

INFORMATION PACKAGE

IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
HOMELIFE CORPORATION, et al.,¹) Case No. 01-2412 (JWV)
) (Jointly Administered)
Debtors.)

IMPORTANT DATES

Date by which Ballots must be received: February 18, 2003, at 4:00 p.m. Pacific Time

Date by which objections to Confirmation
of the Plan must be filed and served: February 18, 2003 at 4:00 p.m. Eastern Time

Hearing on Confirmation of the Plan: March 5, 2003 at 2:30 p.m. Eastern Time

ATTACHMENTS

- Letter from the Official Committee of Unsecured Creditors in support of the Plan
- Confirmation Hearing Notice
- Short Form Disclosure Statement of Plan Summary With Respect to Homelife Corporation, Furniture Holding Corporation and HLC 1 LLC's Joint Liquidating Plan Dated January 16, 2003

KIRKLAND & ELLIS
200 East Randolph Drive
Chicago, Illinois 60601
Phone: (312) 861-2000
Facsimile: (312) 861-2000

-and-

PACHULSKI, STANG, ZIEHL, YOUNG & JONES P.C.
919 North Market Street, 16th Floor
P.O. Box 8705
Wilmington, DE 19899-8705 (Courier 19801)
Telephone: (302) 652-4100
Facsimile: (302) 652-4400

Co-Counsel to Liquidating Debtors and Liquidating Debtors in Possession
-and-

PLATZER, SWERGOLD, KARLIN, LEVINE,
GOLDBERG & JASLOW, LLP
150 East 52nd Street
New York, NY 10022-6017
Telephone: (212) 593-3000
Facsimile: (212) 593-0353

Counsel to the Official Committee of Unsecured Creditors

¹ The Debtors consist of the following entities: Homelife Corporation, HL Holding Corporation, Homelife de Puerto Rico, Inc., Furniture Holding LLC and HLC 1 LLC.

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PLATZER, SWERGOLD, KARLIN, LEVINE, GOLDBERG & JASLOW, LLP

COUNSELORS AT LAW
150 EAST 52ND STREET
NEW YORK, NEW YORK 10022-6017

(212) 593-3000
FACSIMILE (212) 593-0353

IF CHECKED, REPLY TO
NEW JERSEY OFFICE

January 20, 2003

PLATZER, SWERGOLD, KARLIN, LEVINE
GOLDBERG & JASLOW, LLP
PLAZA 1000 AT MAIN STREET SUITE 208
VOORHEES, NJ 08043
TELEPHONE (856) 782-8644

TO THE UNSECURED CREDITORS OF
HOMELIFE CORPORATION, ET. AL.

Dear Sir/Madam:

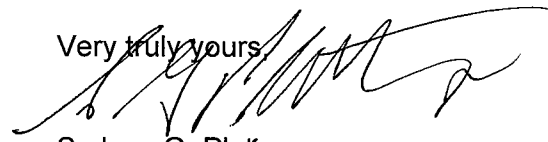
We are counsel to the Official Committee of Unsecured Creditors ("Committee") in the Chapter 11 proceedings of Homelife Corporation and their related entities (the "Debtors"). At the outset of this bankruptcy proceeding, the United States Trustee designated a Committee comprised of five of the largest unsecured creditors of the Debtors' estates, to represent the interests of all general unsecured creditors in these Bankruptcy Proceedings. The Committee retained our firm as its counsel to take all steps necessary to protect the rights and interests of general unsecured creditors in these cases.

Enclosed is a summary of the Debtors' Third Amended Disclosure Statement ("DS") and Third Amended Plan of Reorganization ("Plan"). These documents were prepared by the Debtors, its counsel and financial advisors, with the assistance and input of the Committee, its counsel and financial advisors. The Plan is a liquidating plan which requires the plan administrator to liquidate all of the Debtors' remaining assets and distribute them to creditors in accordance with the priorities established in the Bankruptcy Code. The Committee believes that liquidation of the Debtors' remaining assets pursuant to the terms of the Plan provides creditors with their best and greatest opportunity for recovery on their unsecured claims.

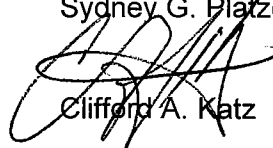
Also herewith is a Ballot for you to complete regarding your acceptance or rejection of the Plan. The Committee has carefully analyzed and reviewed the Plan and has voted to accept and support the provisions of the Plan. The Committee recommends that all general unsecured creditors accept the Plan. The Plan cannot be confirmed for the benefit of general unsecured creditors unless the holders of at least two-thirds in amount and more than one-half in number of voting general unsecured creditors approve the Plan. Your vote is important and the Committee urges you to complete the enclosed ballot and to vote in favor of the Plan.

