EXHIBIT C

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CONFIDENTIAL: PRODUCED PURSUANT TO PROTECTIVE ORDER

VIA EMAIL AND FIRST CLASS MAIL

Brion B. Doyle, Esq.
Varnum, Riddering, Schmidt & Howlett, LLP
Bridgewater Place
333 Bridge Street, N.W.
P.O. Box 352
Grand Rapids, MI 49501-0352

Re: *In re Kmart Corp.* – Claims of Global Property Services, Inc. ("Global")

Dear Brion:

I am writing to update you on the status of Kmart Corporation's ("Kmart") efforts to identify a cost-effective way to "perform a systematic search of all documents on its P-drive and W-drive" as ordered by the Court in its Memorandum Opinion, entered on July 31, 2007.

As we have previously explained to you, pursuant to the Court's recommendation that the parties attempt to resolve this discovery dispute on their own, Kmart engaged a technology consultant, AFH Services, Inc. ("AFH"), to assist Kmart in identifying ways to possibly cost-effectively search the P and W drives for documents relating to Global's claims. The consultant identified a product, dtSearch (www.dtsearch.com), that AFH believed may, under certain conditions, allow Kmart to complete the search in a cost-effective manner.

Kmart has been testing the product since March 5, 2008 to determine whether the software will be effective, considering the size and configuration of the P and W drives. As explained in the declaration of Stephen Burke (enclosed herewith), a director in the Information Technologies department of Sears Holdings Corporation, the ultimate parent corporation of Kmart,[1] there exist significant challenges to using the dtSearch product. As a threshold matter, to attempt to build a searchable index in a timely manner, additional hardware is required at an estimated cost of between $79,000 - $96,000. In addition, this task

[1] Kmart is a wholly owned subsidiary of Kmart Management Corporation. Kmart Management Corporation is a wholly owned subsidiary of Kmart Holding Corporation. Kmart Holding Corporation is a wholly owned subsidiary of Sears Holding Corporation.

would require additional costs related to the project such as: (i) the cost of licensing the software; (ii) the cost of combining the indices from each server (assuming an index could be generated), which would have an associated cost for processing; and (iii) the cost of exporting the search results to an application for review by contract attorneys, which is an unknown at this time. In addition to these costs, as Mr. Burke attests, there are significant uncertainties and obstacles relating to the use of the dtSearch product in a live environment.

Because of the expected cost and time required just to develop a searchable index of the P and W drives (not including the cost to review the search results for responsiveness and privilege), we contacted four leading e-discovery vendors to solicit initial proposals to determine whether there is a more efficient solution than the dtSearch product. These four technology consultants are Discover-e (www.discover-e-legal.com), eMag (emaglink.com), EMC[2] (www.emc.com), and Kroll Ontrack ("Kroll") (www.kroll.com). As a threshold matter, the vendors' proposals are preliminary and contain proprietary information.[2] They have not been on-site to inspect Sears' IT infrastructure and are based on limited discussions with Kmart's personnel. Thus, the vendors' proposals may significantly increase based on a deeper understanding of the project. With the caveats in mind, their proposals are set forth below:

Discover-e

Discover-e proposed a two-step process: (i) collection, and (ii) searching and production. Discover-e's proposal is summarized as follows:

Collection Step:

- 12 TB of data will be filtered.
- This collection and initial filter will take place at Kmart.
- Based on the file extension cull rate sample, Discover-e anticipates collecting 3TB of data (28% of the total data set).
- Collection cost estimated at $19,950 plus storage media ($3,750) plus travel
- 2 computer forensic consultants will be on-site for 4 to 5 days at a cost of $1,995 per day, per consultant ($15,960 to $19,950).
- Kmart is responsible for all reasonable travel expenses.
- Kmart is responsible for all media costs associated with the USB hard drives needed in this collection (12 to 15 USB Hard Drives - $3,750).
- Kmart will retain the USB drives after production.

[2] These proposals are hereby designated "Confidential: Produced Pursuant to Protective Order" as provided in the Kmart Corporation/Global Property Services, Inc. Stipulated Protective Order.

Searching & Production Step:

- Discover-e will search 3,000GB (3TB) of data for specific search terms and or dates at Discover-e's facility.
- Responsive data will be produced in a database with a load file or load files required for review in a litigation database for responsiveness and privilege.
- Search and electronic discovery production cost is estimated at $105,000. $35 per Gigabyte searched. The Gigabyte number is based on the amount of data that was "collected" at the client site (3,000 x 35 = $105,000).
- Total project cost estimated at $128,700 plus travel.
- This estimate does not include the cost of review for responsiveness and privilege.

eMag

eMag will require a complete backup set of the P and W drives. eMag would then index the data on the tapes and perform a selective restore of the documents that meet the search criteria. eMag's charge for backing up the P and W drives is assessed on a per tape basis ($395 per tape). Assuming that the backup will require 200 tapes, the charge would be approximately $79,000 to backup the P and W drives.

