

RETAIL SECTOR WEEKLY

Key Retail News and Commentary

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Big Retailers Cutting Prices

Retailers are in for a tough fall – and consumers are in for deep discounts.

Big chains reported a bleak September, with sales at stores open at least a year rising just 1.7%, the weakest performance in five years, according to the International Council of Shopping Centers, a trade group.

As a result, more than a dozen retailers, from the luxury emporium Nordstrom to the discounter Target, cut their earnings forecast for the final three months of the year.

Those troubles will be a boon to shoppers: To clear all that unsold fall merchandise in time for the crucial holiday shopping season, retailers are expected to dangle steep markdowns in coming weeks.

“Managers and district managers don’t know where to put all this clothing,” said John D. Morris, a retail analyst at Wachovia Securities. By his estimate, markdowns are up 5% this fall compared with the same period a year ago, “and rising fast,” Mr. Morris said.

Retailers blamed several factors for the downturn; a tight credit market, a poor housing market, un-

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REMEMBER

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– not strength or
intelligence – is
the key to unlock-
ing our potential.



Global Credit Services 6th Annual Symposium Sanibel Harbour Resort, Fort Myers, Florida April 1st–4th, 2008



Global Credit Services is pleased to announce that it will be hosting its **6th Annual Credit Symposium** from **April 1st – 4th, 2008** at the **Sanibel Harbour Resort** in Fort Meyers, Florida. Don’t miss the opportunity to meet credit, financial, and legal professionals alike to exchange information and ideas regarding risk management.

Based upon the availability of annual-year information, clients and attendees have asked that we hold our symposium in the 2nd quarter of 2008 in

order to provide more detailed information and discussion regarding retailers and other companies that we monitor. We are happy to comply with those requests.

Likewise, this time of year gives us and our esteemed group of Panelists and Speakers a chance to offer a “year in review” perspective and to better comment on economic and credit related trends for the upcoming fiscal 2008.

And like every year, we will be offering Sponsors and Exhibitors unique networking opportunities to reach their target audience in both a professional and personal format. Detailed sponsorship information regarding this event will be available soon.

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Big Retailers Cutting Prices

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seasonably warm weather and a strong showing in September 2006, which made this year's performance lackluster by comparison.

Temperatures are turning cool now, but the economic clouds are unlikely to lift before the holiday season, which is expected to produce the slowest growth rate since 2002.

The extent of the troubles in September surprised industry analysts because even high-end stores, largely invulnerable to swings in the housing and stock markets for the last five years, struggled to meet forecasts last month.

Both Nordstrom and Saks, for example, missed sales estimates. Blake Nordstrom, the president of Nordstrom, warned that the chain's bulging inventories would hurt profits for the rest of the year. "We did not achieve our plan," he said.

Bill Dreher, a retail analyst at Deutsche Bank Securities, said "the high-end consumer is finally showing weakness." He said investors had been looking at the high-end stores as a safe place to hide their investments, but added: "It is not. It may be a dangerous place to hide."

In contrast, Wal-Mart Stores, which caters to lower-wage shoppers, raised its profit forecast for the rest of the year on the expectation that cost-cutting would bolster sales. The discount chain said comp store sales in September rose 1.4%, below its expectations; it is vigorously cutting toy prices to drum up business for the holiday season. Target, Wal-Mart's fashionable rival, posted a disappointing 1.2% sales increase and cut its quarterly earnings estimate.

The midprice department store industry suffered across the board in September. Comp store sales fell 7% at Dillard's, 4.6% at J.C. Penney, 3.2% at Kohl's and 2.7% at Macy's.

Macy's Chief Executive, Terry J. Lundgren, said the company faced tough comparisons with last September when it renamed 400 former May Department Stores as Macy's and introduced an intense marketing campaign to win over shoppers.

Specialty stores in malls did not fare much better. Comp store sales fell 7% at Gap, 4% at Abercrombie & Fitch and 2% at American Eagle Outfitters.

However, there were some modest successes. Ann Taylor, the preppy women's clothing chain, said comp store sales rose 0.5%. At Aeropostale, the clothing retailer for teenagers, comp store sales rose 1.3%.

