

RETAIL SECTOR WEEKLY

Key Retail News and Commentary

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Did You Know...?

Output at the nation's factories, mines and utilities rose in August as hot weather boosted utility operations, but output in manufacturing fell 0.3% in its first drop since February. The decline in manufacturing was mainly due to a 2.6% dip in automotive production.

Facing Higher Toy Prices

Someone is going to have to pay all the extra costs of making toys safer.

For now, toy makers and retailers are sharing the burden, but that's only expected to last until the holiday season. Next year, American consumers will be facing price increases of up to 10% to pay for the industry's increased vigilance after more than 3 million lead-tainted toys from China were recalled worldwide since June.

A 10% average increase would be the biggest one-time price hike in toys in several years, analysts say. And it's more than twice the government's measure of consumer inflation of 4.7% during the first seven months of this year.

Consumers could also see higher prices on other Chinese imports like fish and children's apparel, but the big price gains with toys could be more jolting.

Shoppers have become accustomed to cheap playthings from China because Wal-Mart Stores Inc. and other discounters have waged cost-cutting campaigns. Critics say real safeguards were sacrificed to keep prices low.

(Continued on page 2)

Tuesday Morning Corp.: Retailer of the Week

Falling margins and inflated costs continued to force much lower earnings for Tuesday Morning when comparing the first six months of this year to the same period last year. In addition, revolver borrowings have more than tripled between the end of last year's first half and this year's first half. With the housing market in a slump, leading to worries for the home decor and furnishings sector, we are not optimistic about second half results. With the dwindling earnings and higher debt, Global Credit has downgraded our credit rating for Tuesday Morning from a "C-" to a "D+", the latter reflecting a moderate amount of credit risk.

NOTE: Starting this year, Tuesday Morning has changed its fiscal year end from December 31 to June 30, therefore, the quarter ending September 30, 2007 will be Tuesday Morning's first fiscal quarter.

BACKGROUND

Tuesday Morning is a close out retailer of upscale home furnishings, house wares, and gifts. From opening its first store in 1974 the Company as of June 30, 2007 operated 810 stores in 47 states. Tuesday Morning offers first quality merchandise geared towards value savvy consumers. In recent months Tuesday Morning has begun to suffer from declining comp store sales.

FINANCIAL PERFORMANCE

Income Statement, Second Quarter

	2006	2007
Net Sales	\$207.7 mm	\$219.4 mm
Comp Store Sales	-10.80%	0.10%
Gross Profit	\$74.3 mm (35.8%)	\$79.8 mm (36.4%)
SG&A Expenses	\$69.2 mm (33.3%)	\$75.7 mm (34.5%)
Operating Income	\$5.1 mm (2.4%)	\$4.1 mm (1.9%)
Interest Expense	\$567,000	\$924,000
Net Income	\$2.9 mm	\$2 mm

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Facing Higher Toy Prices

(Continued from page 1)

Analysts said the price increases are unlikely to hit until at least January because manufacturers and sellers already ordered the toys for Christmas.

Most of the rising costs come from emergency third-party testing in the U.S. by both makers and sellers as they aim to root out any unsafe products.

Mattel Inc.'s three high profile recalls of lead painted toys since the beginning of August have pushed product testing to a frenzied pace. Companies are removing playthings from shelves and sending them to independent laboratories to be examined. The price of labor, overtime and testing will drive up costs in the short term, but increased regulation will likely keep them higher.

This year, "both retailers and manufacturers will share the costs," said Eric Johnson, professor of operations management at Dartmouth's Tuck School of Business. "But in the longer term, costs will have to go somewhere. And consumers will see it." The higher prices will stick around because some toy makers will shift a portion of their production from China to the U.S. or Europe, where labor is more expensive.

This week, Toys "R" Us Inc., the nation's second-largest toy seller behind Wal-Mart, said it would be using an independent laboratory to test every branded product. The retailer will be absorbing the extra costs for now, but company spokeswoman Kathleen Waugh said she believes "pricing could increase" next year.

The Walt Disney Company – hit by Mattel's recall of 436,000 cars based on "Sarge," a character in the movie "Cars," that were believed to contain lead paint – will independently test toys featuring its characters. The tests will begin in the next two weeks and will include all categories of products from about 2,000 licensees. Disney will absorb the additional costs, which are estimated to be about several million dollars this year.

Price wars led by Wal-Mart have put financial pressure on toy manufacturers, though they have been able to push through price increases in recent years as they face higher resin and other related costs.

The average toy price remains relatively cheap because the bulk of toys sold involve \$1 items such as card games and miniature cars – impulse purchases that can be picked up in the local supermarket. According to NPD, which tracks prices of specific toys and categories, the average selling price of a toy increased to \$7.53 in 2006, compared with \$7.17 in 2005 and \$6.97 in 2004.

When all is said and done, however, consumers can expect another price war this holiday season led by Wal-Mart. After that – all bets are off.

First Page

Did You Know...?

Corporate default rates in the U.S. are expected to reach a four-year high next year and keep climbing as credit markets tighten around the world.

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Bankruptcy Blotter

... The trustee asked the court to approve the sale of a **Le-Nature's Inc.'s** bottling plant to **Giant Eagle Inc.**, less than two weeks after the court ruled the chain intimidated a competitor into dropping out of the sale. **Cadbury Schweppes Beverage Group** will complete its \$19 million purchase of the plant and then resell it to Giant Eagle for \$19 million.

... The future of **Interstate Bakeries Corp.** took another step sideways after the **Bakery, Confectionery, Tobacco Workers and Grain Millers International Union** halted talks over wage concessions. Interstate's largest union, the **International Brotherhood of Teamsters** stopped talks of its own earlier and threatened a strike in Southern California.

... In other news, **Interstate Bakeries Corp** reported a net loss for July of \$3.7 million, including restructuring and reorganization charges of \$2.4

million. Total revenue for the month was \$224.8 million.

... **Delphi Corp.** reached a deal with **General Motors Corp.** to settle for \$200 million GM's damage claims against the company over warranties for parts it supplied. A hearing on the settlement is scheduled for September 27th.

... In the midst of cutting 8,500 salaried positions worldwide, **Delphi Corp.** expects to close its powertrain systems plant in Oak Creek, Wisconsin, by the end of the year, laying off about 200 employees.

