

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

Filing Date: **1999-07-27** | Period of Report: **1999-07-26**
SEC Accession No. **0000950144-99-009187**

([HTML Version](#) on [secdatabase.com](#))

FILER

SERVICE MERCHANDISE CO INC

CIK: **89107** | IRS No.: **620816060** | State of Incorporation: **TN** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **001-09223** | Film No.: **99671238**
SIC: **5399** Misc general merchandise stores

Mailing Address
*PO BOX 24600
NASHVILLE TN 37202*

Business Address
*7100 SERVICE
MERCHANDISE DR
BRENTWOOD TN 37027
6156606000*

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report: July 26, 1999

SERVICE MERCHANDISE COMPANY, INC.
(Debtor-in-Possession as of March 27, 1999)

(Exact name of registrant as specified in its charter)

Tennessee

1-9223

62-0816060

(State or other jurisdiction
of incorporation)

(Commission File Number)

(I.R.S. Employer
Identification No.)

7100 Service Merchandise Boulevard, Brentwood, TN

37027

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (615) 660-6000

Not Applicable

(Former name or former address, if changed since last report)

Item 5. Other Events

Service Merchandise Company, Inc. (the "Company") has filed its monthly operating report for the period commencing May 31, 1999 and ending July 4, 1999 (the "Operating Report") with the United States Bankruptcy Court for the Middle District of Tennessee, a copy of which is attached hereto as Exhibit 99, in connection with its voluntary petitions for reorganization under Chapter 11 of title 11 of the United States Bankruptcy Code in Case No. 399-02649.

The Company cautions investors or potential investors not to place undue reliance upon the information contained therein. The Operating Report contains unaudited information, and is in a format, prescribed by the applicable bankruptcy laws. There can be no assurance that, from the prospective of an investor or potential investor in the Company's securities, the Operating Report is complete. The Operating Report also contains information for periods which may be shorter or otherwise different from those contained in the Company's reports pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such information may not be indicative of the Company's financial condition or operating results for the periods reflected in the Company's financial statements or in its reports pursuant to the Exchange Act and investors and potential investors in the Company's securities are cautioned to refer to the Exchange Act filings. Moreover, the Operating Report and other communications from the Company may include forward-looking statements subject to various assumptions regarding the Company's operating performance that may not be realized and subject to significant business, economic and competitive uncertainties and contingencies, including those described in this report, many of which are beyond the Company's control. Consequently such matters should not be regarded as a representation or warranty by the Company that such matters will be realized or are indicative of the Company's financial condition or operating results for future periods or the periods covered in the Company's reports pursuant to the Exchange Act. Actual results for such periods may differ materially from the information contained in the Operating Report and the Company undertakes no obligation to update or revise such Operating Report.

The Operating Report includes a Rolling Revised Cash Flow Forecast which is a forward-looking statement subject to various assumptions regarding the Company's business, operating performance and other factors including revenues, expenses, asset dispositions, trade terms and capital expenditures, and various risks and uncertainties including those set forth below. This information should be read in conjunction with the Company's reports filed pursuant to the Exchange Act. Investors and potential investors in the Company's securities are cautioned that such information is being reported publicly because it is being distributed to a large number of the Company's vendors for purposes of their credit analyses. The Company undertakes no obligation to update such information or to disclose similar information in future Operating Reports. The Rolling Revised Cash Flow Forecast was not examined, reviewed or compiled by the Company's independent public accountants. The Rolling Revised Cash Flow Forecast is subject to future adjustments, if any, that could materially affect such information.

The Company's liquidity, capital resources and results of operations are subject to a number of risks and uncertainties including, but not limited to, the following: the ability of the Company to continue as a going concern; the ability of the Company to operate pursuant to the terms of the DIP Facility; the ability of the Company to operate successfully under a Chapter 11 proceeding; approval of plans and activities by the Bankruptcy Court; risks associated with operating a business in Chapter 11; the ability of the Company to create and have approved a reorganization plan in the Chapter 11 Cases; adverse developments with respect to the Company's liquidity or results of operations; the ability of the Company to obtain shipments and negotiate terms with vendors and service providers for current orders; the ability to conduct inventory liquidation sales to improve liquidity; the ability to develop, fund and execute an operating plan for the Company; the ability of the Company to attract and retain key executives and associates; competitive pressures from other retailers, including specialty retailers and discount stores, which may affect the nature and viability of the Company's business strategy; trends in the economy as a whole which may affect consumer confidence and consumer demand for the types of goods sold by the Company; the ability to maintain gross profit margins; the seasonal nature of the Company's business (including risks related to seasonal inventory increases) and the ability of the Company to predict consumer demand as a whole, as well as demand for specific goods; the ability of the Company to attract and retain customers; costs associated with the shipping, handling and control of inventory and the Company's ability to optimize its supply chain; potential adverse publicity; availability and cost of management and labor employed; real estate occupancy and development costs, including the substantial fixed investment costs associated with opening, maintaining or closing a Company store; the potential delisting of the Company's securities and the absence of an active public trading market; the ability of the Company to provide a private label credit card; and the ability to effect conversions to new technological systems, including becoming Year 2000 compliant.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SERVICE MERCHANDISE COMPANY, INC.

Date: July 27, 1999

By: /s/ C. Steven Moore

C. Steven Moore

Vice President

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EXHIBIT INDEX

No.

Exhibit

99

Operating Report for the period ending July 4, 1999

UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF TENNESSEE

In re:

SERVICE MERCHANDISE COMPANY, INC.

Case No.: 399-02649 THROUGH 399-02680

Judge: PAINE

Chapter 11

Debtor(s)

MONTHLY OPERATING REPORT FOR PERIOD ENDING July 4, 1999

COMES NOW, SERVICE MERCHANDISE COMPANY, INC.

Debtor-In-Possession, and hereby submits its Monthly Operating Report for the period commencing May 31, 1999 and ending July 4, 1999 as shown by the report

and exhibits consisting of 16 pages and containing the following as indicated:

- X Monthly Reporting Questionnaire (Attachment 1)

- X Comparative Balance Sheets (Forms OPR-1 & OPR-2)

- N/A Summary of Accounts Receivable (Form OPR-3)

- X Schedule of Postpetition Liabilities (Form OPR-4)

- X Statement of Income (Loss) (Form OPR-5)

I declare under penalty of perjury that this report and all the attachments are true and correct to the best of my knowledge and belief. I also hereby certify that the original Monthly Operating Report was filed with the Bankruptcy Court Clerk and a copy delivered to the U.S. Trustee.

Date: 7-26-99 DEBTOR - IN - POSSESSION

By: /s/ Tom Garrett

 Name and Title: TOM GARRETT, SENIOR VICE PRESIDENT & CFO

 Address: 7100 SERVICE MERCHANDISE DRIVE

 BRENTWOOD, TENNESSEE 37027

 Telephone No: 660-3477

Note: Report subject to further verification and account reconciliation procedures

CHAPTER 11
MONTHLY OPERATING REPORT
MONTHLY REPORTING QUESTIONNAIRE

Attachment 1 (Page 1)

CASE NAME: SERVICE MERCHANDISE COMPANY, INC. et. Al.
CASE NUMBER: 399-02649 THROUGH 399-02680
PERIOD: MAY 31, 1999 THROUGH JULY 4, 1999

* 1. Payroll

<TABLE>
<CAPTION>

OFFICERS -----	TITLE -----	WAGES		TAXES	
		GROSS -----	NET -----	DUE -----	PAID -----
<S> SAM CUSANO	<C> CHIEF EXECUTIVE OFFICER	<C> 62,863.66	<C> 39,682.56	<C> 4,438.05	<C> 17,901.49
STEVE MOORE	SENIOR VICE PRESIDENT, CHIEF ADMINISTRATIVE OFFICER, GENERAL COUNSEL & SECRETARY	34,496.73	23,205.25	2,401.49	8,678.68
TOM GARRETT	SENIOR VICE PRESIDENT & CFO	31,830.16	22,970.43	1,843.13	6,755.05
STEVE MCCANN	SENIOR VICE PRESIDENT, FINANCE & CHIEF ACCOUNTING OFFICER	22,596.20	13,919.80	1,368.81	5,667.28
GARY SEASE	SENIOR VICE PRESIDENT, LOGISTICS	31,470.15	18,945.24	1,929.24	7,524.31
CHARLES SEPTER	PRESIDENT & CHIEF OPERATING OFFICER	48,978.90	30,772.58	3,358.63	13,732.24
KENNETH BRAME	SENIOR VICE PRESIDENT, INFORMATION SERVICES & CHIEF INFORMATION OFFICER	28,828.95	18,194.21	1,592.55	6,653.99
ROBERT J. PINDRED	VICE PRESIDENT AND TREASURER	13,461.55	9,714.90	632.37	2,629.66
SANDRA CARY	VICE PRESIDENT, ASST. TAX : FIN	9,615.40	6,906.29	518.60	2,080.51
JOE M. ELLIOTT	AVP, PROPERTY ADMINISTRATION	10,205.55	6,339.83	475.11	1,928.66
ERIC KOVATS </TABLE>	VICE PRESIDENT, REGIONAL: STORES	20,192.34	13,641.40	1,080.45	3,851.61

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CHAPTER 11
MONTHLY OPERATING REPORT
MONTHLY REPORTING QUESTIONNAIRE

Attachment 1 (Page 1)

CASE NAME: SERVICE MERCHANDISE COMPANY, INC. et. Al.
CASE NUMBER: 399-02649 THROUGH 399-02680
PERIOD: MAY 31, 1999 THROUGH JULY 4, 1999

2. INSURANCE

<TABLE>
<CAPTION>

TYPE	NAME OF CARRIER	COVERAGE AMOUNT	POLICY NUMBER	EXPIRATION DATE	PREMIUM AMOUNT	DATE COVERAGE PAID THRU
<S> Property	<C> Security Ins Co of Hartford Commonwealth Westchester Fire Allianz Insurance Co TIG Insurance Co Westchester Fire Allianz Insurance Co Allianz Insurance Co	<C> \$5 Million \$5 Million \$15 Million \$12 Million \$13 Million \$30 Million \$12 Million \$25 Million	<C> CCIPW12011 US2387 1XA394310 CLP1034720 XPT38797554 1XA394311 CLP1034720 CLP1034720	<C> 5/1/00 5/1/00 5/1/00 5/1/00 5/1/00 5/1/00 5/1/00 5/1/00	<C> \$921,750 \$92,419 \$75,000 \$30,000 \$32,500 \$15,000 \$22,500 \$10,000	<C> 5/1/00 5/1/00 5/1/00 5/1/00 5/1/00 5/1/00 5/1/00 5/1/00
Boiler & Machinery	Hartford Steam Boiler	\$10 Million	BMTBD	5/1/00	\$11,900	5/1/00
Transit	Security Ins Co of Hartford	\$1 Million	CCIMG72820	5/1/00	\$10,000	5/1/00
Ocean Cargo	Phoenix Assurance Co of NY	\$10 Million	CR37211	5/1/00	\$40,000	5/1/00
Special Crime	Reliance Insurance Co	\$25 Million	NFK1951937	5/1/02	\$13,458	5/1/02
Crime	National Union Fire Ins Co	\$10 Million	858-0797	3/1/00	\$56,505	3/1/00
Fiduciary	National Union Fire Ins Co	\$10 Million	267-81-30	3/1/00	\$19,462	3/1/00
Employment Practices Liability	Chubb Insurance Co Royal Insurance Co	\$10 Million \$10 Million	81278901A PSF000010	3/1/00 3/1/00	\$221,575 \$88,200	3/1/00 3/1/00
Directors & Officers	Continental Insurance Co Chubb Insurance Co	\$10 Million \$10 Million	300714943 81278902-A	3/1/01 3/1/01	\$453,500 \$266,666	3/1/01 3/1/01

	Royal Insurance Co	\$10 Million	PSF000009	3/1/01	\$133,000	3/1/01
Umbrella	Federal Insurance Co	\$50 Million	79763295	1/1/02	\$79,196	1/1/02
Excess Liability	American Guarantee & Liab	\$50 Million	EUO2876107-01	1/1/02	\$25,000	1/1/02
International	Cigna Insurance Co	\$1 Million	PHFTBD	1/1/00	\$2,500	1/1/00
Punitive Damages	Chubb Atlantic Indemnity	\$50 Million	PUNTB1	1/1/00	\$17,160	1/1/00
Punitive Damages - Excess	Zurich International Bermuda	\$50 Million	PUNTB2	1/1/00	\$5,000	1/1/00
General Liability - Va. Beach	Hartford Fire Insurance Co	\$2 Million	20UENTBD	1/1/00	\$8,020	1/1/00
General Liability	Cigna Insurance Co	\$5 Million	XSLG19307931	1/1/00	\$13,225	7/31/99
Workers' Compensation	Pacific Employers Ins Co	Statutory	WLRC42316830	1/1/00	\$17,797	7/31/99
WC Excess	Cigna Insurance Co	Statutory	XWCO11865	1/1/00	\$1,748	7/31/99
WC Contractual Indemnity	Illinois Union Insurance Co	Statutory	CTPG19307992	1/1/00	\$4,990	7/31/99
Auto	Pacific Employers Ins Co	\$1 Million	ISAHO7569488	1/1/00	\$2,742	7/31/99

</TABLE>

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CHAPTER 11

MONTHLY OPERATING REPORT
MONTHLY REPORTING QUESTIONNAIRE

CASH NAME: SERVICE MERCHANDISE COMPANY, INC. et. Al.
CASE NUMBER: 399-02649 THROUGH 399-02680
PERIOD: MAY 31, 1999 THROUGH JULY 4, 1999

3. BANK ACCOUNTS

<TABLE>

<S> <C>

TOTAL CASH AND CASH EQUIVALENTS

CASH IN STORES AND HOME OFFICE

HOME OFFICE \$ 14,615
RETAIL SAFE FUNDS \$ 2,241,862

CORPORATE ACCOUNTS \$ 1,101,606

STORE DEPOSITORY ACCOUNTS

FIRST TENNESSEE \$ 401,140
FIRSTSTAR \$ 27,735
SOCIETY NATIONAL BANK \$ 1,222,199
BANK OF BOSTON \$ 482,129
BANK OF BOSTON CONNECTICUT \$ 219,235
MERCANTILE BANK \$ 127,593
FIRST UNION \$ 3,343,499
HARRIS TRUST \$ 980,716
BANK ONE LOUISIANA \$ 1,711,929
ABN - AMRO BANK \$ 954,654
COMERICA BANK \$ 297,597
AM SOUTH \$ 820,561
BANK OF AMERICA CALIFORNIA \$ 165,231

</TABLE>

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<TABLE>

<S> <C>

NORWEST BANK \$ 640,162
FIRST AMERICAN NATIONAL BANK \$ 604,824
HERITAGE BANK OF NEVADA \$ 2,077
BANK OF OKLAHOMA \$ 192,873
CHASE BANK OF TEXAS \$ 937,025
HIBERNIA \$ 517,843
SINGLE STORE DEPOSITORY ACCOUNTS \$ 4,237,370
FIRST NATIONAL BANK OF MARYLAND \$ 114,854
FIFTH THIRD BANK \$ 45,029
WELLS FARGO BANK \$ 701,434
NATIONSBANK \$ 1,313,625

NBD	\$ 894,346
PNC BANK	\$ 442,740
CREDIT CARD CASH ACCOUNTS (SALES PROCESSED BY CREDIT CARD COMPANY)	\$12,261,014
OTHER DEPOSITORY ACCOUNTS	
SERVICE MERCHANDISE - MUSCULAR DYSTROPHY ASSOC	\$ 648,713
OTHER CASH ACCOUNTS	\$ 192,047
TOTAL CASH & CASH EQUIVALENTS PER GENERAL LEDGER	\$37,858,274

</TABLE>

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CHAPTER 11 Attachment 1 (Page 2)
MONTHLY OPERATING REPORT
MONTHLY REPORTING QUESTIONNAIRE

CASE NAME: SERVICE MERCHANDISE COMPANY, INC. et. Al.
CASE NUMBER: 399-02649 THROUGH 399-02680
PERIOD: MAY 31, 1999 THROUGH JULY 4, 1999

4. Payments to Professionals May 31, 1999 through July 4, 1999

<TABLE>
<CAPTION>

Vendor #	Vendor Name	Check Amt.	Check Date	Check #
<S>	<C>	<C>	<C>	<C>
79108	Ernst & Young LLP	\$ 3,595.00	6/2/99	30003892
71217	Bass, Berry & Sims, PLC	\$ 44,587.65	6/2/99	30003890
99459	Robert L. Berger & Associates	\$ 62,672.29	6/7/99	B0017712
99444	Sitrick and Company	\$ 151,821.08	6/8/99	30004894
99459	Robert L. Berger & Associates	\$ 58,917.06	6/17/99	B0017960
50995	Brann & Issacson, LLP	\$ 2,469.52	6/21/99	30006669
86237	Brusniak Clement Harrison & McCool, PC Inc.	\$ 694.52	6/22/99	30006839
98818	Resources Connection LLC Corp	\$ 13,050.00	6/24/99	30007184
94005	Donald A Blum	\$ 1,487.50	6/24/99	30007188
71217	Bass, Berry & Sims, PLC	\$ 133,837.40	7/1/99	B0018279
99444	Sitrick and Company	\$ 63,210.48	7/1/99	B0018276
99454	Harwell, Howard, Hyne, Gabbert & Manner, P.C.	\$ 28,609.91	7/1/99	B0018277
98378	Skadden, Arps, Slate, Meagher, & Flom	\$ 495,553.00	7/1/99	B0018278
79108	Ernst & Young LLP	\$ 121,246.00	7/1/99	B0018280
99391	Otterbourg, Steindler, Houston & Rosen, P.C.	\$ 262,827.86	7/1/99	B0018281
63078	Weil, Gotshal & Manges, LLP	\$ 223,293.53	7/1/99	B0018282
99104	Jay Alix & Associates	\$ 331,929.08	7/1/99	B0018285
99445	SGO Joint Venture	\$ 1,070,416.00	7/2/99	B0018300

</TABLE>

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CHAPTER 11
MONTHLY OPERATING REPORT
MONTHLY REPORTING QUESTIONNAIRE

CASH NAME: SERVICE MERCHANDISE COMPANY, INC. et. Al.
CASE NUMBER: 399-02649 THROUGH 399-02680
PERIOD: MAY 31, 1999 THROUGH JULY 4, 1999

RECEIPTS AND DISBURSEMENTS
May 31, 1999 - July 4, 1999
(Dollars in Thousands)

<TABLE>
<CAPTION>

	Actual	Actual	Actual	Actual	Actual	Total
Monday	5/31/99	6/7/99	6/14/99	6/21/99	6/28/99	5/31/99
Sunday	6/6/99	6/13/99	6/20/99	6/27/99	7/4/99	7/4/99
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Receipts:						
Sales Receipts	\$32,373	\$37,498	\$42,200	\$40,312	\$ 37,434	\$189,817
Miscellaneous Receipts	2,900	3	--	2,500	8	5,411
Total Available collections	35,273	37,501	42,200	42,812	37,442	195,228

Disbursements:						
Merchandise disbursements	7,867	13,922	14,391	26,938	21,136	84,254
Non-merchandise disbursements	13,433	18,579	19,464	14,112	18,748	84,336

Total Disbursements:	\$21,300	\$32,501	\$33,855	\$41,050	\$ 39,884	\$168,590

Change in cash	\$13,973	\$ 5,000	\$ 8,345	\$ 1,762	\$ (2,442)	\$ 26,638

</TABLE>

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CHAPTER 11
MONTHLY OPERATING REPORT
MONTHLY REPORTING QUESTIONNAIRE

CASE NAME: SERVICE MERCHANDISE COMPANY, INC. et. Al.
CASE NUMBER: 399-02649 THROUGH 399-02680
MONTH OF: MAY 31, 1999 THROUGH JULY 4, 1999

SERVICE MERCHANDISE COMPANY INC.
Rolling Revised Cash Flow Forecast
(Dollars in Thousands)

<TABLE>
<CAPTION>

	Actual	Forecast	Forecast	Forecast	Forecast
Monday	7/12/99	7/19/99	8/16/99	9/13/99	10/11/99
Sunday	7/18/99	7/25/99	8/22/99	9/19/99	10/17/99

<S>	<C>	<C>	<C>	<C>	<C>
Ending Total Revolver Balance	\$ 28,815	\$ 47,663	\$116,316	\$170,349	\$259,412

Term Loan	99,750	99,750	99,750	99,750	99,500
Standby Letters of Credit	43,039	30,167	30,167	29,800	29,800
Trade Letters of Credit	64,410	65,000	55,000	53,000	40,000

Total Extensions of Credit	\$236,014	\$242,580	\$301,233	\$352,899	\$428,712

Borrowing Base (Before Interim Reserve)	\$479,613	\$497,532	\$517,634	\$538,686	\$595,073

Availability (Before Interim Reserve)	\$243,599	\$254,952	\$216,401	\$185,787	\$166,361

</TABLE>

Note: The anticipated increase in revolver borrowings and decrease in availability in August and September reflects, among other things, seasonal inventory increases relating to the Fall Selling Season

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FORM OPR-1 AND 2

SERVICE MERCHANDISE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(DEBTOR-IN-POSSESSION)
(IN THOUSANDS)

<TABLE>
<CAPTION>

	July 4, 1999	May 30, 1999

<S>	<C>	<C>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 37,858	\$ 43,513
Accounts receivable	{a} 16,565	32,813
Inventories	553,711	598,834
Prepaid expenses and other assets	{b} 86,974	39,972

TOTAL CURRENT ASSETS		695,108	715,132
Net property and equipment - owned	{b}	364,581	401,987
Net property and equipment - leased		17,588	19,230
Other assets and deferred charges		49,844	49,660
		-----	-----
TOTAL ASSETS		\$1,127,121	\$1,186,009
		=====	=====

LIABILITIES AND SHAREHOLDER'S EQUITY

Liabilities Not Subject To Compromise

Current Liabilities:

Notes payable		\$ 33,624	\$ 65,303
Accounts payable		26,435	12,925
Accrued expenses	{a}	125,962	135,010
Sales & Local Sales Tax		15,233	13,410
Income taxes		8,237	7,625
Current maturities long-term debt		1,000	1,000
		-----	-----

TOTAL CURRENT LIABILITIES		210,491	235,273
---------------------------	--	---------	---------

</TABLE>

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FORM OPR-1 AND 2

SERVICE MERCHANDISE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(DEBTOR-IN-POSSESSION)
(IN THOUSANDS)

<TABLE>

<S>

<C>

<C>

Long Term Liabilities:

Long-term debt		98,750	99,000
----------------	--	--------	--------

Liabilities Subject To Compromise:

Restructure	{c}	73,096	89,559
Capital Lease Obligations		43,752	46,924
Long Term Debt		465,317	465,317
Accounts Payable		191,406	195,125
Accrued Expense	{c}	87,502	70,896
		-----	-----

Liabilities Subject To Compromise		861,073	867,821
-----------------------------------	--	---------	---------

TOTAL LIABILITIES		1,170,314	1,202,095
		-----	-----

COMMITMENTS AND CONTINGENCIES

SHAREHOLDER'S EQUITY

Common Stock		50,049	50,084
Additional paid-in-capital		6,756	7,027
Deferred Compensation		(1,086)	(1,322)
Accumulated other comprehensive income		(869)	(869)
Retained Earnings		(98,043)	(71,006)
		-----	-----
Shareholders' equity		(43,193)	(16,086)

TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		\$1,127,121	\$1,186,009
		=====	=====

</TABLE>

{a} A credit card receivable allowance of \$14,400 was reclassified between Accrued expense and Accounts Receivable

{b} Property of \$31,000 was reclassified to Prepaid and other as assets available for sale

{c} Store closing costs of \$13,859 was reclassified between Restructure and Accrued expense

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CHAPTER 11
MONTHLY OPERATING REPORT
MONTHLY REPORTING QUESTIONNAIRE

CASE NAME: SERVICE MERCHANDISE COMPANY, INC. et. Al.
CASE NUMBER: 399-02649 THROUGH 399-02680

SUMMARY OF ACCOUNTS RECEIVABLE
 Month Ended: 07/04/99
 FORM OPR-3 NOT APPLICABLE

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CHAPTER 11
 MONTHLY OPERATING REPORT
 MONTHLY REPORTING QUESTIONNAIRE

CASE NAME: SERVICE MERCHANDISE COMPANY, INC. et. Al.
 CASE NUMBER: 399-02649 THROUGH 399-02680
 PERIOD: MAY 31, 1999 THROUGH JULY 4, 1999

SCHEDULE OF POST PETITION LIABILITIES-ACCOUNTS PAYABLE
 Month Ended: 07/04/99
 FORM OPR-4

<TABLE>
 <CAPTION>

	Total	current
	-----	-----
<S>	<C>	<C>
Trade Accounts Payable (Merchandise)	\$26,435,000	\$26,435,000
	-----	-----
	Total	current
	-----	-----
Expense & other payables	\$125,962,000	\$125,962,000

</TABLE>

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CHAPTER 11
 MONTHLY OPERATING REPORT
 MONTHLY REPORTING QUESTIONNAIRE

CASE NAME: SERVICE MERCHANDISE COMPANY, INC. et. Al.
 CASE NUMBER: 399-02649 THROUGH 399-02680
 PERIOD: MAY 31, 1999 THROUGH JULY 4, 1999

SCHEDULE OF POST PETITION LIABILITIES
 FORM OPR-4

<TABLE>
 <CAPTION>

TAXES PAYABLE	Date Incurred	Date Due	Total Due	0-30 Days
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Federal Income Tax	** Various	Various	8,365,307	8,365,307
State Income Tax	Various	Various	(128,293)	(128,293)
SUBTOTAL			8,237,014	8,237,014
Sales/Use Tax	Various	Various	15,233,066	15,233,066
Personal Property Tax	* Various	Various	531,913	531,913
Real Estate Taxes	* Various	Various	5,461,255	5,461,255
Inventory Taxes	* Various	Various	927,098	927,098
Gross Receipts/Bus Licenses	* Various	Various	103,062	103,062
Franchise Taxes	* Various	Various	87,443	87,443
SUBTOTAL			7,110,771	7,110,771
TOTAL TAXES PAYABLE			30,580,851	30,580,851

</TABLE>

* liability included in accrued expenses on OPR-2
 ** tax reserve

CHAPTER 11
MONTHLY OPERATING REPORT
MONTHLY REPORTING QUESTIONNAIRE

CASH NAME: SERVICE MERCHANDISE COMPANY, INC. et. Al.
CASE NUMBER: 399-02649 THROUGH 399-02680
PERIOD: MAY 31, 1999 THROUGH JULY 4, 1999

SCHEDULE OF POST PETITION LIABILITIES
Month Ended: 7/04/99
FORM OPR-4

(\$ IN THOUSANDS)
<TABLE>
<CAPTION>

	DATE INCURRED	DATE DUE	TOTAL DUE (7/04/99 Balance)	0 - 30 DAYS
<S>	<C>	<C>	<C>	<C>
POST PETITION SECURED DEBT				
Revolver Borrowings	3/27/99	6/30/01	33,624	33,624
Facility Standby Letters of Credit	3/27/99	6/30/01	28,950	--
Facility Trade Letters of Credit	3/27/99	6/30/01	61,438	--
Term Loans	3/27/99	6/30/01	99,750	99,750

TOTAL EXTENSIONS OF CREDIT			223,762	
POST PETITION UNSECURED DEBT				
			--	
ACCRUED INTEREST PAYABLE			592	

</TABLE>

FORM OPR-5

SERVICE MERCHANDISE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(DEBTOR-IN-POSSESSION)
(IN THOUSANDS)

<TABLE>
<CAPTION>

	Activity May 31, 1999 through July 4, 1999 -----
<S>	<C>
Net Sales	\$ 172,082
Costs of merchandise sold and buying and occupancy expense	133,547

Gross margin after cost of merchandise sold and buying and occupancy expenses	38,535
Selling, General and Administrative Expenses:	
Net Employment Expense	29,264
Net Advertising	9,215
Banking and Other Fees	2,542
Real Estate and Other Taxes	2,177
Supplies	1,245
Communication and Equipment	617
Travel	509
Security and Other Services	315
Legal and Professional	844
Insurance	1,459
Credit Card Services	1,010
Miscellaneous	(243)

Total Selling, General and Administrative Expenses	48,954
Other income, net	(236)
Restructuring charge	(19,378) {a}

</TABLE>

SERVICE MERCHANDISE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(DEBTOR-IN-POSSESSION)
(IN THOUSANDS)

<TABLE>	
<S>	
	<C>
Depreciation and amortization	4,145

Earnings (loss) before interest, reorganization items, and income tax	5,050
Interest expense - debt	3,640
Interest expense - capitalized leases	782

Earnings (loss) before reorganization items, and income tax	628
Reorganization Items:	
Legal and professional	3,366
Loss/(gain) on sale of assets	10,290
Close store charges	14,009 {a}

Reorganization items	27,665
Earnings (loss) before income tax	(27,037)
Income tax benefit	--

Net earnings (loss)	\$ (27,037)
	=====

</TABLE>

{a} Store closing costs of \$13,859 was reclassified between Restructure and Close store charges