Election Tracker

A “Plan for a Healthy America” or a “Call to Action”?*

In several months we will be voting on the next president of the United States. The presumptive candidates, Senator Barack Obama and Senator John McCain both have plans for the betterment of our country. Health insurance is one of the key issues of the 2008 presidential race. It’s a huge domestic issue because of the rise in health care costs.

What are Senators Obama and McCain’s views on health insurance? We decided to check out their web sites and the following statements are taken directly from such sites reflecting their positions on this critical issue.

Barack Obama’s Plan for a Healthy America

“We now face an opportunity—and an obligation—to turn the page on the failed politics of yesterday’s health care debates ... My plan begins by covering every American. If you already have health insurance, the only thing that will change for you under this plan is the amount of money you will spend on premiums. That will be less. If you are one of the 45 million Americans who don’t have health insurance, you will have it after this plan becomes law. No one will be turned away because of a preexisting condition or illness.” Barack Obama speech in Iowa City, IA, May 29, 2007.

Obama will make available a new national health plan to all Americans to buy affordable health coverage that is similar to the plan available to members of Congress. The Obama plan will have some of the following features:

1. No American will be turned away from any insurance plan because of illness or pre-existing conditions.

2. The benefit package will be similar to that offered through Federal Employees Health Benefits Program (FEHBP), the plan members of Congress have. The plan will cover all essential medical services, including preventive, maternity and mental health care.

3. Affordable premiums, co-pays and deductibles.

4. Individuals and families who do not qualify for Medicaid or SCHIP but still need financial assistance will receive an income-related federal subsidy to buy into the new public plan or purchase a private health care plan.

5. The new public plan will be simple to enroll in and provide ready access to coverage.

6. Participants in the new public plan and the National Health Insurance Exchange will be able to move from job to job without changing or jeopardizing their health care coverage.

7. Participating insurance companies in the new public program will be required to report data to ensure that standards for quality, health information technology and administration are being met.

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The Obama plan will create a National Health Insurance Exchange to help individuals who wish to purchase a private insurance plan. The Exchange will act as a watchdog group and help reform the private insurance market by creating rules and standards for participating insurance plans to ensure fairness and to make individual coverage more affordable and accessible. Insurers would have to issue every applicant a policy, and charge fair and stable premiums that will not depend upon health status. The Exchange will require that all the plans offered are at least as generous as the new public plan and have the same standards for quality and efficiency. The Exchange would evaluate plans and make the differences among the plans, including cost of services, public.

John McCain’s Call to Action
John McCain believes that we must provide access to health care for every American. He has proposed a comprehensive vision for achieving that. For too long, our nation’s leaders have talked about reforming health care. Now is the time to act.

John McCain believes the key to health care Reform is to restore control to the patients themselves. We want a system of health care in which everyone can afford and acquire the treatment and preventative care they need. Health care should be available to all and not limited by where you work or how much you make. Families should be in charge of their health care dollars and have more control over care.

John McCain will reform health care making it easier for individuals and families to obtain insurance. An important part of his plan is to use competition to improve the quality of health insurance with greater variety to match people’s needs, lower prices, and portability. Families should be able to purchase health insurance nationwide, across state lines.

John McCain will reform the tax code to offer more choices beyond employer-based health insurance coverage. While still having the option of employer-based coverage, every family will receive a direct refundable tax credit—effectively cash—of $2,500 for individuals and $5,000 for families to offset the cost of insurance. Families will be able to choose the insurance provider that suits them best, and the money would be sent directly to the insurance provider. Those obtaining innovative insurance that costs less than the credit can deposit the remainder in expanded Health Savings Accounts.

John McCain proposes making insurance more portable. Americans need insurance that follows them from job to job. They want insurance that is still there if they retire early and does not change if they take a few years off to raise the kids.

John McCain understands that those without prior group coverage and those with pre-existing conditions have the most difficulty on the individual market, and we need to make sure they get the high-quality coverage they need.

John McCain will work with states to establish a guaranteed access plan. If President, John McCain will work with governors to develop a best practice model that states can follow—a Guaranteed Access Plan or GAP—that would reflect the best experience of the states to ensure these patients have access to health coverage. One approach would establish a nonprofit corporation that would contract with insurers to cover patients who have been denied insurance and could join with other state plans to enlarge pools and lower overhead costs. There would be reasonable limits on premiums, and assistance would be available for Americans below a certain income level.

