MOTHERS WORK INC
Form S-3/A
July 30, 2002

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As filed with the Securities and Exchange Commission on July 30, 2002

Registration No. 333-90110

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 3
to
FORM S-3

Registration Statement
Under
The Securities Act of 1933

Mothers Work, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**5621**	**13-3045573**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

456 North Fifth Street
Philadelphia, PA 19123
(215) 873-2200

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Dan W. Matthias
Chairman and Chief Executive Officer
456 North Fifth Street
Philadelphia, PA 19123
(215) 873-2200

(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. / /

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. / /

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED JULY 30, 2002

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

1,100,000 Shares

Common Stock

We are selling 1,000,000 shares of common stock and the selling stockholders are selling 100,000 shares of common stock. We will not receive any of the proceeds from the shares of common stock sold by the selling stockholders, except amounts representing the aggregate exercise price for shares issued upon exercise of stock options which will be sold by some selling stockholders.

Our common stock is listed on the Nasdaq National Market under the symbol "MWRK." The last reported sale price on July 17, 2002, was $34.30 per share.

Concurrently with this offering, we also are offering $125 million aggregate principal amount of % Senior Notes due , 2010 by means of a separate prospectus and registration statement. **This offering is not contingent on the closing of the concurrent debt offering, but the concurrent debt offering is contingent on the closing of this offering.**

The underwriters have an option to purchase a maximum of 165,000 additional shares from us to cover over-allotments of shares.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 12.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Mothers Work	Proceeds to Selling Stockholders
Per Share	$	$	$	$

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Mothers Work	Proceeds to Selling Stockholders
Total	$	$	$	$

Delivery of the shares of common stock will be made on or about , 2002.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse First Boston

Legg Mason Wood Walker
Incorporated

Investec Inc.

Commerce Capital Markets

The date of this prospectus is , 2002.

TABLE OF CONTENTS

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

Each share of our common stock includes one preferred stock purchase right pursuant to our stockholder rights plan. Prior to the occurrence of the events described in the plan, the rights will not be exercisable or evidenced separately from our common stock. See "Description of Capital Stock Rights Agreement."

Mothers Work®, A Pea in the Pod®, Mimi Maternity®, Motherhood®, Motherhood Maternity Outlet®, *MaternityMall.com*®, Mothertime , iMaternity , Mimi , TrendTrack and Dan Howard are trademarks and service marks of Mothers Work, Inc. This prospectus also includes trademarks, service marks and trade names owned by other companies. All trademarks, service marks and trade names included in this prospectus are the property of their respective owners.

FORWARD-LOOKING STATEMENTS

Some of the information in this prospectus, including the information incorporated by reference, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements involve a number of risks and uncertainties. A number of factors could cause our actual results, performance, achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These factors include, but are not limited to:

- changes in consumer spending patterns;
- raw material price increases;
- consumer preferences and overall economic conditions;
- the impact of competition and pricing;
- changes in weather patterns;
- availability of suitable store locations on appropriate terms;
- continued availability of capital and financing;
- ability to hire and develop sales associates;
- changes in fertility and birth rates;
- political stability;
- currency and exchange risks;
- changes in existing or potential duties, tariffs or quotas;
- postal rate increases and charges;
- paper and printing costs;
- other factors affecting our business beyond our control; and
- other factors referenced in this prospectus, including those set forth under the caption "Risk Factors."

In addition, these forward-looking statements necessarily depend upon assumptions, estimates and dates that may be incorrect or imprecise and involve known and unknown risks, uncertainties and other factors. Accordingly, any forward-looking statements included in this prospectus do not purport to be predictions of future events or circumstances and may not be realized. Forward-looking statements can be identified by, among other things, the use of forward-looking terms such as "believes," "expects," "may," "will," "should," "seeks," "pro forma," "anticipates," "intends," "continues," "could," "estimates," "plans," "potential," "predicts," "goal," "objective," or the negative of any of these terms, or comparable terminology, or by discussions of outlook, plans, goals, strategy or intentions. Given these uncertainties, we caution investors not to place undue reliance on these forward-looking statements. We assume no obligation to update any of these forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting these forward-looking statements.

PROSPECTUS SUMMARY

This summary highlights information more fully described elsewhere in this prospectus. Because this is a summary, it is not complete and does not contain all of the information that you should consider before buying shares of our common stock in this offering. You should read the entire prospectus carefully, including the SEC filings that we have incorporated by reference into this prospectus, the "Risk Factors" section and our consolidated financial statements and the related notes included elsewhere in this prospectus, before deciding to invest in our common stock. When used in this prospectus, the terms "Mothers Work," "we," "our" and "us" refer to Mothers Work, Inc. and its subsidiaries, unless otherwise specified.

Mothers Work, Inc.

We are the leading designer and retailer of maternity apparel in the United States with 893 stores in all 50 states, Puerto Rico and Canada. We operate our stores under the Motherhood Maternity (Motherhood), Mimi Maternity (Mimi) and A Pea in the Pod brands and also sell our merchandise on the Internet at our *MaternityMall.com* and brand-specific websites. Our strategy is to fulfill all of an expectant mother's clothing needs, including casual and career wear, formal attire, underwear and outerwear in a high-service store environment. We use a vertically integrated business model to ensure that we offer the broadest assortment of in-stock, fashionable merchandise. Our three retail brands collectively target all of the price segments in maternity apparel, ranging from Motherhood at value prices to A Pea in the Pod at luxury prices. Our stores include 132 leased departments, primarily Motherhood-branded, within department and specialty stores. We have achieved 14.3% compounded annual sales growth over the past five years, resulting in sales of $388.3 million for the fiscal year ended September 30, 2001.

We were founded by Dan and Rebecca Matthias in 1982 as a mail order maternity apparel catalog. We began operating retail stores in 1985 and completed our initial public offering in 1993. We acquired Motherhood and A Pea in the Pod in 1995 and iMaternity in October 2001 to increase our industry presence, address multiple price points in maternity apparel and improve operating productivity. Since the acquisitions of Motherhood and A Pea in the Pod, we have developed and grown these brands along with our Mimi brand. In connection with each of our acquisitions, we have consolidated some overlapping locations and closed under-performing stores, resulting in increased sales per square foot and better absorption of store overhead.

We believe that there are approximately $1 billion of maternity clothes sold each year in the United States. We also believe that there is an opportunity to grow the market by selling maternity clothes to pregnant women who currently purchase loose-fitting or larger-sized non-maternity clothing as a substitute for maternity wear. In addition, we believe that demand for maternity apparel is relatively stable when compared to non-maternity apparel. Expectant mothers continue to need to replace their clothes and the current rate of approximately four million U.S. births per year has remained stable over the last decade. We believe that maternity apparel is also less fashion sensitive than specialty apparel in general, as demand is driven by the need to replace wardrobe basics as opposed to current fashion trends. Our competitors in the value-priced maternity apparel business are primarily moderate-priced department stores, discount stores and web-based maternity operations. Competition in mid- and luxury-priced maternity apparel is highly fragmented. We compete primarily with single location retailers and a handful of multi-location maternity operations, with the largest of these competitors having only twelve stores.

Motherhood. Motherhood serves the value-priced and highest volume portion of the maternity apparel industry and is our largest chain, with 610 stores as of March 31, 2002. Motherhood is positioned on everyday low prices, broad assortment, fashion and quality. We believe that the Motherhood customer shops at moderate-priced department stores and discount stores when she is not expecting. Motherhood stores average approximately 1,400 square feet and are located primarily in enclosed malls, strip and power centers and central city business districts. Motherhood stores include 87 outlet locations that carry predominantly Motherhood-branded product, as well as some closeout merchandise. In addition, we operate 128 Motherhood leased departments in department and specialty stores such as Macy's, Rich's, Lazarus and Babies "R" Us. Between 1998 and 2000, we successfully broadened Motherhood's customer base by lowering price points approximately 40% to 45%. This new price position significantly expanded the brand's target market, increased revenues per store and increased unit volumes.