Wal-Mart, in a statement, warned that "customers remain concerned about their finances, especially the cost of living." The Chief Executive of Penney, Myron E. Ullman, echoed that, describing "well-chronicled issues affecting the housing market."

Did You Know...?

Consumers are expected to spend \$5.07 billion on Halloween this year, up from \$4.96 billion last year and only \$3.29 billion 2 years ago, with spending expected to rise in all categories.

Options and Resources

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Bankruptcy Blotter

... A joint venture of **Gordon Brothers Retail Partners, LLC** and **Hilco Merchant Resources, LLC** submitted the winning bid at the auction for **The Bombay Company, Inc.'s** business operations, which contemplates a liquidation of the company's U.S. stores. Court approval of the sale is scheduled for early this week.

... In other news, **Hilco Consumer Capital**, in partnership with **Bowring** and **Benix & Co.** is seeking court approval of an agreement for the continuation of **The Bombay Company's** Canadian operations after inventory disposition sales. The transaction is an agreement in principle subject to completion and the results of the auction are subject to certain conditions including court approvals in the U.S. and Canada.

... The court has given **Tweeter Home Entertainment Group Inc.** to December 8th to formulate a Plan of Reorganization that determines how the company will dole out the \$38 million in proceeds from its sale to **Schultze Asset Management**.

... Plymouth, Michigan investment group **Golf Acquisitions** acquired the assets and intellectual property of **Pro Golf of America**, a franchisor of golf specialty stores, in a court auction for \$20,000. The transaction should close this week.

... **Cupolo Sports USA** of Glenwood, New York filed for Chapter 7 bankruptcy protection earlier this month. First meeting of creditors is scheduled for November 8th.

... **GolfGear International**, which has had its share of financial woes for the last six years, filed for Chapter 7 protection earlier this month in Las Vegas.

... **Collins & Aikman Corp.** is expected to officially go out of business this week. What will remain, even after the company ceases to exist, are nearly 400 patents that a small staff will try to sell.

Hi Tech Entertainment

...**Borders Group** has announced that it will open a new store in Las Vegas. The store will be the seventh in the general vicinity of Las Vegas, and looks to create 50 more jobs in the community.

...**Borders Group** may see a shake-up on its board in the near future, as hedge fund guru William Ackman has taken a larger role in the company's future. Ackman has discussed corporate governance issues with representatives at Borders, as his Pershing Square Capital Management owns an 11.6% stake in the nation's second largest book store chain. Previous reports had Ackman as a passive investor, and his intent was not to exert control over the company's operations.

...A judge rejected the initial settlement in the ongoing **Sharper Image** saga. The original settlement was for a \$19 store credit for each of the consumers who had purchased the air purifiers. The decision dealt the beleaguered company another setback in its turnaround efforts. Sharper Image depicted the settlement as the best consumers could hope for since the company is teetering on the brink of bankruptcy. The judge, however, decided that the original credit was not good enough, and wished to push forward.

...**Sharper Image** reported a 39% drop in revenues for the month of September. Comp store

sales for the month fell a dismal 21% when compared to the same month last year. Revenues for the months were \$19.6 million, down from \$31.9 million last year. The company's catalog revenues plunged 62% for the month.

...**Blockbuster** has announced that it had laid off 145 positions on September 25. The layoffs included workers at its corporate headquarters and distribution centers. The company has around 65,000 workers total.

...**Radioshack** received some bad news this week, as Sprint Nextel forecasted disappointing results for the third quarter. Sprint announced that it expected to lose 337,000 customers, which account for the majority of Radioshack wireless revenues. During the first quarter, Radioshack saw comps fall 25% as Sprint lost 222,000 customers.

...**Movie Gallery** shares took a nosedive during the week, as there have been reports that the company will file Chapter 11 within the month. A spokesperson at the Alabama based chain had no comment on the issue, as the debt-laden video rental chain has openly announced that it is discussing strategic alternatives. The company's main creditor, Goldman Sachs, had no comment as well. One plan that has been discussed is the conversion of \$1.2 billion in debt into equity. This plan has been discussed for some time.

