Company Health Check

CAN SEARS SURVIVE IN THE CURRENT RETAIL ENVIRONMENT?

Last month the Chicago Tribune published a 40-page brochure about Chicago’s Top Workplaces. Unfortunately, Sears Holdings was not one of the companies listed as a great place to work. The Tribune’s research found that “The culture of an organization separates the top workplaces from others … the best organizations work at (developing culture). They are run well and treat their employees with respect. At these firms, the mission is clear, the leaders inspire confidence and the workers see opportunities for advancement but also can maintain a healthy work-life balance.”

According to the research, companies that prosper use an employee-first approach, compared with models that are customer-focused or based on operational excellence, consistently yields good results.

“Innumorous studies show that people-first models deliver above-average returns. But it requires a discipline from the organization, the discipline to stick to it.”

In the last issue of Straight Talk we asked whether Sears was in rocky territory? This inquiry was based upon comments that Chairman Lampert made at Sears Annual Meeting last May. He said that Sears did not move fast enough to cut expenses in the wake of the financial crisis.

“I’ve seen businesses … adjust their cost model and come out of it stronger,” Lampert said. However, “we haven’t done that in every case … the level of profitability is still well below where it needs to be … we’ve got a lot of work to do.”

In addition to Chairman Lampert, many analysts have been very negative about Sears. Many dislike Lampert’s merchandising tactics and think he treats the company less as a pure retailer and more like a bundle of assets that can one day be turned into cash.

Brands to Go

For instance, last month it was reported that Sears is considering unloading its Lands’ End brand, one of its crown jewels, and Sears Auto Center business. The company purchased Lands’ End in 2002 with the hopes that this classic American brand would draw customers into stores and bolster its online presence.

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This $1.86 billion acquisition was touted as a model for how catal-
log and upstart web retailers could complement brick-and-mortar stores.
Sears said moves to split these businesses would let the divi-
sions “pursue their own strategic opportunities, optimize their capital structures, attract talent, and allocate capital in a more fo-
cused manner.”
Furthermore, earlier this year Sears said it was evaluating stra-
egic alternatives for its warranty business, including a possible sale, joint venture or recapitalization. But analysts have said that the company’s warranty business has been hurt by steep declines in Sears appliance sales.
Justin Lahart, a writer with The Wall Street Journal said, “Mr. Lampert has had years to turn Sears around, and hasn’t done so. The latest ma-
neuver looks more like a reshuffling of the deck than dealing the busi-
ness a new hand.”
However, others have said that Lampert takes a realistic, un-
sentimental view of the company. While criticized for refusing to invest in store revamps and spruc-
ing up as a matter of routine, he recognizes that with many subpar locations and stiff competition, Sears might not get much payoff from such spending.

5 Disturbing Signs
The October 28, 2013 issue of Business Insider cited “five disturbing signs that Sears is getting closer to death.” According to Brian Sozzi, chief equities strategist at Belus Capital Advisors these five signs are: (1) Spinning off properties; (2) Bombing in Canada; (3) Domes-
tic sales are down; (4) The company isn’t investing in the future; and (5) Rewards program.
Sozzi said that the rewards pro-
gram is “eating the company from the inside out. It’s driving lower quality sales today and opening the floodgate for even more margin-
killing promotions in the future.”

Unloading Lands’ End and Sears Auto businesses shows that the Sears brand is desperate to raise cash, Sozzi said. “... At some point in our lifetime, Sears will run out of assets to sell to raise cash to fund operations.” He added “every asset sale brings Sears closer to death.”
In Canada, the company is sell-
ing off prime real estate, opening up space for competitor Target, Sozzi said.

Wall Street’s Opinion
And in the October 12, 2013, issue of Barron’s it was stated that the rally of Sears shares belies big wor-
ries. “Lampert has done a masterful job of ensuring that Sears will have ample liquidity to stock its shelves during the holiday season and be-
yond. But questions about the value of the company’s real estate and the prospects for its retail arm suggests investors should shop elsewhere.”
In the June 20, 2013, issue of Forbes it was asked, “Should Eddie Lampert fire the CEO of Sears?”
The reason for the question: “During his tenure, Mr. Lampert cannot claim to have achieved growth, nor has he avoided sacrificing quality. Perhaps it’s time he looks in the mirror and tells the CEO of Sears Holdings that he’s fired.”
Unfortunately, Wall Street has unan-
imously given up on Sears Holdings since Sears management has failed to deliver a retail turnaround and profits have evaporated.

