together sometimes are referred to as the “**Parties**.”

Terms and Conditions

For good and valuable consideration, the receipt of which SRC and LE acknowledge, SRC and LE agree as follows:

1. PROVISION OF SERVICES.

1.1 Retail Operations.

(a) **Services.** Solely in connection with the Leases (as that term is defined below), SRC agrees to provide LE certain retail operations services as further described in this Agreement and the attached Appendix #2 (the “**Services**”). Except as expressly stated on Appendix #2 (Services), in the event of any conflict or inconsistency between this Agreement and Appendix #2, this Agreement will control.

(b) **LE Shops.** The Services under this Agreement are provided solely for: (i) the LE Merchandise identified in Appendix #1 and (ii) the “Lands’ End Shops at Sears” identified in the Leases as of the Effective Date; provided that as locations are removed from the Leases they shall be removed from this Agreement as well subject to the Wind-down Activities set forth in Section 13.6 (collectively, the “**LE Shops**”). The sale of Merchandise by LE in LE Shops and the provision of Services with respect thereto by SRC shall be referred to herein as the “**LE Shop Program**.” All Merchandise will be procured and provided by LE and shall bear “LE Marks” (as defined below) and no Merchandise shall bear “Sears Marks” (as defined below). LE shall be the sole owner of, and be solely responsible for, all Merchandise sold under this Agreement.

(c) **Prior Services.** The intent of the parties is that the Services described herein are those that SRC was providing to LE prior to the Effective Date in connection with the sale of the Merchandise in Sears Locations; provided, however, that the parties have endeavored to modify such Services as necessary to reflect the spin-off of LE and to reflect that Merchandise is owned by LE. If a Party identifies a service that was previously provided by SRC that is not described in this Agreement, it will notify the other Party’s Contact Person (as provided for in Section 8.14 below), and the Parties will work together in Good Faith to determine whether they wish to have such service added to this Agreement; any such addition will require a written amendment to this Agreement signed by both parties to be effective. The Parties will include in such an amendment, if they agree to execute one, a description of the service, the Fees, and allocation of expenses for such Service.

(d) **Amendments.** Unless otherwise agreed in writing by the Parties, the Services to be provided by SRC under this Agreement are limited to those expressly stated herein, including those described in Section 1(c) above. This Agreement, and the Services, Fees and Expenses hereunder, may only be modified by a written amendment

which must be signed by both parties to be effective (each an “**Amendment**”). LE acknowledges that modifications to this Agreement will require certain internal approvals by SRC and therefore absent an Amendment; LE will not rely (and any such reliance would be unreasonable) upon any proposed amendment or course of dealing by the parties.

(e) **Changes in the Services.** If LE desires to make changes in this Agreement to provide for different or additional Services (each a “**Service Change**”) to be provided by SRC, the parties shall comply with the following Service Change process:

(i) LE shall prepare a written proposal for the Service Change including a description of the services, deliverables, schedule, in such detail as would be needed by an unaffiliated third party contractor to develop a competent price proposal for similar services.

(ii) If SRC is willing to consider the Service Change, SRC shall send to LE a response; including any changes to the services, deliverables, schedule and fees under this Agreement.

(iii) All Service Change proposals/responses must be delivered by a Party’s Contact Person to the other Party’s Contact Person. If the Parties desire, each in their sole discretion, to move forward with a Service Change the parties will negotiate, a proposed amendment to this Agreement documenting the Service Change, after which the parties will need seek all necessary internal approvals prior to signing the proposed amendment. In the absence of a signed Amendment, the Parties must fulfill their obligations under this Agreement without regard to such proposed amendment.

(f) **No Legal Service/Advice.** Notwithstanding anything herein to the contrary, SRC shall not provide any legal services or legal advice to LE, LE is not entitled to rely on SRC for legal advice and counsel, nor shall SRC’s advice be construed as legal advice.

1.2 **Leases.** The Parties have entered into a Master Lease, which is attached as Appendix #3 and a Master Sub-Lease, which is attached hereto as Appendix #4, (each a “**Lease**” and collectively, the “**Leases**”). As it pertains to each Lease and each LE Shop under a Lease, this Agreement is subject and subordinate to all of the terms, agreements and conditions contained in the applicable Lease. If any conflict should arise between the terms of this Agreement and the applicable Lease, first, the Lease and then, secondarily, this Agreement shall control.

1.3 **LE Shop Program Start Date.** The LE Shop Program will commence on the Effective Date.

1.4 **No Representations.** Neither Party makes any promises or representations whatsoever as to the potential amount of business LE and SRC can expect at any time from the LE Shop Program.

2. TERM.

This Agreement shall be effective immediately following the “Effective Time” specified in the Separation and Distribution Agreement (the “**Separation Agreement**”) to be executed and delivered by LE and Sears Holdings Corporation (the date on which the Effective Time occurs, the “**Effective Date**”). The calendar day that becomes the Effective Date will be inserted on Appendix #5 after the Effective Date has occurred. Unless sooner terminated on the limited grounds expressly provided for in this Agreement, this Agreement shall remain in effect from the Effective Date through the term of each Lease; provided that this Agreement shall be automatically terminated, as to each LE Shop upon expiration or termination of the lease of such LE Shop under its applicable Lease (the “**Service Period**”).

3. USE OF MARKS AND ADVERTISING.

3.1 **Grant of License – Sears Marks.** Subject to all the terms and conditions of this Agreement, SRC hereby grants to LE and its Affiliates, for and during the Service Period, a non-exclusive, royalty-free, fully paid up, non-transferable and terminable right and license to use the marks contained in Appendix #6 or such other marks as SRC and LE may agree upon (collectively, the “**Sears Marks**”), for the limited purpose of identifying the locations of the LE Shops, subject to SRC’s prior review and approval of each use. Such approval shall not be unreasonably withheld or delayed. LE acknowledges that the use of any Sears Mark will not confer upon LE any proprietary rights to the Sears Mark, and LE will not question, contest, or challenge SRC’s or its Affiliates’ ownership of a Sears Mark. LE will not register or attempt to register any Sears Mark, or any trade names, or trademarks similar to them. Nothing in this Agreement will be construed to bar SRC or its Affiliates from protecting its right to the exclusive ownership of a Sears Mark against infringement or appropriation by any party or parties, including LE. SRC will have the right to control the quality and nature of any use of the Sears Marks, and LE will conform to the standards set by SRC in conjunction therewith. All goodwill related to the use of any Sears Mark under this license shall inure to the benefit of SRC or its Affiliates. LE shall comply at all times with any instructions provided in writing by SRC from time to time regarding use of the Sears Marks. LE shall use the Sears Marks only as expressly authorized in this Agreement and shall take all reasonable steps to preserve the goodwill, prestige and reputation associated with the Marks. LE acknowledges that SRC may, from time to time, issue additional guidelines or instructions regarding the use of the Sears Marks, and LE shall comply with any reasonable guidelines and instructions. LE shall not sublicense any rights in any Sears Mark without SRC’s prior written consent, which SRC may withhold in its sole discretion.

3.2 **Grant of License – LE Marks.** Subject to all the terms and conditions of this Agreement, LE hereby grants to SRC and its Affiliates, for and during the Service Period, a non-exclusive, royalty-free, fully paid up, non-transferable and terminable right and license to use the marks contained in Appendix #7 (collectively, the “**Listed LE Marks**”), as well as such other marks as LE applies to Merchandise (together with the Listed LE Marks, collectively, the “**LE Marks**”), for the limited purpose of promoting the LE Shops and the Merchandise, subject to LE’s prior review and approval of each use. Such approval shall not be unreasonably withheld or delayed. SRC acknowledges that the use of any LE Mark will not

confer upon SRC any proprietary rights to the LE Mark. SRC will not register or attempt to register any Listed LE Mark, or any trade names, or trademarks similar to them. Nothing in this Agreement will be construed to bar LE or its Affiliates from protecting its right to the exclusive ownership of a LE Mark against infringement or appropriation by any party or parties, including SRC. LE will have the right to control the quality and nature of the use of all LE Marks, and SRC will conform to the standards set by LE in conjunction therewith; provided that LE shall be obligated to reimburse SRC for any costs SRC incurs to abide LE's requirements associated with the use of LE Marks in connection with the LE Shop Program. All goodwill related to the use of any LE Mark under this license shall inure to the benefit of LE or its Affiliates. SRC shall not sublicense any rights in any LE Mark (other than for use by SRC Personnel providing services in connection with this Agreement), without LE's prior written consent, which LE may withhold in its sole discretion.

3.3 **Advertising.** LE shall advertise the Merchandise (including advertising that such Merchandise is available at the LE Shop locations) and the LE Shop locations in a manner consistent with and at least as frequent as its practices prior to the Effective Date. SRC has no obligation to advertise the Merchandise or the LE Shop Program, but SRC may elect to offer joint advertising programs to LE or to participate in joint advertising programs offered by LE. Each Party may opt to participate in such joint advertising efforts, in its sole election, during the Service Period. If the Parties elect to participate in joint advertising efforts, the parties will negotiate, in Good Faith, the allocation of the cost between the parties. For all LE advertisements that reference the LE Shops or otherwise use the Sears Marks, LE shall submit to SRC (a) all signs and advertising copy (including sales brochures, telemarketing scripts, newspaper advertisements, radio and television commercials, and internet advertising), and (b) all promotional plans and devices (including coupons, contests, events and giveaways); provided that once a use has been approved, LE does not need to request approval to use the same mark in the same manner again. LE shall not use any such advertising material, promotional plan or device without the prior written approval of SRC, which approval shall not be unreasonably withheld. SRC has the right to audit the LE's advertising and promotional materials and practices at any time to assess LE's party's compliance with this Agreement. LE shall at all times adhere to SRC's written policies regarding interaction with the media.

3.4 **Limitations on use/Phase-out of APOSTROPHE mark.** Notwithstanding the foregoing, the Parties further agree that with regard to the APOSTROPHE trademark: 1) that LE's use shall be limited to its current use as a title of its quarterly, on-line only, newsletter; and 2) that LE shall discontinue all use of the APOSTROPHE trademark upon termination or expiration of the Service Period.

3.5 **Promotion and Goodwill; No Disparagement.** Without limiting its obligations in Section 3.3, LE shall use commercially reasonable efforts to promote the LE Shops and maintain goodwill among its customers and Personnel towards SRC, the LE Shops and the LE Shop Program. LE shall (and LE shall cause its Personnel) not to disparage SRC, the LE Shops and the LE Shop Program.

4. FEES.

4.1 **SRC Fees.** As compensation for the SRC services provided herein, LE shall pay SRC the fees (the "SRC Fees") in accordance with Appendix #2 ("Service Description").

4.2 **Rights of Recoupment and Setoff.** SRC has the right to invoice LE for any liability or obligation that LE's may owe to and all SRC or its affiliates. LE shall pay such liability or obligation promptly upon demand. If LE does not pay such SRC invoices within ten days, SRC shall have the right to reduce, withhold or setoff against any payment due LE hereunder with respect to any such liability or obligation. SRC's rights to recoupment and set-off shall be senior to any claim asserted by any other party against the payment.

4.3 **Expenses.** In addition to the fees stated herein, unless otherwise expressly stated herein, LE will reimburse SRC for all other reasonable out-of-pocket expenses actually incurred in its performance of the Services ("**Expenses**"). To the extent reasonably practicable, SRC will provide LE with notice of such Expenses prior to incurring them. If directed by SRC, LE will pay directly any or all third-party contractors providing Services to or for the benefit of LE. The cost of all third-party Personnel used to perform the Services hereunder will be reimbursed by LE on a cost basis. Except as otherwise provided for in this Agreement, each Party will bear its own expenses with respect to the transactions contemplated by this Agreement. Notwithstanding the above, if SRC or its Affiliates outsource a Service set forth in Appendix #2 for which there is a fee assigned or the parties have agreed there is no fee; LE will only be liable for the fee stated therein, if any, subject to adjustment as provided therein (not the third party's expenses).

4.4 **Reconciliation and Payments.** LE will pay SRC Fees, Expenses and Transaction Taxes as set forth in Section 4.1 and with the payment terms set forth in Section 14.19 of the Separation Agreement. SRC shall pay LE all net cash (including check) proceeds collected from the sale of LE Merchandise to LE. LE will pay all Fees, Expenses and Transaction Taxes within 10 days of SRC's valid invoice to LE. Unless otherwise mutually agreed in writing, all amounts payable under this Agreement will be reconciled weekly and the parties will, after netting amounts due under the other Ancillary Agreements, make payments to the Party who is owned the net amount by electronic transfer of immediately available funds to a bank account designated by such Party from time to time. All amounts remaining unpaid for more than 15 days after their respective due date(s) will accrue interest as set forth in Section 14.19 (Payment Terms) of the Separation Agreement, until paid in full. Upon LE's reasonable request, SRC will provide reasonable information to substantiate the Fees and Expenses charged hereunder; to the extent such information is readily available to SRC.

4.5 **Transaction Taxes.** Fees do not include applicable taxes. LE will be responsible for the payment of all taxes payable in connection with the Services including sales, use, excise, value-added, business, service, goods and services, consumption, withholding, and other similar taxes or duties, including taxes incurred on transactions between and among SRC, its Affiliates, and third-party contractors, along with any related interest and penalties ("**Transaction Taxes**"). LE will reimburse SRC for any deficiency relating to Transaction Taxes that are LE's responsibility under this Agreement. Notwithstanding anything in this Section 4.6 to the contrary, each Party will be responsible for its own income and franchise taxes, employment taxes, and property taxes. The Parties will cooperate in Good Faith to minimize Transaction Taxes to the extent legally permissible. Each Party will provide to the other Party any resale exemption, multiple points of use certificates, treaty certification and other exemption information reasonably requested by the other Party.

4.6 **Sales Taxes.** SRC will collect sales taxes from LE customers ("**Sales Taxes**") and to the extent required by applicable law, SRC will hold the Sales Taxes in a constructive trust.

For as long as SRC files Sales Tax returns on behalf of LE under the Transitions Services Agreement, SRC will remit such Sales Taxes directly to the appropriate taxing authority. Upon expiration of sales tax services in the Transition Services Agreement, SRC will transfer collected Sales Taxes and transmit associated Sales Taxes data to LE. All costs and expenses incurred by SRC in transferring such funds and transmitting such data to LE, including all changes to SRC's and/or LE's systems required to transmit and receive such data will be charged to LE.

5. PROCUREMENT AND SUPPLY OF MERCHANDISE AND LE SUPPLIES.

5.1 Overall Responsibility. LE is solely responsible for the procurement and supply of Merchandise and LE Supplies to the LE Shops. Subject to the immediately foregoing sentence, SRC will assist LE as expressly provided for below.

5.2 Transition.

(a) **Bulk LE Products.** Prior the Effective Date: (i) LE entered purchase orders (“**POs**”) into SRC and its Affiliates systems for all Merchandise needed for bulk initial floor loads (e.g. new goods, new locations and seasonal resets) for the LE Shops (“**Bulk LE Products**”); and (ii) POs for Bulk LE Products were issued in SRC's name. For all such open PO's for Bulk LE Products as of the Effective Date, LE shall: (i) on the Effective Date assume the risk of loss for and the obligation to pay for such Bulk LE Products; and (ii) take title to such goods: (A) for goods located in the United States, on the Effective Date, and (B) for goods outside the United States (including goods sourced overseas but not yet produced), once such goods have cleared customs in the United States).

(b) **Other LE Merchandise and LE Supplies.** LE retains sole responsibility for sourcing (in its own name, under its own contracts), paying for, and delivering to the Sears Locations for the LE Shops all Merchandise that is not a Bulk LE Product (e.g., replenishments of LE Bulk Products) and all LE specific supplies (currently this consists of LE branded bags and LE specific hangers, the “**LE Supplies**”) needed by the LE Shops.

(c) **Supplier Relations.** Within 5 business days of the Effective Date, LE will send each of its existing suppliers of Merchandise a notice in the form set forth in Appendix #8 (Supplier Notification). In addition, after the Effective Date, LE will directly contract with all new suppliers of Merchandise.

(d) **Continued Use of SRC and its Affiliates' PO and Related Systems.** After the Effective Date, subject to the terms and conditions provided for herein, LE will continue to use SRC and its Affiliates' purchase order and related systems (“**Ordering Systems**”) to enter orders for Bulk LE Products for the LE Shops and transmit them to its suppliers. SRC will endeavor to modify such Ordering Systems so that the POs generated by them are issued in LE's name and/or under LE's account with its supplier. LE will not use the Ordering Systems for any goods that are not Bulk LE Products. Notwithstanding the use of Ordering Systems, ownership of the Merchandise shall remain with LE (it being understood that the use of the Ordering Systems is to facilitate tracking and accounting for Merchandise within SRC's systems).

(e) **Future Orders of Bulk LE Products.** After the Effective Date, LE will continue to be responsible for entering all orders for Bulk LE Products for the LE Shops'

in the Ordering Systems and for releasing the resulting POs to its suppliers. LE will maintain a distinct EDI identifier for its purchases of Merchandise for the LE Shops and arrange for its vendors to create distinct DUNS numbers for LE. LE will cause its supplier to work with SRC and its Affiliates as LE's agent for orders for Bulk LE Products.

(f) Movement of Bulk LE Products.

(i) Domestic Goods. For Bulk LE Products produced in the United States, SRC and its Affiliates will (when directed by LE and on LE's behalf) continue to arrange the shipment of such goods to LE's Dodgeville, WI distribution facility (the "**LE DC**"); subject to SRC and its Affiliates' standard logistic policies (as SRC modifies them from time to time). LE will be charged for all costs SRC or its Affiliates incur in shipping such products in accordance with Appendix #2.

(ii) International Goods. For Bulk LE Products produced outside the United States, LE shall use freight forwarder(s) and carrier(s) mutually acceptable to both Parties to arrange shipment of Bulk LE Products to the LE DC under LE's importer of record number; subject to SRC and its Affiliates' standard logistic policies (as SRC modifies them from time to time). SRC and its Affiliates will (when directed by LE and on LE's behalf) assist the Parties' agreed upon freight forwarder(s) and carrier(s) with such shipments, as LE's agent. The carrier(s) contract for the international shipment of LE Bulk Product will be in LE's name. SRC may require the freight forwarded contracts to be in LE's or SRC's name. LE's will be charged for all costs SRC or its Affiliates incur in assisting with the shipment of LE Bulk Products in accordance with Appendix #2. For clarity, the Parties agree that LE shall have sole liability for all customs duties, taxes, penalties and fines regarding the LE Bulk Products; notwithstanding any assistance SRC or its Affiliates provide or fail to provide.

(iii) Receipt of Goods by LE. LE shall receive all Bulk LE Products at the LE DC and enter them into an inventory system provided by SRC (multiple systems are used today, and they and any successor(s) to them are collectively referred to herein as the "**Inventory System**"). LE will also be responsible for coordinating with SRC and its Affiliates the pick-up and reshipment of such Bulk LE Products to SRC and its Affiliates' regional replenishment centers ("**Sears RRCs**"). LE is not permitted to store Merchandise (including LE Bulk Products) or LE Supplies in SRC's and its Affiliates' RRCs or other distribution facilities.

(iv) Transport of Bulk Goods to LE Shops and Receipt of Merchandise and LE Supplies. SRC and its Affiliates will (when directed by LE and on LE's behalf): (A) arrange the shipment of LE Bulk Products from the LE DC, through the Sears RRCs (on a cross-dock basis) to SRC stores hosting the LE Shops; subject to SRC's and Affiliates standard logistic policies (as SRC modifies them from time to time), and (B) receive the LE Supplies, the LE Bulk Products and other LE Merchandise (on an assumed receipt basis) and move them from the

loading dock of the Sears Location, to the LE Shop location within the Sears Location, consistent with the Parties' past practices. LE must coordinate the delivery of all Merchandise and LE Supplies with SRC and its Affiliates (including the quantity, timing and manner of delivery) prior to such goods shipment to a Sears Location. The Designated LE Staff will have the same role in receiving the LE Bulk Product and stocking the selling floor as they have had in the past (subject to any store wide re-distribution of receiving/stocking responsibilities SRC may implement in the future).

(g) **Reconciliation and Payment of Invoices for LE Bulk Products.** SRC (or its Affiliates) will, on LE's behalf, reconcile all invoices received for LE Bulk Products ordered through the Ordering Systems and received into the Inventory System by LE (the "**Bulk Invoices**"), and work with LE's supplier to reconcile any discrepancies regarding such Bulk Invoices and, if necessary, SRC (or its Affiliates) will issue charge backs against such Bulk Invoices on LE's behalf. SRC (or its Affiliates) will, after such reconciliation, arrange for payment of the Bulk Invoices on LE's behalf. SRC will provide LE regular reports of upcoming due dates for Bulk Invoices, amounts charged back and paid on such Bulk Invoices (by or at the direction of SRC and its Affiliates). SRC may, at any time, (i) require LE to pay SRC in advance for all amounts due under the Bulk Invoices prior to SRC making payments on such Bulk Invoices on LE's behalf, (ii) pay Bulk Invoice on LE's behalf and require LE to immediately re-pay SRC such amounts, or (iii) require LE to permit SRC access to a LE bank account so that SRC may direct payment of the Bulk Invoices from such LE bank account. SRC may switch between the foregoing methods of payment, at any time, in its sole discretion.

6. MERCHANDISE/RETAIL SELLING SPACE.

6.1 **Merchandise.** The parties agree that the Merchandise available for sale at the LE Shops pursuant to this Agreement shall be owned by LE and except as provided for in this Agreement with respect to MOS by customer, LE shall retain title to the Merchandise until such time as it is sold by LE in the manner and subject to the terms and provisions detailed in this Agreement. Title shall pass to the customer upon sale of Merchandise by LE. Title to Merchandise that is returned or exchanged by customer and that is returned to the sales floor shall revert to LE. SRC will retain and place in an agreed upon location, receipt documents so that LE can key input the receipt documents. Upon sale of the Merchandise, SRC shall, as set forth herein, remit to LE the proceeds from Merchandise sales, less the deductions as provided for in this Agreement. Except as otherwise provided herein, all cash and other amounts collected will be co-mingled with SRC's other transactions, and SRC will determine the net amount, per LE Shop location per day or on a weekly basis as provided in Section 4.5, due LE. All Sales Taxes collected by SRC will be handled in accordance with Section 4.6. Acceptance of consumer credit cards, debit cards, pre-paid access cards and private label credit cards (collectively "**Cards**") by SRC, Cards processing and fees, expenses, settlement, and other matters related to Cards transactions are governed exclusively by the Financial Services Agreement dated as of the Effective Date by and between the Parties as amended from time to time, which Agreement and amendment(s), if any, are incorporated herein by reference.

6.2 **Dependent Services.** The obligations of the SRC under this Agreement assume that LE is, and will continue to receive, credit card, gift card and other electronic payment processing and other services under the Financial Services Agreement (collectively, the “Dependent Services”). In the event that LE ceases using SRC for any of the Dependent Services (for any reason), LE shall not be relieved of its obligations under this Agreement and instead LE shall have the obligation to institute replacement services take such actions as necessary to permit the continued operation of the LE Shops. SRC shall reasonably co-operate with LE in investigating proposed to modifications to the LE Shops and SRC Services under this Agreement to permit the continued operation of the LE Shops (e.g., by allowing LE to install separate credit card terminals); however SRC shall not be obligated to implement any change, including changes to Sears Locations (including the LE Shops), SRC, its Affiliates and its/their Personnel’s systems, operations and SRC’s Services under this Agreement (each a “Proposed Dependent Services Change”) which SRC objects to, in its sole discretion. All costs and expenses associated with a Proposed Dependent Services Change shall be borne solely by LE (and LE shall immediately reimburse SRC for any such costs and expenses directly incurred by SRC, its Affiliates and its/their Personnel). All Proposed Dependent Services Changes shall be subject to Section 1.1(f) (Changes in Services).

6.3 **Inventory Shrink.** “Shrink” means any and all loss of Merchandise, including: the excess of the perpetual book inventory, per LE’s records, over the physical inventory counted by SRC, both stated in retail dollars. Notwithstanding any other provision of this Agreement or the Leases, LE shall solely have the risk of loss for the Merchandise. Unless otherwise agreed to in writing by the parties, SRC shall apply the same loss prevention policies and techniques to the Merchandise as SRC applies to its own property; provided that LE shall be responsible for reimbursing SRC for the cost of all security tags and other devices used in the LE Shop. If LE makes SRC aware of a potential high Shrink issue at a particular LE Shops, then SRC agrees to cooperate, at LE’s cost, with LE’s investigation on a commercially reasonable basis to research the cause.

7. OPERATIONAL OBLIGATIONS OF LE.

7.1 **Staffing Levels of LE Shops.** The parties have established minimum staffing levels for the LE Shops as of the Effective Date as set forth in Appendix #2. Staffing may be increased above the minimum levels at the request and expense of LE.

7.2 **LE Shop Appearance.** LE will maintain the appearance of each LE Shop consistent with SRC visual merchandising policies and historical standards.

7.3 **Merchandise Inventory.** LE shall maintain an adequate stock of Merchandise in the LE Shops consistent with past practices and such Merchandise shall be substantially the same in terms of category, variety, assortments, sizes, and price points, as has traditionally been sold in the LE Shops prior to the Effective Date.

Any failure by LE to adequately stock and deliver Merchandise shall be deemed a material breach of this Agreement. SRC reserves the right to sell other products in the LE Shop space if LE fails to adequately stock Merchandise (LE will not be entitled to any reduction of its obligations or remuneration with respect thereto). LE shall be responsible for Merchandise damages/returns and shipping expenses to and from the LE Shops. In addition, LE shall create

and maintain Merchandise style records on the SRC systems. These style records will include price, SKU and bar code information so as to enable SRC to accomplish matching, preparation and data exchange to LE of receipts, transfers and sales history. Subject to Section 8.7, the Parties will continue to use the same data interchange and other information technology systems that were used prior to the Effective Date. The cost of any additions or modifications to data interchange and other information technology systems that are necessary as a result of the spin-off will be LE's sole responsibility and charged to LE.

7.4 **Pricing.** SRC shall have no right or power to establish or control the prices at which LE offers Merchandise in the LE Shop Program; LE exclusively retains such right and power. Upon agreement of the parties, LE may participate in SRC national store-wide sales and/or Merchandise price-off events, at LE's Expense. The Parties will work together to establish a process and timing for SRC to provide LE with SRC's promotional calendar for such events and related information as far in advance as reasonably practicable. Such information provided by SRC to LE is specifically included in the scope of SRC's Confidential Business Information.

7.5 **Customer Returns/Service.** LE understands that SRC shall at all times maintain a general policy of "Satisfaction Guaranteed" to customers and SRC is entitled to adjust all complaints of and controversies with customers arising out of the operation of the LE Shop Program (and all customer accommodations made by SRC will be LE's responsibility and LE will promptly reimburse SRC for such accommodations).

7.6 **Compliance with Laws.** Each Party shall, at its expense, obtain all permits and licenses that may be required under any applicable federal, state, or local law, ordinance, rule or regulation by virtue of any act performed by it in connection with the operation of the LE Shop Program. Each Party shall comply fully with all Applicable Laws, including Applicable Laws regarding its employees, with respect to minimum compensation, overtime and equal opportunities for employment. LE is responsible for all compliance obligations arising from the LE Shop Program and for all permits and licenses required for the operation of the LE Shop locations. In addition, LE represents and warrants that LE and all of its suppliers, subcontractors and agents involved in the production or delivery of the Merchandise to be sold in connection with the LE Shop Program shall strictly adhere to all applicable laws, regulations, and prohibitions of the United States and all country(ies) in which such Merchandise is produced or delivered with respect to the operation of their production facilities and their other businesses and labor practices, including laws, regulations and prohibitions governing the working conditions, wages and minimum age of the work force. LE further represents and warrants that Merchandise shall not be produced or manufactured, in whole or in part, by child labor or convict or forced labor.

7.7 **Liens.** LE shall not allow any liens, claims or encumbrances to attach to any SRC property or against any of the LE Shops (including Fees, Expenses and other liabilities or obligations to SRC which accrue hereunder (collectively, "**SRC Obligations**"). If any lien, claim or encumbrance so attaches or is threatened, LE shall immediately take all necessary action to cause such lien, claim or encumbrance to be satisfied and released. In the event LE fails to immediately cause such lien, claim or encumbrance to be satisfied or released, SRC may, in its sole discretion, terminate this Agreement and/or charge LE or withhold from the sales receipts retained under Section 4.3 all expenses, including attorneys' fees, incurred by SRC in removing

and/or resolving such liens or claims. The prohibition against liens contained in this Section shall not restrict LE's ability to obtain financing secured by a lien on: (i) any Merchandise prior to sale to a consumer, or (ii) any Merchandise that is returned or exchanged other than MOS Merchandise, or (iii) any net accounts, proceeds, receivables or other consideration due from SRC from the sale of Merchandise (but expressly excluding the SRC Obligations) (as opposed to a consumer) (collectively, the "**Proceeds**"). This Section 7.8 does not apply to financing that SRC has consented to in writing as of the Effective Date.

SRC hereby acknowledges and agrees that prior to the time of the sale of any Merchandise in any LE Shop(s), LE retains all title and interest in such Merchandise. In furtherance of the foregoing and strictly for notice purposes only, SRC authorizes LE to file UCC-1 financing statements with respect to the Merchandise if required by LE's lender; provided, however, that such UCC-1 financing statements shall clearly indicate that (a) this filing is for notice purposes only, (b) is intended only to evidence LE's continued ownership of the Merchandise prior to sale to a consumer, and (c) such filing is not intended to evidence any debtor/creditor relationship between LE and SRC. In addition, SRC shall have the right to review all such UCC-1 financing statements prior to any filing.

8. OPERATIONAL OBLIGATIONS OF SRC.

8.1 **Staffing of LE Shop Locations.** SRC shall provide adequate Personnel to staff the LE Shop locations (the "**Designated LE Staff**") in accordance with the minimum staffing level requirements set forth in Appendix 2 or such higher level as may be agreed to in accordance with the terms of this Agreement, subject to local labor availability and taking into consideration the desires and characteristics communicated to SRC by LE as to the quantity, quality and skills of such Designated LE Staff. LE may, from time to time, request, for any lawful reason, that an individual be removed from the Designated LE Staff. SRC will take such requests into account, in Good Faith, in staffing the Designated LE Staff. The Designated LE Staff shall be responsible for all sales floor responsibilities (consistent with the parties' past practices), including displaying Merchandise and signage (provided by LE), tagging merchandise, interacting with customers, selling Merchandise and accepting returns and exchanges of Merchandise. As an accommodation to both parties, sales of LE Merchandise and products sold by SRC will be, consistent with the Parties' past practices, processed at all point of sale ("**POS**") locations within each Sears Location (including those in embedded LE Shop) that processed sales of products with LE Marks prior to the Effective Date; provided SRC may in the future limit sales of Merchandise to those POS locations which process apparel products sold by SRC.

8.2 Merchandise Returns, Exchanges and MOS.

(a) **Returns and Exchanges.** SRC shall accept returns and exchanges (collectively "**Returns**") from customers in the LE Shops and at other SRC POS locations (regardless of whether such location has an LE Shop), of: (i) LE Merchandise and (ii) products sold by LE through other channels (e.g., catalog, Landsend.com, LE inlet stores, collectively "**Non-LE Shop Products**") consistent with past practices for the types of goods SRC has accepted in the past and in accordance with SRC's standard policies. LE shall reimburse SRC for all amounts paid by SRC to customers in

connection with such Returns. For all Non-LE Shop Products which are not recognized by SRC "POS Terminals" (as defined below), SRC will return such products to LE, at LE's expense and LE will be responsible for handling the return or exchange with the customer, unless SRC has done so at the POS (as a customer accommodation). Returns of all LE Merchandise presented at a Sears POS Terminal will be handled by SRC, at LE's expense. All Returns of Merchandise originally sold through an LE Shop which SRC's Personnel deem to be saleable (and which are part of the current assortment) will be returned to the sales floor, and all other Returns of Merchandise originally sold through an LE Shop will be marked out of stock ("MOS") and will become SRC's property without any payment due LE; for clarity the parties acknowledge that the consideration for this transfer is included in the other pricing in this Agreement.

(b) **MOS.** LE may from time to time MOS certain of its Merchandise by making the appropriate MOS entries in SRC's system. The LE Designated LE Staff will remove such Merchandise from the sale floor and box it up for shipment to the CRCs. SRC will liquidate such Merchandise through its providers and pay over to LE the net proceeds of the sales of such Merchandise consistent with practices in place as of the Effective Date. LE will be responsible for all Fees and expenses associated with SRC removing such MOS from the sales floor and preparing such MOS Merchandise for transport.

8.3 **Fixtures.** LE is the owner of the existing fixtures in the LE Shops. If LE requests additional or replacements fixtures, such fixtures will be separately priced, and if agreed to by the parties in writing, SRC will acquire and install such fixtures on LE's behalf and at LE's expense. All new and replacement fixtures must be consistent with SRC visual merchandising policies and be must be approved by SRC. If SRC has fixtures in store inventory that are not currently being utilized, SRC may permit (but shall not be obligated to permit) use of such fixtures by LE subject to reasonable terms and conditions.

8.4 **POS.** At its expense, SRC shall furnish point of sale terminals (each "POS Terminal") for its locations, some of which, consistent with the parties past practices, will be located in certain LE Shops. Each POS Terminal will be of a size and design satisfactory to SRC, in its sole discretion, and at all times remains SRC property. SRC shall maintain the software necessary to operate the POS Terminal and any changes to such software shall be provided at the expense of SRC; however if LE requests any changes to the POS Terminals (including the software used in connection therewith); then such requested change shall be treated as a Service Change (and addressed pursuant to Section 1.1(f) (above); provided further that all changes to the POS Terminals required for the LE Shop Program shall be done at LE's sole cost and expense (including changes that are necessary to effectuate this Spin-Off or any change in Applicable Law that affects the LE Merchandise and the LE Program).

8.5 **LE Kiosks.** Prior to the Effective Date, LE has provided certain kiosks for certain of the LE Shops (the "LE Kiosks"). SRC shall maintain such LE Kiosks (at LE's sole expense) as provided for in Appendix #2. LE shall be responsible for any new or replacement Kiosks which it wishes to provide (each of which will be addressed treated as a Service Change (and addressed pursuant to Section 1.1(f)).

8.6 **SRC Right to Change LE Shop and Sears Location Operations.** The parties acknowledge and agree that the LE Shops are intended to be operated consistent with the

standards and practices of the Sears Locations and SRC reserves the right, in its sole discretion, to change its standards and practices for the Sears Locations, which may affect the services to be provided to LE under this Agreement. LE shall have no right to contest such change in standards and practices for the LE Shops and Sears Locations.

8.7 **Quantity and Nature of Service.** Except as otherwise provided in this Agreement, there will be no change in the scope or level of, or use by, LE of Services during the Service Period (including changes requiring the hiring or training of additional employees by SRC) without the mutual written agreement of the Parties and adjustments, if any, to the charges for such Services; provided, however, SRC may make changes from time to time in the manner of performing Services (including changes to its, its Affiliates', and its Personnel's systems without LE's consent), notwithstanding that specific third party contractors (at times referred to as "**Vendors**") may be listed on Appendix #2). LE will not resell any Services, provide the Services to any joint-venture or non-wholly owned subsidiary, or otherwise use the Services in any way other than in connection with the operation of the LE Shops.

8.8 **Standard of Care.** Except as otherwise set forth in this Agreement, SRC does not assume any responsibility under this Agreement other than to render the Services in Good Faith without willful misconduct or gross negligence. SRC MAKES NO OTHER GUARANTEE, REPRESENTATION, OR WARRANTY OF ANY KIND (WHETHER EXPRESS OR IMPLIED) REGARDING ANY OF THE SERVICES PROVIDED HEREUNDER, AND EXPRESSLY DISCLAIMS ALL OTHER GUARANTEES, REPRESENTATIONS, AND WARRANTIES OF ANY NATURE WHATSOEVER, WHETHER STATUTORY, ORAL, WRITTEN, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE AND ANY WARRANTIES ARISING FROM COURSE OF DEALING OR USAGE OF TRADE. SRC WILL ONLY BE OBLIGATED TO PROVIDE SERVICES IN A MANNER CONSISTENT WITH PAST PRACTICE (INCLUDING PRIORITIZATION OF SRC PERSONNEL (INCLUDING LE DESIGNATED ASSOCIATES) AMONG PROJECTS FOR SRC, SRC'S AFFILIATES, AND LE); PROVIDED THAT SRC ASSOCIATES WHO ARE FILLING THE "DEDICATED CONSULTATIVE SELLING ASSOCIATES - LANDS' END" AND THE "ASSISTANT STORE MANAGER - LANDS' END" ROLES WILL BE PRIMARILY DESIGNATED TO PERFORM THE SERVICES; PROVIDED, HOWEVER THAT SRC MAY USE ANY EXCESS CAPACITY OF SUCH DESIGNATE PERSONNEL FOR NON-SRC WORK.

8.9 **Responsibility for Errors; Delays.** SRC's sole responsibility to LE for errors or omissions in Services caused by SRC will be to furnish correct information or adjustment in the Services, and if such errors or omissions are solely or primarily caused by SRC, SRC will promptly furnish such corrections at no additional cost or expense to LE if LE promptly advises SRC of such error or omission.

8.10 **Good Faith Cooperation; Alternatives.** SRC and LE will use Good Faith efforts to cooperate with each other in all matters relating to the provision and receipt of the Services including acquisition of required third party contractor consents (if any). If SRC reasonably believes it is unable to provide any Service because of a failure to obtain third-party contractor consents or because of impracticability, SRC will notify LE promptly after SRC becomes aware of such fact and the Parties will cooperate to determine the best alternative approach.

8.11 **Use of Third Parties.** SRC may use any Affiliate or any third-party contractor (including former Affiliates) to provide the Services; provided, however, that SRC shall at all times remain responsible for such third parties' performance under this Agreement.

8.12 **Assets of LE.** During the Service Period, (i) SRC and its Affiliates and third-party contractors may use, at no charge, all of the software and other assets, tangible and intangible, of LE (together, the "**Assets**") to the extent necessary to perform the Services (but for no other purpose), and (ii) LE will consult with SRC prior to upgrading or replacing any of the Assets that are necessary for SRC to provide the Services.

8.13 **Ownership of Data and Other Assets.** Neither Party will acquire any right, title or interest in any Asset that is owned or licensed by the other and used to provide the Services. All data provided by or on behalf of a Party to the other Party for the purpose of providing the Services will remain the property of the providing Party. To the extent the provision of any Service involves intellectual property, including software or patented or copyrighted material, or material constituting trade secrets, neither Party will copy, modify, reverse engineer, decompile or in any way alter any of such material, or otherwise use such material in a manner inconsistent with the terms and provisions of this Agreement, without the express written consent of the other Party. All specifications, tapes, software, programs, services, manuals, materials, and documentation developed or provided by SRC and utilized in performing this Agreement, will be and remain the property of SRC and may not be sold, transferred, disseminated, or conveyed by LE to any other entity or used other than in performance of this Agreement without the express written permission of SRC.

8.14 **Contact Person.** Each Party will appoint a contact person (each, a "**Contact Person**") to facilitate communications and performance under this Agreement. The initial Contact Person of each Party is set forth on Appendix #9. Each Party will have the right at any time and from time to time to replace its Contact Person by written notice to the other Party.

9. CONFIDENTIALITY; CONFIDENTIAL PERSONAL INFORMATION.

9.1 **Confidential Information.** "**Confidential Information**" means all information, whether disclosed in oral, written, visual, electronic or other form, that (i) one Party (the "**Disclosing Party**"), its Affiliates or its Personnel discloses to the other Party (the "**Receiving Party**"), its Affiliates or its Personnel, (ii) relates to or is disclosed in connection with this Agreement or a Party's or a Party's Affiliate's business, and (iii) is or reasonably should be understood by the Receiving Party to be confidential or proprietary to the Disclosing Party whether or not it is marked "Confidential" or "Proprietary". The Disclosing Party's sales, pricing, costs, inventory, operations, employees, current and potential customers, financial performance and forecasts, and business plans, strategies, forecasts and analyses, as well as information as to which the Securities and Exchange Commission has granted confidential treatment pursuant to its Rule 406 of Regulation C (the "**CTR Information**"), are Confidential Information.

9.2 **Confidential Personal Information.**

(a) All individually-identifiable information regarding SRC's employees and/or customers provided by SRC to LE or otherwise collected from a consumer in an LE Shop or in connection with the LE Shop Program, including but not limited to, names, addresses, telephone numbers, account numbers, customer lists, and demographic, financial and transaction information ("**Confidential Personal Information**"), even if the same or similar individually-identifiable information is shared by SRC with LE or collected by or on behalf of LE by SRC, is deemed confidential and owned exclusively by SRC or its Affiliates and any bank who issues a Sears-branded charge card to such customer. This Section 9.2 shall not apply to information developed by LE, without the use of Confidential Customer Information, provided that LE is not using such information on SRC's behalf. If the express purpose of collecting specific Confidential Personal Information is to share said information with LE, such as through an "opt-in" to an LE promotional email list, and such purpose is properly disclosed to the customer at the time such information is collected ("**Shared Confidential Personal Information**"), then the parties shall jointly own that Shared Confidential Personal Information (unless otherwise prohibited by Applicable Law; in which case SRC shall become the sole owner of such Shared Confidential Personal Information and LE will cease its use).

(b) Confidential Information as used herein shall include Confidential Personal Information and Shared Confidential Personal Information.

9.3 **Treatment of Confidential Information.** The Receiving Party will use Confidential Information only in connection with this Agreement and, except as expressly permitted by this Agreement and subject to the next sentence, will not disclose any Confidential Information for three years from the date of receipt of the Confidential Information. Neither Party will disclose the CTR Information for a period of ten years from the date of receipt.

(a) **Limitations.** The Receiving Party will (A) restrict disclosure of the Confidential Information to its and its Affiliates' Personnel with a need to know the Confidential Information for purposes of performing the Receiving Party's responsibilities or exercising the Receiving Party's rights under this Agreement, (B) advise those Personnel of the obligation not to disclose the Confidential Information or use the Confidential Information in a manner prohibited by this Agreement, (C) copy the Confidential Information only as necessary for those Personnel who need it for performing the Receiving Party's responsibilities under this Agreement, and ensure that confidentiality is maintained in the copying process; and (D) protect the Confidential Information, and require those Personnel to protect it, using the same degree of care as the Receiving Party uses with its own Confidential Information, but no less than reasonable care.

(b) **Liability for Unauthorized Use.** The Receiving Party will be liable to the Disclosing Party for any unauthorized disclosure or use of Confidential Information in violation of this Agreement by its and its Affiliates' current or former Personnel.

(c) **Destruction.** Without limiting the foregoing, when any Confidential Information is no longer needed for the purposes contemplated by this Agreement the Receiving Party will, promptly after request of the Disclosing Party, either return such Confidential Information in tangible form (including all copies thereof and all notes, extracts or summaries based thereon) or certify to the other Party that it has destroyed such Confidential Information (other than electronic copies residing in automatic backup systems or one copy retained to the extent required by Applicable Law, regulation or a bona fide document retention policy).

9.4 Treatment of Confidential Personal Information.

(a) LE shall use Confidential Personal Information only as necessary for conducting the LE Shops Program. LE shall not duplicate or incorporate the Confidential Personal Information into its own records or databases. LE shall restrict disclosure of Confidential Personal Information to its employees who have a need to know such information to perform under this Agreement. LE is liable for any unauthorized disclosure or use of Confidential Personal Information by any of its Personnel.

(b) LE shall not disclose the Confidential Personal Information to any third party, including any affiliate or subsidiary of LE, permitted subcontractor, or other agent without the prior written consent of SRC and the written agreement of such third party to be bound by the terms of this Section 9. Unless otherwise prohibited by law, LE shall: (x) immediately notify SRC of any legal process served on LE for the purpose of obtaining Confidential Personal Information; and (y) permit LE adequate time to exercise its legal options to prohibit or limit such disclosure.

(c) LE shall establish and maintain written policies and procedures designed to ensure the confidentiality of the Confidential Personal Information. Copies of such policies and procedures shall be provided to SRC upon SRC's request.

(d) LE shall notify SRC promptly upon the discovery of the loss, unauthorized disclosure or unauthorized use of the Confidential Personal Information and shall indemnify SRC and hold SRC harmless for such loss, unauthorized disclosure or unauthorized use, including attorneys' fees.

(e) LE shall permit SRC to audit LE's compliance with the provisions of this Section at any time during LE's regular business hours.

9.5 Exceptions to Confidential Treatment. The obligations under this Section 9 do not apply to any Confidential Information that the Receiving Party can demonstrate (A) was previously known to the Receiving Party without any obligation owed to the Disclosing Party or its Affiliates to hold it in confidence, (B) is disclosed to third parties by the Disclosing Party or its Affiliates without an obligation of confidentiality to the Disclosing Party or its Affiliate, as applicable, (C) is or becomes available to any member of the public other than by unauthorized disclosure by the Receiving Party, its Affiliates or its or their Personnel, (D) was or is independently developed by the Receiving Party or its Affiliates or Personnel without use of the Confidential Information, (E) legal counsel's advice is that the Confidential Information is

required to be disclosed by Applicable Law or the rules and regulations of any applicable Governmental Authority and the Receiving Party has complied with Section 9.6 (Protective Arrangement) below, or (F) legal counsel's advice is that the Confidential Information is required to be disclosed in response to a valid subpoena or order of a court or other governmental body of competent jurisdiction or other valid legal process and the Receiving Party has complied with Section 8.5 (Protective Arrangement) below.

9.6 Protective Arrangement. If the Receiving Party determines that the exceptions under Section 9.5(E) or Section 9.5(F) apply, the Receiving Party shall give the Disclosing Party, to the extent legally permitted and reasonably practicable, prompt prior notice of such disclosure and an opportunity to contest such disclosure and shall use commercially reasonable efforts to cooperate, at the expense of the Receiving Party, in seeking any reasonable protective arrangements requested by the Disclosing Party. In the event that such appropriate protective order or other remedy is not obtained, the Receiving Party may furnish, or cause to be furnished, only that portion of such Confidential Information that the Receiving Party is advised by legal counsel is legally required to be disclosed and shall take commercially reasonable steps to ensure that confidential treatment is accorded such Confidential Information.

9.7 Ownership of Information. Except as otherwise provided in this Agreement, all Confidential Information provided by or on behalf of a Party (or its Affiliates) that is provided to the other Party or its Personnel shall remain the property of the disclosing entity and nothing herein shall be construed as granting or conferring rights of license or otherwise in any such Confidential Information.

10. REPRESENTATIONS AND WARRANTIES.

Without limiting or disclaiming any implied representations or warranties, LE represents, warrants and covenants, as of the Effective Date and continuing in effect throughout the term of this Agreement, that:

10.1 Merchandise. (a) all Merchandise: (i) conforms to its specifications, (ii) is fit and sufficient for the ordinary purpose for which Merchandise is used, (iii) is free from defects in workmanship, materials and packaging, (iv) is free from defects in construction and design, and (v) is fit and sufficient for the purpose stated on any packaging, labeling or advertising.; (b) upon transfer of the Merchandise to the Customer or SRC, as applicable, the title for such Merchandise is free and clear of any encumbrance, and (c) all test data and other claim substantiation provided by LE is accurate and properly described by LE.

10.2 Advertising. All claims made by LE in any packaging, labeling, advertising, or other consumer material, including LE Provided Content, in connection with any Merchandise or LE Mark relating to Merchandise: (a) comply with Applicable Law, (b) are true and have been substantiated before such claims are made, and (c) contain all applicable warnings and instructions in the assembly, installation, use, repair, servicing and maintenance of the Merchandise.

10.3 Intellectual Property. (a) all Intellectual Property rights (other than Intellectual Property rights owned by SRC or licensed by SRC from third parties) and LE Provided Content used by LE in connection with Merchandise or in the production of Merchandise, are either: (i)

owned by LE or (ii) are licensed by LE and LE has the right to license them to SRC in connection with such Merchandise and the sale of such Merchandise, for use or further resale and (b) Merchandise, including LE Provided Content, does not, at any time, infringe any Intellectual Property right of any person, corporation or other entity.

10.4 **Authority and Compliance with Law.** (a) LE has the right, power and authority to: (i) enter into each Agreement, (ii) perform its obligations under this Agreement; and (iii) grant to SRC the rights provided under this Agreement; (b) LE's execution, delivery and performance of this Agreement has been duly authorized, are in compliance with this Agreement, are legally binding and enforceable in accordance with its terms, and do not violate any other agreement, restriction, or Applicable Laws; (c) all Merchandise strictly complies with, and all Merchandise Production occurs strictly in compliance with, all Applicable Laws; (d) LE and its Personnel who are involved in Merchandise Production or the installation, repair, display, possession, servicing, use, maintenance, delivery or sale of Merchandise shall each, during this Agreement, strictly comply with all Applicable Laws, including the Foreign Corrupt Practices Act of 1977, 15 U.S.C. §§ 78dd-1 et. seq., as amended, which LE acknowledges applies to the business relationship with SRC hereunder, and such other national or regional anti-corruption or anti-bribery laws that may apply to either LE or LE's business relationship with SRC, and those governing the working conditions, wages, hours and minimum age of the work force; (e) Merchandise Production does not involve at any time, in whole or in part, any use of child, convict or forced labor; and (f) all prices charged and allowances made available to SRC by LE are in compliance with U.S. antitrust laws, including the requirements of the Robinson-Patman Act. LE shall provide SRC with a guaranty of compliance with the foregoing in such form as SRC may designate with respect to any Merchandise.

10.5 **Antidumping.** (a) all sales of Merchandise are made at no less than fair value under the United States antidumping law and (b) no government has provided a countervailable subsidy for Merchandise actionable under U.S. law. LE shall indemnify SRC for (x) all antidumping and countervailing duties imposed on all Merchandise that is: (i) sold prior to the date of publication of the International Trade Administration's preliminary determination of sales at less than fair value or prior to the date of publication of the existence of countervailable subsidies and (ii) exported or imported before the date of publication of the International Trade Administration's final determination of sales at less than fair value or the existence of countervailable subsidies and (y) any expenses (including reasonable attorneys' fees) and administrative costs incurred by SRC and its Affiliates in their participation in any United States antidumping or countervailable duty proceeding involving any warranted Merchandise.

11. DEFENSE AND INDEMNITY; LIMITATION OF LIABILITY.

11.1 **Indemnification by LE.** LE shall at its sole cost defend, indemnify, and hold harmless: (a) SRC, (b) all of SRC's past, present and future affiliates, (c) all past, present, and future Representatives of each of the foregoing entities, and (d) all other persons directly or indirectly involved in the distribution or sale of Merchandise (each an "**SRC Indemnified Party**"); against any and all costs, liabilities, losses, penalties, expenses and damages (including reasonable attorneys' fees, disbursements and costs of investigation and cooperation) of every kind and nature incurred by any of the SRC Indemnified Parties arising from all allegations

(including false, fraudulent or groundless allegations) in any claim, action, lawsuit or proceeding between any SRC Indemnified Party and any third party, whether or not SRC' obligations under Section 11.2 (Indemnification by SRC) apply, arising out of or relating to any of the following (collectively, the "**LE Defended Claims**"): (i) the infringement, misuse, dilution, misappropriation or other violation of any Intellectual Property rights in any way relating to or affecting Merchandise (including all LE Provided Content) (ii) or any unfair competition involving Merchandise (including LE-Provided Content); (iii) arising from the LE Shops, the LE Shop Program, and this Agreement (iv) the loss, unauthorized disclosure or unauthorized use of the Confidential Personal Information by LE, or through LE Personnel (e.g., compromised login-ids, etc.); (v) death of or injury to any person, damage to any property, or any other damage or loss, by whomsoever suffered, resulting or claimed to result in whole or in part from any latent or patent defect in Merchandise, including improper design, manufacture, construction, assembly, installation, repair, display, packaging, service or design of Merchandise, failure of Merchandise to comply with any specification or samples or with any express or implied warranties of LE, or any claim of strict liability in tort relating to Merchandise; (vi) each breach by LE or its Personnel of this Agreement (including LE's representations, warranties and covenants); (vii) the packaging, tagging, labeling, packing, shipping, delivery and invoicing of Merchandise; (viii) the packaging, labeling or advertising claims made by LE; (ix) the display, assembly or installation of Merchandise; or (x) the assertion by a third party of a security interest, right of replevin or other legal interest created by a factoring or other credit arrangement in any amount due LE under this Agreement not expressly consented to by SRC in writing (or any amendment hereto) existing now or later signed by SRC and LE relating to Merchandise. Despite the foregoing sentence, LE is not obligated to defend, indemnify and hold harmless any SRC Indemnified Party for any LE Defended Claim based only on: (x) a breach of this Agreement by SRC; (y) any negligent act or omission, or willful misconduct of SRC, its Affiliates, or their respective Representatives in performance of this Agreement. and (z) infringement of third party Intellectual Property rights caused by LE's use of SRC Intellectual Property in the manner approved by SRC in writing. LE shall retain defense counsel satisfactory to SRC and shall diligently and professionally defend each SRC Indemnified Party from each LE Defended Claim and LE shall timely provide periodic reports to SRC and consult with SRC's Personnel in conducting the defense of the LE Defended Claims and otherwise cooperate fully with the SRC's reasonable requests; provided that only with respect to LE Defended Claims arising under Section 11.1(i) involving Intellectual Property rights owned or licensed by SRC (except those licensed from LE) and any claims of unfair competition involving Merchandise, SRC may, at its election and at any time, take control of the defense and investigation of said LE Defended Claims and employ attorneys and other consultants, investigators and experts of its own choice to manage and defend any such LE Defended Claims at LE's cost and expense. If any of LE's obligations under this Section 11.1 are not enforceable under Applicable Law and an SRC Indemnified Party and LE are found to be liable to a third party in connection with the Merchandise or this Agreement, then SRC and LE shall each contribute to the payment of any judgment awarded in favor of such third party in proportion to their comparative degrees of culpability.

11.2 Indemnification by SRC. SRC will at its sole cost defend, indemnify, and hold harmless LE and its Affiliates, and their respective Representatives ("**LE Indemnified Parties**"); against any and all costs, liabilities, losses, penalties, expenses and damages (including

reasonable attorneys' fees, disbursements and costs of investigation and cooperation) of every kind and nature incurred by any of the LE Indemnified Parties arising from all allegations (including false, fraudulent or groundless allegations) in any claim, action, lawsuit or proceeding between any SRC Indemnified Party and any third party, arising out of or relating to any of the following (collectively, the "**SRC Defended Claims**") (i) bodily injury or death of any person or damage to real and/or tangible personal property directly caused by the negligence or willful misconduct of SRC or its Affiliates during the performance of the Services, or (ii) the intentional infringement of any copyright or trade secret by an Asset owned by SRC or its Affiliates and used by SRC in the performance of the Services (together, "**SRC Defended Claims**"). Notwithstanding the obligations set forth above in this Section 11.2, SRC will not defend, indemnify or hold harmless LE, its Affiliates, or their respective Representatives to the extent that such SRC Claims are found by a final judgment or opinion of an arbitrator or a court of appropriate jurisdiction to be caused by: (a) a breach of any provision of this Agreement by LE; (b) any negligent act or omission, or willful misconduct of LE, its Affiliates, or their respective Representatives in performance of this Agreement; or (c) with respect to infringement claims: (I) LE's use of the Asset in combination with any product or information not provided by SRC; (II) LE's distribution, marketing or use for the benefit of third parties of the Asset; (III) LE's use of the Asset other than as contemplated by this Agreement; or (IV) information, direction, specification or materials provided by or on behalf of LE. LE Claims and SRC Claims are each individually referred to as a "**Claim.**"

11.3 **Notice.** LE shall notify SRC's General Counsel in writing by certified mail, return receipt requested, within five (5) business days after LE has: (a) knowledge of any claim or allegation of infringement, misuse, dilution, misappropriation or other violation of any Intellectual Property right in any way related to or affecting Merchandise, including LE-Provided Content, (b) knowledge of any safety issue with any Merchandise, (c) knowledge of any allegation by a government agency (including the U.S. Consumer Product Safety Commission, the U.S. Department of Agriculture and the U.S. Food and Drug Administration and such equivalent foreign government agencies, departments and commissions) that the government agency (i) has initiated a formal or informal inquiry, investigation or proceeding in any way related to or affecting Merchandise; or (ii) asserts that Merchandise is not or may not be in compliance with laws; or (d) reported to any government agency that Merchandise is not or may not be in compliance with Applicable Law or contains or may contain a defect that could create a risk of injury or death.

11.4 **Joint Claims.** If a third-party claim, demand, litigation, or suit involves allegations for which both Parties may invoke the obligation of the other Party to defend them under this Agreement ("**Mixed Claims**"); then LE shall defend both Parties and their Representatives from such Mixed Claims, at LE's sole reasonable expense, provided that SRC may elect to take on the defense of such Mixed Claims.

11.5 **Procedure.** In the event of a Claim, the Indemnified Party will give the indemnifying Party prompt notice in writing of the Claim; but the failure to provide such notice will not release the indemnifying Party from any of its obligations under this Agreement except to the extent the indemnifying Party is materially prejudiced by such failure. Except as otherwise expressly provided for above, upon receipt of such notice the indemnifying Party will assume and will be entitled to control the defense of the Claim at its expense and through

counsel of its choice, and will give notice of its intention to do so to the Indemnified Party within 20 business days of the receipt of such notice from the Indemnified Party. The indemnifying Party will not, without the prior written consent of the Indemnified Party, (i) settle or compromise any Claim or consent to the entry of any judgment that does not include as an unconditional term thereof the delivery by the claimant or plaintiff to the Indemnified Party of a written release from all liability in respect of the Claim or (ii) settle or compromise any Claim in any manner that may adversely affect the Indemnified Party other than as a result of money damages or other monetary payments that are indemnified hereunder. Each Party must obtain the other Party's prior written consent for any other settlements that would affect the other Party, including one that would place new or different obligations or restrictions on the Indemnified Parties of the other Party or restrictions upon the sale (or disposition) of the Merchandise. The Indemnified Party will have the right at its own cost and expense to employ separate counsel and participate in the defense of any Claim.

11.6 **Limitation of Liability.** EXCEPT FOR (I) EACH PARTY'S INDEMNITY AND DEFENSE OBLIGATIONS AS SET FORTH IN SECTION 11.1, AND SECTION 11.2, AND OTHER LIABILITIES TO UNAFFILIATED THIRD PARTIES, (II) A PARTY'S BREACH OF ITS CONFIDENTIALITY OBLIGATIONS, AND (III) BREACH OF SECTION 8.13 (OWNERSHIP OF DATA AND OTHER ASSETS), IN NO EVENT WILL EITHER PARTY, NOR ITS AFFILIATES, CONTRACTORS OR AGENTS BE LIABLE FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL, OR PUNITIVE DAMAGES, LOSSES OR EXPENSES (INCLUDING BUSINESS INTERRUPTION, LOST BUSINESS, LOST PROFITS, LOST DATA, OR LOST SAVINGS, DAMAGES TO SOFTWARE OR FIRMWARE, OR COST OF PROCURING OR TRANSITIONING TO SUBSTITUTE SERVICES), REGARDLESS OF THE LEGAL THEORY UNDER WHICH SUCH LIABILITY IS ASSERTED, AND REGARDLESS OF WHETHER A PARTY HAD BEEN ADVISED OF THE POSSIBILITY OF SUCH LIABILITY. THE SOLE LIABILITY OF SRC AND ITS AFFILIATES FOR ANY ERRORS AND OMISSIONS IN THE SERVICES ARE LIMITED AS PROVIDED FOR IN SECTION 8.8 AND SECTION 8.9 ABOVE AND FOR ALL OTHER ALL CLAIMS IN ANY MANNER RELATED TO THIS AGREEMENT ARE LIMITED BE THE PAYMENT OF DIRECT DAMAGES, NOT TO EXCEED (FOR ALL CLAIMS IN THE AGGREGATE) THE FEES RECEIVED BY SRC UNDER THIS AGREEMENT DURING THE PRIOR SIX (6) MONTHS PRIOR TO THE DATE SUCH CLAIM AROSE.

11.7 **Independent Obligation.** The obligations of each Party to defend, indemnify and hold harmless, the other Parties' Indemnified Parties under this Section are independent of each other and any other obligation of the Parties under this Agreement.

12. INSURANCE.

(a) LE shall maintain during the Service Period: (i) commercial general liability insurance, with a contractual liability to the extent provided for under such insurance covering LE's indemnity obligations under the Leases, and with limits of not less than \$2,000,000 combined single limit for personal injury, bodily injury or death, or property damage or destruction (including loss of use thereof) per occurrence, (ii) workers' compensation insurance as required by statute, and employer's liability insurance in the

amount of at least \$500,000 per occurrence, and (iii) “all-risk” property damage insurance (“**Hazard Insurance**”) including Builder’s Risk protecting against all risk of physical loss or damage, including sprinkler leakage coverage in amounts not less than the actual replacement cost, covering LE’s inventory, personal property, furniture, wall coverings, floor coverings, trade fixtures and equipment within the LE Shops and within 100 feet of the LE Shops for damage or other loss caused by fire or other casualty or cause including vandalism and malicious mischief, theft, explosion, and water damage of any type, including sprinkler leakage, bursting and stoppage of pipes. All insurance required hereunder shall be provided by insurers of recognized financial responsibility with a Best’s (or its equivalent) rating of at least A- and VIII and shall be licensed in the State in which each LE Shop is located. Hazard Insurance shall include replacement cost coverage to the extent of at least one hundred percent (100%) thereof and the amount shall satisfy any coinsurance requirements under the applicable policy. LE’s insurance shall be primary, and any insurance maintained by SRC or any other additional insureds hereunder shall be excess and non-contributory. Liability insurance shall name “Sears Holdings Management Corporation and its subsidiaries and affiliates” as additional insureds per endorsement CG 20 10 07 04 or equivalent. Insurance must also provide a broad form Vendor’s endorsement naming “Sears Holdings Management Corporation and its subsidiaries and affiliates” as additional insureds. Such endorsement must be provided on ISO Form CG 20 15 11 88 or its equivalent. Any insurance required to be carried by LE pursuant to this Section 12 may be carried under a policy or policies covering other liabilities (including, without limitation, blanket coverage so long as the aggregate amount required hereunder is on a per-location basis) and locations of LE’s business.

(b) LE shall maintain, or cause any contractor of LE (a “**Contractor**”) performing work at an LE Shop to maintain, during the period that the Contractor is performing the work, insurance as follows:

(i) Commercial General Liability including Premises Operations, Products and Completed Operations Liability, Independent Contractors Liability, Contractual Liability and Broad Form Property Damage Liability, with limits of no less than Two Million Dollars (\$5,000,000) combined single limit. Such liability insurance shall provide coverage for explosion, collapse and underground exposures if applicable, and contractual liability coverage, shall insure the Contractor and any subcontractors against any and all claims for personal injury, including death resulting therefrom and damage to property of others, arising from operations under contracts, whether such operations are performed by the Contractor or by any subcontractor. Such insurance shall include the condition that it is primary and that any liability insurance maintained by SRC or any other additional insured is excess and non-contributory.

(ii) Workers’ Compensation at statutory limits, as required by the state where the work is being performed, and Employer’s Liability with limits of no less than \$500,000 each accident or occupational disease.

(iii) Comprehensive Automobile Liability Insurance, which shall include bodily injury and property damage liability, including the ownership, maintenance and operation of any automobile equipment owned, hired and non-owned including the loading and unloading thereof, with limits of at least \$2,000,000 for each accident.

(iv) Builders' Risk as included in LE's Hazard Insurance insuring all of LE's inventory, personal property, furniture, floor coverings, fixtures and equipment within the premises and within 100 feet of the LE Shop, against all risks of physical loss or damage.

(v) A broad form Vendor's endorsement naming "Sears Holdings Management Corporation and its subsidiaries and affiliates" as additional insureds. Such endorsement shall be provided on ISO Form CG 20 15 11 88 or its equivalent.

LE shall obtain and maintain a certificate of insurance from each Contractor and make the certificate available to SRC upon request.

(c) Such insurance set forth in subsection (b) above shall be obtained from insurers of recognized financial responsibility who shall be licensed in the state in which each LE Shop is located. LE shall provide SRC with SRC in being additional insureds, shall be named as additional insureds under the insurance policies described in this Section 11. The certificates of insurance, to the extent the same is standard in the industry, shall provide that the coverage shall not be changed or cancelled, without at least ten (10) days' notice to SRC, provided that if Contractor's insurance company in its certificate to SRC will state only that (i) the coverage will not be "materially" changed (as opposed to simply "changed") without prior notice to SRC, and/or (ii) it will "endeavor to give" at least ten (10) days prior written notice to SRC (as opposed to simply agreeing to give such notice), and it is standard in the insurance industry that an insurance company would provide only such wording, the Contractor's insurer may provide such wording in the certificate of insurance to SRC.

(d) **Waiver of Subrogation Rights.** Each party hereto has hereby remised, released, and discharged and does remise, release, and discharge the other party hereto and any officer, agent, employee, or representative of such party of and from any claims, rights of recovery, or liability whatsoever (and each party hereby waives all rights of subrogation) hereafter arising from loss, damage, or injury caused by fire or other casualty of the type that is required to be insured under the policies of insurance required to be maintained by the releasing party as of the date of any casualty, SUCH WAIVER TO BE EFFECTIVE REGARDLESS OF THE CAUSE OR ORIGIN OF SUCH DAMAGE OR LOSS INCLUDING, WITHOUT LIMITATION, THE NEGLIGENCE OF A PARTY HERETO OR ANY OF ITS OFFICERS, AGENTS, EMPLOYEES OR REPRESENTATIVES. LE shall procure an appropriate clause in or endorsement to any policy of insurance covering SRC's personal property, inventory, fixtures, furnishing and equipment located in the LE Shop, wherein the insurer waives subrogation or consents to a waiver of its right of recovery.

13. TERMINATION.

13.1 **Termination By LE.** LE's right to terminate this Agreement are limited to the co-terminus termination of this Agreement upon expiration or termination of the Lease of a LE Shop under the applicable Lease as provided for in Section 2 (Term) above.

13.2 **Termination by SRC.** Upon the occurrence of any of the following breaches (each an "LE Default"), SRC may provide written notice to LE of such LE Default and if LE does not cure such LE Default within ten (10) days, SRC may terminate this Agreement:

- (a) There is an assignment with respect to which SRC has not consented in accordance with Section 14.4;
- (b) LE makes any unauthorized use, duplication or disclosure of Confidential Information in violation of Section 9;
- (c) LE fails to secure and maintain appropriate insurance coverage as set forth in Section 10;
- (d) A petition is filed either by or against LE in any bankruptcy or insolvency proceeding, or any property of a party passes into the hands of any receiver, assignee or creditor;
- (e) LE materially misuses or makes an unauthorized use of SRC's Marks in violation of Section 3;
- (f) LE fails to make payment of any amounts due hereunder; or
- (g) LE materially fails to comply with any other provision of this Agreement.

13.3 **Termination on Store Closing.** This Agreement shall terminate with respect to any affected store location due to the closing of the Sears Location, including following any fire or other casualty. LE shall not be entitled to any notice of such store closing prior to a public announcement of such closing pursuant to this Agreement. This provision shall not affect any notice requirements set forth in the Leases. LE waives any claim that it may have against SRC for damages, if any, incurred as a result of such closing.

13.4 **Cross Default.** LE's breach of any of the Cross Default Agreements constitutes a breach by LE of this Agreement (which breach may only be cured, if at all, in accordance with the express provisions of the affected Cross Default Agreement). Furthermore, if LE wrongfully terminates a Cross Default Agreement or if LE's breach of a Cross Default Agreement results in the SHC Entity counterparty terminating that agreement; then SRC may also terminate this Agreement for cause. SRC's remedies under this Section 13.4 are in addition to and not in lieu of any and all other legal and equitable remedies available to SRC upon LE's breach of this Agreement.

13.5 **Effect of Termination.** Upon expiration or termination of this Agreement, each Party shall immediately pay all amounts owed to the other Party.

13.6 **Wind-Down Activities.** Prior to expiration and upon notice of termination of this Agreement, or the lease for any LE Shop location, SRC shall, at LE's expense, (collectively, the "Wind-down Activities"): (a) perform an orderly removal of fixtures, LE property, and Merchandise from the LE Shop; (b) leave the LE Shop area in a "broom clean" condition; and (c) pack and ship LE Merchandise, property, and fixtures to LE; provided that if LE has not paid all amounts due under this Agreement and the Ancillary Agreements, SRC may liquidate such LE property and apply the proceeds to amounts due SRC and its Affiliates under such agreements. LE must maintain an adequate stock of Merchandise through the expiration or termination of the location. If LE fails to maintain an adequate stock of Merchandise through the expiration or

termination of a location, SRC shall be entitled to utilize unused space, including LE fixtures, at SRC's sole discretion. For clarity, the parties note that this Agreement shall remain in effect, notwithstanding any such termination or expiration, of the underlying Lease for the duration of the Wind-down Activities; provided that SRC shall not be obligated to provide any Services other than the Wind-down Activities during such time with respect to such LE Shop. LE must provide SRC sufficient notice to allow SRC to complete the Wind-Down Activities during the term of the Lease applicable to each LE Shop; LE shall be solely responsible for all hold-over rent and other costs incurred as a result of such Wind-Down Activities not being completed during the normal term of the applicable Lease.

