

INDUSTRY RISK REPORT INTERNET RETAIL

The ages-old challenge of mitigating risks to the supply chain remains paramount for retailers, whether they rely on the Internet-only channel or whether they are traditional brick-and-mortar companies building out their Web sites. In addition, international expansion in the quest for profits also carries with it the cultural risks related to foreign consumer tastes and habits.

Company Name	Location	CRO	CFO	2007 Total Revenue	No. of Employees	Primary Broker	Captives
The Home Depot Inc.	Atlanta, Ga.	Jim Bramlett, Director, Risk Management	Carol Tome, CFO and EVP	\$90.83 billion	364,000	Marsh	THD Ltd. (Bermuda)
Target Corp.	Minneapolis, Minn.	Reed Rainey, Director, Risk Management	Douglas Scovanner, EVP and CFO	\$63.36 billion	366,000	Aon, Marsh	No
Sears Holding Corp.	Altoona, Iowa	David Halffield, Divisional VP, Risk Management	J. Miles Reidy, EVP and CFO	\$50.70 billion	337,000	Aon	Sears Reinsurance Co.
Lowe's Cos. Inc.	Mooresville, N.C.	Valerie Wilhite, Director, Risk Management	Robert Hull, EVP & CFO	\$48.28 billion	216,000	Marsh	Withheld
Best Buy Co. Inc.	Richfield, Minn.	Paul Stone, VP of Loss Prevention and Risk Management	Darren Jackson, EVP and CFO	\$40.02 billion	140,000	Aon	CCL Insurance Co. (Vermont)
Amazon.Com Inc.	Seattle, Wash.	Jana Hadley, Risk Manager	Thomas Szkutak, SVP and CFO	\$14.83 billion	17,000	Withheld	Withheld
Limited Brands Inc.	Columbus, Ohio	Jeff Hilton, Director of Insurance and Claims	Stuart Burgdoerfer	\$10.13 billion	97,500	Aon	Withheld
eBay Inc.	San Jose, Calif.	Michael Jacobson, SVP and General Counsel	Robert Swan, SVP and CFO	\$7.67 billion	15,500	Withheld	Withheld
Ross Stores Inc.	Pleasanton, Calif.	Bill Newberg, Director of Risk Management	John G. Call, SVP & CFO	\$5.97 billion	39,100	Withheld	Retail Assurance Group, Ltd. (Bermuda)
Barnes & Noble Inc.	New York, N.Y.	Joseph Lombardi, CFO	Joseph Lombardi, CFO	\$5.41 billion	40,000	Withheld	Withheld

Company Name	Risk Exposure:	Risk Strategies:
The Home Depot Inc.	Like many publicly traded companies, the Home Depot faces the risk of securities class-action lawsuits filed by shareholders past and present that accuse company officers of breaches of their fiduciary duty, among other complaints. In the past, the company has also received subpoenas from regulators in connection with the company's handling of hazardous wastes.	The Home Depot enters into derivatives to manage its exposure to interest rate risk and to insure that it maintains appropriate ratios of fixed rate to variable rate debt. The company self-insures for certain losses related to general liability, product liability, automobile, workers' compensation and medical claims.
Target Corp.	Target's 2007 annual filing with the SEC lists numerous corporate risk concerns. They include competitive pressures; consumer trends; regulation of credit card operations; general economic conditions including interest rates, recession, inflation, consumer debt levels, labor conditions and costs, store expansion plans and supply chain risks associated with global product sourcing.	Target retains a substantial portion of its risk related to certain general liability, workers' compensation, property loss and team member medical and dental claims.
Sears Holding Corp.	As a retailer with operations worldwide, Sears faces business interruption and data loss risks associated with technology failures. The company's systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches and other technical failures.	Sears Holdings executives have made debt reduction a priority. Including capital leases, the company estimated its debt at year-end 2007 at some \$3 billion, which the company described as "quite modest" compared to its 2007 revenue of some \$50.70 billion.
Lowe's Cos. Inc.	According to its 2007 annual report, Lowe's faces significant supply chain risk. "We source the approximately 40,000 products we stock and sell from approximately 7,000 domestic and international vendors. Political or financial instability among suppliers, trade restrictions, tariffs, currency exchange rates and transport capacity and cost are beyond our control and could negatively impact our business if they seriously disrupt the movement of products through our supply chain," the company writes in that report.	The company is self-insured for certain losses relating to workers' compensation, automobile, property, general and product liability, extended warranty and certain medical and dental claims. Self-insurance claims filed and claims incurred but not reported are based on the company's estimates of the discounted ultimate cost for self-insurance claims incurred using actuarial assumptions followed in the insurance industry and historical experience.
Best Buy Co. Inc.	Best Buy cites its global supply chain as one of its chief risks. "Our 20 largest suppliers account for over three fifths of the merchandise we purchase," the company writes in an annual report filed with the SEC on May 2, 2007.	In contrast to many corporations, Best Buy does not use derivatives to manage foreign currency exchange rate risk, debt interest-rate volatility risk or investment interest-rate volatility risk.
Amazon.Com Inc.	As Amazon.Com has expanded its operations internationally, its exposure to exchange rate fluctuations has increased. The company holds securities in Euros, British pounds and the Yen.	The company manages its market risk for changes in interest rates in its investment portfolio by investing in a range of cash equivalents and marketable securities. These include money market funds, certificates of deposit, corporate debt securities, U.S. government and agency securities and asset-backed securities, among others.
Limited Brands Inc.	The company intends to further expand into international markets according to its 2007 annual report. The risks associated with that expansion into international markets include difficulties in attracting customers due to a lack of customer familiarity with its brands, the company's lack of familiarity with local customer preferences and seasonal differences in the market. In addition, the company also has risks related to identifying suitable partners for international expansion.	In response to pressures on gross profit in 2007, The Limited took action to reduce its inventories by 25 percent per square foot to minimize financial risk as it entered 2008.
eBay Inc.	eBay reports in its 2007 annual report that growth rates in its most mature markets have slowed and the company is losing market share in some segments. The company faces competition from a variety of online retailers, distributors and other companies.	The company establishes allowances for estimated losses arising from sellers who also accept payment through PayPal. The allowances for these and other factors involve the use of actuarial techniques, are monitored monthly and are updated based on actual claims.
Ross Stores Inc.	Ross Stores cites competitive pressures, potential changes in consumer tastes, unseasonable weather trends, supply chain disruptions and California's propensity for natural disasters as risk factors.	The company carries earthquake insurance for business interruption, inventory and personal property to mitigate its risk to its corporate headquarters, distribution centers, buying offices and stores.
Barnes & Noble Inc.	Barnes & Noble faces business risks related to its online business including risks associated with the need to keep pace with rapid technological change, Internet security risk, risk of system failure or inadequacy, government regulation and others.	The company limits its interest rate risk by investing certain of its excess cash balances in short-term, high-liquidity instruments with an original maturity of one year or less.