

PIER 1 IMPORTS INC/DE
Form 10-Q
January 04, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ended November 27, 2010

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-07832

PIER 1 IMPORTS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

75-1729843
(I.R.S. Employer
Identification Number)

100 Pier 1 Place, Fort Worth, Texas 76102
(Address of principal executive offices, including zip code)

(817) 252-8000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer _____

Accelerated filer X

Non-accelerated filer _____ (Do not check if a smaller reporting company)

Smaller reporting company _____

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [☐] No [☒]

As of December 30, 2010, 117,276,818 shares of the registrant's common stock, \$0.001 par value, were outstanding.

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PIER I IMPORTS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands except per share amounts)

(unaudited)

	Three Months Ended		Nine Months Ended	
	November 27, 2010	November 28, 2009	November 27, 2010	November 28, 2009
Net sales	\$ 353,759	\$ 327,075	\$ 969,887	\$ 894,878
Operating costs and expenses:				
Cost of sales (including buying and store occupancy costs)	209,690	207,215	596,970	608,616
Selling, general and administrative expenses	117,524	111,620	312,917	308,218
Depreciation and amortization	4,666	5,469	14,653	17,281
	331,880	324,304	924,540	934,115
Operating income (loss)	21,879	2,771	45,347	(39,237)
Nonoperating (income) and expenses:				
Interest and investment income	(413)	(392)	(1,168)	(1,348)
Interest expense	1,424	16,041	4,516	21,986
Gain on retirement of debt	-	-	-	(49,654)
Other (income) loss	(632)	3,904	(1,945)	(6,946)
	379	19,553	1,403	(35,962)
Income (loss) before income taxes	21,500	(16,782)	43,944	(3,275)
Income tax provision (benefit)	496	(55,595)	886	(55,622)
Net income	\$ 21,004	\$ 38,813	\$ 43,058	\$ 52,347
Earnings per share:				
Basic	\$ 0.18	\$ 0.37	\$ 0.37	\$ 0.55
Diluted	\$ 0.18	\$ 0.37	\$ 0.37	\$ 0.55
Average shares outstanding during period:				
Basic	116,479	104,384	116,363	95,649
Diluted	117,680	104,384	117,202	95,649

The accompanying notes are an integral part of these financial statements.

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PIER 1 IMPORTS, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands except share amounts)

(unaudited)

	November 27, 2010	February 27, 2010	November 28, 2009
ASSETS			
Current assets:			
Cash and cash equivalents, including temporary investments of \$164,066, \$176,503 and \$59,322, respectively	\$ 209,781	\$ 187,912	\$ 74,549
Accounts receivable, net	24,313	14,701	23,664
Inventories	338,437	313,496	339,599
Income tax receivable	972	561	56,915
Prepaid expenses and other current assets	20,694	37,157	42,929
Total current assets	594,197	553,827	537,656
Properties, net of accumulated depreciation of \$453,956, \$439,662 and \$433,805, respectively	59,171	55,837	59,638
Other noncurrent assets	31,008	33,310	33,654
	\$ 684,376	\$ 642,974	\$ 630,948
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 61,445	\$ 65,344	\$ 75,300
Current portion long-term debt	16,542	16,435	-
Gift cards and other deferred revenue	44,672	44,356	43,758
Accrued income taxes payable	2,313	4,967	4,750
Other accrued liabilities	116,931	106,073	117,289
Total current liabilities	241,903	237,175	241,097
Long-term debt	9,500	19,000	35,400
Other noncurrent liabilities	79,425	83,665	85,598
Shareholders' equity:			
Common stock, \$0.001 par, 500,000,000 shares authorized, 125,232,000 issued	125	125	125
Paid-in capital	244,134	264,477	269,539
Retained earnings	236,746	193,688	159,188
Cumulative other comprehensive income (loss)	(262)	(699)	457
Less 7,967,000, 9,645,000 and 10,020,000 common shares in treasury, at cost, respectively	(127,195)	(154,457)	(160,456)
	353,548	303,134	268,853
Commitments and contingencies	-	-	-
	\$ 684,376	\$ 642,974	\$ 630,948

The accompanying notes are an integral part of these financial statements.

