

RETAIL SECTOR WEEKLY

Key Retail News and Commentary

Inside this issue:

Heard in the Grocery Aisle	2
Health & Beauty Aids	2
The Global World of Sports and Footwear	3
Rating Changes & Outlooks	3
Bankruptcy Blotter	4
Options and Resources	4
Management on the Move	5
Hi Tech Entertainment	5
Mass Merchant Musings	5
Off the Rack	6
Specialty Items	6
FYI for the DIY	7
Upcoming Reporting Dates	7
General Retail News	8
Second Quarter Scorecard	9

Remember...

Enthusiasm is a vital element toward the individual success of every man or woman.

Credit Squeeze Getting Worse

The credit squeeze worsened in the past three months, the Federal Reserve reported last week, and most banks expect to keep a lid on credit for the next year at least.

Despite all the aggressive moves by the Fed in the past year to ease the flow of credit to the economy, a record percentage of banks were making it more difficult for borrowers in the three months ending in July, the Fed said in its quarterly senior loan officer survey of 52 major banks.

A majority of banks tightened their rules for granting loans to businesses and consumers. The survey shows little appetite at banks to lend for home mortgages, credit cards, home equity loans, commercial real estate loans, or commercial and industrial loans.

No bank in the survey eased credit terms for any type of loan in the past three months, and only one bank said it anticipated easing standards for consumers in the next 12 months.

Tighter credit could slow economic growth, especially consumer spending, economists say. Lack of credit could continue to sink the commercial real estate market, and curb capital investments by businesses. The survey is considered a leading indicator of credit creation in the U.S.

Despite the tighter credit standards, however, other data from the Fed show consumers increased their borrowing on credit cards and auto loans through the end of the second quarter, perhaps because other sources of borrowing, such as home-equity loans and auto leases, are less available.

Banks told the Fed they were restricting credit because of worries about the economy, worries about risk or illiquid markets, and worries about their own fragile capital position.

Ninety-eight percent of the banks cited the uncertain economy, 92% cited illiquid secondary credit markets, and 75% cited reduced appetite for risk. *(continued on page 2)*

Retailer of the Week: iParty Corp.

Earnings were cut in more than half for the second quarter of 2008 as compared to the second quarter of 2007. Year to date, iParty posted a loss of about 60% greater than the loss for the first six months of last year. In consideration of the weaker financial performance and a continued soft balance sheet, Global Credit will retain its "E" credit rating for iParty, reflecting a high degree of credit risk. With the economic and retail environment still in the doldrums, Global Credit is not optimistic about a turnaround in financial performance during the back half of this year.

BACKGROUND

iParty is a retailer of party goods and related merchandise operating 50 stores in the New England area and the state of Florida as of June 28, 2008. Florida, the only market area outside of New England, has just five stores. In early 2008, iParty acquired two retail stores from the Party City chain. Party City is a subsidiary of Amscan Holdings, a major supplier to iParty and a holder of some of its debt. The purchase price of the stores was \$1.54 million, including inventory. iParty used excess credit capacity under a revolving line of credit with Wells Fargo to fund the transaction.

During the first six months of this year, iParty also closed two locations. There are no stated plans for more store expansion. *(continued on page 11)*

Credit Squeeze Getting Worse

(continued from page 1)

Banks were lowering credit lines, increasing interest-rate spreads, requiring more documentation, demanding more collateral, or requiring co-signers and or covenants before granting credit.

Consumers continued to be hit hard by tighter credit standards. A record 74% of banks said they had tightened standards for prime mortgages, usually given only to those with the best credit. A record 84% of banks said they tightened standards on non traditional mortgages (also known as Alt-A), and a record 86% of banks that still make subprime mortgages said they had tightened those standards.

Businesses were also being squeezed. A record 65% of banks tightened standards for commercial and industrial loans to small customers. For commercial real estate loans, a record 81% tightened standards. Fifty-eight per cent of banks tightened standards for commercial and industrial loans to large and medium firms, while 65% tightened for small firms.

Heard in the Grocery Aisle

Publix released more information about the acquisition of 49 Florida Albertson's stores announced previously. The price is approximately \$500 million, and the deal will close in September, according to Publix' 10-Q. All 49 stores will close, then reopen within "one to eighteen months".

Also, local media reported that **Publix** plans a program of discounting staples like milk. The grocery chain will also increase BOGOs and discounts via its Advantage Buys program.

Vallarta Supermarkets Inc. acquired a new 89,693 sq ft corporate headquarters and distribution center in Sylmar, CA. Vallarta operates 25 locations in California.

Ruddick Corp. revenues increased by 9.8% to \$1.01 billion for the third quarter ended June 29. Comps at Harris Teeter were up 10.8%. Net income increased 15.6% to \$24.5 million.

Whole Foods is cutting 49 jobs at its corporate headquarters. No detail was given which roles or departments will be affected.

The **Whole Foods** and **Wild Oats** merger will be subjected to fresh scrutiny as the Federal Trade Commission is planning new hearings in

front of an administrative law judge. Dates will be set next week.

Supervalu is planning more layoffs. After cutting finance jobs in June, Supervalu has now announced 100 information technology personnel company-wide will be let go.

Tesco is partnering with a subsidiary of **Tata Group**, Trent Ltd., to open stores in India. will invest GBP 60 million over two years in the joint venture. Separately, the **Bharti Wal-Mart** JV will open its first wholesale stores in India in Q1 2009.