Mimi. We have 109 Mimi stores, as of March 31, 2002, that serve the middle market price segment of the maternity apparel industry. The brand is positioned as young, contemporary, fun and affordable. We believe that the Mimi customer shops at department stores and specialty apparel chains when she is not expecting. Mimi stores average approximately 1,600 square feet and are located primarily in regional malls, lifestyle centers and central business districts. The stores carry Mimi-branded product, as well as a small selection of maternity merchandise developed by contemporary vendors exclusively for Mimi. We also operate ten Mimi leased departments, six of which have been opened after March 31, 2002, in Marshall Field's, Bloomingdale's and Macy's. Mimi was historically price positioned just below A Pea in the Pod. When Motherhood's prices were lowered, there was an opportunity for Mimi to broaden its customer base by including lower price points. Mimi was, therefore, recently repositioned and its merchandise price points now range from just above Motherhood to the lower end of A Pea in the Pod. This repositioning has resulted in an expansion of Mimi's target market, and we believe that we now have the opportunity to significantly increase the number of Mimi stores.

A Pea in the Pod. We believe that A Pea in the Pod is the premier maternity brand in the United States. The brand is positioned as exclusive, designer and aspirational. Our 42 stores, as of March 31, 2002, average approximately 2,400 square feet and are located in the most upscale venues, including Madison Avenue, Oak Street, Beverly Hills, South Coast Plaza and Bal Harbour. In addition to offering A Pea in the Pod and Mimi brands, we seek out designer and contemporary manufacturers and help them develop maternity versions of their styles exclusively for our A Pea in the Pod stores. Publicity, including celebrities wearing our clothes, is an important part of the marketing and positioning of the brand. As scarcity is part of the concept's luxury image, we have chosen to further develop the brand primarily by optimizing our customers' in-store experience rather than by opening new stores. We, therefore, continuously upgrade the quality of the locations, our store designs, the product styling and our publicity to enhance brand image and maximize profitability.

Our Competitive Strengths

We are the leader in maternity apparel. We are the only nationwide chain of maternity specialty stores in the United States and believe that our brands are the most recognized in maternity apparel. We have established a broad distribution network, with stores in a wide range of geographic areas and retailing venues. In addition, we believe that we have a leading position at every price point of maternity apparel through our three distinct brands. Our leadership position enables us to gain a unique understanding of the needs of our maternity customers, as well as keep abreast of fashion and product developments. We enhance our leadership position, increase market penetration and further build our brands by operating leased departments in department and baby specialty stores.

We offer a wide product assortment. A primary consideration for expectant mothers shopping for maternity clothes is product assortment, as pregnant women need to replace almost their entire wardrobe. We believe that we offer the widest selection of merchandise in the maternity apparel industry. We also offer product for multiple seasons, as pregnant women's clothing needs vary depending on their due date. Our ability to offer a broad assortment of product is due, in large part, to

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our vertically integrated business model, which includes our extensive in-house design and contract manufacturing capabilities, as well as our rapid inventory replenishment system. We believe that many of our competitors rely predominantly on the decreasing number of wholesale maternity apparel vendors who often offer more limited assortments.

We are vertically integrated. We design, contract manufacture and distribute approximately 90% of our merchandise. We believe that vertical integration enables us to offer the widest product selection in maternity apparel, to respond quickly to fashion trends and to ensure industry-leading in-stock levels. We combine our in-house design expertise, domestic and international sourcing capabilities, rapid inventory replenishment process and extensive proprietary systems to maximize inventory turnover, sales per square foot and gross profit margins. During the six months ended March 31, 2002, continuous improvements in our international sourcing capabilities have assisted us in improving inventory turnover and increasing gross margins by 3.3 percentage points as compared with the prior year period.

We utilize a rapid inventory replenishment system. Because maternity apparel is a niche industry, store profitability is optimized in smaller store formats. We are able to profitably offer a wide selection of merchandise in stores averaging approximately 1,500 square feet due, in large part, to our rapid inventory replenishment system. Our proprietary system enables us to offer more than 3,000 stock keeping units, or

SKUs, per store without dedicating retail space to storage. We coordinate the rapid replenishment of inventory for all of our stores through our distribution center, which sends individually tailored selections to specific store locations between two and six times per week. We believe that most of our competitors do not rapidly replenish all styles in their store inventories and, therefore, cannot continuously offer comparable merchandise availability and assortment.

We have proprietary systems that support our business. In order to support our vertically integrated business model, we have developed a fully integrated, proprietary enterprise resource planning (ERP) system. This system includes point-of-sale (POS) systems, our TrendTrack merchandise analysis and planning system, our materials requirement planning (MRP) system and our web-based, global sourcing and logistics systems. These systems also support our automated picking and sorting systems and other aspects of our logistics infrastructure. We believe that our proprietary systems are critical to our competitive strengths of offering a broad product assortment, responding quickly to fashion trends, minimizing manufacturing costs and rapidly replenishing inventory in our stores.

We are able to obtain prime real estate locations. We believe that we are able to obtain attractive real estate locations due to the brand awareness of our concepts, our multiple price point approach and our sought after maternity customer. We are the only maternity apparel retailer to provide mall operators with the ability to choose from three differently priced concepts, depending on the mall's target demographics. We are also able to provide multiple stores for malls that want to offer their maternity customers a range of price alternatives. In addition, in the case of multi-mall operators, we have the flexibility to supply packages of stores in multiple malls. As a result, we have been able to locate stores in many of what we believe are the most desirable shopping malls in the country and are able to obtain attractive locations within these malls.

We have a highly experienced and recently expanded management team. Dan Matthias, Chairman and Chief Executive Officer, and Rebecca Matthias, President and Chief Operating Officer, founded the company 20 years ago and are leaders in maternity apparel retailing. David Mangini joined our management team in August 2001 as Executive Vice President General Merchandise Manager with more than 20 years of apparel merchandising experience, including senior positions at Gap Inc. and Limited Brands, Inc. Mr. Mangini has developed a merchandising and planning organization by brand to further support each concept's future growth.

Our Growth Strategy

We intend to continue growing our business primarily by opening new Motherhood and Mimi locations and improving profit margins. We expect to finance our growth principally from internally generated cash flow.

Continue to grow our Motherhood store base. We have grown our Motherhood store base from 217 stores at the time of acquisition in 1995 to 610 stores as of March 31, 2002, excluding leased departments. In fiscal 2000 and 2001, we opened 64 and 43 Motherhood stores, respectively, excluding leased departments and net of store closings. Based on our internal research and the number of suitable malls and outlet centers without a Motherhood store, we believe that the maternity apparel industry can support approximately 450 additional Motherhood stores and 100 additional Motherhood outlet stores in the United States. We expect to open approximately 99 and 67 new Motherhood stores and outlets in fiscal 2002 and 2003, respectively, net of store closings. We expect that the Motherhood stores opened in fiscal 2002 will include 54 conversions from acquired iMaternity locations. We currently have five Motherhood stores in Canada and believe that we can open additional stores in Canada, as well as in other international locations. We may also have the opportunity to grow the number of our Motherhood leased departments in the United States.

Accelerate the growth of our Mimi store base. We have 109 Mimi stores as of March 31, 2002, excluding leased departments. In fiscal 2000, we did not open any Mimi stores, net of store closings. In fiscal 2001, we opened three Mimi stores, excluding leased departments and net of store closings. We have recently widened the range of price points offered at Mimi to include lower prices and believe that this repositioning has significantly expanded Mimi's potential customer base. As a result, we expect to accelerate the growth of Mimi stores. Based on our internal research and the estimated number of suitable locations, we believe that the maternity apparel industry can support approximately 200 additional Mimi stores in the United States. We plan to open approximately 33 and 28 Mimi stores in fiscal 2002 and 2003, respectively, net of store closings. We expect that the Mimi stores opened in fiscal 2002 will include 25 conversions from acquired iMaternity locations.

Increase our gross and operating margins. We expect to increase our gross and operating margins primarily by continuing to develop our international sourcing capabilities. We have been transitioning from domestic to international manufacturing and believe that there are still significant opportunities to continue to lower our cost of goods. These opportunities include: (i) increasing volume purchasing as our business grows; (ii) improving supply chain efficiencies and communication with suppliers; (iii) shifting more of our domestic production to international factories; and (iv) identifying new manufacturers in additional and existing countries to minimize costs. We expect to continue to domestically source a portion of our product in order to quickly respond to changing fashion demands. We also expect that current initiatives to enhance the fashion apparel selection at Motherhood and Mimi will improve margins by increasing product demand and reducing markdowns.