14. MISCELLANEOUS.

14.1 **Third Party Agreements.** The Parties anticipate that SRC will be relying upon its and its Affiliates existing agreements with third parties (including the Shared Agreements) to provide certain of the Services described herein ("**Third Party Agreements**") and that the Parties have assumed that SRC's and/or its Affiliates' counterparty under each such Third Party Agreement (the "**Third Party Vendor**") will permit SRC and/or its Affiliates to procure goods, services and/or license software, as applicable under such Third Party Agreement, on behalf of LE, at no additional cost, as if LE were an affiliate of SRC and/or its Affiliates under such Third Party Agreement. If: (a) SRCs or its Affiliates' costs, fees, or expenses increase under the terms of such Third Party Agreements, or (b) the Third Party Vendor demands or is entitled to additional costs, fees, or expenses now or in the future, as a result of LE receiving benefits under such Agreement, then, in addition to all other amounts due hereunder, LE shall be liable for its proportionate share of all increased amounts under subsection (a) and all of the increased amounts under subsection (b), in each case as such amounts are determined by SRC in Good Faith. SRC will notify LE once it learns of any increased amounts due under the immediately foregoing sentence, and will work with the Third Party Vendor to try to mitigate such cost increase. To the extent any such Third Party Agreement includes early termination fees (or similar charges, "**Termination Fees**"), LE will be solely responsible for any such Termination Fees SRC or its Affiliates incur as a result of the Separation of LE and/or LE ceasing to use the Services under this Agreement.

14.2 **Computer Access.** If either Party, its Affiliates or its Personnel are given access, whether on-site or through remote facilities, to any communications, computer, or electronic data storage systems of the other Party, its Affiliates or its Personnel (each an "**Electronic Resource**"), in connection with this Agreement, then the Party on behalf of whom such access is given will ensure that its Personnel's use of such access shall be solely limited to performance or exercise of, such Party's duties and rights under this Agreement, and that such Personnel will not attempt to access any Electronic Resource other than those specifically required for the performance of such duties and/or exercise of such rights. The Party given access will limit such access to those of its and its Affiliates' Personnel who need to have such access in connection with this Agreement, will advise the other Party in writing of the name of each of such Personnel who will be granted such access, and will strictly follow all security rules and procedures for use of such Electronic Resources. All user identification numbers and passwords disclosed to a Party's Personnel and any information obtained by such Party's Personnel as a result of its access to, and use of the other Party's, its Affiliates' or its Personnel's Electronic Resources will be deemed to be, and will be treated as, Confidential Information of the Party on behalf of whom such access

is granted. Each Party will reasonably cooperate with the other Party in the investigation of any apparent unauthorized access by the other Party, its Affiliates, or its Personnel to any Electronic Resources or unauthorized release of Confidential Information. Each Party will promptly notify the other Party of any actual or suspected unauthorized access or disclosure of any Electronic Resource of the other Party, its Affiliates, or its Personnel.

14.3 **Amendment; No Waiver**. The terms, covenants and conditions of this Agreement may be amended, modified or waived only by a written instrument signed by both Parties, or in the event of a waiver, by the Party waiving such compliance. Any Party's failure at any time to require performance of any provision will not affect that Party's right to enforce that or any other provision at a later date. No waiver of any condition or breach of any provision, term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances will be deemed to be or construed as a further or continuing waiver of that or any other condition or of the breach of that or another provision, term or covenant of this Agreement.

14.4 **Assignment.** LE may not assign its rights or obligations under this Agreement without the prior written consent of SRC, which consent may be withheld in SRC's absolute discretion. A Stockholding Change will constitute an assignment of this Agreement by LE for which assignment SRC's prior written consent will be required. SRC may freely assign its rights and obligations under this Agreement to any of its Affiliates without the prior consent of LE; provided that any such assignment will not relieve SHMC of its obligations and liabilities hereunder. This Agreement will be binding on, and will inure to the benefit of, the permitted successors and assigns of the Parties.

14.5 **Notices.** All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement must be in writing and will be deemed to have been duly given (i) when delivered by hand, (ii) three (3) Business Days after it is mailed, certified or registered mail, return receipt requested, with postage prepaid, (iii) on the same Business Day when sent by facsimile or electronic mail (return receipt requested) if the transmission is completed before 5:00 p.m. recipient's time, or one (1) Business Day after the facsimile or email is sent, if the transmission is completed on or after 5:00 p.m. recipient's time or (iv) one (1) Business Day after it is sent by Express Mail, Federal Express or other courier service specifying same day or next day delivery, as follows (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 14.5):

If to SRC, to:

Sears, Roebuck and Co.
3333 Beverly Road – Mailstop AC-363A-A
Hoffman Estates, Illinois 60179
Attn.: Jim Ferguson
Facsimile: (847) 286-1024
Email: Jim.Ferguson@searshc.com

With a Copy To:

Sears Holdings Corporation
3333 Beverly Road - Mailstop B6-210B
Hoffman Estates, Illinois 60179
Attn.: General Counsel
Facsimile: (847) 286-2471
Email: Dane.Drobny@searshc.com

If to LE, to:

Lands' End, Inc.
5 Lands' End Lane
Dodgeville, Wisconsin 53595
Attn.: SVP Retail
Facsimile: 608-935-6550
Email: marla.ryan@landsend.com

With a Copy To:

Lands' End
5 Lands' End Lane
Dodgeville, Wisconsin 53595
Attn.: General Counsel
Facsimile: 608-935-6550
Email: Karl.Dahlen@landsend.com

14.6 **Publicity.** All publicity regarding this Agreement is subject to Section 14.5 (Public Announcements) of the Separation Agreement.

14.7 **No Third Party Rights.** Except for the indemnification rights under this Agreement of any SHC or LE indemnitee in their respective capacities as such, this Agreement is intended to be solely for the benefit of the Parties and is not intended to confer any benefits upon, or create any rights in favor of, any person other than the Parties.

14.8 **Severability.** If any provision of this Agreement is declared by any court of competent jurisdiction to be illegal, invalid, void or unenforceable, such provision will (to the extent permitted under Applicable Law) be construed by modifying or limiting it so as to be legal, valid and enforceable to the maximum extent compatible with Applicable Law, and all other provisions of this Agreement will not be affected and will remain in full force and effect.

14.9 **Entire Agreement.** This Agreement (including the Exhibits, Appendixes and Schedules hereto) constitutes the entire agreement between the Parties hereto and supersedes all prior agreements and understandings, oral and written, between the Parties hereto with respect to the subject matter hereof.

14.10 **Equitable Relief.** Each Party acknowledges that any breach by a Party of Section 3 (Use of Marks and Advertising), Section 8.3 (Ownership of Data and other Assets), Section 9 (Confidential Information) or Section 14.2 (Computer Access) of this Agreement may cause the non-breaching Party and its Affiliates irreparable harm for which the non-breaching Party and its Affiliates have no adequate remedies at law. Accordingly, in the event of any actual or threatened default in, or breach of the foregoing provisions, each Party and its Affiliates are entitled to seek equitable relief, including specific performance, and injunctive relief; in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. A Party seeking such equitable relief is not obligated to comply with Section 14.7 (Dispute Resolution) and may seek such relief regardless of any cure rights for such actual or threatened breach. Each Party waives all claims for damages by reason of the wrongful issuance of an injunction and acknowledges that its only remedy in that case is the dissolution of that injunction. Any requirements for the securing or posting of any bond with such remedy are waived.

14.11 **Force Majeure.** Neither Party will be responsible to the other for any delay in or failure of performance of its obligations under this Agreement, to the extent such delay or failure is attributable to any act of God, act of terrorism, fire, accident, war, embargo or other governmental act, or riot; provided, however, that the Party affected thereby gives the other Party prompt written notice of the occurrence of any event which is likely to cause (or has caused) any delay or failure setting forth its best estimate of the length of any delay and any possibility that it will be unable to resume performance; provided, further, that said affected Party will use its commercially reasonable efforts to expeditiously overcome the effects of that event and resume performance.

14.12 **Fair Construction.** This Agreement will be deemed to be the joint work product of the Parties without regard to the identity of the draftsman, and any rule of construction that a document will be interpreted or construed against the drafting Party will not be applicable.

14.13 **No Agency.** Nothing in this Agreement creates a relationship of agency, partnership, or employer/employee between SRC and LE and it is the intent and desire of the Parties that the relationship be and be construed as that of independent contracting parties and not as agents, partners, joint venturers or a relationship of employer/employee.

14.14 **Construction and Interpretation.** In this Agreement (1) “include,” “includes,” and “including” are inclusive and mean, respectively, “include without limitation,” “includes without limitation,” and “including without limitation,” (2) “or” is disjunctive but not necessarily exclusive, (3) “will” and “shall” expresses an imperative, an obligation, and a requirement, (4) numbered “Section” references refer to sections of this Agreement unless otherwise specified, (5) section headings are for convenience only and will have no interpretive value, (6) unless otherwise indicated all references to a number of days mean calendar (and not business) days and all references to months or years mean calendar months or years, (7) references to \$ or Dollars mean U.S. Dollars, and (8) hereof,” “herein” and “herewith” and words of similar import, unless otherwise stated, shall be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement.

14.15 **Condition Precedent to the Effectiveness of this Agreement.** This Agreement will not become effective until it has been approved by the Audit Committee of the SHC Board.

14.16 **Dispute Resolution.** Except as provided for in Section 14.11 (Equitable Relief), all Disputes related to this Agreement are subject to Article XI (Dispute Resolution) of the Separation Agreement.

14.17 **Governing Law; Jurisdiction.**

(a) **Governing Law.** This Agreement (and all claims, controversies or causes of action, whether in contract, tort or otherwise, that may be based upon, arise out of or relate to this Agreement or the negotiation, execution, termination, performance or nonperformance of this Agreement (including any claim, controversy or cause of action based upon, arising out of or relating to any representation or warranty made in or in connection with this Agreement or as an inducement to enter into this Agreement)) shall be governed by, and construed and enforced in accordance with, the federal laws of the United States, including the Lanham Act, and the internal laws of the State of Illinois, without regard to any choice or conflict of law provision or rule (whether of the State of Illinois or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Illinois. This Agreement will not be subject to any of the provisions of the United Nations Convention on Contracts for the International Sale of Goods.

(b) **Jurisdiction.** Each of the Parties hereto irrevocably agrees that all proceedings arising out of or relating to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by the other Party hereto or its successors or assigns shall be brought, heard and determined exclusively in any federal or state court sitting in Cook County, Illinois. Consistent with the preceding sentence, each of the Parties hereto hereby (a) submits to the exclusive jurisdiction of any federal or state court sitting in Cook County, Illinois for the purpose of any proceeding arising out of or relating to this Agreement or the rights and obligations arising hereunder brought by any Party hereto and (b) irrevocably waives, and agrees not to assert by way of motion, defense, counterclaim, or otherwise, in any such proceeding, any claim that it or its property is not subject personally to the jurisdiction of the above-named courts, that the proceeding is brought in an inconvenient forum, that the venue of the proceeding is improper, or that this Agreement or any of the other transactions contemplated by this Agreement may not be enforced in or by any of the above-named courts. Each Party agrees that service of process upon such party in any such action or Proceeding shall be effective if notice is given in accordance with Section 14.5.

(c) Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH OF THE PARTIES HERETO HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 14.18 (c).

14.18 **Counterparts**. This Agreement may be executed and delivered (including by facsimile or other electronic transmission (e.g., .pdf file) in counterparts, and by the Parties in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

14.19 **Survival**. Each term of this Agreement that would, by its nature, survive the termination or expiration of this Agreement will so survive, including the obligation of either Party to pay all amounts accrued hereunder and including the provisions of Section 4 (Fees), Section 8.13 (Ownership of Data and Other Assets), Section 9 (Confidentiality), Section 10.3 (Intellectual Property), Section 11 (Defense and Indemnity; Limitation of Liability), Section 14.10 (Equitable Relief), and Section 14.17 (Governing Law; Jurisdiction).

Signature Page Follows

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement effective as of the Effective Date.

LANDS' END, INC.

SEARS, ROEBUCK AND CO.

By: _____

By: _____

Name: _____

Name: _____

Its: Chief Executive Officer

Its: _____

Retail Operations Agreement – Signature Page

APPENDIX #1

GLOSSARY

The following defined terms will have the meaning ascribed to them below. Other terms are defined in the body of this Agreement. All defined terms include the singular and the plural form of such terms.

“**Affiliate**” means (solely for purposes of this Agreement and for no other purpose) (i) with respect to LE, its Subsidiaries, and (ii) with respect to SRC and its Subsidiaries; provided, however, that except where the context indicates otherwise, for purposes of this Agreement, from and after the Effective Time (1) no SHC Entity shall be deemed to be an Affiliate of any LE Entity and (2) no LE Entity shall be deemed to be an Affiliate of any SHC Entity.

“**Ancillary Agreements**” has the meaning ascribed to it in the Separation Agreement.

“**Applicable Law**” means all applicable common law, laws, ordinances, regulations, rules, and court and administrative orders and decrees of all national, regional, state, local and other governmental units that have jurisdiction in the given circumstances.

“**Business Day**” means any day that is not a Saturday, a Sunday or any other day on which banks are required or authorized by Applicable Law to be closed in New York, New York.

“**Claims**” means, as applicable, the LE Defended Claims and the SRC Defended Claims.

“**Competitor**” has the meaning ascribed to it in the Separation Agreement.

“**Competitor Affiliates**” has the meaning ascribed to it in the Separation Agreement.

“**Cross Default Agreements**” means the Ancillary Agreements except the Co-Location and Services Agreement.

“**Dispute**” has the meaning ascribed to it in the Separation Agreement.

“**Good Faith**” means honesty in fact and the observance of reasonable commercial standards of fair dealing in accordance with Applicable Law.

“**Financial Services Agreement**” has the meaning ascribed to it in the Separation Agreement.

“**Indemnified Party**” means, as applicable, the LE Indemnified Parties and the SRC Indemnified Parties.

“Intellectual Property” has the meaning ascribed to it in the Separation Agreement.

“LE Entities” has the meaning ascribed to it in the Separation Agreement.

“LE Provided Content” means all content or information regarding Merchandise furnished by or on behalf of LE (whether in print or electronic form) in connection with the Merchandise, SRC and its affiliates websites or otherwise, including marketing and advertising materials (including joint advertisements by the Parties), promotional materials, point of sale displays, content on packaging, product development information and material, all literature, product descriptions, tags, labels, text, graphics, photographs, video and audio, installation and service instructions and training materials, owner’s manuals and service manuals.

“Merchandise” means the following: apparel, including blouses, tops, tunics, suits, blazers, jumpers, dresses, hats, jackets, jumpsuits, long and short coats, jackets, sweaters, mufflers, lingerie, scarves, ties, bow ties, collars, swimwear, skirts, jeans, slacks, shorts, short sets, exercise wear, socks, underwear, leotards, tights, leg warmers, sweatshirts, sweat pants, t-shirts, sports bras, warm-ups, sweatbands, jogging suits and body suits, and other related apparel accessories.

“Merchandise Production” means the development, design, production, manufacture, construction, assembly, packaging, tagging, labeling, shipping and invoicing of Merchandise.

“Personnel” means the officers, directors, employees, agents, suppliers, licensors, licensees, contractors, subcontractors, advisors (including attorneys, accountants, technical consultants or investment bankers) and other representatives, from time to time, of a Party and its Affiliates; provided that the Personnel of the LE Entities shall not be deemed Personnel of the SHC Entities. and the Personnel of the SHC Entities shall not be deemed Personnel of the LE Entities.

“Sears Location” shall mean the SRC store in which the LE Shop resides.

“SHC” means Sears Holdings Corporation.

“SHC Entities” has the meaning ascribed to it in the Separation Agreement.

“Subsidiaries” has the meaning ascribed to it in the Separation Agreement.

“Representatives” means Personnel, partners, shareholders, and members.

“Shared Agreements” has the meaning ascribed to it in the Separation Agreement.

“SHC Board” has the meaning ascribed to it in the Separation Agreement.

“Stockholding Change” has the meaning ascribed to it in the Separation Agreement.

“Transition Services Agreement” has the meaning ascribed to it in the Separation Agreement.

End of Appendix #1

APPENDIX #2
SERVICES AND FEES

Appendix #2

The services described in this Appendix apply only to the operation of LE Shops

<u>Service or Business Area</u>	<u>Services</u>	<u>Fees/Methodology For Determining Fees</u>
FINANCE & ACCOUNTING		
Finance and Accounting Services		\$1500/month for accounting services
General Ledger	<ul style="list-style-type: none">• Compile and load general ledger information for LE Shops into Essbase financial reporting database, EIS and financial transaction databases to be used for internal reporting and analysis by LE. SRC will inform LE of any material processing errors or material data feed issues that would impact LE's financial results.• Provide LE limited read-only access to the SRC finance general ledger system to process all accounting-related activities for LE Shops Program business, including PeopleSoft GL and stand-alone Stock Ledger processing. LE will not modify or make any entries into the SRC accounting systems.	
System processing	<p>Process files and load data for the following system interfaces as they relate to the LE Shops Program business:</p> <ul style="list-style-type: none">• Purchase order processing/receipt of goods processing• Markdown processing• Receipt processing from LE• Freight transactions• Return goods processing (Central Returns Center)• Return goods process (returns to LE)• Invoice matching/vendor payment/adjustments• Inventory shrink calculations and write-offs• Miscellaneous gross margin adjustments• In-transit reconciliations• Point of Sale file processing• Payroll processing and transfers of payroll costs to LE for dedicated staffing• Marketing expense and charge outs to LE• Logistics expenses• Third-party payment fees• Insufficient funds check expenses• IT expense allocations• Other miscellaneous expenses and allocations	

Appendix #2

<u>Service or Business Area</u>	<u>Services</u>	<u>Fees/Methodology For Determining Fees</u>
Accounts payable	Process invoices that pertain to the LE Shops Program business	
POS	<ol style="list-style-type: none"> 1. POS Systems – Provide existing POS systems for LE Shops Program transactions. 2. POS offer execution. This includes creation and execution of barcodes, offers at POS (on receipt), and any updates to POS-based marketing functionality (e.g. offers based on market basket triggered at POS by the purchase of specific merchandise) 3. POS integration. <ol style="list-style-type: none"> a. Creation and activation of POS divisions for new LE product lines b. Creation and maintenance of POS items, including sale and special event items and price changes c. Management of coupon/bar code system for LE Shops d. Operation of POS terminal sales; cash, check, credit processing at POS e. Credit charge-back follow up 4. Layaway – SRC will continue to provide access and support for the existing layaway functionality in all retail locations. SRC will instruct its associates not to offer or support the creation of new layaway contracts after the Effective Date. 5. Employee Discounts (as this functionality existed as of the Effective Date, absent written agreement of the parties to the contrary) 	Activation of POS new divisions for LE will be charged to LE at SRC’s then-current hourly labor rate
LOSS PREVENTION	Provide inventory Services for LE Shops Business consisting of the following (service only provided upon request):	Fee for inventory services is based on the then-current third-party rates at the time of the inventory. The current rate with RGIS is \$45.06 per thousand items counted.
General Inventory Safety	<ul style="list-style-type: none"> Initial physical inventory scheduling and service provider management Physical inventory process management (data feeds to/from vendor/store/corp/) Point of contact for inventory related questions, rescheduling requests, concerns Disaster related inventory assistance 	Physical inventory counts that occur at times when the rest of the FLS store is not conducting a physical inventory count will be treated as a special request and will be charged at the negotiated cost (third party counting the inventory) plus administration fee to negotiate the special request and coordinate scheduling.

Appendix #2

<u>Service or Business Area</u>	<u>Services</u>	<u>Fees/Methodology For Determining Fees</u>
		Consecutive rescheduling requests handled at rate of then-current hourly rate (\$62/hour on Effective Date)
	Provide Technology, Merchandise Protection & Physical Security Management consisting of the following:	
	Update of merchandise protection and security tagging standards for LE Shops	
	Manage SRC third-party contractors for security guards, repairs, upgrades as needed	
	Manage burglar alarm & fire alarm systems maintenance agreement and facilitate needed repairs	
	Manage electronic article surveillance systems maintenance and facilitate needed repairs	
	Provide Closed Circuit TV consultation & solutions for new store construction, existing site improvements/retrofits	Closed Circuit TV services charged at then-current hourly rate (\$55/hour on Effective Date)
	Provide Crisis & Emergency Management Services (as needed)	
	Weather monitoring and notification Services	
	Crisis response and planning Services	Consultative services charged at then-current hourly rate (\$65/hour on Effective Date)
	Provide risk assessment models and mitigation strategies	
	Manage public sector partnerships (FEMA/Department of Homeland Security)	
	Critical incident reporting and management system	

Appendix #2

<u>Service or Business Area</u>	<u>Services</u>	<u>Fees/Methodology For Determining Fees</u>
	General Safety Management (as needed)	
	Access to safety, health, and HAZMAT shipping manuals, training and procedures	
	Regulatory agency issue management	
	Core safety processes development and management	
	Identification and management of personal protective equipment and safety supply lists	
	Accident reporting and investigation training programs	
	Manage pest control service contract and inspections	
	Administration and management of awareness program and material	
	Management of hazardous materials	
	Critical Safety Management. SRC will determine, in its discretion, when a SRC or third-party contractor resource is used (as needed).	At then-current hourly rate (\$62/hour on Effective Date) per SRC employee as needed for Services, third-party contractor resources at actual contractor fees
	Critical accident management (amputations, fatalities, etc.)	
	Critical Health Management (bed bugs, etc.)	
	Regulatory Agency Activity Management	
	Ongoing Safety Expenses by LE Shops businesses: SRC will determine, in its discretion, when a SRC or third-party contractor resource is used (as needed).	At then-current hourly rate (\$62/hour on Effective Date) per SRC employee as needed for Services; third-party contractor resources at actual contractor fees.
	Personal protective equipment procurement and repair	
	Associate Employee training	
	Safety Equipment Purchase	
	Fire department citation payments	
	DOT settlement payments	
	Hazmat permits and license fees	
	Miscellaneous safety purchases, fees, equipment, etc.	
	Annual fire and extinguisher inspections	

Appendix #2

Service or Business Area

Services	Fees/Methodology For Determining Fees
Provide Loss Mitigation and Resolution Services to LE Shops including but not limited to (as needed):	Any required third-party contractor resources charged to LE at actual cost
Awareness program and training material to mitigate loss exposure (limited to SRC program material, may require third-party contractor resources)	Additional cycle shrink reporting, analysis, and research charged at then-current hourly rate (\$62/hour on Effective Date)
Cycle shrink reporting	
Civil demand & restitution collection management.	
Provide loss prevention support for investigative purposes	Investigation work conduct at then-current rates (\$62/hour on Effective Date).
Background / social network investigations	
Business / owner investigations	
Theft investigation management to resolve and apprehend dishonest customers and employees	
Provide Loss Prevention (“LP”) Database Administration and LP System Support Services to LE including but not limited to (as needed):	
Case/incident management	New applications or system enhancements charged at then-current hourly rate (\$71/hour on Effective Date)
Refund management support	
Content management for LP related materials	
Management of LP audit solution	
Fraud mitigation & investigation of SRC supported e-commerce and payment systems	
Reporting and application environments for LP related content	

LE SHOPS LABOR PLANNING AND STAFFING SUPPORT (RETAIL SERVICES IN HOFFMAN ESTATES)

LE Shops Labor and Expense Planning Support Services

1. SRC enters LE provided store monthly division level sales, payroll dollars, hours and LE Manager headcount into the Retail Services Store Plan systems and ultimately SRC Financial Systems. LE submits a file providing this data by store by month to SRC 3 days before SRC store plans lock.
2. SRC develops store financial and staffing plans to enable processing of LE catalog returns through backroom team.
3. SRC calculates LE store associate benefits expense
4. Store Plan revisions due to LE Shops staffing change decisions will be processed within 10 working days in order to enable best possible weekly labor demand/initial schedules (WFM or Workforce Management scheduling system)

Appendix #2

Service or Business Area

Services

**Fees/Methodology For
Determining Fees**

Post-Annual event Store Labor or Expense Re-Plan

1. Store labor /expense plan development for LE Shops locations added during the plan year
 - a. Plans delivered by SRC within 10 business days of receipt of final sales and assumptions on a per-request basis

LE Shops Labor Scheduling Support Services

1. SRC executes monthly load of LE Shops sales and hours to store scheduling database.
2. SRC updates scheduling database configuration annually for LE Shops minimum staffing rules by store location (data provided by LE)
3. SRC calculates daily productivity targets to drive labor demand for store scheduling.
4. SRC generates volume forecast, labor demand, and initial schedules in Workforce Management scheduling system on a weekly basis
5. Ad hoc services: SRC modification of Workforce Management scheduling system to support store staffing tests, pilots and initiatives. The services that LE requests of the SRC Labor & Expense Management team will be negotiated relative to available resources, time needed, expected outcome, expected delivery date and project cost.

Staffing Support Services

1. SRC develops and manages a Staffing Guide indicating headcount needs for the Designated SRC Stores each month
2. SRC modifies Staffing Guide to support staffing tests, pilots and initiatives as agreed between LE and SRC.

Labor data reporting and requests/reporting

1. SRC will provide the following reporting:
 - a. 2nd Monday following fiscal month end national level store labor billing recaps are prepared and sent to members of the LE Dodgeville team
 - b. Weekly forecast data exported from scheduling system, excel file emailed to LE Dodgeville
 - c. Weekly LE (Dedicated staffing) Dollars/Hours spent by store exported from payroll system data, excel file emailed to LE Dodgeville
 - d. Weekly a file is created and made available on a shared drive to the LE team (current contact is Timothy.Schell@Landsend.com). The file will contain

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Service or Business Area

Services

Fees/Methodology For Determining Fees

info for every FLS store that sells LE: "Plan Hours", "System Forecast Hours," "Manager Forecast Hours," "Under LRQ Scheduled Hours," "Under LRQ Actual Hours," "Actual Hours," "Training Hours," "Scheduled Hours."

e. Weekly a file is created and made available on a shared drive to the LE team (current contact is BillySands@Landsend.com). The file will contain "Plan Hours," "System Forecast Hours," "Manager Forecast Hours," "Scheduled Hours."

2. Ad hoc services: LE periodically requests ad-hoc data from the SRC Labor Planning Team and/or SRC Labor Management (WFM) team. Such requests have included actual vs. scheduled hours by day for a particular store or group of stores, % of LE Shop transactions that flow through a particular register vs. non-LE Shop transactions. The services that LE requests of the SRC Labor & Expense Management team will be negotiated relative to available resources, time needed, project scope, expected delivery date and project cost.

Store Associate Commission/Incentive Calculations

1. SRC will provide the following calculations:
 - a. Daily – LE FDA Program - as part of scheduled production processing, LE FDAs are calculated on prior day's qualifying sales/returns received via SRC POS/LCI data feed. At the end of the morning process, the FDA sales/calculations are displayed on the Associate Commission Portal at Associate/Transaction level, viewable by the associate and store managers/human resources.
 - b. Weekly – LE FDA Program - (Sunday night, and if necessary for late reporting stores, Monday Morning), LE FDA calculations (combined with all other FDA calculations), by associate, are passed to the Peoplesoft Payroll system for inclusion in the next scheduled paycheck. Monday afternoon, an excel spreadsheet, reporting the prior week's LE \$3-for-3 payouts, is sent via email to specified individuals at LE Dodgeville
 - c. Daily – LE Direct - a file is received from LE, normally by 7:00am. The file contains SHIPPED, RETURN and BACKORDER status transactions. LE Direct FDAs are filtered and calculated on prior day's sales/return. Calculation is dependent on data sent from LE team in Dodgeville. At the end of the morning process, the FDA sales/calculations are displayed on the Associate Commission Portal at Associate/Transaction level, viewable by the associate. Backorder status is also displayed to the associate.

Appendix #2

Service or Business Area	Services	Fees/Methodology For Determining Fees
STORE LEVEL LABOR STAFFING SUPPORT (SEARS FULL LINE STORE LOCATIONS)	2. Additional services available on a per-request basis. An example would be the LE "Save a Sale" Program (scheduled to end 2/2/2014). Any incremental commission/incentive services that LE requests of the SRC Labor & Expense Management team must be received at least 3 weeks prior to potential start date and will be negotiated relative to available resources, time needed, project scope, expected delivery date and project costs.	
	"As Requested" Services	
RETAIL SERVICES	1. Additional services as mutually agreed upon in writing by the Parties. Each additional service priced individually based on mutually agreed-upon scope of work and requested delivery time	
	Human Resources support	
	1. Recruiting/onboarding of store associates 2. Processing of associate unemployment claims 3. Processing/review of workers' compensation charges 4. Train new hire on store practices, including use of POS terminals 5. Performance appraisals/reviews	
	Signing	
	When requested by LE, SRC receives department and promotional signage from LE associates and will install within LE Shops consistent with the parties' past practices.	
	Housekeeping services	
	SRC shall provide routine janitorial service in the LE Shops, consistent with the janitorial services regularly performed in the Designated SRC Store.	
Customer complaint resolution		
Execute existing customer complaint resolution process		
SRC/LE Communications		
1. Facilitate communication of SRC store-wide events to LE Shop associates 2. Facilitate communication of LE programs and events to SRC merchants and store associates		
Commissions Expense		
Pay commissions/incentives to store associates for LE Shop merchandise or services sold.	Actual cost based on commissions/incentives paid to store associates for LE Shop sales (2013 forecasted costs at this methodology: \$12,875)	

Appendix #2

<u>Service or Business Area</u>	<u>Services</u>	<u>Fees/Methodology For Determining Fees</u>
<p>*Staffing levels determined pursuant to Retail Operations Agreement. Staffing levels as of Effective Date are identified on Schedule A attached hereto.</p>	<p>*Dedicated Consultative Selling Associates - Lands' End LE Shop-specific sales, member assistance, sales floor merchandising, and replenishment, merchandising adjacency moves within the LE Shop space, and all LE Shop merchandise pricing tagging/signing activity (promotional, clearance, etc.) LES agrees to ensure that each shop is staffed with at least one associate available to assist members in every hour the store is open. Requests to deviate from this standard must be agreed to in advance by both parties. SRC will consult LE regarding rates to be paid to the Dedicated LE Associate, but SRC will determine in its sole discretion the rates paid to the Dedicated LE Associate.</p>	<p>Actual cost based on associates' Peoplesoft department - direct charge to business (2013 forecasted costs at this methodology: \$24,617,036)</p>
	<p>*Assistant Store Manager – Apparel Manage the LE Shop business in the store and lead/train associates in the department in stores with no dedicated LE salaried manager</p>	<p>Billed using the following formula: (Actual cost of Apparel Assistant Store Manager * (store level LE Sales / store level Apparel ASM Sales) = fee Apparel ASM Sales are the sales of the divisions that the Apparel ASM manages.</p>
	<p>*Assistant Store Manager - Lands' End Dedicated to Management of the LE Shops Program business in the store and lead/train associates in the department. SRC will consult LE on the salary to be paid to the ASM-LE, but SRC will determine in its sole discretion the salary paid to the ASM-LE.</p>	<p>Where dedicated LE manager in place, billed direct at actual cost. (2013 forecasted costs at this methodology: \$1,580,580)</p>
	<p>Complete Reset or merchandising projects Request non-LE Shop associate assistance to complete merchandise resets (changes to how merchandise is displayed in the store or the addition or dropping of new or old product)</p>	<p>Only as requested by client and subject to store resource availability. Billed based on work hours purchased at actual cost. (2013 forecasted costs at this methodology: \$111,559)</p>
	<p>Re-Pricing (re-ticketing) Request non-LE Shop associate assistance in locating merchandise, re-locating/consolidating as required, and affixing new price sticker and/or sign to each piece of merchandise and to fixture.</p>	<p>Only as requested by client and subject to store resource availability. Billed based on work hours purchased at actual cost. (2013 forecasted costs at this methodology: \$3,645)</p>

Appendix #2

<u>Service or Business Area</u>	<u>Services</u>	<u>Fees/Methodology For Determining Fees</u>
	Sales floor Replenishment – Divisional Shops only	
	Move overstock merchandise from stockroom to sales floor. Daily inspections of sales floor and replenishment/ordering of merchandise for bins/hook that are low or zero stock.	Only as requested by client and subject to store resource availability. Billed based on work hours purchased at actual cost. (2013 forecasted costs at this methodology: \$82,823)
	Receive, prep and move merchandise	
	Receive merchandise into store, Prepare merchandise for sales floor. Move all received merchandise to sales floor, move overstock back to stockroom	Individual store time standards and labor wage rates. (2013 forecasted costs at this methodology: \$912,189)
	Merchandise Pick-up service	
	Includes basic Merchandise Pick-up services, web-to-store, .com returns	Individual store time standards and labor wage rates. (2013 forecasted costs at this methodology: \$27,244)
	Remodel/startup payroll	
	Extraordinary one time payroll cost for support of major remodels by store associates outside of the dedicated LE team	Only as requested by client and subject to store resource availability. Billed at actual cost on work hours purchased.
	Benefits	
	SRC cost of payroll taxes, medical, associate personal days (vacation, holidays, illness, etc.) associated with labor devoted to support of LE Shop.	Billed using the following formula: (National LE Payroll \$ / National Total Payroll \$)*National Benefits Expense = fee. 2013 forecasted costs at this methodology: \$5,773,014)
	Workers' Comp/Return-to-Work expenses	
	SRC cost of workers' compensation claims and/or Return-to-Work expenses for dedicated LE Shop store associates (both exempt and non-exempt)	
	Assumed Receipt Receiving Policy and Procedure	
	<ol style="list-style-type: none"> 1. LE items arriving to stores through SLS deliveries will be received using standard SRC assumed receipt policy and procedure with Advanced Shipping Notice (ASN) item detail information 2. LE items arriving to stores through UPS deliveries will be received using standard SRC DC to store receiving policy and procedure with Advanced Shipping Notice (ASN) item detail information 	

Appendix #2

Service or Business Area

Services

Fees/Methodology For
Determining Fees

-
3. Inventory validation or reconciliation requests from LE which are not part of our base assumed receipt policy and procedure will be handled via a Special Project Request at Special Project rate.

Merchandise Preparation

1. Associates will identify and separate LE product from all other brands
2. Organize LE product by division and place on LE fixtures
3. Apparel items requiring to be rehung on LE wooden hangers will be prepped according to merchandise presentations standards provided by LE
4. All apparel items will be stripped of plastic, tissue and cardboard prior to being placed on the floor
5. Place EAS or ink tags on all required items according to Loss Prevention tagging guidelines. LE will approve any changes to current guidelines.

Merchandise Return Notifications (MRN)

1. Associates locate and pull all identified items associated with a MRN for further inventory and shipping processes
2. Associates will scan MRN items into the Markdown Recording System to reduce inventory and on-hand counts
3. All scanned items will be packaged and sent back to the Central Return Center (CRC) with a red label for further processing
4. MRN validation or reconciliation requests from LE which are not part of our base assumed MRN policy and procedures will be handled via a Special Project Request at Special Project rate.

Handling of LE Catalog Returns

1. Processing by Cashier (member return at POS) and Backroom team (handling/shipping of returned merchandise) associates across the Full Line Stores chain
2. Provide LE an extract of the SRC POS transfile (via NFX) of all LE return transactions
3. Should LE return volume exceed then-current levels (2,253,821 return transactions processed in Sears Full Line Stores annually) on a monthly basis (See 2013 Catalog return rates listed on Schedule B attached hereto), incremental costs will be billed to LES. Return volumes at or below the then-current levels are not billed.
4. These costs are not included as payroll in the benefit calculation

Returns handling incremental costs to be calculated at the then-current hourly rate (\$154 /1,000 at the Effective Date) for each incremental return transaction.

End of Season Mark Out of Stock (MOS)

1. LE product will be identified for end of season MOS as inventory that has not sold after establish end of season markdowns

Appendix #2

<u>Service or Business Area</u>	<u>Services</u>	<u>Fees/Methodology For Determining Fees</u>
Detail control center	Detail Control Center POS Transaction Processing	
	<ol style="list-style-type: none"> 2. Unsold inventory will be marked down to zero dollars through the standard Price Change Notice process 3. Dedicated LE associates will be responsible for removing zero value items from the sales floor and stage for backroom processing 4. Backroom associates will package and sent all zero value items back to the Central Return Center (CRC) with a yellow label for further reverse flow processing 	
Check Processing Expenses	SHMC incurs check guarantee expense. LES will be charged monthly for check acceptance costs based on SHMC check expense.	Rate based on balance of check sales by Business Unit (2013 forecasted charge on this methodology: \$22,813)
Business Licenses	SRC will obtain any business licenses on behalf of LE upon request	Actual cost
New Store Opening/PMM Support	As needed, LE may require SRC/PMM support to open new store locations. These services will be provided on an "as needed" basis.	Fees to be negotiated at time of service request.
LOGISTICS & DISTRIBUTION		
Transportation	<p>1. <u>Domestic Transportation:</u></p> <ul style="list-style-type: none"> • Receipt of replenishment shipments via UPS (charged to LE) • SRC transports goods from its distribution centers to stores. This service includes: • Contracting for domestic inbound/outbound transportation through a sequential combinatorial bid process using historical lane volumes and store clusters. Lanes awards to carriers take into account the least cost alternative that meets the service requirements • Managing flow of merchandise from DC to all LE Shop locations • Establishing store delivery schedules from DC's to LE Shop based on historical volumes. 	<p>Transportation Services: Freight Charges will be passed through to LE at actual cost.</p> <p>Ad Hoc Services \$50 per man hour</p> <p>Fee Adjustments: On each anniversary of the Effective Date of this Agreement, LE's fees are subject to an annual adjustment per SRC's cost structure.</p>

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<u>Service or Business Area</u>	<u>Services</u>	<u>Fees/Methodology For Determining Fees</u>
		<p>Freight Cost Allocation: SRC will allocate freight costs to LE as follows: The total transportation cost of each shipment is allocated to LE based on the percentage of each LE destination's shipping volume to the total volume shipped in that transport.</p> <p>Rates and costs are subject to change based on rate negotiations with SRC's carriers' as outlined in the carrier contracts and as warranted by changing market conditions.</p>
	<p>2. <u>Inbound Vendor Cross Docking</u></p>	<p>Current Fixed (Monthly): \$32,600</p>
	<ul style="list-style-type: none"> • SRC will provide cross-dock access into the Designated Company Stores. • Cross dock cartons by 2 forms: <ol style="list-style-type: none"> 1. Cross dock Inbound Vendor cartons from upstream DCs and move cartons to stores while providing systemic information of contents (JIT, RIM Flow and Central Stocking processes) 2. Cross dock Vendor Direct to Store cartons via servicing RRC (EMP Expedited Merchandise Process) <ol style="list-style-type: none"> a. RRC acknowledges the carton ID (no receipt) as arrived at RRC and ships out on next store delivery b. RRC passes vendor provided information via ASN to store. Store receipt triggers payment to vendor. • Move cross dock cartons to stores on next outbound delivery. DCs do not stock cross dock product 	<p>Variable Handling: based on receipt and disbursement volume and vary by flowpath (e.g., automatic cross-dock). Rate at actual cost.</p> <p>Variable Handling: based on receipt and disbursement volume and vary by flowpath (e.g., automatic cross-dock). Rate at actual cost.</p>
	<p>2014 Full RRC Rate Table:</p>	<p>ACD rate: \$0.20/ctn</p>

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<u>Service or Business Area</u>	<u>Services</u>	<u>Fees/Methodology For Determining Fees</u>
Crossdock Warehouse Distribution	<p>1. <u>Special Project Requests</u></p> <ul style="list-style-type: none"> • Special requests for non-standard services, such as re-ticketing or re-cartonization, will be charged to LE on a per-project basis. • Special Project Requests shall be billed at Special Project rate. • All Special Project Requests will be handled through SRC assigned Manager of Supply Chain Operations for LE and through the SRC Director of Return Logistics for LE <p>2. <u>Disposition of Unsalable, Defective and Obsolete Goods</u></p> <ul style="list-style-type: none"> • Process DC returns to Vendor via RA procedures (Return Authorization) • Provide liquidation service (sell to salvager, destroy/deface and dispose) per LE direction • Manage the liquidation of damaged merchandise (assigned to damage bin) per LE guidelines • SRC manages store liquidation recoveries such as Store RA flowing via SRC's reverse logistics network. • Salvage revenue is derived from recovery of salvageable merchandise. Rate is set by BU in accordance with our agreement with third party(s). 	<p>Fixed: LE will be billed fixed amount set annually based upon previous year's DC handling expenses attributed to LE.</p> <p>LE will be charged variable handling rates for RRC services for merchandise shipped directly from an RRC to a LE store, if that service is requested at a rate of actual cost.</p> <p>Rate & Fee Adjustments: On each anniversary of the Effective Date of this Agreement, LE's rates and fees are subject to an annual adjustment per SRC's cost structure.</p> <p>Special product rate to be negotiated by the parties on a project-by-project basis.</p> <p>CRC handling services are billed on a per scan basis. Rate at actual cost.</p> <p>Transportation rates are based on the average size of the item and charged per scan. LE is assigned a rate based on the average cube per selling unit.</p>

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<u>Service or Business Area</u>	<u>Services</u>	<u>Fees/Methodology For Determining Fees</u>
		<p>Fixed rate set at beginning of year based on prior year actual fixed costs attributed to LE. Fixed charges represent the portion of the CRC expense that does not vary with volume.</p> <p>2014 CRC Rates are as follows: CRC Handling: \$0.349/scan Transportation: \$0.130/scan Supplies: \$0.068/Scan Fixed (Monthly): \$16,611 Salvage Revenue: passed through based upon actual receipt.</p>
	<p>3. <u>Logistics Administrative Services</u></p> <ul style="list-style-type: none"> • Customer Service <ul style="list-style-type: none"> ❖ SRC will assign a Manager of Supply Chain Operations (MSCO) to act as single point of contact for LE. The following services are included: <ul style="list-style-type: none"> • Works with business on new initiatives and defining new requirements • Provides escalation support for day-to-day activities • Work on behalf of LE Shops: <ul style="list-style-type: none"> • For claims – Overs/Shorts/Damages (OS & Ds) • Return Logistics (Central Return Centers) <ul style="list-style-type: none"> • Manage all Vendor return and product liquidation processes/agreements 	
	<p>4. <u>Inventory Management</u></p> <p>SRC will assist with the resolution if inventory management issues, including the following:</p> <ul style="list-style-type: none"> • No ASN found • All ASN's sent to one store; product sent to correct store • All ASN's sent to correct store, product sent to wrong store 	
	<p>5. <u>Returns:</u></p> <p>Return, stock balancing/redeploy events at LE's request</p>	<p>If LE requests this service, the parties will negotiate and agree</p>

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<u>Service or Business Area</u>	<u>Services</u>	<u>Fees/Methodology For Determining Fees</u>
	<ul style="list-style-type: none"> • SRC removes product from inventory • SRC ships to CRC 	to the cost in writing per Section 1.1(f) of the Retail Operations Agreement prior to the performance of the service.
	<p>6. Finance Support:</p> <ul style="list-style-type: none"> • SRC pays transportation-related invoices and freight bills and subsequently allocates that expense to LE • SRC creates reports for internal LE accounting purposes • SRC provides a third-party transportation claims processing module with the following functionality: <ol style="list-style-type: none"> 1. Creation of claims against transportation carriers 2. Monitor offset of claims receivables against FOB payable 3. Implement routine and necessary collection efforts 4. Exercise hold payment if necessary 5. Resolve disputes • Provide third-party post-audit on all small package transactions <ul style="list-style-type: none"> • Create journal entries based on transactional data 	Transportation-related invoices and freight bills charged at actual cost.

IT SERVICES

Service or Business Area

Information Analytics & Innovation

File Exchanges

SRC will continue to prepare and transmit the file exchanges detailed in the attached Schedule C (File Exchanges). Four files are large data extracts from the SRC CDW (Customer Data Warehouse) and fees associated with provision of these files are based on CPU (Central Processing Unit) consumption:

- letxnext.txt
- leitmtext.txt

\$4,600.00/month Subject to increase or decrease based on CPU consumption.

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<u>Service or Business Area</u>	Services	Fees/Methodology For Determining Fees
	- lemkdntext.txt	
	- lemethtext.txt	
	There are a limited number of system IDs that are used to transmit and receive these file exchanges. The CPU consumption associated with these system IDs and application platforms are used to arrive at the pricing.	
Daily Sales Flash Report	SRC creates and sends daily LE Sales Flash Report to LE Executives via email distribution list	
LE Kiosks	Provide maintenance and support service for the in-store Lands End kiosks which include 59 kiosks implemented in 2013 and 307 new kiosks to be deployed in early 2014. All kiosks will utilize the Windows 7 operating system and were purchased with a 3 year warranty from the manufacturer.	
Support Services -	The maintenance and support service will include physical hardware maintenance (which relies upon the 3 year hardware warranty), in-store support as well as Level 2 and 3 support, software distribution, rebuilds, issue resolution and anti-virus protection. Level 2 Support includes complex problem determination activities, problem isolation, circumvention support, problem resolution, fix testing and delivery, and the analysis of performance-related problems. Level 3 Support includes the activities described as Level 2 plus appropriate engagement with applicable third-party hardware, software and/or service providers. LE will be liable for any increased costs resulting from units not being under a manufacturer's warranty.	

Appendix #2

<u>Service or Business Area</u>	<u>Services</u>				<u>Fees/Methodology For Determining Fees</u>
	<u>Quantity</u>	<u>Monthly Rate</u>	<u>Monthly Expense</u>	<u>Annual Expense</u>	
Desktop Support (SHC)	366	\$ 0	\$ 0	\$ 0	\$0/month Subject to increase if the number of active in-store kiosks increase and/or version of Operating System changes and/or cost changes from service providers.
Hardware Service		\$ 0	\$ 0	\$ 0	
VDI/Cloud Access for LE Corporate					
Support Services -	Provide Virtual Desktop support for Windows XP and Cloud Infrastructure access.				\$2,422/month Subject to increase or decrease based on the number of VDI accounts active, version of Operating System and/or cost changes from service providers.
VDI Support Services	27	\$ 21.28	\$ 574.56	\$ 6,894.72	
Cloud Access		\$ 68.41	\$ 1,847.07	\$ 22,164.84	

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End of Appendix #2

APPENDIX #3

MASTER LEASE

See attached [x] page document.

End of Appendix #3

APPENDIX #4

MASTER SUB-LEASE

See attached [x] page document.

End of Appendix #4

APPENDIX #5



EFFECTIVE DATE

End of Appendix #5

APPENDIX #6

SRC MARKS

“SEARS” Trademark Applications and Registrations
(As of 02/04/14)

<u>Trademark</u>	<u>Status</u>	<u>Appln/Reg No.</u>	<u>Goods/Services</u>
sears	Registered	4,327,638	035: Retail department store services and online department store services
	Registered	2,985,558	035: Retail department store services
SEARS	Registered	2,764,442	035: Retail department store services
	Registered	2,989,790	035: Retail department store services



SEARS

Registered 2,985,557 035: Retail department store services

SEARS

Registered 2,916,293 036: Financial services, namely, credit card services

Registered 2,982,911 035: Retail department store services and estimating of contracting work 039: Car rental services 041: Portrait photography 043: Travel agency services, namely, making reservations and booking for temporary lodging, restaurants and meals

Sears



Registered 3,809,026 035: Retail department store services

Registered 3,721,025 035: Retail department store services

Registered 3,711,219 035: Retail department store services

Registered 3,707,791 035: Retail department store services

SEARS

Registered 2,621,139 035: Retail department store services



Registered 2,321,954 035: Retail department store services

SEARS

Registered 1,529,006 042: Retail store and catalog services

End of Appendix #6

APPENDIX #7

LE MARKS

<u>Mark</u>	<u>Appln/Reg No.</u>	<u>Current Owner</u>	<u>Goods/Services</u>
LANDS' END	85/792,686	Lands' End Direct Merchants, Inc.	003: Body creams; Body lotions; Body sprays; Cosmetics; Fragrance emitting wicks for room fragrance; Fragrance sachets; Hair lotions; Hair shampoos and conditioners; Hair styling preparations; Nail polish; Perfume; Potpourri; Scented room sprays; Shower and bath gel; Skin soap 004: Candles
LANDS' END	1,263,612	Lands' End Direct Merchants, Inc.	018: Bags-Namely, Duffle Bags and Liners, Garment Bags for Travel, Unfitted Toilet Kits, Carry-On Bags, and Tote Bags 025: Clothing-Namely, Shirts, Shorts, Slacks, Trousers, Jackets, Belts, Robes, Ties, Swim Trunks, Skirts, Sandals, Parkas, Sweaters, Shoes, Hats, Gloves, Socks, Boots, Warmup Suits, and Raingear-Namely, Jackets, Pants, Coveralls and Hats 042: Retail Store and Mail Order Sales Services in the Fields of Wearing Apparel, Sporting Goods, Luggage, Housewares, Sailing and Camping Equipment, Personal Accessories, Weather Indicators, Stationery, and Related Items

End of Appendix #7

APPENDIX #8

SUPPLIER NOTIFICATION

[Lands' End Letterhead]

[Lands' End Vendor Business Name]
[Address]

Re: Separation of Lands' End from Sears Holdings Corporation

Dear _____,

Recently, Sears Holdings Corporation announced that Lands' End Inc. ("Lands' End") will be spun-off as a separate stand-alone company from Sears Holdings Corporation. The separation will be effective _____, 2014 (the "Separation Date"). [Vendor business name] ("you") currently manufacture for Sears, Roebuck and Co. ("Sears") merchandise bearing Lands' End trademarks. Because Lands' End will be a separate standalone business, merchandise bearing Lands' End trademarks will now be purchased solely by Lands' End and Sears will no longer have any financial responsibility for those purchases. POs issued prior to the Separation Date are not subject to this notice. You will continue to work with Sears on their fulfillment, payment and any other issues related to such POs.

If you desire to continue to manufacture merchandise for Lands' End, your company will need to create a separate account for the supply of Lands' End merchandise to Lands' End, including separate Order and Pay DUNS# for Lands' End. We would like you to complete the new documentation with Lands' End and create the DUNS #s within ten days of your receipt of this letter to facilitate the continued supply of merchandise to Lands' End.

By accepting future purchase orders for Lands' End merchandise, you agree that:

- 1) All POs accepted by you after the Separation Date will be solely between you and Lands' End, subject to and governed by the Lands' End POTC, and you will look solely to Lands' End for payment and any other recourse for issues related to such POs.
- 2) The Sears Universal Terms and Conditions into which you entered with Sears will no longer be effective with respect to, and Sears will no longer be responsible for, POs issued for Lands' End merchandise after the Separation Date.
- 3) You will look solely to Lands' End concerning such POs even though such POs may be issued in Sears name for the benefit of Lands' End.

To facilitate uninterrupted business for Lands' End, Sears and Lands' End have entered into an agreement by which Sears will continue to provide certain merchandise ordering services to Lands' End. Sears will be operating as agent for Lands' End for the issuance of POs after the Separation Date, and you will continue to work with the same business contacts at Sears and Lands' End as you did prior to the Separation Date. POs for Lands' End will be specifically identified as either from Lands' End or for its benefit.

We appreciate your prompt response to this notice and look forward to a successful continued business relationship.

Yours Truly,

End of Appendix #8

APPENDIX #9

CONTACT PERSONS

SRC Contact Person:

Sandra Stone
Sears Holdings Management Corporation
3333 Beverly Road
Hoffman Estates, IL 60179
Mailstop: AC-209A-A
(847) 286-8023
sandra.stone@searshc.com

LE Contact Person:

Marla Ryan
5 Lands' End Lane
Dodgeville, Wisconsin 53595
608-935-4198
marla.ryan@landsend.com

End of Appendix #9

This FINANCIAL SERVICES AGREEMENT (the “**Agreement**”) is entered into by and between LANDS’ END, INC., a Delaware corporation (“**LE**”), and SEARS HOLDINGS MANAGEMENT CORPORATION, a Delaware corporation (“**SHMC**”), as of _____, 2014 (the “**Effective Date**”). SHMC and LE each are sometimes referred to as a “**Party**” and together sometimes are referred to as the “**Parties**.”

Recitals

WHEREAS, the board of directors of Sears Holdings Corporation, a Delaware corporation (“**SHC**”), has determined that it is in the best interests of SHC and its stockholders to separate the LE business from the rest of SHC (the “**Separation**”);

WHEREAS, prior to the Separation, the LE Receiving Parties (as defined below) received and, following the completion of the Separation, will continue to receive certain credit card processing and other financial services as described herein and subject to the terms hereof; and

WHEREAS, the LE Receiving Parties desire to continue to receive the Services following the Separation, and SHMC is willing to continue to provide the Services.

NOW THEREFORE, for good and valuable consideration, the receipt, adequacy and sufficiency of which SHMC and LE acknowledge, SHMC and LE agree as follows:

Terms and Conditions

1. PROVISION OF SERVICES

1.1 **Card Processing.** Subject to Section 5.1 and the terms and conditions of the Processing Agreements, SHMC shall provide to LE and for so long as they remain wholly owned subsidiaries of LE, to Land’s End Direct Merchants, Inc. and Land’s End Europe Limited (together with LE, the “**LE Receiving Parties**”), and to no other Affiliates of LE, payment card processing services (the “**Services**”) for those consumer credit cards, debit cards, pre-paid access cards and private label credit cards (collectively, the “**Cards**”) that are accepted by all retail businesses operated by Sears, Roebuck and Co. and Kmart Corporation, including Sears stores and Kmart stores, Sears.com, Kmart.com and all other retail businesses operated by all current and future electronic means, channels, processes and methods, including via the Internet (collectively, the “**SHMC Locations**”) for payment of products and services, pursuant to the Card processing agreements between SHMC on the one hand, and one or more third parties, on the other hand as set forth on Appendix #1 and in effect as of the Effective Date (together with the merchant operating regulations for all such agreements, and as they may be amended, modified or waived from time to time, the “**Processing Agreements**”). SHMC may, in its sole discretion, add, remove or change the Cards accepted at any or all of the SHMC Locations or enter into new or amended Processing Agreements, and any and all such changes shall be immediately binding on the LE Receiving Parties without prior notice. SHMC shall not be obligated to provide any Services or any other benefits to any LE Receiving Party that are not provided for under the Processing Agreements.

1.2 Gift Card Issuance and Redemption. The Parties agree and acknowledge that all matters relating to the issuance and acceptance of LE-, Sears- and Kmart-branded gift cards shall be governed exclusively by that certain Gift Card Services Agreement in effect as of the Effective Date by and between SHC Promotions, LLC, formerly SHC Promotions, Inc., a Virginia corporation, and LE, as amended from time to time (provided that, subject to the terms of such agreement, all matters relating to the indemnification rights and obligations of the parties to such agreement shall be governed by that certain Separation and Distribution Agreement by and between SHC and LE, dated as of [✕], 2014 (the “**Separation Agreement**”).

1.3 Layaway Program. SHMC acknowledges that neither LE nor its Affiliates wish to have LE merchandise made available for or eligible to participate in the program managed by SHMC under which customers make periodic payments on merchandise they wish to purchase but take possession of the merchandise only when all payments have been made (the “**layaway program**”) or any similar successor program. SHMC agrees to use commercially reasonable efforts to prevent LE merchandise from being sold at the SHMC Locations through the layaway program. Notwithstanding the foregoing, LE acknowledges that no practical systematic method exists at SHMC Locations to exclude LE merchandise from the layaway program and that some LE merchandise may inadvertently be sold through the layaway program. In the event that LE merchandise is sold through the SHMC layaway program, LE shall be paid the amount provided for any such LE merchandise under the applicable layaway contract only when the full amount has been received by SHMC under such layaway contract. In the event that a customer purchasing LE merchandise pursuant to a layaway contract cancels such purchase, defaults on the payments or otherwise fails to pay for such merchandise in full, LE shall not be entitled any payment from SHMC or its Affiliates with respect to such merchandise, including with respect to any partial payments already made. LE merchandise subject to cancelled or defaulted layaway contracts shall be returned to stock at the SHMC Location that initiated the layaway contract. In the event that LE merchandise is sold through the SHMC layaway program, no fee shall be payable by LE to SHMC for layaway handling and LE shall receive no service fees paid by any layaway customer. All such service fees shall be retained by SHMC.

1.4 Leasing Program Excluded. Neither SHMC nor any of its Affiliates shall provide any product leasing program to LE or any of its Affiliates, and LE and its Affiliates shall not participate in any product leasing program offered by SHMC or its Affiliates, including the product leasing program offered by SHMC through a third party as of the Effective Time at certain SHMC Locations.

2. **TERM AND TERMINATION**

2.1 Term. This Agreement shall be effective on the Effective Date and remain in effect until terminated by either of the Parties as set forth in Sections 2.2 through 2.6 of this Agreement.

2.2 Termination for Convenience. Subject to Sections 2.3 and 2.6, either Party, upon not less than forty-five (45) days’ prior written notice to the other Party, may terminate this Agreement or any individual Service provided hereunder. Notwithstanding the foregoing, in the event that SHMC provides LE with a notice of termination pursuant to this Section 2.2, such termination shall become effective on the earlier of (i) the date on which LE’s ability to process

under the relevant Processing Agreement is terminated by the processor, (ii) the date on which LE transitions the relevant credit and/or debit card processing to an alternate provider, or (iii) one (1) year from the date that a notice of termination was provided by SHMC to LE. The termination rights set for in this Section 2.2 are in addition to, and not in replacement of, any other termination rights set forth in this Agreement.

2.3 Termination Based on Processing Agreements. Notwithstanding anything in this Agreement to the contrary, but subject to Section 2.6, SHMC may, in its sole discretion, terminate, stop, delay or otherwise modify all or any portion of the Services related to credit card or debit card processing immediately, and without incurring any liability to the LE Receiving Parties under this Agreement or otherwise, in the event that (i) any of the applicable credit or debit card issuers or processors from whom SHMC obtains such Services determines, after consultation with SHMC, that any of the LE Receiving Parties are not entitled to process credit or debit payments under a particular Processing Agreement, or (ii) any of the LE Receiving Parties has breached or is alleged by the applicable third-party issuer or payment processor to have breached any of the provisions of the Processing Agreements. To the extent reasonably practicable under the circumstances, SHMC shall provide at least thirty (30) days prior written notice of any termination, stoppage, delay or modification of the Services pursuant to this Section 2.3. For purposes of this Agreement, the determination of such applicable third-party payment processor regarding the rights of any of the LE Receiving Parties to receive Services under the applicable Processing Agreement shall be deemed conclusive and final and the LE Receiving Parties shall not be entitled to challenge such determination in any manner whatsoever.

2.4 Termination for Cause. Subject to Section 2.6 and the next sentence of this Section 2.4, either Party may terminate this Agreement immediately in the event of a material breach of this Agreement by the other Party; provided, that, if the breach is curable by the breaching Party, such Party shall have thirty (30) days following its receipt of written notice of the breach from the non-breaching Party to cure such breach; provided, further, that if so cured, no termination with respect to such cured breach shall occur. If the breach is not curable by the breaching Party, the non-breaching Party may immediately terminate this Agreement following the non-breaching Party's delivery of notice to the breaching Party.

2.5 Termination Upon Abandonment of Separation. Notwithstanding anything in this Agreement to the contrary, this Agreement shall terminate immediately and be of no further force or effect if the Board of Directors of SHC determines not to proceed with the Separation or the Separation is otherwise abandoned by SHC, including any termination of the Separation Agreement.

2.6 Obligations on Termination. Upon termination of this Agreement, LE shall remain obligated to pay: (i) all outstanding Fees for Services rendered and Expenses incurred through the date this Agreement is terminated in accordance with its terms, and (ii) any costs or expenses required by SHC or LE to transfer LE from one or more of the Processing Agreements to LE's own agreement, including without limitation, any computer systems updates required for SHC or LE and any purchases by LE of point-of-sale equipment or support.

3. FEES AND SETTLEMENT

3.1 SHMC Fees. As compensation for the Services provided herein, LE shall pay to SHC all fees, assessments and other charges attributable to credit and debit card processing of LE purchase transactions, as set forth in the various Processing Agreements, which fees, assessments and charges are subject to change from time to time in accordance with the Processing Agreements.

3.2 Settlement. Notwithstanding anything to the contrary in any of the Processing Agreements, SHC shall settle to LE payments from credit and debit card processing for LE purchases that SHC receives on LE's behalf under the Processing Agreements once each calendar week, in accordance with Section 4.4 of the Retail Operations Agreement by and between the Parties dated as of _____, 2014.

3.3 Rights of Recoupment, Deduction from Settlement and Setoff. Subject to the next two sentences of this Section 3.3, SHMC has the right to reduce, withhold, deduct or setoff from credit card settlement amounts otherwise due to any LE Receiving Party under this Agreement and, at SHMC's discretion, to invoice LE directly for any amounts due from any LE Receiving Party or any other liability or obligation that any LE Receiving Party may owe (i) pursuant to the Processing Agreements (including without limitation amounts due for unpaid chargebacks, returns or assessments for violations of the Processing Agreements or merchant operating regulations); or (ii) to SHMC or any of its Affiliates under this Agreement or otherwise. LE shall pay such invoices promptly upon demand. If LE does not pay such invoices within ten (10) days, SHMC shall have the right to reduce, withhold, deduct or setoff against credit card settlement amounts otherwise due to any LE Receiving Party or, if such settlement funds are insufficient, from any other payment due LE under this Agreement or any other agreement between LE or any of its Affiliates, on the one hand, and SHMC or any of its Affiliates, on the other hand.

3.4 Expenses. In addition to the Fees, LE will reimburse SHMC for all other reasonable out-of-pocket expenses actually incurred in its performance of the Services ("**Expenses**"). To the extent reasonably practicable, SHMC will provide LE with notice of such Expenses prior to incurring them. If directed by SHMC, LE will pay directly any or all third-party contractors providing Services to or for the benefit of LE.

4. COMPLIANCE WITH LAWS AND PROCESSING AGREEMENTS

4.1 Receipt of Processing Agreements. LE hereby acknowledges on behalf of itself and the other LE Receiving Parties that it has received, read and understands all provisions of the Processing Agreements, including the applicable merchant operating regulations. LE further acknowledges on behalf of itself and the other LE Receiving Parties that the merchant operating regulations may be modified by the applicable parties to the Processing Agreements from time to time.

4.2 Compliance Obligations. LE shall, and LE shall cause the other LE Receiving Parties to, comply with: (i) all laws, rules and regulations applicable to the Services, including without limitation, laws governing consumer credit, privacy and anti-money laundering; and (ii) all provisions of the Processing Agreements, including the applicable merchant operating regulations.

5. SHMC OBLIGATIONS

5.1 Standard of Care. Except as otherwise set forth in this Agreement, SHMC does not assume any responsibility under this Agreement other than to render the Services in good faith and without willful misconduct or gross negligence. SHMC MAKES NO OTHER GUARANTEE, REPRESENTATION OR WARRANTY OF ANY KIND (WHETHER EXPRESS OR IMPLIED) REGARDING ANY OF THE SERVICES PROVIDED HEREUNDER, AND EXPRESSLY DISCLAIMS ALL OTHER GUARANTEES, REPRESENTATIONS AND WARRANTIES OF ANY NATURE WHATSOEVER, WHETHER STATUTORY, ORAL, WRITTEN, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE AND ANY WARRANTIES ARISING FROM COURSE OF DEALING OR USAGE OF TRADE. SHMC WILL ONLY BE OBLIGATED TO PROVIDE SERVICES IN A MANNER CONSISTENT WITH PAST PRACTICE.

5.2 Responsibility for Errors: Delays. SHMC's sole responsibility to the LE Receiving Parties for errors or omissions in Services caused by SHMC will be to furnish corrections to information or adjustments with respect to payments or the Services, and if such errors or omissions are solely or primarily caused by SHMC, SHMC will furnish such corrections to information or adjustments at no additional cost or expense to the LE Receiving Parties, provided that LE promptly advises SHMC of such error or omission.

6. OWNERSHIP OF DATA

Neither Party will acquire any right, title or interest in any asset that is owned or licensed by the other Party and used to provide the Services. Subject to the terms and conditions of the Separation Agreement and the other Ancillary Agreements, all data provided by or on behalf of a Party to the other Party for the purpose of providing the Services will remain the property of the providing Party. To the extent the provision of any Service involves intellectual property, including software or patented or copyrighted material, or material constituting trade secrets, neither Party will copy, modify, reverse engineer, decompile or in any way alter any of such material, or otherwise use such material in a manner inconsistent with the terms and provisions of this Agreement, without the express written consent of the other Party. All specifications, tapes, software, programs, services, manuals, materials and documentation developed or provided by SHMC and utilized in performing this Agreement, will be and remain the property of SHMC and may not be sold, transferred, disseminated or conveyed by any LE Receiving Party to any other entity or used other than in performance of this Agreement without the express written permission of SHMC.

7. DEFENSE AND INDEMNITY; LIMITATION OF LIABILITY

7.1 Indemnification by LE. Subject to Section 7.3, LE shall, and shall cause the LE Receiving Parties to, indemnify, defend and hold harmless each of SHMC and its Affiliates and their respective representatives from and against any and all costs, liabilities, losses, penalties, expenses and damages (including reasonable attorneys' fees) of every kind and nature arising from third-party claims, demands, litigation or suits relating to, arising out of, or resulting from, or claimed to arise out of or result from, in whole or in part, (i) any breach or default by LE or

any of its Affiliates, or any of their Representatives, officers, directors, employees or agents of any of the terms, conditions, covenants, representations, or warranties contained in this Agreement or any Processing Agreement, (ii) the unauthorized use or release of customer information by LE or its Affiliates, (iii) any breach, unauthorized access or use of LE's or its Affiliates' data systems that results in the theft or misuse of any credit or debit card information or (iv) any other act or omission, or willful misconduct, of LE or any of its Affiliates, or any of their Representatives, officers, directors, employees or agents (together, "**LE Claims**"), except to the extent that such LE Claims are found by a final judgment or opinion of an arbitrator or a court of appropriate jurisdiction to be caused by any grossly negligent act or omission or willful misconduct of SHMC, its Affiliates, or their respective Representatives in performance of this Agreement.

7.2. Procedures for Indemnification of Direct and Third-Party Claims. Each claim for indemnification pursuant to this Agreement shall be made in accordance with the procedures set forth in Article X of the Separation Agreement.

7.3 Limitation of Liability. EXCEPT FOR (I) LE'S INDEMNITY AND DEFENSE OBLIGATIONS AS SET FORTH IN SECTIONS 7.1 AND 7.2 AND OTHER LIABILITIES TO UNAFFILIATED THIRD PARTIES, AND (II) A PARTY'S BREACH OF ITS CONFIDENTIALITY OBLIGATIONS UNDER THIS AGREEMENT, IN NO EVENT WILL EITHER PARTY, NOR ITS AFFILIATES, CONTRACTORS OR AGENTS BE LIABLE FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL, OR PUNITIVE DAMAGES, LOSSES OR EXPENSES (INCLUDING BUSINESS INTERRUPTION, LOST BUSINESS, LOST PROFITS, LOST DATA, OR LOST SAVINGS, DAMAGES TO SOFTWARE OR FIRMWARE, OR COST OF PROCURING OR TRANSITIONING TO SUBSTITUTE SERVICES), REGARDLESS OF THE LEGAL THEORY UNDER WHICH SUCH LIABILITY IS ASSERTED, AND REGARDLESS OF WHETHER A PARTY HAD BEEN ADVISED OF THE POSSIBILITY OF SUCH LIABILITY. THE SOLE LIABILITY OF SHMC AND ITS AFFILIATES FOR ANY ERRORS AND OMISSIONS IN THE SERVICES ARE LIMITED AS PROVIDED ABOVE AND FOR ALL OTHER ALL CLAIMS IN ANY MANNER RELATED TO THIS AGREEMENT ARE LIMITED TO THE PAYMENT OF DIRECT DAMAGES, NOT TO EXCEED (FOR ALL CLAIMS IN THE AGGREGATE) THE FEES RECEIVED BY SHMC UNDER THIS AGREEMENT DURING THE PRIOR SIX (6) MONTHS PRIOR TO THE DATE SUCH CLAIM AROSE. NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, SHMC WILL NOT BE LIABLE FOR DAMAGES CAUSED BY SHMC'S THIRD-PARTY CONTRACTORS, INCLUDING THE PERSONS PROVIDING SERVICES PURSUANT TO THE PROCESSING AGREEMENTS.

8. CONFIDENTIALITY

8.1 Confidential Information. "Confidential Information" means all information, whether disclosed in oral, written, visual, electronic or other form, that (i) one Party (the "**Disclosing Party**"), its Affiliates or its Personnel discloses to the other Party (the "**Receiving Party**"), its Affiliates or its Personnel, (ii) relates to or is disclosed in connection with this Agreement or a Party's or a Party's Affiliate's business, and (iii) is or reasonably should be understood by the Receiving Party to be confidential or proprietary to the Disclosing Party

(whether or not such information is marked "Confidential" or "Proprietary"). The Disclosing Party's sales, pricing, costs, inventory, operations, employees, current and potential customers, financial performance and forecasts, and business plans, strategies, forecasts and analyses, as well as information as to which the Securities and Exchange Commission has granted confidential treatment pursuant to its Rule 406 of Regulation C (the "**CTR Information**"), are Confidential Information.

