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SEARS ROEBUCK ACCEPTANCE CORP

Form 10-Q

May 11, 2001

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

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001

OR

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

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

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

As of April 30, 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 H(1) (a) and (b) of Form 10-Q and is therefore filing
this Form with a reduced disclosure format.

SEARS ROEBUCK ACCEPTANCE CORP.

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13 WEEKS ENDED MARCH 31, 2001

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

SEARS ROEBUCK ACCEPTANCE CORP.

STATEMENTS OF FINANCIAL POSITION

	(unaudited)		
(millions, except share data)	March 31, 2001	April 1, 2000	Dec.30, 2000
Assets			
Cash and cash equivalents	\$ 219	\$ 135	\$ 442
Notes of Sears	16,688	17,195	16,879
Other assets	50	60	45
Total assets	\$ 16,957	\$ 17,390	\$ 17,366
Liabilities			
Commercial paper (net of unamortized discount of \$15, \$8 and \$25)	\$ 2,977	\$ 2,619	\$ 3,934
Medium-term notes (net of unamortized discount of \$7, \$9 and \$7)	4,266	5,738	4,608
Discrete underwritten debt (net of unamortitized discount of \$27, \$22 and \$21)	6,373	5,828	5,579
Accrued interest and other liabilities	207	232	151
Total liabilities	13,823	14,417	14,272

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Shareholder's Equity			
Common share, par value \$100 per share;			
500,000 shares authorized;			
350,000 shares issued and			
outstanding	35	35	35
Capital in excess of par value	1,150	1,150	1,150
Retained earnings	1,949	1,788	1,909
Total shareholder's equity	3,134	2,973	3,094
Total liabilities and shareholder's equity	\$ 16,957	\$ 17,390	\$ 17,366

See notes to financial statements.

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SEARS ROEBUCK ACCEPTANCE CORP.

STATEMENTS OF INCOME
(unaudited)

(millions, except ratios)

	13 Weeks Ended	
	March 31, 2001	April 1, 2000
Revenues		
Earnings on notes of Sears	\$ 300	\$ 299
Earnings on cash equivalents	4	3
Total revenues	304	302
Expenses		
Interest expense and amortization of debt discount/premium	241	240
Operating expenses	1	1
Total expenses	242	241
Income before income taxes	62	61
Income taxes	22	21
Net income	\$ 40	\$ 40
Ratio of earnings to fixed charges	1.26	1.25

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See notes to financial statements.

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SEARS ROEBUCK ACCEPTANCE CORP.

STATEMENTS OF CASH FLOWS
(unaudited)

(millions)	13 Weeks Ended	
	March 31, 2001	April 1, 2000
Cash flows from operating activities:		
Net income	\$ 40	\$ 40
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other noncash items	4	4
Increase in other assets	(5)	-
Increase in other liabilities	56	59
Net cash provided by operating activities	95	103
Cash flows from investing activities:		
Decrease(Increase)in notes of Sears	191	(389)
Net cash provided by (used in) investing activities	191	(389)
Cash flows from financing activities:		
Decrease in commercial paper, primarily 90 days or less	(957)	(56)
Proceeds from issuance of long-term debt	793	86
Payments for redemption of long-term debt	(342)	(63)
Issue costs paid to issue debt	(3)	-
Net cash used in financing activities	(509)	(33)
Net decrease in cash and cash equivalents	(223)	(319)
Cash and cash equivalents at beginning of period	442	454
Cash and cash equivalents at end of period \$	219	\$ 135

See notes to financial statements.

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SEARS ROEBUCK ACCEPTANCE CORP.

NOTES TO FINANCIAL STATEMENTS (unaudited)

1. Significant Accounting Policies

The unaudited interim financial statements of Sears Roebuck Acceptance Corp. ("SRAC"), a wholly-owned subsidiary of Sears, Roebuck and Co. ("Sears"), reflect all adjustments (consisting only of normal recurring accruals) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. The significant accounting policies used in the presentation of these financial statements are consistent with the summary of significant accounting policies set forth in SRAC's Annual Report on Form 10-K for the 52 weeks ended December 30, 2000, and these financial statements should be read in conjunction with the financial statements and notes found therein. The results of operations for the interim periods should not be considered indicative of the results to be expected for the full year.

2. Back-up Liquidity

SRAC continued to provide support for 100% of its outstanding commercial paper through its investment portfolio and committed credit facilities. SRAC's investment portfolio fluctuated from a low of \$5 million to a high of \$819 million in the first quarter of 2001. Credit facilities as of March 31, 2001 were as follows:

Expiration Date	(millions)
April 2002	\$ 875
April 2003	4,185

	\$5,060
	=====

3. 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.

