

RETAIL SECTOR WEEKLY

Key Retail News and Commentary

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Commercial Paper Falls to 18-Month Low

The U.S. asset-backed commercial paper market that played a key role in financing the housing boom shriveled to its smallest in 18 months in the latest week, according to government data, serving as a stark reminder that credit turmoil is far from over.

The continuing shrinkage of the asset-backed paper market shows that short-term business lending has failed to rebound since credit turmoil stung hard on global markets last August. Banks and investors have remained reluctant to fund companies' inventories and other daily operations, analysts said.

In response, the Federal Reserve has flooded the U.S. banking system with hundreds of billions of dollars of liquidity, adding \$31 billion last Thursday alone in one of its biggest market actions in weeks.

The Fed is expected to cut benchmark interest rates for a second time this week as the Federal Open Market Committee meets, in an effort to bring down borrowing costs throughout the economy. The Fed has been easing rates to prevent the credit crunch from triggering a recession.

Much of the economic worry stems from the slowdown of U.S. housing and the high rate of loan fore-

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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...

All the world's a stage and most of us are desperately unrehearsed.

Commercial Paper Falls to 18-Month Low

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closures that caused investors to pull back from credit markets that trade mortgages as securities. The pullback of funders caused the asset-backed paper total to shrink for an 11th straight week to \$883.7 billion in the week ended October 23rd.

Some, however, were encouraged at growth in the broader overall U.S. commercial paper market, which includes other types of short-term credit. It rose for a fourth straight week to \$1.872 trillion, up \$6.2 billion.

The Fed has stood ready to fill the breach as investors have abandoned the credit market. On Thursday, the U.S. central bank injected \$31 billion in temporary bank reserves. The total amount of the Fed's three repurchase agreements marked the biggest daily market injection in two weeks, which kept the overnight U.S. lending rate between banks at 4.75%, matching the Fed's current target rate.

Wall Street widely expects the Fed to trim its short-term target rate on federal funds to 4.5% after its two-day policy meeting this week. The Fed cut the benchmark short-term target rate by half a percentage point in September.

The ongoing contraction of the asset-backed commercial paper market underscored the persistence and severity of the credit problems, which have battered the financial sector.

Bank of America reported that it planned to slash 3,000 jobs and to overhaul its corporate and investment banking business after a dismal quarter. That came after Merrill Lynch announced a massive \$7.9 billion writedown due largely to credit-related losses.

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Bankruptcy Blotter

... **The Bombay Company, Inc.** received approval from the Ontario Superior Court of Justice to sell its wholly-owned 50-store subsidiary, **Bombay Furniture Company of Canada, Inc.**, to a newly-formed subsidiary of Canadian retailer, **Benix, Inc.** The stores will continue to be operated in-place and under the Bombay brand. The transaction is expected to close on or about February 5, 2008.

... In other news, the unsecured creditors committee for **The Bombay Company** is seeking court approval to engage **Cooley Godward Kronish LLP** as its counsel with **Jay Indyke** as the lead attorney.

... A second group of landlords who lease space to **Movie Gallery Inc.** have objected to the company's plan for conducting GOB sales at the stores the company plans on closing, saying the plan does not adequately protect their interests.

... For the month ended October 6, 2007, **Hancock Fabrics, Inc.** reported sales of \$26.0 million, the highest monthly sales figure since May, and a net loss of \$1.8 million, which included \$1.3 million of reorganization expenses.

... **Seasonal Concepts**, which sells outdoor casual furniture and related products as well as holiday products through nine retail stores in five states filed for Chapter 11 protection in Minnesota.

... **Gary R. Cummings**, a **Golf Etc.** franchisee doing business in Missouri City, Texas, filed for bankruptcy protection, looking to liquidate operations.

... **Interstate Bakeries Inc.** secured a commitment for \$400 million in exit financing and reached a deal with a group of lenders to convert about \$218 million in borrowings into new debt and equity issued under its reorganization plan. However, the company still faces trying to reach agreement on a new labor contract with the **Teamsters** union, a formidable task based on negotiations to date. Agreement on a new contract needs to be finalized by November 7th.

