

Alternative Retail Risk Analytics for Alternative Capital

Global 400 Retail Watch List: Index of Fundamental Values

Ratings the Competitive Advantage of the Business Model

| | Intl Shr Index | US Shr Index | US Shr Index | US Shr Index |
|-----------------------|----------------|--------------|--------------|--------------|
| | 2012 | 2012 | 2010 | 2007 |
| G-400 # Credits | 74 | 390 | 350 | 369 |
| Positive Watch | 75.7% | 54.1% | 56.6% | 32.5% |
| Optimal | 10.8% | 6.2% | 4.9% | 2.7% |
| Competitive | 47.3% | 31.8% | 30.3% | 18.2% |
| On-the-Cusp | 17.6% | 16.2% | 21.4% | 11.7% |
| Negative Watch | 24.3% | 45.9% | 43.1% | 66.1% |
| Challenged | 9.5% | 20.5% | 19.7% | 23.6% |
| Sinkholes | 14.9% | 21.8% | 21.7% | 36.3% |
| Terminal | 0.0% | 3.6% | 1.7% | 6.2% |

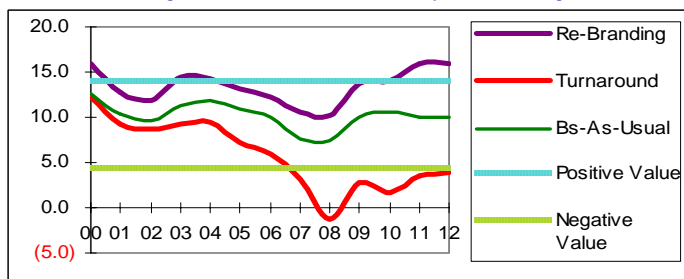
Guidance G-400: Upside-Downside Short-/Long-Term (US formats)

| | Upside | Upside | Downside | Downside |
|----------|------------|-----------|------------|-----------|
| | Short-term | Long-Term | Short-Term | Long-term |
| High | 0.3% | 0.3% | 27.9% | 43.6% |
| Moderate | 24.9% | 11.5% | 55.1% | 54.9% |
| Low | 60.8% | 61.5% | 16.9% | 1.5% |
| None | 14.1% | 26.7% | 0.0% | 0.0% |

New G-400 Credits: PVH (T Hilfiger/ C Klein), G-III Apparel, Orchard Hardware Supplies (Sears), Life Time Fitness, Town Sports Hldgs

Credit Breakouts: Perfumania: Retail vs. Wholesale

Re-Branding vs. Turnaround G-400 Competitive Aavg 2000-12



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Bitchin' Brands

Re-Branding Risk under the New Normal of Extreme Brand Valuations
[Assessing Tenant Credit & Format Risk in the 2012 Brand Bubble]

Position: Re-branding is one of the "empowering" New Normals out of the 24 flagged by MAXIM in 2011 that would generate double-digit growth and four-wall returns by reconnecting with consumers through readapting and advancing the shopping experience. New bonds are building between consumers and the next generation of retailing re-branding America's agora of malls and strips, but not at the fetish fervor exhibited by traders and investors whose appetite has pushed 2012 valuations to extremes reminiscent of the 2002-06 bubble.

The game changer was not industry altering innovation of, say, Costco circa 1975, but the secondary offering of Michael Kors whose public debut a quarter earlier pushed its 70 times PE well beyond that of Apple at 17 times whose store productivity is 30 times the boutiques of the American stylist who is all haute and no couture. Welcome to the New Normal of Extreme Brand Valuations and next asset bubble encapsulating retail brands.

The timing is auspicious given that retailers are in the process of re-branding their businesses and assets that entails restructuring, reinvention, repositioning and rationalization of SKUs and real estate. The distinction is made in the G-400 ratings for March 2012 that also discount the bubble effect of run up in values in a market that continues to reward speculators not savers, traders not operators and Bling brands as opposed to high-functioning pedestrian assets.

Suffice to say, the values of the bitchin' brands do not register with the competitive values on the G-400. Nor the views of retail management, assumptions embedded in the G-400 ratings that remain at recessionary levels. On the following pages, MAXIM addresses the New Extreme Valuation Normal in the context of Global 400 rating system. To hone in on the bubble encapsulating brand values, MAXIM broke out formats by life cycle initiatives 1) turnaround & restructuring, 2) repositioning/ reinventing/ re-branding and 3) business-as-usual-formats still operating off models a decade or two old. New Guidance Ratings extend the analysis to 2013+.

MAXIM believes that the New Normal of Re-Branding presents some bitchin' opportunities to create significant growth and value to both investors and consumers that could easily dissipate if the current Brand Bubble is not contained. Of the 91 formats re-branding, 66% posted significant gains in their G-400 competitive advantage since 2009. Advances in 74 turnarounds were had by 58% of the credits. Whereas 52% of the 225 Bs-As-Usual situations experienced erosion in business values in the 2009-12 recovery, which "proves to warn that he not busy being born is busy dying."

The extreme valuation of retail equities the past two quarters has been a significant catalyst in reallocating investment capital into retail across the board. A good problem to have if not for masking of risk as speculative flows pick up. That said, retailers and manufacturers capitalizing on (as opposed to exploiting) the massive inflow of equity from extreme valuations are wise to reinvest in projects that will create greater relevancy with consumers that will go a long way to sustaining internal growth and guide management through the ongoing challenge of adapting real estate to shifting supply-demand dynamics. Herein lies profits that are as bitchin' as the brand.

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**Bitchin' Brands
Re-Branding Risk in the New Normal of Extreme Brand Valuation
[Assessing Tenant & Credit Risks in the 2012 Brand Bubble]**

"Reality is defined by what we need." Edward Albee, American Playwright

"The IPO has put Kors into a new league. Its stock price gives it a total market capitalization of \$8.97 billion and a price-to-earnings ratio of 114.6, according to Bloomberg. Many see this as rich for the brand given its sales volume. By comparison, PVH Corp. has a market cap of \$6.05 billion and a price-to-earnings ratio of 18.5, while Ralph Lauren Corp. has a market cap of \$16.08 billion and a PE ratio of 25.2 and Coach Inc. has a market cap of \$22.18 billion with a PE ratio of 24."

"Michael Kors is Wall Street's golden man." Women's Wear Daily, 3/26/12

"The question for investors: Is the Queen of domestic design becoming irrelevant or simply bad timing?" StreetAuthority, David Sterman on Martha Stewart Omnimedia, 12/4/2010

"J.C. Penney is buying a stake in Martha Stewart Living Omnimedia Inc., in the first move by the department-store chain's new chief executive to beef up its portfolio of brands. "I have a buy on the stock. I'm one of the few people who actually thinks there is an opportunity here to turn this around," said Matthew Boss, an analyst at J.P. Morgan. Boss said the Martha Stewart offering could help drive traffic in its stores. The center core attraction of the store is what they're missing," Boss said. "Sephora is only in 27 percent of the stores, in two years that will be 48 percent of the stores, but otherwise, they don't have that center core attraction." "Penney's-Martha Deal Seen as Tired Formula."

Women's Wear Daily, 12/7/2011

"For your company to last, the brand must die." Bruce Mau, Massive Change

"There's no real reason that a brand needs to die," he told me, unless it is attached to a product that "functionally doesn't work." That is, as long as a given product can change to meet contemporary performance standards, "your success is really dependent on how skillful you are in managing the brand's story so that it resonates with meaning that consumers like."

John F. Sherry Jr. Professor of Marketing at Notre Dame on "retromarketing",

"The only way you change anything is to use bad taste to get somebody to accept something they didn't before. I think higher of my audience. That's why my films don't make money." John Waters: Subversive Success. Wall Street Journal, 3/30/12

"Brand managers are often risk averse, not innovation-driven. Often they're motivated to keep their jobs, not incentivized to try multiple risk strategies, assuming that 1 success will more than pay for several failures. All too often market research is based on tiny, subtle changes, not significant innovation. A book publisher and a movie company expect 95% failure, knowing that the home run successes will make the business profitable anyway. Example: look at all the multigeneration huge coffee brands (Nescafe, Maxwell House, Folgers, etc.) All of them ignored the growth of Starbucks for at least a decade. How much money would it have taken any one of them to copy or buy out Starbucks in 1990? But the brand managers were busy changing the shape of the jar, redesigning the label, and wondering whether to hire another spokesperson. Mark Lilien, Consultant, Retail Technology Group 2010

"The best reinvention story is that of Dior. "It had aged with its customer and completely lost the excitement and energy. Dior was a revolutionary brand when it started. People would attack women in the street in 1947 when they wore it. Then it became mainstream and when Bernard Arnault bought the brand, he went back to the essence of the brand, and [John] Galliano completely reinvented it. Often a brand can be reinterpreted for a new generation that never had the product before, such as the strategy Diane von Furstenberg took in reintroducing its successful wrap dress from the Seventies, which resonated with today's young consumers. Today, DVF is as relevant as it was 40 years ago, if not more so. Desgrappes Gobé, BrandImage