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PIER 1 IMPORTS, INC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Nine Months Ended	
	November 27, 2010	November 28, 2009
Cash flow from operating activities:		
Net income	\$ 43,058	\$ 52,347
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Depreciation and amortization	24,178	25,048
(Gain)/loss on disposal of fixed assets	(1,687)	202
Stock-based compensation expense	3,668	2,861
Deferred compensation	3,127	2,875
Lease termination expense	680	7,439
Amortization of deferred gains	(5,683)	(5,880)
Gain on retirement of convertible bonds	-	(49,654)
Charges related to the conversion of 9% Convertible Notes	-	18,308
Other	2,662	3,486
Changes in cash from:		
Inventories	(24,941)	(23,268)
Accounts receivable, prepaid expenses and other current assets	(10,149)	(3,415)
Income taxes receivable	(411)	(54,766)
Accounts payable and accrued expenses	6,979	(4,825)
Income taxes payable	(2,654)	316
Defined benefit plan liabilities	(2,830)	(1,754)
Make whole interest provision on 9% Convertible Notes	-	(13,782)
Other noncurrent assets	(311)	(313)
Other noncurrent liabilities	(31)	(18)
Net cash provided by (used in) operating activities	35,655	(44,793)
Cash flow from investing activities:		
Capital expenditures	(19,659)	(3,229)
Proceeds from disposition of properties	10,619	717
Proceeds from sale of restricted investments	3,818	3,440
Purchase of restricted investments	(3,815)	(3,200)
Collection of notes receivable	1,500	1,500
Net cash used in investing activities	(7,537)	(772)
Cash flow from financing activities:		
Proceeds from stock options exercised, stock purchase plan and other, net	3,251	317
Repayment of long-term debt	(9,500)	-
Retirement of convertible bonds	-	(31,593)
Debt issuance costs	-	(4,408)
Net cash used in financing activities	(6,249)	(35,684)

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Change in cash and cash equivalents	21,869	(81,249)
Cash and cash equivalents at beginning of period	187,912	155,798
Cash and cash equivalents at end of period	\$ 209,781	\$ 74,549

The accompanying notes are an integral part of these financial statements.

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PIER 1 IMPORTS, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE NINE MONTHS ENDED NOVEMBER 27, 2010

(in thousands)

(unaudited)

	Common Stock				Cumulative Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
	Outstanding Stock	Amount	Paid-in Capital	Retained Earnings			
Balance February 27, 2010	115,587	\$ 125	\$ 264,477	\$ 193,688	\$ (699)	\$ (154,457)	\$ 303,134
Comprehensive income:							
Net income	-	-	-	43,058	-	-	43,058
Other comprehensive income:							
Pension adjustments	-	-	-	-	(149)	-	(149)
Currency translation adjustments, net	-	-	-	-	586	-	586
Comprehensive income							43,495
Restricted stock compensation	988	-	(12,920)	-	-	15,811	2,891
Stock option compensation expense	-	-	777	-	-	-	777
Exercise of stock options, directors deferred, and other	690	-	(8,200)	-	-	11,451	3,251
Balance November 27, 2010	117,265	\$ 125	\$ 244,134	\$ 236,746	\$ (262)	\$ (127,195)	\$ 353,548

The accompanying notes are an integral part of these financial statements.

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PIER 1 IMPORTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 27, 2010

AND NOVEMBER 28, 2009

(unaudited)

Throughout this report, references to the Company include Pier 1 Imports, Inc. and all its consolidated subsidiaries. The accompanying unaudited financial statements should be read in conjunction with the Form 10-K for the year ended February 27, 2010. All adjustments that are, in the opinion of management, necessary for a fair presentation of the financial position as of November 27, 2010, and the results of operations and cash flows for the three and nine months ended November 27, 2010 and November 28, 2009 have been made and consist only of normal recurring adjustments, except as otherwise described herein. The results of operations for the three and nine months ended November 27, 2010 and November 28, 2009, are not indicative of results to be expected for the fiscal year because of, among other things, seasonality factors in the retail business. Historically, the strongest sales of the Company's products have occurred during the holiday season beginning in November and continuing through December. The Company conducts business as one operating segment. As of November 27, 2010, the Company had no financial instruments with fair market values that were materially different from their carrying values.