... Based on the recommendation of the court, **Pacific Lumber Co.** will enter mediation with creditors "in good faith" to try to resolve a fight over its bankruptcy plan, with both sides having to overcome wide disagreement. A number of creditors are calling for the liquidation of the company.

... **Dana Corp.** won court approval to send its Chapter 11 reorganization plan to creditors for a vote, a key step in the auto-parts company's bid to emerge from bankruptcy by year's end.

... A hearing on whether **Delphi Corp.'s** Chapter 11 plan is ready for a vote by creditors was postponed from October 25th to November 8th in order to give the company more time to obtain a multi-billion dollar loan to finance its exit from bankruptcy.

... In other news **Delphi Corp.** won court approval to put out to bid its interiors and closure-systems units, which **The Renco Group** has offered to buy for \$106 million subject to higher offers.

Feedback?

Questions?

Suggestions?

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Management on the Move

... **Supervalu Inc.** announced that **Sue Klug**, SVP, Sales and Marketing for the company's Retail West region, was promoted to President of its Southern California division, replacing **Pete Van Helden**, who will focus his efforts on overseeing Supervalu's Retail West region.

... **Charlotte Russe Holding, Inc.** appointed **Herbert Kleinberger** as a member of its Board of Directors, replacing **Mark Rivers** who resigned from the Board. Mr. Kleinberger is currently a Principal in **ARC Business Advisors LLC**.

... **Aeropostale, Inc.** named **Evelyn Dilsaver**, formerly EVP for **The Charles Schwab Corporation**, and President and CEO of **Charles Schwab Investment Management**, to the company's Board of Directors.

... **Andrew Ruben**, who has been running **Wal-Mart's** environmental initiatives, is changing jobs and will become head of private label strategy, in charge of in-house brands like Sam's Choice and Great Value.

... **Family Dollar Stores, Inc.** named **Scott Zucker** to the position of VP - Merchandising Operations, reporting to **Robert George**, EVP and Chief Merchandising Officer. Prior to joining Family Dollar, Mr. Zucker was a buyer with **Belk, Inc.** and then a retail consultant at **BearingPoint, Inc.**

... **Bob Stevenish**, President and COO of **Modell's Sporting Goods**, plans to retire from the company effective February 1, 2008. CEO **Mitchell Modell** will assume all of the merchandising responsibilities that formally belonged to Mr. Stevenish and become CEO and President.

... **Recreational Equipment, Inc.** appointed **Brenda**

Davis to a one-year term to the company's Board of Directors. Ms. Davis recently retired from **Johnson & Johnson**, working as the corporate compliance officer and VP of Technical Resources.

... **Tractor Supply Company** appointed **Gregory Sandfort** to the position of Chief Merchandising Officer, assuming the duties of **Jerry Brase**, who resigned to pursue other opportunities. Most recently, Mr. Sandfort worked at **Michaels Stores, Inc.** where he held the positions of President and COO subsequent to his role as Chief Merchandising Officer.

... **Central Garden & Pet Company** appointed Chairman **William E. Brown** to the additional post of CEO following the resignation of CEO **Glenn Novotny**. Mr. Novotny will continue with the company in an advisory role.

... Bankrupt **Bombay Co.** and CEO **David Stewart** mutually agreed to his termination last week. Mr. Stewart, who was hired in 2006 as a turnaround chief for the company, had a contract that was to run through June 6, 2009. **Bombay** earlier this month won court approval for the sale of the company, which the buyers plan to shutter.

... **Jo-Ann Fabric and Craft Stores** named **Ken Haverkost** to the position of EVP of Operations. Mr. Haverkost most recently served as SVP and Director of Store Operations at **Fred Meyer Stores**, a division of **The Kroger Company**.

... **Ethan Allen Interiors Inc.** named **David Cullen** as its VP Finance & Treasurer. Mr. Cullen most recently served as VP for Global Finance at **Photronics**, a semi-conductor manufacturer.