Feedback?

Questions?

Suggestions?

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Heard in the Grocery Aisle

... **Kroger's** unionized workers in Cincinnati, represented by the **United Food and Commercial Workers Local 1099**, rejected a contract proposal by 98%, however the contract was extended to November 3rd. Talks are expected to resume today.

... Associates of **Food 4 Less** stores, a division of **Kroger Co.** ratified a new four-year contract with the company. The agreement covers 5,700 employees represented by the **United Food and Commercial Workers** Locals 135, 324, 770, 1036, 1167, 1428, and 1442 in Southern California.

... Both **Pathmark** and the **Great Atlantic and Pacific Tea Company (A&P)** have scheduled shareholder meetings for November 8th looking to gain shareholder approval for the proposed buyout of Pathmark by A&P.

... The **United Food and Commercial Workers Local 555** in Oregon filed charges against **Safeway**, **Supervalu**, and **Kroger**, alleging that the three grocers are not negotiating in good faith. Employees have been working under a contract extension since last February.

... **Tesco** will open its first 6 Fresh & Easy stores on Thursday November 8th. While the exact locations have not been revealed, the stores will be Los Angeles, Orange, Riverside and San Bernardino counties.

... **Ahold** agreed to sell **Tops** to **Morgan Stanley's** private equity group for \$310 million. The deal removes the weakest link in **Ahold's** chain of North American grocers. Pending approval, the deal is expected to close during Q4 2007.

... **HE Butt** has opened a 400,000 square foot distribution center in Weslaco, TX. The new facility is to be used to serve South Texas locations, however, the facility will not service the company's Mexican operation.

... **Whole Foods** is looking to open its second store in England. The new location is rumored to be in Canary Wharf, right in the middle of London's financial district.

... **Meijer** President Mark Murray announced that the firm has no plans to sell its operation. In addition, he mentioned that the firm expects to open five to ten stores a year during the next few years.

... **The Wedge Co-Op** announced it is purchasing **Garden of Eagan**, which is an organic farm in Farmington, Minnesota. The move will allow the co-op a source of organic foods including corn, tomatoes and melons. The Wedge is the nation's largest single-store food co-op in America. It currently has about 13,000 members. The deal is expected to close of January 1st.

... **Ukrop's Super Markets** have introduced a private-label of specialty foods called Joe's Market. These new gourmet products are designed to be prepared with little customer preparation.

... **Safeway** reported net income of \$194.6 million during Q3 2007, a 12% improvement over net income of \$173.5 million reported for the comparable period last year. Sales for the quarter grew by 3.9% to \$9.78 billion. Comparable stores sales increased by 3.0%; over last year, while same store sales rose by 3.7%.

... **Golub dba Price Chopper** is testing a new delivery service that will allow customers to order pizza, fried chicken and other prepared foods.

... **Trader Joe's** announced that it would be opening two stores in Oakland, CA on October 26th. These stores will compete with the **Whole Foods** location just east of downtown Oakland.

... **Nash Finch** is taking **Avanza**, its Hispanic-focused banner to Omaha. The company plans to convert a **Food Bonanza** store into an **Avanza** by investing \$1 million with a goal of reopening the remodeled store for the holidays.

... **Village Pantry Inc.**, an affiliate of **Sun Capital Partners**, acquired 33 stores operated by **Imperial Company**. The convenience stores are located in Michigan and northern Indiana. Village Pantry operates 146 convenience stores in Indiana.

Did You Know...?

Boosted by a weaker dollar, the U.S. trade deficit narrowed to \$57.6 billion in August from \$59 billion in July. Exports rose 0.4% to a record \$138.3 billion, while imports fell 0.4% to \$195.9 billion.

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Off the Rack

... A combination of below plan sales with higher inventories prompted **Nordstrom, Inc.** to lower its earnings forecast for the third quarter to a range of 50 cents to 53 cents per share, down from prior guidance in the range of 61 cents to 64 cents per share.

... Taking into consideration its operating performance during the first two months of its third quarter, **J.C. Penney** reduced its third quarter earnings per share to a range of \$1.00 to a \$1.04 per share from previous guidance of \$1.28 per share.

