Retail MAXIM

SAMPLE ISSUE

Alternative Retail Risk Analysis for Alternative Capital

Global 400 Retail Watch List: Index of Fundamental Values

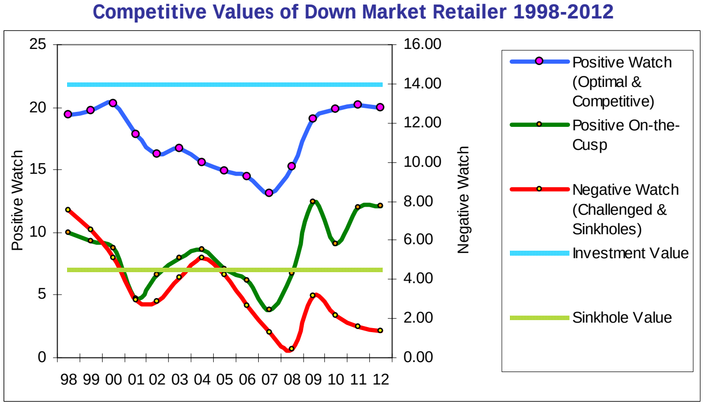
Alternative Ratings for Alternative Capital

	Intl Shr Index 2012	US Shr Index 2012	US Shr Index 2010	US Shr Index 2007
G-400 # Credits	73	380	350	369
Positive Watch	78.1%	51.8%	56.6%	32.5%
Optimal	12.3%	5.8%	4.9%	2.7%
Competitive	49.3%	31.8%	30.3%	18.2%
On-the-Cusp	16.4%	14.2%	21.4%	11.7%
Negative Watch	21.9%	48.2%	43.1%	66.1%
Challenged	6.8%	21.1%	19.7%	23.6%
Sinkholes	13.7%	22.1%	21.7%	36.3%
Terminal	1.4%	5.0%	1.7%	6.2%

Fundamental Outlook: Distribution of Risk & Value

	Intl Shr 2012	US Shr 2012	US Shr 2010	US Shr 2007
Improving	0.0%	0.0%	0.0%	0.8%
Stable	15.1%	10.8%	11.5%	9.5%
Steady State	45.2%	41.6%	32.2%	33.6%
Volatile	34.2%	39.5%	40.8%	34.1%
Deteriorating	5.5%	8.2%	16.7%	22.0%

Competitive Values of Down Market Retailer 1998-2012



Occupy Main Street

Down Market Real Estate Strategies Re-Risk Rent Rolls

[Tenant Credit Profile of New Store Cycle]

Position: No safety net for the middle? If Mitt Romney is talking about retail real estate then he has a point. To achieve the double-digit top line growth the next 5-8 years from doubling store capacity (as reported in "Going Rogue" ***RM***: Jan 2012), high productivity-high margin retailers will need to trade down to the mass market. Based on the revised real estate strategies and new formats being tested, the push down market is underway. Main Street America is about to be occupied with the next generation of retail outlets designed for the New Economic Normal of Sub Par Growth and Downward Mobility.

Accompanying the expansion of high-margin retailers are sub prime and restructuring credits that have been inflating pipelines to generate instant equity to fund short-term liquidity and productivity short falls, other more brazen are double buildable capacity over the next 5-8 years much of which involves lower productivity formats and locations that allow for greater share gains. And if the new supply of distressed retailers driving the speculative side of going down market is not enough, there is the experimental stock of 300+ New Concepts flagged by the ***MAX-SI Spatial Index*** where down market strategies underpin half of the 20,000 stores that will open by 2014, which is nearly 40% of the growth of the 2,000 chains that comprise the Index.

Combined, the new store supply of this new pool of down market formats will not only increase absorption levels that have been depressed since 2007 but expand demand beyond the much-treasured top 10% core of A-malls and strips into the 90% of B-centers in urban and suburban markets and lower density locations of exurbia and rural America, picking up where growth left off when the real estate bubble burst in 2008.

"Down market retail" will be driving a good portion of the demand for space in multi-lease projects the next several years, which seems counterintuitive in an economy purportedly on the mend where luxury and full price should be leading the next phase of real estate expansion. Down market strategies may be providing landlords with a larger pool of growth tenants but not without skewing the rent roll toward sub prime credits & formats. Just how much risk is embedded in the new store pipeline that will occupy the main streets of a much-battered America has yet to be quantified. By all accounts, the capital backing the current cycle of store expansion and shopping center leasing entails the "re-risking" not de-risking of retail real estate at a time when a de-leveraging of bad collateral and assets is much needed to restore productivity and sustainable four-wall growth and productivity.

This month, ***MAXIM*** looks at the down market strategies being adopted by retailers, which is a complete reversal of the measured growth and intrinsic value creation discussed under the 24 New Normals in November 2011. There is a high degree of speculative growth in a pipeline trading down, some of which will be managed by tenant and landlord but much that portends to be the next cycle of workouts of liquidations. The rationale for down market real estate strategies is strong at this stage of the retail cycle and key to generating double-digit growth in selling GLA. Retailers and landlords just need to be aware of the trade offs of using a strategy that enables them to re-occupy Main Street America.

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[Tenant Credit Profile of New Store Cycle]

'As leases that were signed during the run-up in rents mature, they're likely to be renewed at lower prices. In fact, the U.S. General Services Administration last year saw a 2 percent reduction in rents. It also reduced the amount of space allocated per staffer. At the same time, landlords are facing increasing property expenses. And companies continue to downsize, in New York and across the country. And few companies are taking additional space in anticipation of growing into it, largely because of concerns of a global economic slowdown, driven by economic instability in Europe and China." Commercial Real Estate Direct Staff Report, 1/10/12

"Facebook has lost a number of storefront retailers in the past year, according to a Bloomberg story on Thursday. The pages allow customers to become "fans" of companies. Analyst Sucharita Mulpuru of Forrster Research told Bloomberg that the big bets on smart phones and tablets did not pan out as Facebook is not driving commerce to the retailer's store. "There was a lot of anticipation that Facebook would turn into a new destination, a store, a place where people would shop. But it was like trying to sell stuff to people while they're hanging out with their friends at the bar." Retailers no loner a fan of Facebook, discontinuing their alliance are: Gamestop, JC Penney, Gap and Nordstrom."
"Facebook storefronts losing retailers." San Jose Bs Journal, 2/17/2012

