SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended February 3, 2001

OR

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

Commission File No. 1-107384

ANNTAYLOR STORES CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	**13-3499319**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
142 West 57th Street, New York, NY	**10019**
(Address of principal executive offices)	(Zip Code)

(212) 541-3300
(Registrant's telephone number, including area code)

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

Title of Each Class	Name of each exchange on which registered
Common Stock, $.0068 Par Value	**The New York Stock Exchange**

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

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No ___.

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

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant as of March 28, 2001 was $744,913,993.

The number of shares of the registrant's common stock outstanding as of March 2, 2001 was 28,888,161.

Documents Incorporated by Reference:

Portions of the Registrant's Proxy Statement for the Registrant's 2000 Annual Meeting of Stockholders to be held on May 3, 2001 are incorporated by reference into Part III.

PART I

ITEM 1. Business

General

AnnTaylor Stores Corporation (the "Company"), through its wholly owned subsidiaries, is a leading national specialty retailer of better quality women's apparel, shoes and accessories sold primarily under the Ann Taylor brand name. The Company believes that "Ann Taylor" is a highly recognized national brand that defines a distinct fashion point of view. Ann Taylor merchandise represents classic styles, updated to reflect current fashion trends. The Company's stores offer a full range of career and casual separates, dresses, tops, weekend wear, shoes and accessories, coordinated as part of a total wardrobing strategy. This total wardrobing strategy is reinforced by an emphasis on customer service. Ann Taylor sales associates are trained to assist customers in merchandise selection and wardrobe coordination, helping them achieve the "Ann Taylor look" while reflecting the customers' personal styles.

As of February 3, 2001, the Company operated 478 retail stores in 42 states, the District of Columbia and Puerto Rico under the names Ann Taylor, Ann Taylor Loft and Ann Taylor Factory Store. The Company’s 332 Ann Taylor stores compete in the “better”-priced market. These stores represent the Company’s core merchandise line. Approximately three-quarters of these stores are located in regional malls and upscale specialty retail centers, with the balance located in downtown and village locations. The Company believes that the customer base for its Ann Taylor stores consists primarily of relatively affluent, fashion-conscious women from the ages of 25 to 55, and that the majority of its customers are working women with limited time to shop, who are attracted to Ann Taylor by its focused merchandising and total wardrobing strategies, personalized customer service, efficient store layouts and continual flow of new merchandise.

As of February 3, 2001, the Company operated 133 Ann Taylor Loft stores. Ann Taylor Loft stores compete in the “upper-moderate”-priced market. Ann Taylor Loft is designed for women with a more relaxed lifestyle, who appreciate the Ann Taylor style but are more price sensitive. Merchandise is created uniquely for these stores and is sold under the Ann Taylor Loft label. The first Ann Taylor Loft stores opened by the Company were located in factory outlet centers, including some Ann Taylor Factory Stores that, in 1996, were converted to Loft stores after the introduction of the Loft concept. In 1998, the Company began opening Ann Taylor Loft stores outside the factory outlet environment, in regional malls, strip shopping centers and urban and village street locations. At February 3, 2001, 105 Ann Taylor Loft stores were located in these venues. Management believes that Ann Taylor Loft represents a significant opportunity for the Company to compete in the upper-moderate-priced women’s apparel market. See "Stores and Expansion", "Competition" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Statement Regarding Forward Looking Disclosures" below.

At February 3, 2001, the Company also operated 13 Ann Taylor Factory stores in factory outlet centers. These stores serve primarily as a clearance vehicle for merchandise from Ann Taylor stores. In Fall 2000, the Company also introduced a limited assortment of current season styles created uniquely for these stores and sold under the Ann Taylor Factory store label.

From time to time, the Company introduces new product categories to its merchandise assortment. The Company believes that product extensions support the Company’s total wardrobing strategy and provide existing and new customers with additional reasons to shop at the Company’s stores. Product extensions introduced over the last several years include petite sizes in the Company’s apparel offerings, and fragrance and personal care products in both Ann Taylor and Ann Taylor Loft stores. In Fall of 2000, the Company began test marketing its own line of color cosmetics in a select group of 57 Ann Taylor stores.

In November 2000, the Company launched anntaylor.com, an Online Store making Ann Taylor merchandise available for direct retail sale to customers over the Internet. The Online Store was designed as an extension of the in-store experience and offers a wide selection of each season’s Ann Taylor stores’ collection. The Company believes that the Online Store further builds the Ann Taylor brand and enhances the Company’s relationships with customers, as well as creates the opportunity for sales to new and existing customers.

The Company was incorporated under the laws of the state of Delaware in 1988 under the name AnnTaylor Holdings, Inc. The Company changed its name to AnnTaylor Stores Corporation in April 1991. The Company completed an initial public offering of its common stock in May 1991. Unless the context indicates otherwise, all references herein to the Company include the Company and its wholly owned subsidiaries.

Merchandise Design and Production

Substantially all merchandise offered by the Company's stores is developed by the Company's in-house product design and development teams, which design merchandise exclusively for the Company. The Company's merchandising groups determine inventory needs for the upcoming season, edit the assortments developed by the design teams, plan monthly merchandise flows, and arrange for the production of merchandise by independent manufacturers, either through the Company's sourcing division, or through private label specialists.

The Company's production management and quality assurance departments establish the technical specifications for all Company merchandise, inspect factories in which the merchandise is produced, including periodic in-line inspections while goods are in production to identify potential problems prior to shipment, and, upon receipt, inspect merchandise on a test basis for uniformity of size and color, as well as for conformity with specifications and overall quality of manufacturing.

The Company sources merchandise from approximately 232 manufacturers and vendors, none of which accounted for more than 5% of the Company's merchandise purchases in Fiscal 2000. The Company's merchandise is manufactured in over 22 countries, with approximately 33% of the Company's merchandise manufactured in China, 17% in Korea, 11% in the Philippines and 10% in Hong Kong. Any event causing a sudden disruption of manufacturing or imports from China, Korea, the Philippines or Hong Kong, including the imposition of additional import restrictions, could have a material adverse effect on the Company's operations. Substantially all of the Company's foreign purchases are negotiated and paid for in U.S. dollars.

