# FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1999-09-10** | Period of Report: **1999-07-31**
**SEC Accession No.** 0000812446-99-000017

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## FILER

**ONE PRICE CLOTHING STORES INC**

CIK:**812446**| IRS No.: **570779028** | State of Incorp.:**DE** | Fiscal Year End: **0130**
Type: **10-Q** | Act: **34** | File No.: **000-15385** | Film No.: **99709262**
SIC: **5621** Women's clothing stores

Mailing Address
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*SPARTANBURG SC 29304*

Business Address
*HWY 290 COMMERCE PK*
*1875 E MAIN ST*
*DUNCAN SC 29334*
*8644338888*

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 July 31, 1999

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 0-15385

ONE PRICE CLOTHING STORES, INC.
(Exact name of registrant as specified in its charter)

<TABLE>
<S> <C> <C>

| | |
|---|---|
| Delaware<br>(State or other jurisdiction of incorporation or organization) | 57-0779028<br>(I.R.S. Employer identification No.) |
| Highway 290, Commerce Park<br>1875 East Main Street<br>Duncan, South Carolina<br>(Address of principal executive offices) | 29334<br>(Zip Code) |
| Registrant's telephone number, including area code: | (864) 433-8888 |

</TABLE>

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. Yes X No

The number of shares of the registrant's common stock outstanding as of September 2, 1999 was 10,467,791.

<TABLE>
<S> <C>

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ONE PRICE CLOTHING STORES, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item I. Financial Statements (Unaudited)

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
One Price Clothing Stores, Inc. and Subsidiaries
<TABLE>

| <S> | <C> July 31, 1999 | <C> January 30, 1999 (1) | <C> August 1, 1998 |
|---|---|---|---|
| Assets | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | $ 2,108,000 | $ 2,418,000 | $ 2,243,000 |
| Merchandise inventories | 46,644,000 | 45,639,000 | 45,861,000 |
| Deferred income taxes | 788,000 | 768,000 | -- |
| Other current assets | 5,912,000 | 6,562,000 | 7,487,000 |
| TOTAL CURRENT ASSETS | 55,452,000 | 55,387,000 | 55,591,000 |
| PROPERTY AND EQUIPMENT, at cost | 63,922,000 | 62,084,000 | 60,465,000 |
| Less accumulated depreciation | 31,020,000 | 28,638,000 | 26,611,000 |
| | 32,902,000 | 33,446,000 | 33,854,000 |
| OTHER ASSETS | 4,700,000 | 3,994,000 | 3,867,000 |
| | $ 93,054,000 | $ 92,827,000 | $ 93,312,000 |
| Liabilities and Shareholders' Equity | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | $ 20,182,000 | $ 24,750,000 | $ 23,631,000 |
| Current portion of long-term debt and revolving credit facility | 6,243,000 | 11,998,000 | 10,692,000 |
| Sundry liabilities | 10,973,000 | 7,993,000 | 9,719,000 |
| TOTAL CURRENT LIABILITIES | 37,398,000 | 44,741,000 | 44,042,000 |
| LONG-TERM DEBT | 7,668,000 | 7,755,000 | 7,834,000 |
| OTHER NONCURRENT LIABILITIES | 3,000,000 | 2,914,000 | 2,852,000 |
| SHAREHOLDERS' EQUITY | | | |
| Preferred Stock, par value $0.01, -- authorized and unissued 500,000 shares | | | |
| Common Stock, par value $0.01 -- authorized 35,000,000 shares, issued and outstanding 10,466,291, 10,439,531 and 10,435,531, respectively | 105,000 | 104,000 | 104,000 |
| Additional paid-in capital | 11,539,000 | 11,465,000 | 11,453,000 |
| Retained earnings | 33,344,000 | 25,848,000 | 27,027,000 |
| | 44,988,000 | 37,417,000 | 38,584,000 |
| | $ 93,054,000 | $ 92,827,000 | $ 93,312,000 |

</TABLE>

(1) Derived from audited financial statements.

See notes to unaudited condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
One Price Clothing Stores Inc. and Subsidiaries
<TABLE>

<S> <C> <C> <C> <C>

| | Three-Month Period Ended | | Six-Month Period Ended | |
|---|---|---|---|---|
| | July 31, 1999 | August 1, 1998 | July 31, 1999 | August 1, 1998 |
| NET SALES | $ 97,905,000 | $ 95,786,000 | $ 185,018,000 | $ 178,299,000 |
| Cost of goods sold | 62,461,000 | 61,276,000 | 117,124,000 | 113,168,000 |
| GROSS MARGIN | 35,444,000 | 34,510,000 | 67,894,000 | 65,131,000 |
| Selling, general and administrative expenses | 19,747,000 | 19,671,000 | 39,032,000 | 37,666,000 |
| Store rent and related expenses | 6,922,000 | 6,735,000 | 13,577,000 | 13,618,000 |
| Depreciation and amortization expense | 1,358,000 | 1,338,000 | 2,683,000 | 2,660,000 |
| Interest expense | 450,000 | 539,000 | 962,000 | 1,158,000 |
| | 28,477,000 | 28,283,000 | 56,254,000 | 55,102,000 |
| INCOME BEFORE INCOME TAXES | 6,967,000 | 6,227,000 | 11,640,000 | 10,029,000 |
| Provision for income taxes | 2,570,000 | 2,710,000 | 4,144,000 | 4,467,000 |
| NET INCOME | $ 4,397,000 | $ 3,517,000 | $ 7,496,000 | $ 5,562,000 |
| Net income per common share -- basic | $ 0.42 | $ 0.34 | $ 0.72 | $ 0.53 |
| Net income per common share -- diluted | $ 0.41 | $ 0.33 | $ 0.70 | $ 0.53 |
| Weighted average number of common shares outstanding -- basic | 10,453,391 | 10,435,531 | 10,447,141 | 10,435,531 |
| Weighted average number of common shares outstanding -- diluted | 10,631,401 | 10,537,735 | 10,635,955 | 10,508,028 |

