

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

IN RE:

KMART CORPORATION OF ILLINOIS,
ET. AL.
Debtor(s)

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) Case No. 02 B 02462 Through 02 B 2494
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ORDER

There having come on for hearing on KMart Corporation's et. al (the "Debtors", ex parte emergency motion for a bridge order permitting the Debtors to pay pre-petition employee wage, benefit, workers' compensation and expense reimbursement claims that have been presented or will be presented for payment at the Debtors' depository institutions at any time prior to the Court's hearing the motion to consider the Debtors' employee wage and benefit motions, ("the "Motion"), and the Court having considered the matters,

IT IS HEREBY ORDERED that the Court finds and concludes that the Debtors and their depository institutions should be, and are permitted to honor such presentments until the Court rules on the "Motion" and the Debtors may take all required action in connection therewith.

ENTERED

JAN 22 2002

SUSAN PIERSON SONDERBY
CHIEF BANKRUPTCY JUDGE

Date: January 22, 2001

Chief Judge Susan Pierson Sonderby

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officers and directors. Indeed, many companies that provide bonds for the Debtors' workers' compensation obligations have requested the Debtors to provide security or other collateral for the bonds upon penalty of termination of the bonds.

56. As of the Petition Date, a total of 19,000 workers' compensation claims were pending against the Debtors for which the Debtors had reserved \$196 million in potential liability. The Debtors hold surety bonds with respect to this liability of roughly \$275 million. By this Motion, the Debtors seek authority to continue paying and/or contesting in good faith, as appropriate in the Debtors' business judgment, all amounts related to workers' compensation claims that arose prior to the Petition Date as they become due in the ordinary course of the Debtors' business.

F. Other Benefits

57. In addition to the benefits described herein, the Debtors offer other certain other benefit programs to various groups of Employees, including, but not limited to, adoption assistance, tuition reimbursement, store discounts, matching contributions to colleges and approved charities, security for certain executives and executive health examination services. The Debtors believe that these programs are important to maintaining Employee morale and assisting in the retention of the Debtors' workforce. The cost of such programs for the Debtors each month is negligible. The Debtors assert that failing to honor such programs would have an adverse affect on the Debtors' Employees. By this Motion, the Debtors request authority to continue

upon their elected pay out date. Approximately 250 Employees have contributed to the Rabbi Trust, and the Rabbi Trust currently holds roughly \$20,000,000 in assets. Although the Rabbi Trust document provides that the Rabbi Trust assets are to become subject to the claims of general creditors in the event of the Debtors' insolvency, the Debtors assert that such assets must be insulated from creditors so that they can be used exclusively for the benefit of Employees; absent such relief, the Employees who stand to benefit from the Rabbi Trust assets may leave the Debtors' employ at this critical juncture.

54. By this Motion, the Debtors seek authority to pay all amounts related to the 401(k) Plan (as described above) and the Non-Qualified Plans that arose prior to the Petition Date, as they become due, in the ordinary course of the Debtors' business. Also, the Debtors seek a declaration that the assets of the Rabbi Trust shall not become subject to the claims of general unsecured creditors but shall be utilized for the benefit of Employees in accordance with the terms of the plan documents.

B. Workers' Compensation

55. The Debtors provide workers' compensation benefits to all Employees. These benefits are covered primarily under the Debtors' self-insured and self-administered workers' compensation insurance programs. Failure to maintain this insurance in the various states in which the Debtors do business could result in the institution of administrative or legal proceedings against the Debtors and their

VOLUNTARY PETITION

United States Bankruptcy Court
Northern District of Illinois

Name of Debtor (if individual, enter Last, First, Middle):
KMART CORPORATION

Name of Joint Debtor (Spouse) (Last, First, Middle):

All Other Names used by Joint Debtor in the last 6 years (include married, maiden, and trade names):

Soc. Sec./Tax I.D. No. (if more than one, state all):

Street Address of Debtor (No. & Street, City, State & Zip Code):
34-072900

City of Residence or of the Principal Place of Business:
100 West Big Beaver Road Troy, MI 48064

County of Residence or of the Principal Place of Business:

Meeting Address of Joint Debtor (if different from street address):

Location of Principal Assets of Business Debtor (if different from address stated above):

Venue (Check any applicable box)

Debtor has been domiciled or has had a residence, principal place of business or principal assets in this District for 180 days immediately preceding the date of this petition or for a longer part of such 180 days than in any other District.

There is a bankruptcy case concerning debtor's affiliate, general partner, or partnership pending in this District.