Also, **Tesco** is planning a Chicago presence, and is looking for real estate for offices, a distribution center and Fresh & Easy stores in the area, UK's *The Independent* reported. Fresh & Easy real estate exec Matthew Price is reportedly leading the team there.

Giant Eagle Inc. has hired Young & Rubicam, Chicago, as its advertising agency of record. *AdWeek* estimates the account value at \$15 to \$20 million.

Kroger has reached a deal with the UFCW Local 1059 in Columbus, Ohio, covering over 10,000 workers at 87 stores. The contract has not yet been ratified by union members.

Health & Beauty Aids

CVS Caremark is acquiring **Longs Drug Stores** for \$2.9 billion, or \$71.50 a share in cash. Longs has 521 stores in California, Hawaii, Nevada and Arizona as well as its PBM provider, Rx America. Longs' real estate holdings are estimated to be worth \$1 billion alone. The deal is expected to close in Q4 2008.

Longs stores will be rebranded CVS except in Hawaii where the Longs banner will remain.

Walgreen's Take Care Health Systems is offering school and sports physicals to students for \$25 at its in-store clinics.

Feedback?

Questions?

Suggestions?

[Click Here](#)

[RETURN TO FIRST PAGE](#)

The Global World of Sports and Footwear

Sports Authority opened 11 stores on August 16th. The stores, averaging more than 40,000 square feet, will be in eight different states and bring the chain's store count to 441 nationwide. The company reportedly intends to open 37 locations this year.

Bob's Stores lost \$19.8 million against a loss of \$3.5 million for the period ended July 26. The loss includes a \$10 million after-tax charge related to long-lived and intangible assets that represented the excess of recorded carrying values over estimated fair value. Bob's, which is reportedly on the block with several private equity firms indicated as possible acquirers, suffered a 5% drop in same store sales versus a 10% gain in the year-ago period. Chain revenues fell 6% in Q2 to \$66,897,000 from \$71,239,000.

Scheels will reportedly take its concept to Springfield, IL in 2010. This year, Scheels has gone west with the opening of a store in Sparks, NV. The planned 200,000 sq. ft. superstore in IL will be an anchor in the Legacy Pointe Town Center, according to State Journal-Register newspaper, and include a Ferris Wheel, a Starbucks and a walking tour of U.S. presidents.

SG/Hobby/Book/Music channel sales in July were 0.6% higher at \$7.514 billion versus \$7.471 billion in July 2007, according to U.S. Census Bureau data. On an unadjusted basis, the segment had a 2.1% increase in July sales to \$7,003 million. Meanwhile, overall adjusted U.S. retail sales in July were \$384.6 billion, off 2.6% from July 2007 and down 0.1% from June 2008.

NexCen Brands, parent of The Athlete's Foot franchised operations and other franchise retail banners, is waiting on a hearing before NASDAQ's Listing Qualifications Panel about a possible de-listing. To date, the company has not filed its quarterly report for the period ended June 30, but says it will do so after it files amendments to its 2007 10-K and 10-Q for the first quarter that ended March 31.

The Walking Co.'s Q2 loss (see the Scorecard) was largely attributed to Big Dogs store closings, \$1.9 million in store retrofitting costs and a \$2.9 million decline in TWC store sales. Comp store sales fell 1.2% in the period, falling 3.2% in the TWC chain and rising 4.0% in 94 Big Dogs doors.

Did You Know...?

Employment consulting firm Challenger, Gray & Christmas reported much higher than expected planned July layoffs with projected pick slips surging by 26.0% to 103,312 from 81,755 for the month before.

Rating Changes & Outlooks

Company	S&P Credit Rating		S&P Credit Outlook		GCS Credit Rating
	Current	Prior	Current	Prior	Current
STEWART & STEVENSON	B	B	POSITIVE	STABLE	NR
STEWART & STEVENSON HQ	B	B	POSITIVE	STABLE	NR
ELDORADO RESORTS LLC	NR	B	NR	STABLE	NR
COX ENTERPRISES INC	BBB-	BBB-	STABLE	POSITIVE	NR
RESTAURANT CO (INC)	CCC+	B-	NEGATIVE	NEGATIVE	E
RADIOSHACK F/K/A TANDY CORP	BB	BB	STABLE	NEGATIVE	C+
WHOLE FOODS MARKET INC	BB	BB+	NEGATIVE	NEGATIVE	C
SBARRO INC	CCC+	B-	NEGATIVE	NEGATIVE	E+
SIMMONS/WIGGINS ENTPS LLC	B	B	NM	NEGATIVE	NR
CVS/CAREMARK CORPORATION	BBB+	BBB+	STABLE	NM	C+
BUILDING MATERIALS HOLDINGS INC/BMC WEST	CCC+	B-	NM	NM	E

[RETURN TO FIRST PAGE](#)

Bankruptcy Blotter

Gordon Brothers Group and **Hilco Merchant Resources** will pay more than \$56 million for the rights to liquidate 51 **Linens 'n Things** stores under a deal approved by the court. The agreement with the liquidators who will run the second round of store closings for the company allows the company to close, possibly within a few weeks, another 28 stores.

A joint venture of **Gordon Brothers** and **Hilco Merchant Resources** has agreed to pay \$36.8 million for the right to liquidate 10 **Boscov's Inc.** stores. The liquidators are guaranteeing the company more than 108% of the cost of inventory in the stores, an improvement on the 103% **Gordon Brothers** offered at the start of the auction of liquidation rights for **Boscov's** stores in Pennsylvania, Maryland, New Jersey and Virginia.