The Company cannot predict whether any of the foreign countries in which its products are currently manufactured or any of the countries in which the Company may manufacture its products in the future will be subject to future or increased import restrictions by the U.S. government, including the likelihood, type or effect of any trade restriction. Trade restrictions, including increased tariffs or quotas, against apparel, footwear or other items sold by the Company could affect the importation of such merchandise generally and could increase the cost or reduce the supply of merchandise available to the Company and adversely affect the Company's business, financial condition, results of operations and liquidity. The Company's merchandise flow may also be adversely affected by financial or political instability in any of the countries in which its goods are manufactured, if it affects the production or export of merchandise from such countries. Merchandise flow may also be adversely affected by significant fluctuation in the value of the U.S. dollar against foreign currencies or restrictions on the transfer of funds.

The Company does not maintain any long-term or exclusive commitments or arrangements to purchase merchandise from any single supplier. The Company believes it has a good relationship with its suppliers and that, as the number of the Company's stores increases, subject to the discussion above, there will continue to be adequate sources to produce a sufficient supply of quality goods in a timely manner and on satisfactory economic terms.

Inventory Control and Merchandise Allocation

The Company's planning departments analyze each store's size, location, demographics, and sales and inventory history to determine the quantity of merchandise to be purchased for and the allocation of merchandise to the Company's stores. Upon receipt, merchandise is allocated in order to achieve an emphasis that is suited to each store's customer base.

Merchandise typically is sold at its original marked price for several weeks, with the length of time varying by item. The Company reviews its inventory levels on an on-going basis in order to identify slow-moving merchandise styles and broken assortments (items no longer in stock in a sufficient range of sizes) and uses markdowns to clear this merchandise. Markdowns may be used if inventory exceeds customer demand for reasons of design, seasonal adaptation or changes in customer preference, or if it is determined that the inventory will not sell at its currently marked price. Marked-down items remaining unsold are moved periodically to the Company's factory outlet stores, where additional markdowns may be taken.

In Fiscal 2000, inventory turned 4.9 times compared to 4.8 times in Fiscal 1999 and 5.0 times in Fiscal 1998. Inventory turnover is determined by dividing cost of sales by the average of the cost of inventory at the beginning and the end of the period, excluding inventory associated with the Company's sourcing division. Sourcing division inventory consists principally of finished goods in transit from factories.

In Spring 2000, the Company implemented a new comprehensive merchandising information system to provide improved systems support for the Company’s merchandising functions. This new system serves as the Company’s central source of information regarding merchandise items, inventory management, purchasing, replenishment, receiving and distribution.

The Company uses a centralized distribution system, under which nearly all merchandise is distributed to the Company's stores through its distribution center, located in Louisville, Kentucky. See "Properties". Merchandise is shipped by the distribution center to the Company's stores several times each week.

Stores and Expansion

An important aspect of the Company's business strategy is a real estate expansion program designed to reach new customers through the opening of new stores. The Company opens new stores in markets that it believes have a sufficient concentration of its target customers. The Company also adds stores, or expands the size of existing stores, in markets where the Company already has a presence, as market conditions warrant and sites become available. Store locations are determined on the basis of various factors, including geographic location, demographic studies, anchor tenants in a mall location, other specialty stores in a mall or specialty center location or in the vicinity of a village location, and the proximity to professional offices in a downtown or village location. Stores opened in factory outlet centers are located in factory outlet malls in which co-tenants generally include a significant number of outlet or discount stores operated under nationally recognized upscale brand names. Store size also is determined on the basis of various factors, including geographic location, demographic studies, and space availability.

As of February 3, 2001, the Company operated 478 stores throughout the United States, the District of Columbia and Puerto Rico, of which 332 were Ann Taylor stores, 133 were Ann Taylor Loft stores, and 13 were Ann Taylor Factory Stores.

The average Ann Taylor store is approximately 5,000 square feet in size. The Company also has three flagship Ann Taylor stores in New York City, San Francisco and Chicago, which represent the fullest assortment of Ann Taylor merchandise. In Fiscal 2000, the Company opened 18 Ann Taylor stores that averaged approximately 4,500 square feet. In Fiscal 2001, the Company plans to open approximately 20 Ann Taylor stores, which are expected to average approximately 4,500 square feet.

Ann Taylor Loft stores that are located in factory outlet centers average approximately 9,000 square feet. Ann Taylor Loft stores that are located in regional malls, strip shopping centers and urban and village street locations average approximately 6,000 square feet. In Fiscal 2000, the Company opened 63 Ann Taylor Loft stores that averaged approximately 6,000 square feet. In Fiscal 2001, the Company expects to open approximately 70 Ann Taylor Loft stores, primarily in regional malls, shopping centers and street locations. These stores are also expected to average approximately 6,000 square feet.

The Company's 13 Ann Taylor Factory Stores, located in factory outlet centers, average 7,000 square feet.

The Company's stores typically have approximately 20% of their total square footage allocated to stockroom and other non-selling space.

The following table sets forth certain information regarding store openings, expansions and closings for Ann Taylor stores ("ATS"), Ann Taylor Factory Stores ("ATFS"), Ann Taylor Loft stores ("ATL") and the Company's former Ann Taylor Studio shoe stores ("ATA") over the past five years:

	Total Stores Open at Beginning of Fiscal	No. Stores Opened During Fiscal Year			No. Stores Expanded During Fiscal	No. Stores Closed During Fiscal	No. Stores Open at End of Fiscal Year				
Fiscal Year	**Year**	**ATS**	**ATFS**	**ATL**	**Year***(a)*	**Year***(a)*	**ATS**	**ATFS***(b)*	**ATL***(b)*	**ATA***(c)*	**Total**
1996..............	306	9	1	1	7	8	259	14	27	9	309
1997..............	309	27	---	---	9	12	283	14	27	---	324
1998..............	324	26	---	19	8	4	306	13	46	---	365
1999..............	365	18	---	29	8	7	319	11	75	---	405
2000..............	405	18	---	63	4	8	332	13	133	---	478

(a) All stores expanded and all stores closed were Ann Taylor stores, except that in 2000, two stores closed were ATL stores and one store closed was an ATFS store; in 1998 one store closed was an ATFS store; and in 1997 nine stores closed were ATA stores. In addition, two stores closed in 2000 and four stores closed in 1999 were Ann Taylor stores that were replaced in the same locations with new ATL stores.