At last May’s Sears Annual meet-
ing Lampert acknowledged that “we haven’t figured out how to get a decent return on our assets, and that’s something we just can’t keep going on without generating suf-
cient profit ... We know that the level of profitability in the business is still well below where it needs to be to justify the assets we’ve dedi-
cated to this business.”

Third-Quarter Report
The company reported that its net loss for the third-quarter, the sixth in a row, widened to $534 million, or $5.03 a share, from $498 million, or $4.70, a year earlier. Sales fell 6.6 percent to $8.27 billion.
“The gross margins were really bad,” Matt McGinley, a managing director at International Strategy & Investment Group in New York. “If there was one silver lining in terms of what they did this quar-
ter, it’s that they delivered on what they said they would do with the expense reductions and the inven-
tory reductions.”

As reported in the Chicago Tribune, “While analysts have pointed out that Sears spends less than com-
petitors on store upkeep, the retailer has been pouring money into e-
commerce initiatives. Lampert has highlighted Member Assist, a mobile application that customers can use to text message store associates.”
Sears has also created a social net-
work for the company’s Shop Your Way loyalty program, which now generates 70 percent of sales.
Elsewhere in this issue you will read comments received from retirees about a possible future turnaround for the company; Lampert’s back-
ground; and Sears guarantor and nonguarantor subsidiaries.

—STRAIGHT TALK  Winter 2014—
As was recently set forth in the August 2013 issue of Stansberry’s Investment Advisory, Sears Holdings is a complicated web of subsidiaries, special purpose entities, holding companies and other affiliates.

As reported by Stansberry’s, “Today, after years of machinations, Sears Holdings’ various business interests fit into two critical, special purpose entities—guarantor subsidiaries and nonguarantor subsidiaries.

“The first category of assets can be used to pay back bondholders in the event of a Sears Holdings bankruptcy. The nonguarantor subsidiaries are shielded from bondholders in the event of a Sears Holdings bankruptcy.”

As background, like many other large companies, Sears Holdings has numerous insurance risks including: risks associated with merchandise service/protection agreements sold to customers, workers’ compensation, casualty and property risks.

Sears Reinsurance Company Ltd. (Sears Re) was formed in 2001 for the purpose of providing centralized management of these insurance risks through a single entity to facilitate efficient management of them and to provide dedicated assets to meet the related insurance obligations.

Sears Re is a wholly owned captive insurance company domiciled in Bermuda and regulated by the Bermuda Monetary Authority.

Real Estate Value of Sears Re

In November 2003 Sears Holdings transferred 125 of its best properties to a “special purpose entity” (Sears Re) and agreed to lease these properties back from this special purpose entity. Then, using a creative combination of mortgages and mortgage-backed securities, the value of these properties ($1.25 billion) ended up as securitized assets on the Sears Re books.

What Chairman Lampert did was legally transfer extremely valuable real estate assets and the cash flow they generate into an entity that bondholders can’t touch.

Intellectual Property Value of Sears Re

Business Week thought that Lampert’s move regarding intellectual property was, to say the least, groundbreaking: “Sears in on the cutting edge of financial innovation so important it could ... change the way managers of a wide range of businesses think about their balance sheets.”

Using the special purpose entity, a royalty agreement, and “asset backed notes,” Sears Holdings, during May 2006, transferred to Sears Re the $1.8 billion intangible value associated with the brand names Kenmore, Craftsman and Die-Hard.

As reported in the Investment Advisory, “Sears Holdings now must pay royalties every time a Kenmore, Craftsman or Die-Hard product is...
Jewel continued from page 3
sold … Lampert structured the deal so that the royalty payments ultimately go to Sears Reinsurance. So Lampert created licensing income from thin air—and assigned that income to his insurance company.”

The Bottom Line
Is Sears Re engaged in business outside of Sears Holdings? With $35 billion in assets one would think that they would be. However, the company’s filings are silent on this issue.

Sears Holdings is really two companies. One that makes money and will be preserved in the event of bankruptcy (Sears Re)—and one that loses money and will be liquidated in the event of bankruptcy (Sears Holdings). What Chairman Lampert is attempting to do is to make Sears’ best assets untouchable in the event of a Sears Holdings bankruptcy.

