

RETAIL SECTOR WEEKLY

Key Retail News and Commentary

Inside this issue:

Bankruptcy Blotter	2
Management on the Move	3
Health & Beauty Aids	3
Heard in the Grocery Aisle	4
Off the Rack	4
Specialty Items	5
The Global World of Sports	5
Mass Merchant Musings	6
Options & Resources	6
Hi Tech Entertainment	7
FYI for the DIY	7
Rating Changes & Outlooks	7

Fed To Flood Market With Cash

The Federal Reserve and other top central banks will flood the financial system with as much as \$64 billion in extra cash in the next few weeks in an effort to unblock the jammed credit markets.

The Fed will offer tens of billions of dollars in short-term loans to banks through a new program called a “term-auction facility,” in an effort to ease the credit crunch and lower key inter-bank-lending rates.

The Canadian and European central banks also will lend banks tens of billions of dollars through expanded programs.

Financial markets, which had been disappointed by what they saw as timidity from the Fed last Tuesday, reacted gleefully to the new plan. U.S. stocks jumped at the opening of trades, while bond prices plunged.

The coordinated actions with Europe’s top central banks is a tacit admission by the Federal Reserve that lowering the federal funds rate, as was done last Tuesday, hasn’t accomplished enough to unclog credit markets that have frozen in fear over subprime mortgages and other securities that have been badly mis-priced.

(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.

WWW.GCSZONE.COM

Remember...

Trust yourself. You know more than you think you do.

Fed To Flood Market With Cash

(Continued from page 1)

The Fed is pushing liquidity into the system, rather than having banks demand it. It supplies extra liquidity at whatever price the market deems, than setting an interest rate first and letting the amount of the loans be determined by demand from banks.

Banks have become extremely reluctant to lend into short-terms markets, preferring to hoard their cash reserves. The plan announced last week could change that dynamic. The new lending program will allow many more banks to borrow from the Fed against a wide range of collateral. Any securities put up against the loans would have to be priced to the market.

Banks have been loath to borrow at the Fed's existing primary-credit window (known as the discount window), because it might signal that they have not managed their liquidity properly. Another added benefit for banks is that their identities will be protected in the auction, avoiding the stigma entirely.

The first auction of \$20 billion will be held today and will provide funds for 28 days, maturing on January 17th. The second auction of up to \$20 billion is scheduled for December 20th and will provide 35-day funds maturing on January 31st. The third and fourth auction will be held on January 14th and January 28th with the amounts to be determined next month. The Fed also said it may conduct additional auctions in subsequent months, depending in part "on evolving market conditions."

The market had been disappointed with the Fed after its monetary-policy meeting last Tuesday. The central bank cut the federal funds rate to 4.25% and the discount rate to 4.75%. But many economists had wanted more dramatic action – and they got it.

The Fed announced the new program along with the Bank of England, the European Central Bank, the Swiss National Bank and the Bank of Canada.

First Page

Feedback?

Questions?

Suggestions?

[Click Here](#)

Bankruptcy Blotter

.... The court approved **Princeton Ski Shop Inc.'s** use of cash pledged to **Citibank** to fund its Chapter 11 case for another month after the bank voiced concerns that a mild winter could doom the retailer's reorganization bid.

... Three landlords of **Bombay Company Inc.'s** stores have complained that the company's plans to auction its store leases before Christmas doesn't give them enough time to evaluate potential new tenants. A hearing was scheduled for late last week.

... **Sofa Express and More** plans to auction off its assets on December 19th and the court has set a December 21st hearing to consider the sale. The company does not yet have a stalking horse bidder.

... Major banks are objecting to **M. Fabrikant & Sons Inc.'s** liquidation because they say the plan does not ensure they will be immediately reimbursed for their attorneys' fees.

... **Movie Gallery** is closing down its on-demand digital movie service **MovieBeam** in order to enhance its financial performance. The company bought MovieBeam last March from Walt Disney Co. for about \$10 million.

... **Pacific Lumber Co.** wants the court to wipe more than \$100 million in claims filed against the company by California residents who say its logging activities flooded their properties.

... **Interstate Bakeries Corporation** confirmed that it received a preliminary indication of interest from **The Yucaipa Companies, LLC** and **The International Brotherhood of Teamsters**. The company intends to engage in further discussions with Yucaipa and the Teamsters to determine whether they intend to make a complete proposal.

... **Dura Automotive Systems Inc.** is asking the court to postpone its bankruptcy exit financing process to early next year due to the abnormally challenging credit market conditions – the latest example of the credit crunch hampering bankruptcy exits.

... **Delphi Corp.** expects to collect about \$447 million by selling its steering-systems business to Platinum Equity LLC, a private-equity firm that specializes in buying assets of troubled companies. General Motors Corp. is providing about \$257 million of the selling price to "facilitate" the deal.

[RETURN TO FIRST PAGE](#)

Management on the Move

... **J.C. Penney Company, Inc.** announced the resignation of **Ann Marie Tallman** from its Board of Directors due to health-related considerations.

... **Deirdre P. Connelly**, President of U.S. operations at **Eli Lilly and Company**, was elected to the Board of Directors of **Macy's, Inc.**

... **Mervyns'**, owned by **Sun Capital Partners Inc., Cerberus Capital Management LP** and **Lubert-Adler/Klauff and Partners LP**, announced the resignation of CEO **Rick Leto** after three years on the job. **Charles Kurth**, currently SVP and CFO, is expected to be named interim CEO until a permanent successor is named.

... To lure back its key customers for its name-sake brand, **Talbots** named **Michael Smaldone** to the newly created position of Chief Creative Officer, **Talbots Brand**, and **Basha Cohen** to the position of EVP, Chief Merchandising Officer, **Talbots Brand**. Ms. Cohen joins the company from **Kellwood Company**, where she served as EVP of Design and Merchandising. Mr. Smaldone was most recently SVP of Design at **Ann Taylor**.

... **dELiA*s** named **Oona McSeeeney** as the company's Director of Trend and Color for the **dELiA*s** brand. Ms. McSweeney most recently served as Director of Trend and Color for the Limited Too division of **Tween Brands, Inc.**

... **Richard Paradise**, SVP, Finance for **The Childrens Place Retail Stores Inc.** was named the company's CFO and Principal Accounting Officer. Prior to joining the Childrens Place, Mr. Paradise served as VP and CFO of the Bath & Kitchen division of **American Standard Companies, Inc.**

... **Asda**, the UK division of **Wal-Mart**, announced that COO **David Cheesewright** is returning to Canada to be President and CEO of Wal-Mart's Canadian Business.

... **ShopKo**, an affiliate of **Sun Capital Partners, Inc.**, appointed **Mary Meixelsperger** to the position of SVP and CFO. Ms. Meixelsperger is a seasoned financial executive with more than 20 years of experience, joining ShopKo as VP, Treasurer in August 2005 and was promoted to VP, Controller in April 2006.

... **West Marine, Inc.** named **Geoff Eisenberg** to the position of President and CEO, succeeding **Peter Harris** who resigned from the company. In addition to his 30 years on the Board of West Marine, Mr. Eisenberg served the company in various senior executive positions from 1976 until 1994.

... **The Stride Rite Corporation of Collective Brands, Inc.** hired **Gregg Ribatt** as its President and CEO, reporting to **Matt Rubel**, President and CEO of Collective. Mr. Ribatt most recently served as President and CEO of **Stuart Weitzman Holdings, LLC**.

... **The Stride Rite Corporation** also promoted **Frank Caruso** to the position of SVP and Chief Administrative Officer reporting to **Gregg Ribatt**. Mr. Caruso has been with Stride Rite for 17 years, serving in various roles in finance and most recently, as CFO.

... **MSC Industrial Direct Co., Inc.** announced the resignation of **Raymond Langton** from its Board of Directors because of a conflict of interest. In addition, **Charles Boehlke**, the company's CFO, resigned from the Board to rebalance the composition of the Board with a majority of independent directors.

... **Staples, Inc.** appointed **Carol Meyrowitz**, President and CEO of **The TJX Companies, Inc.**, to its Board of Directors.

Register a Colleague

Today to insure they receive their own copy of

"Retail Sector Weekly"

and

Monthly Comps Analysis

Report

[RETURN TO FIRST PAGE](#)

Health & Beauty Aids

...**AmerisourceBergen's** management announced it expects sales to grow 5% to 7% during the upcoming fiscal year. However, the firm believes it can generate profit growth of up to 20%.

...Massachusetts has opted to reject a proposed ban on in-store clinics. **CVS** had been looking to open between 20 to 30 clinics in the state.

...Webster Financial Corporation has announced a deal to place 160 of its ATMs inside **Walgreen** locations across four New England states. Most of the ATMs would be concentrated in Massachusetts and Rhode Island.

...**Duane Reade** expects to have about 35 in-store skin care boutiques by early 2008. The firm expects 19 of the facilities to be operational by the close of 2007. These in-store boutiques are designed to offer high-end skin care products.

...Two Auburn University pharmacy professors have teamed up to design a model pharmacy aimed at dispensing and administering specialized drug therapies usually reserved for hospitals. **Vital Care** founder Johnny Bell is also collaborating on the project.

Heard in the Grocery Aisle

...**Safeway** has elected to begin selling its organic food and beverages in Asia and South America. The firm's brand, O Organics carries more than 300 items from milk to chicken.

...**Safeway's** Canadian union workers have begun to vote on whether to authorize a strike. The company and the union representing its Canadian workers were in the process of negotiating a new contract.

...**Safeway** is rumored to be looking for store sites that are less than 20,000 square feet. These proposed facilities are similar to those of Tesco-owned Fresh & Easy Neighborhood Markets in Southern California.

...**Safeway** anticipates strong contributions from its Lifestyle stores and product innovation to deliver inside identical stores sales growth of 3.0% to 3.2% during fiscal 2008. Furthermore, the grocer expects to generate between \$500 million and \$700 million of free cash flow in fiscal 2008.

...**Tesco** is rumored to be close to purchasing Tengelmann-owned Plus discount stores in the Czech Republic for \$277.6 million. Tengelmann has an ownership stake in the **Great Atlantic and Pacific Tea Company** in the U.S.

...**Tesco** has identified a site for a Fresh & Easy location in San Francisco.

...Ice storms knocked out the power at an Oklahoma distribution center operated by **Associated Wholesale Grocers**.

...**Wegmans** will begin selling liquor at its Cherry Hill, NJ location.

...**A&P** expects to generate \$380 million through the sale of convertible debt securities. The company stated that \$150 million of the debt comes due in 2011 and the balance matures in 2012. The proceeds from the debt offering will be used to repay acquisition-related borrowings.

...**Giant Carlisle** announced plans to open its first gas station not located in one of its store parking lots. The fuel station will be in Camp Hill, PA.

...**Giant Carlisle** has announced plans to begin offering private label eggs with expiration dates etched onto them.

...**Penn Traffic** received \$10 million in privately placed equity financing through some of the firm's largest stockholders: Bay Harbour Management, L.L.C., CR Intrinsic Investors, LLC, and King Street Capital Management, LLC.

...**Giant Food's pharmacies** will begin offering its pharmacy services and labels in Spanish.

...**Bi-Lo** and **K-VA-T** have begun offering paperless coupons.

...**Meijer** has begun requiring suppliers to participate in scan-based trading to create their own refill order lists.

...**Back to Nature Food Co.** has recalled 13,800 boxes of Sesame Ginger Rice Thin Crackers. The announcement was prompted by concerns that some of the product may contain a milk ingredient that was not listed on the label.

...**Stop & Shop** has announced that it has successfully completed a rollout of a portable shopping device. The machine, called EasyShop, allows customers to scan items as they shop while receiving special offers on select products.

...**Kroger** reported that sales grew 9.8% to \$16.1 billion during the third quarter ended on November 10, 2007. During that period, net earnings expanded 18.2% to \$253.8 million.

...**Publix** recently joined the Law Enforcement Retail Partnership Network, which aims to unify law enforcement and retailers to combat retail crime.

...**Diamond Foods** announced sales expanded by 9% to \$184.5 million during the first quarter ended October 31, 2007. The branded food company credits increased snack sales as the source of revenue growth.

Did You Know...?

The Massachusetts Public Health Council was scheduled to vote last week on whether retailers in the state should be allowed to open in-store medical clinics. As of today, the outcome of the vote has not been made public.

[RETURN TO FIRST PAGE](#)

Off the Rack

...**Macy's** CEO has said that there will be no wide-scale closing of stores despite the less than stellar results recently. The acquisition of May's and the changing of names such as Marshall Fields did not sit well in some areas that were unfamiliar with Macy's.

...**Jos. A Bank** reported more good results this week. The company reported that sales were up

10%, while comps were up 3.1%. However, the company's profits were up 28.8% to \$7.1 million for the period.

...The lawsuit regarding the security breach at **TJX Companies** was transferred to Massachusetts state court. The presiding judge ruled that the banks could not sue as a class, and there would be no class-action status attached to the lawsuit.

Specialty Items

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

... **Restoration Hardware** announced that its third quarter loss jumped 166.6% to \$15.2 million from a loss of \$5.7 million for the comparable period last year, reflecting abundant supply, rising foreclosures, and tighter lending standards. Revenues for the third quarter were \$173.7 million, up 10.6% from the prior year with all of the increase the result of direct-to-consumer sales.

... In other news, **Restoration Hardware** entered into a confidentiality agreement with potential buyer **Sears Holdings** opening the door for another round of bidding in a duel for Restoration Hardware.

... **Dr. Patrick Byrne**, Chairman and CEO of **Overstock.com, Inc.** reported that they expect the company's fourth quarter earnings to be about breakeven, with EBITDA in the range of \$5 million to \$10 million. The company plans to expand its business footprint internationally next year.

... **The Pep Boys – Manny, Moe & Jack** are requir-

ing extra time to complete their Form 10Q for the third quarter ended November 3, 2007 in order to finalize the accounting for its previously announced store closures. The company now expects to file the 10Q on or before December 18th.

... **CSK Auto Corporation** will release its financial results for the third quarter today, December 18th. Be sure to look for **Global's** updated analysis and assessment shortly.

... Taking a page from **Jordan's Furniture** in Boston, two **Ashley Furniture HomeStores** in Memphis, Tennessee offered its customers furniture for free this past weekend – if the University of Memphis men's basketball team goes on to win the national title in March. Remember, Jordan's had to pay-off when the Red Sox won the World Series last October.

... **Weir's Furniture Village** opened its third area store in Westlake, Texas an affluent suburb of Dallas. The family-run business, started in 1948, does not release investment or sales information.

Did You Know...?

Footwear makers and retailers are trying to stomp out a Depression-era U.S. shoe tax, a move they say could save Americans hundreds of millions of dollars annually and kick-start relatively flat footwear sales.

The Global World of Sports and Footwear

... **Dick's** intends to open a store in Utica, New York's Sangertown Square retail complex next fall. Part of the store will be located in a former **Klein's All-Sports'** location.

... **Cabela's** is reportedly the centerpiece of a proposed 83-acre retail development in Brunswick, Ohio. Plans are to open the store sometime in 2009.

... **GSI Commerce Inc.** closed on its acquisition of **Zendor.com Ltd.**, a Manchester, U.K.-based provider of fulfillment, customer care and e-commerce solutions.

... As a result of the ongoing legal battle between **Genesco Inc.** and **The Finish Line, Inc.**, Genesco currently estimated that net sales for the fiscal month of November, which ended December 1st, were approximately \$130.3 million and that pre-tax earnings were approximately \$1.0 million (including the effect of approximately \$2.9 million of expenses related to the **Finish Line/UBS litigation**).

... **Quiksilver, Inc.** closed on the sale of **Roger Cleveland Golf Company, Inc.** Net proceeds from the sale of approximately \$105 million will be

used to repay debt.

... For the fiscal year ended October 31, 2007, **Quiksilver, Inc.** reported revenues of \$2.43 billion, an increase of approximately 10.3% versus revenues of \$2.20 billion last year. For the fiscal year the company reported a net loss of \$121.1 million, including \$172.9 million of primarily non-cash special charges, net of tax.

... **The Walking Company** opened seven new stores in November with an additional eight new locations scheduled for pre-holiday opening. These new store openings are in addition to the eight locations to be acquired in the pending purchase of the Natural Comfort chain in Florida.

... **Bakers Footwear Group, Inc.** expects a third quarter net loss of approximately \$15.3 million, or \$3.35 per share, including approximately \$3.5 million of additional markdown expense compared to the third quarter last year and approximately \$3.1 million of asset impairment and severance expenses.

... **Shoe Pavilion Inc.** appointed **Grant Thornton LLP** as its independent registered public accounting firm.

[RETURN TO FIRST PAGE](#)

Mass Merchant Musings

... **Wal-Mart** reported that it will keep expanding in China at more than 30% annually, as it won government approval to open its 100th store. The company currently has 94 stores in China, with others in preparation, and has opened 24 this year alone.

... **Wal-Mart** lost in its latest bid to have an appeals court reconsider its decision to allow 2 million current and former female workers to sue as a group with bias claims. The suit, brought in 2004, accuses Wal-Mart of paying women less than men and giving them fewer promotions.

... Bharti Retail, a nut of **Bharti Enterprises**, which has a joint venture with **Wal-Mart**, plans to open its first outlet by March 2008 and has drawn up plans for recruiting 60,000 personnel nationwide and provide them training.

... **Costco Wholesale Corp.** reported that first quarter net income was up 11% to \$262 million, from \$236.9 million during the comparable period last year. Revenue for the first quarter was

up 12% to \$15.8 billion, while comp store sales rose in the U.S. rose 5%.

... **Retail Ventures** reported sales for the third quarter ended November 3, 2007 of \$787.8 million, virtually flat with sales of \$787.6 million reported for the comparable period last year. For the quarter, the company reported net income of \$68.2 million, including income of \$91.3 million from the change in fair value of derivative instruments.

... **Cost-U-Less, Inc.'s** shareholders voted to approve the proposed acquisition of the company by The North West Company pursuant to their Plan of Merger, dated August 27, 2007.

... **Toys "R" Us** is now a destination for families to buy toys for children and their pets. **JAKKS Pets™**, the pet division of **JAKKS Pacific, Inc.**, is teaming up with the company to launch a line of doggy chew toys, clothing, beds, collars and more.

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

How to Advertise in this Publication: If you wish to advertise in our weekly newsletter please contact us via email at thomas@gcszone.com

Subscribe to our Newsletter: Click [here to subscribe](#) to Retail Sector Weekly

Did You Know...?

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

[RETURN TO FIRST PAGE](#)

"SEE THE FUTURE... NOW"

FULL-SOLUTION RISK MANAGEMENT



ARMZ
AUTOMATED RISK MANAGEMENT ZONE



GCS
GLOBAL CREDIT SERVICES

GLOBAL CREDIT SERVICES, INC
REAL PEOPLE. REAL INSIGHT. REAL TIME.

Contact: Lou Crossin | crossin@GCSZone.com
212.308.6060 ext 118

WWW.GCSZONE.COM

Hi Tech Entertainment

...Sherwood Investments has been provided non-public information on **Trans World**, as it seems to be getting more serious about the takeover. Sherwood is seeking the information as part of the due diligence process. Sherwood currently owns about 6.3% of the outstanding stock in the company and is bidding \$217 million, or \$7 per share for the remaining.

...**Movie Gallery** announced that it is closing its on demand digital movie service Moviebeam. Moviebeam was purchased in March, but will be shut down as part of a cost cutting method. Movie Gallery filed for bankruptcy protection in October after the company could not operate with the heavy debt load and poor operations.

...Australian regulators delay the decision on the sale of 24 **Borders Group** locations located in the country. The sale would be worth over \$100 mil-

lion Australian (\$88 million) to Pacific Equity Partners. The buying company already owns the 182 store chain of Angus & Robertson.

...Clinton Group has disclosed that it owns a 7.2% stake in **Sharper Image**. Sharper Image stock is down 64% so far this year and down 82% over the past five years.

...In other **Sharper Image** news, the company's third quarter loss widened to \$22.7 million from \$22.1 million for the same period last year. The company has been plagued by diminishing sales.

...Gordon Brothers has purchased struggling retailer **CompUSA** and will close it down after the holiday season. There are current liquidation sales at the company, and Gordon Brothers will look for buyers for various retail locations and other parts of the business.

FYI for the DIY

... **Huttig Building Products, Inc.** announced the consolidation and closing of distribution facilities in Greensburg, Pennsylvania and Kansas City, Missouri. The company will continue to service the Greensburg customer base from adjacent distribution facilities in Columbus, Ohio and Lancaster, Pennsylvania. Likewise, the company will continue to service a significant portion of the Kansas City customer base from the company's distribution facility in Springfield, Missouri.

... **The Home Depot Canada** opened its first project-orientated store in Richmond Hill, Ontario. The new 115,000 square foot store has been

redesigned both functionally and aesthetically.

... **Lowe's Companies Canada, ULC**, a subsidiary of **Lowe's Companies, Inc.**, opened its first three Canadian stores in the Greater Toronto Area, marking the home improvement retailer's first international expansion. Three additional stores are slated to open February 1st, and a seventh is planned to open shortly thereafter.

... **Grainger** reported that sales grew 10% for the month of November versus last year, including a 2 percentage point benefit from foreign currency.

Did You Know...?

U.S. retail sales rose to a better than expected 12.2% in November, the best gain in six months.

Rating Changes and Outlooks

S&P Rating Changes				
Company	Credit Rating		Credit Outlook	
	Current	Prior	Current	Prior
LINENS HOLDING CO	CCC+	B-	NEG	NEG
OFFICE DEPOT INC	BBB-	BBB-	NM	NEG
GREAT ATLANTIC & PACIFIC TEA CO ,THE	B	B-	STA	NM
PANTRY INC ,THE	B+	BB-	STA	NEG
GREAT ATLANTIC & PACIFIC TEA CO ,THE	B	B-	STA	NM
PATHMARK STORES INC	NR	B-	NR	NM
FOOT LOCKER INC	BB	BB+	NEG	NM
EL POLLO LOCO	B-	B-	NM	NEG

[RETURN TO FIRST PAGE](#)



SEASONS GREETINGS
GLOBAL CREDIT SERVICES
WISHES YOU A
HAPPY HOLIDAY
SEASON!

Due to the Holidays, The Retail Sector Weekly will not be published for the next two weeks, but will return on Monday January 7th.