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SEARS ROEBUCK ACCEPTANCE CORP
Form 10-K
March 22, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 30, 2000

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
(State of Incorporation)

51-0080535
(I.R.S. Employer Identification No.)

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

19807
(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 X . 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.
[X]

As of February 28, 2001, 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 report with a reduced

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disclosure format.

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 from time to time sells receivable balances to, SRAC. SRAC obtains funds through the issuance of 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 Inc., P-2 from Moody's Investor Services, Inc., and A-2 from Standard & Poor's. Long-term debt ratings are A- from Fitch Inc., 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 backup support for its commercial paper portfolio through its committed credit facilities. As of December 30, 2000, SRAC commercial paper was supported by \$5.060 billion of syndicated credit agreements; \$875 million of which expires in 2002 and \$4.185 billion of which expires in 2003.

Pursuant to the syndicated credit agreements 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 2000 with an equity position of \$3.1 billion and a debt-to-equity ratio of 4.6:1 compared to 4.9:1 at the end of 1999.

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As of March 1, 2001 SRAC had nine employees.

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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 increased to \$16.9 billion at year-end 2000 from \$16.8 billion at the end of 1999. Short-term borrowings at the end of 1999 were \$3.9 billion, a \$1.2 billion increase from the prior year. Total debt outstanding decreased in 2000 to \$14.1 billion from \$14.2 billion. SRAC's investment in the Notes of Sears increased as a result of increased funding requirements of Sears.

On January 26, 2001, SRAC issued an \$800 million ten-year discrete underwritten bond with a 7% coupon.

Results of Operations

SRAC's total revenues of \$1,216 million for 2000 increased from \$1,201 million in 1999 and decreased from \$1,234 million in 1998. The revenue increase for 2000 resulted primarily from a 30 basis point increase in the average rates on earning assets from 1999 to 2000 which was partially offset by a \$500 million reduction in average earning asset levels during 2000 versus 1999. The revenue decrease for 1999 resulted from a 21 basis point reduction in the average rate on earning assets from 1998 to 1999.

SRAC's interest and related expenses were \$966 million, \$955 million and \$979 million in 2000, 1999, and 1998, respectively. In 2000, SRAC's average cost of short-term funds increased 141 basis points from 5.25% in 1999 to 6.66%. SRAC's average cost of term debt increased to 6.60% in 2000 compared to 6.59% in 1999. Increases in interest and related expenses resulted from higher average interest rates in 2000. These increases were partially offset by a reduction in average debt levels. Average outstanding short-term debt of \$3.2 billion in 2000 decreased nearly \$500 million from the \$3.7 billion average daily 1999 level. Average outstanding term debt in 2000 was \$11.1 billion compared to \$11.2 billion in 1999.

During 2000, SRAC issued \$295 million in term debt securities as follows:

*\$270 million of variable-rate medium-term notes, with an average term of 1.5 years; and

*\$25 million zero coupon medium-term note, with a yield to maturity of 7.60% and a term of 6.0 years

SRAC's management of the debt portfolio during 1999

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resulted in a \$200 million reduction from 1998 average debt levels and a 2 basis point reduction in average cost. This resulted in decreases in interest and related expenses throughout 1999.

SRAC's net income was \$161 million in 2000, \$158 million in 1999 and \$163 million in 1998.

On June 1, 2000, Duff & Phelps Credit Rating Co. merged with Fitch IBCA, Inc to form Fitch, Inc. and SRAC's ratings were harmonized to a single overall rating.