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Monthly Comps Analysis

Report

FYI for the DIY

... Representing an average investment of \$18.5 million, **Lowe's Cos. Inc.** is opening a new 117,000 square foot retail sales space and adjacent garden center in Lincoln County's Denver community in North Carolina.

... In spite of somewhat uncertain market conditions, **MSC Industrial Direct Co., Inc.** reported sales for the fiscal year ended September 1, 2007 of \$1.688 billion, up 28.1% versus the prior year with sales of \$1.318 billion. Net income for the year was \$173.9 million versus net income for the prior year of \$136.4 million, a 27.5% im-

provement.

... Looking to match the efforts of **Home Depot**, **Lowe's** and **Best Buy**, which have stepped up efforts to tailor their merchandise and store presentation to women, **True Value Hardware** has developed a new store format. Changes include the placement of a redesigned paint department and seasonal items at the front of the store, a broader selection of kitchen and bath décor hardware, and directional signs in colors such as soft blue.

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Heard in the Grocery Aisle

... **United Food and Commercial Workers Union** leaders and representatives from **Save Mart**, **Raley's** and **Bel Air Markets** reached a tentative agreement on a new four-year contract affecting approximately 25,000 workers in nearly 300 locations throughout Northern California.

... **Winn-Dixie Stores, Inc.** reported sales for its first quarter ended September 19, 2007 of \$1.621 billion, up \$11.1 million or 0.7% versus the comparable period last year. The net loss for the quarter was \$0.8 million, down from a loss of \$24.6 million last year.

... The Federal Trade Commission (FTC) is attempting to block the **Whole Foods** acquisition of **Wild Oats**. The FTC claims that since the two entities are still operating as separate companies, a break-up is still viable.

... **Meijer** has extended its agreement with **IBT Enterprises**. The agreement will give IBT exclusive rights to retail financial services space within Meijer stores. Meijer currently has its own debit and credit cards.

... **Supervalu** is attempting to reclaim \$10.1 million dollars it dispersed to fraudulent vendor accounts in Florida and Arkansas under the names of **American Greetings** and **Frito-Lay**. The FBI was able to capture the money before the swindlers could get it.

... **Roundy's** is eyeing a 60,000 square foot location in Chicago for a new store that would be operated under a new banner still-to-be disclosed banner. Roundy's has said it would like to open 10 to 12 stores in Chicago, and already has picked a site on the North Side for one of those stores.

... **Spartan Stores** has opened its first in-store clinic. The clinic is inside of a newly opened **Family Fare** supermarket. **Advantage Health Physician Network** will operate the clinic. The clinic will charge \$49 for a visit for routine healthcare.

... **Spartan Stores Inc.** will spend between \$1.5 million and \$2 million for merchandise changes, store remodeling and employee training in its third and fourth quarters to integrate its newly

acquired Felpausch grocery stores.

... The **Great Atlantic & Pacific Tea Company** announced that it received \$110 million for the sale of 41 **Farmer Jack** locations. The company mentioned that it is continuing to look for buyers to take the remaining 25 stores and two warehouses. As a reminder **Kroger** purchased 20 of the Farmer Jack stores.

... **Ahold** announced that its revenues rose 1.1% to \$8.4 billion. **Stop & Shop's** same store sales rose 1.7% (or 1.0% when excluding fuel), **Giant-Landover's** comps fell 1.6% and **Giant-Carlisle's** comparable store sales increased 3.7%. As a reminder, the firm no longer provides **Tops'** comps because it is an asset for sale. The firm's European operations continued to produce strong results.

... Under the name "Project Refresh", **Ahold** plans to remodel or replace 100 of its 185 **Giant Food** stores. This is the largest investment the company has ever made in the banner since purchasing it in 1998.

... **Stop & Shop/Giant** will extend its EDLP strategy to coffee, dairy and frozen items in November. The movement is part of the company's Value Improvement Program.

... **Tesco** stated that the fires in Southern California would not have an impact on the firm's planned store openings. In addition, the British grocer plans on opening up five stores in Las Vegas on November 14th. Tesco also intends to open some stores in Phoenix in November; however, the company declined to give a date.

