

# RETAIL SECTOR WEEKLY

## Key Retail News and Commentary

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## Housing Slump On For Another Year

The Mortgage Bankers Association predicts the housing recession will last until the end of the third quarter next year. And if confidence isn't restored in the credit markets, the wait could extend until 2009, the group's chief economist said.

In the meantime, the slowdown in housing has become a primary cause in the slowing of the national economy, said Doug Duncan, Chief Economist of the group.

"Tough times," he said, after sharing the group's loan production estimates last week. The forecast calls for home sales to bottom out in the third quarter of next year and for housing starts to hit their bottom slightly earlier, in the second quarter.

Existing home sales for 2007 will total 5.72 million units, a 12% decline over 2006 sales, he said. Sales will decline another 10% in 2008, before picking up by 5% in 2009.

New home sales will total 819,000 units in 2007, down by 22% compared with 2006. Sales will also decline an additional 10% next year. In 2009, sales should rise by 6%.

Home prices for new and existing homes will follow suit, with national median prices declining 2% this

*(Continued on page 2)*



### 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.

To learn more about last year's successful 5th Annual Credit Symposium, please click into the Symposium Info tab on the Global Credit Services website below, or contact Amelia Labriola at 212.308.6060 ext104.

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**Remember**  
*If you have knowledge, let others light their candles in it.*

## Housing Slump On For Another Year

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year and another 2% in 2008, before flattening in 2009.

There is a ways to go in the housing recession, clearly a deep recession.

"Anyway you look at it, there are massive supplies of homes that have to be worked off the market-place before we return to an increase in activity, and certainly in terms of construction," Mr. Duncan echoed.

In fact, the publicly reported inventory numbers are likely underestimated, considering they don't include contract cancellations for new homes or foreclosed properties that aren't being marketed by a real estate agent.

On the demand side, there are also constraints, as a restricted supply of credit and tightening lending standards curtail housing demand. Borrowers seeking nonconforming loans are especially facing tougher times getting a mortgage, including those who need jumbo loans, which exceed the conforming loan limit currently set at \$417,000. Conforming loans are those that may be purchased by housing agencies Fannie Mae and Freddie Mac.

That said, borrowers of conforming loans shouldn't see too many surprises in the near future: The last estimate of mortgage rates clocked the interest rate on a 30-year fixed-rate mortgage at 6.4%, with the rate expected to rise only slightly, to 6.6%, by early 2008.

As for the mortgage industry, the market conditions naturally amount to sharp declines in the volume of loans that can be made.

The Mortgage Bankers Association predicts that total mortgage production, including both purchase and refinance loans, will be \$2.31 trillion in 2007, down 15% compared with 2006. Originations should decline another 18% next year. In 2009, they will drop an additional 6%, as purchase loans pick up but loans to refinance an existing mortgage decline.

Already, the industry has seen between 60,000 and 70,000 layoffs since housing markets in many areas turned south; by early next year, the number could reach 100,000 or more.

Overall economic growth will continue to slow through the rest of 2007, then should return to normal in the second half of 2008 and into 2009, according to the MBA's forecast. Also in the forecast: a quarter-point rate cut by the Fed, due to the spiking of energy prices, increasing of food costs and other stresses on household budgets, in addition to the decline of housing prices.

According to Mr. Duncan, "we have not yet seen fully the impact of the credit shock to the U.S. and world economies, and the severity of that impact will depend on how long it takes for the markets to return to normal functioning and where credit spreads ultimately settle."

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Feedback?

Questions?

Suggestions?

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## Bankruptcy Blotter

... **Movie Gallery Inc.** filed for Chapter 11 protection under a deal with key creditors that would convert \$400 million of its debt into stock when the company exits bankruptcy. The company expects to file a reorganization plan within 30 days.

