



# Struggling Zale hires firm to explore strategic options

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Cash-strapped and struggling Zale Corp. said Tuesday it is seeking outside advice to help it sort out alternatives.

**The Irving-based jewelry retailer said it hired Peter J. Solomon Co., a New York-based independent investment banking advisory firm to the retail industry.**

Zale said the firm will "advise the company in identifying and analyzing alternatives to maximize its financial flexibility."

Restructuring options Zale could pursue range from selling off its Canadian stores or its Piercing Pagoda chain to merging with its rival, Signet Jewelers Ltd., owner of Kay Jewelers and Jared the Galleria of Jewelry. The two companies had formal talks a couple of years ago. Last month, both companies declined to comment on whether they've renewed discussions.

It could also sell its Gordon's division.

Zale's board of directors met Tuesday. Calls to the company and **Peter J. Solomon** for comment were not returned.

Poor holiday sales left the once-largest U.S. jewelry retailer without the cash it needed to pay suppliers. It canceled orders and took the unusual step of asking vendors to purchase inventory for cash.

In mid-January, Zale's board fired three top executives, including chief executive Neal Goldberg, after holiday sales fell 12 percent.

The company's executive ranks have been in flux for several years. Interim CEO Theo Killion is the company's seventh chief executive in 15 years.

As of Nov. 1, Zale had \$24 million in cash and \$125 million available under a \$600 million line of credit. If the amount available on that credit line falls below \$50 million, Zale will be in default on its covenants.

Last fall, long-term debt jumped 21 percent to \$465.5 million from a year earlier, as sales continued to slide. It could still obtain new bank financing.

Zale also is on the hook for leases it guaranteed when it sold Bailey Banks & Biddle in 2007.

The 1,900-store chain, which produces annual revenue of \$1.5 billion, reports fiscal second quarter results Feb. 24.

Shares fell 8 cents, or 4 percent, to close Tuesday at \$1.96 but were trading higher after hours.