NEXT INC/TN
Form 8-K
July 12, 2007

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 (Date of earliest event reported): July 12, 2007

NEXT, INC.

(Exact name of registrant as specified in its charter)

Delaware	**0-25247**	**95-4675095**
(State of Incorporation)	(Commission File No.)	(IRS Employer Identification No.)

7625 Hamilton Park Drive, Suite 12, Chattanooga, Tennessee 37421

(Address of principal executive offices)

423-296-8213

(Registrant's telephone number, including area code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On July 12, 2007, the Registrant issued a press release reporting earnings results for the three and six months ending June 1, 2007.

Item 9.01. Financial Statements and Exhibits.

(c)

Exhibits

99.1

Press release dated July 12, 2007 reporting earnings for the three and six months ending June 1, 2007.

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 hereunto duly authorized.

NEXT, INC.

Date: July 12, 2007

By: /s/ David O. Cole

David O. Cole

Chief Financial Officer

EXHIBIT INDEX

Exhibit No.

Description

99.1

Press release dated July 12, 2007 reporting earnings for the three and six months ending June 1, 2007.

eries A Cumulative Convertible Preferred Stock (the "Series A Preferred Stock") with a

stated value of $11.5 million. The Series A Preferred Stock has a preference in liquidation equal to the stated value plus accrued but unpaid dividends. The Company may redeem (but is under no obligation to do so) the Series A Preferred Stock at any time at a price equal to liquidation preference, subject to certain limitations imposed by the terms of the Credit Facility and the Notes agreement.

The holders of the Series A Preferred Stock are entitled to receive annual cash dividends, which are cumulative to the extent not paid, and compound annually at 8.5% of the stated value. No dividends may be paid on common stock or any other shares of capital stock of the Company ranking junior to the Series A Preferred Stock (other than dividends payable in shares of common stock), until all cumulative and current dividends on the Series A Preferred Stock have been declared and paid in full. As of September 30, 2001 and 2000, accrued dividends on the Series A Preferred Stock were $7,055,000 and $6,037,000, respectively, and are classified as long-term liabilities in the accompanying Consolidated Balance Sheets.

The Series A Preferred Stock is convertible into shares of common stock (i) between August 1, 2000 and May 1, 2006, at an initial conversion rate (subject to adjustments for stock splits, stock dividends, recapitalizations and similar events) equal to ten shares of common stock for each share of Series A Preferred Stock, or (ii) after November 1, 2006, at a conversion rate determined by dividing the aggregate stated value of all shares of Series A Preferred Stock to be converted by 90% of the then-market price of the common stock, as defined. After a holder's exercise of the conversion right under (i) above, the Company may only redeem the Series A Preferred Stock from the proceeds of an equity offering. The limitation on this redemption right may only be modified with the consent of the holders of a majority of the outstanding principal amount of the Notes. Upon any conversion, the holder of the Series A Preferred Stock to be converted is entitled to receive payment of all accrued and unpaid dividends in cash unless the Company is prohibited by limitations contained in the Notes agreement. In the case of a conversion under (i) above, if dividends are not paid in cash due to restrictions imposed by the Credit Facility or the Notes, the Company will issue a subordinated note. If the note is not paid by August 1, 2003, then all principal and accrued interest may be converted into that number of shares of common stock determined by dividing the amount due by the then-market price, as defined. In the case of a conversion under (ii) above, if accrued dividends are not paid in cash, then such dividends are convertible into common stock on the same basis as the shares of Series A Preferred Stock.

In connection with the Rights Agreement dated March 17, 1997 (see Note 8), the Company authorized 10,000 shares of Series B Junior Participating Preferred Stock (the "Series B Preferred Stock"). The Series B Preferred Stock can be purchased in units equal to one

one-thousandth of a share (the "Series B Units") under the terms of the Rights Agreement. The holders of the Series B Units are entitled to receive dividends when and if declared on common stock. Series B Units are junior to the common stock and Series A Preferred Stock for both dividends and liquidations. Each Series B Unit votes as one share of common stock.

8. RIGHTS AGREEMENT

In accordance with the Company's Rights Agreement, the Company provided and will provide one Right outstanding for each share of Mothers Work common stock now or hereafter outstanding. Under certain limited conditions, as defined in the Rights Agreement, each Right entitles the registered holder to purchase from the Company one Series B Unit at $85 per unit, subject to adjustment. The rights expire on October 9, 2005 (the "Final Expiration Date").

On March 17, 1997, the Company amended its Rights Agreement to provide the independent directors of the Company with some discretion in determining when the Distribution Date (as defined in the Rights Agreement) shall occur and the date until which the Rights may be redeemed. In addition, the Amended and Restated Rights Agreement exempts from its operation any person that acquires, obtains the right to acquire, or otherwise obtains beneficial ownership of 10.0% or more of the then outstanding shares of the Company's common stock (an "Acquiring Person") without any intention of changing or influencing control of the Company provided that such person, as promptly as practicable, divests himself or itself of a sufficient number of shares of common stock so that such person would no longer be an Acquiring Person.

The Rights are not exercisable until the Distribution Date, which will occur upon the earlier of (i) ten business days following a public announcement that an Acquiring Person has acquired beneficial ownership of 10.0% or more of the Company's outstanding common stock, and ten business days following the commencement of a tender offer or exchange offer that would result in a person or group owning 10.0% or more of the Company's outstanding common stock, or (ii) such later date as may be determined by action of a majority of the independent directors.

The Rights have certain anti-takeover effects. The Rights will cause substantial dilution to a person or group that attempts to acquire the Company without conditioning the offer on the redemption of the Rights. The Rights can be mandatorily redeemed by action of a majority of the independent directors at any time prior to the earlier of the Final Expiration Date and the Distribution Date for $.01 per Right.

Upon exercise and the occurrence of certain events, as defined in the Rights Agreement, each holder of a Right, except the Acquiring Person, will have the right to receive Mothers Work common stock or common stock of the acquiring company having a value equal to two times the exercise price of the Right.

On October 14, 2001, the Company amended its Rights Agreement to include Centre Partners and its affiliates as exempt persons under the terms of the Rights Agreement. In addition, the Company amended its Rights Agreement on June 4, 2002 to confirm the status of Meridian Venture Partners and its affiliates, collectively referred to as Meridian Venture Group, as an exempt person and to exclude,

under certain circumstances, any deemed attribution of beneficial ownership between Meridian Venture Group and Robert Brown, a general partner of Meridian Venture Group funds.

9. STOCK OPTION PLANS AND WARRANTS

The Company has two stock option plans: the Director Stock Option Plan and the Amended and Restated 1987 Stock Option Plan. Under the Director Stock Option Plan, each outside director is granted 2,000 fully vested options on an annual basis at an exercise price equal to the fair market value on the grant date. Under the 1987 Stock Option Plan, as amended and restated, officers and certain employees may be granted options to purchase the Company's common stock at exercise prices equal to the fair market value of the stock at the date of grant or at other prices as determined by the Compensation Committee of the Board of Directors. No options have been granted by the Company at less than the fair market value of the Company's common stock on the date of grant for any of the periods presented. Up to a total of 1,425,000 options may be issued under the plans. Options outstanding generally vest ratably over 5 years and generally expire in ten years from the date of grant.

Stock option activity for all plans was as follows:

	Outstanding Options	Weighted Average Exercise Price

		(in thousands)	
Balance	September 30, 1998	730	$ **10.85**
Granted		185	**9.98**
Exercised		(35)	**5.54**
Canceled		(71)	**10.09**
Balance	September 30, 1999	809	**10.93**
Granted		179	**10.61**
Exercised		(24)	**9.37**
Canceled		(62)	**10.02**
Balance	September 30, 2000	902	**10.98**
Granted		285	**9.41**
Exercised		(2)	**8.15**
Canceled		(169)	**9.51**
Balance	September 30, 2001	1,016	**10.58**

Options for 713,075, 544,512 and 485,889 shares were exercisable as of September 30, 2001, 2000 and 1999, respectively, and had a weighted-average exercise price of $10.96, $11.49 and $11.62 for those respective periods.

The Company has adopted the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation," but has elected to continue to measure compensation expense in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation expense for stock options has been recognized for stock option awards granted at fair market value. Had the compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans in accordance with the provisions of

SFAS No. 123, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below. The effect of applying SFAS No. 123 in this pro forma disclosure is not indicative of future amounts. SFAS No. 123 does not apply to options awarded prior to fiscal year ended September 30, 1996. Additional option awards are anticipated in future years.