"Outpost: Cabela's new small format designed as the next generation of sports retailing experience. The mini-40,000 sf format is targeting small markets (population less than 250,000) and underserved markets which as radical departure from the trend the past decade of the mass urban migration as retailers seek safety in density and a break form the past three decades of "hybrid" sports superstores locating to mega malls (such as The Mills) as retailers seek greater control over their real estate costs and destiny." ***MAX-SI Spatial Index***, 2011 Q4

"I prefer to think that JCP is moving to price clarity and transparency. it's hardly a radical approach, but sometimes you need to reinforce the foundation before you go adding extra stories to a crumbling structure. Ryan Mathews,Black Monk Consulting

"Small formats and small markets sound on paper but the reality is players like Walmart do not have the supply chain to support small unless small equals the same volume of big stores in a given trade are or geography: To achieve the scale of supercenter sales in a region, a multiple of 100-200 express stores would be required, capacity highly improbable.". .
Rethinking Retail Scale, Carol Spieckerman, newmarketbuilders, 10/2011

POSITION: Going Down Market to Re-Occupy America's New Main Street

No safety net for the middle? If Mitt Romney is talking about retail real estate then he has a point. To achieve the double-digit top line growth the next 5-8 years from doubling store capacity (as reported in "Going Rogue" ***RM***: Jan 2012), high productivity-high margin retailers will need to trade down to the mass market. Based on the revised real estate strategies and new formats being tested, the push down market is underway. Main Street America is about to be occupied with the next generation of retail outlets designed for the New Economic Normal of Sub Par Growth and Downward Mobility.

Accompanying the expansion of high margin retailers are sub prime and restructuring credits that have been inflating pipelines to generate instant equity to fund short-term liquidity and productivity short falls, other more brazen are double buildable capacity over the next 5-8 years much of which involves lower productivity formats and locations that allow for greater share gains.

And if the new supply of distressed retailers driving the speculative side of going down market is not enough, there is the experimental stock of 300+ New Concepts flagged by the ***MAX-SI Spatial Index*** where down market strategies underpin half of the 20,000 stores that will open by 2014, which is nearly 40% of the growth of the 2,000 chains that comprise the Index.[1]

Combined, the new store supply of this new pool of down market formats will not only increase absorption levels that have been depressed since 2007 but expand demand beyond the much-treasured top 10% core of A-malls and strips into the 90% of B-centers in urban and suburban markets and lower density locations of exurbia and rural America, picking up where growth left off when the real estate bubble burst in 2008. By all appearances, "down market retail" will be driving a good portion of the demand for space in multi-lease projects the next several years, which seems counterintuitive in an economy purportedly on the mend where luxury and full price should be leading the next phase of real estate expansion.

As the 24 New Normals listed in ***MAXIM*** 2011 has shown, there is nothing normal as in predictable in these modern times. What's different this time around is that sub prime retail credits rather than sub prime projects of shopping center and residential developers is driving the national expansion of real estate. Which is not to say that sub grade shopping centers and other locations will not be resurrected by the spatial demand of down market growth. 2011 was the best leasing years that B-malls have seen in nearly a decade. And the institutional capital and private equity of opportunistic funds being invested in such assets will seek out the most speculative of retailers looking for space in order to create a new baseline of value.

Down market strategies of retailers may be providing landlords with a larger pool of growth tenants but not without skewing the rent roll toward sub prime credits & formats. Just how much risk is embedded in the new store pipeline that will occupy the main streets of a much-battered America has yet to be quantified. The function of the store is in the process of adapting to new spatial dynamics, a theme discussed at length in the 2011 New Normal issue.

After four years of retrenchment of supply and stagnation in productivity, retailers and landlords are embracing the growth with little regard for any long term consequences of the ongoing structural shifts. Based on retail valuation metrics in Q1 2012, the capital markets is assigning a hefty value premium to current growth prospects. PE ratios have catapulted from 25 to 55 over this time last year where price not earnings is driving the multiple. PEG ratios for any retailer exhibiting strong growth are looking speculative at 1.5-2.0 times with no distinction made for credit quality.

Continues….

Takeaway: Re-Risking Rent Rolls:
The Landlord's Big Bet on Short Term Growth

Retailers are increasing new store capacity that has renewed the demand for space after a near four year lull. Leasing activity in 2011 that was the strongest since 2007 for all grades of malls and strip centers is expected to get stronger in 2012 not because the consumer has recovered but because retailers are under pressure to grow top line and have devised new strategies and merchandising platforms to take advantage on the ongoing mispricing of space and existing retail/ tenant voids.

If retailers are under pressure to re-grow the top line, there is a greater urgency for landlords to restore occupancy levels where they can dictate rental prices and support debt values of assets that have grown too big for today's shrinking marketplace. In this context, landlords will share in the funding of the speculative new growth of going down market by leasing at terms that makes it affordable for a wider universe of tenants with lower producing store formats.

Not only have old restrictions on uses and co-tenancies that are steadily being abandoned allowing through the door the full spectrum of retail formats to absorb the structural overhang of space, but the High Frequency Leasing (HFL) model of 'robo-renting" model adopted under the past two decades of real estate securitization, [2] has the capacity to sign up sub prime tenant credits and formats while earning a premium rent for the risk.

The turnover of junk retail credits and formats generates volume and demand that elevates rental prices. After being temporarily shutdown in the 2008 aftermath, this turbo leasing machine is being ramped back up by the down market spatial expansion of retailers. Here, the volume of leasing will be accommodating many 6-10.

The demand by such users has been growing as many remain in a restructuring mode, turning to new store supply to manufacture a new baseline of value and equity trove to offset troubled store portfolios and elevate stock prices.

