

RETAIL SECTOR WEEKLY

Key Retail News and Commentary

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Remember...

A single conversation across a table with a wise man is worth a month's study of books.

Will The Stimulus Bill Work?

The compromise economic stimulus plan agreed to by negotiators from the House of Representatives and the Senate is short on incentives to get consumers spending again and long on social goals according to a range of respected economists.

House and Senate negotiators narrowed the differences between their competing stimulus plans. In doing so, they scrapped a large tax credit for buying automobiles that would have caused positive ripple effects across the manufacturing sector. The settled instead on letting purchasers of new vehicles deduct from their federal taxes the state and local sales taxes on the cars they bought.

The exception to this is for buyers of plug-in hybrids, cars that run off a battery that can be charged at home or in the office. Buyers of these vehicles, available in very limited supply, could get a tax credit of up to \$9,100.

A Republican-backed proposal that would have provided a \$15,000 tax credit to first-time homebuyers also was scaled back dramatically. Instead, the compromise provides first-time homebuyers a tax credit of up to \$8,000, and it doesn't have to be repaid over the life of the mortgage. Incentives already in place offer buyers a \$7,500 credit that must be repaid, so the bill is an improvement, but short of what many economists think is necessary.

Another reason that some analysts frown on the stimulus is the social spending it includes on things such as the Head Start program for disadvantaged children and aid to NASA for climate-
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Retailer of the Week: Ethan Allen Interiors

Reflecting the tough economic times, particularly within the housing market, Ethan Allen Interiors saw a sizable drop in second quarter 2009 earnings as compared to fiscal 2008. Unfortunately, we see no improvement soon and we anticipate a small loss for the current fiscal third quarter ending March 31, 2009. Still, with a fairly good balance sheet Global Credit will retain its 'C-' credit rating, despite the falling earnings, reflecting a modest to moderate amount of credit risk to vendors providing merchandise or services to the Company on open credit terms.

BACKGROUND

Ethan Allen Interiors operates upscale full service furniture stores through 162 company owned stores as of December 31, 2008. There are also independently owned Ethan Allen Interiors, which the Company had been acquiring. However through the first six months of fiscal 2009, only three dealer stores were acquired. Ethan Allen Interiors also manufacturers some of its own product line for sale in its stores and other retail chains.

The Company has attempted to stimulate sales by enhancing selling opportunities and better training of staff but the tough economic environment is spoiling any positive impact from those initiatives. In January 2009, Ethan Allen Interiors announced plans to consolidate manufacturing operations and will record a charge of \$8 million to \$9 million for fiscal 2009, most of that will relate to asset write downs, non cash in nature.

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Will The Stimulus Bill Work?

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change research. Both may be worthy efforts, but they aren't aimed at delivering short-term boosts to economic activity.

In a brief on the stimulus compromise, William Galston, a senior fellow at the center-left Brookings Institution and a former Clinton White House adviser, warned that a bank-rescue plan being finalized will make the \$789 billion look like "pocket change." While the stimulus bill is a necessary condition for economic stabilization and recovery, it is hardly sufficient," Mr. Galston wrote. "As the lesson of Japan in the 1990s shows, fiscal stimulus without financial rescue yields stagnation – at best."

Even some proponents of a stimulus are disappointed. Harvard University economist Martin Feldstein, a former adviser to President Ronald Reagan, was an early supporter. He said that government is now the only engine left to spark economic activity, but he said that the compromise falls short of what's needed.

Still, could this stimulus get the U.S. economy back on its feet?

By itself, probably not. The stimulus plan, however, is supposed to work in tandem with new efforts by the Treasury and the Federal Reserve to rid banks of distressed assets that are poisoning their balance sheet, and with other federal efforts to halt mortgage delinquencies and foreclosures. Much will depend on the details of both federal attack plans, which the Obama administration promises are coming soon.

There's also the problem of time. Much of the stimulus is to be spread over a two-year period or longer – and 2009 looks increasingly bleak.

A Wall Street Journal survey of 52 mainstream economic forecasters found that while most forecasters still think there could be slow growth by the second half of the year, that won't offset steeper-than-projected declines in the first half of 2009.

That means this is essentially a lost year for the economy. Most scenarios envision the economy picking back up again next year.

Feedback?

Questions?

Suggestions?

[Click Here](#)

HAVE YOU HEARD...

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

Affiliated Foods Cooperative Inc.
 Affiliated Foods Inc.
 Associated Wholesale Grocers
 Associated Wholesalers Inc. (AWI)
 Brookshire Brothers Ltd.
 Brookshire Grocery Company
 C&S Wholesale Grocers
 Golub Corp. DBA Price Chopper Markets
 MBM Corp.
 Raleys Inc.
 Save Mart Supermarkets
 US Foodservice, Inc.

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Bankruptcy Blotter

Gottschalks Inc. is seeking court approval to hire **FTI** to advise its management, evaluate the company's liquidity and prepare a liquidation analysis, among other tasks. Unsecured creditors, however, are objecting to the company paying a "completion fee" of \$1 million, over and above its normal fee rate, if FTI engineers a reorganization or sale by about July 14th.

In other news, unsecured creditors are also objecting to **Gottschalks** request for approval of a \$125 million DIP loan from a group led by **GE Capital Corp.**, claiming the facility is just a ploy to force Gottschalks to liquidate its assets at lightning speed, leaving everyone besides the lenders out of luck.

Separately, **Gottschalks** is requesting permission to dole out up to \$1 million in bonuses to two senior executives and 50 employees, pending the successful sale of its assets or a confirmation of its Chapter 11 plan.

John, Jeff, and Jim Morris, sons of founder **Mervyn Morris**, agreed to acquire the name and Internet-related properties of the **Mervyn** chain, with the goal of putting the Mervyn name back on the retail landscape. The family sold the chain to **Dayton Hudson Corp.** (now known as **Target**) in 1978.

