

STAGE STORES INC
Form 10-12G/A
December 13, 2001

As filed with the Securities and Exchange Commission on December 13, 2001

File No. 000-21011

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1 to

Form 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
Pursuant to Section 12(b) or (g) of The Securities and Exchange Act of 1934

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 Identification No.)

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

77025
(Zip Code)

Registrant's telephone number, including area code: **(800) 579-2302**

Copies to:

Michael E. McCreery
Stage Stores, Inc.
10201 Main Street
Houston, TX 77025

Phillip B. Sears, Esq.
McKinney & Stringer, P.C.
101 North Robinson, Suite 1300
Oklahoma City, OK 73102

Securities to be registered pursuant to Section 12(b) of the Act: NONE

Securities to be registered pursuant to Section 12(g) of the Act:

Common Stock (\$0.01 par value)
Series A Warrants (Expiration Date August 23, 2006)
Series B Warrants (Expiration Date August 23, 2006)

(Title of each Class to be so registered)

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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" or "Reorganized Company" in this Registration Statement.

Certain statements in this Registration Statement 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 (see Item 2. "Liquidity and Capital Resources"), 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 in connection with any forward-looking statements that may be made in this Registration Statement. Readers should carefully review this Registration Statement in its entirety, including but not limited, to the Company's financial statements and the notes thereto and the risks described in Item 2. "Risk Factors." 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.

References in this Registration Statement 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 "2000" is a reference to the fiscal year ended February 3, 2001 and a reference to "2001" is a reference to the fiscal year ending February 2, 2002). The 2000 fiscal year consisted of 53 weeks. The 2001 fiscal year consists of 52 weeks.

ITEM 1. BUSINESS

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. At September 1, 2001, the Company operated 342 stores under the "Stage", "Bealls" and "Palais Royal" trade names in 13 south central states. With an average size store of 17,190 selling square feet, the Company's principal focus is on consumers in under-served and less competitive small to mid-size markets. Utilizing a 10 mile radius from each store, approximately 57% of the Company's stores are located in small towns and communities with populations below

50,000 people, while an additional 21% of the Company's stores are located in mid-sized communities with populations between 50,000 and 150,000 people. The remainder of the Company's stores are located in metropolitan areas, such as Houston and San Antonio, Texas. The Company believes that it is able to differentiate itself from the competition in the small and mid-size communities in which it operates by offering consumers access to basic as well as fashionable, brand name merchandise not typically carried by other retailers in the same market area.

History

The Company was formed in 1988 when the management of Palais Royal, together with several venture capital firms, acquired the family-owned Bealls and Palais Royal chains, both of which were originally founded in the 1920's. At the time of the acquisition, Palais Royal operated primarily larger stores, which were located in and around the Houston metropolitan area while Bealls operated primarily smaller stores, which were principally located in rural Texas towns. Over the next five years, the Company concentrated on integrating the two businesses, identifying their respective strengths and developing and refining its growth strategy. During the period, the Company developed a unique growth strategy that was focused on expanding the Company's presence in small and under-served markets across the country through new store openings and strategic acquisitions. Starting in 1994, the Company aggressively pursued its strategy, increasing its store count from 188 at the end of fiscal 1994 to a high of 688 stores at the end of the first quarter of fiscal 1999, and expanding its geographic presence to 34 states over the same period.

However, as a result of many factors including, but not limited to, the Company's rapid growth during 1997 and 1998, significant turnover in key executive positions, significant leverage coupled with an inflexible capital structure and changes in the retail environment, the Company's financial performance deteriorated significantly during 1999 and 2000. Because of the Company's rapidly deteriorating financial performance, the Company's suppliers significantly curtailed merchandise shipments to the Company during spring of 2000, thereby further exacerbating the Company's financial difficulties. In order to address these financial and operational issues facing the Company, the Company and its wholly owned subsidiaries, Specialty Retailers, Inc. ("SRI") and Specialty Retailers, Inc. (NV) ("SRI NV"), filed voluntary petitions under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") (the "Chapter 11 Proceedings") in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Court") on June 1, 2000 (the "Petition Date"). On June 2, 2000, the Company entered into a \$450 million debtor-in-possession credit facility (the "DIP Facility") with a lender to finance, among other things, the Company's working capital requirements during the Chapter 11 Proceedings. During the Chapter 11 Proceedings, the Company continued to manage and operate its assets and business as a debtor-in-possession, pending the formulation and confirmation of a Plan of Reorganization (the "Plan") and subject to the supervision and orders of the Court.