The pool of such sub prime tenants will not dry up anytime soon, providing replacements for high turnover. For many landlords, this is a good problem to have since most rent rolls still operate off High Frequency Leasing model.

The speculative growth underscoring the retailer's pipelines is only half the story of any re-risking of the rent roll. Opportunistic landlords in the retail REIT sector (such as Kimco, Vornado and General Growth--spearheaded by an ex-Vornado exec post BK) are launching financing programs for cash-starved retail establishments, be it local operators, small cap chains and franchisees, dislocated by the ongoing credit crunch in the small business sector.

Continues….

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[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.

[2] "RoboRenting. Seven-Plus Deadly Signs of Leasing Risk…at the Mall. "[High-Frequency leasing (HFL) the new profit model for mall owners.] ***Retail MAXIM***: Mar 2010.

DOWN MARKET Strategies of Retail Credits Aimed at Double-Digit Growth

Low to Moderate Productivity Formats: (Less <$315 PSF)

MAX-WL 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.

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

Volatility Chg-bps 2012 vs. 2007	2012 vs. 2011		Fundamental Value Rating 2012	G-400 Value (pts) 2012-Feb	Avg. Value (pts) 2007-2011	2001-2006	Bs. Value (pts) Growth Prosp 2012-Feb	Optg/ Prod	Profit Model	Liquid/ Capital	Real Estate Advtg	Chg: bps Real Estate 2010-2012	2005-2012	Chg: bps Growth Pros 2010-2012	2005-2012	Chg: bps Optg/ Prod 2010-2012	2005-2012
1.54	(0.17)	**Global 400 Composite**	POS: On-the-Cusp	10.16	9.20	11.78	13.05	4.57	11.39	7.68	11.52	0.75	1.19	(0.54)	(1.28)	(3.19)	(4.61)
(0.32)	(1.38)	ALCO (former Duckwall)	NEG: Sinkhole	(4.53)	(4.49)	5.69	(0.50)	(9.00)	1.00	(10.50)	(0.75)	(0.75)	(8.25)	3.00	(6.50)	4.00	(15.00)
17.70	1.92	Bed Bath & Beyond	POS: Optimal	29.96	22.71	16.80	31.00	21.70	29.50	31.20	27.00	1.00	15.50	0.00	11.00	(4.30)	0.70
6.56	(1.59)	Big Lots	POS: On-the-Cusp	11.49	11.88	1.90	19.50	2.50	6.00	14.50	11.50	(7.00)	18.75	2.50	25.50	(5.50)	5.50
(3.20)	(1.74)	Bon Ton: Elder-Beerman	NEG: Sinkhole	3.57	8.00	4.88	5.50	2.50	6.50	(6.00)	10.50	(6.00)	(3.00)	(5.50)	(3.50)	(3.50)	(3.50)
(0.64)	(0.60)	**Burlington Coat (Prv)**	NEG: Sinkhole	(9.69)	(7.51)	(0.30)	(2.00)	(12.30)	(1.80)	(17.30)	(10.00)	(8.75)	(9.00)	(7.50)	(5.00)	(5.80)	(8.30)
5.79	0.25	Cableas: Retail	POS: Competitive	16.12	14.60	16.79	15.20	12.60	20.10	10.70	16.70	0.20	6.20	0.70	(2.80)	(9.40)	(2.40)
0.64	(1.91)	Casual Male	NEG: Challenged	9.06	3.35	5.22	17.00	0.20	2.20	3.30	21.98	12.73	9.98	8.50	(1.00)	1.70	(11.80)
8.74	0.57	Cato	NEG: Challenged	5.31	2.90	7.87	5.00	(2.00)	8.00	9.50	4.25	(1.75)	4.75	(7.00)	4.00	(12.00)	2.00
11.25	2.07	Charming Catherines	NEG: Sinkhole	1.37	(5.61)	5.21	5.50	3.00	4.50	(7.00)	0.00	6.50	(6.75)	8.00	(3.50)	5.00	4.00
7.18	1.56	Charming Lane Bryant	NEG: Challenged	9.09	0.98	13.18	10.30	11.30	10.30	(4.00)	16.55	12.05	2.55	4.30	(2.70)	(0.20)	(3.70)
7.05	(1.92)	Chicos (core brand)	POS: On-the-Cusp	12.16	6.01	16.28	16.30	3.10	8.60	14.30	15.05	7.05	(8.25)	11.30	(4.00)	(6.40)	(9.70)
0.02	(1.80)	Citi Trends	NEG: Sinkhole	(8.65)	1.05	11.15	(4.00)	(11.00)	(1.50)	(15.50)	(8.00)	(17.25)	(27.50)	(14.00)	(24.00)	(6.00)	(13.00)
(13.94)	(1.97)	Coolective/Payless Shoes	NEG: Sinkhole	(9.16)	2.81	2.27	(1.00)	(9.50)	(7.50)	(11.50)	(12.00)	(7.30)	(5.25)	(10.00)	0.00	(10.00)	(9.50)
13.57	2.77	Cost-Plus	NEG: Challenged	4.77	(5.68)	7.34	12.80	(2.20)	(0.20)	2.00	10.30	11.05	10.80	7.80	13.80	(7.70)	8.80
(10.17)	(2.88)	Delhaize (Food Lon/ Bottom Dollar/Hannaford)	NEG: Sinkhole	1.91	11.15	6.12	5.50	(8.50)	5.50	4.50	4.25	0.87	(5.00)	1.00	(2.50)	(16.50)	(19.50)
13.31	2.06	Dollar General	POS: Competitive	17.77	12.99	10.16	21.50	13.10	16.00	14.00	19.75	0.75	7.75	1.00	5.50	(0.40)	5.10
15.55	0.18	Dollar Tree	POS: Optimal	30.26	20.82	9.82	30.50	19.20	21.50	33.00	38.00	21.12	35.00	8.00	22.50	(1.30)	19.20
(0.03)	1.05	Dress Barn (Ascena)	NEG: Challenged	9.84	9.02	6.92	15.00	(1.50)	9.50	9.50	14.95	3.70	12.45	2.50	(1.00)	0.00	(14.50)
10.34	1.85	DSW Shoes	POS: Competitive	15.91	8.28	7.26	14.50	8.70	12.00	21.00	17.75	9.50	13.46	(6.50)	4.17	(2.80)	4.70
19.31	(1.01)	Family Dollar	POS: Competitive	14.30	10.50	6.63	18.00	2.50	5.50	14.50	26.95	3.70	27.95	(5.00)	12.00	(7.00)	7.50
(2.62)	0.00	Fred's	NEG: Sinkhole	1.38	3.10	10.27	6.00	(2.20)	3.50	(1.50)	(1.00)	(0.30)	(15.50)	(1.30)	(5.00)	(4.00)	1.80
13.34	1.06	Gap: Old Navy	NEG: Challenged	5.45	2.80	(1.42)	9.30	(3.40)	(1.10)	11.10	9.55	1.80	13.55	(6.20)	1.30	(3.90)	3.60