John McCain proposes a number of initiatives that can lower health care costs. Listed below are a few of these initiatives:

John McCain will look to bring greater competition to our drug markets through safe re-importation of drugs and faster introduction of generic drugs.

Chronic conditions account for three-quarters of the nation’s annual health care bill. By emphasizing prevention, early intervention, healthy habits, new treatment models, new public health infrastructure and the use of information technology, we can reduce health care costs. We should dedicate more federal research to caring and curing chronic disease.

Greater Use of Information Technology To Reduce Costs. We should promote the rapid deployment of 21st-century information systems and technology that allows doctors to practice across state lines.

Reforming the Payment System to Cut Costs. We must reform the payment systems in Medicaid and Medicare to compensate providers for diagnosis, prevention and care coordination. Medicaid and Medicare should not pay for preventable medical errors or mismanagement.

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—STRAIGHT TALK—Summer 2008—
Sears Holdings held their annual meeting on Monday, May 5, 2008. Chairman Lampert told the attendees that “2007 set us back. We need to come up with bigger and better ideas.” Lampert said that the company’s conservative approach to spending money would help it weather the nation’s rocky economic outlook.

He spent the first 30 minutes of the three-hour meeting defending his decision to cut capital spending on stores. He asserted the retail industry built too many stores in the past five years and is now paying the price as the economy slows.

Lampert, who owns half of Sears Holdings, is disinclined to disclose too much. Even when pressed by shareholders to be more specific and break out the financial performance of its various businesses, Lampert did his best to keep his specific plans for the retailer’s future under wraps.

Edward Lampert told investors that Sears’ competitors have overextended themselves through a rash of store openings and debt acquisition. “We do feel that because we’re not building a lot of new stores, that we can do a better job with the assets we have in place,” he said.

Most of the company’s cash has been used to pay down debt and buy back stock. At the end of the fiscal year, Sears said it had about $1.6 billion in cash on hand—far less than the $3.8 billion the company had last year. Lampert said that if he had a second chance, he would have purchased less stock last year.

Lampert called the company’s strategy a sound, long-term investment, while acknowledging that 2007 was a year of poor performance for the company.

“2007 set us back,” he said. “Our strategy is designed to ensure we have enough financial strength to weather whatever economic situation comes our way.”

Investors and a growing chorus of critics have chided Sears for failing to use its once-hefty war chest to refresh tired stores or launch a major acquisition. And they did not let up at this annual meeting as they peppered Lampert with questions about his plans for the iconic Kenmore, Craftsman, and Diehard brands.

For Lampert, opening distribution channels for the brands—brands he admitted had not been managed well—would unlock their value for shareholders. At the same time, he said putting its popular brands in competitors’ stores is just one of many options the company is considering as it realigns its business into five units.

“The distribution strategy is not unimportant, but no one should read that like tomorrow, we’re going to be putting that in another retailer,” he said.

Mr. Lampert emphasized Sears’ need to improve marketing the stores’ ‘powerful’ brands and helping customers. He also noted that his chain has to improve inventory and the mix of products. “We’re far from where we need to be,” he said.

But Sears’ competitors have overextended themselves through a rash of store openings and debt acquisition, he said. “We do feel that because we’re not building a lot of new stores, that we can do a better job with the assets we have in place,” he said. “Our focus is on upgrading the customer experience and being ready when the economic environment turns.”

The Sears annual meeting is generally the only forum at which shareholders get a chance to talk to Lampert. He shut down Sears Investor Relations department when he took over the company in 2005 and now communicates primarily through letters to shareholders and Securities and Exchange Commission filings.

N.A.R.S.E.’s Comments

N.A.R.S.E. was the first to speak during the question-and-answer period. Dave Silgers, a N.A.R.S.E. Board member, said:

“I appear here today on behalf of N.A.R.S.E., one of the few remaining national retiree organizations in the country. We were formed almost eleven years ago as a result of a serious breach of trust involving a significant cutback in our promised life insurance benefits. N.A.R.S.E. represents the interests of thousands of Sears retirees nationwide.

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“We want Sears Holdings to succeed in this very competitive retail environment. We hope Sears can develop a winning strategy that will bring customers back and return the company to the retail playing field it once dominated.

“We appreciate the company’s decision to continue offering, albeit reduced, retiree medical/prescription drug plans. We hope that Sears Holdings will continue to offer its retirees health care coverage in the future.

