

## **Frequently Asked Questions regarding the In re Sears, Roebuck and Co. Securities Litigation - Case No. 02 C 07527**

This page provides short answers to class members' most frequently asked questions. The answers provided here are a summary. This is not intended to be a complete explanation of your rights. For full and complete information, you should completely read the Notice of Proposed Settlement of Class Action, Motion for Attorneys' Fees and Settlement Fairness Hearing (the "Notice").

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1. **Am I being sued?**

A: No, you are not being sued.

2. **Why did I get the Notice package?**

A: You or someone in your family may have purchased the securities of Sears, Roebuck and Co. between October 24, 2001 and October 17, 2002, inclusive.

The Court directed that the Notice package be sent to Class Members because they have a right to know about a proposed settlement of a class action lawsuit, and about all of their options, before the Court decides whether to approve the settlement. If the Court approves the settlement, and after objections or appeals are resolved, an administrator appointed by the Court will make the payments the settlement allows.

The package explains the lawsuit, the settlement, Class Members' legal rights, what benefits are available, who is eligible for them, and how to get them.

### **3. What is this lawsuit about?**

A: The Complaint generally alleges, among other things, that Defendants issued materially false and misleading press releases and other statements regarding Sears' financial condition during the Class Period – October 24, 2001 through and including October 17, 2002 – in a scheme to artificially inflate the value of Sears securities.

The allegations of the Complaint focus on Sears' credit card operations, which (until Sears sold its credit card operations in 2003) managed one of the largest credit card businesses in the United States, and which had issued billions of dollars' worth of credit to holders of Sears' traditional private label store credit card and to holders of Sears' more recently introduced general purpose credit card.

More specifically, the Complaint alleges that, during the Class Period, the Defendants concealed material adverse information concerning the financial condition, performance and prospects of Sears' credit card operations, and that Defendants issued a series of falsely positive statements in which, *inter alia*, they allegedly: (i) misrepresented the performance and quality of Sears' credit card operations and concealed the deteriorating condition of those operations; (ii) misled the investing public into believing that the delinquency and charge-off rates of Sears' credit card products were comparable to, or better than, those of other leading credit card issuers; and (iii) failed to disclose that Sears' reserves for bad credit card debt were materially inadequate. The Complaint alleges that these alleged material misrepresentations and omissions caused Sears' public statements issued during the Class Period to be materially false and misleading, in violation of the federal securities laws.

The Complaint further alleges that Lead Plaintiff and other Class Members purchased Sears securities during the Class Period at prices artificially inflated as a result of the Defendants' dissemination of materially false and misleading statements regarding Sears, allegedly in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder.

The Defendants deny all allegations of misconduct contained in the Complaint, and deny having engaged in any wrongdoing whatsoever. The Defendants maintain that the allegedly false and misleading statements were truthful and not misleading, and that all material facts were disclosed. In addition, the Defendants have asserted numerous affirmative defenses.

### **4. How do I know if I am part of the settlement?**

A: The Court decided that everyone who fits this description is a Class Member: *all purchasers of the securities of Sears, Roebuck and Co. between October 24, 2001 and October 17, 2002, inclusive.*

### **5. What recovery does the settlement provide?**

A: In exchange for the settlement and dismissal of the Action, Defendants have agreed that upon the Court's approval of the settlement, they will cause the Settlement Amount (a payment equal to Two Hundred Fifteen Million (\$215,000,000) in cash, plus an amount equal to 90 day

U.S. Treasury Bill interest from August 15, 2006) to be paid into escrow for the benefit of the Class. The Settlement Amount, after deducting fees and expenses approved by the Court, will be divided among Class Members who send in a valid Proof of Claim form.

Sears also agreed to pay all reasonable costs of notice and settlement administration, including the administration costs of distributing the Net Settlement Fund.

**6. Why is there a Settlement?**

A: The Court in this Action did not decide in favor of Plaintiffs or in favor of Defendants. Instead, both sides agreed to a settlement. That way, both sides avoid the inherent risks and significant additional costs of a trial and any appeals, and Class Members who suffered losses on their transactions in Sears securities during the Class Period will get compensation. The Lead Plaintiff and its counsel believe, after weighing the risks and opportunities of further litigation against the benefits of the proposed \$215 million settlement (which, in addition, requires defendants to pay for all reasonable costs and expenses of class notice and settlement administration), that the proposed settlement represents a significant recovery for the Class and is the best interests of all Class Members.

**7. How do I know if I am a Class Member?**

A: The Court decided that everyone who fits this description is a Class Member: *all purchasers of the securities of Sears, Roebuck and Co. between October 24, 2001 and October 17, 2002, inclusive.*

**8. How much will my payment be?**

A: Your share of the fund will depend on the total Recognized Claims represented by the valid Proof of Claim forms that Class Members send in, how many Sears securities you bought, how much you paid for them, and when you bought and whether or when you sold them, and if so for how much you sold them.

You can calculate your Recognized Claim in accordance with the formula shown below in the Plan of Allocation. It is unlikely that you will get a payment for all of your Recognized Claim. After all Class Members have sent in their Proof of Claim forms, the payment you get will be a part of the Net Settlement Fund equal to your Recognized Claim divided by the total of everyone's Recognized Claims. *See* the Plan of Allocation beginning on page 10 of the Notice for more information on your Recognized Claim.

**9. Do I have a lawyer in this case?**

A: The Court ordered that the law firm of Milberg Weiss Bershad & Schulman LLP<sup>1</sup> in New York, New York would represent all Class Members. These lawyers are called Lead

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<sup>1</sup> On May 18, 2006 in the United States District Court for the Central District of California (Los Angeles), Milberg Weiss Bershad & Schulman LLP and two of its partners were named as defendants in an indictment. The indictment alleges that, in certain cases which are identified in the indictment, portions of attorneys' fees awarded to Milberg Weiss Bershad & Schulman LLP were improperly shared with certain plaintiffs. The indictment does not refer to this action, and makes no allegations of any impropriety in the conduct of this action. Milberg Weiss Bershad &

Plaintiff's Counsel. You will not be separately charged for these lawyers. The Court will determine the amount of Lead Plaintiff's Counsel's fees and expenses, which will be paid from the Gross Settlement Fund. If you want to be represented by your own lawyer, you may hire one at your own expense.

**10. How will the lawyers be paid?**

A: Lead Plaintiff's Counsel are moving the Court to award attorneys' fees from the Gross Settlement Fund in an amount of approximately fourteen point eight percent (14.8%) of the amount of the Settlement Fund as reduced by litigation expenses and as increased by interest, plus 12% of the value to the Class of the Defendants' agreement to pay the reasonable costs and expenses of class notice and settlement administration. Lead Plaintiff's Counsel are also moving the Court to award them reimbursement of their litigation expenses in the approximate amount of \$4 million, plus interest on such litigation expenses at the same rate as earned by the Settlement Fund. The requested fee award is based on a formula that was negotiated at the outset of the litigation by the Lead Plaintiff, the Department of the Treasury of the State of New Jersey and its Division of Investment, a sophisticated investor and litigant, and that was also disclosed to the Court at the outset of the litigation. Lead Plaintiff's Counsel, without further notice to the Class, may subsequently apply to the Court for fees and expenses incurred in connection with administering and distributing the settlement proceeds to the members of the Class and any proceedings subsequent to the Settlement Fairness Hearing. Sears has agreed to pay all reasonable costs and expenses of class notice and settlement administration (but not attorneys' fees incurred in connection with the administration and distribution of the Settlement Fund proceeds to the Class Members).

Lead Plaintiff's Counsel are also moving the Court to award a payment of up to \$35,000 to the Court-appointed Lead Plaintiff and Class Representative, The Department of the Treasury of the State of New Jersey and its Division of Investment and its internal counsel from the Office of the Attorney General of the State of New Jersey, for the reasonable costs and expenses (including lost wages) directly relating to its representation of the Class, including its participation in the litigation and supervision of settlement negotiations.

**11. Can I exclude myself from of the Settlement Class?**

A: The Court previously certified this litigation to proceed as a class action on behalf of all purchasers of the securities of Sears, Roebuck and Co. between October 24, 2001 and October 17, 2002, inclusive. As described in the prior Notice of Pendency and the prior summary notice, Class Members were provided the opportunity, until June 16, 2005, to elect either to exclude themselves from the Class for all purposes or to remain as members of the Class and be bound by these proceedings. The settlement does not provide for any new right to be excluded from the Class. If the settlement is approved, it will be binding on all Class Members.

The persons and entities who previously requested exclusion from the Class are excluded from the Class for purposes of this settlement. Class Members who did not request exclusion in response to the Notice of Pendency may not now request exclusion from the Class.

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Schulman LLP and the two partners have pled not guilty, and have publicly stated that they are innocent and intend to vigorously fight the charges.

If you previously submitted a request for exclusion from the Class in accordance with the prior Notice of Pendency, then you may not submit a Proof of Claim form to participate in the settlement herein.

**12. Can I object to the settlement?**

A: If you are a Class Member you can object to the settlement or any of its terms, the proposed Plan of Allocation, the application by Lead Plaintiff's Counsel for an award of fees and expenses and/or the request by Lead Plaintiff for reimbursement of its costs and expenses. You may write to the Court setting out your objection. You may give reasons why you think the Court should not approve any or all of the settlement terms or arrangements. The Court will consider your views if you file a proper objection within the deadline identified, and according to the following procedures.

To object, you must send a signed letter stating that you object to the proposed settlement in the *In re Sears, Roebuck and Co. Securities Litigation*, No. 02 C 07527. Be sure to include your name, address, telephone number, and your signature, identify the date(s), price(s), and number(s) of shares of all purchases and sales of Sears securities that you made during the Class Period, and state the reasons why you object to the settlement. Your objection must be filed with the Court, and must also be served on (sent to) all the following counsel on or before **November 20, 2006** at the addresses shown below:

**COURT:**

Clerk of the Court  
United States District Court for the Northern District of Illinois, Eastern Division  
Everett McKinley Dirksen Building  
Room 2044  
219 South Dearborn Street  
Chicago, Illinois 60604

**LEAD PLAINTIFF'S COUNSEL:**

George A. Bauer III, Esq.  
Milberg Weiss Bershad & Schulman LLP  
One Pennsylvania Plaza  
New York, NY 10119-0165

**PLAINTIFF'S LIAISON COUNSEL**

Marvin A. Miller, Esq.  
Miller Faucher and Cafferty LLP  
30 North LaSalle Street  
Suite 3200  
Chicago, IL 60602

**DEFENDANTS' COUNSEL:**

Christopher Q. King, Esq.  
Sonnenschein Nath & Rosenthal LLP  
7800 Sears Tower  
233 South Wacker Drive  
Chicago, Illinois 60606

Walter C. Carlson, Esq.  
Sidley Austin LLP  
One South Dearborn Street  
Chicago, IL 60603

**Counsel for Defendants Sears Roebuck and Co.,  
Alan Lacy, Glenn Richter, Paul Liska and  
Thomas Bergmann**

**Counsel for Defendants Kevin Keleghan and K.  
R. Vishwanath**

You do not need to go to the Settlement Fairness Hearing to have your written objection considered by the Court. At the Settlement Fairness Hearing, any Class Member who (1) has not previously submitted a request for exclusion from the Class and (2) has complied with the

procedures set out in this response and in the response to question 20 below for filing with the Court and providing to the counsel for Plaintiffs and Defendants a statement of an intention to appear at the Settlement Fairness Hearing may also appear and be heard, to the extent allowed by the Court, to state any objection to the settlement, the Plan of Allocation or Lead Plaintiff's Counsel's motion for an award of attorney's fees and reimbursement of expenses. Any such objector may appear in person or arrange, at that objector's expense, for a lawyer to represent the objector at the Hearing.

**13. When and where will the Court hold a hearing to decide whether or not to approve the Settlement?**

A: The Court will hold a Settlement Fairness Hearing at **1:30 p.m. on Friday, December 8, 2006**, at the United States District Court for the Northern District of Illinois, Eastern Division, Everett McKinley Dirksen Building, Courtroom 1441, 219 South Dearborn Street, Chicago, Illinois 60604. At this hearing the Court will consider whether the settlement is fair, reasonable and adequate. At the Settlement Fairness Hearing, the Court also will consider the proposed Plan of Allocation for the proceeds of the settlement and the application of Lead Plaintiff's Counsel for attorneys' fees and reimbursement of expenses. The Court will take into consideration any written objections filed in accordance with the instructions in the response to question 17 of the Notice. The Court also may listen to people who have properly indicated, within the deadline identified above, an intention to speak at the hearing; but decisions regarding the conduct of the hearing will be made by the Court. See question 20 of the Notice for more information about speaking at the hearing. The Court may also decide how much to pay to Plaintiffs' Counsel. After the hearing, the Court will decide whether to approve the settlement. We do not know how long these decisions will take.