... **Spartan Stores** has begun offering pet insurance. The policy covers 90% of the pet owner's veterinary bills. Spartan follows **Kroger** in offering this type of insurance to its customers. The policy will be offered through **PetFirst Healthcare**.

... **CR Intrinsic Investors** run by **Steven A. Cohen** has purchased 805,000 shares of **Penn Traffic** for approximately \$15.5 million. The fund now controls a 9.7% stake in the Syracuse-based grocer. The fund's future plans for the upstate-New York grocer are unclear.

Did You Know...?

The National Association of Realtors reported that sales of existing homes fell 8% in September, the largest decline to show up in records dating to 1999. The seasonally adjusted annual sales rate of 5.04 million existing homes was also the slowest pace on record.

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Options and Resources

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Off the Rack

... **Macy's** has entered into an exclusive agreement with Tommy Hilfiger. It will be the only US department store offering the trademark's men's and women's sportswear. Tommy Hilfiger will continue to operate its free standing stores and its tomy.com website. Macy's will expand its assortment of Tommy Hilfiger merchandise in both its stores and on its website.

... **Jos A Bank** said that it will surely continue its rapid expansion program through 2012. The company is estimating that by 2012, it will be operating in upwards of 600 locations. So far, the company has opened 29 stores this year and plans on opening 50 by the end of the year. At the close of the second quarter, the company operated 391 locations.

... **Pacific Sunwear** will be closing its nine One Thousand Steps locations. The company has said that the chain will be closed "as soon as practical." The decision will cause the company to take a \$48 million asset impairment charge in the third quarter. PacSun's demo locations have also been in the spotlight, and the company plans to evaluate some different options with this chain.

... The sale of **Deb Shops** was completed this week, and the company is no longer a publicly traded entity. **Lee Equity Partners** completed the \$395 million buyout of the 347 store chain that includes the trade names Deb and Tops N' Bottoms, both clothing lines for young women. The deal was announced July 27. Previous CEO **Marvin Rounick** and Executive VP **Warren Weiner** will provide consulting services for up to three years.

... **Gaps** trademark saga in South Africa continues. The company is being harassed by South Africa with Salt of the Earth Creations (SOTEC), as the company does not want Gap to use the name in the country. SOTEC claims that it acquired the trademark in 1983 after purchasing another

South African company.

... Management at **Coach** threw cold water on a red hot iron, attempting to curb some of the bullish expectations. The impressive run seems to have come to a halt, as the company said that the fiscal second quarter has provided some challenges. The company will take a more conservative approach with its comp store guidance for the remainder of the year.

... **Children's Place Retail Stores Inc.** hired **Lehman Brothers** to assist in reviewing strategic options for the company. The company's Board of directors is assessing a wide variety of options, including potential organizational and operational improvements, a recapitalization, or other transactions, to improve its business and competitive position.

... **Redcats USA, Inc.**, a subsidiary of **Redcats Group** reported that approximately 12.1 million shares of common stock of **United Retail Group** had been tendered, representing approximately 83.9% of the outstanding shares of United Retail. Upon Redcats USA's acquisition of such shares, United Retail will become a majority owned subsidiary of Redcats USA.

... Due to weaker than anticipated quarter-to-date sales results, **The Talbots, Inc.** now anticipates that its fall season comp store sales will be negative mid- to high single digits, compared to its previous plan announced in August of approximately flat with the prior year period. The company now anticipates a fall season loss for the six-month period ending February 2, 2008 to be in the range of 25 cents to 35 cents per share versus the company's previous outlook of earnings of 42 cents to 48 cents per share.

... **American Eagle Outfitters, Inc.** launched **aerie f.i.t.**, a new line of fitness and workout wear designed for the 15 to 25-year old AE girl.

Did You Know...?

The median price for homes fell to \$211,700 in September, down by 4.2% from the sales price a year ago. It was the biggest price drop since last October and marked the 13th time out of the past 14 months that the year over year sales price has decreased.