If you should have any questions regarding the Debtors' DS and Plan or the procedure for completing the Ballot, please do not hesitate to contact the undersigned.

Very truly yours,



Sydney G. Platzer



Clifford A. Katz

SDL/meg
Encls.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:)	Chapter 11
)	
HOMELIFE CORPORATION, <u>et al.</u> , ¹)	Case No. 01-2412 (JWV)
)	(Jointly Administered)
Debtors.)	
)	Objections due: February 18, 2003 at 4:00 p.m.
)	Hearing date: March 5, 2003 at 2:30 p.m.

CONFIRMATION HEARING NOTICE

PLEASE TAKE NOTICE that:

1. After a hearing held on January 9, 2003, the Court entered an Order (the “Voting Procedures Order”) approving (i) voting procedures with respect to liquidating debtors’ joint liquidating plan of reorganization; (ii) scheduling certain dates in connection therewith; and (iii) extending exclusive period to solicit votes on the plan.
2. A hearing (the “Confirmation Hearing”) to consider the confirmation of the Plan will be held at United States Bankruptcy Court for the District of Delaware, Marine Midland Plaza, 824 Market Street, Wilmington, Delaware 19801., before Jerry W. Venters, on March 5, 2003 at 2:30 P.M. Eastern Time. The Confirmation Hearing may be continued from time to time without further notice other than the announcement of the adjourned date(s) at the Confirmation Hearing or any continued hearing, and the Plan may be modified, if necessary, pursuant to 11 U.S.C. § 1127 before, during or as a result of the Confirmation Hearing, without further notice to interested parties.
3. If you hold claim against or in one of the Debtors as of January 17, 2003, (the “Record Date”), and are entitled to vote to accept or reject the Plan, you have received with this Notice, (a) a Ballot form and (b) voting instructions appropriate for your claim or interest. If you are not entitled to Vote on the Plan, you have received only this Notice. For your vote to accept or reject the Plan to be counted, you must complete all required information on the Ballot, execute the Ballot, and return the completed Ballot to the address indicated on the Ballot so as to be received by the Voting Agent no later than February 18, 2003, at 4:00 P.M. Pacific Time (the “Voting Deadline”). Any failure to follow the voting instructions included with the Ballot may disqualify your Ballot and your vote.
4. If you disagree with the Debtors’ classification of, or objection to, your claim and believe that you should be entitled to vote on the Plan, then you must serve on the Debtors and file with the Court a motion for an order pursuant to Bankruptcy Rule 3018(a) (a “Rule 3018(a) Motion”) temporarily allowing such claim in a different amount or in a different class for purposes of voting to accept or reject the Plan. Such Rule 3018(a) Motion, with evidence in support thereof, must be filed within ten (10) days of any objection made to your claim. Only Ballots temporarily

¹ The Debtors consist of the following entities: Homelife Corporation, HL Holding Corporation, Homelife de Puerto Rico, Inc., Furniture Holding LLC and HLC 1 LLC.

allowed by the Court after a hearing prior to the Confirmation Hearing will be counted for voting purposes. Creditors may contact Bankruptcy Management Corporation (“BMC”), the Debtors’ voting agent, to receive a Ballot for any claim for which a proof of claim and Rule 3018(a) Motion has been timely filed. Rule 3018(a) Motions that are not timely filed and served in the manner as set forth above shall not be considered.

- 5. Objections, if any, to the confirmation of the Plan must: (a) be in writing, (b) state the name and address of the objecting party and the nature of the claim or interest of such party, (c) state with particularity the basis and nature of any objection or proposed modification, and (d) be filed, together with proof of service, with the Court and served so that they are received by the Court and the parties listed in the Voting Procedures Order no later than 4:00 p.m. Eastern Time on February 18, 2003. Objections not timely filed and served in the manner set forth in the Voting Procedures Order shall not be considered and shall be overruled.
- 6. Any party in interest wishing to obtain information about the solicitation procedures thereto may request such information by writing to the Balloting Agent, Bankruptcy Management Corporation, 1330 E. Franklin Avenue, El Segundo, CA 90245 or by telephoning the Balloting Agent at 888-909-0100. Any party interested in obtaining or copies of the Disclosure Statement, the Plan, or the Voting Procedures Order may obtain such copies from the Balloting Agent.
- 7. All documents that are filed with the Bankruptcy Court may be reviewed during regular business hours (8:30 a.m. to 4:00 p.m. weekdays, except legal holidays) at the United States Bankruptcy Court for the District of Delaware, Marine Midland Plaza, 824 Market Street, Wilmington, Delaware 19801. Alternatively, the docket can be accessed over the Internet at <http://www.deb.uscourts.gov> for no charge.