The court approved an interim order allowing **Shoe Pavilion** the right to use cash collateral for operations (money deposited into bank accounts with **Wells Fargo**). A final hearing is set for September 3rd.

In other news, **Shoe Pavilion** has been ordered by the court to engage a financial advisor to analyze the company's business and reorganization plan and cash flow projections and prepare a written summary for **Wells Fargo** and the Unsecured Creditors' Committee by August 20th. Also, the company must request bids no later than August 20th from outside liquidators for GOB sales for stores that will be slated for closing.

In addition to the above, **Shoe Pavilion** must provide **Wells Fargo** and the Unsecured Creditors' Committee a reasonably detailed and specific written proposal setting out the company's plan for exiting Chapter 11.

Gordon Brothers Group LLC was added to the list of companies managing **Whitehall Jewelers Holdings Inc.**'s GOB sales after claiming that the decision to go with the **Great American Group's** offer was "outrageous" and "intolerable". **Great American Group LLC** is still

leading the joint venture alongside **Hudson Capital Partners LLC** and **Silverman Jeweler Consultants**.

In other news, the court approved the appointment of **FTI Consulting Inc.** to serve as a financial consultant to **Whitehall Jewelers Holdings Inc.**

Mervyn's will be shuttering 26 under-performing stores in California and the Southwest before the holiday shopping season begins. The company operated 176 locations at the time of its filing for bankruptcy protection.

In an unrelated matter, **Mervyn's** won court approval to pay up to \$10 million of its pre-petition bills while it stocks up for the back-to-school shopping season. Later this month, **Mervyn's** will be seeking to pay another \$15 million against pre-petition bills owed key suppliers.

Sharper Image Corp. wants to conduct a probe of its own managers with the hopes of recovering proceeds from transactions that took place in the weeks leading up to company's bankruptcy. In particular, the company wants to see whether any assets were improperly transferred, perhaps to former employees of the company.

Slower sales and the housing market slump caused **St. Clair Roofing Co.**, which does business as **St. Clair Corp.** and its affiliate **Gutter Pro Midwest LLC** to file for Chapter 11 bankruptcy protection. The company has secured outside investor for help with the reorganization.

Steve & Barry's unsecured creditors committee has filed a limited objection to the asset sale. At issue: whether \$5 million of asset sale proceeds should be directed to S&B co-founders and Co-CEOs Steven Shore and Barry Prevora related to the duos' junior participation interest in the retailers' revolver agreement with GE on June 20, weeks before **Steve & Barry's** filed for bankruptcy protection.

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 serdenis@gcszone.com.

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

[RETURN TO FIRST PAGE](#)

Management on the Move

Staples, Inc. appointed **Michael Patriarca** SVP of Quill, catalog and web sales for small and medium-sized businesses. He was VP Merchandising for Quill previously, and has been with Staples since 1993.

Aaron Rents, Inc. named **William K. Butler, Jr.** COO. Butler started his career with Aaron Rents in 1974 as a Store Manager.

AnnTaylor Stores appointed **Christine M. Beauchamp** President, Ann Taylor Stores. Beauchamp has been a strategic consultant to the Company since earlier this year.

GSI Commerce appointed board member **Ronald D. Fisher** as Lead Director. Also, GSIC hires **Dorian Sweet**, former Executive Creative Director for Tribal DDB, as VP/Executive Creative Director.

Modell's Sporting Goods names **Kimberly Kriss** SVP of Brand and Marketing. Kriss' prior experience includes senior executive positions with Sotheby's Intl. Realty and TV Guide.

Brown Shoe hires **Tim Meyer**, most recently VP of real estate for Claire's North America, as SVP of its finance and retail unit.

REI names **José Ignacio Lozana**, the founding EVP of impreMedia, a publisher of Spanish language print and online news media, and former CEO of the *La Opinión* newspaper, to its board for a one-year term.

Casual Male Retail Group terminated **Wayne Diller** and eliminated his position of EVP and Chief Merchandising Officer.

Hi Tech Entertainment

Best Buy is testing twelve Best Buy Express automated kiosks in U.S. airports, which will focus on items of interest to travelers. The kiosks will be airports in the following cities: Atlanta (ATL), Boston (BOS), Dallas (DFW), Houston (IAH), Las Vegas (LAS), Los Angeles (LAX), Minneapolis (MSP) and San Francisco (SFO). Vending machine company ZoomSystems will maintain the kiosks.

RadioShack Corp. will offer \$325 million in 2.50% convertible senior notes due 2013 in a private placement. Interest rate and other terms are to be determined. RadioShack intends to use some of the proceeds to repurchase shares of its stock.

Amazon.com, Inc. has launched a new Spanish software store called Software en

Espanol. The site is mostly in English, but offers Spanish and bilingual versions of software products.

Circuitcity.com is adding a library of product research and ratings from Consumer Reports, Popular Photography and Sound & Vision magazines.

Overstock.com, Inc. was dismissed from a recent patent infringement lawsuit brought by Transaction LLC, after OSTK's bonding service provider resolved concerns with the plaintiff.

Office Depot has partnered with Singapore's Netbizz Office Supplies to sell office supplies there. Netbizz serves close to 4,000 customers.

Mass Merchant Musings

A **Wal-Mart** job ad—since removed—says that Marketside grocery store format will start with 10 stores and grow to 1,000 to 1,500 stores with over \$10 billion in sales, reports *Financial Times*.

Wal-Mart will square off against the **UFCW** in Canada's Supreme Court over the 2005 closure of a Jonquiere, QU store whose workers had unionized. Wal-Mart won the last round in the Quebec Court of Appeals.

