

- Sears shareholders of record on June 30, 1995, received a distribution of .927035 shares of Allstate stock for each Sears common share.
- The attached worksheet **was distributed by Sears and is** intended to help you determine your tax basis in the Allstate shares received from Sears.
- On July 1, 1998, Allstate issued additional shares of stock in a 2-for-1 stock split to stockholders of record on May 29, 1998.
- If you participated in this stock split with respect to any Allstate shares you received from Sears, the tax basis determined according to the worksheet below will have to be spread over all of the shares you owned after the stock split.

## SEARS, ROEBUCK AND CO.

### TAX COST BASIS INFORMATION

Sears has received a ruling from the Internal Revenue Service to the effect that you will not be required to recognize any gain or loss for federal tax purposes on The Allstate Corporation (“Allstate”) shares you receive in the spin-off, except to the extent that you receive cash instead of a fractional share. Of course, if you sell your Sears or Allstate shares you will be required to recognize gain or loss on the shares sold. This explanation is intended to help you calculate a “tax cost basis” for your Sears and Allstate shares. The tax cost basis is important because you will use it to measure the amount of taxable gain or loss if you receive cash instead of a fractional share of Allstate, or if you sell your Sears or Allstate shares. **While we believe the following information is a reasonable interpretation of federal tax law, you should consult your tax advisor.**

#### General federal tax cost basis rules

*Allocation of basis.* Federal tax rules require you to allocate the tax basis of all Sears shares (this is your “tax cost basis”) upon which Allstate shares were distributed between: (1) the Sears shares you held on the June 30, 1995 spin-off Record Date; and (2) the Allstate shares you received (including any payment you receive instead of a fractional share) in the spin-off. The tax cost basis allocation is computed using the information listed under “**Information you will need**” below.

*Fractional share.* You have received .927035 of an Allstate share for each Sears share you owned on the Record Date. The number .927035 as applied to your Sears shares is called the “Distribution Ratio.” The Distribution Ratio will result in the allocation of a fractional Allstate share to most shareholders. If you have been allocated a fractional Allstate share, you will receive cash instead of the fractional share. Under federal tax rules, cash that you receive instead of a fractional Allstate share is treated as cash paid in redemption of the fractional share. You will realize a capital gain or loss, assuming the fractional share is treated as a capital asset, measured by the difference between the cash you receive for the fractional share and the tax cost basis allocated to the fractional share.

*Holding period.* Federal tax rules also provide that the date that you purchased your Sears shares will be treated as the date you purchased the Allstate shares you received in the spin-off. If you owned Sears shares on the Record Date that were purchased on multiple dates, then your Allstate shares will have the same multiple purchase dates for tax purposes. The purchase date or dates for your Sears shares will remain unchanged. The purchase date is important because it is used to determine whether the capital gain or loss on the sale of your shares is long-term or short-term capital gain or loss (assuming your shares are treated as capital assets).

#### Information you will need

You and your tax advisor will need the following information to allocate the tax cost basis of the Sears shares you held on the Record Date between your Sears and Allstate shares:

1. The current tax cost basis and purchase date of the Sears common shares you owned on the Record Date. This information usually can be found in your broker’s records or your personal records. (If you received Dean Witter, Discover & Co. (“DWD”) shares in the June, 1993 DWD spin-off, you should have already adjusted the “current tax cost basis” of your Sears shares to reflect the DWD spin-off distribution.)
2. The market value of Allstate and Sears common shares on the Distribution Date. The “market value” of a Sears share on the Distribution Date was \$32.0625, and the “market value” of an Allstate share on that date was \$29.6875. The “market value” of a share is the average of the high and low trading prices on the Distribution Date as reported by the New York Stock Exchange. In the case of a Sears share, the market value is based on prices for shares trading *without* the right to the Allstate spin-off dividend.
3. The Distribution Ratio. The Distribution Ratio is .927035.
4. Basis allocation factors. The basis allocation factor for your Sears shares is .538107 and the basis allocation factor for your Allstate shares is .461893. This means that 53.8107% of your tax cost basis is allocated to your Sears shares and 46.1893% is allocated to your Allstate shares. These factors will be used to calculate a new tax cost basis for each purchase date.

**An example of a tax cost basis allocation and worksheet appears on the next page of this explanation. Again, you should consult your tax advisor regarding your tax cost basis allocation.**

## TAX COST BASIS CALCULATION EXAMPLE AND WORKSHEET

Following is an example tax cost basis allocation and a worksheet that you and your tax advisor may use to make your own tax cost basis allocation for Sears shares owned on the Record Date and Allstate shares received as a result of the spin-off. You and your tax advisor will need to adapt this worksheet if you have more than two purchase dates.

