

SHOE PAVILION INC  
Form 10-Q  
May 13, 2003  
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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 29, 2003

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-23669

# SHOE PAVILION, INC.

(Exact name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

94-3289691

(IRS Employer Identification Number)

3200-F Regatta Boulevard, Richmond, California 94804

(Address of principal executive offices) (Zip Code)

(510) 970-9775

(Registrant's telephone number, including area code)

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 whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act)

Yes No

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

As of May 2, 2003 the Registrant had 6,800,000 shares of Common Stock outstanding.

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**FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 which provides a safe harbor for these types of statements. These forward-looking statements are subject to risks and uncertainties and the Company's actual results could differ materially from management's current expectations. These factors include, without limitation, the financial impact of discontinuing the operation of the licensed shoe departments at Gordmans department stores, competitive pressures in the footwear industry, changes in the level of consumer spending on or preferences in footwear merchandise, economic and other factors affecting the retail market conditions, including the events of September 11, 2001 and uncertainties related to the ongoing conflict in the Middle East, the Company's ability to purchase attractive name brand merchandise at reasonable discounts, the availability of desirable store locations as well as management's ability to negotiate acceptable lease terms and maintain supplier and business relationships and open new stores in a timely manner and the uncertainties related to the Company's decision to contract with an outside third party for its warehouse and distribution functions. Other risk factors are detailed in the Company's filings with the Securities and Exchange Commission. The Company assumes no obligation to update forward-looking statements.

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**PART I  
FINANCIAL INFORMATION**

**Item 1. Condensed Consolidated Financial Statements.**

The following financial statements and related financial information are filed as part of this report:

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Shoe Pavilion, Inc.  
Condensed Consolidated Balance Sheets  
(Unaudited)

(In thousands, except share data)

	March 29, 2003	December 28, 2002
<b>ASSETS</b>		
Current assets		
Cash	\$ 1,503	\$ 779
Accounts receivable	208	849
Income tax receivables	1,402	523
Inventories	34,210	33,660
Deferred income taxes and prepaid expenses	1,148	900
<b>Total current assets</b>	<b>38,471</b>	<b>36,711</b>
Property and equipment, net	3,779	3,676
Deferred income taxes and other	1,026	1,006
<b>Total assets</b>	<b>\$ 43,276</b>	<b>\$ 41,393</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities		
Accounts payable	\$ 9,154	\$ 6,220
Accrued expenses	2,481	2,858
<b>Total current liabilities</b>	<b>11,635</b>	<b>9,078</b>
Long-term debt	9,300	8,491
Deferred rent	1,834	1,999
<b>Total liabilities</b>	<b>22,769</b>	<b>19,568</b>
Commitments and contingencies		
Stockholders' equity		
Preferred stock- \$.001 par value; 1,000,000 shares authorized; no shares issued or outstanding		
Common stock- \$.001 par value; 15,000,000 shares authorized; 6,800,000 issued and outstanding	7	7
Additional paid-in capital	13,967	13,967
Retained earnings	6,533	7,851
<b>Total stockholders' equity</b>	<b>20,507</b>	<b>21,825</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 43,276</b>	<b>\$ 41,393</b>

See notes to condensed consolidated financial statements.

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Shoe Pavilion, Inc.  
Condensed Consolidated Statements of Operations  
(Unaudited)

(In thousands, except per share and number of stores)

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	Quarter Ended	
	March 29, 2003	March 30, 2002
Net sales	\$ 18,583	\$ 21,415
Cost of sales and related occupancy expenses	14,346	14,807
Gross profit	4,237	6,608
Selling, general and administrative expenses	6,374	6,454
Income (loss) from operations	(2,137)	154
Interest expense	(60)	(35)
Other income, net		6
Income (loss) before taxes	(2,197)	125
Income tax provision (benefit)	(879)	48
Net income (loss)	\$ (1,318)	\$ 77
Earnings (loss) per share:		
Basic	\$ (0.19)	\$ 0.01
Diluted	\$ (0.19)	\$ 0.01
Weighted average shares outstanding:		
Basic	6,800	6,800
Diluted	6,800	6,804
Stores operated at end of period:		
Retail stores	87	82
Licensed shoe departments	0	39
Total	87	121

See notes to condensed consolidated financial statements.

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Shoe Pavilion, Inc.  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)

(In thousands)

	Quarter Ended	
	March 29, 2003	March 30, 2002
Operating activities:		
Net income (loss)	\$ (1,318)	\$ 77
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	376	427

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Gain on disposition of assets		(9)
Effect of changes in:		
Inventories	(550)	11
Receivables	(238)	185
Prepaid expenses and other	(268)	(139)
Accounts payable	2,934	761
Accrued expenses and deferred rent	(542)	(209)
	<u>394</u>	<u>1,104</u>
Net cash provided by operating activities		
Investing activities:		
Purchase of property and equipment	(479)	(155)
Proceeds from sale of asset		10
	<u>(479)</u>	<u>(145)</u>
Net cash used in investing activities		
Financing activities:		
Borrowings (payments) on credit facility, net	809	(550)
Principal payments on capital leases		(3)
	<u>809</u>	<u>(553)</u>
Net cash provided (used) by financing activities		
Net increase in cash	724	406
Cash, beginning of period	779	803
	<u>1,503</u>	<u>1,209</u>
Cash, end of period	\$	\$
Non cash investing activity:		
Disposal of asset under capital lease financing	\$	\$ 44
See notes to condensed consolidated financial statements.		

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**Shoe Pavilion, Inc.**

**Notes to Condensed Consolidated Financial Statements**

**1. Basis of Presentation**

**General** - The accompanying unaudited condensed consolidated financial statements have been prepared from the records of Shoe Pavilion, Inc. (the Company) without audit, and in the opinion of management, include all adjustments necessary to present fairly the financial position of the Company and the results of its operations and its cash flows for the periods presented. The balance sheet as of December 28, 2002 presented herein has been derived from the audited financial statements of the Company included in the Annual Report on Form 10-K for the year ended December 28, 2002.

The significant accounting policies followed by the Company are described in Note 2 to the audited consolidated financial statements for the year ended December 28, 2002. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted for purposes of the condensed consolidated interim financial statements. The condensed consolidated financial statements included herein should be read in conjunction with the audited consolidated financial statements, including the notes thereto, for the year ended December 28, 2002.

The results of operations for the quarter ended March 29, 2003 presented herein are not necessarily indicative of the results to be expected for the full year.

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**Comprehensive Income (Loss)** and net income (loss) are the same.

**Stock- Based Compensation** - The Company accounts for its stock option plans in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* and its related interpretations. Accordingly, no compensation expense has been recognized in the financial statements for stock option arrangements.

The following table illustrates the effect on net income (loss) and net income (loss) per share if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards ( SFAS ) No. 123, as amended by SFAS No. 148, *Accounting for Stock Based Compensation*.

	<u>Quarter Ended March 29, 2003</u>	<u>Quarter Ended March 30, 2002</u>
Net Income (loss), as reported	\$ (1,318,000)	\$ 77,000
Deduct stock-based compensation determined under fair value method, net of related tax benefits	(4,474)	(11,430)
<b>Pro forma net income (loss)</b>	<b>\$ (1,322,474)</b>	<b>\$ 65,570</b>
<b>Net Income (loss) per share:</b>		
As reported:		
Basic and diluted	\$ (0.19)	\$ 0.01
Pro forma:		
Basic and diluted	\$ (0.19)	\$ 0.01

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#### **2. Recently Issued Accounting Standards**

