BOK FINANCIAL CORP ET AL
Form 4
November 04, 2005

FORM 4

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
PICKRYL W JEFFREY

(Last) (First) (Middle)

C/O FREDERIC DORWART LAWYERS, 124 EAST FOURTH STREET

(Street)

TULSA, OK 74103

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
BOK FINANCIAL CORP ET AL [BOKF]

3. Date of Earliest Transaction (Month/Day/Year)
11/03/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Sr. Executive Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	11/03/2005		M		3,514	A	$ 37.21	12,589	I	W. Jeffery Pickryl IRA
Common Stock	11/04/2005		S		3,514	D	$ 43.44	9,075	I	W. Jeffery Pickryl IRA

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

displays a currently valid OMB control number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
2003 Stock Options	$ 37.21	11/03/2005		M			3,514	(1)	(2)	Common Stock	3,514	$ 37.

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PICKRYL W JEFFREY C/O FREDERIC DORWART LAWYERS 124 EAST FOURTH STREET TULSA, OK 74103			Sr. Executive Vice President	

Signatures

Frederic Dorwart	11/04/2005
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) For options granted in any one year, one-seventh of the options of such grant vest and become exercisable on the grant date of the anniversary each year commencing on the first anniversary after the grant.

(2) Options expire 3 years after vesting.

(3) Mr. Pickryl also owns the following exercisable stock options: 2004 - 4666 shares

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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(Loss)/earnings per share

$(3.90) $0.60
Significant items:

Cumulative effect of change in accounting for retirement plans
3.81
Curtailment gain on retiree medical plans
(30) (0.09)
Negative carry and debt retirement costs
38 0.11
Pro forma effects on the prior year:

Divested businesses:

As reported
(405) (0.80)
Zero-percent financing costs
56 0.12
Pro forma revenues earned under Citigroup alliance
32 0.07

(317) (0.61)
Retirement plan accounting change
16 0.03

Pro forma
$(17) $(0.07) $9 $0.02

Explanation of Responses:

Average common equivalent shares outstanding
220.4 318.1

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SEARS, ROEBUCK AND CO.
13 Weeks Ended April 3, 2004 and March 29, 2003

SEGMENT OPERATIONS

The Company is organized into two principal business segments Domestic and Sears Canada. Following is a discussion of results of operations by business segment.

Domestic

Domestic results and key statistics were as follows:

	13 Weeks Ended	
millions, except number of stores	**April 3, 2004**	**March 29, 2003[(2)]**
Full-line Stores	$ 4,816	$ 4,651
Specialty Stores	1,042	1,123
Direct to Customer	345	368
Home Services	586	565
Merchandise sales and services revenues	6,789	6,707
Credit and financial products revenues		1,330
Total Domestic revenues	6,789	8,037
Cost of sales, buying and occupancy	4,970	4,938
Gross margin rate	*26.8%*	*26.4%*
Selling and administrative	1,611	1,880
Selling and administrative expense as a percentage of total revenues	*23.7%*	*23.4%*
Provision for uncollectible accounts		471
Depreciation and amortization	198	198
Interest, net	49	251
Total costs and expenses	6,828	7,738
Operating (loss)/income	$ (39)	$ 299
Number of:		
Full-line Stores	872	870

Specialty Stores	1,103	1,304
Lands End Retail Stores	16	15
Total Retail Stores	1,991	2,189
Comparable store sales percentage increase/(decrease)[1]		
Home Group	+3.8%	-6.8%
Apparel/accessories	-2.1%	-9.6%
Full-line Stores	+1.9%	-7.5%
Specialty Stores	+0.1%	-2.7%
Total	+1.6%	-6.7%

(1) For purposes of determining comparable store sales, a store is considered to be comparable at the beginning of the 13th month after the store is opened.

(2) Includes the results of operations for the divested businesses; domestic Credit and Financial Products and NTB.

Domestic merchandise sales and services revenues increased 1.2% in the first quarter of 2004 due to increases in several key Full-line Store home group categories and approximately $33 million earned under the Company s long-term alliance with Citigroup, which more than offset the loss of revenues due to the divestiture of NTB. NTB s revenues for the first quarter of 2003 were approximately $100 million.

