

RETAIL SECTOR WEEKLY

Key Retail News and Commentary

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Holiday Season Extended

Retail's second wind began last Wednesday, as merchants turned their attention toward gift-card recipients for the last gust of holiday shopping.

Consumers cut back on spending sprees this year, crimped by rising food and fuel prices. After a lackluster December, retailers are now banking on the next few weeks as an extension of the holiday season.

When in doubt, people bought gift cards, extending consumer traffic into January.

In general, though, there was less cheer in the shopping sector this year as retailers braced for the slowest holiday sales season in five years by some measures.

Despite a last-minute rush in the days right before Christmas, several industry reports released last week indicated that consumer spending would fall short of already tempered forecasts.

MasterCard Inc.'s consulting unit said sales from November 23rd to December 24th rose 3.6%, the lowest gain in three years.

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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...

Be always at war with your vices, at peace with your neighbors, and let each new year find you a better man or woman.

Holiday Season Extended

(Continued from page 1)

MasterCard, the second-biggest U.S. credit-card company, bases its figures on sales in its network and estimates of other payment forms, like checks and cash.

Last year's holiday season grew 6.6%, according to MasterCard, while two years ago retail sales jumped 8%.

This year's mediocre performance is putting extra emphasis on what may happen between Christmas and the end of January, which is now lumped into the holiday season as retailers look to broaden their sales results.

Retailers slashed prices on leftover merchandise nationwide hoping to draw in a consumer base that is well-tuned to discount.

The day after Christmas is typically one of the busiest shopping days of the year and could account for as much as 3.5% of total holiday sales, according to the International Council of Shopping Centers, a trade group.

The week after Christmas represented about 10% of last year's holiday sales, according to research firm ShopperTrak, and this year, retailers are hoping the rising prominence of gift cards will push the number higher.

Consumers were expected to buy \$26.3 billion in gift cards this holiday season, a 6% increase from last year, according to the National Retail Federation, a trade group.

While we are justifiably concerned about retail sales for the holiday, based on the amount of discounting, which started earlier this year, we need also be concerned about gross margins.

Remember – gross margin pays the rent not net sales.

First Page

Did You Know...?

U.S. home builders remained extremely pessimistic in December, but at least their mood didn't get any worse as the home builders' housing market index stayed at 19 for the third straight month in December, matching the lowest reading ever in the 22-year history of the index.

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Off the Rack

...**Macy's** has announced its intention to close nine underperforming stores in six states. The nine locations collectively employ around 900 people. The company still plans to open five stores in 2008 and six to eight in 2009.

...**Gap** was forced to recall about 16,200 winter jackets due to the fact that the waist drawstrings could get caught and pose an trapping hazard. The jackets were sold at Gap Outlets.

...Now that the holidays are over, Iceland's Baugur Group could make a bid for **Saks**. The best estimates have the group offering at no more than \$23 per share. Saks currently has a retail portfolio that is estimated to be worth between \$800 million and \$1.5 billion.

...**Syms Corp** has said that it will voluntarily delist its shares from the NYSE. The company says the actions were taken to minimize burdens associated with being a public company. It will reportedly save \$750,000 annually. The shares will trade on the pink sheets.

...**TJX Companies** put in a settlement bid of \$41 million that was accepted by Visa. The settlement is associated with the hacker scandal from a year ago.

...**Talbots** is going back to its 35 and older women roots. The company will close down 78 locations, which represents all of the men and kids retail locations. The news comes on the company's announcement that it had a subpar fourth quarter.

...**PacSun** decided that it would close all 154 remaining demo locations. The company closed 74 of the stores in May 2007. The move will likely cost around \$4 million in the fourth quarter and \$35 to \$40 million for lease terminations.

...**Urban Outfitters** results were a breath of fresh air. The company reported a 9% increase in comps for the two months ended December 31, while total sales were up 28%.

Bankruptcy Blotter

... On December 21st, the court approved an extension of **Hancock Fabrics** to file a plan of reorganization from January 31, 2008 until May 30, 2008. The company will also now have until July 30, 2008 to solicit votes for acceptance of its plan.