8.2 **Treatment of Confidential Information.** The Receiving Party will use Confidential Information only in connection with this Agreement and, except as expressly permitted by this Agreement and subject to the next sentence, will not disclose any Confidential Information for three years from the date of receipt of the Confidential Information. Neither Party will disclose the CTR Information for a period of ten years from the date of receipt.

(a) **Limitations.** The Receiving Party will (A) restrict disclosure of the Confidential Information to its and its Affiliates' Personnel with a need to know the Confidential Information for purposes of performing the Receiving Party's responsibilities or exercising the Receiving Party's rights under this Agreement, (B) advise those Personnel of the obligation not to disclose the Confidential Information or use the Confidential Information in a manner prohibited by this Agreement, (C) copy the Confidential Information only as necessary for those Personnel who need it for performing the Receiving Party's responsibilities under this Agreement, and ensure that confidentiality is maintained in the copying process; and (D) protect the Confidential Information, and require those Personnel to protect it, using the same degree of care as the Receiving Party uses with its own Confidential Information, but no less than reasonable care.

(b) **Liability for Unauthorized Use.** The Receiving Party will be liable to the Disclosing Party for any unauthorized disclosure or use of Confidential Information in violation of this Agreement by its Affiliates and any of its and its Affiliates' current or former Personnel.

(c) **Destruction.** Without limiting the foregoing, when any Confidential Information is no longer needed for the purposes contemplated by this Agreement the Receiving Party will, promptly after request of the Disclosing Party, either return such Confidential Information in tangible form (including all copies thereof and all notes, extracts or summaries based thereon) or certify to the other Party that it has destroyed such Confidential Information (other than electronic copies residing in automatic backup systems and copies retained to the extent required by Applicable Law, regulation or a bona fide document retention policy).

8.3 **Exceptions to Confidential Treatment.** The obligations under Section 8.2 do not apply to any Confidential Information that the Receiving Party can demonstrate (A) was previously known to the Receiving Party without any obligation owed to the Disclosing Party or its Affiliates to hold it in confidence, (B) is disclosed to third parties by the Disclosing Party or its Affiliates without an obligation of confidentiality to the Disclosing Party or its Affiliate, as applicable, (C) is or becomes available to any member of the public other than by unauthorized disclosure by the Receiving Party, its Affiliates or its or their Personnel, (D) was or is independently developed by the Receiving Party or its Affiliates or Personnel without use of the

Confidential Information, (E) legal counsel's advice is that the Confidential Information is required to be disclosed by Applicable Law or the rules and regulations of any applicable Governmental Authority (as defined in the Separation Agreement) and the Receiving Party has complied with Section 8.4 (Protective Arrangement) below, or (F) legal counsel's advice is that the Confidential Information is required to be disclosed in response to a valid subpoena or order of a court or other governmental body of competent jurisdiction or other valid legal process and the Receiving Party has complied with Section 8.4 (Protective Arrangement) below.

8.4 Protective Arrangement. If the Receiving Party determines that the exceptions under Section 8.3(E) or Section 8.3(F) apply, the Receiving Party shall give the Disclosing Party, to the extent legally permitted and reasonably practicable, prompt prior notice of such disclosure and an opportunity to contest such disclosure and shall use commercially reasonable efforts to cooperate, at the expense of the Receiving Party, in seeking any reasonable protective arrangements requested by the Disclosing Party. In the event that such appropriate protective order or other remedy is not obtained, the Receiving Party may furnish, or cause to be furnished, only that portion of such Confidential Information that the Receiving Party is advised by legal counsel is legally required to be disclosed and shall take commercially reasonable steps to ensure that confidential treatment is accorded such Confidential Information.

8.5 Ownership of Information. Except as otherwise provided in this Agreement, all Confidential Information provided by or on behalf of a Party (or its Affiliates) that is provided to the other Party or its Personnel shall remain the property of the disclosing entity and nothing herein shall be construed as granting or conferring rights of license or otherwise in any such Confidential Information.

9. MISCELLANEOUS

9.1 Computer Access. If either Party, its Affiliates or its Personnel are given access, whether on-site or through remote facilities, to any communications, computer, or electronic data storage systems of the other Party, its Affiliates or its Personnel (each an "**Electronic Resource**"), in connection with this Agreement, then the Party on behalf of whom such access is given will ensure that its Personnel's use of such access shall be solely limited to performance or exercise of, such Party's duties and rights under this Agreement, and that such Personnel will not attempt to access any Electronic Resource other than those specifically required for the performance of such duties and/or exercise of such rights. The Party given access will limit such access to those of its and its Affiliates' Personnel who need to have such access in connection with this Agreement, will advise the other Party in writing of the name of each of such Personnel who will be granted such access, and will strictly follow all security rules and procedures for use of such Electronic Resources. All user identification numbers and passwords disclosed to a Party's Personnel and any information obtained by such Party's Personnel as a result of its access to, and use of the other Party's, its Affiliates' or its Personnel's Electronic Resources will be deemed to be, and will be treated as, Confidential Information of the Party on behalf of whom such access is granted. Each Party will reasonably cooperate with the other Party in the investigation of any apparent unauthorized access by the other Party, its Affiliates, or its Personnel to any Electronic Resources or unauthorized release of Confidential Information. Each Party will promptly notify the other Party of any actual or suspected unauthorized access or disclosure of any Electronic Resource of the other Party, its Affiliates, or its Personnel.

9.2 Amendment; No Waiver. The terms, covenants and conditions of this Agreement may be amended, modified or waived only by a written instrument signed by both Parties, or in the event of a waiver, by the Party waiving such compliance. Any Party's failure at any time to require performance of any provision will not affect that Party's right to enforce that or any other provision at a later date. No waiver of any condition or breach of any provision, term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances will be deemed to be or construed as a further or continuing waiver of that or any other condition or of the breach of that or another provision, term or covenant of this Agreement.

9.3 Assignment. LE may not assign its rights or obligations under this Agreement without the prior written consent of SHMC, which consent may be withheld in SHMC's absolute discretion. A Stockholding Change (as defined in the Separation Agreement) will constitute an assignment of this Agreement by LE for which assignment SHMC's prior written consent will be required. SHMC may freely assign its rights and obligations under this Agreement to any of its Affiliates without the prior consent of LE; provided that any such assignment will not relieve SHMC of its obligations and liabilities hereunder. This Agreement will be binding on, and will inure to the benefit of, the permitted successors and assigns of the Parties.

9.4 Notices. All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement must be in writing and will be deemed to have been duly given (i) when delivered by hand, (ii) three (3) Business Days after it is mailed, certified or registered mail, return receipt requested, with postage prepaid, (iii) on the same Business Day when sent by facsimile or electronic mail (return receipt requested) if the transmission is completed before 5:00 p.m. recipient's time, or one (1) Business Day after the facsimile or email is sent, if the transmission is completed on or after 5:00 p.m. recipient's time or (iv) one (1) Business Day after it is sent by Express Mail, Federal Express or other courier service specifying same day or next day delivery, as follows (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 6.07):

If to SHMC, to: Sears Holdings Management Corporation
3333 Beverly Road
Hoffman Estates, Illinois 60179
Attn.: Jai Holtz
Facsimile: (847) 286-4908
Email: Jai.Holtz@searshc.com

With a copy to: Sears Holdings Corporation
3333 Beverly Road
Hoffman Estates, Illinois 60179
Attn.: General Counsel
Facsimile: (847) 286-2471
Email: Dane.Drobny@searshc.com

If to LE, to: Lands' End, Inc.
5 Lands' End Lane
Dodgeville, Wisconsin 53595
Attn.: Brian Leek
Facsimile: (608) 935-4470
Email: Brian.Leek@landsend.com

With a copy to: Lands' End
5 Lands' End Lane
Dodgeville, Wisconsin 53595
Attn.: General Counsel
Facsimile: 608-935-6550
Email: Karl.Dahlen@landsend.com

9.5 Publicity. All publicity regarding this Agreement is subject to Section 14.5 (Public Announcements) of the Separation Agreement.

9.6 Survival. Each term of this Agreement that would, by its nature, survive the termination or expiration of this Agreement will so survive, including the obligation of either Party to pay all amounts accrued hereunder and including the provisions of Section 6 (Ownership of Data), Section 7 (Defense and Indemnity; Limitation of Liability), Section 8 (Confidentiality), Section 9.1 (Computer Access), Section 9.5 (Publicity), Section 9.10 (Equitable Relief), Section 9.12 (Fair Construction), Section 9.13 (No Agency), Section 9.14 (Construction and Interpretation), Section 9.16 (Dispute Resolution), and Section 9.17 (Governing Law; Jurisdiction).

9.7 No Third Party Rights. Except for the indemnification rights under this Agreement of any SHMC or LE indemnitee in their respective capacities as such, this Agreement is intended to be solely for the benefit of the Parties and is not intended to confer any benefits upon, or create any rights in favor of, any person other than the Parties.

9.8 Severability. If any provision of this Agreement is declared by any court of competent jurisdiction to be illegal, invalid, void or unenforceable, such provision will (to the extent permitted under Applicable Law) be construed by modifying or limiting it so as to be legal, valid and enforceable to the maximum extent compatible with Applicable Law, and all other provisions of this Agreement will not be affected and will remain in full force and effect.

9.9 Entire Agreement. This Agreement (including the Exhibits, Appendixes and Schedules hereto) constitutes the entire agreement between the Parties hereto and supersedes all prior agreements and understandings, oral and written, between the Parties hereto with respect to the subject matter hereof.

9.10 Equitable Relief. Each Party acknowledges that any breach by a Party of Section 8 (Confidential Information), Section 8.5 (Ownership of Data and Other Assets) and Section 9.1 (Computer Access) of this Agreement may cause the non-breaching Party and its Affiliates irreparable harm for which the non-breaching Party and its Affiliates have no adequate remedies at law. Accordingly, in the event of any actual or threatened default in, or breach of the foregoing provisions, each Party and its Affiliates are entitled to seek equitable relief, including specific performance, and injunctive relief; in addition to any and all other rights and remedies at

law or in equity, and all such rights and remedies shall be cumulative. A Party seeking such equitable relief is not obligated to comply with Section 9.16 (Dispute Resolution) and may seek such relief regardless of any cure rights for such actual or threatened breach. Each Party waives all claims for damages by reason of the wrongful issuance of an injunction and acknowledges that its only remedy in that case is the dissolution of that injunction. Any requirements for the securing or posting of any bond with such remedy are waived.

9.11 Force Majeure. Neither Party will be responsible to the other for any delay in or failure of performance of its obligations under this Agreement, to the extent such delay or failure is attributable to any act of God, act of terrorism, fire, accident, war, embargo or other governmental act, or riot; provided, however, that the Party affected thereby gives the other Party prompt written notice of the occurrence of any event which is likely to cause (or has caused) any delay or failure setting forth its best estimate of the length of any delay and any possibility that it will be unable to resume performance; provided, further, that said affected Party will use its commercially reasonable efforts to expeditiously overcome the effects of that event and resume performance.

9.12 Fair Construction. This Agreement will be deemed to be the joint work product of the Parties without regard to the identity of the draftsman, and any rule of construction that a document will be interpreted or construed against the drafting Party will not be applicable.

9.13 No Agency. Nothing in this Agreement creates a relationship of agency, partnership, or employer/employee between SHMC and LE and it is the intent and desire of the Parties that the relationship be and be construed as that of independent contracting parties and not as agents, partners, joint venturers or a relationship of employer/employee.

9.14 Construction and Interpretation. In this Agreement (1) "include," "includes," and "including" are inclusive and mean, respectively, "include without limitation," "includes without limitation," and "including without limitation," (2) "or" is disjunctive but not necessarily exclusive, (3) "will" and "shall" expresses an imperative, an obligation, and a requirement, (4) numbered "Section" references refer to sections of this Agreement unless otherwise specified, (5) section headings are for convenience only and will have no interpretive value, (6) unless otherwise indicated all references to a number of days mean calendar (and not business) days and all references to months or years mean calendar months or years, (7) references to \$ or Dollars mean U.S. Dollars, and (8) "hereof," "herein" and "herewith" and words of similar import, unless otherwise stated, shall be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement.

9.15 Condition Precedent to the Effectiveness of this Agreement. This Agreement will not become effective until it has been approved by the Audit Committee of the SHC Board.

9.16 Dispute Resolution. Except as provided for in Section 9.10 (Equitable Relief), all Disputes related to this Agreement are subject to Article XI (Dispute Resolution) of the Separation Agreement.

9.17 Governing Law; Jurisdiction.

- (a) **Governing Law**. This Agreement and all claims, controversies or causes of action, whether in contract, tort or otherwise, that may be based upon, arise out of or relate to this Agreement or the negotiation, execution, termination, performance or nonperformance of this Agreement (including

any claim, controversy or cause of action based upon, arising out of or relating to any representation or warranty made in or in connection with this Agreement or as an inducement to enter into this Agreement) shall be governed by, and construed and enforced in accordance with, the federal laws of the United States, including the Lanham Act, and the internal laws of the State of Illinois, without regard to any choice or conflict of law provision or rule (whether of the State of Illinois or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Illinois. This Agreement will not be subject to any of the provisions of the United Nations Convention on Contracts for the International Sale of Goods.

- (b) Each of the Parties hereto irrevocably agrees that all proceedings arising out of or relating to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by the other Party hereto or its successors or assigns shall be brought, heard and determined exclusively in any federal or state court sitting in Cook County, Illinois. Consistent with the preceding sentence, each of the Parties hereto hereby (a) submits to the exclusive jurisdiction of any federal or state court sitting in Cook County, Illinois for the purpose of any proceeding arising out of or relating to this Agreement or the rights and obligations arising hereunder brought by any Party hereto and (b) irrevocably waives, and agrees not to assert by way of motion, defense, counterclaim, or otherwise, in any such proceeding, any claim that it or its property is not subject personally to the jurisdiction of the above-named courts, that the proceeding is brought in an inconvenient forum, that the venue of the proceeding is improper, or that this Agreement or any of the other transactions contemplated by this Agreement may not be enforced in or by any of the above-named courts. Each Party agrees that service of process upon such party in any such action or Proceeding shall be effective if notice is given in accordance with Section 9.4 (Notices).
- (c) **Waiver of Jury Trial.** EACH OF THE PARTIES HERETO HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH OF THE PARTIES HERETO HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.17(c).

9.18 Counterparts. This Agreement may be executed and delivered (including by facsimile or other electronic transmission (e.g., .pdf file) in counterparts, and by the Parties in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused their respective duly authorized representatives to execute this Agreement effective as of the Effective Date.

LANDS' END, INC.

**SEARS HOLDINGS MANAGEMENT
CORPORATION**

By: _____
Name: _____
Its: Chief Executive Officer

By: _____
Name: _____
Its: _____

Financial Services Agreement – Signature Page

APPENDIX #1

The Processing Agreements

1. The Sears private label card and Sears MasterCard issuance and acceptance. Amended and Restated Program Agreement by and between Sears, Roebuck and Co., Sears Intellectual Property Management Corporation and Citibank (USA) N.A., dated as of July 15, 2003, Amended and Restated as of November 3, 2003, as late amended from time to time.
2. American Express Card Acceptance. Agreement for American Express Card Acceptance, dated as of May 1, 2013, by and between American Express Travel Related Services Company, Inc. and Sears Holdings Management Corporation.
3. Sears Solutions MasterCard (Second Look private label card) issuance and acceptance. Co-Branded Credit Card Agreement dated as of October 19, 2012, by and between Sears Holdings Management Corporation and Barclays Bank Delaware.
4. Visa and MasterCard Credit and Debit Card acceptance. Merchant Services Bankcard Agreement dated as of July 31, 2012, by and among First Data Merchant Services Corporation, Wells Fargo Bank, N.A. and Sears Holdings Management Corporation.

Information contained herein is subject to completion or amendment. A Registration Statement on Form 10 relating to these securities has been filed with the U.S. Securities and Exchange Commission under the U.S. Securities Exchange Act of 1934, as amended.

PRELIMINARY AND SUBJECT TO COMPLETION, DATED FEBRUARY 21, 2014

INFORMATION STATEMENT

LANDS' END 

LANDS' END, INC.

Common Stock

This information statement is being furnished in connection with the distribution by Sears Holdings Corporation ("Sears Holdings") to its stockholders of 100% of the outstanding shares of common stock, par value \$0.01 per share, of Lands' End, Inc. (together with all of its consolidated subsidiaries and predecessors, "Lands' End"), a Delaware corporation. To implement the spin-off of Lands' End, Sears Holdings will distribute all of the outstanding shares of Lands' End common stock on a *pro rata* basis to Sears Holdings stockholders as of 5:30 p.m. Eastern time on [X] (the "record date").

Each share of Sears Holdings common stock outstanding as of the record date will entitle the holder thereof to receive [X] shares of Lands' End common stock, except that holders of Sears Holdings' restricted stock that is invested as of the record date will receive cash awards in lieu of shares. Fractional shares of Lands' End common stock will not be distributed. Instead, fractional shares that Sears Holdings stockholders would otherwise have been entitled to receive after application of the foregoing ratio will be aggregated and sold in the public market by the distribution agent and the aggregate cash proceeds of these sales, net of brokerage fees and other expenses, will be distributed *pro rata* to those stockholders who would otherwise have been entitled to receive fractional shares. We expect the shares of Lands' End common stock to be distributed by Sears Holdings to you on [X] (the "distribution date"). As discussed under "The Spin-Off—Trading Between the Record Date and Distribution Date," if you sell your shares of Sears Holdings common stock in the "regular-way" market after the record date but before the distribution, you also will be selling your right to receive shares of Lands' End common stock pursuant to the spin-off. We expect that the spin-off will be tax-free to Sears Holdings stockholders for U.S. federal income tax purposes, except for any cash received in lieu of fractional shares. See "Material U.S. Federal Income Tax Consequences."

No action will be required by you to receive shares of Lands' End common stock in the spin-off, which means that:

- no vote of Sears Holdings stockholders is required in connection with the spin-off and we are not asking you for a proxy and you are requested not to send us a proxy;
- you will not be required to pay for the shares of Lands' End common stock that you will receive in the spin-off; and
- you do not need to surrender or exchange any of your shares of Sears Holdings common stock in order to receive shares of Lands' End common stock or take any other action in connection with the spin-off.

Following the spin-off, Lands' End will be a publicly traded company independent from Sears Holdings, and Sears Holdings will not retain any Lands' End common stock. We expect that, immediately following the spin-off, ESL Investments, Inc. and affiliated persons (collectively, "ESL"), which currently own approximately 48.4% of the outstanding shares of Sears Holdings common stock, will own approximately 48.4% of the outstanding shares of Lands' End common stock.

There is no current trading market for Lands' End common stock. Lands' End intends to apply to have its common stock listed on the NASDAQ Stock Market ("NASDAQ") under the symbol "LE." We expect that a limited market, commonly known as a "when-issued" trading market, will develop for the shares of Lands' End common stock being distributed in the spin-off. We expect that "when-issued" trading will begin on or shortly before the record date and continue up to and including the distribution date, after which time all shares of Lands' End common stock will be traded on a regular settlement basis, or "regular-way" trading, under the symbol "LE." We cannot predict the trading prices for Lands' End common stock before, on or after the distribution date.

This information statement will be made publicly available at [X] beginning [X] and notices of this information statement's availability will be first sent to holders of record of Sears Holdings common stock on or about [X].

In reviewing this information statement, you should carefully consider the matters described under the caption "[Risk Factors](#)" beginning on page 17.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS INFORMATION STATEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This information statement does not constitute an offer to sell or the solicitation of an offer to buy any securities.

The date of this information statement is [X].

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Presentation of Information

Except as otherwise indicated or unless the context otherwise requires, the information included in this information statement about Lands' End assumes the completion of all of the transactions referred to in this information statement in connection with the spin-off. Except as otherwise indicated or unless the context otherwise requires, references in this information statement to "Lands' End," "we," "us," "our," "our company" and "the Company" refer to Lands' End, Inc., a Delaware corporation, and its consolidated subsidiaries and predecessors, and references in this information statement to "Sears Holdings" and "Sears Holdings Corporation" refer to Sears Holdings Corporation, a Delaware corporation, and its consolidated subsidiaries (other than, for all periods following the spin-off, Lands' End). References in this information statement to Lands' End's historical assets, liabilities, products, businesses or activities are generally intended to refer to the historical assets, liabilities, products, businesses or activities of the Lands' End business as conducted by Sears Holdings and its subsidiaries prior to the spin-off. References in this information statement to "ESL" refer to ESL Investments, Inc. and its affiliated persons. References in this information statement to the "separation" refer to the separation of the Lands' End business from the rest of the Sears Holdings businesses; references to the "distribution" refer to the distribution of Lands' End common stock to Sears Holdings stockholders; and references to the "spin-off" refer to the separation and the distribution. Unless the context otherwise requires, references in this information statement to years refer to fiscal years rather than calendar years. Lands' End's fiscal year consists of 52–53 weeks, ending on the Friday preceding the Saturday closest to January 31. Unless otherwise specified, operating results and executive compensation data are reported on a fiscal basis.

Trademarks, Trade Names and Service Marks

Lands' End owns or has rights to use certain trademarks, service marks and trade names that are registered or exist under common law in the United States and other jurisdictions. The Lands' End® trade name and trademark is used both in the United States and internationally, and is material to our business. Trademarks that are important in identifying and distinguishing our products and services are Lands' End Canvas®, Guaranteed. Period.®, Square Rigger®, Squall®, Super-TTM, Drifter™ and Beach Living®, all of which are owned by us, as well as the licensed marks Polartec® and Supima®. Other recognized trademarks owned by Lands' End include SwimMates™, Starfish™, Iron Knees®, Willis & Geiger® and ThermaCheck®. Lands' End's rights to some of these trademarks may be limited to select markets. Each trademark, trade name or service mark of any other company appearing in this information statement is, to Lands' End's knowledge, owned by such other company.

INFORMATION STATEMENT SUMMARY

This summary highlights information discussed elsewhere in this information statement. This summary may not contain all the details concerning the spin-off or other information that may be important to you. To better understand the spin-off and our business and financial position, you should carefully review this entire information statement.

References in this information statement to Lands' End's historical assets, liabilities, products, businesses or activities are generally intended to refer to the historical assets, liabilities, products, businesses or activities of the Lands' End business as conducted by Sears Holdings and its subsidiaries prior to the spin-off.

Lands' End

Lands' End is a leading multi-channel retailer of casual clothing, accessories and footwear, as well as home products. We offer products through catalogs, online at www.landsend.com and affiliated specialty and international websites, and through retail locations, primarily at Lands' End Shops at Sears and standalone Lands' End Inlet stores that sell a combination of full-price and liquidation merchandise. We are a classic American lifestyle brand with a passion for quality, legendary service and real value, and we seek to deliver timeless style for men, women, kids and the home. Lands' End was founded 50 years ago in Chicago by Gary Comer and his partners to sell sailboat hardware and equipment by catalog. While our product focus has shifted significantly over the years, we have continued to adhere to our founder's motto as one of our guiding principles: "Take care of the customer, take care of the employee and the rest will take care of itself."

In 2012, we generated revenue of approximately \$1.6 billion. Our revenues are generated worldwide through an international, multi-channel network in the United States, Canada, United Kingdom, Germany, France, Austria and Japan. This network reinforces and supports sales across the multiple channels in which we do business. In 2012, sales outside the United States totaled approximately \$259.3 million, or 16.3% of revenue.

We operate in two reportable segments, Direct (sold through e-commerce websites and direct-mail catalogs, which in 2012 comprised approximately 82% of our revenue, or \$1.3 billion) and Retail (sold through stores, which in 2012 comprised approximately 18% of our revenue, or \$281.8 million), and we offer merchandise that includes men's, women's and kids' apparel, outerwear and swimwear; specialty apparel; accessories; footwear; and home products. Historically, catalogs have been our primary source of sales. Over time, we have expanded our Direct sales through the Internet and created a Retail segment to bring the Lands' End catalog to life. Online sales represented approximately 80% of our U.S. consumer revenue in 2012, up from approximately 20% in 2002. In addition, Lands' End Business Outfitters offers business casual apparel and an extensive variety of promotional products that can be embroidered to enhance a partner company's image. Lastly, the Lands' End School Uniform business provides high-quality school uniforms and school-appropriate clothing designed to meet dress-code requirements.

We believe that Lands' End has a deeply rooted tradition of offering excellent quality, value and service along with the Lands' End guarantee, and we seek to reflect that tradition in all of our merchandise. Any item associated with our name falls under our unconditional return policy of Guaranteed. Period.® The Lands' End guarantee reads: "If you're not satisfied with any item, simply return it to us at any time for an exchange or refund of its purchase price."

Our Strengths

Gary Comer founded Lands' End on certain principles of doing business that are embodied in our promise to deliver great quality, exceptional value and uncompromising service to our customers. These core principles of

quality, value and service are the foundation of the competitive advantages that we believe distinguish us from our competitors, including:

Large, loyal customer base. We believe that a principal factor in our success to date has been the development of our list of existing and prospective households, many of whom were identified by their responses to our advertising. We routinely update and refine our customer list prior to individual catalog and email mailings and monitor customer interest in our offerings as reflected by criteria such as the timing and frequency of purchases and the dollar amount of and types of products purchased. We believe our customer list has desirable demographic characteristics for current performance and future growth and is well-suited to the range of products offered by us. We believe our customer base consists primarily of affluent, college-educated, professional and style-conscious women and men. In 2012, the average annual household income of our customers was approximately \$104,000 and approximately 47% of our customers were within the 36–55 age group, according to an analysis of our customer file prepared by our third-party consumer information provider using its proprietary demographic, behavioral, lifestyle, financial and home attribute databases.

Innovative yet timeless products. We seek to develop new, innovative products for our customers by utilizing modern fabrics and quality construction to create timeless, affordable styles with consistently excellent fits. We also seek to present our products in an engaging and inspiring way. We believe that our typical customers value quality, seek good value for their money and are looking to add classics to their wardrobe while also placing an emphasis on being fashionable. From a design and merchandising perspective, we seek to balance our product offerings to provide the right combination of classic styles alongside modern touches that are consistent with current trends. We believe that we have had success adding relevant, timeless items into our product assortment, many of which have become customer favorites. We devote significant time and resources to quality assurance and product compliance. Our in-house team manages all product specifications and seeks to ensure brand integrity by providing our customers with the consistent, high-quality merchandise for which Lands' End is known. We are a vertically integrated retailer that manages all aspects of our design, marketing and distribution in-house, which provides us with maximum control over the promotion and sale of our products.

Excellent customer service. We are firmly committed to building on Lands' End's legacy of strong customer service. We believe that we have a strong track record of improving the customer service experience through innovation. We believe that we were the first apparel retailer to offer shoppers a toll-free number and the first apparel retailer to have an e-commerce-enabled website, which we launched in 1995. We believe that we have been at the forefront of many online innovations in our industry, such as online chat and personalization features. Today, Lands' End is focused on making the shopping experience as easy and personalized as possible, regardless of whether our customers shop online, by phone or in one of our Lands' End Shops at Sears. Our operations, including prompt order fulfillment, responsiveness to our customers' requests and our unconditional return policy of Guaranteed. Period.[®], have contributed to our award-winning customer service, which we believe is one of our core strengths and a key point of differentiation from our competitors. Lands' End is often recognized in the industry for outstanding customer service; for example, beginning in 2006, the National Retail Federation recognized Lands' End as one of the top retailers for customer service for the six consecutive years in which the ranking was published.

Digital transformation. As one of the first apparel retailers to establish an online e-commerce presence, we believe that we have a strong track record as a leader of digital innovation in the apparel industry. One of our strategic goals is to optimize the digital shopping experience for our customers and develop new ways to engage consumers through our e-commerce platforms. To this end, we have launched our Paper to Digital initiative, which is dedicated to delivering the catalog experience through digital channels. Highlights of our Paper to Digital initiative include:

- **Responsive design**, a cross-platform experience that allows our customers to shop www.landsend.com across a variety of devices, including laptops and tablets. Responsive design for smart phones is currently scheduled to launch in 2014.

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- *An enhanced site merchandising and search capabilities tool*, which seeks to provide a more thoughtful and productive shopping experience via www.landsend.com, allowing us to better engage with our customers by providing seamless navigation to find merchandise by product attributes, as well as specific sizes. We continue to improve this tool and intend to enhance our “fit solutions” to deliver the optimal shopping experience.
- *Outfitting*, the expansion of outfitting options for our customers. Select merchandise categories are accompanied by a compilation of “favorite looks” or “one item three ways” to show our customers how different pieces can be incorporated into a wardrobe. These looks are featured on our website and in our emails. Additionally, customers receive product recommendations on our website and via email based on past purchase and browsing history.
- *Digital catalogs*, which allow prospective and existing customers to view and download digital versions of our print catalogs via desktop and tablet. Our catalogs can be viewed at www.landsend.com. Additionally, our catalogs are featured on various third-party digital catalog sites through our affiliate program.
- *Social media*, the opportunity to engage with our customers on social sharing platforms. With over one million Facebook “fans,” the Lands’ End Facebook page is a place for our fans to receive exclusive fan-only offers, behind-the-scenes information and a first look at our newest styles. Lands’ End customers are also engaged via Shop Your Way, a social shopping and networking platform that allows members to receive personalized coupons, participate in sweepstakes, build custom catalogs and share with friends.
- *Apostrophe*, Lands’ End digital customer publication, was launched in fall 2013. Published quarterly on www.landsend.com, *Apostrophe* features fashion and lifestyle articles and highlights the people behind our brand via employee profiles. Our goal is to use *Apostrophe* to promote our products and attract new customers to our brand.

Worldwide distribution infrastructure and opportunity for continued geographic penetration and expansion. We have been operating our business internationally since the mid-1980s. We currently conduct business in seven countries and ship our products to approximately 157 countries around the world. We believe that we have established extensive direct sales, distribution and customer service capabilities with our in-country offices in the United Kingdom (established 1993), Japan (established 1994) and Germany (established 1996). In addition to our operations in the United Kingdom, Japan and Germany, we also have catalog and e-commerce channels in Austria, France and Canada.

In September 2013, Lands’ End launched a global extension of our core e-commerce platform, allowing international customers to view pricing and place orders in 60 local currencies at www.landsend.com.

We believe that continued penetration in our existing markets and our intended international expansion will drive growth in our business worldwide. We are focused on creating a digital presence for Lands’ End in new markets while also leveraging third-party retailer relationships worldwide.

Retail partnership with Sears Holdings. Beginning in fall 2002, Sears, Roebuck and Co. (“Sears Roebuck”) rolled out Lands’ End apparel and footwear in its stores. In 2005, Lands’ End developed and opened the first Lands’ End Shop at Sears. Today, there are Lands’ End Shops at Sears located in select Sears full-line stores (“Sears stores”) across the United States. Each Lands’ End Shop at Sears features an assortment of products optimized for its location, with most stores offering a variety of men’s, women’s and kids’ apparel and accessories, personalized service, enhanced visual displays and a shopping lounge where customers can search all of our Lands’ End offerings via the Internet and our catalog. Our customers receive free shipping on any orders placed from these stores. Through this integration of our retail and digital presences, we seek to deliver a world-class, multi-channel shopping experience. In 2012, the Lands’ End Shops at Sears accounted for 16% of our total revenues.

Partnership with Shop Your Way. As a Shop Your Way business partner, we are able to leverage Shop Your Way, an innovative social shopping and networking platform, to strengthen our relationships with our customers that are Shop Your Way members. Currently, approximately 75% of all retail purchases at Lands' End Shops at Sears are made by Shop Your Way members. Members can earn reward points when they purchase program-eligible merchandise through both our Direct and Retail segments. Members can also redeem points as a form of payment for merchandise sold through both our Direct and Retail segments. Members can engage with us on the Shop Your Way social shopping platform at www.shopyourway.com or via the Shop Your Way mobile app. Through this platform, members gain access to personalized coupons, participate in sweepstakes, build custom catalogs and share with friends.

Experienced management team. Our current management team will continue to manage Lands' End following the spin-off. Our executive management team, which is composed of the individuals named under "Management," has an average of nearly 25 years of experience in the retail, direct-to-consumer and consumer product industries in the United States and abroad. Our management team is well positioned to pursue our objective of increasing profitability and stimulating growth. See "Management."

Sustainable practices. We have made sustainability a key initiative in our business. We have worked towards conserving resources for nearly 50 years and are committed to finding sustainable approaches to doing business. We established a corporate-wide GoGreen Committee in 2009 that focuses on sustainable initiatives. See "Business—Environmental Matters."

- Lands' End utilizes paper from sustainably managed forests. Our catalog covers contain 10% post-consumer waste. The remainder of our catalog paper contains 100% chain-of-custody-certified fiber. This paper is third-party certified through programs such as the Programme for the Endorsement of Forest Certification, the Sustainable Forestry Initiative and the Forest Stewardship Council.
- In 2012, we reused or recycled 88% of waste generated at our corporate headquarters.
- Lands' End has formed a strategic partnership with the National Forest Foundation and funded the planting of trees in the national forests in northern Wisconsin and Michigan's Upper Peninsula.

Our Strategies

We continue to develop Lands' End into a more global lifestyle brand through five avenues of growth:

Continue our digital transformation. Our continued digital transformation is intended to allow us to accelerate our acquisition of new customers by improving our ability to communicate digitally with prospective customers while reducing operating expenses related to paper, printing and postage. Approximately 80% of our U.S. Direct business is already conducted online and our goal is to continue this transition by emphasizing the benefits of our online experience.

Increase our product offerings. We plan to improve and expand several product lines that we believe are currently under-represented in our product mix. We intend to expand these categories of our business by developing a larger and more diverse selection of footwear, handbags, small leather goods and fashion accessories so that these product lines represent a larger percentage of our total consumer business.

Expand our international business. Outside the United States, we currently operate our business in Canada, Northern and Central Europe and Japan. We plan to increase our sales in our existing international markets and develop a presence in other areas of Europe (such as Switzerland, Russia and Scandinavia) and Asia (particularly China).

Optimize and develop our retail business. We intend to focus on increasing sales productivity in our existing Lands' End Shops at Sears in the United States and to explore additional retail opportunities.

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Grow Lands' End Business Outfitters and School Uniforms. Over the last 20 years, Lands' End Business Outfitters has grown to become a trusted brand partner for companies of all sizes by offering quality apparel, uniforms and related business gift and promotional products. With an expansive, state-of-the-art embroidery operation, we service tens of thousands of clients, including major airlines, financial institutions and the hospitality industry, offering branded tailored and business casual apparel for office wear, trade shows, company events and more.

In addition to apparel, Lands' End Business Outfitters offers an extensive variety of business gift and promotional products to enhance a partner company's image and message. The Lands' End Business Outfitters model enables us to introduce quality Lands' End products to new audiences and acquire new customers through business channels ranging from single entrepreneurs to members of the Fortune 500®.

As part of Lands' End Business Outfitters, our School Uniform business provides high-quality school uniforms and school-appropriate clothing designed to meet dress-code requirements. As more schools adopt uniform and dress-code policies, we seek to grow the Lands' End School Uniform business by developing new relationships with schools in the United States and Canada while also seeking additional international opportunities.

Risks Associated with Our Business and the Spin-Off

An investment in our common stock is subject to a number of risks, including risks relating to the spin-off, including:

- our ability to offer merchandise and services desirable to our customers and compete effectively in the apparel industry;
- the success of our overall marketing strategies, including customers' use of our digital platform, response to direct mail catalogs and digital marketing;
- the performance of our "store within a store" business model;
- our reliance on sources for merchandise located in foreign markets;
- the impact on our business of adverse worldwide economic and market conditions, including economic factors that negatively impact consumer spending on discretionary items; and
- our failure to achieve some or all of the expected benefits of the spin-off.

The above list of risk factors is not exhaustive. Please read the information in the section entitled "Risk Factors" starting on page 17 for a more thorough description of these and other risks.

The Spin-Off

On [X], the Sears Holdings board of directors approved the distribution of all of Lands' End's issued and outstanding shares of common stock on the basis of [X] shares of Lands' End common stock for each share of Sears Holdings common stock held as of 5:30 p.m. Eastern time on [X], the record date.

Our Relationship with Sears Holdings

In June 2002, we were acquired by Sears Roebuck, a company that is now a wholly owned subsidiary of Sears Holdings. Sears Holdings is the company that was formed in connection with the merger of Sears Roebuck and Kmart Holding Corporation ("Kmart") in March 2005, and Sears Holdings is the parent company of Sears Roebuck and Kmart.

In connection with the spin-off, we will enter into a separation and distribution agreement with Sears Holdings, which we refer to in this information statement as the “separation and distribution agreement.” We will enter into various other agreements with Sears Holdings or its subsidiaries to effect the separation and provide a framework for our relationship with Sears Holdings after the spin-off. These other agreements will include a transition services agreement and a tax sharing agreement. In addition, we will enter into commercial agreements with Sears Holdings or its subsidiaries, including a master lease agreement, a master sublease agreement, a financial services agreement, a retail operations agreement for the Lands’ End Shops at Sears and a Shop Your Way retail establishment agreement. We previously entered into a co-location and services agreement with a subsidiary of Sears Holdings that will be amended in connection with the spin-off. For additional information regarding the separation and distribution agreement and the other agreements, see “Risk Factors—Risks Related to the Spin-Off” and “Certain Relationships and Related Person Transactions.”

On the distribution date, Sears Holdings will distribute shares of Lands’ End common stock *pro rata* to its stockholders as of the record date, except that holders of Sears Holdings’ restricted stock that is unvested as of the record date will receive cash awards in lieu of shares. Based on the ownership of Sears Holdings common stock outstanding on February 21, 2014, we anticipate that immediately following the spin-off, ESL will own approximately 48.4% of our outstanding common stock. For a more detailed description of the beneficial ownership of our capital stock by ESL following the spin-off, see “Security Ownership of Certain Beneficial Owners and Management.”

Reasons for the Spin-Off

The Sears Holdings board of directors believes that separating the Lands’ End business from the rest of Sears Holdings is in the best interests of Sears Holdings and its stockholders for a number of reasons, including:

- *Simplified focus and operational flexibility.* Following the spin-off, Lands’ End and Sears Holdings will each have simplified, more focused businesses and be better able to dedicate resources to pursue unique growth opportunities and execute strategic plans best suited to their respective businesses.
- *Business-appropriate capital structure.* The spin-off will allow each of Sears Holdings and Lands’ End to implement a capital structure that is tailored to its business needs and is expected to result in a more efficient allocation of capital for both Sears Holdings and Lands’ End and mitigate the competition for capital that currently exists between Lands’ End and other Sears Holdings business units. In addition, the spin-off should increase the overall borrowing capacity of Lands’ End, which would allow Lands’ End greater flexibility to issue new debt financing to fund organic growth through capital expenditures or to pursue acquisition-based growth.
- *Focused management.* The spin-off will allow management of each company to devote time and attention to the development and implementation of corporate strategies and policies that are based on the specific business characteristics of the respective companies, and to design more tailored compensation structures that better reflect these strategies, policies and business characteristics. Separate equity-based compensation arrangements for Lands’ End should more closely align the interests of Lands’ End management with the interests of stockholders and more directly incentivize the employees of Lands’ End and attract new talent.
- *Investor choice.* The spin-off will allow investors to increase their understanding of Lands’ End and its market position within its industry, while also allowing for a more natural and interested investor base. The spin-off may also potentially enhance Lands’ End’s financial flexibility, such as allowing direct access by Lands’ End to the capital markets. In contrast to a sale of the entire business, the spin-off will enable current Sears Holdings stockholders to directly participate in any future value creation by Lands’ End, while also allowing investors the flexibility to consider Sears Holdings and Lands’ End as independent investment decisions based on Lands’ End’s and Sears Holdings’ different business models and strategies.

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The Sears Holdings board of directors also considered a number of potentially negative factors in evaluating the spin-off, including risks relating to the creation of a new public company, possible increased costs and one-time spin-off costs, but concluded that the potential benefits of the spin-off outweighed these factors. For more information, see “The Spin-Off—Reasons for the Spin-Off” and “Risk Factors.”

Corporate Information

Lands’ End opened for business in 1963. Lands’ End, Inc. was incorporated in Delaware in 1986. The address of our principal executive offices is 1 Lands’ End Lane, Dodgeville, Wisconsin 53595. Our telephone number is (608) 935-9341.

We maintain an Internet site at www.landsend.com. Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this information statement, and you should not rely on any such information in making an investment decision.

Reason for Furnishing this Information Statement

This information statement is being furnished solely to provide information to stockholders of Sears Holdings who will receive shares of Lands’ End common stock in the spin-off. It is not and is not to be construed as an inducement or encouragement to buy or sell any of Lands’ End’s securities. We believe the information contained in this information statement to be accurate as of the date set forth on its cover. Changes may occur after that date and neither Sears Holdings nor we will update the information except in the normal course of our respective disclosure obligations and practices.

SUMMARY OF THE SPIN-OFF

This is a summary of the terms of the spin-off. See “The Spin-Off” in this information statement for a more detailed description of the matters described below.

<i>Distributing company</i>	Sears Holdings Corporation is the distributing company in the spin-off.
<i>Distributed company</i>	Lands’ End, Inc. is the distributed company in the spin-off.
<i>Distribution ratio</i>	Each share of Sears Holdings common stock outstanding as of 5:30 p.m. Eastern time on [X], the record date for the distribution, will entitle the holder thereof to receive [X] shares of Lands’ End common stock, except that holders of Sears Holdings’ restricted stock that is unvested as of the record date will receive cash awards in lieu of shares. Cash will be distributed in lieu of any fractional shares of common stock holders of Sears Holdings common stock would otherwise have been entitled to receive, as described below.
<i>Record date</i>	The record date for the distribution is 5:30 p.m. Eastern time on [X].
<i>Distribution date</i>	The distribution date will be [X].
<i>Trading market and symbol</i>	We intend to list our common stock on the NASDAQ Stock Market under the symbol “LE.”
<i>Dividend policy</i>	We do not currently expect to declare or pay dividends on our common stock for the foreseeable future following the spin-off. Instead, we intend to retain earnings to finance the growth and development of our business and for working capital and general corporate purposes. Any payment of dividends will be at the discretion of our board of directors and will depend upon various factors then existing, including earnings, financial condition, results of operations, capital requirements, level of indebtedness, any contractual restrictions with respect to payment of dividends, restrictions imposed by applicable law, general business conditions and other factors that our board of directors may deem relevant. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”
<i>Tax consequences to Sears Holdings stockholders</i>	Assuming that the spin-off qualifies as a tax-free transaction under Sections 355, 368 and related provisions of the Internal Revenue Code of 1986, as amended (the “Code”), Sears Holdings stockholders are not expected to recognize any gain or loss for U.S. federal income tax purposes solely as a result of the spin-off except to the extent of any cash received in lieu of fractional shares. See “Material U.S. Federal Income Tax Consequences” in this information statement for a more detailed description of the U.S. federal income tax consequences of the spin-off.

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You should consult your own tax advisors concerning the U.S. federal income tax consequences to you of the receipt, ownership and disposition of shares of Lands' End common stock in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.

Distribution agent, transfer agent and registrar

The distribution agent, transfer agent and registrar for our common stock will be [X].

Information agent

The information agent for the spin-off will be Georgeson Inc. If you have questions about the spin-off, please contact Georgeson Inc. by calling (800) 868-1391 (toll-free).

Risk factors

You should carefully consider the matters discussed under "Risk Factors" starting on page 17.

QUESTIONS AND ANSWERS ABOUT THE SPIN-OFF

Set forth below are examples of what we expect will be commonly asked questions about the spin-off and the related transactions contemplated in connection with the spin-off. The answers are based on selected information included elsewhere in this information statement. The following questions and answers do not contain all of the information that may be important to you and may not address all of the questions that you may have about the spin-off. The remainder of this information statement contains more detailed descriptions of the terms and conditions of the spin-off and provides additional information about us and our business, including potential risks related to the spin-off, our common stock and our business.

What is Lands' End and why is Sears Holdings spinning off the Lands' End business and distributing Lands' End common stock?

Lands' End is a leading multi-channel retailer of casual clothing, accessories and footwear, as well as home products. We offer products through catalogs, online at www.landsend.com and affiliated specialty and international websites, and through retail locations, primarily at Lands' End Shops at Sears and standalone Lands' End Inlet stores. We are a classic American lifestyle brand with a passion for quality, legendary service and real value, and we seek to deliver timeless style for men, women, kids and the home. Lands' End was founded 50 years ago in Chicago by Gary Comer and his partners to sell sailboat hardware and equipment by catalog. Lands' End, Inc. was incorporated in Delaware in 1986 and in June 2002 was acquired by Sears Roebuck, a company that is now a wholly owned subsidiary of Sears Holdings.

The separation of Lands' End from Sears Holdings and the distribution of Lands' End common stock to Sears Holdings stockholders are intended to provide you with equity investments in two separate companies that will, among other things, be able to focus on each of their respective businesses and allow investors to make independent investment decisions based on the two companies' different business models and strategies. Sears Holdings and Lands' End expect that the spin-off will result in enhanced long-term performance of each business for the reasons discussed in "The Spin-Off—Background" and "The Spin-Off—Reasons for the Spin-Off."

Why am I receiving this document?

Lands' End is making this information statement available to holders of Sears Holdings common stock. Each share of Sears Holdings common stock outstanding as of 5:30 p.m. Eastern time on [X], the record date for the distribution, will entitle the holder thereof to receive [X] shares of Lands' End common stock and cash in lieu of fractional shares, except that holders of Sears Holdings' restricted stock that is unvested as of the record date will receive cash awards in lieu of shares. This information statement will help you understand how the spin-off will affect your investment in Sears Holdings and your investment in Lands' End after the spin-off.

How will the spin-off of Lands' End from Sears Holdings work?

To accomplish the spin-off, Sears Holdings will distribute 100% of the outstanding shares of Lands' End common stock on a *pro rata* basis to Sears Holdings stockholders as of the record date, except that holders of Sears Holdings' restricted stock that is unvested as of the record date will receive cash awards in lieu of shares. Each person who as of the record date holds outstanding unvested restricted stock issued pursuant to the Sears Holdings Corporation 2006 Stock Plan or the Sears Holdings Corporation 2013 Stock Plan will receive a cash amount in lieu of any and all rights such holder may have to any shares of Lands' End common stock distributed in the distribution with respect to such unvested restricted stock. Such cash amount will represent the right to receive on the applicable vesting date a cash payment from Sears Holdings equal to the value of the Lands' End common stock and cash in lieu of fractional shares that would have been distributed in the distribution to such holder had such holder's unvested restricted stock been Sears Holdings common stock, calculated on the basis of the volume-weighted average price per share of Lands' End common stock for the 10 trading-day period immediately following the distribution date.

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Why is the spin-off of Lands' End structured as a distribution?

Sears Holdings believes that a distribution of shares in the United States of Lands' End common stock to Sears Holdings stockholders is an efficient way to separate the Lands' End business in a manner that will create long-term value for Lands' End and its stockholders.

What is the record date for the distribution?

The record date for the distribution will be [X].

When will the distribution occur?

We expect the distribution of 100% of the outstanding shares of Lands' End common stock to occur on [X] to holders of record of Sears Holdings common stock as of the record date.

What do stockholders need to do to participate in the distribution?

Stockholders of Sears Holdings as of the record date will not be required to take any action to receive shares of Lands' End common stock in the distribution, but you are urged to read this entire information statement carefully. No stockholder approval of the distribution is required. **You are not being asked for a proxy.** You do not need to pay any consideration, exchange or surrender your existing shares of Sears Holdings common stock or take any other action to receive your shares of Lands' End common stock. The distribution will not affect the number of outstanding shares of Sears Holdings common stock or any rights of Sears Holdings stockholders, although it may affect the market value of each outstanding share of Sears Holdings common stock.

How will shares of Lands' End common stock be issued?

You will receive shares of Lands' End common stock through the same channel(s) that you currently use to hold or trade shares of Sears Holdings common stock, whether a bank, brokerage account or other channel. Receipt of Lands' End shares will be documented for you in the same manner that you typically receive stockholder updates, such as monthly broker statements.

If you own Sears Holdings common stock as of 5:30 p.m. Eastern time on [X], the record date, the Lands' End common stock that you are entitled to receive in the distribution will be issued electronically, as of the distribution date, to you or to your bank or brokerage firm on your behalf by way of direct registration in book-entry form. Registration in book-entry form refers to a method of recording share ownership when no physical share certificates are issued to stockholders, as will be the case in the distribution. If you sell your Sears Holdings common stock in the "regular-way" market up to and including the distribution date, you will also be selling your right to receive shares of our common stock in the distribution.

Commencing on or shortly after the distribution date, if you own Sears Holdings shares that are registered directly in your name with Sears Holdings' transfer agent, you are a "registered holder" and the distribution agent will mail to you an account statement that indicates the number of shares of our common stock that have been registered in book-entry form in your name.

How many shares of Lands' End common stock will I receive in the distribution?

Sears Holdings will distribute to you [X] shares of Lands' End common stock for each share of Sears Holdings common stock held by you as of the record date, except that holders of Sears Holdings' restricted stock that is unvested as of the record date will receive cash awards in lieu of shares. Based on approximately [X] million shares of Sears Holdings common stock outstanding as of [X], a total of approximately [X] shares of Lands' End common stock will be distributed. For additional information on the distribution, see "The Spin-Off." Fractional shares of Lands' End common stock will not be distributed.

What are the conditions to the distribution?

The distribution is conditioned upon the satisfaction or waiver of the following conditions:

- the Sears Holdings board of directors shall have authorized and approved the spin-off and related transactions and not withdrawn such authorization and approval, and shall have declared the distribution of our common stock to Sears Holdings stockholders;
- the separation and distribution agreement between Lands' End and Sears Holdings and each ancillary agreement contemplated thereby shall have been executed by each party thereto;
- the registration statement of which this information statement forms a part shall have become effective, and no stop order suspending the effectiveness of the registration statement shall be in effect and no proceedings for such purpose shall be pending before or threatened by the U.S. Securities and Exchange Commission ("SEC");
- this information statement shall have been made available to Sears Holdings stockholders as of the record date;
- Lands' End common stock shall have been accepted for listing on NASDAQ or another national securities exchange or quotation system approved by Sears Holdings, subject to official notice of issuance;
- no order, injunction or decree issued by any governmental authority of competent jurisdiction or other legal restraint or prohibition preventing consummation of the spin-off shall be in effect, and no other event outside the control of Sears Holdings shall have occurred or failed to occur that prevents the consummation of the spin-off;
- any debt financing contemplated to be obtained in connection with the spin-off shall have been obtained;
- the receipt of an opinion from an outside financial advisor to the board of directors of Sears Holdings confirming the solvency and financial viability of Sears Holdings before the distribution and of each of Sears Holdings and Lands' End after the distribution that is in form and substance acceptable to Sears Holdings in its sole discretion;
- the receipt of an opinion from the law firm of Simpson Thacher & Bartlett LLP that the spin-off will meet the requirements necessary for the spin-off to receive tax-free treatment under Sections 355, 368 and related provisions of the Code;
- the Internal Transactions (as defined in the separation and distribution agreement) shall have been completed;
- the individuals listed as members of Lands' End's post-spin-off board of directors in this information statement shall have been duly elected, and such individuals shall be the members of Lands' End's board of directors immediately after the spin-off;
- prior to the spin-off, Sears Holdings shall deliver or cause to be delivered to Lands' End resignations, effective as of immediately prior to the spin-off, of any individual who will be an officer or director of Lands' End after the spin-off and who is an officer or director of Sears Holdings immediately prior to the spin-off; and
- immediately prior to the spin-off, Lands' End's amended and restated certificate of incorporation and bylaws, each in substantially the form filed as an exhibit to the registration statement of which this information statement forms a part, shall be in effect.

Sears Holdings and Lands' End cannot assure you that any or all of these conditions will be met.

Sears Holdings also reserves the right to withdraw and cancel the distribution if, at any time prior to the distribution date, the board of directors of Sears Holdings determines, in its sole discretion, that the distribution is

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not in the best interest of Sears Holdings or its stockholders, or that market conditions are such that it is not advisable to consummate the distribution. If Sears Holdings cancels or waives any condition to the distribution, it will notify Sears Holdings stockholders in a manner reasonably calculated to inform them about the cancellation as may be required by law, by, for example, publishing a press release, filing a current report on Form 8-K, or circulating a supplement to this information statement. The fulfillment of the foregoing conditions will not create any obligation on the part of Sears Holdings to effect the spin-off.

Sears Holdings will have the sole and absolute discretion to determine (and change) the terms of, and whether to proceed with, the distribution (including the number of shares of Lands' End common stock that will be distributed to holders of shares of Sears Holdings common stock on the distribution date) and, to the extent it determines to so proceed, to determine the record date, the distribution date and the distribution ratio. Sears Holdings does not intend to notify its stockholders of any modifications to the terms of the spin-off that, in the judgment of its board of directors, are not material. For example, the Sears Holdings board of directors might consider material such matters as significant changes to the number of shares of Lands' End common stock that will be distributed to holders of shares of Sears Holdings common stock on the distribution date, the distribution ratio, the assets to be contributed or the liabilities to be assumed in the spin-off. To the extent that the Sears Holdings board of directors determines that any modifications by Sears Holdings materially change the material terms of the distribution, Sears Holdings will notify Sears Holdings stockholders in a manner reasonably calculated to inform them about the modification as may be required by law, by, for example, publishing a press release, filing a current report on Form 8-K, or circulating a supplement to this information statement.

What is the expected date of completion of the spin-off?

The completion and timing of the spin-off are dependent upon a number of conditions as described above. We expect that the shares of Lands' End common stock will be distributed by Sears Holdings on [X] to the holders of record of Sears Holdings common stock as of the record date. However, no assurance can be provided as to the timing of the spin-off or that all conditions to the spin-off will be met.

Can Sears Holdings decide to cancel the distribution of Lands' End common stock even if all the conditions have been met?

Yes. The distribution is subject to the satisfaction or waiver of certain conditions. See "The Spin-Off—Conditions to the Spin-Off." However, until the distribution has occurred, Sears Holdings has the right to terminate the distribution, even if all of the conditions are satisfied.

What if I want to sell my shares of Sears Holdings common stock or my shares of Lands' End common stock?

You should consult with your financial advisors, such as your stockbroker, bank or tax advisor.

What is "regular-way" and "ex-distribution" trading of Sears Holdings stock?

Beginning on or shortly before the record date and continuing up to and through the distribution date, it is expected that there will be two markets in Sears Holdings common stock: a "regular-way" market and an "ex-distribution" market. Shares of Sears Holdings common stock that trade in the "regular-way" market will trade with an entitlement to shares of Lands' End common stock distributed pursuant to the distribution. Shares that trade in the "ex-distribution" market will trade without an entitlement to shares of Lands' End common stock distributed pursuant to the distribution. If you sell your shares of Sears Holdings common stock in the "regular-way" market after the record date and before the distribution, you also will be selling your right to receive shares of Lands' End common stock in connection with the spin-off.

Where will I be able to trade shares of Lands' End common stock?

Lands' End intends to apply to list its common stock on NASDAQ under the symbol "LE." We expect that a limited market, commonly known as a "when-issued" trading market, will develop on NASDAQ for the shares of

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Lands' End common stock being distributed in the spin-off. This will allow you to trade your entitlement to shares of Lands' End common stock, without the shares of Sears Holdings common stock you own, on the "when-issued" market (entitlements represent shares of Lands' End common stock being distributed in the spin-off, and trades of such shares will settle on a delayed basis up to three trading days following the distribution date). We expect that this "when-issued" market will begin on or shortly before the record date and will continue up to and including the distribution date, after which time all shares of Lands' End common stock will be traded on a regular settlement basis, or "regular-way" trading, under the symbol "LE." Lands' End cannot predict the trading prices for its common stock before, on or after the distribution date.

What will happen to the listing of Sears Holdings common stock?

Sears Holdings common stock will continue to trade on NASDAQ after the spin-off.

Will the number of shares of Sears Holdings common stock that I own change as a result of the spin-off?

No. The number of shares of Sears Holdings common stock that you own will not change as a result of the spin-off. However, after the spin-off, your shares of Sears Holdings common stock will no longer represent an ownership interest in Lands' End.

Will the spin-off affect the market price of my Sears Holdings shares?

The market price of Sears Holdings common stock immediately following the spin-off may be lower than immediately prior to the spin-off because the trading price will no longer reflect the value of the common stock of Lands' End that is being distributed in the spin-off. Furthermore, prior to the spin-off, and in particular before the market has fully analyzed the value of Sears Holdings without Lands' End, the price of Sears Holdings common stock may fluctuate.

How will fractional shares be treated in the spin-off?

Lands' End will not issue fractional shares of its common stock in the spin-off. Fractional shares that Sears Holdings stockholders would otherwise have been entitled to receive will be aggregated and sold in the public market by the distribution agent. The aggregate cash proceeds of these sales, net of brokerage fees and other expenses, will be distributed *pro rata* to those stockholders who would otherwise have been entitled to receive fractional shares. Recipients of cash in lieu of fractional shares will not be entitled to any interest on the amounts of payment made in lieu of fractional shares. The receipt of cash in lieu of fractional shares generally will be taxable to the recipient stockholders that are subject to U.S. federal income tax as described in "Material U.S. Federal Income Tax Consequences."

What are the material U.S. federal income tax consequences of the spin-off?

Sears Holdings expects to receive an opinion from the law firm of Simpson Thacher & Bartlett LLP that the spin-off will meet the requirements necessary for the spin-off to receive tax-free treatment under Sections 355, 368 and related provisions of the Code. The receipt by Sears Holdings of the opinion is a condition to effecting the spin-off. The tax consequences of the spin-off are described in more detail below under "Material U.S. Federal Income Tax Consequences."

You will recognize gain or loss for U.S. federal income tax purposes with respect to cash received in lieu of a fractional share of Lands' End common stock. For more information regarding the potential U.S. federal income tax consequences to Sears Holdings and to you of the separation and the distribution, see "Material U.S. Federal Income Tax Consequences."

How will I determine my tax basis in the Lands' End shares I receive in the spin-off?

For U.S. federal income tax purposes, your aggregate basis in the shares of common stock that you hold in Sears Holdings and the new Lands' End common stock received in the distribution (including any fractional

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share interest in Lands' End common stock for which cash is received) will equal the aggregate basis in the shares of Sears Holdings common stock held by you immediately before the distribution, allocated between your Sears Holdings shares and the Lands' End common stock (including any fractional share interest in Lands' End common stock for which cash is received) you receive in the distribution in proportion to the relative fair market value of each on the distribution date. Sears Holdings intends to post IRS Form 8937 with respect to the allocation of the basis in Sears Holdings and Lands' End common stock to the Sears Holdings website, www.searsholdings.com, following the spin-off.

You should consult your own tax advisors concerning the United States federal income tax consequences to you of the receipt, ownership and disposition of shares of Lands' End common stock in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.

Who will own Lands' End common stock following the spin-off?

Sears Holdings will distribute shares of Lands' End common stock *pro rata* to its stockholders as of the record date, except that holders of Sears Holdings' restricted stock that is invested as of the record date will receive cash awards in lieu of shares. Based on the ownership of Sears Holdings common stock on February 21, 2014, we expect that, immediately following the spin-off, ESL will own approximately 48.4% of Lands' End outstanding common stock. Edward S. Lampert is the Chairman of the Board and Chief Executive Officer of Sears Holdings and Chairman and Chief Executive Officer of ESL. For a more detailed description of the expected beneficial ownership of Lands' End capital stock by ESL following the spin-off, see "Security Ownership of Certain Beneficial Owners and Management."

What will Lands' End's relationship be with Sears Holdings following the spin-off?

Lands' End intends to enter into a separation and distribution agreement, a tax sharing agreement, and a transition services agreement with Sears Holdings or its subsidiaries in connection with the spin-off. Lands' End also intends to enter into commercial agreements with Sears Holdings or its subsidiaries, such as a master lease agreement, a master sublease agreement, a financial services agreement, a retail operations agreement for the Lands' End Shops at Sears and a Shop Your Way retail establishment agreement. Lands' End has previously entered into a co-location and services agreement with a subsidiary of Sears Holdings and will amend this agreement in connection with the spin-off. Together, these agreements will provide for the allocation between Lands' End and Sears Holdings of the assets, employees, liabilities and obligations (including its investments, property and tax-related assets and liabilities) of Sears Holdings and its subsidiaries attributable to periods prior to, at and after the spin-off and will govern the relationship between Lands' End and Sears Holdings subsequent to the completion of the spin-off. For additional information regarding the separation and distribution agreement and other transaction agreements, see "Risk Factors—Risks Related to the Spin-Off" and "Certain Relationships and Related Person Transactions—Our Relationship with Sears Holdings Following the Spin-Off."

Are there risks associated with owning Lands' End common stock?

Yes. Ownership of Lands' End common stock is subject to both general and specific risks relating to Lands' End's business, the industry in which it operates, its ongoing contractual relationships with Sears Holdings and its status as a separate, publicly traded company. Ownership of Lands' End common stock will also be subject to risks relating to the spin-off. These risks are described in the "Risk Factors" section of this information statement beginning on page 17. You are encouraged to read that section carefully.

Does Lands' End plan to pay dividends on its common stock?

We do not currently expect to declare or pay dividends on our common stock for the foreseeable future following the spin-off. Instead, we intend to retain earnings to finance the growth and development of our business and for working capital and general corporate purposes. Any payment of dividends will be at the

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discretion of our board of directors and will depend upon various factors then existing, including earnings, financial condition, results of operations, capital requirements, level of indebtedness, any contractual restrictions with respect to payment of dividends, restrictions imposed by applicable law, general business conditions and other factors that our board of directors may deem relevant. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” and “Dividend Policy.”

Who will be the distribution agent and the transfer agent and registrar for the Lands’ End common stock?

The distribution agent, transfer agent and registrar for the Lands’ End common stock will be [✕].

Where can I find more information about the spin-off?

The information agent for the spin-off will be Georgeson Inc. If you have questions about the spin-off, please contact Georgeson Inc. by calling (800) 868-1391 (toll-free).

RISK FACTORS

You should carefully consider the following risks and other information in this information statement in evaluating our company and our common stock. Any of the following risks could materially and adversely affect our business, results of operations or financial condition. The risk factors generally have been separated into three groups: risks related to our business, risks related to the spin-off and risks related to our common stock.

Risks Related to Our Business

If we fail to offer merchandise and services that customers want to purchase, our business and results of operations could be adversely affected.

Our products and services must satisfy the desires of customers, whose preferences change over time. In order to be successful, we must identify, obtain supplies of, and offer to customers attractive, innovative and high-quality merchandise on a continuous and timely basis. Failure to effectively gauge the direction of customer preferences, or convey a compelling brand image or price/value equation to customers may result in lower sales and resultant lower gross profit margins. This could have an adverse effect on our business and results of operations.

Customer preference for our branded merchandise could change, which may adversely affect our profitability.

Sales of branded merchandise account for substantially all of our total revenues and the Lands' End brand, in particular, is a critical differentiating factor for our business. Our inability to develop products that resonate with our existing customers and attract new customers, our inability to maintain our strict quality standards or to develop, produce and deliver products in a timely manner, or any unfavorable publicity with respect to the foregoing or otherwise could negatively impact the image of our brand with our customers and could result in diminished loyalty to our brand. As customer tastes change, our failure to anticipate, identify and react in a timely manner to emerging fashion trends and appropriately supply our stores, catalogs and websites with attractive high-quality products that maintain or enhance the appeal of our brand could have an adverse effect on our sales, operating margins and results of operations.

The success of our Direct segment depends on customers' use of our digital platform, including our e-commerce websites, and response to direct mail catalogs and digital marketing; if our overall marketing strategies, including our maintenance of a robust customer list, is not successful, our business and results of operations could be adversely affected.

The success of our Direct segment, which accounted for approximately 82% of our revenues in 2012, depends on customers' use of our e-commerce websites and their response to our direct mail catalogs and direct marketing.

The level of customer traffic and volume of customer purchases on our e-commerce websites is substantially dependent on our ability to provide attractive and accessible websites, a high-quality customer experience and reliable delivery of our merchandise. If we are unable to maintain and increase customers' use of our e-commerce websites and the volume of goods they purchase, including through our failure to successfully promote and maintain our e-commerce websites and their associated services, our business and results of operations could be adversely affected.

Customer response to our catalogs and digital marketing is substantially dependent on merchandise assortment, merchandise availability and creative presentation, as well as the selection of customers to whom our catalogs are sent and to whom our digital marketing is directed, changes in mailing strategies and the size of our mailings. Our maintenance of a robust customer list, which we believe includes desirable demographic

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characteristics for the products we offer, has also been a key component of our overall strategy. If the performance of our catalogs, emails and e-commerce websites decline, or if our overall marketing strategy is not successful, our business and results of operations could be adversely affected.

We depend on information technology and a failure of information technology systems, including with respect to our e-commerce operations, or an inability to upgrade or adapt our systems could adversely affect our business.

We rely on sophisticated information technology systems to operate our business, including the e-commerce websites that drive our direct-to-consumer, Lands' End Business Outfitters and international sales channels and in-store/point-of-sale systems, inventory management and human resources. Our e-commerce websites are subject to numerous risks associated with selling merchandise that could have an adverse effect on our results of operations, including unanticipated operating problems, reliance on third-party computer hardware and software providers, system failures and the need to invest in additional and updated computer platforms.

Our information technology systems are potentially vulnerable to malicious intrusion, random attack or breakdown. Although we have invested in the protection of our data and information technology and also monitor our systems on an ongoing basis, there can be no assurance that these efforts will prevent breakdowns or breaches in our information technology systems that could adversely affect our business.

We also currently depend on Sears Holdings' information technology systems for certain key services to support our core Lands' End business channels, including tax processing and filing, credit and gift card processing, expense reporting and reimbursement and several key jointly shared commercial constructs. In addition, many Sears Holdings information technology systems are leveraged in support of our Lands' End Shops at Sears. There can be no assurance that Sears Holdings will maintain and protect these information technology systems in such a way that would prevent breakdowns or breaches in such systems, which could adversely affect our business.

Additionally, our success will depend, in part, on our ability to identify, develop, acquire or license leading technologies useful in our business, enhance our existing services, develop new services and technologies that address the increasingly sophisticated and varied needs of our existing and prospective customers, and respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. The development and operation of our e-commerce websites and other proprietary technology entails significant technical and business risks. We can provide no assurance that we will be able to effectively use new technologies or adapt our e-commerce websites, proprietary technologies and transaction-processing systems to meet customer requirements or emerging industry standards. If we are unable to accurately project the need for such system expansion or upgrade or adapt our systems in a cost-effective and timely manner in response to changing market conditions or customer requirements, whether for technical, legal, financial or other reasons, our business and results of operations could be adversely affected.

Fluctuations and increases in the costs of raw materials could adversely affect our business and results of operations.

Our products are manufactured using several key raw materials, including wool, cotton and down, which are subject to fluctuations in price and availability and many of which are produced in emerging markets in Asia, South Asia and Central America. The prices of these raw materials can be volatile due to the demand for fabrics, weather conditions, supply conditions, government regulations, general economic conditions, crop yields and other unpredictable factors. Such factors may be exacerbated by legislation and regulations associated with global climate change. The prices of these raw materials may also fluctuate based on a number of other factors beyond our control, including commodity prices such as prices for oil, changes in supply and demand, labor costs, competition, import duties, tariffs, anti-dumping duties, currency exchange rates and government regulation. These fluctuations may result in an increase in our transportation costs for freight and distribution,

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utility costs for our retail stores and overall costs to purchase products from our vendors. Fluctuations in the cost, availability and quality of the raw materials used to manufacture our merchandise could have an adverse effect on our cost of goods, or our ability to meet customer demand.

If our relationships with our vendors are impaired, this could have an adverse effect on our competitive position and our business and results of operations.

Most of our arrangements with the vendors that supply a significant portion of our merchandise are not long-term agreements, and, therefore, our success depends on maintaining good relations with them. Our growth strategy depends to a significant extent on the willingness and ability of our vendors to efficiently supply merchandise that is consistent with our standards for quality and value. If we cannot obtain a sufficient amount and variety of quality product at acceptable prices, it could have a negative impact on our competitive position. This could result in lower revenues and decreased customer interest in our product offerings, which, in turn, could adversely affect our business and results of operations.

Our arrangements with our vendors are generally not exclusive. As a result, our vendors might be able to sell similar or identical products to certain of our competitors, some of which purchase products in significantly greater volume. Our competitors may enter into arrangements with suppliers that could impair our ability to sell those suppliers' products, including by requiring suppliers to enter into exclusive arrangements, which could limit our access to such arrangements or products.

If we do not maintain the security of customer, employee or company information, we could experience damage to our reputation, incur substantial additional costs and become subject to litigation.

Any significant compromise or breach of customer, employee or company data security, whether held and maintained by us or by our third-party providers, could significantly damage our reputation and result in additional costs, lost sales, fines and lawsuits. The regulatory environment related to information security and privacy is increasingly rigorous, with new and constantly changing requirements applicable to our business, and compliance with those requirements could result in additional costs. There is no guarantee that the procedures that we have implemented to protect against unauthorized access to secured data are adequate to safeguard against all data security breaches. We could be held liable to our customers or other parties or be subject to regulatory or other actions for breaching privacy rules, and our business and reputation could be adversely affected by any resulting litigation, civil or criminal penalties or adverse publicity.