US Consolidated Companies and Divisions (Retail, Wholesale, Direct Marketing)
Cycle of Competitive Advantage of Business Model

Composite Competitive Values: The Global 400 Retail Watch List

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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.

Volatility Chg-bps 2012 vs. 2007	2012 vs. 2010	2012 vs. 2011	Guidance Upside/ Downside 2012-2013 Chg-bps		Fundamental Value Rating 2012-Feb	Outlook Short-Term 2012-Feb	G-400 Compos Value (pts) 2012	2011	Avg. Value (pts) 2007-2011	2001-2006	1998-2000	2010	2009	2008	Inflection Point 2005
1.54	0.02	(0.17)	(0.12)	Global 400 Composite	POS: On-the-Cusp	Steady State	10.16	10.33	920	11.78	15.86	10.14	10.09	6.80	11.57
(0.25)	(4.93)	(2.02)	0.23	**Abercrombie & Fitch**	NEG: Challenged	Steady State	9.07	11.09	10.04	14.12	27.19	14.00	7.43	8.37	15.20
(2.91)	(8.02)	(1.68)	(1.60)	*Abercrombie (core)*	NEG: Challenged	Steady State	6.94	8.62	10.21	14.37	27.19	14.96	7.49	10.12	16.73
(3.28)	(5.63)	0.21	(0.90)	*abercrombie (kids)*	NEG: Challenged	Volatile	4.73	4.52	7.45	14.05	NA	10.36	6.09	8.26	14.37
0.09	(5.06)	(3.35)	1.57	*Abercrombie: Hollister*	NEG: Challenged	Steady State	9.27	12.62	9.99	12.90	NA	14.33	7.37	6.43	12.57
				Abercrombie & Fitch: Int'l											
15.22	(3.86)	(0.98)	3.38	Advanced Auto Parts	POS: Competitive	Stable	21.51	22.49	18.00	6.27	NA	25.37	18.27	17.59	8.34
(5.60)	(7.79)	0.39	(3.26)	Aeropostale	NEG: Challenged	Volatile	9.83	9.44	16.60	15.12	14.32	17.62	20.64	19.85	14.58
				Ahold (US/Int'l)											
1.72	(0.18)	0.30	1.80	*AHO: Giant-Carlisle-US*	POS: On-the-Cusp	Steady State	13.84	13.54	13.51	6.45	13.20	14.02	13.69	14.20	6.24
(0.77)	(1.60)	0.49	(0.90)	*Stop & Shop/Giant-Landove*	NEG: Challenged	Volatile	4.92	4.43	6.62	5.95	15.57	6.52	9.70	6.78	4.69
(0.32)	2.75	(1.38)	(5.96)	ALCO (former Duckwall)	NEG: Sinkhole	Volatile	(4.53)	(3.15)	(4.49)	5.69	6.74	(7.28)	(2.03)	(5.78)	6.74
10.67	(2.08)	0.85	(0.11)	AMC Entertainment	NEG: Sinkhole	Volatile	1.93	1.08	0.03	1.67	(1.46)	4.01	3.03	0.78	(0.97)
(4.29)	1.89	(0.11)	5.40	American Eagle	POS: On-the-Cusp	Steady State	11.73	11.84	12.34	22.40	26.49	9.84	10.56	13.43	23.69
(17.92)	4.32	3.53	(3.20)	**American Apparel (US/Intl)**	NEG: Sinkhole	Volatile	(4.26)	(7.79)	1.49	15.82	NA	(8.58)	(2.26)	12.41	15.86
(15.61)	6.40	5.35	(2.36)	*American Apparel: Retail-US*	NEG: Sinkhole	Volatile	(0.97)	(6.32)	3.71	17.38	NA	(7.37)	0.05	17.55	18.66
				American Apparel: -Int'l											
(14.79)	4.78	2.43	(4.95)	*Ameri Apparel: Wholesale*	NEG: Sinkhole	Volatile	(5.03)	(7.46)	0.25	14.44	NA	(9.81)	(1.96)	10.72	14.09
7.77	7.09	(0.32)	2.91	**ANN Inc (corp)**	POS: On-the-Cusp	Steady State	11.46	11.78	1.22	6.62	19.89	4.37	(2.41)	(11.33)	1.28
10.83	5.19	(1.01)	2.59	*Ann Taylor (full price)*	POS: On-the-Cusp	Steady State	13.18	14.19	(0.70)	4.19	19.26	7.99	(13.18)	(14.85)	(4.91)
5.66	7.83	(0.05)	3.04	*Loft-Ann Taylor*	POS: On-the-Cusp	Volatile	10.79	10.84	2.82	13.71	25.18	2.96	3.24	(8.07)	8.86
2.83	1.48	0.13	(0.97)	**Ascena**	POS: On-the-Cusp	Steady State	13.86	13.73	11.17	7.30	12.98	12.38	8.95	9.74	8.49
(0.03)	2.91	1.05	(3.26)	*Dress Barn (Ascena)*	NEG: Challenged	Steady State	9.84	8.79	9.02	6.92	12.98	6.93	11.23	8.26	8.49
0.94	(1.51)	0.07	0.79	*Maurice (Ascena)*	POS: Competitive	Stable	14.14	14.07	14.12	14.68	NA	15.65	15.57	12.09	NA
10.53	1.77	(0.48)	(0.47)	*Justice (tween concept acq)*	POS: Competitive	Steady State	16.48	16.96	7.37	14.05	22.17	14.71	3.35	(4.12)	14.55
11.89	(4.88)	(1.13)	6.98	Auto Zone	POS: Optimal	Stable	28.47	29.60	29.19	12.47	13.76	33.35	36.68	29.76	5.56
0.38	(2.45)	(1.45)	(9.56)	Baker Footwear Group	NEG: Terminal	Deteriorating	(12.48)	(11.03)	(6.12)	5.03	NA	(10.03)	0.21	3.10	9.51
(2.68)	(1.33)	0.09	2.65	**Bare Escentuals (corp)**	POS: Competitive	Steady State	15.31	15.22	16.50	24.23	NA	16.64	16.77	15.88	24.41
(5.05)	(0.51)	(0.08)	2.14	*Bare Escenteuals: Retail*	POS: Competitive	Steady State	14.09	14.17	16.13	17.93	NA	14.60	15.25	17.47	17.89
1.63	(3.05)	0.52	3.60	*Bare Escentuals:Direct Mktg*	POS: Competitive	Steady State	18.16	17.64	18.80	26.88	NA	21.21	21.59	17.04	27.20
				Bare Escentuals:Int'l											