Is this similar to what General Motors did back in 2009? In Forbes November 18, 2013, issue an insider reports on what really took place as GM teetered towards liquidation. What GM finally did before filing for bankruptcy was to split the company into two very separate parts: “NewCo,” a new company with a clean balance sheet, and “OldCo,” the leftover GM with most of the liabilities.

The U.S. Treasury agreed to fully fund NewCo with equity, and thus it became the chosen path to save the company.

Seritage Realty
Another little known company of Sears Holdings is Seritage Realty Trusts formed in 2012. This is a wholly owned subsidiary responsible for large-scale redevelopment and asset management initiatives to redevelop some of Sears and Kmart’s most “shovel-ready” properties. Seritage is actively on a National Road Show to engage in “portfolio reviews with national chains.”

Editor’s Note: The above article was assembled from the editor’s own research and from an article in Porter Stansberry’s August 2013 Investment Advisory; a quote in Business Week about Sears Re.; Forbes article in its 11/18/2013 issue titled, “How General Motors Was Really Saved”; and a report from Baker Street Capital Management about Sears Holdings’ entire real estate portfolio.

Beware Medicare Scam Artists
The Federal Trade Commission has received many complaints about scam artists claiming to be from Medicare and asking consumers for personal or financial information. They often tell beneficiaries that the new health law (the Federal Affordable Care Act, also known as Obamacare) requires them to provide such information.

For example, a woman in San Diego recently received a call from a person claiming to be from Medicare. He told her that she needed a new Medicare card because of the health care law and asked for her bank account number. He told her that her benefits would stop if she did not provide the information.

The woman called the California Senior Medicare Patrol before providing the bank information. “People don’t know if the calls are legitimate, but they’re afraid they’ll lose their ben-

Seritage marketing materials do not mention any association with Sears Holdings. In addition, Sears has also retained local real estate brokers throughout the United States to source transactions and accelerate deal activity.

As one analyst has said: “The re-development and monetization of real estate is consistent with Sears’ stated goal of becoming less reliant on stores and inventory.” This is but one part of the transformation of Sears.

Kimberly Lankford reported this warning in the October 2013 issue of Kiplinger’s Retirement Report.

The woman called the California Senior Medicare Patrol before providing the bank information. “People don’t know if the calls are legitimate, but they’re afraid they’ll lose their ben-

benefits if they don’t give the information,” says Micki Nozaki, case specialist for the California Senior Medicare Patrol, which is one of the m64 programs working with the U.S. Department of Health and Human Services to fight Medicare-related fraud.

Nozaki says, “Medicare will never, ever call you.” You can call Medicare at 1-800-633-4227 or contact the Senior Medicare Patrol in your state at www.smpresource.org. This site is captioned: “Educating and Empowering Seniors to Prevent Health Care Fraud and Abuse.”

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While he has headed up Sears Holdings since 2005, we know very little about a man who is trying to follow in Warren Buffett’s footsteps. In short, Edward Lampert, CEO of Sears Holdings, like Buffett, has gained control of a giant, failing business with a huge reserve of hidden assets. And he has remained hidden from the media and Sears corporate headquarters for most of this time.

As was set forth in Stansberry’s August 2013 issue of Investment Advisory, Lampert is slowly transforming Sears Holdings wasted assets into a massive reinsurance firm. “He is following Buffett’s precise playbook. And so far ... almost no one knows it.”

**Eddie’s Early Background**

Edward S. Lampert was born July 19, 1962 in Roslyn, New York. When he was 14 years old, his father, an attorney, died. While his mother took a job at Saks Fifth Avenue department store to support the family, Lampert learned about the stock market from his grandmother. By the time he was in high school, he had grown familiar with corporate reports and financial theory. He studied economics at Yale University, where he was selected for the elite Skull & Bones society, was a member of Phi Beta Kappa and became a research assistant for Nobel Prize-winning economist James Tobin.

In 1984 he graduated summa cum laude from Yale. His first job out of college was working at the arbitrage department at the bank holding company, Goldman Sachs, where he worked under Robert E. Rubin, who later became the U.S. treasury secretary.

Risk analysis became one of Lampert’s specialties. Even as a relatively fresh hire, he reduced his department’s exposure to the stock market when he foresaw overvaluations that led to the market crash in 1987.

**ESL Investments**

In 1988, with $28 million seed money, Lampert opened his own private equity fund, ESL Investments, Inc., which delivered annual returns of about 25 percent for its investors. He gradually gained a reputation for spotting opportunities where others did not.

