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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS
AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

Annual Report pursuant to Section 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2006.

or

Transition Report pursuant to Section 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____.

Commission file number 000-51217

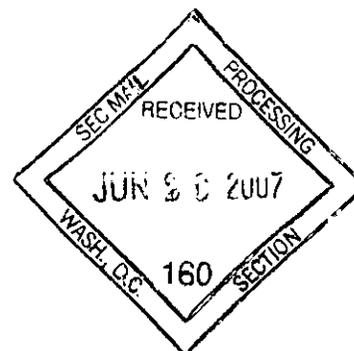
A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

KMART RETIREMENT SAVINGS PLAN FOR PUERTO RICO EMPLOYEES

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

SEARS HOLDINGS CORPORATION
3333 BEVERLY ROAD
HOFFMAN ESTATES, IL 60179

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THOMSON
FINANCIAL



***Kmart Retirement Savings
Plan for Puerto Rico
Employees***

*Financial Statements as of December 31, 2006
and 2005, and for the Year Ended December 31,
2006, Supplemental Schedule as of
December 31, 2006, and
Report of Independent Registered
Public Accounting Firm*

KMART RETIREMENT SAVINGS PLAN FOR PUERTO RICO EMPLOYEES

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(Supplemental schedules not listed are omitted due to the absence of conditions under which they are required.)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Participants of
Kmart Retirement Savings Plan for Puerto Rico Employees:

We have audited the accompanying statements of net assets available for benefits of Kmart Retirement Savings Plan for Puerto Rico Employees (the "Plan") as of December 31, 2006 and 2005, and the related statement of changes in net assets available for benefits for the year ended December 31, 2006. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 financial statements are free of material misstatement. The Plan 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 Plan'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 financial statements present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2006 and 2005, and the changes in net assets available for benefits for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at year end) as of December 31, 2006, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplementary information by fund in the statement of net assets available for benefits as of December 31, 2006, and the statement of changes in net assets available for benefits for the year then ended is presented for the purpose of additional analysis rather than to present the net assets available for benefits and changes in net assets available for benefits of the individual funds. The supplemental schedule and supplementary information by fund are the responsibility of the Plan's management. Such supplemental schedule and supplementary information by fund have been subjected to the auditing procedures applied in our audit of the basic 2006 financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic 2006 financial statements taken as a whole.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Participants of
Kmart Retirement Savings Plan for Puerto Rico Employees:

We have audited the accompanying statements of net assets available for benefits of Kmart Retirement Savings Plan for Puerto Rico Employees (the "Plan") as of December 31, 2006 and 2005, and the related statement of changes in net assets available for benefits for the year ended December 31, 2006. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 financial statements are free of material misstatement. The Plan 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 Plan'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 financial statements present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2006 and 2005, and the changes in net assets available for benefits for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at year end) as of December 31, 2006, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplementary information by fund in the statement of net assets available for benefits as of December 31, 2006, and the statement of changes in net assets available for benefits for the year then ended is presented for the purpose of additional analysis rather than to present the net assets available for benefits and changes in net assets available for benefits of the individual funds. The supplemental schedule and supplementary information by fund are the responsibility of the Plan's management. Such supplemental schedule and supplementary information by fund have been subjected to the auditing procedures applied in our audit of the basic 2006 financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic 2006 financial statements taken as a whole.

**KMART RETIREMENT SAVINGS PLAN FOR
PUERTO RICO EMPLOYEES**

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

AS OF DECEMBER 31, 2006

(Thousands of dollars)

ASSETS	Total	Supplementary Information	
		Participant-Directed Funds	Sears Holdings Stock Fund
INVESTMENTS IN MASTER TRUST AT FAIR VALUE (Note 4):			
Investment securities and other	\$ 4,399	\$ 4,034	\$ 365
Participant notes receivable	<u>52</u>	<u>52</u>	
Total plan interest in master trust at fair value	<u>4,451</u>	<u>4,086</u>	<u>365</u>
RECEIVABLES:			
Employer contribution	<u>105</u>	<u>102</u>	<u>3</u>
Total receivables	<u>105</u>	<u>102</u>	<u>3</u>
NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE	4,556	4,188	368
ADJUSTMENT FROM FAIR VALUE TO CONTRACT VALUE FOR FULLY BENEFIT-RESPONSIVE INVESTMENT CONTRACTS	<u>26</u>	<u>26</u>	
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 4,582</u>	<u>\$ 4,214</u>	<u>\$ 368</u>

See notes to financial statements.

