

## RETAILER/SUPPLIER WATCH

Issue of 15 March 2001

### RETAILING FOCUS

#### Retailers' Sales Increase 1.6% in February

According to the Goldman, Sachs retail composite index, same-store sales at the nation's large retailers increased 1.6% in February. The compares with a 3.4% increase in January and a 5.1% increase in February of 2000. According to another measure by Lehman Brothers of twenty-two big retailers, same-store sales increased 3.9%. Discount retailers accounted for most of the increase. Among those companies showing gains were Wal-Mart Stores Inc., which reported a 4.3% increase in same-store sales, Kmart Corp. (+3.3%), Target Corp. (+1.5%), Costco Wholesale Corp. (+5.0%) and Dollar General Corp. (+4.7%). Among the department stores that fared poorly were Sears, Roebuck and Co., which reported a 2.0% decline in same-store sales, J.C. Penney Co. (-2.1%), Federated Department Stores (-1.6%) and May Department Stores Co. (-1.1%). Gap Inc., once a high flyer, continues to suffer, reporting an 11% drop in same-store sales, while AnnTaylor Stores Corp. saw a 6.1% decline.

The Commerce Department reported that the **U.S. gross domestic product** increased during the fourth quarter at an annual rate of only 1.1%. This is the weakest growth in five years. In contrast, the Canadian economy is doing significantly better. Statistics Canada reported that **Canada's gross domestic product** grew in the fourth quarter at an annual rate of 2.6%.

The National Association of Purchasing Management reported that its **factory index** increased slightly in January--to a measure of 41.9. While any measure below 50 indicates that the manufacturing sector of the economy is shrinking, this is the first time in twelve months that the factory index has risen.

The Commerce Department reported that **consumer spending** increased 0.7% in January. Also during the month, American consumers saw their **personal income** rise 0.6%.

The Commerce Department reported that **orders for factory goods** declined 3.8% in January. This follows a 0.6% increase in December.

### LOSSES / DECLINES

**AnnTaylor Stores Corp.**, the Manhattan, N.Y.-based women's apparel retailer, reported its fourth quarter earnings declined 76%--to \$3.8 million. The company cited poor fashion selections as well as \$2.2 million in charges related to its president's departure. Its sales increased 16%--to \$344 million, although same-store sales declined 1.3%.

**Cutter & Buck Inc.**, a Seattle, Wa. wholesaler of men's sportswear, reported a third quarter net loss of \$960,000. Its sales edged up 2%--to \$32.4 million.

**Gap Inc.**, finishing a disappointing year, reported its fourth quarter net fell 34%--to \$272 million. While overall sales increased 19%--to \$4.6 billion, Gap's same-store sales declined 6% during the quarter. The company blamed not only the weak retailing environment but also poor marketing and unappealing fashions. The retailer also cited overly rapid expansion for some of its problems. Gap, which operates the Gap, Old Navy and Banana Republic chains, also warned of a disappointing first quarter but expects that sales will pick up during the second half of the year. But industry observers are skeptical, with one analyst judging that the giant apparel retailer is "past its prime". Until recently the firm saw its profits soar as it grew to more than 3,600 stores over the past five years. While losing out to rivals, the company has also made missteps in fashion selections. Further, given its size, Gap is no longer as able to quickly address changes in demand by finicky shoppers as it was when it was a smaller and nimbler retailer.

**Guess Inc.**, a Los Angeles, Ca. distributor and licensor of casual apparel, reported a fourth quarter net loss of \$13.1 million. The results included nonrecurring pretax charges of \$8.6 million. Its revenue increased less than 1%--to \$96 million.

**Gymboree Corp.**, a Burlingame, Ca.-based retailer of children's apparel, reported a fourth quarter net loss of \$1.2 million. Its revenue jumped 47%--to \$153 million. For the year, the company reported a net loss of \$36.9 million on a 3% increase in sales--to \$449 million. Both the quarterly and fiscal results included extra charges of \$6.5 million.

**Kmart Corp.**, Troy, Mi., reported its fourth quarter net declined 40%--to \$249 million. The results were impacted by \$463 million in after-tax charges primarily related to revamping its stores. Kmart's sales for the quarter increased nearly 5%--to \$11.6 billion. Its same-store sales increased 2.1%.

**Landry's Seafood Restaurants**, Houston, Tx., reported a fourth quarter net loss of \$2.5 million. The results included nonrecurring charges of \$4.3 million. Its revenue jumped 46%--to \$143 million.

**OfficeMax Inc.**, the Shaker Heights, Oh.-based chain of office-supply superstores, reported a fourth quarter loss of \$85 million, more than triple the loss in the year-earlier period. Not including restructuring charges related to liquidating inventory and closing some of its stores, OfficeMax had a loss of \$13.2 million. Its sales increased 7.6%--to \$1.4 billion.

**Recreational Equipment Inc.**, a Seattle, Wa.-based retailer of camping gear and activewear, reported a loss for its most recent fiscal year of \$11.4 million, a sharp reversal from a more than \$10 million profit last year. Its sales increased 11%--to \$698 million. In addition, as a result of expenses for developing an online operation and increasing its presence in Japan, REI's long-debt doubled over the past year--to nearly \$94 million.