In June 2002, the FASB issued SFAS 146, *Accounting for Costs Associated with Exit or Disposal Activities*, which addresses accounting for restructuring and similar costs. SFAS 146 supersedes previous accounting guidance, principally Emerging Issues Task Force Issue No. 94-3. SFAS 146 requires that the liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. Under Issue 94-3, a liability for an exit cost was recognized at the date of the company's commitment to an exit plan. SFAS 146 also establishes that the liability should initially be measured and recorded at fair value. Accordingly, SFAS 146 may affect the timing of recognizing future restructuring costs as well as the amounts recognized. The statement also requires certain financial statement disclosures to be included in the notes to the financial statements that include the period in which an exit or disposal activity is initiated and any subsequent period until the related activity is completed. The Company adopted the provisions of SFAS No. 146 for store closures initiated after December 28, 2002. Adoption did not have a significant impact on the Company's financial position or results of operations.

#### **3. Financing Agreements**

During the quarter ended March 29, 2003 the Company had a credit agreement for a revolving line of credit up to \$15.0 million, including a \$5.0 million sublimit for the issuance of letters of credit, with a maturity date of August 1, 2004. Borrowings were based upon eligible inventory and were secured by the Company's accounts receivable, general intangibles, inventory and other rights to payment. The agreement prohibited the declaration and payment of cash or stock dividends. The credit agreement contained various restrictive and financial covenants including those tied to EBITDA as determined on a rolling four quarters basis and minimum net income requirements.

Interest on outstanding borrowings was at the bank's floating prime rate or LIBOR plus from 1.3% to 3.0%, depending on the Company's achievement of certain financial ratios. The weighted average interest rate on outstanding borrowings at March 29, 2003 was 2.68%. As of March 29, 2003, outstanding borrowings on the revolving line of credit were \$9.3 million and no additional amounts were available for advances under the line of credit.

As of March 29, 2003 the Company was out of compliance with a financial loan covenant. The lender provided the Company with a waiver on this default until April 30, 2003.

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On April 18, 2003 the Company entered into a new loan agreement with Wells Fargo Retail Finance, LLC. The loan agreement expires on April 18, 2006 and provides financing for up to \$20.0 million, including a \$5.0 million sublimit for the issuance of letters of credit. Borrowings under the new facility are based upon a percentage of eligible inventory less certain reserves. Borrowings are secured by inventory, equipment, general intangibles and other rights to payments. The agreement prohibits the payment of cash dividends. The agreement contains various restrictive covenants including a limitation on the amount of capital expenditures and the number of stores the Company may open and close during any fiscal year. Interest on borrowings will be at prime plus up to .25% or Libor plus 1.75% to 2.25% depending on the amount the Company has available for advances under the line of credit. The Company paid off the amount outstanding on its previous loan agreement from proceeds provided from its new loan facility.

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

#### **Overview**

*General* Shoe Pavilion, Inc., a Delaware corporation, operates as a single business segment of off-price shoe stores located in California, Washington and Oregon, under the name Shoe Pavilion. The Company had 87 and 82 stores open as of March 29, 2003 and March 30, 2002, respectively. In July 1999, the Company entered into a licensing agreement to operate the shoe departments of Gordmans, Inc. department stores located in the Midwest. On June 14, 2002, the license agreement with Gordmans department stores was terminated and the Company discontinued operating the 40 licensed shoe departments in Gordmans department stores. There were no sales from the licensed shoe departments for the quarter ended March 29, 2003.

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#### **Results of Operations**

*Net sales.* Net sales decreased 13.2% to \$18.6 million for quarter ended March 29, 2003 from net sales of \$21.4 million for the same period last year. The decrease in net sales was primarily attributable to the discontinuation of the Gordmans licensed shoe departments in June 2002 and to the 8.8% decrease in comparable store net sales. The decline in net sales was partially offset by the net sales generated from nine new retail stores opened in 2003 and 2002 (net of six closed). Net sales from the Company's retail stores and Gordmans licensed shoe departments were \$18.6 million and \$0.0 million, respectively, for the quarter ended March 29, 2003 compared to \$18.7 million and \$2.7 million, respectively, for the same period last year. Future net sales will be impacted as the Company no longer operates the licensed shoe departments.

