Grim Retail Commentary:

**Sears Holdings—The Illusory Turnaround That Will Probably Never Happen.**

Are Sears Holdings and its chairman, Edward Lampert living in an alternate retail universe? Except for SHC and Eddie, most financial analysts who have been following the company believe that this once iconic retailer that has been on bankruptcy watch for several years, will finally be filing for bankruptcy within the next 12 to 24 months.

**The Red Flags**

Sears’s financials tell a very grim story. There are red flags everywhere. The company hasn’t turned a profit since 2011. It has been losing money since 2012 and is burning through cash at an unsustainable annual rate. As of January 20, 2016, the company had approximately $3.0 billion of debt, with just $316 million left to borrow against its $3.275 billion domestic revolving credit facility. In April 2007, one share of SHC stock would cost you $191. In November 2016, you could pick it up for less than $12. And over the next few years, if the company is still around, shares may very well become worthless. In fact, derivatives markets seem to be betting on as much.

**What Happened?**

So what happened to this legendary company? It was founded in 1893 as a revolutionary concept—a mail-order catalog company. Sears, Roebuck and Co. was once perhaps the most respected and “go to” American retailer. It was the largest U.S. retailer for many years until overtaken by Wal-Mart in 1989.

According to Mark Cohen, who joined Sears, Roebuck in 1998, and between 2001 and 2004 served as chairman and CEO of Sears Canada, things began to unravel in 2000 when Alan Lacey became CEO. Cohen said: “He’s a finance guy, the head of credit at Sears. He basically has no idea how to run the business.” With Lacey at the helm, Sears found itself up against well-run, formidable rivals like Wal-Mart, Target, Amazon and Home Depot. “It was under pressure from basically ever-
plummeted from $1.34 billion to a $507 million loss!

As the press reported, the worst was yet to come. His name was Eddie Lampert, another finance guy.

**Kmart–Sears Merger**

The severe financial and strategic problems of Sears could be said to begin soon after it merged with Kmart in 2005, in an $11 billion deal, under the leadership of billionaire hedge-fund manager Edward Lampert. The combined company was renamed Sears Holdings Corp.

At first, this merger looked promising. Revenue peaked in 2006 at $53 billion—the only year that sales would ever increase. Net income rose 74 percent higher, and by 2007 the stock, trading around the $100 level before the merger announcement, was around $200.

But, according to John Divine, in a USNews.com report, “... the newfound success was entirely illusory. Lampert, who had no retail experience, has achieved the apparent overnight success in an entirely unsustainable way.”

According to Cohen, in this same U.S. News report, “The only performance that he’s demonstrating is draconian cuts in operating and capital expense. So the company appears to be doing fine until you look at how it’s doing fine. About two years in he begins to take actions that can only be described as asset stripping.”

Lampert continued to slash costs and sell assets. Expenses fell in 10 out of the 11 fiscal years between 2005 and 2015. Revenue, however, has fallen even faster.

In 2013, Lampert formally took the reins of the company as its CEO, promising a turnaround. However, to date, no turnaround has taken place.

**SHC’s Challenge**

The biggest challenge SHC faces today is generating sufficient cash to support its retail operations, funding working capital needs, servicing debt obligations as they come due and making regular, legally required contributions to its pension plan. For a company with severe financial and strategic problems, this is a herculean task.

According to a risk management executive, companies that supply SHC with the televisions, toys and clothing for sale in its stores are growing increasingly concerned about the company’s ability to pay its bills.

At least half a dozen suppliers have “significantly” reduced product shipments to Sears over fears that the retailer will soon go bankrupt, according to Marc Wagman, executive vice president of trade credit and political risk at the insurance brokerage firm Arthur J. Gallagher & Co., which represents the Sears suppliers to insurers.

In response, Sears Chief Financial Officer Jason Hollar wrote a blog post saying that the company has had a “longstanding relationship” with Jakks.