In order to address the issues discussed above leading to the bankruptcy filing and to strengthen the Company and improve its financial condition, during the reorganization period the Company rationalized its existing store base, exited markets that did not fit its current strategic focus, replaced the majority of its senior management team, including the Chief Executive Officer, re-established its historically strong relationship with its merchandise vendors, brought the stores' merchandise inventory and mix closer to planned levels, improved execution at the store level, reduced store operating expenses and reduced headcount at the Company's central office. As a result of the Company's review of its store base and geographic markets, the number of stores in operation was reduced over the reorganization period from 647 at April 29, 2000 to 342 at September 1, 2001, and the Company's geographic presence was reduced from 33 states to 13 states over the same period. In addition, the Company developed a Plan which it believed would fairly address pre-petition creditors while also allowing it to emerge from the Chapter 11 Proceedings without significant leverage.

The Plan was approved by the requisite number of pre-petition creditors and was confirmed by the Court on August 8, 2001. The Plan was subsequently consummated by the Company on August 24, 2001 (the "Effective Date"). In conjunction with the Company's emergence from the Chapter 11 Proceedings, on the Effective Date the Company entered into two separate financing agreements (see Item 2. "Liquidity and Capital Resources"). A portion of the initial loan proceeds was used to retire the DIP Facility on the Effective Date. Under the Plan, the Company

generally settled pre-petition debt claims by issuing shares of a new class of Common Stock in a reorganized Stage Stores to those pre-petition creditors entitled to receive such distribution under the Plan. As set forth in the Plan, the pre-petition bank group, in the aggregate, received approximately 46% of the new Common Stock while the previous holders of the Company's pre-petition 8 1/2% Senior Notes, in the aggregate, similarly received approximately 46% of the new Common Stock. The remaining shares of new Common Stock issuable under the Plan were either distributed to other pre-petition creditors or are currently being held in escrow for future distribution. The Plan did not provide for any distribution to the holders of pre-petition equity interest in the Company, including holders of the Company's old Common Stock and holders of the Company's old Class B Common Stock. Further, under the Plan, all pre-petition equity interests, including all shares of old Common Stock and old Class B Common Stock outstanding on the Effective Date were cancelled. As a result of the consummation of the Plan, the Company's leverage and debt service requirements were significantly reduced from pre-petition levels.

Review of Current Operations

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.

Stores.

As of September 1, 2001, the Company, through its wholly owned subsidiary Specialty Retailers (TX) LP, operated 342 stores located in 13 states throughout the south central United States. Although the Company's stores may be operated under the "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. Utilizing a 10 mile radius from each store, approximately 57% of the Company's stores are located in small towns and communities with populations below 50,000 people, while an additional 21% of the Company's stores are located in mid-sized communities with populations between 50,000 and 150,000 people. The remainder of the Company's stores are located in metropolitan areas, such as Houston and San Antonio, Texas.

In targeting small to mid-size markets, the Company has developed a store format, generally ranging in size from 10,000 to 35,000 selling square feet, which is smaller than typical department stores yet large enough to offer a well edited, but broad selection of merchandise. With an average size store of 17,190 selling square feet, approximately 74% of the Company's stores are located in strategically positioned strip shopping centers in which they are typically one of the anchor stores. In addition, 22 % of the Company's stores are located in local or regional shopping malls while the remaining 4% are located in either free standing or downtown buildings. The Company attempts to locate its stores by, or in the vicinity of, other tenants that it believes will help attract additional foot traffic to the area, such as grocery stores, drug stores or major discount stores such as Wal-Mart.

The Company's typical interior store layouts and visual merchandising displays are designed to create a friendly, modern department store environment, which is frequently not found in other department stores in small and mid-size markets. The Company's carefully edited assortment of merchandise is divided into distinct departments within each store which are clearly marked and easy to navigate as a result of the Company's standard "racetrack" configuration. In this configuration, the various merchandise departments are situated throughout the store in such a way that a central loop, or "racetrack", is created, which the Company believes helps enhance the customer's shopping experience by providing an open, easy-to-shop interior.

