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**UNITED STATES SECURITIES AND EXCHANGE  
COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q**

**(Mark One)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the quarterly period ended May 4, 2002**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to**

**Commission file number 000-21011**

**Stage Stores, Inc.**

(Exact name of registrant as specified in its charter)

**NEVADA**

(State or other jurisdiction of  
incorporation or organization)

**91-1826900**

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

**10201 Main Street, Houston, Texas**  
(Address of principal executive offices)

**77025**  
(Zip Code)

**(800) 579-2302**

Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

**APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

As of May 23, 2002, there were 19,958,580 shares of the Registrant's common stock outstanding.

In conjunction with the Company's Plan of Reorganization, on August 24, 2001, Stage Stores, Inc., a Delaware corporation, merged into its wholly-owned subsidiary, Specialty Retailers, Inc. (NV), a Nevada corporation. On the merger date, Specialty Retailers, Inc. (NV), the surviving corporation, changed its name to Stage Stores, Inc. Depending on the context and the period being referenced, Stage Stores, Inc., its affiliates and their predecessors in interest will, from time-to-time, be referred to collectively as the "Company", "Stage Stores", "Predecessor Company", "Stage Delaware" or "Reorganized Company" in this Form 10-Q.

*References to a particular year are to the Company's fiscal year which is the 52 or 53 week period ending on the Saturday closest to January 31 of the following calendar year (e.g., a reference to "2001" is a reference to the fiscal year ended February 2, 2002 and a reference to "2002" is a reference to the fiscal year ending February 1, 2003). The 2001 and 2002 fiscal years consist of 52 weeks.*

## PART I - FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

#### Stage Stores, Inc. Consolidated Balance Sheets (in thousands, except par values)

	<u>May 4, 2002</u> (unaudited)	<u>February 2, 2002</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 19,431	\$ 22,679
Retained interest in receivables sold	104,432	114,769
Accounts receivable, net	11,210	11,524
Merchandise inventories, net	200,963	178,818
Prepaid expenses and other current assets	<u>10,536</u>	<u>17,688</u>
Total current assets	346,572	345,478
Property, equipment and leasehold improvements, net	111,973	109,612
Other assets	<u>7,041</u>	<u>5,629</u>
Total assets	<u><u>\$ 465,586</u></u>	<u><u>\$ 460,719</u></u>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Accounts payable	\$ 49,571	\$ 60,417
Accrued expenses and other current liabilities	38,427	47,324
Current portion of long-term debt	<u>210</u>	<u>197</u>
Total current liabilities	88,208	107,938
Long-term debt	672	873
Other long-term liabilities	<u>13,717</u>	<u>11,684</u>
Total liabilities	<u>102,597</u>	<u>120,495</u>
Commitments and contingencies		
Common stock, par value \$0.01, 50,000 shares authorized, 19,959 and 19,973 shares issued and outstanding, respectively	200	200
Additional paid-in capital	323,090	318,090
Retained earnings	<u>39,699</u>	<u>21,934</u>
Stockholders' equity	<u>362,989</u>	<u>340,224</u>
Total liabilities and stockholders' equity	<u><u>\$ 465,586</u></u>	<u><u>\$ 460,719</u></u>

The accompanying notes are an integral part of this statement.

**Stage Stores, Inc.**  
**Consolidated Statements of Income**  
(in thousands, except earnings per share)  
(unaudited)

	Reorganized Company Thirteen Weeks Ended May 4, 2002	Predecessor Company Thirteen Weeks Ended May 5, 2001
Net sales	\$ 206,668	\$ 195,549
Cost of sales and related buying, occupancy and distribution expenses	<u>135,330</u>	<u>133,296</u>
Gross profit	71,338	62,253
Selling, general and administrative expenses	42,750	47,133
Reorganization items and store closure costs	-	3,336
Interest, net of income of \$63, and \$47, respectively	<u>389</u>	<u>5,468</u>
Income before income tax	28,199	6,316
Income tax expense	<u>10,434</u>	<u>5</u>
Net income	<u><u>\$ 17,765</u></u>	<u><u>\$ 6,311</u></u>
<i>Basic earnings per share data:</i>		
Basic earnings per share	<u><u>\$ 0.89</u></u>	<u><u>\$ 0.22</u></u>
Basic weighted average shares outstanding	<u><u>19,967</u></u>	<u><u>28,096</u></u>
<i>Diluted earnings per share data:</i>		
Diluted earnings per share	<u><u>\$ 0.82</u></u>	<u><u>\$ 0.22</u></u>
Diluted weighted average shares outstanding	<u><u>21,634</u></u>	<u><u>28,096</u></u>

The accompanying notes are an integral part of this statement.

**Stage Stores, Inc.**  
**Consolidated Statements of Cash Flows**  
(in thousands)  
(unaudited)

	<u>Reorganized Company</u>	<u>Predecessor Company</u>
	Thirteen Weeks Ended	Thirteen Weeks Ended
	<u>May 4, 2002</u>	<u>May 5, 2001</u>
<i>Cash flows from operating activities:</i>		
Net income	\$ 17,765	\$ 6,311
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,330	5,660
Amortization of debt issue costs	351	1,235
Provision for bad debts	6,634	6,321
Deferred income taxes	10,434	-
Adjustment to accrete yield on repurchased accounts receivable	-	5,000
Write-off of property, equipment and leasehold improvements and other assets associated with closed stores	-	306
Changes in operating assets and liabilities:		
Decrease in accounts receivable and retained interest in receivables sold	15,017	12,770
(Increase) decrease in merchandise inventories	(22,145)	17,930
Decrease in other assets	55	2,765
Decrease in accounts payable and other liabilities	(17,710)	(7,040)
Total adjustments	(3,034)	44,947
Net cash provided by operating activities	<u>14,731</u>	<u>51,258</u>
<i>Cash flows from investing activities:</i>		
Additions to property, equipment and leasehold improvements	(6,691)	(1,282)
Proceeds from retirement of fixtures and equipment	-	75
Net cash used in investing activities	<u>(6,691)</u>	<u>(1,207)</u>
<i>Cash flows from financing activities:</i>		
Proceeds from (payments on):		
Debtor-in-possession credit facility	-	(55,668)
Pre-petition working capital facility	-	507
Additions to debt issue cost	(100)	-
Long-term debt	(188)	-
Reduction in borrowings under account receivable securitization trust	(11,000)	-
Net cash used in financing activities	<u>(11,288)</u>	<u>(55,161)</u>
Net decrease in cash and cash equivalents	(3,248)	(5,110)
Cash and cash equivalents:		
Beginning of period	22,679	20,510
End of period	<u>\$ 19,431</u>	<u>\$ 15,400</u>
<i>Supplemental disclosures:</i>		
Net interest	<u>\$ 221</u>	<u>\$ 5,696</u>
Net income taxes	<u>\$ 118</u>	<u>\$ -</u>

Supplemental non-cash transactions - The Company recognized \$5.0 million of pre-reorganization deferred tax assets as a direct addition to additional paid-in capital.

The accompanying notes are an integral part of this statement.

**Stage Stores, Inc.**  
**Consolidated Statement of Stockholders' Equity**  
**For the Thirteen Weeks Ended May 4, 2002**  
(in thousands)  
(unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Earnings</u>	<u>Total</u>
Balance, February 2, 2002	19,973	\$ 200	\$ 318,090	\$ 21,934	\$ 340,224
Escrow shares cancelled pursuant to cash-share option of Company's Plan of Reorganization	(14)	-	-	-	-
Net income	-	-	-	17,765	17,765
Recognition of pre-reorganization deferred tax assets	-	-	5,000	-	5,000
Balance, May 4, 2002	<u>19,959</u>	<u>\$ 200</u>	<u>\$ 323,090</u>	<u>\$ 39,699</u>	<u>\$ 362,989</u>

The accompanying notes are an integral part of this statement.

**Stage Stores, Inc.**  
**Notes to Unaudited Consolidated Financial Statements**

**1. Basis of Presentation**

The accompanying Unaudited Consolidated Financial Statements of Stage Stores, Inc. ("Stage Stores" or the "Company") have been prepared in accordance with Rule 10-01 of Regulation S-X and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. Those adjustments that are, in the opinion of management, necessary for a fair presentation of the results of the interim periods, have been made. The results of operations for such interim periods are not necessarily indicative of the results of operations for a full year. The Unaudited Consolidated Condensed Financial Statements should be read in conjunction with the Audited Consolidated Financial Statements and notes thereto filed with Stage Stores' Annual Report on Form 10-K for the year ended February 2, 2002. References to a particular year are to Stage Stores' fiscal year, which is the 52 or 53 week period ending on the Saturday closest to January 31 of the following calendar year. For example, references to "2002" mean the fiscal year ending February 1, 2003. Certain reclassifications have been made to prior year balances to conform with the current year presentation.

Stage Stores, through its wholly-owned subsidiaries Specialty Retailers (TX) LP and SRI General Partner LLC, operates family apparel stores primarily under the names "Bealls", "Palais Royal" and "Stage" offering nationally recognized brand name family apparel, accessories, cosmetics and footwear. As of May 4, 2002 the Company operated 342 stores in 13 states located throughout the south central United States.

On June 1, 2000, the Company's predecessors (Stage Stores, Inc., a Delaware corporation and Specialty Retailers, Inc. (NV)) and Specialty Retailers, Inc. (collectively, the "Debtors") filed voluntarily petitions for reorganization under Chapter 11 of the Federal Bankruptcy Code (the "Chapter 11 Proceedings"). The Company's Plan of Reorganization (the "Plan") was confirmed on August 8, 2001 and became effective on August 24, 2001 (the "Effective Date"). For financial reporting purposes, the Effective Date of the Plan was assumed to be September 1, 2001, the last day of the Company's seventh fiscal period. With the change in ownership resulting from the Company's Plan of Reorganization (the "Plan"), the Company adopted fresh-start reporting in accordance with the recommended accounting principles for entities emerging from Chapter 11 set forth in the American Institute of Certified Public Accountants Statement of Position 90-7 *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*. The adjustments to reflect the consummation of the Plan, including the gain on discharge of pre-petition liabilities and the adjustment to record assets and liabilities at their fair value were reflected in the thirty week period ended September 1, 2001. Accordingly, the financial position and operations for the Reorganized Company are not prepared on a basis comparable to those of the Predecessor Company.

**2. Accounts Receivable Securitization Program**

In conjunction with the Company's emergence from the Chapter 11 Proceedings, on the Effective Date the Company entered into a three year, \$200.0 million accounts receivable securitization facility. Under this facility, the Company sells credit card receivables in securitization transactions. In all those securitizations, the Company retains servicing responsibilities and subordinated interests. The Company receives annual servicing fees of two percent of the outstanding balance and rights to future cash flows arising after the investors in the Trust have received the return for which they contracted. The Company's retained interest is subordinate to investor's interests. Except for the subordination of the Company's retained interest, the investors in the Trust have no recourse against the Company for failure of debtors to pay when due. The value of the Company's retained interest is subject to credit, prepayment and interest rate risks on the transferred financial assets.

In the thirteen weeks ended May 4, 2002, the Company recognized pretax gains of \$0.7 million on the securitization of credit card receivables. The key assumptions, which are based on the last twelve months performance trends of the accounts receivable portfolio, used to measure the fair value at the time of sale were as follows:

Repayment speed	14.0%
Weighted average life (in months)	7.1
Expected credit losses as percentage of average receivables	10.5%
Residual cash flows discount rate	15.0%
Variable return to third party certificate holders	Periodic commercial paper plus 0.37%

At May 4, 2002, the key assumptions and the sensitivity of the current fair value of the Company's retained interest caused by immediate 10% and 20% adverse changes in those key assumptions are as follows (in thousands):