A bit farther south, **Wal-Mart** will invest \$1.1 billion in 2009 to expand in Brazil. The plan is to open 80 to 90 stores next year, following on 36 new stores slated to open in Brazil this year.

Following its record second quarter, **Wal-Mart** raised the FY2009 earnings forecast to a range of \$3.43 to \$3.50 per share.

BJ's is planning to open stores in the Brooklyn neighborhoods of Bensonhurst and Canarsie, reports the *New York Daily News*.

Did You Know...?

Exports jumped 4.0% in June to a record \$164.4 billion, the biggest gain in four years. The nation's exports to Mexico, the European Union and South America all set records.

[RETURN TO FIRST PAGE](#)

Off the Rack

Canadian department store chain **Hart Stores Inc.** has acquired the leases and equipment of nine SAAN retail stores. Eight are in Québec and one in Ontario and will add to the 80 stores the chain currently operates.

TJX Companies raised its earnings guidance for FY2009 to a range of \$2.26 to \$2.31 per share. Last year, the company had EPS of \$1.66 included \$.25 per share provision for computer intrusion related costs. \$.09 per share benefit is projected from the 53rd week in the FY2009 calendar.

Also, **TJX** broke out second quarter comps by banner: Marmaxx +3%, HomeGoods -1%, A.J. Wright +6%, Bob's Stores -5%, Winners/HomeSense +12% (C\$).

Zara parent Inditex is now the world's largest specialty clothing retailer, reports *The Guardian*, passing **Gap, Inc.** in the first quarter with a boost from the strong Euro. Inditex's Q1 sales were €2.218 billion (\$3.44 billion) compared to Gap's sales of \$3.38 billion.

Tween Brands, Inc. will convert all 560 Limited Too stores to its Justice banner. The Justice chain has 310 stores today. TWB will keep Limited Too as a product brand only. The consolidation is expected to result in about \$25 million in annual after tax savings.

Casual Male Retail Group has launched www.BoldXL.com, a blog-styled e-commerce and community site aimed at younger and more fashion conscious plus-sized men.

Macy's has hired retailing consultant DunnhumbyUSA. Dunnhumby previously worked with Tesco, and is credited with much of the chain's success. Macy's will be

DunnhumbyUSA's exclusive department store client.

Also, **Macy's** division consolidation announced in February is proceeding on plan. In the recently ended second quarter, the company recorded \$26 million in related charges. Ultimately, the consolidation is expected to save Macy's \$100 million a year.

Charlotte Russe's board has adopted a poison pill stockholder rights plan. The plan consists of a non-taxable dividend of rights to purchase shares of a new series of preferred stock.

Abercrombie & Fitch adjusted their FY2008 guidance after reporting. Income is now predicted to be \$4.95 to \$5.00 per share. This reflects approximately -7% comp store sales and approximately \$21.5 million in incremental expenses. Capex for fiscal 2008 is guided to be between \$405 to \$410 million.

Nordstrom revised its FY2008 earnings outlook downward after reporting Q2. Earnings are now guided at \$2.55 to \$2.65 per share, down from the previously announced range of \$2.65 to \$2.80.

Kohls raised its FY2008 earnings guidance to \$3.02 to \$3.18 per share versus previous guidance of \$2.95 to \$3.15 per share.

Gymboree and lender Bank of America amended terms of the retailer's credit facility, extending the maturity date a year to August 11, 2009 and reducing the maximum revolving loan limit from \$100 million to \$80 million.

Standard & Poor's adds **The Buckle Inc.** to the S&P SmallCap 600 index.

Did You Know...?

U.S. consumer prices were up 0.8% in July, more than expected. The core CPI-excluding food and energy prices-rose 0.3%.

Specialty Items

Tiffany & Co. has appealed the recent District Court decision in favor of **eBay, Inc.** The decision held that eBay is not responsible for monitoring auctions for counterfeit goods.

BMTC Group Inc. has offered to buy back up to 4,000,000 of its Class A subordinate voting

shares ("Class A shares") at a price of \$20 per share. The offer expires September 30, 2008.

Central Garden & Pet Co. sales rose 6% to \$493 million for the third quarter ended June 28. Net income was up slightly to \$15.6 million.

[RETURN TO FIRST PAGE](#)

FYI for the DIY

Building Materials Holding Corp. secured a temporary waiver from its lending group, which allows it to borrow up to \$60 million on its revolver through Sept. 30.

Taiga Building Products Ltd. reported sales down 1.8% to \$284.4 million in the first quarter ended June 30. Earnings were up 5.3% to \$4.2 million for the quarter. Management attributed

the decline to continued weakness in lumber and panel prices.

Todd Bachman, CEO of Minneapolis garden and home center **Bachman's Inc.**, died after being attacked at a tourist attraction in China. His wife, Barbara, is in serious condition at a Beijing hospital.