(b) In 2000, three Ann Taylor Loft stores that were located in factory outlet malls were converted to AnnTaylor Factory Stores.

(c) All Ann Taylor Studio stores were closed during Fiscal 1997.

The Company believes that its existing store base is a significant strategic asset of its business. Ann Taylor stores are located in some of the most productive retail centers in the United States. In addition, the Company believes that it is among the tenants most highly desired by real estate developers because of its strong Ann Taylor brand franchise and its high average sales per square foot productivity ($496 per square foot in Fiscal 2000) relative to other specialty apparel retailers.

The Company has invested approximately $137 million in its store base since the beginning of Fiscal 1996; approximately 52% of its stores are either new or have been remodeled, as a result of an expansion or relocation, in the last five years.

The Company’s 2000 real estate expansion plan resulted in an increase in the Company's total store square footage of approximately 415,000 square feet (net of store closings), or 18.2%, from approximately 2,280,000 square feet at the end of fiscal 1999 to approximately 2,695,000 square feet at the end of Fiscal 2000. In Fiscal 2001, the Company intends to increase store square footage by approximately 500,000 square feet, or 18.5%, representing approximately 20 new Ann Taylor stores, the expansion or relocation of approximately 5 existing Ann Taylor stores, and approximately 70 new Ann Taylor Loft stores.

Capital expenditures for the Company's Fiscal 2000 store expansion program, net of landlord construction allowances, totaled approximately $48.9 million, including expenditures for store refurbishing and store refixturing. The Company expects that capital expenditures for its Fiscal 2001 store expansion program, net of landlord construction allowances, will be approximately $67.4 million, including expenditures for store refurbishing and refixturing.

The Company's ability to continue to increase store square footage will be dependent upon, among other things, general economic and business conditions affecting consumer confidence and spending, the availability of desirable locations and the negotiation of acceptable lease terms. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Statement Regarding Forward Looking Disclosures".

Information Systems

During Fiscal 2000, the Company implemented the core merchandising information system referred to above under "Inventory Control and Merchandise Allocation". In addition, the Company commenced a renovation project at its distribution center, located in Louisville, Kentucky, to optimize physical capacity and decrease the amount of time it takes to get merchandise to the stores. The Company also upgraded the software of the hanging and flat sortation equipment to provide for greater operational stability of the equipment and improved accuracy of product distribution. The integration of the receiving system with the core merchandising system establishes the platform for future receiving enhancements.

Customer Credit

Customers may pay for merchandise with cash, personal checks, the Ann Taylor credit card, or credit cards issued by third parties. Credit card sales were 80.0% of net sales in Fiscal 2000, 80.5% of net sales in Fiscal 1999 and 80.2% in Fiscal 1998. In Fiscal 2000, 11.7% of net sales were made with the Ann Taylor credit card, and 68.3% were made with third-party credit cards. As of February 3, 2001, the Company's Ann Taylor credit card accounts receivable totaled $50,528,000, net of allowance for doubtful accounts. Accounts written off in Fiscal 2000 were approximately $1,199,000, or 0.1% of net sales.

The Company has offered customers its proprietary Ann Taylor credit card since 1976. The Company believes that the Ann Taylor credit card enhances customer loyalty while providing the customer with additional credit. However, the percentage of the Company's total sales made with its proprietary credit card has been declining over the past several years. The Company believes the declining penetration of its Ann Taylor credit card as a percentage of sales is attributable to the gain of market share by bank cards throughout the retail industry generally. In addition, the Company's Ann Taylor Loft and Factory Stores historically have experienced a significantly lower penetration of sales with the Ann Taylor card. At February 3, 2001, over 329,000 Ann Taylor credit card accounts had been used during the past 18 months.

Brand Building and Marketing

The Company believes that its Ann Taylor brand is among its most important assets. The ability of the Company to evolve its brand continuously to appeal to the changing needs and priorities of its target customer base is a key source of competitive advantage. All aspects of brand development, including product design, store merchandising and shopping environments, channels of distribution, and marketing and advertising, are controlled by the Company. The Company continues to invest in the development of its brand through, among other things, client research, advertising, in-store marketing, direct mail marketing and the establishment of an online (internet) presence. The Company also makes investments to enhance the client experience through the opening of new stores, the expansion and remodeling of existing stores, and a focus on client service.

The Company believes it is strategically important to communicate on a regular basis directly with its current customer base and with potential customers, through national and regional advertising, including outdoor media, as well as through direct mail marketing and in-store presentation. Marketing expenditures as a percentage of sales were 2.5% in Fiscal 2000, 2.4% in Fiscal 1999 and 2.0% in Fiscal 1998.

Trademarks and Service Marks

The “AnnTaylor” trademark, and certain other trademarks and service marks used by the Company, either are registered or have trademark applications pending with the United States Patent and Trademark Office ("USPTO") and with the trademark registries of many foreign countries. The Company's rights in the “AnnTaylor” mark are a significant part of the Company's business, as the Company believes its trademark is well known in the women's retail apparel industry. Accordingly, the Company intends to maintain its “AnnTaylor” mark and related registrations and vigorously protect its trademarks against infringement.

In 1994 and 1995, the Company initiated trademark registration applications with the USPTO for its “AnnTaylor Loft” trademark in the categories of retail clothing store services and apparel. Registration of the trademark was issued in the retail clothing store services category in 1997. However, the Company's application for a trademark registration in the apparel classification was challenged in the USPTO by a French company, Freche et Fils, which cited its own “Loft Design By . . .” and design trademark in opposition to the AnnTaylor Loft mark. In February 2000, the USPTO granted the Company's motion for summary judgment, dismissing with prejudice Freche et Fils' opposition to the Company's AnnTaylor Loft trademark application, and granting the counterclaim filed by the Company to cancel Freche et Fils' U.S. registration of its “Loft Design By . . .” and design mark. The Company's registration for the “AnnTaylor Loft” trademark in the apparel classification was issued on March 28, 2000.