*Gross Profit.* Cost of sales includes landed merchandise and occupancy costs and for the quarter ended March 30, 2002 the license fee paid to Gordmans for the licensed shoe departments. Gross profit decreased 35.9% to \$4.2 million for the quarter ended March 29, 2003 from \$6.6 million for the same period in 2002. Gross profit as a percentage of net sales decreased to 22.8% for the quarter ended March 29, 2003 from 30.9% for the same period in 2002. The decrease in gross profit as a percentage of net sales was primarily due to higher markdowns taken during the quarter and the increase in occupancy costs as a percentage of net sales. The increase in occupancy costs as a percentage of net sales was primarily due to the decrease in comparable store net sales and higher occupancy costs as a percentage of net sales for the nine new stores opened.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses decreased 1.2% to \$6.4 million for the quarter ended March 29, 2003 from \$6.5 million for the same period last year. The Company realized cost reductions during the quarter ended March 29, 2003 related to the outsourcing of its warehousing and distribution operations. In addition reductions in payroll and freight costs resulted from the discontinuation of the Gordmans licensed shoe departments. These reductions were partially offset by the increased payroll costs associated with the nine new retail stores opened.

*Interest Expense.* Interest expense increased to \$60,000 for the quarter ended March 29, 2003 from \$35,000 for the comparable period in 2002. The increase in interest expense for the quarter ended March 29, 2003 was attributable to higher average borrowings during the quarter on the Company's revolving line of credit partially offset by a lower average interest rate on outstanding borrowings.

*Income Taxes.* The effective tax rate for the first quarter ended March 29, 2003 was 40.0% as compared to 38.4% for the same period last year.

#### **Liquidity and Capital Resources**

Historically, the Company has funded its cash requirements primarily through cash flows from operations and borrowings under its credit facility. Net cash provided by operating activities was \$394,000 for the period ended March 29, 2003 compared to \$1.1 million for the same period last year. Net cash provided by operating activities historically has been driven primarily by net income before depreciation and fluctuations in inventory and accounts payable. In the quarter ended March 29, 2003 the decrease in cash provided from operations was

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principally due to the net loss during the quarter offset by changes in working capital. Excluding changes in operating assets and liabilities, \$942,000 was used in operations compared to \$495,000 provided from operations for the same period last year.

Capital expenditures for the quarter ended March 29, 2003 were \$479,000. These expenditures are primarily related to the remodeling of three stores and leasehold improvements and fixture and equipment for two stores that opened in April 2003. The Company expects capital expenditures for 2003 to be less than the \$1.0 million maximum allowed under its new loan agreement. The actual amount for capital expenditures will depend in part on the number of stores remodeled and new stores opened.

Financing activities provided (used) cash of \$809,000 and (\$553,000) for the quarters ended March 29, 2003 and

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March 30, 2002, respectively. The cash provided by financing activities during the quarter ended March 29, 2003 relates to the net increase in borrowings under the Company's revolving line of credit. The cash used by financing activities during the quarter ended March 30, 2002 primarily relates to the pay down on the Company's revolving line of credit.

During the quarter ended March 29, 2003 the Company had a credit agreement for a revolving line of credit up to \$15.0 million, including a \$5.0 million sublimit for the issuance of letters of credit, with a maturity date of August 1, 2004. Borrowings were based upon eligible inventory and were secured by the Company's accounts receivable, general intangibles, inventory and other rights to payment. The agreement prohibited the declaration and payment of cash or stock dividends. The credit agreement contained various restrictive and financial covenants including those tied to EBITDA as determined on a rolling four quarters basis and minimum net income requirements.

Interest on outstanding borrowings was at the bank's floating prime rate or LIBOR plus from 1.3% to 3.0%, depending on the Company's achievement of certain financial ratios. The weighted average interest rate on outstanding borrowings at March 29, 2003 was 2.68%. As of March 29, 2003, outstanding borrowings on the revolving line of credit were \$9.3 million and no additional amounts were available for advances under the line of credit.