If we cannot compete effectively in the apparel industry, our business and results of operations may be adversely affected.

The apparel industry is highly competitive. We compete with a diverse group of direct-to-consumer companies and retailers, including national department store chains, men's and women's specialty apparel chains, outdoor specialty stores, apparel catalog businesses, sportswear marketers and online apparel businesses that sell similar lines of merchandise. Our competitors may be able to adopt more aggressive pricing policies, adapt to changes in customer tastes or requirements more quickly, devote greater resources to the design, sourcing, distribution, marketing and sale of their products, or generate greater national brand recognition than us. An inability to overcome these potential competitive disadvantages or effectively market our products relative to our competitors could have an adverse effect on our business and results of operations.

The success of our Retail segment depends on the performance of our "store within a store" business model; if Sears Roebuck sells or disposes of its retail stores or if its retail business does not attract customers or does not adequately promote the Lands' End Shops at Sears, our business and results of operations could be adversely affected.

The success of our Retail segment, which accounted for approximately 18% of our revenues in 2012, depends on the success of the "store within a store" business model. We operated 276 Lands' End Shops at Sears

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as of the end of 2012. These stores had revenues of approximately \$252.1 million in 2012, representing 89% of our Retail sales and 16% of our overall sales for 2012. The aggregate leased space of Lands' End Shops at Sears is expected to decrease by approximately 5% on or prior to the distribution date as a result of real estate reallocation within Sears Holdings. The Lands' End Shops at Sears may also decrease or be eliminated entirely if Sears Roebuck sells, disposes of or transfers ownership or control of any or all of its retail stores. The success and appeal of Sears stores and foot traffic within Sears stores, therefore, have a major impact on the sales of our Retail segment.

In addition, we depend on subsidiaries of Sears Holdings for various retail services and employees to support the Lands' End Shops at Sears, including providing a dedicated, well-trained staff to directly engage with customers at the Lands' End Shops at Sears, maintaining dedicated sales areas for Lands' End branded products and shopping lounges where customers can search our offerings via the Internet and catalog, and providing signage and other marketing materials promoting the Lands' End brand. If Sears Holdings does not provide these services with the standard of care and quality provided while we were a part of Sears Holdings and in accordance with our commercial agreements with Sears Holdings (or its subsidiaries) going forward and does not deliver a rewarding shopping experience to our customers, our reputation could suffer and our business and results of operations could be adversely affected.

We conduct business in and rely on sources for merchandise located in foreign markets, and our business may therefore be adversely affected by legal, regulatory, economic and political risks associated with international trade and those markets.

Substantially all of our merchandise is imported from vendors in China and other emerging markets in Asia, South Asia and Central America, either directly by us or indirectly by distributors who, in turn, sell products to us. We also sell our products in Canada, Northern and Central Europe and Japan, and we plan to develop a sales presence in other areas of Europe (such as Switzerland, Russia and Scandinavia) and Asia (particularly China). Our reliance on vendors in and marketing of products to customers in foreign markets create risks inherent in doing business in foreign jurisdictions, including:

- the burdens of complying with a variety of foreign laws and regulations, including trade and labor restrictions;
- economic and political instability in the countries and regions where our customers or vendors are located;
- compliance with U.S. and other country laws relating to foreign operations, including the Foreign Corrupt Practices Act, which prohibits U.S. companies from making improper payments to foreign officials for the purpose of obtaining or retaining business, and the U.K. Bribery Act, which prohibits U.K. and related companies from any form of bribery;
- changes in U.S. and non-U.S. laws (or changes in the enforcement of those laws) affecting the importation and taxation of goods, including duties, tariffs and quotas, enhanced security measures at U.S. ports, or imposition of new legislation relating to import quotas;
- increases in shipping, labor, fuel, travel and other transportation costs;
- the imposition of anti-dumping or countervailing duty proceedings resulting in the potential assessment of special anti-dumping or countervailing duties;
- transportation delays and interruptions, including due to the failure of vendors or distributors to comply with import regulations;
- adverse fluctuations in currency exchange rates; and
- political instability and acts of terrorism.

Any increase in the cost of merchandise purchased from these vendors or restriction on the merchandise made available by these vendors could have an adverse effect on our business and results of operations.

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Similarly, our inability to market and sell our products in foreign jurisdictions could have an adverse effect on our business and results of operations. Manufacturers in China have experienced increased costs in recent years due to shortages of labor and the fluctuation of the Chinese Yuan in relation to the U.S. dollar. If we are unable to successfully mitigate a significant portion of such product costs, our results of operations could be adversely affected.

New initiatives may be proposed in the United States that may have an impact on the trading status of certain countries and may include retaliatory duties or other trade sanctions that, if enacted, would increase the cost of products purchased from suppliers in countries that we do business with. Any inability on our part to rely on our foreign sources of production due to any of the factors listed above could have an adverse effect on our business, results of operations and financial condition.

If we are unable to protect or preserve the image of our brands and our intellectual property rights, our business may be adversely affected.

We regard our copyrights, service marks, trademarks, trade dress, trade secrets and similar intellectual property as critical to our success. As such, we rely on trademark and copyright law, trade secret protection and confidentiality agreements with our associates, consultants, vendors and others to protect our proprietary rights. Nevertheless, the steps we take to protect our proprietary rights may be inadequate and we may experience difficulty in effectively limiting unauthorized use of our trademarks and other intellectual property worldwide. Unauthorized use of our trademarks, copyrights, trade secrets or other proprietary rights may cause significant damage to our brands and our ability to effectively represent ourselves to agents, suppliers, vendors, licensees and/or customers. While we intend to enforce our trademark and other proprietary rights, there can be no assurance that we are adequately protected in all countries or that we will prevail when defending our trademark and proprietary rights. If we are unable to protect or preserve the value of our trademarks or other proprietary rights for any reason, or if we fail to maintain the image of our brands due to merchandise and service quality issues, actual or perceived, adverse publicity, governmental investigations or litigation, or other reasons, our brands and reputation could be damaged and our business may be adversely affected.

Third parties may sue us for alleged infringement of their proprietary rights. The party claiming infringement might have greater resources than we do to pursue its claims, and we could be forced to incur substantial costs and devote significant management resources to defend against such litigation. If the party claiming infringement were to prevail, we could be forced to discontinue the use of the related trademark or design and/or pay significant damages, or to enter into expensive royalty or licensing arrangements with the prevailing party, assuming these royalty or licensing arrangements are available at all on an economically feasible basis, which they may not be.

Increases in postage, paper and printing costs could adversely affect the costs of producing and distributing our catalog and promotional mailings, which could have an adverse effect on our business and results of operations.

Catalog mailings are a key aspect of our business and increases in costs relating to postage, paper and printing would increase the cost of our catalog mailings and could reduce our profitability to the extent that we are unable to offset such increases by raising prices, by implementing more efficient printing, mailing, delivery and order fulfillment systems or by using alternative direct-mail formats.

We currently use the U.S. Postal Service for distribution of substantially all of our catalogs and are therefore vulnerable to postal rate increases. The current economic and legislative environments may lead to further rate increases or a discontinuation of the discounts for bulk mailings and sorting by zip code and carrier routes which Lands' End currently leverages for cost savings.

Paper for catalogs and promotional mailings is a vital resource in the success of our business. The market price for paper has fluctuated significantly in the past and may continue to fluctuate in the future. We do not have

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multi-year fixed-price contracts for the supply of paper and are not guaranteed access to, or reasonable prices for, the amounts required for the operation of our business over the long term.

We also depend upon external vendors to print and mail our catalogs. The limited number of printers capable of handling such needs subjects us to risks if any printer fails to perform under our agreement. Most of our catalog-related costs are incurred prior to mailing, and we are not able to adjust the costs of a particular catalog mailing to reflect the actual subsequent performance of the catalog.

We rely on third parties to provide us with services in connection with certain aspects of our business, and any failure by these third parties to perform their obligations could have an adverse effect on our business and results of operations.

We have entered into agreements with third parties for logistics services, information technology systems (including hosting some of our e-commerce websites), onshore and offshore software development and support, catalog production, distribution and packaging and employee benefits. Services provided by any of our third-party suppliers could be interrupted as a result of many factors, such as acts of God or contract disputes. Any failure by a third party to provide us with contracted-for services on a timely basis or within service level expectations and performance standards could result in a disruption of our business and have an adverse effect on our business and results of operations.

If we fail to timely and effectively obtain shipments of products from our vendors and deliver merchandise to our customers, our business and operating results could be adversely affected.

We do not own or operate any manufacturing facilities and therefore depend upon independent third-party vendors for the manufacture of our merchandise. We cannot control all of the various factors that might affect timely and effective procurement of supplies of product from our vendors and delivery of merchandise to our customers. A majority of the products that we purchase must be shipped to our distribution centers in Dodgeville, Reedsburg and Stevens Point, Wisconsin; Oakham, England; and Fujieda, Japan. While our reliance on a limited number of distribution centers provides certain efficiencies, it also makes us more vulnerable to natural disasters, weather-related disruptions, accidents, system failures or other unforeseen causes that could delay or impair our ability to fulfill customer orders and/or ship merchandise to our stores, which could adversely affect sales. Our utilization of imports also makes us vulnerable to risks associated with products manufactured abroad, including, among other things, risks of damage, destruction or confiscation of products while in transit to a distribution center, organized labor strikes and work stoppages, transportation and other delays in shipments, including as a result of heightened security screening and inspection processes or other port-of-entry limitations or restrictions in the United States, the United Kingdom and Japan, unexpected or significant port congestion, lack of freight availability and freight cost increases. In addition, if we experience a shortage of a popular item, we may be required to arrange for additional quantities of the item, if available, to be delivered through airfreight, which is significantly more expensive than standard shipping by sea. We may not be able to obtain sufficient freight capacity on a timely basis or at favorable shipping rates and, therefore, may not be able to timely receive merchandise from vendors or deliver products to customers.

We rely upon proprietary and third-party land-based and air freight carriers for merchandise shipments from our distribution centers to customers. Accordingly, we are subject to the risks, including labor disputes, union organizing activity, inclement weather and increased transportation costs, associated with such carriers' ability to provide delivery services to meet outbound shipping needs. In addition, if the cost of fuel continues to rise or remains at current levels, the cost to deliver merchandise from distribution centers to customers may rise, and, although some of these costs are paid by our customers, such costs could have an adverse impact on our profitability. Failure to procure and deliver merchandise to customers in a timely, effective and economically viable manner could damage our reputation and adversely affect our business. In addition, any increase in distribution costs and expenses could adversely affect our future financial performance.

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Reliance on promotions and markdowns to encourage consumer purchases could adversely affect our gross margins and results of operations.

The apparel industry is dominated by large brands and national/mass retailers, where price competition, promotion, and branded product assortment drive differentiation between competitors in the industry. In order to be competitive, we must offer customers compelling products at attractive prices, including through promotions and markdowns. Heavy reliance on promotions and markdowns to encourage customers to purchase our merchandise could have a negative impact on our brand equity, gross margins and results of operations.

If we do not efficiently manage inventory levels, our results of operations could be adversely affected.

We must maintain sufficient inventory levels to operate our business successfully, but we must also avoid accumulating excess inventory, which increases working capital needs and lowers gross margins. We obtain substantially all of our inventory from vendors located outside the United States. Some of these vendors often require lengthy advance notice of order requirements in order to be able to supply products in the quantities requested. This usually requires us to order merchandise, and enter into commitments for the purchase of such merchandise, well in advance of the time these products will be offered for sale. As a result, it may be difficult to respond to changes in the apparel, footwear, accessories or home products markets. If we do not accurately anticipate the future demand for a particular product or the time it will take to obtain new inventory, inventory levels will not be appropriate and our results of operations could be adversely affected.

Unseasonal or severe weather conditions may adversely affect our merchandise sales.

Our business is adversely affected by unseasonal weather conditions. Sales of certain seasonal apparel items, specifically outerwear and swimwear, are dependent in part on the weather and may decline in years in which weather conditions do not favor the use of these products. Sales of our spring and summer products, which traditionally consist of lighter clothing and swimwear, are adversely affected by cool or wet weather. Similarly, sales of our fall and winter products, which are traditionally weighted toward outerwear, are adversely affected by mild, dry or warm weather. In addition, severe weather events typically lead to temporarily reduced traffic at the Sears locations in which Lands' Ends Shops at Sears are located and at our other retail locations which could lead to reduced sales of our merchandise. Severe weather events may impact our ability to supply our stores, deliver orders to customers on schedule and staff our stores and fulfillment centers, which could have an adverse effect on our business and results of operations.

Our business is seasonal in nature, and any decrease in our sales or margins could have an adverse effect on our business and results of operations.

The apparel industry is highly seasonal, with the highest levels of sales occurring during the fourth quarter of our fiscal year. Our sales and margins during the fourth quarter may fluctuate based upon factors such as the timing of holiday seasons and promotions, the amount of net sales contributed by new and existing stores, the timing and level of markdowns, competitive factors, weather and general economic conditions. Any decrease in sales or margins, whether as a result of increased promotional activity or because of economic conditions, poor weather or other factors, could have an adverse effect on our business and results of operations. In addition, seasonal fluctuations also affect our inventory levels, since we usually order merchandise in advance of peak selling periods and sometimes before new fashion trends are confirmed by customer purchases. We generally carry a significant amount of inventory, especially before the fourth quarter peak selling periods. If we are not successful in selling inventory during these periods, we may have to sell the inventory at significantly reduced prices, which could adversely affect our business and results of operations.

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If our independent vendors do not use ethical business practices or comply with applicable laws and regulations, our reputation could be materially harmed and have an adverse effect on our business and results of operations.

Our reputation and customers' willingness to purchase our products depend in part on our vendors' compliance with ethical employment practices, such as with respect to child labor, wages and benefits, forced labor, discrimination, freedom of association, unlawful inducements, safe and healthy working conditions, and with all legal requirements relating to the conduct of their business. While we operate compliance and monitoring programs to promote ethical and lawful business practices, we do not exercise ultimate control over our independent vendors or their business practices and cannot guarantee their compliance with ethical and lawful business practices. Violation of labor or other laws by vendors, or the divergence of a vendor's labor practices from those generally accepted as ethical in the United States could materially hurt our reputation, which could have an adverse effect on our business and results of operations.

We may be subject to assessments for additional state taxes, which could adversely affect our business.

In accordance with current law, we pay, collect and/or remit taxes in those states where we or our subsidiaries, as applicable, maintain a physical presence. While we believe that we have appropriately remitted all taxes based on our interpretation of applicable law, tax laws are complex and their application differs from state to state. It is possible that some taxing jurisdictions may attempt to assess additional taxes and penalties on us or assert either an error in our calculation, a change in the application of law, or an interpretation of the law that differs from our own, which may, if successful, adversely affect our business and results of operations.

We may be subject to periodic litigation and other regulatory proceedings, including with respect to product liability claims. These proceedings may be affected by changes in laws and government regulations or changes in their enforcement.

From time to time, we may be involved in lawsuits and regulatory actions relating to our business or products we sell or have sold. These proceedings may be in jurisdictions with reputations for aggressive application of laws and procedures against corporate defendants. We are impacted by trends in litigation, including class-action allegations brought under various consumer protection and employment laws, including wage and hour laws and laws relating to electronic commerce. Due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the ultimate outcome of any such proceedings. An unfavorable outcome could have an adverse effect on our business and results of operations. Regardless of the outcome of any litigation or regulatory proceedings, any such proceeding could result in substantial costs and may require that we devote substantial resources to defend the proceeding, which could affect the future premiums we would be required to pay on our insurance policies. Changes in governmental regulations could also have adverse effects on our business and subject us to additional regulatory actions.

Some of the products we sell may expose us to product liability claims relating to personal injury, death or property damage allegedly caused by these products, and could require us to take corrective actions, including product recalls. Although we maintain liability insurance, there is no guarantee that our current or future coverage will be adequate for liabilities actually incurred, or that insurance will continue to be available on economically reasonable terms, or at all. Product liability claims can be expensive to defend and can divert the attention of management and other personnel for significant periods, regardless of the ultimate outcome. Claims of this nature, as well as product recalls, could also have an adverse effect on customer confidence in the products we sell and on our reputation, business and results of operations.

We could incur charges due to impairment of goodwill, other intangible assets and long-lived assets.

As of November 1, 2013, we had intangible asset balances of \$642.0 million, most of which are subject to testing for impairment annually or more frequently if events or changes in circumstances indicate that the asset

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might be impaired. Our intangible assets consist of \$528.3 million of trade names, \$3.7 million of finite-lived intangible assets and our goodwill balance was \$110.0 million. Any event that impacts our reputation could result in impairment charges for our trade names. Long-lived assets, primarily property and equipment, are also subject to testing for impairment. A significant amount of judgment is involved in our impairment assessment. If actual results are not consistent with our estimates and assumptions used in estimating future cash flows and asset fair values, we could incur impairment charges for intangible assets, goodwill or long-lived assets, which could have an adverse effect on our results of operations.

Our failure to retain our executive management team and to attract qualified new personnel could adversely affect our business and results of operations.

We depend on the talents and continued efforts of our executive management team, which is composed of the individuals named under “Management.” The loss of one or more of the members of our executive management may disrupt our business and adversely affect our results of operations. Furthermore, our ability to manage further expansion will require us to continue to train, motivate and manage employees and to attract, motivate and retain additional qualified personnel. We believe that having personnel who are passionate about our brand and have industry experience and a strong customer service ethic has been an important factor in our historical success, and we believe it will continue to be important to growing our business. Competition for these types of personnel is intense, and we may not be successful in attracting, assimilating and retaining the personnel required to grow and operate our business profitably. With the seasonal nature of the retail business, nearly 2,000 flexible part-time employees join us each year to support our varying peak seasons, including the fourth quarter holiday shopping season. An inability to attract qualified seasonal personnel could interrupt our sales during this period.

Our plans to expand internationally may not be successful.

Our current strategies include international expansion in a number of countries around the world through a number of channels and brands, including in Asia and Europe. We have limited experience operating in many of these locations, and face major, established competitors and barriers to entry. In addition, in many of these locations, the real estate, employment and labor, transportation and logistics, regulatory and other operating requirements differ dramatically from those in the places where we have experience. Foreign currency exchange rate fluctuations may also adversely affect our international operations and sales, including by increasing the cost of business in certain locations. Moreover, consumer tastes and trends may differ in many of these locations from those in our existing locations, and as a result, the sales of our products may not be successful or profitable. If our international expansion plans are unsuccessful or do not deliver an appropriate return on our investments, our business could be adversely affected.

Our business is affected by worldwide economic and market conditions; a failure of the economy to sustain its recovery, a renewed decline in consumer-spending levels and other adverse developments, including rising inflation, could lead to reduced revenues and gross margins and adversely affect our business, results of operations and liquidity.

Many economic and other factors are outside of our control, including general economic and market conditions, consumer and commercial credit availability, inflation, unemployment, consumer debt levels and other challenges currently affecting the global economy. Continued high rates of unemployment, depressed home prices, reduced access to credit and the domestic and international political situation may adversely affect consumer confidence and disposable income levels. Low consumer confidence and disposable incomes could lead to reduced consumer spending and lower demand for our products, which are discretionary items the purchase of which can be reduced before customers adjust their budgets for necessities. These factors could have a negative impact on our sales and cause us to increase inventory markdowns and promotional expenses, thereby reducing our gross margins and operating results.

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In addition, our liquidity needs are funded by operating cash flows and, to the extent necessary, may be funded by borrowings under any credit agreement that we may enter into in connection with the spin-off. The availability of financing depends on numerous factors that are outside of our control, including general economic and market conditions, the health of financial institutions, our credit ratings and lenders' assessments of our prospects and the prospects of the retail industry in general. The lenders under any credit facilities or loan agreements we may enter into may not be able to meet their commitments if they experience shortages of capital and liquidity. There can be no assurance that our ability to otherwise access the credit markets will not be adversely affected by changes in the financial markets and the global economy. If we are not able to fulfill our liquidity needs through operating cash flows and/or borrowings under credit facilities or otherwise in the capital markets, our business and financial condition could be adversely affected.

Other factors may have an adverse effect on our business, results of operations and financial condition.

Many other factors may affect our profitability and financial condition, including:

- changes in or interpretations of laws and regulations, including changes in accounting standards, taxation requirements, product marketing application standards and environmental laws;
- differences between the fair value measurement of assets and liabilities and their actual value, particularly for intangibles and goodwill; and for contingent liabilities such as litigation, the absence of a recorded amount, or an amount recorded at the minimum, compared to the actual amount;
- changes in the rate of inflation, interest rates and the performance of investments held by us;
- changes in the creditworthiness of counterparties that transact business with or provide services to us; and
- changes in business, economic and political conditions, including war, political instability, terrorist attacks, the threat of future terrorist activity and related military action; natural disasters; the cost and availability of insurance due to any of the foregoing events; labor disputes, strikes, slow-downs or other forms of labor or union activity; and pressure from third-party interest groups.

Risks Related to the Spin-Off

Our historical financial information is not necessarily representative of the results that we would have achieved as a separate, publicly traded company and may not be a reliable indicator of our future results.

Although we were an independent company prior to our acquisition by Sears Roebuck in June 2002, the more recent historical information about us in this information statement refers to the Lands' End's business as operated by and integrated with Sears Holdings. Accordingly, the historical financial information included in this information statement does not necessarily reflect the financial condition, results of operations or cash flows that we would have achieved as a separate, publicly traded company during the periods presented or those that we will achieve in the future primarily as a result of the factors described below:

- Prior to the separation, Sears Holdings or one of its affiliates performed various corporate functions for us. Following the spin-off, Sears Holdings or its subsidiaries will provide some of these functions to us, as described in "Certain Relationships and Related Person Transactions—Our Relationship with Sears Holdings Following the Spin-Off." Our historical financial results reflect allocations of corporate expenses from Sears Holdings for these functions and are likely to be less than the expenses we would have incurred had we operated as a separate publicly traded company. Following the spin-off, we may not be able to perform these functions as efficiently or at comparable costs, and our profitability may decline as a result;
- Currently, we are able to use Sears Holdings' size and purchasing power in procuring various goods and services and have shared economies of scope and scale in costs, employees, vendor relationships and customer relationships. Although we will enter into a transition services agreement and other

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commercial agreements with Sears Holdings or its subsidiaries in connection with the spin-off, these arrangements may not fully capture the benefits we have enjoyed as a result of being integrated with Sears Holdings and may result in us paying higher charges than in the past for these services. As a separate, publicly traded company, we may be unable to obtain goods and services at the prices and terms obtained prior to the spin-off, which could decrease our overall profitability. This could have an adverse effect on our business and results of operations following the completion of the spin-off;

- Generally, our working capital requirements and capital for our general corporate purposes have historically been satisfied as part of the corporate-wide cash management policies of Sears Holdings. Following the spin-off, we may need to obtain additional financing from banks, through public offerings or private placements of debt or equity securities, strategic relationships or other arrangements; and
- Our historical financial information does not reflect any debt we may incur in connection with the spin-off.

Other significant changes may occur in our cost structure, management, financing and business operations as a result of operating as a company separate from Sears Holdings. For additional information about the past financial performance of our business and the basis of presentation of the historical combined financial statements of our business, see “Selected Historical Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical combined financial statements and accompanying notes included elsewhere in this information statement.

Sears Holdings or its subsidiaries may fail to perform under various transaction agreements that will be executed in connection with the spin-off or we may fail to have necessary systems and services in place when certain of the transaction agreements expire.

We rely on Sears Holdings to provide logistics, point-of-sale and related store systems to the Lands’ End Shops at Sears. In connection with the spin-off, we will enter into various agreements, including a separation and distribution agreement, a transition services agreement and a tax sharing agreement, to effect the separation and provide a framework for our relationship with Sears Holdings after the spin-off. In addition, we will enter into commercial agreements with Sears Holdings or its subsidiaries, including a master lease agreement, a master sublease agreement, a financial services agreement, a retail operations agreement for the Lands’ End Shops at Sears and a Shop Your Way retail establishment agreement. We previously entered into a co-location and services agreement with a subsidiary of Sears Holdings that will be amended in connection with the spin-off. These agreements are discussed in greater detail in the section titled “Certain Relationships and Related Person Transactions—Our Relationship with Sears Holdings Following the Spin-Off.” Certain of these agreements will provide for the performance of services by each company for the benefit of the other for up to 12 months after the spin-off or, in the case of the commercial agreements we will enter into with Sears Holdings, for the period of time otherwise specified in the applicable agreement. We will rely on Sears Holdings and its subsidiaries to satisfy their performance and payment obligations under these agreements. If Sears Holdings or its subsidiaries are unable to satisfy their obligations under these agreements, including their indemnification obligations, we could incur operational difficulties or losses. These arrangements could lead to disputes between Sears Holdings or its subsidiaries and us over the use of and charges for facilities and the allocation of revenues and expenses for our sales from the Lands’ End Shops at Sears and from our gift card programs.

If we do not have in place our own systems and services, or if we do not have agreements with other providers of these services when the transaction or commercial agreements terminate, we may not be able to operate our business effectively and our profitability may decline. We are in the process of creating our own, or engaging third parties to provide, systems and services to replace many of the systems and services Sears Holdings and its subsidiaries currently provide to us. We may not be successful in effectively or efficiently implementing these systems and services or in transitioning data from Sears Holdings’ systems to ours. These systems and services may also be more expensive or less efficient than the systems and services Sears Holdings and its subsidiaries are expected to provide during the transition period.

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We may have received better terms from unaffiliated third parties than the terms we will receive in our agreements with Sears Holdings or its subsidiaries.

The agreements we will enter into with Sears Holdings or its subsidiaries in connection with the spin-off, including the transition services agreement, tax sharing agreement, master lease agreement, master sublease agreement, financial services agreement, Lands' End Shops at Sears retail operations agreement and Shop Your Way retail establishment agreement, were prepared in the context of the spin-off while we were still a wholly owned indirect subsidiary of Sears Holdings. Accordingly, during the period in which the terms of these agreements and amendments were prepared, we did not have an independent board of directors or a management team that was independent of Sears Holdings. As a result, the terms of these agreements are of fixed duration and may not reflect terms that would have resulted from arm's-length negotiations between unaffiliated third parties. Arm's-length negotiations between Sears Holdings and an unaffiliated third party in another form of transaction, such as with a buyer in a sale of a business, may have resulted in more favorable terms to the unaffiliated third party. See "Certain Relationships and Related Person Transactions—Our Relationship with Sears Holdings Following the Spin-Off."

Potential indemnification liabilities to Sears Holdings pursuant to the separation and distribution agreement could adversely affect us.

The separation and distribution agreement with Sears Holdings will provide, among other things, the principal corporate transactions required to effect the spin-off, certain conditions to the spin-off and provisions governing the relationship between us and Sears Holdings with respect to and resulting from the spin-off. For a description of the separation and distribution agreement, see "Certain Relationships and Related Person Transactions—The Separation and Distribution Agreement." Among other things, the separation and distribution agreement provides for indemnification obligations designed to make us financially responsible for substantially all liabilities that may exist relating to our business activities, whether incurred prior to or after the spin-off, as well as any obligations of Sears Holdings that we may assume pursuant to the separation and distribution agreement. If we are required to indemnify Sears Holdings under the separation and distribution agreement, we may be subject to substantial liabilities.

If the spin-off is determined to be taxable for U.S. federal income tax purposes, our stockholders could incur significant U.S. federal income tax liabilities.

A condition to the spin-off is Sears Holdings' receipt of an opinion from the law firm of Simpson Thacher & Bartlett LLP substantially to the effect that the spin-off and its associated transactions (including the Internal Transactions (as defined in the separation and distribution agreement)) will qualify as tax-free under Sections 355, 368 and related provisions of the Code, except to the extent of any cash received in lieu of fractional shares of our common stock. An opinion of counsel is not binding on the Internal Revenue Service ("IRS"). Accordingly, the IRS may reach conclusions with respect to the spin-off that are different from the conclusions reached in the opinion. The opinion will rely on certain facts, assumptions, representations and undertakings from Sears Holdings and us regarding the past and future conduct of the companies' respective businesses and other matters, which, if incomplete, incorrect or not satisfied, could alter counsel's conclusions.

If the spin-off ultimately is determined to be taxable, the spin-off could be treated as a taxable dividend to you for U.S. federal income tax purposes, and you could incur significant U.S. federal income tax liabilities. In addition, Sears Holdings would recognize a taxable gain to the extent that the fair market value of our common stock exceeds Sears Holdings' tax basis in such stock on the date of the spin-off. Sears Holdings would not expect tax on such gain, if any, to be substantial. For a description of the sharing of such liabilities between Sears Holdings and us, see "Certain Relationships and Related Person Transactions—Tax Sharing Agreement."

We may not be able to engage in certain corporate transactions after the spin-off.

Our ability to engage in significant equity transactions will be limited or restricted after the spin-off in order to preserve for U.S. federal income tax purposes the tax-free nature of the spin-off by Sears Holdings. Even if the

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spin-off otherwise qualifies for tax-free treatment under Section 355 of the Code, it may be taxable to Sears Holdings if 50% or more, by vote or value, of shares of our common stock or Sears Holdings' common stock are acquired or issued as part of a plan or series of related transactions that includes the spin-off. For this purpose, any acquisitions or issuances of Sears Holdings' common stock within two years before the spin-off, and any acquisitions or issuances of our common stock or Sears Holdings' common stock within two years after the spin-off, generally are presumed to be part of such a plan, although we or Sears Holdings may be able to rebut that presumption. If an acquisition or issuance of shares of our common stock or Sears Holdings' common stock triggers the application of Section 355(e) of the Code, Sears Holdings would recognize a taxable gain to the extent the fair market value of our common stock exceeds Sears Holdings' tax basis in common stock. If the spin-off was subject to Section 355(e) of the Code, we would not expect tax on such gain, if any, to be substantial.

Under the tax sharing agreement, there will be restrictions on our ability to take actions that could cause the spin-off to fail to qualify for favorable treatment under the Code. These restrictions may prevent us from entering into transactions which might be advantageous to us or our stockholders. For a description of the tax sharing agreement, see "Certain Relationships and Related Person Transactions—Tax Sharing Agreement."

Edward S. Lampert and ESL, whose interests may be different from your interests, are expected to be able to exert substantial influence over us following the spin-off and may have interests different than yours.

Immediately following the spin-off, ESL, which beneficially owns approximately 48.4% of Sears Holdings common stock as of the date hereof, is expected to beneficially own approximately 48.4% of the outstanding shares of our common stock. ESL may also increase its percentage beneficial ownership of us through open market purchases of our common stock or otherwise. ESL and its affiliates are controlled, directly or indirectly, by Mr. Lampert. Accordingly, ESL, and thus Mr. Lampert, may have the ability to exert substantial influence over certain matters on which holders of our common stock vote, including, among other things, the election of directors, approving mergers or other business combinations and effecting certain amendments to our certificate of incorporation. The interests of ESL, which has investments in companies other than us (including Sears Holdings) who are counterparties to key agreements with us, may from time to time diverge from the interests of our other stockholders. See "Security Ownership of Certain Beneficial Owners and Management" for a more detailed description of the expected beneficial ownership of our capital stock by ESL following the spin-off.

There may be a significant degree of difficulty in operating as a separate entity and managing that process effectively could require a significant amount of senior management's time.

The spin-off from Sears Holdings could cause an interruption of, or loss of momentum in, the operation of our business. Members of our senior management may be required to devote considerable amounts of time to the spin-off, which could decrease the time they will have to manage their ordinary responsibilities. If our senior management is not able to manage the spin-off effectively, or if any significant business activities are interrupted as a result of the spin-off, our business and operating results could suffer.

We may not achieve some or all of the expected benefits of the spin-off, and the spin-off may adversely affect our business.

We may not be able to achieve the full strategic and financial benefits expected to result from the spin-off, or these benefits may be delayed or not occur at all. The spin-off is expected to provide the following benefits, among others: (1) simplified focus and operational flexibility that will enable each of Lands' End and Sears Holdings to be better able to dedicate resources to pursue unique growth opportunities and execute strategic plans best suited to their respective businesses, (2) a business-appropriate capital structure for each of Sears Holdings and Lands' End, (3) focused management and more effective equity-based compensation arrangements and (4) increasing investors' understanding of Lands' End and its market position within its industry, while also allowing for a more natural and interested investor base. The spin-off may also potentially enhance Lands' End's

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financial flexibility, such as allowing direct access by Lands' End to the capital markets. In contrast to a sale of the entire business, the spin-off will enable current Sears Holdings stockholders to directly participate in any future value creation by Lands' End, while also allowing investors the flexibility to consider Sears Holdings and Lands' End as independent investment decisions based on Lands' End's and Sears Holdings' different business models and strategies.

We may not achieve these and other anticipated benefits and may be subject to unanticipated costs in connection with the spin-off for a variety of reasons, including, among others: (a) the spin-off will require significant amounts of management's time and effort, which may divert management's attention from operating and growing our business; (b) following the spin-off, we may be more susceptible to market fluctuations and other adverse events than if we were still a part of Sears Holdings; (c) following the spin-off, our business will be less diversified than Sears Holdings' business prior to the spin-off; and (d) the other actions required to separate Sears Holdings' and Lands' End's respective businesses could disrupt our operations. If we fail to achieve some or all of the benefits expected to result from the spin-off, or if these benefits are delayed, our business and results of operations could be adversely affected.

Potential liabilities may arise under fraudulent conveyance and transfer laws and legal capital requirements, which could have an adverse effect on our financial condition and our results of operations.

In the event that any entity involved in the spin-off (including certain internal restructuring and financing transactions contemplated to be consummated in connection with the spin-off) subsequently fails to pay its creditors or enters insolvency proceedings, these transactions may be challenged under U.S. federal, U.S. state and foreign fraudulent conveyance and transfer laws, as well as legal capital requirements governing distributions and similar transactions. If a court were to determine under these laws that, (a) at the time of the spin-off, the entity in question: (1) was insolvent; (2) was rendered insolvent by reason of the spin-off; (3) had remaining assets constituting unreasonably small capital; (4) intended to incur, or believed it would incur, debts beyond its ability to pay these debts as they matured; or (b) the transaction in question failed to satisfy applicable legal capital requirements, the court could determine that the spin-off was voidable, in whole or in part. Subject to various defenses, the court could then require Sears Holdings or us, or other recipients of value in connection with the spin-off (potentially including our stockholders as recipients of shares of our common stock in connection with the spin-off), as the case may be, to turn over value to other entities involved in the spin-off and contemplated transactions for the benefit of unpaid creditors. The measure of insolvency and applicable legal capital requirements will vary depending upon the jurisdiction whose law is being applied.

Risks Related to Our Common Stock

We cannot be certain that an active trading market for our common stock will develop or be sustained after the spin-off, and following the spin-off, our stock price may fluctuate significantly.

A public market for our common stock does not currently exist. We anticipate that on or prior to the record date for the distribution, trading of shares of our common stock will begin on a "when-issued" basis and will continue through the distribution date, although we cannot guarantee that such trading will occur. We also cannot guarantee that an active trading market will develop or be sustained for our common stock after the spin-off, nor can we predict the prices at which shares of our common stock may trade after the spin-off. Similarly, we cannot predict the effect of the spin-off on the trading prices of our common stock or whether the combined market value of the shares of our common stock and the shares of Sears Holdings common stock after the spin-off will be less than, equal to or greater than the market value of shares of Sears Holdings common stock prior to the spin-off.

The market price of our common stock may fluctuate significantly due to a number of factors, some of which may be beyond our control, including:

- actual or anticipated fluctuations in our operating results;

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- changes in earnings estimated by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of comparable companies;
- changes to the regulatory and legal environment under which we operate;
- domestic and worldwide economic conditions; and
- sales by investors of some or all of the shares of our common stock that they receive in the spin-off.

Further, when the market price of a company's common stock drops significantly, stockholders often initiate securities class action lawsuits against the company. A lawsuit against Lands' End could cause us to incur substantial costs and could divert the time and attention of our senior management and other resources.

A number of our shares of common stock are or will be eligible for future sale, which may cause our stock price to decline.

Any sales of substantial amounts of our common stock in the public market or the perception that such sales might occur, in connection with the spin-off or otherwise, may cause the market price of our common stock to decline. Upon completion of the spin-off, we expect that we will have an aggregate of approximately [X] shares of our common stock issued and outstanding on [X]. These shares will be freely tradable without restriction or further registration under the U.S. Securities Act of 1933, as amended (the "Securities Act"), unless the shares are owned by one of our "affiliates," as that term is defined in Rule 405 under the Securities Act.

We are unable to predict whether large amounts of our common stock will be sold in the open market following the spin-off. We are also unable to predict whether a sufficient number of buyers would be in the market at that time. A portion of Sears Holdings' common stock is held by index funds tied to certain stock indices. If we are not included in these indices at the time of the spin-off, these index funds will be required to sell our stock.

We expect that, immediately following the spin-off, ESL, which beneficially owns approximately 48.4% of Sears Holdings common stock as of the date of this information statement, will beneficially own approximately 48.4% of our outstanding common stock. ESL will, in its sole discretion, determine the timing and terms of any transactions with respect to its shares of Lands' End common stock, taking into account business and market conditions and other factors that it deems relevant. ESL is not subject to any contractual obligation to maintain its ownership position in us. Consequently, we cannot assure you that ESL will maintain its ownership interest in us. Any sale by ESL of our common stock or any announcement by ESL that it has decided to sell shares of our common stock, or the perception by the investment community that ESL has sold or decided to sell shares of our common stock, could have an adverse impact on the price of our common stock. For further description of transfer restrictions that may apply to our capital stock, see "The Spin-Off—Transferability of Shares You Receive."

The combined post-spin-off value of our common stock and Sears Holdings common stock may not equal or exceed the pre-spin-off value of Sears Holdings common stock.

We cannot assure you that the combined trading prices of Sears Holdings common stock and our common stock after the spin-off, as adjusted for any changes in the combined capitalization of the two companies, will be equal to or greater than the trading price of Sears Holdings common stock prior to the spin-off. Until the market has fully evaluated the business of Sears Holdings without the Lands' End business, the price at which shares of Sears Holdings common stock trade may fluctuate. Similarly, until the market has fully evaluated the Lands' End business, the price at which shares of our common stock trade may fluctuate.

We do not expect to pay dividends for the foreseeable future.

We do not currently expect to declare or pay dividends on our common stock for the foreseeable future following the spin-off. Instead, we intend to retain earnings to finance the growth and development of our

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business and for working capital and general corporate purposes. Any payment of dividends will be at the discretion of our board of directors and will depend upon various factors then existing, including earnings, financial condition, results of operations, capital requirements, level of indebtedness, any contractual restrictions with respect to payment of dividends, restrictions imposed by applicable law, general business conditions and other factors that our board of directors may deem relevant. As a result, you may not receive any return on an investment in our capital stock in the form of dividends.

Your percentage ownership in Lands' End may be diluted in the future.

In the future, your percentage ownership in Lands' End may be diluted because of equity issuances for acquisitions, strategic investments, capital market transactions or otherwise, including equity awards that we may grant to our directors, officers and employees. Our compensation committee may grant additional stock options or other stock-based awards to our employees after the spin-off. These awards would have a dilutive effect on our earnings per share, which could adversely affect the market price of our common stock. From time to time, we may issue additional options or other stock-based awards to our employees under our employee benefits plans.

Becoming a public company will increase our expenses and administrative burden, in particular to bring us into compliance with certain provisions of the Sarbanes-Oxley Act of 2002 to which we are not currently subject.

As a public company, we will incur certain legal, accounting and other expenses that we did not incur as a subsidiary of Sears Holdings. These increased costs and expenses may arise from various factors, including financial reporting, costs associated with complying with federal securities laws (including compliance with the Sarbanes-Oxley Act of 2002), tax administration, and legal and human-resources related functions. Although we expect that a number of these functions will continue to be performed by subsidiaries of Sears Holdings following the spin-off, we will be required to, among other things, create or revise the roles and duties of board committees, adopt additional internal controls and disclosure controls and procedures, retain a transfer agent and adopt an insider trading policy in compliance with our obligations under the securities laws.

We also expect that being a public company subject to additional laws, rules and regulations will require the investment of additional resources to ensure ongoing compliance with these laws, rules and regulations. In addition, these laws, rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified executive officers and qualified persons to serve on our board of directors, and in particular to serve on our audit committee.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This information statement and other materials that we have filed or will file with the SEC contain, or will contain, certain forward-looking statements regarding business strategies, market potential, future financial performance and other matters. Forward-looking statements are subject to risks and uncertainties that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements include information concerning our future financial performance, business strategy, plans, goals and objectives.

Statements preceded or followed by, or that otherwise include, the words “believes,” “expects,” “anticipates,” “intends,” “project,” “estimates,” “plans,” “forecast,” “is likely to” and similar expressions or future or conditional verbs such as “will,” “may,” “would,” “should” and “could” are generally forward-looking in nature and not historical facts. In particular, information included under “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business,” and “The Spin-Off” contains forward-looking statements. Where, in any forward-looking statement or elsewhere in this information statement, an expectation or belief as to future results or events is expressed, such expectation or belief is based on the current plans and expectations of our management and is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished.

The following factors, among others, could cause our actual results, performance or achievements to differ from those set forth in the forward-looking statements:

- our ability to offer merchandise and services that customers want to purchase;
- changes in customer preference for our branded merchandise;
- customers’ use of our digital platform, including our e-commerce websites, and response to direct mail catalogs and digital marketing;
- the success of our overall marketing strategies, including our maintenance of a robust customer list;
- our dependence on information technology and a failure of information technology systems, including with respect to our e-commerce operations, or an inability to upgrade or adapt our systems;
- fluctuations and increases in the costs of raw materials;
- impairment of our relationships with our vendors;
- our failure to maintain the security of customer, employee or company information;
- our failure to compete effectively in the apparel industry;
- the performance of our “store within a store” business model;
- if Sears Roebuck sells or disposes of its retail stores or if its retail business does not attract customers or does not adequately promote the Lands’ End Shops at Sears;
- legal, regulatory, economic and political risks associated with international trade and those markets in which we conduct business and source our merchandise;
- our failure to protect or preserve the image of our brands and our intellectual property rights;
- increases in postage, paper and printing costs;
- failure by third parties who provide us with services in connection with certain aspects of our business to perform their obligations;
- our failure to timely and effectively obtain shipments of products from our vendors and deliver merchandise to our customers;

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- reliance on promotions and markdowns to encourage consumer purchases;
- our failure to efficiently manage inventory levels;
- unseasonal or severe weather conditions;
- the seasonal nature of our business;
- the adverse effect on our reputation if our independent vendors do not use ethical business practices or comply with applicable laws and regulations;
- assessments for additional state taxes;
- our exposure to periodic litigation and other regulatory proceedings, including with respect to product liability claims;
- incurrence of charges due to impairment of goodwill, other intangible assets and long-lived assets;
- our failure to retain our executive management team and to attract qualified new personnel;
- the impact on our business of adverse worldwide economic and market conditions, including economic factors that negatively impact consumer spending on discretionary items;
- the inability of our past performance generally, as reflected on our historical financial statements, to be indicative of our future performance;
- the impact of increased costs due to a decrease in our purchasing power following the separation and other losses of benefits associated with being a subsidiary of Sears Holdings;
- the failure of Sears Holdings or its subsidiaries to perform under various transaction agreements that will be executed in connection with the spin-off or our failure to have necessary systems and services in place when certain of the transaction agreements expire;
- our agreements related to the spin-off and our continuing relationship with Sears Holdings were negotiated while we were a subsidiary of Sears Holdings and we may have received better terms from an unaffiliated third party;
- potential indemnification liabilities to Sears Holdings pursuant to the separation and distribution agreement;
- our inability to engage in certain corporate transactions after the spin-off;
- the ability of our principal shareholders to exert substantial influence over us;
- our difficulty in operating as a separate entity following the spin-off;
- our failure to achieve some or all of the expected benefits of the spin-off, and adverse effects of the spin-off on our business;
- potential liabilities under fraudulent conveyance and transfer laws and legal capital requirements;
- uncertainty relating to the development and continuation of an active trading market for our common stock;
- declines in our stock price due to the eligibility of a number of our shares of common stock for future sale;
- our inability to pay dividends; and
- increases in our expenses and administrative burden in relation to becoming a public company, in particular to bring us into compliance with certain provisions of the Sarbanes-Oxley Act of 2002 to which we are not currently subject.

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Certain of these and other factors are discussed in more detail in the sections of this information statement entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this information statement. While we believe that our forecasts and assumptions are reasonable, we caution that actual results may differ materially. If one or more of these or other factors materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from our expectations. Consequently, actual events and results may vary significantly from those included in or contemplated or implied by our forward-looking statements. The forward-looking statements included in this information statement are made only as of the date of this information statement, and we undertake no obligation, and expressly disclaim any obligation, to publicly update or review any forward-looking statement made by us or on our behalf, whether as a result of new information, future developments, subsequent events or circumstances or otherwise.

DIVIDEND POLICY

We do not currently expect to declare or pay dividends on our common stock for the foreseeable future following the spin-off. Instead, we intend to retain earnings to finance the growth and development of our business and for working capital and general corporate purposes. Any payment of dividends will be at the discretion of our board of directors and will depend upon various factors then existing, including earnings, financial condition, results of operations, capital requirements, level of indebtedness, any contractual restrictions with respect to payment of dividends, restrictions imposed by applicable law, general business conditions and other factors that our board of directors may deem relevant. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of November 1, 2013 on (i) an actual unaudited historical basis and (ii) an unaudited pro forma basis as adjusted to give effect to the separation and the transactions related to the separation.

As of the date hereof, we have not finalized our post-distribution capitalization as Sears Holdings has not determined the distribution ratio. The historical information below does not necessarily reflect what our capitalization would have been had we operated as a separate, publicly traded company for the period presented and is not necessarily indicative of our future capitalization. This table should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our combined financial statements and accompanying notes included elsewhere in this information statement.

<i>(in thousands)</i>	<u>Actual</u>	<u>Pro Forma</u>
Cash and Cash Equivalents⁽¹⁾	<u>\$ 16,331</u>	<u>\$</u>
Equity		
Common stock		
Additional paid-in capital		
Accumulated other comprehensive loss	(3,057)	
Net parent company investment	<u>862,041</u>	<u></u>
Total equity	<u>858,984</u>	<u></u>
Total capitalization	<u>\$858,984</u>	<u>\$</u>

- (1) Lands’ End includes deposits in transit from banks for payments related to third-party credit card and debit card transactions within cash. Lands’ End’s domestic cash is transferred to or funded from Sears Holdings on a daily basis. These cash receipts and disbursements adjust Net parent company investment on the combined balance sheets.

SELECTED HISTORICAL FINANCIAL DATA

The combined statements of comprehensive operations data set forth below for the fiscal years ended February 1, 2013, January 27, 2012 and January 28, 2011 and the combined balance sheet data as of February 1, 2013 and January 27, 2012 are derived from the audited combined financial statements included elsewhere in this information statement. The combined statements of comprehensive operations data for the fiscal years ended January 29, 2010 and January 30, 2009 and the combined balance sheet data as of January 28, 2011, January 29, 2010 and January 30, 2009 are derived from the unaudited combined financial statements that are not included in this information statement. The condensed combined statements of comprehensive operations data set forth below for the 39 weeks ended November 1, 2013 and October 26, 2012 and the condensed combined balance sheet data as of November 1, 2013 and October 26, 2012 are derived from the unaudited condensed combined financial statements included elsewhere in this information statement. All such historical financial and other data reflects the Lands' End business of Sears Holdings and is referred to herein as "our" historical financial and other data.

The selected historical combined financial and other financial data presented below should be read in conjunction with our combined financial statements and accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this information statement. Our combined financial information may not be indicative of our future performance and does not necessarily reflect what our financial position and results of operations would have been had we operated as a publicly traded company independent from Sears Holdings during the periods presented, including changes that will occur in our operations and capitalization as a result of the separation from Sears Holdings.

<i>(in thousands, except per share data and number of stores)</i>	Fiscal Year					39 Weeks Ended	
	2012	2011	2010	2009	2008	November 1, 2013	October 26, 2012
Combined Statement of Comprehensive Operations Data⁽¹⁾							
Merchandise sales and services, net	\$1,585,927	\$1,725,627	\$1,655,574	\$1,656,408	\$1,655,778	\$1,032,447	\$1,040,421
Net income	\$ 49,827	\$ 76,234	\$ 121,264	\$ 128,343	\$ 134,949	\$ 32,904	\$ 24,091
Combined Balance Sheet Data							
Total assets	\$1,217,722	\$1,238,923	\$1,186,585	\$1,192,741	\$1,227,002	\$1,301,616	\$1,349,935
Other Financial and Operating Data							
Adjusted EBITDA ⁽²⁾	<u>\$ 107,673</u>	<u>\$ 144,996</u>	<u>\$ 206,498</u>	<u>\$ 225,355</u>	<u>\$ 235,729</u>	<u>\$ 69,930</u>	<u>\$ 58,338</u>
Number of retail stores at period end	293	306	309	310	239	291	296

- (1) Our fiscal year end is on the Friday preceding the Saturday closest to January 31 each year. Our fiscal third quarter end is on the Friday preceding the Saturday closest to October 31 each year. Fiscal year 2012 consisted of 53 weeks. All other fiscal years consisted of 52 weeks.
- (2) *Adjusted EBITDA*—In addition to our net income determined in accordance with GAAP, for purposes of evaluating operating performance, we use an Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization, or "Adjusted EBITDA," which is adjusted to exclude certain significant items as set forth below. Our management uses Adjusted EBITDA to evaluate the operating performance of our business, as well as executive compensation metrics, for comparable periods. Adjusted EBITDA should not be used by investors or other third parties as the sole basis for formulating investment decisions as it excludes a number of important cash and non-cash recurring items. Adjusted EBITDA should not be considered as a substitute for GAAP measurements.

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While Adjusted EBITDA is a non-GAAP measurement, management believes that it is an important indicator of operating performance, and useful to investors, because:

- EBITDA excludes the effects of financing and investing activities by eliminating the effects of interest and depreciation costs; and
- Other significant items, while periodically affecting our results, may vary significantly from period to period and have a disproportionate effect in a given period, which affects comparability of results. We have adjusted our results for these items to make our statements more comparable and therefore more useful to investors as the items are not representative of our ongoing operations. These adjustments are shown below:
 - Restructuring costs—costs associated with a call center and administrative reorganization in 2012. Management considers these costs to be infrequent and affecting comparability of results between reporting periods.
 - Gain on a litigation settlement—income from a favorable litigation settlement in 2010 related to a breach of contract and trade secret matter. Management considers this income to be infrequent and affecting comparability of results between reporting periods.
 - Gain or loss on the sale of property and equipment—management considers the gains or losses on sale of assets to result from investing decisions rather than ongoing operations.

The following table presents a reconciliation of Adjusted EBITDA to net income, the most comparable GAAP measure for each of the periods indicated:

	Fiscal Year					39 Weeks Ended	
	2012	2011	2010	2009	2008	November 1, 2013	October 26, 2012
<i>(in thousands)</i>							
Net income	\$ 49,827	\$ 76,234	\$121,264	\$128,343	\$134,949	\$ 32,904	\$ 24,091
Income tax expense	32,243	45,669	72,365	76,245	81,421	20,747	15,679
Other (income) loss, net	(67)	(95)	(45)	486	(945)	(33)	(66)
Depreciation and amortization	23,121	22,686	21,963	20,281	20,304	16,253	16,618
Restructuring costs	2,479	—	—	—	—	—	1,951
Gain on litigation settlement	—	—	(9,051)	—	—	—	—
Loss on sale of property and equipment	70	502	2	—	—	59	65
Adjusted EBITDA	<u>\$107,673</u>	<u>\$144,996</u>	<u>\$206,498</u>	<u>\$225,355</u>	<u>\$235,729</u>	<u>\$ 69,930</u>	<u>\$ 58,338</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the audited combined financial statements and accompanying notes and the unaudited combined financial statements and accompanying notes included elsewhere in this information statement. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. The matters discussed in these forward-looking statements are subject to risk, uncertainties, and other factors that could cause actual results to differ materially from those made, projected or implied in the forward-looking statements. See "Risk Factors" and "Cautionary Statement Concerning Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements.

Introduction

Management's discussion and analysis of financial condition and results of operations accompanies our combined financial statements and provides additional information about our business, financial condition, liquidity and capital resources, cash flows and results of operations. We have organized the information as follows:

- *Executive overview.* This section provides a brief description of the spin-off, our business, accounting basis of presentation and a brief summary of our results of operations.
- *Discussion and analysis.* This section highlights items affecting the comparability of our financial results and provides an analysis of our combined and segment results of operations for the 39 weeks ended November 1, 2013 and October 26, 2012, and the three fiscal years ended February 1, 2013, January 27, 2012 and January 28, 2011.
- *Liquidity and capital resources.* This section provides an overview of our historical and anticipated cash and financing activities in connection with the spin-off. We also review our historical sources and uses of cash in our operating, investing and financing activities.
- *Quantitative and qualitative disclosures about market risk.* This section discusses how we monitor and manage market risk related to changing currency rates. We also provide an analysis of how adverse changes in market conditions could impact our results based on certain assumptions we have provided.
- *Critical accounting policies and estimates.* This section summarizes the accounting policies that we consider important to our financial condition and results of operations and which require significant judgment or estimates to be made in their application.

Executive Overview

Spin-Off

Following the spin-off, we will operate as a separate, publicly traded company. The spin-off is subject to a number of conditions. See "The Spin-Off—Conditions to the Spin-Off" for more detail. We expect to complete the spin-off on [✕]; however, we cannot assure you that the spin-off will be completed on the anticipated timeline, or at all, or that the terms of the spin-off will not change.

Description of the Company

Lands' End is a leading multi-channel retailer of casual clothing, accessories and footwear, as well as home products. We offer products through catalogs, online at www.landsend.com and affiliated specialty and international websites, and through retail locations, primarily at Lands' End Shops at Sears and standalone Lands' End Inlet stores. We are a classic American lifestyle brand with a passion for quality, legendary service and real value, and we seek to deliver timeless style for men, women, kids and the home. Lands' End was

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founded 50 years ago in Chicago by Gary Comer and his partners to sell sailboat hardware and equipment by catalog. While our product focus has shifted significantly over the years, we have continued to adhere to our founder's motto as one of our guiding principles: "Take care of the customer, take care of the employee and the rest will take care of itself." We conduct our operations in two reportable business segments: Direct (sold through e-commerce websites and direct-mail catalogs) and Retail (sold through stores), and offer a product mix that includes outerwear, swimwear, specialty apparel, kids clothing, accessories, footwear and home products. The nature of operations conducted within each of these segments is discussed in Note 12—Segment Reporting of the combined financial statements.

Basis of Presentation

Our historical combined financial statements have been prepared on a standalone basis and have been derived from the consolidated financial statements of Sears Holdings and accounting records of Sears Holdings. The combined financial statements include Lands' End, Inc. and subsidiaries and certain other items related to the Lands' End business which are currently held by Sears Holdings, primarily the Lands' End Shops at Sears. These items will be contributed by Sears Holdings to Lands' End, Inc. prior to the separation. These historical combined financial statements reflect our financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States ("GAAP").

Impacts from Our Spin-Off from Sears Holdings

Our business currently consists of the Lands' End business. Sears Holdings has determined to separate Lands' End from Sears Holdings by distributing 100% of the shares of our common stock to the stockholders of Sears Holdings. Immediately following completion of the distribution, Sears Holdings stockholders will own 100% of the outstanding shares of our common stock. We expect that ESL will beneficially own approximately 48.4% of our outstanding common stock following completion of the distribution. After completion of the distribution, we will operate as a publicly traded company independent from Sears Holdings, which will have a range of impacts on our operations:

General administrative and separation costs. Historically, we have used the corporate functions of Sears Holdings for a variety of shared services. We were allocated (1) \$0.8 million in 2012; (2) \$0.5 million in 2011; and (3) \$0.1 million in 2010 of shared services costs incurred by Sears Holdings. We were also allocated \$0.1 million of shared services costs incurred by Sears Holdings in each of the first, second and third quarters of 2013. We believe that the assumptions and methodologies underlying the allocation of these expenses from Sears Holdings are reasonable. However, such expenses may not be indicative of the actual level of expense that would have been or will be incurred by us when we operate as a publicly traded company independent from Sears Holdings. We expect to enter into agreements with Sears Holdings or its subsidiaries for the continuation of certain of these services on a transitional basis. We believe that the existing arrangements, as reflected in the historical financial statements contained herein, are not materially different from the arrangements that will be entered into as part of the spin-off.

We will also incur increased costs as a result of becoming a publicly traded company independent from Sears Holdings. As a standalone company, we expect to incur incremental annual operating costs estimated to be approximately \$8.0 million to \$10.0 million to support our businesses, including management personnel, legal, finance, and human resources as well as certain costs associated with being a public company. We believe cash flows from operations will be sufficient to fund these additional operating charges, the majority of which will be realized as selling and administrative expenses.

Following completion of the spin-off, we do not believe that it will be necessary to employ a significant number of new employees to perform additional standalone or transition services. With respect to our retail operations, prior to the spin-off, Sears Holdings and its subsidiaries provided retail staff for the Lands' End Shops at Sears. Pursuant to a retail operations agreement, Sears Holdings or one of its subsidiaries will continue

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to provide such staff following the completion of the spin-off. See “Certain Relationships and Related Person Transactions—Other Agreements—Lands’ End Shops at Sears Retail Operations Agreement.” Following completion of the spin-off, we will continue to rely on our existing field management working in conjunction with retail staff provided by Sears Holdings or its subsidiaries to manage our Lands’ End Shops at Sears.

In addition, we estimate one-time information technology costs related to the spin-off to be approximately \$1.0 million to \$2.0 million. These one-time costs include costs to support our business and certain costs associated with being a standalone company. A portion of these expenditures may be capitalized and amortized over their useful lives and others will be expensed as incurred, depending on their nature.

Due to these and other changes we anticipate in connection with the spin-off, the historical financial information included in this information statement may not necessarily reflect our financial position, results of operations and cash flows in the future or what our financial position, results of operations and cash flows would have been had we been an independent, publicly traded company during the periods presented.

Results of Operations

Fiscal Year. Our fiscal year end is on the Friday preceding the Saturday closest to January 31 each year. Fiscal year 2012 consisted of 53 weeks. Fiscal years 2011 and 2010 consisted of 52 weeks. Unless the context otherwise requires, references to years in this information statement relate to fiscal years rather than calendar years. The following fiscal periods are presented herein:

Fiscal year ended	Ended	Weeks
2012	February 1, 2013	53
2011	January 27, 2012	52
2010	January 28, 2011	52

The following table sets forth items derived from our combined results of operations for 2012, 2011 and 2010 and the 39 weeks ended November 1, 2013 and October 26, 2012.

(in thousands)	Fiscal Year						39 Weeks Ended			
	2012		2011		2010		November 1, 2013		October 26, 2012	
	\$'s	% of Net Sales	\$'s	% of Net Sales	\$'s	% of Net Sales	\$'s	% of Net Sales	\$'s	% of Net Sales
Merchandise sales and services, net	\$1,585,927	100.0%	\$1,725,627	100.0%	\$1,655,574	100.0%	\$1,032,447	100.0%	\$1,040,421	100.0%
Cost of sales (excluding depreciation and amortization)	881,817	55.6%	959,611	55.6%	833,614	50.4%	553,735	53.6%	553,222	53.2%
Gross margin	704,110	44.4%	766,016	44.4%	821,960	49.6%	478,712	46.4%	487,199	46.8%
Selling and administrative	598,916	37.8%	621,020	36.0%	615,462	37.2%	408,782	39.6%	430,812	41.4%
Depreciation and amortization	23,121	1.5%	22,686	1.3%	21,963	1.3%	16,253	1.6%	16,618	1.6%
Other operating (income) expense, net	70	—	502	—	(9,049)	-0.5%	59	—	65	—
Operating income	82,003	5.2%	121,808	7.1%	193,584	11.7%	53,618	5.2%	39,704	3.8%
Other income, net	67	—	95	—	45	—	33	—	66	—
Income before income taxes	82,070	5.2%	121,903	7.1%	193,629	11.7%	53,651	5.2%	39,770	3.8%
Income tax expense	32,243	2.0%	45,669	2.6%	72,365	4.4%	20,747	2.0%	15,679	1.5%
Net income	\$ 49,827	3.1%	\$ 76,234	4.4%	\$ 121,264	7.3%	\$ 32,904	3.2%	\$ 24,091	2.3%

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Depreciation and amortization is not included in our cost of sales because we are a reseller of inventory and do not believe that including depreciation and amortization is meaningful. As a result, our gross margins may not be comparable to other entities that include depreciation and amortization related to the sale of their product in their gross margin measure.

Net Income and Adjusted EBITDA

We recorded net income of \$49.8 million, \$76.2 million, and \$121.3 million for 2012, 2011 and 2010, respectively. For the 39 weeks ended November 1, 2013 and October 26, 2012, we recorded net income of \$32.9 million and \$24.1 million, respectively. In addition to our net income determined in accordance with GAAP, for purposes of evaluating operating performance, we use an Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”) measurement. Adjusted EBITDA is computed as net income appearing on the Combined Statements of Comprehensive Operations net of income tax expense, interest expense, depreciation and amortization, and certain significant items set forth below. Our management uses Adjusted EBITDA to evaluate the operating performance of our businesses, as well as executive compensation metrics, for comparable periods. Adjusted EBITDA should not be used by investors or other third parties as the sole basis for formulating investment decisions as it excludes a number of important cash and non-cash recurring items.

While Adjusted EBITDA is a non-GAAP measurement, management believes that it is an important indicator of ongoing operating performance, and useful to investors, because:

- EBITDA excludes the effects of financings and investing activities by eliminating the effects of interest and depreciation costs.
- Other significant items, while periodically affecting our results, may vary significantly from period to period and have a disproportionate effect in a given period, which affects comparability of results. We have adjusted our results for these items to make our statements more comparable and therefore more useful to investors as the items are not representative of our ongoing operations. These adjustments are shown below:
 - Restructuring costs—costs associated with a call center and administrative reorganization in 2012. Management considers these costs to be infrequent and affecting comparability of results between reporting periods.
 - Gain on a litigation settlement—income from a favorable litigation settlement in 2010 related to a breach of contract and trade secret matter. Management considers this income to be infrequent and affecting comparability of results between reporting periods.
 - Gain or loss on the sale of property and equipment—management considers the gains or losses on sale of assets to result from investing decisions rather than ongoing operations.

	Fiscal Year						39 Weeks Ended			
	2012		2011		2010		November 1, 2013		October 26, 2012	
	\$'s	% of Net Sales	\$'s	% of Net Sales	\$'s	% of Net Sales	\$'s	% of Net Sales	\$'s	% of Net Sales
<i>(in thousands)</i>										
Net income	\$ 49,827	3.1%	\$ 76,234	4.4%	\$121,264	7.3%	\$32,904	3.2%	\$24,091	2.3%
Income tax expense	32,243	2.0%	45,669	2.6%	72,365	4.4%	20,747	2.0%	15,679	1.5%
Other (income), net	(67)	—	(95)	—	(45)	—	(33)	—	(66)	—
Operating income	82,003	5.2%	121,808	7.1%	193,584	11.7%	53,618	5.2%	39,704	3.8%
Depreciation and amortization	23,121	1.5%	22,686	1.3%	21,963	1.3%	16,253	1.6%	16,618	1.6%
Restructuring costs	2,479	0.2%	—	—	—	—	—	—	1,951	0.2%
Gain on litigation settlement	—	—	—	—	(9,051)	(0.5%)	—	—	—	—
Loss on sale of property and equipment	70	—	502	—	2	—	59	—	65	—
Adjusted EBITDA	<u>\$107,673</u>	<u>6.8%</u>	<u>\$144,996</u>	<u>8.4%</u>	<u>\$206,498</u>	<u>12.5%</u>	<u>\$69,930</u>	<u>6.8%</u>	<u>\$58,338</u>	<u>5.6%</u>

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39-Week Period Ended November 1, 2013 Compared to the 39-Week Period Ended October 26, 2012

In assessing the operational performance of our business, we consider a variety of financial measures. We operate in two reportable segments, Direct (sold through e-commerce websites and direct mail catalogs) and Retail (sold through stores). A key measure in the evaluation of our business is revenue performance by segment. We also consider gross margin and selling and administrative expenses in evaluating the performance of our business.

To evaluate revenue performance for the Direct segment we use total revenue of merchandise sales and services, net. For our Retail segment, we use same store sales as a key measure in evaluating performance. Same store sales amounts within the following discussion include sales for all stores operating for a period of at least 12 full months where selling square footage has not changed by 15% or more within the past year. A store is included in same store sales calculations on the first day it has comparable prior year sales. Stores in which the selling square footage has changed by 15% or more as a result of a remodel, expansion or reduction are excluded from same store calculations until the first day they have comparable prior year sales. Online sales and sales generated through our in-store computer kiosks are considered revenue in our Direct segment and are excluded from same store sales.

Merchandise Sales and Services, Net

Total revenues for the 39 weeks ended November 1, 2013 were \$1,032.4 million, compared to \$1,040.4 million in the same period of the prior year, a decrease of \$8.0 million, or 1%. The decrease was attributable to a decrease in our Retail segment revenue of \$16.7 million partially offset by an increase in our Direct segment revenue of \$8.7 million.

Direct segment revenues were \$860.8 million for the 39 weeks ended November 1, 2013, an increase of \$8.7 million, or 1% from the prior year. The increase in Direct segment revenues was driven by increases in our U.S. businesses of \$22.9 million, partially offset by a decrease in our International business of \$14.2 million.

Retail segment revenues were \$171.6 million for the 39 weeks ended November 1, 2013, a decrease of \$16.7 million, or 9% from the prior year. Same store sales decreased 8% compared to the prior year. Retail segment revenues decreased across apparel and home products.

Gross Margin

Total gross margin was \$478.7 million, or 46.4% of total revenues, compared to \$487.2 million, or 46.8% of total revenues, for the 39 weeks ended November 1, 2013 and October 26, 2012, respectively.

Direct segment gross margin was \$405.0 million, or 47.0% of total Direct segment revenues, compared to \$406.3 million, or 47.7% of total Direct segment revenues for the 39 weeks ended November 1, 2013 and October 26, 2012, respectively. The Direct segment gross margin rate decreased 70 basis points. The decrease was primarily due to increased markdowns in our International and U.S. consumer businesses in response to increased promotional activity in the marketplace as a result of an unseasonably cold spring, partially offset by improved customer response to our fall merchandise strategy changes.

Retail segment gross margin was \$73.7 million, or 42.9% of total Retail segment revenues, compared to \$80.8 million, or 42.9% of total Retail segment revenues for the 39 weeks ended November 1, 2013 and October 26, 2012, respectively. Retail segment gross margin rate remained flat for the 39 weeks ended November 1, 2013 and October 26, 2012.

Selling and Administrative Expenses

Selling and administrative expenses were \$408.8 million for the 39 weeks ended November 1, 2013 compared to \$430.8 million for the comparable period in the prior year. The decrease of \$22.0 million in selling and administrative expense was primarily due to declines in payroll, third-party costs and the favorable impact in 2013 of restructuring costs incurred in 2012.

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Selling and administrative expenses as a percentage of total revenues were 39.6% for the 39 weeks ended November 1, 2013 and 41.4% for the 39 weeks ended October 26, 2012. The decrease was primarily due to increased leverage as a result of the declines noted above and the impact of the restructuring activities.

Operating Income

We recorded operating income of \$53.6 million in the 39 weeks ended November 1, 2013, compared to operating income of \$39.7 million in the 39 weeks ended October 26, 2012. The increase in operating income of \$13.9 million was primarily driven by lower selling and administrative expenses partially offset by the impact of lower revenues at a lower gross margin rate.

Adjusted EBITDA

Adjusted EBITDA was \$69.9 million in the 39 weeks ended November 1, 2013, compared to Adjusted EBITDA of \$58.3 million in the 39 weeks ended October 26, 2012. The increase was primarily driven by the increase in operating income of \$13.9 million described above partially offset by the impact of the \$2.0 million of restructuring costs in the 39 weeks ended October 26, 2012.

Income Tax Expense

Our effective tax rate was 38.7% and 39.4% for the 39 weeks ended November 1, 2013 and October 26, 2012, respectively. The decreased rate was primarily due to lower effective state tax rates for our Direct segment.

2012 Compared to 2011

Merchandise Sales and Services, Net

Total revenues for 2012 were \$1.6 billion, compared to \$1.7 billion in the prior year, a decrease of \$139.7 million, or 8%. The Company recorded approximately \$24.0 million in revenues during the 53rd week of 2012. The decrease was attributable to decreases in our Direct segment of \$123.9 million and our Retail segment of \$15.7 million.

Direct segment revenues were \$1.3 billion in 2012, a decrease of \$123.9 million, or 9%, compared to 2011. The decrease in Direct segment revenues was due to lower sales in our U.S. consumer and International businesses of \$147.9 million, primarily due to lower revenue from our fall/winter assortment resulting from changes in our merchandising strategy, partially offset by growth in our School Uniform and Lands' End Business Outfitters business of \$24.0 million.

