

MERGENT INDUSTRIAL

NEW LISTING

February 7, 2012



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CPI CORP.

Company Website: www.cpicorp.com

History: Incorporated in Delaware on Apr. 26, 1982. On Mar. 1, 1984, Co. acquired substantially all assets of 32 one-hour photofinishing locations for approx. \$13,800,000.

On June 3, 1985, Co sold its residential services division and its small office equipment business.

In 1988, Co., through a newly formed subsidiary, acquired 22 Copy Mat franchises in California for approx. \$10,800,000.

On Aug. 19, 1991, Co. acquired all the outstg. common and preferred stocks of FPI Holding Corp. and its subsidiary, Fox Photo, Inc. for \$27,900,000.

In 1992, Co. discontinued its Portraits of Distinction Studios and Wal-Mart Pictureland operations.

On Dec. 1, 1992, Co. acquired the operational assets of Pemtom, Inc., a Minneapolis-based company operating under the name Proex, for approx. \$19,000,000.

On May 30, 1993, Co. acquired the 102-store Prints Plus wall decor chain from Melville Corporation for approx. \$14,700,000.

On May 3, 1996, Co. sold its Electronic Publishing operations for \$4,800,000. Additionally, the purchaser assumed certain liabilities of the Electronic Publishing operation which aggregate approx. \$900,000.

On Oct. 4, 1996, Co. sold 51% of the outstanding shares of Fox Photo, Inc. to Eastman Kodak Company for \$56,100,000 in cash.

On Oct. 2, 1997, Co. sold its remaining 49% interest in Fox Photo, Inc. to Eastman Kodak Company for a \$43,900,000 non-interest bearing promissory note.

On July 25, 2001, Co. sold its Wall Decor segment, "Prints Plus," to TRU Retail, Inc. (TRU) for approx. \$16,000,000, which included the assumption of certain liabilities, \$11,000,000 in TRU preferred stock and approx. \$4,000,000 in cash.

In 2002, Co. discontinued its Technology Development segment.

On June 8, 2007, Co. acquired substantially all of the assets of Portrait Corporation of America and certain of its affiliates, for \$82,500,000 in cash.

During the fourth quarter of 2008, Co. decided to discontinue its Portrait Gallery and E-Church operations.

On Jan. 26, 2011, Co. acquired substantially all of the assets of Bella Pictures, Inc. for \$1,400,000.

Business: CPI is a holding company. Co. is engaged, through its wholly-owned subsidiaries and partnerships, in selling and manufacturing portrait photography of young children, individuals and families and provides other related products and services. Co. also provides wedding photography and videography services and products through its subsidiary, Bella Pictures Holdings, LLC. As of Feb 5 2011, Co. operated 3,084 portrait studios, throughout the U. S., Canada, Mexico and Puerto Rico, primarily under lease and license agreements with Walmart Stores, Inc. and license agreements with Sears, Roebuck and Co. and Toys "R" Us Delaware, Inc.

Property: Co. owns its principal executive offices in in approx. 341,000 sq. ft. of space in St. Louis, MO.

The following table sets forth certain information regarding Co. principal facilities as of Feb. 5, 2011:

Location	Owned/Leased	Sq. Ft.
Matthews, NC	Owned	860,000
Charlotte, NC (2)	Owned	720,000
St. Louis, MO	Owned	159,000

St. Louis, MO	Leased	53,000
Charlotte, NC	Owned	51,000
Sandy City, UT	Owned	41,000
Brampton, Ontario	Leased	5,000

□ Approx.

The table below sets forth the number of portrait studios Co. operated under license and lease agreements in host stores as of Feb. 5, 2011

U.S. and Puerto Rico	Mexico (108)
(2,395)	
U.S. (150)	U.S. studios not in Sears or Wal-Mart (61)
Canada (370)	

Subsidiaries

Consumer Programs Incorporated
Sandy Realty Holding, LLC
Centrics Technology, Inc.
CPI Images, L.L.C.
CPI Research and Development, Inc.
myportraits.com, Inc.
Consumer Programs Partner, Inc.
CPI Portrait Studios de Mexico S. de R.L. de C.V.
Texas Portraits, L.P.
CPI Technology Corp.
LBP Partnership
P & W/LBP Partnership
CPI Prints Plus, Inc.
Ridgedale Prints Plus, Inc.
CPI International Holdings, Inc.
CPI Corp. (Canada)
CPI Canadian Holdings, Inc.
CPI Portrait Studios of Canada Corp.
CPI Canadian Images
American Studios de Mexico, S.A. de C.V.
Image Source, Inc.
Bella Pictures Holdings LLC