Note 1 Earnings per share

Basic earnings per share amounts were determined by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share amounts were similarly computed, but included the dilutive effect of the Company's weighted average number of stock options outstanding and shares of unvested restricted stock. Stock options for which the exercise price was greater than the average market price were not included in the computation of diluted earnings per share as the effect would be antidilutive. There were 3,530,000 and 11,745,000 stock options outstanding with exercise prices greater than the average market price of the Company's common shares for the three months ended November 27, 2010 and November 28, 2009, respectively. There were 5,003,000 and 11,745,000 stock options outstanding with exercise prices greater than the average market price of the Company's common shares for the nine months ended November 27, 2010 and November 28, 2009, respectively. Earnings per share for the three and nine months ended November 27, 2010 and November 28, 2009 was calculated as follows (in thousands except per share amounts):

	Three Months Ended		Nine Months Ended	
	November 27, 2010	November 28, 2009	November 27, 2010	November 28, 2009
Net income, basic and diluted	\$ 21,004	\$ 38,813	\$ 43,058	\$ 52,347
Average shares outstanding during period:				
Basic	116,479	104,384	116,363	95,649
Effect of dilutive stock options	494	-	260	-
Effect of dilutive restricted stock	707	-	579	-
Diluted	117,680	104,384	117,202	95,649
Earnings per share:				
Basic	\$ 0.18	\$ 0.37	\$ 0.37	\$ 0.55
Diluted	\$ 0.18	\$ 0.37	\$ 0.37	\$ 0.55

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The components of comprehensive income for the three and nine months ended November 27, 2010 and November 28, 2009 were as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	November 27, 2010	November 28, 2009	November 27, 2010	November 28, 2009
Net income	\$ 21,004	\$ 38,813	\$ 43,058	\$ 52,347
Currency translation adjustments, net	579	287	586	936
Pension adjustments	(420)	107	(149)	716
Comprehensive income	\$ 21,163	\$ 39,207	\$ 43,495	\$ 53,999

Note 3 Stock-based compensation

For the three and nine months ended November 27, 2010, the Company recorded stock-based compensation expense related to stock options and restricted stock of \$1,059,000 or \$0.01 per share, and \$3,668,000, or \$0.03 per share, respectively. For the three and nine months ended November 28, 2009, the Company recorded stock-based compensation expense related to stock options and restricted stock of \$645,000, or less than \$0.01 per share, and \$2,861,000, or \$0.03 per share, respectively. The Company recognized no net tax benefit related to stock-based compensation during the first nine months of fiscal 2011 or fiscal 2010 as a result of the Company's valuation allowance on all deferred tax assets in both years.

As of November 27, 2010, there was approximately \$734,000 of total unrecognized compensation expense related to unvested stock option awards that is expected to be recognized over a weighted average period of 1.3 years and \$6,397,000 of total unrecognized compensation expense related to unvested restricted stock that may be recognized over a weighted average period of 2.1 years.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****Note 4 Costs associated with exit activities**

As part of the ordinary course of business, the Company terminates leases prior to their expiration when certain stores or distribution center facilities are closed or relocated as deemed necessary by the evaluation of its real estate portfolio. These decisions are based on store profitability, lease renewal obligations, relocation space availability, local market conditions and prospects for future profitability. In connection with these lease terminations, the Company has recorded estimated liabilities to cover the termination costs. At the time of closure, neither the write-off of fixed assets nor the write-down of inventory related to such stores was material. Additionally, employee severance costs associated with these closures were not significant. The estimated liabilities were recorded based upon the Company's remaining lease obligations less estimated subtenant rental income. Revisions during the periods presented related to changes in estimated buyout terms or subtenant receipts expected on closed facilities. Expenses related to lease termination obligations are included in selling, general and administrative expenses in the Company's consolidated statements of operations. The following table represents a rollforward of the liability balances for the nine months ended November 27, 2010 and November 28, 2009 related to these closures (in thousands):

	Nine Months Ended	
	November 27, 2010	November 28, 2009
Beginning of period	\$ 4,901	\$ 4,998
Original charges	155	4,708
Revisions	525	2,731
Cash payments	(2,221)	(6,792)
End of period	\$ 3,360	\$ 5,645

Note 5 Debt repayment

During the second quarter of fiscal 2011, the Company repaid \$9,500,000 of industrial revenue bonds with proceeds received from the sale of its distribution center near Chicago, Illinois. This distribution center was sold during the first quarter of fiscal 2011 for a purchase price of \$11,800,000 and the Company recorded a gain of \$1,650,000 related to this transaction, which was included in selling, general and administrative expenses.

