

Narse Survey Results - March, 2005

Number of responses: 1,060

All percentages are rounded to the nearest value

SPECIAL NARSE SURVEY REGARDING THE PROPOSED KMART-SEARS MERGER

The proposed merger of Kmart and Sears was announced November 17, 2004, and the terms of the merger have been covered generally in the media since then. However, details of the merger have only now been made available in a booklet, a proxy ballot and the March 24 special meeting announcement which mailed to shareholders on or about February 22, 2005. This leaves very little time to review the complicated merger details, communicate with retirees, make personal investment decisions and prepare for the March 24 shareholder meetings.

Even though the merger is presented as a “done deal,” it may not be. Kmart only requires approval by a majority of their outstanding shares, which they surely control. But Sears requires the approval of two thirds of outstanding shares and, depending upon what the institutional investors will do, the merger may not be a certainty, as the Company would like Sears shareholders, the media and the public to believe.

Every Sears shareholders' vote is important! TIME IS OF THE ESSENCE, and NARSE urgently seeks input about this merger. For your information only, NARSE opposes this merger. The specific reasons for this opposition will be explained in detail on our web site within the week.

IN THE MEANTIME, YOUR IMMEDIATE RESPONSE TO THIS SURVEY IS NEEDED, AND WILL BE GREATLY APPRECIATED!

Thank you,
Ron Olbrysh
NARSE Chairman

ABOUT YOU: (Please answer the one question that best describes you)

a. Are you a Sears retiree?

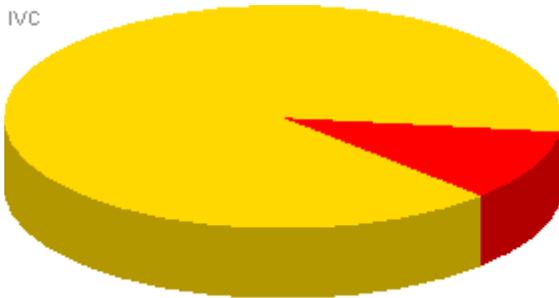


■ Yes (59.9%)
■

No (40.1%)

b. Are you the spouse, beneficiary or family member of a Sears retiree?

IVC

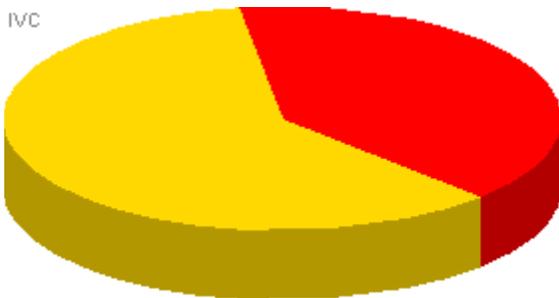


Yes (10.5%)

No (89.5%)

c. Are you a Sears employee?

IVC



Yes (39.8%)

No (60.2%)

d. Are you none of the above?

IVC



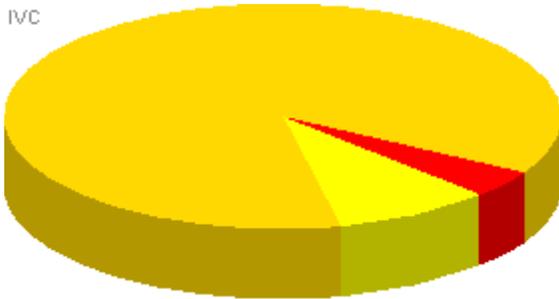
Yes (8.0%)

No (92.0%)

I. CURRENT SEARS MANAGEMENT AND PERFORMANCE:

1. Are you satisfied with Sears' Directors, executive leadership, performance, competitiveness and growth under Alan Lacy's administration?

