

# RETAIL SECTOR WEEKLY

## Key Retail News and Commentary

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### Remember...

*Be a yardstick of quality. Some people aren't used to an environment where excellence is expected.*

## How Will We End The Recession?

Many observers are pessimistic about the economy because they believe a vicious downward cycle has taken hold, where less spending leads to fewer jobs, which reduces purchasing power, leading to even more job losses. Many just can't see how this vicious cycle will stop.

One may ask, what is the "catalyst" for a recovery? What force (external or internal) will break the downward cycle of job losses? How does it ever end?

Taking this though process to its conclusion clearly shows that something is missing. If job losses beget less spending and more job losses, then recessions would never end. On the other hand, if job gains beget more spending and more job gains, then expansions would never end.

A cursory look at history shows that this can't be true. Since 1854, the U.S. economy has gone through 32 business cycles (recessions and recoveries). In other word, the direction of economic activity eventually changed. Many times in these past cycles, the economy started to recover well before employment turned up. Take the last time consumption fell during a recession, in the early 1990s. In the four quarters after the end of the official recession, "real" (inflation-adjusted) consumption increased 2.9% even as payrolls continued to decline.

There are a number of reasons why this is true. The first reason is that the combined decisions we make as independent members of a free society tend to generate economic growth. When people lose their jobs, it does not mean they lose their ability to be productive. It may take time for them to find a new position that matches their skill set, but as long as they have worthwhile abilities, they will eventually get another chance to product.

In the meantime, companies can use layoffs to increase efficiency, laying the groundwork for future increases in profits and wages for their remaining workers. What that means is that a 1% *(continued on page 2)*

## Retailer of the Week: Gottschalks

We are **reaffirming Gottschalks as an "F" distressed credit with a "negative" outlook**. With the news that the Everbright lifeline has been pulled away, the prospects at Gottschalks look bleak. The money from Everbright was badly needed to help the firm's extremely low liquidity position. Without the funds, the firm will be searching elsewhere for the cash. The news that Gottschalks lenders further reduced its availability deals the firm another blow as it reaches a crucial point.

The firm's operations have been falling rapidly. The top line has been slipping quickly and its effect has been very rough on the firm's income statement. The net loss has widened further, bad news given the critical point in time at this retailer. For the month of November the firm's comps fell very quickly as well, a difficult start to the all-important fourth quarter.

The turnaround at Gottschalks has proved to be a daunting task. The firm is running out of money and options as this company has reached a pivotal point in time.

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## How Will We End The Recession?

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loss in jobs results in a smaller than 1% loss of production. And using assets more productively frees up resources to do "new" things. We have lost millions of farming jobs over the decades and centuries, but the nation as a whole is more prosperous as a result, not less.

In addition, if a recession is partly caused by over-investment in a particular sector, two forces drive down jobs in that sector, but one is temporary. For example, home building exceeded demand, and those extra jobs were unnecessary. Reducing inventories of home will cause employment to fall even further. But once excess inventories are worked off, the industry will add jobs, even if it does not ramp up to the previous peak in production.

Nonetheless, some still look for a catalyst to end the panic that started this fall. Consumers and businesses have pulled back, basically hoarding cash, to the point of driving down the t-bill interest rate to zero. Part of this was because many people lost faith in the banking system, but the end result was a sharp decline in the velocity of money. Only once in history has something like this spread in a long-term downward spiral, and that was the Great Depression.

But, in the Depression, the real problem was that the Fed let the money supply collapse, which in turn shut down aggregate demand. This is not happening now. The Federal Reserve is making sure a persistent deflation will not take hold and is adding liquidity to the system as rapidly as it can. As a result, we expect both money growth and a turnaround in velocity to start healing in the months ahead. In fact, given the unexpected increase of 0.5% in "core" retail sales in November, this may already be happening.

In other words, the catalyst for recovery is attached to the very eyes that are looking for it. As long as human beings attempt to better themselves and improve standards of living, and as long as policymakers don't compound problems, the natural course of growth will return in its magical and mysterious way.

**Feedback?**

**Questions?**

**Suggestions?**

[Click Here](#)

## Off the Rack

**Gottschalks Inc.**'s potential partner **Everbright Development Overseas Securities Ltd.** canceled a planned \$30 million investment after completing due diligence on the troubled department store chain.

**Macy's Inc.** has agreed with lenders led by Bank of America and JP Morgan to ease the financial covenants on its \$2 billion credit facility to make it more flexible. The size and maturity date of the facility are unchanged. Macy's has \$950 million in debt that is maturing.

Also, **Macy's** has partnered with **ZoomSystems**, installing consumer electronics vending kiosks in 400 Macy's stores.

**Gymboree Corp.** has cut senior management salaries by 10% to 15%, effective immediately. Senior field management and corporate staff salaries will get similar cuts effective January 4, 2009. Even with the cuts, the company expects 2009 earnings will be below 2008 levels.

**Loehmann's** sales fell 7.3% to \$122.7 million for the third quarter ended November 1. Comp store sales declined 6%. The company operated 65 locations as of November 1. Loehmann's is owned by Dubai sovereign wealth fund Istithmar.

## Options and Resources

**Feedback and Questions:** Should you have any feedback to provide us or questions to ask, please email us at [inbox@globalcreditservices.com](mailto:inbox@globalcreditservices.com).

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## Bankruptcy Blotter

After wrapping up GOB sales at dozens of its stores, **Value City Holdings Inc.** is looking to sell its remaining 44 leases at an auction to be held on January 6<sup>th</sup>. Bid procedures will be considered at a hearing this week, with the sale hearing to be scheduled for January 8<sup>th</sup>. Bids will be due by January 5<sup>th</sup>.

While **Tweeter** did not have enough time to sell off inventory before abruptly closing 71 stores in early December, the court has now given the Chapter 7 trustee running the defunct retailer's liquidation permission to do so. Sales agent **Apto Solutions Inc.** will sell Tweeter's merchandise out of the agent's warehouse over a period of months.

**KB Toys Inc.** won permission to begin GOB sales over the objections of its unsecured creditors, who are now seeking to turn control of the retailer's liquidation over to a trustee to ensure that all creditors, not just KB's lenders, see a cut of the sales proceeds. **Gordon Brothers Retail Partners LLC** and **Great**

**American Group LLC** will run the GOB sales at the stores.

Failing to receive any bids on leases for 154 stores it began closing last month, **Circuit City Stores Inc.** canceled its planned auction last week. The company is in the process of liquidating merchandise at 155 stores and plans to conclude these sales by the end of the month. With the completion of the GOB sales, the company will simply reject the leases.