“It is in the best interests of retirees, and associates, for Sears Holdings to be successful and prosper in order to maintain its obligations. Retirees are not only former associates, but also shareholders and customers.

“Sears Holdings has a large group of relatively young retirees. Downsizing has kept this age group younger than it was in the past. Medical advances provide retirees with excellent physical and mental health. Retirees can still think, evaluate, and act. Why not use us?

“N.A.R.S.E. is offering its assistance in anyway we can help Sears Holdings regain its once proud retail dominance. And to that point, we have offered in an open letter to Chairman Lampert our desire to be part of the solution rather than a perceived burden.

“N.A.R.S.E.’s Spring 2008 issue of its newsletter, STRAIGHT TALK, outlines many thought-provoking ideas, which can also be found at www.narse.org.

“We want the company to succeed in this endeavor, and N.A.R.S.E. stands ready to assist the organization.”

The N.A.R.S.E. presentation went over very well. Mr. Lampert used our presentation as a springboard to talk several minutes about retirees. He said that early on in his exposure he felt there was a need to strengthen the relationship between retirees and the company.

Lampert then responded to many questions and did not limit the time. I would estimate that the shareholders asking the questions were in the 25–35 age group. There were not many “older” persons asking questions, mostly middle-aged. Very light on females. Unlike pre-Lampert, there was no flashy presentations. Just screens of statistics. Very boring for a retail company. For all of the questions he answered, he did not get any “boos.”

My overall feeling about the meeting is that Lampert has learned quite a lot in the last few years. It does not sound like he is going away. He presented some good statistics of comparison that made sense regarding what is going on in retail.

He agreed with one of the attendees that the Kenmore and Craftsman brands need to be more identified to the customer, and the names strengthened. The exclusive features and warranties on these brands must be emphasized to the customer. From Lampert’s comments, it does not sound like the Kenmore and Craftsman brands will be shared with other retailers. Part of the problem may be distribution, but it probably goes deeper than this.

There were questions about advertising and the lack thereof on SHC’s part. Lampert appeared to give the impression that a lot of information is now found on the internet, from news to looking for merchandise. Advertising is changing and Sears must be ready to respond to such changes.

There were no questions about automotive, service, layoffs or cutbacks. But it was clear that the morale is very poor at both the store level and headquarters.

He did mention that the percent of profit on sales does not always need to be high markup. For instance, he said that you can sell $1,000,000 of an item at 10% profit and make $100,000, or you can sell $250,000 at 20% and make $50,000. I think he was trying to say that there are different ways to make money. Don’t know whether everyone in attendance really understood this.

Lampert still seems to be calling all of the shots for the company. He did call on his support team to answer a few of the questions. However, their responses, in my opinion, were weak.
A Retiree You Should Know

CHARLES HARRISON WINS SMITHSONIAN LIFETIME ACHIEVEMENT AWARD

Congratulations to Evanston-based industrial designer Charles Harrison, Sears retiree extra ordinaire and N.A.R.S.E. member. He won the prestigious Lifetime Achievement award from The Smithsonian’s Cooper-Hewitt, National Design Museum, which recently announced winners and finalists of its 2008 National Design Awards.

“I’m just delighted and surprised,” says Harrison, 76, who was one of the first African-Americans to enter the professional design field where he earned himself a stellar reputation as a designer in touch with average Americans at home.

Harrison was employed at Sears, Roebuck for about 32 years in Department 817 (the Laboratory), retiring in 1993. At the time, he was one of the few African-American industrial designers in the country and was fortunate enough to have worked for Sears when Sears was still the premier American retailer in the country, and the company was still designing their own products. During his last 10 years with Sears, he was the company’s manager of design.

During his distinguished career at Sears, Harrison maintained an unwavering commitment to the needs of the average consumer, creating an astonishing 750 products—from radios to sewing machines to hair dryers—for nearly every area in the home. Among his most iconic designs are the first-of-its-kind plastic garbage can he developed in the late 1960s to replace metal drum cans; and also the now classic View-Master.

But rest is not on Harrison’s agenda. He’s still working, teaching product design at Columbia College Chicago.

Other National Design Award winners include: Google for its Corporate Achievement; Seattle architect Tom Kundig for Architecture Design; and the Philadelphia-based Olin Partnership for Landscape Design. The Award recipients will be honored at a gala dinner October 23 at Cooper-Hewitt in New York City. Mrs. Laura Bush serves as the Honorary Patron for this year’s National Design Awards.