Officers

David M. Meyer, Executive Chairman
Renato Cataldo, Jr., Pharm.D., President; Chief Executive Officer
Thomas P. Gallahue, Executive Vice President - Operations
Dale E. Heins, Executive Vice President - Finance; Chief Financial Officer; Treasurer
Keith Laakko, Executive Vice President; Chief Marketing Officer
Rose M. O'Brien, Vice President - Finance; Controller; Principal Accounting Officer
Jane E. Nelson, General Counsel; Secretary

Directors

David M. Meyer
Michael L. Glazer
Eric S. Salus
James J. Abel
Michael S. Koenke
John Turner White, IV

Auditors: KPMG LLP

Shareholder Relations: Dale E. Heins, Executive Vice President, Finance, CFO and Treasurer **Tel.:** 314-231-1575, Ext. 4104

Annual Meeting: In August

No. of Stockholders: Dec. 31, 2011, 1,210

No. of Employees: Jan. 13, 2012, 3,153 full time; 5,007 part time

Address: 1706 Washington Avenue, St. Louis, MO 63103 **Tel.:** 314 231-1575 **Fax:** 314 231-4233 **E-mail:** jnelson@cpicorp.com **Web:** www.cpicorp.com

Consolidated Income Account, years ended (in \$):

	2/5/2011	□2/6/2010 (revised)	□2/7/2009 (revised)
Net sales	407,035,000	422,371,000	462,548,000
Cost of sales	28,263,000	30,626,000	43,280,000
Selling, admin & gen exps	337,490,000	339,138,000	377,310,000
Deprec & amort	17,962,000	22,740,000	29,432,000
Impair charges	1,871,000	300,000	739,000
Kiddie Kandids integration costs	1,335,000		
Severance & rel costs	538,000	970,000	2,046,000
Bella Pictures Acquis costs	472,000		
Other transition rel costs - Portrait Corp of American			
Acquis	388,000	527,000	1,255,000
Proxy contest fees		871,000	
Gain on sale of Brampton facility	1,473,000		
Sears fees rel to the settle of the previous license agreement			7,527,000
Other charges & impairments	5,092,000	3,294,000	13,557,000
Income (loss) fr operations	18,228,000	26,573,000	(1,031,000)
Int exp	3,860,000	7,030,000	8,529,000
Int inc	17,000	94,000	2,000
Other income (exp), net	929,000	(44,000)	190,000
Income (loss) fr operations bef inc tax exp	15,314,000	19,593,000	(9,368,000)
Fed inc tax provision (benefit) - current	236,000	(556,000)	(94,000)
Fed inc tax provision (benefit) - deferred	(217,000)	4,398,000	(1,784,000)
Tot fed inc tax provision (benefit)	19,000	3,842,000	(1,878,000)
State inc tax provision (benefit) - current	472,000	157,000	
State inc tax provision (benefit) - deferred	158,000	839,000	(314,000)
Tot state inc tax provision (benefit)	630,000	996,000	cr314,000

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Fgn inc tax provision (benefit) - current	1,957,000		
Fgn inc tax provision (benefit) - deferred	807,000	958,000	(452,000)
Tot fgn inc tax provision (benefit)	2,764,000	958,000	(452,000)
Inc tax expense (benefit)	3,413,000	5,796,000	(2,644,000)
Net income (loss) fr contin opers	11,901,000	13,797,000	(6,724,000)
Net income (loss) fr discont oper			(961,000)
Net income (loss)	11,901,000	13,797,000	(7,685,000)
Common shares:			
Weigh avg shares outstg-basic	7,256,619	6,992,511	6,509,840
Weigh avg shares outstg-diluted	7,271,672	7,019,981	6,509,840
Yr end shares outstg	6,995,447	7,008,490	6,819,469
Net income (loss) per sh fr contin opers - basic	\$1.64	\$1.97	\$(1.03)
Net loss per sh fr discont opers - basic			\$(0.15)
Net income (loss) per sh attributable to CPI Corp. - basic	\$1.64	\$1.97	\$(1.18)
Net income (loss) per sh fr contin opers - diluted	\$1.64	\$1.97	\$(1.03)
Net loss per sh fr discont opers - diluted			\$(0.15)
Net income (loss) per sh attributable to CPI Corp. - diluted	\$1.64	\$1.97	\$(1.18)
Dividends per com sh	\$0.91	\$0.64	\$0.64
No of full time employees	3,153	4,500	12,298
No of part time & temp employees	5,007	4,600	6,697
Tot no of employees	8,160	11,000	18,995
No of com stkhldrs	4,121	6,128	7,103

Reclassified to conform with 2011 presentation
 For 53 weeks As of January 13, 2012 Approximate As of December 31, 2011 As of April 16, 2012 As of April 17, 2009

Consolidated Balance Sheet, as of (in \$):