</TABLE>

See notes to unaudited condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
One Price Clothing Stores, Inc. and Subsidiaries
<TABLE>
<S> <C> <C>

| | Six-Month Period Ended | |
|---|---|---|
| | July 31, 1999 | August 1, 1998 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 7,496,000 | $ 5,562,000 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,683,000 | 2,660,000 |
| Provision for supplemental post-retirement benefits | 31,000 | - |
| Decrease in other noncurrent assets | 29,000 | 37,000 |
| Increase (decrease) in other noncurrent liabilities | 17,000 | (51,000) |
| Deferred income taxes | (20,000) | - |
| Loss on disposal of property and equipment | 137,000 | 272,000 |
| Changes in operating assets and liabilities | (1,945,000) | (5,818,000) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 8,428,000 | 2,662,000 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (2,086,000) | (646,000) |
| Purchases of other noncurrent assets | (546,000) | (372,000) |
| Repayment of related party loan | - | 13,000 |
| NET CASH USED IN INVESTING ACTIVITIES | (2,632,000) | (1,005,000) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayment of revolving credit facility | (5,760,000) | (978,000) |

| | | | | |
|---|---|---|---|---|
| Repayment of long-term debt | | (81,000) | | (76,000) |
| Debt financing costs incurred | | (69,000) | | (40,000) |
| Payment of capital lease obligations | | (194,000) | | (110,000) |
| Decrease in amount due to related parties | | (64,000) | | (37,000) |
| Proceeds from exercise of common stock options | | 62,000 | | - |
| NET CASH USED IN FINANCING ACTIVITIES | | (6,106,000) | | (1,241,000) |
| (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | | (310,000) | | 416,000 |
| Cash and cash equivalents at beginning of period | | 2,418,000 | | 1,827,000 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $ | 2,108,000 | $ | 2,243,000 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | | | |
| Interest paid | $ | 841,000 | $ | 1,163,000 |
| Income taxes paid | | 101,000 | | 49,000 |
| Noncash financing activity - capital leases | | 405,000 | | - |

</TABLE>

See notes to unaudited condensed consolidated financial statements

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
One Price Clothing Stores, Inc. and Subsidiaries

July 31, 1999

NOTE A - BASIS OF PRESENTATION AND CERTAIN ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited and include the accounts of One Price Clothing Stores, Inc. and its subsidiaries, all of which are wholly-owned (the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

These financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

For interim reporting, the Company's gross profit is calculated on a current quarterly basis by its inventory management system. Inventories are stated at the lower of cost (using the first-in, first-out (FIFO) retail method) or market.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Due to the seasonality of the Company's sales, operating results for the three-month and six-month periods ended July 31, 1999 are not necessarily indicative of the results that may be expected for the year ending January 29, 2000. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended January 30, 1999.

The Company's sales and operating results are seasonal. Sales and operating results have been the highest in the first quarter (February - April) and second quarter (May - July) and lowest in the third quarter (August - October) and fourth quarter (November January).

Comprehensive Income

The Company is required to disclose within the basic financial statements items of comprehensive income, such as foreign currency transactions and unrealized gains and losses on available-for-sale securities. Because the Company has no items which qualify as comprehensive income, there was no difference between comprehensive income and net income for the three-month and six-month periods ended July 31, 1999 and August 1, 1998.

Segments and Related Information

The Company operates in only one industry segment: Retail sales of apparel and accessories to the general public.

NOTE B - EARNINGS PER SHARE

Basic earnings per share are computed based upon the weighted average number of common shares outstanding. Diluted earnings per share are computed based upon the weighted average number of common and common equivalent shares outstanding. Common equivalent shares consist solely of shares under option. A reconciliation of basic and diluted weighted average shares outstanding is presented below:

<TABLE>
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| | Three-Month Period Ended | | Six-Month Period Ended | |
|---|---|---|---|---|
| | July 31, 1999 | August 1, 1998 | July 31, 1999 | August 1, 1998 |
| Weighted average number of common shares outstanding - basic | 10,453,391 | 10,435,531 | 10,447,141 | 10,435,531 |
| Net effect of dilutive stock options - based on the treasury stock method using the average market price | 178,010 | 102,204 | 188,814 | 72,497 |
| Weighted average number of common shares outstanding - diluted | 10,631,401 | 10,537,735 | 10,635,955 | 10,508,028 |

</TABLE>

NOTE C - CREDIT FACILITIES

The Company has a revolving credit facility of up to $37,500,000 (including a letter of credit sub-facility of up to $25,000,000) with its primary lender through March 2001. Borrowings under the credit agreement with the primary lender are collateralized by all assets owned by the Company during the term of the agreement (other than the land, buildings, fixtures and improvements collateralizing the mortgage loan discussed below). Under the agreement, the borrowings bear interest, at the Company's option (subject to certain limitations in the agreement), at the Prime Rate plus 0.25% or the Adjusted Eurodollar Rate, as defined, plus 2.0%. Maximum borrowings under the revolving credit facility and utilization of the letter of credit facility are based on a borrowing base formula determined with respect to eligible inventory as defined in the agreement. Availability under the revolving credit facility fluctuates in accordance with the Company's seasonal variations in inventory levels. At July 31, 1999, the Company had approximately $19.4 million of excess availability under the borrowing base formula. The lending formula may be revised from time to time in response to changes in the composition of the Company's inventory or other business conditions.

The Company's revolving credit agreement contains certain covenants which, among other things, restrict the ability of the Company to incur other indebtedness, or encumber or dispose of assets and prohibit the Company from repurchasing its Common Stock or paying dividends. The Company is required to maintain a $5,000,000 minimum level of working capital and to maintain a minimum adjusted net worth of $25,000,000 (both as defined in the revolving credit agreement). The Company was in compliance with these financial covenants at July 31, 1999.

