



Date Issued – December 2, 2008

...Rating Change Alert...

Sears Holdings Corporation

Hoffman Estates, IL

<u>Date:</u>	<u>Credit Score:</u>
12/2/08:	D1 – Below Satisfactory
7/2/08:	C2 - Satisfactory

After analyzing **Sears Holding's** results for the fiscal 2008 third quarter ended November 1, 2008, we have lowered the Company's credit score to **D1** ("Below Satisfactory") from **C2** ("Satisfactory"). The action primarily reflects the 9.0% decline in comparable store sales and 60 basis point gross margin erosion, which combined to push quarterly EBITDA down 56% to \$148.0 million. Cash and equivalents dropped 20% from \$1.47 billion at the end of the third quarter last year to \$1.17 billion this year.

From a liquidity perspective, availability under the Company's credit facility dropped to 28.9% from 60% at the same time last year. The Company had \$1.10 billion available under its now \$3.80 billion revolving credit facility at quarter end. (Lehman Brothers has a \$207 million share of the total commitment but has not funded its proportionate share of the borrowings under the facility, which effectively lowers the size of the facility to \$3.80 billion from \$4.00 billion.) The Company's leverage ratios also deteriorated as debt was 11% higher year-over-year which when combined with EBITDA erosion resulted in an increase to debt to TTM EBITDA to 2.55 times compared to 1.25 times at this time last year. Despite the Company's operational issues and tightening liquidity, the Company continues to repurchase shares of its stock. Sears repurchased \$81 million worth of shares in the third quarter and the Board of Directors approved an additional share repurchase authorization of \$500.0 million.

For questions or analytical support on the Company please call [Jim Rice](mailto:Jim.Rice@creditntell.com) at (800) 789-0123, ext. 127.

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