	2001	**2000**	**1999**
	(in thousands, except per share amounts)		
Net income available to common stockholders:			
As reported	$ 1,971	$ 3,659	$ 2,136
Pro forma	521	2,689	735
Basic net income per common share:			
As reported	$ 0.57	$ 1.06	$ 0.60
Pro forma	0.15	0.78	0.21
Diluted net income per common share:			
As reported	$ 0.55	$ 1.01	$ 0.57
Pro forma	0.14	0.74	0.20

The weighted average fair value of the stock options granted during 2001, 2000 and 1999 was $6.75, $8.98 and $9.28, respectively. The fair value of each option granted is estimated on the date of grant using the Black Scholes option pricing model with the following weighted-average assumptions:

2001	**2000**	**1999**

	2001	2000	1999
Dividend yield	none	**none**	**none**
Expected price volatility	81.2%	**83.7%**	**75.8%**
Risk-free interest rates	3.79%	**6.08%**	**6.05%**
Expected lives	6.0 years	**8.4 years**	**9.1 years**

The following table summarizes information about stock options outstanding at September 30, 2001:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	**Number Outstanding (in thousands)**	**Weighted Average Remaining Life**	**Weighted Average Exercise Price**	**Number Exercisable (in thousands)**	**Weighted Average Exercise Price**
$ 4.55 to $ 6.83	1	5.6	$ 6.63	**1**	**$ 6.63**
6.84 to 9.10	206	7.4	8.61	**97**	**8.60**
9.11 to 11.38	552	6.5	10.12	**405**	**10.09**
11.39 to 13.65	230	4.8	13.13	**183**	**13.29**
13.66 to 15.92	9	4.3	14.50	**9**	**14.50**
15.93 to 18.20	5	3.9	16.50	**5**	**16.50**
18.21 to 20.48	13	2.6	18.29	**13**	**18.29**
$ 4.55 to $20.48	1,016	6.3	$ 10.58	**713**	**$ 10.96**

During the first nine months of fiscal 2002, a total of 260,700 options were granted to certain employees and non-employee directors for the purchase of the Company's common stock at prices not less than the fair market value of the Company's common stock on the date of the grant.

In connection with the Company's acquisition of A Pea in the Pod on April 5, 1995 ("the Pea Acquisition"), the Company entered into a $15.0 million subordinated debt agreement and issued warrants to the lender to purchase up to 140,123 shares of common stock at $.01 along with the subordinated debt. The warrants were valued at their estimated fair market value of $1.0 million and were recorded as an original debt discount on the subordinated debt incurred. The determination of the fair value of the warrants was estimated at the date of issuance based on the then fair market value of the Company's common stock discounted at 12% with an estimated life of seven years. The warrants were immediately vested upon grant and expire in April 2002. These warrants were exercised on March 12, 2002. A portion of the proceeds from the sale of the Notes was used to repay this subordinated debt.

10. INCOME TAXES

For the years ended September 30, income tax provisions were comprised of the following (in thousands):

	2001	2000	1999
Current provision	$ 2,920	$ 113	$ 2,467
Deferred provision	536	4,136	957
	$ 3,456	$ 4,249	$ 3,424

The reconciliations of the statutory federal rate to the Company's effective income tax rates for the years ended September 30, were as follows:

	2001	2000	1999
Statutory tax rate	34.0%	34.0%	34.0%
State taxes, net of federal benefit	3.4	3.1	4.9

	2001	2000	1999
Amortization of goodwill	10.8	8.1	11.0
Other	1.8	0.5	0.4
	50.0%	45.7%	50.3%

The deferred tax effects of temporary differences giving rise to the Company's net deferred tax assets at September 30 were as follows (in thousands):

	2001	2000
Deferred tax assets:		
Net operating losses carryforwards	$	$ 1,995
Depreciation	9,207	7,263
Deferred rent	1,651	1,771
Inventory reserves	513	514
Employee benefit accruals	1,016	427
Alternative minimum tax credit carryforwards		394
Other accruals	597	719
Other	190	681
	13,174	13,764
Deferred tax liabilities:		
Prepaid expenses	(38)	(92)
	$ 13,136	$ 13,672

The Company had net operating loss carryforwards for tax purposes at September 30, 2000 of approximately $5,869,000, of which $4,309,000 was acquired in the acquisitions of A Pea in the Pod and Motherhood. The Company also had alternative minimum tax credits of approximately $394,000 that could be utilized against regular income taxes in the future. The remaining net operating loss carryforwards and alternative minimum tax credits as of September 30, 2000 were fully utilized during fiscal 2001.

No valuation allowance has been provided for the net deferred tax assets. Based on the Company's historical levels of taxable income, as adjusted for the restructuring and the nondeductibility of goodwill amortization and the Episode operations (see Note 13), management believes it is more likely than not that the Company will realize the net deferred tax assets at September 30, 2001. Furthermore, management believes the existing net deductible temporary differences will reverse during periods in which the Company generates taxable income. There can be no assurance, however, that the Company will generate taxable earnings or any specific level of earnings in the future.

11. COMMITMENTS AND CONTINGENCIES

The Company leases its retail facilities and certain equipment under various noncancelable operating leases. Certain of these leases have renewal options. Total rent expense under operating leases amounted to $49,572,000, $44,210,000 and $38,001,000 in fiscal 2001, 2000 and 1999, respectively. Such amounts include contingent rentals based upon a percentage of sales totaling $1,116,000, $717,000 and $1,261,000 in fiscal 2001, 2000 and 1999, respectively.

11. COMMITMENTS AND CONTINGENCIES (Continued)

Future annual minimum operating lease payments, including payments for equipment leases, as of September 30, 2001 are as follows (in thousands):

2002	$	36,014
2003		33,195
2004		27,652
2005		22,318
2006		18,415
2007 and thereafter		48,846
	$	186,440

From time to time, the Company is named as a defendant in legal actions arising from its normal business activities. Although the amount of any liability that could arise with respect to currently pending actions cannot be accurately predicted, in the opinion of management of the Company, any such liability will not have a material adverse effect on the financial position or operating results of the Company.

12. SUBSEQUENT EVENTS

iMaternity Acquisition

On October 17, 2001 (the "Acquisition Date"), the Company acquired eSpecialty Brands, LLC ("iMaternity") for $19,863,000, including transaction costs. The purchase price consisted of 302,619 shares of Series C Cumulative Redeemable Preferred Stock (the "Series C Preferred Stock") valued at an estimated $59.48 per share, or $17,999,000, as determined by an independent third party appraiser, detachable warrants to purchase 350,000 shares of the Company's common stock with an estimated fair value of $874,000, as determined by an independent third party appraiser using the Black-Scholes pricing model with a 30% discount applied due to the lack of marketability, and transaction costs of $990,000. The following assumptions were used in the pricing model: dividend yield of zero, risk free interest rate of 4.45%, volatility factor of the expected market price of the Company's common stock of 60.0% and expected life equal to the contractual term of the warrants of 7 years. The excess by which the stated value of the Series C Preferred Stock exceeds its carrying value is being accreted to the earliest redemption date using the effective interest method. This accretion will be recorded as dividends.

The holders of the Series C Preferred Stock are entitled to receive dividends, which are cumulative to the extent not paid, and compound quarterly at 8.625% of the stated value. Dividends accrue for the first year and are thereafter paid out in part in cash with the balance accruing, subject to certain limitations imposed by the Credit Facility and the holders of the Notes. No dividends may be paid on common stock, or on any other shares of capital stock of the Company ranking junior to the Series C Preferred Stock, other than dividends payable in shares of common stock, until all cumulative and current dividends on the Series C Preferred Stock have been declared and paid in full. The Series C Preferred Stock is junior to the Series A Preferred Stock in liquidation and *pari passu* to the Series A Preferred Stock in dividends.

Upon a liquidation, dissolution or winding up of the Company, as defined, after any payments to the holders of the outstanding shares of the Company's Series A Preferred Stock, and before any payments to the holders of junior stock, the holders of the Series C Preferred Stock have the right to receive in such liquidation, distribution or winding up an amount equal to the stated value plus the greater of accrued and unpaid dividends or the participation amount, which is defined as an amount equal to 10% of the increase in market value per share of the Company's common stock for the period from the closing of the iMaternity acquisition until the liquidation, dissolution or winding up of the Company, as defined.

On the earlier of October 18, 2006, or upon a change of control or other fundamental transaction, as defined, the holders of the Series C Preferred Stock have the right to require the Company to purchase their shares for cash at a price equal to the stated value plus accrued and unpaid dividends (the "put right"). If the Company defaults on its obligation under the put right, the holders of the outstanding Series C Preferred Stock have the right to convert their Series C Preferred Stock into shares of the Company's common stock, provided that, in no event shall the aggregate number of shares issued upon such conversion, plus 350,000 shares of common stock related to the warrants issued in connection with the iMaternity acquisition, exceed an amount equal to 19.9% of the number of outstanding shares of the Company's common stock outstanding immediately preceding the iMaternity acquisition. At any time on or after April 18, 2004, the Company has the right to purchase the outstanding Series C Preferred Shares for cash at a price equal to the stated value plus the greater of accrued and unpaid dividends or the participation amount, as defined.