“Despite the speculation and rush to report the negative, we have always paid our vendors for orders we have placed and as part of the normal negotiations between retailers and vendors, there are occasionally disputes over prices, allocations of product and other terms,” Hollar wrote. Continued on page 3
The “plenty of levers to pull” include a real estate portfolio estimated to be worth roughly $4.5 billion, the prospect of additional cash infusions from CEO Lampert’s hedge fund ESL Investments and a potential sale of its Kenmore, Craftsman and Diehard brands.

However, the CNBC story went on to say that even with these “levers” that’s not to say the company isn’t edging closer toward a potential bankruptcy.

Sears has $3.5 billion in long-term debt on its balance sheet, and is expected to report a $1.5 billion loss in operating cash flow this year, according to Moody’s. That’s on top of a $2.2 billion deficit last year, the ratings agency said.

**Bleak Future?**

Ratings agencies Fitch and Moody’s have both downgraded Sears’s debt this year to low speculative-grade ratings, indicating they see high default risk within the next 12 to 24 months.

Last September, Moody’s analysts said Sears and Kmart don’t have enough money, or access to money, to stay in business. They said that Sears is bleeding cash and will have to continue to rely on outside fund-

trolled ventures for stores it once used to own.

Because of this slow but steady bleed, the downfall of Sears Holdings may take longer than some expect. Mark Cohen said that “This is gonna be the longest-running death in the retail industry’s history.”

**CreditRisk Monitor**

Earlier this year, CreditRisk Monitor (CRM) provided a detailed insight into Sears’s financials and future in a special report. CRM is a financial risk analysis and news service for credit, supply chain and financial professionals, focused on public companies.

CRM examined the latest Sears’s financial data to take a closer look at these questions:

- Is a Sears Holdings bankruptcy inevitable? If so, when will it happen?
- What creative financing options does Lampert have left?
- When will Sears face its next major liquidity crunch?

According to CRM’s report, the real extent of Sears’s financial troubles becomes apparent when the company’s financial statements and ratios are analyzed. Listed below are some of the key warning signs of financial stress that signal heightened risk of corporate failure:

1. Sales have been declining every year since 2006, and the company has not turned a profit since 2011.
2. Operating and gross margins as percentages of sales, both on a sequential and an annual basis, have been diminishing, suggest-
3. Cash flow from operating activities has been negative since 2012.

4. Free cash flow (which excludes money laid out to maintain or expand a company’s asset base) has been consistently in the red for the last six years.

5. With negative free cash flow of about $2.4 billion for the 52 weeks ended January 30, 2016, the company currently has a cash burn rate of approximately $200 million per month.

6. Due to recurring losses, resulting in an accumulated deficit of approximately $3.3 billion as of January 30, 2016, stockholders’ equity is in the red.

7. Sears has shown persistently negative rates of return which include return on equity, return on net tangible equity, return on total assets and return on net tangible assets.

8. Comparable store sales growth (which strips out the effect of discontinued or sold-off businesses and closed stores) has consistently been in the red.

9. As of January 30, 2016, the company has approximately 3.0 billion in total debt outstanding, a majority of which is due for repayment in or before 2018.

In addition to all of the above, Kmart, which accounts for 40.5 percent of Sears’s total consolidated revenues for the most recent fiscal year, has deep-rooted financial issues of its own. In the face of competition from discount retailers such as Wal-Mart, Internet retailers like Amazon, and rapidly changing consumer trends, Kmart’s comparable store sales are declining each quarter.

CRM states that the warning signs listed above are significant negative signals for the company’s financial condition and its probability of survival.

**How Is Sears Surviving?**

Sears’s foremost strength lies in its substantial real estate portfolio, which continues to help the company stay afloat, despite declining market share and weak operating performance.

Faced with declining sales, mounting losses and a serious cash crunch, Sears has been relying primarily on asset sales and store closures to stay afloat. CRM states that Sears’s fundamental problems remain unsolved by these asset sales, which are allowing it to fund operating losses.

“If management is unable to find a way to improve the company’s $2.4 billion cash burn rate, Sears is likely to need more cash soon.”