Type of Debtor (Check all boxes that apply)

Individual
 Corporation
 Partnership
 Other

Railroad
 Stockbroker
 Commodity Broker

Nature of Debt (Check one box)

Consumer/Non-Business
 Business

Chapter or Section of Bankruptcy Code Under Which the Petition is Filed (Check one box)

Chapter 7
 Chapter 9
 Sec. 304-Cases ancillary to foreign proceeding

Chapter 11
 Chapter 12
 Chapter 13

Filing Fee (Check one box)

Full Filing Fee attached.
 Filing Fee to be paid in installments. (Applicable to individuals only) Must attach signed application for the court's consideration certifying that the debtor is unable to pay fee except in installments. Rule 1006(b). See Official Form No. 3.

Chapter 11 (Small) Business (Check all boxes that apply)

Debtor is a small business as defined in 11 U.S.C. § 101.

Debtor is and elects to be considered a small business under 11 U.S.C. § 1127(c) (optional)

Statistical/Administrative Information (Estimates only)

Debtor estimates that funds will be available for distribution to unsecured creditors.

Debtor estimates that, after any exempt property is excluded and administrative expenses paid, there will be no funds available for distribution to unsecured creditors.

Estimated Number of Creditors	1-15	16-49	50-99	100-199	200-999	1,000-over
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Estimated Assets	\$0 to \$50,000	\$50,001 to \$100,000	\$100,001 to \$500,000	\$500,001 to \$1 million	\$1,000,001 to \$10 million	\$10,000,001 to \$100 million
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Estimated Debt	\$0 to \$50,000	\$50,001 to \$100,000	\$100,001 to \$500,000	\$500,001 to \$1 million	\$1,000,001 to \$10 million	\$10,000,001 to \$100 million
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

THIS SPACE IS FOR COURT USE ONLY

U.S. Bankruptcy Court
Northern District of Illinois
RECEIVED: 01/22/02
Time: 8:02 a.m.
Debtor: KMART CORPORATION
Case #: 02-2474
Chapter 11 Reck 224688
Judge Stuart Pearson Somerby



1:02R02474-0K001

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Form 01, Page 2

CHITNEY PETITION
(This page must be completed and filed in every case)

Name of Debtor(s):
KMART CORPORATION

Case Number:

Date Filed:

Filed: None

Pending Bankruptcy Case Filed by Any Spouse, Partner, or Affiliate of this Debtor (if more than one, attach additional sheets.)

Code Number:

Date Filed:

Name of Debtor:

Relationship:

Son Agent A

District:

Signature(s) of Debtor(s) (Individual/Partner)
I declare under penalty of perjury that the information provided in this petition is true and correct.
If petitioner is an individual whose debts are primarily consumer debts and has chosen to file under chapter 7 I am aware that I may proceed under chapter 7, 11, 12 or 13 of title 11, United States Code, on demand the relief available under each such chapter, and choose to proceed under chapter 7.
I request relief in accordance with the chapter of title 11, United States Code, specified in this petition.

Signature of Debtor (Corporation/Partnership)
I declare under penalty of perjury that the information provided in this petition is true and correct, and that I have been authorized to file this petition on behalf of the debtor.

The debtor requests relief in accordance with the chapter of title 11, United States Code, specified in this petition.

[Signature]
Signature of Authorized Individual

Charles C. Conway
Name of Authorized Individual

Chief Executive Officer
Title of Authorized Individual

JANUARY 22, 2002
Date

Signature of Debtor

Signature of Joint Debtor

Telephone Number (If not represented by attorney)

Date **Signature of Attorney**

[Signature]
Name of Attorney for Debtor(s)

John W. Butler, Jr.
Printed Name of Attorney for Debtor(s)

Stutch, Arts, Seng, Mueller & Horn (Illinois)
Firm Name

333 W. Wacker Drive, Chicago, IL 60606
Address

(312) 407-0700
Telephone Number

JANUARY 22, 2002
Date

EXHIBIT A

(To be completed if debtor is required to file periodic reports (e.g., forms 10K and 10Q) with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and is requesting relief under chapter 11) Exhibit A is attached and made a part of this petition.

EXHIBIT B

(To be completed if debtor is an individual whose debts are primarily consumer debts) I, the petitioner for the petitioner named in the foregoing petition, declare that I have followed the petitioner that (he or she) may proceed under chapter 7, 11, 12, or 13 of title 11, United States Code, and have explained the relief available under each such chapter.

Signature of Attorney for Debtors

Date

Signature of Non-Attorney Petition Preparer

I certify that I am a bankruptcy petition preparer as defined in 11 U.S.C. § 110, that I prepared this document for compensation, and that I have provided the debtor with a copy of this document.

Printed Name of Bankruptcy Petition Preparer

Social Security Number

Address

Name and Social Security numbers of all other individuals who prepared or assisted in preparing this document

If more than one person prepared this document, attach additional sheets conforming to the appropriate official form for each person.

Signature of Bankruptcy Petition Preparer

Date

A bankruptcy petition preparer's failure to comply with the provisions of title 11 and the Federal Rules of Bankruptcy Procedure may result in fines or imprisonment or both 11 U.S.C. § 110; 18 U.S.C. § 156.