Circuit City Stores Inc. received approval to auction leases or break them for its remaining properties, including 567 U.S. stores, its

corporate headquarters and various distribution centers. In addition, the company received permission to sell its company aircraft: a 2001 Learjet 45, for \$4.35 million, and a 1996 Hawker 800XP, for \$4.5 million.

Circuit City Stores Inc. is seeking court permission to pay up to \$4.63 million in bonuses to 154 employees to keep them from leaving as the company liquidates. The company claims that if the employees reach the benchmarks necessary to achieve 100% of the bonuses, the company will realize \$250 million of additional value.

The following creditors have been appointed to the Unsecured Creditors' Committee for the **Fortunoff Holdings** case: **Hanamint Corp.**; **Michael Werdiger, Inc.**; **Agio International Co. Ltd.**; **Disons Gems, Inc.**; **Lenox Group Inc.**; **Victorinox Swiss Army, Inc.** and **Croskill**.

S&K Famous Brands Inc. filed for Chapter 11 protection last week with an "immediate need" for financing to ensure the continued shipment of menswear to its 136 stores. The company is seeking to borrow up to \$13 million from lender Wells Fargo Retail Finance LLC.

In related news **S&K Famous Brands** is looking to sell its headquarters and warehouse for \$5.6 million and then lease back the facilities, a move the company says will help it pay off its bankruptcy loan.

Did You Know...?

The U.S.' trade deficit fell to a seasonally adjusted \$39.9 billion in December, the Commerce Department reported Wednesday. In December 2007, the trade deficit was \$57.6 billion.

Specialty Items

Toys R Us, Inc. has acquired EToys.com, BabyUniverse.com and EPregnancy.com from bankrupt Parent Company. Toys R Us will operate the sites under their own names.

Zale Corp. settled a lawsuit claiming the company infringed on a Texas-based jewelry designer with their "Love Rocks" trademark. The

settlement was for a "very modest, immaterial amount" according to management.

El Dorado Furniture will open 92,000 sq. ft. showroom in Coconut Creek, Florida, which will anchor for a new 153,000 sq. ft. shopping center there. The new showroom will bring El Dorado's store count to 11.

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.

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Management on the Move

The Fresh Market promoted COO **Craig Carlock** to President and CEO. The founding family members who were running the company—Brett Berry, CEO, and Michael Barry, CFO—have stepped down.

Wal-Mart Stores, Inc. promoted **Jeff Gearhart** to EVP and General Counsel. He succeeds **Tom Mars** who was promoted to EVP and CAO.

Central Garden & Pet Co. promoted **James V. Heim** President of Business Development. **Glen Fleischer** will replace Heim as President of Pet Products.

Hennes & Mauritz AB (H&M) named **Karl-Johan Persson** to succeed Rolf Eriksen as CEO when he steps down in July. Persson is the grandson of company founder Erling Persson.

Staples, Inc. appointed EVP of Marketing **Shira Goodman** EVP of Human Resources, effective May 1. The current EVP of HR, Susan Hoyt, will be retiring in September.

Fastenal Co. director **Henry K. McConnon** has retired from the Fastenal board, effective immediately.

Abercrombie & Fitch Co. elected former ambassador **Craig R. Stapleton** as a director.

Tractor Supply Co. appointed Chief Merchandising Officer **Gregory A. Sandfort** President. Sandfort will retain the CMO title and responsibilities. Also, TSCO promoted **Stanley L. Ruta** Chief Operating Officer.

Advance Auto Parts, Inc. appointed **Greg Johnson** as SVP, DIY and Chief Marketing Officer. Johnson most recently was SVP of Marketing, Strategy and Communications for Best Buy.

Charming Shoppes, Inc. made several executive appointments:

- **Anthony M. Romano** was named EVP - Business Transformation. Romano will oversee CHRS' restructuring and cost reduction programs.
- **Bill Bass** was appointed Interim President of the Company's Charming Direct division
- **Rachel A. Ungaro** and **James A. Ferree** were both promoted to SVP, General Merchandising for the Fashion Bug brand.

General Retail News

The U.S. economic stimulus package offers some assistance to consumer spending but doesn't do enough to spark a return to shoppers into stores, the National Retail Federation (NRF) told members of Congress. The NRF continues to lobby for initiatives including a series of national tax holidays nationwide throughout the year and a provision that would allow businesses to offset current losses against previous profits from as long as five years ago versus the current two years. The retail trade organization, meanwhile, opposes a stimulus provision that would allow laid-off workers who are 55 or older or who have worked at company for 10 years or more to continue their health care coverage under COBRA until they find another job or qualify for Medicare. Citing a study, the NRF said the stipulation would cost employers \$39-65 million over a decade.

Also, **NRF** asked Congress to overturn recent Federal Reserve regulations that would effectively ban "same-as-cash" interest-free finance offers.

January retail sales increased a seasonally adjusted 0.5% Dec. 2008, according to National Retail Federation (NRF) data. But unadjusted year-over-year U.S. retail sales declined 2.1%. Meanwhile, monthly U.S. Commerce Dept. statistics showed a seasonally adjusted 1.0% increase in Jan. sales (-9.0% y-o-y), snapping a six-month skid of consecutive declines. Among retail category sales in Jan., clothing and clothing accessories doors posted a 1.6% gain seasonally adjusted from Dec., but were off 8.0% y-o-y.

UPS and the **U.S. Postal Service** are testing a new service whereby the U.S. Postal Service will facilitate consumer merchandise returns by picking up packages at homes. According to the *Internet Retailer*, the USPS would then transfer the returns to UPS for delivery back to retailers. The pilot program is called UPS Returns Flexible Access, and will be evaluated after five months.

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Heard in the Grocery Aisle

Kuhn's Quality Foods recognized UFCW Local 23 at the company's Beulah Road, Pennsylvania store, which it acquired from Foodland. It's the only Kuhn's location where workers are represented by a union.

Whole Foods CEO John Mackey said he expects to settle the company's ongoing dispute with the FTC, according to the *Hartford Courant*. Mackey reportedly said that there could be a settlement announcement in the next couple of weeks.

Supermarkets in Westchester County, New York, were fined \$59,000 after 21 stores in the area were found to be selling out-of-date food in an investigation conducted by the county's Department of Consumer Protection.

H-E-B will build a 400,000 sq. ft. distribution center in Temple, Texas, and has purchased a 160 acre parcel next to Temple's Rail Park.

Pricing conflicts between grocers and suppliers heated up in Belgium, where **Delhaize SA** has removed about 300 **Unilever** products from its stores, saying they are priced too high. Last week, Unilever reported its fourth-quarter and attributed strong earnings to its pricing power. According to the *Wall Street Journal*, Unilever has used the threat of price increases to force Delhaize to carry more of its range.

Unified Grocers sales fell 0.7% to \$1.045 billion in the fiscal first quarter ended December

27. Net income after dividends was off 37.4% to \$3.9 million.

Winn-Dixie Stores, Inc. sales were flat at \$2.25 billion for the second quarter of fiscal 2009 ended January 7. Identical store sales increased 0.2%. Net income nearly quadrupled to \$16.1 million, reflecting a \$22.4 million pre-tax gain on a hurricane insurance settlement. WINN is maintaining its EBITDA guidance of \$110-\$125 million for fiscal 2009.

Wal-Mart is looking for locations to expand in Chicago, including poor urban "food desert" neighborhoods which have no grocery stores, the *Chicago Sun-Times* reported. Due to the economy, city government is reportedly more willing to accommodate Wal-Mart, which has previously had a frosty reception in union-dominated Chicago.

Also, **Wal-Mart** plans to double its supermarket business in Massachusetts over the next year, according to *The Boston Globe*. WMT is building a new supercenter in Worcester and adding groceries to stores in Halifax, Hudson, Oxford, Salem, Springfield, and Swansea. Over 700 jobs will be created at Wal-Mart stores in the state.

Stater Bros. Holdings Inc. sales increased 1.72% to \$959.3 million for the first quarter of fiscal 2009 ended December 28, 2008. Like store sales increased 1.4%. Net income was down 67.6% to \$3.5 million in the quarter.

Did You Know...?

Retail jobs have been hard hit in this recession, according to Market-Watch. 570,000 retailing jobs-or 3.6% of the sector-have disappeared through January.

Health & Beauty Aids

Wal-Mart blew away the competition in the Health & Beauty sector, according to the January Retail Ratings Report from BIGresearch. Full 33.3% of consumers shop at Wal-Mart most often, up from 29.7% in January 2008. Target ranked second at 8.1% and CVS was third at 7.8%. For prescription drugs, Walgreens led the results with 17.8% of consumers shopping there most often. CVS and Wal-Mart were second and third, respectively.

Cardinal Health's proposed spinoff of its clinical and medical products businesses will be called CareFusion, and expects to trade on the New York Stock Exchange under the ticker symbol CFN.

CVS' MinuteClinic has partnered with Cleveland Clinic, and nine MinuteClinic locations in northeast Ohio will have a direct link to doctors at Cleveland Clinic for clinical consultation.

Shoppers Drug Mart Corp. issued 2009 guidance, expecting sales to increase by 5.5% to 7.0% despite just 52 weeks, vs. 53 in 2008. Same-store sales are projected to grow 5.0% to 6.0% in pharmacy and 1.4% to 3.4% in the front of the store. CapEx is pegged at \$575 million with a goal of increasing retail selling square footage by approximately 10%, including 120 to 130 new drug stores of which 35 to 40 will be relocations.

McKesson Corp. has sold \$350 million of 6.50% notes due February 15, 2014 and \$350 million of 7.50% notes due February 15, 2019 to a group of underwriters led by Banc of America and J.P. Morgan. McKesson expects to net approximately \$694 million, which will be used for general corporate purposes.

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The Global World of Sports and Footwear

GSI Commerce is forecasting first quarter non-GAAP income from operations in the \$2-3 million range on total revenues of \$187-192 million. The operating loss for the period is forecast at \$20-21 million.

Sport Chalet sales fell 10.3% to \$104.6 million in its fiscal third quarter as comparable store sales sank 15.4% on soft macroeconomic conditions and unseasonably warm weather in core Western U.S. markets. Net loss was \$32.4 million including a \$10.7 million non-cash impairment charge related to certain stores and \$11.6 million for taxes.

Sport Supply sales slipped 1.7% year-over-year to \$53.2 million in its second quarter ended December 31. Net income rose 133% to \$1.1 million. RBI has obtained a three-year, \$40 million credit facility, expandable to \$60 million under certain conditions, with Bank of America to replace a \$25 million facility with Merrill Lynch. Sport Supply repurchased \$15.7 million of its convertible notes in Q2, or approximately 31% of the initial \$50 million. With its expanded credit facility, RBI doesn't expect any problems repaying the remaining \$28.9 million on the notes on or before a Dec. 31 due date.

Bass Pro Shops will open two stores this year, starting with the banner's first in Canada, 150,000 sq. ft. in Calgary, Alberta in April followed by a 145,000 sq. ft. door in Altoona, IA later in the year.

Adrenalina, the three-store retail operator in Florida apparently has no intention of leaving significantly larger Pacific Sunwear alone. Following multiple attempts to acquire PacSun, Adrenalina nominated four for election to the PSUN board and called for the resignation of PSUN CEO Sally Kasak. Adrenalina claims to own approximately 3% of Pacific Sunwear's shares. CEO Illia Lekach tells Reuters that he would like to see his business merged into PacSun and that he would like to oversee the entire operation.

Imports of sporting goods, toys and games fell to \$2,932 million in December from \$2,934 million, according to Dept. of Commerce data.

Timberland is opening a 2,000 sq. ft. store in New York's SoHo district on Feb. 13. TBL has utilized green building practices at the lower Broadway site, including the re-use of salvaged materials reclaimed from previous occupants.

Off the Rack

Retail Ventures has amended its loan agreement to make \$7.5 million available to struggling subsidiary Filene's Basement. RVI acknowledges that Filene's Basement may need additional liquidity to satisfy its obligations as they come due. The company continues to explore strategic alternatives for the discount apparel chain.

Macy's completed its tender offer dated February 2, 2009. Of the \$950 million in notes covered by the offer, \$685.7 million were

accepted for early repurchase. Macy's said that this will save the company \$7 million in interest payments in 2009.

J. C. Penney Co. announced early March grand openings for new stores in Brighton, Creekside and San Marcos, Texas, and in Owasso, Oklahoma and Richmond, Virginia.

Sears Holdings Corp. closed a call center in Naperville, Illinois, cutting 145 jobs.

Mass Merchant Musings

Wal-Mart Stores, Inc. will cut 700-800 jobs at its northwestern Arkansas headquarters as it builds fewer new locations this year and makes other operational changes. The cuts are in Wal-Mart's real estate, apparel and health and wellness departments. Wal-Mart plans to add jobs at its New York apparel offices and expects to add tens of thousands of jobs in its stores and clubs this year.

Wal-Mart announced that 733,000 or 51.8% of

associates have health care coverage through its benefits plans for 2009. Including dependents, 1.2 million people are covered by Wal-Mart's plans. WMT's uninsured rate of 5.5% compares favorably with the 16.8% uninsured rate nationwide for the U.S. employed population.

Wal-Mart has retained ad agency Publicis & Hal Riney to take charge of advertising for the retailer's Great Value brand, according to *AdAge*.

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FYI for the DIY

Lowe's board has approved a "clawback" policy that will allow it to recover compensation paid to executives if the company later determines the executives' fraud or misconduct caused a financial restatement.

84 Lumber Co. have met with the Pennsylvania Department of Community and Economic Development (DCED) about debt financing, according to the Associated Press and other media outlets. Last April, the company entered into two five-year financing packages, allowing it to borrow up to \$590 million.

Also, **84 Lumber** announced the closing of stores in Kentucky, Pennsylvania, Maryland, Ohio, Missouri, Florida, Virginia and Utah. The company reported \$2.1 billion in revenues for 2008, down from \$3.1 billion in 2007.

Marvin's Building Materials and Home Centers plans to open four stores in 2009, bringing its total to 28 stores. The first two stores will be in Demopolis and Andalusia, Alabama and will open this summer. One store will be 38,000 sq. ft and the other 36,000 sq. ft. The other two store locations will be announced in May or June.

W.W. Grainger Inc. will cut up to 400 jobs, or about 2.2% of its workforce, as part of a cost-cutting program. It will also cut back on employee travel, freeze pay for salaried workers and executives, and leave vacant positions unfilled. Severance charges of \$15 to \$20 million will be recorded in the first half of 2009.

Smith & Hawken sales declined 22.8% to \$31.9 million in the first quarter of fiscal 2009 ended December 27, 2008, which is seasonally slow. Parent Scotts Miracle-Gro anticipates fiscal 2009 organic net sales will increase by 5% to 7%.

Sears Holdings launched ServiceLive.com, a home improvement services auction-style marketplace where homeowners post projects and service providers can accept the work. The site also handles terms and payments, and provides for contractor ratings.

Taiga Building Products Ltd. sales fell 9.1% to \$213.8 million for the fiscal third quarter ended December 31, 2008. Net loss for the quarter was \$2.6 million compared to a loss of \$1.9 million last year. Taiga is launching a \$10 million rights offering to raise cash.

Did You Know...?

The National Retail Federation is forecasting a 2.5% decrease in first half 2009 retail sales in the U.S. and a year-over-year drop of 0.5%, in what would be the first y-o-y sales drop since the organization began forecasting annual results in 1995.

Hi Tech Entertainment

Best Buy Co. will acquire the remaining 25% of Jiangsu Five Star Appliance Co., Ltd. for approximately \$185 million in cash. The Chinese government granted Best Buy a business license on February 6, 2009, to convert Five Star into a wholly-owned foreign enterprise. The deal is expected to close by February 21.

Also, **Best Buy** is consolidating management of its high-end Magnolia Audio Video specialty chain into its corporate headquarters in Richfield, Minnesota. Seven of the thirteen Magnolia stores will be shuttered, and distribution for the remaining stores will be integrated into BBY's distribution center in Renton, Washington.

Microsoft Corp. announced intentions to open retail stores and hired Wal-Mart veteran David Porter as Corporate Vice President of Retail Stores to oversee the initiative. MSFT said it would initially target a small number of high-profile experience stores in a few major cities around the world.

RadioShack Corp. is testing a new store concept called Point Mobl at three locations in the Dallas area, according to *The Dallas Morning News*. The new format sells mobile devices, compact laptops, MP3 players, smart phones and GPS systems in a store that's much more upscale than traditional RadioShacks.