Competition

The women's retail apparel industry is highly competitive. The Company's stores compete with certain departments in national or local department stores, and with other specialty store chains, independent retail stores, and catalog and internet businesses that offer similar categories of merchandise. The Company believes that its focused merchandise selection, exclusive fashions, personalized service and convenience distinguish it from other apparel retailers. Many of the Company's competitors are considerably larger and have substantially greater financial, marketing and other resources than the Company and there is no assurance that the Company will be able to compete successfully with them in the future. In addition, the Company has only limited experience in the “upper-moderate” priced category, and existing competitors may have significantly greater brand recognition among this customer segment than the Company. Further, certain of the Company’s competitors have established presence on and greater experience with the Internet.

Employees

As of February 3, 2001, the Company had approximately 9,000 employees, of whom 2,100 were full-time salaried employees, 2,300 were full-time hourly employees and 4,600 were part-time hourly employees working less than 30 hours per week. None of the Company's employees are represented by a labor union. The Company believes that its relationship with its employees is good.

Statement Regarding Forward-Looking Disclosures

Sections of this Annual Report on Form 10-K contain various forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, with respect to the financial condition, results of operations and business of the Company. Examples of forward-looking statements are statements that use the words "expect", "anticipate", "plan", "intend", "project", "believe" and similar expressions. These forward-looking statements involve certain risks and uncertainties, and no assurance can be given that any of such matters will be realized. Actual results may differ materially

from those contemplated by such forward-looking statements as a result of, among other things, failure by the Company to predict accurately customer fashion preferences; a decline in the demand for merchandise offered by the Company; competitive influences; changes in levels of store traffic or consumer spending habits; effectiveness of the Company's brand awareness and marketing programs;

lack of sufficient customer acceptance of the Ann Taylor Loft concept in the upper-moderate-priced women's apparel market; general economic conditions that are less favorable than expected or a downturn in the retail industry; the inability of the Company to locate new store sites or negotiate favorable lease terms for additional stores or for the expansion of existing stores; lack of sufficient consumer interest in our Online Store; a significant change in the regulatory environment applicable to the Company's business; an increase in the rate of import duties or export quotas with respect to the Company's merchandise; financial or political instability in any of the countries in which the Company's goods are manufactured; or an adverse outcome of the litigation referred to in Note 5 to the Consolidated Financial Statements of the Company as of February 3, 2001 that materially and adversely affects the Company's financial condition. The Company assumes no obligation to update or revise any such forward-looking statements, which speak only as of their date, even if experience or future events or changes make it clear that any projected financial or operating results implied by such forward-looking statements will not be realized. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Statement Regarding Forward-Looking Disclosures".

ITEM 2. Properties

As of February 3, 2001, the Company operated 478 stores, all of which were leased. The store leases typically provide for initial terms of ten years, although some leases have shorter or longer initial periods, and grant the Company the right to extend the term for one or two additional five-year periods. Most of the store leases require Ann Taylor to pay a specified minimum rent, plus a contingent rent based on a percentage of the store's net sales in excess of a specified threshold. Most of the leases also require Ann Taylor to pay real estate taxes, insurance and certain common area and maintenance costs. The current terms of the Company's leases, including renewal options, expire as follows:

Fiscal Years Lease Terms Expire	Number of Stores
2001 - 2003	35
2004 - 2006	134
2007 - 2009	179
2010 and later	130

Ann Taylor leases corporate offices at 142 West 57th Street in New York City, containing approximately 143,000 square feet and approximately 93,000 square feet of office space at 1372 Broadway in New York City. The leases for these premises expire in 2006 and 2010, respectively. The Company also leases office space in New Haven, Connecticut, containing approximately 39,000 square feet. This lease expires in October, 2001.

Ann Taylor's wholly owned subsidiary, AnnTaylor Distribution Services, Inc., owns its 256,000 square foot distribution center located in Louisville, Kentucky. Nearly all Ann Taylor merchandise is distributed to the Company's stores through this facility. The parcel on which the Louisville distribution center is located comprises approximately 20 acres and could accommodate possible future expansion of the facility.

ITEM 3. Legal Proceedings

On April 26, 1996, certain alleged stockholders of the Company filed a purported class action lawsuit in the United States District Court Southern District of New York, against the Company, the Company's wholly owned subsidiary AnnTaylor, Inc., ("Ann Taylor"), certain officers and directors of the Company and Ann Taylor, Merrill Lynch & Co. ("ML&Co.") and certain affiliates of ML&Co. (Novak v. Kasaks, et. al., No. 96 CIV 3073 (S.D.N.Y. 1996)). The complaint alleged causes of action under Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934, as amended, by alleging that the Company and the other defendants engaged in a fraudulent scheme and course of business that operated a fraud or deceit on purchasers of the Company's common stock during the period commencing February 3, 1994 through May 4, 1995, due to alleged false and misleading statements about the Company and Ann Taylor. The complaint sought, among other things, certification as a class action on behalf of all purchasers of common stock during the period commencing February 3, 1994 through May 4, 1995, the awarding of compensatory damages to the plaintiffs and purported members of the class, the awarding of costs, including pre-judgment and post-judgment interest, reasonable attorneys' fees and expert witness fees to the plaintiffs and purported members of the class and equitable and/or injunctive relief. On March 10, 1998, the District Court issued an order granting the defendants' motion to dismiss the complaint. The Court's order granted the plaintiffs leave to amend and re-file the complaint, and the plaintiffs filed an amended complaint on April 9, 1998.

On November 9, 1998, the District Court issued an order granting the defendants' motion to dismiss the amended complaint with prejudice, for its failure to plead fraud with particularity. On or about December 15, 1998, the plaintiffs filed a notice of appeal to the United States Court of Appeals for the Second Circuit, seeking review of the District Court's order. While this appeal was pending, ML&Co., its affiliates and the two directors who previously served on the Company's Board of Directors as representatives of certain affiliates of ML&Co. (the "settling defendants"), reached a settlement with the plaintiffs, which provides, among other things, for the establishment by the settling defendants of a settlement fund in the amount of $3,000,000 plus interest. On or about December 14, 1999, the District Court entered an Order and Final Judgment approving this partial settlement, dismissing the amended complaint with prejudice as to the settling defendants, and barring and enjoining any future claims by, among others, the remaining defendants against the settling defendants for contribution.

