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BLAIR CORP
Form 10-K
March 15, 2002

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

Commission file number 1-878

BLAIR CORPORATION

Incorporated in Delaware

I.R.S. Employer Identification Number:

220 Hickory Street
Warren, Pennsylvania 16366
(814) 723-3600

25-0691670

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, without nominal or par value	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by nonaffiliates of the registrant as of February 22, 2002 was \$126,838,533. There were 7,969,869 shares of common stock outstanding as of February 22, 2002, which amount represents the figure reported outstanding by the Company's transfer agent as of the record date.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Stockholders for the fiscal year ended December 31, 2001 (the "Annual Report") are incorporated by reference into Part II and Part IV of this Form 10-K. Portions of the Proxy Statement for the 2002 Annual Meeting of Stockholders (the "Proxy Statement") are incorporated by

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reference into Part III of this Form 10-K.

PART I

ITEM 1. BUSINESS

(a) GENERAL.

Blair Corporation (the "Company") was founded in 1910 by John L. Blair, Sr., and was incorporated in 1924 under the laws of the State of Delaware. The Company's business consists of the sale of fashion apparel for men and women, plus a wide range of home products. Although the Company's revenues are generated primarily through direct mail merchandising, the Company has transitioned into a multi-channel direct marketer, as an increasing amount of total revenue, approximately 5% in 2001, is being generated through its e-commerce website which was launched in 2000. The Company operates three retail stores, two in Pennsylvania and one in Delaware, and two outlet stores in Pennsylvania. The Company employs approximately 2,600 people. None of the Company's employees are subject to collective bargaining agreements.

(b) INFORMATION REGARDING INDUSTRY SEGMENTS.

The Company's business consists of only one industry segment, which is the direct mail, e-commerce and retail merchandising of men's and women's fashion apparel and home products.

(c) DESCRIPTION OF BUSINESS.

The Company markets a wide range of merchandise, manufactured by a number of independent suppliers, both domestic and foreign. Most of these suppliers have been associated with the Company for many years and manufacture products based upon the Company's specifications. Suppliers are selected in accordance with their ability to produce high quality products in a cost-effective manner.

The Company markets its products mainly by direct mail. Catalogs and letters containing color folders, depict the current styles of womenswear (such as coordinates, dresses, tops, pants, skirts, lingerie, sportswear, suits, jackets, outerwear and shoes), menswear (such as suits, shirts, outerwear, active wear, slacks, shoes, and accessories), and home products (such as bedspread ensembles, draperies, furniture covers, area rugs, bath accessories, kitchenware, gifts, collectibles and personal care items) and are mailed directly to existing and prospective customers. Sales of the menswear and womenswear products, including the Crossing Pointe product line which was introduced in 2000, accounted for approximately 89% of the Company's total sales in 2001, and sales of home products accounted for the remaining 11% (approximately). Media and co-op prospect advertising programs continue to be used as components of the Company's customer acquisition strategy. The Company expanded its Internet presence in 2001 generating nearly \$35 million in sales, approximately 5% of the Company's total gross sales, as compared to approximately \$2 million in sales in 2000. The Company launched its own e-commerce website (www.blair.com) in the fall of 2000 and redesigned the site at the beginning of 2001.

Both catalog mailings and letter mailings are mailed from commercial printers engaged by the Company. Prior to the second quarter of 2001, letter mailings originated from the Company's former Mailing Center in nearby Irvine, Pennsylvania. In the second quarter of 2001, the mailing operations were outsourced and in the third quarter of 2001, the merchandise returns operations that were located in the former Mailing Center were relocated to the Company's Returns Center in Erie, Pennsylvania. Orders for merchandise are processed at the Company's corporate offices in Warren, Pennsylvania (telephone orders via

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the call centers) and orders are filled and mailed from the Company's Distribution Center in Irvine, Pennsylvania. The Distribution Center is being expanded to include the former Mailing Center, and enhanced to improve customer service levels and to support the Company's growth plans. The Company serves customers throughout the fifty states.

The Company's outlet stores enable it to more efficiently promote and liquidate discontinued, overstocked and returned merchandise. The Delaware retail store is the only Company retail facility located outside of its home state of Pennsylvania.

The Company considers its merchandise to be low/medium-priced and competes for sales with other direct marketers, retail department stores, specialty shops, discount store chains and e-commerce and multi-channel marketers. The Company competes based on its sales expertise - its unique combination of product, quality, price, credit, guarantee and service.

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During 2001, the Company continued to broaden its customer information database systems. The marketing and credit departments are continually updated in order to enhance the Company's ability to market to both customers and prospects.

In October 2001, the Company announced a partnership with accomplished actress, artist, author and mother, Jane Seymour, to launch the "Jane Seymour Signature Collection" of women's apparel. The Jane Seymour inspired fashions will be sold exclusively through the Company's Crossing Pointe catalog and website (www.crossingpointe.com). The first "Jane Seymour Signature Collection" fashions previewed in early January 2002 on the Crossing Pointe website and debuted in the Crossing Pointe Spring 2002 catalog mailed at the end of January 2002.

(d) FOREIGN OPERATIONS AND EXPORT SALES.