... **Maxxam Inc.** will provide financing for subsidiary **Pacific Lumber Co.'s** bankruptcy exit plan with the company's creditors repaid in full under the proposal. However, the company needs an extra month in which to file its Plan of Reorganization, which is being opposed by its creditors.

Management on the Move

... **Safeway Inc.** promoted **Michael R. Minasi** to the position of President, Marketing. Mr. Minasi had been serving as SVP, Marketing, overseeing advertising, brand management and marketing strategies.

... **Ahold's Stop & Shop/Giant Food** named **Peter Hurtgen** as SVP of Labor Relations. Mr. Hurtgen most recently served as a partner with the **Morgan Lewis** labor and employment group.

... **Tenet Healthcare Corporation** reported that its Chief Medical Officer, **Jennifer Daley, M.D.** is leaving the company to accept the position of Chief Medical Officer at **Partners Community Healthcare** in Boston. While the company institutes a search for a replacement, **Stephen L. Newman, M.D.**, COO, will assume Ms. Daley's responsibilities.

... **Tenet's** Southern States Region named **Teresa C. Urquhart** as CEO at Coastal Carolina Medical Center in Hardeeville, South Carolina. Ms. Urquhart has served as interim CEO at Coastal Carolina since Tenet acquired the hospital last July.

... **Avon Products Inc.** named **Elizabeth Smith** as its new President succeeding **Susan Kropf**, who retired last year. Ms. Smith, President of the company's North American and global marketing divisions, will retain her current responsibilities while also overseeing the company's global supply chain and information technology.

... **Sears Holdings Corporation** named **J. Miles Reidy** as EVP, CFO reporting to Chief Administrative Officer **William C. Crowley**. Mr. Reidy most recently served in a number of senior financial and planning positions with **Capital One Financial Corporation**. Mr. Reidy succeeds **Craig Monaghan**, who left Sears in January after less than six months on the job.

... **Toys "R" Us Inc.** selected **Ron Boire**, current President of the company's U.S. Division to become the new President of the company's North American market, including Canada. Mr. Boire will be looking to maximize synergies and identify best practices to leverage across both countries.

... **Payless ShoeSource**, a unit of **Collective Brands, Inc.**, hired three new designers to join its New York Design Studio team including **Christopher Kittle** as men's footwear design director, **Michelle Frantz**, accessory designer, and **Chris Torres**, athletic footwear designer.

... **Stage Stores, Inc.** appointed **Edward Record** as EVP, CFO. Mr. Record, who most recently served as the company's EVP, Chief Administrative Officer, joined Stage Stores in May from **Kohl's Corporation**, where he served as SVP of Finance.

... The **Bon-Ton Stores, Inc.** increased the size of its Board of Directors from ten to eleven and elected **Lucinda M. Baier** to fill the new seat. Ms. Baier is CFO of **World Kitchen, LLC**.

... **Kohl's** moved from three to five principal officer positions with the appointment of **Donald A. Brennan** as Senior EVP overseeing all merchandising divisions and **John M. Worthington** as Senior EVP overseeing store operations, store administration, merchandise presentation and loss prevention. Both Mr. Brennan and Mr. Worthington had served as EVPs prior to their promotions.

... The **Wet Seal's** EVP and CFO **John Luttrell** is leaving the company to accept the role of EVP and CFO at **Gap Inc.'s** Old Navy division. Wet Seal announced that **Steve Benrubi**, currently Wet Seal's VP and Controller, will replace Mr. Luttrell.

... **The TJX Companies, Inc.** elected **Jose B. Alvarez** and **Alan M. Bennett** to its Board of Directors. Mr. Alvarez is President and CEO of **Stop & Shop/Giant-Landover**, a division of **Royal Ahold**, and Mr. Bennett recently left **Aetna, Inc.** where he served as SVP and CFO.

... **dELIA*s, Inc.** named **Chris DiChiaro** as Divisional Merchandise Manager of its Alloy division. Mr. DiChiaro most recently served as VP - Merchandising of Intimate Apparel at **Victoria's Secret Direct**.

... **dELIA*s** also announced the appointment of **Lee Bissonnette** as Senior Director of e-Commerce. Prior to joining the company, Mr. Bissonnette served as Operating VP of E-Commerce and Internet Strategy at **Bloomingdale's**.

... It was a busy week at **Blockbuster Inc.** as the company announced that **Nick Shepherd**, its COO, would leave the company at the end of this month. No reason was given for Mr. Shepherd's departure.

... **Blockbuster** appointed **Thomas M. Casey** as its new EVP and CFO, succeeding **Larry Zine** who will be retiring at the end of the month. Mr. Casey most recently served as a managing director for **Deutsche Bank Securities, Inc.**

... In addition to adding a new CFO, **Blockbuster** named **Keith Morrow** as CIO for the company and **David Podeschi** as SVP, Merchandising, Distribution and Logistics. Mr. Morrow most recently served as CIO at **7-Eleven Inc.**, while Mr. Podeschi most recently served as the SVP, Merchandising and Logistics at **7-Eleven Inc.**

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Heard in the Grocery Aisle

... **H.E. Butt Grocery Co.** is buying five **Albertson's** store locations in the Austin, Texas, area. The agreement gives Albertson's two months to phase out of the stores. H.E. Butt expects to have the stores reopened under their banner by the end of this year and early next year.

... **The Great Atlantic & Pacific Tea Co. (A&P)** agreed to sell 19 new Orleans-area **Sav-A-Center** stores to **Rouse's Supermarket**. In addition, two other Sav-A-Center units are being sold to other buyers including an independent food retailer. The sale of the stores completes the company's exit from non-core markets, concentrating its retail operations fully in the Northeast.

... In a new venture designed to take on warehouse clubs, **Peapod** and **Stop & Shop**, owned by **Royal Ahold**, opened a facility near Boston dedicated to delivering groceries to area schools, businesses and nonprofit organizations. Online orders from among more than 4,000 products will be delivered to downtown Boston and several suburbs.

... **Harris Teeter**, a division of **Ruddick Corp.**, plans to open a limited-service health clinic mid-October at one of its stores in the Charlotte area. The facility, dubbed **CMC-Express** will be run by **Carolinas Medical Center**.