... **Harvey Electronics, Inc.** filed a voluntary petition for Chapter 11 with the U.S. Bankruptcy Court for the Southern District of New York. The company will continue to operate its business and manage its property as a debtor-in-possession, and expects to promptly file a plan of reorganization.

... **The Bombay Company, Inc.** agreed to sell its intellectual property, which includes the Bombay brand name, to **Bombay Brands, LLC**, a joint venture of **Hilco Consumer Capital** and **Gordon Brothers Group**. In a unique transaction structure, The Bombay Company bankruptcy estate retains a 25% interest in Bombay Brands. The acquisition is subject to court approval.

... In other news, **The Bombay Company** reported a net loss of \$11.6 million for the month of November, on sales of \$54.2 million. Included in the net loss was \$4.4 million of reorganization expenses, and \$3.7 million of asset write-offs and DIP Financing Fees.

... **Movie Gallery** filed its joint plan of reorganization and disclosure statement with the Bankruptcy Court for the Eastern District of Virginia, Richmond Division. A hearing to consider approval of the disclosure statement is scheduled for January 29, 2008.

... For the period from October 16, 2007 to November 4, 2007, **Movie Gallery** reported a net loss of \$117.1 million on sales of \$117.2 million.

... **Interstate Bakeries Corp.** received an offer to purchase the company from **Yucaipa Cos.** valued at \$580 million, the same value as a reorganization plan already submitted by Interstate. Interstate is set to conduct a January 22nd auction to select an investor to fund its exit from Chapter 11.

... The court agreed to allow creditors of **Pacific Lumber Co.**, under fire from its lenders and inves-

tors, to file their own proposals to fund the company's exit from Chapter 11 protection. The court took the unusual step of lifting the company's exclusivity right, opening the door for creditors to file as many as four competing chapter 11 plans for the company.

... **Delphi Corp.** was granted a three-month extension of its exclusivity period to file a plan of reorganization to March 31, 2008, though the company has already proposed a reorganization plan and won approval from the court to send the plan to creditors for a vote. Confirmation hearings on the company plan are scheduled for January 17th and 18th. Creditors have until January 11th to vote on the plan. The extension acts as an insurance policy if creditors do not approve the plan as submitted.

... The court approved **Platinum Equity LLC** to serve as the lead bidder at an auction of **Delphi Corp.'s** steering business, which is expected to garner \$447 million. The auction is scheduled for January 28th. However, the company will absorb a fourth quarter charge of \$500 million to income on the sale.

... In other news, the court approved **Delphi Corp.'s** \$106 million sale of its interiors and closure-systems units to **The Renco Group Inc.**

... **Dura Automotive Systems Inc.** won a one-month extension of loans that are financing its bankruptcy reorganization, but said it is looking for a deal that would provide it with financing until the end of June. Last month, a confirmation hearing on the company's reorganization plan was canceled because of the company's inability to obtain \$425 million in loans to finance its exit from bankruptcy.

... Chapter 11 filings jumped by nearly 25% in 2007, hitting the highest levels since Congress enacted laws in 2005 designed in part to discourage bankruptcy filings. Those filings, which mostly involve business restructurings, rose to 6,236 up from 5,010 in 2006. Prior to the enactment of the Bankruptcy Abuse Prevention and Consumer Protection Act took effect in 2005, Chapter 11 filings totaled between 9,000 and 11,000 a year.

Feedback?

Questions?

Suggestions?

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Options and Resources

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Management on the Move

... **Bob Spengler**, President and COO of **Save Mart Supermarkets**, who recently led the effort to acquire **Albertsons LLC** retired.

... **Tenet Healthcare Corporation** appointed **Ralph A. Aleman** as CEO of Tenet's Hialeah Hospital, reporting to **Marsha Powers**, SVP of Operations for Tenet's Florida region. Mr. Aleman most recently served as VP and Market Leader of Tenet's hospitals in Miami, Dade and Broward Counties.