In addition, the company has on numerous occasions turned to the deep pockets of Mr. Lampert and his hedge-fund ESL Investments for cash infusions, in part to placate suppliers who are growing increasingly concerned about the company’s deteriorating financial condition and liquidity.

**Attempting a Turnaround**

The CRM report states that Sears’s management has not made any significant investments in improving deteriorating store infrastructure, or enhancing customers’s in-store shopping experiences versus industry peers.

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*continued from page 3*
An article published in The Wall Street Journal in December 2014 states, “... few retail chiefs have been as aggressive as Mr. Lampert in limiting investments at physical stores (and that) the company spends nearly $1.90 a square foot on Sears stores and roughly 60 cents a square foot on Kmart stores, compared to $9.70 a square foot spent by Wal-Mart and $5.75 by Macy’s.”

Mr. Lampert has been attempting to transform Sears into a leaner, more digitally-focused retailer. Management is in the process of transitioning the company’s capital structure from an asset intensive to a more asset light, “integrated membership-focused company—that is less-dependent on inventory.”

CRM says that, “We have yet to see these efforts translate into bottom-line improvements or positive cash flows, which is ultimately what the company needs to survive in the long-run.”

How Close Is Bankruptcy?
CRM concludes: “Sears’s survival as a retailer is dependent on its ability to orchestrate a dramatic turnaround of its operations, restore profitability, and generate positive cash flows from operating activities.

“If Sears is unable to turn its retail operations around and continues resorting to asset liquidations to raise capital, we deem it less likely that the company will make it past the end of 2017 without failing.

“We may see a ‘strategic bankruptcy’ sooner, and for that reason the company is appropriately a FRISK 1 today.”

(FRISK scores are a measure of financial distress tied to the probability of bankruptcy. FRISK scores are reported on a scale of 1-10, with 1 being the most risky.)

According to Fitch Ratings, Sears still owns and could monetize 268 unencumbered Kmart discount and Sears full-line mall stores in a bankruptcy—remote vehicle and 26 specialty stores.)

If Sears is able to monetize its remaining properties, the company could receive a cash infusion sufficient to fund its operations in 2017 and possibly into 2018. However, unless things change substantially in favor of Sears’s retail success, a time will come when it is clear that the cash from real estate is about to run out. If that occurs, then the focus on Chapter 11 is likely to intensify and accelerate, according to CRM.

Can Sears Survive?
Unlike its physical retail counterparts that spent the late '90s rapidly expanding only to come crashing hard into the 21st century and the era of widespread online commerce, Sears was already limping along when Lampert acquired Sears.

But limping at that point was a stock price of $126—which within two years had grown to $178, mostly due to Lampert’s extremely aggressive cost-cutting measures. However, with the recession in 2008, Sears found its revenue wiped out as home developing and building ground nearly to a halt, and its main profit center of appliance sales fell off a cliff. And that seems to be the blow Sears could never quite recover from.

Its rapid wave of closing and cost cut-continued on page 6-
How Do You Cope with Election-Result Stress?

This is definitely not your typical article for Straight Talk. But neither was last month’s presidential election typical. Without a doubt, this has been the most unique political campaign of our life times. There was literally “shock and awe” throughout the country. How does one cope?

There were widespread reports of folks having mental and physical breakdowns over the twists and turns of the campaigns. Good people are being divided. There are tremendous rifts among family members creating daily life effects. This election is unprecedented in the history of our country.

According to the results from a one-night Gallup poll conducted November 9, the day after the presidential election, 84 percent of Americans say they accept Trump as the legitimate president, but 15 percent do not. Among Clinton voters, 76 percent accept Trump and 23 percent do not.

Gallup asked the same question about George W. Bush in December 2000 and found 83 percent of Americans accepting Bush as the legitimate president, essentially the same as the percentage who now accept Trump. That poll was conducted just after the Supreme Court voted 5–4 to end a contentious recount in Florida, which allowed Bush’s original slim Florida vote margin to stand and effectively made him president.