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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

SRAC's outstanding debt securities are subject to repricing risk. 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 2000 and 1999, 45% and 31%, 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 2000 and 1999, which both totaled \$14.2 billion, a 100 basis point change in interest rates would affect annual pre-tax funding cost by approximately \$63 million and \$44 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)

| | 2000 | 1999 | 1998 |
|--|---------|---------|---------|
| | ----- | ----- | ----- |
| Revenues | | | |
| ----- | | | |
| Earnings on notes of Sears | \$1,204 | \$1,189 | \$1,221 |
| Earnings on commercial customer receivable balances purchased from Sears | - | 4 | 8 |
| Earnings on cash equivalents | 12 | 8 | 5 |
| | ----- | ----- | ----- |
| Total revenues | 1,216 | 1,201 | 1,234 |
| | | | |
| Expenses | | | |
| ----- | | | |
| Interest expense and amortization of debt discount/premium | 966 | 955 | 979 |
| Operating expenses | 2 | 3 | 4 |
| | ----- | ----- | ----- |
| Total expenses | 968 | 958 | 983 |
| | | | |
| Income before income taxes | 248 | 243 | 251 |
| Income taxes | 87 | 85 | 88 |
| | ----- | ----- | ----- |
| Net income | \$161 | \$158 | \$163 |
| | ----- | ----- | ----- |
| Ratio of earnings to fixed charges | 1.26 | 1.25 | 1.26 |

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See notes to financial statements.

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SEARS ROEBUCK ACCEPTANCE CORP.
STATEMENTS OF FINANCIAL POSITION

| (millions, except share data) | 2000 | 1999 |
|---|----------|----------|
| | ----- | ----- |
| Assets | | |
| ----- | | |
| Cash and cash equivalents | \$ 442 | \$ 454 |
| Notes of Sears | 16,879 | 16,806 |
| Other assets | 45 | 64 |
| | ----- | ----- |
| Total assets | \$17,366 | \$17,324 |
| | ----- | ----- |
| Liabilities | | |
| ----- | | |
| Commercial paper (net of unamortized discount of \$25 and \$12) | \$3,934 | \$2,675 |
| Medium-term notes (net of unamortized discount of \$7 and \$0) | 4,608 | 5,716 |
| Discrete underwritten debt (net of unamortized discount of \$21 and \$23) | 5,579 | 5,827 |
| Accrued interest and other liabilities | 151 | 173 |
| | ----- | ----- |
| Total liabilities | 14,272 | 14,391 |
| | ----- | ----- |
| Commitments and contingent liabilities | | |
| Shareholder's Equity | | |

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| | | |
|--|----------|----------|
| ----- | | |
| 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 | 1,909 | 1,748 |
| | ----- | ----- |
| Total shareholder's equity | 3,094 | 2,933 |
| | ----- | ----- |
| Total liabilities and shareholder's equity | \$17,366 | \$17,324 |
| | ----- | ----- |

See notes to financial statements.

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SEARS ROEBUCK ACCEPTANCE CORP.
STATEMENTS OF SHAREHOLDER'S EQUITY

| (millions) | 2000 | 1999 | 1998 |
|---------------------------------|---------|---------|---------|
| | ----- | ----- | ----- |
| Common share | \$35 | \$35 | \$35 |
| | ----- | ----- | ----- |
| Capital in excess of par value: | | | |
| Beginning of year | 1,150 | 1,150 | 700 |
| Capital contribution | - | - | 450 |
| | ----- | ----- | ----- |
| End of year | \$1,150 | \$1,150 | \$1,150 |
| | ----- | ----- | ----- |
| Retained earnings: | | | |
| Beginning of year | \$1,748 | \$1,590 | \$1,427 |
| Net income | 161 | 158 | 163 |
| | ----- | ----- | ----- |
| End of year | \$1,909 | \$1,748 | \$1,590 |
| | ----- | ----- | ----- |

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| | | | |
|----------------------------|---------|---------|---------|
| Total shareholder's equity | \$3,094 | \$2,933 | \$2,775 |
| | ----- | ----- | ----- |

See notes to financial statements.

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SEARS ROEBUCK ACCEPTANCE CORP.
STATEMENTS OF CASH FLOWS

| (millions) | 2000 | 1999 | 1998 |
|---|-------|-------|---------|
| | ----- | ----- | ----- |
| Cash Flows From Operating Activities | | | |
| ----- | | | |
| Net income | \$161 | \$158 | \$163 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation, amortization and other noncash items | 15 | 12 | 11 |
| Decrease in other assets | 7 | 4 | 6 |
| (Decrease)increase in other liabilities | (22) | 4 | 46 |
| | ----- | ----- | ----- |
| Net cash provided by operating activities | 161 | 178 | 226 |
| Cash Flows From Investing Activities | | | |
| ----- | | | |
| (Increase)decrease in notes of Sears | (73) | 1,184 | (1,429) |

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| | | | |
|--|---------|---------|---------|
| Decrease(increase) in commercial customer receivable balances purchased from Sears | - | 90 | (1) |
| | | | |
| Net cash(used in) provided by investing activities | (73) | 1,274 | (1,430) |
| Cash Flows From Financing Activities | | | |
| | | | |
| Increase(decrease)in commercial paper, primarily 90 days or less | 1,259 | (1,568) | (1,006) |
| Proceeds from issuance of long-term debt | 286 | 1,091 | 2,511 |
| Payments for redemption of long-term debt | (1,645) | (610) | (634) |
| Issue cost paid to issue debt | - | (5) | (28) |
| Proceeds from capital contribution | - | - | 450 |
| | | | |
| Net cash(used in)provided by financing activities | (100) | (1,092) | 1,293 |
| | | | |
| Net (decrease)increase in cash and cash equivalents | (12) | 360 | 89 |
| Cash and cash equivalents, beginning of year | 454 | 94 | 5 |
| | | | |
| Cash and cash equivalents, end of year | \$442 | \$454 | \$ 94 |
| | | | |

Supplemental Disclosure of Cash Flow Information

| | | | |
|---------------------------|-------|-------|-------|
| Cash paid during the year | | | |
| Interest paid | \$972 | \$936 | \$947 |
| Income taxes | 86 | 84 | 93 |

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 and, to a lesser extent, purchasing receivable balances from Sears, using proceeds from its 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.

The results of operations of SRAC are included in the consolidated federal

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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 closest to December 31. Fiscal year-ends were December 30, 2000 (52 weeks), January 1, 2000 (52 weeks), and January 2, 1999 (52 weeks).

Certain reclassifications have been made in the 1998 financial statements to conform with the current year presentation.

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, 2001. The adoption of SFAS 133 resulted in no transition adjustment.

2. FEDERAL INCOME TAXES

Federal income taxes provided for by SRAC amounted to \$87 million, \$85 million and \$88 million for the fiscal years 2000, 1999 and 1998, respectively. These amounts represent current income tax provisions calculated at an effective income tax rate of 35%. No deferred tax provisions were necessary.

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3. COMMERCIAL CUSTOMER RECEIVABLE BALANCES

SRAC has purchased commercial customer receivable balances ("CCRB") 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 has established with merchants and contractors for bulk purchases from Sears and are predominantly paid within 30 days.

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

4. COMMERCIAL PAPER AND OTHER SHORT-TERM BORROWINGS

SRAC obtains funds through the direct placement of commercial paper

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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) | 2000 | 1999 |
|------------------------------------|---------|---------|
| | ----- | ----- |
| Commercial paper outstanding | \$3,959 | \$2,687 |
| Less: Unamortized discount | 25 | 12 |
| | ----- | ----- |
| Commercial paper outstanding (net) | \$3,934 | \$2,675 |
| | ----- | ----- |

| Average and Maximum Balances (net) | 2000 | | 1999 | |
|------------------------------------|---------|-------------|---------|-------------|
| | ----- | | ----- | |
| | | Maximum | | Maximum |
| (millions) | Average | (month-end) | Average | (month-end) |
| | ----- | | ----- | |
| Commercial paper | \$3,202 | \$4,461 | \$3,740 | \$4,697 |
| | ----- | | ----- | |

| Weighted Average Interest Rates | 2000 | | 1999 | |
|---------------------------------|---------|----------|---------|----------|
| | ----- | | ----- | |
| | Average | Year-end | Average | Year-end |
| | ----- | | ----- | |
| Commercial paper | 6.66% | 7.35% | 5.25% | 6.21% |
| | ----- | | ----- | |

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.

(dollars in millions; term in years)

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ISSUANCE

| | 2000 | Avg. | Avg. | 1999 | Avg. | Avg. |
|-------------------|--------|--------|------------|--------|--------|------------|
| | Volume | Coupon | Orig. Term | Volume | Coupon | Orig. Term |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Fourth Quarter: | | | | | | |
| Medium-term notes | \$200 | 6.84% | 1.0 | \$319 | 6.42% | 1.9 |
| Discrete debt | \$ - | - | - | \$ - | - | - |
| Year: | | | | | | |
| Medium-term notes | \$295 | 6.76% | 1.8 | \$349 | 6.38% | 2.4 |
| Discrete debt | \$ - | - | - | \$750 | 6.25% | 10.0 |

GROSS OUTSTANDING

| | 12/30/00 | Avg. | Avg. | 01/01/00 | Avg. | Avg. |
|-------------------|----------|--------|--------------|----------|--------|--------------|
| | Balance | Coupon | Remain. Term | Balance | Coupon | Remain. Term |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Medium-term notes | \$4,615 | 6.67% | 1.7 | \$5,716 | 6.53% | 2.2 |
| Discrete debt | \$5,600 | 6.60% | 11.2 | \$5,850 | 6.64% | 11.7 |

MATURITIES

| Year | Medium-term notes | Discrete debt |
|------------|-------------------|---------------|
| | ----- | ----- |
| 2001 | \$2,118 | \$ - |
| 2002 | 958 | 600 |
| 2003 | 1,075 | 1,250 |
| 2004 | 202 | - |
| 2005 | 36 | 250 |
| Thereafter | 226 | 3,500 |
| ----- | | |
| Total | \$4,615 | \$5,600 |
| ===== | | |

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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 \$1,170 million in 2000. Committed credit facilities as of December 30, 2000 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 30, 2000 on these credit lines were \$3.7 million.

7. LETTERS OF CREDIT AND OTHER COMMITMENTS

SRAC is the 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 is renewable on a nine-month cycle.

SRAC issues import letters of credit to facilitate Sears purchase of goods from foreign suppliers. At December 30, 2000, letters of credit totaling \$166 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. At December 30, 2000, irrevocable letters of credit totaling \$33 million were outstanding.

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8. FINANCIAL INSTRUMENTS

In the normal course of business, SRAC invests in certain notes of Sears and from time to time, purchases 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) | 2000 | | 1999 | |
|----------------------------------|----------------|------------|----------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Medium-term notes (net) | \$4,608 | \$4,544 | \$5,716 | \$5,628 |
| Discrete underwritten debt (net) | 5,579 | 5,311 | 5,827 | 5,323 |

9. QUARTERLY FINANCIAL DATA (UNAUDITED)

| (millions) | First Quarter | | Second Quarter | | Third Quarter | | Fourth Quarter | |
|------------------------------------|---------------|--------|----------------|--------|---------------|--------|----------------|--------|
| | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 |
| Operating Results | | | | | | | | |
| Combined earnings from | | | | | | | | |
| Sears notes and CCRB | \$299 | \$307 | \$296 | \$294 | \$298 | \$294 | \$311 | \$298 |
| Total revenues | 302 | 308 | 299 | 295 | 300 | 295 | 315 | 303 |
| Interest & related | | | | | | | | |
| expenses | 240 | 245 | 237 | 235 | 239 | 234 | 250 | 241 |
| Total expenses | 241 | 246 | 238 | 236 | 239 | 235 | 250 | 241 |
| Income before income taxes | 61 | 62 | 61 | 59 | 61 | 60 | 65 | 62 |
| Net income | 40 | 40 | 39 | 39 | 40 | 39 | 42 | 40 |
| Ratio of earnings to fixed charges | 1.25 | 1.25 | 1.26 | 1.25 | 1.26 | 1.26 | 1.26 | 1.26 |
| (billions) | | | | | | | | |
| Averages | | | | | | | | |
| Earning assets* | \$17.6 | \$18.6 | \$17.3 | \$17.9 | \$17.3 | \$17.7 | \$17.9 | \$17.8 |
| Short-term debt | 2.9 | 4.6 | 2.6 | 3.7 | 3.1 | 3.4 | 4.2 | 3.3 |
| Long-term debt | 11.6 | 10.9 | 11.5 | 11.1 | 11.0 | 11.3 | 10.4 | 11.4 |
| Cost of | | | | | | | | |
| short-term debt | 6.07% | 5.08% | 6.49% | 4.97% | 6.87% | 5.26% | 7.02% | 5.82% |
| long-term debt | 6.60% | 6.63% | 6.59% | 6.59% | 6.58% | 6.55% | 6.64% | 6.57% |

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*Notes and receivable balances of Sears and invested cash.