... Citing lagging sales, high inventories and severance payments for its former CEO, **The Children's Place Retail Stores Inc.** slashed its second half earnings per share forecast. For the third quarter the company expects earnings to be approximately 60% below the low end of its previous guidance of 94 cents to \$1.02 and full year earnings to be "significantly below previous guidance of \$2.25 to \$2.40 per share.

...**Charming Shoppes** disappointed the market on Thursday, as the company cut its third quarter and fiscal year outlook. The company pointed to disappointing autumn fashions, lack of consumer spending and unseasonably warm weather as the reasons. Revenues are now reported to come in around \$685-690 million for the quarter, down from previous estimates of \$700-705 million. The company expects that profits will break even, while previous estimates had profits of \$0.11-0.13 per share.

...Women's apparel retailer **Coldwater Creek** has warned its investors that the company will most likely report a third quarter loss of approximately \$0.11-0.13 per share. The company has been beaten up by the competition, as Coldwater Creek has been slammed for lacking recent fashion trends.

...Warm fall weather has seemed to hit many of the teen retailers so far this third quarter. Comp store sales have fallen at **Gap** (down 7%), **Abercrombie & Fitch** (down 4%) and **American Eagle** (down 2%) during the month of September, as the segment as a whole continues to see a very challenging environment. Rivals at **Aeropostale** (up 1.3%) and **PacSun** (up 2.7%) fared much better for the month.

...The CEO at **Stein Mart**, Linda Farthing, has called the company's September results "unacceptable." The company reported a comp store decline of 9.1% for the month, as total revenues declined 3.2% from September last year. As a result the company now expects its loss for the third quarter to be in the range of 15 cents to 18 cents per share.

...**Wilson's Leather** continues to report tough results. The company reported that September comps fell 13%, while year-to-date revenues have come in 14.9% below where they were last year.

...**Saks** continues to impress. The company's 7.7% comp for the month of September was less than analysts had forecasted, but the results were acceptable in this sort of retail environment. The company hopes for good results in November, while it expects October and December to come in below average.

...**Dillard's** reported that comp store sales fell 7% for the month of September, well below the 3.2% decline most analysts were looking for. Total revenues fell 5%.

... **Bebe Stores, Inc.** reported sales of \$158.5 million for its first fiscal quarter ended October 6, 2007, an increase of 1.3% compared to sales of \$156.5 million for the comparable period last year. However, comp store sales for the period decreased 9.3%.

... Based on current results, **Limited Brands, Inc.** revised its earnings guidance for the third quarter down from 4 cents per share to a range of breakeven to 4 cents per share.

... With sales for the third quarter slightly better than anticipated, **Cache Inc.** raised its forecast for the third quarter to a range of breakeven to net earnings of 1 cent per share, versus previous guidance in the range of a loss of 6 cents to 8 cents per share.

... After a preliminary review of its first two months results, **Men's Wearhouse** revised its third quarter earnings forecast downward to a range of 66 cents to 70 cents per share from previous guidance of 70 cents to 73 cents per share.

... **The Talbots, Inc.** retained an unnamed global business consulting firm to assist management in a strategic review of the company with a focus on brand positioning. The consulting engagement will also address store growth, productivity, non-core concepts, and distribution channels.

... **Gap Inc.** entered a franchise agreement to introduce the Gap and Banana Republic brands to the Philippines. Over the next five years, Gap's franchise partner, Rustan Group of Companies, plans to open a combined total of approximately eight Gap stores and four Banana Republic stores throughout the Philippines.

... **Mothers Work, Inc.** reported sales for its fiscal year ended September 30, 2007 of \$581.4 mil-

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Did You Know...?

The latest issue of GOOD Magazine has a graphic showing the comparative landmass taken up by the world's largest retail chains. Walmart leads with a total square footage larger than Manhattan. McDonald's has a net footprint of about 1 ¼ Central Parks.

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Off The Rack

(Continued from page 5)

lion, down 3.5% versus sales of \$602.7 million for the prior year. The company will report full operating results for the year on November 20th.