The Company's current expansion strategy focuses on carefully managed growth. New store locations will be selected which either fill gaps in existing markets or expand the Company's presence into new, but contiguous, markets. During 2002, the Company anticipates opening 5 to 10 new stores.

Customer Service. A primary corporate objective is to provide excellent customer service through conveniently located stores staffed with highly trained and motivated sales associates. In order to ensure consistency of execution, each sales associate is evaluated based on the attainment of specific customer service standards, such as offering prompt and knowledgeable assistance, suggesting complementary items, helping customers open store charge accounts and establishing consistent contact with customers to facilitate repeat business. The Company continuously monitors the quality of its service by utilizing "secret shoppers" and by making calls each month to Company credit card holders who have recently made a purchase to determine their level of satisfaction. The results of these customer surveys are shared and discussed with the appropriate sales associates so that excellent service can be recognized and, conversely, counseling can be used if improvements are needed. To further reinforce the Company's focus on customer service, associates who consistently display outstanding performance and who "go the extra mile for the customer" are recognized through the Company's Associate of the Quarter and President's Award programs. Depending on the program, associates who are chosen receive such things as a certificate of accomplishment, a recognition letter from the President, a plate with their name added to an Award Plaque, a gold or platinum name badge, a gold VIP credit card and a 50% off shopping spree. In addition, a President's Platinum Award Trip is awarded to one President's Award winner each year via a drawing. The Company further extends its service philosophy through the design of its stores, as discussed above, and by locating the store manager on the selling floor to increase accessibility to customers. In addition, the Company's customer-friendly merchandise return and exchange policies add to the high level of customer service.

Competitive Advantages

. As a result of its small and mid-size market focus, the Company generally faces less competition for brand name apparel because consumers in these markets generally are able to shop for branded merchandise only in regional malls, which are usually located more than 30 miles away. In those small to mid-size markets where the Company does compete for brand name apparel sales, competition generally comes from local retailers, small regional chains, such as Goody's, and to a lesser extent, national department stores, such as JC Penney. The Company believes it has a competitive advantage over local retailers and small regional chains due to its: (i) distinctive retail concept, (ii) economies of scale, (iii) historically good vendor relationships and (iv) private label credit card program. The Company also believes it has a competitive advantage in small and mid-size markets over national department stores due to its experience with smaller markets. In addition, due to minimal merchandise overlap, the Company generally does not directly compete for branded apparel sales with national discounters such as Wal-Mart. In the highly competitive metropolitan markets in which it operates, the Company competes against other national department store chains, which similarly offer moderately priced, name brand and private label merchandise. As a way of differentiating itself from the competition in these larger markets, the Company offers consumers a high level of customer service in convenient locations, along with its private label credit card. In addition, over the years, the Company has endeavored to nurture customer loyalty and foster name recognition.

Merchandising Strategy. The Company's merchandising strategy focuses on matching merchandise assortments and offerings with customers' aspirations for fashionable, quality name brand apparel in order to maximize sales and earnings potential. The Company's merchandise assortments fall into the traditionally higher margin categories of women's, men's and children's branded apparel, accessories, cosmetics and footwear, and range from basics, which covers such things as denim, underwear and foundations, to more upscale, fashionable offerings. Merchandise mix may also vary from store to store to accommodate differing demographic factors. Over 90% of sales consist of nationally recognized brands such as Levi Strauss, Liz Claiborne, Chaps, Tommy Hilfiger, Polo Jeanswear, Sag Harbor, Jockey, Nike, Reebok and Adidas. The top 100 vendors currently account for approximately 75% of annual sales. Levi accounted for approximately 6.8% of the Company's 2000 retail purchases. No other vendor accounted for more than 5%. In addition, the Company, through its membership in Associated Merchandising Corporation ("AMC"), a cooperative buying service, purchases imported merchandise. The membership in AMC provides the Company with high quality, opening (i.e. lowest) price-point merchandise for its private label program, allowing it to augment its branded merchandise assortments. Private label merchandise purchased through AMC accounted for approximately 5.3% of the Company's total retail purchases for 2000. The Company's merchandising activities are conducted centrally from its corporate headquarters in Houston, Texas.