Dated: January 17, 2003

KIRKLAND & ELLIS
 James A. Stempel
 Jonathan P. Friedland
 200 East Randolph Drive
 Chicago, Illinois 60601
 Phone: (312) 861-2000
 Facsimile: (312) 861-2000

-and-

PACHULSKI, STANG, ZIEHL, YOUNG & JONES P.C.
 /s/

Laura Davis Jones (Bar No. 2436)
 David W. Carickhoff, Jr. (Bar No. 3715)
 919 North Market Street, 16th Floor
 P.O. Box 8705
 Wilmington, DE 19899-8705 (Courier 19801)
 Telephone: (302) 652-4100
 Facsimile: (302) 652-4400

Co-Counsel to Liquidating Debtors and
 Liquidating Debtors in Possession

-and-

PLATZER, SWERGOLD, KARLIN, LEVINE, GOLDBERG & JASLOW, LLP
 Sidney Platzer
 Clifford A. Katz
 150 East 52nd Street
 New York, NY 10022-6017
 Telephone: (212) 593-3000
 Facsimile: (212) 593-0353

Counsel to the Official Committee of Unsecured Creditors

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**DISCLOSURE STATEMENT
SUMMARY**

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:) Chapter 11
)
HOMELIFE CORPORATION, et al.,¹) Case No. 2412 (JWV)
) (Jointly Administered)
Debtors.)

**SHORT FORM DISCLOSURE STATEMENT AND
PLAN SUMMARY WITH RESPECT TO HOMELIFE CORPORATION, FURNITURE
HOLDING CORPORATION AND HLC 1 LLC's JOINT LIQUIDATING PLAN
DATED JANUARY 16, 2003**

KIRKLAND & ELLIS
200 East Randolph Drive
Chicago, IL 60601
Attention: Jonathan P. Friedland
Telecopier: (312) 861-2200
Telephonic Confirmation: (312) 861-2200
- and -

PACHULSKI, STANG, ZIEHL, YOUNG & JONES PC
919 North Market St., 16th Floor
P. O. Box 8705
Wilmington, DE 19899-8705
Attention: David Carickhoff
Telecopier: (302) 652-4400
Telephonic Confirmation: (302) 652-4100

Attorneys for Debtors and Debtors and Debtors in Possession
- and -

PLATZER, SWERGOLD, KARLIN, LEVINE, GOLDBERG &
JASLOW, LLP
150 East 52nd Street
New York, NY 10022-6017
Attention: Clifford A. Katz
Telephone: (212) 593-3000

Attorneys for the Official Committee of Unsecured Creditors

Dated: January 16, 2003
Wilmington, Delaware

¹ The Debtors consist of the following entities: Homelife Corporation, HL Holding Corporation, Homelife de Puerto Rico, Inc., Furniture Holding LLC and HLC 1 LLC. The Liquidating Debtors are Homelife Corporation, Furniture Holding LLC and HLC 1 LLC. HL Holding Corporation and Homelife de Puerto Rico, Inc. are not involved with the Liquidating Debtors' Plan.

This Summary of the Homelife Corporation, Furniture Holdings LLC and HLC 1 LLC's (the "Liquidating Debtors") Plan and Second Amended Disclosure Statement (the "Short Form Disclosure Statement and Plan") has been prepared for and is addressed solely to Holders of unsecured claims in Class 3 of the Liquidating Debtors' Plan (the "Unsecured Claim Holders").² Pursuant to Section 1126(a) of the Bankruptcy Code, the Unsecured Claim Holders are entitled to vote to accept or reject the Plan.

This Short Form Disclosure Statement and Plan contains only a summary of the information contained in the Plan and the Disclosure Statement for the Debtors' Joint Liquidating Plan of Reorganization. It is intended to provide a more readable version of the essential information contained in the Plan and Disclosure Statement. A complete description of the classification and treatment of allowed claims under the Plan and additional information about the background of the Debtors, the events leading up to the bankruptcy, sales of assets, the Chapter 11 cases, financial considerations and the details of the Plan are contained in the Plan and Disclosure Statement. All capitalized terms not defined in this Short Form Disclosure Statement and Plan have the meanings ascribed to such terms in the Plan and Disclosure Statement. **You can obtain complete copies of the Plan and Disclosure Statement at no charge at www.BMCCorp.net or by contacting Bankruptcy Management Corporation, 1330 E. Franklin Avenue, El Segundo, CA 90245, Phone: 888-909-0100, Facsimile: 310-640-8071.**

If the Plan is confirmed by the Bankruptcy Court and becomes effective, all Holders of Claims and Interests (including those who rejected or who are deemed to have rejected or accepted the Plan and those who did not submit ballots to accept or reject the Plan) will be bound by the terms of the Plan. The Bankruptcy Court has scheduled a hearing on the confirmation of the Plan for March 5, 2003, at 2:30 P.M. Eastern Time before the Honorable Jerry W. Venters, at 824 North Market Street, Marine Midland Plaza, Wilmington, Delaware 19801.

