A C MOORE ARTS & CRAFTS INC
Form 10-Q
May 14, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2003

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission File Number: 000-23157

A.C. MOORE ARTS & CRAFTS, INC.
(Exact name of registrant as specified in charter)

Pennsylvania	22-3527763
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

500 University Court, Blackwood, NJ 08012
(Address of principal executive offices)
(Zip Code)

(856) 228-6700
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). [X] Yes [_] No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at May 9, 2003
Common Stock, no par value	19,022,878

A.C. MOORE ARTS & CRAFTS, INC.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

A.C. MOORE ARTS & CRAFTS, INC.
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	March 31, 2003 (unaudited)
ASSETS	
Current assets:	
Cash and cash equivalents	$ 54,449
Inventories	108,997
Prepaid expenses and other current assets	3,022
	166,468
Marketable securities	1,461
Property and equipment, net	28,827
Other assets	1,841
	$198,597
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Current portion of capital leases	$ 1,342
Trade accounts payable	32,143
Accrued payroll and payroll taxes	3,097
Accrued expenses	7,346
Income taxes payable	457
	44,385
Long-term liabilities:	
Capitalized equipment leases, less current portion	164
Deferred tax liability	5,150
Other long-term liabilities	4,116
	9,430
	53,815
SHAREHOLDERS' EQUITY	
Preferred stock, no par value, 10,000,000 shares authorized, none issued	
Common stock, no par value, 40,000,000 shares authorized, 18,895,879 shares outstanding at March 31, 2003 and 18,806,047 outstanding at December 31, 2002	99,985
Retained earnings	44,797
	144,782
	$198,597

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See accompanying notes to financial statements

A.C. MOORE ARTS & CRAFTS, INC.
CONSOLIDATED STATEMENT OF INCOME
(dollars in thousands, except per share data)
(unaudited)

	Three months ended March 31, 2003	Three months ended March 31, 2002
Net sales	$ 91,952	$ 85,853
Cost of sales (including buying and distribution costs)	58,417	54,162
Gross Margin	33,535	31,691
Selling, general and administrative expenses	32,585	29,586
Store pre-opening expenses	379	654
Income from operations	571	1,451
Net interest (income) expense	(109)	11
Income before income taxes	680	1,440
Provision for income taxes	260	565
Net income	$ 420	$ 875
Basic net income per share	$ 0.02	$ 0.06
Weighted average shares outstanding	18,834,421	15,866,002
Diluted net income per share	$ 0.02	$ 0.05
Weighted average shares outstanding plus impact of stock options	19,603,345	16,936,204

See accompanying notes to financial statements

A.C. MOORE ARTS & CRAFTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(unaudited)

	Three Months End March 31, 2003	
Cash flows from operating activities:		
Net income	$ 420	$
Adjustments to reconcile net income to net cash (used in) operating activities:		
Depreciation and amortization	1,634	
Changes in assets and liabilities:		
Inventories	(6,500)	
Prepaid expenses and other current assets	(293)	
Accounts payable, accrued payroll payroll taxes and accrued expenses	4,270	
Income taxes payable	(2,884)	
Other long-term liabilities	142	
Other assets	10	
Net cash (used in) operating activities	(3,201)	
Cash flows from investing activities:		
Capital expenditures	(2,464)	
Investment in marketable securities	(1,461)	
Net cash (used in) investing activities	(3,925)	
Cash flows from financing activities:		
Proceeds from sale of shares	-	
Proceeds from line of credit	-	
Repayment of line of credit	-	
Exercise of stock options	331	
Repayment of equipment leases	(340)	
Net cash provided (used) by financing activities	(9)	
Net increase (decrease) in cash	(7,135)	
Cash and cash equivalents at beginning of period	61,584	
Cash and cash equivalents at end of period	$54,449	$

See accompanying notes to financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(1) Basis of Presentation

The consolidated financial statements included herein include the accounts of A.C. Moore Arts & Crafts, Inc. and its wholly owned subsidiaries (collectively the "Company"). The Company is a chain of 73 retail stores selling arts and crafts merchandise. The stores are located throughout the eastern United States.

These financial statements have been prepared by management without audit and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002. Due to the seasonality of the Company's business, the results for the interim periods are not necessarily indicative of the results for the year. The accompanying consolidated financial statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements. In the opinion of management, all such adjustments are of a normal and recurring nature.