The Company offers a well edited selection of moderately priced, branded merchandise. The following tables set forth the distribution of net sales between the Company's various merchandise categories for the periods indicated:

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	Fiscal Year		Last 12 Months
			Ended
Department	2000	1999	September 1, 2001
Men's/Young			
Men's	22%	22%	22%
Misses Sportswear	15	15	15
Footwear	12	12	12
Children's	11	12	12
Junior Sportswear	10	12	11
Accessories	7	7	7
Cosmetics	6	5	6
Dresses	6	4	5
Special Size			
Sportswear	5	5	4
Intimate	4	4	4
Outerwear	1	1	1
Gifts	1	1	1
	100%	100%	100%
	=====	=====	=====

Marketing Strategy. The Company's primary target customers are women between the ages of 25 and 59 with annual household incomes of over \$25,000 who are the decision makers for family clothing purchases. The Company's broad based marketing strategy is designed to establish brand loyalty, convenience and promotional positioning. The Company uses a multi-media advertising approach, including newspapers, direct mail, radio and television to position its stores as the local destination for basic as well as fashionable, moderately priced brand name merchandise. In addition, the Company strongly promotes its private label credit card and relies heavily on creating strong customer loyalty through continuous one-on-one communication with its core private label credit card holders. The Company's best customers are recognized through a VIP credit card program, as discussed below, that creates greater customer retention and promotes increased purchasing activity.

To complement its marketing efforts, the Company strongly supports local store involvement in the communities that they serve by encouraging store managers and associates to partner with local organizations and to participate in community activities.

Private Label Credit Card.

The Company aggressively promotes its private label credit card, and as a result, approximately 49% of net sales for the thirty weeks ended September 1, 2001 were attributable to customers using their Company credit card. This is up from approximately 46% for the comparable period last year. With more than 1.5 million active accounts, the Company considers its private label credit card program to be a critical component of its retailing concept because it (i) enhances customer loyalty, (ii) allows the Company to identify and regularly contact its best customers and (iii) creates a comprehensive database that enables the Company to implement detailed, segmented marketing and merchandising strategies for each store. As an example of how the Company encourages its customers to use their Company credit card, frequent credit card users, through the Company's VIP credit card program, enjoy an increasing array of benefits. The Company's most active charge customers are awarded a bronze, silver or gold VIP card based on their level of annual purchases. Depending on their level, holders of these cards receive such benefits as discounted or free gift-wrapping, special promotional discounts, invitations to private "VIP Only" sales and emergency check cashing. In addition, new holders of the Company's credit card receive a 10% discount the first time they use their new card. The Company believes that holders of the Company's credit card tend to buy more merchandise from the Company than those customers who do not have a Company credit card. To encourage associates to focus on getting customers to open new Company credit card accounts, the Company provides increasing incentive award payments based on the number of new charge accounts activated. In addition, top performers become eligible for additional year-end bonuses.

The Company administers its private label credit card program through a dedicated in-house facility and staff located in Jacksonville, Texas. The Company's internally developed, fully computerized and highly automated credit

systems analyze customer payment histories, automatically approve or reject new sales at point of sale and enable account representatives to efficiently manage delinquent account collections.

Granite National Bank, N.A. ("GNB"), a nationally chartered bank founded in 1998 and indirectly wholly-owned by the Company, originates the Company's credit card accounts relating to all amounts charged by cardholders. On a daily basis, GNB sells the accounts receivables to another wholly-owned entity, who in turn sells substantially all receivables to another wholly-owned special purpose entity in connection with the Company's securitization of accounts receivable (see Item 2. "Liquidity and Capital Resources").

Store Operations.

The Company's stores are divided into two territories and then are further divided into two regions within each territory. Within the four regions, there are a total of 25 District Managers. The number of stores that each District Manager oversees depends on their proximity to each other and varies from a low of 11 to a high of 17. Within the stores, each one is managed by a team consisting of a Manager and a number of Assistant Managers, which is dependent on the size of the store. The selling floor staff within each store consists of both full-time and part-time associates, with temporary associates added during peak selling seasons. With a chain of 342 stores spread across 13 south central states, the Company believes that this structure provides a high level of oversight, strong management and tight operational control.