Health & Beauty Aids

... **Walgreen** opened its 6,000th store in New Orleans. The company remains on pace to achieve its goal of reaching 7,000 stores by 2010.

... **Walgreens** will be opening its fourth store in Hawaii. The newest location will be Maui and it will employ 40 people. This is the first Hawaii-based Walgreens outside of the island of Oahu.

... A **Carnival Super Market** location has opened an in-store health clinic; Carnival is owned by **Minyard Food Stores**. Minyard plans to open similar facilities inside 21 of its stores. The in-store clinic is being operated by **MedBasics**.

... **Beauty.com** has launched two new features on its website. The website will now provide recommendations on skin and hair products. Beauty.com is a website currently operated by **Drugstore.com**. The new features are part of the firm's drive toward GAAP profitability during the final quarter of the calendar year.

... **Tenet Healthcare Corporation** announced a 25-year affiliation agreement between St. Christopher's Hospital for Children and **Temple University Health System**. St. Christopher's will treat Temple University Children's Medical Center's inpatient pediatric and outpatient care patients and Temple will conduct its clinical training program in pediatrics at St. Christopher's.

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Mass Merchant Musings

... **Wal-Mart Stores Inc.** offered to pay \$862 million for the 49.1% of its money-losing Japanese subsidiary, **Seiyu Ltd.** that the company does not already own, as the company struggles to speed up management changes and reverse slumping performance in the world's second largest economy. During the first nine months of the year Seiyu lost the equivalent of \$37.4 million.

... Updating its plans for growth, **Wal-Mart Stores'** capital spending is now forecasted to be \$15 billion for the current year, down from \$15.7 billion last year and to be flat for the next two years. The company will continue to accelerate its investment in its International operating segment, offsetting declines in domestic spending. The company expects to open 195 supercenters in the U.S. this year, down 30% from the 281 opened during last fiscal year.

... **Sam's Club**, the warehouse division of **Wal-Mart Stores** reported that its membership income growth is not meeting its expectations. Look for the company to come out with changes to its membership structure to attract more customers. As a note Sam's continues to run second to industry leader **Costco**.

... According to the Financial Times, **Wal-Mart** is currently exploring additional new store formats, reportedly including a smaller local convenience market. It has also recently registered new trademarks including "City Thyme" and "Field and Vine" to cover unspecified retail grocery store services.

... **Meredith Corporation** announced a multi-year

licensing agreement with **Wal-Mart Stores** for the design, marketing and retailing of a wide range of home products based on the Better Homes and Gardens brand. This new line of home products is expected to be available exclusively in Wal-Mart stores by the fall of 2008.

... Citing greater than normal daily volatility and continued disappointing sales results for the first two weeks of October, **Target Corp.** lowered its comp store sales forecast for the month to a range of 2% to 4%, down from previous guidance in the range of 3% to 5%. Prompted by the decline in sales, analysts have lowered their earnings forecast for the third quarter to 60 cents per share, down from 62 cents per share.

... **Big Lots**, the closeout retailer with 1,400 stores nationwide will open a new 16,000 square foot store in Hendersonville, Tennessee, a suburb of Nashville.

... Changing the name to **Meijer at Cascade** to differentiate the store from the other 180 **Meijer** supercenters, the company opened its newest flagship store, introducing redesigned displays, expanded product lines and more choices in organic and fresh foods in Cascade, Michigan.

... **ShopKo** stores is updating its stores by giving them a new more feminine look. The most recently remodeled stores are located in Great Falls, Montana, Twin Falls, Idaho, Rapid City, South Dakota and Logan, Utah. Customers' attention will be drawn to new key fixtures in jewelry, accessories, apparel and home.

Did You Know...?