The Company also has an agreement with a commercial bank to provide a separate letter of credit facility of up to $5,000,000 (as amended). Letters of credit issued under the agreement are collateralized by inventories purchased using such letters of credit. The agreement contains working capital and minimum net worth requirements of the same level as that required by the Company's primary lender under the revolving credit agreement. In March 1999, the letter of credit agreement was amended to extend the expiration date of the facility by one year to the earlier of June 2000 or termination of the Company's revolving credit facility with its primary lender. The letter of credit agreement, as amended, contains certain restrictive covenants which are substantially the same as those within the Company's revolving credit facility discussed above.

The Company also has a twenty-year mortgage agreement with a commercial bank. The agreement provides for a mortgage loan of $8,125,000 secured by the Company's real property located at its corporate offices including land, buildings, fixtures and improvements. The mortgage loan is payable in 240 consecutive equal monthly installments (including interest at the rate of 9.125% per annum) through July 2017. Certain fees may be payable by the Company if the mortgage loan is repaid prior to June 2014. The mortgage agreement contains certain nonfinancial covenants with which the Company was in compliance at July 31, 1999.

NOTE D - EFFECT OF NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") 133, "Accounting for Derivative Instruments and Hedging Activities," which, as amended, is effective for the fiscal year ending February 2, 2002. This new standard requires recognition of all derivatives, including certain derivative instruments embedded in other contracts, as either assets or liabilities in the statement of financial position and measurement of those instruments at fair value. The Company is in the process of reviewing the effect, if any, that SFAS 133 will have on the Company's consolidated financial statements and disclosures.

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Shareholders of
One Price Clothing Stores, Inc.
Duncan, South Carolina

We have reviewed the accompanying condensed consolidated balance sheets of One Price Clothing Stores, Inc. and subsidiaries (the "Company") as of July 31, 1999 and August 1, 1998, and the related condensed consolidated statements of operations for the three-month and six-month periods then ended and the condensed consolidated statements of cash flows for the six-month periods then ended. These financial statements are the responsibility of the Company's management.

We conducted our reviews 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 reviews, we are not aware of any material modifications that should be made to such condensed consolidated financial statements for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of the Company as of January 30, 1999, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 17, 1999 (March 31, 1999 as to Note B), we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 30, 1999 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP
Greenville, South Carolina
August 13, 1999

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

### Results of Operations

Net sales for the quarter ended July 31, 1999 increased 2.2% to $97,905,000 compared to $95,786,000 for the quarter ended August 1, 1998. Net sales for the six-month period ended July 31, 1999 increased 3.8% to $185,018,000 compared to $178,299,000 for the same time period in 1998. Comparable store sales for the second quarter of fiscal 1999 increased 3.0% compared to a 10.1% increase for the same quarter last year. Comparable store sales for the six-month period ended July 31, 1999 increased 5.5% compared to a 5.2% increase for the same time period in 1998. We consider stores that have been open 18 months or more to be comparable, and there were 605 such stores at July 31, 1999. We believe that these sales results were generated by having improved fashion assortments at our core price points and better execution of our micro-merchandising strategy, based upon improved demographic profiling of our stores.

During the second quarter of fiscal 1999, we opened five stores and expanded four of our top-performing stores. In addition, we relocated three stores and closed four under-performing stores. At July 31, 1999, we operated 620 stores, four fewer than at quarter-end last year. The stores are located in 27 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

Gross margin was 36.2% of net sales in the second quarter of fiscal 1999 compared to 36.0% of net sales in the second quarter of fiscal 1998. For the first six months of fiscal 1999, gross margin was 36.7% of net sales versus 36.5% of net sales for the same time period in fiscal 1998. Increases in gross margin as a percentage of net sales were realized by improvements in maintained mark-up which were offset, in part, by slight increases in buying and other costs.

Selling, general and administrative ("SG&A") expenses were 20.2% of net sales for the second quarter of fiscal 1999 compared to 20.5% of net sales in the second quarter of fiscal 1998. SG&A expenses were 21.1% of net sales in both the first six months of fiscal 1999 and fiscal 1998. In both periods presented for fiscal 1999, SG&A expenses increased in dollars compared to the same time periods in fiscal 1998 due primarily to increased payroll expense in the stores. Payroll expense in the stores increased due to year-over-year increases in the average hourly wage rate. In addition, average store hours in the first six months of fiscal 1999 increased to support the higher year-over-year sales. SG&A expenses as a percentage of net sales were leveraged in both periods due to the higher year-over-year sales.

Store rent and related expenses per average store increased 6% in the second quarter of fiscal 1999 and increased 4% in the first six months of fiscal 1999 compared to the same periods last year. The increase in average store rent and related expenses is primarily due to the Company's store expansion strategy of opening larger, higher volume stores and thus entering more costly sites with higher rents while closing older stores with lower average rent costs. Due to the increase in average store rent, store rent and related expenses were 7.1% of net sales in the second quarter of fiscal 1999 compared to 7.0% of net sales in the second quarter of fiscal 1998. However, store rent and related expenses for the first six months of fiscal 1999 decreased as a percentage of net sales to 7.3% from 7.6% in fiscal 1998 primarily due to the leverage provided by higher year-over-year sales.

Interest expense decreased to 0.5% of net sales in the second quarter and the first six months of fiscal 1999 from 0.6% of net sales for the same time periods in fiscal 1998. These decreases in interest expense were due to lower average levels of borrowings and to lower average interest rates realized by obtaining more favorable pricing on the Company's working capital facility.