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Full-line Stores revenues increased 3.5% for the first quarter of 2004 compared with the prior year quarter as a result of increases in sears.com revenues as well as increased Full-line Stores comparable store sales. Full-line Stores comparable store sales increased 1.9% primarily as a result of a strong home improvement business. Home appliances and consumer electronics performed well in the quarter with comparable store increases in the low to mid-single digit range. Apparel comparable stores sales declined in the first quarter of 2004 due to delayed spring product receipts and a relatively late Spring floor transition.

Specialty Stores revenues decreased 7.2% in the first quarter of 2004 compared with the prior year quarter primarily due to the divestiture of NTB. Comparable store sales were flat as increases in the Hardware stores were offset by expected declines in TGI. The Company continues to refine its TGI product offerings as a result of its previously announced strategic refinement. Dealer store comparable store sales were relatively flat for the quarter, however, total revenues increased due to the net addition of twenty-four Dealer stores since the first quarter of 2003.

Direct to Customer revenues for the first quarter of 2004 declined from the comparable prior year quarter primarily due to a decline in Lands End direct to customer revenues resulting from lower liquidation inventory levels in the first quarter of 2004.

Home Services revenues increased 3.7% in the first quarter of 2004 compared to the prior year quarter due to increases in product repair services and the Sears Home Improvement business.

Domestic gross margin as a percentage of Domestic merchandise sales and services increased 40 basis points as compared to the prior year primarily due to the income from revenues earned through our long-term alliance with Citigroup.

Domestic selling and administrative expense as a percentage of Domestic total revenues increased 30 basis points in the first quarter of 2004 compared to the prior year. This rate increase was primarily due to a reduction in expense leverage resulting from the divestitures of the domestic Credit and Financial Products business and NTB, as well as an increase in advertising expense versus the prior year due to the earlier Easter holiday and an increase in general brand awareness advertising. Partially offsetting the higher expenses were productivity improvements focused on more effective staffing levels in the stores and a $30 million curtailment gain attributable to the change in retiree medical benefits offered to domestic employees.

The decline in interest expense was primarily due to the prior year results including $242 million of interest expense associated with the divested Credit and Financial Products business. The first quarter 2004 interest expense includes $26 million attributable to the negative carrying cost related to credit legacy debt and $12 million of debt retirement costs.

The Domestic segment reported an operating loss of $39 million for the first quarter of 2004, compared with operating income of $299 million in the first quarter of 2003.

The Company believes that an understanding of its reported results and its ongoing financial performance for the Domestic segment is not complete without excluding the impact of the divested businesses, negative carry and debt retirement costs and reflecting the impact of the change in accounting for retirement plans on the results of operations for the 13-week periods ended April 3, 2004 and March 29, 2003.

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This reconciliation is provided below:

millions	13 Weeks Ended April 3, 2004	13 Weeks Ended March 29, 2003
Operating (loss)/income	$ (39)	$ 299
Significant Items:		
Curtailment gain on retiree medical plans	(30)	
Negative carry and debt retirement costs	38	
Divested businesses		(317)
Pro forma	$ (31)	$ (18)

Sears Canada

Sears Canada results were as follows:

Millions	13 Weeks Ended April 3, 2004	13 Weeks Ended March 29, 2003
Merchandise sales and services	$ 914	$ 767
Credit revenues	91	76
Total revenues	1,005	843
Cost of sales, buying and occupancy	651	536
Selling and administrative	283	230
Provision for uncollectible accounts	16	12
Depreciation and amortization	30	27
Interest	27	28

Total costs and expenses	1,007	833
Operating (loss)/income	$ (2)	$ 10
Comparable store sales percentage increase/decrease (C$)	8.1%	-14.1%
Foreign exchange rate (quarterly average) (US$/C$)	0.7593	0.6578

Total revenues increased by $162 million, or 19.2%, in the first quarter of 2004 compared to the prior year quarter due to the strengthening of the Canadian dollar as well as increased sales across most formats. The change in the foreign currency rate contributed $133 million to the increase in total revenues. Comparable stores sales on a Canadian dollar (C$) basis increased 8.1% in the first quarter of 2004.