On June 21, 2000, the United States Court of Appeals for the Second Circuit vacated the dismissal of the amended complaint. The Court of Appeals held that the allegations of the amended complaint are sufficient to satisfy the standard for pleading intent under the federal securities laws, but expressed no view as to whether the allegations are sufficiently particularized. The Court of Appeals remanded the case to the District Court with instructions to allow plaintiffs to replead their complaint, and to reconsider whether plaintiffs' allegations are pled with sufficient particularity to satisfy the pleading standards of the Private Securities Litigation Reform Act of 1995. The decision of the Court of Appeals applies only to plaintiffs' claims against the Company, Ann Taylor and their former directors and officers.

Following the decision of the Court of Appeals, plaintiffs elected not to replead their amended complaint. On or about September 29, 2000, the Company, Ann Taylor and their former directors and officers again moved to dismiss the amended complaint, arguing that it fails to plead fraud with sufficient particularity under the standards set forth by the Court of Appeals in its June 21, 2000 decision. The motion has been fully briefed and is pending before the District Court.

The Company and Ann Taylor continue to believe that the allegations in the amended complaint are without merit, and intend to continue to defend this action vigorously. Any liability that may arise from this action cannot be predicted at this time.

The Company is also a party to routine litigation incident to its business. Although the amount of any liability that could arise with respect to these actions cannot be accurately predicted, in the opinion of the Company, any such liability will not have a material adverse effect on the financial position, results of operations or liquidity of the Company.

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

None.

PART II

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's common stock is listed and traded on the New York Stock Exchange under the symbol ANN. The number of holders of record of common stock at March 2, 2001 was 562. The following table sets forth the high and low sale prices for the common stock on the New York Stock Exchange during Fiscal 2000 and Fiscal 1999.

	Market Price	
	High	**Low**
Fiscal Year 2000		
Fourth quarter	$ 39.38	$ 18.25
Third quarter	44.88	24.75
Second quarter	39.38	19.13
First quarter	28.63	15.00
Fiscal Year 1999		
Fourth quarter	$ 48.25	$ 21.00
Third quarter	45.50	31.19
Second quarter	53.00	34.50
First quarter	53.06	32.63

The Company has never paid cash dividends on the common stock and does not intend to pay cash dividends in the foreseeable future. As a holding company, the Company’s ability to pay dividends is dependent upon the receipt of dividends or other payments from its subsidiaries, including the Company’s direct wholly owned subsidiary AnnTaylor, Inc. (“Ann Taylor”). The payment of dividends by Ann Taylor to the Company is subject to certain restrictions under Ann Taylor’s Credit Facility described below under "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources". The payment of cash dividends on the common stock by the Company is also subject to certain restrictions contained in the Company's guarantee of Ann Taylor's obligations under the Credit Facility. Any determination to pay cash dividends in the future will be at the discretion of the Company's Board of Directors and will be dependent upon the Company's results of operations, financial condition, contractual restrictions and other factors deemed relevant at that time by the Company's Board of Directors.

ITEM 6. Selected Financial Data

The following historical consolidated income statement and consolidated balance sheet information has been derived from the audited consolidated financial statements of the Company. The Company's consolidated statements of income, stockholders' equity and cash flows for each of the three fiscal years ended February 3, 2001, January 29, 2000 and January 30, 1999 and consolidated balance sheets as of February 3, 2001 and January 29, 2000, as audited by Deloitte & Touche LLP, independent auditors, appear elsewhere in this document. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes thereto of the Company included elsewhere in this document. All references to years are to the fiscal year of the Company, which ends on the Saturday nearest January 31 in the following calendar year. All fiscal years for which financial information is set forth below had 52 weeks, except the fiscal year ended February 3, 2001 which had 53 weeks.

	Fiscal Years Ended				
	Feb. 3, 2001	Jan. 29, 2000	Jan. 30, 1999	Jan. 31, 1998	Feb. 1, 1997
	(dollars in thousands, except per square foot data and per share data)				
Consolidated Income Statement Information:					
Net sales	$ 1,232,776	$1,084,519	$ 911,939	$ 781,028	$ 798,117
Cost of sales	622,036	536,014	455,724	411,756	443,443
Gross profit	610,740	548,505	456,215	369,272	354,674
Selling, general and administrative expenses	501,460	414,315	350,522	308,780	292,832
Studio shoe stores closing expense (a)	---	---	---	---	3,600
Employment contract separation expense (b)	---	---	---	---	3,500
Retirement of assets (c)	---	---	3,633	---	---
Amortization of goodwill (d)	11,040	11,040	11,040	11,040	10,086
Operating income	98,240	123,150	91,020	49,452	44,656
Interest income	2,473	4,378	2,241	1,157	176
Interest expense (e)	7,315	11,814	20,358	21,146	24,592
Other income	---	---	---	---	(1,402)
Income before income taxes and extraordinary loss	93,398	115,714	72,903	29,463	21,642
Income tax provision	41,035	50,221	33,579	17,466	12,975
Income before extraordinary loss	52,363	65,493	39,324	11,997	8,667
Extraordinary loss (f)	---	962	---	173	---
Net income	$ 52,363	$ 64,531	$ 39,324	$ 11,824	$ 8,667
Basic earnings per share before extraordinary loss	$ 1.83	$ 2.25	$ 1.53	$ 0.47	$ 0.36
Extraordinary loss per share (f)	---	0.03	---	0.01	---
Basic earnings per share	$ 1.83	$ 2.22	$ 1.53	$ 0.46	$ 0.36
Diluted earnings per share before extraordinary loss	$ 1.76	$ 2.08	$ 1.44	$ 0.47	$ 0.36
Extraordinary loss per share (f)	---	0.03	---	0.01	---
Diluted earnings per share	$ 1.76	$ 2.05	$ 1.44	$ 0.46	$ 0.36
Weighted average shares outstanding (in 000s)	28,608	29,021	25,715	25,628	23,981
Weighted average shares outstanding, assuming dilution (in 000s)	31,221	32,849	31,006	25,693	24,060
Consolidated Operating Information:					
Percentage increase (decrease) in comparable store sales (g)	(0.5)%	8.4%	7.9%	(5.5)%	1.8%
Net sales per gross square foot (h)	$ 496	$ 502	$ 474	$ 445	$ 476
Number of stores:					
Open at beginning of period	405	365	324	309	306
Opened during the period	81	47	45	27	11
Expanded during the period	4	8	8	9	7
Closed during the period	8	7	4	12	8
Open at the end of the period	478	405	365	324	309
Total store square footage at end of period	2,695,000	2,280,000	2,038,000	1,808,000	1,705,000
Capital expenditures	$ 83,310	$ 53,409	$ 45,131	$ 22,945	$ 16,107
Depreciation and amortization including goodwill (d)	$ 46,073	$ 41,387	$ 39,823	$ 38,843	$ 36,294
Working capital turnover (i)	7.6x	6.8x	6.3x	6.5x	7.8x
Inventory turnover (j)	4.9x	4.8x	5.0x	5.1x	4.7x
Consolidated Balance Sheet Information (at end of period):					
Working capital (k)	$ 172,767	$ 151,368	$ 168,708	$ 122,181	$ 118,850
Goodwill, net (d)	297,619	308,659	319,699	330,739	341,779
Total assets	848,115	765,117	775,417	683,661	688,139
Total debt	117,610	115,785	105,157	106,276	131,192
Preferred securities	---	---	96,624	96,391	96,158
Stockholders' equity	574,029	515,622	432,699	384,107	370,582

(Footnotes on following page)

(Footnotes for preceding page. Unless otherwise noted, all per share information is for diluted earnings per share.)

(a) Relates to the closing of the Company's nine Ann Taylor Studio shoe stores. The charge of $3,600,000 ($2,052,000, or $0.08 per share, net of income tax benefit) in Fiscal 1996 was comprised of $2,500,000 related to the write-off of the net book value of the nine stores and $1,100,000 related to leases and other related costs for these locations.

(b) In connection with the resignation in August 1996 of a former executive, a one-time pre-tax charge of $3,500,000 ($1,958,000, or $0.08 per share, net of related tax benefit) was recorded in Fiscal 1996 relating to the estimated costs of the Company's obligations under the executive's employment contract with the Company.

(c) A charge of $3,633,000 ($2,180,000, or $0.07 per share, net of tax benefit) was recorded in Fiscal 1998 for the retirement of certain assets in connection with the renovation of the Company's corporate offices.

(d) The Company acquired Ann Taylor in a leveraged buyout in 1989. As a result of that transaction, $380,250,000, representing the excess of the allocated purchase price over the fair value of the Company's net assets, was recorded as goodwill and is being amortized on a straight-line basis over 40 years. In addition, as a result of the September 1996 acquisition of the operations that became the Company's sourcing division, the Company recorded goodwill of $38,430,000 that is being amortized on a straight-line basis over 25 years.

(e) Includes non-cash interest expense of $4,247,000, $3,026,000, $1,290,000, $1,419,000, and $1,574,000, in Fiscal 2000, 1999, 1998, 1997, and 1996, respectively, from amortization of deferred financing costs and, in Fiscal 1999 and 2000, accretion of original issue discount.

(f) In Fiscal 1999, Ann Taylor incurred an extraordinary loss of $1,603,000 ($962,000, or $0.03 per share, net of income tax benefit) in connection with the redemption of its outstanding 8¾% Subordinated Notes due 2000. In Fiscal 1997, Ann Taylor incurred an extraordinary loss of $303,000 ($173,000, or $0.01 per share, net of income tax benefit), in connection with the prepayment of the outstanding balance of a term loan.

(g) Comparable store sales are calculated by excluding the net sales of a store for any month of one period if the store was not also open during the same month of the prior period. A store that is expanded by more than 15% is treated as a new store for the first year following the opening of the expanded store. In addition, in a year with 53 weeks, sales in the last week of that year are not included in determining comparable store sales; therefore, comparable store sales for Fiscal 2000 reflect a 52 week period.

(h) Net sales per square foot ("sales per square foot") is determined by dividing net sales for the period by the average of the gross square feet at the beginning and end of each period. Unless otherwise indicated, references herein to square feet are to gross square feet, rather than net selling space.

(i) Working capital turnover is determined by dividing net sales by the average of the amount of working capital at the beginning and end of the period.

(j) Inventory turnover is determined by dividing cost of sales by the average of the cost of inventory at the beginning and end of the period (excluding inventory associated with the Company's sourcing division). Effective February 1, 1998, the Company elected to change its method of inventory valuation to the average cost method. The cumulative effect of this accounting change on February 1, 1998 was not material. The effect of this accounting change on Fiscal 1998 net income was an increase of $1,272,000, or $0.04 per share on a diluted basis. It is not possible to determine the effect of the change on income in any previously reported fiscal years as no cost information was available.

(k) Includes current portion of long-term debt of $1,400,000, $1,300,000, $1,206,000, $1,119,000 and $287,000, in Fiscal 2000, 1999, 1998, 1997 and 1996, respectively.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Sales

The following table sets forth certain sales and store data for the periods indicated:

	Fiscal Year		
	2000 (53 weeks)	**1999** (52 weeks)	**1998** (52 weeks)
Net sales ($000)	$1,232,776	$1,084,519	$ 911,939
Total net sales increase percentage (52 week basis)	12.2%	18.9%	16.8%
Comparable store sales increase (decrease) percentage (52 week basis)	(0.5)%	8.4%	7.9%
Net sales per average square foot	$ 496	$ 502	$ 474
Total store square footage at end of period	2,695,000	2,280,000	2,038,000
Number of:			
New stores	81	47	45
Expanded stores	4	8	8
Closed stores	8	7	4
Total stores open at end of period	478	405	365

The Company's net sales do not show significant seasonal variation, although net sales in the fourth quarter have historically been moderately higher than in the other quarters. As a result, the Company has not had significant overhead and other costs generally associated with large seasonal variations.

