

CHICOS FAS INC
Form 10-K
April 02, 2007

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-K

- o ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended February 3, 2007**
- o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 0-21258

Chico s FAS, Inc.
(Exact name of registrant as specified in its charter)

Florida
*(State or other jurisdiction
of incorporation)*

59-2389435
*(IRS Employer
Identification No.)*

**11215 Metro Parkway,
Fort Myers, Florida 33966**
(Address of principal executive offices) (Zip code)

(239) 277-6200
(Registrant s telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Exchange on Which Registered
Common Stock, Par Value \$.01 Per Share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant:

Approximately \$3,934,000,000 as of July 29, 2006 (based upon the closing sales price reported by the NYSE and published in the Wall Street Journal on July 31, 2006).

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

Common Stock, par value \$.01 per share 175,951,765 shares as of March 19, 2007.

Documents incorporated by reference:

Part III Definitive Proxy Statement for the Company's Annual Meeting of Stockholders presently scheduled for June 26, 2007.

CHICO S FAS, INC.
ANNUAL REPORT ON FORM 10-K
FOR THE
YEAR ENDED FEBRUARY 3, 2007

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PART I

ITEM 1. BUSINESS

General

Chico's FAS, Inc. (together with its subsidiaries, the Company) is a specialty retailer of private branded, sophisticated, casual-to-dressy clothing, intimates, complementary accessories, and other non-clothing gift items under the Chico's, White House | Black Market (WHIBM) and Soma by Chico's (Soma) brand names.

Chico's. The Chico's brand, which began operations in 1983, sells exclusively designed, private branded clothing focusing on fashion conscious women 35 and over with a moderate to high income level. The styling interprets fashion trends in a unique, relaxed, figure-flattering manner using mainly easy-care fabrics. The Chico's brand designs its products in a number of ways including in-house designers, working with its independent vendors or through vendor based designs.

WHIBM. The WHIBM brand, which began operations in 1985 and was acquired by the Company in September 2003, focuses on women who are 25 years old and up who lead active work and social lives with moderate and higher income levels. Its offerings include fashion and merchandise in the classic and timeless colors of white and black and related shades. WHIBM utilizes an in-house design team and also works closely with a number of vendors and agents to select, modify, and create products.

Soma. The Soma brand, which began operations in 2004, sells exclusively designed private branded intimate apparel, sleepwear and activewear, primarily aimed at customers with the same age and income level as customers of the Chico's brand. This concept, however, should ultimately appeal to a broader customer base than Chico's does. The Soma brand is developed by working closely with a number of independent vendors and agents to select products designed and manufactured by them or their sources and to design proprietary products in-house primarily through a close collaborative effort with these independent vendors.

In January 2006, the Company acquired most of the assets of Fitigues, a fitness inspired brand offering stylish, comfortable activewear clothing and operating through 12 free-standing retail stores in various locations throughout the country, as well as through its customer catalog and website. However, the Company recently determined that the Fitigues brand did not meet internal expectations. Therefore, the Company has committed to close the Fitigues brand and expects that all of the remaining Fitigues stores, as well as the website, will be shut down by the end of the second quarter of fiscal 2007.

The Company is always open to explore other specialty retail concepts, including brand extensions, which would be complimentary to its current brands and that may be future growth vehicles. In particular, if a concept appears to offer profitable growth within a reasonable time horizon, the Company may move the concept into a test phase. However, the Company believes that at this time it is important to focus its energies on its core Chico's, WHIBM and Soma brands.

The Company historically has endeavored to maintain a merchandise mix that emphasizes the continued introduction of new styles and designs to complement its seasonal and core product offerings. The Company plans to continue this approach with respect to its Chico's and WHIBM brands, and, to a lesser degree, its Soma brand, which the Company believes requires a higher level of core product.

