TOO INC
Form 10-Q
May 29, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended May 4, 2002

OR

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

For the transition period from to

Commission file number 1-14987

TOO, INC.
(Exact name of registrant as specified in its charter)

Delaware	31-1333930
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
8323 Walton Parkway, New Albany, OH	43054
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (614) 775-3500

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 (or such shorter time as the Company became effective).

Yes X No

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

Common Stock	Outstanding at May 24, 2002
$.01 Par Value	33,882,633 Shares

TOO, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

TOO, INC.
CONSOLIDATED STATEMENTS OF INCOME
(unaudited, in thousands except per share amounts)

	Thirteen Weeks Ended	
	May 4, 2002	May 5, 2001
	$ 158,591	$ 136,657
Net sales		
Costs of goods sold, buying and occupancy costs	105,068	91,694
Gross income	53,523	44,963

General, administrative and store operating expenses	43,525	38,516
Operating income	9,998	6,447
Interest expense, net	253	132
Income before income taxes	9,745	6,315
Provision for income taxes	3,900	2,500
Net income	$ 5,845	$ 3,815
Earnings per share:		
Basic	$ 0.19	$ 0.12
Diluted	$ 0.18	$ 0.12
Weighted average common shares:		
Basic	31,425	30,818
Diluted	32,535	31,686

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

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TOO, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands except share amounts)

	May 4, 2002 (unaudited)	February 2, 2002
ASSETS		
Current Assets:		
Cash and equivalents	$ 65,590	$ 63,538
Receivables	3,651	2,547
Inventories	34,112	44,537
Store supplies	10,834	10,357
Other	758	2,409
Total current assets	114,945	123,388
Property and equipment, net	134,881	126,415
Deferred income taxes	14,786	14,786
Other assets	622	988

TOTAL ASSETS	$ 265,234	$ 265,577
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LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Current portion long-term debt	$ 21,250	$ 17,500
Accounts payable	15,628	23,341
Accrued expenses	44,697	39,036
Income taxes payable	11,932	19,696
Total current liabilities	93,507	99,573
Long-term debt, less current portion	28,750	32,500
Other long-term liabilities	6,168	5,295
Commitments and contingencies		
SHAREHOLDERS' EQUITY		
Preferred stock, 50 million shares authorized	-	-
Common stock, $.01 par value, 100 million shares authorized, 31.5 million and 31.3 million issued and outstanding at May 4, 2002 and February 2, 2002, respectively	315	313
Paid in capital	38,091	35,338
Retained earnings	98,403	92,558
Total shareholders' equity	136,809	128,209
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 265,234	$ 265,577
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The accompanying notes are an integral part of these consolidated financial statements.

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TOO, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Thirteen Weeks Ended	
	May 4, 2002	May 5, 2001
Cash flows from operating activities:		
Net income	$ 5,845	$ 3,815
Impact of other operating activities on cash flows:		
Depreciation and amortization	5,399	4,482
Changes in assets and liabilities:		
Inventories	10,425	6,597
Accounts payable and accrued expenses	(1,363)	(6,503)

Income taxes	(7,073)	(6,501)
Other assets	1,443	(243)
Other liabilities	873	485
Net cash provided by operating activities	15,549	2,132
Investing activities:		
Capital expenditures	(15,560)	(8,210)
Net cash used for investing activities	(15,560)	(8,210)
Financing activities:		
Stock options, restricted stock and other equity changes	2,063	1,815
Net cash provided by financing activities	2,063	1,815
Net increase (decrease) in cash and equivalents	2,052	(4,263)
Cash and equivalents, beginning of period	63,538	54,788
Cash and equivalents, end of period	$ 65,590	$ 50,525

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

TOO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. BASIS OF PRESENTATION

Too, Inc. (referred to herein as "Too" or "the Company") is the operator of two specialty retailing businesses, Limited Too and mishmash. Limited Too sells apparel, underwear, sleepwear, swimwear, lifestyle and personal care products for fashion-aware, trend-setting young girls ages seven to fourteen years. mishmash, launched by the Company in late September 2001, sells cosmetics, sportswear, intimate apparel and footwear to young women ages fourteen to nineteen. The assortment also includes accessories, jewelry, room decor furnishings and lifestyle products. The consolidated financial statements include the accounts of Too, Inc. and its wholly owned subsidiaries and reflect the Company's assets, liabilities, results of operations and cash flows on a historical cost basis.