Under the terms of the merger agreement, at any time after the closing of the iMaternity acquisition, the Company has the right to make an offer to purchase for cash all outstanding shares of Series C Preferred Shares at a price equal to the stated value plus accrued and unpaid dividends. If a majority of the holders of the outstanding Series C Preferred Stock, as defined, fail to accept such offer, then such holders forfeit their warrants, or if any warrant has been exercised and the underlying common stock has been sold by any holder, then such holder forfeits accrued and unpaid dividends on such holder's Series C Preferred Stock. Further, upon such failure to accept such offer to purchase, all holders of the outstanding Series C Preferred Stock forfeit certain protective provisions under the Agreement and Plan of Merger, including prohibitions on issuing senior stock or parity stock, as defined, and redeeming junior securities.

The acquisition has been accounted for under the purchase method of accounting. Assets acquired and liabilities assumed have been recorded at their estimated fair values in fiscal 2002. The fiscal 2002 recorded values of assets acquired and liabilities assumed are preliminary and subject to change.

Based on the preliminary allocation of purchase price, the application of the purchase method resulted in approximately $25,785,000 of excess purchase price over the estimated fair value of the net tangible assets acquired of $21,150,000, less assumed liabilities of $17,995,000 and costs to exit certain operations and locations of iMaternity of $9,077,000. The Company recognizes that certain identifiable intangible assets were acquired, primarily trademarks, trade names, and Internet domain names. However, as determined by an independent third party appraiser, based on the nature of the items and use within the Company's business and industry, no value was assigned to any of the identifiable intangibles. Accordingly, the excess purchase price has been assigned to goodwill.

In connection with the purchase price allocation, the fair value of the acquired finished goods inventory was based on an estimate of the net realizable value of the inventory less estimated costs to

dispose. A significant portion of the acquired inventory is expected to be sold at substantial discounts in connection with store closures or required changes in assortment mix at the acquired stores to align with the Company's merchandising strategies.

Additionally, as part of the purchase price allocation, the Company recorded $1.7 million of liabilities relating to claims by iMaternity vendors for amounts owed by iMaternity that had not been disclosed to the Company by the sellers prior to the closing. The Company is currently investigating these claims. If the Company has liability for these undisclosed amounts, it has the right to seek indemnification from the seller. If the Company were to prevail in an indemnification claim, it could reduce the number of outstanding shares of the Series C Preferred Stock issued to the sellers, or, if the sellers no longer hold shares of our Series C Preferred Stock, receive cash damages. In that event, the goodwill recorded in connection with the transaction would be correspondingly reduced. The Company believes the $1.7 million represents a reasonable estimate of its potential liability for these vendor claims.

The Company developed a plan in conjunction with the acquisition to close approximately 92 iMaternity stores and reopen the remaining acquired locations under the Company's existing store concepts of Motherhood and Mimi Maternity. Further, the plan included the shutdown of iMaternity's corporate headquarters and warehouse operation in Chicago, as well as its manufacturing and warehousing facilities in Costa Rica. In connection with the plan, the Company recorded severance costs for involuntarily terminated employees of the acquired business of $2,922,000, lease termination fees and related legal costs of $4,200,000 and accrued for other costs to be incurred to complete the exit activities of the acquired business totaling $1,955,000. Approximately 850 employees of the acquired business were expected to be terminated as part of the plan, consisting of 528 corporate and 322 store employees. The Company anticipates that it will substantially complete the entire integration plan within one year of the Acquisition Date.

The following table sets forth the net non-cash assets that were acquired as a result of the iMaternity acquisition (in thousands):

Non-cash assets (liabilities):	
Inventory	$ 6,168
Property, plant equipment	3,612
Deferred income taxes	10,043
Other current assets	753
Goodwill	25,785
Current liabilities	(19,170)
Debt	(8,892)
Net non-cash assets acquired	18,299
Less: Preferred Stock issued	(17,999)
Warrant issued	(874)

Cash acquired from the acquisition of iMaternity	$	(574)

Securities Offerings

On June 10, 2002, the Company filed two registration statements with the Securities and Exchange Commission (the "SEC"), one of which relates to the offering of 1,100,000 shares, which includes 100,000 shares being sold by selling stockholders, and one of which relates to the offering of $125 million of senior notes due 2010. The equity offering is not contingent on the debt offering, but the debt offering is contingent on the equity offering. The Company plans to use the net proceeds from these offerings to repay the existing Notes, to repay subordinated notes issued to the holders of Series A Preferred Stock in lieu of accrued and unpaid dividends, to pay all accrued and unpaid dividends on Series A Preferred Stock and Series C Preferred Stock, to redeem all outstanding shares of Series A Preferred Stock and to purchase all outstanding shares of Series C Preferred Stock, to repay outstanding borrowings under the Credit Facility and for general corporate purposes. There can be no assurance that either of these offerings will be completed or that they will generate net proceeds sufficient for these planned uses.

13. RESTRUCTURING CHARGES

During fiscal 1998, the Company announced that all of its Episode stores, which featured non-maternity women's apparel, would be closed or converted into maternity clothing stores. In connection with the closure and conversion of the 51 Episode stores in operation at the time the restructuring plan was entered into, the Company recorded charges totaling $20.9 million ($13.8 million net of tax benefit of $7.1 million) which were reflected in the Consolidated Statements of Operations as cost of goods sold ($10.3 million) and restructuring charges ($10.6 million). The charges recorded to cost of goods sold related to inventory purchase commitments and inventory write-downs based on estimated liquidation values. Approximately 159 employees were expected to be terminated as part of the restructuring plan, which consisted of 15 corporate employees and 144 store employees. The restructuring charges were comprised of $2.9 million of legal fees and expenses, lease buy-out features and other known costs associated with the transfer of leases, $7.3 million for losses on fixed assets and leasehold improvements to be disposed of or sold (including leasehold improvement commitments), $0.2 million for severance, and the remainder for other miscellaneous costs associated with the closures and conversions such as additional legal fees and royalty payments. There were no fixed assets or leasehold improvements of the Episode division held and used by the Company subsequent to the Episode closure. All amounts recorded as restructuring charges associated with the write-downs of fixed assets and leasehold improvements were estimated based on the remaining net book value of the assets to be disposed of or sold, and the estimated sale proceeds. Depreciation and amortization associated with the fixed assets and leasehold improvements to be disposed of or sold were included in selling, general and administrative expenses up until the time the assets were available for sale (which approximates the timing of the actual disposal or sale of the assets) upon which the remaining net book value, net of any sale proceeds, was recorded against the restructuring charges. Prior to September 30, 1998, the Company closed and converted 21 store locations and terminated 69 employees, to whom the $0.2 million in accrued severance was paid out and charged against the liability. During the first quarter of fiscal 1999, the Company sold 24 (of the remaining 30 stores as of September 30, 1998) to Wet Seal, Inc. and terminated 72 employees, to whom no severance was paid. The remaining 6 stores were closed within the six-month period ended March 31, 1999. The Company hired a liquidating service to manage the remaining 6 store locations and to liquidate the remaining inventory during this period. The remaining 18 employees, as planned, were terminated during the three-month period ended

March 31, 1999. No severance was paid out related to the final tranche of employees terminated under the restructuring plan.

At September 30, 1998, approximately $4.6 million of the restructuring costs (including charges recorded to cost of goods sold) remained in accrued expenses. Of the $4.6 million, $2.1 million related to losses on purchase commitments for inventory and leasehold improvements, $2.2 million related to legal fees and expenses, lease buy-out features, and other fees associated with the transfer of leases, and the remainder was for other miscellaneous charges. During fiscal 1999, the Company recorded charges of $3.6 million against the reserve which included $2.0 million of charges to settle inventory and leasehold improvement purchase commitments and $1.6 million of costs incurred to settle lease transfers. At September 30, 1999, approximately $1.0 million of the restructuring costs remained in accrued expenses. During fiscal 2000, the Company finalized its remaining lease transfer and incurred costs for miscellaneous related matters associated with this divestiture and to settle inventory purchase commitments. At September 30, 2000, approximately $0.3 million of the restructuring costs remained in accrued expenses. It is expected that the full amount will be used for legal fees and other fees related to the final lease transfer. During fiscal 2001 the Company charged an additional $0.1 million against the reserve for legal fees related to the lease transfer and settlement of a vendor dispute, leaving a balance of $0.1 million for any outstanding fees.