As of March 19, 2007, the Company operated 930 retail stores in 47 states, the District of Columbia, the U.S. Virgin Islands and Puerto Rico. The retail stores operate under various names, including Chico's, White House | Black Market, Soma by Chico's and, for the short term, Fitigues. The Company's 559 Chico's front-line Company-owned stores, 261 WHIBM front-line stores, and 51 Soma stores, as of this date, compete in the better-priced market, with 29% of these stores in upscale or regional malls, 13% in upscale street locations and the balance in upscale open air specialty and strip centers. The total retail stores include the remaining 8 Fitigues front-line stores that are scheduled to be closed by the end of the second quarter of fiscal 2007.

There are also 34 Chico's outlet locations, 16 WHIBM outlet locations and 1 Fitigues outlet location that provide clearance activities for each of the brands. The Fitigues outlet store is expected to be closed by the end of the

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second quarter of fiscal 2007. The Company has plans to open its first Soma outlet store during the first quarter of fiscal 2007.

In February and March 2007, the Company completed its strategic plan to take full control of its brand image by acquiring all outstanding franchise rights and being entirely Company-owned within the United States, with no further franchise operations. Going forward, the Company does not intend to establish any franchise arrangements, or to enter into any additional franchise territory development agreements, in the United States for any of its brands. The Company has not decided to enter any foreign markets at this time and it has not decided if, when, or in what manner, it may enter a foreign market in the future.

The Company mails a Chico's and WHIBM catalog almost every month, including Soma inserts where applicable. These catalogs are designed to drive customers into the stores as well as promote and encourage website or call center sales. Beginning in mid fiscal 2005, the Company launched www.whitehouseblackmarket.com providing customers the ability to order WHIBM merchandise online or through its call center. In fiscal 2006, the Company launched a separate online website for Soma merchandise, www.soma.com, allowing customers the ability to order Soma merchandise online or through its call center. Prior to this launch, Soma products could only be purchased through the Chico's website. The Company continues to evaluate whether, and at what point, it would make sense to launch a separate catalog for Soma.

Sales through the call center's toll free telephone numbers, together with sales from the Company's various websites (www.chicos.com, www.whitehouseblackmarket.com and www.soma.com), including the relatively small amount of sales through www.fitigues.com, amounted to \$53.5 million in fiscal 2006 and are viewed as additional sales that provide a customer service for those who prefer shopping through these alternative channels. The Company is targeting this area as a growth area that has currently not been penetrated to the degree of some of its competitors. To that end, the Company is investing in new hardware, software and personnel to increase its sales penetration.

The Company's outlet division has outlet stores that generally have a larger average store selling square footage than the front-line stores. In order to provide the Chico's outlets with a full complement of merchandise, Chico's also developed a supplemental product line for distribution only through its outlet stores. This product line is known as Additions by Chico's. This supplemental label includes select product items that are designed to help promote the clearance of existing merchandise within Chico's. The Company has not established such a supplemental product for WHIBM or Soma.

Also during the past few fiscal years, the Company has been testing the expansion of its Chico's and WHIBM brands within its stores by offering certain items which complement the clothing products such as leather goods, watches, children's gifts and other gift products that are primarily designed by the Company. To that end, during fiscal 2007, the Company intends to test a new petites line of clothing in its WHIBM brand. Some of these product category tests have proved to be successful and the product category has been added to the permanent offerings at the stores. Because of the additional space required to accommodate these additional categories and in an effort to improve the visual experience of its clothing and accessory presentations, the Company has been actively pursuing larger spaces for its existing and new stores. The Company currently believes the target Chico's brand store size is in the 3,000-3,500 selling square feet range, while the target WHIBM brand store size is in the 2,200-3,000 selling square feet range. Although the Company may from time to time open larger or smaller stores, the Company's primary focus in both its new and existing markets is currently stores in the size ranges indicated above.