Merchandise Distribution.

The Company currently distributes merchandise to its stores through its 450,000 square foot automated distribution center located in Jacksonville, Texas. The Jacksonville facility is equipped with automated merchandise handling equipment that facilitates efficient distribution of merchandise to the Company's stores and provides for efficient cross docking of prepackaged and preticketed merchandise by store. Merchandise for individual stores is typically processed through the distribution centers within 48 hours of its receipt from vendors. The Company utilizes a third party contract carrier to deliver merchandise to its stores. Incoming merchandise received at the distribution center is inspected for quality control. The Company has formal guidelines for vendors with respect to shipping, receiving and invoicing for merchandise. Vendors that do not comply with the guidelines are charged specified fees depending upon the degree of non-compliance. These fees are intended to offset higher costs associated with the processing of, and payment for, such merchandise.

The Company continues to improve its logistical systems, focusing on the adoption of new technology and operational best practices, with the goals of receiving, processing and distributing merchandise to stores at a faster rate and at a lower cost per unit. As an example, the Company is currently developing enhancements to its sortation and shipping processes to improve inventory control and unit tracking. In addition, the Company expects to install a fully integrated warehouse management system, which it believes will improve logistics, productivity and efficiency.

Information Systems. Utilizing a central mainframe computer, the Company supports its retail concept with highly automated and integrated systems in areas such as merchandising, distribution, sales promotions, credit, personnel management, store design and accounting. The Company's merchandising systems assist merchandise planners in allocating merchandise assortments for each store based on specific characteristics and recent sales trends. The Company's point of sale systems include bar code scanning and electronic credit and check authorization, all of which allow the Company to capture customer specific sales data for use in its merchandising system. Other systems allow the Company to identify and mark down slow moving merchandise or efficiently transfer it to stores selling those items more rapidly, and to maintain planned levels of in-stock positions in basic items, such as jeans and underwear. These systems have enabled the Company to efficiently manage its inventory, improve sales productivity and reduce costs. The Company has also developed and utilizes an automated store personnel scheduling system that analyzes historical hourly and projected sales trends to efficiently schedule sales personnel. This system is designed to minimize labor costs while producing a higher level of customer service.

The Company has made, and will continue to make, substantial investments in its information systems in order to enhance its store operations, merchandising, distribution and financial controls. Information systems projects and upgrades currently planned or underway by the Company include improving store communication capabilities by moving from a satellite-based network to a land-based network, upgrading the Company's point of sale systems to enhance customer service and improve data-capture and administrative support capabilities and installing a fully

integrated warehouse management system to improve logistics, productivity and efficiency.

Employees. At September 1, 2001, the Company employed a total of 9,342 full and part-time employees at all of its locations, of which 1,283 were salaried and 8,059 were hourly. The Company's central office (which includes corporate and credit offices) employed 450 salaried and 347 hourly employees. In its distribution center, the Company employed 32 salaried and 284 hourly employees. In its stores, the Company employed 801 salaried and 7,428 hourly employees. Those totals will vary during the year as the Company traditionally hires additional employees and increases the hours of part-time employees during peak seasonal selling periods. There are no collective bargaining agreements in effect with respect to any of the Company's employees. The Company believes that relationships with its employees are good.

Seasonality. The Company's business is seasonal and sales traditionally are lower during the first nine months 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. Working capital requirements fluctuate during the year and generally reach their highest levels during the third and fourth quarters. See also Item 2. "Seasonality and Inflation".

Trademarks. We regard our trademarks and their protection as important to our success. Among others, the United States Patent and Trademark Office (The "USPTO") has issued federal registrations to the Company for the following trademarks: Bealls, Sun River Clothing Co, Whispers, Palais Royal, Stage, Graphite and Hannah. The Company has also filed applications with the USPTO seeking federal registrations for the following trademarks: Sun River, Rebecca Malone and Specialty Kids.