Perhaps understandably, Al Gore supporters were somewhat less likely (68 percent) than Clinton voters today (76 percent) to accept the president-elect as legitimate. The overall numbers are similar, though, because Americans with no candidate preference in 2000 were more likely to accept Bush as legitimate than the comparable group this year is to accept Trump.
Stress  continued from page 6

Family Conflict
One family member may be very happy with the election results. Another may be anticipating horrible consequences. There is fear. There is anger. Some are scared. How do you cope with all of these different emotions?

This year’s election results have produced a great level of stress. It shocked and surprised most everyone. Half of the country was grieving over their candidate that lost. It was similar to mourning the loss of a loved one.

When we feel our position is not being respected, our stress levels increase. From that point on, each media report we see, update we read and conversation we engage in all contribute to sensory overload. It was reported at least one family, so disrupt over the election results, called off Thanksgiving with Republican relatives. Hopefully, emotions will have subsided by Christmas.

Many have described cycling through the various stages of grief, from denial (the electors could still choose Hillary), to bargaining (President Obama could somehow install a Supreme Court justice, at least), to depression and anger.

Avoid Facebook & Twitter
It appears that many that use social media, also known as “constant distraction,” are showing the most stress and anger. It is far easier to engage and vent one’s feelings when it is not face-to-face.

People generally post the most incendiary things on social media. They rarely post any straightforward or rational analysis. If you read something that is hateful or controversial, you can physically feel yourself getting upset. Facebook has given everyone the equivalent of their own blog and their own audience. It is an addiction and the ultimate time waster.

To survive this period of extreme stress it is best to avoid talking about politics with your family or friends whom you know have opposing views. This election has resulted in dividing families and creating tremendous rifts. This division takes time to heal.

Handling Stress
Rutgers University professor of sociology, Deborah Carr, said about election stress: “If you need a little bit of distance and time from people you fundamentally don’t see eye to eye with, take a break. Give yourself a little bit of time to clear your head. And once the acutest pain goes away, just focus on those things you do see eye-to-eye on.” And expect it to be a challenge. “If you believe a family member endorses someone you find reprehensible it’s going to be hard,” said Carr.

Carr added: “People can counter even the most horrific stressors and they do bounce back. We look at Holocaust survivors, sexual assault victims, people who experienced 9/11, and absolutely they have symptoms. But if they find communities of support, they can find joy and optimism again.”

Time to Unite
This election has clearly shown that our nation is more deeply divided than we may have thought. Even though Hillary Clinton admitted, “This is painful,” she said: “I still believe in America and always will. And if you do, then we must accept this election outcome. “We owe him an open mind and the chance to lead.” And President Obama told the country: “Everyone is sad that their side loses an election. But we have to remember that we are all on the same team. We’re Americans first. We’re patriots first.”

President-elect Trump, during his victory speech, said: “It is time for us to come together as one united people. I pledge to every citizen of our land that I will be president for all Americans.”

According to David Krantz, psychologist and stress researcher, if the election results were just enormously distressing to you, and you have no way of altering this—and you’ve done what you can—and you’re still distressed by it, take a pass.

This is known as emotionally focused coping, and it is an absolutely acceptable option. Krantz suggests that you “Take a break. Compartmentalize this. Do things you enjoy that take your mind off of it.” In other words, think happy thoughts. Maybe a therapy dog would help.

We are living in a democracy and the best country in the world. Voters who were eager for change and very unhappy with the current status quo fueled the victory of the president-elect. In other words, Mr. Trump’s support is a testament to the democratic power of discontented voters.

In President Lincoln’s Second Inaugural, in 1865, he appealed to his “fellow-countrymen” to work toward reconciliation and domestic peace, “with malice toward none, with charity for all.” Lincoln’s words seem particularly noteworthy after the historic election we just went through.

In summary, let’s keep an “open mind” as secretary Clinton said, and pray for the best.

—STRAIGHT TALK  Winter, 2017—
Sears Workers Speak out about Conditions at Stores

Since 2007, Sears has closed half of its locations, which include Sears and Kmart stores, and eliminated more than 137,000 jobs. Several months ago, Business Insider asked Sears and Kmart workers in the field what they thought about their company. Most of the responses were not positive.