The Company has been opening Soma stores in various sizes as it tests the optimal size for such stores. The Company is planning to open front-line Soma stores in the future that will be slightly smaller than its Chico's and WHIBM stores, with Soma stores ranging in size from 1,100 selling square feet to 2,300 selling square feet and which have generally been attached to, or adjacent to, Chico's stores. Further, the Company intends to begin removing the by Chico's tagline

on its Soma by Chico's stores during fiscal 2007 as it intends to begin expanding on its limited marketing to non-Chico's customers, in the same age and income classification.

The Company regularly reviews the appropriate size for its stores and may adjust the target store size in the future as necessary, in part due to the Company's above average net sales per selling square foot at its Chico's and

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WHIBM stores as well as to continually position the Company to capitalize on the growth opportunities in the industry without being space confined.

The Company intends to continue locating a large portion of its front-line stores, including Chico's, WHIBM and Soma, primarily in established upscale, outdoor destination shopping areas and high-end enclosed malls located either in tourist areas or in, or near, mid-to-larger sized markets. In recent years, Chico's has been opening locations in smaller sized markets with encouraging results and the Company intends to expand its opening of Chico's stores in smaller sized markets as long as results are meeting expectations. In the fiscal year ended February 3, 2007 (fiscal 2006), the Company opened 145 net new Company-owned stores, acquired the Fitigues chain of 12 stores (which will be closed in the second quarter of fiscal 2007) and reacquired one of its franchise stores (subsequent to fiscal 2006, the Company reacquired the remaining 13 franchise stores, thus ending its franchise operations). During fiscal 2005, the Company opened 104 net new Company-owned stores and one of its franchisees opened two stores.

The Company plans to open approximately 135-145 net new stores (excluding the 10 Fitigues planned closures or the 13 acquired franchise stores subsequent to year end) in the fiscal year ending February 2, 2008 (fiscal 2007). Of this total, 55-60 are expected to be Chico's stores, 55-60 are expected to be WHIBM stores, and 20-25 are expected to be Soma stores. The Company expects to close up to 1-3 existing Chico's stores, 4-6 WHIBM stores, and 1-3 Soma stores during fiscal 2007.

The Company has been aggressively expanding or relocating Chico's and WHIBM stores over the last several years and the Company anticipates this will continue as the Company finds more opportunities for expansion or relocation. The Company has stated its fiscal 2007 goal is to increase overall square footage by 22%-24% and if the Company were to expand or relocate more stores than the 45-55 planned, or if the Company were to open larger front-line stores than currently planned, the Company may reduce the overall number of stores it opens to maintain its approximate 22%-24% square footage growth goal.

Business Strategies

Overall Growth Strategy. Over the last several years, the Company has continued to build its store base primarily through the opening of new stores as well as through the acquisition of other concepts such as WHIBM and the organic growth of the Soma concept. During the same time, the Company has been building its infrastructure to accommodate the anticipated future growth in its store base, its multi-branded approach to retailing, and the associated increases in revenues and expenses. This increase in infrastructure includes significant additions to its senior and middle management teams, an increase in direct to consumer staffing, the roll out of the SAP software to all brands (for more detail, see page 12), and other infrastructure initiatives. The Company has established an annual square footage growth goal of 22%-24% for fiscal 2007 and 15% for fiscal 2008, which aggregates the square footage of Chico's, WHIBM, and Soma brands. In assessing the growth potential of each of the Company's two primary brands, the Company believes the overall market for Chico's stores in the United States to be between 700 and 850 stores, that the overall market for WHIBM stores in the United States appears to be either comparable or only slightly less than the potential number of Chico's stores, that ultimately most of these current locations can accommodate higher volume, and that long-term expansion opportunities for both brands are believed to be possible in certain other countries such as Canada or certain European countries. The Company believes it is premature to assess any growth potential for the Soma brand, although the Company currently believes Soma could eventually be successful in many places where there is a successful Chico's store, whether or not adjacent to an existing Chico's store, as well as other high traffic shopping center locations serving the target Soma customer that do not have a Chico's store.

Distinctive Private Branded Clothing and Coordinated Accessories. The most important element of the Company's business strategies is the distinctive clothing and complementary accessories it sells under its proprietary brands.