... **Talbots** hired **Jeannie Barsam** as SVP of Merchandising Planning and Analysis for the Talbots brand. Ms. Barsam most recently served as VP of Inventory Management at **Old Navy**.

... **Claire's Stores, Inc.** named **James Conroy** EVP, reporting to CEO **Gene Kahn**. Mr. Conroy has been working as a full-time consultant to the company since the acquisition by **Apollo Management** last May. Mr. Conroy previously served as a principal at **Kurt Salmon Associates**.

... **Gap Inc.** appointed **Simon Kneen** as the company's EVP of Design and Creative Director for **Banana Republic**. For the past five years, Mr. Kneen served as Creative Design Director for **Retail Brand Alliance**.

... **Neal Goldberg** resigned as President of **The Children's Place** brand to become President and CEO of **Zale Corp**. Mr. Golberg is succeeding **Betsy Burton**, who is stepping down from her management and Board positions. **Chuck Crovitz**, interim CEO of **The Children's Place Retail Stores** will oversee The Children's Place brand until a permanent replacement is found.

... **Wal-Mart Stores, Inc.** named **Jack Sinclair** EVP of Grocery Merchandise for Wal-Mart in the U.S. Mr. Sinclair joins the company with broad experience in grocery retailing in the UK, spending 14 years at **Safeway plc**.

... **Fred's Inc.** announced the retirement of **John D. Reier**, President, and **Gerald E. Thompson, R.Ph.**, EVP and COO, pursuant to the company's management succession plan. Both men had previously expressed their intentions to retire following the transition to a new company President, which occurred in September when Fred's named **Bruce Efirid** to that position.

... **Hibbett Sports, Inc.** appointed **Nissan Joseph** as President and COO of the company, reporting to **Mickey Newsome**, Chairman and CEO. Mr. Joseph most recently served as President and CEO of **Hickory Brands, Inc.**, a privately held manufacturer of footwear accessories with do-

mestic and international operations.

... **Lululemon Athletica** named **Christine Day**, most recently President of **Starbucks' Asia Pacific Group**, as EVP of retail operations.

... **Bakers Footwear Group Inc.** announced the retirement of **Lawrence Spanley Jr.**, its CFO, effective in February 2008. **Charles R. Daniel III**, currently controller, will take the title VP Finance and Principal Financial Officer and replace Mr. Spanley.

... Former **Albertson's** CEO **Lawrence R. Johnston** resigned from the Board of Directors of **Home Depot** because of increasing demands on his time.

... **Best Buy Co., Inc.** appointed **John Pershing** as EVP, Human Capital for the corporation overseeing the recruiting, training, employee relations and employee development. The company's legal department will also report to him.

... **Harvey Electronics, Inc.** announced that **Michael Beck** was promoted to COO. Mr. Beck previously served as the company's VP of Operations.

... **Tuesday Morning Corporation** appointed **David B Green** to its Board of Directors. Mr. Green is currently a business consultant and has served as a member of the Board of Directors for the Association of National Advertisers, Anti-Defamation League - Chicago and the Aviation Profession Educational Center.

... **Jason Lindsey** resigned from the Board of Directors of **Overstock.com, Inc.** and as the company's President and COO, but will continue in a consultant role. No replacement was named.

... **CSK Auto Corporation** announced that **Brian Woods** is re-joining the company, after a brief leave of absence, as its EVP - Merchandising. Prior to his employment with CSK Auto, Mr. Woods served as EVP and General Merchandising Manager of **CompUSA** from October 2003 to February 2007.

... **CBK**, wholesaler of home décor, gifts, and accessories, announced the addition of **Jerry Foreman** to the newly created position of VP of Merchandising and Marketing. Most recently, Mr. Foreman served as the EVP of Merchandising, Inventory Planning and Allocation, Marketing and Purchasing for **CPI/PCA International** in Charlotte, North Carolina.