Since its inception, ESL has witnessed an average return of 29 percent a year. Because of ESL, Lampert was worth about $3.1 billion (as of 2012). He earned approximately $1.5 billion in 2006 and subsequently became the richest person in Connecticut. The main objective of ESL is to commit itself to large holdings in companies that have been studied thoroughly by its brokers, which allows it to leverage the full potential of its stock holdings. This of course increases its risk as well, considering that at any given time, the company is likely to hold anywhere between three to 15 securities.

For any given company, ESL is likely to be holding more than 5 percent of issued shares. The main strategy of its hedge funds is event driven. In particular, ESL specializes in identifying distressed securities and intends to capitalize on them once circumstances around the company are reversed. Another obvious strategy is picking up securities that are priced less than their intrinsic or fair value.

In 2003 he purchased most of the outstanding debt of Kmart, which was two years into a prolonged bankruptcy process. Lampert, who is an expert in bankruptcy proceedings and asset distributions, managed to accelerate Kmart’s bankruptcy process and walked away with control of the company. Under Lampert’s control, the value of Kmart’s shares increased from $15 in March 2002 to $150 by mid 2005.

**Merging Kmart and Sears**

This deal made him, along with his partners and other investors in Kmart’s defaulted bonds, gains in excess of 1,000%. With these winnings, about a year or so later he decided to reinvest these profits by merging Kmart with Sears, Roebuck forming Sears Holdings.

**Lampert Abducted**

Lampert has made millions sweet-talking his way through business mergers, but the biggest deal he may have ever made took place on January 10, 2003, when four at
tackers jumped him on the way to his car at 7:30 p.m. He was taken to a Hamden, Connecticut, hotel where he was handcuffed, with his head covered by a cloth hood, and placed in a bathtub.

He would remain in this position for the next 39 hours, having his hands released and hood removed only once when his captors gave him some fried chicken to eat.

It wasn’t the phone call to his wife, the motel bill, or the supposed ransom offer of $5 million that got Lampert away from his kidnappers. It was the pizza that one of his captors ordered using the hedge fund manager’s personal credit card.

Realizing the mistake, Lampert told his captors that their only chance of not getting caught was to simply let him go. After all, he hadn’t seen any of their faces because they were all wearing masks. Law enforcers said that Lampert may have saved his own life by convincing his abductors he would pay them at least $5 million if they let up go.

The kidnappers apparently dropped him at an I–95 exit ramp less than a half-mile from the Greenwich Police Department.

Subsequently, a 24-year old former Marine, Renaldo Rose, was sentenced to 15 years in a federal prison for masterminding the kidnapping of Lampert. Rose told the judge “I am really sorry I did this ... I was raised better than this.”

According to the FBI and the Greenwich police, Rose was searching the Internet studying chief executive officers of numerous companies looking for a target. Why he chose Lampert is unclear.

**Lampert’s Success**

After turning his initial seed money of $28 million into a $9 billion hedge fund, Lampert stands out as a young and ambitious investor. His top clients are some of the major players in the business world, including Dell Inc. founder Michael S. Dell, the Tisch family of Loews Corp. and the family-owned Ziff-Davis Communication Empire.

His focus is so remarkable that he was back to work just within a couple of days after he was kidnapped in 2003. According to Thomas J. Tisch “Eddie is one of the most extraordinary investors of our age, if not the most extraordinary.”

In his interview with *Business-Week*, Eddie Lampert stated that he wanted to be a role model for businessmen and show them how a business is run. Truly, Lampert has invested in businesses scarred with financial crisis, as well as management issues.

**Lampert & Retail**

As the press has reported, the numbers at Sears Holdings are so ugly it would take huge efforts to turn the “retail nightmare” around. However, on the surface it doesn’t appear that Lampert is very concerned. Effective June 2012, ESL Investments relocated to Florida from Greenwich, Connecticut. This was a blow to a town often referred to as the hedge fund capital.

He now lives and works in South Florida, 1,400 miles away from Sears Holdings’ Chicago headquarters. And some of Lampert’s managerial actions seem inconsistent with a man with a 55 percent stake in the company. He usually shows up at Sears headquarters only for the company’s annual meeting every year in May.

The press has reported that Lampert purchased a $40 million, 17,000-square-foot mansion on a private island on Biscayne Bay near Miami.

Some analysts believe that Lampert is only giving token effort to turning Sears retail operations around. His actions are more consistent with a liquidation strategy, as opposed to a retail strategy.