The accompanying unaudited interim consolidated financial statements as of May 4, 2002 and for the thirteen week periods ended May 4, 2002 and May 5, 2001, are presented to comply with the rules and regulations of the Securities and Exchange Commission. Accordingly, these consolidated financial statements should be read in conjunction with the consolidated

financial statements and notes thereto contained in the Company's 2001 Annual Report on Form 10-K. In the opinion of management, the accompanying interim consolidated financial statements reflect all adjustments (which are of a normal, recurring nature) necessary to present fairly the financial position, results of operations and cash flows for the interim periods, but are not necessarily indicative of the results of operations for a full fiscal year.

The consolidated financial statements as of May 4, 2002, and for the thirteen weeks ended May 4, 2002 and May 5, 2001 included herein have been reviewed by the independent public accounting firm of PricewaterhouseCoopers LLP and the report of such firm follows the notes to consolidated financial statements. PricewaterhouseCoopers LLP is not subject to the liability provisions of Section 11 of the Securities Act of 1933 for its report on the consolidated financial statements because that report is not a "report" within the meaning of Sections 7 and 11 of that Act.

2. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if stock options or restricted stock were converted to common stock using the treasury stock method.

The following table shows the amounts used in the computation of basic and diluted earnings per share (in thousands):

	Thirteen Weeks Ended	
	May 4, 2002	May 5, 2001
Net income	$ 5,845	$ 3,815
Weighted average common shares - basic	31,425	30,818
Dilutive effect of stock options and restricted stock	1,110	868
Weighted average common shares - diluted	32,535	31,686

Due to the options' price exceeding the average market price of the common shares for the reporting periods, certain options were excluded from the calculation of net income per diluted share. Options to purchase 5,000 and 158,000 common shares were not included in the computation of net income per diluted share for the thirteen weeks ended May 4, 2002 and May 5, 2001, respectively.

3. INVENTORIES

The fiscal year of the Company is comprised of two principal selling seasons: Spring (the first and second quarters) and Fall (the third and fourth quarters). Inventories are principally valued at the lower of

average cost or market, on a first-in, first-out basis utilizing the retail method. Inventory valuation at the end of the first and third quarters reflects adjustments for inventory markdowns and shrinkage estimates for the total selling season.

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, at cost, consisted of (in thousands):

	May 4, 2002	February 2, 2002
Land	$ 7,897	$ 7,797
Building	20,841	-
Furniture, fixtures and equipment	123,337	105,554
Leasehold improvements	41,879	45,408
Construction-in-progress	20,520	49,069
Total	214,474	207,828
Less: accumulated depreciation and amortization	(79,593)	(81,413)
Property and equipment, net	$ 134,881	$ 126,415

5. RELATIONSHIP WITH THE LIMITED

In connection with the August 23, 1999 Spin-off, the Company entered into a service agreement with Limited Logistics Services (formerly known as Limited Distribution Services), a wholly owned subsidiary of The Limited, to provide distribution services to us covering flow of merchandise from factory to our stores for up to three years after the Spin-off. Most of the merchandise and related materials for the Company's stores were shipped to a distribution center owned by The Limited in Columbus, Ohio, where the merchandise was received, inspected, allocated and packed for shipment to stores. Under the service agreement, The Limited distributed merchandise and related materials using common and contract carriers to the Company's stores. Inbound freight was charged to Too based upon actual receipts and related charges, while outbound freight was charged based on a percentage of cartons shipped. Beginning in February 2002, the Company began operating its own distribution center.

Our main office was owned by Distribution Land Corp., a wholly owned subsidiary of the Limited, and leased to us with a lease term expiring in August 2002. In April 2002, the Company completed construction of its new home office.

Our largest apparel supplier has been Mast Industries, Inc., a wholly owned subsidiary of The Limited. Mast Industries supplied approximately 30% of the apparel that we purchased in 2001. We believe that all transactions that we have entered into with Mast Industries have been on terms that would have been obtained on an arm's length basis since we treat them as if they were a third party. We were not, and will not be, obligated to

continue to source products through Mast Industries.