(2) Common Stock and Earnings per Share

On June 25, 2002, the Company's Board of Directors declared a two-for-one stock split to shareholders of record as of the close of business on July 15, 2002 payable on July 31, 2002. All references to the number of shares of common stock, per share prices and earnings per share amounts in the consolidated financial statements and accompanying notes included in this Quarterly Report on Form 10-Q have been adjusted to reflect the split on a retroactive basis.

(3) Management Estimates

The preparation of these consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reported period and related disclosures. Significant estimates made as of and for the three months ended March 31, 2003 and 2002 include provisions for shrinkage, capitalized buying, warehousing and distribution costs related to inventory, and markdowns of merchandise inventories. Actual results could differ materially from those estimates.

(4) Marketable Securities

Marketable securities represent investments in fixed financial instruments with maturities of twelve months or longer from time of purchase. They are classified as held-to-maturity and recorded at amortized cost.

(5) Recent Accounting Pronouncements

In November 2002, the Emerging Issues Task Force reached consensus on Issue 02-16, Accounting by a Customer (including a Reseller) for Cash Consideration Received from a Vendor. EITF Issue 02-16 addresses the accounting for cash consideration received by a customer from a vendor (e.g., slotting fees, cooperative advertising payments, buydowns) and rebates or refunds from a vendor that is payable only if the customer completes a specified cumulative level of purchases or remains a customer for a specified time period. The EITF is effective for agreements modified or entered into after January 1, 2003. We are currently evaluating the impact of EITF Issue 02-16, and have not determined whether or not the adoption of the provisions of EITF Issue 02-16 will have a material impact on our consolidated operating results or financial position.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure an amendment of FASB Statement No. 123". SFAS 148 amends SFAS 123 to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of SFAS 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. It also amends APB Opinion No. 28, "Interim Financial Reporting", to require disclosure about those effects in interim financial information. The Company adopted the disclosure requirements of SFAS 148 for the fiscal year ended December 31, 2002.

The Company accounts for its employee stock options using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). Compensation cost for stock options is measured as the excess of the quoted market price of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock.

Had compensation cost for the Company's stock-based compensation plan been determined based on the fair value at the grant date for awards under those plans, consistent with the requirements of SFAS No. 123, "Accounting for Stock-Based Compensation," net income and earnings per share would have been reduced to the following pro-forma amounts:

		Three Months End March 31,	
		2003	20
Net income..........................	As reported	$420,000	$875
	Compensation cost, net	277,000	139
	Pro forma	143,000	736
Basic earnings per share............	As reported	$ .02	$
	Pro forma	.01	
Diluted earnings per share..........	As reported	$ .02	$
	Pro forma	.01	

The pro forma results may not be representative of the effects on reported operations for future years. The fair value of the options was calculated using a Black-Scholes options pricing model with the following weighted-average assumptions: risk-free interest rate of 4.1% for 2002, 5.1% for 2001, 6.3% for 2000 and; no dividend yield; and a weighted average expected life of the options of seven years. In accordance with the provisions of SFAS No. 123 the expected stock price volatility was 45.2% for 2002, 48.4% for 2001, and 46.6% for 2000.

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

The following discussion and analysis contains certain forward-looking statements. These forward-looking statements do not constitute historical facts and involve risks and uncertainties. Actual results could differ materially from those referred to in the forward-looking statements due to a number of factors, including, but not limited to, the following: customer demand, the effect of economic conditions, the impact of adverse weather conditions, the impact of competitors' locations or pricing, the availability of acceptable real estate locations for new stores, difficulties with respect to new information system technologies, supply constraints or difficulties, the effectiveness of advertising strategies and the impact of the threat of terrorist attacks and war. For additional information concerning factors that could cause actual results to differ materially from the information contained herein, reference is made to the information under the heading "Cautionary Statement Relating to Forward Looking Statements" in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

Due to the importance of our peak selling season, which includes Fall/Halloween, Thanksgiving and Christmas, the fourth quarter has historically contributed, and we expect it will continue to contribute, disproportionately to our profitability for the entire year. As a result, our quarterly results of operations may fluctuate. In addition, results of a period shorter than a full year may not be indicative of results expected for the entire year.

Our quarterly results of operations also may fluctuate based upon such factors as the length of holiday seasons, the date on which holidays fall, the number and timing of new store openings, the amount of store pre-opening expenses, the amount of net sales contributed by new and existing stores, the mix of products sold, the amount of sales returns, the timing and level of markdowns and other competitive factors.