**Sizzler International Inc.**, a Culver City, Ca. operator of 461 eateries, reported a third quarter net loss of \$1.4 million, an improvement over its \$4.9 million loss in the year-earlier period. Its revenue increased 7%--to \$71.9 million.

**Staples Inc.**, the Framingham, Ma.-based chain of office-supply superstores, reported a fourth quarter loss of \$117 million. The loss, more than five times the loss in the year-earlier period, included a \$206 million writedown of investments in certain Internet and telecommunications ventures. Overall sales for the quarter rose 18%--to \$3.1 billion, although same-store sales increased only 3%. The company also announced it would reduce its number of store openings this year to 160, compared to 189 last year. Wall Street liked the news on the more conservative expansion plans and pushed up Staples stock more than 7%.

**Strategic Distribution Inc.**, a Bensalem, Pa. distributor of industrial products, reported a fourth quarter net loss of \$1.6 million. Its revenue increased 14%--to \$91.5 million.

**Venator Group Inc.**, a Manhattan, N.Y. apparel retailer, reported a fourth quarter net loss of \$288 million. The results included \$330 million in charges related to discontinued operations. Its sales increased 7%--to \$1.3 billion.

## **CLOSINGS and**

## **DOWNSIZINGS**

**Aptimus Inc.**, a Seattle, Wa. online direct-marketing concern, is dumping its consumer Web operations as a result of a decline in advertising revenue. The shutdown, which will be accompanied by the loss of 160 jobs, will result in writeoffs of between \$2.2 million and \$3.5 million.

**Borders Group Inc.**, the Ann Arbor, Mi.-based bookseller, is reducing its community-relations payroll by 250 employees (1.3% of its workforce) as part of a consolidation move.

**Buy.com Inc.**, an Aliso Viejo, Ca. online retailer, is reducing its payroll by 125 employees (42% of its workforce). The company, which is struggling to achieve profitability, said it will also stop selling golf products as part of a realignment aimed at cutting annual costs by \$70 million.

**Circuit City Stores Inc.**, the Richmond, Va. electronics retailer, is laying off 300 employees after announcing that its fourth quarter and fiscal 2001 results will fail to meet expectations.

**Coleman Ace Hardware** is closing two of its stores in the Cleveland, Oh. area, citing competition from the large home-improvement chains.

**Damark International Inc.**, failing to find a buyer for its ClickShip operations, will shut down the business over the next two years. Damark, a Minneapolis, Mn. mail-order merchandiser, will spend between \$10 million and \$12 million to shut down the ClickShip operation.

**E-Town**, a San Francisco, Ca. online consumer-electronics company, has closed its doors and laid off its ninety employees. The company's assets have been transferred to Best Buy Inc. of Minneapolis, Mn.

**Finish Line Inc.**, an Indianapolis, In. retailer, said that it will close seventeen of its more than 400 stores in an effort to boost profits. The closings will result in a fourth quarter pretax charge of \$19.5 million. For its most recent fiscal year, Finish Line reported sales of \$664 million, 13% over the previous year's sales.

**Good Guys Inc.**, a Brisbane, Ca. retailer of consumer electronics, is reducing its payroll by 450 employees (10% of its workforce) in a move to reduce expenses. The company will also move its headquarters to Alameda, Ca., in San Francisco's East Bay area, in order to reduce real-estate costs by about half. While the firm's sales have been weak due to the sagging economy, Good Guys projected an overall sales increase of 5% for its five months ended 2/28.

**Smart Choice Automotive Group Inc.**, Titusville, Fl., announced plans to consolidate by moving into a smaller headquarters facility in Orlando. The move will affect sixty employees. The auto-retailing and financing company had been hoping to expand to as many as seventy locations but has had to scale back plans as a result of poor results in recent years. The company does seem to be on the rebound now, with its net income jumping more than fivefold for its most recent six-month period--to \$2.2 million--while its revenue jumped more than 250%--to \$94.3 million. Smart Choice now has twenty-five locations.

**Wal-Mart.com**, a Brisbane, Ca. joint venture between Wal-Mart Stores Inc. of Bentonville, Ar. and Accel Partners of Palo Alto, Ca., is laying off twenty-four employees (10% of its workforce) as part of an effort to consolidate.

## ASSET

## SALES

Lone Star Fund III is purchasing a 19% interest in **U.S. Restaurant Properties**, a Dallas, Tx. operator of gas stations and restaurants, for about \$20 million.

**J.C. Penney Co.** has entered into an agreement to sell its direct-marketing insurance operations to Dutch insurer Aegon NV for \$1.3 billion. Penney will use part of the after-tax proceeds of \$1.1 billion to reduce \$1.7 billion of its long-term debt that comes due in the next two years. In connection with the deal, Aegon will enter a marketing alliance with the retailer that could be worth an additional \$300 million for Penney over the next fifteen years. The sale of the insurance unit will also allow the Plano, Tx. company to focus on its core but ailing retailing business. Penney, whose stock has fallen 75% over the past two years, put the insurance unit on the selling block nearly a year ago with hopes of getting \$2 billion.

## BANKRUPT

## FIRMS

**Bibelot**, a Baltimore, Md. bookstore chain, has now filed Chapter 11 as part of a plan to cease operations and liquidate. The filing was made under the name **Bloomsbury Group Inc.** in the U.S. Bankruptcy Court in Baltimore. The firm, which had been under competitive pressure from

the big national chains, listed assets of \$15 million and liabilities of between \$15 million and \$20 million in its filing.