### EXAMPLE

Jane Doe owned 300 Sears shares on the Record Date. Jane has already adjusted the tax basis for her Sears shares to reflect the June, 1993 DWD spin-off distribution. Her purchase dates and adjusted basis are as follows:

<u>Purchase Date</u>	<u>Sears Shares</u>		<u>Per Share Basis</u>	=	<u>Original Tax Cost Basis</u>
Nov. 20, 1985	100	x	\$27.22	=	\$2,722.00
Jan. 25, 1993	200	x	\$36.78	=	\$7,356.00
Total Shares	300				

Jane received .927035 of an Allstate share for each Sears share that you owned on the Record Date. Jane calculated the total number of Allstate shares she received as follows:

<u>Purchase Date</u>	<u>Sears Shares</u>		<u>Distribution Ratio</u>	=	<u>Allstate Shares</u>
Nov. 20, 1985	100	x	0.927035	=	92.7035
Jan. 25, 1993	200	x	0.927035	=	185.4070
Total Shares	300				278.1105

Jane Doe uses the basis allocation factors provided on the reverse side of this page to allocate the original tax cost basis between her Sears and Allstate Shares. Jane calculates a new basis for each purchase date as follows:

<u>Shares and Purchase Date</u>	<u>Basis Allocation Factor</u>		<u>Original Tax Cost Basis</u>	=	<u>New Tax Cost Basis</u>
Sears - 11/20/85	.538107	x	\$2,722.00	=	\$1,464.73
Allstate - 11/20/85	.461893	x	\$2,722.00	=	\$1,257.27
Sears - 1/25/93	.538107	x	\$7,356.00	=	\$3,958.32
Allstate - 1/25/93	.461893	x	\$7,356.00	=	\$3,397.68

Jane received a cash payment instead of a .1105 fractional share allocation of Allstate stock. Jane's tax cost basis for the fractional share is determined using her Allstate per share tax cost basis. The Allstate per share tax cost basis is the Allstate new tax cost basis for Jane's oldest purchase date (11/20/85) divided by the number of Allstate shares allocated for that purchase date. The fractional share cost basis calculation is as follows:

<u>New Tax Cost Basis</u>	÷	<u>Allstate Shares</u>	x	<u>Fractional Share</u>	=	<u>Fractional Share Cost Basis</u>
\$1,257.27	÷	92.7035	x	0.11050	=	\$ 1.50

### WORKSHEET

You owned \_\_\_\_\_ Sears shares on the Record Date. Your purchase dates and current cost basis (where appropriate, adjusted for the June, 1993 DWD spin-off) are as follows:

<u>Purchase Date</u>	<u>Sears Shares</u>		<u>Per Share Basis</u>	=	<u>Original Tax Cost Basis</u>
_____	_____	x	\$ _____	=	\$ _____
_____	_____	x	\$ _____	=	\$ _____
Total Shares	_____				

You received .927035 of an Allstate share for each Sears share that you owned on the Record Date. You calculate the total number of Allstate shares you received as follows:

<u>Purchase Date</u>	<u>Sears Shares</u>		<u>Distribution Ratio</u>	=	<u>Allstate Shares</u>
_____	_____	x	0.927035	=	_____
_____	_____	x	0.927035	=	_____
Total Shares	_____				_____

You may use the basis allocation factors provided on the reverse side of this page to allocate the original tax cost basis between your Sears and Allstate Shares. You may calculate a new basis for each purchase date as follows:

<u>Shares and Purchase Date</u>	<u>Basis Allocation Factor</u>		<u>Original Tax Cost Basis</u>	=	<u>New Tax Cost Basis</u>
Sears - / /	.538107	x	\$ _____	=	_____
Allstate - / /	.461893	x	\$ _____	=	_____
Sears - / /	.538107	x	\$ _____	=	_____
Allstate - / /	.461893	x	\$ _____	=	_____

You received a cash payment instead of a \_\_\_\_\_ fractional share allocation of Allstate stock. Your tax cost basis for the fractional share is determined using your Allstate per share tax cost basis. The Allstate per share tax cost basis is the Allstate new tax cost basis for the oldest purchase date (\_\_\_\_/\_\_\_\_/\_\_\_\_) divided by the number of Allstate shares allocated for that purchase date. The fractional share cost basis calculation is as follows:

<u>New Tax Cost Basis</u>	÷	<u>Allstate Shares</u>	x	<u>Fractional Share</u>	=	<u>Fractional Share Cost Basis</u>
\$ _____	÷	\$ _____	x	_____	=	\$ _____