Expand and remodel our stores. Approximately 25% of our non-outlet Motherhood stores are too small to carry our full line of merchandise, including plus-sized maternity wear, as well as our entire assortment of nursing apparel and accessories. We plan to expand the size of these stores primarily by relocating them within their current malls as space becomes available. Since the beginning of fiscal 1999, we have expanded 41 stores by increasing their average square footage from approximately 950 square feet to approximately 1,850 square feet. Recent results from completed relocations and expansions indicate that enlarging undersized Motherhood stores has increased their sales and profits. There are also opportunities to expand a portion of our Mimi store base to improve sales and profits. In addition, we plan to accelerate our store remodeling efforts and expect to remodel a substantial portion of our stores over the next several years.

Improve new store return on investment. We have recently redesigned the new store prototypes for each of our concepts to reduce build-out costs and improve returns on investment. The new prototypes are very similar to our current store base, but use more of a location's existing conditions and more prefabrication during construction. As a result, we have substantially reduced the capital expenditures needed for an average new store and expect to significantly increase our returns on new store investments.

Leverage our unique customer relationships. We believe that we serve approximately 2.5 million of the approximately 4.0 million women who have babies in the United States each year. We also believe that we serve approximately 1.3 million of the approximately 1.6 million first-time mothers each year. As a result, we have developed an extensive customer file of mothers. We have an opportunity to leverage these relationships by offering, at our customers' election, additional baby-related products and services through new and existing strategic alliances. We are supporting these efforts, as well as improving our customer service and customer relationship management capabilities, with investments in database hardware and software.

Recent Developments

For the months of April, May and June 2002, we reported comparable store sales increases of 2.1%, 4.5% and 6.3%, respectively.

On July 15, 2002, we issued a press release announcing our unaudited financial results for the third quarter ended June 30, 2002 and providing financial guidance for the fourth quarter of fiscal 2002 and the next three fiscal years.

As of the end of the quarter, we operated 898 locations, including 738 Motherhood locations (including leased departments), 116 Mimi locations (including leased departments) and 44 A Pea in the Pod stores (including leased departments). Net sales for the third quarter were $122.6 million, a 17.9% increase from $104.0 million in the third quarter of the prior year. Comparable store sales increased 4.1% for the quarter (based on 717 locations), in contrast to a comparable store sales decrease of 2.0% in the prior year (based on 638 locations). Gross margin was 55.5%, as compared to 52.2% for the third quarter of last year. Earnings before interest, taxes, depreciation and amortization (EBITDA) was $17.7 million for the third quarter, a 30% increase from $13.6 million for the third quarter of the prior year. Net income available to common stockholders was $6.8 million, an increase of 99% from $3.4 million in the prior year. Earnings per common share (diluted) were $1.45, a 53% increase from $0.95 in the third quarter of fiscal 2001. Net income for the quarter was affected by our adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," which requires that goodwill no longer be amortized. We recognized $0.6 million of goodwill amortization in the third quarter of fiscal 2001, or $0.16 per common share (diluted).

For the nine months ended June 30, 2002, net sales were $341.8 million, a 15.6% increase from $295.7 million in the prior year. Comparable store sales increased 1.0% for the nine month period (based on 665 locations), in contrast to a comparable store sales decrease of 1.0% in the prior year (based on 607 locations). Gross margin was 53.1%, as compared to 49.8% for the nine months ended June 30, 2001. Our EBITDA was $34.9 million, a 33% increase from $26.4 million in the prior year. Net income available to common stockholders was $8.6 million, a 300% increase from $2.2 million for the same period in fiscal 2001. Earnings per common share (diluted) were $2.18, an increase of 263% from $0.60 per common share (diluted) for the nine month period in fiscal 2001. Net income and earnings per common share for the nine month period were affected by the adoption of SFAS No. 142, as we recognized $1.6 million of goodwill amortization in fiscal 2001, or $0.45 per common share (diluted).

As of June 30, 2002, our balance sheet reflects cash and cash equivalents of $2.2 million, credit facility borrowings of $1.5 million, long term debt of $98.3 million, and stockholders' equity of

$26.3 million. On an as adjusted basis, after giving effect to this offering and the concurrent debt offering, as of June 30, 2002, our cash and cash equivalents would have been $19.6 million, we would have had no credit facility borrowings, our long term debt would have been $129.7 million and our stockholders' equity would have been $47.7 million.

For the quarter ending September 30, 2002, we are planning for low single digit comparable store sales increases, an improvement in gross margin of approximately 2.0 percentage points, and an EBITDA margin substantially consistent with that of the same quarter in the prior year. We expect our capital expenditures for the fiscal year ending September 30, 2002 to be in the range of $10 million to $12 million, having incurred capital expenditures of $5.1 million through June 30, 2002. Assuming the completion of this offering of shares of common stock and the concurrent debt offering, we expect to incur certain one-time charges, which relate to the early repayment of our existing senior notes and the planned purchase of our Series C preferred stock, of approximately $3.0 million, including approximately $2.6 million of non-cash charges, which will reduce earnings per common share (diluted) by approximately $0.70 for fiscal 2002.

Over the next three fiscal years, our goal is to increase sales by an average of approximately 10% annually, based on our plan to open new Motherhood and Mimi stores and our planned 1% to 2% comparable store sales growth. However, we expect somewhat less than 10% sales growth in fiscal 2003, primarily due to the increased number of new store openings beginning in fiscal 2003 and the impact of iMaternity stores closed during fiscal 2002 which contributed to fiscal 2002 sales but will not contribute to fiscal 2003 sales. We also have a goal to increase our gross margin by the end of the next three years by approximately 2.5 percentage points. If we were able to achieve this gross margin goal, we believe our operating income margin would increase by approximately 0.7 percentage points by the end of this three-year period. The targeted improvement in gross margin for the same period would be partially offset by an expected increase in operating expenses as a percentage of sales resulting from new store openings and our assumed low comparable store sales growth. Consistent with the goals described in the preceding sentences, our goal is to increase our earnings per share by approximately 18% to 20% annually over the next three years.

We plan to fund our capital expenditures over the next three years principally from cash flow from operations, and we plan for the annual expenditures to be higher than fiscal 2002, primarily due to discretionary store remodeling initiatives and a greater number of planned store openings. We are planning our fiscal 2003 capital expenditures to be between $20 million and $25 million, with approximately one-third targeted for our store remodeling program.

The goals set forth above, as well as the other forward-looking information contained or incorporated by reference in this prospectus, constitute forward-looking statements that are subject to various risks and uncertainties. A number of factors could cause our actual results, performance, achievements or industry results to be materially different from these forward-looking statements. See "Forward-Looking Statements" and "Risk Factors."

Our Principal Executive Offices

Our principal executive offices are located at 456 North Fifth Street, Philadelphia, Pennsylvania 19123. Our telephone number is (215) 873-2200, and our website address is *www.motherswork.com*. Information included or referred to on any of our websites is not a part of this prospectus.

6

The Offering

Common stock offered by us	1,000,000 shares
Common stock offered by the selling stockholders	100,000 shares
Over-allotment option granted by us	165,000 shares
Common stock to be outstanding after the offering, not including the over-allotment option	4,970,196 shares
Use of proceeds	Our net proceeds from the sale of shares of common stock offered by us will be approximately $32.0 million. Concurrently with this equity offering, we are offering $125 million aggregate principal amount of % Senior Notes due , 2010. The net proceeds that we expect to receive from the sale of the notes will be approximately $120.7 million. This offering is not contingent on the closing of the concurrent debt offering, but the concurrent debt offering is contingent on the closing of this offering.

We expect to use the aggregate net proceeds from this equity offering and the concurrent debt offering in the following order: (i) to repay the existing 12$^{5}/_{8}$% senior notes, plus accrued and unpaid interest; (ii) to repay our subordinated notes issued to former holders of shares of our Series A Preferred Stock in lieu of accrued and unpaid dividends; (iii) to pay all accrued and unpaid dividends on the outstanding shares of our Series A Preferred Stock and Series C Preferred Stock; (iv) to redeem all of the outstanding shares of our Series A Preferred Stock and to purchase, through an offer to purchase, all of the outstanding shares of our Series C Preferred Stock; (v) to repay the outstanding borrowings under our credit facility and (vi) for general corporate purposes.