Amounts payable to The Limited, including merchandise payables to Mast Industries, approximated $5.6 million at May 4, 2002.

6. CREDIT FACILITY

During August 1999, the Company entered into a five-year $100 million credit agreement (the "Credit Facility") with a syndicate of banks. The Credit Facility is collateralized by virtually all assets of the Company and is comprised of a $50 million five-year term loan and a $50 million revolving loan commitment. The entire amount of the term portion was drawn in order to fund a $50 million dividend to The Limited and $14 million was drawn under the revolving loan commitment principally to repay a portion of working capital advances made by the Limited prior to the Spin-off.

The $50 million revolving loan commitment is available to fund working capital requirements and for general corporate purposes. Interest on borrowings under the Credit Facility is based on matrix pricing applied to either the London Interbank Offered Rate or Prime, as defined in the agreement. Payments of principal under the term loan are due at various dates from July 2002 to August 2004. A commitment fee based on matrix pricing is charged on the unused portion of the revolving loan commitment. The commitment fee is up to 1/2 of 1% of the unused revolving credit commitment per annum. Under the terms of the Credit Facility, the Company is required to comply with certain covenants including financial ratios. The Credit Facility limits the Company from incurring certain additional indebtedness and restricts substantial asset sales, capital expenditures above approved limits and cash dividends. The Company is in compliance with all applicable terms of the Credit Facility. As of May 4, 2002, there were no amounts outstanding under the revolving portion of the Credit Facility.

Current maturities of long-term debt for each of the next three fiscal years are $17.5 million in 2002, $20.0 million in 2003, and $12.5 million in 2004.

Interest expense, including the amortization of financing fees, amounted to $1,038,000 for the quarter ending May 4, 2002. Interest expense was partially offset by interest income of $785,000 for the quarter. Interest expense and interest income amounted to $1,052,000 and $920,000, respectively, for the quarter ending May 5, 2001.

7. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Company adopted EITF Issue No. 00-14, "Accounting for Certain Sales Incentives," during the first quarter of 2002. EITF 00-14 addresses the accounting for, and classification of, various sales incentives. The adoption of this EITF Issue did not have a material impact on the Company's consolidated financial statements.

Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," will be effective in the first quarter of 2003. The standard requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the corresponding estimated retirement cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is

depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. Because costs associated with exiting leased properties at the end of the lease terms are minimal, the Company believes that when the statement is adopted, it will not have a significant effect on the Company's results of operations or its financial position.

The Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," during the first quarter of 2002. SFAS No. 144 supersedes SFAS 121 and applies to all long-lived assets (including discontinued operations) and consequently amends Accounting Principles Board Opinion No. 30 (APB 30), "Reporting Results of Operations Reporting the Effects of Disposal of a Segment of a Business." SFAS 144 develops one accounting model (based on the model in SFAS 121) for long-lived assets that are to be disposed of by sale. This model requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. Additionally, SFAS 144 expands the scope of discontinued operations to include all components of an entity with operations that (1) can be distinguished from the rest of the entity and (2) will be eliminated from the ongoing operations of the entity in a disposal transaction. The adoption of this SFAS did not have a material impact on the Company's consolidated financial statements.

In April 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS 145 eliminates FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and an amendment of that Statement, SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." As a result, gains and losses from extinguishment of debt should be classified as extraordinary items only if they meet the criteria in Accounting Principles Board (APB) Opinion No. 30. SFAS 145 amends SFAS No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS 145 also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The provisions of this Statement related to the rescission of Statement 4 shall be applied in fiscal years beginning after May 15, 2002. The provisions of this Statement related to Statement 13 shall be effective for transactions occurring after May 15, 2002. All other provisions of this Statement shall be effective for financial statements issued on or after May 15, 2002. The Company does not expect the adoption of SFAS 145 to have a significant impact on the results of operations, cash flows or the financial position of the Company.

8. COMMON STOCK FINANCING AND SUBSEQUENT EVENT

On April 29, 2002, the Company filed a registration statement on Form S-3, File Number 333-87188, with the Securities and Exchange Commission to sell up to 2.8 million shares of its common stock.