... Subject to court approval, **Movie Gallery** retained **Keen Consultants**, the real estate division of **KPMG Corporate Finance LLC** and **KPMG CF Realty LLC**, to market and assist with the disposition of 16 fee-owned retail properties and 521 of the company's retail leasehold interests located nationally with the hopes of generating up to \$70 million. An auction for the properties is scheduled for November 15<sup>th</sup>, with bids due November 12<sup>th</sup>.

... And finally, **Movie Gallery** received approval to

borrow up to \$140 million of its proposed \$150 million Debtor-In-Possession financing provided by certain of its existing first lien lenders. The final DIP hearing is scheduled for November 6<sup>th</sup>.

... The court approved the planned liquidation of **The Bombay Company's** U.S. operations, with the liquidation carried out by **Hilco Merchant Resources** and **Gordon Bros**. As part of the deal, **Bowring** and **Benix** will continue running Bombay's Canadian stores.

... **Delphi Corp.** reached a deal to sell its interiors and closure-systems businesses to a subsidiary of **The Renco Group Inc.**, a private investment company, for \$106 million, subject to higher bids at an auction. A hearing on the bidding rules is scheduled for October 25<sup>th</sup>.

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## Management on the Move

... **Spartan Stores, Inc.** appointed **Dennis Eidson** as the company's President and COO and a Director of the company's Board of Directors. Mr. Eidson joined the company in March 2003 as EVP of Marketing and Merchandising. In February 2007, he was appointed to the newly created position of EVP and COO.

... **Steve Dinkins** was promoted to VP, Divisional Merchandise Manager for furniture and bedding at **J.C. Penney**. Mr. Dinkins succeeds **Bob Price**, who retired from the company in May.

... Also, **J.C. Penney** named **Ruby Anik** to the position of SVP and Director of Brand Marketing. Ms. Anik most recently directed all marketing communications disciplines for the **Best Buy** enterprise and led Best Buy's in-house agency, **Best Buy Advertising**.

... **Chico's FAS, Inc.** named **Kent A. Kleeberger** as its new EVP - CFO and Treasurer replacing **Charles J. Kleman**, who is retiring. Mr. Kleeberger most recently served as SVP - CFO for **Dollar Tree Stores, Inc.**

... **Gottschalks Inc.** named **David Navarro** as VP, Logistics. Prior to joining Gottschalks, Mr. Navarro worked for eight years with **Liz Claiborne Inc.**, where he served most recently as Director of Corporate Transportation and Customer Compliance and Director of Corporate Distribution.

... **Michael Casey** was appointed to **lululemon athletica's** Board of Directors and will serve on the company's audit committee. Mr. Casey previously served as SVP and CFO of **Starbucks** from 1995 to September 30, 2007, and continues to serve as senior advisor to Starbucks.

... **Family Dollar Stores, Inc.** promoted **Barry W. Sullivan** to the position of EVP - Store Operations, reporting to R. James Kelly, President and COO. Mr. Sullivan began his career with Family Dollar in

2002 and most recently served as SVP, Store Operations.

... With the resignation of **Kent Kleeberger** as its CFO, **Dollar Tree Stores, Inc.** began the process of identifying a highly qualified CFO to replace Mr. Kleeberger.

... **Shopko** appointed **Jill Soltau** as SVP, General Merchandise Manager - Softlines, reporting to **Michael R MacDonald**, Chairman and CEO. Ms. Soltau's work experience includes senior merchandising positions with both **Sears** and **Kohl's**, as well as with the Carson Pirie Scott division of **Saks Incorporated**.

... **Roger Adams**, Chief Marketing Officer of **Home Depot**, resigned his position citing a personal decision to leave the company to pursue other opportunities. Mr. Adams joined the company in February 2005 and became its Chief Marketing Officer in October 2006. **John Ross**, VP of Advertising, is now the interim marketing chief reporting directly to company CEO Frank Blake.

... **Borders Group, Inc.** appointed **Anne Frazer** to the new position of SVP, Merchandise Planning, Replenishment and Allocation. Ms. Frazer most recently served as VP of Inventory Planning and Replenishment for **The Home Depot**.

