



## EMPIRE RELATIONS GROUP PRESENTS THE

Dec. 8, 2004  
Non-Client

# GOLD STAR REPORT™

### *About Us*

Kmart Holding Corporation is a leading discount retailer operating 1,484 stores in 49 states, Puerto Rico, the Virgin Islands and Guam. The Company also provides e-commerce via its online presence at [www.kmart.com](http://www.kmart.com).

### *Key Points*

- ◆ Has 13.8 billion dollars in sales.
- ◆ Total assets of 7.7 billion dollars including 2.6 billion in cash.
- ◆ Proposed merged company to have 55 billion dollars in sales.
- ◆ Merged company would be the 3rd largest in the nation.
- ◆ Large number of known consumer products available.

### Disclaimer

This Gold Star Report™ contains certain forward-looking statements which involve known and unknown risks, delays, uncertainties, and other factors, not under the Company's control, which may cause actual results, performance, or achievements of the Company to be materially different from the results, performance, or other expectations implied by these forward looking statements. This Profile is prepared for general information only. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this profile. The information and statistical data contained within have been obtained from sources believed to be reliable but in no way are warranted as to accuracy or completeness. This is not a solicitation of any offer to buy or sell, Empire Relations Group Inc., its affiliates, directors, officers, employees and employee benefit programs do not maintain an equity position, either long or short, in this security at this time. Empire Relations Group Inc. has not received any compensation for the production of this Gold Star Report. Copyright 2004, Empire Relations Group Inc. All rights reserved.

### Overview

*"There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success than to take the lead in the introduction of a new order of things."*

*Niccolo Machiavelli*

Mergers often highlight and bring attention to companies that may have been overlooked by the masses and competitors alike. The new combined company can be a mountain weathering the storm of competition, a nimble cat pouncing on new ideas and opportunities, or a surprise to investors and professionals equally. Often, there is some combination of each of these. The reasons why one company is capable of acquiring another can be overshadowed in the glow of the new enterprise. In this GoldStar report, we look briefly at Kmart Holding Corporation and how it emerged from bankruptcy to a proposed merger with Sears, Roebuck and Co.

In January 2002, Kmart was in trouble which led to a Chapter 11 filing of bankruptcy. The Company exited Chapter 11 in May of 2003 with Mr. Edward Lampert at its head. Mr. Lampert was an assistant to Mr. Robert Rubin in the past (at Goldman Sachs); as well as being critical to the changes made to Autozone, Inc. (NYSE:AZO) in 1999 as a director, a position he still holds today. Since May 2003, Kmart has shed stores and real estate to bring it to 1,484 stores in 49 states as well as Puerto Rico, the Virgin Islands and Guam. Kmart maintains 60 super-center stores and can be found in 286 out of 331 metropolitan areas in the U.S. With the slimmer size, results have improved and the company now generates 13.79 billion dollars in sales, 801 million dollars in net profit and 2.56 billion in cash (as of Oct 27, 2004).

It was during the sale of Kmart stores, to Sears, that the seeds for the merger began. Sears, Roebuck and Co., (NYSE:S) has 2,350 stores with 870 being mall stores and revenues surpassing 24 billion dollars. Sears was started in the 1800's as a mail-order company and opened its first retail store in 1925.

The proposed combined company will be called Sears Holdings Corp. and would have 55 billion dollars in sales with 3500+ stores. Strengths of the proposed combination include real estate, cost savings, and the increased distribution of various brands to new client bases. Statistics show that 48% of Americans who shop at mall retailers never go to discount retailers. Some of the items that may be introduced to a new client base include: JOE BOXER, Martha Stewart, Jaclyn Smith and Thalia Sodi lines for Kmart and Kenmore, Craftsman, Maytag, Black&Decker and Lucy Pereda lines for Sears.

While all mergers are proposed for the benefit of shareholders and increased profits, not all succeed. Strong management, solid plans and excellent execution are required for a merger to work. As stated by Horace, "Life grants nothing to us mortals without hard work." The same can be said of mergers, and only time will tell which were the right choices.

Before making an investment in this security, we advice that you seek consultation with a qualified investment professional. **Please read the disclaimer printed in this page.**



## In the News

November 23, 2004 - The Company announced that it is helping shoppers get an early start this year with extended hours of operation on Thanksgiving Day from 7 a.m. until 9 p.m. The Company also announced that Company executives will be working in stores throughout the metro Detroit area.

November 18, 2004 - The Company announced the re-launch of its eCommerce site, kmart.com. The completely overhauled site offers a user-friendly interface with easy navigation, a superior search function, as well as diversified product assortments spanning across all categories.

November 17, 2004 - Kmart Holding Corporation and Sears, Roebuck and Co. announced today they have signed a definitive merger agreement that will combine Sears and Kmart into a new retail company named Sears Holdings Corporation. Sears Holdings will be the nation's third largest retailer, with approximately \$55 billion in annual revenues, 2,350 full-line and off-mall stores, and 1,100 specialty retail stores.

November 17, 2004 - The Company reported financial results for the third quarter of fiscal 2004. For the 13 weeks ended October 27, 2004, the Company reported net income of \$553 million compared to a net loss of \$23 million for the same period in 2003.

November 8, 2004 - The Company launched the Kmart Rewards credit card. The Company's private label card is in partnership with HSBC. The card, which has no annual fee, offers free online access and will be marketed through in-store promotion, print and online advertising.

October 18, 2004 - The Company announced the appointment of Aylwin Lewis as President and Chief Executive Officer, effective immediately. Mr. Lewis will also join the Kmart Board of Directors. Mr. Lewis joins Kmart from YUM! Brands, Inc., where he was President, Chief Multi-Branding and Operating Officer.

## Key Information

### Stock Information

Current Stock Price	\$102.57
52 Week Low	\$22.41
52 Week High	\$119.69
Stock Symbol	KMRT
Exchange	NASDAQ
Shares Outstanding	89,178,003

### Financial Information

Revenues	\$13.79 billion(11/17/04)
Net Profit	\$801 million (11/17/04)
Total Cash and equivalents	\$2.564 billion
Total Assets	\$7.665 billion
Total Liabilities	\$4.606 billion

### Management

Edward Lampert	Chairman
Aylwin Lewis	Pres, CEO, Director
James Donlon III	CFO, Sr. VP
William Crowley	Sr. VP-Fin., Director
Karen Austin	Sr. VP, CIO

### Headquarters

Kmart Holding Corporation  
3100 West Big Beaver Road  
Troy, MI 48084

(P) (248) 463-1000

Website: [www.kmart.com](http://www.kmart.com)

**All dollar figures are in U.S. dollars. To obtain copies, please contact Kenneth Maciora at Empire Relations Group Inc. at (516)750-9719.**



**Empire Relations Group Inc.**

(516) 750-9719

[www.empirerelations.com](http://www.empirerelations.com)

(516) 750-9719