

# RETAIL SECTOR WEEKLY

## Key Retail News and Commentary

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### Did You Know...?

*U.S. banks continued to tighten their standards for approving mortgage loans in the spring and early summer months. Although direct comparisons are impossible, the past two quarters represent the sharpest increase in the number of banks tightening up on mortgage credit since at least 1990-91.*

## Odds of Consumer-Led Recession Rising

Wall Street's woes are raising the risk that the U.S. economy could sink into recession late this year or early next year.

Although few economic analysts put the odds of recession at better than 50%, most are now upping their probabilities.

"We've lowered our 2008 growth forecast to 1.5%, down from 2.3% previously and 1.8% in 2007. We now expect a consumer recession, for the first time in 17 years," said a revised forecast issued last week by Merrill Lynch.

Whether Wall Street's turmoil brings a sharp slowdown or a full-blown recession depends on three interrelated variables: how quickly banks resume lending to businesses and home buyers; whether the recession in the housing sector bottoms out or deepens; and whether falling home prices and a lack of lending combine to hit the consumer's ability to spend.

"What we're going through now is unlike anything we've seen before. All financial crises have their unique characteristic - this one is characterized by a seizing up in the home mortgage market," said Lyle Gramley, a former governor of the Fed in the 1980s who's now with the Stanford Group, a con-

*(Continued on page 2)*

## Shoe Pavilion Inc.: Retailer of the Week

Losses are intensifying while revolver debt is soaring leading to a difficult financial situation at Shoe Pavilion. The Company had been aggressively opening new stores leading to significant top line growth, however, plunging margins and rising expenses are forcing red ink. With excess credit availability dwindling quickly, Global Credit is downgrading its credit rating to an "E-", reflecting a high level of credit risk. Unless Shoe Pavilion can quickly turnaround its financial performance, the Company could be a distressed situation. Unfortunately, with more new stores recently opened possibly draining financial resources, we are not optimistic about second half performance.

### BACKGROUND

Shoe Pavilion is an off price footwear retailer operating 108 stores as of June 30, 2007 in the states of Washington, Oregon, California, Arizona, Nevada, Texas, and New Mexico. The Company typically offers footwear 20% to 60% off department store prices.

In recent years, the Shoe Pavilion has expanded beyond its original markets of Washington, Oregon, and California. In addition to opening more new stores, locations have become bigger in size. However, there is a greater costs to open and operate larger sites until those stores reach maturity. At least for the first half of this year, while four locations were opened another four were closed. Still, another ten to twelve new sites are planned for the second half of this year with the store size to be approximately 18,000 to 20,000 square feet. Store closings for the remainder of the year have not been addressed.

Adding to Shoe Pavilion's issues, its Chief Financial Officer left the Company on May 30, 2007. ^

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## Odds of Consumer-Led Recession Rising

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sulting firm. He puts the odds of a recession at 50%.

Mr. Gramley was referring to the spate of bankruptcies by companies that issue home loans to risky borrowers – and increasingly companies that gave loans to creditworthy homeowners, as the nation's biggest mortgage lender, Countrywide Financial, tried to stave off bankruptcy last week by tapping into an \$11.5 billion line of credit.

It was viewed as a last-ditch effort to stay solvent as investors flee anything with the word “mortgage” attached. That's making it hard for even creditworthy people to finance a home purchase.

“The volatility in today's market is making it extremely difficult to qualify borrowers for mortgage loans. And the news about Countryside's woes doesn't make the picture any brighter,” said Dawn Holly, a mortgage broker in Columbia, Maryland. She said lenders have basically stopped underwriting all but the safest of home loans.

The credit crunch isn't confined to home buyers. Banks, threatened by the risk that their loans are endangered by the spreading crisis, are withholding new loans even from sound businesses.

Mr. Gramley is concerned that there aren't good measures right now of how much lenders are pulling back. “None of us knows for sure how much credit availability has declined, but to be sure it is substantial,” he said.

If banks don't extend credit, businesses can't borrow to grow. Nor can they issue bonds to finance expansion, since investors are fleeing virtually all forms of risk. If businesses don't grow, they don't hire. If this trend goes on very long, eventually it will turn today's strong job numbers – unemployment is only at 4.6% – much weaker.

Another way that Wall Street's woes affect Main Street is that falling stock prices mean declining wealth. As Americans lose wealth in their investments and home prices continue to erode, they're likely to reduce spending.

Consumer spending depends on wealth, because if wealth contracts or asset prices fall, it undermines the growth of retail sales and other consumption . . . and that's two-thirds of GDP.

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### Did You Know...?

*U.S. home builders cut back again in July, starting construction on the fewest number of new homes in more than 10 years. Housing starts fell 6.1% to a seasonally adjusted annual rate of 1.381 million, the lowest since January 1997.*

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## Health & Beauty Aids

... **Walgreens** completed its tender offer for all of the outstanding shares of common stock of **Option Care, Inc.** As of August 13, 2007, 89.7% of Option Care's stock had been tendered. The company commenced a subsequent offering period for all remaining shares.

... **Longs Drug Stores Corp.** closed all but one of the 31 stores that the chain had earmarked for closing or other disposition during the second quarter as the chain realigns its store base. The 31 stores included eight California locations and 23 stores in Colorado, Oregon and Washington. The company has sold or subleased approximately two thirds of the locations.

... **Duane Reade** announced that its walk-in medical centers, dubbed **DR Walk-In Medical Care**, and clinic operator **Consumer Health Services** signed a formal affiliation agreement with **Continuum Health Partners** to provide patients with integrated medical care with Continuum affiliated New York hospitals.

... **drugstore.com** announced the availability of a

first of its kind online store designed for Health Savings Account (HSA) holders. An estimated 4.5 million people are covered by consumer-driven HSA plans, which require consumers to maintain records of eligible expenses.

... **GeoPharma, Inc.** reported that its shareholders approved the proposed merger transaction with **Dynamic Health Products, Inc.** Upon completion of the merger, Dynamic will become a wholly-owned subsidiary of GeoPharma.

... **Tenet Healthcare Corporation** reached a labor accord with the **California Nurses Assn.** that includes a new, four-year collective bargaining agreement and wage increases for nurses represented by the CAN at nine Tenet hospitals in California. The agreement is subject to a ratification vote by nurses. In the interest of a continued, cooperative working relationship, Tenet and the CAN also entered into a separate, five-year peace accord that contains a process to resolve issues between the parties.

## Bankruptcy Blotter

... **Phillip Gall's**, a family-owned outdoor specialty store in Lexington, Kentucky filed for bankruptcy protection and intends to liquidate. According to the petition, total liabilities amounted to \$0.7 million, including \$0.5 million to unsecured creditors while total assets are \$0.1 million.

... **Bally Total Fitness Holding Corp.** reported that most of its noteholders have pledged to support the company's new bankruptcy-exit plan sponsored by hedge fund **Harbinger Capital Partners**. Bally earlier had filed the new plan, calling for payment in full to all creditors and payment of \$16.5 million to shareholders.

... The unsecured creditors of **Tweeter Home Entertainment Group Inc.** won court approval to hire **BDO Seidman LLP** as their financial adviser over the objections raised by the U.S. Trustee.

... The estate of a deceased former shareholder of **M. Fabrikant & Sons Inc.** believes it has the right to keep \$10.25 million received from Fabrikant before the wholesaler filed for bankruptcy. The creditors committee is asking the court's permission to examine a slew of documents from the **Hahn** estate to determine if the \$10.25 million must be paid.

... **Interstate Bakeries** may ask for more time to develop its Plan of Reorganization, due by October 5<sup>th</sup>, if it cannot reach agreement with its unions. The company has developed a new business plan and is now in the process of sharing it with lenders and creditors.

... **Pacific Lumber Co.** is seeking approval to make

a \$0.6 million payment to its pension plan, a move the company says will boost employee morale after it announced it would cut about 100 jobs amid a downturn in the lumber market.

... The court approved four more settlements auto-parts supplier **Delphi Corp.** reached with its labor unions, leaving only the steelworkers union at the bargaining table. The company is still negotiating with the **United Steelworkers**, which represents about 1,000 Delphi workers.

... **Dura Automotive Systems Inc.** won court approval to sell its **Atwood Mobile Products** unit to **Insight Equity** for \$160.2 million after the auto-parts maker failed to attract competing bids for the business. The sale, along with an approved financing deal with a California hedge fund, is expected to help the company emerge from bankruptcy in the fourth quarter.

... **Collins & Aikman Corp.** won approval to sell its Columbia, Missouri, plant to **Engineered Plastic Components** for \$5.3 million as the company winds down operations. The court allowed Collins & Aikman to bypass the bankruptcy-auction process to speed up the sale. The company is selling off its assets and winding down its business in bankruptcy.

... Hedge fund **Appaloosa Management LP** is appealing the court's approval of **Centerbridge Capital Partners** plan to pump up to \$750 million into auto-parts maker **Dana Corp.** Appaloosa floated its own investment proposal to fund Dana's exit from bankruptcy.

Feedback?

Questions?

Suggestions?

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## Specialty Items

... **Jo-Ann Stores** signed a letter of intent to purchase the remaining 62% interest of **IdeaFor-est.com Inc.**, the parent company of **Joann.com**. Details of the transaction were not disclosed.

... **PetSmart, Inc.** terminated and replaced its existing \$125 million Credit Agreement with a \$350 million 5-year Revolving Credit Agreement with **Bank of America, N.A.**, as administrative agent. The Credit facility along with cash will be used to repurchase \$225 million of the company common stock.

... **The Container Store** completed the sale of the majority stake of the company to private investment firm **Leonard Green & Partners, L.P.** Leonard Green & Partners will hold a majority stake in the company with the rest made up of employee shareholders.

... **School Specialty, Inc.** reported revenue of \$386.5 million for its first fiscal quarter ended July 28, 2007, versus revenue of \$377.1 million for the first quarter last year, an increase of 2.5%.

Net income for the quarter was \$40.3 million, up 9.4% versus income of \$37.7 million for the comparable period last year.

... **Tiffany & Co.** plans to open a 2,600 square foot boutique in November 2007 at Galleria Cavour 9/A, in the center of Bologna, Italy's premier luxury shopping area.

... **Leon's Furniture Limited** reached a tentative agreement to purchase **Appliance Canada Ltd.**, with annual sales averaging \$100 million. The transaction is expected to close in late September. No other details were provided.

... **CSK Auto Corporation** entered into a fourth waiver to its Credit Agreement, which generally provides for an extension until September 15, 2007 for the company to file its Form 10-Qs for each of the quarters of fiscal 2006 and for the first quarter of fiscal 2007, and until October 14, 2007 for the company to file its Form 10-Q for the second quarter of fiscal 2007.

## Management on the Move

... **Winn-Dixie Stores, Inc.** added three new associates to its headquarters staff to oversee product sourcing, investor relations, and in-store pharmacies. **Graham Leary**, most recently with **Black & Decker's** Hardware and Home Improvement Division, was named VP of Strategic Sourcing. **Eric Harris**, most recently with **Alcan Corpotion**, was named Director of Investor Relations, and **James Schmid**, most recently with **Walgreen's**, is the company's new VP of Pharmacy.

... **The Kroger Co.** named **Jon Flora** President of the company's **Fry's** division. Most recently, Mr. Flora guided and directed several Kroger divisions as a SVP.

... **Publix Super Markets Inc.** promoted Lakeland Division Regional Director **Chuck Roskovich** to VP of the Atlanta Division replacing **Bob Moore**, who is retiring after 44 years with the company.

... **Robert Easley**, a 16-year veteran of the **H.E. Butt Grocery Co.** with extensive experience in store operations, pharmacy, marketing and management is joining **Rite Aid** as its COO. Most recently Mr. Easley served as SVP, Chief Marketing Officer and Head of Pharmacy for H.E.B.

... **Unified Grocers** appointed **Richard E. Goodspeed**, a retired industry executive, to serve on its Board of Directors to fill a vacancy created when the Board was expanded by one seat. Mr. Goodspeed had served as President and CEO of **Vons Cos.** until his retirement in 1998.

... **Cardinal Health** appointed **Vivek Jain** as EVP of Strategy and Corporate Development, with responsibility for long-range planning and mergers and acquisitions. Mr. Jain joins Cardinal Health from **Philips Medical Systems**, a division of **Koninklijke Philips Electronics N.V.**, where he most recently served as SVP of Health-Care Strategy and Business Development.

... **AnnTaylor Stores Corporation** appointed **Mark Mendelson** to the position of President of the company's new concept for a casual apparel

chain for the older baby-boomer generation. Mr. Mendelson joins Ann Taylor from **Jones New York**, where he most recently served as Chief Merchandising Officer for Jones Apparel.

... On the minus side, another top executive is leaving **AnnTaylor**. **Elaine Boltz**, who has served as AnnTaylor's EVP and Chief Marketing Officer resigned. A little over a week ago, the company's CFO **James Smith** resigned to pursue other interests.

... **Asda**, the United Kingdom unit of **Wal-Mart**, confirmed that **Angela Spindler**, an Executive Director of the company and global Managing Director of clothing line George, has resigned.

... **Family Dollar Stores, Inc.** promoted **Jeff Thomas** to the position of VP - Replenishment with responsibility for the company's replenishment functions. Mr. Thomas had been serving as VP - Merchandise Logistics.

... **The Home Depot®** appointed **Armando Codina** to its Board of Directors. Mr. Codina is the President and CEO of **Flagler Development Group**, a commercial real estate firm in Florida, which is a subsidiary of **Florida East Coast Industries, Inc.**

... **Lowe's Companies** announced the appointment of Don Stallings to the **Lowe's-Canada** team as President, replacing **Doug Robinson** who resigned for personal reasons. Mr. Stallings most recently served as the company's Regional VP of Operations in Lowe's South Central Division based in Houston.

... **Tractor Supply Company** named **Richard W. Frost** to the company's Board of Directors. Mr. Frost currently serves as CEO for **Louisiana-Pacific Corporation**.

... **CSK Auto Corporation** appointed **Brian Woods** to the position of EVP - Merchandising. Most recently, Mr. Woods served as EVP and General Merchandising Manager of **CompUSA**.

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## FYI for the DIY

... **Home Depot** reported that its \$10.3 billion deal to sell its supply business to an affiliate of **Clayton Dubilier & Rice, Carlyle Group** and **Bain Capital** appears to be on shaky ground and could upend a big chunk of the company's massive stock buy-back program. The company has moved back the contemplated closing date on the deal from August 16<sup>th</sup> to August 23<sup>rd</sup>.

... More than 200 Central Florida **Lowe's** employees are out of a job and the company blames Florida's slumping housing market. The workers were let go from the company's Distribution Cen-

ter in Osceola County.

... **Central Garden & Pet Company** filed a new universal shelf registration statement on Form S-3 with the SEC. The shelf registration statement permits the company, from time to time, to sell, in one or more public offerings, shares of its common stock, shares of its preferred stock, warrants to purchase its stock or preferred stock, debt securities, or any combination of such securities, to position the company for internal growth and acquisition initiatives.

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## Heard in the Grocery Aisle

... The Federal Court rejected an attempt by the **Federal Trade Commission** regulators to stop **Whole Foods'** pending acquisition of rival **Wild Oats**, clearing the way for the nation's largest organic and natural food chain to expand its reach. However, the FTC is appealing the ruling.

... In related news, **Whole Foods** extended the expiration date for its tender offer to purchase outstanding shares of **Wild Oats Markets, Inc.** until the end of business on August 20<sup>th</sup>. As of August 15<sup>th</sup> approximately 69.4% of the outstanding shares had been tendered.

... **Albertson's LLC**, majority-owned by **Cerberus Capital Management**, received all the necessary state and federal government approvals allowing it to acquire 10 **Raley's Stores** in the Albuquerque, Rio Ranch, and Taos, New Mexico areas, ending Raley's eight year presence in New Mexico. Albertson's intends to open seven of the units under its own banner and put the other three on the market.

... **Safeway Inc.** completed an underwritten offering with **America Securities LLC**, **BNP Paribas Securities Corp.** and **Deutsche Bank Securities Inc.** for \$500 million of 6.35% Notes Due 2017.

... **Pathmark Stores, Inc.** entered a leasehold assignment contract for the sale of its leasehold interest in one of its stores with **CPS Operating Company LLC** for \$87 million.

... **The Penn Traffic Company** amended its Credit Agreement dated April 13, 2005 to provide the company with additional liquidity by lowering the excess availability thresholds for purposes of determining compliance with certain financial covenants in the Credit Agreements. In addition, the amendments make it possible for the company to close underperforming stores.

... In other news, **Penn Traffic** filed its Form 10-K for the fiscal year ended January 28, 2006, including statements for the 41-week period commencing with the company's April 2005 emer-

gence from Chapter 11. For that 41-week period, the company reported a net loss of \$3.8 million on revenues of \$1.02 billion.

... **Hy-Vee** is adding a 39,000 square foot expansion to an existing unit in Des Moines, Iowa, bringing the facility to 91,000 square feet. The facility will include a **Starbucks** coffee shop, a room for cooking and wine classes, a walk-in medical clinic, and a wine and spirits store.

... **The Fresh Market**, based out of Greensboro, North Carolina, opened its first store in Wisconsin in Brookfield. The 22,000 square foot food market is the third national specialty grocery chain to come to the Milwaukee area in the past year, joining **Whole Foods** and **Trader Joe's**.

... Boise-based discount grocery chain **WinCo Foods Inc.** bought 20 acres of land in North Spokane, Washington, and plans to enter the market there with a roughly 93,000 square foot store it will build at that site. The company has not set a start date for construction, but plans to open the store in the fall of 2008.

... In an effort to concentrate on its store operations, **Bruno's Supermarkets LLC** contracted with **FMS, Inc.** to provide the retailer with decision support services through its business process outsourcing and applications. The services were previously provided by **Bi-Lo**, Bruno's former sister chain.

... **Sysco Corporation** reported sales for its fiscal year ended June 30, 2007 of \$35.042 billion, up 7.4% versus sales of \$32.628 billion in the prior year. Net income for the year was \$1.001 billion, up 17% versus net income for the prior year of \$855.3 million.

... **Starbucks Corp.** sees ample room for growth in selling Starbucks-branded products such as coffee beans, ice cream and chocolate in supermarkets and convenience stores, according to **Gerry Lopez**, President of Starbucks' consumer products group.

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## Global Credit Services, Inc. Welcomes Our Newest Associate

### Jasmine A. Attikese

We are happy and fortunate to announce that Jasmine A. Attikese has agreed to join Global Credit Services as a Junior Analyst. Jasmine holds a B.B.A in finance and marketing from The College of William and Mary. Jasmine will be working with Tom Gray specializing in the Home Center and Sporting Goods industries.

## Off the Rack

... **Macy's, Inc.** plans to open a new, state-of-the-art distribution center in Minooka, Illinois, approximately 50 miles southwest of Chicago. As the new, 850,000 square foot facility is phased-in, Macy's will phase out operations at its existing distribution center on Diversey Avenue in Chicago, which is expected to close in spring 2008.

... In other news, **Macy's** is launching its largest brand rollout ever, with the debut of its exclusive **Martha Stewart Collection**, a broad assortment of bed, bath, entertaining and cooking products. Macy's will also carry Martha Stewart Collection home-furnishing products, special occasion merchandise, bridal registry items and Martha Stewart art books.

... Based on results through the first half of the year but wary of the second half, **Kohl's Corporation** raised its earnings guidance from a range of \$3.75 to \$3.87 per share to a new range of \$3.77 to \$3.87 per share.

... In spite of disappointing results in the second quarter, **Nordstrom, Inc.** raised its full year earnings guidance to a range of \$2.91 to \$2.97 per share from previous guidance in the range of \$2.81 to \$2.90 per share.

... It appears that **Ann Taylor** wants to grow up. While known for its prim clothing for career women in their 30s and 40s, the company is developing a new casual apparel chain for the older, baby-boomer generation. The new chain, set to open in late 2008, will be run by **Mark Mendelson**, former Chief Merchandising Officer at the **Jones Apparel Group**.

... During the second quarter, **The TJX Companies, Inc.** recorded an after-tax cash charge of approximately \$118 million with respect to the previously announced computer intrusion(s). The charges included \$11 million after tax for costs incurred during the quarter, as well as a reserve of \$107 million after tax.

... **Urban Outfitters** announced the name of a fourth brand concept, **Terrain**, which is being readied for launch in 2008. While no details regarding planned Terrain locations and store

counts were provided, the company described the concept as inspired by the greenhouse, with added emphasis on home-related categories.

... **Istithmar**, the Dubai-based investment group purchasing **Barneys New York** reportedly intends to open five U.S. stores upon completing the deal. Istithmar is setting out a \$100 million expansion plan for Barneys.

... **The Bon-Ton Stores, Inc.** scheduled the opening of a 47,000 square foot **Carson Pirie Scott** furniture gallery in Vernon Hills, Illinois for the end of September. It is located in the same mall as the Carson Pirie Scott department store. Bon-Ton operates 9 furniture galleries.

... **Gap Inc.** is opening Gap and Banana Republic shops in Seoul, South Korea next week. According to Korea Times, **Shinsegae International**, a unit of **Shinsegae Co.**, is launching the stores through a franchise agreement with Gap.

... **Victoria's Secret**, a division of **Limited Brands Inc.** plans to nearly double the average size of its U.S. stores, from 6,000 square feet to 11,000 square feet, over the next five years. The chain expects to open or remodel 140 stores this year, with potential plans to expand overseas.

... **Casual Male Retail Group** opened a new **Rochester Big & Tall** store in King of Prussia, Pennsylvania, the chain's first store in the Philadelphia market. The opening brings to 26, the number of Rochester stores in the U.S. and London.

... **Lucy**, a manufacturer and marketer of activewear, plans to open its second and third retail stores in the Detroit area as part of their market expansion. The new stores are set to open on September 28<sup>th</sup> in Twelve Oaks and October 18<sup>th</sup> in The Mall at Partridge Creek.

... **True Religion Apparel, Inc.** is requesting a hearing before the **Nasdaq Listing Qualifications Panel** in response to a notice of delisting for failure to file its second quarter ended June 30, 2007 Form 10Q on time. The company is looking into the appropriateness of taking a \$1.2 million charge to income in the first quarter.

### Did You Know...?

*College students and their parents will spend a combined average of \$856.93 this year, up 8.7% from \$880.52 from last year, according to an annual survey by the National Retail Federation.*

## Options and Resources

**Feedback and Questions:** Should you have any feedback to provide us or questions to ask, please email us at [inbox@globalcreditservices.com](mailto:inbox@globalcreditservices.com)

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## Mass Merchant Musings

... **Wal-Mart** is reported to be developing two new small-format store concepts to blunt the impact of **Tesco's** entry in the U.S. with its 10,000 square foot **Fresh & Easy Neighborhood Market** stores. One plan calls for "urban convenience stores less than a tenth of the size of the company's supercenters and stocked with groceries geared to more affluent tastes," and the other would be "stand-alone stores offering a variety of health services and product." Either or both concepts could be introduced in early 2008.

... **Wal-Mart** has bolstered the number of loss-prevention (shrink) workers in its stores and enlisted forensic accountants to help it determine the causes of its increases in theft and lost merchandise, which is having a noticeably deleterious effect on gross margins.

... **Wal-Mart** lowered its earnings guidelines for the year by about 3%, to a range of \$3.05 to \$3.13 per share, with expectations that third quarter comps will rise 1% to 3% and earnings for the quarter will be in the range of 62 cents to 65 cents per share.

... Despite continuing losses, **Ed Kolodzieski**, CEO of **Wal-Mart's Seiyu Division** in Japan, promised that the company has no plans to pull out of Japan. The company, which has invested more than \$1 billion in Seiyu over the past five years, is predicting that its 2007 loss will be \$50 million.

... The City Council in Stockton, California voted to limit big box stores, a move opposed by **Wal-Mart** and supported by a labor coalition. The law re-

stricts stores exceeding 100,000 square feet of selling space that devote 10% or more of floor space to the sale of non-taxable items.

... Also in California, **Wal-Mart** has agreed to pay more than \$3.9 million in overtime, waiting time penalties and interest to approximately 50,000 employees, and civil penalties to the state of California. **Wal-Mart** voluntarily notified the California State Labor Commissioner in early 2005 that errors in the company's payroll processes led to the underpayments.

... For the second quarter ended August 4, 2007, **Sears Holdings Corporation** reported that comp store sales for its **Kmart** division declined 3.8% while **Sears** domestic comp store sales declined by 4.3%. As a result of sales results and increased markdowns, **Sears Holdings** now expects earnings for the second quarter to be between \$170 million and \$185 million, at the lower end of its previous guidance in the range of \$160 million to \$200 million.

... Having already spent \$3 billion in stock buy-backs since 2005, **Sears Holdings** plans to buy back an additional \$1.5 billion in stock, though CEO **Edward Lampert** continues to look for other companies to buy, some outside of retailing.

... **Toys "R" Us'** flagship store in Times Square opened several new departments including a Sports Memorabilia & Collectibles Shop; a Science Fiction and Character Collectibles Shop; a Barbie Collectibles Shop; a Children's Apparel Department; and a Geoffrey's Universe.

### Did You Know...?

Chain-store sales for the week ended August 11<sup>th</sup> rose 2.3% from the year-ago period. On a week-over-week basis, sales fell 0.9%. Chain store sales are expected to increase for the month of August by 2% to 2.5% on a year-over-year comp store sales basis.

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## Rating Changes and Outlooks

S&P Rating Changes				
Company	Credit Rating		Credit Outlook	
	Current	Prior	Current	Prior
DELHAIZE AMERICA INC	NR	BB+	NR	POS
LOWES COMPANIES INC	A+	A	STA	POS
DARDEN RESTAURANTS INC	BBB+	BBB+	NEG	STA
STAR GAS PARTNERS LP	B-	CCC+	STA	NM
AMAZON COM INC	BB	BB	POS	STA
ARAMARK SERVICES INC	B+	B+	STA	NEG
DRIVETIME AUTOMOTIVE GROUP INC	B+	B	STA	STA
SAFEWAY INC	BBB-	BBB-	POS	STA
BON TON STORES INC	B+	B+	NEG	STA
KROGER CO,THE	BBB-	BBB-	POS	STA
KRISPY KREME DOUGHNUTS INC	B-	NM	NEG	NM
INN OF THE MOUNTAIN GODS	B	B-	STA	NM

## The Global World of Sports and Footwear

... Experiencing a sales downtrend in its urban stores and an overall softness in consumer shopping patterns, **Hibbett Sports, Inc.** lowered its expectations for earnings in the second quarter from a range of 20 cents to 24 cents per share to a range of 14 cents to 17 cents per share, as compared with 12 cents per share for the second quarter last year.

... To facilitate its expansion, **Gander Mountain Company** expanded its revolving credit facility to \$345 million from \$275 million with an option to increase the line an additional \$50 million. The outstanding \$20 million term loan also remains. In addition, the facility maturity date has been extended to June 30, 2012 from June 30, 2009.

... **Cabela's** reached an agreement to purchase **S.I.R. Warehouse Sports Store**, a Winnipeg-based specialty retailer supplying hunting, fishing, camping and related outdoor merchandise to Canadian outdoorsmen and women. Terms of the transaction were not disclosed but the deal is expected to close in 30 to 60 days.

... **The Sports Authority**, which currently has 415 locations in 45 states, is expanding its Midwest distribution center in Romeoville, Illinois from 250,000 to 455,000 square feet. The increase is being accomplished with the company taking over the entire center, which was previously co-occupied by **USC Solution**. Romeoville is 30 miles southwest of Chicago.

... **GSI Commerce Inc.** signed a definitive agreement to acquire **Accretive Commerce Inc.**, a Huntersville, North Carolina-based e-commerce solu-

tions provider for \$95.7 million in cash. The acquisition will significantly expand GSI's growing partner base to nearly 80 as well as add to its infrastructure. The acquisition, given, normal approvals is expected to close in 60 days.

... **American Skiing Company** completed the sale of the **Sunday River** and **Sugarloaf** resorts to **Boyne USA, Inc.** Total proceeds received by the company were \$75.9 million, after closing costs and customary adjustments, including reimbursement of the company for certain pre-closing capital expenditures. Proceeds will be used in accordance with the company's Plan of Dissolution.

... The **Federal Trade Commission** granted early termination of the waiting period under the **Hart-Scott-Rodino Anti Trust Improvements Act** in connection with the pending combination of **The Finish Line, Inc.** and **Genesco Inc.** The transaction is expected to close in the Fall of 2007.

... **OMERS Capital Partners**, an affiliate of the **Ontario Municipal Employees Pension Fund**, signed a definitive agreement to acquire the **Golf Town Income Fund**, the publicly traded parent of the 32-door specialty chain in a deal valued at \$228 million. OMERS is one of Canada's largest pension plans.

... **Payless ShoeSource, Inc.** completed the acquisition of **The Stride Rite Corporation** and officially changed its name to **Collective Brands, Inc.** Collective Brands will operate three complementary business units, Payless ShoeSource, Stride Rite, and Collective Licensing International.

### Did You Know...?

The Retail Sector Newsletter has increased readership each week since publishing began?

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## Earnings Release Dates

Apparel/Department Stores	
American Eagle Outfitters, Inc.	21-Aug
Wilsons The Leather Experts	21-Aug
Abercrombie & Fitch	22-Aug
Charming Shoppes, Inc.	22-Aug
Gymboree Corporation	22-Aug
Men's Wearhouse	22-Aug
Ross Stores, Inc.	22-Aug
Talbots, Inc.	22-Aug
Tween Brands, Inc.	22-Aug
Aeropostale, Inc.	23-Aug
bebe stores, inc.	23-Aug
Bon-Ton Stores, Inc.	23-Aug
Buckle, Inc.	23-Aug
Cato Corporation	23-Aug
Children's Place Retail Stores	23-Aug
Deb Shops, Inc.	23-Aug
Gap, Inc.	23-Aug
Limited Brands	23-Aug
New York & Company, Inc.	23-Aug
Stage Stores, Inc.	23-Aug
Stein Mart	23-Aug
Wet Seal, Inc.	23-Aug
AnnTaylor Stores Corporation	24-Aug
Chico's FAS, Inc.	29-Aug
Citi Trends, Inc.	29-Aug
Coldwater Creek	29-Aug
dELIA*s, Inc.	30-Aug
Home Centers	
Lowe's Companies, Inc.	20-Aug

Sporting Goods & Footwear	
Dick's Sporting Goods, Inc.	21-Aug
Gander Mountain Company	22-Aug
Zumiez Inc.	22-Aug
Hibbett Sports, Inc.	23-Aug
Shoe Carnival, Inc.	23-Aug
Brown Shoe Company, Inc.	29-Aug
Payless ShoeSource	29-Aug
Genesco Inc.	30-Aug
Specialty	
Pep Boys	22-Aug
Tuesday Morning Corporation	28-Aug
Borders Group, Inc.	29-Aug
Finlay enterprises, Inc.	29-Aug
Jo-Ann Stores, Inc.	29-Aug
Cost Plus, Inc.	30-Aug
Kirkland's, Inc.	30-Aug
Restoration Hardware	30-Aug
Mass Merchants	
BJ's Wholesale Club, Inc.	21-Aug
Big Lots, Inc.	29-Aug
Dollar Tree Stores, Inc.	29-Aug
Fred's, Inc.	29-Aug
Consumer Electronics	
Staples, Inc.	21-Aug
Tech Data Corporation	22-Aug
ValueVision Media, Inc.	22-Aug
GameStop Corp.	23-Aug
Trans World Entertainment Corp.	23-Aug
Conn's, Inc.	30-Aug

## Shoe Pavilion Inc.: Retailer of the Week

(Continued from page 1)

### FINANCIAL PERFORMANCE

#### Income Statement, Second Quarter

	2006	2007
Net Sales	\$31.4 mm	\$37.5 mm
Comp Store Sales	3.90%	-1%
Gross Profit	\$11 mm (34.9%)	\$11 mm (29.3%)
SG&A Expenses	\$9.2 mm (29.2%)	\$12.2 mm (32.5%)
Operating Income/Loss	\$1.8 mm	(\$1.2) mm
Interest Expense	\$102,000	\$525,000
Net Income/Loss (tax benefit for 2007)	\$1 mm	(\$1.1) mm

#### Income Statement, First Six Months

	2006	2007
Net Sales	\$58.7 mm	\$73.8 mm
Comp Store Sales	1.40%	3.40%
Store Count	96	108
Gross Profit	\$20.2 mm (34.5%)	\$21.4 mm (29%)
SG&A Expenses	\$17.9 mm (30.5%)	\$24.3 mm (32.9%)
Operating Income/Loss	\$2.3 mm	(\$2.8) mm
Interest Expense	\$281,000	\$984,000
Net Income/Loss (tax benefit for 2007)	\$1.2 mm	(\$2.3) mm

After posting a strong comp store sales gain of 7.8% for the first quarter, comp sales began to crumble in the second quarter. We believe that current macro economic factors and possibly too aggressive new store expansion may be causing the recent negative comp performance. The locations opened over the preceding twelve months worked out to a new store (net) every month.

Higher occupancy expenses from new and larger immature stores and more markdown activity undertaken to control inventory levels have taken a severe toll on the margin percentage; declining 560 basis points in the (second) quarter to quarter period and 550 basis points year to date. Unfortunately, SG&A expenses, when also viewed as a percentage of sales, jumped 330 basis points in the second quarter and 240 basis points year to date. The break down for this year's second quarter was 90 basis points for increased salary expense; 70 basis points for higher freight costs; 70 basis points for consulting services; 40 basis points for higher credit card fees and processing; and 20 basis points each for increased store supplies, MIS costs, and utilities. For the first six months of this year, the break down was freight 50 basis points; advertising 40 basis points; consulting services 30 basis points; 30 basis points for store salaries; and 20 basis points each for store supplies, credit card fees and processing, warehouse expenses, and MIS costs.

Soaring interest expense was tied to much higher revolver borrowings and rising interest rates.

### BALANCE SHEET

	2006	2007
Cash	\$532,000	\$375,000
Inventory	\$56.3 mm	\$71.9 mm
Current Assets	\$62.1 mm	\$80.5 mm
Total Assets	\$74.1 mm	\$99.7 mm
Accounts Payable	\$16.7 mm	\$12.6 mm
Revolver Borrowings	\$6 mm	\$33 mm
Total Liabilities	\$33.8 mm	\$60.8 mm
Current Ratio	2.4:1	1.6:1
Leverage Percentage	46%	61%
Working Capital Coverage	12 months	7.6 months

(Continued on page 10)

#### Did You Know...?

While it's generally accepted that females make or influence 80% of all purchases, they only made up 16.4% of corporate officers among Fortune 500 companies and only 1.6% of the nation's CEOs in 2004. So why, if women are experts at making purchasing decisions, are they so far from being the ultimate decision makers?

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## Shoe Pavilion Inc.: Retailer of the Week

(Continued from page 9)

The jump in revolver debt is associated with the cost of opening new stores, including inventory needs. However, during the second quarter comp sales began to ail making merchandise probably selling slower than invoices coming due. However, on the bright side account payables look much better with average account payable turns dropping from 82 days to 43 days in the year over year six month period. If suppliers began to tighten up on collection practices, it would stand to reason that Shoe Pavilion would then be forced to borrow more under its revolver to pay invoices due.

Excess availability dropped from over \$11 million at the end of June 2006 to just \$2.6 million at the end of June 2007. Clearly, more availability would be needed to comfortably run the business on a long term basis.

The increase in revolver borrowings has leveraged the balance sheet and while the current ratio is still acceptable, liquidity is being driven solely by inventory levels. If sales performance continues to slow, Shoe Pavilion would then need to reduce merchandise levels, which in turn could lower the current ratio even more.

### OUTLOOK

One positive note is that Shoe Pavilion is now entering its much busier back to school and then fourth quarter season. This hopefully will drive cash into the business and enable the Company to bring down revolver debt. However, a poor back to school season and subsequent holiday season could spell trouble for Shoe Pavilion, particularly with 10 to 12 new stores coming on line over the next six months.

Given the Company's current state of financial affairs and questionable consumer spending trends in the near term, we hope that management will reconsider expansion plans for 2008. For now clients of course will be extremely concern about Shoe Pavilion's progression over the next six months. We suggest that clients keep a very close eye on their exposures and any amounts outstanding beyond terms.

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### Did You Know...?

*A new estimate by the Convenient Care Association suggests that roughly 7% of Americans have used an in-store medical clinic at least once. There are about 400 in-store clinics currently operating and forecasts call for 700 by the end of 2007 and 2,000 by the end of 2008.*

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## Hi Tech Entertainment

... Fashion is meeting function as **Liz Claiborne Accessories** and **Best Buy** are introducing a new line of consumer electronic accessories available exclusively through U.S. Best Buy stores and online. An extensive offering of laptop bags and sleeves, business totes, cell phone cases, MP3 cases and camera cases will be available.

... **Gateway, Inc.** continues to expand the availability of its products worldwide with its official launch in China, unveiling its new notebook and desktop PCs, as well as displays for Chinese customers through **Digital China**.

... The planned acquisition of **MyerEmco** by **Harvey Electronics** has been scuttled. The stock purchase agreement, which was scheduled to close last week following repeated delays, was terminated by MyerEmco management, which cited Harvey's failure to complete the acquisition prior to the deadline.

... **hgregg, Inc.** reported sales for its first fiscal quarter ended June 30, 2007 of \$254.2 million, up 25.0% versus sales for the comparable period last year of \$203.2 million. Net income for the quarter was \$2.9 million versus a net loss for the quarter last year of \$1.4 million.

... **Movie Gallery, Inc.** reported that it and certain

lenders under its First Lien Credit Facility executed an extension of the Forbearance Agreement to August 27, 2007. The agreement forbears the lender from exercising rights and remedies arising from existing defaults, absent any new defaults.

... **Virgin Megastores** and **Amazon.com** will part ways this fall ending a five-year relationship in which the e-commerce giant hosted a co-branded Web site and provided inventory, fulfillment, site content and customer service for Virgin.

... **HSN**, an operating business of **IAC**, and **ELLE** magazine have joined forces to debut "HSN Fall Fashion Week Presented by ELLE" August 18-24. The week-long series of trend-driven shows combines ELLE's editorial authority with HSN's newest designers and brands, including **Tina Knowles**, **David Rodriguez**, and **Scoop NYC**, among others.

... **Ingram Micro** expanded its North American distribution agreement with **Panasonic Computer Solutions Company** and is now authorized to sell Panasonic's full line of rugged, semi-rugged and business-rugged Toughbook mobile computers to channel partners servicing the U.S. Federal Government.

## Second Quarter Earnings

\$ in Millions	Sales			2nd Qtr Comps	Net Income		
	2006	2007	Change		2006	2007	Change
<b>Sports &amp; Footwear</b>							
Bakers Footwear Group, Inc	\$47.2	\$42.0	-11.0%	-18.3%			
Big 5 Sporting Goods Corp.	\$211.8	\$217.8	2.9%	-0.2%	\$7.4	\$5.9	-20.0%
Big Dog Holdings, Inc.	\$53.2	\$55.9	5.0%	2.3%	\$0.6	(\$0.2)	N/A
Broder Bros., Co.	\$259.5	\$249.4	-3.9%		(\$0.2)	(\$4.4)	-1988.5%
Cabela's	\$346.5	\$403.4	16.4%	-0.8%	\$8.4	\$11.3	34.8%
DSW Inc.	\$301.3	\$348.7	15.7%	5.9%	C\$10.1	C\$10.9	8.1%
Footstar, Inc.	\$190.6	\$173.4	-9.0%	-7.9%	\$21.4	\$21.5	0.5%
Golfsmith International Holdings, Inc.	\$114.1	\$125.0	9.5%	-4.7%	(\$7.9)	\$6.8	N/A
Golf Town	C\$82.1	C\$94.3	14.8%				3.9%
GSI Commerce	\$119.6	\$131.3	9.7%		(\$3.6)	(\$5.0)	-40.5%
NexCen Brands, Inc. (The Athlete's Foot)		\$8.9			(\$1.5)	(\$0.2)	83.9%
Shoe Carnival, Inc.	\$146.9	\$154.8	5.4%	-7.1%			
Shoe Pavilion, Inc.	\$31.4	\$37.5	19.5%	-1.0%	\$1.0	(\$1.1)	N/A
Skechers USA, Inc.	\$292.2	\$352.2	20.5%		\$17.6	\$14.9	-15.1%
West Marine, Inc.	\$264.5	\$247.8	-6.3%	-2.9%	\$14.2	\$20.1	41.8%
WinMark Corporation	\$6.3	\$7.6	20.6%		\$0.7	\$0.5	-15.9%
<b>Specialty</b>							
A.C. Moore Arts & Crafts	\$129.8	\$124.4	-4.1%	-10.0%	(\$1.8)	(\$0.3)	80.6%
Advance Auto Parts, Inc.	\$1,107.9	\$1,169.9	5.6%	1.3%	\$62.9	\$68.4	8.7%
Brookstone, Inc.	\$91.3	\$99.9	9.4%	2.1%	(\$11.0)	(\$6.5)	41.1%
Finlay Enterprises, Inc.	\$149.3	\$148.0	-0.9%	-3.6%			N/A
Guitar Center, Inc.	\$458.0	\$518.9	13.3%	-0.1%	\$13.4	\$9.6	-28.8%
Haverty Furniture	\$211.0	\$187.1	-11.3%	-12.7%	\$3.6	(\$1.4)	N/A
Jo-Ann Stores, Inc.	\$363.2	\$388.5	7.0%	7.0%			
Kirkland's, Inc.	\$91.0	\$87.4	-4.0%	-10.5%			
Leon's Furniture Limited	C\$134.0	C\$147.0	9.7%	3.5%	C\$8.3	C\$9.9	20.2%
Linens N Things	\$611.6	\$593.6	-2.9%	-7.3%	(\$39.1)	(\$42.0)	-7.3%
Midas, Inc.	\$45.1	\$45.3	0.4%	2.2%	\$2.6	\$3.0	15.4%
O'Reilly Automotive, Inc.	\$591.2	\$643.1	8.8%	2.0%	\$49.3	\$51.9	5.2%
PetSmart, Inc.	\$1,020.6	\$1,116.7	9.4%	4.0%	\$34.6	\$47.1	36.1%
Pet Valu	\$35.5	\$38.6	8.9%	6.1%	\$1.2	\$2.8	127.6%
Richelieu Hardware Ltd.	C\$102.6	C\$116.3	13.4%		C\$8.6	C\$8.7	0.3%
Tuesday Morning Corp.	\$207.7	\$219.4	5.6%	0.1%			
Yankee Candle Company	\$116.3	\$133.4	14.8%	3.0%	\$4.8	(\$16.7)	N/A
<b>Consumer Electronics</b>							
Aaron Rents, Inc.	\$321.7	\$359.0	11.6%	5.0%	\$20.7	\$19.7	-4.8%
Amazon.com, Inc.	\$2,139.0	\$2,886.0	34.9%		\$22.0	\$78.0	254.5%
Blockbuster Inc.	\$1,299.9	\$1,263.2	-2.8%		\$68.4	(\$35.3)	N/A
BMTC Group Inc.	C\$216.0	C\$216.1	0.0%		C\$12.1	C\$14.9	22.5%
CDW Corporation	\$1,633.5	\$2,032.8	24.4%	5.0%	\$73.1	\$80.1	9.5%
Conn's, Inc.	\$163.6	\$179.0	9.4%				
Gateway, Inc.	\$909.3	\$840.6	-7.6%		(\$7.7)	\$1.9	N/A
IAC/InterActiveCorp	\$1,431.6	\$1,512.4	5.6%		\$53.8	\$96.0	78.4%
Ingram Micro Inc.	\$7,395.6	\$8,186.1	10.7%		\$53.8	\$52.4	-2.6%
Movie Gallery	\$601.3	\$561.2	-6.7%	-4.7%	(\$14.9)	(\$309.9)	-1980.4%
Office Depot, Inc.	\$3,494.9	\$3,631.6	3.9%	-5.0%	\$118.3	\$109.1	-7.8%
OfficeMax Incorporated	\$2,041.0	\$2,132.4	4.5%	1.6%	\$27.4	\$27.4	0.1%
PC Connection, Inc.	\$408.1	\$441.1	8.1%		\$3.1	\$5.8	84.9%
PC Mall, Inc.	\$234.1	\$263.0	12.3%		\$0.4	\$3.0	659.2%
RadioShack Corporation	\$1,099.9	\$934.8	-15.0%	-8.9%	(\$3.2)	\$47.0	N/A
Rent-A-Center, Inc.	\$583.6	\$724.2	24.1%	2.7%	\$39.8	\$41.3	3.5%
Sharper Image	\$104.1	\$77.6	-25.5%	-10.0%			
Systemax Inc.	\$547.2	\$647.1	18.2%		\$7.1	\$13.8	93.7%
United Stationers Inc.	\$1,111.1	\$1,141.2	2.7%		\$41.4	\$24.1	-41.7%
Zones, Inc.	\$145.2	\$192.2	32.4%		\$2.9	\$4.4	51.1%
<b>Food</b>							
Arden Group	\$119.1	\$119.8	0.6%	0.6%	\$4.7	\$6.5	39.6%
George Weston Ltd.	C\$7,507.0	C\$7,739.0	3.1%		C\$184.0	C\$129.0	-30.0%
Loblaw Companies Limited	C\$6,699.0	C\$6,933.0	3.5%		C\$194.0	C\$119.0	-38.7%
Nash Finch Company	\$1,070.8	\$1,064.0	-0.6%	0.3%	\$4.1	\$9.6	132.6%
Publix Super Markets	\$5,349.0	\$5,665.0	5.9%	4.0%	\$264.0	\$306.4	16.1%
Safeway, Inc.	\$9,367.1	\$9,823.3	4.9%	4.5%	\$246.2	\$218.2	-11.4%
Weis Markets, Inc.	\$561.9	\$578.8	3.0%	3.2%	\$15.5	\$18.2	17.2%
Wild Oats Markets	\$296.6	\$311.8	5.1%	3.1%	\$4.9	\$0.1	-97.4%
<b>Drug</b>							
Abbott	\$5,501.1	\$6,370.6	15.8%		\$612.2	\$988.7	61.5%
CVS Caremark Corporation	\$10,564.4	\$20,703.3	96.0%	5.7%	\$337.9	\$723.6	114.1%
Drugstore.com, Inc.	\$102.4	\$110.4	7.8%		(\$2.2)	(\$3.0)	-37.5%
Duane Reade Holdings	\$398.8	\$431.9	8.3%	7.9%	(\$21.1)	(\$21.1)	-0.3%
Express Scripts, Inc.	\$4,421.1	\$4,600.4	4.1%		\$107.8	\$152.7	41.7%
Longs Drug Stores	\$1,237.2	\$1,274.5	3.0%	1.0%	\$19.0	\$26.6	39.8%
Omnicare, Inc.	\$1,641.1	\$1,549.2	-5.6%		\$8.4	\$49.2	487.7%
Shoppers Drug Mart	C\$1,768.2	C\$1,928.1	9.0%	5.3%	C\$94.4	C\$112.3	18.9%
Tenet Healthcare Corp.	\$2,195.0	\$2,228.0	1.5%		(\$398.0)	(\$30.0)	92.5%