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

Rating Changes and Outlooks

Global Credit Rating Changes				
Company	Credit Rating		GCS Outlook	
	Current	Prior	Current	Prior
CARDINAL HEALTH INC	C	B	STA	NEG

S&P Rating Changes				
Company	Credit Rating		Credit Outlook	
	Current	Prior	Current	Prior
HILTON HOTELS CORP	NR	BB-	NR	NM
OFFICEMAX INC	BB	B+	NM	POS
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

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The Global World of Sports and Footwear

... **Dick's Sporting Goods** and **The Sports Authority** are fighting in court over who has the legal right to sell Slazenger branded golf products in the U.S. market. In its complaint, Dick's and **Slazengers Ltd.** are charging The Sports Authority with illegally selling Slazenger Raw Distance golf balls in its stores. The golf balls were acquired from a Taiwanese maker as over-runs from the authorized production for purchase by Dick's and Slazenger distributors in countries outside the U.S.

... **Cabela's Incorporated** executed a Promissory Note payable to U.S. Bank National Association for a \$50 million short-term credit facility that matures on December 21, 2007. The company executed the Note to provide additional capacity and flexibility to satisfy its seasonal cash requirements. Could this be fall-out from the declining commercial paper market?

... In other news, **Cabela's** may soon have local approval for its first Boston market store in nearby Hooksett, New Hampshire as voters are going to the polls on the matter as we go to press.

... The state District Court in Denver denied a motion by **Vail Resorts, Inc.** to prevent **American Skiing** from selling The Canyons resort in Park City, Utah to **Talisker Canyons Finance Co. LLC**. Closing on the sale is expected to take place in the 4th calendar quarter of 2007. The Canyons will operate as planned and is slated to open for the winter season on November 17th.

... In spite of net income for the third quarter of \$5.3 million, an increase of 80.6%, **West Marine Inc.** lowered its earnings guidance for the full year to a range of 14 cents to 18 cents per share compared to previous guidance in the range of 24

cents to 34 cents per share, reflecting lower than anticipated sales in the direct segment, the timing of expenses and lower margins.

... **GSI Commerce Inc.** and the **National Football League** signed a multi-year extension to their e-commerce agreement. With the extension, GSI continues to provide the NFL with e-commerce technology, merchandising, fulfillment and customer care solutions. The length of the contract extension was not provided.

... **Sport Chalet, Inc.** will release its second quarter earnings results after the market closes on Wednesday, November 7, 2007. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

... **Joe's Sports & Outdoor** completed a series of improvements to its Eugene, Oregon store, including the addition of a new 5,000 square foot Paddlesport & Boat Center.

... In order to strengthen its wholesale business, **Columbia Sportswear** has been evaluating a direct-to-consumer retail operation. This year the company anticipates opening five new U.S. retail outlets, and currently plans to open up to 15 outlet stores per year over the next few years.

... Based on sales trends for the 11 weeks ended October 20th, **DSW Inc.** now estimates a mid-single drop in third quarter comp store sales and annual comp store sales of flat to down 2% versus prior guidance of flat to up 3%. Full year earnings are now seen as coming in at least 10% below last year's \$1.48, and below previous estimates for earnings in the range of \$1.63 to \$1.68 per share.

Did You Know...?

The supply of existing homes could skyrocket. A congressional study found that as many as 2 million homeowners could lose their homes in the next two years to foreclosure due to higher interest rate payments as their adjustable-rate mortgage resets.

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Hi Tech Entertainment

... **Office Depot** is delaying the distribution of its third-quarter earnings previously scheduled to take place on October 30, 2007 pending an independent review by the Board of Director's Audit Committee of the company's vendor program funds. .

... **Blockbuster's** other businesses continue to disappoint. Newly acquired Movielink lost \$10.18 million during the first half of the year. The company acquired Movielink in August for \$6.6 million.

... Dell continues to push forward in its new retail sales program. The company has announced that it will be selling its products in 1,400 **Staples** locations. Staples will be the only office superstore to offer Dell products in stores and through its web site. This is the latest relationship with retailers that Dell has forged. Dell products are now available in more than 10,000 stores worldwide.

... **Gamestop** continues its impressive year with a landmark announcement. The company has opened its 5,000th location, soundly placing itself at the top of the video game and software retailers list. The newest location is located in Jackson, CA. Gamestop is on track to open between

500 and 550 locations this year.