The Company does not derive any revenue from sales of merchandise outside of the United States.

ITEM 2. PROPERTIES

The Company owns the following properties:

1. Blair Headquarters (220 Hickory Street, Warren, Pennsylvania).
2. Blair Distribution Center South (Route 62, Irvine, Pennsylvania).
3. Blair Distribution Center North (Route 62, Irvine, Pennsylvania).
4. Blair Warehouse Outlet (Route 62, Starbrick, Pennsylvania).
5. Blair Warehouse Outlet (Millcreek Mall, Erie, Pennsylvania).
6. Bell Warehouse Building (Liberty Street, Warren, Pennsylvania).
7. Starbrick Warehouse Building (Route 62, Starbrick, Pennsylvania).

The Company leases the following properties:

1. Blair Retail Store (Wilmington, Delaware).
2. Warehouse Building (Route 62, Starbrick, Pennsylvania).

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3. Telephone Call Center (Erie, Pennsylvania).
4. Telephone Call Center (Franklin, Pennsylvania).
5. Blair Retail Store (Grove City, Pennsylvania).
6. Blair Returns Center (Erie, Pennsylvania).
7. International Trade Offices (Hong Kong, Taiwan, Singapore and India).

In addition, three of the Company's wholly-owned subsidiaries lease office space in the Wilmington, Delaware area, which they use as their principal offices.

Management believes that these properties are capable of meeting the Company's anticipated needs for the near future once the previously announced modernization and expansion of the Company's merchandise fulfillment capabilities is completed, which is projected to be by year-end 2003. However, the Company's marketing strategy and potential sales growth may require expansion of the Company's customer service and call center capabilities.

ITEM 3. LEGAL PROCEEDINGS

The Company is not involved in any pending legal proceedings other than legal proceedings occurring in the ordinary course of business. Management believes that none of these legal proceedings, individually or in the aggregate, will have a material adverse impact on the results of operations or financial condition of the Company.

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

No matters were submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of the fiscal year covered by this report.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to page 13 of the Company's 2001 Annual Report to Stockholders.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this item is incorporated by reference to page 13 of the Company's 2001 Annual Report to Stockholders.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this item is incorporated by reference to pages 14 through 18 of the Company's 2001 Annual Report to Stockholders.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to market interest rate risk from exposure to

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changes in interest rates based upon its financing, investing and cash management activities. The Company utilizes variable-rate debt to manage its exposure to changes in interest rates. The Company does not expect changes in interest rates to have a material adverse effect on its income or cash flow in 2002. A change of one percent in the interest rate would cause a change in interest expense, based on the Company's current level of debt, for the year 2002 of approximately \$150,000.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is incorporated by reference to pages 6 through 12 of the Company's 2001 Annual Report to Stockholders.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Information regarding directors and executive officers of the Company appearing under the caption "Election of Directors" in the Company's Proxy Statement for the 2002 Annual Meeting of Stockholders filed with the Securities and Exchange Commission on March 15, 2002 (the "2002 Proxy Statement") is hereby incorporated by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information appearing under the caption "Executive Compensation" in the 2002 Proxy Statement is hereby incorporated by reference.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information setting forth the security ownership of certain beneficial owners and management appearing under the captions "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management" in the 2002 Proxy Statement is hereby incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) EXHIBITS AND FINANCIAL STATEMENTS AND SCHEDULES.

(1) Financial Statements. The Company's consolidated financial statements to be included in Part II, Item 8 are incorporated herein by reference to the Company's 2001 Annual Report to Stockholders, a copy of which accompanies this report on Form 10-K.

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(2) Financial Statement Schedules. SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS is being filed as part of this report on Form 10-K, and should be read in conjunction with the consolidated financial statements of the Company described in Item 14(a)(1) above.

All other schedules set forth in the applicable accounting regulations of the Securities and Exchange Commission either are not required under the related instructions or are not applicable and, therefore, have been omitted.

(3) List of Exhibits.

The exhibits filed as a part of this Form 10-K are as follows (filed herewith unless otherwise noted):

- 3.1 Restated Certificate of Incorporation of the Company(1)
- 3.2 Bylaws of the Company(2)
- 4 Form of Specimen Common Stock Certificate of Blair Corporation(3)
- 10.1 Stock Accumulation and Deferred Compensation Plan for Directors(4)
- 10.2 Blair Corporation 2000 Omnibus Stock Plan(5)
- 10.3 Blair Credit Agreement(6)
- 11 Computation of Earnings per Share (incorporated by reference to page 11 of the 2001 Annual Report to Stockholders)
- 13 2001 Annual Report to Stockholders
- 21 Subsidiaries of Registrant
- 23 Consents of Experts and Counsel

- (1) Incorporated herein by reference to Exhibit A to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 10, 1995 (SEC File No. 1-878).
- (2) Incorporated herein by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 filed with the SEC on July 19, 2000 (SEC File No. 333-41772).
- (3) Incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 filed with the SEC on July 19, 2000 (SEC File No. 333-41772).
- (4) Incorporated herein by reference to Exhibit A to the Company's Proxy Statement filed with the SEC on March 20, 1998 (SEC File No. 1-878).
- (5) Incorporated herein by reference to Exhibit A to the Company's Proxy Statement filed with the SEC on March 17, 2000 (SEC File No. 1-878).
- (6) Incorporated herein by reference to Exhibit 99.1 to the Company's Form 8-K filed with the SEC on January 9, 2002 (SEC File No. 1-878).