Results of Operations

The following table sets forth income statement data expressed as a percentage of net sales for the periods indicated:

	Fiscal Year		
	2000	**1999**	**1998**
Net sales	100.0%	100.0%	100.0%
Cost of sales	50.5	49.4	50.0
Gross profit	49.5	50.6	50.0
Selling, general and administrative expenses	40.7	38.2	38.4
Retirement of assets	---	---	0.4
Amortization of goodwill	0.9	1.0	1.2
Operating income	7.9	11.4	10.0
Interest income	0.2	0.4	0.2
Interest expense	0.6	1.1	2.2
Income before income taxes and extraordinary loss	7.5	10.7	8.0
Income tax provision	3.3	4.6	3.7
Income before extraordinary loss	4.2	6.1	4.3
Extraordinary loss	---	0.1	---
Net income	4.2%	6.0%	4.3%

Fiscal 2000 Compared to Fiscal 1999

The Company's net sales increased to $1,232,776,000 over $1,084,519,000 in Fiscal 1999, an increase of $148,257,000, or 13.7%. Comparable store sales for Fiscal 2000 decreased 0.5%, compared to an increase of 8.4% in Fiscal 1999. Total sales for the fifty-two-week period ended January 27, 2001 were up 12.2% to $1,216,808,000, compared to the same period for the fiscal year ended 1999. The sales increase was primarily attributable to the opening of new stores and the expansion of existing stores, partially offset by a net decrease in comparable store sales in 2000. Management believes that the decrease in comparable store sales was the result of customer dissatisfaction with certain of the Company's product offerings and merchandise assortment in the Fall 2000 season.

Gross profit as a percentage of net sales decreased to 49.5% in 2000 from 50.6% in 1999. This decrease in gross margin reflects a higher markdown rate on goods sold below full price and the sale of a greater amount of goods below full price as a percentage of sales, most significantly in the fourth quarter of 2000, compared to the prior year, offset, in part, by higher gross margins achieved on merchandise that was sold at full price, attained through ongoing efficiencies achieved through continued improvements in the Company's sourcing, merchandising and inventory processes.

Selling, general and administrative expenses, excluding certain nonrecurring expenses described below, were $490,760,000, or 39.8% of net sales, in 2000, compared to $414,315,000, or 38.2% of net sales, in 1999. Selling, general and administrative expenses for 2000 included approximately $10,300,000 of expenses related to the development of the Company's Online Store which commenced during Fiscal 2000. Selling, general and administrative expenses as a percentage of net sales also reflected increases in tenancy expenses and increases in Ann Taylor Loft store operations expenses, offset by a decrease in the provision for management performance bonus expense. During the first quarter of Fiscal 2000, the Company incurred a pre-tax nonrecurring charge of approximately $8,500,000 in connection with an extensive review conducted with the Company's financial and legal advisors of various strategic approaches to enhance shareholder value. In the fourth quarter of Fiscal 2000, the Company recorded a one-time pre-tax charge of $2,200,000 relating to the estimated costs of the Company's obligations under a former executive's employment contract with the Company, in connection with the executive's resignation in January 2001. After taking these one-time charges into account, selling, general and administrative expenses, as a percentage of sales, were 40.7%.

Operating income decreased to $98,240,000, or 7.9% of net sales, in 2000, from $123,150,000, or 11.4% of net sales, in 1999. Amortization of goodwill was $11,040,000, or 0.9% of net sales, in 2000, compared to $11,040,000, or 1.0% of net sales, in 1999. Operating income without giving effect to such amortization was $109,280,000, or 8.8% of net sales, in 2000 and $134,190,000, or 12.4% of net sales, in 1999.

Interest income was $2,473,000 in 2000, compared to $4,378,000 in 1999. The decrease was primarily attributable to decreased cash on hand in 2000 resulting from the execution by the Company, in the second half of 1999, of the securities repurchase program described below under "Liquidity and Capital Resources".

Interest expense was $7,315,000 in 2000, compared to $11,814,000 in 1999. The decrease in interest expense was primarily attributable to the net reduction in the Company's outstanding long-term debt and other obligations and a decrease in the interest rate borne by the Company's remaining outstanding long-term debt. During the second quarter of 1999, AnnTaylor Finance Trust, the Company's special purpose finance trust, redeemed its 8½% Company Obligated Mandatorily Redeemable Convertible Preferred Securities ("preferred securities"), and AnnTaylor, Inc., a wholly owned subsidiary of the Company ("Ann Taylor"), redeemed its 8¾% Subordinated Notes Due 2000 ("8¾% Notes"). These redemptions were completed using, in part, the proceeds from the issuance by the Company, also during the second quarter of 1999, of its deep discount Convertible Subordinated Debentures due 2019 ("Convertible Debentures"), which bear interest at a rate of 3.75% per annum. The weighted average interest rate on the Company's outstanding indebtedness at February 3, 2001 was 3.79%.

The income tax provision was $41,035,000, or 43.9% of income before income taxes in the 2000 period, compared to $50,221,000, or 43.4% of income before income taxes and extraordinary loss in 1999. The effective tax rates for both periods were higher than the statutory rates, primarily as a result of non-deductible goodwill expense.

As a result of the foregoing factors, the Company had net income of $52,363,000, or 4.2% of net sales, for 2000, compared to net income of $64,531,000, or 6.0% of net sales, for 1999.

Fiscal 1999 Compared to Fiscal 1998

The Company's net sales increased to $1,084,519,000 over $911,939,000 in Fiscal 1998, an increase of $172,580,000, or 18.9%. Comparable store sales for Fiscal 1999 increased 8.4%, compared to an increase of 7.9% in Fiscal 1998. The sales increase was primarily attributable to the opening of new stores, the expansion of existing stores and the net increase in comparable store sales in 1999. Management believes that the increase in comparable store sales was the result of improved customer acceptance of the Company’s product offerings and merchandise assortment.

Gross profit as a percentage of net sales increased to 50.6% in 1999 from 50.0% in 1998. This increase in gross margin reflects a higher initial markup rate, reflecting ongoing improvements achieved by the Company’s sourcing division, offset in part by a higher markdown rate on goods that were sold below full price.

Selling, general and administrative expenses were $414,315,000, or 38.2% of net sales, in 1999, compared to $350,522,000, or 38.4% of net sales, in 1998. The decrease in selling, general and administrative expenses as a percentage of net sales was primarily attributable to increased leverage on fixed expenses resulting from increased comparable store sales and improved operating efficiencies. The benefits of this leverage were partially offset by an increase in marketing expenditures in support of the Company’s strategic initiatives to enhance the Ann Taylor brand and increased investment in infrastructure, including in the Company’s stores organization, to support the planned expansion of the Company’s Ann Taylor Loft business.