Results of Operations

The following table sets forth, for the periods indicated, selected statement of operations data expressed as a percentage of net sales and the number of stores open at the end of each such period:

	Three months ended March 31,	
	2003	2002
Net sales	100.0%	100.0%
Cost of Sales	63.5%	63.1%
Gross margin	36.5%	36.9%
Selling, general and administrative expenses	35.4%	34.5%

Store pre-opening expenses	0.4%	0.7%
Income from operations	0.7%	1.7%
Net interest (income) expense	(0.1)%	0.0%
Income before income taxes	0.8%	1.7%
Income tax expense	0.3%	0.7%
Net income	0.5%	1.0%
Number of stores open at end of period	73	63

Three Months Ended March 31, 2003 Compared to Three Months Ended March 31, 2002

Net Sales. Net sales increased $6.1 million, or 7.1%, to $92.0 million in the three months ended March 31, 2003 from $85.9 million in the comparable 2002 period. This increase is comprised of (i) net sales of $500,000 from two new stores opened in 2003, (ii) net sales of $7.6 million from stores opened in 2002 not included in the comparable store base, and (iii) a comparable store sales decrease of $2.0 million, or 2%. Sales during the quarter were significantly impacted by severe weather conditions throughout our trading area. Stores are added to the comparable store base at the beginning of the fourteenth full month of operation.

Gross Margin. Gross margin is net sales minus the cost of merchandise and certain distribution and purchasing costs. The gross margin decreased to 36.5% of net sales in the three months ended March 31, 2003 from 36.9% in the three months ended March 31, 2002. The decrease is due to more aggressive promotions in response to the difficult sales environment and to a change in sales mix resulting from the weather and a later Easter.

Selling, General, and Administrative Expenses. Selling, general and administrative expenses include (a) direct store level expenses, including rent and related operating costs, payroll, advertising, depreciation and other direct costs, and (b) corporate level costs not directly associated with or allocable to cost of sales including executive salaries, accounting and finance, corporate information systems, office facilities and other corporate expenses. Selling, general and administrative expenses increased $3.0 million, or 10.1%, in the three months ended March 31, 2003 to $32.6 million from $29.6 million in the three months ended March 31, 2002. The increase is principally accountable from stores opened in 2003 which were not open during 2002 and the stores opened in 2002 not in the comparable store base. These increases were partially offset by a decrease in net advertising expense from higher vendor co-op advertising allowances compared to the first quarter of 2002. As a percentage of sales, selling, general and administrative costs increased to 35.4% of net sales in the three months ended March 31, 2003 from 34.5% of net sales in the three months ended March 31, 2002. This increase is primarily due to de-leveraging store and central costs from the decline in sales in our comparable store base.

Store Pre-Opening Expenses. We expense store pre-opening expenses as incurred. Pre-opening expenses for the two new stores opened in the first quarter of 2003 amounted to $379,000. In the first quarter of 2002, we incurred store pre-opening expenses of $654,000 related to the two stores opened in that quarter and the two stores which opened in the second quarter.

Net Interest (Income) Expense. In the first quarter of 2003, we had net interest income of $109,000 compared with net interest expense of $11,000 in 2002. The change is due to interest earned from the proceeds of our sale of shares in March 2002.

Income Taxes. Our effective income tax rate was 38.2% for the first quarter ended March 31, 2003 and 39.2% for the first quarter ended March 31, 2002. The decrease in the effective tax rate is principally the result of tax free interest income in 2003.

Liquidity and Capital Resources

Our cash is used primarily for working capital to support inventory requirements and capital expenditures, pre-opening expenses and beginning inventory for new stores. In recent years, we have financed our operations and new store openings primarily with cash from operations, the net proceeds we received from our initial public offering in 1997 and with borrowing under bank financing agreements. In March 2002 we completed a secondary offering in which we sold 3,500,000 new post-split shares, with net cash proceeds of $52,130,000.

At March 31, 2003 and December 31, 2002 our working capital was $122.1 million and $123.8 million, respectively. Cash used in operations was $3.2 million for the three months ended March 31, 2003 as a result of an increase in inventory of $6.5 million due to sales being below plan and to support the new stores and a reduction in income tax payables of $2.9 million offset by an increase of $4.3 million in accounts payable and accrued payroll.