... A new 132,000 square foot **Wegmans** is shaping up as new and formidable competition in the Harrisburg, Pennsylvania market for **Ahold's Giant Food**, which dominates the food business there, although Giant Food has successfully competed with Wegmans for more than 10 years throughout Pennsylvania.

... With investments in transforming the **Kash n' Karry** banner to **Sweetbay** complete, **Delhaize Group** is now devoting more of its capital resources to new stores in its **Hannaford** and **Food Lion** divisions. The Hannaford banner is looking to add around 10 new stores a year, while Food Lion intends to step up its pace of around 35 new stores a year.

... **Foot Lion LLC**, a unit of Delhaize, converted 10 of its Newport News locations to **Bottom Dollar Food** stores which feature wider aisles, lower shelving, and a new orange and lime-green color scheme, though customers box their groceries, and fees are charged for grocery bags. The conversion is part of the company's re-branding efforts, which also includes transforming some of its stores to the **Bloom** brand.

... **Safeway Inc.** announced a new environmental project to power 23 California stores with renewable solar energy, expanding from its original solar powered store in Dublin, California.

... **Giant Eagle** and **Cadbury Schweppes** came to terms on an agreement that would see bankrupt **Le-Nature's** bottling plant revert to Giant Eagle ownership for \$19 million. Originally, Giant Eagle was awarded the bottling plant for a sum of \$20 million, which beat out Cadbury's bid of \$19 million. However, the court voided Giant Eagle's bid following disclosures that the grocer may have threatened to cut \$7 million in annual order of Cadbury's beverages.

... At the company's nearly 100 grocery outlets, the **Marsh Supermarkets** name will be replaced by either **Marsh Hometown Markets** or **Marsh The Marketplace**. Included in the name change, the company's **LoBill** banner stores will be renovated and re-branded Marsh Hometown Market.

... **Spartan Stores Inc.** is closing five Pharm retail stores and one convenience store, recently acquired from **G&R Felpausch Co.**, by the end of the month. The company will record a pretax gain of about \$800,000 from the sale of the related assets.

... **Whole Foods Market** received its first order of products from all-natural food manufacturer **Bell Buckle Holdings**. Whole foods selected 37 Bell Buckle products to be sold in its stores.

... **Loblaw Cos. Ltd.** is in advanced negotiations to have **Atlas Logistics Retail Services LLC** operate their 870,000 square foot distribution center in Ajax, Canada starting next spring. The move is expected to affect up to 600 employees but one that will help the embattled grocer get a handle on its supply-chain woes.

... **Sobeys Inc.** finalized its purchase of British Columbia-based **Thrifty Foods**. The acquisition includes 20 grocery stores on Vancouver Island and the Lower Mainland as well as a distribution facility in Saanichton, BC.

... **Empire Company Limited**, parent of **Sobey's**, reported revenue for the first quarter ended August 4, 2007 of C\$3.52 billion, up 4.1% versus revenue of C\$3.38 billion for the comparable period last year. Net income for the quarter was \$142.3 million, up more than 2.5 times the net income last year of C\$53.3 million.

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Off the Rack

... **Istithmar** completed the purchase of **Barneys New York** from **Jones Apparel Group** for \$942.3 million. Jones expects to net approximately \$840 million after taxes and expenses.

... **United Retail Group, Inc.** and **Redcats USA, Inc.** entered into a definitive agreement for Redcats to acquire United Retail for \$13.70 per share in cash, in a transaction valued of \$198.9 million. Both Boards of Directors have approved the acquisition, with the closing expected by year-end.

... **Nordstrom Inc.** is said to be close to signing a deal for its first New York City location at 440 Park Avenue, the site of the old Drake Hotel. Company officials would neither confirm nor deny a pending deal on Park Avenue.

... **Neiman Marcus, Inc.**, which turned 100 last week, will release its fourth quarter and full year earnings on Wednesday, September 26th. Be sure to look for Global's updated analysis and assessment shortly thereafter.

... **Christopher & Banks Corporation** plans to report its fiscal second quarter financial results on Thursday September 27th after the market close. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... **JoS. A. Bank Clothiers Inc.** continues on a fast track to reach a goal of 600 stores and \$1 billion in sales by 2012. This October, the company will open its 400th unit, which represents an addition of 300 stores since a new management team took the helm in 1999.

... As a result of **Tween Brands'** revised outlook for the third and fourth quarters, and giving effect to the anticipated stock buyback, earnings per share for the full year are now expected to be in the range of \$1.84 to \$1.98, compared to previous guidance of \$1.80 to \$1.95 per share.

... In other news, **Tween Brands, Inc.** entered into a new 5-year unsecured \$275 million Credit Agreement with **Bank of America, N.A.**, as Administrative Agent. The new facility is made up of a \$100 million revolving line of credit and a delayed draw term loan not to exceed \$175 million. The new facility replaces an old \$100 million

facility.

... **AnnTaylor Stores Corp.** is rolling out a high-end fashion line, **Collection**, in 24 of its top stores next week with merchandise available on its Web site in late September or early October. The company is also launching a line of beauty products and a new chain targeting baby boomers.

... **Casual Male Retail Group** opened a new **Rochester Big & Tall** store in Paramus, NJ, bringing the number of Rochester stores in the U.S. and London to 27. I'm still looking for a Rochester Short & Stout store in New Jersey.

... **Dress Barn** will release its fourth quarter and year-end earnings results on Wednesday, September 19th. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... **Fashion Bug**, a subsidiary of **Charming Shopes, Inc.** introduced the **Gitano** brand to its 1,100 stores nationwide last week.

... **J.C. Penney Company, Inc.** entered an exclusive retail partnership to serve the soon-to-be-married crowd with **David's Bridal**. As part of the partnership, all of David's registered brides will be invited, to create a gift registry at JCPenney.

... **Belk, Inc.** announced the installation and unveiling of Belk signs at all 25 stores within the **Parisian** footprint. As part of the transition, most of the former Parisian locations have undergone interior enhancements and department expansions.

... At the same time **American Eagle Outfitters** is layering its mannequins with cotton tank tops, it is adding layers to its core brand, through the introduction of its new "aerie" intimate apparel stores. The company opened its first store last month and expects to open an additional 35 stores by year-end.

... **Urban Outfitters Inc.'s** Anthropologie unit has sued **Forever 21**, alleging copyright infringement, unfair competition and deceptive trade practices. Forever 21 has been named as a defendant in at least 17 other federal lawsuits involving claims of copyright infringement.

FYI for the DIY

... Upon completing its tender offer for 289.3 million shares of its common stock at a price of \$37.00 per share, **The Home Depot** updated its guidance for earnings per share to decline 7% to 9% versus previous guidance for earnings to decline 12% to 15%.

... Citing continued softness in its garden and pet businesses, **Central Garden & Pet Company** withdrew its previously announced guidance for the

fiscal year ending September 29, 2007. In addition, the company is postponing its planned Class A common stock public offering and concurrent private placement to its Chairman.

... **United Rentals, Inc.** will hold a special meeting of stockholders on October 19, 2007 to vote on its proposed merger agreement with affiliates of **Cerberus Capital Management, L.P.** In the agreement, United Rentals stockholders would receive

Feedback?

Questions?

Suggestions?

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Mass Merchant Musings

... Less than two months after **William Ackman's Pershing Square Capital** revealed a 9.6% stake in **Target Corp.**, the company has reversed itself and announced it had hired **Goldman Sachs** as its advisor to review ownership alternatives for its credit card receivables as well as re-evaluate its use of debt in its capital structure and its pace of current and future share repurchases. Pershing's stock purchase kindled speculation that the firm would look to pressure Target to shed its credit card operations and real estate portfolio to focus on retailing. A decision is expected in December.

... To launch its premium bed and bath initiative, **Kmart** is taking advantage of its prime Astor Place New York City location in a public relations effort that will feature a day-long schedule of events on September 25th.

... Citing a \$153 million charge related to the sale of its stores in Germany, **Wal-Mart** reduced its reported second quarter profit down to \$2.95 billion. Last month the company cut its annual earnings guidance to a range of \$3.05 to \$3.13, down from \$3.15 to \$3.23 per share previously.

... **Wal-Mart** is again taking the plunge into trendy clothing for women – and it's hoping for a better reception this time around. Called **z.b.d design**, the new line is being tested only on its Web site.

... The principals of **Park Place Corp.** launched a new bedding company called **Mattress Works** that has begun selling its mattress line in **Wal-Mart Super Centers**. The first three independently operated sleep shops are in Wal-Mart Super Cen-

ters in South Carolina.

... **Wal-Mart Canada**, which expects to have 28 super centers open across Canada by early 2008, announced that **Tim Hortons** stores would begin appearing in the company's super centers later this fall. Tim Hortons is Canada's largest quick service restaurant chain.

... **Wal-Mart**, which signed a joint venture with the **Bharti Group** for wholesale cash and carry business, will restrict itself to technical support and training in **Sunil Mittal** firm's foray into retail.

... **Meijer** plans to open nine new locations in 2008. Two of the new locations will be torn down and rebuilt onsite in Michigan. The chain has plans for three new Michigan locations as well as three new sites in Ohio and one in Illinois.

... **Shopko** will open two additional **Shopko Express** stores in mid-2008, bringing the total number of Express stores to five. Shopko Express, started in 2005, is a neighborhood drug store format focused on providing professional pharmacy services.

... For the fiscal year ended August 31, 2007, **PriceSmart** reported sales of \$869.1 million, up 20.8% versus sales of \$719.6 million for the prior year. Annual comp store sales were up 20.1%.

... **Toys "R" Us** is increasing the frequency of safety checks conducted on products sold in its stores after a slew of Chinese-made toys were recalled this summer due to unsafe levels of lead paint. Increased costs, eventually lead to in-

Did You Know...?

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

Health & Beauty Aids

... **Rite Aid Corporation** will release financial results for its second quarter, which ended September 1, 2007, on Thursday September 27th. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... Despite the approval of both companies' shareholders, the **GeoPharma** acquisition of **Dynamic Health Products**, originally announced in May, did not close on August 31st as planned. However, GeoPharma expects to close on the transaction by the end of this month.

... **MinuteClinic**, a subsidiary of CVS, opened a clinic within a CVS store in the Oklahoma City region, marking the first clinic in that area. The company plans to open up to six additional facilities in the area by year-end.

... **Abbott** was named to the Dow Jones Sustainability World Index and the Dow Jones Sustainability North America Index for the third consecutive year. This selection recognized Abbott's continued leadership in business, environmental and social performance.

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The Global World of Sports and Footwear

... **The Finish Line, Inc.** received notification from its committed lenders **UBS Loan Finance LLC** and **UBS Securities LLC** of their concern that a Material Adverse Effect may have occurred at **Genesco** as a result of their poor operating results in the second quarter and the need for additional information. A Material Adverse Effect would release the lenders from their commitment to finance the acquisition of Genesco by The Finish Line.

... In other news, **The Finish Line**, engaged **Moelis Advisors**, a division of **Mercanti Securities, LLC**, as a non-exclusive financial advisor and non-exclusive capital markets advisor to review strategic options.

... **The Sports Authority** entered into a definitive agreement with **Hilco TAG, LLC**, a unit of **Hilco Consumer Capital, LLC**, to be the exclusive licensee retailer in the U.S. for the **Tommy Armour**, **Ram**, **TearDrop**, and **Zebra** golf brands.

... **Cabela's** learned that Consumer Reports, through a reader survey, ranks its Club Visa among the Top 5 in cardholder satisfaction, the highest ranking by a bank issued credit card.

... **Modell's Sporting Goods** opened a 20,000 square foot store this past weekend in Stamford, Connecticut.

... **Gander Mountain Company** reported that computer equipment, containing certain customer transaction information relating to a single store in Pennsylvania, is missing and may have been stolen. The company sent letters to the approximately 5,750 customers for whom address information is available informing them of this incident.

... **Eric Martin**, the co-founder and President of **City Sports, Inc.** died September 10, 2007 after a long illness.

... **Eastern Mountain Sports** is opening a 15,000 square foot store in Rochester, New York this month, a relocation of a store previously situated in Henrietta, New York.