In the event that the debt offering is not consummated, we expect to use the net proceeds from this equity offering in the following order: (i) to repay our subordinated notes issued to former holders of shares of our Series A Preferred Stock in lieu of accrued and unpaid dividends; (ii) to pay all accrued and unpaid dividends on the outstanding shares of our Series A Preferred Stock and Series C Preferred Stock and (iii) to redeem all of the outstanding shares of our Series A Preferred Stock and to purchase, through an offer to purchase, all of the outstanding shares of our Series C Preferred Stock. Based on an offering price per share of $34.30 (the closing share price on July 17, 2002), the net proceeds of this equity offering would be insufficient to redeem and purchase all of the outstanding shares of our Series A Preferred Stock and Series C Preferred Stock. We, therefore, expect to redeem and purchase a pro rata amount of each series.

We will not receive any proceeds from the sale of shares of common stock by the selling stockholders, except for amounts representing the aggregate exercise price for shares issued upon exercise of stock options.

Nasdaq National Market symbol	MWRK

The total number of shares of common stock to be outstanding after this offering does not reflect:

- 980,699 shares that may be issued upon the exercise of outstanding stock options;
- 350,000 shares that may be issued upon the exercise of outstanding warrants to purchase common stock;
- 128,000 shares that we have reserved for future issuance pursuant to our director stock option plan;
- 227,947 shares that we have reserved for future issuance pursuant to our amended and restated 1987 stock option plan;
- 269,128 shares that may be issued upon the conversion of the outstanding shares of our Series A Preferred Stock;
- 74,183 shares that may be issued upon conversion of our subordinated notes issued to former holders of shares of our Series A Preferred Stock in lieu of accrued and unpaid dividends; and
- 342,544 shares that may be issued upon the conversion of the outstanding shares of our Series C Preferred Stock.

Concurrent Debt Offering

Concurrently with this offering, we also are offering $125 million aggregate principal amount of % Senior Notes due , 2010 by means of a separate prospectus and registration statement. This offering is not contingent on the closing of the concurrent debt offering, but the concurrent debt offering is contingent on the closing of this offering.

8

Summary Consolidated Financial and Operating Data

The following tables set forth summary consolidated statement of operations data, pro forma statement of operations data, operating data, cash flow and other data, and balance sheet data as of and for the periods indicated. The summary consolidated statement of operations and balance sheet data for each of the three fiscal years presented below are derived from our audited consolidated financial statements. The summary consolidated statement of operations and balance sheet data set forth below as of March 31, 2002 and 2001 and for the six months then ended are derived from our unaudited consolidated financial statements. You should read this information in conjunction with "Selected Consolidated Financial and Operating Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	Fiscal Year Ended September 30,			Six Months Ended March 31,	
	2001	**2000**	**1999**	**2002**	**2001**
				(Unaudited)	
	(in thousands, except per share amounts)				
Statement of Operations Data:					
Net sales	$ 388,306	$ 366,283	$ 299,735	$ 219,250	$ 191,699
Costs of goods sold	194,320	183,300	150,402	105,635	98,730
Gross profit	193,986	182,983	149,333	113,615	92,969
Selling, general and administrative expenses	172,795	157,809	127,390	101,251	86,245
Operating income	21,191	25,174	21,943	12,364	6,724
Interest expense	(14,867)	(15,877)	(15,132)	(7,020)	(7,714)
Other income	594				
Income (loss) before income taxes	6,918	9,297	6,811	5,344	(990)
Income tax provision (benefit)	3,456	4,249	3,424	1,988	(469)
Net income (loss)	3,462	5,048	3,387	3,356	(521)
Dividends on preferred stock	1,491	1,389	1,251	1,533	746
Net income (loss) available to common stockholders	$ 1,971	$ 3,659	$ 2,136	$ 1,823	$ (1,267)
Income (loss) per share basic	$ 0.57	$ 1.06	$ 0.60	$ 0.52	$ (0.37)
Income (loss) per share diluted	$ 0.55	$ 1.01	$ 0.57	$ 0.49	$ (0.37)
Average shares outstanding basic	3,456	3,443	3,538	3,540	3,453
Average shares outstanding diluted	3,605	3,641	3,754	3,764	3,453
Pro Forma Statement of Operations Data(1):					
Net income (loss) available to common stockholders	$ 1,971	$ 3,659	$ 2,136	$ 1,823	$ (1,267)
Goodwill amortization	2,207	2,216	2,216		1,060
	$ 4,178	$ 5,875	$ 4,352	$ 1,823	$ (207)

	Fiscal Year Ended September 30,			Six Months Ended March 31,	
Pro forma net income (loss) available to common stockholders					
Pro forma income (loss) per share basic	$ 1.21	$ 1.71	$ 1.23	$ 0.52	$ (0.06)
Pro forma income (loss) per share diluted	$ 1.16	$ 1.61	$ 1.16	$ 0.49	$ (0.06)

(1) As a result of our adoption of SFAS No. 142 on October 1, 2001, we no longer amortize goodwill. The pro forma statement of operations data reflect an adjustment to exclude goodwill amortization expense recognized in the prior periods as presented.

	Fiscal Year Ended September 30,			Six Months Ended March 31,	
	2001	2000	1999	2002	2001
				(Unaudited)	
	(in thousands, except ratios and operating data)				
Operating Data:					
Same store sales growth (decrease)(1)	(2.4)%	8.3%	12.9%	0.3%	(0.6)%
Average net sales per gross square foot(2)(3)	$ 365	$ 390	$ 382	$ 359	$ 372
Average net sales per store(2)(3)	$ 520,000	$ 545,000	$ 521,000	$ 509,000	$ 535,000
Gross square footage at period end(4)	1,100,000	980,000	856,000	1,287,000	1,056,000
Number of stores at period end					
Motherhood	523	480	416	610	505
Mimi	74	71	71	109	73
A Pea in the Pod	42	41	41	42	40
Leased Departments	132	111	97	132	133
Total	771	703	625	893	751
Cash Flow and Other Data:					
EBITDA(5)	$ 33,700	$ 37,125	$ 32,459	$ 17,248	$ 12,647
Cash flows provided by operating activities	19,507	18,623	428	12,341	8,954
Cash flows used in investing activities	(12,127)	(13,828)	(10,306)	(2,741)	(5,820)
Cash flows provided by (used in) financing activities	(98)	(2,859)	7,395	(17,197)	(3,782)
Capital expenditures	12,212	13,619	10,087	3,236	5,717
Ratio of total debt to EBITDA(3)	3.8x	3.4x	4.0x	3.1x	3.8x
Ratio of EBITDA to interest expense(3)	2.3x	2.3x	2.1x	2.7x	2.1x

(1) Same store sales figures include stores that have been in operation for at least 12 full months at the beginning of the period for which such data is presented.

(2) Based on locations in operation during the entire preceding twelve-month period.

(3) For the six-month periods ended March 31, 2002 and 2001, the data is based on results from the preceding twelve-month period.

(4) Based on all locations in operation at the end of the period.

(5) We have presented EBITDA to enhance your understanding of our operating results. EBITDA represents net income (loss) before interest expense, income taxes, depreciation and amortization. EBITDA is provided because it is an important measure of financial performance commonly used in the retail industry to determine the value of companies within the industry and to define standards for borrowing from institutional lenders. You should not construe EBITDA as an alternative to operating income as an indicator of our operating performance, or as an alternative to cash flows from operating activities as a measure of our liquidity, as determined in accordance with generally accepted accounting principles. We may calculate EBITDA differently than other companies.