ITEM 2. FINANCIAL INFORMATION

SELECTED FINANCIAL DATA

The following sets forth selected consolidated financial data for the periods indicated. The selected consolidated financial data for the fiscal years 1996 through 2000 should be read in conjunction with the Company's Consolidated Financial Statements included herein for fiscal years 1998 through 2000. The selected consolidated financial data for the thirty weeks ended September 1, 2001 and August 26, 2000 includes all adjustments that are necessary for a fair presentation of the results of the interim periods. All dollar amounts are stated in thousands, except for per share data. The Plan was confirmed by the Court on August 8, 2001 and was consummated on August 24, 2001. For financial reporting purposes here, the Effective Date was assumed to be the last day of the thirty week period ended September 1, 2001.

With the change in ownership resulting from the Plan, the Company has 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 values, have been reflected in the accompanying consolidated financial data for the period ended September 1, 2001. Accordingly, the consolidated financial data as of September 1, 2001 and subsequent to September 1, 2001 for the Reorganized Company are not prepared on a basis comparable to the prior periods presented.

Predecessor Company	Predecessor Company
Fiscal Year	Thirty Weeks Ended

August 26,

September 1,

1996

199

7

1998

199

9

2000

(1)

200

0

200

1 Statement of operations data: Net sales

\$776,550

\$1,073,316

\$1,173,547

\$1,121,567

\$952,274

(1)

\$525,066

\$461,642

Cost of sales and related buying, occupancy and distribution expenses

532,563

730,179839,238 897,117

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(2)

714,192 396,422 322,029

Gross profit

243,987 343,137 334,309 224,450 238,082 128,644 139,613

Selling, general and administrative expenses

172,579 240,011 271,477 387,816 (3) 246,206 147,330 104,103

Store opening costs

2,838 8,686 10,192 749 - - -

Reorganization items and store closure costs

--

- 44,237 (4) 114,236 (5) 76,674 (5) 23,141 (5) Fresh-start adjustments - - - - - 35,249 (6) Interest, net 45,954 38,277 46,471 48,634 39,807 (7) 26,448 (7) 10,651 (7)

Income (loss) before income tax, extraordinary item and cumulative effect of change in accounting principle

22,616 56,163 6,169 (256,986) (162,167) (121,808) (33,531) Income tax expense 8,594 21,623

2,455 20,217 (8) 48 75 15 _____ Income (loss) before extraordinary items and cumulative effect of change in accounting principle 14,022 34,540 3,714 (277,203) (162,215) (121,883) (33,546)

Extraordinary item, net of tax, early retirement of debt

(16,081) (18,295) - (749) - - -

Extraordinary item, net of tax, gain on debt discharge

- - - - - 265,978 (6)

Cumulative effect of change in accounting principle, net of tax, reporting costs of start-up activities

- - - (3,938) - - -

Net income (loss)

\$(2,059)

\$16,245

\$3,714

\$(281,890)

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	\$(162,215)
	\$(121,883)
	\$232,432
Basic earnings per common share before extraordinary item and cumulative effect of change in accounting principle	
	\$0.91
	\$1.34
	\$0.13
	\$(9.89)
	\$(5.77)
	\$(4.34)
	\$(1.19)
Basic earning (loss) per common share	
	\$(0.13)
	\$0.63
	\$0.13
	\$(10.06)

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\$(5.77)

\$(4.34)

\$8.27

Basic weighted average common shares outstanding

15,394 25,808 27,885 28,028 28,098 28,093 28,096

Diluted earnings per common share before extraordinary item and cumulative effect of change in accounting principle

\$0.88

\$1.30

\$0.13

\$(9.89)

\$(5.77)

\$(4.34)

\$(1.19)

Diluted earnings (loss) per common share

\$ (0.13)

\$0.61

\$0.13

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\$(10.06)

\$(5.77)

\$(4.34)

\$8.27

Diluted weighted average common shares outstanding

15,927 26,483 28,428 28,028 28,098 28,093 28,096

Cash dividends

----- **Margin and other data:**

Gross profit margin

31.4% 32.0% 28.5% 20.0% 25.0% 24.5% 30.2%

Selling, general and administrative expense rate

22.2% 22.4% 23.1% 34.6% 25.9% 28.1% 22.6%

Capital expenditures

\$26,096

\$64,859

\$88,719

\$22,037

\$5,390

\$2,773

\$6,318

Store data: