

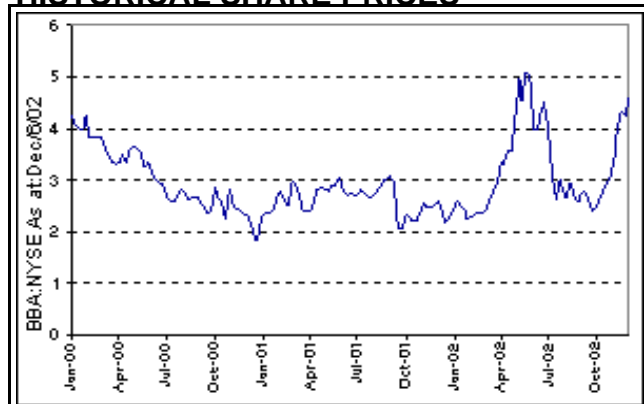
THE COMPANY

The Bombay Company is a specialty furniture retailer that markets its originally designed products throughout the U.S. and Canada, as well as, mail order and the Internet. Bombay originated as a unique furniture company. To complement its business, Bombay, over the last few years has shifted its focus more towards the home décor and accessories market. While 90% of Bombay's 400 locations are located in malls, the advent of big box retailing has prompted the opening of superstores which average 4,000 square feet as opposed to the older stores which average 1,700 square feet. More recently, Bombay has begun to diversify its business through Bombay Kids which offers a new product mix of children's furniture. It is also attempting to build a wholesale chain under the banner of Bailey Street Trading Company.

FINANCIAL DATA

	2000	2001	2002e
Earnings per Share (\$)	0.26	0.11	0.18
Price to Earnings (times)	11.5	27.3	16.7
Dividend (\$)	-	-	-
Dividend Yield (%)	-	-	-
Book Value (\$)	4.64	4.79	4.97
Price to Book Value (times)	0.65	0.63	0.60

HISTORICAL SHARE PRICES



WHY ABC FUNDS BOUGHT BOMBAY COMPANY

Despite the fact that the U.S. economy is in the midst of a potential recession and the stock market continues to be vulnerable to extreme volatility and corporate disappointment, it is essential to be proactive and to continue the search for undervalued gems in the rubble. Strong, old economy companies that are able to survive an economic slowdown are optimal picks right now. We feel that Bombay Company will be able to sustain itself through these rocky times.

Bombay is significantly undervalued on its own and relative to its peers, which are trading at much higher multiples. At \$2.65 Bombay trades at a 43% discount to its tangible book value of \$4.64. Its current price is a dramatic decline from its 52-week high in 1999 of \$8.13. Supporting its low valuations and its ability to tread its way through this economic environment is its strong balance sheet. Bombay has no debt, only periodically using short-term financing to build up inventories. The company's under-leveraged balance sheet leaves room to pursue its new initiatives with further financing as needed.

Carmie Mehrlander, Bombay's CEO has been very astute in recognizing that Bombay's smaller mall stores were and are at the risk of being overwhelmed by the consumer's new preference for superstores. In order to counter this fierce competition and enhance revenue growth, Bombay has begun to implement several new strategies, as outlined below.

Increasing the number of Bombay stores and their size – 70% of Bombay's new stores will be located at off-mall locations. These larger stores will appeal to the abundance of big box consumers while increasing the company's competitive edge against other furniture and accessory retailers such as Pier 1. Generally new stores are profitable in the next year.

Bombay Kids – Bombay is attempting to penetrate this demographic market through catalog and Internet sales. Rather than charging into this new product mix and building a large store inventory, we feel that Bombay's method of gradual introduction is an appropriate test strategy and will be less costly to discontinue if not embraced by consumers.

Bailey Street Trading Company - Bombay has been slowly easing into its new wholesale business. Bombay, in an attempt to capitalize on its strengths in designing and sourcing its proprietary products is marketing to a new customer base of retailers, hotels, etc. Bombay has started off with furniture, but we expect accessories to be introduced in the future.

A stronger International Presence – Bombay is attempting to expand its geographic base through an international licensing and distribution business.

While one might dismiss the prospect of purchasing a furniture company in slow economic times, we look at Bombay Company with its strong fundamentals and low valuation as an opportunistic purchase. We believe that Bombay's new revenue oriented strategies, margin improvement and a more favourable economic outlook over the next year may be the catalyst to move its

WHY ABC FUNDS BOUGHT BOMBAY COMPANY (cont'd)

stock price up. In addition, with the furniture industry very fragmented it is quite possible that Bombay, an under leveraged company could make an acquisition in order to enhance its already well-known brand name. Alternatively for the same reasons Bombay could be a viable takeover candidate with its low valuations.

While we anticipate a slight margin crunch over the next few quarters due to the start-up phases of Bombay's new initiatives, we feel that in the long run this Value Favourite could approach levels near its current book value.

ABC Funds
August 10, 2001

UPDATES

Bombay recently reported a third quarter loss of \$0.07 versus a loss of \$0.05 in the same period last year. We feel that in light of the current economic situation Bombay fared relatively well. Revenues increased 7%, although same store sales decreased 3%. This is indicative of the success of some of Bombay's new initiatives, in particular its wholesale division, Bailey Street Trading Company and increased Internet sales.

Going forward Bombay continues to develop and enhance its new initiatives. While it is still too early to gauge the performance of its newly launched Bombay KIDS, the first catalogue was mailed out in September to 450,000 consumers and 750,000 were mailed in October. We expect to see some results of this aggressive marketing strategy in the next quarter. In line with their expansion program, Bombay plans to open 17 stores in 2002, 16 of those at off-mall sites, which are more profitable than its counterpart. In addition, it is expected that Bailey Street's sales will double in 2002.

We remain confident in our holding of Bombay Company. Although there is a great deal of uncertainty surrounding the fourth quarter we are comfortable with management's conservative stance which is backed by a fundamentally strong, debt-free balance sheet.

ABC Funds
November 30, 2001

Although we have seen Bombay's share price experience a fair amount of volatility over the past few months, we are still confident that it is a fundamentally stable company. Its share price volatility is most probably the result of lower than expected earnings and the fact that it is thinly traded and under-followed by analysts.

Bombay reported fourth quarter 2001 earnings per share of \$0.35 compared to \$0.40 in the comparable quarter of 2000. Although, keep in mind that fiscal 2000 entailed one additional week which added approximately \$0.03 per share to the year-end results. The company's fourth quarter earnings transpired into fiscal 2001 earnings results of \$0.11 per share versus \$0.26 in fiscal 2000. 2001 proved to be a challenging year for Bombay but we feel that the company is on the right track.

In fact, Bombay was able to continue reduce costs despite the fact that the company now operates 10% more retail square footage and continues to roll out new initiatives. Bombay plans to open 20-25 new stores including 7 outlet stores and 6 KIDS stores, convert four to six stores to large format and close 7 stores by the end of the year. Bombay KIDS was launched in the second half of 2001 and seems to be doing well. But particularly successful is Bombay's Internet division which more than doubled sales in 2001. Additionally, Bailey Street Trading, Bombay's wholesale division achieved its \$2 million sales plan and is expected to contribute \$5 million in sales for 2002.

Despite a difficult year, Bombay's conservative management style enabled the company to further strengthen its balance sheet by reducing inventory levels by 15% and increasing cash to over \$38 million while ending the year debt free. Still trading at a discount to its \$4.79 book value, we feel that Bombay remains a good value play. The company is optimistic and expects improving business trends leading into the second quarter of 2002. In the meantime, gross margin improvement and new initiative development will be key to Bombay's future results.

ABC Funds
April 5, 2002

The retailing sector, especially in the United States, has been notably weak in recent months. In addition to the broad market sell-off, retailers have been under pressure due to a difficult back-to-school season, disappointing same store comp sales and a lockout at the West Coast port terminals.

Bombay has not been immune to the market malaise. However, on October 9th Bombay announced a 15% increase in same

UPDATES (cont'd)

store sales and a 25% increase in total revenue (to \$43.6 million from \$35.0 million) for the five-week period ended October 5th. These results were vastly better than most of the Company's peers. The year over year improvement was attributable to sales growth across all merchandise categories, but particularly furniture, and across all regions of the United States and Canada.

Bombay also indicated in its press release that the strike/lockout at the West Coast ports has not had a significant impact on the Company's operations. Bombay has already received the bulk of its holiday product so the disruption to the Christmas season is expected to be minimal. Although the longshoremen have been ordered back to work by the courts, the International Longshore and Warehouse Union and the port operators need to resolve their dispute in a more permanent manner to prevent further work stoppages or slowdowns.

In other news, the Bombay Company announced management changes last August. Carmie Mehrlander resigned as Chairman, President, Chief Executive Officer and Director. A search is underway for an independent Chairman and a new CEO. In the meantime, Brian Priddy, Executive Vice President, is heading up the interim management committee. We believe that some new blood in the organization should refocus management and reinvigorate the Company.

ABC Funds

October 11, 2002

We have just sold our holding in specialty furniture retailer Bombay Company due to its recent spectacular appreciation from a mid October low of \$2.15. Since that time, Bombay shares made a terrific run in November, appreciating over 44% due to positive third quarter results and reassurance of its previous fourth quarter guidance. As a result, Bombay now trades just under its current book value of \$4.60, 25 times expected 2002 earnings of \$0.18 and 16 times estimated 2003 earnings of \$0.28. The stock is no longer dirt-cheap and so we have decided to "ring the till". Our total holding period return on our investment in Bombay was 62%.

ABC Funds

December 6, 2002