KMART RETIREMENT SAVINGS PLAN FOR PUERTO RICO EMPLOYEES

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS OF DECEMBER 31, 2005 (Thousands of dollars)

ASSETS

INVESTMENTS AT FAIR VALUE (Note 3):

Registered investment companies	\$ 285
Group annuity contracts	325
Collective short-term investment fund	<u>80</u>
Total investments at fair value	<u>690</u>

RECEIVABLES:

Interest and other income	<u>22</u>
Total receivables	<u>22</u>
Total assets	<u>712</u>

LIABILITIES

PAYABLES:

Cash overdraft	5
Due to brokers and others	<u>2</u>
Total payables	<u>7</u>
Total liabilities	<u>7</u>

NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE 705

ADJUSTMENT FROM FAIR VALUE TO CONTRACT VALUE
FOR FULLY BENEFIT-RESPONSIVE INVESTMENT CONTRACTS 8

NET ASSETS AVAILABLE FOR BENEFITS \$ 713

See notes to financial statements.

KMART RETIREMENT SAVINGS PLAN FOR PUERTO RICO EMPLOYEES

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED DECEMBER 31, 2006

(Thousands of dollars)

ADDITIONS	Total	Supplementary Information	
		Participant-Directed Funds	Sears Holdings Stock Fund
INVESTMENT INCOME (Note 3):			
Net appreciation in fair value of investments	\$ 16	\$ 16	\$
Dividend, interest and other	1	1	
Net investment income	17	17	
INVESTMENT INCOME IN MASTER TRUST (Note 4):			
Investment income	305	276	29
Operating fund (loss)	(38)	(38)	
Interest on participant notes receivable	3	3	
Total plan interest in master trust investment income	270	241	29
CONTRIBUTIONS:			
Employee	628	621	7
Employer - cash	368	363	5
Total contributions	996	984	12
Total additions	1,283	1,242	41
DEDUCTIONS			
WITHDRAWALS	630	630	
ADMINISTRATIVE EXPENSE	2	2	
PLAN INTEREST IN MASTER TRUST ADMINISTRATIVE EXPENSE	12	12	
Total deductions	644	644	
NET INCREASE	639	598	41
FUND TRANSFERS		(327)	327
NET ASSETS TRANSFERRED FROM KMART RETIREMENT SAVINGS PLAN (Note 1)	3,280	3,280	
NET ASSETS TRANSFERRED TO SEARS HOLDINGS 401(k) SAVINGS PLAN (Note 1)	(50)	(50)	
NET ASSETS AVAILABLE FOR BENEFITS:			
January 1	713	713	
December 31	\$ 4,582	\$ 4,214	\$ 368

See notes to financial statements.

KMART RETIREMENT SAVINGS PLAN FOR PUERTO RICO EMPLOYEES

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2006 AND 2005

1. DESCRIPTION OF PLAN

History and Purpose - Kmart Holding Corporation ("Kmart" or the "Company") established the Kmart Retirement Savings Plan for Puerto Rico Employees (the "Plan") by the execution and adoption of a plan document (the "Plan Document"), dated April 1, 2005. The Plan was established for the benefit of employees of Kmart who reside in the Commonwealth of Puerto Rico. The Plan Document has been amended from time to time. The following description of the Plan provides only general information. Participants should refer to the Plan Document for complete information.

In March 2005, Kmart merged with Sears, Roebuck and Co. (the "Merger") and became a wholly-owned subsidiary of Sears Holdings Corporation ("Holdings"). Kmart is still the sponsor of the Plan.

Prior to April 1, 2005, Kmart Puerto Rico employees participated in the Kmart Retirement Savings Plan (the "Kmart RSP"). Assets in the trust for the Plan at December 31, 2005 are attributable to current-year contributions, earnings and losses thereon, participant distributions, and an initial transfer of cash from the Kmart RSP to cover initial operating requirements. Assets held in the Kmart RSP attributable to those Kmart employees residing in Puerto Rico who were participants in the Kmart RSP remained in the trust for the Kmart RSP through the close of business March 31, 2006, when such assets were transferred to the trust for the Plan, which coincided with the merger of the Kmart RSP into the Sears Holdings 401(k) Savings Plan (the "Sears Plan").

Also by the close of business March 31, 2006, the Plan assets became held for safekeeping and commingled for investment purposes with the participating plans under The Sears Holdings 401(k) Savings Plan Master Trust (the "Master Trust"), based on a custodial arrangement between the trustee for this Plan and the trustee for the Master Trust.