Some employees have predicted that the rest of the company’s stores will close within the next two years. The stores are severely understaffed, with some operating on less than half of the employees they need, according to workers who spoke to Business Insider.

One Kmart employee blames Lampert for the company’s downfall. “Lampert has taken this company and, with pompous arrogance, has destroyed it,” she said. “Customer care is vital to a retail business. Lampert just couldn’t understand that.”

Workers also said that the stores are suffering structurally from a lack of investment. An employee who currently works for a Sears store in Ohio said that his store is rife with issues, from broken escalators to frequent roof leaks. He said that the merchandise on the floor is often torn open, and no one will buy those items.

A former Kmart assistant manager said that the company really started going downhill after the introduction of the Shop Your Way program. He said: “(Eddie Lampert’s) ideas of reward cards to transform the company were a waste of time and money. If they didn’t have a card, you were supposed to enroll them while you have 10 waiting in that line to check out. Most people were so disgusted when they finally got to pay, they didn’t want to apply. They just wanted to pay and go.”

In response to employee complaints about this loyalty program, Sears spokesman Howard Riefs said that the company encourages workers to provide feedback. “One of our cultural beliefs as a company is to embrace feedback,” Riefs said. “We have a variety of ways that associates can give authentic feedback, even anonymously, and would encourage them to do so.”

He directed Business Insider to a Sears blog post published last year in which employees shared why they are proud to work for Sears and Kmart. One field associate said, “I am very proud to be part of SHC. From online shop at Wal-Mart instead of Sears or Kmart to avoid the confusion of Shop Your Way.

Above: Shoe department with empty shelves. Left: Mat appears shabby and stained.

In its Summer 2015 issue, Straight Talk published a sampling of these very positive responses from SHC associates. Most of these comments came from senior managers, a divisional VP and a store manager.

Message Boards
In dozens of messages people claiming to work for Sears and Kmart complained about the stores’s deterioration. “Our motto now is ‘you can only do what you can do,’” one person wrote. “It’s sad to watch what we worked for with pride for so many years to be slain in front of us and then we still have to care for the dead body.”

Understaffing appears to be a major issue for many stores. One person wrote, “With new hires only lasting less than a month, experienced employees quitting for better paying and better working conditions, we have hardly anyone with any experience to run the store … The end is coming soon; get out while you can.”

—STRAIGHT TALK Winter, 2017—
Shoppers Disclose Why They Abandoned Sears

The same reasons are heard from Sears and Kmart shoppers as to why they are taking their business elsewhere: lack of customer service, poor-quality products, a lengthy checkout process and depressing stores.

Here’s what they said:

“We purchased a 42” television and the associate that waited on us didn’t know how to complete the sale, and we ended up with four associates trying to finalize the sale. When we went back to Sears to make our monthly payment, the associate (not the same one) had trouble handling the transaction. Since this problem, we have not bought anything from Sears.”

“You just can’t find any cashiers when trying to check out. I think Sears is dead, and they just haven’t buried it yet.”

“I couldn’t find anyone to help me with buying a lawn mower. So I left and went to Home Depot to make my purchase.”

“The cashier had problems entering my gift cards. They didn’t seem to care whether or not I bought it. I will not go again.”

Employee incentives to get customers signed up for the Shop Your Way rewards program and credit cards have also been a headache for customers.

“The Shop Your Way loyalty program is a checkout disaster. They want my phone number, address, email, etc. Even the card swiper wants all kinds of things.”

This customer compared checking out at Sears like going through “Checkpoint Charlie” at the Berlin Wall.

Business Insider talked to many disgruntled Sears/Kmart shoppers and asked Sears for a response. Sears’s spokesman Brian Hanover said the company is constantly getting feedback from customers and that most of it is positive.