The Company's effective income tax rate was approximately 35.6% in the first six months of fiscal 1999. This rate is less than the statutory rate because the Company was able to achieve levels of profitability in Puerto Rico sufficient to permit the reduction of a portion of the remaining valuation allowance. The effective income tax rate for fiscal 1998 was 20.3%, primarily attributable to a favorable valuation allowance adjustment.

Outlook

Sales thus far in the third quarter of fiscal 1999 are slightly ahead of sales for the same time period in fiscal 1998 despite operating fewer stores on average than in 1998. During the remaining portion of fiscal 1999, we intend to focus our efforts on improving sales in existing stores while maintaining our margin and cost-containment targets. As part of this strategy, we plan to continue to monitor the merchandise mix and demographic profiles of our stores. We also plan to increase the size of certain highly productive stores. During the remaining portion of fiscal 1999, we plan to open approximately 20 new stores in existing markets, expand 9 existing stores and close approximately six under-performing stores.

The Company's sales and operating results are seasonal. Sales and operating results have been the highest in the first quarter (February - April) and second quarter (May - July) and lowest in the third quarter (August - October) and fourth quarter (November - January). We continue to develop strategies that should increase sales volume in the third and fourth quarters of the fiscal year.

Average store rent and related expenses are expected to increase in fiscal 1999 due to the location and the increase in average store square footage of stores planned to open in fiscal 1999 and the closing of older, lower-volume stores. We will seek to leverage these increases through improved average store sales volume.

Liquidity and Capital Resources

Increased sales and gross margin resulted in a 35% increase in net income for the first six months of fiscal 1999 compared to the same time period in fiscal 1998. In the first six months of fiscal 1999 and fiscal 1998, net cash provided by operating activities was primarily used to reduce the balance of the revolving credit facility and to open new stores, expand and remodel certain other top-performing stores and purchase software.

Merchandise inventories at the end of the second quarter of fiscal 1999 increased by 2% both in total and on an average store basis compared to the end of the second quarter of fiscal 1998. Total merchandise inventories at the end of the second quarter of fiscal 1999 were also 2% higher on an average store basis than at January 30, 1999 when inventory levels are typically lower. The level and source of inventories are subject to fluctuations because of our opportunistic buying strategy and prevailing business conditions.

As a result of our continued emphasis on purchasing from domestic sources, the level of outstanding documentary letters of credit decreased to $3.3 million on July 31, 1999 compared to $6.4 million on August 1, 1998. We currently expect to continue to pursue opportunistic purchases of merchandise from primarily domestic sources, but will purchase merchandise from foreign sources when it is deemed to be in the best interests of the Company.

Total accounts payable and amounts outstanding under the credit facilities, including long-term portions thereof, decreased 19% at the end of the second quarter of fiscal 1999 compared to the second quarter of fiscal 1998, primarily as a result of the year-over-year decrease of the amounts outstanding under the revolving credit facility made possible by year-over-year improvements in our results of operations. The level of accounts payable and amounts outstanding under the credit facilities are subject to fluctuations because of our seasonal operations, opportunistic buying strategy, rate of capital expenditures and prevailing business conditions.

Our credit facilities consist of a revolving credit facility to meet short-term liquidity needs, a mortgage loan collateralized by the Company's corporate offices and distribution center and letter of credit facilities to accommodate the Company's needs to purchase merchandise inventories from foreign sources. Collectively, the credit facilities contain certain financial and non-financial covenants with which the Company was in compliance at July 31, 1999. A summary of our credit facilities follows. Please refer to Note C of the unaudited financial statements contained within this Form 10-Q for a more complete description of the credit facilities.

We have a $37,500,000 revolving credit facility (including a $25,000,000 letter of credit sub-facility) with our primary lender through March 2001. Borrowings under the agreement are collateralized by all assets owned by the Company during the term of the agreement (other than land, buildings, fixtures and improvements collateralizing the mortgage loan discussed below). Maximum borrowings under the revolving credit facility and utilization of the letter of credit facility are based upon a borrowing base formula determined with respect to eligible inventory as defined in the agreement. At July 31, 1999, we had approximately $19.4 million in excess availability under the borrowing base formula.

We have a twenty-year, $8,125,000 mortgage loan agreement with a commercial bank payable in 240 consecutive equal monthly installments through July 2017. The agreement is secured by the Company's real property located at its corporate offices including land, buildings, fixtures and improvements.

We have a $5,000,000 letter of credit facility with a commercial bank through the earlier of June 2000 or termination of the revolving credit facility with the Company's primary lender. Letters of credit issued under the agreement are collateralized by inventories purchased using such letters of credit.

During fiscal 1999, we expect to spend approximately $6.0 million on capital expenditures, most of which will be used to open new stores, remodel, re-fixture, expand and relocate existing stores and invest in information technology. Our liquidity requirements in the foreseeable future are expected to be met principally through cash provided by operations and the use of our credit facilities. If we believe it to be in the best interests of the Company, additional long-term debt, equity, capital leases or other permanent financing may be considered.

## Market Risk and Risk Management Policies

We are exposed to market risk from changes in interest rates affecting our credit arrangements, including a variable-rate revolving credit facility and a fixed-rate mortgage loan agreement, which may adversely affect our results of operations and cash flows. We seek to minimize our interest rate risk through our day-to-day operating and financing activities. We do not engage in speculative or derivative financial or trading activities.

A hypothetical 100 basis point adverse change (increase) in interest rates relating to our revolving credit facility would have decreased pre-tax income for the six months ended July 31, 1999 and August 1, 1998 by approximately $53,000 and $73,000, respectively.