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Retailer of the Week: Ethan Allen Interiors

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OPERATING PERFORMANCE

Income Statement	2nd QTR FY 08	2ND QTR FY 09	YTD FY 08	YTD FY 09
Net Sales	\$259.5 mm	\$189.6 mm	\$508.2 mm	\$394.4 mm
Comp Store Sales	(0.6%)	(26.9%)	(0.2%)	(23.0%)
Store Count			160	162
Gross Profit	\$139.5 mm (53.7%)	\$101.8 mm (53.7%)	\$272.9 mm (53.6%)	\$213.7 mm (54%)
Overhead	\$106 mm (40.6%)	\$91.7 mm (48.3%)	\$211.6 mm (41.6%)	\$193 mm (48.8%)
Operating Income	\$33.5 mm (12.9%)	\$10.1 mm (5.3%)	\$61.3 mm (12%)	\$22.3 mm (5.2%)
Interest Expense	\$2.94 mm	\$2.93 mm	\$5.88 mm	\$5.83 mm
Interest and Other Income	\$2.18 mm	\$1.11 mm	\$5.1 mm	\$2.21 mm
Net Income	\$20.6 mm	\$5.49 mm	\$38.1 mm	\$12.9 mm

While wholesale revenues declined, comp store sales nose dived, and margin dollars dropped due to lower sales, the margin rate remained stable due to a better product mix sold, particularly within the retail sector. While a reduced corporate head count and decreased ad spend helped to lower costs, SG&A expenses, when viewed as a percentage of sales, jumped due to the inability to leverage expenses against the hard drop in comp store sales. Lower interest rates paid on cash and lower cash balances forced other income to be cut in about half.

Balance Sheet/Liquidity	12/31/2007	12/31/2008
Cash	\$86.3 mm	\$64.5 mm
Receivables	\$12.3 mm	\$8.86 mm
Inventory/Inventory Days Turnover	\$184.4 mm/140 days	\$187.8 mm/169 days
Adjusted Current Assets (cash, receivables, inventory)	\$283.5 mm	\$261 mm
Tangible Assets	\$663.9 mm	\$643.6 mm
Payables/Payable Days Turnover	\$23.9 mm/18 days	\$26.5 mm/24 days
Long Term Notes Due 2015	\$198.8 mm	\$198.9 mm
Industrial Revenue Bond and Other	\$4.21 mm	\$4.17 mm
Total Liabilities	\$382.8 mm	\$364.4 mm
Adjusted Current Ratio	1.4:1	1.5:1
Tangible Leverage	58%	57%

Although the balance sheet is fairly stable and there are no borrowings under a \$100 million unsecured revolving line of credit, we note the slower moving inventory and that levels are up over last year's second quarter end despite the sizable fall off in revenues. The Company may need to discount more in the third quarter to move bloated goods in order to generate the cash needed to cover invoices due. This in turn would probably force a lower margin rate going forward

While average account payable turns are up by six days, this still appears very reasonable and within vendors' terms.

One other note is that Ethan Allen Interiors still plans to pay a dividend in April 2009. If in fact the Company posts a loss for the third quarter, we think that management should reconsider dividend payments until industry conditions show signs of improvement. This change is actually now under reconsideration by Ethan Allen Interiors. Fiscal year to date, more than \$13.5 million was paid out in dividends.

The credit facility was recently reduced from \$200 million to \$100 million but remains unsecured for now and unused, saved for \$12.5 million of letters of credit.

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Retailer of the Week: Ethan Allen Interiors

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OUTLOOK

If the home furnishings industry ends up facing an even more difficult future, then our belief that Ethan Allen Interiors can weather this storm may begin to change. For now while we anticipate a loss in the third quarter, there appears to be sufficient cash generated from operations and credit availability to meet liquidity needs. Also, management has indicated that suspending the dividend will be considered as a means to conserve cash.

Global Credit will reassess its credit rating after third quarter results are filed with the Securities and Exchange Commission. Ethan Allen Interiors should release third quarter sales and earnings in late April or early May.

Rating Changes & Outlooks

Company	S&P Credit Rating		S&P Credit Outlook		GCS Credit Rating
	Current	Prior	Current	Prior	Current
AMAZON COM INC	BBB	BB+	STABLE	POSITIVE	B
LANDRYS RESTAURANTS	B	B	NM	STABLE	E+
SONIC AUTOMOTIVE INC	CCC+	B+	NM	NEGATIVE	E
BURGER KING CORP	BB-	BB-	STABLE	POSITIVE	NR
SBARRO INC	CC	CCC	NEGATIVE	NEGATIVE	E+
MANDALAY RESORT GRP	NR	BB+	NR	NM	D+
STARBUCKS CORP	BBB	BBB	NEGATIVE	STABLE	C-

Did You Know...?

Retail container shipments into the US in the first half of 2009 are predicted to fall 11.8%, according to The National Retail Federation's PortTracker report. Retail container shipments fell 7.9% during 2008.

Upcoming Reporting Dates

Company	Event	Date
Advance Auto Parts	Financial Results	Feb 18, 2009
Brown Shoe	Financial Results	Mar 4, 2009
Cabela's	Financial Results	Feb 19, 2009
Cato	Financial Results	Mar 19, 2009
Coldwater Creek	Investor Conference	Feb 17, 2009
Collective Brands	Financial Results	Mar 10, 2009
CVS Caremark	Financial Results	Feb 19, 2009
Dress Barn	Financial Results	Feb 18, 2009
Express Scripts	Financial Results	Feb 25, 2009
Home Depot	Financial Results	Feb 24, 2009
Ingram Micro	Financial Results	Feb 18, 2009
Ingram Micro	Investor Conference	Feb 26, 2009
J. C. Penney	Financial Results	Feb 20, 2009
Kirkland's	Financial Results	Mar 20, 2009
Loblaw Companies	Financial Results	Feb 18, 2009
Lowe's	Financial Results	Feb 20, 2009
Macy's	Financial Results	Feb 24, 2009
Nordstrom	Financial Results	Feb 23, 2009
Office Depot	Financial Results	Feb 24, 2009
OfficeMax	Financial Results	Feb 18, 2009
PC Mall	Financial Results	Feb 23, 2009
Talbots	Financial Results	Mar 12, 2009
Tech Data	Investor Conferences	Mar 4 & 10, 2009
TJX Companies	Financial Results	Feb 25, 2009
United Rentals	Financial Results	Feb 26, 2009
Urban Outfitters	Financial Results	Mar 5, 2009
Wal-Mart de Mexico	Investor Presentation	Feb 19, 2009
Whole Foods Market	Financial Results	Feb 18, 2009
Winn-Dixie Stores	Financial Results	Feb 18, 2009

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Fourth Quarter Scorecard

\$ in Millions. Quarter ended closest to 1/31/09	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
Apparel							
Abercrombie & Fitch	\$997.7	\$1,229.0	-18.8%	-25.0%	\$68.4	\$216.8	-68.5%
Aeropostale, Inc.	\$690.1	\$591.3	16.7%	6.0%	tba	\$64.7	tba
American Eagle Outfitters	\$905.7	\$995.4	-9.0%	-16.0%	tba	\$140.5	tba
Bon Ton Stores, Inc.	\$1,031.4	\$1,138.9	-9.4%	-9.7%	tba	\$75.2	tba
Cache, Inc.	\$65.9	\$78.5	-16.1%	-17.0%	tba	\$4.9	tba
Cato Corporation	\$209.1	\$209.4	-0.1%	-3.0%	tba	(\$1.8)	tba
Chico's FAS, Inc.	\$373.4	\$409.3	-8.8%	-13.0%	tba	(\$20.5)	tba
Children's Place	\$441.5	\$443.3	-0.4%	-5.0%	tba	(\$58.5)	tba
Citi Trends, Inc.	\$146.6	\$134.6	8.9%	-1.9%	tba	\$8.4	tba
Dillard's, Inc.	\$1,977.7	\$2,161.8	-8.5%	-8.0%	tba	\$47.3	tba
Eddie Bauer Holdings	\$356.0	\$377.6	-5.7%	-8.8%	tba	(\$18.3)	tba
Gap Inc.	\$4,080.0	\$4,675.0	-12.7%	-14.0%	tba	\$265.0	tba
Gottschalks	\$184.2	\$204.4	-9.9%	-7.1%	tba	\$1.1	tba
Gymboree Corporation	\$285.3	\$275.3	3.6%	-2.0%	tba	\$26.8	tba
Hot Topic, Inc.	\$238.0	\$220.7	7.8%	5.2%	tba	\$11.9	tba
J.C. Penney Company	\$5,759.0	\$6,390.0	-9.9%	-10.8%	tba	\$430.0	tba
Jo-Ann Stores, Inc.	\$571.9	\$585.9	-2.4%	-2.9%	tba	\$27.5	tba
Kohl's Corporation	\$5,235.5	\$5,487.3	-4.6%	-4.6%	tba	\$411.7	tba
Limited Brands	\$2,991.1	\$3,228.3	-7.3%	-10.0%	tba	\$389.0	tba
Macy's, Inc.	\$7,934.0	\$8,594.0	-7.7%	-7.0%	tba	\$750.0	tba
Nordstrom, Inc.	\$2,300.0	\$2,510.0	-8.4%	-12.5%	tba	\$212.1	tba
Pacific Sunwear	\$351.7	\$384.3	-8.5%	-10.0%	tba	\$5.2	tba
Retail Ventures, Inc.	\$455.5	\$452.0	0.8%	-7.9%	tba	(\$125.7)	tba
Ross Stores, Inc.	\$1,734.0	\$1,652.0	5.0%	-1.0%	tba	\$94.5	tba
Saks Incorporated	\$843.4	\$985.6	-14.4%	-15.3%	tba	\$39.5	tba
Stage Stores, Inc.	\$455.8	\$473.1	-3.7%	-7.2%	tba	\$31.7	tba
Talbots, Inc.	\$328.0	\$428.0	-23.4%	-24.6%	tba	(\$171.4)	tba
Urban Outfitters, Inc.	\$508.1	\$465.4	9.2%	-1.0%	tba	\$53.6	tba
Wet Seal, Inc.	\$154.8	\$179.6	-13.8%	-13.4%	tba	\$12.2	tba
Drug							
Abbott	\$7,950.3	\$7,221.4	10.1%	NA	\$1,536	\$1,203.0	27.7%
Drugstore.com, Inc.	\$93.9	\$91.3	2.8%	NA	\$0.3	(\$2.3)	113.0%
Shoppers Drug Mart	\$2,496.8	\$2,168.8	15.1%	3.6%	\$173.1	\$151.3	14.4%
Home Centers							
Fastenal Company	\$545.0	\$519.2	5.0%	tba	\$62.5	\$56.2	11.2%
Griffin Land & Nurseries	\$11.1	\$10.8	2.8%	NA	(\$7.6)	\$2.0	-480.0%
Huttig Building Products	\$126.0	\$179.9	-30.0%	NA	(\$15.4)	(\$5.8)	-165.5%
Sherwin-Williams Company	\$1,699.8	\$1,853.9	-8.3%	-10.0%	\$50.2	\$100.8	-50.2%
Tractor Supply Company	\$799.5	\$723.3	10.5%	1.3%	\$24.7	\$30.0	-17.7%
W.W. Grainger	\$1,592.7	\$1,611.8	-1.2%	tba	\$107.9	\$104.4	3.4%
Wesco International	\$1,429.8	\$1,489.2	-4.0%	NA	\$41.9	\$61.1	-31.4%
Specialty							
Finlay Enterprises, Inc.	\$306.7	\$383.1	-19.9%	-15.0%	tba	\$13.4	tba
Haverty Furniture	\$161.9	\$205.8	-21.3%	-22.6%	tba	\$1.6	tba
Kirkland's, Inc.	\$133.6	\$138.3	-3.4%	5.3%	tba	\$1.5	tba
Sports & Footwear							
Bakers Footwear Group, Inc.	\$55.5	\$54.7	1.5%	3.6%	tba	\$7.4	tba
Big 5 Sporting Goods Corp.	\$219.6	\$232.1	-5.4%	-8.6%	tba	\$6.2	tba
Brown Shoe Company, Inc.	\$521.0	\$571.4	-8.8%	-3.6%	tba	\$14.0	tba
Golfsmith International	\$68.2	\$79.0	-13.7%	-17.3%	tba	(\$46.7)	tba
GSI Commerce	\$391.4	\$335.1	16.8%	NA	\$24.4	\$16.5	47.9%
West Marine, Inc.	\$111.1	\$118.3	-6.1%	-5.1%	tba	(\$65.6)	tba
High-Tech & Electronics							
Amazon.com, Inc.	\$6,704.0	\$5,673.0	18.2%	NA	\$225.0	\$207.0	8.7%
Conn's, Inc.	\$245.4	\$200.6	22.3%	12.5%	tba	\$13.1	tba
IAC/InterActiveCorp	\$351.0	\$378.9	-7.4%	NA	\$227.4	(\$369.9)	161.5%
PC Connection, Inc.	\$439.1	\$489.6	-10.3%	NA	\$1.9	\$6.2	-69.4%

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Fourth Quarter Scorecard

(continued from page 10)

\$ in Millions. Quarter ended closest to 1/31/09	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
High-Tech & Electronics							
Rent-A-Center, Inc.	\$699.8	\$717.0	-2.4%	0.0%	\$36.1	(\$5.4)	768.5%
United Stationers Inc.	\$1,145.2	\$1,119.9	2.3%	NA	\$22.6	\$28.3	-20.1%
Mass Merchants							
Big Lots, Inc.	\$1,353.1	\$1,400.8	-3.4%	-3.2%	tba	\$92.0	tba
BJ's Wholesale Club, Inc.	\$2,500.0	\$2,479.6	0.8%	6.4%	tba	\$50.2	tba
Dollar General Corporation	\$2,845.8	\$2,559.6	11.2%	9.4%	tba	\$55.4	tba
Dollar Tree Inc.	\$1,390.0	\$1,300.0	6.9%	2.2%	tba	\$94.7	tba
Fred's, Inc.	\$469.4	\$494.1	-5.0%	-1.1%	tba	(\$4.4)	tba
Overstock.com	\$255.9	\$294.5	-13.1%	NA	\$1.0	(\$6.5)	115.4%
Target Corporation	\$19,023	\$19,872	-4.3%	-5.9%	tba	\$1,028.0	tba
Wal-Mart Stores, Inc.	\$109,116	\$107,343	1.7%	2.3%	\$3,792	\$4,096	-7.4%
Food							
Weis Markets, Inc.	\$619.4	\$603.0	2.7%	2.2%	\$17.0	\$8.6	97.7%

Did You Know...?

Returns fraud and abuse cost all U.S. retailers an estimated \$15.5 billion in 2007, according to studies by two loss prevention groups.

Full Year Scorecard

\$ in Millions Full fiscal year	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
Apparel							
Abercrombie & Fitch	\$3,540.3	\$3,749.9	-5.6%	-13.0%	\$272.3	\$475.7	-42.8%
Aeropostale, Inc.	\$1,886.0	\$1,591.0	18.5%	8.0%	tba	\$129.2	tba
American Eagle Outfitters	\$2,989.0	\$3,055.0	-2.2%	-10.0%	tba	\$400.0	tba
Bon Ton Stores, Inc.	\$3,130.0	\$3,365.9	-7.0%	-7.4%	tba	\$11.6	tba
Cache, Inc.	\$265.7	\$274.5	-3.2%	tba	tba	\$6.5	tba
Cato Corporation	\$845.7	\$834.3	1.4%	-1.0%	tba	\$32.3	tba
Chico's FAS, Inc.	\$1,582.0	\$1,714.0	-7.7%	-15.1%	tba	\$88.9	tba
Children's Place	\$1,630.3	\$1,520.5	7.2%	2.0%	tba	(\$59.6)	tba
Citi Trends, Inc.	\$488.2	\$437.5	11.6%	0.0%	tba	\$14.2	tba
Dillard's, Inc.	\$6,739.9	\$7,204.9	-6.5%	-7.0%	tba	\$53.8	tba
Eddie Bauer Holdings	\$971.3	\$989.4	-1.8%	-1.8%	tba	(\$101.7)	tba
Gap Inc.	\$14,530.0	\$15,763.0	-7.8%	-12.0%	tba	\$833.0	tba
Gottschalks	\$563.2	\$628.5	-10.4%	-8.8%	tba	(\$12.4)	tba
Gymboree Corporation	\$997.3	\$920.8	8.3%	tba	tba	\$80.3	tba
Hot Topic, Inc.	\$761.0	\$728.1	4.5%	1.0%	tba	\$16.0	tba
J.C. Penney Company	\$18,486.0	\$19,860.0	-6.9%	-8.5%	tba	\$1,111.0	tba
Jo-Ann Stores, Inc.	\$1,901.0	\$1,879.0	1.2%	0.5%	tba	\$15.4	tba
Kohl's Corporation	\$16,388.9	\$16,473.7	-0.5%	-0.5%	tba	\$1,083.9	tba
Limited Brands	\$9,042.7	\$10,086.4	-10.3%	-9.0%	tba	\$718.0	tba
Macy's, Inc.	\$24,892.0	\$26,313.0	-5.4%	-4.6%	tba	\$893.0	tba
Nordstrom, Inc.	\$8,270.0	\$8,830.0	-6.3%	-9.0%	tba	\$715.0	tba
Pacific Sunwear	\$1,250.0	\$1,310.0	-4.6%	-5.0%	tba	(\$30.4)	tba
Retail Ventures, Inc.	\$1,885.0	\$1,871.9	0.7%	-5.1%	tba	\$51.4	tba
Ross Stores, Inc.	\$6,486.0	\$5,975.0	8.6%	2.0%	tba	\$261.1	tba
Saks Incorporated	\$3,053.8	\$3,249.1	-6.0%	-6.1%	tba	\$47.5	tba
Stage Stores, Inc.	\$1,515.8	\$1,545.6	-1.9%	-6.1%	tba	\$53.1	tba
Talbots, Inc.	\$1,495.0	\$1,708.0	-12.5%	-14.2%	tba	(\$188.8)	tba
Urban Outfitters, Inc.	\$1,834.6	\$1,507.7	21.7%	8.0%	tba	\$160.2	tba
Wet Seal, Inc.	\$735.3	\$611.2	20.3%	tba	tba	\$23.2	tba
Drug							
Abbott	\$29,528	\$25,914	13.9%	NA	\$4,881	\$3,606	35.3%
Drugstore.com, Inc.	\$366.6	\$339.3	8.0%	NA	(\$8.3)	(\$11.5)	27.8%
Shoppers Drug Mart	\$9,422.9	\$8,478.4	11.1%	4.8%	\$565.2	\$490.4	15.3%
Home Centers							
Fastenal Company	\$2,340.4	\$2,061.8	13.5%	tba	\$279.7	\$232.6	20.2%