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Heard in the Grocery Aisle

...**Safeway** has reported that some of its raw ground beef products sold in Arizona, California, Hawaii, Nevada and New Mexico may have contained salmonella.

...**Safeway** has announced plans to increase the number of gas pumps at its west coast locations.

...**Safeway's** workers in Northern California approved a four-year labor deal, which includes a wage increase and improved health care.

...**Safeway** plans to expand organic sales by making some of its products available in vending machines.

...**Supervalu** announced plans to purchase all 8 of **Albertsons LLC's** stores in Wyoming. **Supervalu** currently operates 2 stores in the state. Terms of the deal were not disclosed.

...**D'Agostino Supermarkets** plans on expanding its line of organic products by partnering with **Reed's**, a manufacturer of natural foods and beverages.

...The organic grocer **Sunflower Farmers Markets** has raised \$30 million in equity financing from **PCG Capital Partners** to fund the construction of up to 37 new stores during the next few years.

...**Stater Brothers Holdings** announced that sales grew 4.7% to \$3.7 billion during fiscal 2007. The grocers' same-store sales expanded 1.7%. Stater's net income grew 89.3% to \$49.4 million. Furthermore, CEO Jack Brown stated that Tesco is having little impact thus far upon the California grocer's operations.

...**Ahold** has reached an agreement for \$8 million with former **US Foodservice** CEO James Miller. Miller was in charge during the \$1.4 billion financial scandal a few years ago.

...**Spartan Stores** intends to convert all of its recently acquired Felpausch stores to the D&W Fresh Market names.

...**Ruddick** has obtained a new five-year revolving credit facility worth \$350 million and a term loan worth \$100 million due December 2012. The company also has the ability to increase the facility's size by \$100 million.

...**Premio Foods** is looking to purchase the bankrupt **Topps Meat Company**. The company declared bankruptcy as a result of a massive beef recall.

...**Marsh Supermarkets** was able to generate \$12 million through the sale of 25 properties. The company plans to use the proceeds to improve the company's store base.

...The workers of **Fresh Direct** have voted not to unionize.

...**Unified Grocers** grew sales 6.1%; however, the firm's net earnings fell 6.1% to \$14.4 million.

...**Yucaipa** has made another bid to purchase **Interstate Bakeries**. The investment group and the Teamsters union submitted a \$580 million bid.

... **Super H Mart** grocery store is opening a store in Carrollton, Texas. The grocery store is geared toward Asian shoppers.

...During December, **H.E. Butt** has announced that it has opened two converted **Albertsons** locations in Central Texas.

...**Stop & Shop** announced plans to install deli kiosks in more than 200 stores by the close of the first quarter of fiscal 2008.

...**The Great Atlantic & Pacific Tea Company (A&P)** announced the consummation of its public offering on December 18th of \$165 million of convertible senior notes due 2011 and \$255 million of convertible senior notes due 2012. The net proceeds from this offering were used to prepay in full and terminate the firm's \$370 million bridge loan facility and pay portion of the net costs of its convertible note hedge and warrant transactions.

...**Wegmans** announced that beginning February 10th, the firm would no longer sell tobacco products.

...**Gristedes** has signed a deal to purchase private-label items from **Wakefern Food Corp.**

...**Penn Traffic** has elected to close its **Penny Cur-tiss** bakery business.

Did You Know...?

U.S. consumers spent more than they earned in November, driving the personal savings rate negative for the first time in 15 months but giving a much-needed boost to a sagging economy. However, those bills will shortly come due.

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Health & Beauty Aids

...The DEA has suspended **Cardinal Health's** distribution license at its Swedesboro, N.J. facility.

...**Cardinal Health** has set aside \$12 million to \$14 million to cover lawsuits arising from deaths and injuries caused by the Alaris Pump model 8100 that shipped before September 27.

...**CVS Caremark** has decided to eliminate its mail-order pharmacy operations in Arizona.

...**Jean Coutu Group** has announced plans to purchase the generic drug manufacturer **Pro-Doc Ltee**.