Upcoming Reporting Dates

Company	Event	Date
Aeropostale, Inc.	Quarterly Results	Aug 21, 2008
American Eagle Outfitters	Quarterly Results	Aug 27, 2008
Barnes & Noble	Quarterly Results	Aug 21, 2008
Bebe Stores	Quarterly Results	Aug 21, 2008
Big Lots	Quarterly Results	Aug 26, 2008
BJ's Wholesale Club	Quarterly Results	Aug 20, 2008
Bon Ton Stores	Quarterly Results	Aug 21, 2008
Brown Shoe Company	Quarterly Results	Aug 27, 2008
Burlington Coat Factory	Annual Results	Sep 12, 2008
Cato Corp.	Quarterly Results	Aug 21, 2008
Charming Shoppes	Quarterly Results	Aug 27, 2008
Chico's FAS	Quarterly Results	Aug 26, 2008
Children's Place Retail Stores	Quarterly Results	Aug 21, 2008
Citi Trends	Quarterly Results	Aug 20, 2008
Coldwater Creek	Quarterly Results	Aug 27, 2008
Collective Brands, Inc.	Quarterly Results	Sep 3, 2008
Cost Plus	Quarterly Results	Aug 21, 2008
dELiA*s	Quarterly Results	Aug 28, 2008
Dick's Sporting Goods	Quarterly Results	Aug 21, 2008
Dollar Tree	Quarterly Results	Aug 27, 2008
Drugstore.com	Investor Conference	Sep 4, 2008
Finlay Enterprises	Quarterly Results	Aug 27, 2008
Fred's	Quarterly Results	Aug 28, 2008
GameStop	Quarterly Results	Aug 21, 2008
Gap, Inc.	Quarterly Results	Aug 21, 2008
Gymboree Corporation	Quarterly Results	Aug 20, 2008
Hibbett Sporting Goods	Quarterly Results	Aug 21, 2008
Home Depot	Quarterly Results	Aug 19, 2008
Jo-Ann Stores	Quarterly Results	Aug 27, 2008
Kirklands, Inc.	Quarterly Results	Aug 28, 2008
Limited Brands	Quarterly Results	Aug 20, 2008
Lowe's Companies	Quarterly Results	Aug 18, 2008
Ross Stores	Quarterly Results	Aug 20, 2008
Sears Holdings	Quarterly Results	Aug 28, 2008
Shoe Carnival	Quarterly Results	Aug 21, 2008
Stage Stores	Quarterly Results	Aug 21, 2008
Staples	Quarterly Results	Sep 3, 2008
Stein Mart	Quarterly Results	Aug 21, 2008
Talbots, The	Quarterly Results	Aug 27, 2008
Tech Data Corp.	Quarterly Results	Aug 21, 2008
Wet Seal	Quarterly Results	Aug 21, 2008
Zumiez	Quarterly Results	Aug 21, 2008

Did You Know...?

Retail sales fell 0.1% in July, dragged down by a 2.4% drop in vehicle sales. Excluding both autos and gas, sales rose 0.3%.

[RETURN TO FIRST PAGE](#)

General Retail News

Traffic at most shopping center and mall formats is falling, according to a recent TNS Retail Forward *ShopperScape* survey. Only power centers show year-on-year increases in self-reported visits. 60% of consumers in the 2008 survey shop at power centers, vs. 56% in 2007. Regional malls, strip centers and even lifestyle centers were all down in 2008 compared to 2007.

In related news, supermarkets are continuing to lose visits (down 2%) to supercenters (up 5.5%) and dollar stores (up 4%), according to the *Channel Migration 2008* report from Information Resources Inc.

Back-to-School shoppers are in search of value and required items and less concerned over a child's demands or trendiness, according to findings from market research firm The NP

Group. According to the organization's annual survey of consumers' purchasing decisions at B-T-S, 35% intend to spend less versus 25% who said the same last year; 34% plan to spend the same and 31% intend to spend more (vs. 36% last year). Discounters still lead (81%) where most consumers intend to shop for the season (vs. 84% in 2007). Shopping via the Internet, at electronic stores and at drug stores is consistent with 2007 levels. Intended buying at warehouse clubs, meanwhile, accounts for 12%, up from 11% in 2007.

Web site testing and rating service **Gomez, Inc.** has released its list of retailers web sites for July, rating them on availability. Best overall was J.C. Penney which was up 99.83% of the time. Coldwater Creek, Saks Fifth Avenue, Newegg, CompUSA, QVC, Zappos, Musicians Friend,

Did You Know...?

U.S. factory output rose 0.4% in July. Overall U.S. industrial production (including mines, utilities and factories) increased 0.2% last month.

HAVE YOU HEARD...

The following Trade Commentaries on private Food & Drug accounts are now available on the Global Credit Services website:

United Supermarkets
 Grocers Supply Company
 McLane Company
 Save Mart Supermarkets
 Drug Fair Group
 Associated Wholesalers Inc. (AWI)

[RETURN TO FIRST PAGE](#)