14. SUBSIDIARY GUARANTOR

Pursuant to the terms of the indenture relating to the Notes, Cave Springs, Inc. (100% owned subsidiary of Mothers Work, the "Subsidiary Guarantor") has jointly and severally provided an unconditional guarantee of the obligations of Mothers Work with respect to the Notes. The Subsidiary Guarantor charges royalties to Mothers Work for the retail use of its intellectual property and charges interest on the balance of any unpaid royalties and/or funds advanced to Mothers Work. Substantially all of the assets of the Subsidiary Guarantor consist of the intercompany receivable from Mothers Work for unpaid royalties, cash advances and interest. All intercompany amounts are eliminated in consolidation. There are no restrictions on any of the assets of the Subsidiary Guarantor which would limit its ability to transfer funds to Mothers Work in the form of loans, advances or cash dividends, except as provided by applicable law.

15. EMPLOYMENT AND CONSULTING AGREEMENTS

The Company has employment agreements with its Chairman of the Board/Chief Executive Officer ("CEO") and its President/Chief Operating Officer ("COO"). These agreements provide for base compensation (approximately $400,000 each for fiscal 2001 and $377,000 each for fiscal 2000), increasing annually thereafter in an amount to be determined by the Compensation Committee of the Board of Directors and salary continuation and severance payments should employment of the officers be terminated under specified conditions, as defined. The agreements, which expire on September 30, 2003, automatically extend for successive one-year periods extending the expiration date into the third year after the extension, unless either the Company or the executive gives written notice to the other party that the term will not extend. Additionally, the CEO and COO are entitled to an annual cash bonus and stock options based on performance, as defined.

16. EMPLOYEE BENEFIT PLANS

The Company has a 401(k) savings plan for full-time employees who have at least one year of service and are 21 years of age. Employees can contribute up to 20% of their annual salary. Effective January 1, 1999, employees who meet certain criteria are eligible for a matching contribution from the Company based on a sliding scale. Company matches are made on the first day of the succeeding calendar year. Company matches vest fully on the employee's fourth anniversary date. Company matching contributions totaling $53,000 and $47,000 were made in fiscal 2001 and 2000, respectively. There were no Company contributions in fiscal 1999. In addition the Company may make discretionary contributions to the plan, which vest over a five-year period. The Company has not made any discretionary contributions.

17. STOCK BUYBACK

During fiscal 1999, the Board of Directors authorized the Company to purchase up to 265,000 shares of its own stock in private transactions or on the open market. As of September 30, 2000, the Company had purchased and retired 205,185 shares in the aggregate at a total cost of $2,206,000. Since then, the Company has been restricted from further stock repurchases under the terms of the indenture to the Notes.

18. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly financial results for the years ended September 30, 2001 and 2000 are as follows (in thousands, except per share amounts):

	Quarter			
	9/30/01	**6/30/01**	**3/31/01**	**12/31/00**
Fiscal 2001				
Net sales	$ 92,637	$ 103,970	$ 89,029	$ 102,670
Gross profit	46,790	54,227	43,117	49,852
Net income (loss) available to common stockholders	$ (185)	$ 3,423	$ (2,262)	$ 995
Basic net income (loss) per share	$ (0.05)	$ 0.99	$ (0.65)	$ 0.29
Diluted net income (loss) per share	$ (0.05)	$ 0.95	$ (0.65)	$ 0.28

Quarter

	Quarter			
	9/30/00	6/30/00	3/31/00	12/31/99
Fiscal 2000				
Net sales	$ 92,239	$ 98,495	$ 83,683	$ 91,866
Gross profit	46,617	49,434	41,373	45,559
Net income (loss) available to common stockholders	$ (205)	$ 2,620	$ (836)	$ 2,080
Basic net income (loss) per share	$ (0.06)	$ 0.76	$ (0.24)	$ 0.61
Diluted net income (loss) per share	$ (0.06)	$ 0.72	$ (0.24)	$ 0.57

The Company's business, like that of certain other retailers, is seasonal. A significant portion of the Company's net sales and profits are realized during the first and third fiscal quarters, corresponding to the holiday selling season and Spring sales period, respectively.

19. RELATED PARTY TRANSACTIONS

Other than the husband and wife relationship between the CEO and COO, there are no other family relationships among any other executive officers of the Company.

The Company paid a Director on the Board of Directors of the Company $148,000, $120,000 and $148,000 in fiscal 2001, 2000 and 1999, respectively, for merchandise consulting fees. In addition, another Director was re-elected effective January 1, 2001 to the partnership at Pepper Hamilton LLP, which provides legal services to the Company. The Company incurred legal fees to this law firm of $672,000, $449,000 and $275,000 in fiscal 2001, 2000 and 1999, respectively. As of September 30, 2001, the Company had amounts outstanding to this law firm of approximately $645,000, which are included in accounts payable and accrued expenses in the accompanying Consolidated Balance Sheets.

MOTHERS WORK, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

	March 31, 2002	September 30, 2001
	(unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,761	$ 10,358
Trade receivables	5,643	4,726
Inventories	68,093	73,090
Deferred income taxes	7,954	2,278
Prepaid expenses and other current assets	3,582	4,404
Total current assets	88,033	94,856

	March 31, 2002	September 30, 2001
Property, Plant and Equipment, net	46,572	46,025
Assets Held for Sale	1,575	
Other Assets:		
Goodwill	55,671	29,886
Deferred financing costs, net of accumulated amortization of $3,038 and $2,788	1,390	1,640
Other intangible assets, net of accumulated amortization of $2,110 and $1,952	1,216	1,295
Deferred income taxes	13,488	10,858
Other non-current assets	613	617
Total other assets	72,378	44,296
	$ 208,558	$ 185,177
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Line of credit	$ 20,367	$ 32,229
Current portion of long-term debt	434	434
Accounts payable	18,363	13,244
Accrued expenses and other current liabilities	24,101	16,440
Total current liabilities	63,265	62,347
Long-Term Debt	98,182	96,179
Accrued Dividends on Series A Preferred Stock	5,652	7,055
Deferred Rent	4,999	4,855
Series C Cumulative Redeemable Preferred Stock	18,880	
Commitments and Contingencies (Note 3)		
Stockholders' Equity:		
Preferred stock, 2,000,000 shares authorized		
Series A cumulative convertible preferred stock, $.01 par value, $280.4878 stated value, 41,000 shares authorized and issued, 27,877 and 38,409 shares outstanding, respectively (liquidation value of $13,471 and $17,828, respectively)	7,819	10,773
Series B junior participating preferred stock, $.01 par value, 10,000 shares authorized, none outstanding		
Common stock, $.01 par value, 10,000,000 shares authorized, 3,740,547 and 3,480,122 shares issued and outstanding, respectively	37	35
Additional paid-in capital	30,917	26,949
Accumulated deficit	(21,193)	(23,016)
Total stockholders' equity	17,580	14,741
	$ 208,558	$ 185,177

The accompanying notes are an integral part of these consolidated financial statements.

MOTHERS WORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

(unaudited)

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001	Six Months Ended March 31, 2002	Six Months Ended March 31, 2001
Net sales	$ 104,865	$ 89,029	$ 219,250	$ 191,699
Cost of goods sold	49,653	45,912	105,635	98,730
Gross profit	55,212	43,117	113,615	92,969
Selling, general and administrative expenses	50,315	42,833	101,251	86,245
Operating income	4,897	284	12,364	6,724
Interest expense	3,433	3,831	7,020	7,714
Income (loss) before income taxes	1,464	(3,547)	5,344	(990)
Income tax provision (benefit)	642	(1,658)	1,988	(469)
Net income (loss)	822	(1,889)	3,356	(521)
Dividends on preferred stock	733	373	1,533	746
Net income (loss) available to common stockholders	$ 89	$ (2,262)	$ 1,823	$ (1,267)
Income (loss) per share Basic	$ 0.02	$ (0.65)	$ 0.52	$ (0.37)
Average shares outstanding Basic	3,569	3,454	3,540	3,453
Income (loss) per share Diluted	$ 0.02	$ (0.65)	$ 0.49	$ (0.37)
Average shares outstanding Diluted	3,718	3,454	3,764	3,453

The accompanying notes are an integral part of these consolidated financial statements.

MOTHERS WORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Six Months Ended March 31, 2002	Six Months Ended March 31, 2001
Cash flows from operating activities		

	Six Months Ended March 31,	
Net income (loss)	$ 3,356	$ (521)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	4,884	5,923
Deferred income taxes	1,737	(469)
Amortization of deferred financing costs	250	249
Accretion of discount on Notes	106	94
Provision for deferred rent	144	202
Changes in assets and liabilities, net of effect of acquisition:		
(Increase) decrease in		
Trade receivables	(522)	367
Inventories	11,165	6,054
Prepaid expenses and other current assets	1,184	401
(Decrease) in		
Accounts payable, accrued expenses and other current liabilities	(9,963)	(3,346)
Net cash provided by operating activities	12,341	8,954
Cash flows from investing activities		
Acquisition of iMaternity, net of cash acquired	574	
Purchase of property and equipment	(3,236)	(5,717)
Increase in intangibles	(79)	(103)
Net cash used in investing activities	(2,741)	(5,820)
Cash flows from financing activities		
Reduction of borrowings under line of credit and cash overdrafts, net	(8,289)	(3,516)
Repayments of long-term debt	(158)	(283)
Repayments of debt assumed in acquisition of iMaternity	(8,892)	
Proceeds from exercise of stock options	142	17
Net cash used in financing activities	(17,197)	(3,782)
Net decrease in cash and cash equivalents	(7,597)	(648)
Cash and cash equivalents, beginning of period	10,358	3,076
Cash and cash equivalents, end of period	$ 2,761	$ 2,428
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 6,708	$ 7,435
Cash paid for income taxes	$ 2,466	$ 294

The accompanying notes are an integral part of these consolidated financial statements.