... While Wall Street clearly did not appreciate the results, **Amazon** turned in another fantastic quarter. Revenues were up 41% to \$3.26 billion for the quarter, while profits of 19 cents per share were up from 5 cents per share for the same quarter last year. The price of the stock took a dive on gross margin issues.

... **Circuit City** announced that it is testing a new store concept that it has been calling "The City." The stores include "different fixtures and lighting, a refined product selection and a more interactive experience." The stores are part of a 60 to 65 store expansion plan this year and a 75 to 100 store expansion next year. There are sure to be some closings along the way, however.

... As **Sharper Image** continues to try to reinvent itself, the company has announced that it has sold five more licensing agreements. The agreements go to LG International for electronic devices, Pure HiTech for Sharper Image branded mobile phones, Sensio for kitchen devices, Gutai USA for umbrellas, and Rilliant Systems for burglar alarms. The company did not announce how much it received for the agreements.

Did You Know...?

The head of Goldman Sachs Group Inc.'s restructuring advisory and financing group says the investment bank is hesitant to lend to companies in the automotive, homebuilding and retail sectors, which have faced mounting financial difficulties in recent years.

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Specialty Items

... **Linens N Things** signed a new \$700 million secured credit facility with **GE Capital**, replacing a \$700 million secured credit facility with **UBS Securities LLC**. The new facility will provide a greater advance rate on inventory and receivables and eliminate financial covenants. **Shades of Ames Department Stores?**

... **Williams-Sonoma** opened "**Threads**", a new retail test concept store offering infant apparel, in Bellevue, Washington. A second store will open in November on the Upper East Side of Manhattan. Threads was born of Pottery Barn Kids, where customers asked for baby clothes.

... **Books-A-Million** continued to fill-out its markets, opening a store in Prattville, Alabama, its 27th in Alabama; a store in Bristol, Virginia, its 16th in Virginia; and a store in Sebring, Florida, its 37th in Florida.

... **Barnes & Noble, Inc.** will open a new bookstore in Greenwood, Indiana on November 7th.

... Nearly 30,000 people who bought sofas, bedding and other furniture from **Jordan's Furniture** in the Boston area are getting their purchases for free. For five weeks in March and April, Jordan's

ran a "Monster Deal" promotion, promising that furniture buyers would get their money back in the form of rebates if the Red Sox won it all. Imagine watching the World Series on a sofa that you might get free. Can't beat that for having a rooting interest.

... By the way, **Joseph Frate**, a man once convicted of running an illegal lottery, sued **Jordan's** in August charging that Monster Deal constituted an illegal lottery. Jordan's is expected to file a motion to dismiss the suit next month. I think Mr. Frate needs a change of venue if he has any hope of winning his suit.

... **RoomStore** is opening a 120,000 square foot superstore in Houston with a broader product assortment that includes furniture, rugs and home accents from around the world.

... **Ethan Allen Interiors Inc.** reported sales for its first quarter of \$248.7 million, up 2.4% versus sales of \$242.8 million for the comparable period last year. Net income for the period was \$17.5 million versus net income of \$8.5 million last year, which included an \$8.7 million impairment charge.