Chico's. Interpreting current fashion trends and providing frequent delivery of new designs, Chico's targets women 35 and over with emphasis on a comfortable relaxed fit in a modern style. Chico's clothing is made mostly from natural fabrics and fabric blends (including cotton, linen and silk) and sophisticated synthetics and synthetic blends. Accessories, such as handbags, belts, and jewelry, including earrings, watches,

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necklaces and bracelets, are specifically designed to coordinate with the colors and patterns of the Chico's brand clothing, enabling customers to easily enhance and individualize their wardrobe selections.

Chico's designs its clothing and accessories in a number of ways including utilizing its in-house design team, working with its independent vendors, or through vendor based designs. Chico's controls most aspects of the design process, including choices of pattern, construction, specifications, fabric, finishes and color.

Chico's clothing is designed through the coordinated efforts of the merchandising and product development teams. Style, pattern, color and fabric for individual items of clothing are developed based upon perceived current and future fashion trends that will appeal to its target customer, anticipated future sales and historical sales data.

The Chico's product development and merchandising teams develop and work with vendors to develop the in-house designs and design modifications. By conceptualizing and designing in-house, contracting, for the most part, directly with manufacturers, and providing on-site quality control, Chico's has been able to realize average initial gross profit margins for its clothing and accessories that are generally higher than the industry average, while at the same time providing value to its customers.

The distinctive nature of Chico's clothing is carried through to its sizing. Chico's uses international type sizing, comprising sizes 0 (size 4-6), 1 (size 8-10), 2 (size 10-12), and 3 (size 14-16). As in the past, Chico's occasionally will offer one-size-fits-all and small, medium and large sizing for some items. The relaxed nature of the clothing allows the stores to utilize this unusual sizing and thus offer a wide selection of clothing without having to invest in a large number of different sizes within a single style. Chico's has also added half sizes (sizes 0.5, 1.5, 2.5 and 3.5) to some of its pant styles, most notably jeans.

WHIBM. Designed to adapt within the lifestyle of today's modern woman and to enhance her inner beauty, WHIBM clothing is made from a variety of natural and synthetic fabrics, such as cotton, rayon, silk, polyester, microfibers and matte jersey, all in white and black and related shades. As is the case with Chico's, the accessories at WHIBM, such as handbags, shoes, belts and jewelry, including earrings, necklaces and bracelets, are specifically developed and purchased to coordinate with the colors and patterns of the clothing, enabling customers to easily coordinate with and individualize their wardrobe selections.

WHIBM utilizes an in-house design team and also works closely with its independent vendors for its designs. WHIBM controls almost all aspects of the design process, including choices of pattern, construction, specifications, fabric, finishes and color.

WHIBM clothing is designed through the coordinated efforts of the merchandising, design and product development teams. The merchandise is selected, enhanced and created so as to carry out WHIBM's commitment to make women feel beautiful and to project a contemporary and feminine self-image. As is the case with Chico's, the style, pattern, color and fabric for individual items of WHIBM clothing are selected based upon historical sales data, anticipated future sales and perceived current and future fashion trends that will appeal to its target customer.

The WHIBM product development, design and merchandising teams work with vendors to develop the in-house and design modifications. More so than in the past, WHIBM conceptualizes and designs in-house, contracts for a large part directly with manufacturers, and started providing on-site quality control in February 2006. Because of these changes, WHIBM has been able to realize improvements in its average initial merchandise margins compared to a few years ago, while continuing to provide stylish, affordable clothing and accessories.

WHIBM stores use American sizes in the 0-14 range (with online sizing up to size 16), which the Company believes is more appropriate for the target WHIBM customer. As a result, the fit of the WHIBM clothing tends to be more styled

to complement the figure of a body-conscious woman, while still remaining comfortable.