THE DEBTORS AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS URGE YOU TO ACCEPT THE PLAN.

1. Chapter 11 Cases

The Debtors filed for chapter 11 protection on July 16, 2001 (the "Petition Date") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). On December 12, 2002, the Debtors filed their proposed Plan.

2. Business Overview

HomeLife was unable to achieve profitability prior to the Petition Date, and in the year prior to the Petition Date experienced operational difficulties related to the implementation of new computer and logistics systems as it attempted to separate itself from the Sears infrastructure.

HomeLife's operational difficulties caused delays in deliveries to customers, which in turn led to cancellation of orders. Customer cancellations in turn led to HomeLife's falling behind on its payments to vendors, which resulted in the reduction of credit terms and eventually the refusal of vendors to continue shipments to HomeLife. Delivery delays and cancellations increased.

² This Short Form Disclosure Statement has been prepared in accordance with section 1125 of the Bankruptcy Code and Rule 3016(b) of the Federal Rules of Bankruptcy Procedure and not necessarily in accordance with federal or state securities laws or other nonbankruptcy law. The Securities and Exchange Commission (the "SEC") has neither approved nor disapproved this Short Form Disclosure Statement, nor has the SEC passed upon the accuracy or adequacy of the statements contained herein.

On the Petition Date each of the Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (as amended, the “Bankruptcy Code”). Contemporaneously with these filings, the Debtors filed a motion seeking to procedurally consolidate their respective chapter 11 cases (the “Chapter 11 Cases”) for administrative purposes only. Thereafter, the Debtors continued to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3. Summary of the Plan

The Plan provides for the mechanism to complete the liquidation of the Liquidating Debtors’ (as defined herein) Estates and for the distribution of the proceeds and remaining assets of the Liquidating Debtors’ Estates to their Creditors. All Interests in the Liquidating Debtors will be extinguished on the Effective Date. The Plan applies only to HomeLife Corporation, Furniture Holdings, LLC and HLC 1 LLC (collectively, the Liquidating Debtors).

The Plan contemplates entry of the Substantive Consolidation Order, which will effect the substantive consolidation of the Liquidating Debtors’ respective cases into a single chapter 11 case. Substantive Consolidation will enable the Liquidating Debtors to reduce expenses associated with the chapter 11 cases. Two of the three Liquidating Debtors, Furniture Holdings, LLC and HLC 1 LLC, have no assets and no liabilities. On the Confirmation Date or such other date as may be set by a Final Order of the Court, but subject to the occurrence of the Effective Date: (i) all Intercompany Claims by and among the Liquidating Debtors will be eliminated; (ii) all assets and liabilities of the Liquidating Debtors will be merged or treated as though they were merged; (iii) all prepetition cross-corporate guarantees of the Liquidating Debtors will be eliminated; (iv) all Claims based upon guarantees of collection, payment or performance made by one or more Liquidating Debtors as to the obligations of another Liquidating Debtor shall be discharged, released and of no further force and effect; (v) all Interests of any Liquidating Debtor in any other Liquidating Debtor shall be eliminated; and (vi) each and every Claim filed in the Case of any one Liquidating Debtor will be deemed filed against the consolidated Liquidating Debtors in the consolidated Cases and shall be deemed a single obligation of all of the Liquidating Debtors under the Plan on and after the Confirmation Date.

4. Summary of Recoveries Under the Plan

After consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to Creditors, including (i) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee, (ii) potential increases in claims which would be satisfied on a priority basis, and (iii) the detrimental effect that chapter 7 liquidation would have on the collection of preference payments owed to the Liquidating Debtors, THE LIQUIDATING DEBTORS HAVE DETERMINED, AS SUMMARIZED ON THE FOLLOWING CHART, THAT CONFIRMATION OF THE PLAN WILL PROVIDE EACH CREDITOR AND INTEREST HOLDER WITH A RECOVERY THAT IS NOT LESS THAN IT WOULD RECEIVE PURSUANT TO A LIQUIDATION OF THE DEBTORS UNDER CHAPTER 7 OF THE BANKRUPTCY CODE.