At December 31, 2006, residual cash funds that had been transferred to the Plan from the Kmart RSP at its formation in April 2005 and held separately from participant investment funds for operating purposes were returned to the Sears Plan, the successor Plan of the Kmart RSP, to cover uncashed benefit payment checks dated prior to April 2005.

Administration - The administration of the Plan's operations is the sole responsibility of the Plan Administrator. Prior to January 1, 2007, Kmart had designated itself as the Plan Administrator for all purposes of the Employee Retirement Income Security Act of 1974 ("ERISA"). Effective as of January 1, 2007, the Plan was amended to name the Sears Holdings Corporation Administrative Committee as Plan Administrator for all purposes of ERISA, consisting of employees of Sears Holdings Corporation and Sears Holdings Management Corporation.

Banco Popular de Puerto Rico has been appointed and serves as trustee of the Plan. State Street Bank and Trust Company serves as the trustee (the "Master Trustee") for the Master Trust and holds the investments of the Plan under the terms of a trust agreement. Prior to April 1, 2006, Mellon Trust of New England, N.A. ("Mellon") and Banco Santander Puerto Rico were trustees of the Plan. Since April

1, 2006, CitiStreet, a joint venture of State Street Corporation and Citigroup, has served as the Plan recordkeeper. Prior to April 1, 2006, Prudential Investments was the Plan's recordkeeper.

The Investment Committee, as appointed by unanimous written consent of the Board of Directors of the Company manages and controls the investment of the assets of the Plan. Watson Wyatt Investment Consulting has been appointed to serve as investment advisor. Effective as of January 1, 2007, the Investment Committee was replaced by Sears Holdings Corporation Investment Committee, consisting of employees of Sears Holdings Corporation and Sears Holdings Management Corporation.

Certain expenses incurred in connection with the operation of the Plan are paid from Master Trust assets. Brokers' commissions and related expenses on transactions in portfolio securities are also paid from Master Trust assets. Compensation to members of the Investment Committee is paid by the applicable employer.

Eligibility - Prior to April 1, 2006, salaried employees of Kmart were immediately eligible to participate in the Plan, and hourly employees of Kmart were eligible to participate in the Plan 90 days after date of hire. Effective April 1, 2006, a full-time or part-time employee of Kmart is eligible for participation on the first day of the third month following the date of hire.

Participants' Contributions and Investment Options - An eligible employee becomes a participant by making contributions to the Plan. Except as may be limited by applicable Puerto Rico law, a participant may contribute up to 10 percent of eligible annual compensation through a combination of pre-tax and after-tax contributions.

Effective April 1, 2006, assets in the Plan, except for those in three legacy funds described below, were transferred into comparable investment funds offered by the Sears Plan. Participants may direct that pre-tax and after-tax contributions be invested in any combination of the following investment funds: the Sears Holdings Stock Fund, which invests principally in Sears Holdings Corporation stock; the Stable Value Fund; the Bond Fund; the S&P 500 Index Fund; the Small-Mid Value Equity Fund; the Small-Mid Growth Equity Fund; the Large Value Equity Fund; the Large Growth Equity Fund; the International Equity Fund; any of five Age-Based Lifecycle Funds; and the Self-Managed Brokerage Fund, through which a participant may invest in any number of mutual funds, common stock and other investments. Participants are fully vested in their contributions and earnings thereon.

The Kmart Stable Value Fund and the Kmart Conservative and Moderate Portfolios continue in the Plan as legacy funds, to which participants can make no further contributions. Assets in these funds will be transferred to comparable investment options over a three-year period.

Employer Contributions - The Kmart matching contribution is fixed at 100 percent of the first three percent and 50 percent of the next two percent of the eligible compensation deferred by employees ("Company contribution").

Prior to April 1, 2006, the Company contribution was in cash and was invested in the available investment funds offered by the Plan, as elected by each participant. Effective April 1, 2006, the Company contribution is made quarterly and is payable in cash or stock, or a combination of both. If in cash, it is invested based on participants' pre-tax contribution elections. If in stock, it is invested in Sears Holdings Stock Fund. Contributions are available for diversification on receipt.

To be eligible for the Company contribution, a participant must have one year of service and be credited with 1,000 hours of service by that date. Participants are 100 percent vested in Company contributions for pay periods on or after April 1, 2005. For assets transferred from the Kmart RSP as of the close of

business March 31, 2006, participants are vested in Company contributions made prior to April 1, 2005 based on specific vesting schedules. Participants should refer to the Plan document for a more complete description of the Plan's vesting provisions.