Full-line Store revenues for the first quarter of 2004 increased 9.2% over the prior year quarter with comparable store sales increasing 7.0%. Specialty store revenues increased 13.4% over the prior year quarter with comparable store sales increasing 11.8%. Sales were particularly strong in home appliances, furniture, cosmetics, jewelry and children s wear.

Credit revenues increased 19.7% in the first quarter of 2004 compared to the prior year quarter primarily due to the strengthening of the Canadian dollar as well as a higher yield for the MasterCard portfolio. Within the Sears Canada credit operations, the net charge-off rate decreased to 4.8% in the first quarter of 2004 from 4.9% in the first quarter of 2003.

Gross margin rate as a percentage of merchandise sales and services revenues was 28.8% in the first quarter of 2004 compared with 30.1% in the prior year quarter. The decrease reflects an increase in promotional activity, an

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increase in appliance sales, which is a lower margin merchandise category and a decrease in catalog and online sales, which have relatively higher margins.

Selling and administrative expense as a percentage of total revenues was 28.2% in the first quarter of 2004 compared to 27.3% in the first quarter of 2003. The increase in rate is primarily due to a $12 million charge recorded in selling and administrative expenses in the first quarter of 2004 related to Sears Canada s decision to license Sears Canada Auto Centers to three auto service providers and other restructuring activities.

ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION

The Company ended the first quarter of 2004 with approximately $4.2 billion of cash and cash equivalents, a decrease of $4.8 billion from year-end 2003. In the first quarter of 2004, the Company utilized cash proceeds from the sale of the Company s domestic Credit and Financial Products business for working capital needs as well as to retire $1.8 billion of debt, purchase $321 million of investments and repurchase $852 million of common shares. The Company also used proceeds to pay approximately $1.3 billion of taxes associated with the sale of the domestic Credit and Financial Products business. The Company expects to retire an additional $800 million of domestic term debt by year-end 2004, $600 million of which is expected in the second quarter of 2004. The Company plans to target, exclusive of seasonal working capital requirements, domestic funded term debt, less cash and investments, of approximately $1.5 billion.

The cash used in operating activities during the first quarter of 2004 was the result of seasonal working capital needs and taxes paid in connection with the sale of the domestic Credit and Financial Products business. The cash provided by operating activities in the first quarter of 2003 resulted from the seasonal decline in the domestic credit card receivable portfolio.

Financing Activities

The Company s financing activities include net borrowings, dividend payments and share issuances and repurchases. The Company s total debt balances as of April 3, 2004, March 29, 2003 and January 3, 2004 were as follows:

	April 3, 2004		March 29, 2003		January 3, 2004	
millions	Domestic	Sears Canada	Domestic	Sears Canada	Domestic	Sears Canada
Short-term borrowings	$ 670	$ 194	$ 6,601	$ 174	$ 719	$ 314
Long-term debt (including current portion):						
Long-term borrowings	3,499	1,509	23,665	1,230	5,336	1,245
Capitalized lease obligations	349	139	326	135	355	142
SFAS No. 133 hedge accounting adjustment	101		574		90	
Total debt	$ 4,619	$ 1,842	$ 31,166	$ 1,539	$ 6,500	$ 1,701

The decrease in total debt from January 3, 2004 is primarily due to the retirement of $1.8 billion of domestic term debt.

The Company continues to use interest rate derivatives to synthetically convert fixed rate debt to variable rate debt. The interest rate derivatives qualify as fair value hedges in accordance with SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities , and as such are recorded on the balance sheet at market value with an offsetting entry to the underlying hedged item, which is debt.

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Liquidity

Historically, the Company has been an active borrower in various capital markets due to the funding needs of its domestic credit card receivables portfolio. As a result of the sale of its domestic Credit and Financial Products business, the Company s need to access capital markets for borrowings has been greatly reduced. The Company s primary need for liquidity will be to fund capital expenditures and the seasonal working capital requirements of its retail business. These needs will primarily be funded through the Company s cash and investment portfolio as well as operating cash flows.