... It was a busy week at **GSI Commerce** as the company closed on its acquisition of **Accretive Commerce Inc.**, paying \$97.5 million in cash, and signing a multi-year extension on its e-commerce

agreement with the **National Hockey League** through 2014.

... A massive rebranding effort is under way at **The Athlete's Foot**, which currently has 620 stores in 45 countries. The brand is aiming for a more modern and cohesive store look with its new red and white logo. The first rebranded stores will open in November, with more than 100 new franchised locations opening by the end of the year.

... In other news, a veteran apparel retailer entered into a definitive agreement with **NexCen**, parent of **The Athlete's Foot**, to open 20 stores in the state of Mississippi. The arrangement calls for a minimum of 12 new TAF stores to be opened within the next five years.

... **American Skiing Company** filed a Certificate of Dissolution with the Delaware Secretary of State in accordance with its previously announced plan of complete dissolution and liquidation. Holders of the company's common stock are not expected to receive any payment or distribution with respect to their shares under the company's plan.

... **Lululemon** posted net income of \$5.1 million for the second quarter ended July 31st, an increase of 164% versus net income of \$1.9 million for the comparable period last year. The company intends to open a total of 25 new stores in North America this year and an additional 30 to 35 new stores next year.

... **Quiksilver**, which bought **Rossignol** in 2005 for \$500 million, is said to be mulling three offers for the French winter sports equipment company. The three suitors are said to be investment funds.

... **Roger Cleveland Golf**, majority-owned by **Quiksilver**, had a \$268,000 loss to the three months ended July 31st, as total revenues grew 22% to \$47.2 million from \$38.6 million. Quiksilver is in the process of acquiring the remaining 36.4% in Roger Cleveland during its current quarter ending October 31st for \$17.5 million cash and \$5.0 million in contract termination costs to Cleveland's minority shareholders.

... **Bakers Footwear Group, Inc.** will report second quarter results on Tuesday, September 18th before the market opens. Be sure to look for

Did You Know...?

Chain store sales for the week ended September 8th rose 2.9% as sales improved moderately over the prior week with the August sales momentum continuing into September.

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Options and Resources

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Hi Tech Entertainment

... **Circuit City Stores, Inc.** will report second quarter results on Thursday, September 20, 2007. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... **Ultimate Electronics** began testing a massive 350-SKU selection of laundry and kitchen products, filling upwards of 40% of its three lab store sales floors. Depending on the results, the company may begin rolling out these appliances to its other 29 locations by early next year.

... **Conn's, Inc.'s** qualified special purpose entity expanded its existing 2002 Series A variable funding note to \$450 million, from \$300 million to provide additional liquidity and support the continued growth of the credit portfolio.

... **REX Stores Corp.** is closing its four consumer electronics stores in the Albany, New York area. The company did not give details on the closings, nor did it comment on its seven other locations in New York.

... **Office Depot, Inc.** will release its third quarter earnings for the period ending September 29,

2007 on Tuesday, October 30, 2007. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... Struggling **Sharper Image** plans to close its Richmond, Virginia distribution center as part of its strategic plan to streamline functions and increase efficiency across its operations. The facility will be phased out over the next several months and transition its workload to the company's two other DCs located in Little Rock, Arkansas and Ontario, California.

... **Apple Inc.** may bid for the rights to a wireless spectrum auctioned by the FCC, a risky but intriguing move that would help carry the company into the telecommunications realm. The auction will determine rights to a 700-megahertz network with faster Internet access than cellular or Wi-Fi networks offer. Apple would be able to offer phone service of its iPhone, now run exclusively on **AT&T's** network.

... **Wavetrend** is partnering with **Tech Data** to distribute the company's portfolio of Active RFID products in the U.S., Mexico and Canada.

Did You Know...?

Retail sales, excluding motor vehicles and parts, fell 0.4% for the month of August, the sharpest drop since September 2006.

Rating Changes and Outlooks

S&P Rating Changes				
Company	Credit Rating		Credit Outlook	
	Current	Prior	Current	Prior
VERIFONE	BB-	BB-	POS	STA
DOLLAR GENERAL CORP	B	BB+	NEG	NM
WHOLE FOODS MARKET INC	BB+	BBB-	NEG	NM
SEMINOLE TRIBE OF FLORIDA INC	BBB	BBB-	STA	STA
VERIFONE	BB-	BB-	POS	STA
FRIENDLY ICE CREAM CORP	B-	B-	NM	NEG
EXPRESS LLC	B-	B	STA	STA
TARGET CORP	A+	A+	NM	STA
DARDEN RESTAURANTS INC	BBB+	BBB+	NEG	STA
OFFICEMAX INC	BB	B+	NM	POS
STARWOOD HOTELS & RESORTS WORLDWIDE INC	BBB-	BB+	STA	POS
SEMINOLE TRIBE OF FLORIDA INC	BBB	BBB-	STA	STA
CKE RESTAURANTS INC	BB-	BB-	NEG	STA
LANDRYS RESTAURANTS INC	B	CCC	STA	NM

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Tuesday Morning Corp.:Retailer of the Week

(Continued from page 1)

Income Statement, First Six Months

	2006	2007
Net Sales	\$395.4 mm	\$408.5 mm
Comp Store Sales	-5.60%	-2.70%
Store Count	762	810
Gross Profit	\$147.9 mm (37.4%)	\$150.7 mm (36.9%)
SG&A Expenses	\$132.4 mm (33.5%)	\$145 mm (35.5%)
Operating Income	\$15.5 mm (3.9%)	\$5.7 mm (1.4%)
Interest Expense	\$753,000	\$1.2 mm
Net Income	\$9.4 mm	\$3.1 mm

Tuesday Morning was able to somewhat stabilize comp sales in the second quarter but still saw customer traffic below expectations. Despite the ongoing weakness in customer traffic, the Company continues to aggressively open new stores and does not appear to be successfully addressing current sales woes. The current pace has a new location opened nearly every week. Year to date margins were negatively impacted by increased purchasing, freight and distribution expenses.

SG&A expenses continued to rise as administrative costs are rising faster than the anemic rate of sales. The jump in interest expense was tied to substantially higher revolver borrowings. Tuesday Morning recorded other miscellaneous income of \$155,000 for this year's second quarter and \$502,000 year to date.

