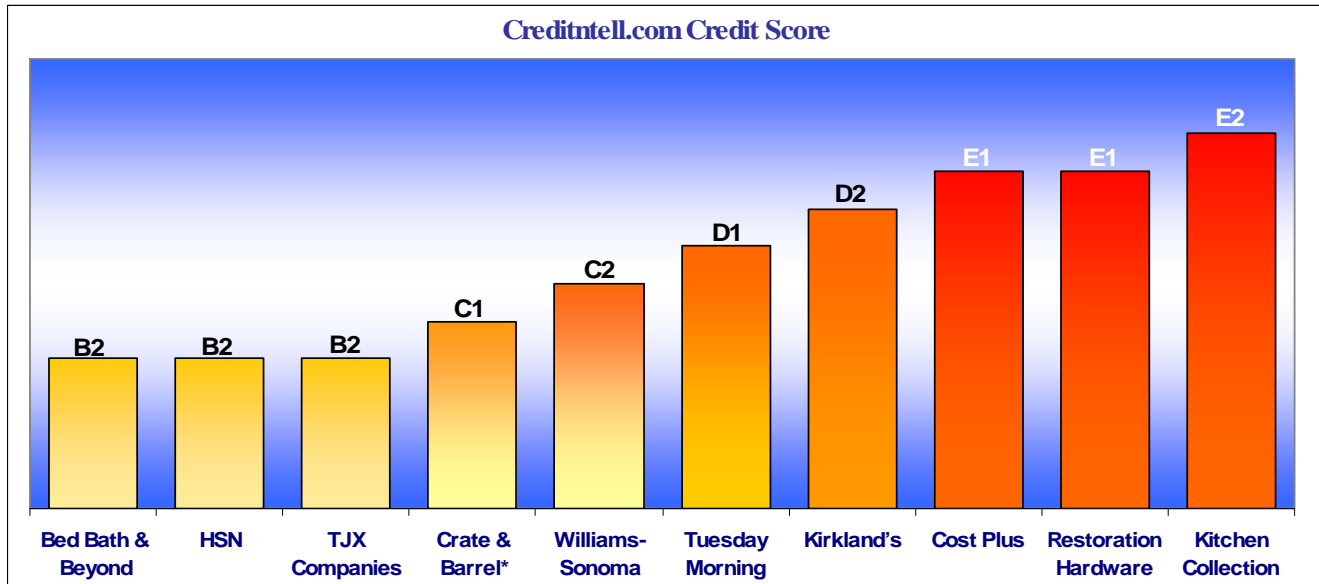


***Home Goods & Furnishings
Retailers***



* Full financial disclosure is not available for Crate & Barrel.

Note: HSN was added to the above chart since the last publication.

Creditintell.com has published comprehensive reports on all of the companies above. Please visit our site or email us for a desired report.

Weighted Average Industry Credit Score in January 2009: C1 Weighted Average Industry Credit Score in July 2008: C1			LEGEND			
<i>Downgrades</i>	<u>Jan. '09</u>	<u>July '08</u>	<u>Score</u>	<u>Credit Quality</u>	<u>Score</u>	<u>Credit Quality</u>
Tuesday Morning	D1	C2	A1	Excellent	D1	Below Satisfactory
Williams-Sonoma	C2	C1	A2	Good	D2	Poor
			B1		E1	
			B2	E2		
			C1	Satisfactory	F1	Critical
			C2		F2	

Industry Analyst Insight

The collapsing residential housing market is weighing heavily on the home furnishings industry, and the impact is compounded by unstable financial markets, tight credit, and the widening recession. Sales of new and existing homes are down, while unemployment, and the fear of additional job losses cause consumers to redirect their spending toward necessities, rather than decorating and home improvements. The entire home furnishings sector has been hit hard, with the most significant impact being felt by companies which focus on discretionary items. With the industry contracting, retailers are not only competing for fewer dollars, but they face encroachment from mass merchandisers at the low end of the pricing spectrum. Additionally, going-out-of-business sales at Linens n' Things following its liquidation have exerted downward pressure on prices, which has negatively impacted comps at the remaining retailers in the same market niche. Those retailers will be competing for a piece of Linens' \$2.80 billion in annual sales; however the size of the remaining market will be smaller, due to current economic realities. Overexpansion has intensified the competitive pressure, likely resulting in a new round of underperforming store closures. Future expansion, if

at all, will need to be selective; and will likely be limited to opportunistic acquisitions of vacant locations of failed retailers. Looking ahead, operational problems tend to spread quickly to the balance sheet and impact liquidity. Therefore, only retailers with the strongest balance sheets will be suited to meet the increasing challenges ahead, while it will be a very difficult period for the weaker players.

The weighted average industry credit score remained stable at **C1** (satisfactory), with two companies experiencing one notch downgrades.

Tuesday Morning's credit score fell one notch to **D1** from **C2** due to operational deterioration. Comps fell for the sixth straight quarter, mostly due to lower store traffic, while expansion continued, although at a slower pace than in the past. Competition from Linens' GOB sales, mass merchandisers, and the remaining members of the industry forced the Company to become more promotional, which compromised gross margin. The biggest drag on EBITDA margin was the deleveraging impact of lower sales on SG&A costs. In light of its operational dilemma the Company entered into a new credit facility with a less restrictive operational covenant, and it is taking steps to pare excess inventory.

Williams-Sonoma's credit score fell one notch to **C2** from **C1**, due to operational reversals which had a profoundly negative impact on the top line. Quarterly comps fell over 20% as consumers purchased fewer discretionary items, or took their business elsewhere to buy reasonably interchangeable items at lower prices from competitors. The Company's gross margin fell significantly, as markdowns were taken in an attempt to revive customer traffic. Management is trying to address one of the few operational items under its control by cutting SG&A costs, as evidenced by recent layoffs and distribution center closings. The balance sheet and liquidity remained strong, preventing further deterioration in the credit score.

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