On May 24, 2002, the Company received $73.9 million net proceeds from the sale of 2.4 million shares of its common stock. On that day, the Company paid off the entire $50 million term loan due under the Credit Facility and the remaining proceeds from the sale of common stock will be used for general corporate purposes. The $50 million revolving loan commitment under

the Credit Facility remains in effect and is available to the Company for future business purposes.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Shareholders of Too, Inc.:

We have reviewed the accompanying consolidated balance sheet of Too, Inc. and its subsidiaries (the "Company") as of May 4, 2002, and the related consolidated statements of income and cash flows for each of the thirteen-week periods ended May 4, 2002 and May 5, 2001. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of February 2, 2002, and the related consolidated statements of income, shareholders' equity, and of cash flows for the year then ended (not presented herein), and in our report dated February 20, 2002 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of February 2, 2002 is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Columbus, Ohio

May 13, 2002

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

Net sales for the thirteen weeks ended May 4, 2002 were $158.6 million, an increase of 16% from $136.7 million for the comparable period of 2001. Gross income increased 19% to $53.5 million from $45.0 million in 2001 and operating income rose 56% to $10.0 million from $6.4 million in 2001. Net income increased

53% to $5.8 million from $3.8 million in 2001. Diluted earnings per share increased 50% to $.18, versus $.12 in 2001.

FINANCIAL SUMMARY

The following summarized financial and statistical data compares the thirteen week period ended May 4, 2002, to the comparable 2001 period:

	Thirteen Weeks Ended			
	May 4, 2002		May 5, 2001	Percent Change
Net sales (millions)	$ 158.6		$ 136.7	16%
Comparable store sales performance /(1)/	4%		(2)%	
Retail sales per average square foot/(2)/	$ 82	/(3)/	$ 80	3%
Retail gross square feet at end of quarter (thousands)	1,929	/(3)/	1,693	14%
Stores with "Girl Power" format	230		164	
Percentage of Limited Too stores in "Girl Power" format	49%		40%	
Number of Stores:				
Limited Too:				
Beginning of period	459		406	
Opened	13		8	
Closed	(1)		(1)	
End of period	471		413	
mishmash stores	9		-	

/(1)/ A store is included in our comparable store sales calculation once it has completed 52 weeks of operation. Further, stores that have changed more than 20% in square feet are treated as new stores for purposes of this calculation. Fiscal 2001 comparable store sales are reported on a calendar-shifted basis.

/(2)/ Retail sales per average square foot is the result of dividing net sales for the fiscal quarter by average gross square feet, which reflects the impact of opening and closing stores throughout the quarter.

/(3)/ Amounts exclude the 9 mishmash stores.

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Net Sales

Net sales for the first quarter of 2002 increased 16% to $158.6 million from $136.7 million in 2001. Comparable store sales increased 4% for the first quarter of 2002 compared to a 2% decrease during first quarter of 2001. Net sales benefited from a 14% increase in square footage growth over last year.

The best performing merchandise categories during the first quarter were active wear led by active shorts, cut and sewn casual tops, sweaters and jeans wear.

Gross Income

Gross income, expressed as a percentage of net sales, was 33.7% for the first quarter of 2002, an increase of 80 basis points from a gross income rate of 32.9% for the first quarter of 2001. This rate increase was due to higher initial mark-ups and a lower promotional markdown rate, which more than offset the increased buying and occupancy rate due to increased catalog circulation.

General, Administrative and Store Operating Expenses

General, administrative and store operating expense, expressed as a percentage of net sales, was 27.4% for the first quarter of 2002, a decrease of 80 basis points from a rate of 28.2% for the first quarter of 2001. The favorable decrease in rate was due to lower distribution center and marketing expenses, along with a decrease in the store payroll rate.

Operating Income

Operating income, expressed as a percentage of net sales, was 6.3% in the first quarter of 2002, an increase of 160 basis points from 4.7% for the same period in 2001. The increase in operating income, expressed as a percentage of net sales, was due to higher merchandise margins and lower selling, general and administrative expenses.