Effective April 1, 2006, a discretionary matching contribution was added to the Plan. Discretionary matching contributions, if any, are subject to a three-year cliff vesting schedule. There was no discretionary matching contribution in 2006.

Participant Accounts - Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's contribution, allocation of the Company's contribution and earnings and losses thereon and is charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined in the Plan Document.

Participant Loans - Participants may borrow from their Plan before-tax, after-tax, and rollover contribution accounts as soon as the total balance permits and if the request is in accordance with Plan provisions, up to the lesser of \$50,000 or 50% of the vested account balance. The minimum loan amount and repayment period are \$1,000 and 12 months, respectively. The maximum loan term is five years, or fifteen years for a loan for the initial purchase of a principal residence of the participant. The interest rate is the prime rate plus one percent as of the date the loan is issued. Participants are not allowed to have more than one outstanding loan at a time.

Withdrawals - Prior to April 1, 2006, participants could elect to withdraw all or a portion of the value of their after-tax contributions at any time. A withdrawal could be made up to the value of a participant's supplemental after-tax contributions account without penalty. In accordance with Plan provisions, supplemental contributions are defined as any contributions a participant contributes to the Plan in a pay period in excess of the participant's basic contributions. A participant's basic contribution refers to the five percent of eligible compensation that the participant contributes (before-tax or after-tax). If a withdrawal exceeds the value of a participant's supplemental after-tax contributions, Company contributions will be suspended for a six-month period. Participants could elect a withdrawal from their rollover accounts, provided that all of their after-tax contributions had already been withdrawn. Upon the transfer of assets from the Kmart RSP to this Plan in March 2006, the vested portion of the Company contributions in those accounts made prior to April 1, 2005 may be withdrawn after five years of participation in the Plan, provided that all of a participant's after-tax and rollover contributions have already been withdrawn. In the event of such a withdrawal, Company contributions will be suspended for a six-month period.

Also prior to April 1, 2006, a withdrawal of before-tax contributions could be made at the election of a participant only after the withdrawal of the value of all of the participant's after-tax and rollover contributions and withdrawable Company contributions and either (i) the participant has attained the age of 59 ½, or (ii) such withdrawal is required in order to meet a qualifying financial hardship, as defined by the Plan. In the event of such a withdrawal, Company contributions will be suspended for a six-month period.

On or after April 1, 2006, a participant may elect, no more frequently than once in a six month period, to withdraw (without terminating employment), an amount not less than \$250 (or the remaining balance if such is less than \$250), provided that if the participant has not attained the age of 59 ½, the withdrawal can not exceed the sum of (a) the balance of the participant's after-tax contribution account plus (b) the amount of the participant's Company contributions made prior to April 1, 2005, provided further that if the participant has not been a participant in the Plan (or the Kmart RSP or Kmart Retirement Savings Plan for Manteno Distribution Center Union Employees) for at least five years, the amount in (b) above shall be reduced by the Company contributions credited to the participant's accounts for any portion of

the last two years. Participants may elect a withdrawal from their rollover accounts, provided that all of their after-tax contributions have already been withdrawn.

A withdrawal of after-tax plus before-tax contributions (excluding earnings on before-tax contributions) may be made at the election of a participant only after the withdrawal of the value of all of the other withdrawable contributions available to the participant and such withdrawal is required in order to meet a qualifying financial hardship, as defined by the Plan. If a participant has attained age 59 ½, a withdrawal of before-tax contributions (excluding earnings on before-tax contributions) may be made at the election of a participant only after the withdrawal of the value of all of the other withdrawable contributions available to the participant.

Withdrawals will be based on values as of the asset valuation date as to which the withdrawal request is effective, and will be paid when practicable after the appropriate values are determined. Withdrawals will not terminate participation in the Plan or, except for hardship withdrawals, affect the continuation of participant-directed contributions. Amounts withdrawn may not be repaid to the Plan.

Forfeited Accounts - At December 31, 2006 and 2005, forfeited nonvested employer contributions were de minimus. Forfeitures are used to reinstate previously forfeited balances of rehired employees, pay reasonable expenses of the Plan, and offset future employer contributions. During the year ended December 31, 2006, no forfeitures were used to offset employer contributions.