eMag proposed an alternative approach that would involve eMag coming on-site to perform a copy of the files that need to be indexed to a portable network attached storage appliance. Their pricing for this approach is as follows: $250 per hour for the service time, plus travel time at $75 per hour and expenses. Unfortunately there are so many factors involved in performing the initial copy that eMag can not reasonably estimate the number of hours that will be required. A major factor in this process is how they would connect to Kmart's system. The files that match the file type search will then be keyword searched at the following rate:

1-50GB	$85 per GB
>50-100GB	$75 per GB
>100-250GB	$65 per GB
>250-500GB	$55 per GB
>500-1000GB	$45 per GB
>1000-2500GB	$40 per GB

Based upon the dtSearch test, Kmart expects that there will be approximately 3.5 TB of files that will need to be copied. For the filtering, Kmart has assumed that their will be approximately 125 GB of filtered files. Accordingly, the cost would be $4,250 for the first 50 GB plus $3,750 for the next 50 GB plus $1,625 for the remaining 25 GB, for a total of $9,625. However, because eMag can not estimate the amount of time and cost required to make a copy

of the P and W drives under their alternate proposal, for our purposes we will assume that the cost would be over $88,000 ($79,000 under eMag's first approach plus $9,625) to build a searchable index and create a database of search term results, which would then be reviewed for responsiveness and privilege. eMag's estimate does not include the cost of review for responsiveness and privilege.

EMC Corporation

EMC proposed an in-house solution, which is comprised of hardware and software, to allow Sears to collect active data on its network file systems purportedly without disrupting its end users. The solution as quoted will support up to 20TB of data. The solution allows Kmart to automatically export the culled data result-set in load file formats suitable for outside counsel legal review and production tools.

Under EMC's proposal, legal and technical consultants will install and implement the solution and train Sears's employees on how to identify potentially responsive content, collect and preserve the content, export a subset for legal review, and manage collected content for archive and disposition. The estimated cost is $295,000, including installation, implementation, and training. Sears would be responsible for the collecting and producing the responsive information. Thus, this proposal does not include the cost of review for responsiveness and privilege.

Kroll Ontrack

Kroll Ontrack ("Kroll"), the e-discovery vendor that Global proposed to use as an expert witness during the spoliation trial, provided an all-inclusive quote, including data collection, search, review and production. Kroll estimated the project to cost between approximately $566,000 and $607,000.

In conclusion, the vendors' proposals ranged from approximately $88,000 (excluding the review of the documents for responsiveness and privilege) to over $600,000 (inclusive of review and production). The above proposals are based on the vendors' limited understanding of Kmart's IT infrastructure and therefore, we have significant concerns that the costs from all four vendors may be understated.

The results of Kmart's testing of the dtSearch product and the vendors' proposals support Kmart's argument that the electronic data on the P and W drives is not reasonably accessible because of undue burden and/or cost. Because Kmart has made this showing and because Global has failed to demonstrate that good cause exists for the discovery to continue, Kmart does not believe that any further search of the P and W drives is warranted. If Global

disagrees, Kmart submits that Global should bear the costs associated with any continued search of the P and W drives.

We are happy to discuss the results of Kmart's testing of dtSearch or the vendor proposals with you. As always, we are also willing to explore alternative approaches to resolve this dispute without further intervention of the Court.

Sincerely,

George R. Mesires

cc: Diana Hsu
Deborah Ratterman
Wendi E. Sloane

UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:	)	Case No. 02 B 02474
KMART CORPORATION,	)	
	)	Chapter 11
Debtor.	)	Judge Susan Pierson Sonderby

DECLARATION OF STEPHEN BURKE

I, Stephen Burke, having personal knowledge of the facts contained in this declaration and being competent to testify to them, hereby state as follows:

1. I am a director in the Information Technologies department of Sears Holdings Corporation, the ultimate parent corporation of Kmart Corporation ("Kmart").[1] Kmart operates approximately 1,400 retail stores in 49 states, Guam, Puerto Rico, and the U.S. Virgin Islands, and employs over 100,000 associates.

2. I am responsible for an area called distributed systems, which include the various drives, including the P and W drives, where Kmart employees can store electronic data.

3. I submit this affidavit in connection with Kmart's motion for a protective order seeking to relieve or limit Kmart from the obligation to perform a systematic search of the P and W drives for documents relating to the claims asserted by Global Property Services, Inc.

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(" Global"). It is a burdensome and costly endeavor to systematically search the P drive and W drive for documents relating to the claims of Global.

4. Notwithstanding the difficulty, burden and expense of searching the P and W drives, Kmart undertook numerous tasks, which are detailed below, to determine whether there exists a cost-effective manner to search the P and W drives.

The P and W Drives

5. The P drive and W drive store data for all of Kmart' s employees. The P drive is a public drive and is a shared repository of information accessible by all Kmart employees. The P drive holds mainly office documents (*e.g.*, Word files, Excel spreadsheets, PowerPoint files), *not e-mail* in its native format. As of August 2007, the P drive held 2,815,167,415,168 bytes of data, or over 2.8 terabytes, consisting of approximately 3.6 million files.