<u>Description</u>	<u>Class No.</u>	<u>Summary of Recoveries</u> (Dollars in Millions)	
		<u>Under the Plan</u>	<u>Chapter 7</u>
Priority and Administrative Expense Claims	N/A	100% (approx. \$8.27 - 8.28)	89% - 100% (approx. \$8.05 - 9.06)
Secured Claims of the Bank Group against HomeLife Corp.	1	N/A	N/A
Other Secured Claims against HomeLife Corp.	2	100% (approx. \$0.83)	100% (approx. \$0.83)
Unsecured Claims against HomeLife Corp.	3	<2.5% (approx. \$1.89 - 8.0)	<1.0% (approx \$0 - \$3.17)
Interests in HomeLife Corp.	4	0% (approx. \$0.00)	0% (approx. \$0.00)

Moreover, the Liquidating Debtors believe that the value of any Distributions from the liquidation proceeds to each Class of Allowed Claims in a chapter 7 case would be the same or less than the value of Distributions under the Plan because such Distributions in a chapter 7 case may not occur for a substantial period of time. In this regard, it is possible that Distribution of the proceeds of the liquidation could be delayed for a year or more after the completion of such liquidation in order to resolve the Claims and prepare for Distributions. In the event litigation were necessary to resolve Claims asserted in a chapter 7 case, the delay could be further prolonged and administrative expenses further increased. The effects of this delay on the value of Distributions under the hypothetical liquidation have not been included in the above calculations.

5. Classification and Treatment of Claims and Interests under the Plan

Class 1 consists of the Secured Claims of the Bank Group against the Liquidating Debtors. Allowed Secured Claims of the Bank Group are not impaired under the Plan and, prior to the Effective Date, should have been paid in full. Holders of Allowed Secured Claims of the Bank Group are not entitled to vote to accept or reject the Plan. All Allowed Secured Claims of the Bank Group Claims will be discharged in full and expunged on the Effective Date.

Class P1 consists of all Priority Claims except those described in sections 507(a)(4), 507(a)(2) or 507(c)(8) of the Bankruptcy Code. Claim in class P1 are not impaired and will receive full cash equal to the amount of such Claim on the Effective Date. This class includes holders of customer deposit claims to the extent of \$2,100, arising from the purchase, lease or rental of property (including furniture).

Class 2 consists of the Other Secured Claims against the Liquidating Debtors. Each Holder of an Allowed Other Secured Claim shall, on the first Distribution Date or, if later Allowed, on the 15th day after such Claim becomes an Allowed Claim, (i) with respect to a Claim that is secured by a Lien on Collateral, at the Debtor's election, either be paid, to the extent not already received, Cash in an amount equal to the value of the Holder's interest in the Debtor's interest in the Collateral securing such Claim or shall receive the collateral without representation, warranty or recourse or (ii) with respect to a Claim that is subject to offset pursuant to section 553 of the Bankruptcy Code, offset its Claim to the extent of the Debtor's Claim against the Holder.

The Other Secured Claims of the Sears Entities shall be treated under this Plan in accordance with the terms of the Settlement and Compromise Agreement, the Order approving such Agreement (the "Settlement Order") and the Final Cash Collateral Order. The Sears Entities shall retain all Liens securing such Claims and shall be entitled to the proceeds realized from all Collateral secured by such Liens. To the extent not in conflict with the Settlement and Compromise Agreement, the Settlement Order and the Final Cash Collateral Order, such Other Secured Claims of the Sears Entities shall be treated as Other Secured Claims. Notwithstanding the foregoing, in accordance with applicable law, to the extent that the Sears Entities' prepetition Claim is not a Secured Claim, the Sears Entities' shall be entitled to vote with and share Pro Rata in any distribution to Holders of Allowed Claims in Class 3.

Class 3 consists of the Claims of Holders of Unsecured Claims against the Liquidating Debtors. Each Holder of an Allowed Unsecured Claim shall be paid Cash equal to its Pro Rata share of the Cash available to the Estate after satisfaction of the Allowed Secured Claim. Allowed Administrative Claims and Allowed Priority Claims. Such Cash shall be paid in a series of Distributions, beginning after the Effective Date. Holders of Unsecured Claims are impaired. Pursuant to section 1126(a) of the Bankruptcy Code, Holders of Unsecured Claims are entitled to vote to accept or reject the Plan. The Liquidating Debtors are unable to determine whether there will be any distributions to Holders of Unsecured Claims and any such distribution hinges on the Liquidating Debtors' collection efforts with respect to Causes of Action. An analysis of the amounts estimated to be available to Holders of Class 3 Claims can be found at the end of this document.

Class 4 consists of all Interests in the Liquidating Debtors. Interests shall be deemed Allowed. There shall be no Distribution to Holders of Allowed Interests. Such Interests shall be deemed canceled.

