Interest expense, net, for fiscal 2000 was $1.2 million, or 0.2% of net sales, as compared to $0.4 million, or 0.1% of net sales, during fiscal 1999. The increase in interest expense, net, was due to increased borrowings under our working capital facility during fiscal 2000 to support our store growth.

Our provision for income taxes in fiscal 2000 was $27.5 million, as compared to a provision for income taxes of $22.4 million during fiscal 1999. The increase in our provision for income taxes during fiscal 2000 was due to our increased profitability. Our effective tax rate was 39.1% and 39.0% for fiscal 2000 and fiscal 1999, respectively.

Fiscal 2000 net income increased to $42.7 million from $35.0 million in fiscal 1999.

Liquidity and Capital Resources

Debt Service/Liquidity

During fiscal 2001, our primary uses of cash were financing new store openings and providing for working capital, which primarily represented the purchase of inventory. Our working capital needs follow a seasonal pattern, peaking during the second and third quarters when inventory is purchased for the back-to-school and holiday merchandise lines. We were able to meet our cash needs principally by using cash flow from operations and borrowings under our working capital facility. As of February 2, 2002, we had no long-term debt obligations.

We currently have a working capital facility that provides for borrowings up to $75 million (including a sublimit for letters of credit of $60 million). Foothill Capital Corporation acts as our agent bank for a syndicated group of lenders on this facility. This working capital facility also contains provisions to increase borrowings up to $100 million (including a sublimit for letters of credit of $80 million), subject to sufficient collateralization and the syndication of the incremental line of borrowing. The amount that can be borrowed under our working capital facility depends upon our levels of inventory and accounts receivable. Amounts outstanding under the facility bear interest at a floating rate equal to the prime rate or, at our option, a LIBOR Rate plus a pre-determined spread. The LIBOR spread is 1.25% to 2.50%, depending upon our financial performance from time to time. Borrowings under the facility mature in July 2003 and the facility provides for one year automatic renewal options. The working capital facility contains certain financial covenants, including among others, the maintenance of minimum levels of earnings and current ratios, and imposes certain limitations on our annual capital expenditures, as well as the prohibition on the payment of dividends. Credit extended under the working capital facility is secured by a first priority interest in our present and future assets, as well as the assets of our subsidiaries. We were in compliance with all of the financial covenants under our working capital facility as of February 2, 2002.

As of February 2, 2002 and February 3, 2001, there were no borrowings and $3.3 million in borrowings under our working capital facility, respectively. In addition, as of February 2, 2002 and February 3, 2001, we had outstanding $9.4 million and $13.8 million, respectively, in letters of credit under our working capital facility. Availability under the working capital facility as of February 2, 2002 and February 3, 2001 was $57.2 million and $47.5 million, respectively. The interest rates charged under the working capital facility were 4.75% and 8.50% per annum as of February 2, 2002 and February 3, 2001, respectively.

Cash Flows/Capital Expenditures

Cash flows provided by operating activities were $86.8 million, $61.8 million and $38.4 million in fiscal 2001, fiscal 2000 and fiscal 1999, respectively. In fiscal 2001, cash flows from operating activities increased primarily as a result of lower inventory levels and increased operating earnings. In fiscal 2000, cash flows from operating activities increased as a result of an increase in operating earnings and increases in current liabilities, partially offset by increased inventory to support our new store growth.

Cash flows used in investing activities were $49.1 million, $55.2 million and $62.0 million in fiscal 2001, fiscal 2000 and fiscal 1999, respectively. Cash flows used in investing activities relate primarily to store openings and remodelings. In fiscal 2001, fiscal 2000 and fiscal 1999, we opened 121, 108 and 84 stores while remodeling 14, 14 and 11 stores, respectively. Cash flows used in investing activities decreased in fiscal 2001 primarily due to capital expenditures made in fiscal 2000 to equip and furnish our West Coast distribution center and in fiscal 1999 to equip and furnish our Secaucus distribution center and corporate headquarters facility, partially offset by information system initiatives.

Cash flows used by financing activities were $0.6 million and $0.7 million in fiscal 2001 and fiscal 2000, respectively. During fiscal 1999, cash flows provided by financing activities were $9.3 million. In fiscal 2001 and fiscal 2000, cash flows used in financing activities reflected the net repayment of