BALANCE SHEET

	2006	2007
Cash	\$5.8 mm	\$10.3 mm
Inventory	\$241.7 mm	\$288.8 mm
Current Assets	\$259.9 mm	\$306.3 mm
Total Assets	\$352.3 mm	\$394.3 mm
Accounts Payable	\$72.3 mm	\$82.5 mm
Revolver Borrowings (*)	\$21 mm	\$56.5 mm
Total Liabilities	\$138.3 mm	\$178.9 mm
Current Ratio	2.4:1	2.2:1
Leverage Percentage	39%	45%
Working Capital Coverage	7 months	7 months

For 2007, Tuesday Morning classified \$26.5 million of its revolver debt as short term, the remaining \$30 million as long term.

Higher revolver borrowings are in support of inventory, which is selling slower and therefore the need to borrow to cover invoices due. The strong current ratio is being driven primarily by inventory levels. While leverage was satisfactory for the most recent quarter end, it is creeping up as a result of declining financial performance and growing debt.

In addition to higher revolver debt, vendors are also feeling the pinch from slower sales. Likely with a desire to preserve price points by restricting markdown activity, Tuesday Morning may also be stretching out some supplier payments to match the slower rate of sales. Comparing the two aforementioned quarter ends, average account payable turns grew from 46 days to 51 days.

OUTLOOK

At this point we see very little evidence that earnings will improve anytime soon and, if anything, may well continue to drop at a faster rate. To put this in prospective, for the first six months of 2004 Tuesday Morning has operating income of \$27.2 million and net income of \$17.2 million, with the latter even in consideration of much heftier taxes. With ambitious store expansion still ongoing, we do not see Tuesday Morning being able to adequately address its soft comp store sales and soaring expense structure.

Since the Company remains profitable (albeit at a much lower pace) and still has sufficient availability under its \$200 million revolver, \$134.6 million as of June 30, 2007, we see no immediate squeeze on liquidity. Still, with this course of path that situation could change at some future point.

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Did You Know...?

A recent survey of 55,000 shows that 19% of respondents have significantly increased their online spending over the past year and another 39% have increased their online shopping slightly, mainly the result of saving on gas.

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Second Quarter Earnings

\$ in Millions	Sales		Change	2nd Qtr Comps	Net Income		
	2006	2007			2006	2007	Change
Apparel							
Abercrombie & Fitch	\$658.7	\$804.5	22.1%	-2.0%	\$65.7	\$81.3	23.7%
Aerostale, Inc.	\$274.6	\$311.2	13.3%	-4.1%	\$8.4	\$14.7	74.5%
American Eagle Outfitters	\$602.3	\$703.2	16.7%	2.0%	\$72.1	\$81.3	12.8%
AnnTaylor Stores Corporation	\$610.0	\$614.5	0.7%	-6.2%	\$43.2	\$31.7	-26.6%
Big Dog Holdings, Inc.	\$53.2	\$55.9	5.0%		\$0.6	(\$0.2)	N/A
Bon Ton Stores, Inc.	\$746.8	\$708.6	-5.1%	-5.0%	(\$19.8)	(\$15.0)	24.3%
Buckle, Inc.	\$102.4	\$124.3	21.3%	10.1%	\$6.6	\$11.8	77.6%
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)	-1690.7%
Casual Male Retail Group	\$111.8	\$114.2	2.2%	3.9%	\$3.4	\$2.5	-27.3%
Cato Corporation	\$214.6	\$219.0	2.0%	-1.0%	\$12.1	\$12.5	3.4%
Charming Shoppes, Inc.	\$763.4	\$770.9	1.0%	-3.0%	\$32.6	\$18.3	-43.9%
Chico's FAS, Inc.	\$403.4	\$436.0	8.1%	-5.6%	\$53.8	\$38.7	-28.2%