“We constantly solicit feedback from our tens of millions of members and customers, as well as provide a variety of ways for them to provide it unsolicited and authentically back to us,” he said. “The feedback you described is not reflective of the vast majority of comments and scores we receive and does not depict a typical member experience.”

He said customer satisfaction scores have improved for both Sears and Kmart year-over-year.

“Regardless, we appreciate this additional feedback and know there are instances when we can do better,” he said. “We will continue to enhance our operations and provide our members with superior service while they shop their way.”

—STRAIGHT TALK Winter, 2017—
Chairman’s Corner

Can Eddie Save Sears with a Trump-like Victory?

The election is over. It was a brutal campaign. And the winner was a total surprise for the entire nation—Donald Trump, a political outsider with no government or military experience.

The question now is if Edward Lampert can also pull a complete surprise and save Sears Holdings from its death spiral leading to bankruptcy?

Based upon our lead article in this issue of Straight Talk, it doesn’t look too promising. But neither did Trump’s thunderbolt victory.

As we have reported, the latest problem for Sears is that some of its vendors have been slowing shipments to the company in advance of Christmas. These vendors are worried that Sears won’t be able to pay its bills, but without merchandise to sell, that becomes a self-fulfilling prophecy.

But Sears could still survive this season if it could come up with ways to guarantee its vendors that they will get paid, but the odds are growing longer that they can’t.

As we have seen, Lampert has a very unconventional leadership approach to running the company. He doesn’t. Retailing is a hands-on business, and Lampert is not there. He’s in his hedge-fund office in Florida. He’s not running the business. Is anyone running the business?

As a result, as others have said, Sears is not a viable company. It is now, “Where America USED TO SHOP.”

There is a lack of investment in the store base resulting in dilapidated conditions. The company is collapsing. Big chunks of debt will come due in 2018.

Perhaps the most amazing thing about the company is that it has survived as long as it has. However, Sears’s survival now depends upon a Trump-like incredible victory. Is the consuming public prepared to overlook the company’s many flaws and failures and reward it by a significant increase in store traffic, on-line sales and profitability?

Retiree’s Feedback

In the last issue of Straight Talk, we asked our readers’s thoughts about the company’s last-ditch efforts for staying in business. A retiree in Spotsylvania, Virginia, wrote:

“We feel Sears is too far gone to save. Now the thought is to sell assets that was a big part of Sears business (Kenmore, Craftsman, Diehard) … The problem lies with management thinking only of the bottom line and not the customers, and the associates have no pride in the store or knowledge of the products.”

Another retiree, from Massillon, Ohio, said:

“Just sick and tired of Lampert taking and taking. Lost my drug subsidy this year. What’s next? Probably the retiree discount. He has squandered all of Sears’s assets. Now he needs retirees’s meager assets. Pathetic!”

A retiree from Ashburn, Georgia, wrote:

“The only thing left is our life insurance which will be gone when they file bankruptcy. It’s time to abandon ship.”

And finally a retiree from Chicago puts a positive spin on Sears’s problems:

“I love shopping at Sears. There are never any crowds. In fact I’m usually the only person in the store so I can find what I want and get out.”

What Are You Doing?

Over the years the local Sears Retiree clubs have significantly dwindled. With the few active clubs still remaining, we would like to know what you are doing. Any special events or photos you would like to share? Have any of your retirees done anything special, won any rewards, have a special or unusual hobby?

With Christmas just weeks away, if your club is having a holiday meeting, please share this event with us and include any photos.

There is no charge for publicizing your club’s activities or members in Straight Talk. Such publicity could certainly help increase your membership by letting non-member retirees in your area know about your existence. 

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RENEW YOUR N.A.R.S.E. MEMBERSHIP TODAY FOR 2017

It’s that time of the year to renew your N.A.R.S.E. membership. We appreciate your past support and hope you will continue into 2017. The news in this issue about Sears Holdings certainly is dire. We wish it wasn’t. We are hoping that all of the negativity being reported about Sears Holdings will not come to pass.

Sears, Roebuck was certainly a great company to work for last century. Today, it is a totally different entity operating under the name of Sears Holdings Corp.