Second Quarter Scorecard

\$ in Millions. Quarter ended closest to 7/31/08	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
Apparel							
Abercrombie & Fitch	\$845.8	\$804.5	5.1%	-4.0%	\$77.8	\$81.3	-4.3%
Aeropostale, Inc.	\$377.1	\$311.2	21.2%	11.0%	tba	\$14.7	tba
American Apparel	\$133.0	\$95.7	38.9%	23.0%	\$6.8	\$4.8	41.7%
American Eagle Outfitters	\$688.8	\$703.2	-2.0%	-9.0%	tba	\$81.3	tba
Bon Ton Stores, Inc.	\$673.4	\$708.6	-5.0%	-5.7%	tba	(\$15.0)	tba
Cache, Inc.	\$74.0	\$71.0	4.2%	3.0%	\$2.1	\$1.3	61.5%
Cato Corporation	\$231.0	\$219.0	5.5%	2.0%	tba	\$12.5	tba
Charlotte Russe Holding, Inc.	\$193.2	\$180.3	7.2%	-6.5%	\$6.6	\$10.1	-35.2%
Chico's FAS, Inc.	\$405.2	\$436.0	-7.1%	-15.9%	tba	\$38.7	tba
Citi Trends, Inc.	\$115.7	\$96.8	19.5%	6.5%	tba	\$0.6	tba
Dillard's, Inc.	\$1,606.7	\$1,649.0	-2.6%	-4.0%	tba	(\$25.2)	tba
Eddie Bauer Holdings	\$233.0	\$227.0	2.6%	8.6%	(\$0.1)	(\$22.2)	99.7%
Gap Inc.	\$3,500.0	\$3,690.0	-5.1%	-10.0%	tba	\$152.0	tba
Gottschalks	\$133.7	\$145.0	-7.8%	-7.3%	tba	(\$4.8)	tba
Gymboree Corporation	\$202.8	\$179.9	12.7%	1.0%	tba	\$5.8	tba
Hot Topic, Inc.	\$166.8	\$161.7	3.2%	-0.9%	tba	(\$1.7)	tba
J.C. Penney Company	\$4,282.0	\$4,391.0	-2.5%	-4.3%	\$117.0	\$182.0	-35.7%
Jo-Ann Stores, Inc.	\$403.0	\$388.5	3.7%	3.3%	tba	(\$18.4)	tba
Kohl's Corporation	\$3,725.5	\$3,589.2	3.8%	-4.6%	\$236.0	\$269.2	-12.3%
Limited Brands	\$2,284.0	\$2,624.0	-13.0%	-7.0%	tba	\$264.0	tba
Macy's, Inc.	\$5,718.0	\$5,892.0	-3.0%	-2.1%	\$73.0	\$74.0	-1.4%
Mothers Work, Inc.	\$152.2	\$153.2	-0.7%	2.4%	\$4.1	\$1.0	310.0%
Nordstrom, Inc.	\$2,287.0	\$2,390.0	-4.3%	-6.0%	\$143.0	\$180.4	-20.7%
Retail Ventures, Inc.	\$459.8	\$464.6	-1.0%	-5.1%	tba	\$106.2	tba
Ross Stores, Inc.	\$1,640.0	\$1,445.0	13.5%	6.0%	tba	\$50.9	tba
Saks Incorporated	\$663.1	\$687.9	-3.6%	-4.0%	tba	(\$24.6)	tba
Stage Stores, Inc.	\$372.7	\$359.2	3.8%	-1.4%	tba	\$9.9	tba
Stein Mart, Inc.	\$311.6	\$330.7	-5.8%	-9.7%	tba	\$2.2	tba
Talbots, Inc.	\$528.0	\$572.0	-7.7%	-12.0%	tba	(\$13.3)	tba
TJX Companies	\$4,621.3	\$4,313.3	7.1%	4.0%	\$200.2	\$59.0	239.3%
Urban Outfitters, Inc.	\$454.3	\$348.4	30.4%	13.0%	tba	\$31.9	tba
Wet Seal, Inc.	\$149.1	\$143.3	4.0%	-4.4%	tba	\$6.8	tba
Mass Merchants							
Big Lots, Inc.	\$1,095.9	\$1,075.4	1.9%	2.8%	tba	\$23.4	tba
BJ's Wholesale Club, Inc.	\$2,700.0	\$2,295.0	17.6%	15.5%	tba	\$36.3	tba
Canadian Tire	\$2,949.5	\$2,835.1	4.0%	-0.5%	\$97.7	\$122.5	-20.2%
Dollar Tree Stores, Inc.	\$1,093.0	\$971.2	12.5%	6.5%	tba	\$32.6	tba
Duckwall-ALCO Stores, Inc.	\$129.6	\$119.0	8.9%	-2.1%	tba	\$0.4	tba
Fred's, Inc.	\$447.0	\$424.6	5.3%	4.9%	tba	\$3.1	tba
Overstock.com	\$188.8	\$149.0	26.7%	NA	(\$6.5)	(\$13.8)	52.9%
Wal-Mart Stores, Inc.	\$101,598	\$91,990	10.4%	4.6%	\$3,449.0	\$2,952.0	16.8%
Sports & Footwear							
Bakers Footwear Group, Inc	\$43.6	\$42.0	3.8%	6.4%	tba	(\$8.7)	tba
Big 5 Sporting Goods Corp.	\$209.0	\$217.8	-4.0%	-7.6%	\$1.7	\$5.9	-71.0%
Broder Bros., Co.	\$257.6	\$249.4	3.3%	NA	\$8.5	\$5.2	63.5%
Cabela's	\$526.0	\$451.2	16.6%	-1.6%	\$7.3	\$11.3	-35.4%
Footstar, Inc.	\$153.2	\$173.4	-11.6%	-10.3%	\$30.4	\$21.5	41.4%
Golfsmith International Holdin	\$130.0	\$125.0	4.0%	0.5%	\$8.6	\$6.8	25.8%
GSI Commerce	\$193.2	\$131.3	47.1%	NA	(\$19.0)	(\$5.0)	-280.0%
Walking Company, The	\$56.0	\$55.9	0.3%	-1.2%	(\$2.2)	(\$0.2)	1059%
West Marine, Inc.	\$226.7	\$247.1	-8.3%	-7.8%	\$4.4	\$20.8	-78.6%
WinMark Corporation	\$8.7	\$7.6	14.5%	NA	\$0.9	\$0.4	116.3%
Specialty							
A.C. Moore Arts & Crafts	\$126.4	\$124.4	1.6%	-4.8%	(\$4.3)	(\$0.6)	-663.0%
Advance Auto Parts, Inc.	\$1,235.8	\$1,169.9	5.6%	2.9%	\$75.4	\$68.4	10.2%
Blue Nile, Inc.	\$73.7	\$72.1	2.2%	NA	\$3.2	\$3.8	-15.8%

Did You Know...?