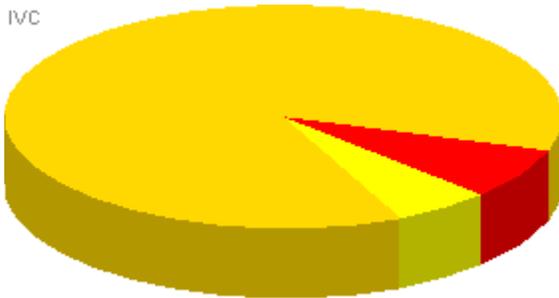
IVC



- Yes (3.8%)
- No (86.9%)
- Undecided (9.3%)

2. Do you agree with Chairman Lacy's decision to sell Sears Credit operations?

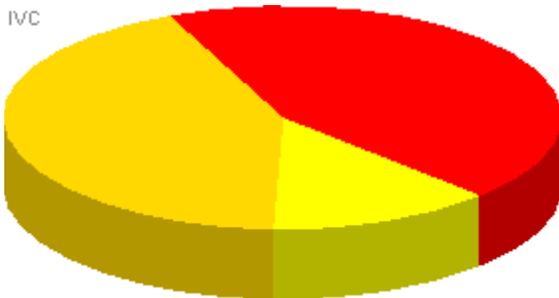
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- Yes (7.2%)
- No (87.1%)
- Undecided (5.7%)

3. Do you agree with Chairman Lacy's decision to buy Land's End?

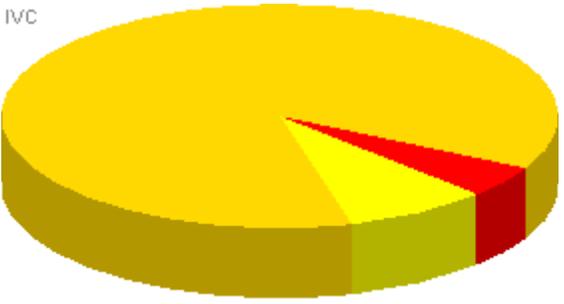
IVC



- Yes (43.9%)

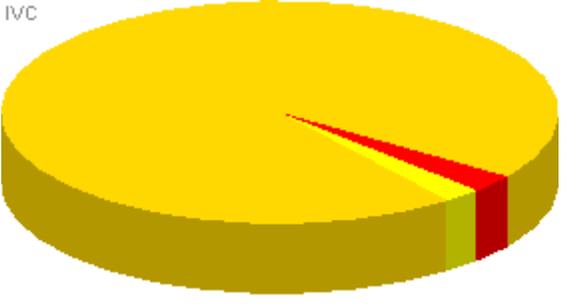
- No (42.8%)
- Undecided (13.3%)

4. Do you believe that the decision by Chairman Lacy and Sears Directors to merge with Kmart was in the best interests of Sears shareholders, employees and retirees?



- Yes (4.4%)
- No (87.0%)
- Undecided (8.6%)

5. Do you believe that Sears performance under Chairman Lacy justifies the large salary, bonus and options he is receiving?



- Yes (2.4%)
- No (95.2%)
- Undecided (2.4%)

II. PROPOSAL TO MERGE:

Kmart Holding Corporation and Sears, Roebuck and Co. have entered into a merger agreement that will combine Kmart and Sears to form a major new retail company named Sears Holdings Corporation, hereinafter referred to as SHC. SHC is expected to be the third largest retailer in the U.S., initially with about \$55 billion in annual revenues and with about 3,800 full-line and specialty retail stores in the U.S. and Canada.

Sears former shareholders will own about 37% and former Kmart shareholders will own about 63% of SHC. Kmart will have seven Directors, including Chairman Edward Lampert. Sears will have three Directors, including Vice-Chairman Alan Lacy.

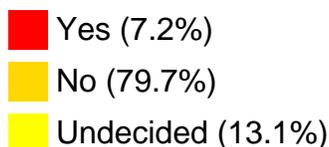
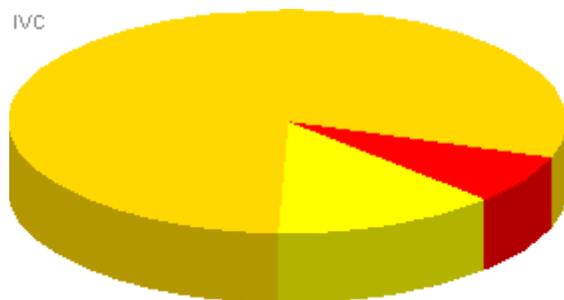
Sears shareholders can elect to receive \$50 in cash or 0.5 shares of SHC for each share of their Sears stock. In total, 45% of Sears stock will be exchanged for cash, and 55% will be exchanged for SHC stock. Kmart shareholders will receive one share of SHC for each of their Kmart shares.