Termination of Participation - Participation in the Plan ceases after termination of employment, except any participant terminating with account balances in excess of \$1,000 who requests deferral of distribution remains a participant until he or she receives a full distribution of his or her account balances.

Termination of the Plan - Although it has not expressed any intent to do so, the Board of Directors of Kmart Holding Corporation may, at its sole discretion amend, suspend, or terminate the Plan at any time, provided, however, that no amendment, suspension, or termination of the Plan shall have any effect of diverting the assets of the funds to purposes other than the exclusive benefit of participants and their beneficiaries, or the payment of reasonable administrative expenses of the Plan. In the event of the Plan's termination, each participant's account balance will be fully vested. The assets of the Plan shall be distributed to Plan participants on the basis of their respective interests in the Plan, as soon as practicable, to the extent permitted by the Internal Revenue Code.

ERISA - The Plan is subject to certain provisions of Titles I and II of ERISA relating to reporting and disclosure, participation and vesting, and fiduciary responsibility. The Plan is not subject to the minimum funding standards of Titles I and II and the provisions of Title IV of ERISA, which provide for insurance of benefits payable on Plan termination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies followed by the Plan:

Basis of Accounting - The Plan's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The Plan utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

New Accounting Pronouncement - As described in Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the "FSP"), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measure for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. As required by the FSP, the Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as an additional line item showing an adjustment of fully benefit-responsive contracts from fair value to contract value. The financial statements reflect the retroactive adoption of the FSP. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis and was not affected by the adoption of the FSP. The adoption of the FSP did not impact the amount of net assets available for benefits previously reported at December 31, 2005.

Investment Valuation and Income Recognition - The Plan's investments are presented at fair value. Quoted market prices are used to determine the fair value of the Plan's investments. Shares of registered investment companies (mutual funds) and common collective trusts are valued at the net asset value of shares held by the Plan and the Master Trust at December 31, 2005 and 2006, respectively. Participant notes receivable are valued at cost which approximates fair value.

Investments in the Stable Value Fund and the legacy Kmart Stable Value and Kmart Conservative and Moderate Portfolio funds are valued at fair value and then adjusted to contract value (investments made, plus interest accrued at the contract rate, less withdrawals and fees).

The Stable Value Fund, an investment fund offered by the Plan since April 1, 2006, is invested in three stable value funds that are common collective investment trust funds ("trusts"). The trusts may invest in guaranteed investment contracts, synthetic guaranteed investment contracts, bank investment contracts, other investment contracts, repurchase agreements, other common collective trusts, short-term investment funds or other cash equivalents. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. The average yield of the Stable Value Fund for the nine-month period ended December 31, 2006 was 3.48%, and the crediting interest rate at December 31, 2006 was 4.77%. The crediting interest rate is based on the performance of the underlying portfolio of investments.

Prior to and after April 1, 2006, the Plan and Master Trust, respectively, held investments in two fully benefit-responsive group annuity contracts with Prudential Insurance Company of America ("Prudential"). These investments are held in the legacy Kmart Stable Value Fund and the Kmart Conservative and Moderate Portfolio funds. By letter dated February 14, 2006, Holdings gave formal notice to Prudential to terminate the contracts. Prudential agreed to liquidate the assets in four installments over a three-year period in accordance with contract provisions. Such payments will not be subject to a market value adjustment. The first two payments were made on March 31, 2006 and 2007.

Prudential may not terminate the contracts at any amount less than contract value. These provisions of the Prudential contracts do not impact the participant's ability to transfer money from this investment. Prudential maintains the balances in individual separate accounts. Group annuity contracts are included in the financial statements at fair value as determined by Prudential and then adjusted to contract value. The accounts are credited daily with interest on the balances in the separate accounts. The interest rate received is established quarterly by Prudential but cannot be less than three percent and is not based upon the investment performance in the separate accounts as defined by the contract with Prudential. The average earnings yield for these contracts, computed by dividing the annualized actual earnings credited to the plan on the last day of the plan year by the end of plan year fair value, was 3.54% and 3.27% for 2006 and 2005, respectively. The average crediting rate, computed by dividing the annualized earnings credited to participants on the last day of the plan year by the end of plan year fair value, was 3.54% and 3.27% for 2006 and 2005, respectively.

The Plan's investment in the Master Trust is presented at fair value, which has been determined based on the fair value of the underlying investments of the Master Trust, as described above.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date and interest income is recorded as earned.

Interfund Transactions - All interfund transactions are made at fair value and are eliminated in combination.