**Cafe Soleil Partnership Ltd.**, San Antonio, Tx., has now filed Chapter 7 in the U.S. Bankruptcy Court in San Antonio. The firm listed assets and liabilities of \$500,000 and \$1.5 million respectively. The case number is 01-50582.

A 3/22 hearing has been scheduled regarding the sale of certain assets in the **Caldor Inc.** Chapter 11 bankruptcy. For further information contact the debtor's attorney, Edmund Emrich, at 212-836-8000.

**Converse Inc.**, the bankrupt North Reading, Ma. maker of athletic shoes, has now agreed to sell its assets to Footwear Acquisition LLC in a deal valued at \$117 million.

**Crown Books Corp.**, the bankrupt Landover, Md.-based discount bookseller, has accepted an offer from Books-A-Million of Birmingham, Al. to buy nineteen of Crown's stores for an undisclosed amount.

**Custom Food Products Inc.** of Montebello, Ca., which is also known as **Best Western Foods Inc.**, has now filed Chapter 11 in the U.S. Bankruptcy Court in Los Angeles. The firm listed assets and liabilities of \$51.9 million and \$157 million respectively. The case number is LA01-12830-VZ. In a related filing, **CFP Holdings Inc.** also filed Chapter 11 listing assets and liabilities of \$84.3 million and \$154 million respectively. For further information contact the debtors' attorney, Joshua Ellingwood, at 310-407-400.

**Drypers Corp.**, a Houston, Tx. diaper maker, has received approval from the U.S. Bankruptcy Court to sell its business units to separate suitors, including Hong Kong, China-based DSG International, Navis Capital Partners, Stronger Corp. of Mexico and Kimberly-Clark Corp. of Irving, Tx. Total proceeds of just under \$70 million expected from the sales will be insufficient to cover the \$240 million in liabilities Drypers listed when it filed for bankruptcy protection. Separately, the company received approval from the U.S. Bankruptcy Court in Houston to extend its exclusivity period for filing a reorganization plan until 7/7.

**EToys Inc.**, as expected, has now filed Chapter 11. The Los Angeles, Ca. online toy retailer will shut down its Web business. The firm faced disappointing sales and had been unable to find a buyer. As of the end of last year, Etoys had assets and liabilities of \$417 million and \$285 million, but the firm now estimates that its liabilities are well in excess of its assets.

**Express Marketing Inc.**, Rahway, N.J., has now filed Chapter 7 in the U.S. Bankruptcy Court in New Jersey. No schedules were listed in the filing. The case number is 01-50841.

**Fas Mart Convenience Stores Inc.** of Richmond, Va., in an attempt to restructure its debtload, has now filed Chapter 11. Fas Mart, which said that its more than 170 convenience stores will remain operating, has reportedly been hurt by declining margins in the gasoline-retailing end of its business.

**FBR-C-Stores LLC**, Batesville, Mn., has now filed Chapter 7 in the U.S. Bankruptcy Court for the Northern District of Mississippi. No schedules were listed in the filing. The case number is 01-11008. .

**Forest City Auto Parts Co.** has now filed Chapter 11 in the U.S. Bankruptcy Court in New Mexico. The case number is 01-00523.

**Frank's Nursery & Crafts Inc.**, which filed Chapter 11 last month after reporting losses for most of the past six years, said that it wants to reorganize and stay in business without selling the company. Assisting in that strategy, the U.S. Bankruptcy Court in Baltimore recently said that the Detroit, Mi.-based retailer of crafts and garden products could spend as much as \$75 million in financing that is being provided through a group led by Wells Fargo Retail Finance LLC of Boston, Ma. But analysts believe that a successful turnaround will be difficult because, despite dramatic growth in the industry overall, Frank's faces an increasingly competitive environment. Not only is Frank's competing with specialty craft-and-floral retailers, but the firm faces pressure from national discount giants such as Wal-Mart Stores and Home Depot. For a free copy of an article about Frank's Nursery, which observers believe must quickly dispose of its underperforming assets, call 800-407-9044.

**Fruit of the Loom Ltd.**, reorganizing under Chapter 11 bankruptcy protection, sharply reduced its fourth quarter operating loss to \$13.5 million, down from a loss of \$219 million in the year-earlier period. The recent loss included extra costs related to consolidation and the closure of four of its factories in the U.S. Because of a \$116 million tax credit, the underwear company reported net income for the quarter of \$27.5 million. Primarily as a result of having exited its Gitano jeans line, Fruit of the Loom's sales fell 20%--to \$333 million. For the year, the company, now headquartered in the Cayman Islands, reported a net loss of \$126 million on a 20% sales decline--to \$1.5 billion. Separately, Fruit of the Loom has a 3/15 deadline for filing a reorganization plan.

**Furrs Supermarkets Inc.** of Albuquerque, N.M. has now retained Peter J. Solomon Co. as its financial adviser as it reorganizes under Chapter 11 protection.

**Garden Botanika Inc.**, the bankrupt Seattle, Wa. seller of cosmetics and toiletries, has seen a 4/4 auction scheduled for the sale of its assets. For further information contact the company conducting the sale, Keen Realty LLC, at 516-482-2700.