Repayment speed	14.0%
Impact on fair value of 10% adverse change	(1,628)
Impact on fair value of 20% adverse change	(3,483)
Expected credit losses as a % of average receivables (annual rate)	10.5%
Impact on fair value of 10% adverse change	(2,618)
Impact on fair value of 20% adverse change	(5,106)
Residual cash flows discount rate	15.0%
Impact on fair value of 10% adverse change	(721)
Impact on fair value of 20% adverse change	(1,436)
Variable return to certificate holders	
Impact on fair value of 10% adverse change	(58)
Impact on fair value of 20% adverse change	(113)
Reduction in third party trust certificates outstanding of \$154.0 million:	
Impact of a 10% reduction in balances outstanding	(628)
Impact of a 20% reduction in balances outstanding	(1,265)

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10 percent variation in assumptions generally cannot be extrapolated because of the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

The table below summarizes the cash flows received from the Trust during the thirteen weeks ended May 4, 2002 (in thousands):

Collections used by the Trust to purchase new balances in revolving credit card securitizations	\$62,301
Servicing fees received	779
Other cash flows received on retained interests	49,656

Private label credit card sales were \$89.1 million (43.1% of total sales) and \$96.4 million (49.3% of total sales) in the thirteen weeks ended May 4, 2002 and May 5, 2001, respectively.

The following tables present quantitative information about the components of securitized and owned receivables, delinquencies and net credit losses:

*Managed Accounts Receivable Balances (in thousands):*

	<u>May 4, 2002</u>	<u>May 5, 2001</u>
Accounts receivable securitized (1)	\$ 154,000	\$ -
Accounts receivable held for securitization	112,647	-
Total accounts receivable held in Trust	266,647	-
Accounts receivable ineligible for securitization	12,376	281,808
Total managed accounts receivable	<u>\$ 279,023</u>	<u>\$ 281,808</u>

(1) Equal to the off-balance sheet borrowings outstanding under the Securitization Facility (defined herein).

*Reconciliation of Managed Accounts Receivable to Balance Sheet Presentation (in thousands):*

	<u>May 4, 2002</u>	<u>May 5, 2001</u>
Accounts receivable ineligible for securitization	\$ 12,376	\$ 281,808
Allowance for doubtful accounts on ineligible receivables	(1,166)	(37,464)
Unamortized cost associated with repurchased receivables	-	4,000
Accounts receivable, net	<u>\$ 11,210</u>	<u>\$ 248,344</u>
Accounts receivable held in Trust	\$ 266,647	\$ -
Accounts receivable securitized (1)	(154,000)	-
Allowance for doubtful accounts on receivables held in Trust	(25,113)	-
Present value of excess cash flows on retained interest	8,404	-
Cash reserves held in trust, net of accrued interest (2)	8,494	-
Retained interest in receivables sold	<u>\$ 104,432</u>	<u>\$ -</u>

(1) Equal to the off-balance sheet borrowings outstanding under the Securitization Facility (defined herein).

(2) Certain cash receipts are held by the securitization trust to fund monthly distributions to the third party certificate holders and the payment of the transferor servicing fee to the Company on the 10<sup>th</sup> of each calendar month. The remaining excess funds are then released to the Company.

*Managed Accounts Receivable Delinquency:*

	<u>May 4, 2002</u>	<u>May 5, 2001</u>
Current	77.3%	76.2%
Accounts receivable past due:		
1 to 29 days past due	12.9%	14.0%
30 to 59 days past due	3.0%	3.0%
60 to 89 days past due	1.9%	1.9%
90 days and greater past due	4.9%	4.9%
Total *	<u>100.0%</u>	<u>100.0%</u>

\* Totals may not foot due to rounding.



*Charge-offs as Percentage of Average Accounts Receivable (dollars in thousands):*

	Thirteen Weeks Ended May 4, 2002	Thirteen Weeks Ended May 5, 2001	Fifty-two Weeks Ended May 4, 2002	Fifty-three Weeks Ended May 5, 2001
Average accounts receivable	\$288,514	\$289,360	\$285,706	\$309,963
Net principal charge-offs	8,470	8,569	32,415	45,021
Net principal charge-offs as a percentage of average receivables	2.9%	3.0%	11.3%	14.5%

*Predecessor Company Activities:* Prior to the Chapter 11 Proceedings, the Company securitized substantially all of its trade accounts receivable. In connection with the Chapter 11 Proceedings, on June 7, 2000, the Company paid the trust holding the receivables \$288.4 million in cash and surrendered its retained interest in exchange for all accounts receivable held by the trust. The trust used the cash proceeds to retire all remaining certificates and pay other costs associated with the termination of the trust. The accounts receivable repurchased by the Company were recorded at the aggregate of the cash paid and the estimated fair value of the retained interest surrendered. The Company accreted the yield resulting from the estimated net future cash flows associated with the accounts receivable repurchased at June 1, 2000 using the interest method. The yield adjustment is recorded in selling, general and administrative expenses in the accompanying financial statements. Service charge income, late fees and estimated bad debt expense related to credit sales made subsequent to June 1, 2000 along with the overhead costs of the credit operations are included in selling, general and administrative expenses in the accompanying financial statements.

### **3. Income Taxes**

The provision for income taxes is computed based on the pretax income included in the Consolidated Statements of Income. The asset and liability approach is used to recognize deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts for financial reporting purposes and the tax basis of assets and liabilities. A valuation allowance is to be established if it is more likely than not that some portion of the deferred tax asset will not be realized.

At May 4, 2002, the Company had deferred tax assets of approximately \$38.4 million, a significant portion of which is related to the net operating loss carryforwards generated by the Predecessor Company. The portion of deferred tax assets related to federal net operating loss carryforwards that can be realized is limited to approximately \$5.4 million annually. The Company had recorded at May 4, 2002 a valuation allowance against these deferred tax assets of approximately \$38.4 million. The Company's ability to realize the benefits of these deferred tax assets is dependent on the Company's ability to generate future taxable income. SFAS No. 109 requires recognition of future tax benefits of these deferred tax assets to the extent such realization is more likely than not. In recognizing \$5.0 million of such tax benefits during the thirteen weeks ended May 4, 2002, management has considered the nonrecurring nature of significant expenses which contributed to the creation of the operating loss carryforwards, the improving trend of operations and the expected realization of the benefits of the deferred tax assets. Consistent with the requirements of SFAS No. 109, any tax benefits recognized related to pre-reorganization deferred tax assets are recorded as a direct addition to additional paid-in-capital.