The Company s total cash and investment portfolio as of April 3, 2004, March 29, 2003 and January 3, 2004 were as follows:

	April 3, 2004		March 29, 2003		January 3, 2004	
millions	Domestic	Sears Canada	Domestic	Sears Canada	Domestic	Sears Canada
Cash and cash equivalents	$ 3,884	$ 351	$ 3,781	$ 65	$ 8,959	$ 98
Available-for-sale securities	321					
Total cash and investments	$ 4,205	$ 351	$ 3,781	$ 65	$ 8,959	$ 98

In order to ensure liquidity and provide additional capacity, the Company intends to maintain access to capital markets. Effective November 3, 2003, the Company, through its domestic wholly-owned financial subsidiary, SRAC, amended its $3.5 billion unsecured, 364-day revolving credit facility by extending the termination date to May 2004 for consenting lenders and modifying the option to extend the repayment of any borrowings to November 2004. Pursuant to the amendment, the commitment amount under this facility was reduced to $2.5 billion as of December 3, 2003. This facility provides support for SRAC s domestic direct-issue commercial paper program and is available for other general corporate purposes. No borrowings were outstanding under this committed credit facility at the end of the first quarter of 2004. SRAC is in the process of syndicating a new $2.0 billion unsecured, three-year credit facility. The Company anticipates that the new facility will be in place no later than the expiration of the current facility. In addition, Sears Canada has a $0.5 billion committed credit facility.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES

The Company s significant accounting policies are discussed in the Notes to the Consolidated Financial Statements that are included in the Company s 2003 Annual Report on Form 10-K that is filed with the Securities and Exchange Commission. In most cases, the accounting policies utilized by the Company are the only ones permissible under U.S. Generally Accepted Accounting Principles for businesses in our industry. However, the application of certain of these policies requires significant judgement or a complex estimation process that can affect the results of operations and financial position of the Company, as well as the related footnote disclosures. The Company bases its estimates on historical experience and other assumptions that it believes are reasonable. If actual amounts are ultimately different from previous estimates, the revisions are included in the Company s results of operations for the period in which the actual amounts become known. The accounting policies and estimates that can have a significant impact on the operating results, financial position and footnote disclosures of the Company are described in the Management Discussion and Analysis in the Company s 2003 Annual Report on Form 10-K.

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Defined benefit retirement plans

The fundamental components of accounting for defined benefit retirement plans consist of the compensation cost of the benefits earned, the interest cost from deferring payment of those benefits into the future and the results of investing any assets set aside to fund the obligation. Such retirement benefits are earned by associates ratably over their service careers; therefore the amounts reported in the income statement for these retirement plans have historically followed the same pattern. Accordingly, changes in the obligations or the value of assets to fund it have been recognized systematically and gradually over the associate s estimated period of service. This systematic and gradual recognition of changes has been accomplished by amortizing experience gains/losses in excess of the 10% corridor into expense over the associate service period and by recognizing the difference between actual and expected asset returns over a five-year period.

As discussed in Note 9 of the Notes to Condensed Consolidated Financial Statements, the Company changed its method of accounting for its domestic defined benefit plans to immediately recognize any experience gains or loss in excess of the 10% corridor and to value plan assets at fair value. The Company believes that the new method is preferable in light of changes made to its domestic benefit plans to discontinue providing pension and retiree medical benefits to associates under the age of 40 as the new policy accelerates recognition of events which have already occurred. As a result of this accounting method change, the Company recorded an after-tax charge of $839 million in the first quarter of 2004 for the cumulative effect of the change in accounting principle.

Under its new accounting method, the Company s pension expense in future periods may be more volatile as this method accelerates recognition of actual experience. Furthermore, because the domestic pension plan s unrecognized loss will be at the 10% corridor limit at the beginning of 2004, additional pension expense will be recognized in 2004 for the full amount of any experience losses realized in 2004. The largest drivers of experience losses in recent years have been the discount rate used to determine the present value of the obligation and the actual return on pension assets.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

During the first quarter of 2004, the Company retired $1.8 billion of domestic term debt.