On December 20, 2010, subsequent to quarter-end, the Company called for redemption all of the remaining outstanding 6.375% convertible senior notes due 2036 (the "6.375% Notes"), which have a face value of \$16,577,000. The redemption date for these notes is February 15, 2011.

Note 6 Condensed financial statements

The Company's 6.375% Notes are fully and unconditionally guaranteed, on a joint and several basis, by all of the Company's material domestic consolidated subsidiaries (the "Guarantor Subsidiaries"). The subsidiaries that do not guarantee such Notes are comprised of the Company's foreign subsidiaries and certain other insignificant domestic consolidated subsidiaries (the "Non-Guarantor Subsidiaries"). Each of the Guarantor Subsidiaries is wholly owned. In lieu of providing separate audited financial statements for the Guarantor Subsidiaries, condensed consolidating financial information is presented below.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS

Three Months Ended November 27, 2010

(in thousands)

(unaudited)

	Pier 1 Imports, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
Net sales	\$ -	\$ 350,856	\$ 2,903	\$ -	\$ 353,759
Cost of sales (including buying and store occupancy costs)	-	207,222	2,468	-	209,690
Selling, general and administrative (including depreciation and amortization)	533	121,625	32	-	122,190
Operating income (loss)	(533)	22,009	403	-	21,879
Nonoperating (income) expenses	(2,399)	2,778	-	-	379
Income before income taxes	1,866	19,231	403	-	21,500
Provision for income taxes	-	462	34	-	496
Net income after income taxes	1,866	18,769	369	-	21,004
Net income (loss) from subsidiaries	19,138	369	-	(19,507)	-
Net income (loss)	\$ 21,004	\$ 19,138	\$ 369	\$ (19,507)	\$ 21,004

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS

Three Months Ended November 28, 2009

(in thousands)

(unaudited)

	Pier 1 Imports, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
Net sales	\$ -	\$ 325,168	\$ 2,854	\$ (947)	\$ 327,075
Cost of sales (including buying and store occupancy costs)	-	205,667	2,495	(947)	207,215
Selling, general and administrative (including depreciation and amortization)	349	116,563	177	-	117,089
Operating income (loss)	(349)	2,938	182	-	2,771

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Nonoperating expenses	16,699	2,853	1	-	19,553
Income (loss) before income taxes	(17,048)	85	181	-	(16,782)
Provision (benefit) for income taxes	-	(55,614)	19	-	(55,595)
Net income (loss) after income taxes	(17,048)	55,699	162	-	38,813
Net income (loss) from subsidiaries	55,861	162	-	(56,023)	-
Net income (loss)	\$ 38,813	\$ 55,861	\$ 162	\$ (56,023)	\$ 38,813

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS

Nine Months Ended November 27, 2010

(in thousands)

(unaudited)

	Pier 1 Imports, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
Net sales	\$ -	\$ 962,252	\$ 7,635	\$ -	\$ 969,887
Cost of sales (including buying and store occupancy costs)	-	590,415	6,555	-	596,970
Selling, general and administrative (including depreciation and amortization)	1,425	326,055	90	-	327,570
Operating income (loss)	(1,425)	45,782	990	-	45,347
Nonoperating (income) expense	(7,180)	8,585	(2)	-	1,403
Income before income taxes	5,755	37,197	992	-	43,944
Provision for income taxes	-	790	96	-	886
Net income after income taxes	5,755	36,407	896	-	43,058
Net income (loss) from subsidiaries	37,303	896	-	(38,199)	-
Net income (loss)	\$ 43,058	\$ 37,303	\$ 896	\$ (38,199)	\$ 43,058