MOTHERS WORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2002

(unaudited)

1. BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited consolidated financial statements are prepared in accordance with the requirements of Article 10 of Regulation S-X and, accordingly, certain information and footnote disclosures have been condensed or omitted. Reference should be made to the Form 10-K, as amended, as of and for the year ended September 30, 2001 for Mothers Work, Inc. and Subsidiary (the "Company") as filed with the Securities and Exchange Commission for additional disclosures including a summary of the Company's accounting policies.

In the opinion of management, the consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, necessary to present fairly the consolidated financial position of the Company for the periods presented. Since the Company's operations are seasonal, the interim operating results of the Company may not be indicative of operating results for the full year.

2. STOCK OPTIONS AND WARRANTS

During the quarter and six months ended March 31, 2002, a total of 86,000 and 206,350 options, respectively, were granted to certain employees and non-employee directors for the purchase of the Company's common stock at prices not less than the fair market value of the Company's common stock on the date of grant.

In connection with the acquisition of iMaternity on October 17, 2001 (see Note 8), the Company issued warrants to the sellers for the purchase of 350,000 shares of the Company's common stock at an exercise price of $22.50 per share, with an estimated fair value of approximately $874,000. The Company obtained an independent appraisal to determine the fair value of the warrants, estimated at the date of issuance using the Black-Scholes pricing model with a 30% discount applied due to lack of marketability. The following assumptions were used in the pricing model: dividend yield of zero, risk free interest rate of 4.45%, volatility factor of the expected market price of the Company's common stock of 60.0%, and an expected life equal to the contractual term of the warrants of 7 years. The fair value of the warrants was recorded to additional paid-in capital at the date of grant. The warrants were immediately vested upon grant and are exercisable for 7 years. None of these warrants were exercised as of March 31, 2002.

In conjunction with debt issued in the acquisition of A Pea in the Pod in 1995, the Company issued 140,123 warrants for the purchase of the Company's common stock at $.01 per share. These warrants were exercised on March 12, 2002.

3. COMMITMENTS AND CONTINGENCIES

From time to time, the Company is named as a defendant in legal actions arising from its normal business activities. Although the amount of any liability that could arise with respect to currently pending actions cannot be accurately predicted, in the opinion of management of the Company, any such liability will not have a material adverse effect on the financial position or operating results of the Company.

4. EARNINGS PER SHARE (EPS)

Basic EPS is computed by dividing net income available to common stockholders by the weighted average number of outstanding common shares. Diluted EPS is computed based upon the weighted average number of outstanding common shares, after giving effect to the potential dilutive effect from the assumed exercise of stock options and warrants as well as the assumed conversion of dilutive preferred stock and subordinated notes.

The following summarizes the diluted EPS calculation (in thousands, except per share amounts):

	For the Quarter Ended March 31, 2002		For the Quarter Ended March 31, 2001	
	Income	**Shares**	**Loss**	**Shares**

	For the Quarter Ended March 31, 2002			For the Quarter Ended March 31, 2001		
			Earnings Per Share			Loss Per Share
Basic EPS	$ 89	3,569	$ 0.02	$ (2,262)	3,454	$ (0.65)
Incremental shares from the assumed exercise of outstanding stock options and warrants		149				
Diluted EPS	$ 89	3,718	$ 0.02	$ (2,262)	3,454	$ (0.65)

	For the Six Months Ended March 31, 2002			For the Six Months Ended March 31, 2001		
	Income	Shares	Earnings Per Share	Loss	Shares	Loss Per Share
Basic EPS	$ 1,823	3,540	$ 0.52	$ (1,267)	3,453	$ (0.37)
Incremental shares from the assumed exercise of outstanding stock options and warrants		154				
Assumed conversion of subordinated notes	19	70				
Diluted EPS	$ 1,842	3,764	$ 0.49	$ (1,267)	3,453	$ (0.37)

Options to purchase 127,740 and 840,635 shares were outstanding as of March 31, 2002 and 2001, respectively, but were not included in the computation of diluted EPS as their effect would have been antidilutive.

During the second quarter of fiscal 2002, certain holders of the Series A Cumulative Convertible Preferred Stock (the "Series A Preferred Stock") elected to convert 7,316 of such shares, with a stated value of $2.1 million and at a conversion rate equal to ten shares of common stock for each share of Series A Preferred Stock (a total of 73,160 shares of common stock). For the first six months of fiscal 2002, a total of 10,532 shares with a stated value of $3.0 million were converted into 105,312 shares of common stock. The 27,877 and 41,000 shares of Series A Preferred Stock outstanding at March 31, 2002 and 2001, respectively, convertible into 278,772 and 410,000 shares of common stock, respectively, were determined to be antidilutive and therefore excluded from the EPS computation for the periods presented.

The Company was restricted under the terms of the $92 million of $12^{5}/_{8}\%$ Senior Unsecured Exchange Notes Due 2005 (the "Notes"), from paying cash dividends to the holders of the Series A Preferred Stock upon conversion. As a result, the Company issued subordinated notes totaling $1.5 million and $2.1 million for the second quarter and first six months of fiscal 2002, respectively, on

which unpaid interest will accumulate and compound annually at the prime rate until paid. The subordinated notes are convertible after August 1, 2003 into common stock in accordance with the terms of those notes. For the quarter ended March 31, 2002, the $2,386,000 of subordinated notes outstanding as of March 31, 2002 were determined to be antidilutive and, therefore, excluded from the EPS computation.

Additionally, in connection with the acquisition of iMaternity on October 17, 2001 (see Note 8), the Company issued 302,619 shares of Series C Cumulative Redeemable Preferred Stock (the "Series C Preferred Stock") with detachable warrants. The Series C Preferred Stock is convertible into common stock only if the Company were to default on its obligation under the provisions of the put right which gives the holders of the Series C Preferred Stock the right, under certain circumstances, to require the Company to purchase their shares of Series C Preferred Stock for cash. All of the shares of Series C Preferred Stock and warrants were outstanding as of March 31, 2002 and were excluded from the EPS computations, as their effect would have been antidilutive.

The Company's outstanding antidilutive options, warrants and shares of Series A and Series C Preferred Stock could potentially dilute EPS in the future.

5. INVENTORIES

Inventories were comprised of the following (in thousands):

	March 31, 2002	September 30, 2001
Finished goods	$ 59,116	$ 61,535
Work-in-progress	3,058	3,486
Raw materials	5,919	8,069
	$ 68,093	$ 73,090

6. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities were comprised of the following (in thousands):

	March 31, 2002	September 30, 2001
Salaries, wages, and employee benefits	$ 6,664	$ 5,274
Restructuring costs (Notes 8 and 9)	5,298	128
Interest	2,135	2,179
Sales tax	2,027	1,763
Rent	1,987	676
Insurance	1,404	961
Professional fees	862	648
Income taxes payable	184	2,308
Other	3,540	2,503
	$ 24,101	$ 16,440

Interest payments are made semiannually in February and August to the holders of the Notes.

7. ACCOUNTING FOR GOODWILL

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 141 also specifies the criteria applicable to intangible assets acquired in a purchase method business combination to be recognized and reported apart from goodwill. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually. SFAS No. 142 further requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values and be reviewed for impairment.