... **Ursula O. Fairbairn** informed **Circuit City Stores, Inc.** of her intention not to stand for re-election to the company's Board of Directors. Ms. Fairbairn indicated that her decision to resign was for personal reasons and not the result of any disagreement with the company on any matter relating to the company's operations.

... **Blockbuster Inc.** hired former **TXU Corp.** General Counsel **Eric Peterson** to head its legal department, 19 months after firing its previous chief lawyer to cut costs.

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Monthly Comps Analysis  
Report*

## Earning Release Dates

### Apparel/Department Stores

Carter's, Inc.	23-Oct
Cache Inc.	24-Oct
Bebe Stores, Inc.	1-Nov
Abercrombie & Fitch Co.	21-Nov
Bon-Ton Stores	29-Nov
Casual Male Retail Group, Inc.	29-Nov

### Drug

CVS Caremark Corp.	1-Nov
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### Specialty

Brookstone, Inc.	24-Oct
Pep Boys-Manny, Moe & Jack	28-Nov
Michaels Stores Inc.	29-Nov

### Sporting Goods & Footwear

West Marine, Inc.	25-Oct
Big 5 Sporting Goods Corp.	1-Nov
Hibbett Sports, Inc.	20-Nov

### Consumer Electronics

Zones, Inc.	25-Oct
PC Mall, Inc.	30-Oct

### Home Centers

Sherwin-Williams Company	23-Oct
Tractor Supply Company	24-Oct
Interline Brands, Inc.	2-Nov

### Food

Loblaw Companies Limited	15-Nov
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## Heard in the Grocery Aisle

... Boasting its best comp store sales in three years of 3.2%, **The Great Atlantic & Pacific Tea Company** reported sales for its second fiscal quarter ended September 8, 2007 of \$1.27 billion, up 3.0% over sales of \$1.24 billion for the comparable period last year. However, the company reported a net loss for the period of \$91.3 million, reflecting \$88.4 million in charge related to the exit of the Midwest operations, and the announced divestiture of the Southern operations.

... Citing a comp stores sales increase of 2.8%, the Felpausch takeover and a strong performance by the distribution business, **Spartan Stores** grew sales for the second fiscal quarter ended September 15, 2007 by 13.5% to \$627.1 million. Net income for the quarter, however, declined by 3.0% to \$9.1 million, or \$0.2 million, the result of a one time, non-cash income tax charge of \$2.7 million. The charge will be reversed in the third quarter.

... **Tesco** will open its first six stores in Southern California on November 8<sup>th</sup> in Los Angeles; Anaheim; West Covina; Arcadia; Hemet; and Upland.

... Reporting disappointing comp stores sales increases of only 0.5% versus guidance in the range of 1% to 2%, **Supervalu** reported total sales for the second quarter ended September 8, 2007 of \$10.16 billion, down 4.8% versus total sales of \$10.67 billion for the comparable period last year, reflecting the closing of some acquired stores. The company did, however, report the first consecutive quarter of double digit earnings growth with net income of \$148 million versus \$132 million last year.

... **Winn-Dixie Stores, Inc.** will report its results for its first fiscal quarter ended September 19, 2007 on Monday, October 29<sup>th</sup>. Be sure to look for **Global's** updated analysis and assessment

shortly thereafter.

The United Food and Commercial Workers Local 951 have voted to adopt a four and a half year contract with **Meijer Inc.** The deal includes wage increases and protects the pension plan.

... As a result of a U.S. Department of Labor investigation, **Roche Bros.** will be paying its workers more than \$283,000 worth of back wages. Most of the violations at the Massachusetts based store occurred during 2005 and 2006.

... Missouri-based **Schnuck Markets** plans on closing its 54,500 square-foot store at Arnold Mall in the St. Louis market. The firm cites competition as the reason for the exit.