Where is Sears heading? Mr. Lampert says the company is “transitioning from a business that has historically focused on running a store network” to one delivering value “by serving its members in the manner most convenient for them: whether in store, in home or through digital devices.”

**Editor’s Note:** The above article was assembled from news reports appearing in: Bloomberg BusinessWeek, USA Today, Daily Wealth, thesullivanlaw.com, New York Times, and greenwichtime.com.
In the last issue of *Straight Talk* we asked our readers for their opinions on the future of Sears Holdings. We must have struck a nerve as an outpouring of e-mails came in. A representative sampling of their comments, some of which are very lengthy, are set forth below.

**Eddie Is Brilliant** (Elmhurst, IL retiree)
Eddie Lampert is a brilliant strategist and investor, who is using his investment in Sears to realize his objective of becoming the new “Warren Buffet.” Eddie is only giving a token effort to turning around Sears retail operations. I believe there are good reasons for his lack of investment in the stores. First of all he is using the savings to buy back Sears Holdings shares at a low price, and secondly he is positioning the various components of SHC for liquidation, after transferring billions of dollars of assets to Sears Reinsurance (where debtors have no claim). Sounds like Warren Buffet’s play book, doesn’t it.

**Another Amazon** (Akron, OH retiree)
Lampert is not making investments in the stores because he is getting away from the brick-and-mortar system and trying to become another Amazon. However, I think he is too late for this. No question, he is protecting himself and regardless of what happens to Sears, he will come out on top.

I only wish that Sears sales and profits could be as great as some recent Kmart commercials including “Ship My Pants” and “Show Your Joe Boxers.”

**Swimming Against Retail Tide** (Lake Forest, IL retiree)
With deep reservation and consideration for former and current Sears associates, I will make my observations on Sears Holdings future. Lampert is swimming against retail tide. A difficult trip in the calmest of waters.

Every move appears to an outside observer indicates a mid-long term decision to dramatically change the retail structure of what was once a retail company dedicated to serve middle American consumers. Electronic merchandising is a rapidly growing business. I applaud this approach; however, I have serious concerns this will carry Sears to profitability.

Sears stores are in need of point-of-sale upgrading. A basic retail requirement. It appears to me the company is currently being “operated” not merchandised. Selling Sears traditional branded products in competitors’ outlets is mind boggling, unless it is a strategy to eventually exit in-store Sears retail business. Sears’ historic strengths are being challenged.

What is Sears strategic plan? What I have read, watched at point of sale, leaves one to ask “does Sears business plan, include brick and mortar?”

I sincerely wish Mr. Lampert success.

**Future Very Grim** (San Diego, CA retiree)
I hope I’m wrong, but my view of SHLD’s future is very grim under Eddie Lampert’s continuing “leadership.”

Retailing by it’s very nature is constantly changing and evolving (as are our customers), and since that’s the name of the game, you can only win if you know your customers well, your competitors even better, and are willing to take the risks of endlessly investing to stay ahead of the game we’re in and beat competition.

We all realize that customers have more choices than ever, are inclined to lack loyalty, and since we’re largely locked into established mall locations, we MUST aggressively reach and motivate customers each and every week (Kohl’s) with URGENT & COMPELLING REASONS TO SHOP NOW! (Does JCP’s failed strategy come to mind?)

Eddie just doesn’t get the retailing basics of customers & competition, hasn’t and won’t make the investments necessary to win this continuing battle for business, and if he continues to use SHLD’s assets as his personal piggy-bank for his other interests, it’s only a question of “When” not “if” SHLD will cease to exist.

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Case in point, among the 17 retail properties he recently sold was the Sears Ala Moana Store in Hawaii, the #1 sales (over $100 million) and profit store in the company, with no replacement store for that market, thereby just giving those sales to our competition! This is not the way to grow the business if you're committed to winning the retail game, which sadly I'm convinced he's not.

Lacks Retail Knowledge
(Estes Park, CO retiree)
Sears, since its merger with Kmart, is headed by a billionaire financier who is now also the majority owner. He is evidently an excellent financier, but has no merchandising knowledge or experience in his background. He now runs the company as both CEO and chairman. Since he lacks a merchandising background, the final result can only be total liquidation of the merged firm.

History and Eddie
(Phoenix, AR retiree)
On a Spring day in 1978, two Sears executive aircraft headed toward a Colorado airfield. One came from Chicago carrying outgoing Chairman Arthur Wood and Chairman-designate Ed Telling. The other carried John Lowe, a board member and executive vice president of Sears successful but rogue Western (Pacific Coast) territory.