The Company adopted SFAS No. 141 and 142 effective October 1, 2001. In adopting SFAS No. 142, the Company no longer amortizes goodwill. The following table reflects the adjustment to exclude goodwill amortization expense recognized in the prior periods as presented (in thousands, except per share amounts):

	For the Quarter Ended March 31,	
	2002	2001
Reported net income (loss)	$ 822	$ (1,889)

	For the Quarter Ended March 31,	
Add back goodwill amortization		550
Adjusted net income (loss)	822	(1,339)
Dividends on preferred stock	733	373
Adjusted net income (loss) available to common stockholders	$ 89	$ (1,712)
Income (loss) per share basic:		
Reported net income (loss)	$ 0.02	$ (0.65)
Goodwill amortization		0.16
Adjusted net income (loss)	$ 0.02	$ (0.49)
Income (loss) per share diluted:		
Reported net income (loss)	$ 0.02	$ (0.65)
Goodwill amortization		0.16
Adjusted net income (loss)	$ 0.02	$ (0.49)

	For the Six Months Ended March 31,	
	2002	2001
Reported net (loss) income	$ 3,356	$ (521)
Add back goodwill amortization		1,060
Adjusted net income	3,356	539
Dividends on preferred stock	1,533	746
Adjusted net income (loss) available to common stockholders	$ 1,823	$ (207)

Income (loss) per share basic:		
Reported net income (loss)	$ 0.52	$ (0.37)
Goodwill amortization		0.31
Adjusted net income (loss)	$ 0.52	$ (0.06)
Income (loss) per share diluted:		
Reported net income (loss)	$ 0.49	$ (0.37)
Goodwill amortization		0.31
Adjusted net income (loss)	$ 0.49	$ (0.06)

As of October 1, 2001, management determined that the Company had one reporting unit for purposes of applying SFAS No. 142 based on its reporting structure. The Company has made its initial assessment of impairment for the transition period as of October 1, 2001. The fair value of the Company's single reporting unit was determined based on the then fair market value of the Company's outstanding common stock on a control basis. Based on this initial assessment, no impairment loss was recognized. The Company plans to perform an annual assessment for goodwill impairment at the end of each fiscal year or as impairment indicators arise.

A summary of changes in the carrying amount of goodwill for the first six months of fiscal 2002 is as follows (in thousands):

Goodwill, net, at September 30, 2001	$	29,886
Add: goodwill recorded in the acquisition of iMaternity (see Note 8)		25,785
Goodwill, net, at March 31, 2002	$	55,671

8. ACQUISITION

On October 17, 2001 (the "Acquisition Date"), the Company acquired eSpecialty Brands, LLC ("iMaternity") for $19,863,000, including transaction costs. The purchase price consisted of 302,619 shares of Series C Preferred Stock valued at an estimated $59.48 per share, or $17,999,000, as determined by an independent third party appraiser, detachable warrants to purchase 350,000 shares of the Company's common stock with an estimated fair value of $874,000 (see Note 2), and transaction costs of $990,000. The excess by which the stated value of the Series C Preferred Stock exceeds its carrying value is being accreted to the earliest redemption date using the effective interest method. This accretion is recorded as dividends in the accompanying consolidated statements of operations. Additionally, the holders of the Series C Preferred Stock are entitled to receive dividends at an annual rate of 8.625% of the stated value, compounding quarterly. The discount accretion and the dividends on the Series C Preferred Stock are included in the carrying value of the Series C Preferred Stock in the accompanying consolidated balance sheets.

The rights and preferences relating to dividends and distributions upon liquidation of the Series C Preferred Shares are senior to those of the common stock. The holders of the Series C Preferred Stock have the right to receive in a liquidation, dissolution or winding up of the Company, after payment to the holders of the outstanding shares of the Company's Series A Preferred Stock and before any payments to holders of junior stock, which includes the common stock, an amount per share equal to the stated value plus the greater of accrued dividends or the participation amount (defined as an amount based on 10% of the increase in the market value of the Company's common stock for the period from the Acquisition Date until the date of liquidation, dissolution or winding up of the Company). The liquidation value of the Series C Preferred Stock as of March 31, 2002 was $20,273,000.

The acquisition has been accounted for under the purchase method of accounting, and the results of operations of iMaternity are included in the Company's results of operations from the Acquisition Date. Prior period results have not been restated. Assets acquired and liabilities assumed have been recorded at their estimated fair values. The recorded values of assets acquired and liabilities assumed are preliminary and subject to adjustment pending final determination of their acquisition values.

Based on the preliminary allocation of purchase price, the application of the purchase method resulted in approximately $25,785,000 of excess purchase price over the estimated fair value of the net tangible assets acquired of $8,926,000 less costs to exit certain operations and locations of iMaternity and related fixed asset writedowns totaling $14,848,000. The Company recognizes that certain identifiable intangible assets were acquired, primarily trademarks, trade names, and Internet domain names. However, as determined by an independent third party appraiser, based on the nature of the items and use within the Company's business and industry, no value was assigned to any of the identifiable intangibles. Accordingly, the excess purchase price has been assigned to goodwill.

In connection with the purchase price allocation, the fair value of the acquired finished goods inventory was based on an estimate of the net realizable value of the inventory less estimated costs to dispose. A significant portion of the acquired inventory is expected to be sold at substantial discounts in connection with store closures or required changes in assortment mix at the acquired stores to align with the Company's merchandising strategies.

Additionally, as part of the purchase price allocation, the Company recorded $1.7 million of vendor-related liabilities that were not disclosed by the sellers at the Acquisition Date. Further, there are also amounts being claimed as due from iMaternity by a number of vendors that are currently being investigated, but which have not yet been established as legal liabilities as of the Acquisition Date and, accordingly, have not been recorded. The amount of liabilities and goodwill recorded in the purchase price allocation could increase for additional vendor-related liabilities not yet identified. All of these liabilities are currently in dispute and the Company is seeking adjustment of the purchase price under the indemnification provisions of the acquisition agreement. Any adjustments, if obtained, would reduce the value of the Series C Preferred Stock and the corresponding goodwill recorded in connection with the transaction.

At the Acquisition Date, iMaternity operated a total of 170 Dan Howard and Mothertime maternity clothing stores, including some under the trade name iMaternity, and the *iMaternity.com* website. The Company developed a plan in conjunction with the acquisition to close approximately 92

iMaternity stores and reopen the remaining acquired locations under the Company's existing store concepts of Motherhood and Mimi Maternity. Further, the plan included the shutdown of iMaternity's corporate headquarters and warehouse operation in Chicago, as well as its manufacturing and warehousing facilities in Costa Rica. In connection with the plan, the Company recorded severance costs for involuntarily terminated employees of the acquired business of $2,922,000, lease termination fees and related legal costs of $4,200,000, a writedown of fixed assets totaling $5,771,000 based on the remaining net book value of the assets to be disposed of or sold and the estimated sale proceeds, and accrued for other costs to be incurred to complete the exit activities of the acquired business totaling $1,955,000. Approximately 850 employees of the acquired business were expected to be terminated as part of the plan, consisting of 528 corporate and 322 store employees. The Company anticipates to substantially complete the entire integration plan within one year of the Acquisition Date.

During the first six months of fiscal 2002, the Company closed 71 iMaternity stores of the 92 planned store closures, the corporate headquarters and warehouse operation in Chicago, an Internet-related development center in San Diego, California and other domestic warehousing facilities. The iMaternity manufacturing and warehousing operations in Costa Rica have been operationally shut down. The carrying value of the Costa Rica facility was reduced to its estimated realizable value as of the Acquisition Date, which was determined based on a market survey received from an independent third party, and is classified as "Assets Held for Sale" in the accompanying unaudited consolidated balance sheet as of March 31, 2002. In accordance with its plan, the Company expects to close an additional 21 store locations within the next six months. The timing of the store closures is dependent primarily upon the Company's ability to negotiate and complete the lease termination settlements.

In connection with the store closures and the shutdown of the corporate headquarters and warehouse operation in Chicago, the Internet-related development center in San Diego, California, and the iMaternity manufacturing and warehousing operations in Costa Rica, the Company terminated 663 employees (524 corporate and 139 store employees), to whom $1,472,000 in accrued severance was paid out and charged against the liability during the six months ended March 31, 2002. Included in the severance payouts are quarterly installments made on the non-compete covenant and severance arrangement with a former executive of iMaternity. As of March 31, 2002, the remaining severance accrual of $1,450,000 principally reflects the balance of the non-compete and severance arrangement of $900,000 that is payable ratably over the next 4.5 years. Also included in the accrual are severance and vacation payouts anticipated to be made in regards to the approximately 70 store employees that may be terminated upon the closure of the remaining 21 store locations, as planned.

A summary of the charges and reserves recorded in connection with the iMaternity acquisition exit/restructuring activities during the first six months of fiscal 2002 is as follows (in thousands):

	Adjustments and Reserves Recorded in Purchase Accounting	Charges	Balance as of March 31, 2002
Lease termination fees	$ 4,200	$ 1,235	$ 2,965
Severance	2,922	1,472	1,450
Exit and other costs	1,955	1,200	755
	9,077	$ 3,907	$ 5,170
Fixed asset writedowns	5,771		

	Adjustments and Reserves Recorded in Purchase Accounting	Charges	Balance as of March 31, 2002
	$ 14,848		

The following table displays the net non-cash assets that were acquired as a result of the iMaternity acquisition (in thousands):

Non-cash assets (liabilities):	
Inventory	$ 6,168
Property, plant and equipment	3,612
Deferred income taxes	10,043
Other current assets	753
Goodwill	25,785
Current liabilities	(19,170)
Debt	(8,892)
Net non-cash assets acquired	18,299
Less: Preferred stock issued	(17,999)
Warrants issued	(874)
Cash acquired from the acquisition of iMaternity	$ (574)

The following unaudited pro forma summary (in thousands, except per share amounts) combines the consolidated results of operations of Mothers Work, Inc. and iMaternity as if the transaction occurred as of the beginning of the respective periods presented giving effect to certain adjustments including recognition of an income tax benefit for operating losses generated by the acquired business, recognition of accrued and unpaid dividends on the Series C Preferred Stock, discount accretion associated with the Series C Preferred Stock, and reduction in depreciation expense as a result of the revaluation of property, plant and equipment. This pro forma summary is not necessarily indicative of the results of operations that would have occurred if the Company and iMaternity had been combined

during such periods. Moreover, the pro forma summary is not intended to be indicative of the results of operations that may be attained in the future.