The National Design Awards were conceived by the Smithsonian’s Cooper-Hewitt, National Design Museum to honor the best in American design. First launched at the White House in 2000 as an official project of the White House Millennium Council, the annual awards program celebrates design in various disciplines as a vital humanistic tool in shaping the world, and seeks to increase national awareness of design by educating the public and promoting excellence, innovation, and lasting achievement. The Awards are truly national in scope—nominations for the 2008 Awards were solicited from a committee of more than 800 leading designers, educators, journalists, cultural figures, and corporate leaders from every state in the nation.

A suite of educational programs was announced this summer in conjunction with the awards by Cooper-Hewitt, National Design Museum’s award-winning education department, including a series of public programs, lectures, roundtables, and workshops based on the vision and work of the National Design Award winners.
EDITOR’S NOTE: Today, the political climate in Washington reveals many elected officials determined to change the Social Security system and the Medicare programs. Some want to keep all options on the table. Others are even considering radical changes that would undermine future benefits and the very purpose and mission of Social Security.

That is why it is critically important for you to stand up now and join with millions of American seniors to defend the Social Security and Medicare benefits that are worth hundreds of thousands of dollars to you. Your elected representatives need to hear from you today. If you do not know who your elected representatives are, or how to contact them, then go to www.narse.org and click on “Find Elected Officials.” Let them know how you feel about this issue. Some suggestions for a letter follow:

Dear Congress:

We are requesting you, as our representative, to please oppose any legislation, plan, or conference report that will in any way harm the benefits, structure, or traditional role of Social Security or Medicare. This includes, but is not limited to, any further efforts to privatize Social Security and Medicare, which will undermine the principles that have made these programs so successful.

President Franklin D. Roosevelt and Congress created Social Security in 1935 to protect retired Americans from experiencing a “... poverty-ridden old age.” It was a kind of “chain of trust” between generations to keep older Americans from experiencing devastating poverty. And America’s more than 36 million seniors have invested their hard-earned money in Social Security and Medicare during their long working lives.

Social Security and Medicare represent a covenant between the government and its citizens. We therefore stand against any plans that in any way will harm or diminish these critically important protections against poverty and the devastating cost of medical care.

One of the top priorities for retirees, who are also voters, is the protection of Social Security and Medicare for all current and future retirees. Among your top priorities, as our elected representatives, you must defeat any proposals that threaten retirement security.

We urge you to preserve Social Security and Medicare to protect the benefits we have worked for, paid for, and earned.

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So Which Candidate Is Best for You?

Next November you will be going to the polls to elect the leader of our country for the next four years. You will want to know exactly who your candidates are and what they stand for. How would each candidate govern as our president? What are their voting records and do you agree with their positions on the critical issues of the time?

What about their candor, conviction and judgment on issues? Do you agree or disagree? Do you trust each of them? Can each of them be trusted to uphold our Constitution and Bill of Rights? Will the candidate of your choice nominate Supreme Court justices who will uphold the rights that are so dear to you?

Regarding the health care and insurance issue, check out the Internet to learn more about Senators Obama and McCain. You might also want to look at some health policy blogs, including www.john-goodman-blog.com. You can also check out the N.A.R.S.E. Home Page at www.narse.org and click on the link titled “Find Elected Officials” to learn more about all of the candidates; or AARP’s web site at dividedwefail.org.

However, since the budget gap estimates are ballooning to around $500 billion, this could force major changes in the promised health-care expansion for the presidential winner’s agenda.

Whatever you decide, make sure that you vote next November. Learn as much as you can about each candidate and remember that the presidency has to be earned. As voters, we have a right to know all we can about the person who will represent our best interests for the next four years.

—STRAIGHT TALK—Summer 2008—
EDITOR’S NOTE: The following article appeared in the June 2008 issue of Kiplinger’s Personal Finance magazine in the “Money & Ethics” column by Knight Kiplinger. This article brings to mind the windfall severance package bestowed upon Aylwin Lewis, 54, the former CEO and President of Sears Holdings who left the company last February. He will continue to receive his $1,000,000 salary through March 2010 and also all of his health and other benefits. Lewis’s performance at Sears clearly showed he was not in the retail mode. Today, Lewis is the CEO of Chicago’s Potbelly Sandwich Works.