In other news, the following were named to the Unsecured Creditors' Committee for **KB Toys: Li & Fung Toy Island, Mattel, Inc., Hasbro, JJ Bean Inc., GCP Limited Partnership, Simon Property Group, Inc.,** and **Big Lots, Inc.**

Unsecured creditors of **Steve & Barry's LLC** are objecting to the company's bid to borrow \$60 million to fund its liquidation, claiming the financing benefits the company's senior lender at their expense.

## Management on the Move

**Urban Outfitters, Inc.** appointed **Andrew McLean** COO for Europe, a new position. McLean was most recently President of Liz Claiborne's outlet division.

**Supervalu** named **Robert V. Johnson** VP of Investor Relations. Johnson is a 32-year veteran of J.C. Penney Corp., where he held a variety of finance positions.

**Lululemon Athletica Inc.** appointed **Marti Morfitt** to the company's board of directors. Morfitt was President and CEO of CNS, Inc., a consumer health care products company.

**BJ's Wholesale Club, Inc.** elected **Christine Cournoyer** to its board. Cournoyer is President and COO of Picis, Inc., a healthcare software company.

**Foot Locker** has amended CEO **Matt Serra's** employment contract and struck new one-year contracts, expiring Jan. 31, 2010, with **Ronald**

**J. Halls**, President and CEO of Foot Locker Intl.; **Gary M. Bahler**, SVP/General Counsel and **Robert W. McHugh**, SVP/CFO.

**Tractor Supply Co.** appointed **John D. Wendler** SVP Marketing. Wendler comes from Limited Brands, Inc. where he was EVP Marketing for Express.

**Taiga Building Products Ltd.** detailed its senior management succession plan:

- On December 16, President and COO **Jim Bradshaw** will assume the position of CEO.
- At that time, **Dr Kooi Ong Tong** will step down as CEO but will continue as Executive Chairman of the Board.
- Also on December 16, EVP Sales and Operations **Cam White** will add the COO title.
- On March 31, 2009, EVP Supply and Major Accounts **Doug Morris** will retire from the company.

## Upcoming Reporting Dates

Company	Event	Date
Bed Bath & Beyond	Quarterly Results	Jan 7, 2009
Christopher & Banks	Quarterly Results	Jan 7, 2009

### Did You Know...?

*U.S. housing starts dropped 18.9% to a seasonally adjusted annual rate of 625,000, the Commerce Department reported. That's the biggest drop since the Commerce Department has been keeping records.*

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## Heard in the Grocery Aisle

**Whole Foods** received the support of eight Senators in its battle with the Federal Trade Commission. In a letter, the bipartisan group criticized the FTC's recent rule changes as being unfair. The signatories include Senators Patrick Leahy (D-VT), Tom Harkin (D-IA), Dianne Feinstein (D-CA), Bill Nelson (D-NE), Charles Schumer (D-NY), Benjamin Cardin (D-MD), Arlen Specter (R-PA) and John Cornyn, (R-TX).

But, **New Seasons Market** saw an FTC administrative law judge turn down its protest over Whole Foods' subpoena of sensitive business records. The judge rejected their argument that the information would not be adequately protected from the eyes of their competitor.

**Nash Finch** has agreed to buy three distribution centers from GSC Enterprises for \$80 million in cash. All three DCs—in Pensacola, Florida, Junction City, Kansas and San Antonio, Texas—service military commissaries and exchanges. The acquisition will add about \$740 million a year to NAFC's top line.

**Penn Traffic Co.** agreed to sell its wholesale business segment to C&S Wholesale Grocers, Inc. for \$43 million in cash. The sale includes \$13 million in accounts receivable. \$32 million of the proceeds will be used to pay down approximately 62% of the company's outstanding funded debt. The transaction is expected to close by the end of the year.

**Stater Bros. Holdings Inc.** sales increased 1.8% to \$3.74 billion for the fiscal year ended September 28, despite an extra week in FY2007. Same store sales increased 2.4%. Net income for the year was down 17.8% to \$40.6 million.

**H-E-B** scored a 20-year, \$1.35 million property tax incentives deal from the city of San Marcos to offset some of the cost of a planned doubling of its distribution facility there.

**Fresh Brands**, which operates Piggly Wiggly stores in Wisconsin, is changing its name to Piggly Wiggly Midwest.

### Did You Know...?

*The U.S. consumer price index fell 1.7% in November, the Labor Department reported, primarily due to falling oil prices. Excluding food and energy, the core CPI was flat.*

## Health & Beauty Aids

**Walgreens** sales increased 6.6% to \$14.947 billion in the first quarter of fiscal year 2009 ended November 30. Comp store sales rose 1.7% in the quarter overall, driven by a 2.6% increase in pharmacy with flat front-end comps. Income decreased 10.4% to \$408 million. Looking forward, WAG said it would further reduce new store openings to a rate between 4.0% and 4.5% in 2010 and between 2.5% and 3.0% in 2011. Overall, CapEx will be reduced by an additional \$500 million through 2011, a \$1 billion total reduction including the capital expenditure savings announced last July.

**Walgreens** opens three Take Care clinics at New Orleans area drugstores. They are the first Take Care clinics in Louisiana.

**GSI Commerce Inc.** extended its e-commerce agreement with General Nutrition Corporation through 2017. Also, GSI's digital agency, gsi interactive, becomes GNC's digital agency of record.

Singapore-based apparel and sporting goods retailer **RSH Limited** will team with French

luxury group LVMH to open the first Sephora store in Singapore. As an already established cosmetics franchise in over 22 countries, Sephora will be an extension to RSH's fashion business. The first store is to open in Ngee Ann City, Singapore, on Dec. 19. Of the S\$4.3 million issued capital, RHS will hold a 40 percent stake.

**Rite Aid Corp.** lowered earnings guidance for fiscal 2009 to a loss of \$593 to \$773 million (\$0.74 to \$0.95 loss per share) compared to previous guidance of a loss of \$445 to \$535 million. Same store sales are now expected to be up 0.5% to 1.5%, down from previous guidance of 1.5% to 3.0%. Total sales are still forecast to be between \$26.0 and \$26.5 billion. The larger net loss projected for the full year is largely reflective of \$130.1 million worth of Q3 non-cash charges related to store closing & impairments, an additional tax valuation allowance, and higher LIFO expenses.