**Gerad's Fine Foods**, Safety Harbor, Fl., has now filed Chapter 11. No schedules were listed in the filing.

**Imperial Home Decor Group Inc.** could be seeing the light at the end of the tunnel of its Chapter 11 reorganization, now believing that creditors will approve its reorganization plan. The Beachwood, Oh. wallpaper maker has reduced its payroll by 600 employees to cut costs and has spiffed up its product offerings in order to boost sales. The company has also worked to improve the efficiency of its distribution operations, spending \$84 million on its Knoxville, Tn. center, which distributes Imperial's products to 60% of customers overnight throughout North America. For a free copy of an article about Imperial's reorganization efforts call 800-407-9044.

**Montgomery Ward & Co.**, the defunct Chicago, Il. retailer, reached an agreement with a joint venture, including Kimco Realty Corp., Simon Property Group and Schottenstein Group, to sell all of Ward's operating assets, including its 250 retail locations. The venture will pay \$60 million initially, but the final price for the sale of all the assets could reach \$430 million.

**Motor Warehouse Inc.**, Marietta, Ga., has now filed Chapter 11 in the U.S. Bankruptcy Court for the Northern District of Georgia. No schedules were listed in the filing. The case number is 01-61839.

**Natural Wonders Inc.** of Fremont, Ca., which recently filed Chapter 11 along with its wholly owned **World of Science** unit, has begun conducting a going-out-of-business sale of its assets.

**Paul Harris Stores Inc.**, the bankrupt Indianapolis, In. women's-clothing retailer, has now decided to liquidate after failing to raise additional financing and support from vendors and landlords for its reorganization plan. The company, which filed Chapter 11 in October, will now shut its remaining 166 stores and liquidate its inventory and other assets. The decision will cost 2,000 employees their jobs, effective immediately. It expects to present its liquidation plan in the next forty-five days.

**Paul Pacific Plumbing Corp.**, South El Monte, Ca., has now filed Chapter 7 in the U.S. Bankruptcy Court in Los Angeles. The firm listed assets of only \$39,000 and liabilities of \$1.3 million. The case number is LA01-12932-KM. For further information contact the debtor's attorney, Robert Rubin, at 310-828-7400.

**Pergament Home Centers Inc.** has now received approval from the U.S. Bankruptcy Court to liquidate its inventory and close its stores. The firm recently filed Chapter 11 in the U.S. Bankruptcy Court in Central Islip, N.Y. listing assets and liabilities of \$102 million and \$134 million respectively.

**Phoenix Food Mart & Deli**, Roslyn, Pa., has now filed Chapter 11 in the U.S. Bankruptcy Court in Philadelphia. No schedules were listed in the filing. The case number is 01-11802.

**Pittsburgh Food & Beverage Co.** of Pittsburgh, Pa. recently saw an involuntary Chapter 11 bankruptcy petition filed against it by PNC Bank. PNC alleges that it discovered a fraud of more than \$30 million in the checking accounts of the company. The bank believes it can keep a better eye on Pittsburgh Food's finances under supervision of the U.S. Bankruptcy Court.

**Priya Fast Foods II Inc.**, Voorhees, N.J., has now filed Chapter 11 in the U.S. Bankruptcy Court in Camden, N.J. No schedules were listed in the filing. The case number is 01-11509.

**Restaurant Associates of Boca Inc.**, Boca Raton, Fl., has now filed Chapter 11. No schedules were listed in the filing.

**SDG Restaurants LLC**, Cincinnati, Oh., has now filed Chapter 11. The firm listed assets of between \$500,000 and \$1 million and liabilities of between \$1 million and \$10 million.

**Service Merchandise Co. Inc.**, Nashville, Tn., has now received approval from the U.S. Bankruptcy Court for its request to extend its exclusivity period for filing a reorganization plan until next January. The court also approved the company's three-year \$35 million unsecured vendor line of credit with CIT Commercial Services.

**Southern Mattress Co. Inc.**, Harvey, La., has now filed Chapter 11 in the U.S. Bankruptcy Court for the Eastern District of Louisiana. No schedules were listed in the filing.

**Steele's Market Inc.**, Fort Collins, Co., has now filed Chapter 11 in the U.S. Bankruptcy Court in Denver. The firm listed assets and liabilities of less than \$50 million each. The case number is 01-11323.

**Sunbeam Corp.**, the Boca Raton, Fl. consumer-products company, has received approval from the U.S. Bankruptcy Court in Manhattan, N.Y. for its \$285 million debtor-in-possession credit agreement with its prepetition lenders.

**U.S. Office Products Co.**, a Washington, D.C. wholesaler of office supplies, has now filed Chapter 11 in an attempt to reorganize. The firm has reportedly received a commitment for \$35 million in financing to assist with its reorganization. The company has been selling off assets, most recently selling its Mail Boxes Etc. unit in Atlanta, Ga. to United Parcel Service Inc. U.S. Office, which has also agreed to sell its assets in North America to the Corporate Express unit of Dutch-based Buhrmann NV, also plans to sell its remaining USRefresh vending business to New Jersey-based Real Time Data for an undisclosed amount.