Container shipping into the U.S. is expected to drop by 4% this year to 15.8 million TEU, down from 16.5 million last year, according to the Port Tracker report from Global Insight/NRF.

[RETURN TO FIRST PAGE](#)

(continued on page 10)

Second Quarter Scorecard

(continued from page 9)

\$ in Millions. Quarter ended closest to 7/31/08	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
Specialty							
Brookstone, Inc.	\$97.4	\$99.9	-2.5%	-4.3%	(\$8.7)	(\$6.5)	-34.0%
Ethan Allen	\$235.9	\$258.5	-8.7%	-11.1%	\$11.1	\$20.5	-45.9%
Finlay Enterprises, Inc.	\$190.6	\$148.0	28.8%	-4.8%	tba	(\$8.5)	tba
Haverty Furniture	\$168.4	\$187.1	-10.0%	-12.7%	tba	(\$1.4)	tba
Jennifer Convertibles	\$26.8	\$30.3	-11.6%	-19.8%	(\$0.6)	\$1.7	-135.3%
Leon's Furniture Limited	\$224.7	\$190.4	18.0%	NA	\$11.6	\$9.9	17.2%
Linens N Things	\$468.1	\$593.3	-21.1%	-18.3%	tba	tba	tba
Pet Valu	\$44.3	\$38.6	14.8%	8.8%	\$3.6	\$2.8	29.6%
Tuesday Morning Corp.	\$196.5	\$219.4	-10.4%	-12.7%	tba	\$2.0	tba
Home Centers							
Ace Hardware	\$1,066.9	\$1,022.6	4.3%	NA	\$33.4	\$38.8	-13.9%
Builders FirstSource, Inc.	\$307.3	\$465.1	-33.9%	NA	(\$45.9)	\$8.4	-646.4%
Building Materials Holding	\$384.6	\$656.0	-41.4%	NA	(\$31.9)	\$19.4	-264.4%
Calloway's Nursery, Inc.	\$20.3	\$18.1	12.2%	6.5%	\$1.9	\$1.3	46.2%
Fastenal Company	\$604.2	\$519.7	16.3%	12.3%	\$76.2	\$60.3	26.4%
Five Star Products, Inc.	\$31.4	\$35.9	-12.5%	NA	\$0.1	\$0.6	-82.7%
Interline Brands, Inc.	\$311.4	\$313.2	-0.6%	NA	\$11.2	\$12.0	-6.7%
Lumber Liquidators	\$128.0	\$105.7	21.1%	2.7%	\$5.9	\$2.3	156.5%
Rona, Inc. (C\$)	\$1,473.3	\$1,469.1	0.3%	-4.4%	\$80.1	\$86.2	-7.1%
Sherwin-Williams Company	\$2,229.5	\$2,198.2	1.4%	-4.5%	\$171.7	\$202.6	-15.3%
Tractor Supply Company	\$898.3	\$790.9	13.6%	3.4%	\$47.0	\$43.8	7.3%
United Rentals, Inc.	\$831.0	\$962.0	-13.6%	NA	\$37.0	\$67.0	-44.8%
W.W. Grainger	\$1,756.9	\$1,601.0	9.7%	NA	\$113.2	\$104.8	8.0%
Wesco International	\$1,587.8	\$1,518.1	4.6%	NA	\$60.1	\$59.6	0.8%
Food							
Arden Group	\$116.6	\$119.8	-2.7%	-2.7%	\$6.6	\$6.5	1.7%
Great Atlantic & Pacific Tea	\$2,922.7	\$1,679.2	74.1%	3.2%	\$2.2	(\$65.1)	103.4%
Loblaw Companies Limited	\$7,037.0	\$6,933.0	1.5%	0.7%	\$140.0	\$119.0	17.6%
Nash Finch Company	\$1,042.0	\$1,064.0	-2.1%	-3.9%	\$10.1	\$9.6	5.2%
Publix Super Markets	\$5,894.8	\$5,699.0	3.4%	1.3%	\$295.8	\$306.4	-3.5%
Safeway, Inc.	\$10,120.0	\$9,823.3	3.0%	-0.3%	\$234.3	\$218.2	7.4%
Supervalu Inc.	\$13,347.0	\$13,292.0	0.4%	-0.9%	\$162.0	\$148.0	9.5%
Weis Markets, Inc.	\$603.4	\$578.8	4.3%	4.3%	\$12.8	\$18.2	-29.7%
Drug							
Abbott	\$7,314.0	\$6,370.6	14.8%	NA	\$1,322.0	\$988.7	33.7%
AmerisourceBergen Corp	\$17,507.5	\$15,289.7	14.5%	NA	(\$108.0)	\$129.9	-183.1%
CVS Caremark Corporation	\$21,140.3	\$20,703.3	2.1%	3.1%	\$774.8	\$723.6	7.1%
Express Scripts, Inc.	\$4,706.5	\$4,574.8	2.9%	NA	\$190.2	\$152.7	24.6%
Longs Drug Stores	\$1,202.0	\$1,274.5	-5.7%	-1.1%	tba	\$26.6	tba
McKesson Corp.	\$26,704.0	\$24,528.0	8.9%	NA	\$235.0	\$235.0	0.0%
Omnicare, Inc.	\$1,550.2	\$1,549.2	0.1%	NA	\$36.8	\$49.2	-25.2%
PharMerica Corporation	\$486.3	\$173.4	180.4%	NA	\$2.9	(\$0.4)	825.0%
Shoppers Drug Mart	\$2,109.3	\$1,928.1	9.4%	4.6%	\$128.3	\$112.2	14.3%
High-Tech & Electronics							
Aaron Rents, Inc.	\$411.2	\$359.0	14.5%	4.1%	\$23.3	\$19.7	18.3%
Amazon.com, Inc.	\$4,063.0	\$2,886.0	40.8%	NA	\$158.0	\$78.0	102.6%
BMTC Group Inc.	\$225.5	\$216.1	4.3%	NA	\$17.1	\$14.9	14.8%
Ingram Micro Inc.	\$8,816.6	\$8,186.1	7.7%	NA	\$58.9	\$52.4	12.4%
Office Depot, Inc.	\$3,605.1	\$3,631.6	-0.7%	-10.0%	(\$2.0)	\$105.6	-101.9%
OfficeMax Incorporated	\$1,984.6	\$2,132.4	-6.9%	-10.0%	(\$894.2)	\$27.4	-3364%
PC Connection, Inc.	\$449.4	\$441.0	1.9%	NA	\$5.1	\$5.8	-12.1%
PC Mall, Inc.	\$331.2	\$263.0	25.9%	NA	\$3.0	\$3.0	1.1%
RadioShack Corporation	\$994.6	\$934.8	6.4%	6.9%	\$41.4	\$47.0	-11.9%
Rent-A-Center, Inc.	\$719.0	\$724.2	-0.7%	0.9%	\$37.7	\$41.3	-8.7%