...During Q1 2008, **Walgreens'** net earnings grew 5.5% to \$456 million. Sales increased 10.4% to \$14.0 billion, while comps expanded 4.6% during the quarter. The firm used stronger expense discipline to offset the impact of a more cautious consumer during Q1 2008.

...**Rite Aid's** revenues for Q3 2008 grew 51% to \$6.5 billion, though this growth was essentially entirely due to the acquired Brooks/Eckerd stores. Same store sales grew only 0.7% while the firm posted a net loss of \$84.8 million during the thirteen-week period ended December 1, 2007. Moreover, management lowered its fiscal 2008 guidance for revenues, comparable store sales, net profits, and adjusted EBITDA.

...**Rite Aid** announced plans to close all 27 of its Nevada locations. **Walgreens** has stepped in to purchase the script files of these stores, which will be closed over the next few months.

...**Take Care Health Systems**, a subsidiary of **Walgreens** opened an in-store clinic in Cleveland. This facility is another step towards the firm's goal of operating 400 clinics by the close of 2008.

FYI for the DIY

... In light of the court's decision in favor of **Cerberus Capital Management, L.P.** terminating its merger agreement, **United Rentals, Inc.** requested Cerberus pay to United the \$100 million termination fee required by the merger agreement. Looks like this one will end up back in court.

... **The Sherwin-Williams Company** acquired certain assets of **Flex Recubrimientos, Acabados Automotrices** and related companies. The purchase price was not disclosed. Headquartered in Monterrey Mexico, the privately owned companies are leading manufacturers and distributors of automotive after-market body fillers, putties, primers and other vehicle refinish products.

... **WESCO International, Inc.** entered into a joint venture with **Deutsch Engineered Connecting Devices, Inc.**, whereby Deutsch will initially own 60% of WESCO's **Ladd** operations for consideration of approximately \$75 million. Deutsch is entitled, but not obligated, to acquire the remaining 40% after January 1, 2010.

... **WESCO International Inc.** amended its existing revolving credit facility, increasing the borrowing limit under the Canadian Revolving Credit Facility from \$65 million to \$75 million, increasing the letter of credit facility from \$5 million to \$10 million, and allowing for the disposition of the com-

pany's **LADD** operations, a part of Carlton Bates Company, and extending the term of the facility to November 1, 2013.

... **Builders FirstSource, Inc.** entered into a new \$350 million revolving credit facility jointly arranged by **Wachovia Capital Markets, LLC** and **UBS Investment Bank**. The facility, which is scheduled to mature approximately five years from the execution of the agreement, replaces the company's existing \$110 million long-term revolver, which was scheduled to mature in February 2010.

... **BMC West**, a wholly-owned subsidiary of **Building Materials Holding Corporation**, completed the sale of certain real estate related to its former building materials distribution business in Aspen, Colorado to the City of Aspen. Proceeds are expected to be approximately \$17.5 million in cash.

... **RONA** continued to grow its presence in the specialized home renovation store market through the acquisition of **Centre de Renovation Andre Lessard Inc.**, an independent dealer under the PRO hardware banner.

... **MSC Industrial Direct Co., Inc.** will release its first quarter operating results on Thursday, January 10th. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

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Specialty Items

... Industry leader **Bed Bath & Beyond Inc.** reported net income for its third quarter ended December 1, 2007 of \$138.2 million, down 3.0% versus net income of \$142.4 million for the comparable period last year and well below Wall Street estimates. Sales for the third quarter were up 10.4% to \$1.78 billion, with comp store sales up by approximately 0.8%.

... **Haverty Furniture Companies, Inc.** reported sales for the fiscal year ended December 31, 2007 of \$784.6 million, down 8.7% versus the prior year, with comp store sales down 10.6% reflecting the continued slump in the housing market.

... **Pier 1 Imports, Inc.** reported sales for its third quarter ended December 1, 2007 of \$374.2 million, down 7.1% versus sales of \$402.7 million for the comparable period last year. For the quarter, the company reported a loss of \$10.0 million, down from a loss of \$72.7 million last year, which included \$25.0 million of impairment charges.

