SEARS HOLDINGS

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June 19, 2009

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Re: File No. S7-08-09, Release No. 34-59748
Amendments to Regulation SHO

Dear Ms. Murphy:

Sears Holdings Corporation respectfully submits this comment letter in support of restoration of the uptick rule and the permanent adoption of Rule 204T of Regulation SHO and Rule 10a-3T of the rules and regulations under the Securities Exchange Act of 1934, as amended. We believe that the adoption of the uptick rule will help to restore stability and integrity to the marketplace and that Rule 204T and Rule 10a-3T reflect significant improvements to the regulations governing short selling.

Major market indicators tell the story of the declining market environment over the past year, with volatility indices spiking and stock market indices plummeting. A combination of abusive short selling, market manipulation and rumor-mongering has contributed in no small part to these effects. During 2008, we witnessed the crashes of investment banks like Bear Stearns and Lehman Brothers. It appears clear that rumors regarding the liquidity of these companies accompanied by substantial short selling played a role in the demise of these Wall Street fixtures. Following the Bear Stearns and Lehman Brothers collapses, the marketplace continued to be inundated with false rumors about the demise of companies, and it suffered a resurgence of "bear raids," in which short sales of equity securities are employed in a concentrated effort to drive down their prices. These companies were not alone in suffering from these raids as rumors that Fannie Mae and Freddie Mac were undercapitalized threatened the stability of not only their individual stocks, but that of the entire mortgage industry generally. Sears Holdings Corporation has witnessed the effect of this phenomenon first hand in the share price of its common stock. In this context, we write to share our thoughts on important steps the Commission can take to restore order to the market place.

Uptick Rule

The uptick rule was first developed and adopted in response to concerns like those mentioned above about short sellers in a deteriorating market environment. After the 1929 stock market crash, public sentiment blamed short sellers for worsening its effects, and during the 1930s, several bills aimed at regulating short selling were introduced in Congress. When share prices dropped precipitously in 1937 and a study suggested a prevalence of short sales in the declining market, the Commission adopted Rule 10a-1, commonly known as the uptick rule. In its nearly 70 subsequent years of operation, the uptick rule constrained short selling appropriately in declining markets by permitting listed securities to be sold short only at a price above their last different sale price. This requirement made short selling more expensive and decelerated the short-selling process, as a short seller could not operate unless an investor was willing to purchase the security at a higher price. By allowing short sales only on such an "uptick" in price, the uptick rule reduced the short sellers' ability to overwhelm companies' shares and quickly profit by forcing their prices even lower.

Following the abolition of the uptick rule in July of 2007, the financial markets have experienced high levels of volatility and severe price declines. It has become apparent that without the uptick rule, stocks in a declining market are particularly vulnerable to groups of short sellers piling on after each other: by executing short sale after short sale at successively lower prices, they are able to send the stock price plummeting and cause panic among other market participants.

We commend the Commission for proposing the adoption of the uptick rule. We urge the Commission to reinstate a "plus tick" rule over the other alternatives presented in the Commission's release such as the "best bid" test or the "circuit breaker" test. With the "plus tick" rule, the Commission has a tested method of moderating and regulating short selling to ensure that short selling serves market purposes rather than merely providing a powerfully destructive tool to market manipulators.

Regulation SHO Rule 204T and Rule 10a-3T

We respectfully request that the Commission also consider permanently adopting Rule 204T of Regulation SHO. Rule 204T requires that short sellers and their broker-dealers deliver securities by the close of business on settlement (a T+3 closeout requirement) and imposes penalties for failure to do so. The Commission has reported that this action has significantly reduced short sale fails-to-deliver situations.[1] Sears Holdings Corporation has directly experienced the impact of Rule 204T. Prior to the adoption of Rule 204T, Sears Holdings Corporation appeared for 207 consecutive days on NASDAQ's "threshold" list of stocks for which sellers had failed to deliver 10,000 shares or more over the preceding five trading days and the level of fails was a minimum of 0.5% of the issuer's stock. Following the implementation of

[1] Securities and Exchange Commission, Office of Economic Analysis, "Impact of Recent SHO Rule Changes on Fails to Deliver," memorandum dated April 16, 2009.

Rule 204T, Sears Holdings Corporation has not appeared on the "threshold" securities list. Finally, we believe that Rule 204T impedes "naked" short selling because it requires one to deliver what one sells.

We applaud the Commission for adopting Rule 10a-3T of the rules and regulations under the Securities Exchange Act of 1934, as amended, and we support Rule 10a3-T becoming permanent. While we are not convinced that daily reporting is necessary, we do believe that significant short position information should be disclosed to the public in a manner similar to the way long positions are now disclosed on Form 13F.

<u>Conclusion</u>

In closing, we believe that the uptick rule, hard-delivery requirements and disclosure requirements are important components of the short selling regulatory regime and that an improved regulatory regime will help to restore investor confidence in the integrity of the markets.

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Thank you for your consideration of this letter. Please do not hesitate to contact me if you would like to discuss these matters further.

Very truly yours,

Sears Holdings Corporation

William R. Harker

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