Soma. Soma offerings are broken into two broad categories: foundations and apparel. The foundations category includes bras, panties, and shapewear, while the apparel category includes activewear, sleepwear,

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robes and loungewear. Accessories volume within the Soma concept is currently small but may be developed further in the future.

The foundation and apparel products are, for the most part, developed with a close collaborative effort between the in-house product development team and key vendor resources. The Company is testing some labels, other than the Soma label, as it determines the needs and desires of the target customer. The apparel offerings utilize the Chico's sizing concept, while bras are sized using traditional American band and cup sizes. Panties currently incorporate both industry and Chico's sizing.

Personalized Service and Customer Assistance. The Company has always considered outstanding and personalized customer service one of the most important factors in determining its success. The Company intends, through its specialized training efforts, to make certain that sales associates in all of its stores offer assistance and advice on various aspects of their customers' fashion and wardrobe needs, including clothing and accessory style and color selection, coordination of complete outfits, and suggestions on different ways in which to wear the clothing and accessories. The Company does not require sales associates to wear the Company's clothing and accessories in its stores. It offers substantial employee discounts to those associates who wish to purchase the Company's clothing. The Company's sales associates are encouraged to know their regular customers' preferences and to assist those customers in selecting merchandise best suited to their tastes and wardrobe needs. To better serve its customers, sales associates are encouraged to become familiar with new styles and designs of clothing and accessories by trying on new merchandise. None of the Company's brands have found it necessary to offer alteration services.

The Company takes pride in empowering its associates to make decisions that best serve the customer. The Company believes this healthy sense of empowerment enables the Company's associates to exceed customers' expectations. In addition, many of the store managers and sales associates, especially for the Chico's brand, were themselves customers prior to joining the Company and can therefore more easily identify with customers. The Company's associates are expected to keep individual stores open until the last customer in the store has been served. If an item is not available at a particular store, sales associates are encouraged to arrange for the item to be shipped directly to the customer from another Chico's, WH|BM or Soma store. The Company provides a Company sponsored SKU hotline and in-store SKU lookup to assist sales associates with this task. The Company is committed to its Most Amazing Personal Services standard and to that end it is evaluating new software that may automate the process of locating size or color requests.

Customer Loyalty. Building customer loyalty through focused programs and effective implementation of the Company's merchandising and customer service strategies is considered another key element for the Company's success. The Company's sophisticated customer tracking database, that tracks sales by customers at the SKU and store level, allows the Company to more sharply focus its marketing, design and merchandising efforts to better address and define the desires of its target customer. Active customers are those who have purchased at one of the Company's brands within the preceding 12 months.

Chico's and Soma. Chico's customer club, which was established in the early 1990's, is known as the Passport Club (Passport), and is designed to encourage repeat sales and customer loyalty for its Chico's and Soma brands. Features of the club include discounts, special promotions, invitations to private sales, and personalized phone calls regarding new Chico's and Soma merchandise.

A Chico's or Soma customer signs up to join the Passport Club at no cost, initially as a preliminary member. Once the customer spends a combined \$500 over any time frame in either brand, the customer becomes a permanent member entitled to a 5% lifetime discount, advance sale notices, free shipping and other benefits. Chico's has been very successful in increasing its database of active permanent and preliminary Passport members. As of February 3, 2007, Chico's and Soma had approximately 1.6 million active permanent Passport members and an additional 1.6 million active preliminary Passport members. During fiscal 2006, the active permanent Passport members accounted for

approximately 83% of overall sales, while the active preliminary members accounted for approximately 14% of overall sales. As a comparison to fiscal 2005, Chico s and Soma had an average of 2.9 million active permanent and preliminary members.

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The Company believes that active permanent Passport members shop more frequently and spend more on their average transaction than active preliminary Passport members. During fiscal 2006, the average active permanent Chico s and Soma Passport member spent approximately \$108 per transaction and shopped five to six times per year, while the active preliminary Passport members averaged approximately \$66 per transaction and shopped one to two times per year.

