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UPDATE: Goody's Liquidation First Big Name Bankruptcy Of 2009

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(Adds information throughout, including comments from vendors)

By Karen Talley

Of DOW JONES NEWSWIRES

NEW YORK -(Dow Jones)- Goody's Family Clothing Inc. (GDYS) is liquidating operations, becoming the first high-profile retailer to go under in a new year that is expected to see many more going-out-of-business announcements.

The moderately-priced chain was unable to restructure terms with its creditors and is in the process of seeking bids to liquidate substantially all of its inventory and other assets, said Cathy Hershcopf, bankruptcy attorney at law firm Cooley Godward Kronish LLP.

"They weren't as capitalized as they need to be to weather this economic storm," Hershcopf said. "Management tried very hard to make it work."

Goody's staff do not appear to have the information yet. "We haven't been told anything and I don't know when an announcement will be made," said Jim Cronin, a spokesman based at Goody's headquarters who serves as a liaison with store staff.

Prentice Capital Management, the managing member of PGDYS Lending LLC, which has owned Goody's since 2006, asked that questions be sent by email, but did not respond to them.

Goody's chief executive Paul White did not respond to requests for comment.

As recently as early November, White told the Knoxville News Sentinel that Goody's expected to turn a profit by the end of the year.

"It's huge. We've been very busy," White told the newspaper, which is based in Goody's home town of Knoxville, Tenn.

Goody's has about 9,000 employees and operates 282 small department stores in about 20 states, mainly in strip malls in the Southeastern and Midwestern U.S.

Sales for fiscal 2007 were \$904.7 million, according to Hoover's.

The company in October successfully reorganized after filing for Chapter 11 bankruptcy protection the prior June.

Goody's strategy was to stick to smaller towns and appeal to budget-minded shoppers who wanted popular brand names.

It carries athletic-wear from Nike Inc. (NKE), Adidas (ADS.XE), and Adidas' Reebok. The retailer's main casual and sportswear suppliers are Levi Strauss & Co., Warnaco Group's (WRC) Chaps sportswear for men, VF Corp.'s (VFC) Lee jeans; and Alfred Dunner, according to Goody's website. Goody's also carries some apparel from Philip-Van Heusen Corp. (PVH).

The amount of Philip-Van Heusen apparel in Goody's is "minor" and the apparel company does not expect much of an impact from the store's shutdown, said Philip-Van Heusen Chief Financial Officer Michael Shaffer.

Liz Cahill, vice president of marketing for Lee jeans, said the company works with many retailers and the lack of business through Goody's would not be a major blow.

The Chaps men's sportswear line accounts for about 10% of Warnaco's annual revenue and Goody's makes up a small slice of those sales, said Warnaco investor relations chief Deborah Abraham.

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A representative for Alfred Dunner declined to comment.

Representatives for Nike, Levi Strauss and Adidas did not return calls for comment.

Goody's also has several private label lines and a line by actress Ashley Judd.

The expected liquidation of the 55-year-old company is a commentary about smaller retailers that once had a successful niche but were hurt by competition from large chains and couldn't bear up under the additional stress of a recession, analysts said.

"It's the times we are in, and Goody's will hardly be the last to leave," said Robert Passikoff, founder of retail consulting firm Brands Keys.

Wal-Mart Stores Inc. (WMT), J.C. Penney Corp. (JCP), Target Inc. (TGT) and TJX Cos. (TJX) are all established in the area that Goody's operates in, and thus stand to benefit to some degree by seeing a competitor go by the wayside, Passikoff said.

Passikoff does not, however, expect the other retailers to pick up much, or any, of Goody's inventory or locations.

"Even the companies that are doing well are not looking to expand to a great degree given the ongoing buying slump by consumers," Passikoff said.

Goody's liquidation follows last week's bankruptcy filing of the Parent Company, which plans to sell its business in an auction after the holiday shopping season wasn't enough to refill its coffers.

On the high end, Bill Blass Ltd. filed for Chapter 7 bankruptcy last Wednesday, and now plans to liquidate its assets.

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