... **H.E. Butt** plans on opening a new store concept in Cypress, Texas. H-E-B Cypress Market will feature the largest meat market and one of the largest seafood departments in the area, in addition to take-out and catering services.

... The investment firm **Hancock Park Associates** has agreed to take a majority stake in **Brown & Cole** for \$43 million. **Brown & Cole** is based in Washington state and it operates 20 stores. Should a court in Seattle approve the offer, the company should be able to emerge from bankruptcy. The deal will ensure that management and employees retain their jobs. According to **Brown & Cole's** management, the cash should also allow the company to make major capital investments.

... **Roundy's** is on the verge of signing a lease to build a 60,000-square foot supermarket in Chicago's West Loop. This store expansion is keeping with the firm's plans to build 10 to 12 stores in the Chicago market. Roundy's has agreed to build a store on Chicago's North Side.

### Did You Know...?

*With a combination of acquisitions and organic growth, the largest 64 sporting goods chains in the world had a strong double digit growth rate in 2006 and now control roughly 21% of the estimated \$258 billion global retail market for sporting goods.*

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## Health & Beauty Aids

... **Rite-Aid** and **Lindora Health Clinics** plans to open healthcare clinics inside five more Rite Aid stores in Southern California in El Segundo, Santa Monica, Encinitas and Tustin by the end of the year and in San Diego by next spring. Currently there are four Lindora clinics in Rite Aid stores in Los Angeles and the Orange County area.

... For the first quarter ended September 1, 2007, **Jean Coutu Group Inc.** reported sales of C\$540 million (Canadian operations), versus sales of C\$488 for the comparable period last year. Net income for the quarter was C\$8.3 million, which includes C\$29.6 million in losses attributable to Jean Coutu's share of Rite Aid losses, versus a loss of C\$143 million last year.

... **Jean Coutu** has announced that it plans to expand into Ontario. The company is looking to develop a new store design to compete against **Shoppers Drug Mart**.

... **My Clinic** a subsidiary of **Intrepid Holdings** has announced it will open 12 retail clinics. The locations will be in Illinois, Indiana and Ohio. **Intrepid**

**Holdings** operates clinics inside of Wal-Mart supercenters.

... America's largest health benefits company, **WellPoint** has announced it will open a 126,000 square foot unit in Indianapolis, Indiana. The facility will be a national call center while also dealing with specialty pharmaceuticals.

... A court in Ohio approved a \$600 million settlement for shareholders in their securities fraud class action against **Cardinal Health, Inc.**

... **GeoPharma, Inc.** finalized the acquisition of **Dynamic Health Products, Inc.**, a leading distributor in the sports nutrition product and performance drink industries. Combined revenue for the merged companies are expected to be in excess of \$90 million.

... **Tenet Healthcare Corp.** and **SEIU** locals covering 14 California hospitals completed a tentative contract settlement covering nearly 7,000 hospital workers.

## The Global World of Sports and Footwear

... Citing gross margin pressure due to additional promotions during the quarter, **Cabela's Incorporated** now expects earnings for the third quarter to be in the range of 18 cents to 20 cents per share, down from the Street consensus of 26 cents per share. The company, which saw two of its stores opened in 2006 fail to meet third quarter sales expectations, is now predicting fiscal year earnings growth in the high single digits versus prior guidance of mid-teens.

... **Academy Sports & Outdoors** opened its 100<sup>th</sup> location in Rosenberg, Texas. Though 60% of the company's footprint remains in Texas, it intends to open its first store in Spartanburg, South Carolina this fall and its 12<sup>th</sup> in Louisiana in West Monroe.

... The sale of **Cleveland Golf** by **Quiksilver** appears imminent. Word is that Quiksilver is in the final stages of selling the golf equipment maker for roughly \$60 million to \$70 million, which is considered to be a bargain.