As of March 29, 2003 the Company was out of compliance with a financial loan covenant. The lender provided the Company with a waiver on this default until April 30, 2003.

On April 18, 2003 the Company entered into a new loan agreement with Wells Fargo Retail Finance, LLC. The loan agreement expires on April 18, 2006 and provides financing for up to \$20.0 million including, a \$5.0 million sublimit for the issuance of letters of credit. Borrowings under the new facility are based upon a percentage of eligible inventory less certain reserves. Borrowings are secured by inventory, equipment, general intangibles and other rights to payments. The agreement prohibits the payment of cash dividends. The agreement contains various restrictive covenants including a limitation on the amount of capital expenditures and the number of stores the Company may open and close during any fiscal year. Interest on borrowings will be at prime plus up to .25% or Libor plus 1.75% to 2.25% depending on the amount the Company has available for advances under the line of credit. The Company paid off the amount outstanding on its previous loan agreement from proceeds provided from its new loan facility.

The Company expects that anticipated cash flows from operations and available borrowings under the Company's new credit facility will satisfy its cash requirements for at least the next 12 months.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes from the information reported in the Company's Form 10-K for the year ended December 28, 2002.

### **Item 4. Controls and Procedures**

Within the 90 days prior to the filing date of this report, the Chief Executive Officer and the Chief Financial Officer of the Company, with the participation of the Company's management, carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures pursuant to the Securities Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer believe that, as of the date of the evaluation, the Company's disclosure controls and procedures are effective in making known to them material information relating to the Company (including its consolidated subsidiary) required to be included in this report.

Disclosure controls and procedures, no matter how well designed and implemented, can provide only reasonable assurance of achieving an entity's disclosure objectives. The likelihood of achieving such objectives is affected by limitations inherent in disclosure controls and



procedures. These include the fact that human judgment in decision-making can be faulty and that breakdowns in internal control can occur because of human failures such as simple errors or mistakes or intentional circumvention of the established process.

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There were no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls, known to the Chief Executive Officer or the Chief Financial Officer, subsequent to the date of the evaluation.

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**PART II  
OTHER INFORMATION**

**Item 1. Legal Proceedings**

On May 31, 2002 the Company filed a lawsuit against Gordmans department stores in Douglas County, Nebraska. In the suit the Company claimed that Gordmans violated the terms of the license agreement the parties entered into in July 1999 by improperly withholding approximately \$474,000 due the Company from shoe department sales and by making unauthorized markdowns and discounts of approximately \$384,000. The Company was seeking \$858,000, which included the \$474,000 withheld by Gordmans.

In a counterclaim against the Company, Gordmans asserted that it was entitled to \$546,000 because the Company violated the license agreement by engaging in a liquidation sale, failed to maintain adequate inventory and did not perform required advertising. The violations alleged in the counterclaim apparently formed the basis for Gordmans decision to withhold the \$474,000 due the Company.

In April 2003 the Company and Gordmans settled the lawsuit and the case was dismissed. The resolution of this matter did not have a material impact on the Company's financial statements.

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

None

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

(a) Exhibits required to be filed by Item 601 of Regulation S-K:

99.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K filed during the quarter ended March 29, 2003:

None

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**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 on the 7th day of May 2003.

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SHOE PAVILION, INC., as Registrant

By

/s/ DMITRY BEINUS

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**Dmitry Beinus**  
**Chairman and Chief Executive Officer**

By

/s/ JOHN D. HELLMANN

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**John D. Hellmann**  
**Vice President and Chief Financial Officer**

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**CERTIFICATION**

I, Dmitry Beinus, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Shoe Pavilion, Inc.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation Date); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls;
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 7, 2003

By

/s/ DMITRY BEINUS

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I, John D. Hellmann, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Shoe Pavilion, Inc.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation Date); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls;
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 7, 2003

By

/s/ JOHN D. HELLMANN

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**John D. Hellmann**  
Vice President and Chief Financial Officer