... In other news, **Sun Capital Partners** raised its stake in **Pier 1 Imports** to 7.9%. Sun Capital originally reported buying Pier 1 stock in March, then in August said it had upped its holdings to 5.1%. On the flip side, Elliott Associates, which had a 6.7% share of Pier 1's common stock, sold most of its stake in the company between October 29th and December 27th.

... With revenues falling short of expectations, **Tuesday Morning** revised its guidance for the fiscal year ending June 30, 2008, now expecting sales for the year in the range of \$843 to \$955 million with low single digit negative comp store sales. Based on the lower sales, the company now expects earnings in the range of 58 cents to 65 cents per share.

... **Spencer Gifts LLC** has begun a redesign of its 600-plus stores in celebration of 60 years in business, with more than 20% of the chain converted. The new look is reminiscent of a night club featuring dramatic sighting, beat music, warehouse-style fixtures and brushed metal slat walls.

... **Whitehall Jewelers Holdings, Inc.** reported net

sales for its fiscal third quarter ended November 3, 2007 of \$44.5 million, down 8.9% versus sales of \$48.8 million for the comparable period last year. For the quarter, the company reported a net loss of \$16.4 million, versus a loss of \$21.8 million last year.

... **Books-A-Million Inc.** plans to open a new store in Washington, Pennsylvania, the company's first Pennsylvania store, and will open its 16th location in Georgia in Canton Georgia.

... **Leon's Furniture Limited** completed its purchase of the assets of **Appliance Canada Ltd.** and retained the services of their management and employees. Appliance Canada will operate as a separate division of Leon's acting as its wholesale distribution arm for sales of major appliances to builders and apartment landlords.

... **Mattress Giant** increased its presence in the Southeast, entering the Atlanta, Georgia market with the acquisition of **Mattress Expo**, which operates 24 stores, and the acquisition of **Clearwater Mattress**, which operates 21 stores in the Tampa, Florida market. With the two acquisitions the company now operates more than 340 stores in 14 states.

... **CSK Auto Corporation** reported sales for its third quarter ended November 4, 2007 of \$471.4 million, down 2.4% versus sales of \$483.1 million for the comparable period last year. For the quarter, the company reported a net loss of \$5.8 million versus net income last year of \$3.2 million.

... **Scholastic Corporation** reported sales for its fiscal second quarter ended November 30, 2007 of \$746.2 million, up 1.5% versus sales of \$735.5 million for the comparable period last year. Net income for the quarter was \$75.6 million, virtually flat with net income of \$75.1 million last year.

... **Overstock.com, Inc.** extended the expiration date of its \$30.0 million Credit Agreement from December 31, 2007 to January 1, 2010 and decreased the interest rate on fixed rate advances under the facility from 1.35% above LIBOR to 1.0% above LIBOR.

Did You Know...?

Home prices in 20 major U.S. cities were down 6.1% on average in the past year as of October. Since October 2006, prices in 10 cities fell 6.7% – a record drop.

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Mass Merchant Musings

... **Target Corp.** reported that it is taking longer than expected to determine whether to sell its \$7 billion in credit card receivables, hampered by current credit market conditions. It looks like the company may have waited too long to make a decision as the credit crunch continues to be felt throughout the economy.

... With **Target Corp.** reducing its comp store sales growth for the month of December to a range between a 1% decline and a 1% increase, compared with previous guidance for growth of 3% to 5%, Wall Street analysts cut their estimates for four quarter earnings by 5 cents per share to \$1.25 per share.

... **Wal-Mart Stores Inc.** quietly canceled its online video download service less than a year after the site went live, as **Hewlett Packard Co.** discontinued the technology that powered it. Wal-Mart will not look for another technology partner but just discontinue the financially disappointing offering.

... **Retail Ventures** agreed to give an unnamed third party a 25-day exclusivity period of due diligence related to the possible sale of all or the majority of its outstanding units of its **Value City Department Stores**. The proposed acquisition will have no effect on its agreement with **Burlington Coat Factory Warehouse**, under which Burlington will assign or sublease up to 24 Value City locations.