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS

Nine Months Ended November 28, 2009

(in thousands)

(unaudited)

	Pier 1 Imports, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
Net sales	\$ -	\$ 890,287	\$ 7,339	\$ (2,748)	\$ 894,878
Cost of sales (including buying and store occupancy costs)	-	605,035	6,403	(2,822)	608,616
Selling, general and administrative (including depreciation and amortization)	1,327	323,907	265	-	325,499
Operating income (loss)	(1,327)	(38,655)	671	74	(39,237)

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Nonoperating income	(32,948)	(908)	(2,106)	-	(35,962)
Income (loss) before income taxes	31,621	(37,747)	2,777	74	(3,275)
Provision (benefit) for income taxes	-	(55,690)	68	-	(55,622)
Net income after income taxes	31,621	17,943	2,709	74	52,347
Net income (loss) from subsidiaries	20,652	2,709	-	(23,361)	-
Net income (loss)	\$ 52,273	\$ 20,652	\$ 2,709	\$ (23,287)	\$ 52,347

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

CONSOLIDATING CONDENSED BALANCE SHEET

November 27, 2010

(in thousands)

(unaudited)

	Pier 1 Imports, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 40,868	\$ 166,228	\$ 2,685	\$ -	\$ 209,781
Accounts receivable, net	8	21,848	2,457	-	24,313
Inventories	-	338,437	-	-	338,437
Income tax receivable	-	972	-	-	972
Prepaid expenses and other current assets	216	20,478	-	-	20,694
Total current assets	41,092	547,963	5,142	-	594,197
Properties, net	-	55,616	3,555	-	59,171
Investment in subsidiaries	107,489	17,400	-	(124,889)	-
Other noncurrent assets	3,470	27,538	-	-	31,008
	\$ 152,051	\$ 648,517	\$ 8,697	\$ (124,889)	\$ 684,376
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	\$ 6	\$ 61,408	\$ 31	\$ -	\$ 61,445
Intercompany payable (receivable)	(218,327)	227,309	(8,982)	-	-
Current portion long-term debt	16,542	-	-	-	16,542
Gift cards and other deferred revenue	-	44,672	-	-	44,672
Accrued income taxes payable (receivable)	-	2,313	-	-	2,313
Other accrued liabilities	282	116,401	248	-	116,931
Total current liabilities	(201,497)	452,103	(8,703)	-	241,903
Long-term debt	-	9,500	-	-	9,500
Other noncurrent liabilities	-	79,425	-	-	79,425
Shareholders' equity	353,548	107,489	17,400	(124,889)	353,548
	\$ 152,051	\$ 648,517	\$ 8,697	\$ (124,889)	\$ 684,376

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

CONSOLIDATING CONDENSED BALANCE SHEET

February 27, 2010

(in thousands)

(unaudited)

	Pier 1 Imports, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 38,433	\$ 147,233	\$ 2,246	\$ -	\$ 187,912
Accounts receivable, net	-	13,011	1,690	-	14,701
Inventories	-	313,496	-	-	313,496
Income tax receivable	-	79	482	-	561
Prepaid expenses and other current assets	97	37,060	-	-	37,157
Total current assets	38,530	510,879	4,418	-	553,827
Properties, net	-	52,204	3,633	-	55,837
Investment in subsidiaries	69,750	16,985	-	(86,735)	-
Other noncurrent assets	3,548	29,762	-	-	33,310
	\$ 111,828	\$ 609,830	\$ 8,051	\$ (86,735)	\$ 642,974
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	\$ 223	\$ 65,081	\$ 40	\$ -	\$ 65,344
Intercompany payable (receivable)	(207,865)	217,029	(9,164)	-	-
Current portion long-term debt	16,435	-	-	-	16,435
Gift cards and other deferred revenue	-	44,356	-	-	44,356
Accrued income taxes payable (receivable)	-	5,001	(34)	-	4,967
Other accrued liabilities	(99)	105,948	224	-	106,073
Total current liabilities	(191,306)	437,415	(8,934)	-	237,175
Long-term debt	-	19,000	-	-	19,000
Other noncurrent liabilities	-	83,665	-	-	83,665
Shareholders' equity	303,134	69,750	16,985	(86,735)	303,134
	\$ 111,828	\$ 609,830	\$ 8,051	\$ (86,735)	\$ 642,974