... Confirming a report published previously, **FAO**

Schwarz plans to open a shop within **Macy's** downtown Chicago store November 1st. The 5,200 square foot in-store shop will be located in the children's department. The test comes at a time when Macy's and FAO are striving to reinvent themselves.

Specialty Items

... **Tuesday Morning Corporation** reported sales for the first quarter ended September 30, 2007 were \$201.7 million, up 3.7% from sales of \$194.4 million for the comparable period last year. Comp store sales for the quarter declined by 1.5%.

... **Restoration Hardware, Inc.** signed a lease for an 805,000 square foot fulfillment center to be built in Columbus, Ohio.

... **PetSmart, Inc.** revised its earnings guidance for the third quarter to a range of 17 cents to 20 cents per share, down from previous guidance in the range of 21 cents to 23 cents per share. For the full year, the company now expects earnings in the range of \$2.02 to 2.07 per share, down from previous guidance in the range of \$2.08 to \$2.10 per share.

... **Guitar Center, Inc.** completed its merger with affiliates of **Bain Capital Partners, LLC**. Guitar Center stockholders received \$63.00 per share in cash in a transaction valued at approximately \$2.1 billion, including the assumption of debt.

... **Books-A-Million, Inc.** will bring its tradition of selling great books at low prices to sites in Pennsylvania and Nebraska in 2008. The new store swill mark the chain's first entry into these states and will bring to 22 the number of states in which the company operates.

... **CSK Auto, Inc.** filed its Form 10Q for the second quarter of fiscal 2007. With this filing, the company has filed all previously delinquent periodic SEC filings and is now current in its financial reporting.

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Health & Beauty Aids

... **Navarro Discount Pharmacies** and Florida-based **Sedano's Pharmacy & Discount Store** have agreed to merge. **Navarro** is one of the largest Hispanic-owned drug stores in America. **Sedano's** has 11 stores and once the merger is complete, the locations will fly the Navarro banner. The new company is expected to generate \$350 million in revenue with 32 stores.

... **CVS** has announced a new marketing program that focuses on women. Females make most of the health care decisions in American families. The new campaign will include a website and televisions ads.

... **Longs Drug Stores** saw its comps increase 1.8% in September. Pharmacy comps rose 1.6%, while front-end same store sales rose 1.9%. Revenues expanded 3.5% to \$447 million during the period ending September 27th.

... **Take Care Health Systems**, a subsidiary of **Walgreen** has announced that it intends to open 400

in-store clinics by the end of fiscal 2008.

... **Rite Aid** generated a 0.7% increase in comp store sales for the month of September. Higher prescription sales of 1.3% helped to offset front-end sales, which fell by 0.5%.

... **Arcadia Resources** has rebranded itself as **Arcadia HealthCare** and has decided to relocate to Indianapolis. Arcadia is a provider of home care products, in addition to operating in-store clinics.

... **Walgreen Company** generated a 4.7% increase in comparable store sales during September. Generic drugs had a negative impact on same-store sales.

... **CVS** has agreed to remove oral OTC infant cough and cold medicines from its locations. While the drug is safe when used properly, harm has occurred when the medicine is misused.

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Mass Merchant Musings

...**Wal-Mart** has announced its intentions to enter a new market. The company has announced that it will begin reselling high-speed internet for **Hughes Communications**, the largest provider of satellite broadband in the world. Satellite broadband accounts for a very small percentage of subscribers.

...**Wal-Mart** upped its quarterly forecasts. After impressing the market by reporting a positive 1.4% comp store number, the company also announced that it should see earnings rise on lower expenses. The company tries to keep the momentum going, and has gotten an early start on the holidays. An early start for back-to-school was kind to Wal-Mart, as the company cut many back-to-school products by as much as 50% in July. Wal-Mart is forecasting its comp store sales will be flat to up 2% for October.

... **Heelys** filed a lawsuit against **Wal-Mart Stores Inc.** for making knockoff skates that Heelys claims violate a patent. According to the complaint, Wal-Mart sells a knockoff model called **Spinners** that violate Heelys patent on a "multi-wheel apparatus."