### **4. Earnings per Share**

Basic earnings per share is computed using the weighted average number of common shares outstanding during the periods. Diluted earnings per share is computed using the weighted average number of common shares as well as all potentially dilutive common share equivalents outstanding. Stock options and warrants are the only potentially dilutive share equivalents the Company has outstanding in the post-emergence period. For the thirteen weeks ended May 4, 2002, dilution was calculated by adding 572,328 shares related to warrants and 1,094,679 related to stock options to the weighted average shares outstanding of 19,966,867 for total diluted shares of 21,633,874. For the Predecessor Company, no common share equivalents outstanding for the thirteen weeks ended May 5, 2001 were dilutive.

## **5. Legal Proceedings**

From time to time the Company and its subsidiaries are involved in various litigation matters arising in the ordinary course of their business. Management believes that none of the matters in which the Company or its subsidiaries are currently involved, either individually or in the aggregate, is material to the financial position, results of operations or cash flows of the Company or its subsidiaries.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995**

Certain statements contain or may contain forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, the ability of Stage Stores and its subsidiaries to maintain normal trade terms with vendors, the ability of the Company and its subsidiaries to comply with the various covenant requirements contained in the Company's Financing Agreements, the ability of the Company to maintain its private label credit card program, including the quality of its accounts receivable portfolio, the demand for apparel and other factors. The demand for apparel can be affected by an economic downturn, a decline in consumer confidence, unusual weather patterns, an increase in the level of competition in the Company's market areas, competitors' marketing strategies, changes in fashion trends, availability of product on normal payment terms and the failure to achieve the expected results of the Company's merchandising and marketing plans as well as its store opening and closing plans. In addition, the Company cannot predict, with any degree of certainty, what effect, if any, the tragic events of September 11, 2001 and subsequent and continuing events of terrorism will have on the Company and its operations. The occurrence of any of the above could have a material and adverse impact on the Company's operating results. Most of these factors are difficult to predict accurately and are generally beyond our control. Readers should consider the areas of risk described under the caption "Risk Factors" in Item 7. of the Company's Form 10-K for the year ended February 2, 2002 (the "Form 10-K"). Readers should carefully review the Form 10-K in its entirety, including but not limited to the Company's financial statements and the notes thereto and the risks described under "Risk Factors" in the Form 10-K. Except for the Company's ongoing obligations to disclose material information under the Federal securities laws, the Company undertakes no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. For any forward-looking statements contained in any document, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

### **General**

*Overview.* Stage Stores is a Houston, Texas-based regional department store retailer offering moderately priced, nationally recognized brand name and private label apparel, accessories, cosmetics and footwear for the entire family. The Company has recognized the high level of brand awareness and demand for fashionable, quality apparel by consumers in small and mid-size markets and has identified these markets as a profitable and under-served niche. The Company believes that it has developed a unique retailing concept in these markets by offering a broad range of brand name merchandise with a high level of customer service in convenient locations.

As of May 4, 2002, the Company, through its wholly owned subsidiaries Specialty Retailers (TX) LP and SRI General Partner LLC, operated 342 stores located in 13 states throughout the south central United States. Although the Company's stores may be operated under its "Stage", "Bealls" and "Palais Royal" trade names depending on the geographical market, the Company operates the vast majority of its stores under one concept and one strategy.

On June 1, 2000, the Company's predecessors (Stage Delaware and Specialty Retailers, Inc. (NV)) and Specialty Retailers, Inc. (collectively, the "Debtors") filed voluntarily petitions for reorganization under Chapter 11 of the Federal Bankruptcy Code. The Company's Plan of Reorganization (the "Plan") was confirmed on August 8, 2001 and became

effective on August 24, 2001 (the "Effective Date"). For financial reporting purposes, the Effective Date of the Plan was assumed to be September 1, 2001, the last day of the Company's seventh fiscal period. With the change in ownership resulting from the Company's Plan of Reorganization (the "Plan"), the Company adopted fresh-start reporting in accordance with the recommended accounting principles for entities emerging from Chapter 11 set forth in the American Institute of Certified Public Accountants Statement of Position 90-7 *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*. The adjustments to reflect the consummation of the Plan, including the gain on discharge of pre-petition liabilities and the adjustment to record assets and liabilities at their fair value were reflected in the thirty week period ended September 1, 2001. Accordingly, the financial position and operations for the Reorganized Company are not prepared on a basis comparable to those of the Predecessor Company.

The financial information, discussion and analysis that follow should be read in conjunction with the Company's Consolidated Financial Statements included in the Form 10-K.

## Results of Operations

The following table sets forth the results of operations as a percentage of sales for the periods indicated:

	Thirteen Weeks Ended	
	<u>May 4, 2002</u>	<u>May 5, 2001</u>
Net sales	100.0 %	100.0 %
Cost of sales and related buying, occupancy and distribution expenses	<u>65.5</u>	<u>68.2</u>
Gross profit margin	34.5	31.8
Selling, general and administrative expenses	20.7	24.1
Reorganization items and stores closure costs	-	1.7
Interest, net	<u>0.2</u>	<u>2.8</u>
Income before income tax	<u>13.6 %</u>	<u>3.2 %</u>

See "Proforma Operating Results" discussion below for proforma operating results for the thirteen weeks ended May 5, 2001 as if the Plan had been effective and all store closures related to the Company's reorganization had been completed as of the beginning of fiscal 2001.

### ***Thirteen Weeks Ended May 4, 2002 Compared to Thirteen Weeks Ended May 5, 2001***

Sales for the thirteen weeks ended May 4, 2002 (the "current year first quarter") increased 5.7% to \$206.7 million from \$195.5 million for the thirteen weeks ended May 5, 2001 (the "prior year first quarter"). Comparable store sales increased 7.0%. The lower rate of increase in total sales as compared to the rate of increase in comparable store sales reflects the impact of a fewer number of stores in operation in the current year first quarter. During last year's first quarter, the Company operated 347 stores throughout most of the period while it operated 342 stores during most of the current year first quarter. Stores which have been closed accounted for approximately \$3.9 million of the prior year first quarter sales.