10

	Fiscal Year Ended September 30,			As of March 31, 2002		
	2001	2000	1999	Actual	As Adjusted for the Concurrent Equity and Debt Offerings(1)	As Adjusted for the Equity Offering(2)
				(Unaudited)	(Unaudited)	(Unaudited)
	(in thousands)					
Balance Sheet Data (at end of period):						
Working capital	$ 32,509	$ 29,684	$ 24,021	$ 24,768	$ 49,791	$ 24,797
Total assets	185,177	179,586	177,608	208,558	213,460	208,559
Total debt	128,842	127,179	128,661	118,983	130,140	116,597
Accrued dividends on Series A Preferred Stock	7,055	6,037	4,648	5,652		
Series C Cumulative Redeemable Preferred Stock				18,880		2,782
Stockholders' equity						
Series A Preferred Stock	10,773	11,500	11,500	7,819		1,202
Common stockholders' equity (deficit)	3,968	1,250	(2,432)	9,761	38,617	40,542
Total stockholders' equity	$ 14,741	$ 12,750	$ 9,068	$ 17,580	$ 38,617	$ 41,744

(1) The balance sheet data, as adjusted for the concurrent debt and equity offerings, is calculated as if the net proceeds from these offerings were used (i) to repay the existing $12^{5}/_{8}$% senior notes, plus accrued and unpaid interest, (ii) to repay our subordinated notes issued to former holders of shares of our Series A Preferred Stock in lieu of accrued and unpaid dividends, (iii) to pay all accrued and unpaid dividends on the outstanding shares of our Series A Preferred Stock and Series C Preferred Stock, (iv) to redeem all of the outstanding shares of our Series A Preferred Stock and to purchase, through an offer to purchase, all of the outstanding shares of our Series C Preferred Stock, (v) to repay the outstanding borrowings under our credit facility and (vi) for general corporate purposes.

(2) The balance sheet data, as adjusted for the equity offering only, is calculated as if the net proceeds from this offering were used (i) to repay our subordinated notes issued to former holders of shares of our Series A Preferred Stock in lieu of accrued and unpaid dividends, (ii) to pay all accrued and unpaid dividends on the outstanding shares of our Series A Preferred Stock and Series C

Preferred Stock and (iii) to redeem all of the outstanding shares of our Series A Preferred Stock and to purchase, through an offer to purchase, all of the outstanding shares of our Series C Preferred Stock. Based on an offering price per share of $34.30, the net proceeds of this equity offering would be insufficient to redeem and purchase all of the outstanding shares of our Series A Preferred Stock and Series C Preferred Stock. We, therefore, expect to redeem and purchase a pro rata amount of each series.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risks, as well as the other information contained in this prospectus, before deciding to invest in shares of our common stock. If any of the following risks actually occur, our business, financial condition and operating results could suffer. In that event, the trading price of our common stock could decline and you could lose all or part of your investment. You should refer to the other information set forth in this prospectus and our consolidated financial statements and the related notes included elsewhere in this prospectus.

Risks Relating to Our Business and Industry

We may not be successful in expanding our business and opening new stores.

Our growth depends on our ability to successfully open and operate new stores on a profitable basis. This expansion will place increased demands on our management, operational and administrative resources. These increased demands and operating complexities could cause us to operate our business less effectively, which, in turn, could cause a deterioration in the financial performance of our stores and slow our new store growth. Our planned expansion will also require that we continually monitor and upgrade our management information and other systems, as well as our distribution infrastructure.

Our ability to open and operate new stores successfully depends on many factors, including, among others, our ability to:

- identify and obtain suitable store locations, including mall locations, the availability of which is outside of our control;
- negotiate favorable lease terms, including desired tenant improvement allowances;
- source sufficient levels of inventory to meet the needs of new stores;
- successfully address competition, merchandising and distribution challenges; and
- hire, train and retain a sufficient number of qualified store personnel.

There can be no assurance that we will be able to achieve our store expansion goals. Even if we succeed in opening new stores as planned, we cannot assure you that our newly-opened stores will achieve revenue or profitability levels comparable to those of our existing stores in the time periods estimated by us, or at all. If our stores fail to achieve or are unable to sustain acceptable revenue and profitability levels, we may incur significant costs associated with operating or closing those stores.

We require a significant amount of cash to service our indebtedness, which reduces the cash available to finance our growth.

We have a significant amount of indebtedness. As of March 31, 2002, our total indebtedness, including current maturities, was $119.0 million, and we had the ability to borrow an additional $27.2 million under our credit facility. Our required interest payments under our existing senior notes are expected to be $11.6 million for each of fiscal 2002 and 2003.

As adjusted only for this equity offering, our pro forma indebtedness as of March 31, 2002 would have decreased by approximately $2.4 million to $116.6 million, and we would have had the ability to borrow an additional $27.2 million under our credit facility. As adjusted for this equity offering and the concurrent debt offering, our pro forma indebtedness as of March 31, 2002 would have increased by approximately $11.2 million to approximately $130.1 million, and we would have had the ability to borrow an additional $47.6 million under our credit facility.

Our ability to make required payments on our indebtedness, as well as to fund our operations and future growth, depends upon our ability to generate cash. Our success in generating cash depends upon the results of our operations, as well as upon general economic, financial, competitive and other factors beyond our control.

Our indebtedness could, among other things:

- make us more vulnerable to unfavorable economic conditions;
- make it more difficult for us to open new stores or improve or expand existing stores;
- restrict our ability to pay dividends or make distributions to our stockholders;
- restrict our ability to incur additional indebtedness;
- require us to pledge all or substantially all of our assets as collateral to secure indebtedness;
- make it more difficult for us to pursue strategic acquisitions, alliances and partnerships; and
- require us to dedicate or reserve a large portion of our cash flow from operations to making payments on our indebtedness, which would prevent us from using cash flow for other purposes.

We are heavily dependent on our management information systems and our ability to improve and upgrade these systems from time to time.

The efficient operation of our business is heavily dependent on our fully-integrated, internally-developed management information systems. In particular, we rely on point-of-sale terminals, which provide information to our customized TrendTrack merchandise analysis and planning system used to track sales and inventory. The TrendTrack system helps integrate our design, manufacturing, distribution and financial functions, and also provides daily financial and merchandising information. As a result, our business and operations could be materially and adversely affected if our systems were inoperable or inaccessible.

From time to time, we improve and upgrade our management information systems. We have recently begun deploying and upgrading a proprietary Internet-based point-of-sale system and integrating this system with our current systems. If we are unable to maintain and upgrade our systems or to convert to and integrate new and updated systems in an efficient and timely manner, our business and results of operations could be materially and adversely affected.

Our comparable store sales and quarterly operating results have fluctuated in the past and can be expected to continue to fluctuate in the future.

Our comparable store sales and quarterly results of operations have fluctuated in the past and can be expected to continue to fluctuate and are affected by a variety of factors, including:

- the opening of new stores, the relative proportion of new stores to mature stores and the expansion of stores;
- the timing of new store openings;

changes in our merchandise mix;

the price repositioning of our Mimi brand to the middle market price segment;

general economic conditions and, in particular, the retail sales environment;

calendar shifts of holiday or seasonal periods;

pregnancy rates;

actions of competitors or mall anchor tenants;

fashion trends; and

weather conditions.

If, at any time, our comparable store sales or quarterly results of operations decline or do not meet the expectations of Wall Street research analysts, the price of our common stock could decline substantially.

We rely significantly on foreign sources of production.

We receive apparel and other merchandise from foreign sources, both purchased directly in foreign markets and indirectly through domestic vendors with foreign sources. To the extent that any of our vendors are located overseas or rely on overseas sources for a large portion of their products, any event causing a disruption of imports, including the imposition of import restrictions, could harm our ability to source product. This disruption could materially limit the merchandise that we would have available for sale and reduce our revenues and earnings. The flow of merchandise from our vendors could also be adversely affected by financial or political instability, or war, in any of the countries in which the goods we purchase are manufactured. Trade restrictions in the form of tariffs or quotas, or both, applicable to the products that we sell also could affect the import of those products and could increase the cost and reduce the supply of products available to us. In addition, decreases in the value of the U.S. dollar against foreign currencies could increase the cost of products that we purchase from overseas vendors.

We could be materially and adversely affected if our distribution operations were disrupted.

To support our retail operations, we operate a distribution facility in Philadelphia, Pennsylvania. Finished garments from contractors and other manufacturers are inspected and stored for distribution to our stores. We do not have other distribution facilities to support our distribution needs. As a result, if this distribution facility were to shut down or otherwise become inoperable or inaccessible for any reason, we could incur significantly higher costs and longer lead times associated with the distribution of our products to our stores during the time it takes to reopen or replace the facility. In light of our strategic emphasis on rapid replenishment as a key competitive advantage, a distribution disruption might have a disproportionately adverse effect on our operations and profitability relative to other retailers. In addition, the loss or material disruption of service from any of our shippers could have a material adverse impact on our business and results of operations.