	For the Six Months Ended March 31, 2002	2001
	(in thousands except per share amounts)	
Revenue	$ 221,447	$ 215,355
Operating income	11,523	3,695
Net income (loss)	2,708	(2,688)
Net income (loss) available to common stockholders	1,088	(4,451)
Income (loss) per share basic	$ 0.31	$ (1.29)
Income (loss) per share diluted	$ 0.29	$ (1.29)

The sales from the acquired stores planned for closure was approximately $5.6 million during the first six months of fiscal 2002.

9. OTHER RESTRUCTURING CHARGES

During fiscal 1998, the Company announced that it would close or convert all of its non-maternity Episode stores into maternity clothing stores. In connection with the restructuring plan, the Company recorded accrued restructuring charges of $10.6 million. As of March 31, 2002 and September 30, 2001, the $0.1 million remaining reserve will be used for any final legal and other lease transfer fees.

10. IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 is effective for fiscal years beginning after June 15, 2002, and addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. Although early adoption is encouraged, the Company plans to adopt this statement in fiscal 2003. Adoption of SFAS No. 143 is not expected to have a material impact 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 establishes a single accounting model, based on the framework established in SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of," and resolves significant implementation issues related to SFAS No. 121. SFAS No. 144 superceded SFAS No. 121 and Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations Reporting the Effects of a Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001 and early adoption is encouraged. The Company plans to adopt this statement in fiscal 2003. Management believes that the adoption of SFAS No. 144 will not have a material impact on the Company's financial position or results of operations.

11. SUBSEQUENT EVENTS

On June 10, 2002, the Company filed two registration statements with the Securities and Exchange Commission (the "SEC"), one of which relates to the offering of 1,100,000 shares, which includes 100,000 shares being sold by selling stockholders, and one of which relates to the offering of $125 million of senior notes due 2010. The equity offering is not contingent on the debt offering, but the debt offering is contingent on the equity offering. The Company plans to use the net proceeds from these offerings to repay the existing Notes, to repay subordinated notes issued to the holders of Series A Preferred Stock in lieu of accrued and unpaid dividends, to pay all accrued and unpaid dividends on Series A Preferred Stock and Series C Preferred Stock, to redeem all outstanding shares of Series A Preferred Stock and to purchase all outstanding shares of Series C Preferred Stock, to repay outstanding borrowings under the Credit Facility and for general corporate purposes. There can be no assurance that either of these offerings will be completed or that they will generate net proceeds sufficient for these planned uses.

Payment obligations under the $125 million of senior notes due 2010 offered by the Company in the debt offering will be fully and unconditionally guaranteed on a joint and several basis by its wholly-owned U.S. subsidiaries (the "Guarantor Subsidiaries"). None of the Company's foreign subsidiaries will guarantee the notes. Condensed consolidating financial information for the Company, the Guarantor Subsidiaries and the Company's non-guarantor subsidiaries as of and for the six months ended March 31, 2002 is presented below.

Mothers Work, Inc.
Condensed Consolidating Balance Sheet
March 31, 2002
(Unaudited)
(in thousands)

	Mothers Work (Parent Company)	Guarantor Companies (U.S. Companies)	Non-Guarantor Companies (Foreign Companies)	Consolidating Eliminations	Mothers Work Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 2,451	$ 242	$ 68	$	$ 2,761
Trade receivables	4,346	1,297			5,643

	Mothers Work (Parent Company)	Guarantor Companies (U.S. Companies)	Non-Guarantor Companies (Foreign Companies)	Consolidating Eliminations	Mothers Work Consolidated
Inventories	64,490	3,493	110		68,093
Deferred income taxes	7,954				7,954
Prepaid expenses and other current assets	3,582				3,582
Total current assets	82,823	5,032	178		88,033
Property, Plant and Equipment, net	44,682	1,741	149		46,572
Assets Held for Sale			1,575		1,575
Other Assets	37,505	408		34,465	72,378
Investments in and advances to (from) affiliates	40,524	105,522	(1,994)	(144,052)	
Total assets	$ 205,534	$ 112,703	$ (92)	$ (109,587)	$ 208,558
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Line of credit	$ 20,367	$	$	$	$ 20,367
Current portion of long-term debt	434				434
Accounts payable	18,363				18,363
Accrued expenses and other current liabilities	21,077	(2,100)	(46)	5,170	24,101
Total current liabilities	60,241	(2,100)	(46)	5,170	63,265
Long-Term Debt	98,182				98,182
Accrued Dividends on Series A Preferred Stock	5,652				5,652
Deferred Rent	4,999				4,999
Series C cumulative redeemable preferred stock	18,880				18,880
Stockholders' Equity					
Series A Preferred Stock	7,819				7,819
Common stockholders' equity	9,761	114,803	(46)	(114,757)	9,761
Total stockholders' equity	17,580	114,803	(46)	(114,757)	17,580
Total liabilities and stockholders' equity	$ 205,534	$ 112,703	$ (92)	$ (109,587)	$ 208,558

Mothers Work, Inc.
Condensed Consolidating Statement of Operations
For The Six Months Ended March 31, 2002
(Unaudited)
(in thousands)

Mothers Work (Parent Company)	Guarantor Companies (U.S. Companies)	Non-Guarantor Companies (Foreign	Consolidating Eliminations	Mothers Work Consolidated

			Companies)		
Net sales	$ 205,839	$ 26,772	$ 347	$ (13,708)	$ 219,250
Cost of goods sold	91,066	14,393	176		105,635
Gross profit	114,773	12,379	171	(13,708)	113,615
Selling, general and administrative expenses	96,812	17,902	245	(13,708)	101,251
Operating income (loss)	17,961	(5,523)	(74)		12,364
Interest income (expense)	(7,020)	2,726		(2,726)	(7,020)
Equity in earnings (loss) of subsidiaries	(4,003)			4,003	
Income (loss) before income taxes	6,938	(2,797)	(74)	1,277	5,344
Income tax provision (benefit)	3,582	(1,566)	(28)		1,988
Net income (loss)	3,356	(1,231)	(46)	1,277	3,356
Dividends on preferred stock	1,533				1,533
Net income (loss) available to common stockholders	$ 1,823	$ (1,231)	$ (46)	$ 1,277	$ 1,823

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Mothers Work, Inc.
Condensed Consolidating Cash Flow Statement
For The Six Months Ended March 31, 2002
(Unaudited)
(in thousands)

	Mothers Work (Parent Company)	Guarantor Companies (U.S. Companies)	Non-Guarantor Companies (Foreign Companies)	Consolidating Eliminations	Mothers Work Consolidated
Cash Flows from Operating Activites:					
Net income (loss)	$ 3,356	$ (1,231)	$ (46)	$ 1,277	$ 3,356
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	4,737	145	2		4,884
Accretion of discount on Notes	1,737				1,737
Deferred taxes	250				250
Amortization of deferred financing costs	106				106
Provision for deferred rent	144				144
Changes in assets and liabilities:					
Decrease (increase) in					
Receivables	775	(1,297)			(522)
Inventories	(463)	11,628			11,165
Prepaid expenses and other assets	1,184				1,184
Intercompany balance	(7,257)	16,482	371	(9,596)	
Increase (decrease) in					

	Mothers Work (Parent Company)	Guarantor Companies (U.S. Companies)	Non-Guarantor Companies (Foreign Companies)	Consolidating Eliminations	Mothers Work Consolidated
Accounts payable, accrued expenses and other current liabilities	(859)	(9,104)			(9,963)
Net cash provided by (used in) operating activities	3,710	16,623	327	(8,319)	12,341
Cash Flows from Investing Activities:					
Acquisition of iMaternity, net of cash acquired		(7,486)	(259)	8,319	574
Capital expenditures	(3,236)				(3,236)
Purchase of intangible assets	(79)				(79)
Net cash (used in) provided by investing activities	(3,315)	(7,486)	(259)	8,319	(2,741)
Cash Flows from Financing Activities:					
Reduction of borrowings under line of credit	(8,289)				(8,289)
(Repayment) increase of long-term debt	(158)				(158)
Repayment of debt assumed in acquisition of iMaternity		(8,892)			(8,892)
Proceeds from exercise of options	142				142
Net cash used in financing activities	(8,305)	(8,892)			(17,197)
Net Increase (Decrease) in Cash and Cash Equivalents	(7,910)	245	68		(7,597)
Cash and Cash Equivalents, Beginning of Period	10,361	(3)			10,358
Cash and Cash Equivalents, End of Period	$ 2,451	$ 242	$ 68	$	$ 2,761

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

Our estimated expenses payable by us in connection with the issuance and distribution of the securities being registered are estimated (except for the SEC filing fees) as listed below.