Business Component Values: Global 400 Retail Watch List

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 historiica;l trendd & 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. lintegrated 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 iimited. 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**

	G-400 Composite (points)	Bs. Value (points)					Chg: bps		Chg: bps		Chg: bps		Chg: bps	
		Growth Prospects	Operating/ Productivity	Profit Model	Liquidity/ Capitalization	Real Estate Advtg	Real Estate		Growth Prosp		Optg/ Prod		Profit Model	
	2012-Feb	2012-Feb					2010-2012	2005-2012	2010-2012	2005-2012	2010-2012	2005-2012	2010-2012	2005-2012
Global 400 Composite	10.16	**13.05**	**4.57**	**11.39**	**7.68**	**11.52**	***0.75***	*1.19*	***(0.54)***	*(1.28)*	***(3.19)***	*(4.61)*	***1.39***	*(0.02)*
Abercrombie & Fitch	**9.07**	**6.60**	**3.84**	**6.90**	**9.80**	**16.34**	***1.43***	*(2.25)*	***(9.83)***	*(15.18)*	***(9.03)***	*(9.30)*	***(9.45)***	*(3.32)*
Abercrombie (core)	**6.94**	1.90	4.30	5.60	9.20	12.65	***(1.60)***	*(6.85)*	***(14.60)***	*(19.10)*	***(12.70)***	*(10.20)*	***(12.40)***	*(5.90)*
abercrombie (kids)	**4.73**	1.00	2.80	4.20	8.20	7.00	***(1.03)***	*(8.00)*	***(11.00)***	*(23.00)*	***(6.70)***	*(12.20)*	***(10.30)***	*(5.80)*
Abercrombie: Hollister	**9.27**	7.00	1.40	9.60	11.40	14.50	***0.00***	*(3.00)*	***(11.00)***	*(14.00)*	***(11.60)***	*(8.60)*	***(8.40)***	*1.60*
Abercrombie & Fitch: Int'l														
Advanced Auto Parts	**21.51**	24.00	10.00	17.00	25.00	26.50	***(1.00)***	*17.00*	***(9.00)***	*13.00*	***(12.50)***	*6.00*	***(3.50)***	*6.00*
Aeropostale	**9.83**	8.50	2.30	12.00	12.50	11.25	***(13.25)***	*2.25*	***(2.50)***	*(15.50)*	***(12.70)***	*(11.70)*	***(5.50)***	*0.00*
Ahold (US/Int'l)														
AHO: Giant-Carlisle-US	**13.84**	17.70	9.20	18.70	7.50	14.20	***3.20***	*10.20*	***6.70***	*15.70*	***2.70***	*0.20*	***(0.80)***	*12.70*
Stop & Shop/Giant-Landover	**4.92**	8.00	(3.00)	14.00	2.20	3.80	***(1.40)***	*1.30*	***(2.50)***	*3.00*	***(3.00)***	*(13.00)*	***0.00***	*5.00*
ALCO (former Duckwall)	**(4.53)**	(0.50)	(9.00)	1.00	(10.50)	(0.75)	***(0.75)***	*(8.25)*	***3.00***	*(6.50)*	***4.00***	*(15.00)*	***6.00***	*(5.00)*
AMC Entertainment	**1.93**	8.00	(0.50)	4.00	(2.50)	0.75	***4.00***	*(0.75)*	***(3.50)***	*2.00*	***(10.50)***	*1.50*	***0.00***	*1.00*
American Eagle	**11.73**	10.00	7.70	13.70	10.70	13.50	***1.50***	*(2.50)*	***0.00***	*(16.00)*	***1.20***	*(13.30)*	***(1.30)***	*(8.30)*
American Apparel (US & Intl)	**(4.26)**	**4.00**	**2.60**	**(4.20)**	**(20.09)**	**(0.86)**	***2.73***	*(17.66)*	***10.50***	*(19.50)*	***5.80***	*(11.45)*	***3.10***	*(19.35)*
American Apparel: Retail-US	**(0.97)**	9.00	7.50	(3.50)	(18.50)	2.85	***4.00***	*(15.90)*	***13.00***	*(19.00)*	***11.00***	*(12.50)*	***1.00***	*(17.50)*
American Apparel -Int'l														
American Apparel: Wholesale	**(5.03)**	(2.00)	3.50	(1.50)	(20.00)	(2.00)	***4.00***	*(17.75)*	***7.50***	*(21.00)*	***8.50***	*(8.50)*	***5.50***	*(17.50)*
ANN Inc (corp)	**11.46**	**13.23**	**2.79**	**9.21**	**10.46**	**17.44**	***14.69***	*26.52*	***9.63***	*14.55*	***0.35***	*11.67*	***1.57***	*7.13*
Ann Taylor (full price)	**13.18**	12.80	2.50	10.00	14.20	22.05	***15.30***	*33.05*	***4.30***	*15.80*	***(7.00)***	*12.50*	***2.50***	*8.00*
Loft-Ann Taylor	**10.79**	13.40	2.90	8.90	9.00	15.65	***14.45***	*2.65*	***11.70***	*(4.60)*	***3.20***	*(1.10)*	***1.20***	*5.90*