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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 they are not required or because the information is contained in the financial statements and notes thereto, as noted in the "Index to Financial Statements" filed as part of this report.
3. An "Exhibit Index" has been filed as part of this report beginning on page E-1 hereof.

(b) Reports on Form 8-K:

There were no reports filed on Form 8-K.

SEARS ROEBUCK ACCEPTANCE CORP.
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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 30, 2000 and January 1, 2000, and the related statements of income, shareholder's equity, and cash flows for each of the three years in the period ended December 30, 2000. 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 30, 2000 and January 1, 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 30, 2000 in conformity with accounting principles generally accepted in the United States of America.

/S/ Deloitte & Touche LLP
Deloitte & Touche LLP
Philadelphia, Pennsylvania
January 19, 2001

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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 the Registrant's Current Report on Form 8-K dated August 2, 1996*].
- 4(e) 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(f) 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(g) 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(h) 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

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EXHIBIT INDEX (cont'd)

- 4(i) 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(j) 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(k) 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(l) 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(m) 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(n) 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(o) Form of Fixed-Rate Medium-Term Note Series III Incorporated by reference to Exhibit 4(a) to the Registrant's Current Report on Form 8-K dated August 22, 1996*].
- 4(p) 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(q) 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(r) 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.

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EXHIBIT INDEX (cont'd)

- 4(s) 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(t) 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(u) 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(v) 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(w) 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(x) 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(y) 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(z) Form of Floating Rate Medium-Term Note Series IV [Incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K dated July 9, 1997*].
- 4(aa) 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(bb) 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(cc) 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(dd) Form of 6.75% Note [Incorporated by reference to Exhibit 4(a) to the Registrant's Current Report on Form 8-K dated

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January 8, 1998*].

- 4(ee) 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.

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EXHIBIT INDEX (cont'd)

- 4(ff) 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(gg) 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(hh) 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(ii) 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(jj) 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(kk) 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(ll) Form of Extension Agreement extending the term of aggregate commitments of \$4,125 million under the Amended and Restated \$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(mm) 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.
- 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*].

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

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EXHIBIT INDEX (cont'd)

- 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.**
- 24 Power of attorney.**

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

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Exhibit 12

SEARS ROEBUCK ACCEPTANCE CORP.

CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES

| | 2000 | 1999 | 1998 |
|---|---------|---------|---------|
| (dollars in millions) | | | |
| INCOME BEFORE INCOME TAXES | \$248 | \$243 | \$ 251 |
| PLUS FIXED CHARGES: | | | |
| Interest | 951 | 943 | 968 |
| Amortization of debt discount/premium | 15 | 12 | 11 |
| | ----- | ----- | ----- |
| TOTAL FIXED CHARGES | 966 | 955 | 979 |
| | ----- | ----- | ----- |
| EARNINGS BEFORE INCOME TAXES AND FIXED CHARGES | \$1,214 | \$1,198 | \$1,230 |
| | ===== | ===== | ===== |
| RATIO OF EARNINGS TO FIXED CHARGES | 1.26 | 1.25 | 1.26 |

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 19, 2001, appearing in this Annual Report on Form 10-K of Sears Roebuck Acceptance Corp. for the year ended December 30, 2000.

\s\Deloitte & Touche LLP
DELOITTE & TOUCHE LLP
Philadelphia, Pennsylvania
March 22, 2001

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 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 12th day of March, 2001.

| 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/Jeffrey N. Boyer Jeffrey N. Boyer | Director |
| /s/Larry R. Raymond Larry R. Raymond | Director |

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/s/Glenn R. Richter
Glenn R. Richter

Director