Q: What can be done about lavish severance packages for chief executives who made a mess of their companies and were forced out after share prices tumbled and blameless employees lost their jobs?

It has regrettably become common in recent years for executive severance to be negotiated during the hiring process, when a corporate board of directors is trying to recruit a star chief executive officer. The severance agreement becomes part of a contractual commitment that is often unrelated to the circumstances of the executive’s eventual firing. It’s legally difficult for the board to void the contract. On occasion, though, shareholder suits have resulted in a reduced severance package.

To complicate matters, severance is often structured as deferred compensation for an executive’s earlier successes, before things fell apart. Discredited CEOs always argue that they were not overpaid at termination, considering the rise in share price they achieved for stockholders during the good times.

**MY SOLUTION?**

Companies shouldn’t make severance commitments when hiring executives that might later haunt them, especially if the CEO is terminated for cause. Executive-compensation consultants (who, by the way, played a big role in pushing up CEO pay) warn that this would make it difficult for boards to hire top talent. Nonetheless, I think it’s a reform that is long overdue.

An ethical CEO should be embarrassed about receiving a lavish severance package after his or her errors of judgment caused severe distress for shareholders and especially for employees. (Then again, CEOs are not usually noted for their humility.)

To do the right thing—and also to defuse public condemnation and head off shareholder suits—terminated CEOs and other top executives should voluntarily decline a large portion of their severance. Or, even better, they could offer to give most of their undeserved windfall to rank-and-file employees who lost jobs as a result of their mismanagement.

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**BOARDS AND EXECUTIVE COMPENSATION—PLEASING SHAREHOLDERS OR THE TOP BRASS?**

While we are not sure what Sears Holdings board is doing, word on the street is that directors of some major companies, facing unprecedented pressure from shareholders, lawmakers and regulators, are increasingly cutting back the pay-setting power of CEOs. Board compensation committees are beginning to retain their own lawyers, holding frequent executive sessions and evaluating management much more rigorously. It’s about time!

The result of this board change of heart is that the bold boards are killing practices long popular among big bosses, such as retention grants of restricted shares, generous exit rewards and “gross ups” to cover the taxes that executives have to pay for certain benefits.

A growing number of compensation committees limit corporate chiefs’ control over pay decisions because “we understand it is an obligation we have to shareholders,” says E.J. “Sandy” Sanderson, Jr., chairman of the pay panel of Science Applications International Corp.

The *Wall Street Journal* reported that dissident stockholders and government experts agree that aggressive boards determined to rein in management’s clout and rewards still remain the exception rather than the rule. Pay committees too often “take away with one hand and give back with the other,” says Nell Minow, co-founder of the Corporate Library, a corporate-governance research firm in Portland, Maine.

Has the Sears Board restored shareholder confidence yet? Of course not. But we hope they will consider some of the suggestions set forth here as part of their corporate governance.

—STRAIGHT TALK—Summer 2008—
On July 16 the Sears Syracuse (Central New York) retiree club held their annual picnic, according to John Freeman, president of the club. The picnic was held at Onondaga Lake Park and the lake helped keep the members cool on a beautiful 90-degree day. While the picture is from the club’s 2004 picnic, ten of the eleven retirees in the picture are still living. According to Freeman, “we all look pretty much the same, with just a little more gray!”

There were 82 attendees at this year’s picnic, including spouses and some non-retirees. This was a large turn out for a club with 130 members. The club keeps an open line with long term employees that are nearing retirement and they are always welcome at the club’s activities.

The food was great and sharing of the memories was even better. At the picnic/meeting it was announced by John Freeman that Ed Weinstein would join John as the co-president of the club.

This retiree club usually meets the first Thursday of the month, for a brunch at a Denny’s restaurant in the area. These meetings occur about 8–10 times a year. Freeman said that they share information from N.A.R.S.E. and from Sears at these meetings. In addition, the two major club events each year are the summer picnic and the Christmas party. The picnic is funded by the club, as well as the two newsletters that the club publishes each year.

John Freeman worked with Sears for 34 years, retiring in 2002. He was hired as a management trainee at the Sears store in Penn Can Mall just outside of Syracuse. Three years later he was promoted to “Sears Parent” in Department 733B. Subsequently he had assignments in Departments 640, 704P, 629, 626, and finally retired as product manager in the Contract Sales Business.