## Year 2000 Issues

### State of Readiness

The Company began identifying its major systems and software vendors susceptible to Year 2000 issues during its preparedness evaluation in fiscal 1996. During fiscal 1997, a formal steering committee was assembled from throughout the Company to ensure a smooth transition into the Year 2000. The Company has separated its Year 2000 efforts into five phases ("the Year 2000 Plan"): (i) awareness and identification of issues relating to the Year 2000; (ii) analysis of the impact on and risk to the Company's software, hardware and the services provided by the Company's vendors; (iii) performance of the work necessary to change or upgrade programs and files including installation of software and/or hardware; (iv) testing and certification of systems to assure compliance, including disaster recovery testing; and (v) implementation of systems. Because the Company uses a variety of internally-developed and third party software, certain tasks of various phases of the Year 2000 Plan are being performed simultaneously. The Company successfully completed the upgrade of its major systems in the first quarter of fiscal 1999. The Company believes that it has substantially completed all five phases of the Year 2000 Plan, its Year 2000 simulation and its disaster recovery testing, but the Company will continue to monitor its compliance during the course of 1999.

Like other companies, the Company relies upon third parties for its operations including, but not limited to, suppliers of merchandise, software, telephone service, electric power, water and financial services. As part of this program, the Company has a formal Year 2000 vendor compliance program in place. The Company has identified and assigned various levels of risk to third party vendors associated with the Company. The Company has received responses from all the vendors identified as critical to its operations. Each has indicated that it expects to be Year 2000 compliant in a timely manner. During the course of 1999, the Company will continue its vendor compliance efforts focusing on the remaining, less critical vendors in order of their assigned levels of risk.

Cost

The Company is primarily using internal resources to identify, test, upgrade and replace its Year 2000-sensitive systems. The Company's major systems, including its merchandise management system, its point-of-sale system, its inventory and general ledger system and its payroll system, have been due for upgrades in order to maintain vendor support. Therefore, the Company would be devoting the efforts of its internal resources to some or all of these projects through the normal course of business even if the Year 2000 issues had not existed. The Company also continues to replace any non-compliant software and hardware as necessary. During fiscal 1999, the cost of these incidental software and hardware replacements is expected to be less than $50,000.

Risk and Contingency Planning

Management currently believes that the Company has substantially completed the implementation of the Year 2000 Plan and will continue to monitor and test its systems through the remainder of the year, but gives no assurance that unforeseen difficulties which could alter the completion of the Year 2000 plan will not occur while performing incidental hardware and software replacements and Year 2000 simulation and disaster recovery tests. In addition, as part of the worst case scenario, if the Year 2000 Plan is not successful in a timely manner, the Company's third party vendors are not Year 2000 compliant in a timely manner and/or if the Company's supply of merchandise or ability to distribute its merchandise to its stores is adversely affected, the Year 2000 issues may have a material adverse impact on the results of operations, financial condition and cash flows of the Company. Also, possible interruptions in services such as electric power and telephone could occur in certain geographic areas, thereby temporarily closing some of the Company's stores. In addition, any general economic disruption caused by Year 2000 issues could adversely affect customer demand.

The Company believes it has substantially mitigated its Year 2000 risk by having substantially completed its Year 2000 Plan and disaster recovery tests. The Company will continue to monitor its compliance during the course of 1999. The Company intends to mitigate its risk of possible interruptions in service, such as electric power and telephone, by carrying business interruption insurance in its corporate offices, distribution center, and in its stores located in Puerto Rico and the U.S. Virgin Islands. In addition, the Company believes such risk in the Company's stores located in the continental United States is mitigated by the diversity of its store locations. The Company plans to continue to develop its contingency plans during the course of 1999.

Effect of New Accounting Pronouncements

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") 133, "Accounting for Derivative Instruments and Hedging Activities," which, as amended, is effective for the fiscal year ending February 2, 2002. This new standard requires recognition of all derivatives, including certain derivative instruments embedded in other contracts, as either assets or liabilities in the statement of financial position and measurement of those instruments at fair value. The Company is in the process of reviewing the effect, if any, that SFAS 133 will have on the Company's consolidated financial statements and disclosures.

Private Securities Litigation Reform Act of 1995

All statements contained in this document as to future expectations and financial results including, but not limited to, statements containing the words "believes," "anticipates," "expects," and similar expressions, should be considered forward-looking statements subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. The Company cautions readers of this Quarterly Report on Form 10-Q that a number of important factors could cause the Company's actual results in fiscal 1999 and beyond to differ materially from those expressed in such forward-looking statements. These factors include, but are not limited to, general economic conditions and consumer demand; consumer preferences; weather patterns; competitive factors; pricing and promotional activities of competitors; the impact of excess retail capacity and the availability of desirable store locations on suitable terms; whether or not the Company's merchandising strategy to offer alternative categories of merchandise at alternative price points will continue to increase sales and operating results or increase and attract new customers; whether or not offering for sale new categories of merchandise including, but not limited to, menswear, will increase sales and operating results; the availability, selection and purchasing of attractive merchandise on favorable terms; credit availability, including adequate levels of credit support provided to certain of the Company's vendors by factors and insurance companies; import risks, including potential disruptions and duties, tariffs and quotas on imported merchandise; regulatory matters, including legislation affecting wage rates; whether or not the Company and its major suppliers will ready their computer systems to be "Year 2000 Compliant" in a timely manner; and other factors described in the Company's filings with the Securities and Exchange Commission from time to time. The Company does not undertake 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See required information contained within Item 2 of this Form 10-Q.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings
None

Item 2. Changes in Securities and Use of Proceeds
None

Item 3. Defaults Upon Senior Securities
None

Item 4. Submission of Matters to a Vote of Security Holders

The Company received proxies representing 94.14% of the 10,444,131 shares outstanding and eligible to vote at the Annual Meeting of the Company's Shareholders held on June 9, 1999. The following summarizes the votes thereat:

