

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

SEARS ROEBUCK ACCEPTANCE CORP
Form 10-K
March 13, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 29, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-4040

SEARS ROEBUCK ACCEPTANCE CORP.
(Exact name of registrant as specified in its charter)

Delaware 51-0080535
(State of Incorporation) (I.R.S. Employer Identification No.)

3711 Kennett Pike, Greenville, Delaware 19807
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 302/434-3100

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
6.75% Notes due September 15, 2005	New York Stock Exchange
7.00% Notes due March 1, 2038	New York Stock Exchange
6.95% Notes due October 23, 2038	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of February 28, 2002, the Registrant had 350,000 shares of capital stock outstanding, all of which were held by Sears, Roebuck and Co.

Registrant meets the conditions set forth in General Instruction I (1)(a) and (b) of Form 10-K and is therefore filing this form with a reduced disclosure format.

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

DOCUMENTS INCORPORATED BY REFERENCE

None

PART I

Item 1. Business.

Sears Roebuck Acceptance Corp. ("SRAC") is a wholly-owned finance subsidiary of Sears, Roebuck and Co. ("Sears"). To meet certain capital requirements of its businesses, Sears borrows on a short-term basis through the issuance of notes to, and in the past sold receivable balances to, SRAC. SRAC obtains funds through the issuance of unsecured commercial paper and long-term debt, which includes medium-term notes and discrete underwritten debt.

SRAC's income is derived primarily from the earnings on its investment in the notes and receivable balances of Sears. Under a letter agreement between SRAC and Sears, the interest rate on Sears notes is calculated so that SRAC maintains an earnings to fixed charges ratio of at least 1.25. The yield on the investment in Sears notes is related to SRAC's borrowing costs and, as a result, SRAC's earnings fluctuate in response to movements in interest rates and changes in Sears borrowing requirements.

SRAC's commercial paper ratings are F-2 from Fitch Rating's, P-2 from Moody's Investor Services, Inc., and A-2 from Standard & Poor's. Long-term debt ratings are A- from Fitch Rating's, A3 from Moody's Investor Services, Inc., and A- from Standard & Poor's.

SRAC and Sears have entered into agreements for the benefit of certain debtholders of SRAC under which Sears, for so long as required by the applicable documents, will continue to own all of the outstanding voting stock of SRAC and will pay SRAC such amounts that, when added to other available earnings, will be sufficient for SRAC to maintain an earnings to fixed charges ratio of not less than 1.10.

SRAC provides liquidity support for its outstanding commercial paper through its investment portfolio and committed credit facilities. As of December 29, 2001, SRAC commercial paper was supported by a \$5.1 billion syndicated credit agreement; \$875 million of which expires in April 2002 and \$4.2 billion of which expires in April 2003.

Pursuant to the syndicated credit agreement between SRAC and various banks, the letter agreement between SRAC and Sears concerning SRAC's investment in Sears notes may not be amended, waived, terminated, or modified (except that SRAC's fixed charge coverage ratio may be reduced to as low as 1.15) without the approval of such banks.

SRAC ended 2001 with an equity position of \$3.2 billion and a debt-to-equity ratio of 4.2:1 compared to 4.6:1 at the end of 2000.

As of February 28, 2002 SRAC had ten employees.

Item 2. Properties.

SRAC leases 5,865 square feet of an office building located in Greenville, Delaware.

Item 3. Legal Proceedings.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

None.

Item 6. Selected Financial Data.

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Financial Condition

SRAC's investment in Sears notes decreased to \$16.0 billion at year-end 2001 from \$16.9 billion at year-end 2000, as a result of decreased funding requirements of Sears. Short-term borrowings at the end of 2001 were \$3.2 billion, a \$700 million decrease from the prior year. Total debt outstanding decreased to \$13.3 billion at year-end 2001 from \$14.1 billion at year-end 2000.

Results of Operations

SRAC's total revenues of \$1,089 million for 2001 decreased from \$1,216 million in 2000 and from \$1,201 million in 1999. The revenue decrease for 2001 resulted primarily from a 61 basis point decrease in the average rates on earning assets from 2000 to 2001 and a \$400 million reduction in average earning asset levels during 2001 versus 2000. The revenue increase for 2000 resulted primarily from a 30 basis point increase in the average rate on earning assets from 1999 to 2000.