... **DSW Shoes** may see the termination of its shared services agreement with **Retail Ventures** accelerated due to RVI's possible liquidation and/or sale of its Value City Department Stores chain. The DSW-RVI pact covers certain finance, IT, human resources and store development costs between the two companies. The split will undoubtedly raise DSW's back office expenses, some say by as much as \$5 million to \$10 million annually.

... **Costco** will build a 12,000 to 14,000 square meter bulky goods outlet in Melbourne, its first Australian store. Meanwhile, the company is evaluating other sites in Australia and is expected to open as many as five in the next 12 months.

... **Canadian Tire** and **Uni-Select Network®** announced a new supply agreement that will enable Canadian Tire stores to provide more automotive replacement parts and faster service to customers at the store's automotive parts counter and service centers. Uni-Select is Canada's second largest distributor of automotive replacement parts, equipment, tools and accessories.

... **Family Dollar Stores, Inc.** will release its first quarter ended December 1, 2007 operating results on Tuesday, January 8th. Be sure to look for **Global's** updated analysis and assessment shortly thereafter.

Did You Know...?

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

Hi Tech Entertainment

...**Borders Group** launched its answer to the e-book craze. The company rolled out a co-branded online store with support from Sony. The site offers more than 25,000 e-books.

...**Wal-Mart** got out of the online movie download business less than a year after the launch of the program. The company turned the reigns of the service over to Netflix. Wal-Mart will continue to sell CDs and DVDs at retail stores and over the Internet. The download site closed on December 21.

...**Movie Gallery** has announced its reorganization plan that it hopes will have the company exiting bankruptcy protection by mid-2008. The plan will a) convert the \$325 million in senior notes and other unsecured claims into new equity of the reorganized Movie Gallery b) convert about \$72 million of the company's \$175 million second lien debt into equity and c) cancel existing shares of the company's common stock.

...**Movie Gallery** reported a loss of \$80.7 million in net income for a six week period. The bankrupt retailer reported that Hollywood Entertainment

lost more than \$53.5 million and Movie Gallery lost more than \$27.2 million.

...**Movie Gallery** cancelled its on demand service. MovieBeam was shut down to help the bankrupt company get its costs under control in efforts to get itself out of bankruptcy.

...Regional electronics chain **Harvey Electronics** filed for bankruptcy protection. The move came as the company struggled to gain any sort of momentum and could not find a competitive advantage.

...President, COO, Director and Co-Founder of **Overstock.com**, Jason Lindsey announced his resignation abruptly without a successor in place. The news comes as the company has struggled to find a direction under intense competition.

...**Netflix** has announced a venture that will deliver movies directly to your TV. In a venture with LG, the company will provide set-top boxes later in the year for the service that will pull the data over a high speed internet connection.

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The Global World of Sports and Footwear

... **Genesco, Inc.** won the first battle of what many believe will be a long drawn out war in its legal fight with **The Finish Line, Inc.** to complete a merger first announced last June. The Chancery Court in Nashville, ruled last week that The Finish Line, Inc. must complete the merger deal to acquire Genesco. The Finish Line is considering an appeal.

... **The Finish Line** reported sales for its third quarter ended December 1, 2007 of \$268.7 Million, down 4.0% versus sales of \$280.0 million for the comparable period last year. The net loss for the quarter widened from \$3.0 million last year to \$16.0 million this year. Included in this year's loss was \$9.7 million of litigious merger-related expenses with **Genesco**.

... Ongoing declines in fishing and hunting participation suggests the rapid store expansion in the outdoor lifestyle retail sector by rivals **Gander Mountain, Cabela's, Bass Pro Shops** and **The Sportsman's Warehouse** may not be warranted, according to a new report by investment bank **Mercanti Group**. The number of anglers has fallen 15% to 30 million since 1996 while the number of hunters 16 years of age and older has declined 10.5% to 12.5 million during the same period.