Ed Weinstein, the new co-president of the club, was with Sears for about 25 years working in the retail store, retiring in 1991. Initially he was a salesman in automotive and sporting goods. Then, in 1966 he was sent to a new store to assist in receiving merchandise and setting up the store for sporting goods. He also was the manager of the Hardware Department and while there had the first million department in the store. He also managed the Appliance Department. Later in his career, he was with the Group New Stores opening team and also the group advertising and buying teams.

Pictured in wheelchair is Frank Fredericks, then from left to right: Ted Pasinski, Joe Peluso, Fred Stell, John Freeman, Ron Struwing, Roy Littlefield, Paul Smyth (deceased), Ed Weinstein, Al Wallach, and Norm Katzman.
Is Lampert Making the Grade at Sears Holdings?

by Dan Weiss

Although my focus is on small cap stocks which are underfollowed, I have been following with a close eye the progress of Eddie Lampert in creating change at Sears Holdings. The stock is now trading at levels not seen since 2004. If you go into a Sears or Kmart store they are often empty (at least in the area in which I live), and they are clearly not the premier brand that they once were.

Lampert has an outstanding track record as a hedge fund manager and utilizor of capital. However, to this point he has been unable to truly learn the ins and outs of the retail business, as Sears has faced increased competition from the likes of Home Depot and Lowe’s for tools and appliances, Wal-Mart and Target for everyday items and the increasing number of discount auto suppliers for auto parts and tires. The company has also faced customer service issues (Lampert has said that one focus of the company going forward is improving the customer’s experience).

Sears has some very strong brand recognition with its offerings such as Craftsman, Kenmore and Land’s End, however, these names are not enough to drive strong future growth for the company. All along, the theory on Wall Street has been that Lampert would create a holding company or conglomerate type of setup much like Buffett has very successfully done at Berkshire Hathaway.

Lampert has said himself that he would like to see the company over the long term modeled after a company such as General Electric.

“My goal is to see Sears Holdings become a great company whose greatness is sustainable for generations to come. One of the critical elements of that kind of longevity is having a culture of testing and measuring, and openness to change. It is very rare for companies to continue to operate for long periods of time without substantial change and adaptation.”

Some of the smartest investment managers in the world believe strongly in Lampert and Sears Holdings including Bill Miller at Legg Mason, Bruce Berkowitz at Fairholme, Davis, Mohnish Pabrai, Bill Ackman and many more. Of the group, Ackman is one of the more interesting as he is known for being an activist investor but as of yet has not demanded much from Lampert (although this could change in future quarters if shareholder value has not increased.)

Some other positives for the company are that Sears Holdings has significant value in its real estate holdings, since much of it is currently priced on the books at cost, and in addition, Lampert is able to use his investment expertise to invest the cash as he sees fit.

All of the above variables make Sears an interesting case study to see whether a highly intelligent hedge fund and business manager is able to turn around a once very strong retailer which has struggled for years to return to its glory days and to bring wealth to its shareholders. Thus far, Lampert would get a C in my book, but I think there are many more chapters to come which can significantly change that grade.

Disclosure: The author does not hold shares in Sears Holdings.

Charles F. Vollman—1933–2008

Charles F. Vollman, a former member of the Sears Retiree Advisory Council, passed away July 18, 2008. Prior to joining Sears, he served with the CIA in a number of posts throughout the world. In 1964 he resigned from the CIA and joined Sears as Decorating Consultant, Regional and National Trainer, and Sales Manager in South Florida until his retirement in 1991.

Among other things, he was President of the Sears Retirees of South Florida Club for 14 years and was involved in numerous other local civic organizations. His wife, Betty, and their children, grandchildren and one great grandchild survive Chuck.
The Motley Fool—5/30/08

WILL SEARS GO FOR BROKE?

by Rich Duprey

We won’t utter the word “bankruptcy” just yet—OK, I just did—but it’s one of the scenarios investors need to ponder as they look at the continued dismal performance of Sears Holdings. After a few years of using gimmicks to post profits—selling off real estate, using total return swaps, failing to make capital expenditures to upgrade stores, buying back expensive shares—Chairman Eddie Lampert’s bag of tricks has apparently run dry.

For the first time in three years, Sears failed to report a profit, instead posting a $56 million net loss, or $0.43 per share (a loss of $0.53 a share, excluding favorable gains on the sale of assets). The top line fell 5.2% to $11.1 billion, and total domestic comps—sales at stores open for at least a year—plummeted 8.6% from the year-ago period.