Our stores are heavily dependent on the customer traffic generated by shopping malls.

We depend heavily on locating our stores in prominent locations within successful shopping malls in order to generate customer traffic. We cannot control the development of new shopping malls, the availability or cost of appropriate locations within existing or new shopping malls or the success of existing or new mall stores.

The success of all of our mall stores will depend, in part, on the ability of each mall's anchor tenants, such as large department stores, other tenants and area attractions to generate consumer traffic in the vicinity of our stores, and the continuing popularity of malls as shopping destinations. Sales volume and mall traffic may be adversely affected by economic downturns in a particular area, the closing of anchor tenants or competition from non-mall retailers and other malls where we do not have stores.

Our success depends on our ability to identify and rapidly respond to fashion trends.

The apparel industry is subject to rapidly changing fashion trends and shifting consumer demands. Accordingly, our success depends on the priority that our target customers place on fashion and our ability to anticipate, identify and capitalize upon emerging fashion trends. Our failure to anticipate, identify or react appropriately to changes in styles or trends could lead to, among other things, excess inventories and higher markdowns, as well as the decreased appeal of our brands.

The failure to retain our existing senior management team or to attract and retain highly skilled and qualified personnel could adversely affect our business.

Our business requires disciplined execution at all levels of our organization in order to timely deliver and display fashionable merchandise in appropriate quantities in our stores. This execution requires experienced and talented management. We currently have a management team with a great deal of experience with us and in apparel retailing. If we were to lose the benefit of this experience and, in particular, if we were to lose the services of Dan Matthias, our Chairman and Chief Executive Officer, or Rebecca Matthias, our President and Chief Operating Officer, our business could be materially and adversely affected.

In addition, as our business expands, we believe that our success will depend greatly on our continued ability to attract and retain highly skilled and qualified personnel. There is a high level of competition for personnel in the retail industry. The inability to meet our staffing requirements in the future at costs that are favorable to us, or at all, could impair our ability to increase revenue and could otherwise harm our business.

Our quarterly operating results and inventory levels may fluctuate as a result of seasonality in the maternity clothing industry.

Our business, like that of other retailers, is seasonal. Results for any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year. A significant portion of our net sales and profits are realized during the first and third fiscal quarters, corresponding to the holiday and spring selling seasons, respectively. Seasonal fluctuations also affect our inventory levels, as we usually order merchandise in advance of peak selling periods and sometimes before new fashion trends are confirmed by customer purchases. We must carry a significant amount of inventory, especially before the holiday and spring selling periods. If we are not successful in selling our inventory during this period, we may be forced to rely on markdowns or promotional sales to dispose of the excess inventory or we may not be able to sell the inventory at all, which could have a material adverse effect on our business and results of operations.

Our business depends on sustained demand for maternity clothing and is sensitive to economic conditions and consumer spending.

Our business depends upon sustained demand for maternity clothing. Our future performance will be subject to a number of factors beyond our control, including demographic changes. If demand for maternity clothing were to decline for any reason, such as a decrease in the number of pregnancies, our operating results could be adversely affected.

In addition, the specialty apparel retail business historically has been subject to cyclical variations. Consumer purchases of specialty apparel products, including maternity wear, may decline during recessionary periods and at other times when disposable income is lower. A prolonged economic downturn could have a material adverse impact on our business and results of operations.

Our market share may be adversely impacted at any time by a significant number of competitors.

We operate in a highly competitive environment characterized by low barriers to entry. We compete against department stores, specialty retail chains, discount stores, independent retail stores and catalog and Internet-based retailers. Many of our competitors are larger and have substantially greater resources than us. Our market share and results of operations may be adversely affected by this competition.

Our earnings would decline if we write off goodwill.

As a result of purchase accounting for our various acquisitions, we have accumulated a substantial amount of goodwill, amounting to $55.7 million as of March 31, 2002. Following our adoption of new accounting standards effective October 1, 2001, goodwill and other intangible assets with indefinite lives are not amortized, but rather tested for impairment annually. If we determine in the future that impairment has occurred, we would be required to write off the impaired portion of goodwill, which could substantially reduce our earnings and result in a substantial decline in the price of our common stock.

We may be unable to protect our trademarks and other intellectual property.

We believe that our trademarks and service marks are important to our continued success and our competitive position due to their recognition with our customers. We devote substantial resources to the establishment and protection of our trademarks and service marks. We are not aware of any pending claims of infringement or challenges to our right to use any of our trademarks and service marks in the United States. Although we actively protect our intellectual property, there can be no assurance that the actions that we have taken to establish and protect our trademarks, service marks and other intellectual property, including our rights in our management information systems, will be adequate to prevent imitation of our marks, products or services by others or to prevent others from seeking to block sales of our products as a violation of their trademarks, service marks or other proprietary rights. Also, others may assert rights in, or ownership of, our trademarks and other proprietary rights and we may not be able to successfully resolve these types of conflicts. In addition, the laws of certain foreign countries may not protect our trademarks and proprietary rights to the same extent as do the laws of the United States.

War or acts of terrorism or the threat of either may negatively impact availability of merchandise and otherwise adversely impact our business.

In the event of war or acts of terrorism, or if either is threatened, our ability to obtain merchandise available for sale in our stores may be negatively affected. A substantial portion of our merchandise is imported from other countries. If goods become difficult or impossible to import into the United States, and if we cannot obtain such merchandise from other sources at similar costs, our sales and profit margins may be adversely affected. In the event that commercial transportation is curtailed or substantially delayed, our business may be adversely impacted, as we may have difficulty shipping merchandise to our distribution facility and stores, as well as fulfilling catalog and website orders.

Risks Relating to the Offering

Our share price may be volatile and could decline substantially.

The market price of our common stock has been, and is expected to continue to be, volatile, both because of actual and perceived changes in our financial results and prospects and because of general

volatility in the stock market. The factors that could cause fluctuations in our share price may include, among other factors discussed in this section, the following:

- actual or anticipated variations in the financial results and prospects of our business or other companies in the retail business;
- changes in financial estimates by Wall Street research analysts;
- actual or anticipated changes in the United States economy or the retailing environment;
- changes in the market valuations of other specialty apparel or retail companies; and
- announcements by us or our competitors.

The public sale of our common stock by existing stockholders could adversely affect our share price.

The market price of our common stock could decline as a result of market sales by our existing stockholders after this offering or the perception that such sales will occur. These sales also might make it difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

Our charter documents contain certain anti-takeover provisions, and we are entitled to certain other protective provisions under Delaware law.

We are a Delaware corporation and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of our company, even if a change of control would be beneficial to our existing stockholders. We also have adopted a stockholder rights plan, commonly known as a "poison pill," that entitles our stockholders to acquire additional shares of our company, or a potential acquiror of our company, at a substantial discount to their market value in the event of an attempted takeover. In addition, our amended and restated certificate of incorporation and by-laws may discourage, delay or prevent a merger or acquisition involving our company that our stockholders may consider favorable by, among other things:

- authorizing the issuance of preferred stock, the terms of which may be determined at the discretion of our Board of Directors;
- restricting the ability of stockholders to call special meetings of stockholders;
- providing for a classified Board of Directors, with staggered three-year terms; and
- establishing advance notice requirements for nominations for election to the Board of Directors or for proposing matters that can be acted on by stockholders at meetings.

The provisions which we have summarized above may reduce the market value of our common stock.

Shares eligible for future sale may cause the market price for our common stock to drop significantly, even if our business is doing well.

As of July 15, 2002, we had 3,926,196 shares of common stock outstanding. All of the shares of common stock being sold in this offering will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended, unless the shares are subject to a lock-up agreement or are held by one of our "affiliates," as that term is defined under Rule 144 under the Securities Act. We, our executive officers and directors, some of our employees and stockholders and other entities affiliated with each of them have agreed not to offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of common stock or securities convertible into or exchangeable or exercisable for any shares of common stock or enter into a transaction that would have

the same effect, without, in each case, the prior written consent of Credit Suisse First Boston Corporation for a period of 90 days after the date of this prospectus. After the lock-up agreements pertaining to this offering expire, subject to some exceptions, 1,683,680 shares of common stock, including 477,644 shares underlying vested stock options, that were subject to the lock-up agreements will be eligible for sale. Those shares that are held by our affiliates will remain subject to the resale limitations of Rule 144 under the Securities Act.