COVERAGE

Global 400 Retail Watch List

Abercrombie & Fitch (US & Intl)	Cost-Plus	Kirklands	*Sally Beauty Supply-Retail*
Abercrombie: Abercrombie (core)	Cracker Barrel	Kohl's	*Sally Beauty Systams Group: Wholesale/Franchises*
Abercrombie: abercrombie (kids)	Crocs (US& Int'l)	Krispy Kreme	Sears (US & Intl)
Abercrombie: Hollister	*Crocs: Retail*	Kroger	*Sears: US Dept. Stores*
Abercrombie & Fitch: Int'l	*Crocs: Wholesale*	L'Occitaine	*Sears: Kmart Stores*
Advanced Auto Parts	CVS	La-Z-Boy (corp)	*Sears: Great Indoors*
Aeropostale	*CVS: Core Retail Division*	*La-Z-Boy: Retail*	*Sears: Canada Dpt Stores*
Ahold (US/Int'l)	*CVS: Longs Division*	*La-Z-Boy: Upholstery/Services*	Sleep Number *(Select Comfort)*
AHO: Giant-Carlisle-US	*CVS: Carremark Division*	*La-Z-Boy: Wholesale/Corp*	Sharper Image: Direct Mktg/ E-Com
AHO: Stop & Shop/Giant-Landover-US	Darden	Life Time Fitness	Shoe Carnival
ALCO (former Duckwall)	Delhaize America (Food Lon/ Bottom Dollar/Hannaford)	Limited Brands (US & Intl)	Signet Jeweler (US & Int'l)
AMC Entertainment	Denny's Corp	*Limited: Bath & Body Works*	*Signet Jeweler (Kay/ Jared)*
American Eagle	Design Within Reach	*Limited-Victoria Secrets*	*Signet: Int'l Euro*
American Apparel (US & Intl)	Destination Maternity	*Limited-La Sensza (Canada)*	Skechers (US & Intl)
American Apparel: Retail-US	Dick's Sporting (corp)	Lowes	*Skechers: Retail-US*
American Apparel: Retail-Int'l	*Dick's Sporting Superstore*	Luby's/ Foodruckers	*Skechers: Wholesale-US*
American Apparel: Wholesale	*Dick's Sporting: Golf Galaxy*	Lululemon	*Skechers: Int'l Euro/Canada*
ANN Inc (corp)	Dillard	Luxottica (US & Intl)	Sonic Drive-In
Ann Taylor (full price)	Dine Equity (corp)	*Luxottica: Retail (Sunglass Hut, Pearle)*	Sparten Supermarkets
Loft-Ann Taylor	*Dine: IHOP*	*Luxottica: Wholesale*	Sports Chalet
Apple Retail Store	*Dine: Applebees*	*Luxottica: Int'l*	Stage Stores (Bealls)
Ascena (Dress Barn/ Maurrice/Justice)	Dollar General	LVMH Fashion Apparel (US & Intl)	Staples (US & Intl)
Dress Barn (Ascena)	Dollar Tree	*LVMH: Bulgari (US & Intl) (acq 2011)*	*Staples Superstore (US)*
Maurice (Ascena)	DSW Shoes	Macy's, Inc (corp)	*Staples: Bs Services*
Justice (tween concept acq)	Dunkin' Dougnuts (US & Int'l)	*Macy's: Bloomingdales*	*Staples: Int'l*
Asensa: Catherines	*Dunkin' Dougnuts*	*Macy's (former May Co stores)*	Starbucks (US & Intl)
Asensa: Fashion Bug	*Baskin Robbin*	*Macy's-Marshall Fields*	*Starbucks Retail-US*
Asensa: Lane Bryant	*Dunkin Intl*	Mattress Firm	*Starbucks Global Consumer Products Group/ Licensing*
Auto Zone	*Eddie Bauer (private)*	McDonalds (US & Intl)	*Starbucks Retail/Licensing (Intl)*
Baker Footwear Group	Estee Lauder (US & Int'l)	*McDonalds-US*	Stein Mart
Bare Escentuals/ Shiesedo (corp)	*Estee Lauder (US-Retail & Wholesale)*	*McDonalds-Int'l-Asia*	Steve Madden (corp)
Bare Escenteuals: Retail	*Estee Lauder: Int'l Euro/Middle East*	*McDonalds-Int'l-Canada*	*Steve Madden: Retail*
Bare Escentuals:Direct Mktg	*Estee Lauder: Int'l Asia/Pacific*	*McDonalds-Int'l-Euro*	*Steve Madden: Wholesale*
Bare Escentuals:Int'l	Ethan Allen (corp)	*McDonalds-Int'l-So America*	SuperValu (corp)
Barnes & Noble (corp)	*Ethan Allen: Retail*	Men's Wearhouse (US & Int'l)	*SuperValu: Conventional Spmkt (Albertson/Shaws)*
Barnesandnoble.com	*Ethan Allen:Wholesale*	*Men's Wearhouse: Core Brand*	*SuperValu: Sav-A-Lot (Ltd Assort Format)*
Barnes & Noble: Superstore	*Express (Private)*	*Men's Wearhouse: KG (value)*	*SuperValu: Wholesale Operations*
Barney's NY & Co-Op (Private)	Family Dollar	*Men's Wearhouse: Int'l (Moore's Canada)*	Talbot's (corp)
bebe	Fiesta Restaurant Group	*Michael's (Private)*	*Talbots: Retail (Core Brand)*
Bed Bath & Beyond	*Fiesta: Pollo Tropical*	Michael Kors (US & Int'l)	*Talbots: Direct Mktg/E-Com*
Belks Dept Store (corp)	*Fiesta: Taco Cabana*	*Michael Kors: Retail*	Target (US & Int'l)
Belks (core division)	*Fiesta: Burger King Franchises*	Michael Kors: Wholesale	*Target (Discount Store)*
Belks Regional Dept Stores	Fifth & Pacific (formerly Liz Claiborne)	Michael Kors: Licensing	*Target (Supercenters)*
Best Buy (US & Intl)	*Fifth & Pacific:Juicy Couture*	Morton's Restaurant	*Teavanna*
Best Buy Superstore (US)	*Fifth & Pacific: Lucky Brands*	Mulberry (US & Int'l)	*Tesco (US & Intl)*
Best Buy: Future Shops (Canada)	*Fifth & Pacific: Kate Spade Jack Spade*	Nash Finch	*Tesco: Asia (Supercenter/C-Stores*
Best Buy: Five Stars (China)	Finish Line	*Neiman Marcus (Private)*	*Tesco:Europe (Supercentre/Supermarket)*
Big 5 Sporting Goods	Five Below	*Neiman Marcus: Retail*	*Tesco:UK (Supercenter)*
Big Lots	Florsheim (Weyco Group-Retail Shoes)	*Neiman Marcus Direct Mktg/E-Com*	*Tesco: US*
BJ's	Foot Locker (US & Intl)	New York & Company	The Fresh Market