WHIBM. In late fiscal 2004, the Company launched a customer loyalty program for WHIBM called The Black Book. Similar to the Passport Club, The Black Book is designed to encourage repeat sales and customer loyalty. Features of the club are similar to the Passport Club and include discounts, special promotions, invitations to private sales, and personalized phone calls regarding new WHIBM merchandise. A WHIBM customer signs up to join The Black Book at no cost, initially as a preliminary member. Once the customer spends \$300 over any time frame, the customer becomes a permanent member entitled to a 5% lifetime discount, birthday bonuses, double discount specials, advance sale notices, free shipping and other benefits. As of February 3, 2007, The Black Book already had approximately 0.6 million active permanent members and over 1.2 million active preliminary members. During fiscal 2006, active permanent Black Book members accounted for 63% of overall sales, while active preliminary members accounted for 31% of overall sales. As a comparison to fiscal 2005, WHIBM had an average of 1.3 million active permanent and preliminary members.

High-Energy, Loyal Associates. The Company believes that the dedication, high energy level and experience of its management team, support staff, and store associates are key to its continued growth and success and helps to encourage personalized attention to the needs of its customers.

In selecting its associates at all levels of responsibility, the Company looks for quality individuals with high energy levels who project a positive outlook. The Company has found that such associates perform most effectively for the Company in the stores and at headquarters and contribute to a fun and exciting shopping experience for its customers.

Sales associates are compensated with a base hourly wage but also have opportunities to earn substantial incentive compensation based on their individual sales. For the most part, these incentives are based upon the dollar amount of sales to individual customers, thereby encouraging sales of multiple items and focusing the sales associate on each transaction. Store managers receive a base hourly wage and are also eligible to earn various incentive bonuses tied to individual sales and storewide sales performance. Each store brand has separate district and regional sales managers. The district and regional sales managers receive base salaries and also have the opportunity to earn monthly incentive compensation based upon the sales performance of stores in their districts and regions, as well as incentives, including, in some years, equity based compensation such as restricted stock or stock options, based on their district s or region s performance compared to the overall sales performance of the respective store brand.

The Company also offers its store and field management associates other recognition programs and the opportunity to participate in its stock purchase and 401(k) programs. Management believes these programs offer the Company s store and field management associates opportunities to earn total compensation at levels generally at, or above, the average in the retail industry for comparable positions.

The Company s emphasis, where possible, on a promote from within philosophy, combined with increases in the number of new Company-owned stores, provides opportunities for qualified associates to advance to higher positions in the Company.

Additional Stores. Management believes the ability to open additional stores will be a factor in the future success of the Company. During fiscal 2006, the Company opened 145 net new Company-owned stores composed of 41 net Chico s front-line stores, 3 Chico s outlet stores, 58 net WHIBM front-line stores, 8 WHIBM outlet stores, 37 Soma

stores and a reduction of 2 Fitigues stores from the 12 originally acquired. During fiscal 2005, the Company opened 104 net new Company-owned stores and 2 new franchise stores were opened for a total of 106 net new stores composed of 51 net Chico s front-line stores, 6 Chico s outlet stores, 40 net WHIBM front-line stores, 4 net WHIBM outlet stores and 5 Soma stores. In fiscal 2007, the Company plans to open approximately 135-145 net new stores, exclusive of the planned 10 Fitigues store closures and the 13 acquired franchise stores.

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As of March 19, 2007, in fiscal 2007, of the stores planned for the fiscal year, the Company has opened 5 front-line Chico's stores, 7 WHIBM front-line stores and 1 front-line Soma store. During this time, the Company also closed 2 Soma front-line stores. The Company has signed leases for several additional new store locations, and the Company also is currently engaged in negotiations for the leasing of numerous additional sites. Of the approximately 135-145 net new stores to be opened in fiscal 2007, the Company expects to open approximately 31-35 stores in the first quarter, 20-24 stores in the second quarter, 63-67 stores in the third quarter, and the balance in the fourth quarter.