"In most cases we're dealing with a brand that only exists as intellectual property. "There's no retail presence, no product, no distribution, no trucks, no plants. Nothing. All that exists is memory. We're taking consumers' memories and starting entire businesses." The other interesting thing is the faultiness of consumer memory. There is opportunity not just in what we remember but also in what we misremember." Paul Earle, founder of River West, brand acquirer. " Can a Dead Brand Live Again?" New York Times Magazine., 5/18/2008

"Darkness at the break of noon...plays wasted words, proves to warn that he not busy being born is busy dying." "It's Alright, Ma (I'm Only Bleeding), Bob Dylan

**POSITION: Re-Branding Risks In Yet Another Asset Bubble.
Battling the Kors Effect**

Re-branding is one of the "empowering" New Normals out of the 24 flagged by MAXIM in 2011 that would generate double-digit growth and four-wall returns by reconnecting with consumers through readapting and advancing the shopping experience. New bonds are building between consumers and the next generation of retailing re-branding America's agora of malls and strips, but not at the fetish fervor exhibited by traders and investors whose appetite has pushed 2012 valuations to extremes reminiscent of the 2002-06 bubble.

The game changer was not industry altering innovation of, say, Costco circa 1975, but the secondary offering of Michael Kors whose public debut a quarter earlier pushed its 70 times PE well beyond that of Apple at 17 times whose store productivity is 30 times the boutiques of the American stylist who is all haute and no couture (much like Isaac Mizrahi that gave up the runway for an aisle at Target).

Welcome to the New Normal of Extreme Brand Valuations and Brand Bubbles. The timing is auspicious given that retailers are in the process of re-branding their businesses and assets that entails restructuring, reinvention, repositioning and rationalization of SKUs and real estate.

The distinction is made in the G-400 ratings for March 2012 that also discount the bubble effect of run up in values in a market that continues to reward speculators not savers, traders not operators and Bling brands as opposed to high-function pedestrian assets.

Suffice to say, the values of the bitchin' brands do not register with the competitive values on the G-400. Nor the views of retail management in terms of the economy and advances that will be achieved in 2012. On the following pages, MAXIM addresses the New Extreme Valuation Normal in the context of Global 400 rating system and initiatives of retail management that have stepped up growth and repositioning programs.

To hone in on the bubble encapsulating brand values, MAXIM has broken out formats by corporate life cycle initiatives:

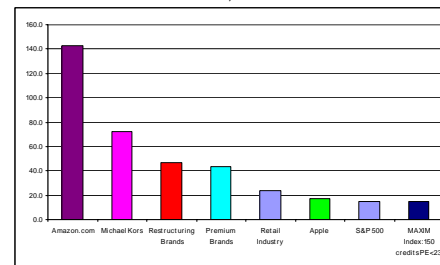
- 1) Turnaround & restructuring situations that are limited to tactical measures such as cost cutting
- 2) Repositioning-Reinvention & Re-Branding programs that are strategic undertakings involving a complete overhaul of the business model
- 3) Business-as-usual where the company operates today as it did in 2009 (the last time MAXIM scored the G-400 for value-added opportunities

The bitchin' opportunities clearly lie in formats undergoing the extensive repositioning & reinvention that underpins pre-rebranding. Of the 91 formats re-branding on the G-400 Watch List, 66% posted significant gains in their competitive advantage over 2009 levels. Advances were also had by the 58% of the 74 turnarounds that stand to lose ground programs of repositioning and re-branding are not pursued. Of the 225 Bs-As-Usual situations, 52% experienced erosion in their business values since 2009, which "proves to warn that he not busy being born is busy dying."

To extend the analysis beyond 2012, the "Guidance Rating" (a new metric on the G-400) assesses the potential upside and downside of current strategies on the operations, real estate and capital structure. The rating is a composite of the "forward looking" assumptions provided by retailers on earnings calls.....

Text continues.....

**New Gold Standard for Schmatze Brands
New Normal of Extreme Brand Valuations 2012
MAXIM 210 Retail Stock Index, PE Ratios as of March 23 2012**



Source: Bloomberg

De-Coupling of Credit Risk and Brand Values
Extreme Valuations: Premium vs. Iconic Brands
PE Ratios vs. G-400 Competitive Values, 2009-12

| | PE Ratio2012 | G-400 Value 2012 | G-400 Value 2009 |
|--|--------------|------------------|------------------|
| G-400 Watch List | 25.74 | 10.84 | 10.09 |
| Iconic Power Brands | 47.08 | 24.81 | 24.29 |
| Premium Brands & Retailers | 41.96 | 20.00 | 17.26 |
| G-400 Positive Watch (Ex-Premium/Power Brands) | 14.99 | 18.97 | 16.57 |
| Premium Brands & Retailers | | | |
| Chipotle Mexican Grill | 61.18 | 27.79 | 26.82 |
| Lululemon | 66.73 | 27.27 | 21.74 |
| Michael Kors | 71.97 | 71.97 | NA |
| Ulta Salon, Cosmetics & Fragrance | 48.72 | 18.35 | 14.97 |
| Iconic Power Brands | | | |
| Coach Leather (US & Intl) | 23.91 | 27.51 | 25.14 |
| Costco (US & Intl) | 26.20 | 40.18 | 37.57 |
| Nike (US & Intl) | 23.03 | 28.27 | 24.63 |
| McDonalds (US & Intl) | 18.09 | 22.32 | 20.29 |
| Starbucks (US & Intl) | 32.87 | 39.24 | 31.30 |
| Target (corp) | 13.57 | 20.14 | 18.52 |
| Walmart (US & Intl) | 13.41 | 17.94 | 22.06 |
| Whole Foods | 39.99 | 33.41 | 29.08 |

Text continues.....

¹ "Into Thin Air. Retail Rescued by an Avalanche of New Normal(s)" [Implications for Growth and Real Estate Productivity 2012 & Beyond] Retail MAXIM: Nov-Dec 2011.

Re-Branding New Normal under the Extreme Brand Valuation New Normal
Repositioning/ Reinvesting/ Re-branding Credits & Formats

| G-400 Rankings | Index Value | Competitive Advantage Taxonomy |
|-----------------------|-------------|--|
| POSITIVE Watch | | |
| Optimal | >25.00 | Industry Standard-Benchmark. Above market growth & returns. Operating advtg. Wide moat. High intrinsic value. Real estate integral to bs & Internet. |
| Competitive | 14.00-24.99 | Competitive-Niche Model. Competitive growth and asset returns. Niche player. Strong brand equity. Leveraging real estate & alternative channels. |
| On-the-Cusp | 10.00-13.99 | Transition Model. Emerging operating & competitive risk. Model, strategies & selling channels being tested by market. Costly integration of M&A & debt. |
| NEGATIVE Watch | | |
| Challenged | 4.50-9.99 | Speculative Credit. Second-tier chain. Sub par metrics. Consumer disconnect. Restructuring mode. New concepts/channels tested. Turnover mgmt&stores. |
| Sinkholes | <4.50/-9.99 | Turnaround Credit. Negative growth, returns & leverage investing. Irrelevant shopping experience. Alternative costly funding thru asset sales/ M&A. |
| Terminal | > (-10.00) | Broken Beyond Repair Model. Insolvent, imminent bankruptcy, liquidation or merger. Zero residual value in bs & assets. |

| Bs. Score-Pts | Growth Prospects | Operating Productivity | Profit Model/ Management | Capitalization/ Liquidity | Real Estate Quality & Strategy |
|-----------------------|---|--|--|---|---|
| Above 18.00 | Above Market Growth. <i>Market Risk: Low</i> | Sector Benchmark. <i>Operating Risk: Low</i> | Superior Supply Chain & Visionary Mgmt <i>Event Risk: Low</i> | Self-Funding/ CapitalAdvtg. <i>Credit Risk: Low</i> | Assets Integral to Business Model! <i>Asset Risk: Low</i> |
| 10.00-17.99 | Opportunistic Growth. <i>Market Risk: Moderate</i> | Viable Niche-Model. <i>Operating Risk: Moderate</i> | Accretive Model. <i>Event Risk: Low</i> | Positive Leverage. <i>Credit Risk: Moderate</i> | Productive Formats. <i>Asset Risk: Moderate</i> |
| 4.50-9.99 pts | Sub par Growth Cycle <i>Market Risk: Rising</i> | Reinvesting Model. <i>Operating Risk: Rising</i> | Model at Crossroads. <i>Event Risk: Low</i> | Volatile-Inefficient Structure <i>Credit Risk: Low</i> | Functional Obsolescence <i>Asset Risk: Moderate</i> |
| Btwn +4.49 & Neg-9.99 | Dilutive-Depleted Growth <i>Market Risk: High</i> | Impaired Model. Turnaround. <i>Operating Risk: High</i> | Sinkhole-Busted Supply Chain <i>Event Risk: High</i> | Sinkhole-Illiquid. <i>Credit Risk: High</i> | Turnaround Asset/ Non-integral to Bs <i>Asset Risk: High</i> |
| Neg 10.00+ | Growth Starved. <i>Market Risk: Extreme</i> | Model Broken--Beyond Repair. <i>Operating Risk: Extreme</i> | Distressed-Liquidation. <i>Event Risk: High</i> | Insolvent. <i>Credit Risk: High</i> | Junk Assets. <i>Asset Risk: High</i> |

| Stage of Business Model Life Cycle Tactical vs. Strategic Initiatives | | | Watch List | | | Volatility | | Bs. Value (points) | | | | |
|---|---------------------------------------|------|-------------------------------|------------------|-------|------------|---------|--------------------|----------|---------|--------|-------------|
| | | | Competitive Advtg | G-400 | | | | | | | | |
| | | | Fundamental | Compos | | | | | | | | |
| | | | Value Rating | Value (points) | | | Chg-bps | Chg-bps | Prospect | Product | Liquid | Real Estate |
| | | | 2012 | 2012-Mar | 2009 | 2011-12 | 2009-12 | 2012 | | | | |
| | 2009 | 2012 | Global 400 Composite | POS: On-the-Cusp | 10.84 | 10.09 | 0.13 | 0.75 | 13.52 | 5.49 | 8.16 | 12.18 |
| <i>Bs-As-Usual</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | Barnes & Noble (corp) | NEG: Challenged | 5.61 | 11.13 | 5.22 | (5.52) | 9.36 | 4.44 | 4.54 | 5.70 |
| <i>Bs-As-Usual</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | Barnes & Noble: Superstore | NEG: Challenged | 6.50 | 11.08 | 5.90 | (4.58) | 10.00 | 7.00 | 5.50 | 5.50 |
| <i>Turnaround/ Restructuring</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | Barney's NY & Co-Op (Prv) | NEG: Challenged | 5.18 | 13.84 | (2.67) | (8.66) | 9.40 | 5.10 | (7.80) | 13.45 |
| <i>Reposition/ Reinvest/ Re-Brand</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | Big Lots | POS: Competitive | 14.33 | 16.14 | 0.72 | (1.81) | 30.00 | 7.50 | 11.00 | 12.00 |
| <i>Turnaround/ Restructuring</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | Blockbuster Video (US & Intl) | NEG: Sinkhole | 0.15 | (3.21) | 0.43 | 3.36 | 0.97 | 5.79 | 4.30 | (6.31) |
| <i>Turnaround/ Restructuring</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | Blockbuster Video: US | NEG: Sinkhole | 1.80 | (1.95) | 0.47 | 3.75 | 2.50 | 7.50 | 7.00 | (5.00) |
| <i>Bs-As-Usual</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | Cabelas (corp) | POS: Competitive | 16.52 | 17.95 | (0.19) | (1.43) | 13.94 | 13.99 | 9.70 | 19.44 |
| <i>Bs-As-Usual</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | Cableas: Retail | POS: Competitive | 15.86 | 14.63 | (0.01) | 1.23 | 15.20 | 13.60 | 8.70 | 16.70 |
| <i>Reposition/ Reinvest/ Re-Brand</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | Casual Male | POS: On-the-Cusp | 12.88 | (2.61) | 2.28 | 15.49 | 20.50 | 5.30 | 4.40 | 24.73 |
| <i>Bs-As-Usual</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | Cato | NEG: Challenged | 6.75 | 6.15 | 0.90 | 0.60 | 9.30 | (3.00) | 7.70 | 6.05 |
| <i>Bs-As-Usual</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | Charming Lane Bryant | POS: On-the-Cusp | 13.62 | 0.81 | 3.72 | 12.81 | 14.50 | 15.50 | 1.00 | 19.80 |
| <i>Bs-As-Usual</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | Chicos: Chicos (core brand) | POS: On-the-Cusp | 12.12 | 4.59 | (1.96) | 7.53 | 16.30 | 3.10 | 12.30 | 16.25 |
| <i>Bs-As-Usual</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | Cinemark (US & Intl) | POS: Competitive | 20.02 | 21.18 | 0.01 | (1.16) | 25.00 | 21.50 | 8.00 | 21.50 |
| <i>Bs-As-Usual</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | Costco (US & Intl) | POS: Optimal | 40.18 | 37.57 | (1.58) | 2.61 | 33.64 | 36.57 | 36.97 | 42.23 |
| <i>Bs-As-Usual</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | Costco: U.S. | POS: Optimal | 41.64 | 39.04 | (0.78) | 2.60 | 34.00 | 39.00 | 38.50 | 42.50 |
| <i>Bs-As-Usual</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | Crocs | POS: On-the-Cusp | 13.72 | 1.21 | 0.75 | 12.51 | 15.81 | 1.43 | 17.25 | 18.93 |
| <i>Bs-As-Usual</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | Crocs: Retail | POS: Competitive | 14.07 | 5.49 | (1.76) | 8.58 | 16.00 | 3.70 | 17.70 | 17.50 |
| <i>Reposition/ Reinvest/ Re-Brand</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | CVS | POS: Competitive | 15.63 | 16.69 | (1.56) | (1.06) | 17.05 | 11.15 | 5.02 | 21.37 |
| <i>Reposition/ Reinvest/ Re-Brand</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | CVS: Core Retail Division | POS: Competitive | 24.17 | 26.92 | (1.75) | (2.75) | 25.00 | 20.00 | 11.00 | 32.00 |
| <i>Bs-As-Usual</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | CVS: Longs Division | NEG: Challenged | 6.12 | 15.07 | (1.24) | (8.95) | 12.50 | (4.50) | 0.00 | 6.75 |
| <i>Reposition/ Reinvest/ Re-Brand</i> | <i>Reposition/ Reinvest/ Re-Brand</i> | | CVS: Carremark Division | NEG: Challenged | 8.12 | 7.33 | (1.40) | 0.79 | 9.90 | 3.60 | (0.30) | 12.15 |

Global 400 Retail Watch List

Rating the Retailer Competitive Advantage by Deconstructing the Business Model for Intrinsic Value & Systemic Risk

G-400 Composite Index

Competitive Advantage of the Retail Business Model

[Retailers, Brand Manufacturers, Wholesalers, E-tailers]

| G-400 Rankings | Index Value | Competitive Advantage Taxonomy |
|-----------------------|-------------|--|
| POSITIVE Watch | | |
| Optimal | >25.00 | Industry Standard-Benchmark. Above market growth & returns. Operating advtg. Wide moat. High intrinsic value. Real estate integral to bs & Internet. |
| Competitive | 14.00-24.99 | Competitive-Niche Model. Competitive growth and asset returns. Niche player. Strong brand equity. Leveraging real estate & alternative channels. |
| On-the-Cusp | 10.00-13.99 | Transition Model. Emerging operating & competitive risk. Model, strategies & selling channels being tested by market. Costly integration of M&A & debt. |
| NEGATIVE Watch | | |
| Challenged | 4.50-9.99 | Speculative Credit. Second-tier chain. Sub par metrics. Consumer disconnect. Restructuring mode. New concepts/channels tested. Turnover mgmt&stores. |
| Sinkholes | <4.50-9.99 | Turnaround Credit. Negative growth, returns & leverage investing. Irrelevant shopping experience. Alternative costly funding thru asset sales/ M&A. |
| Terminal | > (-10.00) | Broken Beyond Repair Model. Insolvent, imminent bankruptcy, liquidation or merger. Zero residual value in bs & assets. |

***Full METHODOLOGY: See Addendum

| 1998-00 | 2001-06 | Composite Avg Value (points) 2007-11 | Watch List Competitive Advtg Fundamental Value Rating 2012-Mar | G-400 Composite (points) 2012-Mar | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | Inflection Point 2005 | Credit Bubble 2004 |
|---------|---------|--------------------------------------|--|-----------------------------------|--------|--------|--------|---------|--------|---------|-----------------------|--------------------|
| 15.86 | 11.78 | 9.27 | Global 400 Watch List Composite | 10.84 | 10.71 | 10.14 | 10.09 | 6.80 | 8.62 | 10.76 | 11.57 | 12.81 |
| 20.39 | 12.23 | 1.14 | Macy's, Inc (corp) | 8.87 | 8.15 | (0.28) | (3.38) | (7.29) | 8.50 | 10.18 | 9.11 | 18.14 |
| 20.39 | 13.93 | 18.17 | <i>Macy's: Bloomingdales</i> | 27.20 | 25.13 | 21.50 | 16.73 | 13.99 | 13.49 | 15.27 | 14.20 | 18.14 |
| 14.38 | 1.08 | (4.46) | <i>Macy's (former May Co stores)</i> | 5.16 | 5.69 | (4.80) | (7.16) | (11.36) | (4.67) | (1.81) | (0.53) | 2.67 |
| 13.84 | 14.12 | 8.32 | <i>Macy's-Marshall Fields</i> | 13.01 | 12.12 | 11.88 | 10.23 | 2.57 | 4.80 | 15.14 | 16.26 | 16.22 |
| 28.67 | 14.99 | 20.91 | McDonalds (US & Intl) | 22.32 | 22.68 | 20.07 | 20.29 | 22.10 | 19.39 | 15.87 | 15.99 | 17.27 |
| 30.98 | 15.46 | 25.12 | <i>McDonalds-US</i> | 28.35 | 28.21 | 29.01 | 26.47 | 24.22 | 17.71 | 16.02 | 15.53 | 21.16 |
| | | | <i>McDonalds-Int'l</i> | | | | | | | | | |
| 20.62 | 15.57 | 15.03 | Men's Wearhouse (US & Int'l) | 19.45 | 20.23 | 13.10 | 12.29 | 15.45 | 14.06 | 18.95 | 20.76 | 16.73 |
| NA | NA | 19.14 | <i>Men's Wearhouse: Core Brand</i> | 23.24 | 24.67 | 15.98 | 16.27 | 20.61 | 18.16 | NA | NA | NA |
| NA | NA | 1.35 | <i>Men's Wearhouse: KG (value)</i> | 3.18 | 3.20 | 2.12 | (1.28) | (1.99) | 4.72 | NA | NA | NA |
| | | | <i>MW: Int'l (Moore's Canada)</i> | | | | | | | | | |
| 16.72 | 21.63 | 6.20 | Michael's (Private) | 14.42 | 14.23 | 10.32 | 7.11 | (4.26) | 3.61 | 15.56 | 21.24 | 23.71 |
| NA | 11.27 | 12.88 | Michael Kors (corp) | 15.85 | 16.27 | 16.45 | 12.19 | 9.29 | 10.21 | 11.27 | NA | NA |
| NA | 13.27 | 14.80 | <i>Michael Kors: Retail</i> | 17.38 | 17.22 | 20.04 | 14.34 | 11.00 | 11.38 | 13.27 | NA | NA |
| NA | 10.77 | 11.40 | <i>Michael Kors: Wholesale</i> | 14.52 | 15.56 | 12.73 | 10.08 | 8.73 | 9.92 | 10.77 | NA | NA |
| NA | NA | 14.51 | <i>Michael Kors: Licensing</i> | 15.43 | 14.87 | 18.39 | 14.00 | 10.77 | NA | NA | NA | NA |
| 16.15 | 10.84 | (0.45) | Morton's Restaurant | 4.58 | 6.24 | 3.31 | (8.40) | (8.39) | 4.97 | 6.05 | 10.49 | 14.31 |
| 8.26 | 2.39 | 3.33 | Nash Finch | 0.73 | 2.50 | 2.87 | 7.09 | 6.66 | (2.48) | (11.04) | (1.32) | 4.61 |
| 33.11 | 26.48 | 17.21 | Neiman Marcus (Private) | 19.54 | 21.26 | 19.14 | 16.28 | 12.11 | 17.28 | 19.14 | 18.01 | 30.41 |
| 33.11 | 26.54 | 17.64 | <i>Neiman Marcus: Retail</i> | 20.12 | 21.67 | 20.21 | 16.51 | 11.95 | 17.86 | 19.54 | 18.01 | 30.41 |
| NA | 16.99 | 15.37 | <i>Neiman Marcus E-Com</i> | 17.22 | 19.60 | 14.86 | 15.20 | 12.95 | 14.23 | 16.99 | NA | NA |
| 3.13 | 8.19 | (3.90) | New York & Company | (3.27) | (5.04) | (8.00) | (2.22) | (8.41) | 4.16 | 7.09 | 12.79 | 16.09 |
| 11.30 | 13.37 | 21.63 | Nike (US & Intl) | 28.27 | 27.46 | 22.98 | 24.63 | 18.57 | 14.51 | 11.60 | 13.97 | 15.90 |
| 11.34 | 12.40 | 21.98 | <i>Nike: US (Retail & Wholesale)</i> | 29.46 | 29.35 | 25.28 | 23.79 | 19.48 | 11.99 | 11.87 | 13.32 | 15.63 |
| | | | <i>Nike : Int'l</i> | | | | | | | | | |
| 21.87 | 13.14 | 12.01 | Ninety Cents Only | 17.33 | 16.91 | 15.62 | 15.63 | 8.27 | 3.61 | 3.24 | 9.09 | 10.92 |
| 12.67 | 14.23 | 22.75 | Nordstrom (corp) | 24.05 | 25.44 | 21.93 | 24.39 | 23.09 | 18.92 | 20.28 | 19.82 | 17.59 |
| 12.67 | 14.73 | 24.26 | <i>Nordstrom: Full Price Specialty</i> | 25.79 | 27.58 | 23.38 | 26.47 | 24.22 | 19.64 | 21.45 | 20.46 | 18.72 |
| NA | 12.38 | 14.65 | <i>Nordstrom's: Rack (off-price)</i> | 16.31 | 15.59 | 14.32 | 14.88 | 14.80 | 13.65 | 15.63 | 14.08 | 7.42 |
| 20.86 | 12.34 | (2.46) | Office Depot (US & Intl) | (3.78) | (2.96) | (4.52) | (0.59) | (11.50) | 7.28 | 13.60 | 10.28 | 12.28 |
| 22.03 | 12.26 | (1.49) | <i>Office Depot Superstore</i> | (3.88) | (4.03) | (2.09) | 0.33 | (10.75) | 9.07 | 15.09 | 9.73 | 13.25 |
| 20.23 | 15.62 | (2.06) | <i>Office Depot: Bs Services</i> | (1.75) | 0.63 | (5.49) | (0.32) | (11.33) | 6.21 | 14.58 | 13.35 | 15.26 |
| 6.76 | (0.02) | (2.54) | Office MAX (corp) | (0.65) | (0.81) | (0.63) | 2.85 | (11.82) | (2.28) | (1.86) | (5.40) | 3.08 |

Global 400 Retail Watch List
Rating the Retailer Competitive Advantage by Deconstructing the Business Model for Intrinsic Value & Systemic Risk

G-400 GUIDANCE Index

Competitive Advantage of the Retail Business Model

[Retailers, Brand Manufacturers, Wholesalers, E-tailers]

| G-400 Rankings | Index Value | Competitive Advantage Taxonomy |
|-----------------------|-------------|--|
| POSITIVE Watch | | |
| Optimal | >25.00 | Industry Standard-Benchmark. Above market growth & returns. Operating advtg. Wide moat. High intrinsic value. Real estate integral to bs & Internet. |
| Competitive | 14.00-24.99 | Competitive-Niche Model. Competitive growth and asset returns. Niche player. Strong brand equity. Leveraging real estate & alternative channels. |
| On-the-Cusp | 10.00-13.99 | Transition Model. Emerging operating & competitive risk. Model, strategies & selling channels being tested by market. Costly integration of M&A & debt. |
| NEGATIVE Watch | | |
| Challenged | 4.50-9.99 | Speculative Credit. Second-tier chain. Sub par metrics. Consumer disconnect. Restructuring mode. New concepts/channels tested. Turnover mgmt&stores. |
| Sinkholes | <4.50/-9.99 | Turnaround Credit. Negative growth, returns & leverage investing. Irrelevant shopping experience. Alternative costly funding thru asset sales/ M&A. |
| Terminal | > (-10.00) | Broken Beyond Repair Model. Insolvent, imminent bankruptcy, liquidation or merger. Zero residual value in bs & assets. |

***Full METHODOLOGY: See Addendum

| | Watch List Competitive Advanatge Fundamental Value Rating | Guidance | | Downside | Upside | Downside | Upside | G-400 Composite Value (points) | Inflection Pt. | Volatility Chgs bps | | | |
|--|---|------------------|---------------|------------------------|------------------------|-----------------------|-----------------------|--------------------------------|----------------|---------------------|---------------|---------------|-------------|
| | | G-400 Value | G-400 Value | Risk | Potential | Risk | Potential | | | G-400 Value | G-400 Value | G-400 Value | |
| | | Composite Points | Chg bps | Probability Short-Term | Probability Short-Term | Probability Long-Term | Probability Long-Term | | | 2011-2012 | 2010-2012 | 2007-2012 | |
| | 2012-March | 2012-13 | 2012-13 | 2013+ | 2013+ | 2013+ | 2013+ | 2012-Mar | 2011 | 2005 | 2012 | 2012 | 2012 |
| Global 400 Composite | POS: On-the-Cusp | 10.13 | (0.71) | Moderate | Low | High | Low | 10.84 | 10.71 | 11.57 | 0.13 | 0.70 | 2.22 |
| Abercrombie & Fitch (US & Intl) | NEG: Challenged | 9.49 | (0.50) | Moderate | Low | High | Low | 9.99 | 11.09 | 15.20 | (1.10) | (4.01) | 0.67 |
| <i>Abercrombie (core)</i> | NEG: Challenged | 4.41 | (3.33) | Moderate | Low | High | None | 7.74 | 8.62 | 16.73 | (0.88) | (7.22) | (2.11) |
| <i>abercrombie (kids)</i> | NEG: Challenged | 1.65 | (3.48) | Moderate | Low | High | None | 5.13 | 4.52 | 14.37 | 0.61 | (5.23) | (2.88) |
| <i>Abercrombie: Hollister</i> | POS: On-the-Cusp | 10.07 | 0.00 | Moderate | Low | High | Low | 10.07 | 12.62 | 12.57 | (2.55) | (4.26) | 0.89 |
| Abercrombie & Fitch: Int'l | | | | | | | | | | | | | |
| Advanced Auto Parts | POS: Competitive | 27.66 | 5.40 | Low | Moderate | Moderate | Low | 22.26 | 22.49 | 8.34 | (0.23) | (3.11) | 15.97 |
| Aeropostale | NEG: Challenged | 1.99 | (6.45) | Moderate | Low | Moderate | Low | 8.44 | 6.80 | 14.58 | 1.64 | (9.18) | (6.99) |
| Ahold (US/Int'l) | | | | | | | | | | | | | |
| <i>AHO: Giant-Carlisle-US</i> | POS: On-the-Cusp | 15.32 | 1.50 | Moderate | Low | Moderate | Low | 13.82 | 13.84 | 6.24 | (0.02) | (0.20) | 1.70 |
| <i>Stop & Shop/Giant-Landover</i> | NEG: Challenged | 3.06 | (2.10) | Moderate | Low | Moderate | Low | 5.16 | 4.71 | 4.69 | 0.45 | (1.36) | (0.53) |
| ALCO (former Duckwall) | NEG: Sinkhole | (15.85) | (11.55) | High | None | Moderate | Low | (4.30) | (3.15) | 6.74 | (1.15) | 2.98 | (0.09) |
| AMC Entertainment | NEG: Sinkhole | (0.99) | (2.55) | High | Low | High | None | 1.56 | 1.08 | (0.97) | 0.48 | (2.45) | 10.30 |
| American Eagle | POS: On-the-Cusp | 15.20 | 4.20 | High | Low | Moderate | Low | 11.00 | 10.08 | 23.69 | 0.92 | 1.16 | (5.02) |
| American Apparel (US & Intl) | NEG: Sinkhole | (4.82) | (3.30) | High | Low | High | None | (1.52) | (4.64) | 15.86 | 3.12 | 7.06 | (15.18) |
| <i>American Apparel: Retail-US</i> | NEG: Sinkhole | 0.49 | (1.95) | Moderate | Low | Moderate | Low | 2.44 | (4.48) | 18.66 | 6.92 | 9.81 | (12.20) |
| American Apparel: Retail-Int'l | | | | | | | | | | | | | |
| <i>American Apparel: Wholesale</i> | NEG: Sinkhole | (12.33) | (6.00) | Moderate | Low | Moderate | None | (6.33) | (4.04) | 14.09 | (2.29) | 3.48 | (16.09) |
| ANN Inc (corp) | POS: On-the-Cusp | 15.57 | 1.96 | Moderate | Moderate | High | Low | 13.61 | 12.85 | 1.28 | 0.76 | 9.24 | 9.92 |
| <i>Ann Taylor (full price)</i> | POS: On-the-Cusp | 11.69 | (1.12) | Moderate | Low | High | Low | 12.81 | 11.00 | (4.91) | 1.81 | 4.82 | 10.46 |
| <i>Loft-Ann Taylor</i> | POS: On-the-Cusp | 17.07 | 3.15 | Moderate | Moderate | High | Low | 13.92 | 13.58 | 8.86 | 0.34 | 10.96 | 8.79 |
| Ascena (Dress Barn/ Maurice/Justice) | POS: On-the-Cusp | 8.36 | (4.49) | Moderate | Low | Moderate | Low | 12.85 | 13.68 | 8.49 | (0.83) | 0.47 | 1.82 |
| <i>Dress Barn (Ascena)</i> | NEG: Challenged | (1.57) | (8.40) | Moderate | Low | Moderate | Low | 6.83 | 7.58 | 8.49 | (0.75) | (0.10) | (3.04) |
| <i>Maurice (Ascena)</i> | POS: On-the-Cusp | 9.89 | (3.90) | Moderate | Low | Moderate | Low | 13.79 | 14.08 | NA | (0.29) | (1.86) | 0.59 |
| <i>Justice (tween concept acq)</i> | POS: Competitive | 14.34 | (2.13) | Low | Moderate | Low | Moderate | 16.47 | 17.68 | 14.55 | (1.21) | 1.76 | 10.52 |
| Auto Zone | POS: Optimal | 40.96 | 10.80 | Low | Moderate | Moderate | Low | 30.16 | 29.60 | 5.56 | 0.56 | (3.19) | 13.58 |
| Baker Footwear Group | NEG: Terminal | (26.74) | (14.55) | High | None | High | None | (12.19) | (11.03) | 9.51 | (1.16) | (2.16) | 0.67 |

Global 400 Retail Watch List

Rating the Retailer Competitive Advantage by Deconstructing the Business Model for Intrinsic Value & Systemic Risk

G-400 VOLATILITY Index

Competitive Advantage of the Retail Business Model

[Retailers, Brand Manufacturers, Wholesalers, E-tailers]

**Full METHODOLOGY: See Addendum

| Watch List Competitive Advantage Fundamental Value Rating | G-400 Composite (points) | Volatility | | | | | | | | | | G-400 | | | | |
|---|--|----------------|----------------|------|------|------|------|------|------|------|------|-------|---------|------------------|-----------|-----------|
| | | Value | | | | | | | | | | Value | | Inflection Point | | |
| | | 2012-Mar | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | Chg-bps | 2007-2012 | 2005-2007 | 2003-2006 |
| POS: On-the-Cusp | Global 400 Watch List Composite | 10.84 | 10.71 | | | | | | | | | | | | | |
| POS: Competitive | Vera Bradley | 15.48 | 15.18 | | | | | | | | | | | | | |
| POS: Competitive | Vitamin Shoppes | 17.82 | 15.32 | | | | | | | | | | | | | |
| POS: Optimal | Walgreen | 28.15 | 34.03 | | | | | | | | | | | | | |
| NEG: Terminal | Walking Company-The | (17.74) | (16.82) | | | | | | | | | | | | | |
| POS: Competitive | Walmart (US & Intl) | 17.94 | 21.52 | | | | | | | | | | | | | |
| POS: Competitive | Walmart: Supercenter Format | 20.33 | 24.39 | | | | | | | | | | | | | |
| POS: On-the-Cusp | Walmart: Discount Format | 11.82 | 14.64 | | | | | | | | | | | | | |
| POS: Competitive | Walmart: Sam's Club | 15.69 | 18.92 | | | | | | | | | | | | | |
| NEG: Challenged | Walmart: Neighborhood Market | 8.21 | 10.33 | | | | | | | | | | | | | |
| | Walmart: Int'l | | | | | | | | | | | | | | | |
| POS: On-the-Cusp | Weis Markets | 12.04 | 11.97 | | | | | | | | | | | | | |
| NEG: Challenged | Wendy's | 5.23 | 4.96 | | | | | | | | | | | | | |
| POS: On-the-Cusp | West Marine | 13.38 | 13.17 | | | | | | | | | | | | | |
| NEG: Sinkhole | Wet Seal (corp) | 3.70 | 3.78 | | | | | | | | | | | | | |
| NEG: Challenged | Wet Seal (core) | 5.36 | 5.60 | | | | | | | | | | | | | |
| NEG: Sinkhole | B. Arden (Wet Seal) | (5.02) | (5.74) | | | | | | | | | | | | | |
| POS: Optimal | Whole Foods | 33.41 | 33.12 | | | | | | | | | | | | | |
| POS: Competitive | Williams Sonoma (corp) | 14.17 | 15.53 | | | | | | | | | | | | | |
| POS: Competitive | Williams Sonoma: Pottery Barn | 14.34 | 15.42 | | | | | | | | | | | | | |
| POS: On-the-Cusp | Williams Sonoma: Pottery B.Kids | 10.37 | 12.09 | | | | | | | | | | | | | |
| POS: On-the-Cusp | Williams Sonoma: Studio | 12.25 | 14.46 | | | | | | | | | | | | | |
| POS: Competitive | Williams Sonoma: West Elm | 14.24 | 14.12 | | | | | | | | | | | | | |
| POS: Competitive | Williams Sonoma:E-Com | 16.26 | 17.47 | | | | | | | | | | | | | |
| NEG: Challenged | Winn-Dixie (Merged w/ Bi-Lo 2012-Q1) | 4.64 | 4.77 | | | | | | | | | | | | | |
| POS: Competitive | Yankee Candle (Private) | 14.58 | 13.53 | | | | | | | | | | | | | |
| POS: Competitive | YUM! Brands (US& Intl) | 15.16 | 15.92 | | | | | | | | | | | | | |
| POS: On-the-Cusp | YUM! Brands: US | 13.93 | 11.58 | | | | | | | | | | | | | |
| | YUM! Brands: China/Non Asia | | | | | | | | | | | | | | | |
| NEG: Sinkhole | Zales | 4.16 | 3.49 | | | | | | | | | | | | | |
| POS: Optimal | Zara-Inditex (US & Intl) | 29.35 | 28.55 | | | | | | | | | | | | | |
| POS: Competitive | Zara-US | 24.55 | 23.50 | | | | | | | | | | | | | |
| POS: Optimal | Zara (all brands) Int'l | 29.88 | 29.11 | | | | | | | | | | | | | |
| POS: Competitive | Zumiez | 14.84 | 17.82 | | | | | | | | | | | | | |

Global 400 Retail Watch List
G-400 BUSINESS ADVANTAGE Index

FIVE PROFIT PILLARS [Growth Prospects/ Operating Platform-Productivity/ Profit Model/ Capital Structure/ Real Asset Advtg]

[Retailers, Brand Manufacturers, Wholesalers, E-tailers]

| Bs. Score | Growth Prospects | Operating Productivity | Profit Model/ Management | Capitalization/ Liquidity | Real Estate Quality & Strategy |
|----------------------------|---|---|---|---|--|
| Greater >18.00 pts | Above Market Growth. Internal & external growth outperforms historical trend & sector. Market Risk: Low | Sector Benchmark. Strong merchandising platform. Top logistics & unique supplier network. Wide moat. Operating Risk: Low | Superior Supply Chain & Visionary Management Optimal, sustainable model & supply chain. Event Risk: Low | Self-Funding/ High-Yielding Capital Structure. High free cash flow & asset returns vs. low capital costs Credit Risk: Low | Assets Integral to Business Model. Highly productive, state-of-art store formats. Integrated w/ Direct Mktg. catalogs & Internet). Asset Risk: Low |
| 10.00-17.99 | Opportunistic Growth. Ample growth opportunities at on bs model & store format. Market Risk: Moderate | Viable Niche-Model. Evolving merchandise /brand. Competitive benchmarks. Narrow eco moat Operating Risk: Moderate | Accretive Model. Fair mgmt & board. Relatively efficient supply chain. Event Risk: Low | Positive Leverage. Efficient capital structure. Some erosion in asset returns. Credit Risk: Moderate | Productive Formats. Nominal obsolescence. Strong sites & fair residual values. Asset Risk: Moderate |
| 4.50-9.99 pts | Sub par Growth Cycle Mature cycle, Requires new growth strategies & bs model, to lower rising cost of growth. Market Risk: Rising | Reinventing Model. Transitional stage. Margin compression, rising costs, eroding purchasing power. Zero moat. Operating Risk: Rising | Model at Crossroads. Model viability being tested: On verge of becoming/ declining. Event Risk: Low | Volatile-Inefficient Structure Dependent on alternative capital raising to fund cash flow shortfalls—bs/asset sales. Credit Risk: Low | Functional Obsolescence Declining productivity (sales psf). Repositioning of portfolio & new format critical to restoring co. Asset Risk: Moderate |
| Between +4.49 & minus-9.99 | Dilutive-Depleted Growth Expansion opportunities limited. Needs new growth vehicle or bs model. Market Risk: High | Impaired Model. Turnaround. Shopping experience irrelevant. Sharply eroding margins & rising costs. Zero eco moat. Operating Risk: High | Sinkhole-Busted Supply Chain Recapitalization can't stem profit erosion. Supply chain inefficient. Requires new management. Event Risk: High | Sinkhole-Illiquid. Negative leverage, capital returns & rental cvg. Asset sales & store closings high. Credit Risk: High | Turnaround Assets/ Non-integral to Business High functional obsolescence & poor locations lower residual value. Asset Risk: High |
| Negative 10.00 & Beyond | Growth Starved. Zero prospects outside of corp sale Downsizing store portfolio. Market Risk: Extreme | Model Broken--Beyond Repair. Zero going-concern value. Channel disintermediation. Operating Risk: Extreme | Distressed-Liquidation. Bankruptcy specter & mgmt turnover. Inefficient supply chain. Event Risk: High | Insolvent. Value in breakup of company & assets. Negative rental cvg. Credit Risk: High | Junk Assets. Marginal residual value. Channel dislocation & disintermediation. Asset Risk: High |

*Full METHODOLOGY: See Addendum

| | G-400 Composite Value (points) | Business Value (points) | | | | | Volatility Value Chg: bps | | Volatility Value Chg: bps | | Volatility Value Chg: bps | | Volatility Value Chg: bps | | |
|---------------------------------------|--------------------------------|-------------------------|-------------------------|---------------|-----------------------|-------------------|---------------------------|----------------|---------------------------|----------------|---------------------------|----------------|---------------------------|----------------|-----------|
| | | Growth Prospects | Operating/ Productivity | Profit Model | Liquidity/ Capitaliz; | Real Estate Advtg | Growth | Prospect | Optg/ Prod | Estate | Real | Profit | Model | 2010-2012 | 2005-2012 |
| | | | | | | | | | | | | | | | |
| | | | | | | | 2012 | 2012 | 2012 | 2012 | 2012 | 2012 | 2012 | 2012 | 2012 |
| Global 400 Composite | 10.84 | 13.52 | 5.49 | 12.06 | 8.16 | 12.18 | (0.07) | (0.81) | (2.27) | (3.69) | 1.41 | 1.85 | 2.06 | 0.65 | |
| Abercrombie & Fitch | 9.99 | 7.50 | 4.74 | 8.30 | 11.20 | 16.34 | (8.93) | (14.28) | (8.13) | (8.40) | 1.43 | (2.25) | (8.05) | (1.92) | |
| <i>Abercrombie (core)</i> | 7.74 | 2.90 | 5.30 | 6.60 | 10.20 | 12.65 | (13.60) | (18.10) | (11.70) | (9.20) | 1.60 | (6.85) | (11.40) | (4.90) | |
| <i>abercrombie (kids)</i> | 5.13 | 1.00 | 2.80 | 5.20 | 9.20 | 7.00 | (11.00) | (23.00) | (6.70) | (12.20) | (1.03) | (8.00) | (9.30) | (4.80) | |
| <i>Abercrombie: Hollister</i> | 10.07 | 8.00 | 2.40 | 10.60 | 12.40 | 14.50 | (10.00) | (13.00) | (10.60) | (7.60) | 0.00 | (3.00) | (7.40) | 2.60 | |
| <i>Abercrombie Int'l</i> | | | | | | | | | | | | | | | |
| Advanced Auto Parts | 22.26 | 27.00 | 11.00 | 18.00 | 24.00 | 26.50 | (6.00) | 16.00 | (11.50) | 7.00 | (1.00) | 17.00 | (2.50) | 7.00 | |
| Aeropostale | 8.44 | 10.00 | 0.50 | 8.50 | 10.50 | 10.25 | (1.00) | (14.00) | (14.50) | (13.50) | (14.25) | 1.25 | (9.00) | (3.50) | |
| <i>Ahold (US/Int'l)</i> | | | | | | | | | | | | | | | |
| <i>AHO: Giant-Carlisle-US</i> | 13.82 | 16.70 | 10.20 | 19.70 | 6.50 | 14.20 | 5.70 | 14.70 | 3.70 | 1.20 | 3.20 | 10.20 | 0.20 | 13.70 | |
| <i>Stop & Shop/Giant-Landover</i> | 5.16 | 8.00 | (3.00) | 15.50 | 1.70 | 3.80 | (2.50) | 3.00 | (3.00) | (13.00) | (1.40) | 1.30 | 1.50 | 6.50 | |
| ALCO (former Duckwall) | (4.30) | (0.50) | (9.00) | 1.00 | (9.50) | (0.75) | 3.00 | (6.50) | 4.00 | (15.00) | (0.75) | (8.25) | 6.00 | (5.00) | |
| AMC Entertainment | 1.56 | 7.00 | (0.50) | 3.00 | (2.50) | 0.75 | (4.50) | 1.00 | (10.50) | 1.50 | 4.00 | (0.75) | (1.00) | 0.00 | |
| American Eagle | 11.00 | 10.50 | 7.20 | 13.20 | 10.20 | 10.50 | 0.50 | (15.50) | 0.70 | (13.80) | (1.50) | (5.50) | (1.80) | (8.80) | |
| American Apparel | (1.52) | 4.35 | 4.00 | 0.20 | (13.94) | (0.81) | 10.85 | (19.15) | 7.20 | (10.05) | 2.78 | (17.61) | 7.50 | (14.95) | |
| <i>Amer Apparel: Retail-US</i> | 2.44 | 11.00 | 11.00 | (1.00) | (12.50) | 4.85 | 15.00 | (17.00) | 14.50 | (9.00) | 6.00 | (13.90) | 3.50 | (15.00) | |
| <i>Amer Apparel: Int'l</i> | | | | | | | | | | | | | | | |
| <i>American Apparel: Wholesale</i> | (6.33) | (6.00) | (2.00) | (1.00) | (14.00) | (6.00) | 3.50 | (25.00) | 3.00 | (14.00) | 0.00 | (21.75) | 6.00 | (17.00) | |
| ANN Inc (corp) | 13.61 | 17.75 | 3.03 | 9.41 | 16.62 | 17.23 | 14.15 | 19.07 | 0.59 | 11.91 | 14.48 | 26.31 | 1.77 | 7.33 | |
| <i>Ann Taylor (full price)</i> | 12.81 | 14.80 | (0.50) | 11.50 | 18.20 | 17.43 | 6.30 | 17.80 | (10.00) | 9.50 | 10.68 | 28.43 | 4.00 | 9.50 | |
| <i>Loft-Ann Taylor</i> | 13.92 | 18.90 | 4.40 | 8.60 | 16.00 | 17.15 | 17.20 | 0.90 | 4.70 | 0.40 | 15.95 | 4.15 | 0.90 | 5.60 | |