STOCK BASED COMPENSATION

As discussed in the Company s 2003 Annual Report on Form 10-K, the Company follows Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees , which does not require recognition of expense for stock options when the exercise price of an option equals, or exceeds, the fair market value of the common stock on the date of grant.

The Financial Accounting Standards Board has released an Exposure Draft, Share-Based Payment An Amendment to FASB Statements No. 123 and 95 , which revises the rules governing stock option accounting. The exposure draft requires expense recognition of stock options and certain employee stock purchase plans in the statements of operations. The comment period ends June 30, 2004. The effective date for this statement would be fiscal 2005. The Company will adopt any new rules required by the FASB when they are effective. The pro forma impact on the first quarter of 2004 of expensing unvested stock options is disclosed, as required under FASB Statement No. 123, Accounting for Stock-Based Compensation in Note 10 to the unaudited Interim Consolidated Financial Statements.

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OUTLOOK

The Company anticipates second quarter 2004 earnings per share to be between $0.78 and $0.83. This outlook assumes second quarter comparable store sales to be flat to up slightly. For the full year, the Company remains on track with its expectation of earnings per share, before the cumulative effect of change in accounting principle, between $3.60 and $3.80. This includes the negative carrying cost of approximately $0.20 to $0.25 per share on the Company s remaining legacy debt related to its former domestic Credit and Financial Products business. The second quarter and full year earnings per share exclude any effects that may result from our ongoing efforts to streamline the organization to improve efficiency and effectiveness.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

The above Outlook and certain other statements made in this quarterly report on Form 10-Q and in other public announcements by the Company are forward-looking statements that are subject to risks and uncertainties that may cause the Company s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements include information concerning the Company s future financial performance, business strategy, plans, goals and objectives. Statements preceded by, followed by or that otherwise include the words believes , expects , anticipates , intends , estimates , plans , forecasts , is likely to , projected and similar expressions or future or conditional verb will , should , would , may and could are generally forward-looking in nature and not historical facts.

Following are some of the risks and uncertainties that could affect our financial condition or results of operations, and could cause actual results, performance or achievements to differ from the future results, performance or achievements expressed or implied by these forward-looking statements: competitive conditions in retail and related services industries; changes in consumer confidence and spending; the success of the Full-line Store strategy and other strategies; the possibility that the Company will identify new business and strategic options for one or more of its business segments, potentially including selective acquisitions, dispositions, restructurings, joint ventures and partnerships; the Company s ability to integrate and operate Lands End successfully; the successful integration of Sears retail businesses with Citigroup s operation of the Credit and Financial Products business, which involves significant training and the integration of complex systems and processes; the outcome of pending legal proceedings; anticipated cash flow; social and political conditions such as war, political unrest and terrorism or natural disasters; the possibility of negative investment returns in the Company s pension plan; changes in interest rates; volatility in financial markets; changes in the Company s debt ratings, credit spreads and cost of funds; the possibility of interruptions in systematically accessing the public debt markets; general economic conditions and normal business uncertainty. In addition, Sears typically earns a disproportionate share of its operating income in the fourth quarter due to seasonal buying patterns, which are difficult to forecast with certainty. Additional discussion of these and other risks and uncertainties is contained elsewhere under Management s Discussion and Analysis and Quantitative and Qualitative Disclosures About Market Risk .

While the Company believes that its forecasts and assumptions are reasonable, it cautions that actual results may differ materially. The Company intends the forward-looking statements to speak only as of the time first made and does not undertake to update or revise them as more information becomes available.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