In deciding whether to open a new store, the Company undertakes an extensive analysis that includes the following: identifying an appropriate geographic market; satisfying certain local demographic requirements; evaluating the location of the shopping area or mall and the site within the shopping area or mall; assessing proposed lease terms; and evaluating the sales volume necessary to achieve certain profitability criteria. Once the Company takes occupancy, it usually takes from eight to twelve weeks to open a store. After opening, Chico's and WHIBM front-line stores have typically generated positive cash flow within the first year of operation (after allocation of a portion of home office administrative expense based on sales) and have typically had a ten to eighteen month payback of all initial capital and inventory costs. However, there can be no assurance that new Chico's or WHIBM stores will achieve operating results similar to those achieved in the past.

Store Locations

The Company's stores are situated, for the most part, in mid-to-larger sized markets. In recent years, the Company has been opening Chico's stores in smaller sized markets with encouraging results. The Company intends to expand its opening of Chico's stores in smaller sized markets as long as results are meeting expectations. The Company's front-line stores are located almost exclusively in upscale outdoor destination shopping areas, high-end enclosed shopping malls and, to a lesser degree, regional malls which offer high traffic of the respective target customers of the brand. For all of its brands, the Company seeks to locate the front-line stores where there are other upscale specialty stores and, as to its mall locations, where there are two or more mid-to-high end department stores as anchor tenants. Where possible, the Company has historically opened the Soma stores adjacent to or nearby an existing Chico's store. During fiscal 2007, the Company will be reevaluating future Soma locations to possibly begin opening Soma stores outside of where Chico's locations exist. The Chico's and WHIBM outlet stores are, for the most part, located in outlet centers, although the Company is evaluating the possibility of opening new outlets in value centers.

As of February 3, 2007, the Company-owned Chico's front-line stores averaged 2,353 selling square feet, while the Company-owned Chico's outlet stores averaged 2,823 selling square feet. WHIBM front-line stores averaged 1,720 selling square feet and WHIBM outlet stores averaged 1,839 selling square feet. Soma stores averaged 2,036 selling square feet. The Company seeks to open Chico's front-line stores with approximately 3,000-3,500 selling square feet, to open Soma front-line stores with approximately 1,100-2,300 selling square feet and to open WHIBM front-line stores with approximately 2,200-3,000 selling square feet. However, in locations where the Company has a desire to establish a front-line store for any such brand but where the optimum store size or location is unavailable, the Company will lease a front-line store with as few as 1,200 selling square feet or as many as 4,500 selling square feet. If the volume of business at one of its smaller stores is sufficient, and there is no ability to expand the existing store, the Company has chosen in the past to open additional stores nearby, sometimes operating more than one store in the same general shopping area. Non-selling space within Company-owned stores generally amounts to 25-28% of the gross leased space, and is not considered in the selling square foot calculations.

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The Company's current stores, as of March 19, 2007, are located in the following jurisdictions:

	Chico's Front-Line Stores	Chico's Outlet Stores	WHIBM Front- Line Stores	WHIBM Outlet Stores	Soma Stores	Fitigues Front- Line Stores	Fitigues Outlet Stores	Total Stores
California	62	4	34	1	7			108
Florida	52	4	26	2	3	1		88
Texas	45	3	22	1	12	2		85
Illinois	24	2	12		3	1	1	43
Georgia	18	1	12	1	4			36
New Jersey	21		9	1	2			33
New York	23	2	7					32
Maryland	19	1	8	2	1			31
Pennsylvania	21	2	6	1	1			31
Ohio	17	1	9	1	1			29
North Carolina	16	1	7		3			27
Arizona	12	1	8		1	2		24
Colorado	11	1	8		2			22
Michigan	15		5		2			22
Virginia	17	2	3					22
Massachusetts	16	1	3	1				21
Oregon	10	1	6	1	1			19
Washington	11	1	6		1			19
Minnesota	12		4			1		17
Missouri	11		6					17