Gross profit increased 14.4% to \$71.3 million for the current year first quarter from \$62.3 million for the prior year first quarter. Gross profit, as a percent of sales, increased to 34.5% for the current year first quarter from 31.8% for the prior year first quarter. The gross profit percentage for the current year first quarter as compared to the prior year first quarter benefited from, among other things, (i) a higher maintained mark-up on beginning of year inventory (ii) a higher initial mark-up on new receipts (iii) a reduction in the level of markdowns taken (iv) reduction in shrink accrual rate from 1.8% of sales in the prior year first quarter to 1.6% rate in current year first quarter based on January 2002 actual results on physical inventories taken and (v) increased leveraging of the buying, occupancy, and distribution expense components included in cost of goods sold through increased sales. The gross margin rate is historically higher in the first quarter due to the merchandise mix content and promotional calendar. The second quarter generally reflects a lower margin rate as the Company transitions from spring and summer to "back-to-school" and fall merchandise while the fourth quarter is lower due

to increased promotional activities and the relative short clearance period for fall and winter merchandise in the markets the Company operates. (See "Seasonality" discussion below.)

Selling, general and administrative ("SG&A") expenses for the current year first quarter decreased 9.1% to \$42.8 million from \$47.1 million in the prior year first quarter and, as a percent of sales, decreased to 20.7% from 24.1% in the comparable period last year. The primary cause of the decrease in SG&A expenses was an increase in net credit income. SG&A expenses include the net results of the Company's private label credit card program, including service charge and late fee income, the operating expenses incurred by the Company in origination of credit, marketing, customer service and collection activities, interest expense on Securitization Facility borrowings (as defined in "Liquidity and Capital Resources") and certain other items (collectively "Net Credit Income"). Net Credit Income was a reduction to SG&A expenses of \$4.6 million in the current year first quarter compared to \$0.7 million in the prior year first quarter. For a detailed analysis of the components of Net Credit Income, see "Components of Net Credit Income". The remaining improvement as a rate of sale is primarily due to improved leverage of advertising expense and corporate overhead.

The Company did not incur any reorganization items and store closure costs in the current year first quarter. The Company incurred \$3.3 million of these costs in the prior year first quarter primarily related to professional fees paid in connection with the Company's Chapter 11 Proceedings and reorganization efforts.

Net interest expense for the current year first quarter decreased 92.7% to \$0.4 million from \$5.5 million for the prior year first quarter. Upon emergence from Chapter 11, the Company's primary source of borrowing is the \$200 million accounts receivable securitization facility discussed in the "Liquidity and Capital Resources" section. Interest on these borrowings is classified as SG&A expense as a component of Net Credit Income. See "Components of Net Credit Income" discussion. Prior to emergence, the Company's primary source of borrowing was the Company's Debtor-in-Possession facility. All interest paid under this facility was charged to interest expense. The interest expense of \$5.5 million recorded in the prior year first quarter represents interest on this facility.

The Company's effective tax rate on post-confirmation earnings is 37.0%, resulting in income tax expense of \$10.4 million in the current year first quarter. No federal income tax was recorded in the prior year first quarter due to the Company's net operating loss carry forwards.

As a result of the foregoing, the Company had net income of \$17.8 million for the current year first quarter as compared to \$6.3 million for the prior year first quarter.

### **Components of Net Credit Income**

The following tables provide a detailed analysis of the components of Net Credit Income for each applicable period included in selling, general and administrative expenses (in thousands):

		% to	% to
	Amount	Net Sales	Average Receivables
<b>Thirteen Weeks Ended May 4, 2002:</b>			
Service charge and late fee income, net of charge-offs of \$3,486 (4)	\$ 16,465	8.0%	5.7%
Other revenues	128	0.1%	0.0%
Provision for principal bad debts	(6,634)	(3.2%)	(2.3%)
General and administrative costs	<u>(3,737)</u>	<u>(1.8%)</u>	<u>(1.3%)</u>
Subtotal before interest expense and other adjustments	6,222	3.0%	2.2%
Interest expense on securitization facility borrowings (1)	(1,279)	(0.6%)	(0.4%)
Difference due to securitization accounting (2)	<u>(372)</u>	<u>(0.2%)</u>	<u>(0.1%)</u>
Net credit income	<u>\$ 4,571</u>	<u>2.2%</u>	<u>1.6%</u>
Average receivables balance			<u>\$ 288,514</u>
<b>Thirteen Weeks Ended May 5, 2001:</b>			
Service charge and late fee income, net of charge-offs of \$4,936 (4)	\$ 16,164	8.3%	5.6%
Other revenues	135	0.1%	0.0%
Provision for principal bad debts	(6,321)	(3.2%)	(2.2%)
General and administrative costs	<u>(4,323)</u>	<u>(2.2%)</u>	<u>(1.5%)</u>
Subtotal before adjustment	5,655	2.9%	2.0%
Adjustment to accrete yield on repurchased receivables (3)	<u>(5,000)</u>	<u>2.6%</u>	<u>1.7%</u>
Net credit income	<u>\$ 655</u>	<u>0.3%</u>	<u>0.2%</u>
Average receivables balance			<u>\$ 289,360</u>

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- (1) The current Securitization Facility was entered into on August 24, 2001. Therefore, there was no interest expense on the Securitization Facility in the first quarter of 2001.
  - (2) The issuance of certificates to outside investors (i.e., the Sold Interests) is considered a sale of accounts receivable equal to the amount of the certificates issued. At the time of the sale, the Company recognizes a gain and an asset representing the Company's right to future cash flows arising after the Sold Interests have received the return for which they have contracted. The gain recognized is based on the carrying amount of the receivables sold, allocated between the relative fair values of the Sold Interests and the Retained Interest at the date of calculation. The fair values are based on the present value of estimated future cash flows that the Company will receive over the estimated life of the securitization. The future cash flows represent an estimate of the excess finance charges and fees over the sum of interest paid to the holders of the third party certificates, credit losses and servicing fees. As part of the fresh-start adjustments, the Company adjusted the carrying value of accounts receivable of \$247.9 million at September 1, 2001 to the estimated fair value. Accordingly, there was no gain recorded in the income statement on the initial sale of \$175.0 million of receivables on the Effective Date.
  - (3) The accounts receivable balances outstanding under the former securitization program at the time of the Company's bankruptcy filing were repurchased from its master trust as a condition of the debtor-in-possession financing. The receivables were recorded at the amount of cash paid to the Trust to retire the outstanding third party certificates and the recorded value of the Company's retained interest. This adjustment is of a non-recurring nature and was required to adjust the yield on the repurchased receivables to the implicit yield at the time of repurchase.
  - (4) Charge-offs of service charge and late fee income as a percentage of average receivables were 1.2% and 1.7% in the current and prior year first quarters, respectively. The improved aging in its portfolio is resulting in a lower amount of assessed late fees and corresponding subsequent charge-offs.

## Proforma Operating Results

The following unaudited Consolidated Proforma Statement of Operations reflects the financial results of the Company for the thirteen weeks ended May 5, 2001 as if the Plan had been effective and all store closures related to the Company's reorganization had been completed as of the beginning of fiscal 2001. All amounts are stated in thousands, except for per share data.

	For the Thirteen Weeks Ended May 5, 2001					
	As Reported	Restructuring Items and Taxes	Closed Stores	Fresh-Start Adjustments	Financing Agreements	Proforma
Net sales	\$ 195,549	\$ -	\$ (2,014)	\$ -	\$ -	\$ 193,535 (1)
Cost of sales and related buying, occupancy and distribution expenses	133,296	-	(1,415)	(1,513)	-	130,368 (1),(5)
Gross profit	62,253	-	(599)	1,513	-	63,167
Selling, general and administrative expenses	47,133	-	(351)	(1,238)	(2,861)	42,683 (1),(3),(5)
Reorganization items and store closure costs	3,336	(3,336)	-	-	-	- (2)
Interest, net	5,468	-	-	-	(5,028)	440 (4)
Income before income tax	6,316	3,336	(248)	2,751	7,889	20,044
Income tax expense	5	7,811	-	-	-	7,816 (6)
Net income	\$ 6,311	\$ (4,475)	\$ (248)	\$ 2,751	\$ 7,889	\$ 12,228
Basic earnings per share						\$ 0.61
Basic weighted average common shares outstanding						19,967 (7)
Diluted earnings per share						\$ 0.57
Diluted weighted average common shares outstanding						21,634 (7)

- (1) Reported results have been adjusted to eliminate the operations of the stores included in the 1999 and 2000 Store Closure Programs and the six stores closed in 2001 prior to the Effective Date. This includes the reported sales of \$2.0 million, cost of sales including occupancy costs of \$1.4 million and direct operating expenses of \$0.4 million.
- (2) To eliminate the net expense resulting from the Company's Chapter 11 Proceedings, subsequent reorganization efforts and store closures.
- (3) Securitization interest of \$2.1 million included in proforma results is based on \$175.0 million of borrowings (outstanding borrowing level as of September 1, 2001) at an interest rate of 3.95% plus unused facility fees and amortization of debt issue costs. The adjustment to accrete yield on repurchased receivables of \$5.0 million in the thirteen weeks ended May 5, 2001, has been eliminated.
- (4) Reported interest expense of \$5.5 million on the debtor-in-possession financing and related debt issue costs has been eliminated. Proforma interest on the revolving facility and amortization of related debt issue costs is \$0.4 million. Revolving interest is based on outstanding letters of credit of \$14.1 million and no outstanding borrowings.
- (5) Reported depreciation expense prior to the Effective Date is adjusted for the impact of the basis reduction to recorded property, equipment and leasehold improvements due to fresh-start adjustments. The adjusted basis of depreciable assets owned as of the Effective Date was \$100.3 million, which would result in annual depreciation expense of approximately \$12.0 million. Accordingly, pro-forma results for the thirteen weeks ended May 5, 2001 include proforma depreciation of approximately \$3.0 million.
- (6) Reported tax expense has been adjusted to a 39% effective tax rate.
- (7) Weighted average shares outstanding represents the shares of new common stock issued under the Plan. The Company has 3,651,500 stock options with a weighted average exercise price of \$15.07, 512,119 Series A Warrants with an exercise price of \$15.00, and 1,078,146 Series B Warrants with an exercise price of \$20.00 outstanding at May 4, 2002. The average market price during the first quarter of 2002 was \$28.73. The basic and diluted shares outstanding for the first quarter of 2002 have been used in the proforma results for the first quarter of 2001.

## Seasonality and Inflation

Historically, the Company's business is seasonal and sales traditionally are lower during the first three quarters of the year (February through October) and higher during the last three months of the year (November through January). The fourth quarter usually accounts for about 30% of the Company's annual sales, with the other quarters accounting for approximately 22-24% each. The sales levels and gross profit margins achieved on a quarterly basis are impacted by the changes in seasonal weather patterns as well as the level of promotions associated with the traditional holiday or other events (i.e. back-to-school sales) which tend to impact consumer demand for apparel. The Company's stores are primarily located in the southern tier states which means the Company tends to experience a longer term of warmer weather patterns and cold weather periods tend to be relatively short in duration and severity. Consequently, the transition period to exit warm weather clothing tends to be longer (i.e. shorts and short sleeve apparel for back-to-school) than for fall and winter merchandise.

Working capital requirements fluctuate during the year and generally reach their highest levels during the third and fourth quarters.

The Company does not believe that inflation had a material effect on its results of operations during the past two years. However, there can be no assurance that the Company's business will not be affected by inflation in the future.

## Liquidity and Capital Resources

The Company's liquidity is currently provided by (i) existing cash balances (ii) operating cash flows (iii) normal trade credit terms from the vendor and factor community and (iv) the Financing Agreements (as defined below).