...**Target** reported that it missed its September numbers. Comp store sales were up 1.2% at the company, after management initially forecasted a gain of 4-6%. Target is forecasting the number to rise to 3-5% for October.

... Folks at **Target** had a busy weekend as the company celebrated the grand opening of 61 Target stores in 23 states, including 8 stores in California 7 stores in Florida, 5 stores in Texas

and 5 stores in Ohio.

... **Costco Wholesale** reported net sales for the 52-week fiscal year ended September 2, 2007 of \$63.09 billion, an increase of 7% from sales for the 53-week fiscal year ended September 3, 2006 of \$58.96 billion. Net income for the year was \$1.08 billion, including \$132.5 million of pre-tax extraordinary charges, versus \$1.10 billion in the prior year.

... **99 Cents Only Stores®** reported total sales of \$290.9 million for the second quarter ended September 30, 2007, an increase of 11.4% over total sales of \$261.1 million for the comparable period last year. Comp store sales for the quarter were up a healthy 6.1%.

... **Factory Card & Party Outlet** reported sales for its first six months ended October 6, 2007 of \$156.2 million, down 2% versus sales of \$159.4 million for the comparable period last year. Comp store sales for the period were down 0.1%.

... **Toys "R" Us** just finished straightening up its aisles, removing clutter and oddly shaped fixtures, creating more space that's equivalent to adding 20 new stores. As a result, the company has been able to increase its assortment of musical instruments and added new brands.

... **Direct Marketing Services Inc.**, the owner of the **Montgomery Ward** brand, will expand its Wards.com retail e-commerce site to more than 50,000 products for the holiday shopping season. The company released its 180-page holiday catalog last week.

Did You Know...?

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

FYI for the DIY

... **The Fastenal Company** reported sales for the third quarter ended September 30, 2007 of \$533.8 million, an increase of 13.5% versus sales of \$470.1 million for the comparable period last year. Net income for the quarter was \$62.1 million, up 14.9% versus last year.

... Reflecting the timing on land sales, **Griffin Land & Nurseries, Inc.** reported revenue for the third quarter of \$12.1 million, a decrease of 31.5% versus the comparable period last year. Net income for the quarter was \$2.3 million, down 12.2% versus net income of \$2.6 million last year.

... **Building Materials Holding Corporation** will release third quarter earnings results at market close on Thursday, October 25, 2007. Be sure to

look for **Global's** updated analysis and assessment shortly thereafter.

... As a result of unfavorable operating conditions, **Builders Firstsource, Inc.** performed an interim impairment test for certain of its reporting units. As a result management will record a non-cash pre-tax impairment charge of approximately \$19 million for the third quarter ended September 30, 2007.

... Hoping to give hardware a softer side, **Home Depot** is set to open two test stores, called **Home Depot Design Centers**, later this month in Charlotte, North Carolina, and Concord, California. They're fashioned as a hybrid of the typical Home Depot store and its Expo stores, their upscale design-studio concept.

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Management on the Move

... **Bi-Lo** promoted **Anthea Jones** to group vice president, **Center Store**. This newly created position will be responsible for category management support, pricing and procurement.

... **Gap Inc.** appointed **Jack Calhoun** President of Banana Republic. Mr. Calhoun has been serving as interim President since February when his predecessor, Mark Hansen, was appointed President of Gap North America. Mr. Calhoun joined Banana Republic as EVP of Marketing in 2003.

... **City Sports** named **Jeff Connor** as President and **Sean Scales** as COO. Mr. Connor, who is replacing co-founder and President **Eric Martin** who passed away in September, has served as a company VP for the past two years. Mr. Scales has served the company in a number of responsible positions over the past 14 years.

... **Cabela's Incorporated** added **John H. Edmondson** to its Board of Directors. Mr.

Edmondson served as CEO of **West Marine, Inc.** from December 1998 to December 2004 and currently serves on the boards of **The Vitamin Shoppe** and the **U.S. Coast Guard Foundation**.

... **Darlene K. Schroeder** resigned her position as VP of Human Resources of **Huttig Building Products, Inc.** The position will not be filled at this time. The function will now report to **David L. Fleisher**, the company's CFO and Secretary.