... **Gander Mountain** celebrated the grand opening of its 115<sup>th</sup> store, and second in Kentucky, in Bowling Green. The 65,000 square foot store joins the company's successful Paducah store

that opened in 2004.

... **Sport Supply Group, Inc.** will release earnings results for its first fiscal quarter ended September 30, 2007 after the close of the financial markets on Tuesday, October 30<sup>th</sup>. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... **The Sportsman's Warehouse** will grand open its new Roanoke, Virginia store on December 1<sup>st</sup>, while **Olympia Sports** is opening a 5,000 square foot store in Skowhegan, Maine on October 31<sup>st</sup>.

... Based on the strength of the Canadian dollar against the U.S. dollar, **lululemon athletica's** comp store sales for the third quarter ended October 31, 2007 are now expected to show percentage growth in the mid-30's over the same period last year, compared to previous guidance of growth in the mid to high teens.

... **Payless ShoeSource Inc.**, a unit of **Collective Brands, Inc.**, and its new joint venture partner led by Colombian retail businessman **Samuel Azout**, will bring Payless ShoeSource to the Colombian market with 10 new stores expected to open beginning in summer and early fall 2008.

### Did You Know...?

*Based on a survey commissioned by the National Retail Federation, consumers are expected to spend \$5.07 billion this Halloween, up from \$4.96 billion last year and only \$3.29 billion two years ago.*

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## Off the Rack

... Based on year-to-date third quarter results, **Bon Ton Stores** announced that it more than likely will not make the original earnings guidance that it had for fiscal 2007. Prior company earnings forecasts had the company earning \$2.75-\$2.90 per share, which the company had subsequently lowered to \$2.27 per share.

... Looking to expand sales, **The Bon-Ton Stores, Inc.** launched its new e-commerce business, accessible at [bonton.com](http://bonton.com) to coincide with the very important holiday selling season.

... **Nordstrom** will open a store in Cherry Creek Shopping Center, which will be the company's third store in Colorado. The mall will be the sixth in the nation to house a Nordstrom, Saks Fifth Avenue, Neiman Marcus and Macy's. The new location will occupy a space that was abandoned by Lord & Taylor.

... Buyout rumors are once again swirling, with the newest target on the radar being **Saks**. It is being reported that the company might be open to a sale, while spokeswoman **Julia Bentley** has said the company will not comment on rumors and speculation. It seems that an international offer may make the most sense, taking into account the weakened dollar and a name that translates very well internationally.

... **Burlington Coat Factory** reported sales for its first quarter ended September 1, 2007 of \$685.5 million, up 3.2% versus sales of \$664.3 million for the comparable period last year. The net loss for the quarter was \$50.4 million, down 2.7% versus a net loss of \$51.8 million last year.

... Expansion outside the U.S. is next up for **Limited Brands** now that the company has narrowed

its focus to lingerie and beauty products. No timetable, however, has been released by the company for opening Victoria's Secret and Bath & Body stores outside the U.S.

... **True Religion Apparel, Inc.** signed a lease for its newest branded store on the Upper East Side of New York City. The 1,400 square foot store, the company's second in Manhattan, is scheduled to open in the spring of 2008.

... **Gottschalks Inc.** replaced its current public accounting firm, **Deloitte & Touche LLP** with **BDO Seidman**.

... While losing the **Gottschalks** engagement, **Deloitte & Touche LLP** decided not to stand for reelection as the public accounting firm for **Children's Place Retail Stores Inc.**

... Following a sharp decline in its stock price, the result of a string of bad news that includes the dismissal of its CEO and the resignation of its auditor, **The Children's Place** is considering putting itself up for sale. Former Chairman and CEO **Ezra Dabah** is reportedly considering making an offer for the company.

... **Coach, Inc.** will release its first fiscal quarter results on Tuesday, October 23, 2007. Be sure to look for those results on **Global's** website shortly thereafter.