During our almost 20 years in existence, our organization has provided speakers to local retiree clubs, reunited thousands of retirees with former associates and friends and we have acted as your sounding board to the company and have kept you current as to what is going on at Sears and at the federal level that could impact your benefits, your medical plans, your pensions, Medicare, Social Security and the taxation of such benefits.

We are grateful for your past support that has kept us around for all of these years. We are an all-volunteer association with no paid employees. We are funded totally by retiree membership dues and voluntary contributions. The dues we collect are used to support our communication efforts with thousands of retirees across the country.

Straight Talk could not be printed and mailed to you without your support and the support of many others. Our website, www.narse.org, would not exist without your financial contributions. There is strength in numbers. Please renew today.

Enclosed is a N.A.R.S.E. Membership/Renewal Application form, and mailing envelope. The suggested annual donation is $15, but you are the judge as to what your contribution should be. If you have already renewed for 2017, please pass the application form to someone you feel could benefit from our communication efforts.

We are here to keep you informed and to be your independent voice to the company. Your continuing financial support is a directive to N.A.R.S.E. to live up to our slogan first heard in 1997:

WE ARE NOT GOING AWAY!

Marketing your retiree club in our newsletter is an easy way to bring old friends together and might even increase your membership.

Happy a very Merry Christmas, Happy Holidays and a joyful New Year. We wish the best for all of you in 2017.
Will There Be Another Christmas for Sears?

If Sears Holdings’s condition gets any more dire, it may soon unravel beyond anyone’s control. Despite the repeated short-term cash infusions Chairman and CEO Eddie Lampert has used to keep the retailer afloat, this may truly be the last Christmas the once-venerable retail sees.

There hasn’t been much to smile about at Sears or Kmart and the latest reports of trouble aren’t going to make the situation any less dour. Late last month, it was conjectured that JAKKS Pacific had stopped sending inventory to Kmart after the toymaker cryptically said on its quarterly earnings conference call with analysts that the product pipeline to a major retailer experiencing financial difficulties had been shut off.

Sears did nothing to quell the speculation after its CFO posted a blog entry that failed to affirmatively rebut the accusation. Like the Sherlock Holmes dog that didn’t bark in the nighttime, Sears’s failure to say the report was untrue was highly suggestive of what the situation really was.

And now comes word that other vendors are also bailing on the retailer. Business Insider reports that insurance brokerage Arthur J. Gallagher & Co. says at least a half dozen of its clients have “significantly” reduced their shipments to Sears because they fear it is going bankrupt, and one has halted shipments altogether.

And Sears’s finances are desperate. Net sales fell 9 percent from the year-ago period as comparable store sales were down 3.3 percent at Kmart and 7 percent at Sears. Worse yet, net losses widened to $395 million, or $3.70 per share, from $208 million, or $1.84 per share. And there’s no indication it’s going to get better, even with additional stopgap cash infusions, not least because it has a massively unfunded pension liability, the bill for which will eventually come due.

Although the fair value of its pension plan assets last totaled almost $3.2 billion, its pension obligations amount to nearly $5.3 billion, leaving it with a huge, $2.1 billion deficit. So far, it has used unrealistic assumptions to contain the damage (assumptions that are perfectly legal and often used by other companies as well), but that can only go on for so long before the weight of it all sends it crashing down. The tab eventually has to be paid.

Lampert’s efforts at building a digitally savvy enterprise is noteworthy and may have even been successful had he started sooner, but now even his Shop Your Way member loyalty program is merely a series of initiatives laid over a retailer that gets progressively smaller each year.

Costs are mounting; sales are falling, and many of its most valuable assets have been stripped away. There are a few that remain, like the Kenmore, DieHard and Craftsman brands, that could serve it, but even their ability to influence the whole has diminished. And Lampert may sell them off, too.

The day is fast approaching and the loss of vendors may be the herald that this may be the very last Christmas for Sears Holdings.

Editor’s Note: This article was edited from a MotleyFool.com piece by Rich Duprey dated 11/16/16.