Net cash used in investing activities during the three months ended March 31, 2002 was $3.9 million. This included $1.4 million for investments in marketable securities with a maturity of over one year and $2.5 million for capital expenditures. In 2003, we expect to spend approximately $44.0 million on capital expenditures, which includes approximately $34.0 million for land, building, equipment and systems for our new distribution center, $5.0 million for new store openings, and the remainder for remodeling existing stores, upgrading systems in existing stores, warehouse equipment, and corporate systems development. The total cost of the new distribution center is estimated to be between $40.0 and $42.0 million. We expect to finance two-thirds of this project through long-term debt.

In the year ended December 31, 2002, net cash provided by financing activities was principally the $52.1 million proceeds from our sale of shares in March 2002.

The Company currently has a $25.0 million one year line of credit agreement with First Union National Bank, which expires on July 11, 2003. Borrowing under this line will bear interest at LIBOR plus 125 basis points. We believe the cash generated from operations during the year, funds received through the financing of the new distribution center and available borrowings under the credit agreement (which we intend to renew) will be sufficient to finance our working capital and capital expenditure requirements for at least the next 12 months.

Recent Accounting Pronouncements

In November 2002, the Emerging Issues Task Force reached consensus on Issue 02-16, Accounting by a Customer (including a Reseller) for Cash Consideration Received from a Vendor. EITF Issue 02-16 addresses the accounting for cash consideration received by a customer from a vendor (e.g., slotting fees, cooperative advertising payments, buydowns) and rebates or refunds from a vendor that is payable only if the customer completes a specified cumulative level of purchases or remains a customer for a specified time period. The EITF is effective for agreements modified or entered into after January 1, 2003. We are currently evaluating the impact of EITF Issue 02-16, and have not determined whether or not the adoption of the provisions of EITF Issue 02-16 will have a material impact on our consolidated operating results or financial position.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure an amendment of FASB Statement No. 123". SFAS 148 amends SFAS 123 to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of SFAS 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. It also amends APB Opinion No. 28, "Interim Financial Reporting", to require disclosure about those effects in interim financial information. The Company adopted the disclosure requirements of SFAS 148 for the fiscal year ended December 31, 2002.

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General

On June 25, 2002, our Board of Directors approved a two-for-one stock split to shareholders of record as of the close of business on July 15, 2002. The shares were distributed on July 31, 2002.

Critical Accounting Policies

Our critical accounting policies relate to merchandise inventories and advertising costs.

We value our inventories at stores at the lower of cost or market as determined using the retail inventory method. Because we do not have perpetual inventory records for inventory in our stores, we perform complete physical inventories in each of our stores at the end of each year. The actual physical count of merchandise is made principally by third party inventory counting service firms. We believe our process results in reasonable estimates of our retail inventory on hand at year end.

Inventory valuation methods also require certain management estimates and judgments. These include estimates of net realizable value on product designated for clearance or on slow moving merchandise. The accuracy of our estimates can be affected by many factors, some of which are outside of our control, including changes in economic conditions and consumer buying trends. Historically, we have not experienced significant differences in our estimates of recovery compared with actual results.

The costs incurred for advertising are expensed the first time the advertising takes place, and are offset by re-imbursements received under cooperative advertising programs with certain vendors. Co-op advertising funds are only recognized when we have performed our contractual obligation under a co-op advertising agreement.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not Applicable.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. Based on their evaluation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(c) and 15d-14(c)) as of a date within 90 days of the filing date of this Quarterly Report on Form 10-Q, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures are effective to timely alert management to material information relating to the Company during the period when its periodic reports are being prepared.

(b) Changes in internal controls. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of the principal executive officer's and principal financial officer's evaluation referred to above, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not Applicable.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

99.1 Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2 Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.3 Separation Agreement dated January 31, 2003 between Rex Rambo and the Company.

(b) Reports on Form 8-K filed in the quarter ended March 31, 2003:

o 8-K, Item 9, filed on January 9, 2003 regarding a Company conference call in which the Company addressed its sales for 2002, reaffirmed its 2002 earnings guidance and provided a brief outlook for 2003.

SIGNATURES

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

A.C. MOORE ARTS & CRAFTS, INC.

Date: May 14, 2003

By: Leslie H. Gordon

Leslie H. Gordon
Executive Vice President and
Chief Financial Officer
(duly authorized officer and
principal financial officer)

CERTIFICATIONS

I, John E. Parker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of A.C. Moore Arts & Crafts, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

John E. Parker

John E. Parker
Chief Executive Officer
(principal executive officer)

I, Leslie H. Gordon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of A.C. Moore Arts & Crafts, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

Leslie H. Gordon

Leslie H. Gordon

Executive Vice President and
Chief Financial Officer
(principal financial officer)