You should be aware that the Court may change the date and time of the Settlement Fairness Hearing. Thus, if you want to come to the hearing, you should check with Lead Plaintiff's Counsel before coming to be sure that the date and/or time has not changed.

**14. May I speak at the hearing?**

A: If you object to the settlement, you may ask the Court for permission to speak at the Settlement Fairness Hearing. To do so, you must include with your objection (see response to question 17 of the Notice) a statement stating that it is your "Notice of Intention to Appear in *In re Sears, Roebuck and Co. Securities Litigation*, No. 02 C 07527." Persons who intend to object to the settlement, the Plan of Allocation, and/or counsel's application for an award of attorneys' fees and expenses and desire to present evidence at the Settlement Fairness Hearing must include in their written objections the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the Settlement Fairness Hearing. You cannot speak at the hearing if you excluded yourself from the Class or if you have not provided written notice of your intention to speak at the Settlement Fairness Hearing by the deadline identified, and in accordance with the procedures described in this response and the response to question 17 of the Notice.

**15. What happens if I do nothing?**

A: If you do nothing, you will get no money from this settlement. To share in the Net Settlement Fund you must submit a Proof of Claim form (see question 10 of the Notice).

The Order and Final Judgment approving the settlement will dismiss the Action and settle all Class Members' Settled Claims as against all Released Parties. Whether or not they submit a Proof of Claim form, all Class Members will be barred and enjoined from starting a lawsuit or continuing with a lawsuit against Defendants or the Released Parties that are based on the Settled Claims in this case.

**16. Can I see the Court file?**

A: For even more detailed information concerning the matters involved in this Action, reference is made to the pleadings, to the Stipulation, to the Orders entered by the Court and to the other papers filed in the Action, which may be inspected at the Office of the Clerk of the United States District Court for the Northern District of Illinois, Eastern Division, Everett McKinley Dirksen Building, Room 2044, 219 South Dearborn Street, Chicago, Illinois 60604, during regular business hours.

This notice summarizes the proposed settlement. More details are in a Stipulation and Agreement of Settlement dated September 14, 2006 (the "Stipulation"). You can get a copy of the Stipulation at a link next to this one on this website.

You also can call the Claims Administrator at 1-800-364-0216 toll free or write to: In re Sears, Roebuck and Co. Securities Litigation, c/o The Garden City Group, Inc., Claims Administrator, P.O. Box 9000 #6228, Merrick, New York 11566-9000.

**17. What if I bought shares on someone else's behalf?**

A: If you purchased the securities of Sears, Roebuck and Co. between October 24, 2001 and October 17, 2002, inclusive, for the beneficial interest of a person or organization other than yourself, the Court has directed that, WITHIN SEVEN (7) DAYS OF YOUR RECEIPT OF THIS NOTICE, you either (a) provide to the Claims Administrator the name and last known address of each person or organization for whom or which you purchased Sears securities during such time period or (b) request additional copies of this Settlement Notice and the Proof of Claim form, which will be provided to you free of charge, and within seven (7) days mail the Settlement Notice and Proof of Claim form directly to the beneficial owners of those Sears securities. If you choose to follow alternative procedure (b), the Court has directed that, upon such mailing, you send a statement to the Claims Administrator confirming that the mailing was made as directed. You are entitled to reimbursement from the Settlement Fund of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to the Claims Administrator:

In re Sears, Roebuck and Co. Securities Litigation  
c/o The Garden City Group, Inc.  
Claims Administrator  
P.O. Box 9000 #6228  
Merrick, New York 11566-9000  
(800) 364-0216

**18. Whom should I contact if I have questions?**

A: Further information regarding the Action and this Notice may be obtained by contacting Lead Plaintiff's Counsel: George A. Bauer III, Esq., Milberg Weiss Bershad & Schulman LLP, One Pennsylvania Plaza, New York, New York 10119-0165, Telephone (212) 594-5300, or Marvin A. Miller, Esq., Miller Faucher and Cafferty LLP, 30 North LaSalle Street, Suite 3200, Chicago, Illinois 60602, Telephone (312) 782-4880.