... **Lucy activewear** will open six new stores in November including new stores in West Hartford, Connecticut; Monterey, California; Burr Ridge, Illinois; Las Vegas, Nevada; Ardmore, Pennsylvania; and a flagship store in Tigard, Oregon. With the openings the company will have 60 stores nationwide.

### Did You Know...?

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

## Mass Merchant Musings

... **Wal-Mart** is threatening legal action against consumer websites that post in advance the retailer's planned discounts for "Black Friday," the day after Thanksgiving that is the traditional start of the holiday shopping season.

... Getting a jump on its own holiday price cutting, **Wal-Mart** reduced the prices on more than 15,000 items last week. The cuts are said to be 20% more than last year's reductions, and include products in food, toys, and apparel.

... **The United Food and Commercial Workers Local 951** voted to adopt a four and a half year contract with **Meijer Inc.** The deal includes wage increases and protects the pension plan.

... **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 sales of \$261.1 million for the comparable period last year. Comp store sales for the quarter were up 6.1% over prior year with transactions up 4.3% and average transaction size up by 1.8%.

... **Toys "R" Us** plans to open a store in Korea in early December. The 2,600 square meter store, Korea's first, will sell 8,000 kinds of toys and children's products. **Lotte Shopping** signed an exclusive licensing agreement with Toys "R" Us last December. The company hopes to operate 15 to 20 locations by 2010.

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## FYI for the DIY

... **Chapman Capital L.L.C.**, investment advisor to two investment funds that together comprise the largest reported ownership block of **Building Materials Holding Corporation** are demanding the voluntary resignation of Building Materials Holdings Chairman and CEO **Robert E. Mellor**.

... **MSC Industrial Direct Co., Inc.** will release its fourth quarter and full year financial results for the fiscal year ended August 30, 2007 on Wednesday, October 24<sup>th</sup>. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... **BMTC Group Inc.** lost a judgment brought against its subsidiary **Braut & Martinear Inc.** and must pay damages in the amount of \$2 million plus interest, in relation to a class action instituted by a group of consumers that had purchased goods using the financing programs offered by the company. Plaintiffs were claiming an amount of \$240 million in this action.

... Stockholders of **United Rentals, Inc.** approved the merger agreement providing for the purchase of the company by affiliates of **Cerberus Capital Management, L.P.** at a price of \$34.50 per share. The transaction is expected to close in November.

## Rating Changes and Outlooks

### Global Credit Rating Changes

Company	Credit Rating		GCS Outlook	
	Current	Prior	Current	Prior
CARDINAL HEALTH INC	C	B	STA	NE

### S&P Rating Changes

Company	Credit Rating		Credit Outlook	
	Current	Prior	Current	Prior
SUPERVALU INC	BB-	BB-	POS	STA
BUILDING MATERIALS HOLDINGS INC/BMC WEST	BB	BB	NM	NEG
CHARMING SHOPPES INC	BB-	BB-	NEG	STA
MARRIOTT INTERNATIONAL INC NEW	BBB	BBB+	STA	STA
LINENS HOLDING CO	B-	B	NEG	NM
YUM! BRANDS INC	BBB-	BBB	STA	STA
VITAMIN SHOPPE INDUSTRIES INC	B	B	STA	NM
BRODER BROS CO/SPORTSWEAR DISTRIBUTOR	B	B	NEG	STA
BUFFETS INC	CCC+	B-	NEG	NEG
FOOT LOCKER INC	BB	BB+	NEG	NM
MCDONALDS CORP	A	A	STA	NEG
GUITAR CENTER INC	NR	BB+	NR	STA
STAR GAS PARTNERS LP	B-	CCC+	STA	NM
DARDEN RESTAURANTS INC	BBB+	BBB+	NEG	STA
GUITAR CENTER INC	NR	BB+	NR	STA
NEIMAN MARCUS INC	BB-	B+	STA	NM
FOOT LOCKER INC	BB	BB+	NEG	NM
YUM! BRANDS INC	BBB-	BBB	STA	STA
ARAMARK SERVICES INC	B+	B+	STA	NEG