Did You Know...?

The U.S. trade deficit narrowed 4.1% in June to \$56.77 billion from \$59.20 billion in May, but the deficit with China increased 1.8% in June to \$21.43 billion.

[RETURN TO FIRST PAGE](#)

Retailer of the Week: iParty Corp.

*(continued from page 1)***FINANCIAL PERFORMANCE**

Income Statement	2nd QTR 2007	2nd QTR 2008	YTD 2007	YTD 2008
Net Sales	\$20.4 mm	\$20.1 mm	\$36 mm	\$36.2 mm
Comp Store Sales	5.9%	(2.8%)	8.6%	(0.3%)
Store Count			50	50
Gross Margins	\$8.81 mm (43.2%)	\$8.49 mm (42.2%)	\$15 mm (41.7%)	\$14.6 mm (40.4%)
SG&A Expenses	\$8.07 mm (39.5%)	\$8.12 mm (40.4%)	\$15.5 mm (43.1%)	\$15.9 mm (44%)
Operating Income/Loss	\$742,150	\$367,987	(\$534,396)	(\$1.28) mm
Interest Expense	\$231,759	\$184,625	\$459,803	\$398,653
Interest Income	\$1,747	\$244	\$3,481	\$1,920
Net Income/Loss	\$512,138	\$183,606	(\$990,718)	(\$1.68) mm

Comp store sales turned negative in the second quarter due to a shift in the Easter holiday and what we think is the soft retail environment. Higher occupancy expense that could not be leveraged against sales forced a lower margin percentage. SG&A expenses rose in both dollar and percentage of sales terms due to increased ad spend in the second quarter. Year to date, expenses were up due to costs associated with integrating the two stores acquired in January 2008.

Interest expense benefited from a lower interest rate charged on certain debt and the pay down of a note to major vendor Amscan Holdings.

Balance Sheet	2007	2008
Unrestrictive Cash	\$65,015	\$64,792
Receivables	\$810,367	\$891,285
Inventory	\$14 mm	\$14 mm
Current Assets	\$16.5 mm	\$16.3 mm
Tangible Assets	\$21.1 mm	\$20.8 mm
Payables	\$7.47 mm	\$6.46 mm
Revolver Borrowings (classified as short term debt)	\$1.48 mm	\$2.59 mm
Long Term Debt (notes to Amscan Holdings and Highbridge), including current portion	\$4.08 mm	\$3.69 mm
Total Liabilities	\$16.6 mm	\$16.9 mm
Current Ratio	1.4:1	1.3:1
Working Capital Coverage	1.7 months	1.4 months
Tangible Leverage Percentage	79%	81%

As of June 28, 2008, iParty maintained excess credit capacity of \$5.7 million, which is not overly strong to cover operations and make up for the weak working capital coverage. The company also retains a fairly high leverage position.

Revolver borrowings have nearly doubled, however, there has been a reduction in payables in the year over year six month period. The increased revolver debt in part goes back to funding the acquisition of the two stores from Party City/Amscan Holdings earlier this year.

The good news is that average account payable turns dropped from 58 days to 49 days.

OUTLOOK

While there does not appear to be a huge issue with liquidity in the very near term, the much weaker financial performance and possibility of losses in the second half does give us cause for some concern. Specifically, we are concerned about the deterioration in sales and margins. With limited credit resources and cash next to nil, iParty may not be able to sustain a prolong downturn.

For now, clients are advised to keep an eye on their exposures and follow Global Credit updates and alerts closely. In particular, we will be watching the third and fourth quarters when the company should turn in profitable operations based upon historical performance. The question is whether that trend continues.

**Advertise in Global
Credit Services' Retail
Sector Weekly
Newsletter.**

**For Further
information, please
[click here](#)**

[RETURN TO FIRST PAGE](#)