Also, **Rite Aid**, which has already closed 181 stores this year, is considering closing more stores. RAD management is looking at all 4,900 units looking for poor performers to exit.

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## The Global World of Sports and Footwear

Tiny extreme sports retail operator **Adrenalina** continues to have eyes for behemoth **Pacific Sunwear** despite having its repeated overtures calling for merger rebuffed by PSUN. Adrenalina made public the November 20 letter it sent to PSUN Chairman and CEO Sally Kasaks raising its offer to \$5.00 a share from \$4.50 in October. PSUN said it remained committed to executing a strategic plan to create long-term shareholder value and disagreed with Adrenalina's contention that a proposed business combination with it would be supported by a vast majority of PSUN shareholders.

**GSI Commerce** eliminates 100 positions at its Shepherdsville, Kentucky facility due to its loss of the Linens n' Things e-commerce business. Nearly 40% of the affected workers were transferred to another facility.

**Sport Supply Group** acquired the rights to the Gold Medal trademark from Brownell & Co. RBI

will launch a new Gold Medal line in H109. In the past, the Gold Medal name has been used to distribute specialized sports, protective, tennis and batting tunnel netting across multiple business lines and sport categories. Financial terms of the transaction for the brand weren't disclosed.

**Nike** said its own-retail business rose only 1% in the U.S. in their second fiscal quarter ended November 30, with a 20% comp store decline offset by the growing e-commerce business and new stores. Also, it's slowing its retail rollout in China, shaving the store opening plan to 800+ doors for the year as that market has become more promotional.

**The Athlete's Foot** chain, with the assistance of parent Nexcen Brands, launched a "Fan Club" in late October to link its loyal shoppers with discounts, product news and special birthday offers.

### Did You Know...?

*First-time unemployment claims fell 21,000 to 554,000 for the week ended December 13, the Labor Department reported. The four-week moving average rose 2,750 to 543,750.*

## Mass Merchant Musings

With KB Toys' Chapter 11 filing, **Big Lots** believes it has liability for leases on 40 stores, dating back to Big Lots' sales of KB Toys to an affiliate of Bain Capital in 2000. Big Lots currently has no reserve set up on its books and is in the process of trying to estimate the charge.

Jay Schottenstein purchased more than 2 million shares of **Retail Ventures** stock in the past week, giving him about 55% of the parent company of DSW and Filene's Basement. The purchases sent the stock of Retail Ventures, which had closed under \$1 for the two days prior to Mr. Schottenstein's purchases, soaring. The stock closed the week at \$3.22 per share.

**Wal-Mart Stores, Inc.** will launch a tender offer on December 23 for the shares of Chilean supermarket chain Distribucion y Servicio D&S

S.A. WMT is offering US\$0.408 per common share, a 37.4% premium over the average closing price for the prior 30 trading days. The acquisition will give Wal-Mart a foothold in Chile. The Ibanez family, controlling stockholders of D&S, have agreed to tender a portion of their shares.

As **Wal-Mart** considers opening a second Chicago store, the company points out that its Westside store has generated over \$10 million in sales tax revenue for the city.

**Family Dollar Stores** entered into a \$250 million senior unsecured 364-day credit agreement with a syndicate of lenders led by Wachovia Bank. The new agreement replaced an expiring agreement with similar terms and conditions.

## General Retail News

**E-commerce spending** through December 12, a 42-day period from November 1, was essentially flat at \$19.44 billion, according to the latest data from comScore. Apparel & accessories

(+21%) was the fastest-growing category during the first 12 days of Dec., which was attributed to aggressive discounting and unseasonable cold weather across many parts of the U.S.

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## Hi Tech Entertainment

**RadioShack Corp.** bought out Radio Shack de Mexico partner Grupo Gigante, S.A.B. de C.V. for approximately \$43 million in cash. RSH is now the sole owner of Radio Shack de Mexico, which operates 200 RadioShack stores there.

**Best Buy Co., Inc.** is offering nearly all of its corporate employees a voluntary separation package. No layoffs have been announced, but the company said they may be required depending on how many people take the package. SG&A spending is forecast to grow 9% this fiscal year, but BBY wants to cut that growth to 2% next year. Best Buy has also said that it will substantially cut new store openings next year.

**Buy.com**, which has more than 12 million customer accounts, says December revenues

through Dec. 15 were up 40% year-over-year. The website's assortment includes outdoor, shoes, apparel and sporting goods.

**Best Buy** maintained its earnings guidance for fiscal 2009 at \$2.30 to \$2.90 per share, assuming a comp store sales decline of 1% to 5%.

Also, a former **Best Buy** executive, Robert Paul Bossany, was charged with conspiracy and money laundering for taking kickbacks from a computer parts supplier. Chip Factory Inc. allegedly overcharged Best Buy \$31 million on invoices approved by Bossany in exchange for cash and gift cards.

**OfficeMax Inc.**'s board of directors voted to suspend the company's quarterly cash dividend due to economic conditions.

## Specialty Items

**Borders Group Inc.** has reached a deal with publisher HarperStudio to buy books on a nonreturnable basis, according to a report in the *Wall Street Journal*. Borders will pay 58% to 63% less than the cover price, rather than the usual 48%.

**Aaron Rents, Inc.** acquired the 35 stores of franchisee Rosey Rentals, L. P. The stores represent approximately \$45 million in annual revenue and will now be company operated. The price of the all-cash deal was not disclosed.

Also, **Aaron Rents** raised its Q4 and FY2009 guidance, now forecasting 5% to 7% fourth quarter comp store sales growth and earnings for the full year of \$1.70 to \$1.85 per share, up

from previous guidance of \$1.65 to \$1.80.

**Pier 1 Imports, Inc.** has received a non-compliance letter from the NYSE, and the company may be delisted if it can't maintain a share price above \$1.00. PIR says that its credit agreements and other debt obligations are not affected by the notification. The company has six months to achieve compliance.

**Tuesday Morning Corp.** has entered into a five-year \$150 million senior secured revolving credit facility led by Bank of America and Wells Fargo. This line replaced the prior \$200 million secured revolver with Wachovia Bank, but the new facility has no financial covenants so offers more flexibility.

## FYI for the DIY

**Harvey Building Products** opened a new facility in King of Prussia, Pennsylvania and plans to open a second PA location in Southampton early in 2009. The company operates 29 stores in the Northeastern U.S.

**Champion Enterprises, Inc.** received notification from the NYSE that the company is not in compliance with the exchange's listing standard as the stock price fell below \$1.00 for a consecutive 30 trading-day period. Champion intends to cure the deficiency within 60 days.

**Ainsworth Lumber**, the Vancouver, B.C. producer of oriented strand board and other building materials, has extended the shutdown

of its two OSB plants in Minnesota—shut since October—for the foreseeable future.

**Fiber Composites**, maker of the Fiberon brand of decking, will merge with Sensibuilt Building Solutions, a manufacturer of PVC decking and siding. Pegasus Capital Advisors, which held a majority stake in Sensibuilt, will be investing in Fiber Composites and will retain a minority interest in the post merger company.

**Home Hardware Center**, a 15-store chain with locations in Mississippi and Louisiana, is relocating its Vidalia, Louisiana store to a larger building. The new 23,000 square foot building is four times the size of the current store.

### Did You Know...?

*Canada Mortgage and Housing Corp. reported that new home construction fell in Canada to a seven-year low in November. Coupled with October's report that existing home sales plummeted 14% in October has given housing experts a sense that more pain is forthcoming.*

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## Retailer of the Week: Gottschalks

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### OPERATING PERFORMANCE

\$ figures in millions, 9-Months ended	11/01/2008 (Q1 YTD FY09)	11/03/2007 (Q3 YTD FY08)	Year-over-Year Change
<b>Liquidity Ratios</b>			
Cash and Equivalents	\$4.7	\$6.3	-26.59%
Cash and Equivalents % Current Liabilities	4.99%	6.05%	-106 bps
Working Capital	\$132.3	\$133.3	-0.75%
Current Ratio	2.42x	2.27x	15 bps
<b>Leverage Ratios</b>			
EBITDA / Interest Expense	negative EBITDA	negative EBITDA	n/a
Total Debt	\$169.9	\$149.4	13.71%
Total Debt / Equity	183.78%	133.48%	5,030 bps
Total Liabilities / Total Assets	74.66%	71.38%	328 bps

**Revenues for the third quarter ended November 1, 2008 were \$119.1 million, a 13.3% decline from the same quarter a year ago.** Comp store sales fell at a quicker pace than we have seen, dropping another 12.1% for the quarter. The state of California remains one of the most severely affected regions, feeling the brunt of the mortgage crisis and the rising fuel prices. 80% of the firm's revenues come from this state. Women's casual sportswear and young men's were the best performing categories, while luggage was the worst performer. **The gross margin improved 110 basis points for the quarter.** The firm claimed more favorable buying and distribution costs. The company did say that merchandise markdowns continued to rise as the firm has been forced to discount its merchandise to get buyers into the stores. Gottschalks did manage to cut costs, but the reductions were not nearly enough to offset the drop in revenues. **The SG&A burden for the quarter jumped 370 basis points, more than offsetting the improved gross margins.** The biggest cuts are associated with payroll, while professional fees are down as well. During the three months, Gottschalks had the benefit of an \$8.7 million gain on the sale of a piece of real estate, helping to cushion the blow. The firm also took a \$7.5 million non-cash asset impairment charge. For the quarter, Gottschalks posted a \$6.9 million operating loss, down sharply from last year. If we adjust the operating loss to exclude the sale of real estate and the asset impairment charge, the firm posted an adjusted operating loss of \$8.1 million. Depreciation accounted for \$4 million of the loss, as the firm's **EBITDA fell to a loss of \$4.1 million for the quarter.** Despite the benefit from the sale of real estate, the bottom line for the firm lost over twice as much as the same quarter a year ago.

**Revenues for the nine months ended November 1, 2008 were \$378 million, a 10.9% decline from the same period a year ago.** Comp store sales have fallen 9.7% for the year-to-date period. The best performing categories were casual sportswear and men's, while textiles struggled. For the nine months, the company's **gross margin was down 10 basis points.** The gain in the third quarter was enough to largely offset the decline in the first half. Buying and distribution costs were down for the year, but markdowns were up sharply as the firm attempts to inject some life into its top line. It hasn't worked. Expense reductions in the second and third quarters weren't enough to bail out the year-to-date numbers, as **SG&A has risen 190 basis points as a percentage of revenues.** For the nine months this year, Gottschalks had the benefit of an \$8.8 million gain on the sale of assets, but took a \$7.5 million non-cash asset impairment charge. For the nine months, Gottschalks posted an \$18.8 million operating loss. If we adjust the operating loss to exclude the one-time items, the adjusted operating loss of \$20.1 million was far worse than for the same period a year ago. Again, the company's EBITDA remains in the hole, coming in at an \$8.1 million loss.

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## Retailer of the Week: Gottschalks

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### CAPITAL STRUCTURE

The firm's balance sheet no longer gives any sort of cushion to soften future losses. The company's liquidity position has reached its lowest point yet and there isn't much room to be able to withstand any more losses. While the working capital and current ratio appear to be in good shape, a closer look reveals that the true liquidity is certainly something that we must keep a very close eye on. **There was just \$4.7 million in cash on the books at the close of the third quarter.** While this is down only slightly when compared to last year, it is in worse shape when we consider cash available on the revolver. The borrowings on the facility have shot up when compared to last year, and the liquidity available is down sharply as a result.

At the end of the third quarter, **the firm had availability of \$33.2 million on its facility.** Subsequent to the end of the quarter it was revealed that Gottschalks lender had further reduced the availability on the facility. This takes away even more valuable liquidity from the firm.

The potential lifeline from Everbright is gone. This was money that was badly needed to stabilize the firm.

### Did You Know...?

Rates on 30-year-fixed mortgaged dropped last week to 5.19%, their lowest levels in at least 37 years, as the Federal Reserve pledged to pour money into the mortgage market in an effort to spur the moribund housing market.