Not that falling comps are any surprise. Sears hasn’t posted a single increase in this important retail metric in years.

The new game plan for supposedly turning Sears around is to reorganize the company into five autonomous pieces that will all be held separately accountable for making good on progress. Without question, Sears has some well-known brands that it could tap and exploit—DieHard batteries, Land’s End clothing, Kenmore appliances, and Craftsman tools—but it seems that a new distribution model is necessary, because consumers simply don’t want to shop at Sears.

Instead, they’re heading to Wal-Mart, Costco, and Target, all of which reported higher sales. The combination of low price and quality are bringing in consumers looking to stretch their dollars.

Despite the new strategy, it looks like Lampert is returning to his old financial-engineering ways. The board of directors approved another half-billion worth of stock buybacks. When combined with the amount remaining from previous authorizations, that gives Sears nearly $650 million to spend. Over the past year, the company’s buybacks haven’t proven beneficial to shareholders’ returns; management bought shares as high as $150 a stub that are worth less than $85 today. Sure, the shares seem cheap to repurchase now. But if conditions continue their current trend, they might seem as richly priced as those previous certificates it retired.

Sears is running out of time, if not cash. With more than $1.4 billion in the bank and a substantial $4 billion line of credit, it can hold on for a while longer. However, if the once-venerated retailer continues to bleed through its cash, it might not be too long before we’re once again discussing the dreaded “B-word.”

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N.A.R.S.E. REPRESENTS YOU!

Please let your voice be heard! N.A.R.S.E. is dedicated to keeping you informed about retiree issues and what Sears is doing about your benefits. Visit our web site daily at www.narse.org to learn the most recent news about Sears and the retail industry.

We need your support to continue our mission of communicating with retirees, elected and governmental officials and the public through the media.

If you have not already done so, please send your support today by mailing a check with the enclosed membership/renewal form to N.A.R.S.E. Have you already sent in your support? If so, please pass the membership application form to someone you feel could join us in the cause.

WE ARE NOT GOING AWAY!
**READER FEEDBACK**

**Albuquerque, New Mexico Retiree:**
“The (Spring 2008 issue of) STRAIGHT TALK was by far the best issue I have received ...

“I think that another point could be added to your list (contained in the Basic Retailing 101 article.) Store managers should be approachable, and they should be known to the public. Their names should be displayed in the store! This might help to improve the Sears image and also customer relations.

“Thank you for your good work and also for listening.”

**Chandler, Arizona Retiree:**
“Congratulations on the latest issue (Spring 2008) issue of STRAIGHT TALK. It is inspired! Interestingly, today’s Chicago Tribune online has an article about Eddie’s lengthy letter to Sears Associates re the pitiful profit performance just announced. If you or I or any of our fellow N.A.R.S.E. members had performed to the standards Eddie is now attaining, we’d have been fired! Keep up the great work.”

**Blue Island, Illinois Retiree:**
“I just finished reading (the Spring 2008 issue of) STRAIGHT TALK. I agree 100% with your letter to Mr. Lampert and Basic Retailing 101—all 38 suggestions. I sure hope he hires an experienced merchant to run Sears, and not a puppet ...”

**Glen Allen, Virginia Retiree:**
“(The Spring 2008 issue) was one of the best Straight Talk issues I have received, and I enjoyed reading Basic Retailing 101. (This article was) like part of a book I always wanted to write.”

**Bellevue, Washington Retiree:**
“Your comments on ‘Retailing 101’ are good—but free advice is neverneeded. Do not waste your time on a failed organization. It exists only to line a few pockets ...”

**Portsmouth, Virginia Retiree:**
“Would like to know why Sears Holdings is not paying any dividends? No dividends coming in has reduced my income a great deal. I would like an answer.”

**EDITOR’S NOTE:** When K-mart took over Sears, one of the things that the new Sears Holding Corporation announced was that they would not be paying dividends for the foreseeable future. The potential for Sears shareholders and retirees for such an action, to say the least, is not encouraging. Just do the math! Only Sears knows why they did it. Ask Eddie Lampert.

**Chicago, Illinois Retiree:**
“Thank you for being there to represent the retirees! A couple of CEO’s and Ed Lampert made some bad decisions that hurt our wonderful ‘Sears.’ We all ‘thank you’ for being there for us.”