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(b) REPORTS ON FORM 8-K.

The registrant has filed no Forms 8-K during the quarter ended December 31, 2001.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BLAIR CORPORATION
(Registrant)

Date: March 15, 2002

By: /s/ KENT R. SIVILLO

Kent R. Sivillo
Vice President and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Date: March 15, 2002

By: /s/ MURRAY K. MCCOMAS

Murray K. McComas
Chairman of the Board of Directors

Date: March 15, 2002

By: /s/ JOHN E. ZAWACKI

John E. Zawacki
President, Chief Executive Officer
and Director
(Principal Executive Officer)

Date: March 15, 2002

By: /s/ BLAIR T. SMOULDER

Blair T. Smoulder
Executive Vice President
and Director

Date: March 15, 2002

By: /s/ STEVEN M. BLAIR

Steven M. Blair
Vice President, Customer
Services, and Director

Date: March 15, 2002

By: /s/ DAVID A. BLAIR

David A. Blair
Secretary and Director

Date: March 15, 2002

By: /s/ KENT R. SIVILLO

Kent R. Sivillo
Vice President,

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Treasurer and Director
(Principal Financial and
Accounting Officer)

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Date: March 15, 2002

By: /s/ ROBERT D. CROWLEY

Robert D. Crowley
Vice President, Menswear,
and Director

Date: March 15, 2002

By: /s/ THOMAS P. MCKEEVER

Thomas P. McKeever
Vice President, Corporate Affairs
and Human Resources, and Director

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Annual Report on Form 10-K

Item 14(a) (1) and (2), and (d)

List of Financial Statements and Financial Statement Schedules

Blair Corporation and Subsidiaries
Warren, Pennsylvania

Year ended December 31, 2001

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Blair Corporation and Subsidiaries

List of Financial Statements and Financial Statement Schedules

Form 10-K -- Item 14(a) (1) and (2), and (d)

The following consolidated financial statements of Blair Corporation, included in the annual report of the registrant to its stockholders for the year ended December 31, 2001, are incorporated by reference in Item 8:

- Consolidated Balance Sheets -- December 31, 2001 and 2000
- Consolidated Statements of Income -- Years ended December 31, 2001, 2000 and 1999
- Consolidated Statements of Stockholders' Equity -- Years ended December 31, 2001, 2000 and 1999
- Consolidated Statements of Cash Flows -- Years ended December 31, 2001, 2000 and 1999
- Notes to Consolidated Financial Statements -- December 31, 2001

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The following financial statement schedule of Blair Corporation is included in Item 14(d):

-- Schedule II -- Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

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Blair Corporation and Subsidiaries

Schedule II

Valuation and Qualifying Accounts December 31, 2001

COLUMN A	COLUMN B	COLUMN C	COLUMN D
Description	BALANCE AT BEGINNING OF PERIOD	ADDITIONS- CHARGED TO COSTS AND EXPENSES	DEDUCTIONS- CHARGED TO COSTS AND EXPENSES
Year ended December 31, 2001:			
Allowance deducted from asset account (customer accounts receivable):			
For doubtful accounts	\$ 39,771,673	\$ 31,333,326 (A)	\$ 32,016,673
For estimated loss on returns	6,993,000	89,930,958	90,044,000
Total	46,764,673	121,264,284	122,061,673
Allowance deducted from asset account (merchandise inventories)			
For obsolete inventory	6,250,000	9,123,081	11,223,000
Total	\$ 53,014,673	\$130,387,365	\$133,284,673
Year ended December 31, 2000:			
Allowance deducted from asset account (customer accounts receivable):			
For Doubtful accounts	\$ 31,489,153	\$ 35,932,526 (A)	\$ 27,650,000
For estimated loss on returns	6,431,673	84,955,671	84,394,000
Total	37,920,826	120,888,197	112,044,000
Allowance deducted from asset account (merchandise inventories)			
For obsolete inventory	4,000,000	6,596,611	4,346,000
Total	\$ 41,920,826	\$127,484,808	\$116,390,000

Year ended December 31, 1999:
Allowance deducted from asset account

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(customer accounts receivable):			
For doubtful accounts	\$ 29,224,323	\$ 22,468,075 (A)	\$ 20,203,
For estimated loss on returns	6,250,000	83,262,638	83,080,
	-----	-----	-----
Total	35,474,323	105,730,713	103,284,
Allowance deducted from asset account			
(merchandise inventories)			
For obsolete inventory	5,150,000	10,581,548	11,731,
	-----	-----	-----
Total	\$ 40,624,323	\$116,312,261	\$115,015,
	=====	=====	=====

Note (A) -- Current year provision for doubtful accounts, charged against income.

Note (B) -- Accounts charged off, net of recoveries.

Note (C) -- Sales value of merchandise returned.

Note (D) -- Inventory reductions to below cost.