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Full Year Scorecard

(continued from page 11)

\$ in Millions Full fiscal year	Sales			Comps	Net Income		
	2008	2007	Change		2008	2007	Change
Home Centers							
Griffin Land & Nurseries	\$44.5	\$59.4	-25.1%	NA	(\$11.2)	\$9.4	-219.1%
Huttig Building Products	\$671.0	\$874.8	-23.3%	NA	(\$35.4)	(\$8.2)	-331.7%
Sherwin-Williams Company	\$7,979.7	\$8,005.3	-0.3%	-5.3%	\$476.9	\$615.6	-22.5%
Tractor Supply Company	\$3,007.9	\$2,703.2	11.3%	1.4%	\$81.9	\$96.2	-14.9%
W.W. Grainger	\$6,850.0	\$6,418.0	6.7%	tba	\$475.4	\$420.1	13.2%
Wesco International	\$6,110.8	\$6,003.4	1.8%	NA	\$212.7	\$240.6	-11.6%
Specialty							
Finlay Enterprises, Inc.	\$862.6	\$835.9	3.2%	-10.6%	tba	(\$10.1)	tba
Haverty Furniture	\$691.1	\$784.6	-11.9%	tba	tba	\$1.8	tba
Kirkland's, Inc.	\$391.3	\$396.7	-1.4%	3.6%	tba	(\$25.9)	tba
Sports & Footwear							
Bakers Footwear Group, Inc	\$183.7	\$186.3	-1.4%	0.5%	tba	(\$17.7)	tba
Big 5 Sporting Goods Corp.	\$864.7	\$898.3	-3.7%	-7.0%	tba	\$28.1	tba
Brown Shoe Company, Inc.	\$2,276.4	\$2,360.0	-3.5%	tba	tba	\$60.4	tba
Golfsmith International	\$379.1	\$388.2	-2.3%	-6.3%	tba	(\$40.8)	tba
GSI Commerce	\$966.9	\$750.0	28.9%	NA	(\$16.9)	\$3.0	-663.3%
West Marine, Inc.	\$631.3	\$679.6	-7.1%	-6.8%	tba	(\$50.0)	tba
Recreational Equipment	\$1,434.6	\$1,342.0	6.9%	0.3%	\$14.5	\$41.4	-65.1%
High-Tech & Electronics							
Amazon.com, Inc.	\$19,166.0	\$14,835.0	29.2%	NA	\$645.0	\$476.0	35.5%
Conn's, Inc.	\$805.0	\$731.0	10.1%	2.0%	tba	\$39.7	tba
IAC/InterActiveCorp	\$1,445.1	\$1,332.6	8.4%	NA	\$156.2	\$144.1	8.4%
PC Connection, Inc.	\$1,753.7	\$1,785.4	-1.8%	NA	\$15.0	\$23.0	-34.8%
Rent-A-Center, Inc.	\$2,884.2	\$2,906.1	-0.8%	2.3%	\$139.6	\$76.3	83.0%
United Stationers Inc.	\$4,986.9	\$4,646.4	7.3%	NA	\$98.4	\$107.2	-8.2%
Mass Merchants							
Big Lots, Inc.	\$4,594.2	\$4,606.2	-0.3%	0.5%	tba	\$158.5	tba
BJ's Wholesale Club, Inc.	\$9,802.1	\$8,791.6	11.5%	6.4%	tba	\$122.9	tba
Dollar General Corporation	\$10,457.7	\$9,495.2	10.1%	9.0%	tba	(\$12.8)	tba
Dollar Tree Inc.	\$4,640.0	\$4,240.0	9.4%	4.1%	tba	\$201.3	tba
Fred's, Inc.	\$1,800.0	\$1,780.0	1.1%	1.8%	tba	\$10.7	tba
Overstock.com	\$834.4	\$765.9	8.9%	NA	(\$12.7)	(\$48.0)	73.5%
Target Corporation	\$62,884	\$63,367	-0.8%	-2.9%	tba	\$2,849.0	tba
Wal-Mart Stores, Inc.	\$405,607	\$378,476	7.2%	3.0%	\$13,400	\$12,731	5.3%
Food							
Weis Markets, Inc.	\$2,422.4	\$2,318.6	4.5%	4.3%	\$47.0	\$51.0	-7.8%

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