... **Cabela's** is reportedly considering scaling back the size of a planned Hooksett, New Hampshire store to 125,000 square feet from earlier plans of a 150,000 square foot and then a 135,000 square foot store.

... The giddiness that has been heard around the New England region's professional football and basketball fans in recent weeks has spread to the slopes of Northern New England after two snowstorms dumped nearly 40 inches in mid-December and also delivered a punch to the southern regions. The snowfalls in the regions continued through year-end.

... **Christy Sports** won the latest round in an ongoing legal fight over its ski-rental business at Utah's **Deer Valley Resort**, as the court denied the ski area's motion for a preliminary injunction that would have prevented the retailer from continuing to rent skis at the Park City resort.

... **Sport Supply Group, Inc.**, formerly known as **Collegiate Pacific, Inc.** announced that the Law Offices of **Jeffrey S. Abraham** have voluntarily dismissed with prejudice its complaint regarding the merger of Sport Supply Group and Collegiate Pacific.

... **Dick's Sporting Goods** received preliminary local approval on a new one million square foot campus, including 610,000 square feet of office space and a 60,000 square foot aircraft terminal, which would open for occupancy in September 2009.

... **Bakers Footwear Group, Inc.** reported sales for its third quarter ended November 3, 2007 of \$40.3 million, down 13.4% versus sales of \$46.6 million for the comparable period last year. The net loss for the quarter was \$15.3 million, almost 6 times the loss of \$2.6 million reported last year.

... **Sportsmans Warehouse** plans to close three stores by the end of February. The stores are located in West Bend, Wisconsin, Louisville, Texas (Dallas market), and Westover, Texas (San Antonio market).

... **Sportsman's Warehouse** secured a \$325 million asset-based credit facility from **GE Commercial Finance**.

... **BHM Golf** of Villa Park, Illinois was sued by the state of Illinois for numerous alleged infractions, including failure to provide consumers with purchased products, overcharging and refusing to issue refunds for missed deliveries or deliveries of wrong orders.

Did You Know...?

According to experts, consumers are set to bag \$60 billion worth of merchandise over the seven days after Christmas with nearly half to come when consumers cash in gift cards. That translated to roughly 12.6% of \$474.5 billion expected to be spent on holiday-related shopping.

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Rating Changes and Outlooks

S&P Rating Changes				
Company	Credit Rating		Credit Outlook	
	Current	Prior	Current	Prior
BUFFETS INC	D	CCC	NM	NEG
BUFFETS HOLDINGS INC	D	CCC	NM	NEG
BUFFETS INC	D	CCC	NM	NEG
DARDEN RESTAURANTS INC	BBB+	BBB+	NM	NEG
EL POLLO LOCO	B-	B-	NEG	NM
OMNICARE INC	BB	BB+	NEG	NEG
LANDRYS RESTAURANTS INC	B	CCC	STA	NM
MAPCO EXPRESS INC	B	B+	STA	NEG
GENESCO INC	B+	BB-	NM	NM
JC PENNEY CO INC	BBB-	BBB-	STA	POS
NORDSTROM INC	A-	A	STA	STA
ORIENTAL TRADING COMPANY INC/DBA FUN EXPRESS	B-	B	STA	NEG
LAKE AT LAS VEGAS JOINT VENTR	CC	CCC	NM	NEG
24 HOUR FITNESS WORLDWIDE INC	B	B	NEG	STA
HOME DEPOT INC, THE	BBB+	A+	STA	NM
KROGER CO,THE	BBB-	BBB-	POS	STA
RITE AID CORP	B	B+	STA	NM
RESTAURANT CO (INC)	CCC+	B-	NEG	NEG
LINENS HOLDING CO	CCC+	B-	NEG	NEGA
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-	NEG	NM

Did You Know...?

U.S. consumer confidence rose to 88.6 in December from a revised reading of 87.8 in November due to an increase in short-term expectations, though consumers remain far from optimistic. December's confidence reading is below last year's level of 110.0.

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