Global 400 Retail Watch List

Valuation & Scoring

Composite Values: Composite Fundamental Values for each retailer are ranked by Positive Watch and Negative Watch. (See table below for value scores and taxonomy.) **Credit quality** is further scored by degree of competitiveness of the business model, supply chain, real estate assets/selling channel and management. The composite grading reveals assumptions about degrees of risk and solvency, potential growth prospects, expected investment returns, capital spreads and intrinsic business and real estate values. To determine sources of strength and weakness in the business model, see business component values on following pages broken out by five fundamental pillars of value: Growth, operating-merchandising, profit model & management, capital structure & liquidity and real estate portfolio quality and alternative selling/distribution channels (wholesale, direct marketing—catalogs Internet).

| G-400 Rankings | Index Value | Competitive Advantage Taxonomy |
|-----------------------|-------------|--|
| POSITIVE Watch | | |
| Optimal | >25.00 | Industry Standard-Benchmark. Above market growth & returns. Operating advtg. Wide moat. High intrinsic value. Real estate integral to bs & Internet. |
| Competitive | 14.00-24.99 | Competitive-Niche Model. Competitive growth and asset returns. Niche player. Strong brand equity. Leveraging real estate & alternative channels. |
| On-the-Cusp | 10.00-13.99 | Transition Model. Emerging operating & competitive risk. Model, strategies & selling channels being tested by market. Costly integration of M&A & debt. |
| NEGATIVE Watch | | |
| Challenged | 4.50-9.99 | Speculative Credit. Second-tier chain. Sub par metrics. Consumer disconnects. Restructuring mode. New concepts/channels tested. Turnover mgmt&stores. |
| Sinkholes | <4.50/-9.99 | Turnaround Credit. Negative growth, returns & leverage investing. Irrelevant shopping experience. Alternative costly funding thru asset sales/ M&A. |
| Terminal | > (-10.00) | Broken Beyond Repair Model. Insolvent, imminent bankruptcy, liquidation or merger. Zero residual value in bs & assets. |

Credit quality ranking purport to be bond rating equivalents, but not perfect substitutes because conventional bond cash flow valuations are expanded to include asset valuation (real estate, brands, intellectual Internet property) and structural assessments of supply chains & logistics. Also assessed are merchandising and real estate strategies to determine relevancy to core and prospective customers. Positive Watch credits-Optimal and Competitive can be viewed as investment grade (A-rated), On-the-Cusp as triple-B equivalent. Negative Watch Credits include Challenged credits with bond rating equivalents of double/single-B ratings, Sinkholes are speculative or high-yield credits (single B-and CCC) and Terminal are junk or non-rated issues. **Loss severity** is measured by year-over-year change in composite values, reflecting recovering situations, weakening credits or deteriorating credits at risk of bankruptcy or liquidation. (See below.)

Risk-Reward Value Spectrum

| Credit-Format Watch | Negative | Negative | Negative | Positive | Positive | Positive |
|--|---------------------------------|--------------------------------|---|--|-----------------------------------|--|
| Credit Quality | Terminal | Sinkhole | Challenged | On-the-Cusp | Competitive | Optimal |
| G-400 Value | -10.00+ | 4.50 to -9.99 | 4.50 to 9.99 | 10.00 to 13.99 | 14.00-24.99 | 25.00+ |
| Bond Rating Equivalent | D/Non-rated | B-/CCC | BB+/B | BBB+/BBB- | AA/A | AAA/AA |
| Degree of Risk | Extreme | High | High | Moderate | Low | Low |
| Investment Profile & Expectations | Distressed/ insolvent | Speculative | Subpar performance | Stable fundamentals | Steady state | Optimal performance |
| (Cash flows, default probability, recovery rate, asset values) | Bankruptcy, liquidation or M&A. | Imminent bankruptcy or merger. | Volatility in cash flows, returns/ management | Transitional business model. Downside risk | Competitive operating models | Benchmarks for sector—growth & returns |
| Intrinsic Value | Zero | Low | Nominal | Nominal | High | High |
| Recovery Value/Rate | Negative | Low | Low | Moderate | High | High |
| Positive Spread Investing | Dilutive | Negative | Negative | Positive | Self-funding | Self-funding |
| Solvency | Distressed | Speculative | Eroding | Eroding | Stable | Stable |
| Recession Beta | High | High | High | High | Moderate | Moderate |
| Growth Prospects | Zero | Declining | Limited | Low-Moderate | Moderate | High |
| Investment Returns | Negative | Declining | Volatile-High | Flat-Moderate | Stable | Competitive |
| Capital Spreads (quality) | Junk | High-Yield | Speculative | Speculative | Investment grade | Investment grade |
| Real Estate (Integral to Operating Model) | Dilutive/ obsolescence | Marginal/ obsolescence | Secondary/ obsolescence | Secondary/moderate productivity | Vital/ integral/ growth potential | Vital/ integral/ benchmark |

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FIVE PROFIT PILLARS [Growth Prospects/ Operating Platform-Productivity/ Profit Model/ Capital Structure/ Real Asset Advtg]

Business Component Values are "notched" for various levels of risk systemic to the company, sector and market (consumer and financial). Weighs impact of macro-economic events (recession, asset deflation, credit crunch), management's ability to innovate, grow, leverage costs, efficiently capitalize & compete. **Severity of Risk Score:** Market Risk see Growth Prospects, Operating Risk see Operating & Productivity, Event Risk see Profit Model, Credit Risk see Capitalization & Liquidity, Asset Risk see Real Estate Quality.