#### Did You Know...?

*Planned 2007 holiday-related spending by U.S. consumers is forecast to rise 3.7% to approximately \$923.36, in line with the National Retail Federation's forecast of a 4.0% increase, according to the results of a new survey by BIGresearch.*

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## Hi Tech Entertainment

...If you want to shop for a TV at **Best Buy**, you had better be looking to be with the times. The company announced that it will no longer be carrying analog TVs in its stores. The company claims that consumers are no longer looking to buy analog, as most people have moved on to the digital era. Best Buy is the first retailer to make the move and pull all analog televisions from its shelves.

...**Circuit City** has announced that it has expanded its Consumer Education for Digital Television Transition plan. The company believes that it must help shoppers learn more about the new era we are living in. CEO **Philip Schoonover** has said that "TV is our most important business" and the purpose of the program is to "inform and educate the public about this important technology advance."

... With 82% year-to-year growth in its number of unique visitors, **Gamestop.com** joined the top 10 computer and consumer electronics web sites in terms of traffic with 2.17 million visitors in September, up from 1.20 million a year ago.

... **The Daily Bankruptcy Review** has added **Sharper Image** to its "Companies to Watch" list in light of the rejection by a federal judge a proposed settlement that would have required the troubled company to distribute \$19 million in coupons to consumers who bought air purifiers alleged to be defective. In arguments supporting the settlement proposal, Sharper Image depicted it as the best consumers could hope for because the company is on the verge of bankruptcy.

... **Amazon.com** plans to open a new 75,000 square foot fulfillment center in Munster, Indiana. The facility will fulfill orders for products from Amazon's Media, Hardlines, and Other categories.

... **Acer Inc.** successfully completed its tender offer for **Gateway, Inc.** acquiring approximately 86.1% of Gateway's outstanding common stock. Acer intends to purchase directly from Gateway of number of additional shares sufficient to give it ownership of more than 90% of Gateway's outstanding shares.

## Specialty Items

... **Michaels Stores** is shuttering its two smaller chains, **ReCollections** and **Star Decorators' Wholesale**, which include eleven and four stores respectively. The company will absorb a charge of between \$11 and \$14 million in the third quarter for lease exit costs, severance pay, inventory liquidation, and asset write down.

... **Jo-Ann Fabric and Craft Stores** and **Debbie Mumm** formed a product partnership set to formally launch in stores November 1<sup>st</sup>. Ms. Mumm's artwork and designs will be featured on hundreds of products including fabric, ceramics, partyware, kitchen textiles, yarn, and seasonal goods.

... **Barnes & Noble** will open three new locations in the next two weeks, including stores in Stamford, Connecticut, Tuscaloosa, Alabama, and Whitehall, Pennsylvania.

... **Borders Group Inc.** will open its first standalone **Paperchase** shop in the U.S. on October 24<sup>th</sup> in Boston, Massachusetts. Paperchase is a stationery retailer with more than 100 stores in the

United Kingdom, which was acquired by Borders in 2004.

... **Tiffany & Co.** increased the number of stores it plans to open in the U.S. facilitated by the development of a new, smaller format store that will occupy approximately 2,000 square gross square feet and offer a wide range of jewelry designs except engagement jewelry. It has the working name of **Tiffany & Co. Collections** and the first store is expected to open in 2008.

... In other news, **Tiffany & Co.** sold the building housing its flagship store in London for approximately \$149 million and entered into a 15-year lease with two 10-year renewal options.

... **CSK Auto, Inc.** entered into an amendment to its Term Credit Agreement, easing the agreement's leverage ratio covenants for the third and fourth quarter of its fiscal year ending February 3, 2008, as well as the first and second quarters of its fiscal year ending February 1, 2009 in order to minimize the possibility of failing to meet the covenants.

## 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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