<TABLE>

| Matter | For | Against | Abstentions | Non-Votes |
|---|---|---|---|---|
| 1. Election of Directors: | | | | |
| Leonard M. Snyder | 9,731,090 | 0 | 267,500 | 0 |
| Larry I. Kelley | 9,953,540 | 0 | 45,050 | 0 |
| Warren Flick | 9,940,340 | 0 | 58,250 | 0 |
| Laurie M. Shahon | 9,951,840 | 0 | 46,750 | 0 |
| Malcolm L. Sherman | 9,952,040 | 0 | 46,550 | 0 |
| James M. Shoemaker, Jr. | 9,740,340 | 0 | 258,250 | 0 |
| Allan Tofias | 9,934,390 | 0 | 64,200 | 0 |
| 2. Amendment of the 1991 Stock Option Plan | 5,530,268 | 289,016 | 19,683 | 4,159,623 |
| 3. Amendment of the Director Stock Option Plan | 5,132,529 | 685,145 | 21,293 | 4,159,623 |

</TABLE>

Item 5. Other Information
None

Item 6. Exhibits and Reports on Form 8-K:

(a) Exhibits

<TABLE>

| | |
|---|---|
| 10(a)* | Amendment Number One to One Price Clothing Stores, Inc. 1991 Stock Option Plan dated June 9, 1999. |
| 10(b)* | Amendment Number Two to One Price Clothing Stores, Inc. Director Stock Option Plan dated June 9, 1999. |
| 11 | Computation of Per Share Earnings |
| 15 | Acknowledgement of Deloitte & Touche LLP, independent accountants |
| 27 | Financial Data Schedule (electronic filing only) |

(b) Reports on Form 8-K

</TABLE>

The Company was not required to file any report on Form 8-K for the three-month period ended July 31, 1999.

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*Denotes a management contract or compensatory plan or agreement.

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.

ONE PRICE CLOTHING STORES, INC. (Registrant)

<TABLE>
<S> <C> <C>

| | |
|---|---|
| Date: September 10,1999 | /s/ Larry I. Kelley<br>Larry I. Kelley<br>President and Chief Executive Officer<br>(principal executive officer) |
| Date: September 10, 1999 | /s/ H. Dane Reynolds<br>H. Dane Reynolds<br>Senior Vice President and Chief Financial Officer<br>(principal financial officer and principal accounting officer) |

</TABLE>

Exhibit 10(a) - Amendment Number One to One Price Clothing Stores, Inc. 1991 Stock Option Plan Dated June 9, 1999

AMENDMENT NUMBER ONE TO
ONE PRICE CLOTHING STORES, INC.
1991 STOCK OPTION PLAN

This Amendment to the One Price Clothing Stores, Inc.("Company") 1991 Stock Option Plan ("Plan"), is adopted to be effective as of June 9, 1999.

WHEREAS, the Board of Directors of the Company adopted the Plan on July 24, 1991 and the Plan was subsequently approved by the shareholders of the Company and became effective as of July 24, 1991; and

WHEREAS, the Plan provided for an expiration date of July 23, 2001 and reserved a total of 400,000 shares for inclusion in the Plan, as subsequently adjusted for a three for two stock split on March 30, 1994; and,

WHEREAS, upon the recommendation of the Compensation Committee, following review by an outside consultant, the Board on March 24, 1999, unanimously approved an extension of the expiration date of the Plan to July 23, 2003, an increase of an additional 500,000 shares in the total number of shares reserved for inclusion in the Plan, and reservation of up to 50,000 shares of restricted stock for grant, out of the total shares reserved for grant, all such changes to be effective as of June 9, 1999, subject to shareholder approval; and,

WHEREAS, such changes were approved by the affirmative vote of the shareholders at the Company's Annual Meeting, held on June 9, 1999;

NOW, THEREFORE, the Plan is hereby modified, effective as of June 9, 1999, as follows:

1. Section 21 of the Plan, entitled "DURATION OF THE PLAN" is hereby amended to delete the date of July 31, 2001 and replace it with the date July 23, 2003.

2. Section 4 of the Plan, entitled "STOCK SUBJECT TO PLAN" is hereby amended by deleting the second sentence of such section and replacing it with the following:

> In addition to the initial 400,000 shares reserved for inclusion in the Plan, as subsequently adjusted for the three for two stock split on March 30, 1994, an additional 500,000 shares are reserved for grant under the Plan, any or all of which, at the Board's or Committee's discretion, may be intended to qualify as incentive stock options under Section 422A of the Internal Revenue Code of 1986,

as amended, (the "Code").

3. A new Section 4. A is hereby added to the Plan to read as follows:

4.A RESTRICTED STOCK

Up to 50,000 shares of the Common Stock authorized to be issued under this Plan may, at the sole discretion of the Board or the Committee, be issued as restricted stock, subject to the provisions of this Section 4.A ("Restricted Stock") and the other provisions of this Plan to the extent compatible with this Section 4.A, rather than issued as Options.

No grant of Restricted Stock shall vest until the recipient of the Restricted Stock (the "Grantee") has been continuously employed by the Company for a period of three (3) years from the date of grant of the Restricted Stock, except that all such grants to a Grantee shall immediately vest in the event the Grantee dies or becomes permanently or totally disabled within the meaning of Section 22(e)(3) of the Code or in the event that the Company dissolves or experiences a change-in-control, including without limitation, a merger, consolidation, stock sale or exchange, sale of substantially all of the Company's assets or similar transaction in which the Company is not the surviving entity. In the event of the death of the Grantee or the dissolution or change-in-control of the Company, all of that Grantee's Restricted Stock will be deemed to have vested immediately prior to his or her death or the dissolution or change-in-control.

All unvested Restricted Stock of a Grantee shall be immediately and automatically forfeited to the Company upon termination of a Grantee's employment for any reason except as explicitly otherwise provided herein.

Except to the extent specifically provided by the Committee in its sole discretion in writing to a Grantee, no Restricted Stock may be sold, assigned, pledged or otherwise transferred, voluntarily or involuntarily by the Grantee until the Restricted Stock vests. Any attempt to transfer any Restricted Stock in violation of the restrictions placed thereon shall result in all such shares included in the attempted transfer being immediately and automatically forfeited to the Company.