Administrative Claims (including the Sears Entities' Diminution Claim) and unclassified Priority claims are unclassified under the Plan and will receive full satisfaction of their claims under the Plan.

6. Supplemental Administrative Claims Bar Date

All Claims for unpaid Administrative Expense arising after November 22, 2001, through the Confirmation Date, except for the Diminution Claim or any administrative claim of the Sears Entities arising under or relating to the Settlement and Compromise Agreement, must be filed with the Bankruptcy Court and received by the Liquidating Debtors on or before the twentieth day following the Confirmation Date (the "Supplemental Administrative Claim Bar Date").

7. Overall Structure of the Plan

- The Plan envisions the creation of the Post-Confirmation Estate on the Confirmation Date. All assets of the Liquidating Debtors' Estate will be transferred to the Post-Confirmation Estate. A Plan Administrator and an Oversight Committee, comprised of a three designees, one appointed by the Committee, one by the Sears Entities, and one by the Debtors, will be appointed.
- Distributions under the Plan will begin on or shortly after the Effective Date. The Effective Date will occur six months after the Confirmation Date.

8. Exculpation; Release; Injunction

(1) Each Person or Entity in the Voting Class will be given the option to “opt in” to the provisions contained in Section V of the Plan by checking the appropriate box on the Person or Entity’s Ballot.² If the Person or Entity “opts in,” such Person or Entity will, from and after the Confirmation Date, be permanently enjoined from commencing or continuing in any manner, any suit, action or other proceeding, on account of or respecting any Claim, demand, liability, obligation, debt, right, Cause of Action, interest, or remedy released or to be released pursuant to the following:

Any Person or Entity in the Voting Class that “opts in” per the provisions in paragraph (1) above, on the Confirmation Date, in exchange for, among other things, Distributions under the Plan, each Holder of a Claim or Interest shall be deemed, with respect to the Released Parties, to unconditionally release and forever waive all claims, debts, obligations, demands, liabilities, suits, judgments, damages, rights, and causes of action whatsoever, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part upon any transactions or matters with the Liquidating Debtors, their estates or in connection with the Cases, the Plan or the Disclosure Statement that occurred or could have occurred on or before the Confirmation Date, except for cases of gross negligence or willful misconduct.

(2) Except with respect to the express duties provided in the Plan, none of the Liquidating Debtors, nor any of their respective present or former members, directors, officers, employees, advisors, attorneys, affiliates, subsidiaries or agents, shall have or incur any liability to any Holder of a Claim or Interest, or members of the Creditors’ Committee, or any other party in interest, or any of their respective agents, employees, representatives, financial advisors or attorneys, or any of their successors or assigns, for any act or omission occurring on or after the Petition Date in connection with, relating to, or arising out of the Liquidating Debtors, their Cases, the pursuit or confirmation of the Plan, or the consummation of the Plan, except for their willful misconduct or gross negligence, and in all respects shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities under the Plan or in the context of these Cases. Except with respect to the express duties provided in the Plan, no Holder of a Claim or Interest, or members of the Creditors’ Committee, or any other party in interest, including their respective agents, employees, representatives, financial advisors, or attorneys, shall have any right of action against the Liquidating Debtors, or any of their respective present or former members, directors, officers, employees, advisors, attorneys, affiliates, subsidiaries or agents, for any act or omission in connection with, relating to, or arising out of, the Liquidating Debtors’ Cases, the pursuit of confirmation of the Plan, the consummation of the Plan or the administration of the Plan, except for their willful misconduct or gross negligence.

² Ballots are discussed in greater detail in Section XII of the Disclosure Statement and will provide such an “opt out” box for Persons and Entities to check.

(3) The Liquidating Debtors hereby unconditionally and forever release all the Released Parties, including their officers and directors who were officers or directors (in their capacities as such) as of the Petition Date, from any and all claims, obligations, suits, judgments, damages, rights, causes of action, and liabilities whatsoever, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part upon any act or omission, transaction, event or other occurrence taking place on or before the Confirmation Date in any way relating to, the Cases, the Plan or the Disclosure Statement except for gross negligence or willful misconduct.

9. Alternative to the Plan

If the Plan is not confirmed and consummated, the alternatives to the Plan include (i) liquidation of the Liquidating Debtors under chapter 7 of the Bankruptcy Code; (ii) dismissal of the Chapter 11 Cases and (iii) an alternative liquidating plan of reorganization. Any of these alternatives is almost certain to result in a less favorable recovery for holders of General Unsecured Claims. The Committee has been deeply involved in the drafting of the Plan, has analyzed its terms and concurs that the current Plan is the best option for holders of General Unsecured Claims.