SHC does not plan to pay dividends to shareholders!

The detailed shareholders booklet contains five pages of legal “fine print” known as RISK FACTORS which provide an assortment of loop-holes and escape clauses covering many aspects of the merger which could go wrong, or produce results different from the stated goals of the merger.

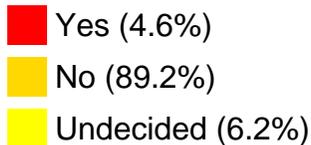
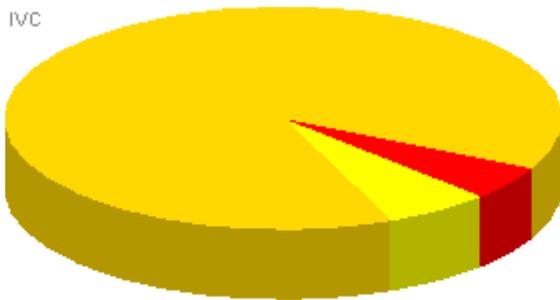
“Special Meetings” of Kmart and Sears shareholders will be held on THURSDAY, MARCH 24, 2005 at Sears Hoffman Estates, Illinois headquarters for all shareholders of record as of 1/26/05. Kmart shareholders will meet at 8:30 a.m. Sears shareholders will meet at 11:00 a.m.

6. Since the announcement of the merger, the stock market has consistently valued Sears at over \$50 per share, and more than 50% of Kmart’s share price. Do you think the exchange of Sears shares for \$50 a share or ½ the number of SHC shares is fair or beneficial to Sears shareholders?



7. Do you think SHC’s decision to discontinue paying dividends for the foreseeable future is fair or acceptable to current Sears shareholders?

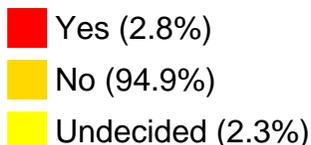
IVC



NOTE: What shareholders do with their shares is a personal decision. However, it helps to follow the market pricing of Kmart and Sears shares and do the math to determine how you may be affected by the sale of your shares or exchange for \$50 cash or ½ the number of SHC shares. Be sure to read the RISK FACTORS beginning on page 17 in the merger proposal booklet all shareholders recently received, particularly the first entry which states: ***“Sears stockholders may not receive the form of merger consideration they elect for all their shares and may receive in part a form of consideration that has a lower value.”***

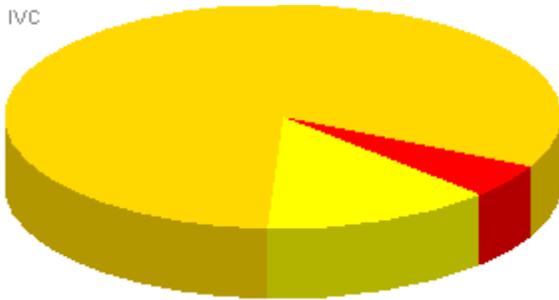
8. While the name of the new company is Sears Holdings Corp., the management and policies are weighted in favor of Kmart. This merger is clearly a take-over, not “a marriage of equals.” With seven Kmart Directors including Chairman Lampert, and three Sears Directors, including Vice-Chairman Lacy, do you think Sears employees and retirees will be fairly represented and treated?

IVC



9. Do you think the new Sears Holdings Board of Directors and executive team have the retail merchandising experience and skills necessary to manage two large retail chains of stores to growth, competitiveness, success and profitability?