Blockbuster Video (US & Intl)	*Foot Locker:E-Commerce*	Nike (US & Intl)	Tiffany (US & Intl)
Blockbuster Video: US	*Foot Locker: Retail-US*	*Nike: US (Retail & Wholesale)*	*Tiffany: US*
Blockbuster Video: Int'l	*Foot Locker: Int'l*	*Nike : Int'll-Asia*	*Tiffany: Direct Mktg*
Bob Evans (corp)	Fossil (US & Intl)	*Nike: Int'l-Euro/Mid East*	*Tiffany: Int'l*
Bob Evans: Retail	*Fossil: Retail-US*	*Nike: Int'l-Latin America*	Tilley's
Bob Evans: Wholesale	*Fossil: Wholesale/Internet*	Ninety Cents Only	Tim Horton (US & Int'l)
Body Central	*Fossil: Int'l-Asia*	Nordstrom's (corp)	*Tim Horton: US*
Bon Ton (corp)	*Fossil: Int'l-Euro*	*Nordstrom's: Full Price Specialty Store*	*Tim Horton: International*
Bon Ton Dept Stores/Saks	Francesca's Collection	*Nordstrom's: Rack (off-price)*	TJX (US & Intl)
Bon Ton: Elder-Beerman	Fred's	Office Depot (US & Intl)	*TJX/Marshalls*
Books-A-Million	Frederick's of Hollywood	*Office Depot Superstore*	*TJX: Home Goods*
Brinker Intl	Furniture Brands (Thomasville)	*Office Depot: Bs Services*	*TJX: Canada-Winners/Home Sense*
Brookstone (Private)	G-III (US & Int'l) (Wilson's Leather/ KCP/ Cole Hahn/ Sean John/ Hilfiger/ C Klein/ Guess)	*Office Depot: Int'l*	*TJX: UK-TK Maxx*
Brown Group (corp)	*G-III Retail/ Factory Outlets*	Office MAX (corp)	Tod's Group SPA (US & Intl)
Brown Group: Retail Shoes	*G-III Wholesale/ Licesning*	*Office MAX: US*	Tommy Bahamas (Oxford Industries)
Brown Group: Wholesale	*G-III Int'l*	*Office MAX: Bs Services*	Town Sports (NY Sports/ Boston Sports/ etc)
Buckle	Gamestop (US & Intl)	O'Reilly's (corp)	Toys-R-Us (US & Intl)
Build-A-Bear (US & Intl)	*Gamestop: US*	*O'Reilly's: Core Brand*	*Toys-R-Us/ FAO Schwartz*
Build-A-Bear: US	*Gamestop: Int'l*	*O'Reilly: CSK Auto (conversion)*	*Toys-R-Us: Int'l*
Build-A-Bear: Int'l	*Gander Mountain (Private)*	Orchard Supplies (Sears subsidiary)	Transworld Entertainment
Burberry (US & Intl)	Gap (US & Intl)	Pacific Sunwear	True Religion (US & Intl)
Burger King (US & Intl)	*Gap: Gap/Kid's/Gap Body*	Panerra Bread	*True Religion: Wholesale/Direct Mktg*
Burger King: US	*Gap: GapKids*	Papa Johns (US & Intl)	*True Religion: Retail*
Burger King: Int'l	*Gap: Banana Republic*	*Papa Johns: US*	*True Religion: Int'l*
Burlington Coat (Private)	*Gap: Old Navy*	*Pappa John's: Int'l*	Tuesday Morning
Cabelas (corp)	*Gap: Int'l*	Pep Boys	Tumi (US & Int'l)
Cableas: Retail	Genesco (corp)	Perfumania *(Retail & Wholesale)*	*Tumi Retail*
Cableas: Direct Mktg/E-Com	*Genesco: Hat World*	*Perfumania: Retail*	*Tumi Wholesale*
Cabelas: Financial Services/Other	*Genesco: Johnston & Murphy*	*Perfumania: Wholesale*	*Tumi-Retail Int'l*
Cache	*Genesco: Journey*	PETsMART	*Tumi Wholesale Int'l*
California Pizza	*Genesco: Licensed & Other*	PF Changs	Ulta Salon, Cosmetics & Fragrance
Carmike Cinema	Giorgio Armani (US & Intl) (Private)	Pier One	*United Retail [Avenue] (Private) (Chpt 11)*
Carter Kids	*GNC Nutrition (US & Int'l) (Private)*	Polo Ralph Lauren (US & Intl)	Under Armour
Carter Kids: Retail	*GNC Nutrition-US*	*Polo Ralph Lauren: Retail*	Urban Outfitters (corp)
Osh Gosh B'Gosh: Retail	*GNC Nutrition: Int'l*	*Polo Ralph Lauren: Wholesale*	*Urban Outfitters: Anthropologie-Retail*
Carter/Osh Gosh : Wholesale	Gordmans	*Polo Ralph Lauren: Int'l (Euro/Asia)*	*Urban Outfitters: Core Brand-Retail*
Casual Male	Great A&P (corp)	PPR (Gucci Group/Puma)	*Urban Outfitters:Free People/Terrain/Wholesale*
Cato	*Gr A&P*	*Gucci Grp (Gucci/ Bottega-V/YSL)*	VF Corp: Wholesale & Retail (US & Intl)
CEC Entertainment	*Gr A&P: Pathmark*	*Gucci Brand*	*VFC: Outdoor (North Face/Reef/Jansport)*
Charlotte Russe	Guess (US & Intl)	*Puma (PPR-Gucci)*	*VFC: Sportswear (Nautica/Kipplinger/Eagle Creek)*
Cheesecake Factory	*Guess: Retail*	Prada (US & Int'l)	*VFC: Contemporary (Lucy/7 for Mankind*
Chicos (corp)	*Guess: Wholesale*	Publix	Vera Bradley
Chicos: Chicos (core brand)	*Guess: Int'l*	PVH *(Retail & Wholesale)*	Vitamin Shoppes (US & Int'l)
Chicos: White House/Black Market	*Guitar Center (Private)*	*PVH: Tommy Hilfiger & Calvin Klein: Retail*	Walgreen
Children's Place (US & Intl)	Gymboree	*PVH Brands: Wholesale*	Walking Company-The
Children's Place: US	Hancock Fabrics	Quiksilver (US & Intl)	Walmart (US & Intl)
Children's Place: Int'l	Harris Teeter	*Quiksilver: Retail (Board Sports)*	*Walmart: Supercenter Format*
Chipolte Mexican Grill	Hastings Entertainment	*Quiksilver: Wholesale (Boarding Sports)*	*Walmart: Discount Format*
Christopher & Banks	Haverty	*Quiksilver: US & Americas*	*Walmart: Sam's Club*
Cinemark (US & Intl)	Hennes & Mauritz (US & Intl)	*Quiksilver: Asia*	*Walmart: Neighborhood Market*
Citi Trends	*Hennes & Mauritz: US*	*Quiksilver: Europe*	*Walmart: Int'l*
CKE Restaurants (Private)	*Hennes & Mauritz: Int'l*	Radio Shack	Weis Markets
Claire's (US & Intl)	Hermes (US & Intl)	Regal Cinema	Wendy's
Claire's: US	hhgregg	REI (sports/adventure)	West Marine