6. The W drive is a working group drive, and is similar to the P drive, but more secure. It is designed to allow Kmart employees within a department to share data. Like the P drive, the W drive holds primarily office documents (*e.g.*, Word files, Excel spreadsheets, PowerPoint files), *not e-mail* in its native format. As of August 2007, the W-drive held 3,416,977,409,137 bytes of information, or approximately 3.4 terabytes of information, consisting of over 4 million files.

Identification of a Search Product and Preliminary Testing Thereof

7. One of the first steps that Kmart took to determine whether there was a cost-effective way to search the P and W drives was to engage a technology consultant, AFH Services, Inc. The consultant identified a product, dtSearch (www.dtsearch.com), that *may, under certain conditions,* allow Kmart to complete the search. However, as discussed below, the expected costs of building an index of the files alone are significant, which do not take into

account the time and costs required to search the index and review the documents for responsiveness and privilege.

8. Since March 5, 2008, Kmart has been testing dtSearch to determine whether the software will be effective, considering the size and configuration of the P and W drives.

9. Generally, dtSearch works as follows:

- First, dtSearch builds a searchable index by populating an " include" filter which establishes the file types that will be searched. This is required to limit the volume of data being indexed.
- Second, dtSearch reads the directory structure to determine the number of files that match the "include" criteria.
- Third, once the initial read is complete, dtSearch will begin building an index of all of the identified files.
- Fourth, after an index is built, dtSearch can utilize search terms to identify responsive documents within the index.

10. Because of the size of the P and W drives, for our initial testing of the product, we used a data test size of approximately 90 GB, consisting of approximately 300,000 files.

11. Our initial finding was that, on average, we were able to index approximately 4.5 GB per hour, considerably slower than the advertised 8 GB per hour. If we extrapolate the time it took to index 90GB of data (300,000 files) it would take more than 92 days to create an index of the P and W drive if searched using a single-threaded operation using a single server. If we used multiple servers, we could increase processing time to build an index. However,

Kmart does not have spare servers to be used for this purpose and would have to purchase additional hardware at an estimated cost of approximately $7,000 - $8,000 per server.

12. If we limited the number of folders to be searched and the types of files to be searched, we could reduce the amount of time needed to build a searchable index. For example, our outside counsel proposed to Global that we limit the number of folders and file types.

13. It is important to set the parameters of building the index before searching the index because of the time and expense required to build the index. If after we built an index, Global decided that it wanted to include in the index a different file type or additional folder, we would have to rebuild the entire index. Also, Kmart' s discovery manager asked me whether it is possible to ignore files that were created after a certain date (*i.e.*, after the relevant time period of Global' s claim). dtSearch does not have the ability to search by date of creation of file.

14. I understand that Global would not agree to set the parameters of the search without requiring Kmart to rebuild the index to search for additional folders and/or file types. Despite Global' s refusal to agree to the parameters of the testing protocol, we ran some tests on the sample data to determine the length of time required to search for various types of files (*e.g.*, Microsoft Word, PowerPoint, etc.).

15. The results are below:

[redacted]

90GB 300,000 Files

File types to be searched: (Microsoft Word)

[redacted]

5.3 1.3 7 55,000

File types to be searched: (Excel)

[redacted]

4.2 2.56 11 28,000

File types to be searched: (Word, Excel, Text, PowerPoint, Message)

[redacted]

4.7 7.4 35 95,000

File types to be searched: (Word, Message, Text, Word Perfect, PowerPoint slideshow)

[redacted]

3.7 6.58 25 74,000

Generally, the fewer the files types to be searched, the faster the product can build the index.

16. However, even if we limited the testing against the folders and files that Kmart' s lawyers identified, it would still take at least 2 weeks to build the index, assuming Kmart purchased the approximately 10 - 12 servers necessary to increase the processing speed.

17. Based on our testing of dtSearch conducted to date, there are significant uncertainties and obstacles relating to whether dtSearch would be able to successfully build an index of the P and W drives and search for specific documents relating to this litigation. These

uncertainties and obstacles include, among others: (i) whether dtSearch is able to function at the level of performance over the entirety of the P and W drives that it did during the testing of the product over a limited subset of the P and W drives; and (ii) whether Kmart possesses the expertise necessary to combine indices if the indices were built using multiple servers. Because of the time and effort required to test dtSearch' s ability to create an index, and the doubts that we have about dtSearch' s ability to create a searchable index, we did not test dtSearch' s capabilities to utilize search terms to search for responsive documents. Even assuming that dtSearch' s term search functions perform as advertised, we have doubts as to whether Kmart possesses the expertise necessary to develop the software code necessary to export the search results into a file for production to our lawyers for their review of the search results for responsiveness and privilege.

18. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on April 29, 2008.

Stephen Burke