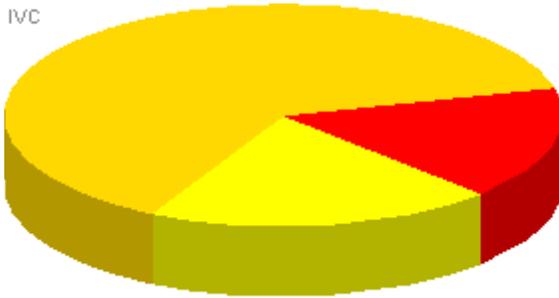
IVC



- Yes (4.9%)
- No (81.7%)
- Undecided (13.4%)

10. Do you think that selling Sears products in Kmart stores, and Kmart products in Sears stores will be understood by customers, appeal to them, and improve sales?

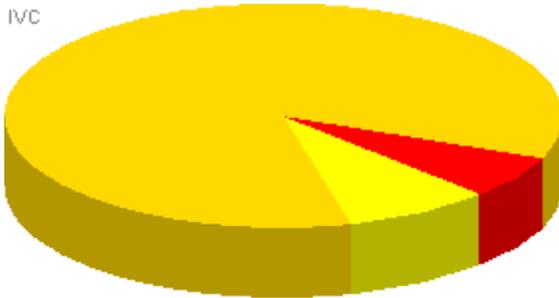
IVC



- Yes (16.0%)
- No (63.5%)
- Undecided (20.5%)

11. Do you think Sears 119 year reputation of guaranteed satisfaction, fair dealing and customer trust will be maintained and enhanced after its new relationship with Kmart?

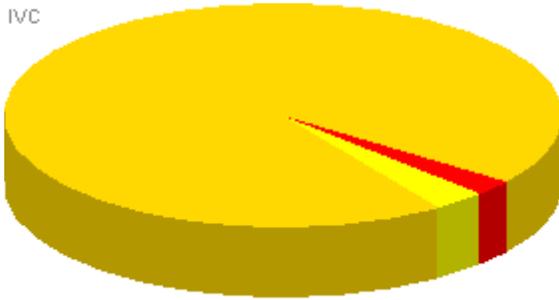
IVC



- Yes (5.9%)
- No (85.2%)
- Undecided (8.9%)

12. Do you think Kmart's reputation for its stores, merchandise, value and service will enhance Sears reputation?

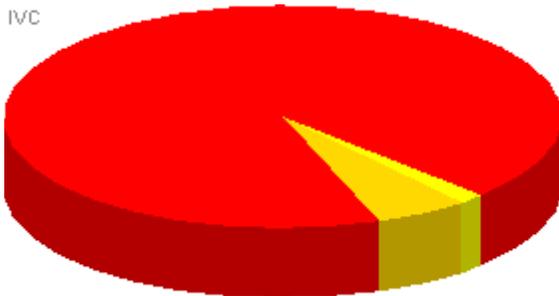
IVC



- Yes (1.8%)
- No (95.0%)
- Undecided (3.2%)

13. Given Kmart's recent experience with bankruptcy, are you concerned about the future and security of employee and retiree pension, medical and health care insurance, life insurance and discount benefits?

IVC



- Yes (92.6%)
- No (5.8%)
- Undecided (1.6%)

14. All things considered, do you approve of the merger of Kmart and Sears to form SHC?

IVC



- Yes (4.8%)
 - No (88.4%)
 - Undecided (6.8%)
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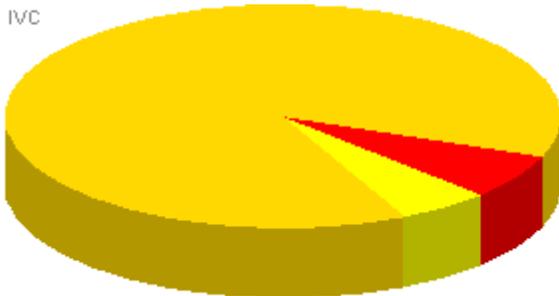
III. ATTENDANCE AT SPECIAL SHAREHOLDER MEETINGS - MARCH 24, 2005:

15. Are you a Sears shareholder?



- Yes (65.4%)
 - No (34.6%)
-

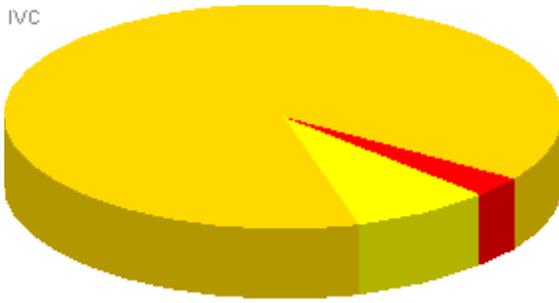
16. If you are a Sears shareholder, do you plan on attending the March 24th Sears special meeting?