Children's Place	\$395.6	\$424.3	7.3%	-1.0%	(\$15.2)	(\$27.1)	-78.0%
Citi Trends, Inc.	\$76.3	\$96.8	26.9%	3.4%	\$1.3	\$0.6	-50.9%
Coldwater Creek Inc.	\$216.4	\$253.5	17.1%	-6.0%	\$12.0	\$8.7	-27.6%
Deb Shops, Inc.	\$75.7	\$77.7	2.8%	0.1%	\$5.9	\$6.2	5.1%
dELIA's, Inc.	\$48.9	\$52.4	7.3%	4.6%	(\$3.1)	(\$5.1)	-62.6%
Dillard's, Inc.	\$1,733.4	\$1,689.1	-2.6%	-3.0%	\$15.1	(\$25.2)	N/A
Eddie Bauer Holdings	\$225.7	\$227.0	0.6%	0.9%	(\$42.0)	(\$22.2)	47.0%
GAP	\$3,714.0	\$3,685.0	-0.8%	-5.0%	\$128.0	\$152.0	18.8%
Gottschalks	\$154.2	\$146.7	-4.8%	-4.0%	\$0.5	(\$4.8)	N/A
Gymboree Corporation	\$152.1	\$182.4	19.9%	5.0%	\$0.5	\$5.8	966.5%
Harold's Stores, Inc.	\$19.3	\$17.5	-9.3%	-12.8%			
Hart Stores Inc.	C\$39.4	C\$41.1	4.2%		C\$1.9	C\$2.1	13.2%
Hot Topic, Inc.	\$160.3	\$161.7	0.8%	-5.8%	(\$0.9)	(\$1.7)	-91.0%
J.C. Penney Company	\$4,238.0	\$4,391.0	3.6%	1.9%	\$179.0	\$182.0	1.7%
J. Crew Group, Inc.	\$269.2	\$304.7	13.2%	4.0%	\$0.0	\$20.6	N/A
JoS. A. Bank Clothiers	\$119.1	\$134.3	12.7%	2.5%	\$7.0	\$8.2	17.7%
Kohl's Corporation	\$3,301.5	\$3,589.2	8.7%	1.3%	\$232.4	\$269.2	15.8%
Le Chateau Inc.	C\$71.9	C\$83.6	16.3%	11.7%	C\$5.4	C\$6.9	27.8%
Limited Brands	\$2,453.9	\$2,624.1	6.9%	2.0%	\$113.1	\$264.4	133.8%
Macy's, Inc.	\$5,995.0	\$5,894.0	-1.7%	-2.6%	\$317.0	\$74.0	-76.7%
Men's Wearhouse	\$460.6	\$569.3	23.6%	1.1%	\$35.6	\$54.2	52.2%
New York & Company, Inc.	\$264.9	\$294.4	11.2%	4.7%	\$6.5	\$3.5	-46.2%
Nordstrom, Inc.	\$2,270.5	\$2,389.5	5.2%	5.9%	\$178.8	\$180.4	0.9%
Pacific Sunwear of California, Inc.	\$313.7	\$344.2	9.7%	1.8%	\$9.7	(\$10.5)	N/A
Reitmans Limited	C\$501.8	C\$522.6	4.2%	3.4%	C\$36.1	C\$50.5	39.7%
Retail Ventures, Inc.	\$684.5	\$732.7	7.0%	0.3%	(\$16.0)	\$106.2	N/A
Ross Stores, Inc.	\$1,308.1	\$1,444.6	10.4%	2.0%	\$45.4	\$50.9	12.1%
Saks Incorporated	\$603.8	\$694.1	14.9%	13.2%	(\$51.9)	(\$24.6)	52.5%
Stage Stores, Inc.	\$362.1	\$359.2	-0.8%	0.5%	\$3.9	\$9.9	156.3%
Stein Mart, Inc.	\$336.3	\$330.7	-1.7%	-1.2%	\$8.3	\$2.2	-73.6%
Talbots, Inc.	\$571.4	\$572.3	0.2%	-4.8%	(\$3.9)	(\$13.3)	-245.2%
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%
Tween Brands, Inc.	\$185.8	\$213.7	15.0%	-2.0%	\$5.9	\$2.1	-64.4%
United Retail Group	\$120.9	\$122.3	1.1%	-1.0%	\$5.0	\$2.2	-55.8%
Urban Outfitters, Inc.	\$285.6	\$348.4	22.0%	5.0%	\$25.7	\$31.9	24.2%
Wet Seal, Inc.	\$129.5	\$143.3	10.7%	-1.7%	\$4.4	\$6.8	52.9%
Wilson's The Leather Expert	\$49.2	\$43.6	-11.3%	-11.9%	(\$24.5)	(\$29.4)	-19.9%
Mass Merchants							
Big Lots, Inc.	\$1,056.5	\$1,084.9	2.7%	5.2%	\$4.3	\$23.4	35.5%
BJ's Wholesale Club, Inc.	\$2,124.5	\$2,295.0	8.0%	3.7%	\$26.4	\$36.3	37.4%
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%	\$29.0	\$32.6	12.4%
Fred's, Inc.	\$406.9	\$424.6	4.4%	0.8%	\$4.3	\$3.1	-29.3%
Overstock.com	\$159.2	\$149.0	-6.4%		(\$15.7)	(\$13.8)	12.5%
Sears Canada Inc.	C\$1,428.4	\$1,443.9	1.1%	2.2%	C\$18.1	C\$47.6	263.0%
Sears Holdings Corporation	\$12,785.0	\$12,239.0	-4.3%	-4.1%	\$294.0	\$176.0	-40.1%
Target Corporation	\$13,347.0	\$14,620.0	9.5%	4.9%	\$609.0	\$686.0	12.6%
Toys R Us Inc.	\$2,432.0	\$2,605.0	7.1%	1.1%	(\$111.0)	(\$42.0)	62.2%
Wal-Mart Stores, Inc.	\$85,430.0	\$93,012.0	8.9%	2.0%	\$2,083.0	\$2,952.0	41.7%
Food							
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%
Pathmark Stores Inc.	\$1,002.9	\$998.5	-0.4%	-0.2%	(\$8.8)	(\$18.8)	-113.6%
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%

