

Mervyns Future Uncertain as Economy Takes Toll

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A Mervyns spokesman declined to comment.

Credit sources said the factoring arm of GMAC Commercial Finance has stopped approving orders of goods to the chain, which has 177 stores in seven Western states. An executive at GMAC declined comment.

In May, the factoring division of CIT stopped its approval of orders for Mervyns. That left a few factoring firms, which provide finance and credit to apparel manufacturers and take on the risk of payment for client accounts, still checking credit terms. GMAC was among them, as were Wells Fargo and Millberg Factors on a few or-

works sooner rather than later.

Buyers are said to be having a difficult time getting some goods to the stores since the factors stopped approving orders. Some vendors are still waiting to get paid for orders shipped, having undertaken the risk themselves after the factors withdrew, credit sources said. The impact on Mervyns of factors withholding approval is unclear. Since May, many vendors have chosen to ship anyway. However, with others still waiting to get paid, it's uncertain how many orders they will continue to ship.

The expectation since May has been that the retailer could get some much-needed breathing room soon from the sale of

September 2004. The chain said the units reflected "its commitment to maintaining a dominant real estate position in California and the Southwest."

That geographic region appears to be the essential cause of Mervyns' ills. California, in particular, has presented challenges to most retailers, credit analysts said.

The Mervyns stores that are up for sale are in desirable, high-end sites that are rapidly becoming upscale and more affluent than the retailer's typical customer profile, credit and real estate sources said.

Mervyns said in May that it hired DJM Realty LLC to sell those stores, and that the transactions were expected to generate "\$25 million to \$50 million in cash to fund operations and new growth initiatives."

Although the financial sources said additional funding from the sale of the stores should buy the cash-strapped retailer more time, they cautioned that Mervyns would likely continue to be dogged by rumblings of distress because the bulk of its store base is where consumers are feeling the worst pinch.

The 59-year-old chain, which takes pride in being a family friendly department store, named former Levi Strauss & Co. executive John Goodman as president and chief executive officer in March. Goodman



had been president and general manager of the Dockers brand. He replaced Rick Leto, who resigned in December after three years as ceo.

Among the original consortium that bought the chain, Sun Capital is said to have agreed to buy the Lubert-Adler/Klaff stake in Mervyns, although financial sources believe the transaction has not taken place. Spokesmen for Cerberus and Sun Capital did not respond to requests for comment.

Some financial sources said the consortium recouped a good portion of its investment shortly after the purchase through the sale of stores.

One of the bigger deals was in August 2005 when Developers

Diversified Realty and Macquarie DDR Trust formed a joint venture for the \$396.2 million purchase of 36 Mervyns units. After the sale, the venture leased the assets back to Mervyns for 15 years at an annual rent of \$30.5 million.

Of the 36 sites sold, 25 are in California, five in Arizona, five in Nevada and one in Texas. Of the California stores, 12 are in Los Angeles and seven are in San Francisco.

Sources said when DJM Realty sells the five to 10 stores that are targeted, Mervyns' ownership of most of its units will be minimal.

Mervyns stores are located primarily in regional malls, community shopping centers and freestanding sites.

“We are currently advising all clients to hold orders.”

— Bob Carbonell, Bernard Sands

ders. Slowly, however, the factors have chosen to advise clients not to ship.

Credit sources said the department store had consistently returned telephone calls to vendors, factors and credit-checking firms until about a week ago, when all communication ceased. That has left credit analysts and executives at factoring firms nervous, with some wondering if a bankruptcy filing might be in the

five to 10 high-end store sites, or at least enough cushion to get through the important back-to-school selling season and into the fall.

In May, the retailer said 17 new Mervyns stores had opened since a consortium that included Sun Capital Partners Inc., Cerberus Capital Management LP and Lubert-Adler/Klaff acquired the company from Target Corp. for \$1.65 billion in

Fashion Scoops

THE RIGHT MIX: Donatella Versace will have plenty of designer company at the 25th annual Fashion Group International's Night of Stars honoring "The Alchemists." While Versace will pick up the Superstar Award, Christopher Bailey, Francisco Costa, Carla and Franca Sozzani and Christian Louboutin will be the fashion award honorees. Bobbi Brown will take home the beauty prize, Philippe Starck will pocket the one for architecture and Harvey Weinstein will receive the entertainment award. Simon Doonan will host the festivities at Cipriani 55 Wall Street. The corporate leadership award will go to Net-a-porter's Natalie Massenot, while Paul Mitchell's John Paul DeJoria will accept the sustainability award and Bill McComb will do the honors for the humanitarian award on behalf of the Liz Claiborne Foundation.

IN MODEL FASHION: Ben Grimes is the latest model making the transition from mannequin to designer. Grimes, a former face of Burberry's Brit fragrance, has teamed up with her designer friend Lily Parker to launch a capsule collection called LPBG. The collection will focus on silk dresses and separates, and is set to make its debut during London Fashion Week in September.

An image Parker and Grimes use as inspiration for the line.