- Yes (6.3%)
 - No (88.2%)
 - Undecided (5.5%)
-

17. If you're attending the March 24th special meeting, do you plan to speak?

IVC

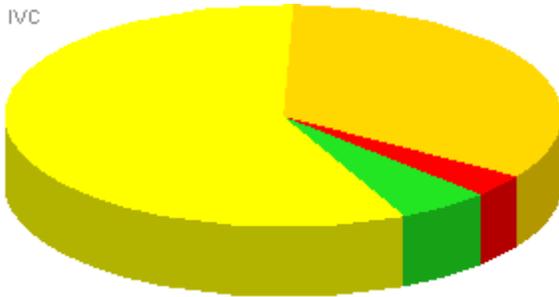


- Yes (2.8%)
- No (89.1%)
- Undecided (8.1%)

IV. FUTURE RETIREE RELATIONS WITH SHC, KMART AND SEARS:

18. Do you think you will shop more or less at Sears as a result of this merger with Kmart?

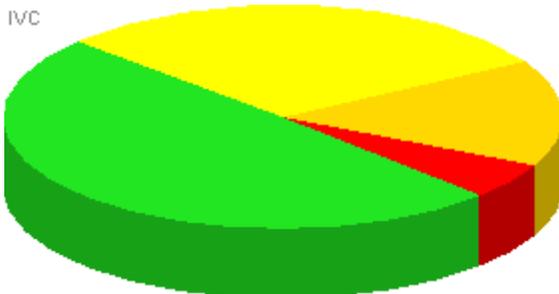
IVC



- More (3.0%)
- Less (33.7%)
- About the Same (57.9%)
- Don't Shop There (5.4%)

19. Do you think you will shop more or less at Kmart as a result of this merger with Sears?

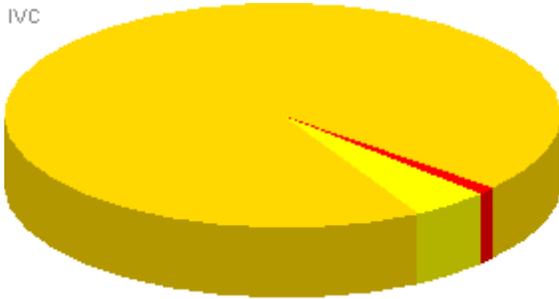
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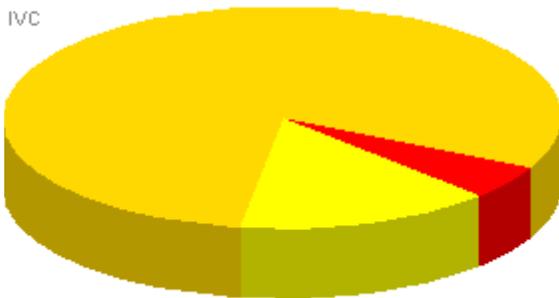
- More (4.9%)
- Less (15.7%)
- About the Same (29.8%)
- Don't Shop There (49.6%)

20. Do you feel more secure about your Sears retirement benefits as a result of the merger with Kmart?



- Yes (0.8%)
- No (94.7%)
- Undecided (4.5%)

21. Do you think SHC will continue the Sears Retiree Advisory Council, and strive for meaningful dialog and communications with Sears retirees?



- Yes (4.7%)
- No (80.2%)
- Undecided (15.1%)

This concludes the questions! Please press "Finish Survey" to submit your answers.

Thank you for your very valued feedback! You will now be redirected back to the NARSE web site.