The point of the meeting was not “necessarily” to humiliate Lowe (that was just a collateral objective). The point was that a new dawn had come to Sears. The company was to become something more than America's premier retailer.

Telling, and his ultimate successor, Ed Brennan, was going to transform Sears into a worldwide financial services juggernaut (also doing some retail business).

Lowe was “promoted” to head Sears Midwest (Chicago based) Territory. “Put a lid on Lowe,” as some put it.

Sears' most notable accomplishment in those years was building Sears Tower, the (then) tallest building in the world. A textbook example of egocentric mismanagement.

The strategy to become the world's premier financial services provider flopped as Sears exited banking (Sears Bank), Insurance (Allstate), Sears World Trade and other money-losing ventures. Even Sears core, basic retail, suffered. Sears, the icon of catalog merchandising, gave up on the business that Richard Sears, Julius Rosenwald and General Robert Wood built into an American legend. And Sears Tower: Poor!

And don’t blame Arthur Martinez. He was just a poor hire (wrong place, wrong time, wrong guy). And don't even blame Eddie Lampert. He, at least, acquired control of Sears through crafty stock manipulation.

Blame instead a corporate mind-set that abandoned the idea that to be a successful retailer you must:

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Obituary

Lawrence E. (Larry) Cudmoe, retired president of Sears Merchandise Group, died October 17, 2013 in Shrewsbury, Massachusetts, after a long struggle with Alzheimer’s disease. He was 77.

Larry had a long and successful career with Sears, Roebuck and Co., and his work took him and his family to various parts of the country, including Westborough, Newtown Square, PA, Oakville, Ontario, Canada and Chicago. He served as chief operating officer and president of Sears Canada and later as president of Sears Merchandise Group in Chicago before retiring in 1993. He was also on the board of directors of N.A.R.S.E. for many years.

He graduated from Brockton High School, where he played varsity basketball on the team that won the state championship at the former Boston Garden in 1954. He was recruited to play basketball and study at Colby College, where he earned his bachelor of arts degree.

From a friendship that formed in the third grade with Jane E. Caldwell to courtship that tagged them high school sweethearts, they married on February 4, 1956, in Brockton. Jane died December 1, 2011.

Larry and his wife had two daughters, two sons, and nine grandchildren.

We will miss Larry, our friend and colleague.

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1. Have quality product, priced competitively and convenient to the customer.

2. Have attractive, comfortable, convenient availability (stores, catalogs, Internet).

3. Have knowledgeable, motivated staff at every level.

4. Have a business plan consistent with your core business.

I believe Lampert’s plan is inconsistent with the four points above.

Stock Rally (Detroit, MI retiree)
As the WSJ recently reported, Lampert “has proved hopeless as a retailer since taking control in 2005.” However, as a financier, he is doing great! During the past three months, SHC’s stock has soared about 48 percent. I guess he is good at something! Now, if only his company’s sales and profits could do a little soaring!!

Analysts Are Right (Louisville, KY retiree)
It is with a heavy heart that I must agree with the analysts, not because they say it, but when I walk into my local Sears store, it is so evident. The lack of timelessness of displays, poor clothing and offerings (just look at the up-to-date displays and clothing at Kohl’s).

The mall always has plenty of shoppers but they are not in Sears. They are always too late and a dollar short on pricing, and contrary to what they think, the service is not good.

I realize there is a lot of competition out there, but that is no excuse for, what used to be, a leader. Competition should make them better merchants, but it appears to me they have taken the attitude I’ll do it my way regardless of the consequences.

I have the impression the company is being drained of every cent they can get out of it with very little intention of making it successful. What a shame for what used to be the biggest and best merchant in the world.

I hope I am not being too cynical, and it is my sincere hope they “wake up” before it is too late, and it may be already, as the “old Sears” was very good to me and its customers.

Financial Engineering (Phoenixville, PA retiree)
Eddie Lampert is guilty of financial engineering. During the years of 2005 through 2007 he went on a personal campaign to reduce the number of SHLD’s shares outstanding by using the company’s cash to purchase over 8 million shares of SHLD’s stock on the open market. The ironic part of it was that it was done at various intervals when the stock was trading in the $100 to $150 range.