**Ultra Stores Inc.** has now filed Chapter 11 in the U.S. Bankruptcy Court for the Southern District of New York. The firm listed assets and liabilities of \$76 million and \$68 million respectively. The retailer has been hurt by the bankruptcy filing of Filene's Basement, whose stores Ultra operated jewelry departments in. Ultra operates under the names Ultra Diamond Outlet, Ultra Watch Outlet and Premier Fine Jewelry Direct.

**United American Food Processors**, Mangonia Park, Fl., has now filed Chapter 7. No schedules were listed in the filing.

**Valley Forge Brewing Co. Blue Bell LP**, Center Square, Pa., has now filed Chapter 11 in the U.S. Bankruptcy Court in Philadelphia. No schedules were listed in the filing. The case number is 01-11965.

**Vlasic Foods International Inc.** has now received approval from the U.S. Bankruptcy Court in Delaware for the bidding procedures on its Vlasic pickles and Open Pit barbecue-sauce lines. The Cherry Hill, N.J. company earlier agreed to sell those units to H.J. Heinz Co. of Pittsburgh, Pa. for \$195 million, subject to higher offers. The company also reached an agreement to sell its Freshbake and SonA food businesses in Great Britain to two separate buyers for undisclosed amounts. Vlasic also reported a loss for its second quarter of \$22.2 million.

**Wallace's Book Store Inc.** has now filed Chapter 11 in the U.S. Bankruptcy Court in Delaware. The case number is 01-00550.

**West Coast Fun and Food Inc.**, Aloha, Or., filed Chapter 7 in the U.S. Bankruptcy Court in Portland. No schedules were listed in the filing. The case number is 01-30814.

## **GAINS and EXPANSIONS**

**Accu-Tech Corp.**, a Roswell, Ga. company that distributes voice and data products, is more than tripling the size of its operations in Charlotte, N.C. by moving into a 40,000-square-foot location. Accu-Tech is making the move to better handle growing demand for its products. The firm distributes cable, fibers, jacks and other computer equipment.

**Allied Domecq Quick Service Restaurants** of Randolph, Ma. has identified the Twin Cities market as a target for expansion. Allied, which franchises the Dunkin' Donuts, Baskin-Robbins and Togo's sandwich eateries, is now scouting around the Minneapolis-St. Paul, Mn. area for developers with experience in franchising. Allied overall plans are to add 1,400 units across the U.S. Allied's parent company, Allied Domecq of the United Kingdom, had sales \$5.6 billion in its last fiscal year.

**BJ's Wholesale Club Inc.**, a Natick, Ma.-based discount retailer of food and other merchandise, reported its fourth quarter net increased 15%--to \$54.8 million. Its sales for the period increased 18%--to \$1.5 billion. For the year, the firm's net increased 18%--to \$132 million, while its revenue increased 17%--to \$4.8 billion.

Sometimes your customers can give you the best advice. When **Caffé Luca** started out as a retail outlet in Lake Oswego, Or. seven years ago, entrepreneur John Dema found that customers wanted to buy larger quantities of his delicious coffees to take home, and they suggested that he should sell his coffees to larger institutions. Eventually, Mr. Dema closed down his retail business and focused on becoming an upscale wholesaler of coffees. Now based in nearby Tukwila, Caffé Luca has been growing at between 20% and 30% a year and will probably exceed sales of \$1 million this year. For a free copy of an article about a successful coffee-wholesaling venture call 800-407-9044.

**Chico's FAS Inc.**, a Fort Myers, Fl.-based women's-apparel retailer, is starting to become better known as its sales growth picks up speed and outpaces that of other clothing retailers. For example, with retailers reporting anemic sales increases in recent months, Chico's saw its same-store sales in February skyrocket 28% from the year-earlier period. This follows a 45% jump in January and a 34% increase in December. The company's strategic genius has been in targeting women *d'un certain age*, which is French for babyboomer women of a certain girth. While the prices are moderate, the company offers private-label styles that are colorful and loose, just the thing to camouflage those 50-year-old waistlines. The company is well ahead of the curve, as it were, with few women's apparel retailers targeting the same market very aggressively. Results speak for themselves, with profits last year jumping 83%--to \$28.4 million. Now with 250 stores and annual sales of \$259 million, Chico's plans on adding fifty-five new locations this year.

**Franchise Foodservice Inc.** won a contact to supply dry goods, food and other products to Wisconsin Hospitality Group's eighty-seven Pizza Hut restaurants in Wisconsin. Franchise Foodservice, an Oak Creek, Wi. foodservice provider, recently opened an 80,000-square-foot storage and distribution complex in Columbus, Oh.

**Gart Sports Co.**, a Denver, Co.-based chain of sporting-goods stores, reported its fourth quarter net tripled--to \$11.7 million. Its sales increased 15%--to \$232 million.

**Jos. A. Bank Clothiers Inc.**, a Hampstead, Md.-based menswear retailer, reported its fourth quarter net increased 51%--to \$2.9 million. Its sales for the period increased 15%--to \$71 million. For the year, the firm's net soared 268%--to more than \$5 million--on a 17% increase in sales--to \$206 million.

**Lands' End Inc.**, a Dodgeville, Wi. catalog apparel retailer, reported its fourth quarter net increased 12%--to \$31.8 million. Its sales for the period increased 12%--to \$539 million.

**Lithia Motors Inc.**, a Medford, Or. seller of motor vehicles, reported its fiscal 2000 profit jumped 27%--to \$24 million. Its revenue for the year jumped 34%--to \$1.7 billion.

**Marathon Ashland Petroleum**, a unit of USX Corp. of Pittsburgh, Pa., has been expanding its gas-station operations in the Florida market. The company, now with 130 locations in Florida, has been buying up the competition in Florida as part of a nationwide expansion strategy. Marathon now has 3,700 retail outlets, most of which are franchised to independent owners.

**May Department Stores Inc.**, St. Louis, Mo., agreed to buy thirteen locations from bankrupt Montgomery Ward Co. for an undisclosed amount. May, which operates the Lord & Taylor, Hecht's, Strawbridge's and other chains, will also open twenty-one new department stores this year as well as twenty-eight of its David's Bridal stores. In its most recent quarter, May reported sales of \$937 million, up 3% from the year-earlier period.

**MCSi Inc.**, a Dayton, Oh. company that distributes printers and office-automation equipment, is expanding, signing a five-year lease for 192,000 square feet of space in Memphis, Tx. The Memphis facility, which will employ 100 workers, is prompted by increased demand for MCSi's distribution operations.

**Men's Wearhouse Inc.**, a Houston, Tx. retailer of men's apparel, reported its fourth quarter net jumped 26%--to \$38.3 million. Its sales for the period increased 12%--to \$447 million.

**Michaels Stores Inc.**, an Irving, Tx. retailer of arts and crafts, reported its fourth quarter net increased 8%--to \$50.1 million. Its sales for the period increased 21%--to \$815 million. For the year, despite a \$1.9 million accounting adjustment, the firm's net increased 26%--to \$78.6 million. Its sales for the year increased 16%--to \$2.2 billion.

**Pacific Sunwear of California Inc.**, an Anaheim, Ca. casual-apparel retailer, reported its fourth quarter net increased 20%--to \$14 million. Its sales for the period soared 35%--to \$181 million. For the year, the firm's net increased 13%--to \$39.8 million. Its sales for the year increased 35%--

-to \$589 million. Separately, Pacific Sunwear said that it will undertake a \$90 million expansion this year by building 125 new stores and spiffing up forty of its older ones. Now with just under 600 locations, Pacific Sunwear is hoping to have 1,000 stores within two more years.

**PriceSmart Inc.**, a San Diego, Ca. company that operates warehouse-club stores, announced a series of overseas expansions. The company will open two stores in Aruba and St. Thomas, bringing to seventeen the number of stores it operates in the Caribbean region. PriceSmart has also licensed five locations in China and Micronesia as part of its expansion in the Pacific.

**Royal Ahold NV**, the Netherlands-based grocery giant, reported its fourth quarter profits soared 56%--to \$344 million. Its sales for the period jumped 78%--to \$14.2 billion. The strong growth was based in part on acquisitions over the past year. Ahold, one of Europe's biggest grocery retailers, also has extensive holdings in the U.S., particularly on the eastern seaboard.

**Southern Cross Marketing LLC**, a Sacramento, Ca. furniture distributor, has signed up on a deal to be the exclusive distributor in the western U.S. for German-based Steinhoff Group. Steinhoff, one of the biggest furniture manufacturers in the world, will also help Southern Cross in shipping and warehouse management. The deal could be a boon for Southern Cross, as the firm believes that the partnership with Steinhoff could boost its annual sales of \$4 million more than ninefold in the coming year. Steinhoff has annual sales of nearly \$1 billion.

**Southern Marketing Affiliates**, a privately-held Jonesboro, Ar. distributor of farm supplies, expanded with its acquisition of Meyer West, a Stockton, Ca. farm-products distributor, for an undisclosed amount.

**Target Corp.**, the Minneapolis, Mn.-based discount retailer, reported its fourth quarter net increased 12%--to \$552 million. Its sales for the period increased 13%--to \$12.3 billion. Target, which also operates the Marshall Field's and Mervyn's department-store chains, is projecting 15% average annual growth in earnings per share for this year. Analysts believe that even if an economic slowdown continues, Target's shrewd inventory-control system will keep it strong. Separately, Target is expanding, recently agreeing to buy the rights to buy thirty-five locations of bankrupt Montgomery Ward Co. The firm's core Target stores, which offer quality merchandise at reasonable prices, now account for more than three-quarters of the company's sales and profits.

**Ultimate Electronics Inc.**, a Denver, Co.-based retailer of electronics products, reported its fourth quarter net jumped 43%--to \$7.4 million. Its sales for the period increased 30%--to \$170 million. Among the strongest performers in the electronics-retailing industry in the recent quarter, the firm said that its same-store sales increased 10% during the period.

**Wawa Inc.**, a Wawa, Pa. grocery-store chain, is breaking into new markets, having opened up fifteen convenience stores in parts of Maryland and Virginia. The move is part of Wawa's overall expansion this year aimed at opening forty new locations.

**Wendy's International Inc.** of Dublin, Oh. announced plans for a joint venture with Irish-based IAWS Group as part of a strategy to provide a greater variety of baked goods for Wendy's Tim Hortons chain of coffee-and-donut shops. IAWS's Cuisine de France unit will provide Hortons

with baguettes and other fresh-baked bread specialties. The two companies will invest \$75 million to start up a bakery in southern Ontario.

**Wilson's The Leather Experts Inc.**, a Brooklyn Park, Mn. retailer of men's and women's leather outerwear and accessories, reported its fourth quarter net increased 18%--to \$61.1 million. Its sales jumped 20%--to \$382 million. For the year, its net increased 37%--to \$41.9 million. Its fiscal sales increased %--to \$637 million.

## OTHER RETAILER NEWS

**Amazon.com Inc.**, Seattle, Wa., saw its stock price suddenly drop 9% on rumors that it's about to file for bankruptcy protection. The Web-based retailer, which expects it will have \$900 million in cash at the end of this year, strongly denied the rumors.

**Kroger Co.**, the Cincinnati, Oh. grocery-store giant, will restate certain earnings at its Ralphs Grocery Co. unit in California. The changed results at Ralphs, stemming from allegedly improper accounting practices, will cause Kroger to restate earnings for 1998 through the first half of 2000.

**Peapod Inc.**, the Skokie, Il.-based Internet grocery company, got another \$30 million investment from its controlling shareholder, Royal Ahold NV of the Netherlands. Peapod now has \$60 million in cash, which will give the firm breathing room to continue operating through at least the rest of the year. Separately, Peapod said it will cease operating in San Francisco, Ca. Peapo is focusing on its operations in the eastern U.S.

**Service Station Properties LLC** in San Jose, Ca. has now seen a \$51,000 judgment issued against it in favor of Rinehart Oil Inc.

**Tully's Coffee Corp.**, while hoping to increase its business with the acquisition of nine Marsee Bakery locations in Portland, Or., is facing something of a cash crunch. The Seattle, Wa.-based company, while raising \$12 million in capital last year, ended last year with only \$410,000 in cash. While unprofitable, the coffee retailer's sales are increasing significantly, jumping 50% in the first nine months of its current fiscal year--to \$30 million.

**Webvan Group Inc.** isn't throwing in the towel yet, despite its dwindling cash and declining confidence among analysts and investors. The Foster City, Ca. online grocery retailer says that it needs \$60 million by early next year in order to give it more time to achieve profitability. Investors, however, may balk at pumping in more money unless they see clear signs that the firm will start turning a profit soon. And that depends on Webvan's being able to increase the size and number of orders from its core client base. The company has already committed \$13 million to on marketing in the current quarter, despite its cash shortage. Webvan has been partly successful, having seen its average order jump from \$81.31 in 1999 to \$112 in 2000. For a free copy of an article about Webvan call 800-407-9044.

## RETAIL

## SUPPLIERS

**Allied International Manufacturing (Nanjing) Stationery Co. Ltd.**, a Chinese maker of document-binding clips, has pleaded guilty to U.S. federal charges of using forced prison labor. The black-plastic-and-metal clips, common in offices around the country, have been imported into the U.S. by a related company, **Officemate International Corp.** of Edison, N.J., whose owner also partly controls Allied. U.S. Customs officials have seized and destroyed about 24 million of the Allied International clips at various ports, forcing Allied to close its factory and virtually cease operating. The prison-labor operation might have gone unnoticed except that, on a trip to China, the owner of a competing company, believing that Allied and Officemate were illegally underselling him, filmed shipments of the clips coming out of Nanjing prison.

**Aurora Foods Inc.**, a San Francisco, Ca. producer of baking mixes, syrups, cereals and other products, reported a fourth quarter net loss of \$5.4 million. The results included nonrecurring charges of \$1.3 million. Its revenue increased 6%--to \$276 million.

**Bolder Technologies Corp.**, a Golden, Co. company that makes rechargeable batteries, is being investigated by the Nasdaq Stock market for possible delisting, after it fell below minimum listing requirements. In addition, the company, which also retained Ernst & Young LLP to help it explore strategic alternatives, warned that it may have to file for bankruptcy protection.

**Britannica.com Inc.**, a Chicago, Il. digital-media division of Luxembourg-based Encyclopaedia Britannica Holding SA, is reducing its payroll by sixty-eight employees (31% of its workforce in the U.S.) as part of its restructuring. This follows 152 layoffs announced last November. The move was made to reduce costs and speed up its path to profitability. The company had hoped to generate revenue largely through advertising, but the recent downturn in the dotcom market has thrown a wrench into that strategy.

**Brunswick Corp.**'s plans to buy Princecraft Boats from bankrupt Outboard Marine Corp. of Waukegan, Il. have run into a snag. The Federal Trade Commission is now asking for more information about the proposed acquisition by Lake Forest, Il.-based Brunswick in order to check for possible antitrust problems.

**Cavalier Homes Inc.**, a Wichita Falls, Tx. manufacturer of mobile homes, reported a fourth quarter net loss of \$5.6 million. The results included pretax writedowns of \$2.1 million. Its revenue declined 51%--to \$59.4 million.

**Chris-Craft**, a maker of boats, has been bought from its owner, Genmar Holdings Inc. of Minneapolis, Mn., by Stellican Ltd., an investment company, for an undisclosed amount. It's not certain whether, Chris-Craft, which shut down operations at its facility in Bradenton, Fl. last December, will restart operations in the near future.

**Dean Foods Co.**, which has been acquiring companies for years, could now itself end up getting sold, as the firm has retained Goldman, Sachs & Co. to help it consider strategic alternatives. The Franklin Park, Il. dairy company, while still independent, is the second-largest dairy concern in the U.S. But its recent acquisitions might have been overly expensive and the company has

struggled to integrate them into its overall operations. Dean Foods has warned that its third quarter results may fall 30% below expectations, its eighth profit warning in the past twelve quarters. Among companies that might be interested in buying Dean Foods are **Suiza Foods Corp.** of Dallas, Tx. and **Parmalat SpA**, the Italian-based food giant that is looking to expand its operations in the U.S.

**Derby USA**, a Kent, Wa. maker of bicycles, is closing its Raleigh bike-making operations in Kent and laying off 152 employees. Derby USA, a unit of Derby Cycle Corp., is a British company that's been operating in the red for several years.

**Dorel Inc.**, a St. Leonard, Quebec maker of ready-to-assemble furniture and children's products, reported a fourth quarter net loss of \$10.8 million. The results included restructuring charges of \$9.7 million. Its revenue jumped 32%--to \$213 million.

**Educational Insights Inc.**, a Carson, Ca. maker of educational materials, games and toys, reported a fourth quarter net loss of \$1.6 million. Its revenue declined 30%--to \$7.8 million.

**EMachines Inc.**, although now the third-largest supplier of computers to U.S. retailers, faces a number of problems with the recent downturn in the market. The Irvine, Ca. computer manufacturer, which reported a \$31 million operational loss in its fourth quarter on a 56% drop in sales--to \$135 million, could reportedly run out of cash by the end of the year if it doesn't turn around the losses. In fact, the company's cash and short-term investments plummeted by nearly half during the quarter ended 12/30--to \$113 million. A particularly worrisome statistic is its 24% decline in sales of computers to retailers and catalogs, the main outlets for its products. While EMachines is trying to boost sales through marketing and other strategies, one industry analyst believes that EMachines could wind up out of business by the end of the year. For a free copy of an article about EMachines call 800-407-9044.

**Fleetwood Enterprises Inc.**, a Riverside, Ca. maker of manufactured homes and travel trailers, reported a third quarter net loss of \$205 million. The results included nonrecurring charges of \$174 million. Its revenue declined 40%--to \$510 million.

**Harcourt General Inc.**, a Newton, Ma. educational publisher, reported a first quarter net loss of \$48.6 million. Its sales edged up 1%--to \$407 million. The results included certain costs related to the planned sale of the firm to Reed Elsevier PLC, an Anglo/Dutch publishing giant, for \$4.5 billion.

**Hauser Inc.**, a Boulder, Co. maker of herbal extracts and nutritional products, reported a third quarter loss of \$5.1 million, more than triple its loss in the year-earlier period. Its revenue declined 43%--to \$13.1 million.

**Kellwood Co.**, a St. Louis, Mo. maker of apparel, reported a fourth quarter net loss of \$1.6 million. Its revenue increased 17%--to \$540 million.

**Kit Manufacturing Co.**, a Long Beach, Ca. maker of recreational vehicles and manufactured homes, reported a first quarter net loss of \$870,000. Its revenue declined 38%--to \$6.8 million.

**Marvel Enterprises Inc.**, a Manhattan, N.Y. comic-book publisher, reported a fourth quarter net loss of \$53.4 million. Its revenue declined 31%--to \$64 million.

**Nashua Corp.**, a Nashua, N.H. maker of labels and printer supplies, reported a fourth quarter loss from continuing operations of \$3.6 million. Its revenue increased 60%--to \$67.1 million.

**Polaroid Corp.**, the Cambridge, Ma. camera and film company which earlier said it would reduce its payroll by 950 employees (11% of its workforce), said that about 475 of those layoffs would come at its operations in Massachusetts. Polaroid is hoping that its job reductions will save it \$30 million annually.

**Tandycrafts Inc.**, a Fort Worth, Tx. firm that makes picture frames and wall decorations, has now retained an adviser to help it refinance a credit facility soon due to expire. The firm also recently warned that it risks being delisted by the New York Stock Exchange for failing to meet minimum capitalization requirements. For its recently ended second quarter, Tandycrafts reported a net loss of \$4.4 million, including a \$3.2 million loss from continuing operations. Its sales declined 5%--to \$27.9 million.

**Thomson Consumer Electronics** of Carmel, In. has agreed to reimburse customers as much as \$100 million to settle a number of class-action lawsuits. In addition, the settlement specifies that Thomson will provide tens of millions of dollars worth of product rebates for customers. One estimate puts the total cost of the settlement for Thomson, including the rebates, at more than \$200 million. The dispute stemmed from complaints over poor images on RCA, GE and Proscan televisions manufactured by Thomson between 1992 and 1996. Customers had spent more than \$60 each to repair the problem, which involved a poorly installed tuner.

**WestPoint Stevens Inc.**, a West Point, Ga. maker of towels and sheets, will phase out production at its yarn plant in Whitmire, S.C. and end that plant's operations by May. The plant closure, WestPoint's fourth within the past year, affects nearly 300 employees. The company said that yarn production will be shifted to other facilities as part of a plan to reduce transportation costs for moving the yarn.