We cannot predict the effect, if any, that future sales of our common stock or the availability of shares for future sale will have on the market price of our common stock from time to time. Other shares of our common stock issued in the future may become available for resale in the public market from time to time, and the market price of shares of our common stock could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them.

You may not be able to seek remedies against Arthur Andersen LLP, our former independent accountant.

Our consolidated financial statements for the year ended September 30, 1999 were audited by Arthur Andersen LLP, our former independent auditor. On June 15, 2002, a jury in Houston, Texas found Arthur Andersen LLP guilty of a federal obstruction of justice charge arising from the federal government's investigation of Enron Corp. SEC rules require us to present our audited financial statements in various SEC filings, along with Arthur Andersen LLP's consent to our inclusion of its audit report in those filings. Arthur Andersen LLP has not consented to the use of its audit report on our financial statements in this registration statement, and we do not expect to receive Arthur Andersen LLP's consent in any future SEC filings. Without this consent, it may become more difficult for you to seek remedies against Arthur Andersen LLP. Furthermore, relief in connection with claims which may be available to stockholders under the federal securities laws against auditing firms may not be available as a practical matter against Arthur Andersen LLP should it cease to operate or be financially impaired.

We do not expect to pay cash dividends in the foreseeable future.

Since our initial public offering, we have not declared or paid cash dividends on our shares of common stock and do not expect to pay cash dividends for the foreseeable future. No dividends may be paid on our common stock or any other shares of our capital stock ranking junior to the shares of our Series A Preferred Stock or the shares of our Series C Preferred Stock, other than dividends payable in shares of common stock, until all cumulative and current dividends on the outstanding shares of our Series A Preferred Stock and Series C Preferred Stock have been declared and paid in full. See notes 7 and 12 of the notes to our consolidated financial statements for the year ended September 30, 2001 and note 4 to the unaudited consolidated financial statements for the period ended March 31, 2002 for further discussion of preferred stock dividends. In addition, the terms of our existing senior notes and our credit facility restrict our ability to declare or pay dividends on our common stock. The new senior notes to be issued in the concurrent debt offering will contain similar restrictions. Any payment of future dividends will be at the discretion of our Board of Directors and will be based upon certain restrictive financial covenants, earnings, capital requirements and our financial condition, among other factors, at the time any such dividend is considered.

USE OF PROCEEDS

We will receive net proceeds from this equity offering of approximately $32.0 million, based upon a public offering price per share of $34.30 (the closing share price on July 17, 2002) and after deducting underwriting discounts and the estimated offering expenses payable by us. We will not receive any proceeds from the sale of shares of common stock by the selling stockholders, except for amounts representing the aggregate exercise price for shares issued upon exercise of stock options.

Concurrently with this equity offering, we are offering $125 million aggregate principal amount of   % Senior Notes due   , 2010 by means of a separate prospectus and registration statement. The net proceeds that we expect to receive from the sale of the notes will be approximately $120.7 million, after deducting underwriting discounts and estimated offering expenses payable by us.

This offering is not contingent on the closing of the concurrent debt offering, but the concurrent debt offering is contingent on the closing of this offering.

We expect to use the aggregate net proceeds from (i) this equity offering, including any additional proceeds that we receive from the underwriters' exercise of their over-allotment option, and (ii) the concurrent debt offering in the following order:

- to repay the existing 12 5/8% senior notes, plus accrued and unpaid interest, and related fees and expenses (approximately $94 million);
- to repay our subordinated notes issued to former holders of shares of our Series A Preferred Stock in lieu of accrued and unpaid dividends (approximately $2 million);
- to pay all accrued and unpaid dividends on the outstanding shares of our Series A Preferred Stock and Series C Preferred Stock (approximately $7 million);
- to redeem all of the outstanding shares of our Series A Preferred Stock and to purchase, through an offer to purchase, all of the outstanding shares of our Series C Preferred Stock (approximately $27 million);
- to repay the outstanding borrowings under our credit facility; and
- for general corporate purposes.

On July 10, 2002, we commenced a cash tender offer to purchase any and all of our outstanding 12 5/8% senior notes. We also commenced a solicitation of consents to reduce the notice period required by the related indenture for the Company to redeem any existing senior notes that remain outstanding after consummation of the tender offer and to amend or eliminate substantially all of the principal restrictive covenants contained in the related indenture. To the extent that any existing senior notes remain outstanding after consummation of the tender offer, the Company intends to redeem these senior notes.

In the event that the debt offering is not consummated, we expect to use the net proceeds from this equity offering in the following order:

- to repay our subordinated notes issued to former holders of shares of our Series A Preferred Stock in lieu of accrued and unpaid dividends;
- to pay all accrued and unpaid dividends on the outstanding shares of our Series A Preferred Stock and Series C Preferred Stock; and
- to redeem all of the outstanding shares of our Series A Preferred Stock and to purchase, through an offer to purchase, all of the outstanding shares of our Series C Preferred Stock. Based on an offering price per share of $34.30, the net proceeds of this equity offering would be insufficient to redeem and purchase all of the outstanding shares of our Series A Preferred Stock and Series C Preferred Stock. We, therefore, expect to redeem and purchase a pro rata amount of each series.

Until the net proceeds from these offerings are used for such purposes, they will be invested in short-term, investment grade, interest-bearing securities.

COMMON STOCK PRICE RANGE AND DIVIDEND POLICY

Our common stock is traded on the Nasdaq National Market under the symbol "MWRK." The following table sets forth for the periods indicated below the reported high and low sales prices of our common stock as reported on the Nasdaq National Market.

	High	Low
Fiscal Year Ended September 30, 2000:		
Quarter ended December 31, 1999	$ 13.25	$ 8.00
Quarter ended March 31, 2000	15.38	9.81
Quarter ended June 30, 2000	12.25	10.00
Quarter ended September 30, 2000	11.00	6.00
Fiscal Year Ended September 30, 2001:		
Quarter ended December 31, 2000	$ 11.00	$ 6.00
Quarter ended March 31, 2001	9.38	7.00
Quarter ended June 30, 2001	8.10	7.07
Quarter ended September 30, 2001	11.90	7.50
Fiscal Year Ending September 30, 2002:		
Quarter ended December 31, 2001	$ 9.75	$ 6.90
Quarter ended March 31, 2002	16.75	8.60
Quarter ended June 30, 2002	40.25	15.16
Quarter ending September 30, 2002 (through July 17, 2002)	40.10	33.76

We have not paid any cash dividends on our common stock since our initial public offering and do not anticipate paying cash dividends on our common stock in the foreseeable future. No dividends may be paid on common stock or any other shares of our capital stock ranking junior to the shares of our Series A Preferred Stock or Series C Preferred Stock, other than dividends payable in shares of common stock, until all cumulative and current dividends on the shares of our Series A Preferred Stock and the shares of our Series C Preferred Stock have been declared and paid in full. See notes 7 and 12 of the notes to our consolidated financial statements for the year ended September 30, 2001 and note 4 to the unaudited consolidated financial statements for the period ended March 31, 2002 for further discussion of preferred stock dividends. In addition, the terms of our existing senior notes and our credit facility restrict our ability to declare or pay dividends on our common stock. The new senior notes to be issued in the concurrent debt offering will contain similar restrictions. Any payment of future dividends will be at the discretion of our Board of Directors and will be based upon certain restrictive financial covenants, earnings, capital requirements and our financial condition, among other factors, at the time any such dividend is considered.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2002:

on an actual basis;

on an as adjusted basis to reflect the application of (i) the $32.0 million net proceeds from this equity offering, as well as (ii) the $120.7 million of net proceeds from the concurrent debt offering; and

on an as adjusted basis to reflect the application of the net proceeds only from the equity offering as described above.

You should read this table in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Use of Proceeds" and our consolidated financial statements and related notes included elsewhere in this prospectus.