Payment of Benefits - Benefit payments to participants are recorded upon distribution. Amounts allocated to accounts of participants who have elected to withdraw from the Plan but have not yet been paid at December 31, 2006 and 2005 were \$183 and \$623, respectively.

3. INVESTMENTS

The following table presents the fair value of investments and their net change in value (including gains and losses on investments sold, as well as held during the year) for the three-month period ended March 31, 2006, at which time the Plan's assets were transferred to the Master Trust:

(Thousands of dollars)	Fair Value		Net Change in Value
	March 31, 2006	December 31, 2005	Three-Month Period Ended March 31, 2006
Investments at fair value:			
Registered investment companies	\$	\$ 285	\$ 14
Group annuity contracts		325	2
Collective short-term investment fund		80	
Total investments at fair value		690	\$ 16
Adjustment from fair value to contract value for fully benefit-responsive investment contracts		8	
Total investments	\$	\$ 698	

The Plan's investments which exceeded 5% of net assets available for benefits as of December 31, 2005 are as follows (thousands of dollars):

EuroPacific Growth Fund	\$	47
Prudential Jennison Growth Fund		55
Washington Mutual Investors Fund		60
Prudential Guaranteed Investment Separate Account		333
TBC, Inc. Pooled Employee Funds Daily Liquidity Fund		80

4. INTEREST IN MASTER TRUST

Effective April 2006, certain of the Plan's investment assets are held in a trust account with the Master Trustee and consist of an undivided interest in an investment account of The Sears Holdings 401(k) Savings Plan Master Trust, a master trust established by the Sears, Roebuck and Co. on January 1, 2005, and administered by the Master Trustee. Use of the Master Trust permits the commingling of the Plan's assets with the assets of the Sears Plan, the Sears Puerto Rico Savings Plan, and the Kmart Retirement Savings Plan for Manteno Distribution Center Union Employees for investment and administrative purposes. Although assets of all plans are commingled in the Master Trust, the Master Trustee maintains supporting records for the purpose of allocating the net gain or loss of the investment account to the participating plans. The net investment income of the investment assets and administrative expenses are allocated daily by the Master Trustee to each participating plan based on the relationship of the interest in each plan to the total of the interests of all participating plans.

The transfer of the Plan assets to the Master Trust at March 31, 2006 included the transfer of cash operating funds and related liabilities that were held within the Plan in a fund ("Operating Fund") separate from participant investment funds. The cash was used to honor benefit distribution checks written but uncashed and expenses incurred prior to that date. Although there was sufficient cash to cover these transactions, a one-time loss was recorded when benefit checks presented for payment exceeded the liability balance transferred. This loss was allocated to the Kmart Retirement Savings Plans in proportion to the net assets each plan contributed to the Master Trust Operating Fund. While a loss to the Master Trust and to each Plan, this loss did not impact the participant investment funds or the valuation of participant accounts. At December 31, 2006, residual cash funds in the Plan's Operating Fund, which had been originally transferred to the Plan from the Kmart RSP at the time the Plan was established in April 2005, were returned to the Sears Plan, into which the Kmart RSP has been merged, to cover uncashed benefit payment checks dated prior to April 2005. The Operating Fund was then closed.

Net assets of the Master Trust as of December 31, 2006 are summarized as follows:

	December 31, 2006 (Thousands of dollars)
Assets:	
Investments at fair value:	
Sears Holdings Corp. common shares	\$ 449,535
Other common and preferred stock	461,218
Registered investment companies	221,211
Common/collective trusts	2,586,952
Group annuity contracts	277,535
Fixed income securities	182,589
Options, futures, and other	590
Short-term investments - at cost, which approximates fair value	313
Collective short-term investment fund	71,643
Participant-directed brokerage account	47,492
Participant notes receivable	66,107
Total investments at fair value	<u>4,365,185</u>
Receivables:	
Dividend and interest	4,677
Currency contract receivables	4,195
Due from brokers and others	5,453
Total receivables	<u>14,325</u>
Cash	<u>10</u>
Total Assets	4,379,520
Liabilities:	
Currency contract payables	4,180
Due to brokers and others	75,377
Total Liabilities	<u>79,557</u>
Net assets in Master Trust at fair value	4,299,963
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	<u>18,727</u>
Net assets in Master Trust	<u>\$ 4,318,690</u>
Plan's interest in Master Trust net assets	<u>\$ 4,477</u>
Plan's percentage interest in Master Trust net assets	<u>0.1%</u>

The Plan's interest in master trust net assets of \$4,477,000 exceeds five percent of the Plan's net assets available for benefits as of December 31, 2006.