"We have strived to bring old-school detailing to modern pieces," said Grimes. "There are no full-length dresses in the collection. We wanted the clothes to be more about kicking up your heels and dancing." Grimes and Parker — who has stints at Richard Nicoll's design studio under her belt — also have produced cropped jackets and shorts as part

of their line. Grimes added that the two have taken their inspiration from fashion editorials in Seventies editions of Vogue and the idea of the perfect dress. Prices for the line are yet to be confirmed.

PINAULT, HAYEK SPLIT: PPR chief executive officer François-Henri Pinault and actress Salma Hayek have called off their engagement, which was announced in March 2007. Their daughter, Valentina Paloma Pinault, was born in September. In a statement, Hayek's representative said: "We are sad to announce the engagement of Salma Hayek and François-Henri Pinault has been canceled. There will be no further comment." PPR declined to comment.

BUTTON UP: A year after apparel executives, seamstresses, jobbers and other tradesmen first pooled together to try to save the garment center by wearing pins that said as much, the New York district is still in peril. As a reminder to Mayor Michael Bloomberg and others, activists have advised supporters to dig out their pins as a sign of solidarity. Just last week the CFDA's Steven Kolb, Yeohlee Teng and GIDC's Fatiah Hosein sent letters to CFDA members urging them to e-mail Jed Howbert in the Mayor's Office.

CLIMB EVERY MOUNTAIN: Jim Whittaker, the first American to climb Mount Everest, had some succinct wisdom to impart during a luncheon Thursday at — where else? — the Explorers' Club in Manhattan. What's a mountain climber's first thought after scaling the world's highest peak? "How to get down," said Whittaker, 79, of his 1963 trek. The event was the first of what Eddie Bauer president and chief executive officer Neil Fiske promised would be many more partnerships with renowned outdoorsmen as he seeks to return the brand to its roots. Whittaker will consult with Eddie Bauer on marketing and product development, including a performance expedition line, to launch in April.

CRYSTAL PALACE: Baccarat, the French crystal maker, is getting into the luxury hotel business. The company, which is controlled by Starwood Capital, has announced that it has agreed to build a Baccarat resort in the new Dubai Pearl complex in Dubai. Baccarat artistic director Chasik Gasmir will oversee the project.

Bond No. 9 Revisits Warhol

Niche fragrance marketer Bond No. 9 is going back to Andy Warhol's pre-Pop years in New York with Andy Warhol Lexington Avenue, the third scent in the brand's Warhol-inspired fragrance collection.

The scent is named for the location of one of Warhol's first apartments — at 242 Lexington Avenue in Manhattan's Murray Hill neighborhood — and its bottle features a collage of colorful, high-heeled shoes, graphics that were inspired by the shoe ads he sketched early in his career.

The fragrance will be launched next month, when the artist would have turned 80 years old.

"We wanted to go back to Warhol's beginnings for his birthday, so we looked at the sketches he did when he first got started," said Bond

No. 9 founder and chief executive officer Lauriee Rahme. "It made sense to link shoes and fragrance together, since both are two accessories women care most about. Shoes are like fragrance. It's very personal yet feminine and fun."

Andy Warhol Lexington Avenue will be launched in the U.S. at Bond No. 9 boutiques, Saks Fifth Avenue and museum gift shops. The fragrance will be rolled out a month later to 20 markets, including the U.K., where it will be carried by such retailers as Harrods, Harvey Nichols and Selfridges.

The scent, an eau de parfum, is described as a floral-woody chypre. It was blended by Claude Dir de Givaudan and is composed of top notes of blue cypress, fennel

and cardamom; middle notes of pink peony, Florentine orris, crème brûlée and pimento berry, and base notes of patchouli and sandalwood.

The fragrance will be available in two sizes, a 100-ml. bottle for \$195, and a 50-ml. size for \$135.

For holiday, Bond No. 9 will introduce an Andy Warhol Lexington Avenue limited edition set in a fiberglass shoe, which will feature three 50-ml. pure perfumes in white, fuchsia and lavender bottles. The shoe set will be introduced in November and will retail for \$1,100.

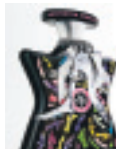
As it did for its second Andy Warhol fragrance, called Union Square, Bond No. 9 will again partner with Warhol jewelry licensee Robert Lee Morris, who will create 400 limited edition sterling silver necklaces fea-

turing four shoe pendants, also inspired by Warhol's shoe sketches. Pendants will feature an engraving of a Warhol quote that reads: "Beauty is shoe, shoe beauty," as well as the Bond No. 9 logo. Andy Warhol Lexington Avenue bottles that come with the necklace will retail for \$575.

According to industry sources, Lexington Avenue could generate up to \$3 million in first-year wholesale sales volume.

A print ad campaign for the scent is scheduled to appear in September issues of W, Interview and The New York Times. The visual was photographed by Duane Michals in 1958 at Warhol's 242 Lexington Avenue home.

— Michelle Edgar



BEAUTY BEAT