By doing so, he tried to reduce the share count, thus increasing the price of the stock plus increasing the earnings per share in future quarters. Eddie Lampert’s actions drained the company of operating cash to levels which forced staff cutbacks, advertising reductions, capital improvement postponements, reduced 401k plan contributions, pension plan curtailments, etc.

Looking back, what a total waste of company cash. Now he is borrowing money and selling assets to raise cash to run the company. With all the money he blew, he could have hired a hundred retail visionaries to put SHLD back on the map.

In Defense of Lampert (Sleepy Hollow, IL retiree)
I give Lampert credit for staying in the scene. It is obvious he wants to be there. Other investors spend their time investing and selling. Why does Lampert stay in the management ranks of Sears? Apparently he sees an opportunity. I see no other reason for him staying in the management ranks.

If his desire is to sell the company entirely off, just turn it over to a CEO and spend his time with the liquidation process. That I do not see Lampert entirely doing. Yes, stores have been sold. Let’s give the benefit to him that they were wise decisions. One would have to know all the stats.

Sears, in my opinion, is in a transformation status. I do not think this is the date for everyone to be radical. One thing for sure—Sears has the strength to stay in the game and to play the markets. That is the strength of Sears.

My advice to Mr. Lampert: Get some absolutely great consultants that know the past, present and future of retail and the direction it is heading. I do not see Sears having those persons on board. Even if they have top national managers in all departments, they still need help.

One should not let the general economic problems that all retailers are going through isolate to just problems that Sears is having. The whole merchandising climate is changing.
Sears Holdings is struggling but Chairman Lampert is betting on e-commerce initiatives to save the company. However, today online retailers like Amazon and deep-discount brick-and-mortar retailers like Wal-Mart and Costco make it very difficult for Sears to prosper.

Since 1987, the combined annual revenues of Kmart and Sears have dropped from nearly $100 billion to less than $40 billion. In the meantime, Wal-Mart and Amazon sales, during the same period of time, have gone from $15 billion to more than $500 billion.

N.A.R.S.E. will be around for as long as Sears will be around, and we hope that will be for a very distant time in the future. But Mr. Lampert has his work cut out for him. We wish him well and hope he can implement strategies that will save the company.

Our organization will be celebrating its 17th anniversary next summer. Over the years we have provided speakers to local retiree clubs, reunited thousands of retirees with former associates and friends and kept our membership up to speed as to what is happening at Sears Holdings and at the federal level that could impact our benefits—benefits such as health care, pensions, Medicare and Social Security changes and the taxation of such benefits.

We still have monthly meetings in Chicago that include a toll-free conference-call segment available to any retiree in the country. Check our website for the dates of these meetings.

Our Board of Directors is an all-volunteer group with no paid employees. We are funded totally by the retiree membership dues and voluntary contributions. The dues we receive are used to support our communication efforts with the tens of thousands of retirees across the country.

This issue of Straight Talk could not be printed and mailed to you without your continued support and the support of many others. And our website, www.narse.org would not exist without your financial contributions.

I am asking you to please renew your N.A.R.S.E. membership for 2014. Enclosed is a N.A.R.S.E. Membership/Renewal Application form and mailing envelope.

If you have already renewed, then pass the application form to someone who would be interested in supporting our organization. If you have any questions about N.A.R.S.E., you may contact me at cro922@comcast.net.

Have a very Merry Christmas, Happy Holidays, and the best wishes for all of us in 2014.

Wishing You a Holiday Season Filled with Peace and Love ... and a New Year Rich with Blessings.

Ron Olbrysh, N.A.R.S.E. Chairman
Salinas, CA Retiree Club

Carol Robies, president of the Salinas Club, reports that her “once-a-month” lunch organization meets the second Tuesday of each month at 11:30 a.m. at Sang’s on Main Street in Salinas. Ten to twenty retirees attend each monthly get-together.

This is a very informal club. Members keep in contact with each other by word of mouth, phone or e-mail.

Carol maintains a listing of the former employees who worked at the “old” store before Sears moved to the “new” Mall in 1981. Carol said: “We have not made the effort to keep in touch with the employees who come and go from the “new” store. Such employees are mostly part-time with a high turnover rate. Not the loyalty we had before.”

Carol can be contacted by e-mail at: carolrobies@prodigy.net, or phone 1-831-424-8946.