... **Sharper Image Corporation** announced the resignation of **Daniel W. Nelson**, SVP, Controller and Chief Accounting Officer. No reason was given for Mr. Nelson's departure.

... **Philip H. Kowalczyk**, currently President of **J. Jill Group, Inc.**, was named COO of **The Talbots, Inc.** reporting directly to **Trudy F. Sullivan**, President and CEO. Talbots has begun a search for a successor to Mr. Kowalczyk at J. Jill and has retained **Kirk Palmer & Associates** to manage the process.

The Global World of Sports and Footwear

... While the court ruled that **Genesco** needed to provide more financial information regarding its second quarter results to satisfy the merger agreement with **The Finish Line**, it also ruled that any delay in the hearing regarding Genesco's request for "Specific Performance" regarding the agreement would cause irreparable harm to Genesco. As such, a hearing has been scheduled for December 10th.

... In the meantime, **UBS Loan Finance LLC** and **UBS Securities LLC** agreed to extend the termination date of its commitment letter for the financing of **The Finish Line's** proposed acquisition of **Genesco** to April 30th. It was previously set to expire on December 31st.

... **Foot Locker**, which has a negative ratings outlook, saw **Standard & Poor's** lower some of its credit rating again this week, expecting the company's performance to remain weak through the remainder of this year and into early 2008.

... **West Marine, Inc.** reported sales for the third quarter ended September 29, 2007 of \$187.5 million, a decrease of 4.1% from sales of \$195.6 million for the comparable period last year, following the closing of 35 stores in 2006. Comp store sales for the quarter were a positive 0.3%. Unfortunately, the Florida boating market re-

mains weak.

... **The Sportsman's Warehouse** has five store openings planned through December 1st, starting with Allen Park, Michigan on November 3rd and ending with Roanoke, Virginia nearly a month later. In between are store opening in Wasilla, Arizona, Medford, Oregon and Helena, Montana.

... **REI** will open three stores in November, including its sixth Puget Sound area store in Issaquah, Washington, West Hartford, Connecticut, and Schaumburg, Illinois.

... **Cabela's** will open a 125,000 square foot store in Post Falls, Idaho and a 185,000 square foot location in the Puget Sound community of Lacey, Washington next month. In addition, the company confirmed plans to open a store in Billings, Montana next summer.

... **The Sports Authority** intends to open a store in Greeley, Colorado in time for the holiday 2008 shopping season.

... **Academy Sports** opened a new 67,500 square foot store in the Brazos Town Center in Rosenberg, Texas, a suburb of Houston. The store includes an expanded golf department.

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Rating Changes and Outlooks

S&P Rating Changes

| Company | Credit Rating | | Credit Outlook | |
|---------------------------------------|---------------|-------|----------------|----------|
| | Current | Prior | Current | Prior |
| BRODER BROS CO/SPORTSWEAR DISTRIBUTOR | B | B | NEGATIVE | STABLE |
| GUITAR CENTER INC | NR | BB+ | NR | STABLE |
| STAR GAS PARTNERS LP | B- | CCC+ | STABLE | NM |
| MCDONALDS CORP | A | A | STABLE | NEGATIVE |
| BUFFETS INC | CCC+ | B- | NEGATIVE | NEGATIVE |
| FOOT LOCKER INC | BB | BB+ | NEGATIVE | NM |
| DARDEN RESTAURANTS INC | BBB+ | BBB+ | NEGATIVE | STABLE |
| GUITAR CENTER INC | NR | BB+ | NR | STABLE |
| NEIMAN MARCUS INC | BB- | B+ | STABLE | NM |
| FOOT LOCKER INC | BB | BB+ | NEGATIVE | NM |
| YUM! BRANDS INC | BBB- | BBB | STABLE | STABLE |
| ARAMARK SERVICES INC | B+ | B+ | STABLE | NEGATIVE |

Did You Know...?

Vietnam footwear exports rose 13% during the first nine months of 2007 to \$2.96 billion, largely on increased volume to the EU and U.S. Meanwhile, Indonesia's footwear exports this year are projected to reach \$1.8 billion versus \$1.6 billion in 2006.

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