The nature of market risks faced by the Company at April 3, 2004 are the same as disclosed in the Company s Form 10-K for the year ended January 3, 2004. As of April 3, 2004 and March 29, 2003, 47% and 79%, respectively, of the Company s funding portfolio was variable rate (including fixed rate debt synthetically converted to variable rate through the use of derivative financial instruments). Based on the size of the Company s variable rate funding portfolio at April 3, 2004 and March 29, 2003, which totaled $3.0 billion and $25.4 billion, respectively, an immediate 100 basis point change in interest rates would have affected annual pretax funding costs by approximately $30 million and $254 million, respectively. These estimates do not take into account the effect on revenue resulting from invested cash or the returns on assets being funded. These estimates also assume that the variable rate funding portfolio remains constant for an annual period and that the interest rate change occurs at the beginning of the period. As a result of the sale of the Company s Credit and Financial Products business to Citigroup on November 3, 2003, the Company s domestic funding requirements have declined such that it is unlikely that current maturities of domestic term debt will be refinanced and therefore such current debt maturities are not considered variable rate in the calculation above. Prior to the sale, it was assumed that these current maturities of fixed rate term debt would be refinanced and were considered variable rate due to the interest rate risk upon refinancing. Under the methodology used prior to the sale, at March 29, 2003, approximately 80% of the Company s funding portfolio was variable rate debt.

Item 4. Controls and Procedures

The Company s management, including Alan J. Lacy, Chairman of the Board of Directors, President and Chief Executive Officer (principal executive officer) and Glenn R. Richter, Executive Vice President and Chief Financial Officer (principal financial officer), have evaluated the effectiveness of the Company s disclosure controls and procedures, as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, (the Exchange Act). Based upon their evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the Company s disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the Securities and Exchange Commission (the SEC) (1) is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and (2) is accumulated and communicated to the Company s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. In addition, based on that evaluation, no change in the Company s internal control over financial reporting occurred during the quarter ended April 3, 2004 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Pending against the Company and certain of its officers and directors are a number of lawsuits, described below, that relate to the domestic credit card business and public statements about the business. The Company believes that all of these claims lack merit and is defending against them vigorously.

On and after October 18, 2002, several actions were filed in the United States District Court for the Northern District of Illinois against the Company and certain current and former officers alleging that certain public announcements by the Company concerning its domestic credit card business violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The Court has consolidated the actions and certified the consolidated action as a class action. The Court has scheduled trial to begin on April 4, 2005. Discovery is underway.

On and after November 15, 2002, several actions were filed in the United States District Court for the Northern District of Illinois against the Company, certain officers and directors, and alleged fiduciaries of Sears 401(k) Savings Plan (the Plan), seeking damages and equitable relief under the Employee Retirement Income Security Act of 1974 (ERISA). The plaintiffs purport to represent participants in the Plan, and allege breaches of fiduciary duties under ERISA in connection with the Plan s investment in the Company s common shares and alleged communications made to Plan participants regarding the Company s financial condition. These actions have been consolidated into a single action. Discovery is underway. No trial date has been set.

On October 23, 2002, a purported derivative action was filed in the Supreme Court of the State of New York against the Company (as a nominal defendant) and certain current and former directors seeking damages on behalf of the Company. The complaint purports to allege a breach of fiduciary duty by the directors with respect to the Company s management of the domestic credit card business. A motion to dismiss has been and remains pending. Two similar actions were subsequently filed in the Circuit Court of Cook County, Illinois, and a third was filed in the United States District Court for the Northern District of Illinois. These actions have been and remain stayed pending disposition of the action in New York. The plaintiffs in the Northern District of Illinois action have appealed the stay order to the United States Court of Appeals for the Seventh Circuit. That appeal has been briefed and argued but has not yet been decided.

On June 17, 2003, an action was filed in the Northern District of Illinois against the Company and certain officers, purportedly on behalf of a class of all persons who, between June 21, 2002 and October 17, 2002, purchased the 7% notes that SRAC issued on June 21, 2002. An amended complaint has been filed, naming as additional defendants certain former officers, SRAC and several investment banking firms who acted as underwriters for SRAC s March 18, May 21 and June 21, 2002 notes offerings. The amended complaint alleges that the defendants made misrepresentations or omissions concerning its domestic credit card business during the class period and in the registration statements and prospectuses relating to the offerings. The amended complaint alleges that these misrepresentations and omissions violated Sections 10(b) and 20(a) of the Securities Exchange Act and Rule 10b-5 promulgated thereunder, and Sections 11, 12 and 15 of the Securities Act of 1933 and purports to be brought on behalf of a class of all persons who purchased any security of SRAC between October 24, 2001 and October 17, 2002, inclusive. Motions to dismiss the amended complaint are pending.