Scoring by Business Component: Risk-Reward

| Bs. Score | Growth Prospects | Operating Productivity | Profit Model/ Management | Capitalization/ Liquidity | Real Estate Quality & Strategy |
|----------------------------|--|--|--|--|--|
| Greater >18.00 pts | Above Market Growth. Internal & external growth outperforms historical trends & sector. Ample store capacity, market & format opportunities. New alliances (vendors, direct marketing & Internet). M&A + organic growth. Market Risk: Low | Sector Benchmark. Strong merchandising platform. Great operating leverage & purchasing power. Top logistics & unique supplier network. Dominant brand & formats. Wide moat. Operating Risk: Low | Superior Supply Chain & Visionary Management Optimal & sustainable profit model and supply chain. Strong mgmt & board. Strong competitive advantage from irreplaceable model & assets. Event Risk: Low | Self-Funding/ High-Yielding Capital Structure. Free cash flow strong. Low capital costs & high asset returns. Equity values underpin high franchise value & liquidity. Credit Risk: Low | Assets Integral to Business Model. Highly productive and state-of-the-art store formats. Stores integrated w/ Direct Marketing (catalogs & Internet). Dominant sites with high residual value. Steady cap ex allocations sustains asset value & competitiveness. Asset Risk: Low |
| 10.00-17.99 | Opportunistic Growth. Ample growth opportunities at a price based on bs model & store format. Experimentation w/ new formats & bs alliances great to jumpstart slowing core growth. M&A dependent. Market Risk: Moderate | Viable Niche-Model. Evolving merchandise mix & brand equity. Competitive margins & productivity benchmarks. Wide moat: Competitive risk moderate. Operating Risk: Moderate | Accretive Model. Fair mgmt & board. Relatively efficient supply chain & vendor alliances, requiring modicum of upgrading. Accretive profit growth & few write offs. Sound inventory mgmt & turns. Event Risk: Low | Positive Leverage. Not fully-self-funding yet capital structure efficient & cost of capital competitive. Strong free cash flow position & liquidity coverage. Slight erosion in asset returns. Credit Risk: Moderate | Productive Formats. Nominal obsolescence. Strong sites & fair residual values. Formats & locations still relatively to bs model & customer. Cap ex invested in new & remodels to sustain asset productivity. Asset Risk: Moderate |
| 4.50-9.99 pts | Sub par Growth Cycle Mature cycle. Growing competition. Volatile internal growth. Limited store capacity. Requires new growth strategies, bs model, selling channels & mgmt to lower rising cost of growth. M&A dependent. Market Risk: Rising | Reinventing Model. Merchandising platform losing advtg w/ consumer. Transitional stage of bs to adapt to new competitive environment. Margin compression, rising costs, eroding purchasing power & brand equity. Zero moat. Operating Risk: Rising | Model at Crossroads. Viability of model being tested: On the verge of becoming and/or declining. Volatile earnings due to poor mgmt, overexpansion, new competition or margin erosion. Significant write-offs. Event Risk: Low | Volatile-Inefficient Structure Dependent on alternative capital raising to fund cash flow shortfalls, including bs & asset sales Limited borrowing capacity, trade-offs with capital cost & returns. Volatile equity values. Credit Risk: Low | Functional Obsolescence Declining productivity (sales psf). Trading down in new locations. Need for remodeling as obsolescence increases. High cap ex maintenance. Repositioning of portfolio & new format critical to restoring co. Asset Risk: Moderate |
| Between +4.49 & minus-9.99 | Dilutive-Depleted Growth Expansion opportunities limited. External & internal growth in secular decline. Needs new growth vehicle or bs model. Market Risk: High | Impaired Model. Turnaround. Shopping experience irrelevant. Sharply eroding margins & rising costs. Inferior merchandising, high competition, channel disintermediation. Operating Risk: High | Sinkhole-Busted Supply Chain Recapitalization can't stem profit erosion. Supply chain inefficient. Requires new management & strategic model. Accounting issues. Event Risk: High | Sinkhole-Illiquid. High-yield credit. Negative leverage, capital returns and rental coverage. High level of asset sales & store closings. Credit Risk: High | Turnaround Assets/ Non-integral to Business. High functional obsolescence, disintermediation & real estate dislocation. Deferred cap ex & poor locations lower residual value. Asset Risk: High |
| Negative 10.00 & Beyond | Growth Starved. Zero prospects outside of corp sale Downsizing store portfolio. Market Risk: Extreme | Model Broken--Beyond Repair. Zero going-concern value. Channel disintermediation. Operating Risk: Extreme | Distressed-Liquidation. Bankruptcy specter & mgmt turnover. Inefficient supply chain. Event Risk: High | Insolvent. Value in breakup of company & assets. Negative rental cvg. Credit Risk: High | Junk Assets. Marginal residual value. Channel dislocation & disintermediation. Asset Risk: High |

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Methodology: Inputs and Outputs

Index Definition and Rationale

The **G-400 Index**® is a structural index that assesses the overall competitiveness of a retailer's business. The **Index**® is a composite of 455+ public retail companies from 60 sub-sectors. Individual and sector values are posted monthly. Values represent absolute and relative competitiveness for the business and individual segments of operations, ranging from merchandising, real estate and capital positions. Real estate values, a unique feature of the Index, indicate whether store portfolios and strategies are integral to operations and represent the full spectrum of store formats that occupy a diversity of shopping centers. (Note: Company sampling may change slightly over time due to IPOs, consolidation and corporate acquisitions, new division start-ups, bankruptcies and liquidations.)

Fundamental Benchmark: Viability of Retail Asset Model

The Index serves as a benchmark for measuring the short-term and long-term viability of the retailer's franchise against capital values (stock, bonds and real estate), credit ratings and other economic indices. Conceived in 1996, indexed values provide monthly and annual base line analysis of a company's operating fundamentals. The indexed value is a composite or weighted average value derived from five components of the retailer's business model. The composite value is distributed along a performance curve of positive and negative watch credits. Index values anticipate operating and real estate risks that eventually lead to changes in demand and price of shopping center space as well as stock and bond prices and credit ratings.

Structural Valuation: Contribution of Five Business Components

The composite value is a weighted average of the values for five components of the company's business model. (See table below). By deconstructing the company into five components of business value, investors can discern which facet of the business contributes to the overall going-concern value and/or presents the greatest risk. Contribution by component varies based on life cycle of company, strategic initiatives, capitalization, management, obsolescence of real estate, structural evolution at sector level and global macro-events (economic and monetary).

| | Business Component | Risk Factor | Methodology: Inputs and Outputs |
|---|-------------------------------------|---------------|---|
| 1 | Growth Prospects and Strategies | Market | Ranks quantitative and qualitative variables for achieving internal and external growth over the next three years. Accounts for same-store sales, store pipeline (openings & closings), new markets acquisitions, new channels, branding alliances and capital access. |
| 2 | Operating Platform and Productivity | Going-concern | Assesses merchandising strategies (goods and services), competitive landscape, pricing strategies, deflation, channel distribution and resultant operating and productivity margins (absolute and relative based on company historical trends & sector benchmarks). |
| 3 | Capitalization and Liquidity | Credit | Monitors liquidity and efficiency of capital raising to grow business. Assesses cash flow positions, reinvestment returns (assets and capital), capital structure, interest coverage ratios, cost of capital, share buy backs, bond redemptions and liquidation values. |
| 4 | Real Estate Values and Strategies | Asset | Determines if real estate formats are integral to the operating model. Evaluates real estate portfolio and growth strategies using qualitative and quantitative measures. Assesses level of functional obsolescence, viability of new formats & remodels, locational attributes, age of stores, pipeline capacity, store productivity (per sq. ft.) and returns on assets, capital expenditures and residual values of real estate. |
| 5 | Profitability Model | Management | Assesses profit model based on business strategies, profit metrics, corporate life cycle, inventory management & turns, technology & systems, quality of management & board. |

Unlike conventional credit models that focus solely on cash flow positions, the methodology for the **G-400 Index** evaluates the cause and effect of structural changes on the long-term viability of the retailer's going-concern and real estate. The primary objective is to separate the fundamental signals from the "noise" in the broader markets (capital, retail and regional real estate markets) to determine which economic and sector events and company initiatives are impacting going-concern and asset values. For example, operating models (the retailer's going-concern) are evaluated in the context of structural changes that are reconfiguring the supply chain, redistributing the balance of power (competition) and altering consumer demand and shopping behavior. The contribution of ancillary cash flow and intangible assets to core merchandise cash flow categories are also measured, including such initiatives as branding efforts, higher-margin goods and services, caliber of management systems, speed of delivery and replenishment and alliances with retailers and non-retailers that enhance distribution capacity and broaden the customer base.

Other qualitative and qualitative inputs, such as investment capital (cap ex), technology and innovation and human capital (management, board of directors and talent) are also factored into composite values. And the shopping experience is measured by regional field trips and local assessment of store formats. Factors of convenience, ease of shopping each channel, relevancy of store to core customer and new shoppers are part of the overall evaluation process.

Methodology: Inputs and Outputs

Quantitative benchmarks used in conventional credit analysis and corporate valuation are evaluated in conjunction with qualitative measures to provide strategic assessments of the business model. For example, on the quantitative side, standard equity and bond ratios are used to determine going-concern values, drift in cash flows and liquidity. Real estate values reflect occupancy costs, residual values of formats and locations, sales productivity and rates of returns. On the qualitative side, financial performance is deconstructed to determine the contribution of human capital and validity of strategic initiatives under the industry's value continuum.

Advantages Relative to Capital Indices

There are several advantages to using the MAX-WL Index values over default rates, bond ratings, stock prices and other capital ratios to determine the underlying risk and probability that retailers will recover and grow. The inputs to the Index are carefully selected to capture the forces and tenets governing the transition of retail in the millennium, the competitive values (outputs) provide a greater degree of confidence into the long-term viability and performance of the retailer's operating model. Values of each retailer are tested monthly by the liquidity and volatility of underlying financial assets values (stocks, bonds, securitized instruments and real estate), changes in capitalization and write-offs, expansion and contraction/liquidation of businesses and store portfolios, turnover in management, demand for goods and changes in merchandising platform and other competitive forces impacting performance.

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