Income Taxes

Income tax expense, provided at an approximate rate of 40%, amounted to $3.9 million and $2.5 million for the quarters ending May 4, 2002 and May 5, 2001, respectively.

FINANCIAL CONDITION

Liquidity and Capital Resources

Cash provided from operating activities provides the resources to support operations, including projected growth, seasonal working capital requirements and capital expenditures.

Net cash provided by operating activities amounted to $15.5 million for the thirteen weeks ended May 4, 2002 versus $2.1 million for the same period in 2001. The increase in net cash provided by operating activities versus the comparable period in 2001 was due to an increase in net income and depreciation expense, lower inventory levels and improved leveraging of accounts payable.

Investing activities represented capital expenditures, which were primarily for new and remodeled stores, as well as progress payments on the construction of our new home office and distribution center.

Financing activities principally represented proceeds from employee stock option exercises and the issuance of restricted stock.

A summary of our working capital position and capitalization follows (thousands).

	May 4, 2002	February 2, 2002
Working capital, including current portion of long-term debt of $21,250 and $17,500 at May 4, 2002 and February 2, 2002, respectively	$ 21,438	$ 23,815
Capitalization:		
Long-term debt	28,750	32,500
Shareholders' equity	136,809	128,209
Total capitalization	$ 165,559	$ 160,709
Amounts authorized under revolving portion of credit facility	$ 50,000	$ 50,000

In August 1999, we entered into a five-year, $100 million collateralized Credit Facility. The Credit Facility consists of a $50 million five-year term loan and a $50 million, five-year annual revolving credit commitment. The Credit Facility's interest rates, which reflect matrix pricing, are based on the London Interbank Offered Rate or Prime plus a spread as defined in the agreement. The term loan is interest only until the end of the third year at which time the amortization of the outstanding principle balance will begin. The Credit Facility contains customary representations and warranties as well as certain affirmative, negative and financial covenants.

No amounts were borrowed against the $50 million revolving credit commitment during the thirteen weeks ended May 4, 2002 and May 5, 2001.

On May 24, 2002, the Company received net proceeds from the sale of 2.4 million shares of its common stock of $73.9 million. On that day, the Company paid off the entire $50 million term loan due under the Credit Facility. The $50 million revolving loan commitment under the Credit Facility remains in effect and is available to the Company for future business purposes.

Capital Expenditures

Capital expenditures totaled $15.6 million for the thirteen weeks ended May 4, 2002 compared to $8.2 million for the comparable period of 2001. 2002 capital expenditures included $3.3 million for new and remodeled stores, $4.7 million for the new distribution center and $7.6 million for the new home office and other items. We anticipate spending approximately $45 to $50 million in 2002 for capital expenditures including the construction of 50 to 55 new Limited Too stores, at least four new mishmash stores and the expansion of approximately ten stores identified for remodeling. Our store expansion and remodel program should add 210,000 to 220,000 gross square feet during 2002, representing an 11% to 12% increase over year-end 2001. We also anticipate capital expenditures between $21 million and $24 million principally related to the completion of a new distribution center and home office. The Company expects that capital expenditures will be funded principally by net cash provided by operating activities.

Recently Issued Accounting Pronouncements

The Company adopted EITF Issue No. 00-14, "Accounting for Certain Sales Incentives," during the first quarter of 2002. EITF 00-14 addresses the accounting for, and classification of, various sales incentives. The adoption of this EITF Issue did not have a material impact on the Company's consolidated financial statements.

Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," will be effective in the first quarter of 2003. The standard requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the corresponding estimated retirement cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. Because costs associated with exiting leased properties at the end of the lease terms are minimal, the Company believes that when the statement is adopted, it will not have a significant effect on the Company's results of operations or its financial position.

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," during the first quarter of 2002. SFAS No. 144 supercedes SFAS 121 and applies to all long-lived assets (including discontinued operations) and consequently amends Accounting Principles Board Opinion No. 30 (APB 30), "Reporting Results of Operations Reporting the Effects of Disposal of a Segment of a Business." SFAS 144 develops one accounting model (based on the model in SFAS 121) for long-lived assets that are to be disposed of by sale. This model requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. Additionally, SFAS 144 expands the scope of discontinued operations to include all components of an entity with operations that (1) can be distinguished from the rest of the entity and (2) will be eliminated from the ongoing operations of the entity in a disposal transaction. The adoption of this SFAS did not have a material impact on the Company's consolidated financial statements.