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## Second Quarter Earnings

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\$ in Millions	Sales		Change	2nd Qtr Comps	Net Income		
	2006	2007			2006	2007	Change
<b>Apparel</b>							
Aeropostale, Inc.	\$274.6	\$311.2	13.3%	-4.1%			
American Eagle Outfitters	\$602.3	\$703.2	16.8%	2.0%			
Big Dog Holdings, Inc.	\$53.2	\$55.9	5.0%	4.0%	\$0.6	(\$0.2)	N/A
Bon Ton Stores, Inc.	\$746.8	\$708.6	-5.1%	-5.0%			
Buckle, Inc.	\$102.4	\$124.3	21.4%	10.1%			
Cache, Inc.	\$71.7	\$71.0	-0.9%	1.0%	\$2.1	\$1.3	-37.1%
Carter's, Inc.	\$277.6	\$287.8	3.7%	-0.9%	\$9.0	(\$143.4)	N/A
Cato Corporation	\$214.6	\$219.0	2.1%	-1.0%			
Chico's FAS, Inc.	\$403.0	\$436.0	8.2%	-5.6%			
Children's Place	\$395.6	\$424.3	7.3%	-1.0%			
Citi Trends, Inc.	\$76.3	\$96.8	26.9%	3.4%			
Deb Shops, Inc.	\$75.3	\$77.4	2.8%	0.1%			
Dillard's, Inc.	\$1,683.9	\$1,649.0	-2.1%	-3.0%			
Eddie Bauer Holdings	\$225.7	\$227.0	0.6%	0.9%	(\$42.0)	(\$22.2)	47.0%
GAP	\$3,720.0	\$3,690.0	-0.8%	-5.0%			
Gottschalks	\$153.4	\$145.0	-5.5%	-4.0%			
Gymboree Corporation	\$149.6	\$179.9	20.3%	5.0%			
Harold's Stores, Inc.	\$19.3	\$17.5	-9.3%	-12.8%			
Hot Topic, Inc.	\$160.1	\$161.7	1.0%	-5.8%			
J.C. Penney Company	\$4,238.0	\$4,391.0	3.6%	1.9%	\$179.0	\$182.0	1.7%
JoS. A. Bank Clothiers	\$119.1	\$134.3	12.8%	2.5%			
Kohl's Corporation	\$3,301.5	\$3,589.2	8.7%	1.3%	\$232.4	\$269.2	15.8%
Limited Brands	\$2,453.9	\$2,624.1	6.9%	2.0%			
Macy's, Inc.	\$5,995.0	\$5,894.0	-1.7%	-2.6%	\$317.0	\$74.0	-76.7%
New York & Company, Inc.	\$264.9	\$294.4	11.1%	4.7%			
Nordstrom, Inc.	\$2,270.5	\$2,389.5	5.2%	5.9%	\$178.8	\$180.4	0.9%
Pacific Sunwear of California, Inc.	\$324.5	\$342.2	5.5%	1.8%			
Retail Ventures, Inc.	\$694.5	\$732.7	5.5%	0.3%			
Ross Stores, Inc.	\$1,317.0	\$1,445.0	9.7%	2.0%			
Saks Incorporated	\$598.2	\$687.9	15.0%	13.2%			
Stage Stores, Inc.	\$329.7	\$359.2	8.9%	0.5%			
Stein Mart, Inc.	\$336.3	\$330.7	-1.7%	-1.2%			
Talbots, Inc.	\$571.0	\$572.0	0.2%	-4.8%			
Tandy Leather Factory	\$13.4	\$13.4	-0.1%	-0.8%	\$1.1	\$0.4	-65.0%
TJX Companies	\$3,963.7	\$4,313.3	8.8%	5.0%	\$138.2	\$59.0	-57.3%
True Religion Apparel, Inc.	\$30.7	\$35.7	16.3%		\$4.9	\$5.1	3.7%
United Retail Group	\$120.9	\$122.3	1.2%	-1.0%			
Urban Outfitters, Inc.	\$285.6	\$348.4	22.0%	5.0%	\$25.7	\$31.9	24.2%
Wet Seal, Inc.	\$129.5	\$143.6	10.9%	-1.7%			
<b>Mass Merchants</b>							
Big Lots, Inc.	\$1,046.5	\$1,075.4	2.8%	5.2%			35.5%
BJ's Wholesale Club, Inc.	\$2,080.0	\$2,250.0	8.2%	3.8%			
Canadian Tire	C\$2,247.6	C\$2,316.7	3.1%	1.7%	C\$103.3	C\$122.3	18.4%
Cost U Less, Inc.	\$53.6	\$55.3	3.3%	3.3%	\$0.5	\$0.7	43.8%
Dollar Tree Stores, Inc.	\$883.6	\$971.2	9.9%	4.4%			
Fred's, Inc.	\$406.9	\$424.6	4.3%	0.8%			
Overstock.com	\$159.2	\$149.0	-6.4%		(\$15.7)	(\$13.8)	12.5%
Sears Canada Inc.	C\$1,428.4	C\$1,443.9	1.1%	2.2%	C\$18.1	C\$47.6	263.0%
Target Corporation	\$12,962.0	\$14,167.0	9.3%	4.9%			
Wal-Mart Stores, Inc.	\$85,430.0	\$93,012.0	8.9%	2.0%	\$2,083.0	\$3,105.0	49.1%
<b>Home Centers</b>							
Builders FirstSource, Inc.	\$642.4	\$465.1	-27.6%		\$28.4	\$8.4	-70.4%
Building Materials Holding Corporation	\$922.0	\$697.0	-24.4%		\$34.2	\$19.4	-43.2%
Calloway's Nursery, Inc.	\$28.6	\$28.4	-0.9%	-9.1%	\$3.1	\$1.2	-59.3%
Fastenal Company	\$458.8	\$519.7	13.3%		\$51.5	\$60.3	17.0%
Five Star Products, Inc.	\$29.9	\$35.9	20.0%		\$0.1	\$0.6	350.0%
Griffin Land & Nurseries	\$24.6	\$31.9	29.7%		(\$0.3)	\$6.0	N/A
Home Depot, Inc.	\$22,592.0	\$22,184.0	-1.8%	-5.2%	\$1,862.0	\$1,587.0	-14.8%
Huttig Building Products	\$296.3	\$239.5	-19.2%		\$3.3	\$1.1	-66.7%
Interline Brands, Inc.	\$235.4	\$313.2	33.1%		(\$2.9)	\$12.0	N/A
Rona, Inc.	C\$1,346.0	C\$1,469.1	9.1%	1.4%	C\$80.0	C\$86.2	7.7%
Sherwin-Williams Company	\$2,130.0	\$2,198.2	3.2%	0.0%	\$184.6	\$202.6	9.8%
Tractor Supply Company	\$714.9	\$790.9	10.6%	1.0%	\$42.9	\$43.8	1.9%
True Value Company	\$597.0	\$594.4	-0.4%	1.5%	\$24.0	\$27.0	12.5%
United Rentals, Inc.	\$919.0	\$966.0	5.1%		\$56.0	\$67.0	19.6%
Wesco International	\$1,336.0	\$1,518.1	13.6%		\$55.2	\$57.1	3.4%
W. W. Grainger	\$1,482.9	\$1,601.0	8.0%	8.0%	\$93.7	\$104.8	11.8%

### Did You Know...?

The Deloitte Research Leading Index of Consumer Spending fell this month, forecasting a weak spending outlook, primarily due to continued falling home prices. The index, comprising four components - tax burden, initial unemployment claims, real wages and real home prices - fell to 2.67%, from an upwardly revised gain of 3.08% a month ago.

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