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(dollars in millions; term in years)

ISSUANCE

	2001 Volume	Avg. Rate	Avg. Orig. Term	2000 Volume	Avg. Rate	Avg. Orig. Term
	-----	-----	----	-----	-----	-----
First Quarter:						
Medium-term notes	\$ -	-	-	\$ 95	6.58%	3.6
Discrete debt	\$ 800	7.00%	10.0	\$ -	-	-

GROSS OUTSTANDING

	03/31/01 Balance	Avg. Coupon	Avg. Remain. Term	04/01/00 Balance	Avg. Coupon	Avg. Remain. Term
	-----	-----	-----	-----	-----	-----
Medium-term notes	\$4,273	6.61%	1.6	\$5,747	6.51%	2.2
Discrete debt	\$6,400	6.65%	10.8	\$5,850	6.59%	11.4

MATURITIES

Year	Medium-term notes	Discrete debt
	-----	-----
2001	\$1,776	\$ -
2002	958	600
2003	1,075	1,250
2004	202	-
2005	36	250
Thereafter	226	4,300
Total	\$4,273	\$6,400

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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Shareholder of
Sears Roebuck Acceptance Corp.:

We have reviewed the accompanying statements of financial position of Sears Roebuck Acceptance Corp. (a wholly-owned subsidiary of Sears, Roebuck and Co.) as of March 31, 2001 and April 1, 2000, and the related statements of income and cash

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flows for the 13 week periods then ended. These financial statements are the responsibility of the Sears Roebuck Acceptance Corp.'s management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the statement of financial position of Sears Roebuck Acceptance Corp. as of December 30, 2000, and the related statements of income, shareholder's equity and cash flows for the year then ended (not presented herein); and in our report dated January 19, 2001, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying statement of financial position as of December 30, 2000 is fairly stated, in all material respects, in relation to the statement of financial position from which it has been derived.

/s/Deloitte & Touche LLP
Deloitte & Touche LLP
Philadelphia, Pennsylvania
April 19, 2001

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SEARS ROEBUCK ACCEPTANCE CORP.

ITEM 2. ANALYSIS OF RESULTS OF OPERATIONS

During the first quarter of 2001, Sears Roebuck Acceptance Corp.'s ("SRAC") revenues increased to \$304 million from \$302 million in the comparable 2000 period. SRAC's income is derived primarily from the earnings on its investment in the notes of Sears, Roebuck and Co. ("Sears") and invested cash. The increase in revenue resulted primarily from a 5 basis point increase in the average rates on earning assets in the first quarter of 2001 compared to the 2000 period.

SRAC's interest and related expenses increased to \$241 million for the first quarter of 2001 from \$240 million for the first quarter of 2000. SRAC's cost of short-term funds averaged 6.65%

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in the first quarter of 2001, a 58 basis point increase from 6.07% for the first three months of last year. SRAC's short-term borrowings averaged \$3.5 billion in the first quarter of 2001, a 21% increase from the 2000 first quarter average of \$2.9 billion. Increases in short-term debt levels were partially offset by decreases in long term debt levels. Average outstanding long-term debt of \$10.6 billion in the first quarter of 2001 decreased \$1.0 billion compared to \$11.6 billion in the first quarter of 2000. SRAC's cost of long-term funds averaged 6.70% in the first quarter of 2001 compared to 6.60% for the first quarter of 2000.

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

SRAC's net income was \$40 million for the first quarter of 2001 and 2000. SRAC's ratio of earnings to fixed charges was 1.26 and 1.25, respectively for the first quarter of 2001 and 2000.

SEARS ROEBUCK ACCEPTANCE CORP.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) The exhibits listed in the "Exhibit Index" are filed as part of this report.

(b)

Reports on Form 8-K:

Registrant filed a current report on
Form 8-K dated January 31, 2001
[Items 5 and 7].

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SEARS ROEBUCK ACCEPTANCE CORP.

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 ACCEPTANCE CORP.
(Registrant)

By: /s/ George F. Slook

George F. Slook
Vice President, Finance
and Assistant Secretary
(authorized officer of

Registrant)

May 11, 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 February 6, 1996 [Incorporated by reference to Exhibit 3(b) to the Registrant's Annual Report on Form 10-K for the year ended December 30, 1995].
- 4 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.
- 12 Calculation of ratio of earnings to fixed charges.
- 15 Acknowledgment of awareness from Deloitte & Touche LLP, dated May 11, 2001, concerning unaudited financial information.

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Exhibit 12

SEARS ROEBUCK ACCEPTANCE CORP.

CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES

(millions)	13 Weeks Ended	
	March 30, 2001	April 1, 2000
INCOME BEFORE INCOME TAXES	\$ 62	\$ 61
PLUS FIXED CHARGES:		
Interest	237	236
Amortization of debt discount/premium	4	4
Total fixed charges	241	240
EARNINGS BEFORE INCOME TAXES AND FIXED CHARGES	\$ 303	\$ 301
RATIO OF EARNINGS TO FIXED CHARGES	1.26	1.25

EXHIBIT 15

Sears Roebuck Acceptance Corp.
Greenville, Delaware

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim financial information of Sears Roebuck Acceptance Corp. for the periods ended March 31, 2001 and April 1, 2000, as indicated in our report dated April 19, 2001; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended March 31, 2001, is incorporated by reference in Registration Statement Nos. 333-30879 and 333-62847 on Forms S-3.

We are also aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

Deloitte & Touche LLP
Philadelphia, Pennsylvania
May 11, 2001