Third Quarter Earnings

\$ in Millions	Sales		Change	3rd Qtr Comps	Net Income		Change
	2006	2007			2006	2007	
Apparel							
Cache, Inc.	\$59.9	\$60.6	1.1%	4.0%	\$0.7	\$0.2	-76.7%
Carter's, Inc.	\$392.0	\$410.9	4.8%		\$35.0	\$34.6	-1.0%
Mass Merchants							
Cost U Less, Inc.	\$54.6	\$57.9	6.0%	5.7%			
Overstock.com	\$156.9	\$161.9	3.2%		(\$24.5)	(\$4.7)	80.8%
Sears Canada Inc.	C\$1,408.8	C\$1,367.6	-2.9%	-3.6%	C\$37.8	C\$105.2	278.3%
Home Centers							
Builders FirstSource, Inc.	\$569.9	\$413.9	-27.4%		\$17.3	(\$11.5)	N/A
Building Materials Holding Corporation	\$817.8	\$618.3	-24.4%		\$35.3	\$4.2	-88.2%
Fastenal Company	\$470.1	\$533.8	13.5%		\$54.1	\$62.1	14.9%
Griffin Land & Nurseries	\$17.7	\$12.1	-31.4%		\$2.6	\$2.3	-12.2%
Huttig Building Products	\$294.2	\$233.0	-20.8%		(\$9.1)	(\$0.1)	98.9%
Sherwin-Williams Company	\$2,116.7	\$2,197.0	3.8%	-0.6%	\$179.1	\$200.3	11.9%
Tractor Supply Company	\$559.2	\$629.2	12.5%	1.9%	\$18.1	\$17.5	-3.3%
Wesco International	\$1,343.1	\$1,545.6	15.1%		\$59.4	\$70.0	17.8%
W. W. Grainger	\$1,519.5	\$1,658.6	9.2%		\$104.5	\$109.2	4.5%
Sports & Footwear							
GSI Commerce	\$118.5	\$137.3	15.9%		(\$6.2)	(\$6.1)	2.1%
Skechers USA, Inc.	\$331.1	\$395.0	19.3%		\$22.2	\$24.7	11.5%
West Marine, Inc.	\$195.6	\$187.5	-4.1%	0.3%	\$2.9	\$5.3	80.6%
WinMark Corporation	\$7.2	\$8.0	9.8%		\$0.8	\$1.2	41.5%
Specialty							
A.C. Moore Arts & Crafts	\$128.9	\$122.6	-4.9%		(\$2.6)	(\$0.4)	84.6%
Brookstone, Inc.	\$87.8	\$91.3	4.0%	4.2%	(\$10.3)	(\$10.2)	0.9%
Haverty Furniture	\$222.9	\$200.7	-10.0%	-11.6%			
O'Reilly Automotive, Inc.	\$597.1	\$661.8	10.8%	4.3%	\$47.9	\$53.1	10.9%
Consumer Electronics							
Aaron Rents, Inc.	\$317.7	\$359.4	13.1%	4.0%	\$17.4	\$15.9	-8.4%
Amazon.com, Inc.	\$2,307.0	\$3,262.0	41.4%		\$19.0	\$80.0	321.1%
Ingram Micro Inc.	\$7,510.3	\$8,607.9	14.6%		\$58.5	\$72.4	23.7%
PC Connection, Inc.	\$415.2	\$456.5	9.9%		\$4.4	\$7.7	75.1%
RadioShack Corporation	\$1,059.5	\$960.3	-9.4%	-8.6%	(\$16.3)	\$46.3	N/A
Zones, Inc.	\$137.9	\$163.0	18.2%		\$2.1	\$2.6	25.5%
Food							
Weis Markets, Inc.	\$557.2	\$565.0	1.4%	1.8%	\$11.6	\$10.8	-6.5%
Drug							
Drugstore.com, Inc.	\$100.6	\$107.3	6.6%		(\$2.6)	(\$2.4)	8.4%
Express Scripts, Inc.	\$4,330.2	\$4,519.0	4.4%		\$114.7	\$142.9	24.6%

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Earning Release Dates

Apparel/Department Stores

Bebe Stores, Inc.	1-Nov
Abercrombie & Fitch Co.	21-Nov
Bon-Ton Stores	29-Nov
Casual Male Retail Group, Inc.	29-Nov

Home Centers

United Rentals, Inc.	31-Oct
Interline Brands, Inc.	1-Nov
Lowe's Cos.	19-Nov

Sporting Goods & Footwear

Big 5 Sporting Goods Corp.	1-Nov
Golfsmith International Holdings, Inc.	7-Nov
Hibbett Sports, Inc.	20-Nov

Food

Loblaw Companies Limited	15-Nov
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Consumer Electronics

OfficeMax Incorporated	1-Nov
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Specialty

Advance Auto Parts, Inc.	31-Oct
Haverty Furniture Companies	1-Nov
Pep Boys-Manny, Moe & Jack	28-Nov
Michaels Stores Inc.	29-Nov

Drug

CVS Caremark Corp.	1-Nov
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