## Rating Changes & Outlooks

Company	S&P Credit Rating		S&P Credit Outlook	
	Current	Prior	Current	Prior
BRINKER INTERNATIONAL INC	BBB-	BBB	STABLE	NM
RISKMETRICS GROUP INC	B+	B+	POSITIVE	STABLE
MAPCO EXPRESS INC	B-	B	NEGATIVE	STABLE
LIMITED BRANDS INC	BB+	BBB-	STABLE	NEGATIVE
PEP BOYS MANNY MOE & JACK	B-	B-	NEGATIVE	STABLE
WYNDHAM WORLDWIDE CORP	BBB-	BBB-	NEGATIVE	STABLE
INN OF THE MOUNTAIN GODS RESORT & CASINO	CCC	B	NEGATIVE	NEGATIVE
TEXTRON FINANCIAL CORP	BBB	A-	DEVELOPING	NM
TOYS R US INC	B	B	NEGATIVE	STABLE
DOLLAR GENERAL CORP	B	B	POSITIVE	STABLE
GAP INC,THE	BB+	BBB-	STABLE	NEGATIVE
OFFICE DEPOT INC	BB-	BB	NEGATIVE	NEGATIVE
CRACKER BARREL OLD COUNTRY STORE INC	BB-	BB-	NEGATIVE	STABLE
ATLANTIC MARINE INC	B+	B+	POSITIVE	STABLE
PERKINS & MARIE CALLENDERS INC	CCC	B-	NEGATIVE	NEGATIVE
BROOKSTONE CO INC	B	B	NEGATIVE	STABLE
ROUNDYS SUPERMARKETS INC	B	B	NEGATIVE	NM

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## Third Quarter Scorecard

\$ in Millions. Quarter ended closest to 10/31/08	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
<b>Apparel</b>							
Abercrombie & Fitch	\$896.3	\$973.9	-8.0%	-14.0%	\$63.9	\$117.6	-45.7%
Aeropostale, Inc.	\$482.0	\$412.6	16.8%	7.0%	\$42.6	\$36.0	18.3%
American Apparel	\$154.8	\$106.6	45.2%	24.0%	\$2.3	\$6.0	-61.2%
American Eagle Outfitters	\$754.0	\$744.4	1.3%	-7.0%	\$42.6	\$99.4	-57.1%
AnnTaylor Stores Corp.	\$527.2	\$600.9	-12.3%	-19.4%	(\$13.4)	\$40.8	-132.8%
Belk, Inc.	\$741.4	\$808.5	-8.3%	-9.8%	(\$23.5)	(\$6.9)	-240.6%
Bluefly, Inc	\$19.8	\$18.1	9.4%	NA	(\$5.7)	(\$5.0)	-13.5%
Bon Ton Stores, Inc.	\$724.9	\$780.8	-7.2%	-8.3%	(\$14.3)	(\$19.4)	26.3%
Buckle, Inc.	\$210.6	\$167.6	25.7%	19.1%	\$29.1	\$22.2	31.1%
Cache, Inc.	\$58.1	\$60.6	-4.1%	-4.0%	(\$1.6)	\$0.2	-1129%
Carter's, Inc.	\$436.4	\$411.0	6.2%	9.8%	\$33.4	\$34.6	-3.6%
Casual Male Retail Group	\$100.0	\$106.1	-5.7%	-5.3%	(\$3.2)	(\$1.2)	166.7%
Cato Corporation	\$179.8	\$181.9	-1.2%	-2.0%	\$0.8	\$2.9	-72.8%
Charlotte Russe Holding, Inc.	\$206.7	\$190.3	8.6%	-3.8%	(\$6.6)	\$8.4	-178.9%
Charming Shoppes, Inc.	\$553.1	\$599.7	-7.8%	-9.0%	(\$93.0)	(\$3.6)	-2483%
Chico's FAS, Inc.	\$394.2	\$415.9	-5.2%	-13.4%	\$2.0	\$23.6	-91.5%
Children's Place	\$450.6	\$430.6	4.6%	2.0%	\$24.1	\$12.3	95.9%
Citi Trends, Inc.	\$104.9	\$99.5	5.4%	-4.2%	(\$0.7)	(\$0.5)	-33.9%
Claire's Stores, Inc.	\$333.0	\$357.4	-6.8%	-6.8%	(\$21.6)	(\$13.8)	-56.5%
Coldwater Creek Inc.	\$228.5	\$271.2	-15.7%	-20.5%	(\$1.3)	(\$6.2)	79.0%
dELiA*s, Inc.	\$56.9	\$52.0	9.4%	7.6%	\$3.5	\$0.0	NA
Destination Maternity Corp.	\$130.5	\$135.8	-3.9%	tba	(\$4.8)	(\$5.4)	11.1%
Dillard's, Inc.	\$1,546.1	\$1,674.2	-7.7%	-9.0%	(\$56.0)	(\$11.3)	-393.8%