	March 31, 2002		
	Actual	**As Adjusted for the Concurrent Equity and Debt Offerings(1)**	**As Adjusted for this Equity Offering(2)**
	(Unaudited) (in thousands, except share and per share amounts)		
Cash and cash equivalents	$ 2,761	$ 4,657	$ 2,762
Short-term debt			
Line of credit borrowings	$ 20,367	$	$ 20,367
Current portion of long-term debt	434	434	434
Long-term debt			
$12^{5}/_{8}$% Senior unsecured exchange notes due 2005 (net of $910, none and $910 unamortized discount)	91,090		91,090
% Senior Notes due , 2010		125,000	
Capital lease obligations and other long-term debt	4,706	4,706	4,706
Subordinated notes	2,386		
Total long-term debt	98,182	129,706	95,796
Accrued dividends on Series A preferred stock	5,652		
Series C cumulative redeemable preferred stock, $.01 par value, 302,619 shares authorized, 302,619, none and 46,603 shares outstanding	18,880		2,782
Stockholders' equity			
Series A cumulative convertible preferred stock, $.01 par value, $280.4878 stated value; 41,000 shares authorized, 27,877, none and 4,293 shares outstanding (liquidation value of $13,471, none and	7,819		1,202

	March 31, 2002		
$1,202)			
Series B junior participating preferred stock, $.01 par value, 10,000 shares authorized, none outstanding			
Common stock, $.01 par value: 10,000,000 shares authorized, 3,740,547, 4,784,547 and 4,784,547 shares outstanding	37	47	47
Additional paid-in capital	30,917	62,867	62,867
Accumulated deficit	(21,193)	(24,297)	(22,372)
Total stockholders' equity	17,580	38,618	41,745
Total capitalization	$ 161,095	$ 168,758	$ 161,124

(1) The balance sheet data, as adjusted for the concurrent equity and debt offerings, is calculated as if the net proceeds from these offerings were used (i) to repay the existing $12^5/_8$% senior notes, plus accrued and unpaid interest, (ii) to

repay our subordinated notes issued to former holders of shares of our Series A Preferred Stock in lieu of accrued and unpaid dividends, (iii) to pay all accrued and unpaid dividends on the outstanding shares of our Series A Preferred Stock and Series C Preferred Stock, (iv) to redeem all of the outstanding shares of our Series A Preferred Stock and to purchase, through an offer to purchase, all of the outstanding shares of our Series C Preferred Stock, (v) to repay the outstanding borrowings under our credit facility and (vi) for general corporate purposes.

(2) The balance sheet data, as adjusted for the equity offering only, is calculated as if the net proceeds from this offering were used (i) to repay our subordinated notes issued to former holders of shares of our Series A Preferred Stock in lieu of accrued and unpaid dividends, (ii) to pay all accrued and unpaid dividends on the outstanding shares of our Series A Preferred Stock and Series C Preferred Stock and (iii) to redeem all of the outstanding shares of our Series A Preferred Stock and to purchase, through an offer to purchase, all of the outstanding shares of our Series C Preferred Stock. Based on an offering price per share of $34.30, the net proceeds would be insufficient to redeem and purchase all of the outstanding shares of our Series A Preferred Stock and Series C Preferred Stock. We, therefore, expect to redeem and purchase a pro rata amount of each series.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The following tables set forth selected consolidated statement of operations data, pro forma statement of operations data, operating data, cash flow and other data, and balance sheet data as of and for the periods indicated. The selected consolidated statement of operations and balance sheet data for each of the five fiscal years presented below are derived from our audited consolidated financial statements. The selected consolidated statement of operations and balance sheet data set forth below as of March 31, 2002 and 2001, and for the six months then ended are derived from our unaudited consolidated financial statements. You should read this information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes.

	Fiscal Year Ended September 30,	Six Months Ended March 31,

	Fiscal Year Ended September 30,					Six Months Ended March 31,	
	2001	2000	1999	1998	1997	2002	2001
						(Unaudited)	
	(in thousands, except per share amounts)						
Statement of Operations Data:							
Net sales	$ 388,306	$ 366,283	$ 299,735	$ 298,991	$ 246,934	$ 219,250	$ 191,699
Costs of goods sold(1)	194,320	183,300	150,402	158,047	113,886	105,635	98,730
Gross profit	193,986	182,983	149,333	140,944	133,048	113,615	92,969
Selling, general and administrative expenses(1)	172,795	157,809	127,390	139,322	124,495	101,251	86,245
Restructuring and non-recurring charges(2)				10,635	5,617		
Operating income (loss)	21,191	25,174	21,943	(9,013)	2,936	12,364	6,724
Interest expense	(14,867)	(15,877)	(15,132)	(15,181)	(13,252)	(7,020)	(7,714)
Other income	594						
Income (loss) before income taxes	6,918	9,297	6,811	(24,194)	(10,316)	5,344	(990)
Income tax provision (benefit)	3,456	4,249	3,424	(7,477)	(2,677)	1,988	(469)
Net income (loss)	3,462	5,048	3,387	(16,717)	(7,639)	3,356	(521)
Dividends on preferred stock	1,491	1,389	1,251	1,168	1,088	1,533	746
Net income (loss) available to common stockholders	$ 1,971	$ 3,659	$ 2,136	$ (17,885)	$ (8,727)	$ 1,823	$ (1,267)
Income (loss) per share basic	$ 0.57	$ 1.06	$ 0.60	$ (5.00)	$ (2.45)	$ 0.52	$ (0.37)
Income (loss) per share diluted	$ 0.55	$ 1.01	$ 0.57	$ (5.00)	$ (2.45)	$ 0.49	$ (0.37)
Average shares outstanding basic	3,456	3,443	3,538	3,577	3,563	3,540	3,453
Average shares outstanding diluted	3,605	3,641	3,754	3,577	3,563	3,764	3,453
Pro Forma Statement of Operations Data(3):							
Net income (loss) available to common stockholders	$ 1,971	$ 3,659	$ 2,136	$ (17,885)	$ (8,727)	$ 1,823	$ (1,267)
Goodwill amortization	2,207	2,216	2,216	2,218	2,222		1,060
Pro forma net income (loss) available to common stockholders	$ 4,178	$ 5,875	$ 4,352	$ (15,667)	$ (6,505)	$ 1,823	$ (207)
Pro forma income (loss) per share basic	$ 1.21	$ 1.71	$ 1.23	$ (4.38)	$ (1.83)	$ 0.52	$ (0.06)
Pro forma income (loss) per share diluted	$ 1.16	$ 1.61	$ 1.16	$ (4.38)	$ (1.83)	$ 0.49	$ (0.06)

(1) Cost of goods sold includes $10.3 million of charges recorded in fiscal 1998 associated with inventory purchase commitments and inventory write-downs in connection with the Episode restructuring activities and $0.8 million of charges recorded in fiscal 1997 associated with inventory reserves recorded in connection with discontinuing overlapping product lines. Selling, general and administrative expense recorded in fiscal 1997 includes $1.2 million of charges associated with asset impairment and other occupancy related items.

(2)

Restructuring charges include $10.6 million of charges recorded in fiscal 1998 associated with the Episode restructuring and $5.6 million of charges recorded in fiscal 1997 associated with the store consolidation restructuring activities.

(3)

As a result of our adoption of SFAS No. 142 on October 1, 2001, we no longer amortize goodwill. The pro forma statement of operations data reflect an adjustment to exclude goodwill amortization expense recognized in the prior periods as presented.

23

	Fiscal Year Ended September 30,					Six Months Ended March 31,	
	2001	2000	1999	1998	1997	2002	2001
						(Unaudited)	
	(in thousands, except ratios and operating data)						
Operating Data(1):							
Same store sales increase (decrease)(2)	(2.4)%	8.3%	12.9%	13.4%	4.3%	0.3%	(0.6)%
Average net sales per gross square foot(3)(4)	$ 365	$ 390	$ 382	$ 354	$ 319	$ 359	$ 372
Average net sales per store(3)(4)	$ 520,000	$ 545,000	$ 521,000	$ 464,000	$ 508,000	$ 509,000	$ 535,000
Number of stores at period end	771	703	625	583	587	893	751
Gross square footage at period end(5)	1,100,000	980,000	856,000	741,000			