The net investment earnings (loss) of the Master Trust for the nine-month period ended December 31, 2006 are summarized below:

	(Thousands of dollars)
Dividend, interest and other income	\$ 60,074
Net appreciation (depreciation) in fair value of investments:	
Sears Holdings Corporation common shares	103,343
Other common and preferred stock	26,630
Registered investment companies	12,921
Common/collective trusts	168,110
Group annuity contracts	7,308
Corporate notes and bonds	831
Government backed and government agency bonds	991
Government bonds	158
Foreign and yankee bonds	229
Participant-directed brokerage accounts	1,894
Futures and other	414
Net appreciation in fair value of investments	<u>322,829</u>
Investment income of Master Trust	<u>\$ 382,903</u>
Plan's interest in Master Trust investment income	<u>\$ 308</u>
Plan's interest in Master Trust operating fund (loss)	<u>\$ (38)</u>

5. EXEMPT PARTY-IN-INTEREST TRANSACTIONS

Certain investments of the Plan and Master Trust are shares of funds or securities of related parties. Transactions with related companies qualify as party-in-interest transactions.

Prior to April 1, 2006, the Plan purchased and sold units of the TBC, Inc. Pooled Employee Funds Daily Liquidity Fund, which was managed by Mellon Bank Corporation, and shares of registered investment companies, managed by Prudential. Mellon and Prudential were trustee and recordkeeper, respectively, for the Plan prior to April 1, 2006. Fees paid to both Mellon and Prudential were offset against income.

Master Trust investments include shares of common/collective trusts managed by State Street Bank and Trust Company ("State Street"), the Master Trustee of the Plan. Fees paid by the Master Trust to State Street for investment management services were \$.8 million during the nine-month period ended December 31, 2006.

The Master Trust holds shares of common stock of Sears Holdings Corporation, parent of the sponsoring employer. At December 31, 2006, the Master Trust held 2,676,921 shares with a cost basis of \$278.1 million. Holdings has not paid dividends on its common stock since inception.

6. INCOME TAXES

The Plan was established for employees of Kmart who perform services at Kmart locations in Puerto Rico.

The Department of Treasury of the Commonwealth of Puerto Rico has determined and informed Kmart by a letter dated January 17, 2006 that the Plan, as then designed, was in compliance with Section 1165(a) of the Puerto Rico Internal Revenue Code of 1994. The Plan has been further amended subsequent to the receipt of this letter. The Plan Administrator and the Plan's Benefits Counsel believe, however, that the Plan is currently designed and being operated in compliance with the applicable requirements of the Puerto Rico Internal Revenue Code and consequently is exempt from local taxes. Therefore, no provision for income taxes has been included in the Plan's financial statements.

7. DERIVATIVE FINANCIAL INSTRUMENTS

Effective April 1, 2006, derivative financial instruments are used by the Master Trust's Bond Fund investment manager as follows:

Foreign Currency Exchange Contracts - The Master Trust enters into forward contracts to purchase and sell foreign currencies in the normal course of their investing activities to manage the currency exposure associated with the Plan's foreign equity and fixed income investments. The terms of the contracts generally do not exceed one year. The credit risk associated with these contracts is minimal as they are entered into with a limited number of highly rated counterparties.

The Master Trust reflects the fair value of all forward contracts as an asset or liability in their financial statements. The fair values associated with the foreign currency contracts have been estimated by valuing the net position of the contracts using the applicable spot rates and forward rates as of the reporting date. In the financial statements of the Master Trust, forward contracts to purchase foreign currency are shown as currency contract receivables and forward contracts to sell foreign currency are shown as currency contract payables. Changes in fair value are accounted for as net appreciation (depreciation) in fair value of investments.

Futures Contracts - The Master Trust enters into futures contracts in the normal course of its investing activities to manage market risk associated with fixed income investments and to achieve overall investment portfolio objectives. These contracts involve elements of market risk in excess of amounts recognized in the statements of net assets available for benefits. The credit risk associated with these contracts is minimal as they are traded on organized exchanges and settled daily.

During 2006, the Master Trust was a party to futures contracts held for trading purposes for Federal Funds, U.S. Treasury Bonds, U.S. Treasury Notes, Euro Bonds, and Eurodollars. Upon entering into a futures contract, the Master Trust is required to deposit either in cash or securities an amount ("initial margin") equal to a certain percentage of the nominal value of the contract. Subsequent payments are then made or received by the Master Trust, depending on the daily fluctuation in the value of the underlying contracts. A Federal National Mortgage Association discounted note owned and included in the investments of the Master Trust with a value of \$313,000 at December 31, 2006, was pledged to the counterparties as collateral on the futures contracts.