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

CONSOLIDATING CONDENSED BALANCE SHEET

November 28, 2009

(in thousands)

(unaudited)

	Pier 1 Imports, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 23,147	\$ 49,201	\$ 2,201	\$ -	\$ 74,549
Other accounts receivable, net	3	21,886	1,775	-	23,664
Inventories	-	339,599	-	-	339,599
Income tax receivable	-	56,433	482	-	56,915
Prepaid expenses and other current assets	265	42,664	-	-	42,929
Total current assets	23,415	509,783	4,458	-	537,656
Properties, net	-	55,979	3,659	-	59,638
Investment in subsidiaries	38,502	16,824	-	(55,326)	-
Other noncurrent assets	3,574	30,080	-	-	33,654
	\$ 65,491	\$ 612,666	\$ 8,117	\$ (55,326)	\$ 630,948
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	\$ 31	\$ 75,210	\$ 59	\$ -	\$ 75,300
Intercompany payable (receivable)	(220,154)	228,969	(8,815)	-	-
Gift cards and other deferred revenue	-	43,758	-	-	43,758
Accrued income taxes payable (receivable)	-	4,784	(34)	-	4,750
Other accrued liabilities	361	116,845	83	-	117,289
Total current liabilities	(219,762)	469,566	(8,707)	-	241,097
Long-term debt	16,400	19,000	-	-	35,400
Other noncurrent liabilities	-	85,598	-	-	85,598
Shareholders' equity	268,853	38,502	16,824	(55,326)	268,853
	\$ 65,491	\$ 612,666	\$ 8,117	\$ (55,326)	\$ 630,948

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS

Nine Months Ended November 27, 2010

(in thousands)

(unaudited)

	Pier 1 Imports, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
Cash flow from operating activities:					
Net cash provided by operating activities	\$ 9,644	\$ 25,754	\$ 257	\$ -	\$ 35,655
Cash flow from investing activities:					
Capital expenditures	-	(19,659)	-	-	(19,659)
Proceeds from disposition of properties	-	10,619	-	-	10,619
Proceeds from sale of restricted investments	-	3,818	-	-	3,818
Purchase of restricted investments	-	(3,815)	-	-	(3,815)
Collection of note receivable	-	1,500	-	-	1,500
Net cash used in investing activities	-	(7,537)	-	-	(7,537)
Cash flow from financing activities:					
Proceeds from stock options exercised, stock purchase plan and other, net	3,251	-	-	-	3,251
Advances (to) from subsidiaries	(10,460)	10,278	182	-	-
Repayment of long-term debt	-	(9,500)	-	-	(9,500)
Net cash (used in) provided by financing activities	(7,209)	778	182	-	(6,249)
Change in cash and cash equivalents	2,435	18,995	439	-	21,869
Cash and cash equivalents at beginning of period	38,433	147,233	2,246	-	187,912
Cash and cash equivalents at end of period	\$ 40,868	\$ 166,228	\$ 2,685	\$ -	\$ 209,781

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS

Nine Months Ended November 28, 2009

(in thousands)

(unaudited)

	Pier 1 Imports, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash flow from operating activities:					
Net cash provided by (used in) operating activities	\$ (38,808)	\$ (7,562)	\$ 1,577	\$ -	\$ (44,793)
Cash flow from investing activities:					
Capital expenditures	-	(3,229)	-	-	(3,229)
Proceeds from disposition of properties	-	717	-	-	717
Proceeds from sale of restricted investments	-	3,440	-	-	3,440
Purchase of restricted investments	-	(3,200)	-	-	(3,200)
Collection of note receivable	-	1,500	-	-	1,500
Net cash used in investing activities	-	(772)	-	-	(772)
Cash flow from financing activities:					
Proceeds from stock options exercised, stock purchase plan and other, net	317	-	-	-	317
Cash dividends	-	3,000	(3,000)	-	-
Debt issuance costs	(1,738)	(2,670)	-	-	(4,408)