10. Financial Information and Disclaimer

Although the Liquidating Debtors have used their reasonable best efforts to ensure the accuracy of the financial information provided in this Disclosure Statement, the financial information contained in this Disclosure Statement has not been audited and is based upon an analysis of data available at the time of the preparation of the Plan and Disclosure Statement. While the Liquidating Debtors believe that such financial information fairly reflects the financial condition of the Liquidating Debtors, the Liquidating Debtors are unable to warrant or represent that the information contained herein and attached hereto is without inaccuracies. A feasibility analysis and a Liquidation analysis are included at the end of this document. These analyses of As these analyses indicate, Class 3 Claim Holders will receive a greater recovery under the Plan than under a Chapter 7 liquidation.

11. Effective Date and Distributions

Distributions will be made on the Effective Date. Distributions will be made to holders of Class 3 Claims after Administrative and Priority Claims (including Unclassified Priority Claims) have been paid in full.

The Effective Date under the Plan shall be six months from the entry of the Confirmation Order. A hearing on Confirmation of the Plan is scheduled for March 5, 2003, at 2:30 PM Eastern Time.³

12. Executory Contracts and Unexpired Leases

As authorized by section 1123(b)(2) of the Bankruptcy Code, except for those unexpired leases of non-residential real property identified in the Settlement and Compromise Agreement which as of the Confirmation Date have not been assumed or rejected and those that may be listed as an Exhibit to the

³ The Liquidating Debtors have reserved the right to request that the court postpone the Effective Date for up an additional six months.

Plan Supplement, all of the Liquidating Debtors' executory contracts and unexpired leases not previously assumed and assigned or rejected pursuant to a Court order are deemed rejected as of the Confirmation Date. The Bankruptcy Court granted an extension of the period in which the Sears Entities can direct the Liquidating Debtors to assume or reject leases under the Settlement and Compromise Agreement until the later of the date of the Effective Date or December 31, 2002 and the Liquidating Debtor have sought a further extension (and may seek such additional extensions) of such period.

Each Entity that is a party to an executory contract or unexpired lease rejected pursuant to the Plan (and only such entities) will be entitled to file, not later than thirty (30) days following the Confirmation Date, a proof of claim for damages alleged to have been suffered due to such rejection; provided, however, that the opportunity afforded an Entity whose executory contract or unexpired lease is rejected pursuant to the Plan to file a proof of claim on or before such date shall in no way apply to entities that may assert a claim on account of an executory contract or unexpired lease that was previously rejected by the Liquidating Debtors for which a prior bar date was established. Any person or entity that has a claim for damages as a result of the rejection of an executory contract or unexpired lease pursuant to the terms of the Plan that does not file a proof of claim in accordance with the terms and provisions of the Plan will be forever barred from asserting that claim against any of the Liquidating Debtors or any property of the Estates. The rejection, assumption, or assumption and assignment of those unexpired leases that are subject to the Settlement and Compromise Agreement will continue to be governed by such agreement, the Settlement Order and any Orders extending the period in which the Sears Entities can direct the Debtors to assume or reject such leases.

13. Tax Summary

For all federal income tax purposes, all parties (including, without limitation, the Liquidating Debtors, the Plan Administrator and the beneficiaries of the Post-Confirmation Estate) shall treat the transfer of assets to the Post-Confirmation Estate in accordance with the terms of the Plan, as a transfer to the holders of Allowed Claims, followed by a transfer by such holders to the Post-Confirmation Estate and the beneficiaries of the Post-Confirmation Estate shall be treated as the grantors and owners thereof.

14. Recommendations

The Debtors and the Committee support the Plan and urge a favorable vote on the Plan. The Debtors anticipate that the Sears Entities, their largest unsecured creditors, will vote to accept the Plan.

15. Confirmation Hearing and Deadline for Objections to Confirmation

Pursuant to section 1128 of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 3017(c), the Bankruptcy Court has scheduled the Confirmation Hearing for March 5, 2003, at 2:30 P.M., Eastern Time before the Honorable Jerry W. Venters, at 824 North Market Street, Marine Midland Plaza, Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for the announcement of the adjournment date made at

the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be filed with the Clerk of the Bankruptcy Court and served so that they are received on or before February 18, 2003, at 4:00 p.m. Eastern Time by:

Counsel for the Debtors:

KIRKLAND & ELLIS
200 East Randolph Drive
Chicago, IL 60601
Attention: Jonathan P. Friedland
Telecopier: (312) 861-2200
Telephonic Confirmation: (312) 861-2000