The Master Trust had futures contracts with notional amounts of \$131.5 million at December 31, 2006. At December 31, 2006, the Master Trust had futures contracts to purchase (sell) Eurodollars, Eurobonds, U.S. Treasury Bonds, and U.S. Treasury Notes of \$129.1 million, \$2.1 million, \$1.1 million, and (\$.8 million), respectively. Notional amounts do not quantify risk or represent assets or liabilities of the Master Trust, but are used in the calculation of cash settlements under the contracts.

The fair value of the futures contracts in the Master Trust is \$0 at December 31, 2006 as settlements are by cash daily. Changes in fair value are accounted for as net appreciation (depreciation) in fair value of investments.

8. OTHER MATTERS

In March 2002, a class action was filed in the United States District Court for the Eastern District of Michigan on behalf of participants or beneficiaries of the Kmart Corporation Retirement Savings Plans against various current and former employees and former directors of Kmart Corporation (the "Predecessor Company") alleging breach of fiduciary duty under ERISA for excessive investment in the Predecessor Company's stock, failure to provide complete and accurate information about the Predecessor Company's common stock, and failure to provide accurate information regarding the Predecessor Company's financial condition. In July 2002, the plaintiffs filed proofs of claim with the bankruptcy court in an aggregate amount of \$180 million. In 2005, a tentative agreement was reached to settle this action, and the settlement has been formally approved by the federal court in the Eastern District of Michigan ("Kmart Settlement"). The Final Judgment Order was entered by the court on June 27, 2006 and became effective on August 1, 2006. The court ordered that all Kmart Settlement proceeds be paid by the end of 2006 to qualifying participants during the class period. This Plan, as a spin-off of an applicable plan, was covered by the Kmart Settlement. Accordingly, the \$11.75 million Kmart Settlement, net of attorney and other administrative fees, was received as Other Income by the Master Trust for the benefit of the qualifying Kmart participants in September 2006. It was fully paid by insurance proceeds. To the extent they are members of the class under the Kmart Settlement, participants of this Plan will also receive an allocation from the Kmart Settlement.

9. RECONCILEMENT OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of the net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2006:

(Thousands of dollars)

Net assets available for benefits per the financial statements	\$	4,582
Adjustment from contract value to fair value for fully benefit-responsive investment contracts		<u>(26)</u>
Net assets available for benefits at fair value per Form 5500	\$	<u>4,556</u>

The following is a reconciliation of the increase in net assets available for benefits per the financial statements to the Form 5500 for the year ended December 31, 2006:

(Thousands of dollars)

Net increase in net assets available for benefits per the financial statements	\$	639
Adjustment from contract value to fair value for fully benefit-responsive investment contracts		<u>(26)</u>
Net income per Form 5500	\$	<u>613</u>

APPENDIX A

Schedule of Assets (Held at End of Year)

**KMART RETIREMENT SAVINGS PLAN
FOR PUERTO RICO EMPLOYEES**

APPENDIX A

SCHEDULE OF ASSETS (HELD AT END OF YEAR)
FORM 5500 SCHEDULE H, Part IV, Line 4f
DECEMBER 31, 2006

<u>Identity of Issuer, Borrower, or Similar Party</u>	<u>Description of Investment</u>	<u>Current Value</u>
* PARTICIPANT LOANS	Participant loans earning interest from 5.00% to 9.25%, maturing from 2007 - 2011	<u>\$ 51,647</u>

This schedule does not include all the Plan's investments in the Sears Holdings 401(k) Savings Plan Master Trust

Note: Cost information is not required for participant-directed investments and is, therefore, not included.

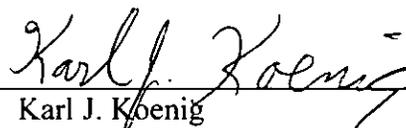
* Sponsored by a party-in-interest.

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

KMART RETIREMENT SAVINGS PLAN FOR
PUERTO RICO EMPLOYEES

By: Sears Holdings Corporation Administrative
Committee, Plan Administrator

By: 
Karl J. Koenig
Member of Administrative Committee and
Vice President, Human Resources, of Sears
Holdings Corporation

Date: June 28, 2007

END