Eddie Bauer Holdings	\$207.3	\$211.0	-1.8%	-1.1%	(\$18.6)	(\$16.4)	-13.4%
Gap Inc.	\$3,561.0	\$3,854.0	-7.6%	-12.0%	\$246.0	\$238.0	3.4%
Gottschalks	\$119.1	\$137.4	-13.3%	-12.1%	(\$10.1)	(\$4.1)	-146.3%
Gymboree Corporation	\$261.3	\$247.6	5.5%	-2.0%	\$30.9	\$26.9	15.1%
Hart Stores Inc.	\$46.2	\$41.3	11.9%	-2.4%	\$0.8	\$1.8	-57.0%
Hot Topic, Inc.	\$197.3	\$188.5	4.7%	1.0%	\$7.4	\$6.7	11.5%
J. Crew Group, Inc.	\$363.1	\$332.7	9.1%	-3.0%	\$19.0	\$26.8	-29.1%
J.C. Penney Company	\$4,318.0	\$4,729.0	-8.7%	-10.1%	\$124.0	\$261.0	-52.5%
Jo-Ann Stores, Inc.	\$480.1	\$480.2	-0.0%	-1.5%	\$10.2	\$8.0	27.5%
JoS. A. Bank Clothiers	\$149.3	\$131.3	13.7%	7.0%	\$9.3	\$7.1	31.0%
Kohl's Corporation	\$3,803.6	\$3,825.2	-0.6%	-6.7%	\$160.2	\$194.0	17.4%
Limited Brands	\$1,842.2	\$1,923.1	-4.2%	-7.0%	\$4.2	\$12.1	-65.3%
Macy's, Inc.	\$5,493.0	\$5,906.0	-7.0%	-6.0%	(\$44.0)	\$33.0	-233.3%
Men's Wearhouse	\$459.7	\$512.1	-10.2%	-9.6%	\$14.6	\$37.1	-60.6%
New York & Company, Inc.	\$249.0	\$276.4	-9.9%	-14.0%	(\$7.9)	(\$16.0)	50.6%
Nordstrom, Inc.	\$1,805.0	\$1,970.0	-8.4%	-11.1%	\$71.0	\$165.7	-57.2%
Pacific Sunwear	\$323.6	\$341.9	-5.4%	-7.0%	(\$2.5)	(\$20.0)	87.7%
Reitmans Limited	\$271.2	\$265.5	2.2%	-1.2%	\$23.0	\$27.4	-16.0%
Retail Ventures, Inc.	\$503.5	\$489.4	2.9%	-3.3%	\$10.0	\$68.2	-85.4%
Ross Stores, Inc.	\$1,555.3	\$1,468.3	5.9%	0.0%	\$57.3	\$48.7	17.7%
Saks Incorporated	\$698.0	\$796.1	-12.3%	-11.5%	(\$42.8)	\$21.6	-298.2%
Stage Stores, Inc.	\$333.8	\$355.1	-6.0%	-10.3%	(\$102.8)	\$2.5	-4296%
Stein Mart, Inc.	\$298.8	\$333.3	-10.4%	-12.6%	(\$14.1)	(\$2.7)	-424.2%
Talbots, Inc.	\$357.3	\$414.0	-13.7%	-13.9%	(\$167.2)	(\$9.4)	-1681%
Tandy Leather Factory	\$12.3	\$12.8	-4.4%	-13.6%	\$0.4	\$0.2	147.1%
TJX Companies	\$4,761.5	\$4,658.7	2.2%	-1.0%	\$235.8	\$249.5	-5.5%
Tween Brands, Inc.	\$254.3	\$260.9	-2.5%	-11.0%	(\$0.8)	\$13.0	-106.4%
Urban Outfitters, Inc.	\$478.0	\$379.3	26.0%	10.0%	\$59.3	\$45.4	30.7%
Wet Seal, Inc.	\$146.6	\$150.3	-2.4%	-7.6%	\$6.8	(\$3.3)	304.8%
<b>Sports &amp; Footwear</b>							
Bakers Footwear Group, Inc	\$41.1	\$40.3	2.0%	4.5%	(\$8.3)	(\$15.3)	45.7%
Big 5 Sporting Goods Corp.	\$223.2	\$231.3	-3.5%	-6.6%	\$4.5	\$8.4	-46.4%
Broder Bros., Co.	\$252.3	\$246.4	2.4%	NA	(\$0.9)	(\$11.6)	92.2%
Brown Shoe Company, Inc.	\$631.7	\$645.5	-2.1%	-5.0%	\$10.4	\$27.0	-61.5%
Cabela's	\$611.8	\$546.8	11.9%	-9.0%	\$9.7	\$13.2	-26.5%
Collective Brands (Payless)	\$862.7	\$830.7	3.9%	-3.2%	\$47.5	\$25.5	86.3%
Dick's Sporting Goods, Inc.	\$924.2	\$838.8	10.2%	-2.8%	\$7.4	\$12.2	-39.6%
DSW Inc.	\$391.4	\$367.4	6.5%	-4.1%	\$13.2	\$22.4	-41.2%
Foot Locker	\$1,309.0	\$1,356.0	-3.5%	-1.7%	\$24.0	(\$33.0)	172.7%
Forzani Group Ltd. (US\$)	\$299.8	\$346.4	-13.5%	3.8%	\$5.4	\$13.1	-58.4%