Claire's: Int'l	Hibbetts	Regis Hair Salons (US & Int'l)	Wet Seal (corp)
Coach Leather (US & Intl)	Home Depot (US & Intl)	*Regis Salons (US) [Regis/ Mastercuts/ Supercuts/Promenade]*	*Wet Seal (core)*
Coach Retail-Full Price US	Hot Topic	*Regis Hair Restoration Salons (US)*	*B. Arden (Wet Seal)*
Coach Retail-Factory Outlet-US	Ingles Mkt	*Regis Hair Salons (Int'l)*	Whole Foods
Coach Whoelsale- US	J. Crew (J Crew/Crew Cuts/ Madewell)	Rent-A-Center	Williams Sonoma (corp)
Coach Leather-Int'l	Jack-in-the-Box	*Restoration Hardware (Private)*	*Williams Sonoma: Pottery Barn*
Coldwater Creek (corp)	JC Penney (corp)	*Restoration Hardware: Retail*	*Williams Sonoma: Pottery B.Kids*
Coldwater Creek: Retail	*JC Penney: Retail-US*	*Restoration Hardware:Direct Mktg/E-Com*	*Williams Sonoma: Studio*
Coldwater Creek: Direct Mktg/E-Com	*JC Penney: Direct Mktg/Internet*	Richmont-Compagnie Financiere (US & Int'l)	*Williams Sonoma: West Elm*
Collective Brands (US & Intl)	Jo-Ann Stores	Rite Aid (corp)	*Williams Sonoma:Direct Mktg/ E-Com*
Collective Brands/Payless Shoes: US	Joe's Jeans	*Rite Aid: Core*	Winn-Dixie *(Merged w/ Bi-Lo 2012-Q1)*
Collective Brands: Stride Rite: Retail	Jones Apparel Group (corp)	*Rit Aid: Brooks*	*Yankee Candle (Private)*
Collective Brands: Stride Rite: Wholesale	*Jones Apparel:Nine West (Full price & FOC)*	*Rite Aid: Eckerd*	YUM! Brands (US& Intl)
Collective Brands: Int'l	*Jones Apparel: Wholesale Apparel & Shoes (Dept Stores)*	Ross	*YUM! Brands: US*
Conn's Appliances	*Jones Apparel: Specialty (Full price & FOC)*	Rue 21	*YUM! Brands:China*
Cosi	Jos. A Banks	Ruby Tuesdays	*YUM! Brands: Int'l-Non Asia*
Costco (US & Intl)	Kenneth Cole (corp)	Safeway	Zales
Costco: U.S.	*Kenneth Cole: Retail (Full price & FOC)*	Saks Fifth Avenue	Zara--Inditex (US & Intl)
Costco: Int'l	*Kenneth Cole: Wholesale & Licensing*	Sally Beauty Supply Holdings (corp)	*Zara-US*
			Zara (all brands) Int'l
			Zumiez

MAX-WL Index of Fundamental Values

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).

MAX-WL 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 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 Watch	Negative	Negative	Negative	Positive	Positive	Positive
Credit Quality	**Terminal**	**Sinkhole**	**Challenged**	**On-the-Cusp**	**Competitive**	**Optimal**
MAX-WL 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

MAX-WL Index of Fundamental Values

Business Component Values

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**