In April 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS 145 eliminates FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and an amendment of that Statement, SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." As a result, gains and losses from extinguishment of debt should be classified as extraordinary items only if they meet the criteria in Accounting Principles Board (APB) Opinion No. 30. SFAS 145 amends SFAS No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS 145 also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The provisions of this Statement related to the rescission of Statement 4 shall be applied in fiscal years beginning after May 15, 2002. The provisions of this Statement related to Statement 13 shall be effective for transactions occurring after May 15, 2002. All other provisions of this Statement shall be effective for financial statements issued on or after May 15, 2002. The Company does not expect the adoption of SFAS 145 to have a significant impact on the results of

operations, cash flows or the financial position of the Company.

Safe Harbor Statement Under The Private Securities Litigation Reform Act of 1995

The Company cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this Management's Discussion and Analysis or made by management of the Company involve risks and uncertainties and are subject to change based on various important factors, many of which may be beyond the Company's control. Forward-looking statements are indicated by words such as "anticipate," "estimate," "expect," "intend," "risk," "could," "may," "will," "pro forma," "likely," "possible," "potential," and similar words and phrases and the negative forms and variations of these words and phrases, and include statements in this Management's Discussion and Analysis relating to the annual effective tax rate, anticipated capital expenditures in 2002 for new stores, the remodeling or expansion of existing stores, and the construction of the new distribution center and home office facilities, and the related funding thereof. The following factors, among others, in some cases have affected, and in the future could affect, the Company's financial performance and actual results and could cause future performance and financial results to differ materially from those expressed or implied in any forward-looking statements included in this Management's Discussion and Analysis or otherwise made by management: changes in consumer spending patterns, consumer preferences and overall economic conditions; the impact of competition and pricing; changes in weather patterns; currency and exchange risks; changes in existing or potential trade restrictions, duties, tariffs or quotas; changes in political or financial stability; changes in postal rates and charges and paper and printing costs; availability of suitable store locations at appropriate terms; ability to develop new merchandise; ability to hire and train associates; and/or other risk factors that may be described in the Safe Harbor Statement and Business Risks section of the Company's Form 10-K, filed April 29, 2002, as well as other filings with the Securities and Exchange Commission. Future economic and industry trends that could potentially impact revenue and profitability are difficult to predict. Therefore, there can be no assurance that the forward-looking statements included herein will prove to be accurate. In light of the significant uncertainties in the forward-looking statements included herein, the inclusion of such information should not be regarded a representation by the Company, or any other person, that the objectives of the Company will be achieved. The forward-looking statements made herein are based on information presently available to the management of the Company. The Company assumes no obligation to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 4. Matters Submitted to a Vote of Security Holders

The 2002 annual meeting of stockholders was held on Tuesday, May 21, 2002, at 9:00 a.m. Eastern Time at our corporate offices, located at 8323 Walton Parkway, New Albany, Ohio.

ELECTION OF DIRECTORS	FOR	AGAINST	WITHHELD	RESULTS

Philip E. Mallott	28,456,414	-	1,050,039	Elected
Michael W. Rayden	21,705,829	-	7,800,624	Elected

Item 6. Exhibits

(a) Exhibits

15 Letter re: Unaudited Interim Financial Information to Securities and Exchange Commission re: Incorporation of Report of Independent Accountants.

99.2 Press release: Too, Inc. announces completion of follow-on stock offering.

(b) Reports on Form 8-K

On May 13, 2002, the Company filed a current report on Form 8-K that announced the Company's first quarter results.

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SIGNATURE

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.

TOO, INC.
(Registrant)

By /s/ KENT A. KLEEBERGER

Kent A. Kleeberger,
Executive Vice President - Chief Financial Officer,
Logistics and Systems
Secretary and Treasurer
(duly authorized officer and Principal Financial and Accounting Officer)

Date: May 29, 2002

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EXHIBIT INDEX

Exhibit No.	Document
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