SRAC's interest and related expenses were \$866 million, \$966 million and \$955 million in 2001, 2000, and 1999, respectively. In 2001, SRAC's average cost of short-term funds decreased 191 basis points from 6.66% in 2000 to 4.75%. SRAC's average cost of term debt remained at 6.60% for 2001 and 2000. Decreases in interest and related expenses resulted from lower interest rates throughout 2001 and a reduction in overall debt levels. Average daily outstanding short-term debt in 2001 was \$3.3 billion compared to \$3.2 billion in 2000. Average daily outstanding term debt of \$10.5 billion in 2001 decreased nearly \$600 million from the \$11.1 billion average level in 2000.

The following unsecured securities were issued by SRAC during 2001:

*\$1.8 billion of discrete underwritten notes, weighted average coupon of 6.89% and an average term of 10 years; and

*\$270 million of variable-rate medium-term notes, weighted average coupon of 3 month LIBOR + 1.06% and an average term of 2.3 years;

During 2000, SRAC's management of the debt portfolio resulted in a \$600 million reduction from 1999 average debt levels offset by a 36 basis point increase in average cost. This resulted in increases in interest and related expenses throughout 2000.

SRAC's net income was \$144 million in 2001, \$161 million in

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

2000 and \$158 million in 1999.

4

The financial information appearing in this Annual Report on Form 10-K is presented in historical dollars, which do not reflect the decline in purchasing power that results from inflation. As is the case for most financial companies, substantially all of SRAC's assets and liabilities are monetary in nature. Interest rates on SRAC's investment in Sears notes are set to provide fixed charge coverage of at least 1.25 times, thereby insulating SRAC from the effects of inflation-based interest rate increases.

Item 7A. Market Risk

The primary market risk exposure faced by SRAC is interest rate risk and arises from SRAC's debt obligations. The Company's policy is to manage interest rate risk through the strategic use of fixed and variable rate debt. All debt securities are considered non-trading. At year-end 2001 and 2000, 39% and 45%, respectively, of the funding portfolio was variable rate (including current maturities of fixed-rate long-term debt that will reprice in the next 12 months). Based on SRAC's funding portfolio as of year-end 2001 and 2000, which totaled \$13.3 and \$14.2 billion, respectively, a 100 basis point change in interest rates would affect annual pre-tax funding cost by approximately \$52 million and \$63 million, respectively. This calculation assumes the funding portfolio balance at year end remains constant for an annual period and that the 100 basis point change occurs at the beginning of the annual period. The effect on net earnings is mitigated by the fixed charge coverage agreement with Sears.

Item 8. Financial Statements and Supplementary Data.

SEARS ROEBUCK ACCEPTANCE CORP.
STATEMENTS OF INCOME

(millions, except ratio of earnings to fixed charges)

	2001	2000	1999
	-----	-----	-----
Revenues			

Earnings on notes of Sears	\$1,075	\$1,204	\$1,189
Earnings on commercial customer receivable balances purchased from Sears	-	-	4
Earnings on cash equivalents	14	12	8
	-----	-----	-----
Total revenues	1,089	1,216	1,201
	-----	-----	-----
Expenses			

Interest expense and amortization of debt discount/premium	866	966	955
Operating expenses	2	2	3
	-----	-----	-----
Total expenses	868	968	958
	-----	-----	-----
Income before income taxes	221	248	243
Income taxes	77	87	85
	-----	-----	-----

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

Net income	\$ 144 =====	\$ 161 =====	\$ 158 =====
Ratio of earnings to fixed charges	1.26	1.26	1.25

See notes to financial statements.

6

SEARS ROEBUCK ACCEPTANCE CORP.
STATEMENTS OF FINANCIAL POSITION

(millions, except share data)	2001 -----	2000 -----
Assets		

Cash and cash equivalents	\$ 599	\$ 442
Notes of Sears	16,014	16,879
Other assets	125	45
	-----	-----
Total assets	\$16,738	\$17,366
	=====	=====
Liabilities		

Commercial paper (net of unamortized discount of \$9 and \$25)	\$ 3,225	\$ 3,934
Medium-term notes (net of unamortized discount of \$6 and \$7)	2,762	4,608
Discrete underwritten debt (net of unamortized discount of \$29 and \$21)	7,321	5,579
Accrued interest and other liabilities	192	151
	-----	-----
Total liabilities	13,500	14,272
	-----	-----

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

Commitments and contingent liabilities

Shareholder's Equity

Common share, par value \$100 per share		
500,000 shares authorized		
350,000 shares issued and outstanding	35	35
Capital in excess of par value	1,150	1,150
Retained earnings	2,053	1,909
	-----	-----
Total shareholder's equity	3,238	3,094
	-----	-----
Total liabilities and shareholder's equity	\$16,738	\$17,366
	=====	=====

See notes to financial statements.

7

SEARS ROEBUCK ACCEPTANCE CORP.
STATEMENTS OF SHAREHOLDER'S EQUITY

(millions)	2001	2000	1999
	-----	-----	-----
Common share	\$ 35	\$ 35	\$ 35
	-----	-----	-----
Capital in excess of par value:			
Beginning of year	1,150	1,150	1,150
Capital contribution	-	-	-
	-----	-----	-----
End of year	\$1,150	\$1,150	\$1,150
	-----	-----	-----
Retained earnings:			
Beginning of year	\$1,909	\$1,748	\$1,590
Net income	144	161	158

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

End of year	----- \$2,053	----- \$1,909	----- \$1,748
Total shareholder's equity	----- \$3,238 =====	----- \$3,094 =====	----- \$2,933 =====

See notes to financial statements.

8

SEARS ROEBUCK ACCEPTANCE CORP.
STATEMENTS OF CASH FLOWS

(millions)	2001	2000	1999
	-----	-----	-----
Cash Flows From Operating Activities			

Net income	\$ 144	\$ 161	\$ 158
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and other noncash items	13	15	12
(Increase)decrease in other assets	(80)	7	4
Increase (decrease) in other liabilities	41	(22)	4
	-----	-----	-----
Net cash provided by operating activities	118	161	178

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

Cash Flows From Investing Activities			

Decrease(increase) in notes of Sears	865	(73)	1,184
Decrease in commercial customer receivable balances purchased from Sears	-	-	90
	-----	-----	-----
Net cash provided by (used in) investing activities	865	(73)	1,274
Cash Flows From Financing Activities			

(Decrease)increase in commercial paper, primarily 90 days or less	(709)	1,259	(1,568)
Proceeds from issuance of long-term debt	2,009	286	1,091
Payments for redemption of long-term debt	(2,117)	(1,645)	(610)
Issue cost paid to issue debt	(9)	-	(5)
	-----	-----	-----
Net cash used in financing activities	(826)	(100)	(1,092)
Net increase(decrease)			
in cash and cash equivalents	157	(12)	360
Cash and cash equivalents, beginning of year	442	454	94
	-----	-----	-----
Cash and cash equivalents, end of year	\$ 599	\$ 442	\$ 454
	=====	=====	=====

Supplemental Disclosure of Cash Flow Information

Cash paid during the year			
Interest paid	\$842	\$972	\$936
Income taxes	61	86	84

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sears Roebuck Acceptance Corp. ("SRAC"), a wholly-owned subsidiary of Sears, Roebuck and Co. ("Sears"), is principally engaged in the business of acquiring short-term notes of Sears using proceeds from its unsecured short-term borrowing programs (primarily the direct placement of commercial paper) and the issuance of long-term debt (medium-term notes and discrete underwritten debt).

Under a letter agreement between SRAC and Sears, the interest rate on the Sears notes is presently calculated so that SRAC maintains an earnings to fixed charges ratio of at least 1.25.

Cash and cash equivalents is defined to include all highly liquid investments with maturities of three months or less. Receivables purchased from Sears are purchased at par and are interest-bearing.

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

The results of operations of SRAC are included in the consolidated federal income tax return of Sears. Tax liabilities and benefits are allocated as generated by SRAC, regardless of whether such benefits would be currently available on a separate return basis.

SRAC's fiscal year ends on the Saturday nearest December 31. Fiscal year-ends were December 29, 2001 (52 weeks), December 30, 2000 (52 weeks), and January 1, 2000 (52 weeks).

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, is effective for all fiscal years beginning after June 15, 2000. SFAS 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. Under SFAS 133, certain contracts that were not formerly considered derivatives now meet the definition of a derivative. SRAC adopted SFAS 133 effective December 30, 2000. The adoption of SFAS 133 resulted in no transition adjustment.

2. FEDERAL INCOME TAXES

Federal income taxes provided for by SRAC amounted to \$77 million, \$87 million and \$85 million for the fiscal years 2001, 2000 and 1999, respectively. These amounts represent current income tax provisions calculated at an effective income tax rate of 35%. No deferred tax provisions were necessary.

10

3. COMMERCIAL CUSTOMER RECEIVABLE BALANCES

In the past, SRAC purchased commercial customer receivable balances from Sears. The receivables were purchased, with recourse, and SRAC earned interest on the outstanding balance. The receivables were made up of credit accounts Sears established with merchants and contractors for bulk purchases from Sears and were predominantly paid within 30 days.

Each month, SRAC purchased new receivables and received collections on previously purchased receivables. SRAC discontinued this program as of the end of 1999.

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

4. COMMERCIAL PAPER

SRAC obtains funds through the direct placement of commercial paper issued in maturities of one to 270 days. Selected details of SRAC's borrowings are shown below. Weighted-average interest rates are based on the actual number of days in the year, and borrowings are net of unamortized discount.

(millions)	2001	2000
	-----	-----
Commercial paper outstanding	\$3,234	\$3,959
Less: Unamortized discount	9	25
	-----	-----
Commercial paper outstanding (net)	\$3,225	\$3,934
	-----	-----

Average and Maximum Balances (net)	2001		2000	
	-----		-----	
(millions)	Average	Maximum	Average	Maximum
	(month-end)	(month-end)	(month-end)	(month-end)
	-----		-----	
Commercial paper	\$3,328	\$3,872	\$3,202	\$4,461
	-----		-----	

Weighted Average Interest Rates	2001		2000	
	-----		-----	
	Average	Year-end	Average	Year-end
	-----		-----	
Commercial paper	4.75%	2.98%	6.66%	7.35%
	-----		-----	

5. MEDIUM-TERM NOTES AND DISCRETE UNDERWRITTEN DEBT

Medium-term notes and discrete underwritten debt are issued with either a floating rate indexed to LIBOR or a fixed rate.

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

(dollars in millions; term in years)

ISSUANCE

	2001	Avg.	Avg.	2000	Avg.	Avg.
	Volume	Coupon	Orig.	Volume	Coupon	Orig.
	-----	-----	----	-----	-----	----
Fourth Quarter:						
Medium-term notes	\$ 270	3.45%	2.3	\$200	6.84%	1.0
Discrete debt	\$ -	-	-	\$ -	-	-
Year:						
Medium-term notes	\$ 270	3.45%	2.3	\$295	6.76%	1.8
Discrete debt	\$1,750	6.89%	10.0	\$ -	-	-

GROSS OUTSTANDING

	12/29/01	Avg.	Avg.	12/30/00	Avg.	Avg.
	Balance	Coupon	Remain.	Balance	Coupon	Remain.
	-----	-----	----	-----	-----	----
Medium-term notes	\$2,768	5.95%	1.7	\$4,615	6.67%	1.7
Discrete debt	\$7,350	6.67%	10.0	\$5,600	6.60%	11.2

MATURITIES

Year	Medium-term notes	Discrete debt
	-----	-----
2002	\$ 958	\$ 600
2003	1,246	1,250
2004	302	-
2005	36	250
2006	40	550
Thereafter	186	4,700
Total	\$2,768	\$7,350
	=====	=====

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

6. BACK-UP LIQUIDITY

SRAC continued to provide support for 100% of its outstanding commercial paper through its investment portfolio and credit facilities. SRAC's investment portfolio fluctuated from a low of \$1 million to a high of \$899 million in 2001. Committed credit facilities as of December 29, 2001 were as follows:

Expiration Date	(millions)
-----	-----
April 2002	875
April 2003	\$4,185
-----	-----
	\$5,060
=====	=====

SRAC pays commitment fees on the unused portions of its credit facilities. The annualized fees at December 29, 2001 on these credit lines were \$3.7 million.

7. LETTERS OF CREDIT AND OTHER COMMITMENTS

SRAC has been a guarantor of a \$70 million promissory note issued by Sears, Roebuck de Puerto Rico, Inc. under the terms of a July 1998 private placement. The note was paid off January 8, 2002 and the guaranty terminated.

SRAC is the guarantor of an office lease entered into by GlobalNetXchange, LLC(GNX) as of October 6, 2000 and expiring on January 31, 2006. At December 29, 2001, SRAC's obligation for the remaining lease payments totaled \$6.2 million. SRAC's exposure is mitigated by an indemnification agreement dated as of February 12, 2001 by which certain members of GNX have severally agreed to indemnify SRAC in connection with its liability under the lease guaranty. Futhermore, GNX has secured a letter of credit with SRAC as beneficiary to cover the exposure of a member who is not a party to the indemnification agreement.

SRAC issues import letters of credit to facilitate Sears purchase of goods from foreign suppliers. At December 29, 2001, letters of credit totaling \$185 million were outstanding. SRAC has no liabilities with respect to this program other than the obligation to pay drafts under the letters of credit that, if not reimbursed by Sears on the day of the disbursement, are automatically converted into demand borrowings by Sears from SRAC. To date, all SRAC disbursements have been reimbursed on a same-day basis. SRAC also issues irrevocable letters of credit to third parties on behalf of Sears and its subsidiaries. At December 29, 2001, irrevocable letters of credit totaling \$37 million were outstanding.

To facilitate an understanding of SRAC's commitments the following data is provided:

thousands	Amount of Commitment Expiration Per Period				
	Total Amounts Committed	Less than 1 year	1-3 years	4-5 years	After 5 years
	-----	-----	-----	-----	-----
Other Commercial Commitments					

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

Standby Letters of Credit	37	5	1	1	30
Guarantees	76	72	3	1	-
Import Letters of Credit	185	185	-	-	-
	-----	-----	-----	-----	-----
Total Commitments	\$ 298	\$ 262	\$ 4	\$ 2	\$ 30
	=====	=====	=====	=====	=====

13

8. FINANCIAL INSTRUMENTS

In the normal course of business, SRAC invests in certain notes of Sears and in the past, purchased commercial customer receivable balances from Sears.

SRAC's financial instruments (both assets and liabilities), with the exception of medium-term notes and discrete underwritten debt, are short-term or variable in nature and as such their carrying value approximates fair value. Medium-term notes and discrete underwritten debt are valued based on quoted market prices when available or discounted cash flows, using interest rates currently available to SRAC on similar borrowings. The fair values of these financial instruments are as follows:

(millions)	2001		2000	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Medium-term notes (net)	\$2,762	\$2,816	\$4,608	\$4,544
Discrete underwritten debt (net)	7,321	7,326	5,579	5,311

9. QUARTERLY FINANCIAL DATA (UNAUDITED)

(millions)	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total Year	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Operating Results										
Total revenues	\$304	\$302	\$276	\$299	\$260	\$300	\$249	\$315	\$1,089	\$1,216
Interest & related										
expenses	241	240	220	237	207	239	198	250	866	966
Total expenses	242	241	220	238	207	239	199	250	868	968
Income before										
income taxes	62	61	56	61	53	61	50	65	221	248
Net income	40	40	37	39	34	40	33	42	144	161

Ratio of earnings to

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

fixed charges 1.26 1.25 1.26 1.26 1.26 1.26 1.25 1.26 1.26 1.26

(billions)

Averages

Earning assets*	\$17.5	\$17.6	\$17.2	\$17.3	\$16.9	\$17.3	\$17.0	\$17.9	\$17.1	\$17.5
Short-term debt	3.5	2.9	3.4	2.6	3.2	3.1	3.3	4.2	3.3	3.2
Long-term debt	10.6	11.6	10.5	11.5	10.5	11.0	10.3	10.4	10.5	11.1
Cost of										
short-term debt	6.65%	6.07%	5.08%	6.49%	4.02%	6.87%	3.15%	7.02%	4.75%	6.66%
long-term debt	6.70%	6.60%	6.64%	6.59%	6.56%	6.58%	6.50%	6.64%	6.60%	6.60%

*Notes of Sears and invested cash.

14

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.
None.

PART III

Item 10. Directors and Executive Officers of the Registrant.
Not applicable.

Item 11. Executive Compensation.
Not applicable.

Item 12. Security Ownership of Certain Beneficial Owners and Management.
Not applicable.

Item 13. Certain Relationships and Related Transactions.
Not applicable.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) The following documents are filed as a part of this report:

1. An "Index to Financial Statements" has been filed as a part of this report on page S-1 hereof.
2. No financial statement schedules are included herein because

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

Larry R. Raymond*	Director)
)
)
Glenn R. Richter*	Director)
)

*/S/ George F. Slook, Individually and as Attorney-in-Fact

16

SEARS ROEBUCK ACCEPTANCE CORP.
INDEX TO FINANCIAL STATEMENTS

	PAGE
STATEMENTS OF INCOME	6
STATEMENTS OF FINANCIAL POSITION	7
STATEMENTS OF SHAREHOLDER'S EQUITY	8
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10-14
INDEPENDENT AUDITORS' REPORT	S-2