PACHULSKI, STANG, ZIEHL, YOUNG & JONES PC
919 North Market St., 16th Floor
P. O. Box 8705
Wilmington, DE 19899-8705
Attention: David Carickhoff
Telecopier: (302) 652-4400
Telephonic Confirmation: (302) 652-4100

Counsel for the Official Committee of Unsecured Creditors

PLATZER, SWERGOLD, KARLIN, LEVINE, GOLDBERG &
JASLOW, LLP
150 East 52nd Street
New York, NY 10022-6017
Attention: Clifford A. Katz
Telephone: (212) 593-3000

FEASIBILITY ANALYSIS AS OF 12/31/02

<u>Assets</u>	<u>Value Range</u>	
	<u>LOW</u>	<u>HIGH</u>
Cash in Operating	\$ 4,330,000	\$ 4,780,000
Insurance Claim Proceeds	890,000	890,000
Preference Actions - Vendors	5,300,000	11,140,000
Other	30,000	30,000
TOTAL	\$11,000,000	\$ 17,100,000

<u>Secured Claims</u>	
Sears Security Interest in Insurance Proceeds	740,000
Filed Claims	90,000
TOTAL	\$ 830,000

<u>Administrative Claims and Expenses</u>	
Taxes and tax compliance	\$ 180,000
Remaining GOB related expenses	350,000
Debtor payroll & remaining KERP payments	540,000
Rent and other office expenses	70,000
Lease Cure Costs	230,000
Sears Diminution Claim	880,000
Other	270,000
Filed Claims	620,000
TOTAL	\$ 3,140,000

<u>Chapter 11 Fee and Expenses</u>	
Unpaid and anticipated fees and expenses to wind up cases	\$ 2,700,000

Liquidation Summary

	Value Range	
	LOW	HIGH
Assets	\$ 11,000,000	\$ 17,100,000
Secured Claims	830,000	830,000
Administrative Claims	3,140,000	3,140,000
Chapter 11 Fees and Expenses	2,700,000	2,700,000
Assets for Priority and Unsecured Claims	<u>\$ 4,330,000</u>	<u>\$ 10,430,000</u>

	Value Range	
	LOW	HIGH
Estimated Assets Available for Priority and Unsecured Claimants	\$4,470,000	\$ 10,430,000
Estimated Priority Claims	\$2,430,000	\$2,440,000

	Value Range	
	LOW	HIGH
Assets Available	\$ 4,330,000	\$ 10,430,000
Priority Claims	2,440,000	2,430,000
Recovery range for Unsecured Claimants	<u>\$ 1,890,000</u>	<u>\$ 8,000,000</u>
Estimated Unsecured Claims	Greater than \$400,000,000⁴	

⁴ The Sears Entities have filed proofs of claim in excess of \$430 million. While some portion of these claims may be paid through the collateral securing the Sears Entities' claims and while some portion of these claims may be disputed, it is likely that the Sears Entities will have a significant Allowed Unsecured Claim.

CHAPTER 7 LIQUIDATION ANALYSIS AS OF 12/31/02

<u>Assets</u>	<u>Value Range</u>	
	LOW	HIGH
Cash in Operating/Real Estate Accounts	\$ 4,780,000	\$ 4,780,000
Insurance Claim Proceeds	890,000	890,000
Preference Actions	3,180,000	7,900,000
Other	30,000	30,000
TOTAL	\$ 8,880,000	\$ 13,600,000

<u>Secured Claims</u>	
Sears Security Interest in Insurance Proceeds	740,000
Filed Claims	90,000
TOTAL	\$ 830,000

<u>Administrative Claims and Expenses</u>	
Taxes and tax compliance	\$ 180,000
Remaining GOB related expenses	350,000
Debtor payroll & remaining KERP payments	360,000
Rent and other office expenses	70,000
Lease Cure Costs	230,000
Sears Diminution Claim	880,000
Other	270,000
Filed Claims	620,000
TOTAL	\$ 2,960,000

<u>Chapter 7 Fees and Expenses</u>	
Incurring but unpaid Chapter 11 Fees and Expenses at 12/31/02	\$ 1,400,000
Chapter 7 Trustee Fees	450,000
Professional fees	1,820,000
TOTAL	\$ 3,670,000

<u>Liquidation Summary</u>	<u>Value Range</u>	
	LOW	HIGH
Assets	\$ 8,880,000	\$ 13,600,000
Secured Claims	830,000	830,000
Administrative Claims	2,960,000	2,960,000
Chapter 7 & Fees and Expenses	3,670,000	3,670,000
Assets for Priority and Unsecured Claims	\$ 1,420,000	\$ 6,140,000
Net benefit to claimants from continuing Chapter 11 Liquidation	\$ 2,910,000	\$ 4,290,000

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