The Company is subject to various other legal and governmental proceedings, many involving litigation incidental to the businesses. Some matters contain class action allegations, environmental and asbestos exposure allegations and other consumer-based claims that involve compensatory, punitive or treble damage claims in very large amounts as well as other types of relief. The consequences of these matters are not presently determinable but, in the opinion of management of the Company after consulting with legal counsel, and taking

SEARS, ROEBUCK AND CO.

into account insurance and reserves, the ultimate liability is not expected to have a material adverse effect on annual results of operations, financial position, liquidity or capital resources of the Company.

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity

Issuer Purchases of Equity Securities [(1)]

millions (except average price paid per share)

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Programs	Dollar Value of Shares that May Yet Be Purchased Under the Plan or Programs
January 4, 2004 to January 31, 2004	7.5	$ 45.71	7.5	$ 1,232
February 1, 2004 to February 28, 2004	6.4	45.55	6.4	942
February 29, 2004 to April 3, 2004	4.7	45.86	4.7	726
As of April 3, 2004	18.6	$ 45.69	18.6	$ 726

(1) On October 8, 2003, the Board of Directors approved a new share repurchase program giving the Company authorization to acquire $3.0 billion of the Company s common shares by December 31, 2006.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.
An Exhibit Index has been filed as part of this Report on Page E-1.

(b) Reports on Form 8-K.

A Current Report on Form 8-K dated January 29, 2004 was filed with the Securities and Exchange Commission on January 29, 2004 to report, under Item 12, the release of fourth quarter and full-year 2003 earnings of the Registrant.

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SEARS, ROEBUCK AND CO.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEARS, ROEBUCK AND CO.
(Registrant)

December 1, 2004

By /s/ Michael J. Graham

Michael J. Graham
Vice President and Controller
(Principal Accounting Officer and duly
authorized officer of Registrant)

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SEARS, ROEBUCK AND CO.

E-1
EXHIBIT INDEX

Exhibit No.	
*3(a).	Restated Certificate of Incorporation as in effect on May 13, 1996 (incorporated by reference to Exhibit 3(a) to Registration Statement No. 333-8141 of the Registrant).
*3(b).	By-laws, as amended to February 14, 2001 (incorporated by reference to Exhibit 3.(ii) to Registrant s Annual Report on Form 10-K for the fiscal year ended December 30, 2000).
*4.	Registrant hereby agrees to furnish the Commission, upon request, with the instruments defining the rights of holders of each issue of long-term debt of the Registrant and its consolidated subsidiaries.
*10.	Guarantee by Sears, Roebuck and Co., dated January 26, 2004 of the $3,500,000,000 364-day Credit Agreement dated as of February 24, 2003 among Sears Roebuck Acceptance Corp. (SRAC), the banks, financial institutions and other institutional lenders listed on the signature pages thereof, Bank One, NA, as syndication agent, Barclays Bank PLC and Bank of America, N.A., as documentation agents, Salomon Smith Barney Inc. and Banc One Capital Markets, Inc. as joint lead arrangers and joint bookrunners, and Citigroup, as agent for the Lenders.
*12.	Computation of ratio of income to fixed charges for Sears and consolidated subsidiaries for each of the five years ended January 3, 2004 and for the three-month period ended April 3, 2004.
**15.	Acknowledgement of awareness from Deloitte & Touche LLP, dated December 1, 2004, concerning unaudited interim financial information.
*15.1	Acknowledgement of awareness from Deloitte & Touche LLP, dated May 10, 2004, concerning unaudited interim financial information.
*18.	Letter regarding change in accounting principle.
**31(a).	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
**31(b).	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31(c).	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31(d).	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

**32.	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.

*Incorporated by reference to the similarly numbered Exhibit to Registrants Quarterly Report on Form 10-Q for the fiscal quarter ended
April 3, 2004 (except that Exhibit 31(c), 31(d), 15.1 and 32.1 were originally filed as Exhibit 31(a), 31(b), 15 and 32, respectively).

**Filed herewith.