Sears Three Cities Retiree Club
(Clarksburg, Fairmont, Morgantown, WV)

Dorothy J. Moore, president of the Three Cities Club, meets the third Thursday of every month, rotating their meetings in the three cities. In Clarksburg (Bridgeport) and Morgantown the club members meet at the Sears store. In Fairmont, they meet at a local restaurant.

This club has about 40 members with 10 to 12 attending each of the monthly meetings.

The December meeting is being held at the Morgantown Sears store. According to Dorothy, the store manager, Danny Potesta, who has been with Sears for more than 30 years, usually attends these meetings and reports on how Sears is doing.

For more information about this club you can reach Dorothy by e-mail at: djmoore@msn.com, or phone 1-304-292-7946.

Sears Atlanta Big Club

This club currently holds the record of being the largest Sears Retiree Club in the country. It meets the fourth Tuesday of the first month of each quarter with an attendance of well over 100 for each meeting! And it is still attracting new members.

The president of the club is Robert Strickland; vice-president is Jon White; secretary is Gail Walton; and treasurer is John DuBose. Bob can be reached by e-mail at: bobstrickland2@hotmail.com.

At the club’s last meeting, John Hoffman and his wife Francis were in attendance. John is a World War II veteran serving in the Navy on the USS Sangamon #26. He was blown off the ship along with 63 others and was picked up by other ships in the area. John served in the Navy during 1942 to 1946 in both the Atlantic and Pacific.

John Hoffman and his wife Francis.
“Sears is the paragon of retailers,” proclaimed a Fortune magazine cover story in 1964, and in a reference to the five awesomely powerful territories it said, “It is number one in the U.S., and also number 2, 3, 4, and 5.”

Sears was just that big. Fortune noted that the company’s sales volume was bigger than that of the entire tobacco or furniture industry. Alone, Sears dwarfed the American entertainment and lodging industries.

As huge shopping centers began to cover the landscape, entire developments were predicated on the presence of a Sears store, and fundamental alterations in surrounding marketing areas occurred because of the corporate advertising that made the sound of Sears part of the background noise of everyday life.

By 1972, Sears, Roebuck and Co. accounted for over one percent of the American gross national product, and surveys confirmed that it was the most trusted economic institution in the country.

“How the largest retailer in the world,” former chairman Gordon Metcalf had told Time magazine, “we thought we should have the largest headquarters in the world.” And thus was born the Sears Tower.

Inside the company, the Tower was named for the executive who ordered its construction. It was called “Gordon Metcalf’s last erection.”

Editor’s Note: The above was taken from The Big Store, a non-fiction epic story of Sears by Donald R. Katz (1987).

National Association
Of Retired Sears Employees, Inc.
8770 W. Bryn Mawr Ave., Ste. 1300
Chicago, IL 60631

To keep N.A.R.S.E. and Straight Talk going, complete the enclosed application and mail with your check today.

ALOTBSOL—AWHFY

Isn’t texting great?! Text messaging is a term for short communications made through cell phones. Young users especially seem drawn to it as a quick and easy way to stay in constant contact.

The above texting headline means, “Always Look on the Bright Side of Life,” and “Are We Having Fun Yet?”

Young folks can text OMG (Oh My God), YAHOO (You Always Have Other Options), TTG (Time To Go), DIKU (Do I Know You), A/S/L/P (Age/Sex/Location/Picture), 88 (Hugs and Kisses), 4COL (For Crying out Loud), but what about us retirees? Well, seniors have their own texting codes. For instance:

ATD—At the Doctor’s
BFF—Best Friend’s Funeral
BTW—Bring the Wheelchair
BYOT—Bring Your Own Teeth
CBM—Covered by Medicare
CUATSC—See You at the Senior Center
DISC—Don’t Ignore Senior Citizens
DWI—Driving While Incontinent
FWIW—Forgot Where I Was
GGPBL—Gotta Go, Pacemaker Battery Low
GHA—Got Heartburn Again
HGBM—Had Good Bowel Movement
HICGU—Help! I Can’t Get Up!
INDY—I’m Not Dead Yet!
IRDIY—I’m Retired, Do It Yourself
LMDO—Laughing My Dentures Out
LOL—Living on Lipitor

OGR—Old Geeks Rule
OMSG—Oh My! Sorry, Gas
PESM—Please Explain Social Media
RNMM—Renew N.A.R.S.E Membership Now!
TOT—Texting on Toilet
WAITT—Who Am I Talking To?
WSS—Will Sears Survive?
YAOIOP—Young at Heart, Older in Other Places

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