All shares of Restricted Stock forfeited to the Company for any reason shall no longer be charged against the limitations provided in Sections 4 and 4.A of this Plan and may again become shares subject to the Plan issuable either under Options or as Restricted Stock.

Restricted Stock awarded under this Section 4.A shall be transferred in consideration of the services of the Grantee without other payment therefor and shall be issued in the Grantee's name. The Grantee will have all of the rights of ownership of such shares, including without limitation the right to vote such shares and receive distributions with respect to such shares, subject to the terms, conditions, restrictions and limitations established pursuant to this Section 4.A. Certificates for Restricted Stock shall be issued in the Grantee's name and shall be held in escrow by the Company (along with stock powers executed by the Grantee) until all conditions that may cause a forfeiture of such shares have lapsed or such shares are forfeited. A certificate or certificates representing a grant of Restricted Stock as to which such conditions have lapsed shall be delivered to the Grantee upon such lapse as soon as practicable after the Grantee has satisfied any applicable tax withholding requirements.

Restricted Stock shall be treated in the same manner as other outstanding shares of Common Stock in the event of any share dividend, split, recapitalization, merger, consolidation, combination, exchange of shares or other similar corporate change; provided that any conditions and restrictions applicable to a Restricted Stock grant shall continue to apply to the Restricted Stock and any other securities or consideration received in connection with the foregoing except to the extent that this Section 4.A provides otherwise.

4. In all other respects, the Plan is ratified and continued in accordance with its terms and conditions.

Exhibit 10(b) - Amendment Number Two To One Price Clothing Stores, Inc. Director Stock Option Plan dated June 9, 1999

AMENDMENT NUMBER TWO TO
ONE PRICE CLOTHING STORES, INC.
DIRECTOR STOCK OPTION PLAN

This Amendment Number Two to the One Price Clothing Stores, Inc. ("Company") Director Stock Option Plan (as amended on March 14, 1996, the "Plan," and before such amendment, the "Original Plan"), is adopted to be effective as of June 9, 1999.

WHEREAS, the Board of Directors ("Board") of the Company adopted the Original Plan as of February 9, 1995, and the Original Plan was subsequently approved by the shareholders of the Company and became effective as of April 19, 1995; and

WHEREAS, the Original Plan was subsequently amended, with such amendment being adopted as of March 14, 1996 ("Amendment Number One"); and

WHEREAS, upon the recommendation of the Compensation Committee, and with the advice and review of an outside consultant, the Board on March 24, 1999, unanimously approved amendments to the Plan: (i) increasing the number of shares to be issued by 125,000; (ii) providing for a pro-rata grant (calculated monthly) to non-employee directors who are appointed during the year by the Board to fill a vacancy; (iii) providing that options granted under the Plan shall vest on the business day preceding the annual meeting following the date of grant, provided the Director receiving the grant is still a member of the Board at such time; (iv) commencing with the Annual Meeting of Shareholders on June 9, 1999, changing the date of grant to the date of the Annual Meeting of Shareholders; and, (v) providing for up to 75,000 shares of restricted stock out of, and not in addition to, the total shares reserved under the Plan, for grant to eligible Directors at the discretion of the Compensation Committee (ACommittee@), in full or partial replacement of the grant of stock options under the Plan, all such amendments to be effective as of June 9, 1999, subject to shareholder approval; and,

WHEREAS, such changes were approved by the affirmative vote of the shareholders at the Company's Annual Meeting, held on June 9, 1999;

NOW, THEREFORE, the Plan is hereby amended, effective as of June 9, 1999 as provided for below.

1. Section 3 of the Plan, entitled "STOCK SUBJECT TO PLAN", is hereby amended by deleting the number "105,000" in the second sentence thereof and replacing it with "230,000." In addition, the following sentence is inserted after the second sentence of such Section 3:

Up to a total of 75,000 of these shares may be reserved and used for the grant of "Restricted Stock" as defined in Section 4.A of this Plan rather than being subject to Options.

2. The first paragraph of Section 4 of the Plan, entitled "OPTIONS FOR DIRECTORS WHO ARE NOT EMPLOYEES," is hereby amended by adding the words "and/or Restricted Stock" after the words "The Grant of Options."

3. The second paragraph of Section 4 of the Plan is deleted in its entirety and is hereby replaced with the following:

> On each Grant Date (as hereinafter defined), each Eligible Director shall automatically receive from the Company an Option for 5,000 shares of Common Stock, with an exercise price per share equal to the average of the high and low sales price per share of the Common Stock on such Grant Date (as reported on NASDAQ); provided, however, that the Committee, in its sole discretion, may decide to issue in lieu of each such Option either Restricted Stock or a combination of Options and Restricted Stock. For purposes of this Plan, commencing with the Annual Meeting of Shareholders on June 9, 1999, the Grant Date shall be the date of the Annual Meeting of Shareholders.

4. The third paragraph of Section 4 of the Plan is hereby amended by deleting the first two sentences thereof and replacing them with the following sentence:

> Beginning with the June 9, 1999 grant, each new Option granted shall not vest and become exercisable until the business day preceding the annual meeting of shareholders following the date of grant, and shall vest and become exercisable only if the Director receiving the grant is still a member of the Board on such date, and shall continue to be exercisable until and including the business day immediately preceding the tenth anniversary of the Grant Date unless earlier terminated as otherwise provided in this Plan.

5. Section 4 of the Plan is further amended by the addition of the following new paragraph:

> In the event a vacant Board seat is filled with the appointment by the Board of a non-employee Director during the period between the Annual Meetings of Shareholders, then such non-employee Director shall be granted an Option for a pro-rata portion of 5,000 shares of Common Stock, based upon the estimated number of months remaining until the next Annual Meeting of Shareholders, inclusive of the month of such appointment, or, in substitution for such Options and at the Committee's sole discretion, Restricted Stock or a combination of Options and Restricted Stock.