Retail segment revenues were \$281.8 million in 2012, a decrease of \$15.7 million, or 5%, compared to 2011. Same store sales decreased 3% compared to the prior year. Retail segment revenues declined primarily due to a decrease in same store sales and were also impacted by the closure of 13 Lands' End Shops at Sears, which accounted for approximately \$7.2 million of the decline. Sales were affected in the second half of the year due to lower than expected sales of our fall/winter product assortment as a result of changes to our merchandising strategy.

Gross Margin

Gross margin for 2012 was \$704.1 million, or 44.4% in 2012, compared to \$766.0 million or 44.4% in the prior year.

Direct segment gross margin was \$598.0 million, or 45.9% of total Direct segment revenues, compared to \$645.6 million or 45.2% of total Direct segment revenues for 2012 and 2011, respectively. The Direct segment gross margin rate improved 70 basis points in 2012 primarily in our U.S. consumer business due to lower markdowns, partially offset by increased markdowns in our International business.

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Retail segment gross margin was \$106.0 million, or 37.6% of total Retail segment revenues, compared to \$120.1 million or 40.4% of total Retail segment revenues for 2012 and 2011, respectively. The Retail segment gross margin rate decreased 280 basis points primarily due to increased markdowns as a result of a competitive marketplace.

Selling and Administrative Expenses

Selling and administrative expenses were \$598.9 million for 2012 compared to \$621.0 million for the prior year. The decrease of \$22.1 million was primarily due to lower advertising expenses and decreases in variable expenses resulting from lower revenues, partially offset by higher information technology project expenses and the impact of corporate restructuring costs associated with a call center and administrative reorganization of approximately \$2.5 million.

Selling and administrative expenses as a percentage of total revenues were 37.8% in 2012 and 36.0% in 2011. This increase was primarily driven by lower leverage of fixed costs due to the lower revenues noted above.

Operating Income

We recorded operating income of \$82.0 million in 2012, compared to operating income of \$121.8 million in 2011. The decline in operating income of \$39.8 million was primarily driven by the overall lower revenues.

Adjusted EBITDA

Adjusted EBITDA was \$107.7 million for 2012, compared to Adjusted EBITDA of \$145.0 million for 2011. The decrease was primarily driven by the decrease in operating income of \$39.8 million, partially offset by the exclusion of the corporate restructuring costs of approximately \$2.5 million described above.

Income Tax Expense

Our effective tax rate was 39.3% in 2012 compared to 37.5% in 2011. The increased rate was primarily due to increased effective state tax rates for our Direct segment.

2011 Compared to 2010

Merchandise Sales and Services, Net

Total revenues were \$1.73 billion for 2011, compared to \$1.66 billion in the prior year, an increase of \$70.0 million, or 4%. The increase was attributable to an increase in our Direct segment of \$48.6 million as well as an increase in our Retail segment of \$21.6 million.

Direct segment revenues were \$1.4 billion in 2011, an increase of \$48.6 million, or 4%, from the prior year. The increase in Direct segment revenues was primarily driven by higher sales in all of our businesses.

Retail segment revenues were \$297.5 million in 2011, an increase of \$21.6 million, or 8%, from the prior year. Same store sales increased 8%. Retail segment revenues increased primarily due to an expanded product assortment.

Gross Margin

Total gross margin for 2011 was \$766.0 million compared to \$822.0 million in the prior year. As a percentage of total revenues, gross margin declined to 44.4% of total revenues in 2011 compared to 49.6% in 2010.

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Direct segment gross margin was \$645.6 million, or 45.2% of total Direct segment revenues, compared to \$704.3 million, or 51.1% of total Direct segment revenues, for 2011 and 2010, respectively. The Direct segment gross margin rate decreased 590 basis points in 2011, mainly due to higher commodity costs and increased markdowns primarily in our U.S. consumer and International businesses.

Retail segment gross margin was \$120.1 million, or 40.4% of total Retail segment revenues, compared to \$117.1 million or 42.5% of total Retail segment revenues for 2011 and 2010, respectively. The Retail segment gross margin rate decreased 210 basis points in 2011 primarily due to higher commodity costs and increased markdowns.

Selling and Administrative Expenses

Our selling and administrative expenses increased \$5.6 million in 2011 to \$621.0 million. This increase was predominately due to higher payroll-related expenses.

Selling and administrative expenses as a percentage of revenues were 36.0% for 2011 and 37.2% for 2010 and decreased as a result of improved leverage given the sales increase noted above.

Other Operating (Income) Expense, Net

Other operating (income) expense, net decreased \$9.6 million to an expense of \$0.5 million. This decrease reflects the impact of a favorable litigation settlement of \$9.1 million in 2010 relating to a breach of contract and trade secret matter.

Operating Income

We recorded operating income of \$121.8 million in 2011, compared to operating income of \$193.6 million in 2010. The decline in operating income of \$71.8 million was primarily the result of a decline in our gross margin rate and the impact of a gain on litigation in 2010, partially offset by higher sales volume in 2011.

Adjusted EBITDA

Adjusted EBITDA was \$145.0 million for 2011, compared to Adjusted EBITDA of \$206.5 million for 2010. The decrease was primarily driven by the decrease in operating income of \$71.8 million, partially offset by the exclusion of the gain on litigation settlement of \$9.1 million described above.

Income Taxes

Our effective tax rate for the year was 37.5% and 37.4% in 2011 and 2010, respectively.

Liquidity and Capital Resources

Our primary need for liquidity is to fund working capital requirements of our business, capital expenditures and for general corporate purposes. Our working capital needs have been met primarily through funds generated from operations, with additional funding from our parent company to meet short-term working capital needs, mainly for our seasonal inventory builds. Our parent company uses a centralized approach to its U.S. domestic cash management and financing of its operations. The majority of our cash is transferred to the parent company daily and the parent company has been our only source of funding for our operating and investing activities. The principal methods by which our parent company funds Lands' End is to cover corporate and other expenses and to fund our seasonal inventory builds. In 2012, contributions to fund our seasonal inventory build were approximately \$45 million. These contributions were more than offset by distributions made by Lands' End to the parent company primarily from cash flows from our operations. Net distributions of funds were made to the parent company in the amounts of \$68.8 million, \$5.3 million and \$117.3 million, in 2012, 2011, and 2010,

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respectively. Lands' End is in the process of pursuing an asset-based senior secured revolving credit facility with a letter of credit sub-limit (the "ABL Facility"), which would serve as a source of liquidity, including for our short-term working capital needs, following the spin-off. We believe that our cash flow from operations and any other financing arrangements entered into in connection with the spin-off will provide adequate resources to meet our capital requirements and operational needs for the next fiscal year. Beyond the next fiscal year, we believe that our cash flow from operations, along with prospective financing arrangements entered into in connection with the spin-off or otherwise, will be adequate to meet our capital requirements and operational needs. Cash generated from our net sales and profitability, and somewhat to a lesser extent our changes in working capital, are driven by the seasonality of our business, with a disproportionate amount of net merchandise sales and operating cash flows occurring in the fourth fiscal quarter of each year.

Description of Material Indebtedness

From and after the spin-off, each of Lands' End and Sears Holdings will generally, pursuant to a separation and distribution agreement and other agreements we will enter into with Sears Holdings or its subsidiaries, be responsible for the debts, liabilities and obligations related to the businesses it owns and operates following completion of the spin-off. See "Certain Relationships and Related Person Transactions—Our Relationship with Sears Holdings Following the Spin-Off."

In connection with the spin-off, we are pursuing an ABL Facility which would provide for maximum borrowings of approximately \$200 million with a letter of credit sub-limit and a senior secured term loan facility (the "Term Loan Facility") of approximately \$500 million. We expect that the proceeds of the Term Loan Facility will be used to pay a dividend to Sears Holdings immediately prior to the consummation of the spin-off. The ABL Facility would be available following the spin-off for working capital and other general corporate purposes. The terms of any such financing transactions would be described in an amendment to this information statement.

Cash Flows from Operating Activities

Net cash used in operating activities was \$10.9 million and \$32.9 million for the 39 weeks ended November 1, 2013 and October 26, 2012, respectively. The decrease in net cash used in operating activities was mainly a result of higher net income and lower working capital requirements for the 39 weeks ended November 1, 2013 compared to the prior year.

Operating activities generated net cash of \$96.2 million, \$14.5 million and \$142.8 million in 2012, 2011 and 2010, respectively. Our primary source of operating cash flows is the sale of merchandise goods and services to customers, while the primary use of cash in operations is the purchase of merchandise inventories.

In 2012, net cash provided by operating activities increased \$81.7 million compared to 2011 primarily due to decreases in net inventory levels as a result of improved inventory management coupled with increases in accounts payable due to timing and volume of payments partially offset by a decrease in net income.

In 2011, net cash provided by operating activities decreased \$128.3 million compared to 2010 primarily due to increases in net inventory, decreases in net income and decreases in accounts payable partially offset by increases in other operating liabilities.

Cash Flows from Investing Activities

Net cash used in investing activities was \$3.6 million for the 39 weeks ended November 1, 2013 and \$8.8 million for the prior year. Cash used in investing activities was primarily for purchases of property and equipment and computer software.

Net cash used in investing activities was \$14.9 million, \$15.0 million and \$19.1 million for 2012, 2011 and 2010, respectively. Cash used in investing activities in all three years was primarily used for purchases of

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property and equipment. In 2010, we expanded warehouse capabilities in the United Kingdom, as well as enhanced our distribution centers in the United States.

For 2013, we plan to invest a total of approximately \$10.4 million in capital expenditures, investing primarily in information technology and distribution center infrastructure.

Cash Flows from Financing Activities

Net cash provided by financing activities was \$2.7 million and \$37.7 million for the 39 weeks ended November 1, 2013 and October 26, 2012, respectively. Financing activities represented intercompany activity with Sears Holdings.

Net cash used in financing activities was \$68.8 million, \$5.3 million and \$117.3 million in 2012, 2011 and 2010, respectively. Financing activities in all three years represented intercompany activity with our parent company.

Contractual Obligations and Off-Balance-Sheet Arrangements

We have no material off-balance-sheet arrangements other than the guarantees and contractual obligations that are discussed below.

Information concerning our obligations and commitments to make future payments under contracts such as lease agreements, and under contingent commitments, as of February 1, 2013, is aggregated in the following table:

<i>(in thousands)</i>	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Operating leases(1)	\$169,506	\$ 31,103	\$56,285	\$52,732	\$29,386
Postretirement funding obligations	2,231	200	328	298	1,405
Purchase obligations(2)	<u>217,209</u>	<u>217,209</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total contractual obligations	<u>\$388,946</u>	<u>\$248,512</u>	<u>\$56,613</u>	<u>\$53,030</u>	<u>\$30,791</u>

- (1) Operating lease obligations consist primarily of future minimum lease commitments related to store operating leases (refer to “Note 4—Leases” of our combined financial statements).
- (2) Purchase obligations primarily represent open purchase orders to purchase inventory.

At the end of 2012, Lands’ End had gross unrecognized tax benefits of \$8.5 million, which are not reflected in the table above. Lands’ End and Sears Holdings will enter into a tax sharing agreement prior to the separation which will govern the rights and obligations of the parties with respect to pre-separation and post-separation tax matters. Under the tax sharing agreement, Sears Holdings will be responsible for any U.S. federal or state income tax liability and Lands’ End will be responsible for any foreign income tax liability relating to tax periods ending on or before the separation. For all periods after the separation, Lands’ End will be responsible for any federal, state or foreign tax liability.

Financial Instruments with Off-Balance-Sheet Risk

On October 21, 2002, we entered into a letter of credit facility (the “LC Facility”) with Bank of America (“BofA”) pursuant to which BofA may, on a discretionary basis and with no commitment, agree to issue letters of credit upon our request in an aggregate amount not to exceed \$5 million for inventory purchases. The terms for the letters of credit issued under the LC Facility are “at site” and are secured by a standby letter of credit, with an expiration date of less than one year, issued by Sears Roebuck Acceptance Corp. (“SRAC”), a wholly owned subsidiary of Sears Holdings, on our behalf for the benefit of BofA. BofA or Lands’ End may terminate the LC

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Facility at any time. Outstanding letters of credit balances under the LC Facility were \$2.9 million and \$5.0 million as of November 1, 2013 and February 1, 2013, respectively. Upon completion of the separation, we anticipate that Sears Holdings will terminate its support of the LC Facility and that SRAC will no longer issue letters of credit to secure the LC Facility.

From time to time, at our request, Sears Holdings causes standby letters of credit to be issued for our benefit under Sears Holdings' revolving credit facility. There were \$6.9 million and \$2.4 million in standby letter of credit issuances as of November 1, 2013 and February 1, 2013, respectively. Upon completion of the separation, we anticipate that Sears Holdings will no longer cause letters of credit to be issued for our benefit. Lands' End is in the process of pursuing the ABL facility, which would provide for the issuance of letters of credit and otherwise serve as a source of liquidity following the spin-off. Any such facility would be described in an amendment to this information statement.

We participate in the Sears Private Label Letters of Credit program, which provides up to \$50.0 million for vendor financing as an alternative to bank-issued letters of credit or standby letters of credit. There were no outstanding balances as of November 1, 2013 and February 1, 2013. We plan to terminate our participation in this program upon the completion of the spin-off.

In addition, Lands' End has a foreign subsidiary credit facility that is supported by a Lands' End, Inc. guarantee, which totals \$2.9 million. This credit facility guarantees and allows for deferred payment of custom duties and fulfills short-term in-country borrowing needs. This credit facility was not utilized during the 39 weeks ended November 1, 2013 and during the fiscal years ended 2012, 2011, and 2010.

Quantitative and Qualitative Disclosures about Market Risk

The market risk inherent in our financial instruments represents the potential loss arising from adverse changes in currency rates. We have not been materially impacted by fluctuations in foreign currency exchange rates as a significant portion of our business is transacted in U.S. dollars, and is expected to continue to be transacted in U.S. dollars or U.S. dollar-based currencies. As of November 1, 2013, we had \$11.9 million of cash denominated in foreign currencies, principally in Euros and British Pounds Sterling. We do not enter into financial instruments for trading purposes and have not used, and currently do not anticipate using, any derivative financial instruments. We do not consider our foreign earnings to be permanently reinvested.

Application of Critical Accounting Policies and Estimates

Our combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which requires management to make estimates and judgments that affect amounts reported in the combined financial statements and accompanying notes. While our estimates and assumptions are based on our knowledge of current events and actions we may undertake in the future, actual results may ultimately differ from our estimates and assumptions. Our estimation processes contain uncertainties because they require management to make assumptions and apply judgment to make these estimates. Should actual results be different than our estimates, we could be exposed to gains or losses from differences that may be material.

For a summary of our significant accounting policies, please refer to "Note 2—Summary of Significant Accounting Policies" of our combined financial statements. We believe the accounting policies discussed below represent the accounting policies we apply that are the most critical to understanding our combined financial statements.

Inventory Valuation

Our inventories consist of merchandise purchased for resale and are recorded at the lower of cost or market. The nature of our business requires that we make a significant amount of our merchandising decisions and

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corresponding inventory purchase commitments with vendors several months in advance of the time in which a particular merchandise item is intended to be included in the merchandise offerings. These decisions and commitments are based upon, among other possible considerations, historical sales with identical or similar merchandise, our understanding of then-prevailing fashion trends and influences, and an assessment of likely economic conditions and various competitive factors. We continually make assessments as to whether the carrying cost of inventory exceeds its market value, and, if so, by what dollar amount. Excess inventories may be disposed of through our Direct segment and Retail segment. Based on historical results experienced through various methods of disposition, we write down the carrying value of inventories that are not expected to be sold at or above cost. The excess and obsolete reserve balances were \$28.0 million and \$28.2 million as of February 1, 2013 and January 27, 2012, respectively. For the inventory marked down to net realizable value, a one percentage point increase in our adjustment rate at February 1, 2013 would have had an immaterial impact on our combined financial statements.

Goodwill and Intangible Asset Impairment Assessments

Goodwill, trade names and other intangible assets are generally tested separately for impairment on an annual basis, or are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The majority of our goodwill and intangible assets relate to Kmart's acquisition of Sears Roebuck in March 2005. The calculation for an impairment loss compares the carrying value of the asset to that asset's estimated fair value, which may be based on estimated future discounted cash flows or quoted market prices. We recognize an impairment loss if the asset's carrying value exceeds its estimated fair value.

Frequently our impairment loss calculations contain multiple uncertainties because they require management to make assumptions and to apply judgment to estimate future cash flows and asset fair values, including forecasting cash flows under different scenarios. As required by accounting standards, we perform annual goodwill and indefinite-lived intangible asset impairment tests on the last day of our November accounting period each year and update the tests between annual tests if events or circumstances occur that would more likely than not reduce the fair value of a reporting unit or indefinite-lived intangible asset below its carrying amount. However, if actual results are not consistent with our estimates and assumptions used in estimating future cash flows and asset fair values, we may be exposed to losses that could be material.

Goodwill impairment assessments. Our goodwill resides in the Direct reporting unit. The goodwill impairment test involves a two-step process. The first step is a comparison of the reporting unit's fair value to its carrying value. We estimate fair value using the best information available, using both a market approach, as well as a discounted cash flow model, commonly referred to as the income approach. The market approach determines the value of the reporting unit by deriving market multiples for the reporting unit based on assumptions potential market participants would use in establishing a bid price for the reporting unit. This approach therefore assumes strategic initiatives will result in improvements in operational performance in the event of purchase, and includes the application of a discount rate based on market participant assumptions with respect to capital structure and access to capital markets. The income approach uses a reporting unit's projection of estimated operating results and cash flows that is discounted using a weighted-average cost of capital that reflects current market conditions appropriate to our reporting unit. The projection uses management's best estimates of economic and market conditions over the projected period, including growth rates in sales, costs, estimates of future expected changes in operating margins and cash expenditures. Other significant estimates and assumptions include terminal value growth rates, future estimates of capital expenditures and changes in future working capital requirements. Our final estimate of the fair value of the reporting unit is developed by weighting the fair values determined through both the market participant and income approaches, where comparable market participant information is available.

If the carrying value of the reporting unit is higher than its fair value, there is an indication that impairment may exist and the second step must be performed to measure the amount of impairment loss. The amount of

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impairment is determined by comparing the implied fair value of the reporting unit goodwill to the carrying value of the goodwill in the same manner as if the reporting unit was being acquired in a business combination. Specifically, we allocate the fair value to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that would calculate the implied fair value of goodwill. If the implied fair value of goodwill is less than the recorded goodwill, we record an impairment charge for the difference.

During 2012, 2011 and 2010, the fair value of the reporting unit exceeded the carrying value and, as such, we did not record any goodwill impairment charges.

The use of different assumptions, estimates or judgments in the first step of the goodwill impairment testing process, such as the estimated future cash flows of our reporting units, the discount rate used to discount such cash flows, and the market multiples of comparable companies, could significantly increase or decrease the estimated fair value of a reporting unit. At the 2012 annual impairment test date, the conclusion that no indication of goodwill impairment existed for the reporting unit would not have changed had the test been conducted assuming: (1) a 100 basis point increase in the discount rate used to discount the aggregate estimated cash flows of our reporting units to their net present value in determining their estimated fair values and/or (2) a 100 basis point decrease in the estimated sales growth rate and/or terminal period growth rate.

Based on our sensitivity analysis, we do not believe that the goodwill balance is at risk of impairment because the fair value is substantially in excess of the carrying value and not at risk of failing step one. However, goodwill impairment charges may be recognized in future periods to the extent changes in factors or circumstances occur, including deterioration in the macroeconomic environment, retail industry or in the equity markets, deterioration in our performance or our future projections, or changes in our plans for one or more reporting units.

Indefinite-lived intangible asset impairment assessments. We review our indefinite-lived intangible asset, primarily the Lands' End trade name, for impairment by comparing the carrying amount of the asset to the sum of undiscounted cash flows expected to be generated by the asset. We consider the income approach when testing the intangible asset with indefinite life for impairment on an annual basis. We determined that the income approach, specifically the relief from royalty method, was most appropriate for analyzing our indefinite-lived asset. This method is based on the assumption that, in lieu of ownership, a firm would be willing to pay a royalty in order to exploit the related benefits of this asset class. The relief from royalty method involves two steps: (1) estimation of reasonable royalty rates for the assets and (2) the application of these royalty rates to a net sales stream and discounting the resulting cash flows to determine a value. We multiplied the selected royalty rate by the forecasted net sales stream to calculate the cost savings (relief from royalty payment) associated with the asset. The cash flows are then discounted to present value by the selected discount rate and compared to the carrying value of the asset. We did not record any intangible asset impairment charges in 2012, 2011 or 2010.

The use of different assumptions, estimates or judgments in our intangible asset impairment testing process, such as the estimated future cash flows of assets and the discount rate used to discount such cash flows, could significantly increase or decrease the estimated fair value of the asset, and therefore, impact the related impairment charge. At the 2012 annual impairment test date, the above-noted conclusion that no indication of intangible asset impairment existed at the test date would not have changed had the test been conducted assuming: (1) a 100 basis point increase in the discount rate used to discount the aggregate estimated cash flows of our assets to their net present value in determining their estimated fair values (without any change in the aggregate estimated cash flows of our intangibles), (2) a 100 basis point decrease in the terminal period growth rate without a change in the discount rate of each intangible, or (3) a 10 basis point decrease in the royalty rate applied to the forecasted net sales stream of our assets.

Based on our sensitivity analysis, we do not believe that the indefinite-lived intangible asset balance is at risk of impairment at the end of the year because the fair values are substantially in excess of the carrying values.

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However, indefinite-lived intangible asset impairment charges may be recognized in future periods to the extent changes in factors or circumstances occur, including deterioration in the macroeconomic environment, retail industry, deterioration in our performance or our future projections, or changes in our plans for our indefinite-lived intangible asset.

Income Taxes

Deferred income tax assets and liabilities are based on the estimated future tax effects of differences between the financial and tax basis of assets and liabilities based on currently enacted tax laws. The tax balances and income tax expense recognized are based on management's interpretation of the tax laws of multiple jurisdictions. Income tax expense also reflects best estimates and assumptions regarding, among other things, the level of future taxable income and tax planning. Future changes in tax laws, changes in projected levels of taxable income, tax planning, and adoption and implementation of new accounting standards could impact the effective tax rate and tax balances recorded.

For purposes of these combined financial statements, the tax provision represents the tax attributable to these operations as if it were required to file a separate tax return. In cases where the actual cash taxes are paid by another subsidiary of Sears Holdings, the related taxes payable and tax payments are reflected directly in parent company equity.

Tax positions are recognized when they are more likely than not to be sustained upon examination. The amount recognized is measured as the largest amount of benefit that is more likely than not to be realized upon settlement. We are subject to periodic audits by the Internal Revenue Service and other state and local taxing authorities. These audits may challenge certain of our tax positions such as the timing and amount of income and deductions and the allocation of taxable income to various tax jurisdictions. Lands' End evaluates its tax positions and establishes liabilities in accordance with the applicable accounting guidance on uncertainty in income taxes. These tax uncertainties are reviewed as facts and circumstances change and are adjusted accordingly. This requires significant management judgment in estimating final outcomes. Interest and penalties are classified as income tax expense in the combined statements of comprehensive operations.

Lands' End and Sears Holdings will enter into a tax sharing agreement prior to the separation which will generally govern Sears Holdings' and Lands' End's respective rights, responsibilities and obligations after the separation with respect to liabilities for U.S. federal, state, local and foreign taxes attributable to the Lands' End business. In addition to the allocation of tax liabilities, the tax sharing agreement will address the preparation and filing of tax returns for such taxes and disputes with taxing authorities regarding such taxes. Generally, Sears Holdings will be liable for all pre-separation U.S. federal, state and local income taxes. Lands' End generally will be liable for all other income taxes attributable to its business, including all foreign taxes.

Description of Material Indebtedness

From and after the spin-off, each of Lands' End and Sears Holdings will generally, pursuant to a separation and distribution agreement and other agreements we will enter into with Sears Holdings or its subsidiaries, be responsible for the debts, liabilities and obligations related to the businesses it owns and operates following completion of the spin-off. See "Certain Relationships and Related Person Transactions—Our Relationship with Sears Holdings Following the Spin-Off."

In connection with the spin-off, we are pursuing an ABL Facility which would provide for maximum borrowings of approximately \$200 million with a letter of credit sub-limit and a Term Loan Facility of approximately \$500 million. We expect that the proceeds of the Term Loan Facility will be used to pay a dividend to Sears Holdings immediately prior to the consummation of the spin-off. The ABL Facility would be available following the spin-off for working capital and other general corporate purposes. The terms of any such financing transactions would be described in an amendment to this information statement.

BUSINESS

Overview

Lands' End is a leading multi-channel retailer of casual clothing, accessories and footwear, as well as home products. We offer products through catalogs, online at www.landsend.com and affiliated specialty and international websites, and through retail locations, primarily at Lands' End Shops at Sears and standalone Lands' End Inlet stores. We are a classic American lifestyle brand with a passion for quality, legendary service and real value, and we seek to deliver timeless style for men, women, kids and the home. Lands' End was founded 50 years ago in Chicago by Gary Comer and his partners to sell sailboat hardware and equipment by catalog. While our product focus has shifted significantly over the years, we have continued to adhere to our founder's motto as one of our guiding principles: "Take care of the customer, take care of the employee and the rest will take care of itself."

In 2012, we generated revenue of approximately \$1.6 billion. Our revenues are generated worldwide through an international, multi-channel network in the United States, Canada, United Kingdom, Germany, France, Austria and Japan. This network reinforces and supports sales across the multiple channels in which we do business. In 2012, sales outside the United States totaled approximately \$259.3 million, or 16.3% of revenue.

We operate in two reportable segments, Direct (sold through e-commerce websites and direct-mail catalogs, which in 2012 comprised approximately 82% of our revenue, or \$1.3 billion) and Retail (sold through stores, which in 2012 comprised approximately 18% of our revenue, or \$281.8 million), and we offer merchandise that includes men's, women's and kids' apparel, outerwear and swimwear; specialty apparel; accessories; footwear; and home products. Historically, catalogs have been our primary source of sales. Over time, we have expanded our Direct sales through the Internet and created a Retail segment to bring the Lands' End catalog to life. Online sales represented approximately 80% of our U.S. consumer revenue in 2012, up from approximately 20% in 2002. In addition, Lands' End Business Outfitters offers business casual apparel and an extensive variety of promotional products that can be embroidered to enhance a partner company's image. Lastly, the Lands' End School Uniform business provides high-quality school uniforms and school-appropriate clothing designed to meet dress-code requirements.

Lands' End was founded in Chicago by Gary Comer in 1963. Lands' End, Inc. was incorporated in Delaware in 1986 and in June 2002 was acquired by Sears Roebuck, a company that is now a wholly owned subsidiary of Sears Holdings. The address of our principal executive offices is 1 Lands' End Lane, Dodgeville, Wisconsin 53595. Our telephone number is (608) 935-9341.

We believe that Lands' End has a deeply rooted tradition of offering excellent quality, value and service along with the Lands' End guarantee, and we seek to reflect that tradition in all of our merchandise. Any item associated with our name falls under our unconditional return policy of Guaranteed. Period.[®] The Lands' End guarantee reads: "If you're not satisfied with any item, simply return it to us at any time for an exchange or refund of its purchase price."

Our Strengths

Gary Comer founded Lands' End on certain principles of doing business that are embodied in our promise to deliver great quality, exceptional value and uncompromising service to our customers. These core principles of quality, value and service are the foundation of the competitive advantages that we believe distinguish us from our competitors, including:

Large, loyal customer base. We believe that a principal factor in our success to date has been the development of our list of existing and prospective households, many of whom were identified by their responses to our advertising. We routinely update and refine our customer list prior to individual catalog and email mailings and monitor customer interest in our offerings as reflected by criteria such as the timing and frequency of

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purchases and the dollar amount of and types of products purchased. We believe our customer list has desirable demographic characteristics for current performance and future growth and is well-suited to the range of products offered by us. We believe our customer base consists primarily of affluent, college-educated, professional and style-conscious women and men. In 2012, the average annual household income of our customers was approximately \$104,000 and approximately 47% of our customers were within the 36–55 age group, according to an analysis of our customer file prepared by our third-party consumer information provider using its proprietary demographic, behavioral, lifestyle, financial and home attribute databases.

Innovative yet timeless products. We seek to develop new, innovative products for our customers by utilizing modern fabrics and quality construction to create timeless, affordable styles with consistently excellent fits. We also seek to present our products in an engaging and inspiring way. We believe that our typical customers value quality, seek good value for their money and are looking to add classics to their wardrobe while also placing an emphasis on being fashionable. From a design and merchandising perspective, we seek to balance our product offerings to provide the right combination of classic styles alongside modern touches that are consistent with current trends. We believe that we have had success adding relevant, timeless items into our product assortment, many of which have become customer favorites. We devote significant time and resources to quality assurance and product compliance. Our in-house team manages all product specifications and seeks to ensure brand integrity by providing our customers with the consistent, high-quality merchandise for which Lands' End is known. We are a vertically integrated retailer that manages all aspects of our design, marketing and distribution in-house, which provides us with maximum control over the promotion and sale of our products.

Excellent customer service. We are firmly committed to building on Lands' End's legacy of strong customer service. We believe that we have a strong track record of improving the customer service experience through innovation. We believe that we were the first apparel retailer to offer shoppers a toll-free number and the first apparel retailer to have an e-commerce-enabled website, which we launched in 1995. We believe that we have been at the forefront of many online innovations in our industry, such as online chat and personalization features. Today, Lands' End is focused on making the shopping experience as easy and personalized as possible, regardless of whether our customers shop online, by phone or in one of our Lands' End Shops at Sears. Our operations, including prompt order fulfillment, responsiveness to our customers' requests and our unconditional return policy of Guaranteed. Period.[®], have contributed to our award-winning customer service, which we believe is one of our core strengths and a key point of differentiation from our competitors. Lands' End is often recognized in the industry for outstanding customer service; for example, beginning in 2006, the National Retail Federation recognized Lands' End as one of the top retailers for customer service for the six consecutive years in which the ranking was published.

Digital transformation. As one of the first apparel retailers to establish an online e-commerce presence, we believe that we have a strong track record as a leader of digital innovation in the apparel industry. One of our strategic goals is to optimize the digital shopping experience for our customers and develop new ways to engage consumers through our e-commerce platforms. To this end, we have launched our Paper to Digital initiative, which is dedicated to delivering the catalog experience through digital channels. Highlights of our Paper to Digital initiative include:

- *Responsive design*, a cross-platform experience that allows our customers to shop www.landsend.com across a variety of devices, including laptops and tablets. Responsive design for smart phones is currently scheduled to launch in 2014.
- *An enhanced site merchandising and search capabilities tool*, which seeks to provide a more thoughtful and productive shopping experience via www.landsend.com, allowing us to better engage with our customers by providing seamless navigation to find merchandise by product attributes, as well as specific sizes. We continue to improve this tool and intend to enhance our “fit solutions” to deliver the optimal shopping experience.
- *Outfitting*, the expansion of outfitting options for our customers. Select merchandise categories are accompanied by a compilation of “favorite looks” or “one item three ways” to show our customers how

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different pieces can be incorporated into a wardrobe. These looks are featured on our website and in our emails. Additionally, customers receive product recommendations on our website and via email based on past purchase and browsing history.

- *Digital catalogs*, which allow prospective and existing customers to view and download digital versions of our print catalogs via desktop and tablet. Our catalogs can be viewed at www.landsend.com. Additionally, our catalogs are featured on various third-party digital catalog sites through our affiliate program.
- *Social media*, the opportunity to engage with our customers on social sharing platforms. With over one million Facebook “fans,” the Lands’ End Facebook page is a place for our fans to receive exclusive fan-only offers, behind-the-scenes information and a first look at our newest styles. Lands’ End customers are also engaged via Shop Your Way, a social shopping and networking platform that allows members to receive personalized coupons, participate in sweepstakes, build custom catalogs and share with friends.
- *Apostrophe*, Lands’ End digital customer publication, was launched in fall 2013. Published quarterly on www.landsend.com, *Apostrophe* features fashion and lifestyle articles and highlights the people behind our brand via employee profiles. Our goal is to use *Apostrophe* to promote our products and attract new customers to our brand.

Worldwide distribution infrastructure and opportunity for continued geographic penetration and expansion. We have been operating our business internationally since the mid-1980s. We currently conduct business in seven countries and ship our products to approximately 157 countries around the world. We believe that we have established extensive direct sales, distribution and customer service capabilities with our in-country offices in the United Kingdom (established 1993), Japan (established 1994) and Germany (established 1996). In addition to our operations in the United Kingdom, Japan and Germany, we also have catalog and e-commerce channels in Austria, France and Canada.

In September 2013, Lands’ End launched a global extension of our core e-commerce platform, allowing international customers to view pricing and place orders in 60 local currencies at www.landsend.com.

We believe that continued penetration in our existing markets and our intended international expansion will drive growth in our business worldwide. We are focused on creating a digital presence for Lands’ End in new markets while also leveraging third-party retailer relationships worldwide.

Retail partnership with Sears Holdings. Beginning in fall 2002, Sears Roebuck rolled out Lands’ End apparel and footwear in its stores. In 2005, Lands’ End developed and opened the first Lands’ End Shop at Sears. Today, there are Lands’ End Shops at Sears located in select Sears stores across the United States. Each Lands’ End Shop at Sears features an assortment of products optimized for its location, with most stores offering a variety of men’s, women’s and kids’ apparel and accessories, personalized service, enhanced visual displays and a shopping lounge where customers can search all of our Lands’ End offerings via the Internet and our catalog. Our customers receive free shipping on any orders placed from these stores. Through this integration of our retail and digital presences, we seek to deliver a world-class, multi-channel shopping experience. In 2012, the Lands’ End Shops at Sears accounted for 16% of our total revenues.

Partnership with Shop Your Way. As a Shop Your Way business partner, we are able to leverage Shop Your Way, an innovative social shopping and networking platform, to strengthen our relationships with our customers that are Shop Your Way members. Currently, approximately 75% of all retail purchases at Lands’ End Shops at Sears are made by Shop Your Way members. Members can earn reward points when they purchase program-eligible merchandise through both our Direct and Retail segments. Members can also redeem points as a form of payment for merchandise sold through both our Direct and Retail segments. Members can engage with us on the Shop Your Way social shopping platform at www.shopyourway.com or via the Shop Your Way mobile

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app. Through this platform, members gain access to personalized coupons, participate in sweepstakes, build custom catalogs and share with friends.

Experienced management team. Our current management team will continue to manage Lands' End following the spin-off. Our executive management team, which is composed of the individuals named under "Management," has an average of nearly 25 years of experience in the retail, direct-to-consumer and consumer product industries in the United States and abroad. Our management team is well positioned to pursue our objective of increasing profitability and stimulating growth. See "Management."

Sustainable practices. We have made sustainability a key initiative in our business. We have worked towards conserving resources for nearly 50 years and are committed to finding sustainable approaches to doing business. We established a corporate-wide GoGreen Committee in 2009 that focuses on sustainable initiatives. See "—Environmental Matters" below.

- Lands' End utilizes paper from sustainably managed forests. Our catalog covers contain 10% post-consumer waste. The remainder of our catalog paper contains 100% chain-of-custody-certified fiber. This paper is third-party certified through programs such as the Programme for the Endorsement of Forest Certification, the Sustainable Forestry Initiative and the Forest Stewardship Council.
- In 2012, we reused or recycled 88% of waste generated at our corporate headquarters.
- Lands' End has formed a strategic partnership with the National Forest Foundation and funded the planting of trees in the national forests in northern Wisconsin and Michigan's Upper Peninsula.

Our Strategies

We continue to develop Lands' End into a more global lifestyle brand through five avenues of growth:

Continue our digital transformation. Our continued digital transformation is intended to allow us to accelerate our acquisition of new customers by improving our ability to communicate digitally with prospective customers while reducing operating expenses related to paper, printing and postage. Approximately 80% of our U.S. Direct business is already conducted online and our goal is to continue this transition by emphasizing the benefits of our online experience.

Increase our product offerings. We plan to improve and expand several product lines that we believe are currently under-represented in our product mix. We intend to expand these categories of our business by developing a larger and more diverse selection of footwear, handbags, small leather goods and fashion accessories so that these product lines represent a larger percentage of our total consumer business.

Expand our international business. Outside the United States, we currently operate our business in Canada, Northern and Central Europe and Japan. We plan to increase our sales in our existing international markets and develop a presence in other areas of Europe (such as Switzerland, Russia and Scandinavia) and Asia (particularly China).

Optimize and develop our retail business. We intend to focus on increasing sales productivity in our existing Lands' End Shops at Sears in the United States and to explore additional retail opportunities.

Grow Lands' End Business Outfitters and School Uniforms. Over the last 20 years, Lands' End Business Outfitters has grown to become a trusted brand partner for companies of all sizes by offering quality apparel, uniforms and related business gift and promotional products. With an expansive, state-of-the-art embroidery operation, we service tens of thousands of clients, including major airlines, financial institutions and the hospitality industry, offering branded tailored and business casual apparel for office wear, trade shows, company events and more.

In addition to apparel, Lands' End Business Outfitters offers an extensive variety of business gift and promotional products to enhance a partner company's image and message. The Lands' End Business Outfitters

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model enables us to introduce quality Lands' End products to new audiences and acquire new customers through business channels ranging from single entrepreneurs to members of the Fortune 500®.

As part of Lands' End Business Outfitters, our School Uniform business provides high-quality school uniforms and school-appropriate clothing designed to meet dress-code requirements. As more schools adopt uniform and dress-code policies, we seek to grow the Lands' End School Uniform business by developing new relationships with schools in the United States and Canada while also seeking additional international opportunities.

Business Units

Lands' End Direct

Our Direct business sells our products through our U.S. and international e-commerce websites and via direct mail catalogs. While we market our products through catalogs and email communications, our customers can choose from several ordering methods—Internet, phone, mail, or in-store computer kiosks. We are rated as one of the top seven digital apparel retailers by the NPD Group, a market research and advisory firm. The Lands' End Facebook page has garnered more than one million likes from our customers. We strive to create a one-on-one relationship with each customer; in many instances, we tailor our interactions with our customers by sending them catalogs or emails that we think are relevant to them based on their past order history or other information. We also offer customers specialty services such as monogramming, embroidery and hemming pants to length. Moreover, with the exception of orders requiring specialty services, we promptly fill each customer's order, usually shipping it out the next business day. We also operate three call centers out of Dodgeville, Reedsburg and Stevens Point, Wisconsin. Our call centers are open 24 hours a day, seven days a week and 364 days a year. We believe that our well-trained, U.S.-based call center representatives are a significant competitive advantage because they allow us to provide real-time individualized attention to our customers across more than six million telephonic interactions each year.

Apparel and home sales constituted substantially all of the net sales of our Direct business during 2012. Our apparel sales include men's, women's and kids' apparel, footwear and accessories. We offer a diverse portfolio of styles and fits aimed at making our products accessible to all potential customers. For example, we offer a full range of fits—from Petites to Plus for women, Slim to Husky for kids and Big and Tall for men—on many of our products, all of which are designed to offer fit and fabric options consistent with the quality and value of the Lands' End brand. Similarly, while our classic styles remain at the core of our brand, we have also launched the Lands' End Canvas collection, which focuses on updating the Lands' End heritage pieces with tailored fits, innovative designs and premium fabrics throughout the line. Through our Lands' End Business Outfitters and School Uniform businesses, we offer tailored and business casual apparel for office wear, trade shows and company events and uniforms and school-appropriate clothing designed to meet dress-code requirements.

Lands' End Retail

Our Retail business sells products and services through standalone Lands' End Inlet stores and dedicated Lands' End Shops at Sears across the United States. Each Lands' End Shop at Sears features Lands' End products, personalized service, enhanced visuals and a shopping lounge where customers can search all of our offerings via the Internet and our catalog. Our Lands' End Shops at Sears offer a selection of products for men, women and kids and select stores offer footwear and products for the home.

Suppliers

Product Vendors

Our apparel and non-apparel products are produced globally by independent manufacturers who are selected, monitored and coordinated by the Lands' End Global Sourcing team based in Dodgeville, Wisconsin and by Sears Holdings' Global Sourcing office in Asia. Our products are manufactured in approximately 35

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countries and substantially all are imported from Asia, South Asia and Central America. Our top 10 vendors account for a significant portion of our merchandise purchases. In 2012, we worked with approximately 100 vendors that manufactured substantially all of our product receipts. We generally do not enter into long-term merchandise supply contracts. We continue to take advantage of opportunities to more efficiently source our products worldwide consistent with our high standards of quality and value.

Non-Product Suppliers

Lands' End's procurement staff develops multi-year strategies, leads negotiations, and then assists with implementation of strategic supplier alliances with a focus on best practices and innovative supply chain solutions. We contract with third parties for various services, including product shipping, package delivery, catalog delivery, ocean freight, paper, printing, retail logistics and support services, operations and employee services and benefits. It is anticipated that certain services following our separation will be provided by Sears Holdings Corporation on a transitional basis as otherwise described herein.

Sales, Marketing and Distribution Capabilities

Customers

Large, loyal customer base. We believe that a principal factor in our success to date has been the development of our list of existing and prospective households, many of whom were identified by their responses to our advertising. We routinely update and refine our customer list prior to individual catalog and email mailings and monitor customer interest in our offerings as reflected by criteria such as the timing and frequency of purchases and the dollar amount of and types of products purchased. We believe our customer list has desirable demographic characteristics for current performance and future growth and is well-suited to the range of products offered by us. We believe our customer base consists primarily of affluent, college-educated, professional and style-conscious women and men. In 2012, the average annual household income of our customers was approximately \$104,000 and approximately 47% of our customers were within the 36–55 age group, according to an analysis of our customer file prepared by our third-party consumer information provider using its proprietary demographic, behavioral, lifestyle, financial and home attribute databases.

Customer Acquisition and Retention

We acquire customers through a number of different sources: catalog mailings to outside list rentals or list exchanges, paid search and other forms of traditional and digital advertising, email marketing, via www.landsend.com, and through the Shop Your Way program and our retail stores. Once identified, we communicate with prospective customers via printed catalogs, inbound and outbound phone calls, and via digital communications, including at www.landsend.com, by email, via search engine marketing, through affiliate partnerships, comparison shopping engines and marketplaces, digital catalogs, social media and display advertising. Our advertising and catalog expenses during 2012 were approximately \$204.1 million.

Distribution

We own and operate three distribution centers in Wisconsin to support our U.S. Direct and Retail businesses and a portion of our international business. Our Dodgeville facility is approximately 1.15 million square feet and is a full-service distribution center, including hemming and monogramming departments. Our Reedsburg location is approximately 500,000 square feet and offers all order fulfillment services except hemming. Our Stevens Point distribution center is approximately 215,000 square feet and primarily focuses on supporting Lands' End Business Outfitters with embroidery services. Customer orders are shipped via UPS or the U.S. Postal Service.

We own and operate a distribution center in the United Kingdom based in Oakham, a rural community located approximately two hours north of London by road. Order fulfillment and specialty services for our

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European businesses are performed at this facility, which originally opened in 1998 and totals approximately 175,000 square feet. We also lease a 60,000 square foot distribution center in Fujieda, Japan.

Information Technology

Our information technology systems provide comprehensive support for the design, merchandising, importing, marketing, distribution, sales, order processing and fulfillment of our Lands' End products. We believe our merchandising and financial systems, coupled with our e-commerce platforms and point-of-sale systems, allow for effective merchandise planning and sales accounting.

We have a dedicated information technology team that provides strategic direction, application development, infrastructure services and systems support for the functions and processes of our business. The information technology team contracts with third-party consulting firms to provide cost-effective staff augmentation services and partners with leading hardware and software technology firms to provide the infrastructure necessary to run and operate our systems. Our core software applications are comprised of a combination of internally developed and packaged third-party systems. The e-commerce solutions powering www.landsend.com, the Lands' End Business Outfitters websites, and our international Lands' End websites are operated out of our own internal data centers as well as through hosting relationships with third parties.

We are in the process of implementing new information technology systems as part of a multi-year plan to expand and upgrade our information technology platforms and infrastructure. In 2011 and 2012, we introduced new order capturing and fulfillment systems for Lands' End Business Outfitters, new human resources and payroll solutions, and new digital capabilities including search, navigation and mobile device optimization. In 2013 and 2014, we are continuing these efforts by implementing a new e-commerce platform for Lands' End Business Outfitters, a new global order management system and additional digital capabilities including more personalized e-mail, online, mobile and social interactions for our customers.

Sources and Availability of Raw Materials

We purchase, in the ordinary course of business, raw materials and supplies essential to our operations from numerous suppliers around the world, including in the United States. There have been no recent significant availability problems or supply shortages.

Orders

Orders are generally filled on a current basis, and order backlog is not material to our business.

Facilities and Store Locations

We own or lease domestic properties and international offices, customer sales/service centers, distribution centers and retail stores. Most of our stores are located inside of existing Sears stores. In such cases, we expect to enter into a lease or sublease with Sears Roebuck for the portion of the space in which our store will operate and pay rent directly to Sears Roebuck or one of its affiliates on the terms negotiated in connection with the spin-off. We believe that our existing facilities are well maintained and are sufficient to meet our current needs. We review all leases set to expire in the short term to determine the appropriate action to take with respect to them, including moving or closing stores, entering into new leases or purchasing property.

Domestic Headquarters, Customer Service and Distribution Properties

The headquarters for our business is located on an approximately 200 acre campus in Dodgeville, Wisconsin. The Dodgeville campus includes approximately 1.7 million square feet of building space between eight different buildings that are all owned by Lands' End. The primary functions of these buildings are customer sales/service, distribution center and corporate headquarters. We also own customer sales/service and distribution centers in Reedsburg and Stevens Point, Wisconsin.

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International Office, Customer Service and Distribution Properties

We own a distribution center and customer sales/service center in Oakham, England that supports our northern European business. We lease two buildings in Mettlach, Germany for customer sales/service center supporting our central European business. We also lease office space in Shinyokohama, Japan for a customer sales/service center as well as general administrative offices and a distribution center in Fujieda, Japan.

Lands' End Retail Properties

As of November 1, 2013, our retail properties consisted of 275 Lands' End Shops at Sears, which averaged approximately 7,400 square feet, and 16 Lands' End Inlet stores, which averaged approximately 8,000 square feet. With respect to our Lands' End Shops at Sears, following the spin-off, we expect to lease the premises of such stores from Sears Roebuck. With respect to our Lands' End Inlet stores, as of November 1, 2013, 15 were leased and one was owned, with 13 located in the United States, two in the United Kingdom and one in Germany. For a description of the master lease and sublease agreements we expect to enter into with Sears Roebuck, see "Certain Relationships and Related Person Transactions—Other Agreements."

Environmental Matters

Environment. We have implemented a multi-year initiative to reduce paper consumption by sending smaller catalogs to better-defined customer segments based on those customers' preferences. These efforts have significantly reduced our overall U.S. catalog paper consumption and we continue to seek to improve our use of technology to achieve even greater gains in this area.

In 2009, we collaborated with Sears Holdings to update and release a revised Sustainable Paper Procurement Policy. The Sustainable Paper Procurement Policy is a commitment to phase out fiber from unwanted sources, and procure paper sourced from credibly certified forest sources with verified chain-of-custody and/or recycled sources with a preference for post-consumer recycled. The policy also outlines supplier requirements and a preferred sustainable supplier program.

Additionally, we believe that we also demonstrate marketplace leadership by participating in industry educational workshops and initiatives. We select recycled paper for use in our catalog materials based on ecological values, quality, availability and cost. Our catalog covers contain 10% post-consumer waste. The remainder of our catalog paper contains 100% chain-of-custody-certified fiber. This paper is third-party certified through programs such as the Programme for the Endorsement of Forest Certification, the Sustainable Forestry Initiative and the Forest Stewardship Council. In 2012, we reused or recycled 88% of waste generated at our corporate headquarters. Moreover, we are improving how products are shipped to customers. Between 2003 and 2012, use of corrugated cardboard packaging was reduced by 25% year over year. In addition, the corrugated cardboard we use now contains 65% recycled fiber.

Reduction, Recycling and Waste Management. We have a focus on raising awareness and educating associates on reducing our internal use of consumables and natural resources. In addition, we have a broad range of recycling and waste management initiatives at our corporate office to address our use of paper products, aluminum cans, glass and plastic as well as maintenance operations, disposal of non-recyclables and water management. We consistently monitor our efforts in each of these areas and constantly look for improvements.

Purchasing recycled products is a significant component of the larger recycling picture. We continue to maintain an assertive program to buy non-catalog paper products made from recycled materials. Other materials purchased with recycled content include recharged laser printer cartridges, file folders, paper towels, toilet paper, trash cans, pencils, letter holder trays and brown manila envelopes. Lands' End has formed a strategic partnership with the National Forest Foundation and funded the planting of trees in the national forests in northern Wisconsin and Michigan's Upper Peninsula.

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Vendors. We prioritize the selection of partners who follow ethical employment practices, comply with all legal requirements, agree to our global compliance requirements and who we believe meet our product quality standards. Our business partners are required to provide full access to their facilities and to relevant records relating to their employment practices, such as but not limited to child labor, wages and benefits, forced labor, discrimination, freedom of association, unlawful inducements, safe and healthy working conditions and other business practices so that we may monitor their compliance with ethical and legal requirements relating to the conduct of their business.

Competition

We operate primarily in the apparel industry. The apparel industry is highly competitive. We compete with a diverse group of direct-to-consumer companies and retailers, including national department store chains, men's and women's specialty apparel chains, outdoor specialty stores, apparel catalog businesses, sportswear marketers and online apparel businesses that sell similar lines of merchandise. We compete principally on the basis of merchandise value (quality and price), our established customer list and customer service, including reliable order fulfillment, our unconditional guarantee and services and information provided at our user-friendly websites.

Seasonality

We experience seasonal fluctuations in our net sales and operating results and historically have realized a significant portion of our net sales and earnings for the year during our fourth fiscal quarter. We generated 33.9% and 34.4% of our net sales in the fourth fiscal quarter of 2011 and 2012, respectively. Thus, lower than expected fourth quarter net sales could have an adverse impact on our annual operating results.

Working capital requirements typically increase during the second and third quarters of the fiscal year as inventory builds to support peak shipping/selling periods and, accordingly, typically decrease during the fourth quarter of the fiscal year as inventory is shipped/sold. Cash provided by operating activities is typically higher in the third and fourth quarters of the fiscal year due to reduced working capital requirements during that period.

Intellectual Property

Lands' End owns or has rights to use certain trademarks, service marks and trade names that are registered or exist under common law in the United States and other jurisdictions. The Lands' End® trade name and trademark is used both in the United States and internationally, and is material to our business. Trademarks that are important in identifying and distinguishing our products and services are Lands' End Canvas®, Guaranteed. Period.®, Square Rigger®, Squall®, Super-TTM, Drifter™ and Beach Living®, all of which are owned by us, as well as the licensed marks Polartec® and Supima®. Other recognized trademarks owned by Lands' End include SwimMates™, Starfish™, Iron Knees®, Willis & Geiger® and ThermaCheck®. Lands' End's rights to some of these trademarks may be limited to select markets.

Employees

We employ 5,800 employees throughout our operations: approximately 4,600 employees in the United States and approximately 1,200 employees outside the United States. With the seasonal nature of the retail business, nearly 2,000 flexible part-time employees join us each year to support our varying peak seasons, including the fourth quarter holiday shopping season. The non-peak workforce is comprised of approximately 16% salaried exempt employees, 42% regular hourly employees and 42% year-round flexible part-time employees.

Legal Proceedings

We are involved in various claims, legal proceedings and investigations, including those described below. While it is not feasible to predict the outcome of such pending claims, proceedings and investigations with certainty, management is of the opinion that their ultimate resolution should not have a material adverse effect on our results of operations, cash flows or financial position, except where noted below.

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Lands' End's legal proceedings include commercial, intellectual property, employment, regulatory, and product liability claims. Some of these actions involve complex factual and legal issues and are subject to uncertainties. There are no material legal proceedings presently pending, except for routine litigation incidental to the business to which the Company is a party or of which any of its property is the subject, and the matters described below. We do not believe that the outcome of any current legal proceeding would have a material adverse effect on results of operations, cash flows or financial position taken as a whole.

Beginning in 2005, we initiated the first of several claims in Iowa County Circuit Court against the City of Dodgeville to recover overpaid taxes resulting from the city's excessive assessment of the Company's headquarters campus. As of December 1, 2013, the courts reviewing these claims have ordered the city to return, and the city has refunded, over \$3.2 million in excessive taxes and interest to Lands' End, including approximately \$1.6 million for the case involving the 2005 and 2006 tax years, that was recognized in fiscal 2009, and a partial recovery of approximately \$1.6 million for the consolidated cases, involving the 2007, 2009 and 2010 tax years, recognized in fiscal 2013 and for which we have appealed seeking the remainder of our claim of \$1.2 million plus additional interest. In September 2013, the Wisconsin Court of Appeals awarded us \$725,000 in tax reimbursement plus an as-yet uncalculated amount of interest on our claim relating to the 2008 tax year, which the City of Dodgeville has not yet paid and has appealed. Excluding the claim relating to the 2005 and 2006 tax years for which all appeals have been exhausted, we believe our outstanding claims covering the still-disputed tax years from 2007 through 2012 may yield a potential aggregate recovery from the City of Dodgeville of up to \$4.6 million, none of which has been recorded in the combined financial statements.

Pledged Assets

As of the date of this information statement, Sears Holdings' domestic credit facility and senior secured notes are (1) secured, in part, by a first lien on certain of Lands' End's assets consisting primarily of the inventory and credit card receivables directly or indirectly owned by Lands' End and one of its subsidiaries; and (2) guaranteed by Lands' End and such subsidiary. The asset balances were \$391.6 million, \$416.5 million and \$297.5 million as of November 1, 2013, October 26, 2012 and February 1, 2013, respectively. We expect that this lien and these guarantee obligations will be released prior to the completion of the spin-off.

History and Relationship with Sears Holdings

We were founded in 1963, incorporated in Delaware in 1986 and our common stock was listed on the New York Stock Exchange from 1986 to 2002. On June 17, 2002, we became a wholly owned subsidiary of Sears Roebuck. Prior to the spin-off, we operated as a business unit of Sears Holdings. Following the spin-off, (1) we will be a publicly traded company independent from Sears Holdings, (2) Sears Holdings will not retain any ownership interest in us and (3) we expect that ESL, which beneficially owns approximately 48.4% of Sears Holdings common stock as of the date hereof, will beneficially own approximately 48.4% of our outstanding common stock.

In connection with the spin-off, we have entered into or will enter into various agreements with Sears Holdings or its subsidiaries which, among other things, govern the principal transactions relating to the spin-off and certain aspects of our relationship with Sears Holdings following the spin-off and establish terms under which subsidiaries of Sears Holdings will provide us with services following the spin-off. These agreements were made or will be made in the context of a parent-subsidiary relationship and were or will be negotiated in the overall context of our spin-off from Sears Holdings. Accordingly, the terms of these agreements may be more or less favorable than those we could have negotiated with unaffiliated third parties. See "Certain Relationships and Related Person Transactions—Our Relationship with Sears Holdings Following the Spin-Off."

Corporate Information

Our principal executive offices are located at 1 Lands' End Lane, Dodgeville, Wisconsin 53595. Our telephone number is (608) 935-9341.

MANAGEMENT

Executive Officers Following the Spin-Off

The following table sets forth information regarding individuals who are expected to serve as our executive officers, including their positions after the spin-off. All of the individuals below are currently officers and employees of Lands' End. Prior to the effectiveness of the registration statement of which this information statement forms a part, we will disclose those additional executive officers who we expect to serve as our executive officers following the spin-off.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Edgar O. Huber	51	President and Chief Executive Officer
Michael P. Rosera	50	Executive Vice President, Chief Operating Officer/Chief Financial Officer and Treasurer
Michele Donnan Martin	50	Executive Vice President, Chief Merchandising and Design Officer
Karl A. Dahlen	52	Senior Vice President, General Counsel and Corporate Secretary
Kelly Ritchie	50	Senior Vice President, Employee and Customer Services

Edgar O. Huber was named President and Chief Executive Officer of Lands' End in August 2011. From February 2011 to July 2011, he served as Executive Vice President, International of Liz Claiborne, Inc., a designer and marketer of apparel and accessories. From September 2008 until January 2011, he served as President and Chief Executive Officer of Juicy Couture, a subsidiary of Liz Claiborne, Inc. that offers women and children's apparel and accessories. Prior to September 2008, Mr. Huber served for 15 years in a number of increasingly senior roles at L'Oreal S.A., a manufacturer of cosmetics, perfumes and related products.

Michael P. Rosera was named Executive Vice President, Chief Operating Officer/Chief Financial Officer and Treasurer of Lands' End in July 2012. From April 2010 to July 2012, he served as Executive Vice President, International Franchising for Claire's, Inc., a specialty retailer of jewelry and accessories for younger women. From July 2009 to April 2010, he served as Executive Vice President—Phat Fashions of Kellwood Company, a designer and marketer of apparel. From March 2006 to September 2008, Mr. Rosera served as Senior Vice President—Finance and Operations of Abercrombie & Fitch Co., a specialty retailer of apparel and accessories.

Michele Donnan Martin was named Executive Vice President, Chief Merchandising and Design Officer of Lands' End in September 2013. From 2012 to 2013, she served as Senior Vice President and General Merchandise Manager of Coldwater Creek Inc., a designer and marketer of women's apparel. From 2008 to 2011, she served as Brand President, Retail & Direct of Delia's Inc., a multi-channel retail company primarily marketing to teenage girls. From 2005 to 2007, Ms. Donnan Martin served as Chief Design Officer, Women's, Martin & OSA for American Eagle Outfitters, a clothing and accessories retailer.

Karl A. Dahlen joined Lands' End in 1998 as Assistant General Counsel and has served as our General Counsel and Corporate Secretary since 2002. He was promoted to Senior Vice President from Vice President in January 2014. He served as Senior Legal Officer and Assistant Secretary from 1999 to 2002.

Kelly Ritchie joined Lands' End in 1985 and has served as Senior Vice President, Employee and Customer Services since 2003. She has served as Senior Vice President, Employee Services since 1999 and assumed responsibility for our distribution centers in 2005. She served as Vice President of Employee Services from 1995 to 1999 and in various other Customer Service and Employee Services roles from 1985 to 1995.

Board of Directors Following the Spin-Off

The following table sets forth information regarding our sole director as of the date hereof. Prior to the effectiveness of the registration statement of which this information statement forms a part, we will disclose the directors who will serve on our board following the spin-off.

<u>Name</u>	<u>Age</u>	<u>Title</u>
Edgar O. Huber	51	Director

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Our board of directors currently consists of one director. Prior to our spin-off from Sears Holdings, our board of directors will be expanded to include additional directors.

All of our directors will stand for election at each annual meeting of our stockholders.

Committees of the Board of Directors

We expect that, immediately following the distribution, the standing committees of our board of directors will consist of an audit committee, a compensation committee and a nominating and corporate governance committee.

Audit Committee

The duties and responsibilities of the audit committee will include the following:

- to oversee the quality and integrity of our financial statements and our accounting and financial reporting processes;
- to prepare the audit committee report required by the SEC in our annual proxy statements;
- to review and discuss with management and the independent registered public accounting firm our annual and quarterly financial statements;
- to review and discuss with management and the independent registered public accounting firm our earnings press releases;
- to appoint, compensate and oversee our independent registered public accounting firm, and pre-approve all auditing services and non-audit services to be provided to us by our independent registered public accounting firm;
- to review the qualifications, performance and independence of our independent registered public accounting firm; and
- to establish procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters.

At the time of listing on NASDAQ, at least one member of the audit committee will be “independent,” as defined under and required by the rules and regulations of the SEC and NASDAQ, including Rule 10A-3(b)(1) under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), and we expect that at least one member will be an “audit committee financial expert” as defined under and required by the rules and regulations of the SEC and NASDAQ. A majority of the members of the committee will be “independent” within 90 days of listing on NASDAQ and all members will be independent within one year of listing on NASDAQ.

Our board of directors will adopt a written charter for the audit committee effective as of the date of our spin-off from Sears Holdings, which will be available on our website.

Nominating and Corporate Governance Committee

The duties and responsibilities of the nominating and corporate governance committee will include the following:

- to recommend to our board of directors proposed nominees for election to the board of directors by the stockholders at annual meetings, including an annual review as to the renominations of incumbents and proposed nominees for election by the board of directors to fill vacancies that occur between stockholder meetings;
- to make recommendations to the board of directors regarding corporate governance matters and practices; and
- to recommend members for each committee of the board of directors.

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Our board of directors will adopt a written charter for the nominating and corporate governance committee effective as of the date of our spin-off from Sears Holdings, which will be available on our website.

Compensation Committee

The duties and responsibilities of the compensation committee will include the following:

- to determine, or recommend for determination by our board of directors, the compensation of our chief executive officer and other executive officers;
- to establish, review and consider employee compensation policies and procedures;
- to review and approve, or recommend to our board of directors for approval, any employment contracts or similar arrangement between Lands' End and any executive officer of Lands' End;
- to review and discuss with management Lands' End's compensation policies and practices and management's assessment of whether any risks arising from such policies and practices are reasonably likely to have a material adverse effect on Lands' End; and
- to review, monitor, and make recommendations concerning incentive compensation plans, including the use of stock options and other equity-based plans; and
- to retain or obtain the advice of any compensation consultants, legal counsel and other compensation advisors, including responsibility for the appointment, compensation and oversight of the work of those advisors.

Our board of directors will adopt a written charter for the compensation committee effective as of the date of our spin-off from Sears Holdings, which will be available on our website. The members of the compensation committee will meet the independence requirements set forth in the applicable listing standards of the SEC and NASDAQ and the requirements set forth in the compensation committee charter.

Compensation Committee Interlocks and Insider Participation

No member of our compensation committee will serve as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

Code of Ethics

Our board of directors will adopt a code of ethics applicable to our directors, officers and employees, including our chief executive officer, chief financial officer and other senior officers effective as of the time of our listing on NASDAQ, in accordance with applicable rules and regulations of the SEC and NASDAQ. Our code of ethics will be available on our website as of the time of our listing on NASDAQ.

Corporate Governance Guidelines

Our board of directors will adopt a set of corporate governance guidelines that sets forth our policies and procedures relating to corporate governance effective as of the date of our spin-off from Sears Holdings. Our corporate governance guidelines will be available on our website as of the time of our listing on NASDAQ.

Policy and Procedures Governing Related Party Transactions

Following the completion of the distribution, we expect that our board of directors will adopt policies and procedures for the review, approval or ratification of transactions with related parties. We do not currently have such a policy in place.

EXECUTIVE COMPENSATION

Introduction

This section presents information concerning compensation arrangements for our executive officers. We present historical information concerning the compensation of those executive officers, each of whom was an officer of Lands' End prior to the spin-off. In addition, each of Edgar O. Huber and Michael P. Rosera holds equity and/or cash-based incentive awards that were granted by Sears Holdings. Treatment of these awards in connection with the spin-off has not yet been determined. The compensation that our executive officers will receive from Lands' End that will be in place at the time of the spin-off, including any compensation to create equity incentives, has not yet been determined. Prior to the effectiveness of the registration statement of which this information statement forms a part, in accordance with the rules of the SEC, we will disclose information concerning such compensation and the treatment of such awards.

Compensation Discussion and Analysis

Summary

This Compensation Discussion and Analysis provides information relevant to understanding the 2013 compensation of the executive officers identified in the Summary Compensation Table below, whom we refer to as our named executive officers to the extent available at this time. Our named executive officers are:

- Edgar O. Huber, President and Chief Executive Officer
- Michael P. Rosera, Executive Vice President, Chief Operating Officer/Chief Financial Officer and Treasurer
- Michele Donnan Martin, Executive Vice President, Chief Merchandising and Design Officer
- Karl A. Dahlen, Senior Vice President, General Counsel and Corporate Secretary
- Kelly Ritchie, Senior Vice President, Employee and Customer Services

Prior to our separation from Sears Holdings, each of our named executive officers has been employed by Lands' End. In connection with the spin-off, the board of directors (or a committee designated by the board of directors) of Lands' End will determine the appropriate executive compensation practices and policies for the senior officers of Lands' End, including our named executive officers. Lands' End compensation practices and policies will be implemented in connection with the spin-off and may differ from those of Sears Holdings. Lands' End's compensation practices and policies are currently under review and its post-separation compensation practices and policies have not been determined.

Overall compensation philosophy and structure for Sears Holdings is determined by the Compensation Committee of Sears Holdings' board of directors, or the "Sears Holdings Compensation Committee." The compensation that Mr. Huber received prior to the spin-off was determined by the Sears Holdings Compensation Committee. The compensation that our other named executive officers received prior to the spin-off was determined in part by the Sears Holdings Compensation Committee and in part by the members of senior management of Sears Holdings and Lands' End. The compensation philosophies and practices used by Sears Holdings in setting compensation for our named executive officers during 2013 are described below.

Sears Holdings Executive Compensation Philosophy and Objectives

Sears Holdings believes that its long-term success is directly related to its ability to attract, motivate and retain highly talented associates who are committed to Sears Holdings' mission, key results and cultural beliefs. The Sears Holdings Compensation Committee has developed a compensation philosophy for Sears Holdings' senior officers designed to pay for performance. Total annual compensation paid to Sears Holdings' senior officers generally depends on Sears Holdings' financial performance, the level of job responsibility and

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individual performance, as well as the need to attract top executive talent or motivate key executives. The total compensation package provided to Sears Holdings' senior officers generally includes both annual and long-term incentive programs that are linked with performance or are otherwise "at risk" due to market fluctuations and risk of forfeiture. Sears Holdings' compensation packages are thus designed to motivate and encourage employees to drive performance and achieve superior results for Sears Holdings and its stockholders. The Sears Holdings Compensation Committee also believes that compensation should reflect the value of the job in the marketplace. While the Sears Holdings Compensation Committee's objective is to approve compensation and benefits packages that reflect the pay-for-performance compensation philosophy, it recognizes that Sears Holdings must sometimes provide additional inducements to recruit, motivate and retain top-qualified executives. The Sears Holdings Compensation Committee also noted the approval of executive compensation by Sears Holdings' stockholders by a large majority in the advisory vote on this subject held at its 2013 annual meeting of stockholders and believes that this affirms Sears Holdings' stockholders' support for Sears Holdings' approach to executive compensation.

Sears Holdings' Competitive Pay Practices

Sears Holdings' experience demonstrates that in order to attract qualified external candidates and motivate valuable senior officers, Sears Holdings' must offer executive compensation packages that are competitive with the packages offered by companies with which Sears Holdings competes for talent. In making compensation recommendations for its senior officers Sears Holdings analyzes internal compensation and external market data. Sears Holdings gathers market data with a focus, where appropriate, on retail-specific and online-specific organizations. Sears Holdings does not benchmark against a set list of competitors or a peer group as Sears Holdings believes that its competitive pay analyses provide a reference point in validating proposed or recommended compensation, thereby assuring that executives are offered competitive pay packages.

Sears Holdings Executive Compensation Program: Key Elements

The key elements of Sears Holdings' compensation program for its executives include base salary and incentive opportunities. Incentive opportunities include annual and long-term performance-based programs designed to drive long-term performance through effective decision making while also incenting appropriate short-term decision making. In addition, time-based cash and/or time-based equity awards (i.e., equity that vests with the passage of time and thus is "at risk") are made to provide additional motivation and encourage retention.

Annual Compensation

- *Base Salary*—Base salary is the fixed element of each executive's cash compensation.
- *Annual Incentive Plan*—Sears Holdings' annual incentive program is designed to provide for annual cash awards to eligible employees based on achievement of financial performance goals relating to a specific fiscal year. The purpose of this annual incentive program is to motivate participants, including its participating executives, to achieve financial performance goals by making their cash incentive award variable and dependent upon Sears Holdings' or the respective Sears Holdings business unit's annual financial performance.

Long-Term Compensation

- *Time-Based Cash and Equity Compensation*—Awards of time-based cash and equity are "at risk" and encourage executive officers to adopt longer-term approaches to Sears Holdings' business and, with respect to time-based equity compensation, provide alignment with Sears Holdings' stockholders as value received will be consistent with return to Sears Holdings' stockholders, with vesting schedules that generally range from two to four years.
- *Long-Term Performance-Based Programs*—Sears Holdings' long-term incentive programs include programs that are designed to motivate its executives to focus on long-term company performance

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through awards generally based on three-year performance periods and reinforce accountability by linking executive compensation to aggressive performance goals. Sears Holdings believes that these programs are an important instrument in aligning the goals of its executives with Sears Holdings' strategic direction and initiatives, which Sears Holdings believes will result in increased returns to its stockholders.

When making individual compensation decisions for its executives, Sears Holdings takes many factors into account, including the individual's performance and experience; the performance of Sears Holdings overall; retention risk; the responsibilities, impact and importance of the position within Sears Holdings; the individual's expected future contributions to Sears Holdings; the individual's historical compensation; and internal pay equity. There is no pre-established policy or target for the allocation between annual and long-term incentive compensation. Instead, Sears Holdings takes a holistic approach to executive compensation and balances the compensation elements for each executive individually.

How Elements Are Used to Achieve Sears Holdings' Compensation Objectives

In 2013, the Sears Holdings Compensation Committee sought to achieve the objectives of Sears Holdings' compensation program through the grant of annual or long-term incentive awards, or both, to certain executives. The 2013 annual incentive awards offer participating executives an opportunity for cash compensation based upon Sears Holdings EBITDA (earnings before interest, taxes, depreciation and amortization) or a combination of Sears Holdings EBITDA and business unit operating profit ("BOP") performance during the fiscal year, and, therefore, reward participating executives for achieving short-term financial performance goals. The Sears Holdings Compensation Committee also granted long-term performance-based awards to certain of its executives that become payable following the three-year performance cycle upon achievement of EBITDA or a combination of EBITDA and BOP targets in any year during the three-year performance period. The 2013 long-term incentive awards are designed to motivate Sears Holdings' participating executives to focus on the long-term financial performance of Sears Holdings.

The Sears Holdings Compensation Committee also believes that the most fair and effective way to motivate Sears Holdings' executives to produce the best results for its stockholders is to increase the proportion of an executive's total compensation that is performance-based or otherwise "at risk," including time-based cash and equity compensation, as the executive's ability to affect those results increases. Additionally, the Sears Holdings Compensation Committee believes that the value of incentive compensation should depend upon the performance of Sears Holdings and/or its business units in a given performance period or over the applicable vesting period. Under Sears Holdings' incentive compensation structure, the highest amount of compensation can be achieved through consistent superior performance over sustained periods of time. This approach is designed to provide an incentive to manage Sears Holdings for the long term, while minimizing excessive risk taking in the short term.

The targets established for our named executive officers in 2013 under the Sears Holdings Annual Incentive Plan ("SHC AIP") were calculated based on a multiple of base salary. The multiple, which was 0.40 for Mr. Dahlen, 0.50 for Ms. Ritchie, 0.65 for Mr. Rosera and 1.0 for Mr. Huber, is based upon the participating executive's relative level of responsibility and potential to affect Sears Holdings' overall performance. SHC AIP opportunities for the participating executives are generally established when the Sears Holdings Compensation Committee approves a new annual incentive plan or at the time a compensation package for a participating executive is otherwise approved. The performance-based long-term awards granted to Sears Holdings' participating executives under the long-term incentive plan in 2013 were also calculated based on a multiple of base salary. The multiple, which ranged from 0.5 to 1.5, is based upon the participating executive's relative level of responsibility and potential to affect Sears Holdings' overall performance. Due to the fact that the participating executive's base salary is determined, in part, on his or her past performance, an award that is based on a multiple of that base salary also reflects, in part, his or her past performance.

The Sears Holdings Compensation Committee determines whether the applicable financial performance targets have been attained under its applicable annual and long-term incentive programs. The Sears Holdings

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Compensation Committee has not exercised its discretion to adjust performance targets or payout amounts for any of Sears Holdings' participating executives. While the Sears Holdings Compensation Committee historically has considered the requirements of Section 162(m) of the Code ("Section 162(m)"), the Sears Holdings Compensation Committee retains the ability to exercise both positive and negative discretion in relation to the annual and long-term incentive awards granted to Sears Holdings' executives. The impact of Section 162(m) on compensation awarded to Sears Holdings' executives is described in "—Certain Tax Consequences" below.

2013 Compensation Decisions

The Sears Holdings Compensation Committee, working with members of the Sears Holdings management team, approved all elements of compensation for Mr. Huber. The compensation approval decisions for Mr. Rosera, Ms. Donnan Martin, Mr. Dahlen and Ms. Ritchie were made in part by the Sears Holdings Compensation Committee and in part by Mr. Huber and members of Sears Holdings senior management. For Mr. Huber, management presented recommendations to the Sears Holdings Compensation Committee regarding compensation elements for review. As appropriate, Sears Holdings' Chairman and Chief Executive Officer generally played an advisory role to the Sears Holdings Compensation Committee.

2013 Base Salaries

Base salaries are set to reflect our named executive officer's performance and experience; the individual's expected future contributions to Sears Holdings and Lands' End; the responsibilities, impact and importance of the position within Sears Holdings and Lands' End; internal pay equity; and competitive pay research. The timing and amount of base salary increases depend on the named executive officer's past performance, promotion or other change in responsibilities, expected future contributions to Sears Holdings and Lands' End and current market competitiveness.

The annual base salary of Mr. Huber for 2013 is \$800,000, which remains unchanged from the base salary set forth in his offer letter dated July 18, 2011. On June 1, 2013, the annual base salaries of Mr. Rosera, Mr. Dahlen and Ms. Ritchie were increased from \$500,000 to \$520,000, from \$235,000 to \$245,000 and from \$346,800 to \$350,000, respectively, in recognition of their responsibilities and the impact and importance of their positions with Lands' End. The base salary of Ms. Donnan Martin was set prior to her joining the Company on November 4, 2013 and remains unchanged.

2013 Annual Incentive Plan Opportunity

The SHC AIP is a cash-based program that is intended to reward participants for their contributions to the achievement of certain Sears Holdings EBITDA, business unit or sub-business unit (if applicable) performance goals, or "BOP," or a combination of these goals. The Sears Holdings Compensation Committee approved 2013 performance measures under the SHC AIP for 2013. A BOP goal for Lands' End, or "Lands' End BOP," accounted for 100% of the annual incentive opportunity for each of Mr. Huber, Mr. Rosera, Ms. Donnan Martin, Mr. Dahlen and Ms. Ritchie.

Lands' End BOP is defined as Lands' End's earnings before interest, taxes, and depreciation, as reported in Sears Holdings' domestic internal operating statements. In addition, Lands' End BOP is adjusted to exclude:

- significant litigation or claim judgments or settlements (defined as matters which are \$1 million or more);
- the effect of purchase accounting and changes in accounting methods;
- gains, losses and costs associated with store closings, acquisitions and divestitures;
- integration costs that are disclosed as merger related;
- impairment charges;

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- items classified as “extraordinary items” in Sears Holdings’ financial statements;
- domestic pension expense; and
- restructuring activities.

Sears Holdings believes that BOP performance goals support its financial goals by reinforcing responsibility and accountability at the business unit level.

In establishing financial business goals for the fiscal year to be approved by the Sears Holdings Compensation Committee, factors such as Sears Holdings’ prior fiscal year financial business results, the competitive situation, evaluation of market trends, as well as the general state of the economy and the business all were considered. For 2013, threshold and target performance goals were established for Sears Holdings EBITDA and the BOP components. The threshold level of performance under the SHC AIP for 2013 for each participant was approximately 84% of target. The threshold level of the performance for the Lands’ End BOP component of the SHC AIP generates payouts at 20% of target incentive opportunity. The target level performance for the Lands’ End BOP component generates payouts of 100% of incentive opportunity. The maximum award payable to senior officers under the SHC AIP for 2013 is 200% of their target incentive award. The incentive payout percentage between threshold and maximum payout is based on a series of straight-line (linear) interpolations. In addition, any Lands’ End performance measure payout that would be greater than 100% of the target incentive award, based upon the interpolated payout curves mentioned above, was subject to reduction to 100% if Sears Holdings EBITDA performance were below its threshold level. Further, any Lands’ End performance measure payout that is between 50% and 100% of the target incentive award, based upon the interpolated payout curves mentioned above, was subject to reduction if Sears Holdings EBITDA performance were below its threshold level. The target award percentage (which is a percentage of the rate of base salary during the performance period) under the SHC AIP for 2013 is 100% for Mr. Huber, 65% each of for Mr. Rosera and Ms. Donnan Martin, 50% for Ms. Ritchie and 40% for Mr. Dahlen. Mr. Dahlen’s annual incentive plan target award percentage was increased to 50% in recognition of his responsibilities and the impact and importance of his position with Lands’ End, while the target award percentages for the other named executive officers remain unchanged. The amount of the annual cash incentive award ultimately received depends on the achievement of the applicable performance goals. The “Grants of Plan-Based Awards” table below shows the range of possible payments to each of our participating named executive officers under the SHC AIP for 2013.

The SHC AIP also provides that Sears Holdings will seek reimbursement from participating executives if Sears Holdings’ financial statements or approved financial measures are subject to restatement due to error or misconduct, to the extent permitted by law.

Long-Term Incentive Opportunities

The Grants of Plan-Based Awards table below contains information regarding the long-term performance-based compensation opportunities for 2013. These opportunities consist of awards under (1) the 2013 Long-Term Incentive Structure (the “2013 LTIS”), which consists of a long-term incentive program (the “2013 LTIP”) and a cash long-term incentive plan (the “2013 Cash LTI”); (2) the 2012 Long-Term Incentive Program (the “2012 LTIP”); and (3) the 2011 Long-Term Incentive Program (the “2011 LTIP”). The 2013 LTIP is intended to be a performance-based incentive program dependent upon the achievement of Sears Holdings financial goals during 2013 through 2015 and the 2013 Cash LTI is intended to be a time-based incentive program. The 2012 LTIP is intended to be a performance-based cash program dependent upon the achievement of Sears Holdings financial goals during 2012 through 2014. The 2011 LTIP is intended to be a performance-based cash program dependent upon the achievement of Sears Holdings financial goals during 2011 through 2013.

In making compensation decisions, no formal weighting formula is used in determining award amounts under Sears Holdings’ long-term incentive programs. Instead, the Sears Holdings Compensation Committee considers the participating named executive officer’s relative level of responsibility and potential to affect Sears Holdings’ overall performance when it awards long-term performance-based compensation.

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Each of Sears Holdings' long-term incentive programs contains a different EBITDA performance goal. LTIP EBITDA is defined as earnings of Sears Holdings before interest, taxes, depreciation and amortization for the performance period computed as operating income on Sears Holdings' statement of operations for the applicable reporting period, other than Sears Canada Inc., excluding depreciation and amortization and gains/(losses) on the sales of assets. In addition, it is adjusted to exclude:

- significant litigation or claim judgments or settlements (defined as matters which are \$1 million or more);
- the effect of purchase accounting and changes in accounting methods;
- gains, losses and costs associated with store closings, acquisitions and divestitures;
- integration costs that are disclosed as merger related;
- impairment charges;
- items classified as "extraordinary items" in Sears Holdings' financial statements;
- domestic pension expense; and
- restructuring activities.

Sears Holdings continues to use EBITDA as a performance goal because it is a key metric used by management to measure business performance. Sears Holdings also believes that it accurately reflects Sears Holdings' compensation philosophy of encouraging growth and creating increased stockholder value through the efficient use of corporate assets. Sears Holdings has not achieved the threshold LTIP EBITDA performance target under any of its long-term incentive programs. Under the 2013 LTIP, 25% of the award is based on achievement of LTIP EBITDA goal and 75% on achievement of specific BOP goal or goals. BOP is defined substantially the same for LTIP purposes as defined above with respect to the SHC AIP.

The 2011 LTIP, 2012 LTIP and 2013 LTIS are described below.

2011 LTIP

The 2011 LTIP provides the opportunity for salaried employees of Sears Holdings who hold a position of divisional vice president or higher to receive a long-term incentive award equal to either a percentage of his or her base salary or a dollar amount subject to the attainment of performance goals for a three-year period (2011 through 2013). Awards under the 2011 LTIP represent the right to receive cash or, at the discretion of the Sears Holdings Compensation Committee, shares of Sears Holdings common stock in lieu of cash or a combination of cash and shares of common stock of Sears Holdings upon the achievement of certain performance goals. The issuance of common stock under the 2011 LTIP is contingent on the availability of shares of stock under a stockholder approved plan of Sears Holdings providing for the issuance of shares in satisfaction of awards granted under the Long-Term Incentive Program document.

Mr. Huber, Mr. Dahlen and Ms. Ritchie are the named executive officers who participate in the 2011 LTIP.

The 2011 LTIP includes five different performance plans. The Sears Holdings Compensation Committee determined the level of financial performance for each performance plan, the performance plan to apply to each business, and which performance plan applies to each Sears Holdings participating senior officer. For each participant, achievement of a Sears Holdings LTIP EBITDA performance goal accounts for 50% of his or her 2011 LTIP opportunity and achievement of a Lands' End BOP performance goal accounts for 50% of his or her 2011 LTIP opportunity.

The threshold level of performance for the LTIP EBITDA component of each participant's 2011 LTIP assignment is 70% of target LTIP EBITDA in any year of the three-year performance period. The threshold level

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of performance for the BOP portion of each participant's 2011 LTIP assignment is 70% of the three-year cumulative BOP target for the performance period. For each component of each participant's 2011 LTIP assignment, a threshold level of performance will generate a payout at 25% of the 2011 LTIP target opportunity and a target level of performance will generate a payout at 100% of the 2011 LTIP target opportunity. Also for each component, for a performance level from threshold to 83% of the applicable target, each participant will receive a 1.2% increase in his or her award for every 1% of additional performance above threshold. For a performance level from 83% of the applicable target to such target, each participant will receive a 3.5% increase in his or her award for every 1% of additional performance. If the applicable target performance level is exceeded, for each 1% it exceeds the target, the participant will receive a 2% increase in his award. Awards payable under either the LTIP EBITDA component or BOP component for performance above applicable targets will be subject to an earnings-to-incentive ratio such that for every \$7 in earnings above the target amount, a minimum of \$6 in earnings is retained by Sears Holdings for every \$1 in incentive paid to participants. The maximum award payable to each participant under the 2011 LTIP is 200% of his or her target incentive award. The target award percentage under the 2011 LTIP for each of Mr. Huber, Mr. Dahlen and Ms. Ritchie is 150%, 25% and 50%, respectively.

In the event of a 2011 LTIP participant's death or disability before the payment date for his or her award, a payment will be made with respect to that participant in an amount equal to his or her prorated target cash incentive opportunity, but only if (1) the applicable performance measure(s) for the period of the performance period through the month preceding the participant's termination of employment is equal to or greater than the target for such measure(s), pro-rated through the date of termination, (2) the applicable performance measure(s) is equal to or greater than the target for the applicable performance measure(s) for the performance period and (3) the participant has been employed by Sears Holdings for at least 12 months of the performance period. In the event of voluntary termination or termination with cause (as defined in the 2011 LTIP) before the payment date for his or her award, the participant will forfeit all of his or her LTIP award. To be eligible to receive payment of an award, a participant must be actively employed as of the payment date following completion of the performance period.

The Sears Holdings Compensation Committee believes that at the time the performance goals for the 2011 LTIP were set, achievement of those levels of performance would require a high level of performance that would be difficult to attain. We will disclose the estimated likelihood that payments will be made to our named executive officers under the 2011 LTIP in an amendment to the registration statement of which this information statement forms a part.

2012 LTIP

The 2012 LTIP provides the opportunity for salaried employees of Sears Holdings who hold a position of divisional vice president or higher to receive a long-term incentive award equal to either a percentage of his or her base salary or a dollar amount subject to the attainment of performance goals for a three-year period (2012 through 2014).

The named executive officers who participate in the 2012 LTIP are Messrs. Huber, Rosera and Dahlen and Ms. Ritchie.

Awards under the 2012 LTIP represent the right to receive cash or, at the discretion of the Sears Holdings Compensation Committee, shares of Sears Holdings common stock in lieu of cash or a combination of cash and shares of Sears Holdings common stock upon the achievement of certain performance goals. The issuance of common stock under the 2012 LTIP is contingent on the availability of shares of stock under a stockholder approved plan of Sears Holdings providing for the issuance of shares in satisfaction of awards granted under the Long-Term Incentive Program document.

The 2012 LTIP also provides that Sears Holdings will seek reimbursement from participating executives if Sears Holdings' financial statements or approved financial measures are subject to restatement due to error or misconduct, to the extent permitted by law.

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The 2012 LTIP contains two different components: Sears Holdings LTIP EBITDA and a BOP-based measure calculated for each Sears Holdings business unit, including Lands' End. The Sears Holdings Compensation Committee determined the level of financial performance for each performance measure, the performance measure or measures to apply to each business, and which performance measure or measures applies to each participating senior officer. For each participant, achievement of the LTIP EBITDA performance goal accounts for 25% of his or her 2012 LTIP opportunity and achievement of a Lands' End BOP performance goal accounts for 75% of his or her 2012 LTIP opportunity.

The threshold level of performance for the LTIP EBITDA measure is approximately 80% of the LTIP EBITDA target in any year of the three-year performance period. A threshold level of performance will generate a payout at 25% of the 2012 LTIP target opportunity and a target level of performance will generate a payout at 100% of the 2012 LTIP target opportunity. With respect to BOP threshold levels of performance, the payout, if any, under the 2012 LTIP for each participant will be reduced by 25% for each year in the three-year period that Lands' End does not achieve at least 90% of its target under the SHC AIP. In addition, payouts based on achievement of BOP goals will be limited to 100% of target levels of performance unless LTIP EBITDA meets or exceeds the threshold level of payment under the 2012 LTIP. The maximum incentive opportunity under the 2012 LTIP is 200% of the participant's target award amount (which is reached at 150% of target performance). The target award percentages under the 2012 LTIP for each of Mr. Huber, Mr. Rosera, Mr. Dahlen and Ms. Ritchie is 150%, 50%, 25% and 50%, respectively.

In the event of a participant's death or disability before the payment date for his or her award, a payment will be made with respect to that participant in an amount equal to his or her prorated target cash incentive opportunity, but only if (1) the applicable performance measure(s) for the period of the performance period through the month preceding the participant's termination of employment is equal to or greater than the target for such measure(s), prorated through the date of termination, (2) the applicable performance measure(s) is equal to or greater than the target for the applicable performance measure(s) for the performance period and (3) the participant has been employed by Sears Holdings for at least 12 months of the performance period. In the event of voluntary termination or termination with cause (as defined in the 2012 LTIP) before the payment date for his or her award, the participant will forfeit all of his or her LTIP award. To be eligible to receive payment of an award, a participant must be actively employed as of the payment date following completion of the performance period.

The Sears Holdings Compensation Committee believes that at the time the performance goals for the 2012 LTIP were set, achievement of those levels of performance would require a high level of performance that would be difficult to attain. We will disclose the estimated likelihood that payments will be made to our named executive officers under the 2012 LTIP in an amendment to the registration statement of which this information statement forms a part.

2013 LTIS

The 2013 LTIS consists of a long-term incentive program (the "2013 LTIP") and a cash long-term incentive plan (the "2013 Cash LTI"). The 2013 LTIP continues to be intended as a performance-based incentive program and the 2013 Cash LTI is intended to be a time-based incentive program.

The named executive officers who participate in the 2013 LTIP and the 2013 Cash LTI are Mr. Huber, Mr. Rosera, Ms. Donnan Martin, Mr. Dahlen and Ms. Ritchie.

2013 LTIP

The 2013 LTIP provides the opportunity for participants to receive a long-term incentive award based on the attainment of performance goals for a three-year period (2013 through 2015). Awards under the 2013 LTIP represent the right to receive cash or, at the discretion of the Sears Holdings Compensation Committee, shares of

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Sears Holdings common stock in lieu of cash or a combination of cash and shares upon the achievement of certain performance goals. The issuance of common stock under the 2013 LTIP is contingent on the availability of shares of stock under a stockholder approved plan of Sears Holdings providing for the issuance of shares in satisfaction of awards granted under the Long-Term Incentive Program document.

The Sears Holdings Compensation Committee determined the level of financial performance for each performance measure, the performance measure or measures to apply to each business, and which performance measure or measures applies to each participating senior officer. For our named executive officers participating in the 2013 LTIP, achievement of a Sears Holdings LTIP EBITDA performance goal accounts for 25% of their 2013 LTIP opportunity and achievement of a Lands' End BOP performance goal accounts for 75% of their 2013 LTIP opportunity. Threshold, target and maximum goals have been established for all performance measures under the 2013 LTIP.

Under the 2013 LTIP, the threshold level of performance for the LTIP EBITDA measure is 70% of the cumulative three-year LTIP EBITDA target during the performance period. A threshold level of performance will generate a payout at 25% of the 2013 LTIP target opportunity and a target level of performance will generate a payout at 100% of the 2013 LTIP target opportunity. The maximum incentive opportunity under the 2013 LTIP is 200% of the participant's target award amount. The target award percentages under the 2013 LTIP for each of Mr. Huber, Mr. Rosera, Ms. Donnan Martin, Mr. Dahlen and Ms. Ritchie is 150%, 100%, 100%, 50% and 100%, respectively.

Sears Holdings will pay awards earned under the 2013 LTIP to participants no later than the date that is the 15th day of the third month following 2015, provided that the participant is actively employed by Sears Holdings on the payment date (unless otherwise prohibited by law). In addition, the 2013 LTIP provides that Sears Holdings will seek reimbursement from participating executives if Sears Holdings' financial statements or approved financial measures are subject to restatement due to error or misconduct, to the extent permitted by law.

The Sears Holdings Compensation Committee believes that at the time the performance goals for the 2013 LTIP were set, achievement of those levels of performance would require a high level of performance that would be difficult to attain. We will disclose the estimated likelihood that payments will be made to our named executive officers under the 2013 LTIP in an amendment to the registration statement of which this information statement forms a part.

2013 Cash LTI

The second component of the 2013 LTIS is the 2013 Cash LTI. Awards under the 2013 Cash LTI are designed to constitute a percentage of a participant's overall long-term incentive opportunity. The 2013 Cash LTI provides the opportunity for participants to receive a long-term incentive payout, provided that the participant is actively employed by Sears Holdings on the vesting date, which is the April 1st following the end of a service period. Awards under the 2013 Cash LTI represent the right to receive cash as soon as administratively feasible after the vesting date but in no case later than the date that is the 15th day of the third month following the last day of the relevant service period. The service period for the 2013 Cash LTI is 2013 through 2015. In 2013, Mr. Huber, Mr. Rosera, Ms. Donnan Martin, Mr. Dahlen and Ms. Ritchie received awards of \$300,000, \$125,000, \$112,365, \$29,375 and \$87,500, respectively, under the 2013 Cash LTI. Payment of such amounts is contingent upon their remaining actively employed by Sears Holdings through April 1, 2016.

LTIS Target Award Percentages and Certain Additional Conditions

The total long-term incentive target award percentage (which is a percentage of base salary) for Mr. Huber is 150%, with 75% awarded under the 2013 LTIP and 25% awarded under the 2013 Cash LTI. The total long-term incentive target award percentage for each of Mr. Rosera and Ms. Donnan Martin is 100%, with 75% awarded under the 2013 LTIP and 25% awarded under the 2013 Cash LTI. The total long-term incentive target award percentage for Mr. Dahlen is 50% and Ms. Ritchie is 100%, with 75% of each target award awarded under the 2013 LTIP and 25% awarded under the 2013 Cash LTI.

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Other Long-Term Compensation Opportunities

Pursuant to his offer letter, Mr. Rosera was granted a special cash retention bonus award of \$150,000 that vests in three equal installments on the first, second and third anniversary dates of his start date with Lands' End, provided that he is actively employed on the applicable payment date. Mr. Rosera was paid \$50,000 of this bonus in August 2013. Mr. Rosera received this special cash retention bonus to induce him to join Lands' End, to compensate him for other foregone opportunities and in recognition of his expected future contributions to Lands' End.

Pursuant to her offer letter, Ms. Donnan Martin was granted a special cash retention bonus award of \$150,000 that vests in three equal installments on the first, second and third anniversary dates of her start date with Lands' End, provided that she is actively employed on the applicable payment date. Ms. Donnan Martin received this special cash retention bonus to induce her to join Lands' End, to compensate her for other foregone opportunities and in recognition of her expected future contributions to Lands' End.

Time-Based Cash and Equity Compensation

Time-based cash and equity compensation is granted from time to time to assist Sears Holdings to:

- attract and retain top executive talent; and
- with respect to equity, link executive and company long-term financial interests of Sears Holdings, including the growth in value of Sears Holdings' equity and enhancement of long-term stockholder return.

Time-based cash and equity compensation is intended to complement base salary, annual incentive awards and long-term incentive awards.

Time-based equity compensation is currently awarded in the form of restricted stock. Generally, Sears Holdings' practice is to determine the dollar amount of equity compensation and then grant a number of shares of restricted stock having a fair market value equal to that dollar amount on the date of grant. Sears Holdings determines the fair market value based upon the closing price of its stock on the grant date. Individual grant amounts are generally based on factors such as relative job scope, expected future contributions to Sears Holdings and internal pay equity. Additionally, restricted stock grants are an effective means of offsetting equity awards that executives may lose when they leave a former company to join Sears Holdings.

In 2013, no grants of restricted stock were made to our named executive officers.

The Sears Holdings Corporation 2006 Stock Plan, or "2006 Stock Plan," does not provide for the award of stock options. The Sears Holdings Corporation 2013 Stock Plan, approved by the stockholders of Sears Holdings at its 2013 annual meeting of stockholders, contains provisions that would allow Sears Holdings to grant stock options; however, no such stock options have been granted and it is not currently expected that any stock options will be granted prior to the spin-off.

In connection with the pro-rata distribution of Sears Holdings' interest in Orchard Supply Hardware Stores Corporation ("Orchard"), each person who held outstanding shares of unvested restricted stock of Sears Holdings as of December 16, 2011, the record date for the distribution, was granted a cash award in lieu of shares of Orchard common and preferred stock distributed in respect of such unvested restricted stock. The cash rights were granted in lieu of Orchard shares to preserve the benefit of the unvested restricted stock award with respect to the distribution (the "Orchard Make-Whole Awards"). The Orchard Make-Whole Awards are payable on the applicable vesting dates for such unvested restricted stock. The amounts of the Orchard Make-Whole Awards were calculated based on the volume-weighted average price per share of the Orchard common and preferred stock over the 10-trading day period beginning January 3, 2012. The Orchard Make-Whole Award granted to

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Mr. Huber totals \$15,865. The amount that vested during 2013 for Mr. Huber was \$3,966. No other named executive officer had a vesting in 2013 with respect to these cash awards.

In connection with Sears Holdings' pro-rata distribution of transferable subscription rights ("Rights") to purchase shares of common stock of Sears Hometown and Outlet Stores, Inc. ("Sears Hometown"), each person who held outstanding shares of unvested restricted stock of Sears Holdings as of September 7, 2012, the record date for the distribution of Rights, was granted a cash award in lieu of Rights distributed in respect of such unvested restricted stock. The cash awards were granted in lieu of Rights to preserve the benefit of the unvested restricted stock award with respect to the distribution (the "Sears Hometown Make-Whole Awards"). The Sears Hometown Make-Whole Awards are payable on the applicable vesting dates for such unvested restricted stock. The amounts of the Sears Hometown Make-Whole Awards were calculated based on the volume-weighted average price per right of the Rights over the 10-trading day period beginning September 11, 2012. The Sears Hometown Make-Whole Award granted to Mr. Huber totals \$26,903. The amount that vested during 2013 for Mr. Huber was \$8,968. No other named executive officer had a vesting in 2013 with respect to these cash awards.

In connection with Sears Holdings' pro-rata distribution of common shares ("Sears Canada Shares") of Sears Canada Inc. ("Sears Canada"), each person who held outstanding shares of unvested restricted stock of Sears Holdings as of November 1, 2012, the record date for the distribution, was granted a cash award in lieu of Sears Canada Shares distributed in respect of such unvested restricted stock. The cash awards were granted in lieu of Sears Canada Shares to preserve the benefit of the unvested restricted stock award with respect to the distribution (the "Sears Canada Make-Whole Awards"). The Sears Canada Make-Whole Awards are payable on the applicable vesting date for such unvested restricted stock. The amounts of the Sears Canada Make-Whole Awards were calculated based on the volume-weighted average price per share of the Sears Canada Shares over the 10-trading day period beginning November 13, 2012. The Sears Canada Make-Whole Awards granted to Messrs. Huber and Rosera total \$62,193 and \$13,167, respectively. The amount that vested during 2013 for Mr. Huber was \$20,731. No other named executive officer had a vesting in 2013 with respect to these cash awards.

Other Compensation Elements

Discretionary Bonuses

We have paid, and may in the future pay, sign-on, first year guaranteed and other bonuses where determined necessary or appropriate to attract top executive talent from other companies and motivate or retain key executives or both. Executives we recruit often have unrealized value in the form of unvested equity and other forgone compensation opportunities. Sign-on bonuses are an effective means of offsetting compensation opportunities executives may lose when they leave a former company to join Sears Holdings. For a discussion of bonuses granted prior to 2013 that had scheduled payouts in 2013, see "—Long-Term Incentive Opportunities—Other Long-Term Compensation Opportunities."

Perquisites and Other Benefits

Sears Holdings provides certain of its executives with perquisites and other personal benefits that the Sears Holdings Compensation Committee deems reasonable and consistent with Sears Holdings' overall compensation program. In 2013, pursuant to his offer letter, Mr. Rosera received \$71,869 in relocation assistance and a tax gross-up on that relocation assistance of \$14,883. If Mr. Rosera voluntarily leaves Lands' End prior to the second anniversary of his start date, he must repay 50% of those amounts to Lands' End. In 2013, pursuant to her offer letter, Ms. Donnan Martin received \$4,954 in taxable housing and travel expenses.

Retirement Plans

The Lands' End, Inc. Retirement Plan allows participants to contribute towards retirement on a pre-tax (including catch-up contributions) basis. The plan allows pre-tax contributions of up to 75% of eligible

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compensation (or the limit determined by the Internal Revenue Service). Lands' End also makes matching contributions to the plan in an amount equal to 50% of the participant's contribution up to a maximum of 6% of the participant's earnings quarter start following one year of service by the participant.

Severance Benefits

Each of our named executive officers has entered into a severance agreement with Lands' End. The severance agreements contain non-competition restrictions. Additionally, the severance payments provide individuals a window of time to locate a new position in the marketplace. While the following description of the terms and conditions applies generally to our severance agreements with our named executive officers, severance agreements with certain of our executive officers contain different or additional terms and conditions that served as additional inducements for those named executive officers to join Lands' End and are more fully described under “—Potential Payments Upon Termination of Employment” below. Under the agreement, severance is provided for involuntary termination by Lands' End without cause (as defined in the agreement) or termination by the executive officer for “good reason” (as defined in the agreement). Named executive officers, except as described under the heading “Potential Payments Upon Termination of Employment,” will receive severance payments equal to one year of annual base salary, subject to mitigation for salary or wages earned from another employer, including self-employment depending on the form of agreement.

If a named executive officer becomes entitled to benefits under the severance agreement, the named executive officer will be entitled to other company benefits such as continued participation in company medical and dental plans during the salary continuation period. The forms of executive severance agreements do not have specific change-in-control or similar provisions that would give rise to or impact the payment of severance benefits to the executive officers.

Awards under a long-term incentive program are payable in the event of a termination of employment as a result of death or disability during a performance period if certain conditions are met, as described under the applicable long-term incentive program. See “—Long-Term Incentive Opportunities” above and “—Potential Payments Upon Termination of Employment” below for additional information.

A named executive officer's unvested restricted stock award under the 2006 Stock Plan will be forfeited upon termination of employment. In the event of a named executive officer's death, disability, retirement or involuntary termination, at the discretion of the Sears Holdings Compensation Committee, such officer's restricted stock awards may be accelerated.

Executive Compensation Recovery Provisions

Sears Holdings' annual and long-term incentive programs adopted in 2013 contained executive compensation recovery provisions. The relevant provisions provide that Sears Holdings will seek reimbursement from participating executives if Sears Holdings' financial statements or approved financial measures are subject to restatement due to error or misconduct, to the extent permitted by law.

2013 CEO Compensation

As set forth in Mr. Huber's offer letter, his 2013 annual base salary is \$800,000. He also participated in the SHC AIP for 2013 with a target opportunity of 100% of his base salary and in the 2013 LTIS at 150% of his base salary. Mr. Huber received cash payouts pursuant to his Orchard Make-Whole Award, Sears Hometown Make-Whole Award and Sears Canada Make-Whole Award as described elsewhere in this section under the caption “—2013 Compensation Decisions—Time-Based Cash and Equity Compensation.” Mr. Huber also received a matching contribution to the Lands' End, Inc. Retirement Plan as described elsewhere in this section under the caption “—Other Compensation Elements—Retirement Plans.”

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Certain Tax Consequences

In setting an executive's compensation package, the Sears Holdings Compensation Committee considers the requirements of Section 162(m) of the Code, which provides that compensation in excess of \$1 million paid to certain executive officers is not deductible unless it is performance-based and paid under a program that meets certain other legal requirements. Neither base salary nor time-based cash or equity awards that vest based solely on continued service qualify as performance-based compensation under Section 162(m). Although a significant portion of each executive officer's compensation is intended to satisfy the requirements for deductibility under Section 162(m), the Sears Holdings Compensation Committee retains the ability to evaluate the performance of its executives and to pay appropriate compensation, even if it may result in the non-deductibility of certain compensation under federal tax law.

Summary Compensation Table

The following table sets forth information concerning the total compensation paid by Lands' End to each of our named executive officers. These amounts are based on the compensation received by these officers while employed by Lands' End for 2013; the amounts shown for 2012 reflect the inclusion of an additional week of compensation in that fiscal year (comprising 53 weeks) compared to fiscal years 2013 and 2011 (comprising 52 weeks).

Name and Principal Position	Year	Salary(a)	Bonus(b)	Stock Awards(c)	Non Equity Incentive Plan Compensation	All Other Compensation(d)	Total
Edgar O. Huber	2013	\$800,000	\$ —	\$ —	\$ —	\$ 41,315	\$ 841,315
<i>President and Chief Executive Officer</i>	2012	815,385	400,000	—	—	59,531	1,274,916
	2011	400,000	650,000	999,975	—	238,496	2,288,472
Michael P. Rosera	2013	\$513,462	\$ 50,000	\$ —	\$ —	\$ 77,269	\$ 640,730
<i>Executive Vice President, Chief Operating Officer/Chief Financial Officer and Treasurer</i>	2012	269,231	231,250	149,974	—	104,373	754,828
Michele Donnan Martin	2013	\$150,000	\$175,000	\$ —	\$ —	\$ 4,954 ¹	\$ 329,954
<i>Executive Vice President, Chief Merchandising and Design Officer</i>							
Karl Dahlen	2013	\$242,212	\$ —	\$ —	\$ —	\$ 7,111	\$ 249,322
<i>Senior Vice President, General Counsel and Corporate Secretary</i>	2012	236,143	15,500	—	—	7,084	258,727
	2011	204,120	13,729	—	—	7,000	224,849
Kelly Ritchie	2013	\$355,889	\$ —	—	\$ —	\$ 7,650	\$ 363,539
<i>Senior Vice President, Employee and Customer Services</i>	2012	355,869	50,000	—	—	7,500	413,369
	2011	344,054	—	—	—	7,350	351,404

- (a) The amounts in this column are actual amounts earned in the fiscal year period stated. The amounts shown have been adjusted for the number of days in the fiscal year and are not necessarily the same as the annual rate for each named executive officer.
- (b) The amount for Mr. Rosera represents a cash retention bonus payment for fiscal year 2013 made pursuant to the terms of his offer letter. The amount for Ms. Donnan Martin represents a sign-on bonus payment made pursuant to the terms of her offer letter.
- (c) Amounts shown in this column represent the full grant date fair value of the restricted stock awards granted under the 2006 Stock Plan. Generally, the full grant date fair value is the amount that Sears Holdings would expense in its financial statements over the award's applicable vesting period. Restricted stock is common stock that cannot be sold or otherwise transferred by the executive until such restrictions lapse.
- (d) For Mr. Huber, the amount consists of (1) \$3,966 representing the amount vested and paid in fiscal year 2013 under his Orchard Make-Whole Award, which he received in respect of his previously-awarded unvested restricted stock in lieu of shares of Orchard distributed to the Company's stockholders, (2) \$8,968 representing the amount vested and paid in fiscal year 2013 under his Sears Hometown Make-Whole Award, which he received in respect of previously-awarded unvested restricted stock in lieu of Rights to purchase shares of Sears Hometown distributed to the Company's stockholders, (3) \$20,731 representing the amount vested and paid in fiscal year 2013 under his Sears Canada Make-Whole Award, which he received in respect of previously-awarded unvested restricted stock in lieu of Rights to purchase shares of Sears Canada distributed to the Company's stockholders and (4) \$7,650 in matching contributions under the Lands' End, Inc. Retirement Plan.

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For Mr. Rosera, the amount in fiscal 2013 includes (1) \$71,869 in company-provided relocation expenses, including \$14,883 in related tax gross-up payments and (2) \$5,400 in matching contributions under the Lands' End, Inc. Retirement Plan.

For Ms. Donnan Martin, the amount includes \$950.96 attributable to the aggregate incremental cost to the Company of round-trip fare for commercial air travel between Ms. Donnan Martin's primary residence in the greater metropolitan New York area and the greater metropolitan Madison area, \$373.29 attributable to the aggregate incremental cost to the Company of ground transportation between her primary residence and the airport in the greater metropolitan New York area when commuting to Company headquarters in Dodgeville, Wisconsin and between Company headquarters and the airport in the greater metropolitan Madison area when commuting to her primary residence, and \$3,630.00 attributable to the incremental cost to the Company for housing in the Madison, Wisconsin area pursuant to the terms of her offer letter.

For Mr. Dahlen, the amount reflects matching contributions under the Lands' End, Inc. Retirement Plan.

For Ms. Ritchie, the amount reflects matching contributions under the Lands' End, Inc. Retirement Plan.

Grants of Plan-Based Awards

The following tables set forth awards granted to our named executive officers under the incentive plans maintained by Sears Holdings.

Name	Plan	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(a)			Estimated Future Payouts Under Non-Equity Multi-Year Incentive Plan Awards(a)			All Other Stock Awards: Number of Shares of Stock	Grant Date Fair Value of Stock and Option Awards(b)
		Threshold	Target	Maximum	Threshold	Target	Maximum		
Edgar O. Huber	SHC AIP	\$160,000	\$800,000	\$1,600,000	—	—	—	—	—
	2013 LTIP	—	—	—	\$225,000	\$900,000	\$1,800,000	—	—
	2013 Cash LTI	—	—	—	—	\$300,000	—	—	—
Michael P. Rosera	SHC AIP	\$ 66,757	\$333,786	\$ 667,572	—	—	—	—	—
	2013 LTIP	—	—	—	\$ 93,750	\$375,000	\$ 750,000	—	—
	2013 Cash LTI	—	—	—	—	\$125,000	—	—	—
Michele Donnan Martin	SHC AIP	\$ 19,286	\$ 96,429	\$ 192,858	—	—	—	—	—
	2013 LTIP	—	—	—	\$ 84,274	\$337,095	\$ 674,190	—	—
	2013 Cash LTI	—	—	—	—	\$112,365	—	—	—
Karl Dahlen	SHC AIP	\$ 16,069	\$ 80,347	\$ 160,694	—	—	—	—	—
	2013 LTIP	—	—	—	\$ 22,031	\$ 88,125	\$ 176,250	—	—
	2013 Cash LTI	—	—	—	—	\$ 29,375	—	—	—
Kelly Ritchie	SHC AIP	\$ 35,591	\$177,957	\$ 355,914	—	—	—	—	—
	2013 LTIP	—	—	—	—	\$ 87,500	—	—	—
	2013 Cash LTI	—	—	—	\$ 65,625	\$262,500	\$ 525,000	—	—

(a) The amounts in these columns include the threshold, target and maximum amounts for each named executive officer under the 2013 AIP and 2013 LTIP.

(b) This column reflects the full grant date fair value of restricted stock granted to certain named executive officers. Generally, the full grant date fair value is the amount that the Company would expense in its financial statements over the award's applicable vesting period. None of our named executive officers received grants of equity-based awards in fiscal year 2013.

Lands' End Employment Arrangements

Certain components of the compensation paid to our named executive officers reflected in the Summary Compensation Table and the Grants of Plan-Based Awards table are based on our named executive officers' offer letters that provide for their employment with Lands' End. These offer letters establish the minimum terms and conditions of each executive's employment, which are summarized below. For a discussion of the severance payments and other benefits provided in connection with a qualifying termination of employment under each named executive officer's severance agreement, see "—Potential Payments Upon Termination of Employment" below.

Offer Letter with Mr. Huber

Mr. Huber entered into an offer letter dated July 18, 2011 that provides for his employment with Lands' End. Mr. Huber's annual base salary is \$800,000. He received a one-time sign-on bonus of \$250,000, subject to

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certain repayment conditions in the event of termination, which conditions expired on August 1, 2013. He is eligible for an annual target award of 100% of his base salary under the SHC AIP. Mr. Huber was eligible to receive a special incentive award for 2011 equal to the greater of (1) the actual incentive earned and payable under the 2011 SHC AIP or (2) \$400,000 (gross), which special incentive award was subject to reduction by any amount payable to him under the 2011 SHC AIP. Mr. Huber's offer letter provided for the payment of a special cash retention bonus of \$400,000 following the end of 2012, subject to reduction by any amount payable to him under the 2012 SHC AIP. Mr. Huber's offer letter also provides for his participation in the 2011 LTIP, with a target award of 150% of his base salary, subject to pro-rata based on the portion of the LTIP performance period remaining after his start date. He also received a grant of Sears Holdings restricted stock valued at approximately \$1,000,000 under the 2006 Stock Plan. He received relocation assistance consisting of a lump sum payment of \$100,000 (net of income taxes), temporary housing (net of income taxes) and shipment of household goods. Mr. Huber's Executive Severance Agreement with Sears Holdings described under "Compensation Discussion and Analysis—Other Compensation Benefits—Severance Benefits" and "Potential Payments Upon Termination of Employment" will be assigned to, and assumed by, Lands' End effective as of the spin-off.

Offer Letter with Mr. Rosera

Mr. Rosera entered into an offer letter dated June 27, 2012 that provides for his employment with Lands' End. Mr. Rosera's offer letter provided for an annual base salary of \$500,000, which was subsequently increased to \$520,000. He received a one-time sign-on bonus of \$150,000, subject to certain repayment conditions in the event of termination within 24 months of his start date. He is eligible for an annual target award of 65% of his base salary under the SHC AIP. Mr. Rosera was eligible to receive an incentive payment for 2012 equal to the greater of (1) the actual incentive earned and payable under the 2012 SHC AIP or (2) \$81,250 (gross). Mr. Rosera's offer letter also provides for the payment of a special cash retention bonus award of \$150,000 (gross) that vests in three equal installments on the first, second and third anniversaries of his start date, provided that he is actively employed with us on the applicable payment date. Mr. Rosera's offer letter provides for his participation in the Sears Holdings Long-Term Incentive Programs, starting with the 2012 LTIP. He also received a grant of Sears Holdings restricted stock valued at approximately \$150,000 under the 2006 Stock Plan and relocation benefits under our standard relocation policy. The relocation benefits were subject to reimbursement in the amount of 100% of the benefit if he had voluntarily terminated his employment on or before the first anniversary of his start date, and are subject to reimbursement in the amount of 50% of the benefit if he voluntarily terminates his employment more than one year after and no more than two years after his start date. Mr. Rosera's Executive Severance Agreement with Sears Holdings described under "Compensation Discussion and Analysis—Other Compensation Benefits—Severance Benefits" and "Potential Payments Upon Termination of Employment" will be assigned to, and assumed by, Lands' End effective as of the spin-off.

Offer Letter with Ms. Donnan Martin

Ms. Donnan Martin entered into an offer letter dated September 19, 2013 that provides for her employment with Lands' End. Ms. Donnan Martin's offer letter provided for an annual base salary of \$600,000. She received a one-time sign-on bonus of \$175,000, subject to reimbursement in the amount of 100% of the benefit in the event of termination within 24 months of her start date. She is eligible for an annual target award of 65% of her base salary under the SHC AIP, which will be prorated from her start date of November 4, 2013 through February 1, 2014. Ms. Donnan Martin's offer letter also provides for the payment of (i) a special incentive award for 2014 payable on or about April 15, 2015 equal to \$195,000 (gross) less the actual incentive earned and payable under the 2014 SHC AIP and subject to reimbursement in the amount of 100% of the benefit in the event of termination within 24 months of her start date and (ii) a special cash retention bonus award of \$150,000 (gross) that vests in three equal installments on the first, second and third anniversaries of her start date, in each case provided that she is actively employed with us on the applicable payment date. Ms. Donnan Martin's offer letter provides for her participation in the Sears Holdings Long-Term Incentive Programs, starting with the 2013 LTIP, prorated from her start date of November 4, 2013 through January 30, 2016. Under the offer letter, we provide Ms. Donnan Martin with a mutually agreeable corporate apartment in Madison, Wisconsin and travel

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expenses, such housing and travel expenses not to exceed \$50,000 per calendar year (and prorated for any partial year of employment). Ms. Donnan Martin's Executive Severance Agreement with Sears Holdings described under "Compensation Discussion and Analysis—Other Compensation Benefits—Severance Benefits" and "Potential Payments Upon Termination of Employment" will be assigned to, and assumed by, Lands' End effective as of the spin-off.

Promotion Letter with Mr. Dahlen

Mr. Dahlen entered into a promotion letter dated January 31, 2014 that provides for his employment with Lands' End. Mr. Dahlen's offer letter provides for an annual base salary of \$270,000. He is eligible for an annual target award of 50% of his base salary under the SHC AIP for 2014. Mr. Dahlen's Executive Severance Agreement with Sears Holdings described under "Compensation Discussion and Analysis—Other Compensation Benefits—Severance Benefits" and "Potential Payments Upon Termination of Employment" will be assigned to, and assumed by, Lands' End effective as of the spin-off.

Outstanding Equity Awards at 2013 Fiscal Year End

The following table shows the number of shares of Sears Holdings common stock covered by unvested restricted stock held by the named executive officers on February 1, 2014. None of the named executive officers held options to purchase shares of Sears Holdings common stock on February 1, 2014.

Name	Stock Awards	
	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested(a)
Edgar O. Huber	8,540	\$ 310,600
Michael P. Rosera	2,712	\$ 98,635
Michele Donnan Martin	—	—
Karl A. Dahlen	—	—
Kelly Ritchie	—	—

- (a) The market value of the outstanding restricted stock awards represents the product of the number of shares of restricted stock that have not vested multiplied by \$36.37, the closing price of Sears Holdings Corporation common stock on January 31, 2014, the last trading day of Sears Holdings common stock in fiscal year 2013.

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Option Exercises and Stock Vested

The following table shows the number of shares of Sears Holdings common stock acquired upon vesting of restricted stock awards and the value realized, before payment of any applicable withholding tax. None of our named executive officers owned or exercised any options to purchase shares of Sears Holdings common stock during 2013.

Name	Stock Awards	
	Number of Shares Acquired on Vesting	Value Realized on Vesting ^(a)
Edgar O. Huber	4,270	\$188,905
Michael P. Rosera	0	\$ 0
Michele Donnan Martin	0	\$ 0
Karl Dahlen	0	\$ 0
Kelly Ritchie	0	\$ 0

(a) For Mr. Huber, the amount represents 4,270 shares that vested on September 1, 2013 (including 1,499 shares withheld by Sears Holdings to satisfy tax obligations associated with the vesting of these shares) multiplied by \$44.24, the closing price of Sears Holdings common stock on September 1, 2013.

Potential Payments Upon Termination of Employment

As described under “—Compensation Discussion and Analysis—Other Compensation Elements—Severance Benefits” above, Sears Holdings entered into severance agreements with the named executive officers. The amounts shown in the table for involuntary termination by Lands’ End without “cause” or termination by the executive officer for “good reason” are based on the following agreement provisions.

- Good Reason:
 - A termination by the executive officer is for good reason if it results from (1) a reduction of more than 10% in the sum of the executive officer’s annual salary and target bonus from those in effect as of the date of the severance agreement; (2) an executive officer’s mandatory relocation to an office more than 50 miles from the primary location at which the executive officer is required to perform his or her duties; or (3) any action or inaction that constitutes a material breach under the severance agreement, including the failure of a successor company to assume or fulfill the obligations under the severance agreement.
- Cause—A termination by an executive officer is without cause if the executive officer is involuntarily terminated because of job elimination (other than poor performance) or without “cause.”
- “Cause” generally is defined as (1) a material breach by the executive officer, other than due to incapacity due to a disability, of the executive officer’s duties and responsibilities which breach is demonstrably willful and deliberate on the executive officer’s part, is committed in bad faith or without reasonable belief that such breach is in the best interests of Sears Holdings and such breach is not remedied by the executive officer in a reasonable period of time after receipt of written notice from Sears Holdings specifying such breach; (2) the commission by the executive officer of a felony (in certain cases defined as a felony involving moral turpitude); or (3) dishonesty or willful misconduct in connection with the executive officer’s employment.

Severance Benefits upon involuntary termination by Lands’ End without “cause” or termination by the executive officer for “good reason”

- For Mr. Huber, base salary at the rate in effect immediately prior to the date of termination, payable in the form of salary continuation for 24 months, subject to reduction by the amount of fees, salary or wages that he earns from a subsequent employer during the salary continuation period.

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- For Mr. Rosera, base salary at the rate in effect immediately prior to the date of termination, payable in the form of salary continuation for 12 months.
- For Ms. Donnan Martin, highest base salary rate she earned as an employee of any Sears Holdings affiliate, payable in the form of salary continuation for 12 months, subject to reduction by the amount of fees, salary or wages that she earns from a subsequent employer during the salary continuation period.
- For Mr. Dahlen, base salary at the rate in effect immediately prior to the date of termination, payable in the form of salary continuation for 6 months, subject to reduction by the amount of fees, salary or wages that he earns from a subsequent employer during the salary continuation period.
- For Ms. Ritchie, base salary at the rate in effect immediately prior to the date of termination, payable in the form of salary continuation for 12 months, subject to reduction by the amount of fees, salary or wages that she earns from a subsequent employer during the salary continuation period.
- For all named executive officers, continuation of active medical and dental coverage the named executive officer was eligible to participate in prior to the end of employment during the salary continuation period.

Other Terms of Severance Agreements

An eligible named executive officer will not be entitled to a severance payment under the severance agreements in the event of termination for “cause” or voluntary termination.

Under the severance agreements, the named executive officers agree to non-disclosure of confidential information, non-solicitation and non-compete (where permissible under applicable state law) covenants, as well as a release of liability for certain claims against Sears Holdings.

The severance agreements do not provide for payments to the participating named executive officers upon termination of employment due to death, disability or retirement. Assuming that a termination was effective as of February 1, 2014, the participating named executive officers would have been eligible to receive payments under Sears Holdings’ annual and long-term incentive programs upon death, disability or retirement, as provided below.

The severance agreements for the named executive officers will be assigned to, and assumed by, Lands’ End effective as of the spin-off.

Payments Pursuant to Incentive Compensation Programs

As described under “—Compensation, Discussion and Analysis” above, Sears Holdings provides annual and long-term incentive awards to our named executive officers. Payments under these programs for termination of employment are limited as described below.

- Annual Incentive Plan. If a named executive officer voluntarily terminates employment (for any reason other than disability) or is involuntarily terminated for any reason (other than death), he or she will forfeit his/her 2013 SHC AIP award, except as prohibited by law. If the employment of a named executive officer is terminated because of death or disability, the named executive officer will be entitled to a pro-rated payment through the termination date if the financial criteria under the 2013 AIP are satisfied. The named executive officer would not be entitled to a distribution under the 2013 SHC AIP in the event of death or disability because the financial goals were not achieved.
- 2011 Long-Term Incentive Program, 2012 Long-Term Incentive Program, 2013 Long-Term Incentive Program and 2013 Cash LTI. If any named executive officer voluntarily terminates employment (for any reason other than disability) or is involuntary terminated for any reason (other than death), he or

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she will forfeit his/her 2011 LTIP, 2012 LTIP, 2013 LTIP and 2013 Cash LTI award, as applicable, except as prohibited by law. If any named executive's employment is terminated because of death or disability, he/she will be entitled, if applicable, to a pro-rated payment through the termination date under the 2013 Cash LTI, and to a pro-rated payment through the termination date if the financial goals under the 2011 LTIP, 2012 LTIP or 2013 LTIP, as of the termination dates, equal or exceed the applicable targets. As of January 31, 2014, the financial goals under the 2011 LTIP, 2012 LTIP and 2013 LTIP were not equal to or in excess of the applicable targets; therefore, the eligible named executive officers would not be entitled to any payments under these plans in the event of death or disability.

Time-Based Equity Compensation

Any unvested restricted stock held by our named executive officers on February 1, 2014 will be forfeited upon termination of employment with Sears Holdings.

Summary Table of Potential Payments Upon Termination of Employment

The table below summarizes the potential payouts to our named executive officers upon a termination from Sears Holdings, assuming such termination occurred on January 31, 2014, the last business day of Sears Holdings' 2013 fiscal year:

	Salary Continuation (a)	Continuation of Medical/Welfare Benefits (b)	Target Bonus Payment (c)	LTIP Payment (d)	Accelerated Vesting of Restricted Stock (e)	Total
Edgar O. Huber						
Termination for Good Reason	\$ 1,600,000	\$ 14,496	\$ 0	\$ 0	\$ 0	\$1,614,496
Termination without Cause	\$ 1,600,000	\$ 14,496	\$ 0	\$ 0	\$ 0	\$1,614,496
Termination with Cause	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Voluntary Termination	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Termination due to Disability	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Termination due to Retirement	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Termination due to Death	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

	Salary Continuation (a)	Continuation of Medical/Welfare Benefits (b)	Target Bonus Payment (c)	LTIP Payment (d)	Accelerated Vesting of Restricted Stock (e)	Total
Michael P. Rosera						
Termination for Good Reason	\$ 520,000	\$ 13,849	\$ 0	\$ 0	\$ 0	\$ 533,849
Termination without Cause	\$ 520,000	\$ 13,849	\$ 0	\$ 0	\$ 0	\$ 533,849
Termination with Cause	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Voluntary Termination	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Termination due to Disability	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Termination due to Retirement	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Termination due to Death	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

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	Salary Continuation (a)	Continuation of Medical/Welfare Benefits (b)	Target Bonus Payment (c)	LTIP Payment (d)	Accelerated Vesting of Restricted Stock (e)	Total
Michele Donnan-Martin						
Termination for Good Reason	\$ 600,000	\$ 15,030	\$ 0	\$ 0	\$ 0	\$615,030
Termination without Cause	\$ 600,000	\$ 15,030	\$ 0	\$ 0	\$ 0	\$615,030
Termination with Cause	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Voluntary Termination	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Termination due to Disability	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Termination due to Retirement	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Termination due to Death	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

	Salary Continuation (a)	Continuation of Medical/Welfare Benefits (b)	Target Bonus Payment (c)	LTIP Payment (d)	Accelerated Vesting of Restricted Stock (e)	Total
Karl Dahlen						
Termination for Good Reason	\$ 135,000	\$ 7,515	\$ 0	\$ 0	\$ 0	\$142,515
Termination without Cause	\$ 135,000	\$ 7,515	\$ 0	\$ 0	\$ 0	\$142,515
Termination with Cause	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Voluntary Termination	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Termination due to Disability	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Termination due to Retirement	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Termination due to Death	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

	Salary Continuation (a)	Continuation of Medical/Welfare Benefits (b)	Target Bonus Payment (c)	LTIP Payment (d)	Accelerated Vesting of Restricted Stock (e)	Total
Kelly Ritchie						
Termination for Good Reason	\$ 358,750	\$ 15,030	\$ 0	\$ 0	\$ 0	\$373,780
Termination without Cause	\$ 358,750	\$ 15,030	\$ 0	\$ 0	\$ 0	\$373,780
Termination with Cause	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Voluntary Termination	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Termination due to Disability	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Termination due to Retirement	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Termination due to Death	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(b) This amount includes the continuation of the health and welfare benefits in which each named executive officer is currently enrolled, under the condition that the officer continues to participate in these plans for one year.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Our Relationship with Sears Holdings Following the Spin-Off

Following the spin-off, Lands' End and Sears Holdings will operate separately, each as an independent public company. Prior to the spin-off, we intend to enter into certain agreements with Sears Holdings or its subsidiaries that will effect the spin-off, provide a framework for our relationship with Sears Holdings after the spin-off and provide for the allocation between us and Sears Holdings of Sears Holdings' assets, employees, liabilities and obligations (including its investments, property and tax-related assets and liabilities) attributable to periods prior to, at and after the spin-off. The following is a summary of the terms of the material agreements that we intend to enter into with Sears Holdings or its subsidiaries prior to the spin-off. When used in this section, "distribution date" refers to the date on which Sears Holdings distributes our common stock to the holders of Sears Holdings common stock.

The agreements described below that are material are filed as exhibits to the registration statement of which this information statement forms a part, and the summaries of each of these agreements set forth the terms of the agreements that we believe are material. These summaries are qualified in their entirety by reference to the full text of the applicable agreements, which are incorporated by reference into this information statement. The agreements described below that will be in effect following the spin-off have not yet been executed; changes to these agreements, some of which may be material, may be made prior to our entry into such agreements prior to or concurrent with the spin-off. Prior to the effectiveness of the registration statement of which this information statement forms a part, we will disclose any material changes to these agreements via an amendment to the registration statement.

The Separation and Distribution Agreement

In connection with the spin-off, we intend to enter into a separation and distribution agreement with Sears Holdings which will set forth, among other things, our agreements with Sears Holdings regarding the principal transactions necessary to separate Lands' End from Sears Holdings. It will also set forth other agreements that govern certain aspects of our relationship with Sears Holdings after the spin-off.

The separation and distribution agreement will, among other things, set forth the distribution mechanics and the conditions thereto, identify the assets to be transferred, the liabilities to be assumed and the contracts to be assigned to each of Lands' End and Sears Holdings in connection with the spin-off, provide for when and how these transfers, assumptions and assignments will occur, address the treatment of outstanding accounts between Lands' End and Sears Holdings, contain releases and provide a dispute resolution mechanism for disputes that may arise in the future under the separation and distribution agreement or other agreements entered into between Sears Holdings or its subsidiaries and Lands' End in connection with the distribution. Generally, assets and liabilities attributable to the Lands' End business will be retained by or assigned to Lands' End and assets and liabilities not attributable to the Lands' End's business will be retained by or assigned to Sears Holdings or one of its subsidiaries. Each party will indemnify the other for all liabilities (including third-party claims) actually incurred or suffered by the other relating to their respective assumed liabilities (and related guarantees, indemnification or contribution obligations), breaches of the separation and distribution agreement and certain ancillary agreements and untrue statements or omissions of material facts relating to its respective disclosures relating to the spin-off. Lands' End will also indemnify Sears Holdings for liabilities relating to any Lands' End-branded gift card.

Except as expressly set forth in the separation and distribution agreement or any ancillary agreement, neither Lands' End nor Sears Holdings will make any representation or warranty as to the assets or liabilities transferred or assumed in connection with the spin-off, as to any approvals or notifications required in connection with the transfers or assumptions, as to the value of or the freedom from any security interests of any of the assets transferred, as to the absence or presence of any defenses or right of setoff or freedom from counterclaim with

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respect to any claim or other asset of either Lands' End or Sears Holdings, or as to the legal sufficiency of any assignment, document or instrument delivered to convey title to any asset to be transferred in connection with the spin-off. All assets will be transferred on an "as is," "where is" basis and the respective transferees will bear the economic and legal risks that any conveyance will prove to be insufficient to vest in the transferee good and marketable title, free and clear of all security interests, and that any necessary consents or governmental approvals are not obtained or that any requirements of laws, agreements, security interests, or judgments are not complied with.

The separation and distribution agreement will provide that it may be terminated and the spin-off may be modified or abandoned at any time prior to the distribution date in the sole discretion of Sears Holdings without the approval of any person, including Lands' End's or Sears Holdings' stockholders. Any such termination would not give rise to any additional liability on either party. Information in this information statement with respect to the assets and liabilities of Lands' End and Sears Holdings following the spin-off is presented based on the allocation of such assets and liabilities pursuant to the separation and distribution agreement and the related ancillary agreements, unless the context otherwise requires.

Transition Services Agreement

Lands' End and Sears Holdings Management Corporation ("SHMC"), a wholly owned subsidiary of Sears Holdings, will enter into a transition services agreement in connection with the spin-off pursuant to which Lands' End and SHMC and their respective affiliates will provide to each other, on an interim, transitional basis, various services, which may include, but are not limited to, tax services, logistics services, auditing and compliance services, inventory management services, information technology services and continued participation in certain contracts shared with SHMC or other subsidiaries of Sears Holdings.

Lands' End will pay to SHMC certain fixed fees (approximately \$2.7 million per year for fixed fees, plus certain additional fees for services as requested and as used) and expenses for the services as described more fully in the transition services agreement. The services generally will commence on the distribution date and will terminate up to 12 months following the distribution date. Lands' End may, subject to certain conditions, reduce or terminate an individual service upon 60 days' prior written notice to SHMC, subject to reimbursing SHMC for any vendor charges or rate increases resulting from such termination. SHMC may, if unable to replace a vendor that is unwilling or unable to continue providing a service to Lands' End on SHMC's behalf, terminate an individual service upon 90 days' prior written notice to Lands' End. The parties may also terminate the transition services agreement for a material breach that is not cured by the other party within 30 days after receipt of written notice of the breach, or in the case of SHMC, if Lands' End breaches the other ancillary agreements other than the co-location and services agreement. Upon termination of the agreement, Lands' End will return to SHMC all of SHMC's equipment or property and pay all outstanding fees and expenses incurred.

Lands' End will indemnify SHMC from liabilities for third party claims arising from the transition services agreement, including Lands' End's use of the shared contracts, except to the extent that the claims are found to have resulted from SHMC's negligence or breach of the agreement. SHMC will indemnify Lands' End from liabilities for third party claims that result from SHMC's negligence or from infringement of an SHMC copyright or trade secret, except to the extent that the claims are found to have resulted from Lands' End's negligence, breach of the agreement, or, with respect to infringement claims, from Lands' End's unauthorized use or distribution of the property.

Subject to certain exceptions, SHMC's total liability under the transition services agreement will generally be limited to the fees received by SHMC under the agreement during the six months prior to the date the claim arose. The transition services agreement also provides that neither SHMC nor Lands' End will be liable to the other of the service for any special, indirect, incidental or consequential damages.

Tax Sharing Agreement

Lands' End and Sears Holdings will enter into a tax sharing agreement prior to the spin-off which will generally govern Sears Holdings' and Lands' End's respective rights, responsibilities and obligations after the spin-off with respect to liabilities for U.S. federal, state, local and foreign taxes attributable to the Lands' End business. In addition to the allocation of tax liabilities, the tax sharing agreement will address the preparation and filing of tax returns for such taxes and disputes with taxing authorities regarding such taxes. Generally, Sears Holdings will be liable for all pre-spin-off U.S. federal, state and local taxes, other than non-income taxes that are accrued and unpaid as of the distribution date. Lands' End generally will be liable for all other taxes attributable to its business, including all foreign taxes. Under the tax sharing agreement, there will be restrictions on the ability of the parties to take actions that could cause the spin-off to fail to qualify for tax-free treatment under the Code. These restrictions may prevent each party from entering into transactions which might be advantageous to the parties or their stockholders.

Other Agreements

Lands' End and Sears Holdings will enter into other agreements addressing certain aspects of the spin-off, including:

Master Lease Agreement and Master Sublease Agreement

In connection with the spin-off, Lands' End and Sears Roebuck expect to enter into a master lease agreement and a master sublease agreement pursuant to which Sears Roebuck or one of its affiliates will lease or sublease to us the premises for the Lands' End Shops at Sears. The master lease agreement and master sublease agreement, as applicable, will set forth the terms and conditions on which we will be permitted to occupy certain space within the Sears stores in order to operate our Lands' End Shops at Sears. The agreements will provide us rights to use the space in which our store will operate and we will pay rent directly to Sears Roebuck or one of its affiliates on the terms negotiated in connection with the spin-off. The length of the term of each lease will be determined separately for each Lands' End Shop at Sears we expect to operate. Most of the leases will have a term of four to six years from the date of the spinoff, expiring January 31, 2019, although a portion of the leases will have shorter terms. The total annual rent (assuming no renewals) for the Lands' End Shops at Sears locations shall be approximately \$[X] million in 2014 for [X] locations, approximately \$[X] million in 2015 for [X] locations, approximately \$[X] million in 2016 for [X] locations, approximately \$[X] million in 2017 for [X] locations, approximately \$[X] million in 2018 for [X] locations and approximately \$[X] million in 2019 for [X] locations. Sears Roebuck or one of its affiliates will have certain rights to relocate our leased premises within the building in which such premises are located, subject to certain limitations, including our right to terminate the applicable lease by written notice within 30 days of receiving notice of relocation if we are not satisfied with the new premises. In the event of such relocation, Sears Roebuck or one of its affiliates will pay our reasonable moving expenses. Sears Roebuck may terminate without liability the lease with respect to a particular Lands' End Shop if the overall Sears store in which such Lands' End Shop is located is closed or sold, subject to Sears Roebuck providing at least 90 days prior written notice. We will not be permitted to assign or sublease the leased premises.

Lands' End Shops at Sears Retail Operations Agreement

Lands' End and Sears Roebuck expect to enter into a Lands' End Shops at Sears retail operations agreement prior to the spin-off to support our Lands' End Shops at Sears. Pursuant to the retail operations agreement, a subsidiary of Sears Holdings will provide us with certain retail operation support services, including providing sales and floor support personnel, access to point-of-sale and other information technology systems, logistics and warehousing support and other support services, for which Lands' End will pay to Sears Roebuck the fees specified in the agreement. Lands' End will continue to rely on our existing field management to oversee Lands' End Shops at Sears and Lands' End Inlet store operations. The Lands' End field management team consists of managers responsible for various aspects of our retail operations who are supported by a centralized store operations team. Each party will indemnify the other against third-party claims relating to certain infringement or

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misconduct, and in the case of Lands' End, in certain respects relating to the Lands' End Shops at Sears, Lands' End merchandise and intellectual property rights. The retail operations agreement will terminate with respect to individual Lands' End Shops at Sears upon expiration or termination of their respective leases or closure of the associated Sears Holdings store location. Sears Roebuck may also terminate the retail operations agreement for certain defaults by Lands' End that are not cured within 10 days' written notice or if Lands' End breaches the other ancillary agreements other than the co-location and services agreement (or if any such ancillary agreement is wrongfully terminated by Lands' End or terminated by the Sears Holdings counterparty for breach) or if Lands' End assigns the agreement in violation of its terms.

Shop Your Way Retail Establishment Agreement

Lands' End and SHMC expect to enter into a Shop Your Way retail establishment agreement in connection with the spin-off that will govern our participation in the Shop Your Way program. Under this agreement, SHMC will issue rewards points to Shop Your Way members when they purchase program-eligible merchandise and services from us and we will accept rewards points redemptions from members as full or partial payment for eligible merchandise and services purchased from us. We will pay SHMC an agreed-upon fee for points issued in connection with the purchase of program-eligible merchandise and service from us and, depending on the applicable burn rate for the quarter (i.e., ratio of points redeemed in Lands' End formats to points issued in Lands' End formats in the previous 12 months), we will pay additional fees to SHMC or SHMC will reimburse fees to us for points redeemed in Lands' End formats, as set forth in the agreement. At our election, SHMC will provide us program related marketing and analytic services. Lands' End and SHMC will jointly own transaction information related to purchases made by Shop Your Way members in Lands' End formats, while all information relating to members of the program and the program itself will be owned by SHMC. We will be permitted to engage in promotional, marketing, loyalty or other similar activities outside the Shop Your Way program so long as such activities do not conflict with, and are not promoted in the aggregate more prominently or comprehensively than, the Shop Your Way program. Each party will indemnify the other against third-party claims, including relating to negligence, recklessness or willful misconduct, breach of agreement, fraud, acts or omissions requested by the other party, or intellectual property violating or infringing the rights of a third party.

The agreement shall expire on the third anniversary of the distribution date and either party may terminate the agreement for a material breach that is not cured within 30 days of receipt of notice by the breaching party, and SHMC may terminate the agreement for cause if Lands' End fails to accept certain complying changes to the program or if a prohibited stockholding change of Lands' End occurs.

Co-Location and Services Agreement

Lands' End contracts with SHMC to have SHMC host and support certain redundant information technology hardware at the Sears Data Center in Troy, Michigan, for disaster mitigation and recovery efforts. Under the co-location and services agreement, which will terminate on January 31, 2015 unless extended by mutual written agreement of the parties, Lands' End will pay a monthly fee of \$2,117. Either party may terminate the agreement for convenience upon 60 days' notice and SHMC may suspend services or terminate the agreement upon 30 days' notice in the event of uncured breaches or defaults by Lands' End.

Financial Services Agreement

Lands' End and SHMC expect to enter into a financial services agreement pursuant to which Sears Holdings will provide us with certain payment processing support services following the spin-off, including store credit services for our Lands' End at Sears locations, at the fees for which Sears Holdings receives such services from certain third party providers. The financial services agreement may be terminated by either party for convenience upon 45 days' written notice or for a material breach that is not cured within 30 days of receipt of notice by the breaching party; provided that if SHMC terminates solely for convenience, then Lands' End will have up to a year to transition to a new processor. SHMC may also, in its sole discretion, terminate or modify on (if

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reasonably practicable) 30 days' prior written notice any service related to credit card or debit card processing if the applicable card issuer or processor determines that Lands' End is not entitled to process credit or debit payments or has breached the applicable processing agreement.

Buying Agency Agreement

Lands' End and Sears Holdings Global Sourcing, Ltd. ("SHGS") expect to enter into a buying agency agreement pursuant to which SHGS will provide us with certain foreign buying office support services, on a non-exclusive basis, including vendor selection and screening, contract negotiation support and quality control services. SHGS will receive a fee equal to a certain percentage of the price of goods sourced through SHGS. There are annual minimum commissions payable to SHGS during the first two years. Minimum commissions for any renewal periods would be subject to negotiation at the time of renewal. The initial term of the buying agency agreement will expire on January 31, 2016. If we have earned and paid certain minimum commissions to SHGS during the term and are not in breach of the agreement, we will have the option to extend the agreement for a period of one year, subject to a maximum of three such renewal periods.

Lands' End will indemnify SHGS from liabilities for third party claims arising from the buying agency agreement, except to the extent that the claims are found to have resulted from SHMC's negligence or breach of the agreement. SHMC will indemnify Lands' End from liabilities for third party claims that result from SHGS's negligence or from infringement of an SHGS copyright or trade secret, except to the extent that the claims are found to have resulted from Lands' End's negligence, breach of the agreement, or, with respect to infringement claims, from Lands' End's unauthorized use or distribution of the property.

Subject to certain exceptions, the buying agency agreement provides that neither party will be liable to the other for any special, indirect, incidental or consequential damages. SHGS's sole liability for any errors and omissions in the services under the buying agency agreement is limited to the aggregate commissions it received under the agreement during the six months prior to the date the claim arose.

Call Center Services

SHMC contracts with Lands' End to have Lands' End provide certain call center services in support of the Shop Your Way program in exchange for certain fees based on the types of services provided. These fees include charges for handling inbound and outbound phone calls (\$0.39 or \$0.55 per minute, respectively), certain email and regular mail contacts (\$2.58 each), personnel training fees (\$20.50 or \$25.75 per hour, depending on the participant), online chat engagement (\$0.55 per minute) and setup and execution of certain outbound call programs (\$50 per hour).

Each party will indemnify the other against third-party claims arising out of a party's negligence or willful misconduct, breach of the agreement, infringement of intellectual property or breach of law and related claims and legal proceedings. The agreement expires on April 30, 2014, provided that Lands' End will provide transition services for up to 180 days if the parties do not enter into a new agreement for services.

Sears Marketplace—Local Marketplace—MyGofer Fulfilled By Merchant (FBM) Seller Agreement

SHMC and Lands' End are parties to a marketplace agreement which governs the terms and conditions under which Lands' End may sell products through certain Sears Holdings websites in exchange for a commission payable to SHMC in the amount of 15% of the sales price of goods sold.

Each party will indemnify the other against third-party claims including those arising out of injury to person or property, hiring and employment disputes, breach of the agreement or of law and related claims and legal proceedings. This agreement continues until terminated by either party with 30 days' prior written notice to the other party. Upon termination, SHMC will refund to Lands' End any pro-rated monthly fees collected.

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Gift Card Services Agreement

Lands' End and SHC Promotions LLC ("SHCP") are parties to a gift card services agreement pursuant to which SHCP provides certain services relating to the issuance, use and settlement of gift cards and gift certificates to Lands' End. The gift card services agreement will be amended in connection with the spin-off, and following such amendment, will provide for, among other things, arm's-length pricing based on a mutually beneficial arrangement for both parties, with selling fees of 1% and redemption fees of 3% for SHCP gift cards issued prior to the spin-off; cross selling of Lands' End and Sears Promotions logo cards (with cash and related liabilities transferred to the ultimate obligor); and cross redemption of Lands' End and SHCP logo cards (with cash and related liabilities transferred to the redeeming party's books). Under the separation and distribution agreement, Lands' End will also indemnify Sears Holdings for all liabilities relating to any Lands' End-branded gift card. The issuance services may be terminated by either party for convenience with 30 days' prior written notice, upon which the other services (excluding certain obligations relating to Lands' End offering gift cards and gift certificates for sale and redemption) provided for under the gift card services agreement would continue until the earlier of 12 months from termination or the date upon which all activated LE-branded gift cards have been redeemed. The parties may agree to discontinue redeeming each other's gift cards, provided that consumer notices will be posted for a period of time prior to discontinuance.

Letters of Credit

The terms for the letters of credit issued under the letter of credit facility (the "LC Facility") between Lands' End and Bank of America ("BofA") are secured by a standby letter of credit, with an expiration date of less than one year, issued by Sears Roebuck Acceptance Corp. ("SRAC") on Lands' End's behalf for the benefit of BofA. BofA or Lands' End may terminate the LC Facility at any time. From time to time, at our request, Sears Holdings causes standby letters of credit to be issued for our benefit under Sears Holdings' revolving credit facility. Upon completion of the spin-off, we anticipate that Sears Holdings will terminate its support of the LC Facility and that SRAC will no longer issue letters of credit to secure the LC Facility. Lands' End is in the process of pursuing the ABL facility, which would provide for the issuance of letters of credit and otherwise serve as a source of liquidity following the spin-off. Any such facility would be described in an amendment to this information statement.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Prior to the spin-off, 100% of our common stock was owned by Sears Holdings.

The following table sets forth the expected beneficial ownership of our common stock as it would be after the completion of the spin-off, calculated as of February 21, 2014, by:

- each person who we know beneficially owns more than 5% of Sears Holdings common stock;
- each of our directors;
- each of our named executive officers; and
- all directors and executive officers as a group.

Unless otherwise indicated, the address for each beneficial owner who is also a director or executive officer is c/o Lands' End Inc., 1 Lands' End Lane, Dodgeville, Wisconsin 53595. See "Management" for a discussion regarding our directors and executive officers.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. As indicated below, in computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person that are currently exercisable within 60 days of the determination date are deemed outstanding. These shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Except as indicated, and subject to the applicable community property laws, the stockholders named in the table have sole voting and investment power with respect to the shares shown as beneficially owned by them.

Name of Beneficial Owner	Shares of Our Common Stock Beneficially Owned After the Distribution	
	Number of Shares	Percentage of Class(1)
5% Stockholders:		
ESL Investments, Inc. and related entities ⁽²⁾	[X] ⁽³⁾	48.4%
Fairholme Capital Management, L.L.C. ⁽⁴⁾	[X] ⁽⁵⁾	22.8%
Baker Street Capital Management, LLC ⁽⁶⁾	[X] ⁽⁷⁾	8.5%
Force Capital Management, LLC ⁽⁸⁾	[X] ⁽⁹⁾	5.6%
Directors and Executive Officers:		
Edgar O. Huber	—	—
Michael P. Rosera	—	—
Michele Donnan Martin	—	—
Karl A. Dahlen	—	—
Kelly Ritchie	—	—
Directors and Executive Officers as a group (5 persons)	—	—

(1) Based on 106,451,439 shares of Sears Holdings common stock outstanding as of February 21, 2014.

(2) Beneficial ownership is based on the Schedule 13D/A filed by the following persons reporting their ownership as of December 3, 2013. The persons ("ESL Entities") consist of ESL Investments, Inc., a Delaware corporation ("Investments"); Edward S. Lampert; ESL Institutional Partners, L.P., a Delaware limited partnership ("Institutional"); CRK Partners, L.L.C., a Delaware limited liability company ("CRK LLC"); ESL Partners, L.P., a Delaware limited partnership ("Partners"); SPE I Partners, LP, a Delaware limited partnership ("SPE Partners"); SPE Master I, LP, a Delaware limited partnership ("SPE Master"); RBS Partners, L.P., a Delaware limited partnership ("RBS"); and RBS Investment Management, L.L.C., a Delaware limited liability company ("RBSIM"). Mr. Lampert is the sole stockholder, chief executive officer and director of Investments. Investments is the general partner of RBS, the sole member of CRK LLC and the manager of RBSIM. RBS is the general partner of Partners, SPE Partners and SPE Master. RBSIM is the general partner of Institutional. The address for the ESL Entities is 1170 Kane Concourse, Bay Harbor, Florida 33154.

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- (3) Investments has sole voting power and sole dispositive power as to 26,438,272 shares and shared dispositive power as to 25,113,022 shares of Sears Holdings; Edward S. Lampert has sole voting power as to 51,551,294 shares and sole dispositive power as to 26,438,272 shares and shared dispositive power as to 25,113,022 shares of Sears Holdings; CRK LLC has sole voting power and sole dispositive power as to 747 shares of Sears Holdings; RBS has sole voting power and sole dispositive power as to 26,427,295 shares and shared dispositive power as to 25,113,022 shares; Partners has sole voting power and sole dispositive power as to 21,992,640 shares and shared dispositive power as to 25,113,022 shares of Sears Holdings; RBSIM has sole voting power and sole dispositive power as to 10,230 shares of Sears Holdings; Institutional has sole voting power and sole dispositive power as to 10,230 shares of Sears Holdings; SPE Partners has sole voting power and sole dispositive power as to 1,939,872 shares of Sears Holdings; and SPE Master has sole voting power and sole dispositive power as to 2,494,783 shares of Sears Holdings.
- (4) Beneficial ownership is based on the Schedule 13G filed by Fairholme Capital Management, L.L.C. reporting its ownership in Sears Holdings as of January 31, 2014. The address for Fairholme Capital Management, L.L.C. is 4400 Biscayne Boulevard, 9th Floor, Miami, Florida 33137.
- (5) The shares of common stock are owned, in the aggregate, by Bruce R. Berkowitz and various investment vehicles managed by Fairholme Capital Management, L.L.C. (“FCM”), of which 14,212,673 shares are owned by The Fairholme Fund and 880,900 shares are owned by The Fairholme Allocation Fund, each a series of Fairholme Funds, Inc. Bruce R. Berkowitz disclosed sole voting power and sole dispositive power as to 783,000 shares. FCM disclosed shared voting power as to 18,972,373 shares and shared dispositive power as to 23,443,073 shares. Fairholme Funds, Inc. disclosed shared voting power and shared dispositive power as to 15,093,573 shares. Because Mr. Bruce R. Berkowitz, in his capacity as the Managing Member of FCM or as President of Fairholme Funds, Inc., has voting or dispositive power over all shares beneficially owned by FCM, he is deemed to have beneficial ownership of all of the shares.
- (6) Beneficial ownership is based on the Schedule 13G/A filed by Baker Street Capital Management, LLC reporting its ownership as of December 31, 2013. The address for Baker Street Capital Management, LLC is 12400 Wilshire Boulevard, Suite 940, Los Angeles, California 90025.
- (7) The shares (which include 9,000,000 shares subject to certain options exercisable within 60 days) are owned directly by Baker Street Capital L.P. (“BSC”). Baker Street Capital Management, LLC (“BSCM”) is the general partner of BSC. Vadim Perelman is the managing member of BSCM. By virtue of these relationships, each of BSCM and Mr. Perelman may be deemed to beneficially own the shares owned directly by BSC. Mr. Perelman has disclosed sole voting power and sole dispositive power as to 9,000,000 shares. BSCM has disclosed sole voting power and sole dispositive power to 9,000,000 shares. BSC has disclosed sole voting power and sole dispositive power as to 9,000,000 shares.
- (8) Beneficial ownership is based on the Schedule 13G filed by Force Capital Management, LLC reporting its ownership as of December 31, 2013. The address for Force Capital Management, LLC is 767 Fifth Avenue, 12th Floor, New York, NY 10153.
- (9) The shares of common stock (which includes 5,762,400 shares subject to certain options) are owned directly by Force Capital Management, LLC. Force Capital Management, LLC has disclosed sole voting power and sole dispositive power to 6,298,309 shares.

THE SPIN-OFF

Background

On [X], the Sears Holdings board of directors approved the distribution of the issued and outstanding shares of Lands' End common stock on the basis of [X] shares of Lands' End common stock for each share of Sears Holdings common stock held on [X], the record date.

Each share of Sears Holdings common stock outstanding as of 5:30 p.m. Eastern time on [X], the record date for the distribution, will entitle the holder thereof to receive [X] shares of Lands' End common stock, except that holders of Sears Holdings' restricted stock that is unvested as of the record date will receive cash awards in lieu of shares, as described below. Sears Holdings stockholders will receive cash in lieu of any fractional shares of Lands' End common stock which they would have received after application of this distribution ratio. You will not be required to make any payment, surrender or exchange your shares of Sears Holdings common stock or take any other action to receive your shares of Lands' End common stock in the distribution. The distribution of Lands' End common stock as described in this information statement is subject to the satisfaction or waiver of certain conditions. For a more detailed description of these conditions, see "—Conditions to the Spin-Off."

Reasons for the Spin-Off

The Sears Holdings board of directors determined that the spin-off of the Lands' End business from the rest of the Sears Holdings businesses would be in the best interests of Sears Holdings and its stockholders and approved the spin-off. A wide variety of factors were considered by the Sears Holdings board of directors in evaluating the spin-off. Among other things, the Sears Holdings board of directors considered the following potential benefits of the spin-off:

- *Simplified focus and operational flexibility.* Following the spin-off, Lands' End and Sears Holdings will each have simplified, more focused businesses and be better able to dedicate resources to pursue unique growth opportunities and execute strategic plans best suited to their respective businesses.
- *Business-appropriate capital structure.* The spin-off will allow each of Sears Holdings and Lands' End to implement a capital structure that is tailored to its business needs and is expected to result in a more efficient allocation of capital for both Sears Holdings and Lands' End and mitigate the competition for capital that currently exists between Lands' End and other Sears Holdings business units. In addition, the spin-off should increase the overall borrowing capacity of Lands' End, which would allow Lands' End greater flexibility to issue new debt financing to fund organic growth through capital expenditures or to pursue acquisition-based growth.
- *Focused management.* The spin-off will allow management of each company to devote time and attention to the development and implementation of corporate strategies and policies that are based on the specific business characteristics of the respective companies, and to design more tailored compensation structures that better reflect these strategies, policies and business characteristics. Separate equity-based compensation arrangements for Lands' End should more closely align the interests of Lands' End management with the interests of stockholders and more directly incentivize the employees of Lands' End and attract new talent.
- *Investor choice.* The spin-off will allow investors to increase their understanding of Lands' End and its market position within its industry, while also allowing for a more natural and interested investor base. The spin-off may also potentially enhance Lands' End's financial flexibility, such as allowing direct access by Lands' End to the capital markets. In contrast to a sale of the entire business, the spin-off will enable current Sears Holdings stockholders to directly participate in any future value creation by Lands' End, while also allowing investors the flexibility to consider Sears Holdings and Lands' End as independent investment decisions based on Lands' End's and Sears Holdings' different business models and strategies.

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Neither Lands' End nor Sears Holdings can assure you that, following the spin-off, any of the benefits described above or otherwise will be realized to the extent anticipated or at all.

The Sears Holdings board of directors also considered a number of potentially negative factors in evaluating the spin-off, including the following:

- *Removal of the Lands' End business from Sears Holdings and impact on standalone entities' financial condition.* The spin-off will remove the Lands' End business from Sears Holdings via a transaction that may not realize anticipated benefits to Sears Holdings and may negatively impact the financial condition of the post-spin standalone entities. The benefits afforded to Sears Holdings by the transaction may not be sufficient to offset potential costs or other negative factors, such as a reduction in profit and earnings, arising from the spin-off and the loss of the Lands' End business.
- *Loss of synergies and joint purchasing power and increased costs.* As a current part of Sears Holdings, Lands' End takes advantage of Sears Holdings' size and purchasing power in procuring certain goods and services. After the spin-off, as a separate, independent entity, Lands' End may be unable to obtain these goods, services, and technologies at prices or on terms as favorable as those Sears Holdings obtained prior to the spin-off. Lands' End may also incur costs for certain functions previously performed by Sears Holdings, such as information technology co-location and other general and administrative functions, that are higher than the amounts reflected in our historical financial statements, which could cause Lands' End's profitability to decrease.
- *Disruptions to the business as a result of the spin-off.* The actions required to separate Sears Holdings' and Lands' End's respective businesses could disrupt Lands' End's operations.
- *Ongoing dependence on Sears Holdings.* Following the spin-off, Lands' End will remain dependent on Sears Holdings' decisions, particularly with respect to Sears stores and Lands' End Shops at Sears. These decisions will be made by Sears Holdings independently of Lands' End, without any benefit the standalone companies may otherwise have enjoyed as a consolidated entity.
- *Increased significance of certain costs and liabilities.* Certain costs and liabilities that were otherwise less significant to Sears Holdings as a whole will be more significant for us as a standalone company.
- *One-time costs of the spin-off.* We will incur costs in connection with the transition to being a standalone company that may include accounting, tax, legal and other professional services costs, recruiting and relocation costs associated with hiring key senior management personnel new to us, and costs to separate shared systems.
- *Inability to realize anticipated benefits of the spin-off.* We may not achieve the anticipated benefits of the spin-off for a variety of reasons, including, among others: (1) the spin-off will require significant amounts of management's time and effort, which may divert management's attention from operating and growing our business; (2) following the spin-off, we may be more susceptible to market fluctuations and other adverse events than if it were still a part of Sears Holdings; and (3) following the spin-off, our business will be less diversified than Sears Holdings' business prior to the business.

The Sears Holdings board of directors concluded that the potential benefits of the spin-off outweighed these factors.

When and How You Will Receive the Distribution

Sears Holdings expects to distribute Lands' End common stock on [✕], the distribution date, to all holders of outstanding Sears Holdings common stock as of 5:30 p.m. Eastern time on [✕], the record date. [✕] will serve as the distribution agent in connection with the distribution and the transfer agent and registrar for Lands' End common stock.

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If you own Sears Holdings common stock as of the record date, shares of Lands' End common stock that you are entitled to receive in the spin-off will be issued electronically, as of the distribution date, to you or to your bank or brokerage firm on your behalf in direct registration form. If you are a registered holder, [X] will then mail you a direct registration account statement that reflects your shares of Lands' End common stock. If you hold your shares through a bank or brokerage firm, your bank or brokerage firm will credit your account for the shares. Direct registration form refers to a method of recording share ownership when no physical share certificates are issued to stockholders, as is the case in the distribution. If you sell Sears Holdings common stock in the "regular-way" market after the record date and before the distribution, you will also be selling your right to receive shares of Lands' End common stock in the distribution.

Most Sears Holdings stockholders hold their shares of Sears Holdings common stock through a bank or brokerage firm. In such cases, the bank or brokerage firm would be said to hold the shares in "street name" and ownership would be recorded on the bank or brokerage firm's books. If you hold your shares of Sears Holdings common stock through a bank or brokerage firm, your bank or brokerage firm will credit your account for the Lands' End common stock that you are entitled to receive in the distribution. If you have any questions concerning the mechanics of having shares held in "street name," please contact your bank or brokerage firm.

Transferability of Shares You Receive

Shares of Lands' End common stock distributed to Sears Holdings stockholders in connection with the distribution will be transferable without registration under the Securities Act, except for shares received by persons who may be deemed to be our affiliates. Persons who may be deemed to be our affiliates after the distribution generally include individuals or entities that control, are controlled by or are under common control with Lands' End, which may include certain Lands' End executive officers, directors or principal stockholders. Securities held by our affiliates will be subject to resale restrictions under the Securities Act. Our affiliates will be permitted to sell shares of Lands' End common stock only pursuant to an effective registration statement or an exemption from the registration requirements of the Securities Act, such as the exemption afforded by Rule 144 under the Securities Act.

Number of Shares of Lands' End Common Stock You Will Receive

For each share of Sears Holdings common stock that you own as of 5:30 p.m. Eastern time on the record date, you will be entitled to receive [X] shares of Lands' End common stock on the distribution date. Sears Holdings will not distribute any fractional shares of Lands' End common stock to its stockholders. Instead, if you are a registered holder, [X] will aggregate fractional shares into whole shares, sell the whole shares in the open market at prevailing market prices and distribute the aggregate cash proceeds, net of brokerage commissions and other costs (the "aggregate net cash proceeds"), of the sales *pro rata* (based on the fractional share such holder would otherwise be entitled to receive) to each holder who otherwise would have been entitled to receive a fractional share in the distribution. The distribution agent, in its sole discretion, without any influence by Sears Holdings or Lands' End, will determine when, how, through which broker-dealer and at what price to sell the whole shares. Any broker-dealer used by the distribution agent will not be an affiliate of either Sears Holdings or Lands' End. Neither we nor Sears Holdings will be able to guarantee any minimum sale price in connection with the sale of these shares. Recipients of cash in lieu of fractional shares will not be entitled to any interest on the amounts of payment made in lieu of fractional shares.

The aggregate cash proceeds of these sales, net of brokerage fees and other expenses, will be taxable for U.S. federal income tax purposes. See "Material U.S. Federal Income Tax Consequences" for an explanation of the material U.S. federal income tax consequences of the spin-off. If you hold physical certificates for Sears Holdings shares and are the registered holder, you will receive a check from the distribution agent in an amount equal to your *pro rata* share of the aggregate cash proceeds of the sales net of brokerage fees and other expenses. We estimate that it will take approximately two weeks from the distribution date for the distribution agent to complete the distributions of the aggregate net cash proceeds. If you hold your Sears Holdings common stock

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through a bank or brokerage firm, your bank or brokerage firm will receive, on your behalf, your *pro rata* share of the aggregate net cash proceeds of the sales and will electronically credit your account for your share of such proceeds.

Treatment of Sears Holdings Unvested Restricted Stock

In connection with the distribution, each person who as of the record date holds outstanding unvested restricted stock issued pursuant to the Sears Holdings Corporation 2006 Stock Plan or the Sears Holdings Corporation 2013 Stock Plan will receive a cash amount in lieu of any and all rights such holder may have to any shares of Lands' End common stock distributed in the distribution with respect to such unvested restricted stock. Such cash amount will represent the right to receive on the applicable vesting date a cash payment from Sears Holdings equal to the value of the Lands' End common stock and cash in lieu of fractional shares that would have been distributed in the distribution to such holder had such holder's unvested restricted stock been Sears Holdings common stock, calculated on the basis of the volume-weighted average price per share of Lands' End common stock for the 10 trading-day period immediately following the distribution date.

Results of the Spin-Off

After our spin-off from Sears Holdings, we will be an independent, publicly traded company. The actual number of shares to be distributed will be determined as of the record date. The spin-off will not affect the number of outstanding shares of Sears Holdings common stock or any rights of Sears Holdings' stockholders. Sears Holdings will not distribute any fractional shares of Lands' End common stock.

Before the spin-off, we will enter into a separation and distribution agreement and other agreements with Sears Holdings or its subsidiaries to effect the spin-off and provide a framework for our relationship with Sears Holdings after the spin-off. These agreements will provide for the allocation between us and Sears Holdings of Sears Holdings' assets, liabilities and obligations (including employee benefits, intellectual property, and tax-related assets and liabilities) attributable to periods prior to our spin-off from Sears Holdings and will govern the relationship between Sears Holdings and Lands' End after the spin-off. For a more detailed description of these agreements, see "Certain Relationships and Related Person Transactions—Our Relationship with Sears Holdings Following the Spin-Off."

Market for Lands' End Common Stock

There is currently no public trading market for our common stock. We intend to apply to list our common stock on NASDAQ under the symbol "LE." We have not and will not set the initial price of our common stock. The initial price will be established by the public markets.

We cannot predict the price at which our common stock will trade after the spin-off. In fact, the combined trading prices, after the spin-off, of the shares of Lands' End common stock that each Sears Holdings stockholder will receive in the distribution and the shares Sears Holdings common stock held as of the record date may not equal the "regular-way" trading price of a Sears Holdings share immediately prior to the spin-off. The price at which Lands' End common stock trades may fluctuate significantly, particularly until an orderly public market develops. Trading prices for Lands' End common stock will be determined in the public markets and may be influenced by many factors. See "Risk Factors—Risks Related to Our Common Stock."

Trading Between the Record Date and Distribution Date

Beginning on or shortly before the record date and continuing up to and including the distribution date, we expect that there will be two markets in shares of Sears Holdings common stock: a "regular-way" market and an "ex-distribution" market. Shares of Sears Holdings common stock that trade on the "regular-way" market will trade with an entitlement to Lands' End common stock distributed pursuant to the spin-off. Shares of Sears Holdings common stock that trade on the "ex-distribution" market will trade without an entitlement to Lands'

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End common stock distributed pursuant to the spin-off. Therefore, if you sell shares of Sears Holdings common stock in the “regular-way” market after the record date but before distribution, you will be selling your right to receive Lands’ End common stock in the distribution. If you own shares of Sears Holdings common stock as of the record date and sell those shares on the “ex-distribution” market after the record date but before the distribution, you will receive the shares of common stock that you are entitled to receive pursuant to your ownership as of the record date of the shares of Sears Holdings common stock.

Furthermore, beginning on or shortly before the record date and continuing up to and including the distribution date, we expect that there will be a “when-issued” market in our common stock. “When-issued” trading refers to a sale or purchase made conditionally because the security has been authorized but not yet issued. The “when-issued” trading market will be a market for Lands’ End common stock that will be distributed to holders of shares of Sears Holdings common stock on the distribution date. If you owned shares of Sears Holdings common stock at the record date, you would be entitled to Lands’ End common stock distributed pursuant to the distribution. You may trade this entitlement to shares of Lands’ End common stock, without the shares of Sears Holdings common stock you own, on the “when-issued” market. On the first trading day following the distribution date, “when-issued” trading with respect to Lands’ End common stock will end, and “regular-way” trading will begin.

Conditions to the Spin-Off

We have announced that the distribution will be effective at [✕] Eastern time, on [✕], which is the distribution date, provided that the following conditions shall have been satisfied (or waived by Sears Holdings in its sole discretion):

- the Sears Holdings board of directors shall have authorized and approved the spin-off and related transactions and not withdrawn such authorization and approval, and shall have declared the distribution of our common stock to Sears Holdings stockholders;
- the separation and distribution agreement between Lands’ End and Sears Holdings and each ancillary agreement contemplated thereby shall have been executed by each party thereto;
- the registration statement of which this information statement forms a part shall have become effective, and no stop order suspending the effectiveness of the registration statement shall be in effect and no proceedings for such purpose shall be pending before or threatened by the SEC;
- this information statement shall have been made available to Sears Holdings stockholders as of the record date;
- our common stock shall have been accepted for listing on NASDAQ or another national securities exchange or quotation system approved by Sears Holdings, subject to official notice of issuance;
- no order, injunction or decree issued by any governmental authority of competent jurisdiction or other legal restraint or prohibition preventing consummation of the spin-off shall be in effect, and no other event outside the control of Sears Holdings shall have occurred or failed to occur that prevents the consummation of the spin-off;
- any debt financing contemplated to be obtained in connection with the spin-off shall have been obtained;
- the receipt of an opinion from an outside financial advisor to the board of directors of Sears Holdings confirming the solvency and financial viability of Sears Holdings before the distribution and each of Sears Holdings and Lands’ End after the distribution that is in form and substance acceptable to Sears Holdings in its sole discretion;
- the receipt of an opinion from the law firm of Simpson Thacher & Bartlett LLP as to the satisfaction of certain requirements necessary for the spin-off to receive tax-free treatment under Sections 355, 368 and related provisions of the Code;

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- the Internal Transactions (as defined in the separation and distribution agreement) shall have been completed;
- the individuals listed as members of our post-spin-off board of directors in this information statement shall have been duly elected, and such individuals shall be the members of our board of directors immediately after the spin-off;
- prior to the spin-off, Sears Holdings shall deliver or cause to be delivered to us resignations, effective as of immediately prior to the spin-off, of any individual who will be an officer or director of Lands' End after the spin-off and who is an officer or director of Sears Holdings immediately prior to the spin-off; and
- immediately prior to the spin-off, our amended and restated certificate of incorporation and bylaws, each in substantially the form filed as an exhibit to the registration statement of which this information statement forms a part, shall be in effect.

Sears Holdings and Lands' End cannot assure you that any or all of these conditions will be met.

Sears Holdings also reserves the right to withdraw and cancel the distribution if, at any time prior to the distribution date, the board of directors of Sears Holdings determines, in its sole discretion, that the distribution is not in the best interest of Sears Holdings or its stockholders, or that market conditions are such that it is not advisable to consummate the distribution. If Sears Holdings cancels or waives any condition to the distribution, it will notify Sears Holdings stockholders in a manner reasonably calculated to inform them about the cancellation as may be required by law, by, for example, publishing a press release, filing a current report on Form 8-K, or circulating a supplement to this information statement. The fulfillment of the foregoing conditions will not create any obligation on the part of Sears Holdings to effect the spin-off.

Sears Holdings will have the sole and absolute discretion to determine (and change) the terms of, and whether to proceed with, the distribution (including the number of shares of Lands' End common stock that will be distributed to holders of shares of Sears Holdings common stock on the distribution date) and, to the extent it determines to so proceed, to determine the record date and the distribution date and the distribution ratio. Sears Holdings does not intend to notify its stockholders of any modifications to the terms of the spin-off that, in the judgment of its board of directors, are not material. For example, the Sears Holdings board of directors might consider material such matters as significant changes to the distribution ratio, the assets to be contributed or the liabilities to be assumed in the spin-off. To the extent that the Sears Holdings board of directors determines that any modifications by Sears Holdings materially change the material terms of the distribution, Sears Holdings will notify Sears Holdings stockholders in a manner reasonably calculated to inform them about the modification as may be required by law, by, for example, publishing a press release, filing a current report on Form 8-K, or circulating a supplement to this information statement.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the material U.S. federal income tax consequences to Sears Holdings and to the holders of Sears Holdings common stock in connection with the spin-off. This summary is based on the Code, the Treasury Regulations promulgated thereunder and judicial and administrative interpretations thereof, in each case as in effect and available as of the date of this information statement and all of which are subject to change at any time, possibly with retroactive effect. Any such change could affect the tax consequences described below.

This summary is limited to holders of Sears Holdings common stock that are U.S. Holders, as defined immediately below. A "U.S. Holder" is a beneficial owner of Sears Holdings common stock that is, for U.S. federal income tax purposes:

- an individual who is a citizen or a resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if (i) a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions or (ii) it has a valid election in place under applicable Treasury Regulations to be treated as a United States person.

This summary also does not discuss all tax considerations that may be relevant to stockholders in light of their particular circumstances, nor does it address the consequences to stockholders subject to special treatment under the U.S. federal income tax laws, such as:

- dealers or traders in securities or currencies;
- regulated investment companies;
- real estate investment trusts;
- tax-exempt entities;
- banks, financial institutions or insurance companies;
- persons who acquired Sears Holdings common stock pursuant to the exercise of employee stock options or otherwise as compensation;
- stockholders who own, or are deemed to own, at least 10% or more, by voting power or value, of Sears Holdings equity;
- holders owning Sears Holdings common stock as part of a position in a straddle or as part of a hedging, conversion or other risk reduction transaction for U.S. federal income tax purposes;
- certain former citizens or long-term residents of the United States;
- holders who are subject to the alternative minimum tax; or
- a person that owns Sears Holdings common stock through partnerships or other pass-through entities.

This summary does not address the U.S. federal income tax consequences to Sears Holdings' stockholders who do not hold Sears Holdings common stock as a capital asset. Moreover, this summary does not address any state, local or non-U.S. tax consequences or any estate, gift or other non-income tax consequences.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Sears Holdings common stock, the tax treatment of a partner in that partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its own tax advisor as to its tax consequences.

YOU SHOULD CONSULT YOUR OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE AND LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE SPIN-OFF. THIS SUMMARY IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR INVESTOR.

In connection with the spin-off, Sears Holdings expects to receive an opinion from the law firm of Simpson Thacher & Bartlett LLP that the spin-off will meet the requirements necessary for the spin-off to receive tax-free treatment under Sections 355, 368 and related provisions of the Code. The opinion will be based on, among other things, current tax law and assumptions and representations made by us and Sears Holdings, which if incorrect in certain material respects, would jeopardize the conclusions reached by Simpson Thacher & Bartlett LLP in its opinion. The opinion of counsel will not be binding on the IRS or the courts. Although the receipt of the opinion is a condition to the spin-off, it as well as all other conditions to the spin-off may be waived by Sears Holdings in its sole discretion. Sears Holdings and Lands' End have not sought and will not seek any ruling from the IRS regarding any matters relating to the spin-off, and as a result, there can be no assurance that the IRS will not assert, or that a court would not sustain, a position contrary to the conclusions set forth below. In that event, the consequences described below would not apply and holders of Sears Holdings common stock who receive shares of Lands' End common stock in the spin-off could be subject to significant U.S. federal income tax liability.

Assuming the spin-off satisfies the requirements necessary for the spin-off to qualify for tax-free treatment under Sections 355, 368 and related provisions of the Code, the following will describe the material U.S. federal income tax consequences to Sears Holdings, Lands' End and Sears Holdings' stockholders of the spin-off:

- no gain or loss will be recognized by, or be includible in the income of, a holder of Sears Holdings common stock, solely as a result of the receipt of Lands' End common stock, except with respect to any cash received in lieu of fractional shares;
- subject to the discussion below regarding Section 355(e), no gain or loss will be recognized by Sears Holdings as a result of the spin-off;
- the aggregate tax basis of the Sears Holdings common stock and Lands' End common stock in the hands of Sears Holdings' stockholders immediately after the spin-off will be the same as the aggregate tax basis of the Sears Holdings common stock held by the holder immediately before the spin-off, allocated between the common stock of Sears Holdings and Lands' End common stock, including any fractional share interest for which cash is received, in proportion to their relative fair market values on the date of the spin-off;
- the holding period of shares of the Lands' End common stock received by Sears Holdings' stockholders will include the holding period of their Sears Holdings common stock, provided that such Sears Holdings common stock is held as a capital asset on the date of the spin-off; and
- a Sears Holdings stockholder who receives cash in lieu of a fractional share of Lands' End common stock in the spin-off will be treated as having sold such fractional share for the amount of cash received and generally will recognize capital gain or loss in an amount equal to the difference between the amount of such cash received and such stockholder's adjusted tax basis in the fractional share. That gain or loss will be long-term capital gain or loss if the stockholder's holding period for its Sears Holdings common stock exceeds one year.

Sears Holdings' stockholders that have acquired different blocks of Sears Holdings common stock at different times or at different prices should consult their tax advisors regarding the allocation of their aggregate adjusted basis among, and their holding period of, Lands' End common stock distributed with respect to such blocks of Sears Holdings common stock.

U.S. Treasury Regulations require certain stockholders that receive stock in a spin-off to attach to their respective U.S. federal income tax returns, for the year in which the spin-off occurs, a detailed statement setting

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forth certain information relating to the spin-off. Within a reasonable period of time after the distribution, Sears Holdings expects to make available to its stockholders information pertaining to compliance with this requirement.

If the spin-off were not to qualify as a tax-free spin-off for U.S. federal income tax purposes, each Sears Holdings stockholder that receives shares of Lands' End common stock in the spin-off would be treated as receiving a distribution in an amount equal to the fair market value of such shares, which generally would be treated in the following manner:

- first as a taxable dividend to the extent of such stockholder's *pro rata* share of Sears Holdings' current and accumulated earnings and profits;
- then as a non-taxable return of capital to the extent of such stockholder's tax basis in its Sears Holdings common stock; and
- thereafter as capital gain with respect to any remaining value.

Additionally, each stockholder's basis in the Lands' End common stock would be equal to its fair market value on the date of the distribution and its holding period in the Lands' End common stock would begin on the date of the distribution. Furthermore, Sears Holdings would recognize a taxable gain if the fair market value of Lands' End common stock exceeds Sears Holdings' tax basis in Lands' End common stock.

Even if the spin-off otherwise qualifies for tax-free treatment under Section 355 of the Code, it may be taxable to Sears Holdings (but not Sears Holdings' stockholders) under Section 355(e) if 50% or more, by vote or value, of shares of Lands' End common stock or Sears Holdings common stock are acquired or issued as part of a plan or series of related transactions that includes the spin-off. For this purpose, any acquisitions or issuances of Sears Holdings common stock within two years before the spin-off, and any acquisitions or issuances of Lands' End common stock or Sears Holdings common stock within two years after the spin-off, generally are presumed to be part of such a plan, although we or Sears Holdings may be able to rebut that presumption. Even if these rules were to apply to cause the spin-off to be taxable to Sears Holdings, it would remain tax-free to the Sears Holdings stockholders.

In connection with the spin-off, we and Sears Holdings will enter into the tax sharing agreement whereby we will agree to be subject to certain restrictions to preserve the tax-free nature of the spin-off. For a description of the tax sharing agreement, see "Certain Relationships and Related Person Transactions—Tax Sharing Agreement."

The preceding summary of the anticipated U.S. federal income tax consequences of the spin-off is for general informational purposes only. Sears Holdings' stockholders should consult their own tax advisors as to the specific tax consequences of the spin-off to them, including the application and effect of state, local or non-U.S. tax laws and of changes in applicable tax laws.

DESCRIPTION OF OUR CAPITAL STOCK

Our certificate of incorporation and bylaws will be amended and restated prior to the spin-off. The following is a summary of the material terms of our capital stock that will be contained in our amended and restated certificate of incorporation and bylaws. The summaries and descriptions below do not purport to be complete statements of the relevant provisions of our amended and restated certificate of incorporation or our amended and restated bylaws to be in effect at the time of the spin-off and are qualified in their entirety by reference to these documents, which you should read (along with the applicable provisions of Delaware law) for complete information on our capital stock as of the time of the spin-off. Our amended and restated certificate of incorporation and bylaws to be in effect at the time of the spin-off will be included as exhibits to our registration statement of which this information statement forms a part.

General

Following the spin-off, our authorized capital stock will consist of 480 million shares of common stock, par value \$0.01 per share. Immediately following the spin-off, we expect that approximately [X] million shares of our common stock will be issued and outstanding.

Common Stock

Holders of our common stock will be entitled:

- to cast one vote for each share held of record on all matters submitted to a vote of the stockholders;
- to receive, on a *pro rata* basis, dividends and distributions, if any, that the board of directors may declare out of legally available funds; and
- upon our liquidation, dissolution or winding up, to share equally and ratably in any assets remaining after the payment of all debt and other liabilities.

Any dividends declared on the common stock will not be cumulative.

The holders of our common stock will not have any preemptive, cumulative voting, subscription, conversion, redemption or sinking fund rights. The common stock will not be subject to future calls or assessments by us. After the spin-off, all outstanding shares of our common stock will be fully paid and non-assessable.

Certain Provisions of Delaware Law, Our Certificate of Incorporation and Bylaws

Certificate of Incorporation and Bylaws. Certain provisions in our amended and restated certificate of incorporation and bylaws summarized below may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interests, including attempts that might result in a premium being paid over the market price for the shares held by stockholders. These provisions are intended to enhance the likelihood of continuity and stability in the composition of the board of directors and in the policies formulated by the board of directors and to discourage certain types of transactions that may involve an actual or threatened change of control.

Requirements for Advance Notification of Stockholder Nomination and Proposals. Under our amended and restated bylaws, stockholders of record will be able to nominate persons for election to our board of directors or, at annual meetings, bring other business constituting a proper matter for stockholder action only by providing proper notice to our secretary. Proper notice must be generally received not less than 90 days nor more than 120 days prior to the first anniversary date of the annual meeting for the preceding year (or, in some cases, including in the case of a special meeting, prior to the tenth day following announcement of the meeting), and must include, among other information, the name and address of the stockholder giving the notice, certain information

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relating to each person whom such stockholder proposes to nominate for election as a director and a brief description of any business such stockholder proposes to bring before the meeting and the reason for bringing such proposal. Nothing in the amended and restated bylaws will be deemed to affect any rights of stockholders to request inclusion of proposals in our proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Vacancies and Removal of Directors. Under our amended and restated certificate of incorporation, a director may resign or be removed with or without cause, by the affirmative vote of the holders of not less than a majority of the shares of our common stock then outstanding and entitled to vote, without the necessity for concurrence by the directors. Vacancies in our board of directors may be filled only by our board of directors. Any director elected to fill a vacancy will hold office until such director's successor shall have been duly elected by a majority of the stockholders at a meeting called for such purpose.

Special Stockholder Meetings. Under our amended and restated bylaws, special meetings of stockholders may be called at any time by the board of directors acting pursuant to a board resolution or a written instrument signed by a majority of the directors. In addition, under our amended and restated bylaws, special meetings of stockholders may be called upon the written request of one or more record holders of shares of our common stock representing not less than 20%, in the aggregate, of the total number of shares of our outstanding common stock.

Action by Written Consent. Under our amended and restated bylaws, any action required or permitted to be taken at any annual or special meeting of stockholders may be taken by written consent of stockholders representing the minimum number of votes that would be necessary to take such action at a meeting of stockholders.

Exclusive Forum. Our amended and restated bylaws will provide that unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for any (i) derivative action or proceeding brought on our behalf, to the fullest extent permitted by law, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, our certificate of incorporation or our bylaws, in each case, as amended from time to time, or (iv) any action asserting a claim governed by the internal affairs doctrine shall be a state or federal court located within the State of Delaware, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to the foregoing forum selection provisions. However, the enforceability of similar forum provisions in other companies' certificates of incorporation have been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be unenforceable.

Delaware Takeover Statute

The DGCL contains a business combination statute that protects Delaware corporations from hostile takeovers and from actions following such a takeover, by prohibiting some transactions once an acquiror has gained a significant holding in the corporation. This statute generally prohibits "business combinations," including mergers, sales and leases of assets, issuances of securities and similar transactions by a corporation or a subsidiary with an entity or person who beneficially owns 15% or more of a corporation's voting stock, or an "interested stockholder," within three years after the person or entity becomes an interested stockholder, unless:

- the board of directors of the target corporation has approved, before the acquisition date, either the business combination or the transaction that resulted in the person becoming an interested stockholder;
- upon consummation of the transaction that resulted in the person becoming an interested stockholder, the person owns at least 85% of the corporation's voting stock (excluding for purposes of determining the voting stock outstanding shares owned by directors who are officers and shares owned by employee stock plans in which participants do not have the right to determine confidentially whether shares will be tendered in a tender or exchange offer); or

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- after the person or entity becomes an interested stockholder, the business combination is approved by the board of directors and authorized by the vote of the holders of shares representing at least two-thirds of the outstanding voting power not owned by the interested stockholder.

We will opt out of Section 203 of the DGCL, which contains these restrictions on business combinations, in our amended and restated certificate of incorporation that will take effect immediately prior to our spin-off from Sears Holdings.

Indemnification and Limitation of Liability of Directors and Officers

Delaware General Corporate Law

Pursuant to the DGCL, a corporation may indemnify any person who was or is a party to or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation) by reason of the fact that such person is or was a director, officer, employee or agent of such corporation, or serving at the request of such corporation in such capacity for another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of such corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

The DGCL also permits indemnification by a corporation under similar circumstances for expenses (including attorneys' fees) actually and reasonably incurred by such persons in connection with the defense or settlement of an action or suit by or in the right of the corporation to procure a judgment in its favor, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to such corporation unless the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

To the extent a present or former director or officer is successful in the defense of such an action, suit or proceeding, the corporation is required by the DGCL to indemnify such person for actual and reasonable expenses incurred thereby. Expenses (including attorneys' fees) incurred by an officer or director of the corporation in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it is ultimately determined that such person is not entitled to be so indemnified. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents of the corporation or by persons serving at the request of the corporation as directors, officers, employees or agents of another corporation, partnership, joint venture, trust or other enterprise may be so paid upon such terms and conditions, if any, as the corporation deems appropriate.

The DGCL provides that the indemnification described above shall not be deemed exclusive of other indemnification that may be granted by a corporation pursuant to its bylaws, disinterested directors' vote, stockholders' vote, agreement or otherwise. The DGCL also provides corporations with the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation in a similar capacity for another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him or her and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liability as described above.

Amended and Restated Certificate of Incorporation and Bylaws

Our amended and restated certificate of incorporation requires us to indemnify and hold harmless any current or former director or officer of Lands' End to the fullest extent permitted by Delaware law. Such indemnification

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rights include the right to be paid by us the expenses incurred in defending or otherwise participating in any proceeding in advance of its final disposition. However, except for proceedings to enforce indemnification or advancement rights, we will indemnify such a director or officer who initiates an action, suit or proceeding (or part thereof) only if such action, suit or proceeding (or part thereof) was authorized by our board of directors.

The amended and restated certificate of incorporation also contains certain procedures and presumptions that will govern any action brought by a person granted advancement or indemnification rights in our certificate of incorporation to enforce those rights. The indemnification and advancement rights conferred by Lands' End are not exclusive of any other right to which persons seeking indemnification or advancement may be entitled under any statute, our certificate of incorporation or bylaws, any agreement, vote of stockholders or disinterested directors or otherwise. Our amended and restated certificate of incorporation also exculpates any director from being personally liable to Lands' End or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption is prohibited by Delaware law.

Transfer Agent and Registrar

After the spin-off, the transfer agent and registrar for our capital stock will be [✕].

Listing and Market Information

There is currently no established public market for any of our capital stock. We intend to apply to list our common stock on NASDAQ under the symbol "LE" and expect that "regular-way" trading will begin the first trading day after the completion of the spin-off.

Authorized But Unissued Capital Stock

The DGCL does not require stockholder approval for any issuance of authorized shares. However, the listing requirements of NASDAQ, which would apply so long as our common stock is listed on NASDAQ, require stockholder approval of certain issuances equal to or exceeding 20% of the then-outstanding voting power or then outstanding number of shares of common stock. These additional shares may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions.

One of the effects of the existence of unissued and unreserved capital stock may be to enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of our company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive the stockholders of opportunities to sell their shares of capital stock at prices higher than prevailing market prices.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement with the SEC with respect to the shares of our common stock being distributed as contemplated by this information statement. This information statement is a part of, and does not contain all of the information set forth in, the registration statement and the exhibits and schedules to the registration statement. For further information with respect to our company and our common stock, please refer to the registration statement, including its exhibits and schedules. Statements made in this information statement relating to any contract or other document are not necessarily complete, and you should refer to the exhibits attached to the registration statement for copies of the actual contract or document. You may review a copy of the registration statement, including its exhibits and schedules, at the SEC's public reference room, located at 100 F Street, N.E., Washington, D.C. 20549, by calling the SEC at 1-800-SEC-0330 as well as on the Internet website maintained by the SEC at www.sec.gov. Information contained on any website referenced in this information statement is not incorporated by reference in this information statement.

As a result of the spin-off, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with the Exchange Act, will file periodic reports, proxy statements and other information with the SEC.

We intend to furnish holders of our common stock with annual reports containing consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles and audited and reported on, with an opinion expressed, by an independent registered public accounting firm.

You should rely only on the information contained in this information statement or to which this information statement has referred you. We have not authorized any person to provide you with different information or to make any representation not contained in this information statement.

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Annual Audited Combined Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Sears Holdings Corporation:

We have audited the accompanying combined balance sheets of the Lands' End Business of Sears Holdings Corporation (the "Company") as of February 1, 2013 and January 27, 2012, and the related combined statements of comprehensive operations, cash flows, and changes in parent company equity for each of the three fiscal years in the period ended February 1, 2013. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the financial position of the Company as of February 1, 2013 and January 27, 2012, and the results of its operations and its cash flows for each of the three fiscal years in the period ended February 1, 2013, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 and Note 11, the accompanying combined financial statements have been derived from the consolidated financial statements and accounting records of Sears Holdings Corporation. The combined financial statements also include expense allocations for certain corporate functions historically provided by Sears Holdings Corporation. These allocations may not be reflective of the actual expense which would have been incurred had the Company operated as a separate entity apart from Sears Holdings Corporation.

/s/ DELOITTE & TOUCHE LLP

Davenport, Iowa
December 5, 2013

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LANDS' END BUSINESS OF SEARS HOLDINGS CORPORATION
Combined Statements of Comprehensive Operations
for Fiscal Years Ended February 1, 2013, January 27, 2012 and January 28, 2011

<i>(in thousands)</i>	<u>2012</u>	<u>2011</u>	<u>2010</u>
REVENUES			
Merchandise sales and services, net	\$1,585,927	\$1,725,627	\$1,655,574
COSTS AND EXPENSES			
Cost of sales (excluding depreciation and amortization)	881,817	959,611	833,614
Selling and administrative	598,916	621,020	615,462
Depreciation and amortization	23,121	22,686	21,963
Other operating (income) expense, net	70	502	(9,049)
Total costs and expenses	<u>1,503,924</u>	<u>1,603,819</u>	<u>1,461,990</u>
Operating income	82,003	121,808	193,584
Other income, net	<u>67</u>	<u>95</u>	<u>45</u>
Income before income taxes	82,070	121,903	193,629
Income tax expense	<u>32,243</u>	<u>45,669</u>	<u>72,365</u>
NET INCOME	49,827	76,234	121,264
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	<u>(1,623)</u>	<u>311</u>	<u>1,099</u>
COMPREHENSIVE INCOME	<u>\$ 48,204</u>	<u>\$ 76,545</u>	<u>\$ 122,363</u>

See accompanying Notes to Combined Financial Statements.

LANDS' END BUSINESS OF SEARS HOLDINGS CORPORATION
Combined Balance Sheets
at February 1, 2013 and January 27, 2012

<i>(in thousands)</i>	February 1, 2013	January 27, 2012
ASSETS		
Current assets		
Cash	\$ 28,257	\$ 15,614
Restricted cash	3,300	3,382
Accounts receivable, net	27,079	33,146
Inventories, net	378,526	395,621
Prepaid expenses and other current assets	26,020	28,358
Total current assets	<u>463,182</u>	<u>476,121</u>
Property and equipment		
Land, buildings and improvements	103,173	102,911
Furniture, fixtures and equipment	71,400	68,661
Computer hardware and software	63,667	54,211
Leasehold improvements	12,660	12,222
Gross property and equipment	250,900	238,005
Less accumulated depreciation	141,179	122,960
Total property and equipment, net	109,721	115,045
Goodwill	110,000	110,000
Intangible assets, net	533,972	536,602
Other assets	847	1,155
TOTAL ASSETS	<u>\$1,217,722</u>	<u>\$1,238,923</u>
LIABILITIES AND PARENT COMPANY EQUITY		
Current liabilities		
Accounts payable	\$ 106,665	\$ 105,805
Deferred tax liabilities	7,315	263
Other current liabilities	79,750	84,060
Total current liabilities	193,730	190,128
Long-term deferred tax liabilities	196,559	201,539
Other liabilities	4,196	3,424
TOTAL LIABILITIES	<u>394,485</u>	<u>395,091</u>
Commitments and contingencies		
Net parent company investment	826,398	845,370
Accumulated other comprehensive loss	(3,161)	(1,538)
Total parent company equity	823,237	843,832
TOTAL LIABILITIES AND PARENT COMPANY EQUITY	<u>\$1,217,722</u>	<u>\$1,238,923</u>

See accompanying Notes to Combined Financial Statements.

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LANDS' END BUSINESS OF SEARS HOLDINGS CORPORATION
Combined Statements of Cash Flows
for Fiscal Years Ended February 1, 2013, January 27, 2012 and January 28, 2011

<i>(in thousands)</i>	<u>2012</u>	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 49,827	\$ 76,234	\$ 121,264
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	23,121	22,686	21,963
Loss on disposal of property and equipment	70	502	2
Deferred income taxes	3,066	(1,262)	3,479
Change in operating assets and liabilities:			
Inventories	14,672	(72,091)	17,321
Accounts payable	1,443	(11,001)	71
Other operating assets	4,739	(5,088)	(10,782)
Other operating liabilities	(690)	4,530	(10,474)
Net cash provided by operating activities	<u>96,248</u>	<u>14,510</u>	<u>142,844</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of property and equipment	15	—	—
Change in restricted cash	82	106	(135)
Purchases of property and equipment	(14,993)	(15,119)	(18,994)
Net cash used in investing activities	<u>(14,896)</u>	<u>(15,013)</u>	<u>(19,129)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions to parent company, net	(68,799)	(5,313)	(117,314)
Net cash used in financing activities	<u>(68,799)</u>	<u>(5,313)</u>	<u>(117,314)</u>
Effects of exchange rate changes on cash	90	383	(430)
NET INCREASE (DECREASE) IN CASH	12,643	(5,433)	5,971
CASH, BEGINNING OF YEAR	<u>15,614</u>	<u>21,047</u>	<u>15,076</u>
CASH, END OF YEAR	<u>\$ 28,257</u>	<u>\$ 15,614</u>	<u>\$ 21,047</u>
SUPPLEMENTAL INFORMATION:			
Supplemental Cash Flow Data:			
Unpaid liability to acquire property and equipment	<u>\$ 1,534</u>	<u>\$ 1,121</u>	<u>\$ 6,658</u>

See accompanying Notes to Combined Financial Statements.

LANDS' END BUSINESS OF SEARS HOLDINGS CORPORATION
Combined Statements of Changes in Parent Company Equity
for Fiscal Years Ended February 1, 2013, January 27, 2012 and January 28, 2011

<i>(in thousands)</i>	Net Parent Company Investment	Accumulated Other Comprehensive Loss	Total Parent Company Equity
Balance at January 29, 2010	\$ 770,499	\$ (2,948)	\$ 767,551
Net income	121,264	—	121,264
Cumulative translation adjustment, net of tax	—	1,099	1,099
Distributions to parent company, net	<u>(117,314)</u>	<u>—</u>	<u>(117,314)</u>
Balance at January 28, 2011	774,449	(1,849)	772,600
Net income	76,234	—	76,234
Cumulative translation adjustment, net of tax	—	311	311
Distributions to parent company, net	<u>(5,313)</u>	<u>—</u>	<u>(5,313)</u>
Balance at January 27, 2012	845,370	(1,538)	843,832
Net income	49,827	—	49,827
Cumulative translation adjustment, net of tax	—	(1,623)	(1,623)
Distributions to parent company, net	<u>(68,799)</u>	<u>—</u>	<u>(68,799)</u>
Balance at February 1, 2013	<u>\$ 826,398</u>	<u>\$ (3,161)</u>	<u>\$ 823,237</u>

See accompanying Notes to Combined Financial Statements.

**LANDS' END BUSINESS OF SEARS HOLDINGS CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS**

NOTE 1. BACKGROUND AND BASIS OF PRESENTATION

Description of Business and Separation

The Lands' End business of Sears Holdings Corporation ("Lands' End," "we," "us," "our" or the "Company") is a leading multi-channel retailer of casual clothing, accessories and footwear, as well as home products. We offer products through catalogs, online at www.landsend.com and affiliated specialty and international websites, and through retail locations, primarily at Lands' End Shops at Sears and standalone Lands' End Inlet stores that sell a combination of full-price and liquidation merchandise. We are a classic American lifestyle brand with a passion for quality, legendary service and real value, and we seek to deliver timeless style for men, women, kids and the home. Lands' End was founded 50 years ago in Chicago by Gary Comer and his partners to sell sailboat hardware and equipment by catalog. While our product focus has shifted significantly over the years, we have continued to adhere to our founder's motto as one of our guiding principles: "Take care of the customer, take care of the employee and the rest will take care of itself."

Sears Holdings Corporation announced its intention to separate its Lands' End business from the rest of its businesses. Sears Holdings Corporation and its subsidiaries ("Sears Holdings") will transfer all the remaining assets and liabilities of Lands' End that are held at the corporate level to Lands' End, Inc. and its subsidiaries prior to the completion of the distribution (the "Separation").

Basis of Presentation

Our historical Combined Financial Statements have been prepared on a standalone basis and have been derived from the consolidated financial statements of Sears Holdings and accounting records of Sears Holdings. The Combined Financial Statements include Lands' End, Inc. and subsidiaries and certain other items related to the Lands' End business which are currently held by Sears Holdings, primarily the Lands' End Shops at Sears. These items will be contributed by Sears Holdings to Lands' End, Inc. prior to the Separation. These historical Combined Financial Statements reflect our financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States ("GAAP").

The Combined Financial Statements include the allocation of certain assets and liabilities that have historically been held at the Sears Holdings level but which are specifically identifiable or allocable to Lands' End. All intracompany transactions and accounts have been eliminated. All intercompany transactions between Sears Holdings and Lands' End are considered to be effectively settled in the Combined Financial Statements at the time the transactions are recorded. The total net effect of the settlement of these intercompany transactions is reflected in the Combined Statements of Cash Flows as a financing activity and in the Combined Balance Sheets as Net parent company investment.

As business operations of Sears Holdings, we do not maintain our own tax and certain other corporate support functions. We expect to enter into agreements with Sears Holdings for the continuation of certain of these services. These expenses have been allocated to Lands' End based on direct usage or benefit where identifiable, with the remainder allocated on a pro rata basis of revenue, headcount, square footage or other measures. Lands' End considers the expense allocation methodology and results to be reasonable for all periods presented. However, the costs and allocations charged to the Company by Sears Holdings do not necessarily reflect the costs of obtaining the services from unaffiliated third parties or of the Company providing the applicable services itself. The Combined Financial Statements contained herein may not be indicative of the Company's financial position, operating results, and cash flows in the future, or what they would have been if it had been a standalone company during all periods presented. See Note 11—Related Party.

Historically, Sears Holdings has provided financing, cash management and other treasury services to us. Our cash balances are swept by Sears Holdings and, historically, we have received funding from Sears Holdings for

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our operating and investing cash needs. Cash and restricted cash held by Sears Holdings were not allocated to Lands' End unless the cash or restricted cash were held by an entity that will be transferred to Lands' End. Sears Holdings' third-party debt, and the related interest expense, has not been allocated to us for any of the periods presented as we were not the legal obligor of the debt and the Sears Holdings borrowings were not directly attributable to our business.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year

The Company's fiscal year end is on the Friday preceding the Saturday closest to January 31 each year. Fiscal Year 2012 consisted of 53 weeks while Fiscal Years 2011 and 2010 each consisted of 52 weeks. Unless the context otherwise requires, references to years in this report relate to fiscal years rather than calendar years. The following fiscal periods are presented in this report.

<u>Fiscal Year</u>	<u>Ended</u>	<u>Weeks</u>
2012	February 1, 2013	53
2011	January 27, 2012	52
2010	January 28, 2011	52

Seasonality

The Company's operations have historically been seasonal, with a disproportionate amount of net sales occurring in the fourth fiscal quarter, reflecting increased demand during the year-end holiday selling season. The impact of seasonality on results of operations is more pronounced since the level of certain fixed costs, such as occupancy and overhead expenses, do not vary with sales. The Company's results of operations also may fluctuate based upon such factors as the timing of certain holiday seasons and promotions, the amount of net sales contributed by new and existing stores, the timing and level of markdowns, competitive factors, weather and general economic conditions.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions about future events. The estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. The Company evaluates estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made when facts and circumstances dictate. As future events and their effects cannot be determined with absolute certainty, actual results may differ from the estimates used in preparing the accompanying Combined Financial Statements. Significant estimates and assumptions are required as part of determining inventory valuation, sales returns and allowances, legal accruals, performing goodwill, intangible and long-lived asset impairment analyses and establishing reserves for tax examination exposures.

Cash

The Company includes deposits in-transit from banks for payments related to third-party credit card and debit card transactions within cash. The Company's domestic cash is transferred to or funded from Sears Holdings on a daily basis. These cash receipts and disbursements adjust Net parent company investment on the Combined Balance Sheets.

The Company classifies cash balances pledged as collateral for an employee benefit trust fund as Restricted cash on the Combined Balance Sheets.

[Table of Contents](#)**Allowance for Doubtful Accounts**

The Company provides an allowance for doubtful accounts based on both a historical experience and a specific identification basis. Allowances for doubtful accounts on accounts receivable balances were \$1.3 million as of February 1, 2013 and January 27, 2012. Accounts receivable balance is presented net of the Company's allowance for doubtful accounts and is comprised of various customer-related accounts receivable.

Changes in the balance of the allowance for doubtful accounts are as follows for the following years:

<i>(in thousands)</i>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Beginning balance	\$1,293	\$1,456	\$1,121
Provision	721	726	946
Write-offs	(698)	(889)	(611)
Ending balance	<u>\$1,316</u>	<u>\$1,293</u>	<u>\$1,456</u>

Inventory

Inventories primarily consist of merchandise purchased for resale. For financial reporting and tax purposes, the Company's U.S. inventory, primarily merchandise held for sale, is stated at last-in, first-out ("LIFO") cost, which is lower than market. The Company accounts for its non-U.S. inventory on the first-in, first-out ("FIFO") method. The U.S. inventory accounted for using the LIFO method was 85% and 81% of total inventory as of February 1, 2013 and January 27, 2012, respectively. If the FIFO method of accounting for inventory had been used, the effect on inventory would have been immaterial as of February 1, 2013 and January 27, 2012. The Company maintains a reserve for excess and obsolete inventory. The reserve is calculated based on historical experience related to liquidation/disposal of identified inventory. The excess and obsolescence reserve balances were \$28.0 million and \$28.2 million as of February 1, 2013 and January 27, 2012, respectively.

Deferred Catalog Costs and Advertising

Costs incurred for direct response advertising consist primarily of catalog production and mailing costs that are generally amortized within two months from the date catalogs are mailed. Unamortized advertising costs reported as prepaid assets were \$18.6 million and \$20.1 million as of February 1, 2013 and January 27, 2012, respectively. The Company expends the costs of advertising for website, magazines, newspaper, radio and other general media when the advertising takes place. Advertising expenses, including catalog costs amortization, website-related costs and other print media were \$204.1 million, \$223.7 million and \$233.1 million for 2012, 2011 and 2010, respectively. These costs are included within Selling and administrative expenses in the accompanying Combined Statements of Comprehensive Operations.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation. Additions and substantial improvements are capitalized and include expenditures that materially extend the useful lives of existing facilities and equipment. Maintenance and repairs that do not materially improve or extend the lives of the respective assets are expensed as incurred.

Depreciation expense is recorded over the estimated useful lives of the respective assets using the straight-line method. The range of lives are generally 20 to 30 years for buildings and improvements, 10 years for furniture, fixtures and equipment, and three to five years for computer hardware and software. Leasehold improvements are depreciated over the shorter of the associated lease term or the estimated useful life of the asset. Depreciation expense included within Depreciation and amortization expense reported in the accompanying Combined Statements of Comprehensive Operations was \$20.5 million, \$20.0 million and \$19.3 million for 2012, 2011 and 2010, respectively.

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Impairment of Long-Lived Assets and Finite-Lived Intangible Assets

Long-lived assets, including property and equipment and finite-lived intangible assets (customer lists) are subject to a review for impairment if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the sum of the expected future undiscounted cash flows generated by an asset or asset group is less than its carrying amount, the Company then determines the fair value of the asset generally by using a discounted cash flow model. When an impairment loss is recognized, the carrying amount of the asset is reduced to its estimated fair value as determined based on quoted market prices or through the use of other valuation techniques. There were no impairments recognized in 2012, 2011 or 2010.

Goodwill and Intangible Asset Impairment Assessments

Goodwill, trade names and other intangible assets are generally tested separately for impairment on an annual basis, or are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The majority of our goodwill and intangible assets relate to Kmart Holding Corporation's acquisition of Sears, Roebuck and Co. ("Sears Roebuck") in March 2005. The calculation for an impairment loss compares the carrying value of the asset to that asset's estimated fair value, which may be based on estimated future discounted cash flows or quoted market prices. We recognize an impairment loss if the asset's carrying value exceeds its estimated fair value.

Frequently our impairment loss calculations contain multiple uncertainties because they require management to make assumptions and to apply judgment to estimate future cash flows and asset fair values, including forecasting cash flows under different scenarios. As required by accounting standards, we perform annual goodwill and indefinite-lived intangible asset impairment tests on the last day of our November accounting period each year and update the tests between annual tests if events or circumstances occur that would more likely than not reduce the fair value of a reporting unit or indefinite-lived intangible asset below its carrying amount. However, if actual results are not consistent with our estimates and assumptions used in estimating future cash flows and asset fair values, we may be exposed to losses that could be material.

Goodwill impairment assessments. Our goodwill resides in the Direct reporting unit. The goodwill impairment test involves a two-step process. The first step is a comparison of the reporting unit's fair value to its carrying value. We estimate fair value using the best information available, using both a market approach, as well as a discounted cash flow model, commonly referred to as the income approach. The market approach determines a value of the reporting unit by deriving market multiples for the reporting unit based on assumptions potential market participants would use in establishing a bid price for the reporting unit. This approach therefore assumes strategic initiatives will result in improvements in operational performance in the event of purchase, and includes the application of a discount rate based on market participant assumptions with respect to capital structure and access to capital markets. The income approach uses a reporting unit's projection of estimated operating results and cash flows that is discounted using a weighted-average cost of capital that reflects current market conditions appropriate to our reporting unit. The projection uses management's best estimates of economic and market conditions over the projected period, including growth rates in sales, costs, estimates of future expected changes in operating margins and cash expenditures. Other significant estimates and assumptions include terminal value growth rates, future estimates of capital expenditures and changes in future working capital requirements. Our final estimate of the fair value of the reporting unit is developed by weighting the fair values determined through both the market participant and income approaches, where comparable market participant information is available.

If the carrying value of the reporting unit is higher than its fair value, there is an indication that impairment may exist and the second step must be performed to measure the amount of impairment loss. The amount of impairment is determined by comparing the implied fair value of reporting unit goodwill to the carrying value of the goodwill in the same manner as if the reporting unit was being acquired in a business combination. Specifically, we allocate the fair value to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that would calculate the implied fair value of goodwill. If the implied fair value of goodwill is less than the recorded goodwill, we record an impairment charge for the difference.

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During 2012, 2011, and 2010, the fair value of the reporting unit exceeded the carrying value and, as such, we did not record any goodwill impairment charges.

Indefinite-lived intangible asset impairment assessments. We review our indefinite-lived intangible asset, primarily the Lands' End trade name, for impairment by comparing the carrying amount of each asset to the sum of undiscounted cash flows expected to be generated by the asset. We consider the income approach when testing the intangible asset with indefinite life for impairment on an annual basis. We determined that the income approach, specifically the relief from royalty method, was most appropriate for analyzing our indefinite-lived asset. This method is based on the assumption that, in lieu of ownership, a firm would be willing to pay a royalty in order to exploit the related benefits of this asset class. The relief from royalty method involves two steps: (1) estimation of reasonable royalty rates for the assets and (2) the application of these royalty rates to a net sales stream and discounting the resulting cash flows to determine a value. We multiplied the selected royalty rate by the forecasted net sales stream to calculate the cost savings (relief from royalty payment) associated with the asset. The cash flows are then discounted to present value by the selected discount rate and compared to the carrying value of the asset. We did not record any intangible asset impairment charges in 2012, 2011 or 2010.

Financial Instruments with Off-Balance-Sheet Risk

As of February 1, 2013, the Company had a letter of credit facility (the "LC Facility") with Bank of America ("BofA") pursuant to which BofA may, on a discretionary basis and with no commitment, agree to issue letters of credit upon our request in an aggregate amount not to exceed \$5 million for inventory purchases. The terms for the letters of credit issued under the LC Facility are "at site" and are secured by a standby letter of credit, with an expiration date of less than one year, issued by Sears Roebuck Acceptance Corp. ("SRAC"), on our behalf for the benefit of BofA. BofA or Lands' End may terminate the LC Facility at any time. Outstanding letters of credit balances were \$5.0 million and \$3.8 million as of February 1, 2013, and January 27, 2012, respectively. Upon completion of the Separation, we anticipate that Sears Holdings will terminate its support of the LC Facility and that SRAC will no longer issue letters of credit to secure the LC Facility.

From time to time, at the Company's request, Sears Holdings causes standby letters of credit to be issued for the Company's benefit under Sears Holdings' revolving credit facility. There were \$6.4 million and \$2.4 million in standby letter of credit issuances as of August 2, 2013 and February 1, 2013, respectively. Upon completion of the Separation, we anticipate that Sears Holdings will no longer cause letters of credit to be issued for our benefit.

The Company participates in the Sears Private Label Letters of Credit program, which provides up to \$50.0 million for vendor financing as an alternative to bank-issued letters of credit or standby letters of credit. There were no outstanding balances as of February 1, 2013 or January 27, 2012.

In addition, the Company has a foreign subsidiary credit facility that is supported by a Lands' End, Inc. guarantee, which totals \$3.1 million. This credit facility guarantees and allows for the deferred payment of custom duties and fulfills short-term in-country borrowing needs. This credit facility was not in use as of February 1, 2013 and January 27, 2012.

Concentration

Our products are manufactured in approximately 35 countries and substantially all are imported from Asia, South Asia and Central America. Our top 10 vendors account for a significant portion of our merchandise purchases.

Fair Value of Financial Instruments

The Company determines the fair value of financial instruments in accordance with accounting standards pertaining to fair value measurements. Such standards define fair value and establish a framework for measuring

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fair value in accordance with GAAP. Under fair value measurement accounting standards, fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The Company reports the fair value of financial assets and liabilities based on the fair value hierarchy prescribed by accounting standards for fair value measurements, which prioritizes the inputs to valuation techniques used to measure fair value into three levels.

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of accounts receivable. Cash, accounts receivable, accounts payable and other current liabilities are reflected in the Combined Balance Sheets at cost, which approximates fair value due to the short-term nature of these instruments.

Foreign Currency Translations and Transactions

The Company translates the assets and liabilities of foreign subsidiaries from their respective functional currencies to U.S. dollars at the appropriate spot rates as of the balance sheet date. Revenue and expenses of operations are translated to U.S. dollars using weighted average exchange rates during the year. The foreign subsidiaries use the local currency as their functional currency. The effects of foreign currency translation adjustments are included as a component of Accumulated other comprehensive loss in the accompanying Combined Statements of Changes in Parent Company Equity. The Company recognized net foreign exchange transaction losses of \$3.7 million and \$4.0 million in 2012 and 2010, respectively, in the accompanying Combined Statements of Comprehensive Operations. Net foreign exchange transaction losses in 2011 were not material.

Revenue Recognition

Revenues include sales of merchandise and delivery revenues related to merchandise sold. Revenue is recognized for the direct segment when the merchandise is expected to be delivered to the customer and for the retail segment at the time of sale in the store. Services are comprised primarily of shipping and handling.

Revenues from merchandise sales and services are reported net of estimated returns and allowances and exclude sales taxes. Estimated returns and allowances are recorded as a reduction of sales and cost of sales. The reserve for sales returns and allowances is calculated based on historical experience and future expectations and is included in Other current liabilities on the Combined Balance Sheets.

Reserves for sales returns and allowances consisted of the following for the following years:

<i>(in thousands)</i>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Beginning balance	\$ 14,607	\$ 16,430	\$ 16,562
Provision	231,817	233,069	244,050
Write-offs	<u>(232,900)</u>	<u>(234,892)</u>	<u>(244,182)</u>
Ending balance	<u>\$ 13,524</u>	<u>\$ 14,607</u>	<u>\$ 16,430</u>

The Company sells gift certificates, gift cards and e-certificates (collectively, "gift cards") to customers through both the Direct and Retail segments. The gift cards do not have expiration dates. Revenue from gift cards are recognized when (i) the gift card is redeemed by the customer for merchandise, or (ii) the likelihood of the gift card being redeemed by the customer is remote ("gift card breakage") and the Company does not have a legal obligation to remit the value of the unredeemed gift cards to the relevant jurisdictions. Revenue recognized from gift card breakage was not material in 2012, 2011 and 2010.

Cost of Sales

Cost of sales are comprised principally of the costs of merchandise, in-bound freight, duty, warehousing and distribution (including receiving, picking, packing and store delivery costs), customer shipping and handling costs and physical inventory losses. Depreciation and amortization is not included in our cost of sales.

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The Company participates in Sears Holdings' Shop Your Way member loyalty program. The expenses for this program are recorded in Cost of sales, as described in Note 11—Related Party.

Selling and Administrative Expenses

Selling and administrative expenses are comprised principally of payroll and benefits costs for direct, retail and corporate employees, advertising, occupancy costs of retail stores and corporate facilities, buying, pre-opening costs and other administrative expenses. Stock-based compensation costs for certain executives participating in stock-based compensation plans administered by Sears Holdings are included in Selling and administrative expenses and are not material for any periods presented.

Expenses related to the Lands' End Shops at Sears were allocated to us by Sears Holdings, as well as Shared services and Co-location and services costs. Selling and administrative expenses included \$75.4 million, \$80.4 million and \$78.6 million in 2012, 2011 and 2010, respectively, of costs allocated to us by Sears Holdings. See Note 11—Related Party.

In September 2012, the Company recognized \$2.5 million of restructuring expenses, primarily related to severance, related to an initiative to reduce the corporate cost structure. The liability on the Combined Balance Sheet as of February 1, 2013 was not material.

Income Taxes

Deferred income tax assets and liabilities are based on the estimated future tax effects of differences between the financial and tax basis of assets and liabilities based on currently enacted tax laws. The tax balances and income tax expense recognized are based on management's interpretation of the tax laws of multiple jurisdictions. Income tax expense also reflects best estimates and assumptions regarding, among other things, the level of future taxable income and tax planning. Future changes in tax laws, changes in projected levels of taxable income, tax planning and adoption and implementation of new accounting standards could impact the effective tax rate and tax balances recorded.

For purposes of the Combined Financial Statements, the tax provision represents the tax attributable to these operations as if the Company were required to file a separate tax return. Sears Holdings pays all U.S. federal, state and local taxes attributable to the Lands' End business and the related taxes payable and tax payments are reflected directly in Net parent company investment in the Combined Balance Sheets. Taxes paid for our wholly owned foreign subsidiaries were \$5.3 million, \$7.7 million and \$12.8 million for 2012, 2011 and 2010, respectively.

Lands' End and Sears Holdings will enter into a tax sharing agreement (the "Tax Sharing Agreement") prior to the Separation which will generally govern Sears Holdings' and Lands' End's respective rights, responsibilities and obligations after the Separation with respect to liabilities for U.S. federal, state, local and foreign taxes attributable to the Lands' End business. In addition to the allocation of tax liabilities, the Tax Sharing Agreement will address the preparation and filing of tax returns for such taxes and disputes with taxing authorities regarding such taxes. Generally, Sears Holdings will be liable for all pre-separation U.S. federal, state and local income taxes. Lands' End generally will be liable for all other income taxes attributable to its business, including all foreign taxes.

Tax positions are recognized when they are more likely than not to be sustained upon examination. The amount recognized is measured as the largest amount of benefit that is more likely than not to be realized upon settlement. The Company is subject to periodic audits by the U.S. Internal Revenue Service ("IRS") and other state and local taxing authorities. These audits may challenge certain of the Company's tax positions such as the timing and amount of income and deductions and the allocation of taxable income to various tax jurisdictions. The Company evaluates its tax positions and establishes liabilities in accordance with the applicable accounting guidance on uncertainty in income taxes. These tax uncertainties are reviewed as facts and circumstances change

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and are adjusted accordingly. This requires significant management judgment in estimating final outcomes. Interest and penalties are classified as Income tax expense in the Combined Statements of Comprehensive Operations. See Note 3—Income Taxes.

Self-Insurance

The Company has a self-insured plan for health and welfare benefits and provides an accrual to cover the obligation. The accrual for the self-insured liability is based on claims filed and an estimate of claims incurred but not yet reported. The Company considers a number of factors, including historical claims information, when determining the amount of the accrual. Costs related to the administration of the plan and related claims are expensed as incurred. Total expenses were \$15.8 million, \$18.1 million and \$18.2 million for 2012, 2011 and 2010, respectively.

The Company also has a self-insured plan for certain costs related to workers' compensation. The Company obtains third-party insurance coverage to limit exposure to these self-insured risks.

Postretirement Benefit Plan

Effective January 1, 2006, the Company decided to indefinitely suspend eligibility to the postretirement medical plan for future company retirees. In addition, the Company elected to immediately recognize all existing net actuarial losses and prior service costs. All future actuarial gains or losses were recognized in the year they occurred and were not material in 2012, 2011 and 2010. The net liability of the plan was \$1.7 million and \$1.8 million as of February 1, 2013 and January 27, 2012, respectively, and is recorded in Other liabilities in the Combined Balance Sheets.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) encompasses all changes in equity other than those arising from transactions with stockholders, and is comprised solely of foreign currency translation adjustment and net income.

<i>(in thousands)</i>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Accumulated other comprehensive loss—foreign currency translation adjustments (net of tax of \$1,938, \$942 and \$1,133, respectively)	<u><u>\$ (3,161)</u></u>	<u><u>\$ (1,538)</u></u>	<u><u>\$ (1,849)</u></u>

New Accounting Pronouncements

Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss or a Tax Credit Carryforward Exists

In July 2013, the Financial Accounting Standards Board ("FASB") issued Auditing Standards Update ("ASU") 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss or a Tax Credit Carryforward Exists, which requires an unrecognized tax benefit to be presented as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward that the entity intends to use and is available for settlement at the reporting date. The update will be effective for the Company in the first quarter of 2014 and is not expected to have a material impact on the Company's combined financial position, results of operations, or cash flows.

Disclosures about Reclassification Adjustments out of Accumulated Other Comprehensive Income

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which requires entities to disclose additional information about reclassification

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adjustments, including changes in accumulated other comprehensive income balances by component and significant items reclassified out of accumulated other comprehensive income. The update will be effective in the first quarter of 2013, but is not expected to have a material impact on the Company's combined financial position, results of operations or cash flows.

Testing Indefinite-Lived Intangible Assets for Impairment

In July 2012, the FASB issued ASU No. 2012-02, Intangibles—Goodwill and Other: Testing Indefinite-Lived Intangible Assets for Impairment, which provides, subject to certain conditions, the option to perform a qualitative, rather than quantitative, assessment to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. The update will be effective in the first quarter of 2013 and may, under certain circumstances, reduce the complexity and costs of testing indefinite-lived intangible assets for impairment, but otherwise is not expected to have a material impact on the Company's combined financial position, results of operations or cash flows.

Testing Goodwill for Impairment

In September 2011, the FASB issued ASU No. 2011-08, Intangibles—Goodwill and Other: Testing Goodwill for Impairment, which gives companies testing goodwill for impairment the option of performing a qualitative assessment before calculating the fair value of a reporting unit in step one of the goodwill impairment test. If companies determine, based on qualitative factors, that the fair value of a reporting unit is more likely than not less than the carrying amount, the two-step impairment test would be required. Otherwise, further testing would not be needed. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, or effective for 2012 for the Company, with early adoption permitted. The update was adopted by the Company in 2012 and did not have a material impact on the combined financial position, results of operations or cash flows of the Company.

Presentation of Comprehensive Income

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income: Presentation of Comprehensive Income, which requires entities to report components of other comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements of net income and other comprehensive income. This ASU does not change the items that must be reported in other comprehensive income, how these items are measured, or when these items must be classified to net income. ASU 2011-05 is effective for financial statements issued by the Company after January 1, 2012, and must be applied retroactively for all periods presented in the financial statements. The Company adopted the provision of ASU 2011-05 to report components of other comprehensive income in a single continuous statement. The new guidance affected presentation only and therefore had no impact on results of operations, cash flows or financial position.

NOTE 3. INCOME TAXES

The Company's income before income taxes in the United States and in foreign jurisdictions was as follows for the years ended:

<i>(in thousands)</i>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Income before income taxes:			
United States	\$65,131	\$ 96,872	\$160,066
Foreign	<u>16,939</u>	<u>25,031</u>	<u>33,563</u>
Total income before income taxes	<u>\$82,070</u>	<u>\$121,903</u>	<u>\$193,629</u>

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The components of the provision for income taxes were as follows for the years ended:

<i>(in thousands)</i>	<u>2012</u>	<u>2011</u>	<u>2010</u>
United States	\$27,645	\$41,233	\$61,044
Foreign	4,598	4,436	11,321
Total provision	<u>\$32,243</u>	<u>\$45,669</u>	<u>\$72,365</u>
<i>(in thousands)</i>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current:			
Federal	\$18,892	\$36,397	\$52,520
State	5,678	6,049	5,143
Foreign	4,607	4,485	11,223
Total current	<u>29,177</u>	<u>46,931</u>	<u>68,886</u>
Deferred:			
Federal	3,725	(768)	900
State	(650)	(445)	2,481
Foreign	(9)	(49)	98
Total deferred	<u>3,066</u>	<u>(1,262)</u>	<u>3,479</u>
Total provision	<u>\$32,243</u>	<u>\$45,669</u>	<u>\$72,365</u>

A reconciliation of the statutory federal income tax rate to the effective income tax rate is as follows for the years ended:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Tax at statutory federal tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	4.0	3.0	2.6
Other, net	0.3	(0.5)	(0.2)
Total	<u>39.3%</u>	<u>37.5%</u>	<u>37.4%</u>

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Deferred tax assets and liabilities consisted of the following:

<i>(in thousands)</i>	February 1, 2013	January 27, 2012
Deferred tax assets:		
Inventory	\$ 5,165	\$ 8,089
Reserve for returns	4,750	4,598
Deferred revenue	3,684	3,535
Benefit plans	1,935	1,725
Property and equipment	1,793	—
Insurance reserves	910	1,035
Other	6,971	6,110
Total deferred tax assets	25,208	25,092
Deferred tax liabilities:		
Intangible assets	198,648	200,355
LIFO reserve	18,740	13,005
Unremitted foreign earnings	4,484	4,905
Catalog advertising	4,205	4,498
Property and equipment	—	640
Other	3,005	3,491
Total deferred tax liabilities	229,082	226,894
Net deferred tax liability	203,874	201,802
Less current deferred tax liability	7,315	263
Long-term deferred tax liability	\$ 196,559	\$ 201,539

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits (“UTB”) for the years ended is as follows:

<i>(in thousands)</i>	Federal, State and Foreign Tax		
	2012	2011	2010
Gross UTB balance at beginning of period	\$8,209	\$7,922	\$7,634
Tax positions related to the current period—increases	298	287	288
Tax positions related to the prior periods:			
Settlements	—	—	—
Lapse of statutes of limitations	—	—	—
Gross UTB balance at end of period	\$8,507	\$8,209	\$7,922

At the end of 2012, the Company had gross unrecognized tax benefits of \$8.5 million. Of this amount, \$5.5 million would, if recognized, impact our effective tax rate, with the remaining amount being comprised of unrecognized tax benefits related to gross temporary differences. The Company does not expect that unrecognized tax benefits will fluctuate in the next 12 months for tax audit settlements and the expiration of the statute of limitations for certain jurisdictions. Pursuant to the Tax Sharing Agreement, Sears Holdings will be responsible for any UTBs through the date of the Separation and, as such, they have been recorded in Net parent company investment on the Combined Balance Sheets.

The Company classifies interest expense and penalties related to unrecognized tax benefits and interest income on tax overpayments as components of income tax expense. As of February 1, 2013, the total amount of interest and penalties recognized on our balance sheet was \$4.3 million (\$2.8 million net of federal benefit). The total amount of net interest expense recognized in the Combined Statements of Comprehensive Operations was

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\$0.8 million, \$0.7 million and \$0.8 million for 2012, 2011 and 2010, respectively. We file income tax returns in both the United States and various foreign jurisdictions. The IRS has completed its examination of the 2008 and 2009 federal income tax returns of Sears Holdings. Sears Holdings is currently working with the IRS Appeals Division to resolve a single issue arising from these exams that is unrelated to the Company. Sears Holdings has resolved all matters arising from prior IRS exams. In addition, the Company is under examination by various state and foreign income tax jurisdictions for the years 2002–2012.

NOTE 4. LEASES

The Company leases stores, office space and warehouses under various leasing arrangements. As of February 1, 2013, the Company leases store space in 276 Sears Holdings store locations (see Note 11—Related Party) and 17 Lands' End Inlet Stores for a total of number of 293 retail stores. All leases are accounted for as operating leases. Operating lease obligations are based upon contractual minimum rents. Certain leases include renewal options.

Total rental expense under operating leases was \$34.5 million, \$35.5 million and \$35.6 million for 2012, 2011 and 2010, respectively.

Total future commitments under these operating leases (primarily leased Lands' End Shops at Sears space at Sears Holdings locations as described in Note 11—Related Party) as of February 1, 2013 are as follows (in thousands):

2013	\$31,103
2014	28,728
2015	27,557
2016	26,657
2017	26,075
Thereafter	29,386

NOTE 5. RETIREMENT PLAN

The Company has a 401(k) retirement plan, which covers most regular employees and allows them to make contributions. The Company also provides a matching contribution on a portion of the employee contributions. Total expense provided under this plan was \$3.6 million, \$3.6 million and \$3.5 million for 2012, 2011 and 2010, respectively.

NOTE 6. POSTRETIREMENT BENEFITS

The Company has a plan to provide group medical benefits for eligible retired employees. These insurance benefits will be funded through general assets of the Company. The costs of these insurance benefits are recognized as the eligible employees render service. Effective January 1, 2006, the Company decided to indefinitely suspend eligibility to the postretirement medical plan for future company retirees.

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The following table presents the change in the benefit obligation for the years ended:

<i>(in thousands)</i>	<u>2012</u>	<u>2011</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$1,772	\$1,882
Interest cost	70	87
Plan participants' contributions	32	51
Actuarial loss	29	59
Benefits paid	(225)	(307)
Benefit obligation at end of year, net amount recognized	<u>\$1,678</u>	<u>\$1,772</u>
Change in plan assets at fair value:		
Employer contributions	\$ 193	\$ 256
Plan participants' contributions	32	51
Benefits paid	(225)	(307)
Plan asset at end of year	<u>\$ —</u>	<u>\$ —</u>

The current portion of the liability for postretirement obligations is \$0.2 million at February 1, 2013, which the Company expects to pay during 2013.

The components of net periodic benefit cost for the years ended:

<i>(in thousands)</i>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Interest cost	\$ 70	\$ 87	\$109
Recognized net actuarial loss	29	59	101
Total postretirement benefit cost	<u>\$ 99</u>	<u>\$146</u>	<u>\$210</u>
Weighted-average assumption at end of year:			
Discount rate	4.2%	5.0%	6.0%

For measurement purposes, an 8.5% annual rate of increase in the per capita cost of covered health care benefits is assumed for 2013 and beyond to an ultimate downward trend rate of 5.0% for 2020 and remain at that level thereafter. An increase or decrease of one percentage point in the assumed health care trend rate would not have a material effect on the Combined Financial Statements.

NOTE 7. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Company determines fair value of financial assets and liabilities based on the following fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs—unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide ongoing pricing information.

Level 2 inputs—inputs other than quoted market prices included in Level 1 that are observable, either directly or indirectly, for the asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates.

Level 3 inputs—unobservable inputs for the asset or liability.

Cash, accounts receivable, accounts payable and other current liabilities are reflected on the Combined Balance Sheets at cost, which approximates fair value due to the short-term nature of these instruments.

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The following table provides the fair value measurement amounts for other financial assets and liabilities recorded on the Combined Balance Sheets at fair value:

<i>(in thousands)</i>	<u>February 1, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Restricted cash	\$ 3,300	\$3,300	\$ —	\$ —
	<u>January 27, 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Restricted cash	\$ 3,382	\$3,382	\$ —	\$ —

Restricted cash amounts are valued based upon statements received from financial institutions. There were no nonfinancial assets or nonfinancial liabilities recognized at fair value on a nonrecurring basis as of February 1, 2013 and January 27, 2012.

NOTE 8. GOODWILL AND INTANGIBLE ASSETS

Goodwill is the excess of the purchase price over the fair value of the net assets acquired in business combinations accounted for under the purchase method. The net carrying amounts of goodwill, trade names and customer lists are within the Direct segment of reportable business segments. There were no impairment charges recorded during any periods presented or since the goodwill and intangible assets were first recognized.

The following summarizes goodwill and intangible assets:

<i>(in thousands)</i>	<u>Useful Life</u>	<u>February 1, 2013</u>		<u>January 27, 2012</u>	
		<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Amortizing intangible assets:					
Customer lists	10	\$ 26,300	\$ 20,628	\$ 26,300	\$ 17,998
Indefinite-lived intangible assets:					
Trade names		528,300	—	528,300	—
Total intangible assets, net		\$554,600	\$ 20,628	\$554,600	\$ 17,998
Goodwill		<u>\$110,000</u>		<u>\$110,000</u>	

Annual Amortization Expense

2012	\$2,630
2011	2,630
2010	2,630

Estimated Future Amortization Expense

2013	\$2,630
2014	2,630
2015	412

NOTE 9. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

<i>(in thousands)</i>	<u>February 1, 2013</u>	<u>January 27, 2012</u>
Prepaid advertising costs	\$ 18,641	\$ 20,077
Other prepaid expenses	7,379	8,281
Total prepaid expenses and other current assets	\$ 26,020	\$ 28,358

[Table of Contents](#)**NOTE 10. OTHER CURRENT LIABILITIES**

Other current liabilities consisted of the following:

<i>(in thousands)</i>	February 1, 2013	January 27, 2012
Deferred gift card revenue	\$ 25,984	\$ 24,292
Accrued employee compensation and benefits	13,406	15,435
Reserve for sales returns and allowances	13,524	14,607
Deferred revenue	14,559	14,042
Other	12,277	15,684
Total other current liabilities	<u>\$ 79,750</u>	<u>\$ 84,060</u>

NOTE 11. RELATED PARTY

The Company and Sears Holdings or its subsidiaries have entered into various agreements to support the Lands' End Shops at Sears; various general corporate services; and use of intellectual property or services. Unless indicated otherwise, the fees and expenses charged are included in Selling and administrative expenses in the Combined Statements of Comprehensive Operations. The costs and allocations charged to the Company by Sears Holdings do not necessarily reflect the costs of obtaining the services from unaffiliated third parties or of the Company providing the applicable services itself. Management believes such allocations are reasonable; however, the Combined Financial Statements contained herein may not be indicative of the Company's financial position, operating results, and cash flows in the future, or what they would have been if it had been a standalone company during all periods presented.

The components of the transactions between the Company and Sears Holdings are as follows:

Lands' End Shops at Sears

Related party costs charged by Sears Holdings to the Company related to Lands' End Shops at Sears for 2012, 2011 and 2010 are as follows:

<i>(in thousands)</i>	2012	2011	2010
Rent, CAM and occupancy costs	\$29,232	\$30,100	\$30,392
Retail services, store labor	39,399	43,791	42,207
Supply chain costs	2,569	2,764	2,850
Financial services and payment processing	3,261	3,238	3,043
Total expenses	<u>\$74,461</u>	<u>\$79,893</u>	<u>\$78,492</u>
Number of Lands' End Shops at Sears at year end	<u>276</u>	<u>289</u>	<u>292</u>

Rent, CAM and Occupancy Costs

The Company rents space in Sears Holdings store locations. The agreements include a cost per square foot for rent, common area maintenance ("CAM") and occupancy costs. The terms of the current rental agreements are generally five to seven years and expire at various points in time.

Retail Services, Store Labor

The Company contracts with Sears Roebuck to provide hourly labor and required systems and tools to service customers in the Lands' End Shops at Sears. This includes dedicated staff to directly engage with the customer and allocated overhead. The dedicated staff undergoes specific Lands' End brand training. Required tools include point-of-sale, price management and labor scheduling systems.

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Supply Chain Costs

The Company contracts with Sears Holdings Management Corporation, a subsidiary of Sears Holdings (“SHMC”), to provide logistics, handling and transportation, third party warehousing, and other services, primarily based upon inventory units processed, to assist in the flow of merchandise from vendors to the Lands’ End Shops at Sears locations.

Financial Services and Payment Processing

The Company contracts with SHMC to provide retail financing and payment solutions, primarily based upon customer credit card activity, including third-party payment acceptance, credit cards, and gift cards.

General Corporate Services

Related party costs charged by Sears Holdings to the Company for general corporate services for 2012, 2011 and 2010 are as follows:

<i>(in thousands)</i>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Sourcing	\$10,118	\$13,298	\$9,575
Shop Your Way	4,586	4,181	—
Shared services	819	477	65
Co-location and services	118	—	—
Total expenses	<u>\$15,641</u>	<u>\$17,956</u>	<u>\$9,640</u>

Sourcing

The Company contracts with Sears Holdings Global Sourcing, Ltd., a subsidiary of Sears Holdings, to provide agreed upon buying agency services in foreign territories from where the Company purchases merchandise. These services, primarily based upon inventory levels, include quality-control functions, regulatory compliance, delivery schedule tracking, product claims management and new vendor identification. These amounts are included in Cost of sales in the Combined Statements of Comprehensive Operations.

Shop Your Way

The Company participates in Sears Holdings’ Shop Your Way (“SYW”) member loyalty program. Customers earn points on purchases which may be redeemed to pay for future purchases. The expense for customer points earned is recognized as customers earn them and is recorded in Cost of sales in the Combined Statements of Comprehensive Operations. Sears Holdings began allocating SYW costs in 2011.

Shared Services

Sears Holdings provides the Company with certain shared corporate services. These shared services include financing services (which includes use of the Private Label Letter of Credit program), treasury services (including tax and risk management), insurance coverage, shipping costs, legal counseling and compliance.

Co-Location and Services

The Company contracts with SHMC to host and support certain redundant information technology hardware, software and operations at the Sears Data Center in Troy, Michigan, for disaster mitigation and recovery efforts. The agreement began in 2012.

[Table of Contents](#)**Use of Intellectual Property or Services**

Related party revenue charged by the Company to Sears Holdings for use of intellectual property or services provided for the years ended is as follows:

<i>(in thousands)</i>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Royalty income	\$ 97	\$ 276	\$ 502
Call center services	1,539	1,362	862
Gift card revenue	1,213	1,063	1,233
Credit card revenue	1,329	1,520	1,278
Total income	<u>\$4,178</u>	<u>\$4,221</u>	<u>\$3,875</u>

Royalty Income

The Company entered into two licensing agreements—one with Sears Canada, Inc. (“Sears Canada”) and one with a subsidiary of Sears Holdings—whereby royalties are paid in consideration for sharing or use of intellectual property. The licensing agreement with Sears Canada terminated in 2011. Royalties received under these agreements are included in Merchandise sales and services, net in the Combined Statements of Comprehensive Operations.

Call Center Services

The Company has entered into a contract with SHMC to provide call center services in support of Sears Holdings’ SYW program. This income is net of agreed upon costs directly attributable for the Company providing these services. The income is included in Merchandise sales and services, net and costs are included in Selling and administrative expenses in the Combined Statements of Comprehensive Operations.

Gift Card Revenue

The Company has entered into a contract with SHC Promotions LLC, a subsidiary of Sears Holdings (“SHCP”), to provide gift certificates, gift cards and store credits (“Credits”) for use by the Company. The Company offers Credits for sale on behalf of SHCP and redeems such Credits via the Company’s Internet websites, retail stores, and other retail outlets for merchandise. The Company receives a commission fee on the face value for each card sold. SHCP receives a transaction/redemption fee for each card the Company redeems. The income is included in Merchandise sales and services, net in the Combined Statements of Comprehensive Operations.

Credit Card Revenue

The Company has entered into a contract with SHMC to provide credit cards for customer sales transactions. The Company earns revenue based on the dollar volume of merchandise sales and receives a fee based on the generation of new credit card accounts. This income is included in Merchandise sales and services, net in the Combined Statements of Comprehensive Operations.

NOTE 12. SEGMENT REPORTING

The Company is a leading multi-channel retailer of casual clothing, accessories and footwear, as well as home products and has two reportable segments: Direct and Retail. Both segments sell similar products—apparel, which includes accessories and footwear, and products for the home. Apparel and home revenues constituted over 99% of total revenues during 2012, 2011 and 2010. The Company identifies reportable segments according to how business activities are managed and evaluated. Each of the Company’s operating segments are reportable segments and are strategic business units that offer similar products and services but are sold either directly from our warehouses (Direct) or through our retail stores (Retail). Adjusted Earnings before Interest,

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Taxes, Depreciation and Amortization (“Adjusted EBITDA”) is the primary measure used to make decisions on allocating resources and assessing performance of each operating segment. Adjusted EBITDA is computed as Income before income taxes appearing on the Combined Statements of Comprehensive Operations, net of interest expense, depreciation and amortization and other significant items which, while periodically affecting our results, may vary significantly from period to period and have a disproportionate effect in a given period, which affects comparability of results. Reportable segment assets are those directly used in or clearly allocable to an operating segment’s operations. Depreciation, amortization and property and equipment expenditures are recognized in each respective segment. There were no material transactions between reporting segments for 2012, 2011 and 2010, respectively.

- The Direct segment sells products through the Company’s e-commerce websites and direct mail catalogs. Operating costs consist primarily of direct marketing costs (catalog and e-commerce advertising costs); order processing and shipping costs; direct labor and benefit costs and facility costs. Assets primarily include goodwill and trade name intangible assets, inventory, accounts receivable, prepaid expenses (deferred catalog costs), technology infrastructure, and property and equipment.
- The Retail segment sells products and services through the Company’s standalone Lands’ End Inlet stores and dedicated Lands’ End Shops at Sears across the United States. Operating costs consist primarily of labor and benefit costs; rent, CAM and occupancy costs; distribution costs and in-store marketing costs. Assets primarily include inventory in the retail stores, fixtures and leasehold improvements.

Corporate overhead and other expenses include unallocated shared-service costs, which primarily consist of employee services and financial services, legal and corporate expenses. These expenses include labor and benefit costs, corporate headquarters occupancy costs and other administrative expenses. Assets include corporate headquarters and facilities, corporate cash and deferred income taxes.

Financial information by segment is presented as follows for the years ended:

	Direct	Retail	Corporate/ Other	Total
2012				
Merchandise sales and services, net	\$1,304,009	\$281,821	\$ 97	\$1,585,927
Cost and expenses:				
Cost of sales (excluding depreciation and amortization)	705,992	175,825	—	881,817
Selling and administrative	459,106	111,646	28,164	598,916
Depreciation and amortization	17,173	4,606	1,342	23,121
Other operating expense, net	—	—	70	70
Total costs and expenses	<u>1,182,271</u>	<u>292,077</u>	<u>29,576</u>	<u>1,503,924</u>
Operating income (loss)	121,738	(10,256)	(29,479)	82,003
Other income, net	—	—	67	67
Income (loss) before income taxes	121,738	(10,256)	(29,412)	82,070
Other income, net	—	—	67	67
Depreciation and amortization	17,173	4,606	1,342	23,121
Restructuring costs	2,479	—	—	2,479
Loss on sale of property and equipment	—	—	70	70
Adjusted EBITDA	<u>\$ 141,390</u>	<u>\$ (5,650)</u>	<u>\$ (28,067)</u>	<u>\$ 107,673</u>
Total assets	<u>\$1,088,351</u>	<u>\$ 78,796</u>	<u>\$ 50,575</u>	<u>\$1,217,722</u>
Capital expenditures	<u>\$ 14,657</u>	<u>\$ 84</u>	<u>\$ 252</u>	<u>\$ 14,993</u>

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	Direct	Retail	Corporate/ Other	Total
2011				
Merchandise sales and services, net	\$1,427,874	\$297,477	\$ 276	\$1,725,627
Cost and expenses:				
Cost of sales (excluding depreciation and amortization)	782,279	177,332	—	959,611
Selling and administrative	474,818	121,857	24,345	621,020
Depreciation and amortization	16,138	5,238	1,310	22,686
Other operating expense, net	—	—	502	502
Total costs and expenses	<u>1,273,235</u>	<u>304,427</u>	<u>26,157</u>	<u>1,603,819</u>
Operating income (loss)	154,639	(6,950)	(25,881)	121,808
Other income, net	—	—	95	95
Income (loss) before income taxes	154,639	(6,950)	(25,786)	121,903
Other income, net	—	—	95	95
Depreciation and amortization	16,138	5,238	1,310	22,686
Loss on sale of property and equipment	—	—	502	502
Adjusted EBITDA	<u>\$ 170,777</u>	<u>\$ (1,712)</u>	<u>\$ (24,069)</u>	<u>\$ 144,996</u>
Total assets	<u>\$1,117,550</u>	<u>\$ 85,318</u>	<u>\$ 36,055</u>	<u>\$1,238,923</u>
Capital expenditures	<u>\$ 13,452</u>	<u>\$ 918</u>	<u>\$ 749</u>	<u>\$ 15,119</u>

	Direct	Retail	Corporate/ Other	Total
2010				
Merchandise sales and services, net	\$1,379,240	\$275,832	\$ 502	\$1,655,574
Cost and expenses:				
Cost of sales (excluding depreciation and amortization)	674,920	158,694	—	833,614
Selling and administrative	467,689	123,018	24,755	615,462
Depreciation and amortization	15,599	5,086	1,278	21,963
Other operating income, net	—	—	(9,049)	(9,049)
Total costs and expenses	<u>1,158,208</u>	<u>286,798</u>	<u>16,984</u>	<u>1,461,990</u>
Operating income (loss)	221,032	(10,966)	(16,482)	193,584
Other income, net	—	—	45	45
Income (loss) before income taxes	221,032	(10,966)	(16,437)	193,629
Other income, net	—	—	45	45
Depreciation and amortization	15,599	5,086	1,278	21,963
Gain on litigation settlement	—	—	(9,051)	(9,051)
Loss on disposal of property and equipment	—	—	2	2
Adjusted EBITDA	<u>\$ 236,631</u>	<u>\$ (5,880)</u>	<u>\$ (24,253)</u>	<u>\$ 206,498</u>
Total assets	<u>\$1,058,141</u>	<u>\$ 85,932</u>	<u>\$ 42,512</u>	<u>\$1,186,585</u>
Capital expenditures	<u>\$ 15,497</u>	<u>\$ 2,144</u>	<u>\$ 1,353</u>	<u>\$ 18,994</u>

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Merchandise sales and services, net are allocated based upon the location of receipt by the customer. The following presents summarized geographical information:

<i>(in thousands)</i>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Merchandise sales and services, net:(1)			
United States	\$ 1,282,803	\$ 1,402,189	\$ 1,347,513
Europe	199,548	214,590	203,187
Asia	59,731	64,813	62,480
Other foreign	43,845	44,035	42,394
Total merchandise sales and services, net	<u>\$ 1,585,927</u>	<u>\$ 1,725,627</u>	<u>\$ 1,655,574</u>

<i>(in thousands)</i>	<u>2012</u>	<u>2011</u>
Property and equipment, net:(1)		
United States	\$ 94,068	\$ 99,693
Europe	14,732	14,813
Asia	921	539
Total property and equipment, net	<u>\$109,721</u>	<u>\$115,045</u>

- (1) No one country is greater than 10% of total merchandise sales and services, net or of total property and equipment, net except the United Kingdom, which had total property and equipment, net of \$13,751 as of February 1, 2013 and \$14,026 as of January 27, 2012.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is involved in various claims, legal proceedings and investigations, including those described below. While it is not feasible to predict the outcome of such pending claims, proceedings and investigations with certainty, management is of the opinion that their ultimate resolution should not have a material adverse effect on our financial position, cash flows, or results of operations, except where noted below.

The Company is party to various legal proceedings arising in the ordinary course of business. These actions include commercial, intellectual property, employment, regulatory, and product liability claims. Some of these actions involve complex factual and legal issues and are subject to uncertainties. There are no material legal proceedings presently pending, except for routine litigation incidental to the business to which the Company is a party or of which any of its property is the subject, and the matters described below. The Company believes that the outcome of any current legal proceeding would not have a material adverse effect on results of operations, cash flows, or financial position taken as a whole.

Beginning in 2005, the Company initiated the first of several claims in Iowa County Circuit Court against the City of Dodgeville to recover overpaid taxes resulting from the city's excessive assessment of the Company's headquarters campus. As of December 5, 2013, the courts reviewing these claims have ordered the city to return, and the city has refunded, over \$3.2 million in excessive taxes and interest to the Company, including approximately \$1.6 million for the case involving the 2005 and 2006 tax years that was recognized in 2009, and a partial recovery of approximately \$1.6 million for the consolidated cases, involving the 2007, 2009 and 2010 tax years, recognized in 2013 and for which the Company has appealed seeking the remainder of our claim of \$1.2 million plus additional interest. In September 2013, the Wisconsin Court of Appeals awarded the Company \$725,000 in tax reimbursement plus an as-yet uncalculated amount of interest on the Company's claim relating to the 2008 tax year, which the City of Dodgeville has not yet paid and has appealed. Excluding the claim relating to the 2005 and 2006 tax years for which all appeals have been exhausted, the Company believes its outstanding claims covering the still-disputed tax years from 2007 through 2012 may yield a potential aggregate recovery from the City of Dodgeville of up to \$4.6 million, none of which has been recorded in the Combined Financial Statements.

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The Company was a party involved in litigation that resulted in a favorable settlement of \$10.6 million, reduced by \$1.5 million for legal fees and expenses, relating to a breach of contract and trade secret matter. The gain was recorded during 2010 in Other operating (income) expense, net in the Combined Statements of Comprehensive Operations.

Tax Contingencies

While the Company believes all taxes have been paid or accrued based on correct interpretations of applicable law, tax laws are complex and interpretations differ from state to state. It is possible that taxing authorities may make additional assessments in the future. In addition to taxes, penalties and interest, these assessments could cause the Company to incur legal fees associated with resolving disputes with taxing authorities.

Lands' End and Sears Holdings will enter into a Tax Sharing Agreement prior to the Separation which will generally govern Sears Holdings' and Lands' End's respective rights, responsibilities and obligations after the Separation with respect to liabilities for U.S. federal, state, local and foreign taxes attributable to the Lands' End business. In addition to the allocation of tax liabilities, the Tax Sharing Agreement will address the preparation and filing of tax returns for such taxes and disputes with taxing authorities regarding such taxes. Generally, Sears Holdings will be liable for all pre-separation U.S. federal, state and local taxes, other than non-income taxes that are accrued and unpaid as of the distribution date. Lands' End generally will be liable for all other taxes attributable to its business, including all foreign taxes.

Pledged Assets

Sears Holdings' domestic credit facility and senior secured notes are (1) secured, in part, by a first lien on certain of the Company's assets consisting primarily of the inventory and credit card receivables directly or indirectly owned by the Company and one of its subsidiaries; and (2) guaranteed by the Company and such subsidiary. The asset balances were \$297.5 million and \$298.4 million as of February 1, 2013 and January 27, 2012, respectively. The Company expects that this lien and these guarantee obligations will be released prior to the completion of the Separation.

NOTE 14. SUBSEQUENT EVENTS

Lands' End evaluated subsequent events for recognition or disclosure through December 5, 2013, the date the Combined Financial Statements were available to be issued. In May 2013, the Company received payments of \$1.6 million from the City of Dodgeville relating to overpaid property taxes. See Note 13—Commitments and Contingencies for additional detail.

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LANDS' END BUSINESS OF SEARS HOLDINGS CORPORATION
Condensed Combined Statements of Comprehensive Operations
for 39 Weeks Ended November 1, 2013 and October 26, 2012
(unaudited)

<i>(in thousands)</i>	39 Weeks Ended	
	November 1, 2013	October 26, 2012
REVENUES		
Merchandise sales and services, net	\$ 1,032,447	\$ 1,040,421
COSTS AND EXPENSES		
Cost of sales (excluding depreciation and amortization)	553,735	553,222
Selling and administrative	408,782	430,812
Depreciation and amortization	16,253	16,618
Other operating expense, net	59	65
Total costs and expenses	978,829	1,000,717
Operating income	53,618	39,704
Other income, net	33	66
Income before income taxes	53,651	39,770
Income tax expense	20,747	15,679
NET INCOME	32,904	24,091
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustment	104	(16)
COMPREHENSIVE INCOME	\$ 33,008	\$ 24,075

See accompanying Notes to Condensed Combined Financial Statements.

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LANDS' END BUSINESS OF SEARS HOLDINGS CORPORATION
Condensed Combined Balance Sheets
at November 1, 2013, October 26, 2012 and February 1, 2013
(unaudited)

<i>(in thousands)</i>	November 1, 2013	October 26, 2012	February 1, 2013
ASSETS			
Current assets			
Cash	\$ 16,331	\$ 11,358	\$ 28,257
Restricted cash	3,300	3,303	3,300
Accounts receivable, net	38,648	41,331	27,079
Inventories, net	463,957	503,463	378,526
Prepaid expenses and other current assets	37,602	36,247	26,020
Total current assets	<u>559,838</u>	<u>595,702</u>	<u>463,182</u>
Property and equipment			
Land, buildings and improvements	103,462	103,328	103,173
Furniture, fixtures and equipment	73,473	70,465	71,400
Computer hardware and software	62,579	59,319	63,667
Leasehold improvements	12,509	12,461	12,660
Gross property and equipment	252,023	245,573	250,900
Less accumulated depreciation	152,861	136,915	141,179
Total property and equipment, net	99,162	108,658	109,721
Goodwill	110,000	110,000	110,000
Intangible assets, net	531,999	534,629	533,972
Other assets	617	946	847
TOTAL ASSETS	<u>\$1,301,616</u>	<u>\$1,349,935</u>	<u>\$1,217,722</u>
LIABILITIES AND PARENT COMPANY EQUITY			
Current liabilities			
Accounts payable	\$ 139,393	\$ 149,826	\$ 106,665
Deferred tax liabilities	7,954	5,401	7,315
Other current liabilities	97,086	85,822	79,750
Total current liabilities	244,433	241,049	193,730
Long-term deferred tax liabilities	194,966	199,953	196,559
Other liabilities	3,233	3,307	4,196
TOTAL LIABILITIES	<u>442,632</u>	<u>444,309</u>	<u>394,485</u>
Commitments and contingencies			
Net parent company investment	862,041	907,180	826,398
Accumulated other comprehensive loss	(3,057)	(1,554)	(3,161)
Total parent company equity	858,984	905,626	823,237
TOTAL LIABILITIES AND PARENT COMPANY EQUITY	<u>\$1,301,616</u>	<u>\$1,349,935</u>	<u>\$1,217,722</u>

See accompanying Notes to Condensed Combined Financial Statements.

LANDS' END BUSINESS OF SEARS HOLDINGS CORPORATION
Condensed Combined Statements of Cash Flows
for 39 Weeks Ended November 1, 2013 and October 26, 2012
(unaudited)

<i>(in thousands)</i>	39 Weeks Ended	
	November 1, 2013	October 26, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 32,904	\$ 24,091
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	16,253	16,618
Loss on disposal of property and equipment	59	65
Deferred income taxes	3,407	(1,577)
Change in operating assets and liabilities:		
Inventories	(84,982)	(107,385)
Accounts payable	30,010	58,492
Other operating assets	(22,991)	(18,052)
Other operating liabilities	14,394	(5,191)
Net cash used in operating activities	<u>(10,946)</u>	<u>(32,939)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of property and equipment	9	—
Change in restricted cash	—	79
Purchases of property and equipment	(3,629)	(8,894)
Net cash used in investing activities	<u>(3,620)</u>	<u>(8,815)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions from parent company, net	2,739	37,719
Net cash provided by financing activities	<u>2,739</u>	<u>37,719</u>
Effects of exchange rate changes on cash	(99)	(221)
NET DECREASE IN CASH	(11,926)	(4,256)
CASH, BEGINNING OF PERIOD	28,257	15,614
CASH, END OF PERIOD	<u>\$ 16,331</u>	<u>\$ 11,358</u>
SUPPLEMENTAL INFORMATION:		
Supplemental Cash Flow Data:		
Unpaid liability to acquire property and equipment	<u>\$ 1,584</u>	<u>\$ 252</u>

See accompanying Notes to Condensed Combined Financial Statements.

LANDS' END BUSINESS OF SEARS HOLDINGS CORPORATION
Condensed Combined Statements of Changes in Parent Company Equity
for 39 Weeks Ended November 1, 2013 and October 26, 2012
(unaudited)

<i>(in thousands)</i>	Net Parent Company Investment	Accumulated Other Comprehensive Loss	Total Parent Company Equity
Balance at January 27, 2012	\$845,370	\$ (1,538)	\$ 843,832
Net income	24,091	—	24,091
Cumulative translation adjustment, net of tax	—	(16)	(16)
Contributions to parent company, net	37,719	—	37,719
Balance at October 26, 2012	<u>\$907,180</u>	<u>\$ (1,554)</u>	<u>\$ 905,626</u>
Balance at February 1, 2013	\$826,398	\$ (3,161)	\$ 823,237
Net income	32,904	—	32,904
Cumulative translation adjustment, net of tax	—	104	104
Contributions to parent company, net	2,739	—	2,739
Balance at November 1, 2013	<u>\$862,041</u>	<u>\$ (3,057)</u>	<u>\$ 858,984</u>

See accompanying Notes to Condensed Combined Financial Statements.

**LANDS' END BUSINESS OF SEARS HOLDINGS CORPORATION
NOTES TO UNAUDITED CONDENSED COMBINED FINANCIAL STATEMENTS**

NOTE 1. BACKGROUND AND BASIS OF PRESENTATION

Background

The Lands' End business of Sears Holdings Corporation ("Lands' End," "we," "us," "our" or the "Company") is a leading multi-channel retailer of casual clothing, accessories and footwear, as well as home products. We offer products through catalogs, online at www.landsend.com and affiliated specialty and international websites, and through retail locations, primarily at Lands' End Shops at Sears and standalone Lands' End Inlet stores that sell a combination of full-price and liquidation merchandise. We are a classic American lifestyle brand with a passion for quality, legendary service and real value, and we seek to deliver timeless style for men, women, kids and the home. Lands' End was founded 50 years ago in Chicago by Gary Comer and his partners to sell sailboat hardware and equipment by catalog. While our product focus has shifted significantly over the years, we have continued to adhere to our founder's motto as one of our guiding principles: "Take care of the customer, take care of the employee and the rest will take care of itself."

Sears Holdings Corporation announced its intention to separate its Lands' End business from the rest of its businesses. Sears Holdings Corporation and its subsidiaries ("Sears Holdings") will transfer all the remaining assets and liabilities of Lands' End that are held at the corporate level to Lands' End, Inc. and its subsidiaries prior to the completion of the distribution (the "Separation").

Basis of Presentation

The financial data presented herein is unaudited and should be read in conjunction with the Combined Financial Statements and accompanying notes as of February 1, 2013 and January 27, 2012 and for the three Fiscal Years ended February 1, 2013, January 27, 2012 and January 28, 2011 included elsewhere in this information statement. In the opinion of management, the financial data presented includes all adjustments necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented. Results for interim periods should not be considered indicative of results for the full year. Our business is seasonal in nature, and we generate a high proportion of our revenues and operating cash flows during the fourth quarter of our fiscal year, which includes the holiday season.

Our historical Condensed Combined Financial Statements have been prepared on a standalone basis and have been derived from the consolidated financial statements of Sears Holdings and accounting records of Sears Holdings. The Condensed Combined Financial Statements include Lands' End, Inc. and subsidiaries and certain other items related to the Lands' End business which are currently held by Sears Holdings, primarily the Lands' End Shops at Sears. These items will be contributed by Sears Holdings to Lands' End, Inc. prior to the Separation. These historical Condensed Combined Financial Statements reflect our financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States ("GAAP").

The Condensed Combined Financial Statements include the allocation of certain assets and liabilities that have historically been held at the Sears Holdings level but which are specifically identifiable or allocable to Lands' End. All intracompany transactions and accounts have been eliminated. All intercompany transactions between Sears Holdings and Lands' End are considered to be effectively settled in the Condensed Combined Financial Statements at the time the transactions are recorded. The total net effect of the settlement of these intercompany transactions is reflected in the Condensed Combined Statements of Cash Flows as a financing activity and in the Condensed Combined Balance Sheets as Net parent company investment.

As business operations of Sears Holdings, we do not maintain our own tax and certain other corporate support functions. We expect to enter into agreements with Sears Holdings for the continuation of certain of these services. These expenses have been allocated to Lands' End based on direct usage or benefit where identifiable, with the remainder allocated on a pro rata basis of revenue, headcount, square footage or other

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measures. Lands' End considers the expense allocation methodology and results to be reasonable for all periods presented. However, the costs and allocations charged to the Company by Sears Holdings do not necessarily reflect the costs of obtaining the services from unaffiliated third parties or of the Company providing the applicable services itself. The condensed combined interim financial information contained herein may not be indicative of the Company's financial position, operating results and cash flows in the future, or what they would have been if it had been a standalone company during all periods presented. See Note 5—Related Party.

Historically, Sears Holdings has provided financing, cash management and other treasury services to us. Our cash balances are swept by Sears Holdings and historically, we have received funding from Sears Holdings for our operating and investing cash needs. Cash and restricted cash held by Sears Holdings were not allocated to Lands' End unless the cash or restricted cash were held by an entity that will be transferred to Lands' End. Sears Holdings' third-party debt and the related interest expense has not been allocated to us for any of the periods presented as we were not the legal obligor of the debt and the Sears Holdings borrowings were not directly attributable to our business.

NOTE 2. INCOME TAXES

Lands' End and Sears Holdings will enter into a tax sharing agreement (the "Tax Sharing Agreement") prior to the Separation which will generally govern Sears Holdings' and Lands' End's respective rights, responsibilities and obligations after the Separation with respect to liabilities for U.S. federal, state, local and foreign taxes attributable to the Lands' End business. In addition to the allocation of tax liabilities, the Tax Sharing Agreement will address the preparation and filing of tax returns for such taxes and disputes with taxing authorities regarding such taxes. Generally, Sears Holdings will be liable for all pre-separation U.S. federal, state and local income taxes. Lands' End generally will be liable for all other income taxes attributable to its business, including all foreign taxes.

As of November 1, 2013, the Company had gross unrecognized tax benefits ("UTBs") of \$8.6 million. Of this amount, \$5.6 million would, if recognized, impact the effective tax rate with the remaining amount being comprised of unrecognized tax benefits related to gross temporary differences. The Company does not expect that UTBs will fluctuate in the next 12 months for tax audit settlements and the expiration of the statutes of limitations for certain jurisdictions. Pursuant to the Tax Sharing Agreement, Sears Holdings will generally be responsible for UTBs through the date of the Separation and, as such, they have been classified in Net parent company investment on the Condensed Combined Balance Sheets.

The Company classifies interest expense and penalties related to UTBs and interest income on tax overpayments as components of income tax expense. As of November 1, 2013, the total amount of interest and penalties recognized on the Condensed Combined Balance Sheet was \$4.6 million (\$3.0 million net of federal benefit). The total amount of net interest expense recognized in the Condensed Combined Statements of Comprehensive Operations was \$0.2 million and \$0.3 million for the 39 weeks ended November 1, 2013 and October 26, 2012, respectively. The Company files income tax returns in both the United States and various foreign jurisdictions. The IRS has completed its examination of the 2008 and 2009 federal income tax returns of Sears Holdings. Sears Holdings is currently working with the U.S. Internal Revenue Service ("IRS") Appeals Division to resolve a single issue arising from these exams that is unrelated to the Company. Sears Holdings has resolved all matters arising from prior IRS exams. In addition, the Company is under examination by various state and foreign income tax jurisdictions for the years 2002-2012.

NOTE 3. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Company determines fair value of financial assets and liabilities based on the following fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs—unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occurs with sufficient frequency and volume to provide ongoing pricing information.

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Level 2 inputs—inputs other than quoted market prices included in Level 1 that are observable, either directly or indirectly, for the asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates.

Level 3 inputs—unobservable inputs for the asset or liability.

Cash, accounts receivable, accounts payable and other current liabilities are reflected on the Condensed Combined Balance Sheets at cost, which approximates fair value due to the short-term nature of these instruments.

The following table provides the fair value measurement amounts for other financial assets and liabilities recorded on the Condensed Combined Balance Sheets at fair value.

<i>(in thousands)</i>	<u>November 1, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Restricted cash	\$ 3,300	\$3,300	\$ —	\$ —
	<u>October 26, 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Restricted cash	\$ 3,303	\$3,303	\$ —	\$ —
	<u>February 1, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Restricted cash	\$ 3,300	\$3,300	\$ —	\$ —

Restricted cash amounts are valued based upon statements received from financial institutions. There were no nonfinancial assets or nonfinancial liabilities recognized at fair value on a nonrecurring basis as of November 1, 2013, October 26, 2012 or February 1, 2013.

NOTE 4. GOODWILL AND INTANGIBLE ASSETS

Goodwill is the excess of the purchase price over the fair value of the net assets acquired in business combinations accounted for under the purchase method. The net carrying amount of goodwill, trade names and customer lists are within the Direct segment of reportable business segments. Total amortization expense relating to intangible assets was \$2.0 million for both the 39 weeks ended November 1, 2013 and October 26, 2012. There were no impairments of goodwill or intangible assets during these periods.

The following summarizes goodwill and intangible assets:

<i>(in thousands)</i>	Useful Life	<u>November 1, 2013</u>		<u>October 26, 2012</u>		<u>February 1, 2013</u>	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizing intangible assets:							
Customer lists	10	\$ 26,300	\$ 22,601	\$ 26,300	\$ 19,971	\$ 26,300	\$ 20,628
Indefinite-lived intangible assets:							
Trade names		528,300	—	528,300	—	528,300	—
Total intangible assets, net		<u>\$554,600</u>	<u>\$ 22,601</u>	<u>\$554,600</u>	<u>\$ 19,971</u>	<u>\$554,600</u>	<u>\$ 20,628</u>
Goodwill		<u>\$110,000</u>		<u>\$110,000</u>		<u>\$110,000</u>	

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Estimated Future Amortization Expense	
2013	\$ 658
2014	2,630
2015	411

NOTE 5. RELATED PARTY

The Company and Sears Holdings or its subsidiaries have entered into various agreements to support the Lands' End Shops at Sears; various general corporate services; and use of intellectual property or services. Unless indicated otherwise, the fees and expenses charged are included in selling and administrative expenses in the Condensed Combined Statements of Comprehensive Operations. These allocations may not be indicative of the actual expenses we would have incurred as a standalone company or of the costs we will incur in the future.

The components of the transactions between the Company and Sears Holdings are as follows:

Lands' End Shops at Sears

Related party costs charged by Sears Holdings to the Company related to Lands' End Shops at Sears are as follows:

<i>(in thousands)</i>	39 Weeks Ended	
	November 1, 2013	October 26, 2012
Rent, CAM and occupancy costs	\$ 21,017	\$ 22,224
Retail services, store labor	25,225	29,228
Supply chain costs	1,619	1,894
Financial services and payment processing	2,220	2,171
Total expenses	\$ 50,081	\$ 55,517
Number of Lands' End Shops at Sears at period end	275	279

Rent, CAM and Occupancy Costs

The Company rents space in Sears Holdings store locations. The agreements include a cost per square foot for rent, common area maintenance ("CAM") and occupancy costs.

Retail Services, Store Labor

The Company contracts with Sears, Roebuck and Co. to provide hourly labor and required systems and tools to service customers in the Lands' End Shops at Sears. This includes dedicated staff to directly engage with the customer and allocated overhead. The dedicated staff undergoes specific Lands' End brand training. Required tools include point-of-sale, price management and labor scheduling systems.

Supply Chain Costs

The Company contracts with Sears Holdings Management Corporation, a subsidiary of Sears Holdings ("SHMC"), to provide logistics, handling, transportation and other services, primarily based upon inventory units processed, to assist in the flow of merchandise from vendors to the Lands' End Shops at Sears locations. Prior to 2013, the Company also contracted with SHMC to provide third-party warehousing.

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Financial Services and Payment Processing

The Company contracts with SHMC to provide retail financing and payment solutions. These costs were allocated to the Company primarily based upon customer credit card activity, including third-party payment acceptance, credit cards and gift cards.

General Corporate Services

Related party costs charged by Sears Holdings to the Company for general corporate services are as follows:

<i>(in thousands)</i>	39 Weeks Ended	
	November 1, 2013	October 26, 2012
Sourcing	\$ 7,725	\$ 7,853
Shop Your Way	5,127	3,130
Shared services	294	601
Co-location and services	19	112
Total expenses, net	<u>\$ 13,165</u>	<u>\$ 11,696</u>

Sourcing

The Company contracts with Sears Holdings Global Sourcing, Ltd., a subsidiary of Sears Holdings, to provide agreed upon buying agency services in foreign territories from where the Company purchases merchandise. These services, allocated to the Company primarily based upon inventory levels, include quality-control functions, regulatory compliance, delivery schedule tracking, product claims management and new vendor identification. These amounts are included in Cost of sales in the Condensed Combined Statements of Comprehensive Operations.

Shop Your Way

The Company participates in Sears Holdings' Shop Your Way ("SYW") member loyalty program. Customers earn points on purchases which may be redeemed to pay for future purchases. The expense for customer points earned is recognized as customers earn them and is recorded in Cost of sales in the Condensed Combined Statements of Comprehensive Operations.

Shared Services

Sears Holdings provides the Company with certain shared corporate services. These shared services include financing services (which includes use of the Private Label Letter of Credit program), treasury services (including tax and risk management), insurance coverage, shipping costs, legal counseling and compliance.

Co-Location and Services

The Company contracts with SHMC to host and support certain redundant information technology hardware, software and operations for disaster mitigation and recovery efforts at the Sears Data Center in Troy, Michigan.

[Table of Contents](#)**Use of Intellectual Property or Services**

Related party revenue charged by the Company to Sears Holdings for the use of intellectual property or services is as follows:

<i>(in thousands)</i>	39 Weeks Ended	
	November 1, 2013	October 26, 2012
Royalty income	\$ 77	\$ 80
Call center services	890	900
Gift card revenue	772	582
Credit card revenue	863	826
Total income	\$ 2,602	\$ 2,388

Royalty Income

The Company entered into a licensing agreement with a subsidiary of Sears Holdings whereby royalties are paid in consideration for sharing or use of intellectual property. Royalties received under this agreement are included in Merchandise sales and services, net in the Condensed Combined Statements of Comprehensive Operations.

Call Center Services

The Company has entered into a contract with SHMC to provide call center services in support of Sears Holdings' SYW program. This income is net of agreed upon costs directly attributable for the Company providing these services. The income is included in Merchandise sales and services, net and costs are included in Selling and administrative expenses in the Condensed Combined Statements of Comprehensive Operations.

Gift Card Revenue

The Company has entered into a contract with SHC Promotions LLC, a subsidiary of Sears Holdings ("SHCP"), to provide gift certificates, gift cards and store credits ("Credits") for use by the Company. The Company offers Credits for sale on behalf of SHCP and redeems such Credits via the Company's Internet websites, retail stores and other retail outlets for merchandise. The Company receives a commission fee on the face value for each card sold. SHCP receives a transaction/redemption fee for each card the Company redeems. The income is included in Merchandise sales and services, net in the Condensed Combined Statements of Comprehensive Operations.

Credit Card Revenue

The Company has entered into a contract with SHMC to provide credit cards for customer sales transactions. The Company earns revenue based on the dollar volume of merchandise sales and receives a fee based on the generation of new credit card accounts. This income is included in Merchandise sales and services, net in the Condensed Combined Statements of Comprehensive Operations.

NOTE 6. SEGMENT REPORTING

The Company is a leading multi-channel retailer of casual clothing, accessories and footwear, as well as home products, and has two reportable segments: Direct and Retail. Both segments sell similar products—apparel, which includes accessories and footwear, and products for the home. Apparel and home revenues constituted over 99% of total revenues during each of the 39 weeks ended November 1, 2013 and October 26, 2012. The Company identifies reportable segments according to how business activities are managed

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and evaluated. Each of the Company's operating segments are reportable segments and are strategic business units that offer similar products and services but are sold either directly from our warehouses (Direct) or through our retail stores (Retail). Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") is the primary measure used to make decisions on allocating resources and assessing performance of each operating segment. Adjusted EBITDA is computed as Income before taxes appearing on the Condensed Combined Statements of Comprehensive Operations net of interest expense, depreciation and amortization and other significant items which, while periodically affecting our results, may vary significantly from period to period and have a disproportionate effect in a given period, which affects comparability of results. Reportable segment assets are those directly used in or clearly allocable to an operating segment's operations. Depreciation, amortization, and property and equipment expenditures are recognized in each respective segment. There were no material transactions between reporting segments for the 39 weeks ended November 1, 2013 and October 26, 2012.

- The Direct segment sells products through the Company's e-commerce websites and direct mail catalogs. Operating costs consist primarily of direct marketing costs (catalog and e-commerce advertising costs); order processing and shipping costs; direct labor and benefit costs and facility costs. Assets primarily include goodwill and trade name intangible assets, inventory, accounts receivable, prepaid expenses (deferred catalog costs), technology infrastructure, and property and equipment.
- The Retail segment sells products and services through the Company's standalone Lands' End Inlet stores and dedicated Lands' End Shops at Sears across the United States. Operating costs consist primarily of labor and benefit costs; rent, CAM and occupancy costs; distribution costs; and in-store marketing costs. Assets primarily include inventory in the retail stores, fixtures and leasehold improvements.

The Corporate overhead and other expenses include unallocated shared-service costs, which primarily consist of employee services and financial services, legal and corporate expenses. These expenses include labor and benefit costs, corporate headquarters occupancy costs and other administrative expenses. Assets include corporate headquarters and facilities, corporate cash and deferred income taxes. Financial information by segment is presented in the following tables for the 39 weeks ended November 1, 2013 and October 26, 2012.

SUMMARY OF SEGMENT DATA

<i>(in thousands)</i>	<u>Direct</u>	<u>Retail</u>	<u>Corporate/ Other</u>	<u>Total</u>
39 Weeks Ended November 1, 2013				
Merchandise sales and services, net	\$ 860,774	\$171,596	\$ 77	\$1,032,447
Costs and expenses:				
Cost of sales (excluding depreciation and amortization)	455,794	97,941	—	553,735
Selling and administrative	316,882	75,476	16,424	408,782
Depreciation and amortization	12,590	2,655	1,008	16,253
Other operating expense, net	—	—	59	59
Total costs and expenses	<u>785,266</u>	<u>176,072</u>	<u>17,491</u>	<u>978,829</u>
Operating income (loss)	75,508	(4,476)	(17,414)	53,618
Other income, net	—	—	33	33
Income (loss) before income taxes	75,508	(4,476)	(17,381)	53,651
Other income, net	—	—	33	33
Depreciation and amortization	12,590	2,655	1,008	16,253
Loss on sale of property and equipment	—	—	59	59
Adjusted EBITDA	<u>\$ 88,098</u>	<u>\$ (1,821)</u>	<u>\$ (16,347)</u>	<u>\$ 69,930</u>
Total assets	<u>\$1,176,621</u>	<u>\$ 90,149</u>	<u>\$ 34,846</u>	<u>\$1,301,616</u>
Capital expenditures	<u>\$ 3,356</u>	<u>\$ —</u>	<u>\$ 273</u>	<u>\$ 3,629</u>

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	<u>Direct</u>	<u>Retail</u>	<u>Corporate/ Other</u>	<u>Total</u>
39 Weeks Ended October 26, 2012				
Merchandise sales and services, net	\$ 852,063	\$188,278	\$ 80	\$1,040,421
Costs and expenses:				
Cost of sales (excluding depreciation and amortization)	445,716	107,506	—	553,222
Selling and administrative	325,422	83,032	22,358	430,812
Depreciation and amortization	12,023	3,591	1,004	16,618
Other operating expense, net	—	—	65	65
Total costs and expenses	<u>783,161</u>	<u>194,129</u>	<u>23,427</u>	<u>1,000,717</u>
Operating income (loss)	68,902	(5,851)	(23,347)	39,704
Other income, net	—	—	66	66
Income (loss) before income taxes	68,902	(5,851)	(23,281)	39,770
Other income, net	—	—	66	66
Depreciation and amortization	12,023	3,591	1,004	16,618
Restructuring costs	1,951	—	—	1,951
Loss on sale of property and equipment	—	—	65	65
Adjusted EBITDA	<u>\$ 82,876</u>	<u>\$ (2,260)</u>	<u>\$ (22,278)</u>	<u>\$ 58,338</u>
Total assets	<u>\$1,215,895</u>	<u>\$103,242</u>	<u>\$ 30,798</u>	<u>\$1,349,935</u>
Capital expenditures	<u>\$ 8,710</u>	<u>\$ 84</u>	<u>\$ 100</u>	<u>\$ 8,894</u>

NOTE 7. COMMITMENTS AND CONTINGENCIES**Legal Proceedings**

The Company is party to various legal proceedings arising in the ordinary course of business. These actions include commercial, intellectual property, employment, regulatory and product liability claims. Some of these actions involve complex factual and legal issues and are subject to uncertainties. There are no material legal proceedings presently pending, except for routine litigation incidental to the business to which the Company is a party or of which any of its property is the subject, and the matters described below. The Company does not believe that the outcome of any current legal proceeding would have a material adverse effect on results of operations, cash flows or financial position taken as a whole.

Beginning in 2005, the Company initiated the first of several claims in Iowa County Circuit Court against the City of Dodgeville to recover overpaid taxes resulting from the city's excessive assessment of the Company's headquarters campus. As of January 10, 2014, the courts reviewing these claims have ordered the city to return, and the city has refunded, over \$3.2 million in excessive taxes and interest to the Company, including approximately \$1.6 million for the case involving the 2005 and 2006 tax years that was recognized in 2009, and a partial recovery of approximately \$1.6 million for the consolidated cases, involving the 2007, 2009 and 2010 tax years, recognized in 2013 within Selling and administrative costs in the Condensed Combined Statement of Comprehensive Operations and for which the Company has appealed seeking the remainder of our claim of \$1.2 million plus additional interest. In September 2013, the Wisconsin Court of Appeals awarded the Company \$725,000 in tax reimbursement plus an as-yet uncalculated amount of interest on the Company's claim relating to the 2008 tax year, which the City of Dodgeville has not yet paid and has appealed. Excluding the claim relating to the 2005 and 2006 tax years for which all appeals have been exhausted, the Company believes its outstanding claims covering the still-disputed tax years from 2007 through 2012 may yield a potential aggregate recovery from the City of Dodgeville of up to \$4.6 million, none of which has been recorded in the Condensed Combined Financial Statements.

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While the Company believes all taxes have been paid or accrued based on correct interpretations of applicable law, tax laws are complex and interpretations differ from state to state. It is possible that taxing authorities may make additional assessments in the future. In addition to taxes, penalties and interest, these assessments could cause the Company to incur legal fees associated with resolving disputes with taxing authorities.

Lands' End and Sears Holdings will enter into a Tax Sharing Agreement prior to the Separation which will generally govern Sears Holdings' and Lands' End's respective rights, responsibilities and obligations after the Separation with respect to liabilities for U.S. federal, state, local and foreign taxes attributable to the Lands' End business. In addition to the allocation of tax liabilities, the Tax Sharing Agreement will address the preparation and filing of tax returns for such taxes and disputes with taxing authorities regarding such taxes. Generally, Sears Holdings will be liable for all pre-separation U.S. federal, state and local taxes, other than non-income taxes that are accrued and unpaid as of the distribution date. Lands' End generally will be liable for all other taxes attributable to its business, including all foreign taxes.

Pledged Assets

Sears Holdings' domestic credit facility and senior secured notes are (1) secured, in part, by a first lien on certain of the Company's assets consisting primarily of the inventory and credit card receivables directly or indirectly owned by the Company and one of its subsidiaries; and (2) guaranteed by the Company and such subsidiary. The asset balances were \$391.6 million, \$297.5 million and \$416.5 million as of November 1, 2013, February 1, 2013 and October 26, 2012, respectively. The Company expects that this lien and these guarantee obligations will be released prior to the completion of the Separation.

NOTE 8. SUPPLEMENTAL FINANCIAL INFORMATION

Prepaid expenses and other current assets consisted of the following at the periods ended:

<i>(in thousands)</i>	November 1, 2013	October 26, 2012	February 1, 2013
Prepaid advertising costs	\$ 25,299	\$ 22,568	\$ 18,641
Other prepaid expenses	12,303	13,679	7,379
Total prepaid expenses and other current assets	\$ 37,602	\$ 36,247	\$ 26,020

Other current liabilities consisted of the following at the periods ended:

<i>(in thousands)</i>	November 1, 2013	October 26, 2012	February 1, 2013
Deferred gift card revenue	\$ 25,983	\$ 24,560	\$ 25,984
Accrued employee compensation and benefits	15,233	13,129	13,406
Reserve for sales returns and allowances	16,463	10,379	13,524
Deferred revenue	24,030	20,223	14,559
Accrued property, sales and other taxes	3,911	1,430	2,909
Other	11,466	16,101	9,368
Total other current liabilities	\$ 97,086	\$ 85,822	\$ 79,750

Comprehensive income—no amounts were reclassified out of Accumulated other comprehensive loss during any of the periods presented.

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In the third quarter of 2012, the Company incurred approximately \$2.0 million of restructuring costs related to the reduction of call center staff and streamlining overall business operations. These actions were taken to address consumer needs and the continued growth in digital commerce in the Company's Direct segment and were completed in the fourth quarter of 2012 with the overall cost being approximately \$2.5 million. These costs were primarily severance and related costs recognized in Selling and administrative expense in the Condensed Combined Statement of Comprehensive Operations. Approximately \$1.6 million of remaining payments were included in Accounts payable in the Condensed Combined Balance Sheet as of October 26, 2012. There were no remaining payments in the Condensed Combined Balance Sheet as of November 1, 2013.

NOTE 9. NEW ACCOUNTING PRONOUNCEMENTS

Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss or a Tax Credit Carryforward Exists

In July 2013, the Financial Accounting Standards Board ("FASB") issued Auditing Standards Update ("ASU") 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss or a Tax Credit Carryforward Exists, which requires an unrecognized tax benefit to be presented as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward that the entity intends to use and is available for settlement at the reporting date. The update will be effective for the Company in the first quarter of 2014 and is not expected to have a material impact on the Company's combined financial position, results of operations or cash flows.

Disclosures about Reclassification Adjustments out of Accumulated Other Comprehensive Income

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which requires entities to disclose additional information about reclassification adjustments, including changes in accumulated other comprehensive income balances by component and significant items reclassified out of accumulated other comprehensive income. The update was effective in the first quarter of 2013 and did not have a material impact on the Company's combined financial position, results of operations or cash flows.

Testing Indefinite-Lived Intangible Assets for Impairment

In July 2012, the FASB issued ASU No. 2012-02, Intangibles—Goodwill and Other: Testing Indefinite-Lived Intangible Assets for Impairment, which provides, subject to certain conditions, the option to perform a qualitative, rather than quantitative, assessment to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. The update was effective in the first quarter of 2013 and may, under certain circumstances, reduce the complexity and costs of testing indefinite-lived intangible assets for impairment, but otherwise did not have a material impact on the Company's combined financial position, results of operations or cash flows.

NOTE 10. SUBSEQUENT EVENTS

Lands' End evaluated subsequent events for recognition or disclosure through January 10, 2014, the date the Condensed Combined Financial Statements were available to be issued.