In conjunction with the Company's emergence from the Chapter 11 Proceedings, on the Effective Date the Company entered into a three year, \$125 million senior secured revolving credit facility (the "Revolving Facility"), and a three year, \$200 million accounts receivable securitization facility (the "Securitization Facility") (collectively, the "Financing Agreements"). The initial proceeds from the Securitization Facility were used by the Company to (i) repay the total amount outstanding under the Debtor-in-Possession Facility as of the Effective Date, (ii) make certain payments under the Plan in connection with priority claims, administrative claims and secured claims and (iii) pay related transaction costs, fees and expenses. On a go-forward basis, the Financing Agreements will be used by the Company, in conjunction with other liquidity sources, to provide financing for working capital, letters of credit, capital expenditures, interest payments and other general corporate purposes. Substantially all of the Company's assets are pledged as collateral under the Revolving Facility.

Total working capital increased to \$258.4 million at May 4, 2002 from \$237.5 million at February 2, 2002, an increase of \$20.9 million. Cash flow from operations of \$14.7 million was used to finance \$6.7 million of capital expenditures, reduce Securitization Facility borrowings by \$11.0 million and pay long-term debt of \$0.2 million.

In the prior year first quarter, the Company was in the process of liquidating inventory under its 2000 Store Closing Plan under which 108 stores were closed and liquidated resulting in a decrease in inventory. This year, the Company had a more normal inventory build in the first quarter.

Borrowings under the Revolving Facility are limited to the availability under a borrowing base that is determined on eligible inventory, while borrowings under the Securitization Facility are limited to eligible accounts receivable generated under the Company's private label credit card program. Borrowings under both facilities are payable upon maturity at August 24, 2004. The daily interest rates under the Revolving Facility are determined by a base rate or Eurodollar rate plus an applicable margin as set forth in the Revolving Facility agreement. Amounts outstanding under the Securitization Facility are funded by the issuance of commercial paper in the open market through a conduit at various rates and maturities. As a result, the daily interest rates under the Securitization Facility are based upon the periodic commercial paper rates of the applicable conduit purchasers. If the commercial paper market is unavailable, amounts outstanding under the Securitization Facility will be funded by liquidity providers with interest at the Eurodollar rate, plus 2.0%. The Company pays a standby fee to the liquidity providers equal to a per annum rate of 0.5% of the total amount of their respective commitments under the Securitization Facility. On May 4, 2002, there were no borrowings outstanding under the Revolving Facility, while borrowings under the Securitization Facility, which are accounted for off-balance sheet, totaled \$154.0 million. On May 4, 2002, excess availability under the Revolving Facility, net of letters

of credit outstanding of \$13.1 million, was \$111.9 million, while excess availability under the Securitization Facility was \$46.0 million.

Working capital requirements fluctuate from month to month during the year and generally reach their highest levels during October and November in conjunction with the inventory build in advance of the fourth quarter holiday sales period. As a result, borrowings are usually at their highest levels, and conversely, excess availability is at its lowest level, during this period. As borrowing requirements increase during peak periods, the Company expects to utilize the excess availability under the Securitization Facility prior to borrowing under the Revolving Facility due to the favorable cost of funds under the Securitization Facility as compared to the Revolving Facility.

The Company continually monitors its liquidity position and compliance with its Financing Agreements. The Revolving Facility contains covenants which, among other things, restrict the (i) incurrence of additional debt and incurrence of capital lease obligations, (ii) payment of dividends and other payments to shareholders (iii) aggregate amount of capital expenditures and (iv) transactions with related parties. In addition, the Revolving Facility requires the Company to maintain compliance with specific financial covenants, including specified Leverage Ratio, Fixed Charge Coverage Ratio and Tangible Net Worth levels calculated quarterly. Further, the Securitization Facility describes certain conditions and events that could cause an early amortization of the amounts then outstanding under the Securitization Facility. These include such things as the Company not maintaining compliance with certain financial covenants, having a material adverse change in the ability of the Company to perform its obligations under the Securitization Facility, having a material adverse change in the collectibility of the accounts receivables and other specific conditions and events. Each facility contains cross default provisions. At May 4, 2002, the Company was in compliance with all debt covenants.

The Company's only long-term debt obligations consist of a \$0.7 million (net of current portion of \$0.2 million) capital lease in the form of an industrial revenue bond with annual funding requirements of \$0.2 million and an approximate \$8.9 million obligation under the Company's frozen defined benefit pension plan. The minimum funding requirement for 2002 under the defined benefit pension plan is estimated to be approximately \$2.0 million. The Company expects future cash flow from operations to be sufficient to fund these obligations and to make the necessary working capital and capital expenditure investments.

Capital expenditures are generally for new store openings, remodeling of existing stores and facilities, customary store maintenance and operating and information system enhancements and upgrades. Capital expenditures were \$6.7 million in the current year first quarter as compared to \$1.3 million in the prior year first quarter. Management estimates that capital expenditures will be approximately \$45.0 million during 2002, principally for a new point of sale system, warehouse management system, the opening of thirteen new stores and remodels and upgrades of existing stores. While there can be no assurances, management believes that there should be sufficient liquidity to cover both the Company's short-term and long-term funding needs.

### **Accounts Receivable Securitization**

The Company transforms accounts receivable into securities, which are sold to investors - a process referred to as securitization. The Securitization Facility is the agreement through which these securities are sold to outside investors. The Securitization Facility, which is an off-balance sheet financing vehicle, is an important source of the Company's liquidity. Further, the Securitization Facility provides the Company with a lower cost of financing as compared to the Company's Revolving Facility. In accordance with the terms and requirements of the Securitization Facility, the Company transfers all of the accounts receivables generated by the holders of the Company's private label credit card that meet certain eligibility requirements to a special purpose master trust. The accounts receivable held in the trust collateralize borrowings under the Securitization Facility, and the Trust is operated in a fashion intended to ensure that its assets and liabilities are distinct from those of the Company and its other affiliates. The Trust sells certificates representing undivided interests in the accounts receivables to outside investors ("Sold Interests"). The amount of the Sold Interests outstanding at any time represents the amount of the Company's off-balance sheet debt (also referred to as borrowings under the Securitization Facility). The Company retains the remaining undivided interest in the Trust in the form of a subordinated transferor certificate, an exchangeable transferor certificate, as well as possessing the right to receive the excess cash receipts from the receivables over those contractually required to be paid to the Sold Interests (collectively, the "Retained Interest"). The Company's right to proceeds from the collection of the receivables under its Retained Interest is subordinate to the rights of the Sold Interests.