S-1

INDEPENDENT AUDITORS' REPORT

To the Shareholder and Board of Directors of
Sears Roebuck Acceptance Corp.
Greenville, Delaware

We have audited the accompanying statements of financial position of Sears Roebuck Acceptance Corp. (a wholly-owned subsidiary of Sears, Roebuck and Co.) as of December 29, 2001 and December 30, 2000, and the related statements of income, shareholder's equity, and cash flows for each of the three years in the period ended December 29, 2001. These financial statements are the responsibility of Sears Roebuck Acceptance Corp.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Sears Roebuck Acceptance Corp. as of December 29, 2001 and December 30, 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 29, 2001 in conformity with accounting principles generally accepted in the United States of America.

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

/S/ Deloitte & Touche LLP
Deloitte & Touche LLP
Philadelphia, Pennsylvania
January 17, 2002

S-2

EXHIBIT INDEX

- 3(a) Certificate of Incorporation of the Registrant, as in effect at November 13, 1987 [Incorporated by reference to Exhibit 28(c) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1987*].
- 3(b) By-laws of the Registrant, as in effect at October 20, 1999 [Incorporated by reference to Exhibit 3(b) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 2, 1999*].
- 4(a) \$5,000,000,000 Credit Agreement dated as of April 28, 1997 among the Registrant, the Banks listed on the signature pages thereof, the Agent, the Senior Managing Agent, the Managing Agents, Co-Arrangers, Co-Agents and Lead Managers referred to therein [Incorporated by reference to Exhibit 4(a) to the Registrant's Current Report on Form 8-K dated April 28, 1997*].
- 4(b) Form of Registrant's Investment Note Agreement [Incorporated by reference to Exhibit 4(c) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991*].
- 4(c) The Registrant hereby agrees to furnish the Commission, upon request, with each instrument defining the rights of holders of long-term debt of the Registrant with respect to which the total amount of securities authorized does not exceed 10% of the total assets of the Registrant.
- 4(d) Form of 6.90% Note [Incorporated by reference to Exhibit 4 to

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

the Registrant's Current Report on Form 8-K dated August 2, 1996*].

- 4(e) Form of Fixed-Rate Medium-Term Note Series I [Incorporated by reference to Exhibit 4(b) to the Registrant's Current Report on Form 8-K dated June 8, 1995*].
- 4(f) Form of Floating Rate Medium-Term Note Series I [Incorporated by reference to Exhibit 4(c) to the Registrant's Current Report on Form 8-K dated June 8, 1995*].
- 4(g) Form of 6 3/4% Note [Incorporated by reference to Exhibit 4(d) to the Registrant's Current Report on Form 8-K dated June 8, 1995*].

*Sec File No. 1-4040

E-1

EXHIBIT INDEX (cont'd)

- 4(h) Fixed Charge Coverage and Ownership Agreement dated May 15, 1995 between Sears, Roebuck and Co. and the Registrant [Incorporated by reference to Exhibit 4(e) to the Registrant's Current Report on Form 8-K dated June 8, 1995*].
- 4(i) Fixed Charge Coverage and Ownership Agreement dated February 20, 1997 between Sears, Roebuck and Co. and the Registrant [Incorporated by reference to Exhibit 4(b) to the Registrant's Current Report on Form 8-K dated April 28, 1997*].
- 4(j) Form of 6.70% Note [Incorporated by reference to Exhibit 4 to the Registrant's Current Report on Form 8-K dated November 19, 1996*].
- 4(k) Form of 6 1/8% Note [Incorporated by reference to Exhibit 4 to the Registrant's Current Report on Form 8-K dated January 23, 1996*].
- 4(l) Form of Fixed-Rate Medium-Term Note Series II [Incorporated by reference to Exhibit 4(a) to the Registrant's Current Report on Form 8-K dated March 28, 1996*].
- 4(m) Form of Floating Rate Medium-Term Note Series II [Incorporated by reference to Exhibit 4(b) to the Registrant's Current Report on Form 8-K dated March 28, 1996*].
- 4(n) Form of Fixed-Rate Medium-Term Note Series III Incorporated

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

by reference to Exhibit 4(a) to the Registrant's Current Report on Form 8-K dated August 22, 1996*].

- 4(o) Form of Floating Rate Medium-Term Note Series III [Incorporated by reference to Exhibit 4(b) to the Registrant's Current Report on Form 8-K dated August 22, 1996*].
- 4(p) Indenture dated as of May 15, 1995 between the Registrant and The Chase Manhattan Bank [Incorporated by reference to Exhibit 4(b) to Amendment No. 1 to Registration Statement No. 33-64215*].
- 4(q) Extension Agreement dated March 1, 1996, between Sears, Roebuck and Co. and the Registrant [Incorporated by reference to Exhibit 4(k) to the Registrant's Annual Report on Form 10-K dated December 30, 1995*].

* SEC File No. 1-4040.

E-2

EXHIBIT INDEX (cont'd)

- 4(r) Extension Agreement dated August 22, 1996, between Sears, Roebuck and Co. and the Registrant [Incorporated by reference to Exhibit 4(c) to the Registrant's Current Report on Form 8-K dated August 22, 1996*].
- 4(s) Extension Agreement dated September 18, 1997, between Sears, Roebuck and Co and the Registrant. [Incorporated by reference to Exhibit 4(t) to the Registrant's Annual Report on Form 10-K dated January 1, 2000*].
- 4(t) Extension Agreement dated October 23, 1998, between Sears, Roebuck and Co and the Registrant. [Incorporated by reference to Exhibit 4(u) to the Registrant's Annual Report on Form 10-K dated January 1, 2000*].
- 4(u) Form of 6.625% Note [Incorporated by reference to Exhibit 4 to the Registrant's Current Report on Form 8-K dated February 27, 1997*].
- 4(v) Form of 6.95% Note [Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated July 9, 1997*].
- 4(w) Form of 7.00% Note [Incorporated by reference to Exhibit 4.4 to the Registrant's Current Report on Form 8-K dated July 9, 1997*].
- 4(x) Form of Fixed-Rate Medium-Term Note Series IV [Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated July 9, 1997*].
- 4(y) Form of Floating Rate Medium-Term Note Series IV [Incorporated

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K dated July 9, 1997*].

- 4(z) Form of 6.70% Note [Incorporated by reference to Exhibit 4(a) to the Registrant's Current Report on Form 8-K dated October 14, 1997*].
- 4(aa) Form of 7.50% Note [Incorporated by reference to Exhibit 4(b) to the Registrant's Current Report on Form 8-K dated October 14, 1997*].
- 4(bb) Form of 6.875% Note [Incorporated by reference to Exhibit 4(c) to the Registrant's Current Report on Form 8-K dated October 14, 1997*].
- 4(cc) Form of 6.75% Note [Incorporated by reference to Exhibit 4(a) to the Registrant's Current Report on Form 8-K dated January 8, 1998*].
- 4(dd) Form of Fixed-Rate Medium-Term Note Series V [Incorporated by reference to Exhibit 4(a) to the Registrant's Current Report on Form 8-K dated February 23, 1998*].

* SEC File No. 1-4040.

** Filed herewith.

E-3

EXHIBIT INDEX (cont'd)

- 4(ee) Form of Floating Rate Medium-Term Note Series V [Incorporated by reference to Exhibit 4(b) to the Registrant's Current Report on Form 8-K dated February 23, 1998*].
- 4(ff) Form of Global 7.00% Note [Incorporated by reference to Exhibit 4(c) to the Registrant's Current Report on Form 8-K dated February 23, 1998*].
- 4(gg) Form of Global 6.00% Note [Incorporated by reference to Exhibit 4(c) to the Registrant's Current Report on Form 8-K dated March 13, 1998*].
- 4(hh) Form of Global 6.95% Note [Incorporated by reference to Exhibit 4(c) to the Registrant's Current Report on Form 8-K dated October 16, 1998*].
- 4(ii) Form of Global 6.50% Note [Incorporated by reference to Exhibit 4(c) to the Registrant's Current Report on Form 8-K dated November 24, 1998*].
- 4(jj) Form of 6.25% Note [Incorporated by reference to Exhibit 4(c) to the Registrant's Current Report on Form 8-K dated April 29, 1999*].
- 4(kk) Form of Extension Agreement extending the term of aggregate commitments of \$4,125 million under the Amended and Restated

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

\$5,000,000,000 Credit Agreement dated as of April 28, 1997.
[Incorporated by reference to Exhibit 4(jj) to the Registrant's
Annual Report on form 10-K for the Year ended January 2, 1999.]

- 4(11) Letter Agreement dated October 30, 1998 between the Registrant and The Huntington National Bank relating to a \$60 million commitment under the Amended and Restated \$5,000,000,000 Credit Agreement dated April 28, 1997.
- 4(mm) Form of 7.00% Note [Incorporated by reference to Exhibit 4 to the Registrant's Current Report on Form 8-K dated January 19, 2001*].
- 4(nn) Form of 6.75% Note [Incorporated by reference to Exhibit 4 to the Registrant's Current Report on Form 8-K dated August 8, 2001*].

* SEC File No. 1-4040.
** Filed herewith.

E-4

EXHIBIT INDEX (cont'd)

- 4(oo) Form of 7.00% Note [Incorporated by reference to Exhibit 4 to the Registrant's Current Report on Form 8-K dated September 5, 2001*].
- 10(a) Letter Agreement dated as of October 17, 1991 between Registrant and Sears, Roebuck and Co. [Incorporated by reference to Exhibit 10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1991*].
- 10(b) (1) Agreement to Issue Letters of Credit dated December 3, 1985 between Sears, Roebuck and Co. and Registrant [Incorporated by reference to Exhibit 10(i) (1) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1987*].
- 10(b) (2) Letter Agreement dated March 11, 1986 amending Agreement to Issue Letters of Credit dated December 3, 1985 [Incorporated by reference to Exhibit 10(i) (2) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1987*].
- 10(b) (3) Letter Agreement dated November 26, 1986 amending Agreement to Issue Letters of Credit dated December 3, 1985 [Incorporated by reference to Exhibit 10(i) (3) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1987*].
- 12 Calculation of ratio of earnings to fixed charges.**
- 23 Consent of Deloitte & Touche LLP.**

* SEC File No. 1-4040.
 ** Filed herewith.
 ***SEC File No. 1-416

E-5

Exhibit 12

SEARS ROEBUCK ACCEPTANCE CORP.

CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES

	2001	2000	1999
(dollars in millions)			
INCOME BEFORE INCOME TAXES	\$ 221	\$ 248	\$ 243
PLUS FIXED CHARGES:			
Interest	853	951	943
Amortization of debt discount/premium	13	15	12
	-----	-----	-----

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

TOTAL FIXED CHARGES	866	966	955
	-----	-----	-----
EARNINGS BEFORE INCOME TAXES AND FIXED CHARGES	\$1,087	\$1,214	\$1,198
	=====	=====	=====
RATIO OF EARNINGS TO FIXED CHARGES	1.26	1.26	1.25

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 333-30879 and 333-62847 of Sears Roebuck Acceptance Corp. on Forms S-3 of our report dated January 17, 2002, appearing in this Annual Report on Form 10-K of Sears Roebuck Acceptance Corp. for the year ended December 29, 2001.

\s\Deloitte & Touche LLP
DELOITTE & TOUCHE LLP
Philadelphia, Pennsylvania
March 13, 2002

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned, being a director or officer, or both, of SEARS ROEBUCK ACCEPTANCE CORP., a Delaware corporation (the "Corporation"), does hereby constitute and appoint KEITH E.TROST, GEORGE F. SLOOK, and JAMES G. KEANE with full power to each of them to act alone, as the true and lawful attorneys and agents of the undersigned, with full power of substitution and resubstitution to each of said attorneys, to execute, file and deliver any and all instruments and to do any and all acts and things which said attorneys and agents, or any of them, deem advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended, and any requirements of the Securities and Exchange Commission in respect thereto, relating to annual reports on Form 10-K including specifically, but without limitation of the general authority hereby granted, the power and authority to sign his name in the

Edgar Filing: SEARS ROEBUCK ACCEPTANCE CORP - Form 10-K

name and on behalf of the Corporation, as indicated below opposite his signature, to annual reports on Form 10-K or any amendment thereto; and each of the undersigned does hereby fully ratify and confirm all that said attorneys and agents, or any of them, or the substitute of any of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned have subscribed these presents, as of this 11th day of March, 2002.

NAME	TITLE
/s/Keith E. Trost Keith E. Trost	Director and President (Principal Executive Officer)
/s/George F. Slook George F. Slook	Director and Vice President, Finance (Principal Financial and Accounting Officer)
/s/Paul J. Liska Paul J. Liska	Director
/s/Larry R. Raymond Larry R. Raymond	Director
/s/Glenn R. Richter Glenn R. Richter	Director