6. A new Section 4.A is hereby added to the Plan to read as follows:

4.A RESTRICTED STOCK

Up to 75,000 shares of the Common Stock authorized to be issued under this Plan may be issued as restricted stock subject to the provisions of this Section 4.A ("Restricted Stock") either in addition to or in lieu of Options as provided in Section 4 of this Plan.

The Committee, at its sole discretion, may impose conditions, restrictions and limitations on the vesting and transfer of Restricted Stock grants; provided, however, that in the event that a Restricted Stock award is subject to risk of forfeiture based solely on whether the recipient thereof (the "Grantee") continues to be a member of the Board, the vesting period for such grant may not be less than the greater of (i) the period from the date of grant until the business day preceding the Company's next annual meeting of stockholders or (ii) six months from the date of grant.

Notwithstanding the foregoing, all Restricted Stock grants to a Grantee shall immediately vest in the event the Grantee dies or becomes permanently or totally disabled within the meaning of Section 22(e)(3) of the Code or in the event that the Company dissolves or experiences a change-in-control, including without limitation, a merger, consolidation, stock sale or exchange, sale of substantially all of the Company's assets or similar transaction in which the Company is not the surviving entity. In the event of the death of the Grantee or the dissolution or change-in-control of the Company, all of that Grantee's Restricted Stock will be deemed to have vested immediately prior to his or her death or the dissolution or change-in-control.

All unvested Restricted Stock of a Grantee shall be immediately and automatically forfeited to the Company if the Grantee ceases to be a Director for any reason except as explicitly otherwise provided herein. Any attempt to transfer any Restricted Stock in violation of the transfer restrictions placed thereon by the Committee shall result in all such shares included in the attempted transfer being immediately and automatically forfeited to the Company.

All shares of Restricted Stock forfeited to the Company for any reason shall no longer be charged against the limitations provided in Sections 3 and 4.A of this Plan and may again become shares subject to the Plan issuable either under Options or as Restricted Stock.

Restricted Stock awarded under this Section 4.A shall be transferred in consideration of the services of the Grantee without other payment therefor and shall be issued in the Grantee's name. The Grantee will have all of the rights of ownership of such shares, including without limitation the right to vote such shares and receive distributions with respect to such shares, subject to the terms, conditions, restrictions and limitations established pursuant to this

Section 4.A. Certificates for Restricted Stock shall be issued in the Grantee's name and shall be held in escrow by the Company (along with stock powers executed by the Grantee) until all conditions that may cause a forfeiture of such shares lapse or such shares are forfeited. A certificate or certificates representing a grant of Restricted Stock as to which such conditions have lapsed shall be delivered to the Grantee upon such lapse as soon as practicable after the Grantee has satisfied any applicable tax withholding requirements.

Restricted Stock shall be treated in the same manner as other outstanding shares of Common Stock in the event of any share dividend, split, recapitalization, merger, consolidation, combination, exchange of shares or other similar corporate change; provided that any conditions and restrictions applicable to a Restricted Stock grant shall continue to apply to the Restricted Stock and any other securities or consideration received in connection with the foregoing except to the extent that this Section 4.A provides otherwise.

7. In all other respects, the Plan is ratified and continued in accordance with its terms and conditions.

ONE PRICE CLOTHING STORES, INC. AND SUBSIDIARIES

Exhibit 11 - Computation of Per Share Earnings

<TABLE>

| <S> | <C> Three-Month Period Ended | <C> | <C> Six-Month Period Ended | <C> |
|---|---|---|---|---|
| | July 31, 1999 | August 1, 1998 | July 31, 1999 | August 1, 1998 |
| BASIC INCOME PER COMMON SHARE | | | | |
| Weighted average number of common shares outstanding | 10,453,391 | 10,435,531 | 10,447,141 | 10,435,531 |
| Net income | $ 4,397,000 | $ 3,517,000 | $ 7,496,000 | $ 5,562,000 |
| Basic net income per common share | $ 0.42 | $ 0.34 | $ 0.72 | $ 0.53 |
| DILUTED INCOME PER COMMON SHARE | | | | |
| Weighted average number of common shares outstanding | 10,453,391 | 10,435,531 | 10,447,141 | 10,435,531 |
| Net effect of dilutive stock options - based on the treasury stock method using the average market price | 178,010 | 102,204 | 188,814 | 72,497 |
| TOTAL | 10,631,401 | 10,537,735 | 10,635,955 | 10,508,028 |
| Net income | $ 4,397,000 | $ 3,517,000 | $ 7,496,000 | $ 5,562,000 |
| Diluted net income per common share | $ 0.41 | $ 0.33 | $ 0.70 | $ 0.53 |

</TABLE>

ONE PRICE CLOTHING STORES, INC. AND SUBSIDIARIES

EXHIBIT 15 - ACKNOWLEDGEMENT OF DELOITTE & TOUCHE LLP, INDEPENDENT ACCOUNTANTS

One Price Clothing Stores, Inc. and Subsidiaries
Duncan, South Carolina

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim condensed consolidated financial information of One Price Clothing Stores, Inc. and subsidiaries for the three-month and six-month periods ended July 31, 1999 and August 1, 1998, as indicated in our report dated August 13, 1999; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended July 31, 1999, is incorporated by reference in Registration Statements No. 33-20529, 33-31623, 33-48091, and 33-61803 on Form S-8 pertaining to the 1987 Stock Option Plan, the 1988 Stock Option Plan and 1991 Stock Option Plan, and the Director Stock Option Plan, respectively, of One Price Clothing Stores, Inc.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

DELOITTE & TOUCHE LLP
Greenville, South Carolina
September 10, 1999

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