SEC Registration Fee	$	11,500
NASD Filing Fee	$	13,000
*Legal Fees	$	300,000
*Printing, Engraving and EDGAR	$	100,000
*Accounting Fees and Expenses	$	105,000
*Other Expenses	$	27,000
Total	$	556,500

* Estimated

Item 15. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law permits a Delaware corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if such person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful. In the case of an action other than an action by or in the right of the corporation, the termination of such action by judgment, order, settlement, conviction, or upon plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

In the case of an action by or in the right of the corporation, Section 145 empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action in any of the capacities set forth above against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to our best interests, except that indemnification is not permitted in respect of any claim, issue or matter as to which such person is adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery, or the court in which such action or suit was brought determines upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court deems proper.

Section 145 further provides that: (i) a Delaware corporation is required to indemnify a director, officer, employee or agent against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with any action, suit or proceeding or in defense of any claim, issue or matter

therein as to which such person has been successful on the merits or otherwise, (ii) indemnification provided for by Section 145 shall not be deemed exclusive of any other rights to which the indemnified party may be entitled, (iii) indemnification provided for by Section 145 shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of such person's heirs, executors and administrators and (iv) empowers the corporation to purchase and maintain insurance on behalf of a director or officer against any such liability asserted against him in any such capacity or arising out of his status as such whether or not the corporation would have the power to indemnify him against liability under Section 145. A Delaware corporation may provide indemnification only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct. This determination is to be made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not party to such action, suit or proceeding, (ii) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion or (iii) by stockholders.

Article Twelve of our certificate of incorporation provides that we shall, to the full extent permitted by the Delaware General Corporation Law, as amended from time to time, indemnify all persons which we have the power to indemnify pursuant thereto. In addition, Article V, Section 1 of our By-Laws provides that each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he or she is or was one of our directors, officers, employees or agents or is or was serving at our request as a director, officer, employee or agent of another company or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, shall be indemnified and held harmless by us to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of such amendment, only to the extent that such amendment permits us to provide broader indemnification rights that said law permitted us to provide prior to such amendment), against all expenses (including attorneys' fees, judgments, fines and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith. Article V, Section 5 of our By-Laws provides that expenses incurred by an officer or director in defending a civil, criminal, administrative or investigative action, suit or proceeding may be paid by us in advance of final disposition upon receipt of an undertaking by or on behalf of such person to repay such amount if it ultimately is determined that he is not entitled to be indemnified by us. We may, by action of our Board of Directors, provide indemnification to our employees and agents with the same scope and effect as the foregoing indemnification of directors and officers. The foregoing right to indemnification and advancement of expenses is not exclusive.

Our directors and officers are covered by policies of insurance under which they are insured, within limits and subject to certain limitations, against certain expenses incurred in connection with the defense of actions, suits or proceedings, and certain liabilities which might be incurred as a result of such actions, suits or proceedings, in which they are parties by reason of being or having been directors or officers. We are also insured with respect to certain payments that we might be required to make to our directors or officers under applicable statutes and our certificate of incorporation.

Additionally, Article Thirteen of our certificate of incorporation limits the liability of our directors under certain circumstances. Article Thirteen provides that a director shall have no personal liability to us or our stockholders for monetary damages for breach of his or her fiduciary duty as a director, provided, however, that Article Thirteen does not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to us or our stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of a law; (iii) for the unlawful payment of dividends or unlawful stock repurchases under Section 174 of the General Corporation Law

of the State of Delaware or (iv) for any transaction from which the director derived an improper personal benefit.

For the undertakings with respect to indemnification, see Item 17 herein.

Item 16. Exhibits

1.1*	Form of Underwriting Agreement
4.1*	Form of Indenture
5.1*	Opinion of Pepper Hamilton LLP
12.1*	Calculation of Ratio of Earnings to Fixed Charges
16**	Letter regarding change in certifying accountant
23.1	Consent of KPMG LLP
23.2	Consent of Deloitte & Touche LLP
23.3*	Consent of Pepper Hamilton LLP (included in the opinion filed as Exhibit 5.1)
24*	Powers of Attorney
25.1*	Statement of Eligibility of Trustee on Form T-1

* Previously filed.

** Incorporated by reference to Exhibit 16 to the Company's Current Report on Form 8-K (0-21196) filed with the SEC on June 6, 2002.

Item 17. Undertakings

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and where, applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Philadelphia, Commonwealth of Pennsylvania, on July 30, 2002.

MOTHERS WORK, INC.

By: /s/ REBECCA C. MATTHIAS

Rebecca C. Matthias
President, Chief Operating Officer and Director

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

* Dan W. Matthias	Chairman of the Board and Chief Executive Officer (the principal executive officer)	July 30, 2002
/s/ REBECCA C. MATTHIAS Rebecca C. Matthias	President, Chief Operating Officer and Director	July 30, 2002
*	Senior Vice President Chief Financial Officer (the principal financial officer and the principal accounting	July 30, 2002

Edward M. Krell	officer)	
*	Director	July 30, 2002
Joseph A. Goldblum		
*	Director	July 30, 2002
Elam M. Hitchner, III		
*	Director	July 30, 2002
David Schlessinger		
*	Director	July 30, 2002
William A. Schwartz, Jr.		
*	Director	July 30, 2002
Stanley C. Tuttleman		

*By: /s/ REBECCA C. MATTHIAS

Rebecca C. Matthias
ATTORNEY-IN-FACT

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Philadelphia, Pennsylvania, on July 30, 2002.

CAVE SPRINGS, INC.

By: /s/ REBECCA C. MATTHIAS

Rebecca C. Matthias
President, Chief Operating Officer
and Treasurer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

/s/ REBECCA C. MATTHIAS	President (the principal executive officer), Chief Operating Officer and Treasurer	July 30, 2002
Rebecca C. Matthias		
*	Chief Financial Officer (the principal financial officer), Vice President and Director	July 30, 2002
Edward M. Krell		
*	Chairman, Chief Accounting Officer (the principal accounting officer) and Vice President	July 30, 2002
Arthur J. Miller		

*	Director	July 30, 2002
Donald J. Bromley		

*By: /s/ REBECCA C. MATTHIAS

Rebecca C. Matthias
ATTORNEY-IN-FACT

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Philadelphia, Pennsylvania, on July 30, 2002.

MOTHER'S STORES INC.

By: /s/ REBECCA C. MATTHIAS

Rebecca C. Matthias
President

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

*	Chairman and Chief Executive Officer (the principal executive officer)	July 30, 2002
Dan W. Matthias		
/s/ REBECCA C. MATTHIAS	President	July 30, 2002
Rebecca C. Matthias		
*	Treasurer (the principal financial officer and the principal accounting officer)	July 30, 2002
Edward M. Krell		

*By: /s/ REBECCA C. MATTHIAS

Rebecca C. Matthias
ATTORNEY-IN-FACT

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Philadelphia, Pennsylvania, on July 30, 2002.

DAN HOWARD INDUSTRIES, INC.

By: /s/ REBECCA C. MATTHIAS

Rebecca C. Matthias
President

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

* Dan W. Matthias	Chairman and Chief Executive Officer (the principal executive officer)	July 30, 2002
/s/ REBECCA C. MATTHIAS Rebecca C. Matthias	President	July 30, 2002
* Edward M. Krell	Treasurer (the principal financial officer and the principal accounting officer)	July 30, 2002

*By: /s/ REBECCA C. MATTHIAS

Rebecca C. Matthias
ATTORNEY-IN-FACT

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Philadelphia, Pennsylvania, on July 30, 2002.

eSPECIALTY BRANDS, LLC

By: /s/ REBECCA C. MATTHIAS

Rebecca C. Matthias
President

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

* Dan W. Matthias	Chairman and Chief Executive Officer (the principal executive officer)	July 30, 2002
/s/ REBECCA C. MATTHIAS Rebecca C. Matthias	President	July 30, 2002
*	Treasurer (the principal financial officer and	July 30, 2002

the principal accounting officer)

Edward M. Krell

*By: /s/ REBECCA C. MATTHIAS

Rebecca C. Matthias
ATTORNEY-IN-FACT

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