The Sold Interests are represented by Class A certificates. The holders of the Class A certificates are entitled to monthly interest distributions at the contractually defined rate of return of periodic commercial paper rates plus 0.37%. The interest distributions to the Class A certificate holders are payable from finance charge income generated by the credit card receivables held by the Trust. The Company services the credit card receivables held by the Trust and receives a servicing fee of 2.0% of the outstanding Sold Interest.

The credit quality of the Class A certificates is enhanced as a result of the Company's subordinated position as the Company bears virtually all investment risk with respect to both the Sold Interests and the Retained Interests. However, neither the outside investors holding the Class A certificates nor the Trust have any recourse against the Company beyond the Retained Interest. The Company is entitled to receive distributions equal to the excess of finance charges and fees on the credit card receivables held by the Trust over the sum of amounts distributed to the holders of the Class A certificates and credit losses.

For securitization programs such as this, which are accounted for as sales under SFAS 140, the Company is required to remove the related credit card receivables, as well as the amount of borrowings outstanding under the Securitization Facility, from the Company's consolidated balance sheet. The securitization and sale of credit card receivables changes the Company's interest in these receivables from that of lender to that of servicer, with a corresponding change in the timing and the manner in which revenues are recognized. For securitized credit card receivables accounted for as sales, amounts that otherwise would have been recorded as net service charge and late fee income when billed, as well as provisions for bad debts, are instead reported as gains on sale of accounts receivable and gains (losses) on the change in fair value of the retained interest of receivables sold (see Note 2 to the Unaudited Consolidated Financial Statements).

### **Recent Accounting Pronouncements**

On July 20, 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." These statements change the accounting for business combinations and goodwill in two significant ways. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method will be prohibited. SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. The adoption of these statements as of February 3, 2002 did not have a material effect on the Company's financial position or results of operations because the Company has not engaged in any business combinations and has no goodwill recorded.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations", which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs and is effective for the Company February 2, 2003. The adoption is not expected to have a material effect on the Company's financial position or results of operations.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The Company adopted SFAS No. 144 effective February 3, 2002. The adoption did not have a material effect on the Company's financial position or results of operations.

### **Risk Factors**

The following risk factor is in addition to the risk factors discussed by the Company in the Form 10-K.

**A work slowdown, stoppage or other disruption by employees of carriers, shippers and other providers of merchandise transportation services could have a material adverse effect on the Company's business and financial condition.** The Company's vendors rely on shippers, carriers and other providers of merchandise transportation services (collectively "Transportation Providers") to deliver merchandise from their manufacturers, both in the United States and abroad, to the vendors' distribution centers in the United States. The Company's vendors and the Company also rely on Transportation Providers to transport merchandise from the vendors' distribution centers to the Company's distribution center in Jacksonville, Texas. The Company also relies on Transportation Providers to transport merchandise from its distribution center to its stores. From time to time, Transportation Providers engage in contract negotiations with their

employees' unions. While the Company has no involvement in those negotiations, it has established, and if necessary will implement, procedures which it believes will avert or significantly reduce the impact of any disruption in services provided by its Transportation Providers between its distribution center and its stores. However, if the Company fails to effectively implement these procedures, or if work slowdowns, stoppages or other disruptions affect the transportation of merchandise between the vendors and their manufacturers, especially those manufacturers outside the United States, or between the vendors and the Company, the Company's business and financial condition could be adversely affected.

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Borrowings under the Company's Securitization Facility, which totaled \$154.0 million at May 4, 2002, bear a floating rate of interest. A hypothetical 10% change in interest rates from the May 4, 2002 levels would have an approximate \$0.1 million effect on the Company's annual results of operations and cash flows.

## **PART II – OTHER INFORMATION**

### **Item 1. LEGAL PROCEEDINGS**

During the fiscal quarter ended May 4, 2002, the Company did not have any new material legal proceedings brought against it, its subsidiaries or their properties. In addition, no material developments occurred in connection with any previously reported legal proceedings against the Company, its subsidiaries or their properties during the last fiscal quarter.

### **Item 2. CHANGES IN SECURITIES**

None

### **Item 3. DEFAULTS UPON SENIOR SECURITIES**

None

### **Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None

### **Item 5. OTHER INFORMATION**

None

### **Item 6. EXHIBITS AND REPORTS ON FORM 8-K**

(a) Exhibits

None

(b) Reports on Form 8-K

On February 7, 2002, the Company filed an 8-K which reported under Item 5 that on February 7, 2002, the Company issued a news release announcing sales for January 2002. A copy of the news release is attached to the Form 8-K.

On February 19, 2002, the Company filed an 8-K which reported under Item 5 that on February 4, 2002, Dov Avni Kaminetzky filed an adversary proceeding in Bankruptcy Court against the Company and one of its directors. The 8-K also detailed the history behind this filing and the Company's belief that Kaminetzky's claim is without merit. Documents related to prior filings by Kaminetzky are attached to the Form 8-K.

On March 7, 2002, the Company filed an 8-K which reported under Item 5 that on March 7, 2002, the Company issued a news release announcing sales for February 2002. A copy of the news release is attached to the Form 8-K.

On March 13, 2002, the Company filed an 8-K which reported under Item 5 that on March 11, 2002, the Company issued a news release announcing its fourth quarter results release date and conference call information. A copy of the news release is attached to the Form 8-K.

On March 14, 2002, the Company filed an 8-K which reported under Item 5 that on March 14, 2002, the Company issued a news release announcing results for the fourth quarter and full year for 2001 and provided an outlook for 2002. A copy of the news release is attached to the Form 8-K.

On April 17, 2002, the Company filed an 8-K which reported under Item 5 that on April 11, 2002, the Company issued a news release announcing sales for March 2002. A copy of the news release is attached to the Form 8-K.

## SIGNATURES

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

### STAGE STORES, INC.

May 23, 2002  
(Date)

/s/ James Scarborough  
James Scarborough  
Chief Executive Officer and President

May 23, 2002  
(Date)

/s/ Michael E. McCreery  
Michael E. McCreery  
Executive Vice President, Chief Financial Officer  
and Corporate Secretary