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## Third Quarter Scorecard

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\$ in Millions. Quarter ended closest to 10/31/08	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
<b>Sports &amp; Footwear</b>							
Gander Mountain	\$269.9	\$259.5	4.0%	-6.5%	\$0.8	(\$5.1)	114.9%
Genesco Inc.	\$389.8	\$372.5	4.6%	2.0%	\$9.4	\$5.6	67.9%
Golfsmith International	\$101.7	\$106.5	-4.5%	-4.6%	\$2.8	\$4.0	-30.0%
GSI Commerce	\$189.8	\$137.3	38.2%	NA	(\$12.8)	(\$6.1)	-109.8%
Hibbett Sporting Goods, Inc.	\$140.1	\$129.6	8.1%	0.4%	\$7.7	\$7.8	-2.1%
Lululemon Athletica Inc.	\$87.0	\$64.9	34.1%	-2.0%	\$8.8	\$7.6	15.8%
Recreational Equipment	\$347.9	\$313.7	10.9%	NA	\$2.1	\$4.6	-54.3%
Shoe Carnival, Inc.	\$170.1	\$173.9	-2.2%	-5.0%	\$2.6	\$4.2	-38.1%
Walking Company, The	\$42.7	\$36.9	15.7%	7.0%	(\$2.9)	\$0.9	-405.1%
West 49 (C\$)	\$61.7	\$59.1	4.4%	2.1%	\$2.1	\$2.6	-19.2%
West Marine, Inc.	\$180.2	\$188.4	-4.4%	-4.7%	\$3.4	\$5.3	-35.4%
WinMark Corporation	\$9.1	\$8.0	14.5%	NA	\$1.4	\$1.1	19.5%
Zumiez Inc.	\$112.2	\$104.0	7.9%	-5.8%	\$6.8	\$8.1	-16.0%
<b>Specialty</b>							
1-800-Flowers.com, Inc.	\$158.0	\$145.8	8.4%	NA	(\$5.3)	(\$5.8)	8.6%
A.C. Moore Arts & Crafts	\$116.7	\$122.6	-4.8%	-9.4%	(\$7.5)	(\$0.7)	-1054%
Advance Auto Parts, Inc.	\$1,188.0	\$1,158.0	2.6%	-0.1%	\$56.2	\$59.0	-4.9%
Amscan Holdings, Inc.	\$362.1	\$283.3	27.8%	tba	\$4.6	\$0.4	-1050%
Barnes & Noble, Inc.	\$1,123.4	\$1,175.5	-4.4%	-7.4%	(\$18.4)	\$4.4	-518.2%
Blue Nile, Inc.	\$65.4	\$67.4	-2.9%	NA	\$2.3	\$3.0	-22.6%
Books-A-Million, Inc.	\$111.0	\$117.7	-5.7%	-9.9%	(\$2.2)	(\$0.6)	294.1%
Borders Group, Inc.	\$693.4	\$765.2	-9.4%	-12.8%	(\$175.4)	(\$161.1)	-8.9%
Brookstone, Inc.	\$89.5	\$91.3	-2.0%	-5.9%	(\$10.4)	(\$10.2)	-2.0%
Cost Plus, Inc.	\$213.0	\$214.6	-0.8%	-3.4%	(\$25.8)	(\$13.9)	-85.6%
Ethan Allen	\$205.8	\$248.7	-17.2%	-19.0%	\$7.4	\$17.5	-57.7%
Finlay Enterprises, Inc.	\$160.3	\$141.9	13.0%	-14.9%	(\$20.8)	(\$7.5)	-176.6%
Hancock Fabrics, Inc.	\$70.6	\$69.7	1.3%	2.1%	(\$2.5)	(\$6.1)	59.0%
Haverty Furniture	\$175.6	\$200.7	-12.5%	-14.9%	(\$1.5)	\$0.6	-334.4%
Kirkland's, Inc.	\$85.9	\$88.7	-3.2%	1.2%	(\$1.5)	(\$10.7)	86.2%
Leon's Furniture Limited	\$259.2	\$216.2	19.9%	7.9%	\$17.5	\$16.2	8.0%
Michaels Stores, Inc.	\$906.0	\$934.0	-3.0%	-6.5%	(\$20.0)	(\$18.0)	-11.1%
Movado Group, Inc.	\$135.8	\$180.2	-24.6%	NA	\$15.7	\$26.5	-40.8%
Pep Boys -Manny, Moe & Jack	\$464.2	\$528.8	-12.2%	-10.4%	(\$7.3)	(\$28.0)	73.9%
Perfumania Holdings	\$126.4	\$92.8	36.2%	tba	(\$1.6)	\$2.7	-161.0%
Pet Valu Inc.	\$46.6	\$41.5	12.3%	5.8%	\$4.0	\$3.1	29.0%
PetSmart, Inc.	\$1,251.1	\$1,115.9	12.1%	5.4%	\$35.8	\$29.5	21.6%
Pier 1 Imports, Inc.	\$300.9	\$374.2	-19.6%	-17.8%	(\$36.9)	(\$10.0)	-270.4%
Tiffany & Co.	\$618.2	\$627.3	-1.5%	-7.0%	\$43.8	\$101.5	-56.8%
Williams-Sonoma, Inc.	\$752.1	\$895.1	-16.0%	-21.4%	(\$11.0)	\$27.1	-140.6%
<b>Home Centers</b>							
Ace Hardware	\$969.2	\$976.7	-0.8%	0.0%	\$26.4	\$22.4	17.9%
Builders FirstSource, Inc.	\$288.3	\$413.9	-30.3%	NA	(\$18.9)	(\$12.0)	-57.5%
Building Materials Holding Corp	\$364.4	\$594.0	-38.7%	NA	(\$45.2)	\$4.2	-1176%
Calloway's Nursery, Inc.	\$5.7	\$7.1	-19.0%	-5.6%	(\$0.9)	(\$0.8)	-7.6%
Fastenal Company	\$625.0	\$533.8	17.1%	11.5%	\$72.9	\$62.1	17.4%
Home Depot, Inc.	\$17,784.0	\$18,961.0	-6.2%	-8.3%	\$756.0	\$1,091	-30.7%
Interline Brands, Inc.	\$317.5	\$330.2	-3.8%	NA	\$13.7	\$16.0	-14.4%
Lowe's Companies	\$11,728.0	\$11,565.0	1.4%	-5.9%	\$488.0	\$643.0	-24.1%
Lumber Liquidators	\$123.1	\$102.1	20.6%	2.0%	\$5.5	\$3.7	48.6%
Rona, Inc.	\$1,337.3	\$1,360.1	-1.7%	-2.3%	\$51.7	\$59.8	-13.5%
Sherwin-Williams Company	\$2,268.7	\$2,197.0	3.3%	-1.4%	\$177.1	\$200.3	-11.6%
Tractor Supply Company	\$733.9	\$629.2	16.6%	6.0%	\$19.8	\$17.5	13.1%
True Value Company	\$493.1	\$478.5	3.1%	0.5%	\$20.5	\$12.0	70.8%
United Rentals, Inc.	\$873.0	\$990.0	-11.8%	NA	\$74.0	\$112.0	-33.9%
W.W. Grainger	\$1,839.5	\$1,658.6	10.9%	10.0%	\$140.0	\$109.2	28.2%
Wesco International	\$1,628.1	\$1,545.6	5.3%	NA	\$65.9	\$71.8	-8.2%
<b>Food</b>							
Arden Group	\$114.2	\$119.4	-4.4%	-4.4%	\$4.1	\$8.9	-53.9%
Casey's General Stores	\$1,389.2	\$1,189.3	16.8%	4.9%	\$27.3	\$27.7	-1.3%
Empire Company Ltd.	\$3,727.9	\$3,484.8	7.0%	5.4%	\$65.7	\$58.4	12.5%
Kroger Co.	\$17,579.9	\$16,135.6	9.0%	5.6%	\$237.7	\$253.8	-6.3%