	2/5/2011	2/6/2010 (revised)
Assets:		
Cash & cash equivs	5,363,000	18,913,000
Acct receivs - trade	4,707,000	5,960,000

Acct receivs - other	971,000	880,000
Raw mater - film, paper & chemicals	2,130,000	2,181,000
Portraits in process	1,274,000	1,138,000
Finished portraits pending delivery	97,000	91,000
Frames & accessories	230,000	258,000
Studio suppl	2,556,000	2,840,000
Equip repair parts & suppl	627,000	650,000
Other invent	546,000	307,000
Invent	7,460,000	7,465,000
Ppd exps & other curr assets	4,971,000	5,396,000
Refundable inc tax		1,350,000
Defer tax assets	5,976,000	7,253,000
Assets held for sale	641,000	6,338,000
Tot curr assets	30,089,000	53,555,000
Land	2,185,000	2,185,000
Buildings & bldg improve	25,343,000	25,289,000
Lsehd improve	4,383,000	4,491,000
Photographic, sales & manufacturing equip	176,974,000	168,371,000
Prop note in use	3,401,000	
Tot prop & equipment, gross	212,286,000	200,336,000
Less accum deprec & amort	176,288,000	166,167,000
Prop & equipment, net	35,998,000	34,169,000
Ppd debt fees	1,838,000	2,237,000
Goodwill	22,874,000	21,720,000
Intang assets, net	37,862,000	38,660,000
Defer tax assets	7,166,000	7,701,000
Other assets	7,973,000	8,549,000
Tot assets	2143,800,000	166,591,000
Liabilities:		
Curr matur of long-term debt		19,686,000
Accts pay	7,583,000	4,390,000
Accrued employ costs	8,905,000	9,878,000
Customer dep liabil	16,403,000	11,528,000
Inc tax pay	215,000	
Sales tax pay	3,767,000	3,929,000
Accrued advert exp	995,000	1,062,000
Accrued exps & other liabil	11,335,000	11,959,000
Tot curr liabil	49,203,000	62,432,000
Revolving cr facil	48,900,000	
Term loan port of the cr agreement, net		77,541,000
Less: curr matur		19,686,000
Long-term debt	48,900,000	57,855,000
Accrued pens plan oblig	14,862,000	17,724,000
Other liabil	16,565,000	18,392,000
Tot liabil	129,530,000	156,403,000

Com stk	3,652,000	3,674,000
Addit paid-in cap	30,785,000	29,017,000
Retain earnings (accum deficit)	40,794,000	41,516,000
Fgn currency transl adj	(396,000)	(917,000)
Unfunded projected benefit obligation, net of tax: unamortized net actuarial losses	(12,531,000)	(13,970,000)
Accum other comprehensive income (loss)	(12,927,000)	(14,887,000)
Stkhldrs eq bef treas stk	62,304,000	59,320,000
Treas stk at cost	48,050,000	49,132,000
Tot CPI Corp. stkhldrs eq	14,254,000	10,188,000
Noncontrolling interest in subsidiary	16,000	
Tot stkhldrs' eq	14,270,000	10,188,000
Reclassified to conform with 2011 presentation As reported by the Company		
Long-Term Debt: Feb. 5, 2011, \$48,900,000 (excluding current portion) secured revolving credit facility, bearing interest, at Co.'s option, at either the London Interbank Offered Rate plus a spread ranging from 2.25% to 3.0%, or an alternative base rate plus a spread range from 1.25% to 2.0%, due Aug. 2014.		
Line of Credit: As of Feb. 5, 2011, Co. had standby letters of credit outstanding in the principal amount of \$14,800,000, primarily used in conjunction with Co.'s various deductible insurance programs.		
Capital Stock:		
1. CPI Corp. common; par \$0.40.		
AUTH — 50,000,000 shs.		
OUTSTANDING — Feb. 5, 2011, 6,995,447 shs; par \$0.40		
TREASURY — 2,133,566 shs.		
VOTING RIGHTS — Entitled to one vote per share with noncumulative voting for directors.		
DIVIDENDS —		
1987	0.13	1988 0.25
1989	0.42	1990 0.50
1991-2002	0.56	2003 0.60
2004-2009	0.64	2010 0.91
2011	1.00	
OPTIONS — Feb. 5, 2011, authorized for issuance, 1,100,000; available for grant, 545,313; outstanding, 169,166.		
STOCK TRANSFER, REGISTRAR, DIVIDEND REINVESTMENT AND RIGHTS AGENT — Computershare Investor Services, Providence, RI		
PRIMARY EXCHANGE — New York (NYS): CPY		
PRICE RANGE —		
	2011	2010
High	24.72	32.50
Low	1.68	11.98
OFFERED — (450,000 shares) at \$14.00 a share on July 29, 1982 through Kidder, Peabody & Co., Inc.		