(Continued on page 11)

Did You Know...?

The U.S. housing industry is in for a much deeper downturn according to the National Association of Realtors as it slashed its forecasts for home sales and construction for this year and next. Housing starts are now expected to fall 24% this year and an additional 8% next year to 1.26 million, 10% below forecasts of just one month ago.

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Second Quarter Earnings

(Continued from page 10)

\$ in Millions	Sales			2nd Qtr Comps	Net Income		
	2006	2007	Change		2006	2007	Change
Home Centers							
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
Lowe's Companies	\$13,389.0	\$14,167.0	5.8%	-2.6%	\$935.0	\$1,019.0	9.0%
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%
Sports & Footwear							
Bakers Footwear Group, Inc.	\$47.2	\$42.0	-11.0%	-18.3%			
Big 5 Sporting Goods Corp.	\$211.8	\$217.8	2.9%		\$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%
Brown Shoe Company, Inc.	\$579.3	\$576.6	-0.5%	3.6%	\$15.2	\$9.8	-35.3%
Cabela's	\$346.5	\$403.4	16.4%	-0.8%	\$8.4	\$11.3	34.8%
Collective Brands (Payless ShoeSource)	\$706.1	\$699.3	-1.0%	-1.4%	\$32.5	\$24.9	-23.4%
Dick's Sporting Goods, Inc.	\$734.0	\$1,013.4	38.1%	7.2%	\$25.7	\$47.9	86.6%
DSW Inc.	\$301.3	\$348.7	15.7%	5.9%	\$15.3	\$6.5	-57.5%
Forzani Group Ltd.	C\$284.0	C\$292.4	3.0%	0.4%	C\$1.9	C\$5.4	178.6%
Foot Locker	\$1,303.0	\$1,283.0	-1.5%	-7.3%	\$14.0	(\$18.0)	-228.6%
Footstar, Inc.	\$190.6	\$173.4	-9.0%	-14.5%	\$21.4	\$21.5	0.5%
Gander Mountain	\$182.5	\$216.5	18.6%	4.2%	(\$7.6)	(\$9.7)	-27.8%
Genesco Inc.	\$304.3	\$328.0	7.8%		\$5.9	(\$4.2)	N/A
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%		C\$10.1	C\$10.9	8.0%
GSI Commerce	\$119.6	\$131.3	9.7%		(\$3.6)	(\$5.0)	-40.5%
Hibbett Sporting Goods, Inc.	\$104.4	\$114.4	9.6%	2.6%	\$4.0	\$4.7	16.4%
Lululemon Athletica Inc.	\$32.5	\$58.7	80.5%	30.0%	\$1.9	\$5.1	164.0%
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%	\$2.9	\$0.2	-94.2%
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%
Zumiez Inc.	\$55.8	\$82.0	47.0%	11.6%	\$1.6	\$3.1	89.9%
Specialty							
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%
Barnes & Noble, Inc.	\$1,156.2	\$1,244.2	7.6%	4.4%	\$16.6	\$18.1	8.9%
Borders Group, Inc.	\$856.0	\$945.1	10.4%	4.6%	(\$14.8)	(\$25.1)	-69.6%
Brookstone, Inc.	\$91.3	\$99.9	9.4%	2.1%	(\$11.0)	(\$6.5)	41.1%
Cost Plus, Inc.	\$215.3	\$215.2	0.0%	-7.6%	(\$14.2)	(\$18.0)	-26.6%
Finlay Enterprises, Inc.	\$149.3	\$148.0	-0.8%	-3.6%	(\$4.0)	(\$8.4)	-110.1%
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%	(\$21.2)	(\$18.4)	13.2%
Kirkland's, Inc.	\$91.0	\$87.4	-4.0%	-10.5%	(\$5.6)	(\$9.2)	-65.9%
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%
Michaels Stores, Inc.	\$768.3	\$792.9	3.2%	0.8%	\$21.6	(\$43.9)	N/A
Midas, Inc.	\$45.1	\$45.3	0.4%	2.2%	\$2.6	\$3.0	15.4%
Movado Group, Inc.	\$126.6	\$139.5	10.2%	-2.3%	\$11.3	\$12.3	8.1%
O'Reilly Automotive, Inc.	\$591.2	\$643.1	8.8%	2.0%	\$49.3	\$51.9	5.2%
Pep Boys -Manny, Moe & Jack	\$578.6	\$558.9	-3.4%	-3.6%	\$1.5	\$4.2	185.4%
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%
Restoration Hardware, Inc.	\$179.3	\$183.8	2.5%		\$0.2	(\$7.9)	N/A
Richelieu Hardware Ltd.	C\$102.6	C\$116.3	13.4%		C\$8.6	C\$8.7	0.3%
Tiffany & Co.	\$554.7	\$662.6	19.5%	13.0%	\$41.1	\$37.0	-10.1%
Tuesday Morning Corp.	\$207.7	\$219.4	5.6%	0.1%	\$2.9	\$2.0	-29.8%
Yankee Candle Company	\$116.3	\$133.4	14.8%	3.0%	\$4.8	(\$16.7)	N/A
Williams-Sonoma, Inc.	\$825.5	\$859.4	4.1%	1.2%	\$35.6	\$26.0	-27.0%

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Second Quarter Earnings

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\$ in Millions	Sales			2nd Qtr Comps	Net Income		
	2006	2007	Change		2006	2007	Change
Consumer Electronics							
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\$200.8	C\$200.9	0.1%		C\$11.3	C\$13.8	22.5%
CDW Corporation	\$1,633.5	\$2,032.8	24.4%		\$73.1	\$80.1	9.5%
Conn's, Inc.	\$182.2	\$203.5	11.7%	5.0%	\$8.5	\$9.7	13.0%
GameStop Corp.	\$963.3	\$1,338.2	38.9%	29.1%	\$3.2	\$21.8	586.5%
Gateway, Inc.	\$909.3	\$840.6	-7.6%		(\$7.7)	\$1.9	N/A
Hastings Entertainment	\$123.1	\$125.9	2.3%		\$0.2	\$1.9	850.0%
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%
Rex Stores Corporation	\$63.6	\$56.3	-11.5%	-12.0%	\$1.5	\$5.8	288.1%
Sharper Image	\$107.2	\$80.3	-25.1%	-10.0%	(\$14.6)	(\$20.6)	-41.1%
Staples, Inc.	\$3,873.9	\$4,300.0	11.0%	-2.0%	\$161.3	\$179.0	11.0%
Systemax Inc.	\$547.2	\$647.1	18.2%		\$7.1	\$13.8	93.7%
Tech Data Corporation	\$4,943.3	\$5,613.3	13.6%		(\$155.5)	\$7.2	N/A
Trans World Entertainment Corporation	\$298.3	\$267.3	-10.4%	-6.0%	(\$7.7)	(\$10.1)	-31.2%
United Stationers Inc.	\$1,111.1	\$1,141.2	2.7%		\$41.4	\$24.1	-41.7%
ValueVision Media, Inc.	\$187.0	\$190.6	1.9%		(\$0.7)	(\$5.4)	-677.2%
Zones, Inc.	\$145.2	\$192.2	32.4%		\$2.9	\$4.4	51.1%
Drug							
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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Specialty Items

... **Pier 1 Imports, Inc.** will release its second quarter results on Thursday, September 20, 2007. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... **Tiffany & Co.** announced plans to open a 5,100 square foot store in a luxury retail center in the Topanga Canyon area of Los Angeles in April 2008. The new store is the company's fourth location in Los Angeles.

... For its first quarter ended July 1, 2007, **Redenvelope, Inc.** reported sales of \$24.5 million, down 8.7% versus sales of \$26.9 million for the comparable period last year. The net loss of the quarter was \$3.6 million versus a net loss of \$0.9 last year.

... **Barnes & Noble, Inc.** signed a lease agreement to open a new store in Boulder, Colorado in June 2009. The new store will replace an older Boulder location.

... **Pep Boys Manny Moe & Jack** will be unable to

file their second quarter financial report with the SEC by the due date, citing the need for additional time to complete the notes due within the report. The report is expected to be completed by November 15th.

... **Mattress Firm** signed a letter of intent to acquire **Mattress Gallery**, which operates 53 stores throughout Southern California. Terms of the acquisition, which is expected to close within 60 days, were not disclosed.

... **Kornmeyer Furniture** is shutting down after 127 years in business and a remake last year as **Kornmeyer's HomeSmart**, a move the retailer initially said was boosting business. **Planned Furniture Promotions** is now running the GOB sale.

... **Park Avenue Home Furnishings** is going out of business, citing three years of losses. **Planned Furniture Promotions** is running the GOB sale, which is expected to run for 90 days.