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## Third Quarter Scorecard

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\$ in Millions. Quarter ended closest to 10/31/08	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
<b>Food</b>							
Loblaw Companies Limited	\$9,493.0	\$9,137.0	3.9%	3.0%	\$155.0	\$117.0	32.5%
Nash Finch Company	\$1,436.5	\$1,367.1	5.1%	0.7%	\$8.6	\$15.4	-44.2%
Penn Traffic Co.	\$287.3	\$298.7	-3.8%	-0.8%	(\$5.6)	(\$9.6)	41.7%
Publix Super Markets	\$5,800.0	\$5,600.0	3.6%	1.2%	\$201.8	\$249.0	-19.0%
Village Supermarket, Inc.	\$291.0	\$263.6	10.4%	4.2%	\$6.4	\$4.3	48.8%
Weis Markets, Inc.	\$603.9	\$565.0	6.9%	6.2%	\$8.1	\$10.8	-25.0%
<b>High-Tech &amp; Electronics</b>							
Aaron Rents, Inc.	\$388.0	\$333.7	16.3%	5.7%	\$21.1	\$15.9	32.4%
Amazon.com, Inc.	\$4,264.0	\$3,262.0	30.7%	NA	\$118.0	\$80.0	47.5%
Best Buy Co., Inc.	\$11,500.0	\$9,928.0	15.8%	-5.3%	\$52.0	\$228.0	-77.2%
Blockbuster Inc.	\$1,204.6	\$1,238.2	-2.7%	5.1%	(\$17.8)	(\$34.4)	48.3%
BMTC Group Inc.	\$181.7	\$178.5	1.8%	NA	\$11.6	\$2.1	452.4%
Conn's, Inc.	\$173.9	\$170.1	2.2%	-5.8%	(\$7.7)	\$4.0	-292.5%
GameStop Corp.	\$1,695.7	\$1,611.2	5.2%	-1.8%	\$46.7	\$52.0	-10.2%
IAC/InterActiveCorp	\$369.3	\$335.4	10.1%	NA	(\$14.8)	\$70.5	-121.0%
Ingram Micro Inc.	\$8,238.7	\$8,607.9	-4.3%	NA	\$46.4	\$72.4	-35.9%
Office Depot, Inc.	\$3,657.9	\$3,935.4	-7.1%	-14.0%	(\$6.7)	\$117.5	-105.7%
OfficeMax Incorporated	\$2,096.3	\$2,315.2	-9.5%	-11.1%	(\$431.9)	\$49.9	-965.5%
PC Connection, Inc.	\$441.4	\$456.5	-3.3%	NA	\$3.2	\$7.7	-58.4%
PC Mall, Inc.	\$325.9	\$287.7	13.3%	NA	\$2.6	\$3.0	-13.0%
RadioShack Corporation	\$1,021.9	\$960.3	6.4%	7.7%	\$50.2	\$46.3	8.4%
Rent-A-Center, Inc.	\$708.8	\$705.8	0.4%	3.4%	\$29.4	\$22.7	29.5%
Rex Stores Corporation	\$63.7	\$53.4	19.3%	-13.6%	(\$0.7)	\$14.7	-104.4%
Staples, Inc.	\$6,950.9	\$5,168.4	34.5%	-8.0%	\$156.7	\$274.5	-42.9%
Systemax Inc.	\$739.5	\$687.3	7.6%	NA	\$11.3	\$17.6	-35.8%
Tech Data Corporation	\$6,136.1	\$5,923.8	3.6%	NA	\$18.4	\$40.9	-55.0%
Trans World Entertainment	\$195.2	\$260.6	-25.1%	-14.0%	(\$28.4)	(\$14.3)	-98.6%
United Stationers Inc.	\$1,337.9	\$1,192.0	12.2%	NA	\$33.1	\$27.5	20.3%
ValueVision Media, Inc.	\$124.8	\$184.8	-32.5%	NA	(\$20.9)	(\$5.8)	260.3%
Zones, Inc.	\$197.7	\$163.0	21.3%	NA	\$1.2	\$2.6	-55.4%
<b>Drug</b>							
Abbott	\$7,497.7	\$6,376.7	17.6%	NA	\$1,085	\$717.0	51.3%
AmerisourceBergen Corp	\$16,661.9	\$15,199.2	9.6%	NA	\$114.9	\$87.6	31.2%
CVS Caremark Corporation	\$20,863.4	\$20,495.2	1.8%	3.7%	\$736.0	\$689.5	6.7%
Drugstore.com, Inc.	\$87.8	\$81.0	8.4%	NA	(\$3.6)	(\$2.4)	-50.0%
Duane Reade Holdings	\$431.0	\$408.8	5.4%	5.0%	(\$22.3)	(\$22.0)	-1.4%
Express Scripts, Inc.	\$5,450.5	\$5,358.2	1.7%	NA	\$201.9	\$142.9	41.3%
McKesson Corp.	\$26,570.0	\$24,450.0	8.7%	NA	\$327.0	\$247.0	32.4%
Rite Aid Corp.	\$6,468.6	\$6,497.9	-0.5%	1.4%	(\$243.1)	(\$84.8)	-186.7%
Shoppers Drug Mart	\$2,793.0	\$2,542.7	9.8%	5.0%	\$162.5	\$141.7	14.7%
Tenet Healthcare Corp.	\$2,158.0	\$2,041.0	5.7%	NA	\$104.0	(\$59.0)	276.3%
Ulta Salon, Cosmetics, Fragran	\$254.8	\$208.2	22.4%	2.0%	\$5.0	\$4.2	19.0%
<b>Mass Merchants</b>							
Big Lots, Inc.	\$1,021.6	\$1,030.6	-0.9%	-0.2%	\$12.2	\$14.3	-14.3%
BJ's Wholesale Club, Inc.	\$2,458.9	\$2,174.4	13.1%	11.9%	\$28.2	\$22.7	24.2%
Canadian Tire	\$2,182.8	\$2,051.3	6.4%	2.0%	\$105.0	\$102.3	2.6%
Costco Wholesale Corp.	\$16,394.2	\$15,809.5	3.7%	1.0%	\$262.5	\$262.0	0.2%
Dollar General Corporation	\$2,598.9	\$2,312.8	12.4%	10.6%	(\$7.3)	(\$33.0)	77.9%
Dollar Tree Inc.	\$1,114.0	\$997.8	11.6%	6.2%	\$43.1	\$35.9	20.1%
Duckwall-ALCO Stores, Inc.	\$115.5	\$110.3	4.7%	-6.3%	(\$1.7)	(\$1.6)	-1.8%
Fred's, Inc.	\$418.0	\$419.9	-0.5%	1.4%	\$6.1	\$4.6	32.3%
Overstock.com	\$186.9	\$160.1	16.7%	NA	(\$1.6)	(\$5.6)	71.4%
Sears Canada Inc.	\$1,442.2	\$1,367.6	5.5%	0.9%	\$68.9	\$104.0	-33.8%
Sears Holding Corp.	\$10,660.0	\$11,622.0	-8.3%	-9.0%	(\$146.0)	\$4.0	-3750%
Target Corporation	\$14,588.0	\$14,835.0	-1.7%	-3.3%	\$369.0	\$483.0	-23.6%
Toys R Us Inc.	\$2,770.0	\$2,780.0	-0.4%	-0.3%	(\$104.0)	(\$76.0)	-36.8%
Wal-Mart Stores, Inc.	\$97,634	\$90,826	7.5%	3.3%	\$3,138	\$2,857	9.8%

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Due to the Holidays, Retail Sector Weekly will not be published next week, but will return on Monday January 5th.