**Ormond Beach, Florida Retiree:**
“New policy to help kill sales? Went to the Auto Center yesterday to have an electrical check. Told I needed a new battery. Only thing they had in stock for my Aura RL was a Platinum Diehard at $179.99. Said ok and gave him my retiree card and Sears card. Was told they only give employee discounts to Sears retirees on Wednesdays!! Called National Customer Relations who did nothing but call the store who told them that was the new policy.

“First time in over 30 years my car does NOT have a Diehard. Guess I also know why there were only 3 cars in a 20 bay Auto Center on a Friday afternoon. How stupid. Lampert has to go.”

**Verona, Pennsylvania Retiree:**
“I’m so sorry but had to report this incident. (I received a telemarketing phone call from Sears) reminding me that the factory warranty on our television expires (shortly). Would I want to cover it with a Sears policy? I explained to her that my husband ... passed away (several weeks ago), and I couldn’t possibly spend money since I knew my income was reduced in half. She began to laugh!!! I am blind. I am a 30-year employee of Sears who retired in 1986 and on oxygen 24/7. I can’t get over the (rude) call and had to let someone know!”

**Naperville, Illinois Retiree:**
“(N.A.R.S.E.) is to be congratulated for representing retirees with a positive approach to Chairman Lampert (at Sears Holdings annual meeting last May). Lampert has an enormous problem, one that, in my opinion, is near insurmountable. His hands-on retail skills are limited. Continued on page 12

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Bottom line only measurement will not turn the company around. Breaking the company into stand-alone parts is the kiss of death. A retail company is different from a manufacturing one. It must be a team effort with all entities pulling on the same oars.”

Redlands, California Retiree:
“I don’t have any means to give to N.A.R.S.E. now. I wish I could. I struggle each month just to get by. Please keep me on your list.”

EDITOR’S NOTE: If a retiree cannot afford to support N.A.R.S.E. financially, then all they have to do, as the Redlands, California retiree has done, is to notify us when they return their renewal application form, and we will continue to keep them in our database.

Lafayette, Indiana Retiree:
“The work you’re doing is fabulous! Wish I was able to be of help but at this time I can’t. May God bless all (those folks) that put their heart and soul into this.”

Chicago, Illinois Retiree:
“I went to Sears at Westfield (Old Chicago Ridge) to buy a 3-Ton Floor Jack set on sale for $99.99 for my son’s birthday Saturday. Well, this store nor the two surrounding stores had it in stock and would take until June 10 if they ordered it for me. However, they stated I could order it online and receive it in 5–7 days. They also stated the item could be shipped to the store to avoid the shipping cost of $54.00 (however, online not available to be shipped to the store) Thus, their logic is, you pay the shipping we’re not, but give us your Stimulus Checks.

“Needless to say I kicked myself for going to Sears and told the Associate I noticed all the Store Associates now wear black. I asked is that for the upcoming Sears funeral? She laughed and said that is why she is going to retire.”

TAKE ACTION NOW!

According to AARP, the best part of the 2008 Olympics is the way Americans unite in support of our athletes. For a few precious weeks this August, we’ll forget about the minor grievances and party labels that divide us. Disagreements over policy and politics won’t disappear—but they will be outweighed by the common ties that bind us together.

Imagine if our leaders in Washington had that outlook. They would finally recognize that affordable health care and lifetime financial security for every American aren’t partisan issues, but principles that unite the whole country. And their policy differences would fade in the face of a common desire to get to work.

As the presidential campaigns kick into high gear, the promises are coming fast and furious. But you and I know it’s not what Senators McCain and Obama propose that matters: it’s what they will do to achieve it.

After all, campaigns speeches will have very little impact on the partisan gridlock that blocks progress in Washington. That’s why we want to hear specifics—about how the talk turns into solutions and partisan gridlock is overcome by bi-partisan cooperation.

It’s time for action. The candidates need to tell us how they plan on breaking through partisan gridlock to secure health care and financial security for all Americans. We need YOU to tell them—a little less conversation, and a little more action.

AARP is airing a new ad, asking Americans to contact the candidates. Will you join them? Ask Senators McCain and Obama how they will work across the aisle for real change in America.

Are you one of the thousands of AARP’s Divided We Fail supporters who have already written Senators Obama and McCain? Make an even bigger impact by making a phone call today! Call 1-800-891-9429 for Senator Obama, and 1-800-457-4373 for Senator McCain!