Operating income increased to $123,150,000, or 11.4% of net sales, in 1999 from $91,020,000, or 10.0% of net sales, in 1998. Amortization of goodwill was $11,040,000, or 1.0% of net sales, in 1999, compared to $11,040,000, or 1.2% of net sales, in 1998. Operating income without giving effect to such amortization was $134,190,000, or 12.4% of net sales, in 1999 and $102,060,000, or 11.2% of net sales, in 1998.

Interest income was $4,378,000 in 1999, compared to $2,241,000 in 1998. The increase was primarily attributable to interest income earned on increased cash on hand for the portion of the fiscal year prior to execution by the Company, in the second half of 1999, of the securities repurchase program described below under “Liquidity and Capital Resources”.

Interest expense was $11,814,000 in 1999, compared to $20,358,000 in 1998. The decrease in interest expense was primarily attributable to the redemption during the second quarter of 1999 of the preferred securities and the 8¾% Notes described below under “Liquidity and Capital Resources.” This reduction in interest expense was offset, in part, by interest expense on the Convertible Debentures issued by the Company during the second quarter of 1999, also described below under “Liquidity and Capital Resources”. The weighted average interest rate on the Company’s outstanding indebtedness at January 29, 2000 was 3.88%, compared to 8.60% at January 30, 1999.

The income tax provision was $50,221,000, or 43.4% of income before income taxes and extraordinary loss, in the 1999 period, compared to $33,579,000, or 46.1% of income before income taxes, in 1998. The effective tax rates for both periods were higher than the statutory rates, primarily as a result of non-deductible goodwill expense.

On July 22, 1999, the Company applied the proceeds received from the issuance of the Convertible Debentures to the redemption of Ann Taylor's outstanding 8¾% Notes. This resulted in an extraordinary charge to earnings in Fiscal 1999 of $962,000, net of income tax benefit, or $0.03 per share on a diluted basis.

As a result of the foregoing factors, the Company had net income of $64,531,000, or 6.0% of net sales, for 1999, compared to net income of $39,324,000, or 4.3% of net sales, for 1998.

Changes in Financial Position

Prepaid expenses and other current assets increased to $53,227,000 at the end of 2000 from $37,796,000 at the end of 1999, an increase of $15,431,000, or 40.8%. This increase was primarily attributable to an increase in construction allowance receivables and deferred income taxes.

Merchandise inventories increased to $170,631,000 at February 3, 2001 from $140,026,000 at January 29, 2000, an increase of $30,605,000, or 21.9%. Merchandise inventories at February 3, 2001 and January 29, 2000 included approximately $33,469,000 and $22,959,000, respectively, of inventory associated with the Company's sourcing division, which is principally finished goods in transit from factories. The increase in merchandise inventories is primarily due to inventory purchased to support 81 new stores opened since the beginning of the year. Total store square footage increased to approximately 2,695,000 at February 3, 2001 from approximately 2,280,000 square feet at January 29, 2000. Merchandise inventory on a per-square-foot basis, excluding inventory associated with the Company's sourcing division, was approximately $51 at the end of 2000, compared to $51 at the end of 1999. Inventory turned 4.9 times in 2000, compared to 4.8 times in 1999, excluding inventory associated with the Company's sourcing division. Inventory turnover is determined by dividing cost of sales by the average of the cost of inventory at the beginning and end of the period (excluding inventory associated with the sourcing division).

Liquidity and Capital Resources

The Company's primary source of working capital is cash flow from operations. The following table sets forth material measures of the Company's liquidity:

	Fiscal Year		
	2000	**1999**	**1998**
	(dollars in thousands)		
Cash provided by operating activities	$ 77,422	$101,782	$ 77,478
Working capital	$172,767	$151,368	$168,708
Current ratio	2.22:1	2.26:1	2.30:1
Debt to equity ratio	.20:1	.22:1	.24:1

Cash provided by operating activities in 2000, as presented on the consolidated statements of cash flows, primarily resulted from earnings, noncash charges and increases in accounts payable and accrued liabilities, partially offset by increases in merchandise inventories and receivables.

Ann Taylor's principal credit facility is a bank credit facility that it entered into in June 1998 with a syndicate of lenders (the "Credit Facility"). Ann Taylor uses the Credit Facility for the issuance of commercial and standby letters of credit and to provide funds for other general corporate purposes. The lenders' commitment under the Credit Facility was originally $150,000,000. The Credit Facility had an original maturity date of June 30, 2000, subject to extension upon the satisfaction of certain conditions. Effective September 3, 1999, Ann Taylor elected to reduce the commitment of the lenders under the Credit Facility by $25,000,000 to $125,000,000 and extended the term of the Credit Facility to June 30, 2001.

Loans outstanding under the Credit Facility at any time may not exceed $50,000,000. The Company did not make any borrowings under the loan provisions of the Credit Facility during Fiscal 2000, and there were no loans outstanding at fiscal year end. The outstanding loan balance is required to be reduced to zero for the thirty-day period commencing January 1 each year. This cleandown period was achieved for January 2001. Maximum availability for loans and letters of credit under the Credit Facility is governed by a monthly borrowing base, determined by the application of specified advance rates against certain eligible assets. Based on this calculation, the maximum amount available for loans and letters of credit under the Credit Facility at February 3, 2001 was $125,000,000. Commercial and standby letters of credit outstanding under the Credit Facility as of February 3, 2001 were approximately $89,894,000.

Amounts outstanding under the Credit Facility bear interest at a rate equal to, at Ann Taylor's option, the lead lender's Base Rate or Eurodollar Rate, plus a margin ranging from 0.25% to 1.00%, and from 1.25% to 2.00%, respectively. In addition, Ann Taylor is required to pay the lenders a quarterly commitment fee on the unused revolving loan commitment amount at a rate ranging from 0.375% to 0.5% per annum. Fees for outstanding commercial and standby letters of credit range from 0.625% to 1.0% and from 1.25% to 2.0%, respectively.

The Credit Facility contains financial and other covenants, including limitations on indebtedness, liens and investments, restrictions on dividends or other distributions to stockholders and maintenance of certain financial ratios including a specified fixed charge ratio and specified levels of net worth.

The lenders have been granted a pledge of the common stock of Ann Taylor and certain of its subsidiaries, and a security interest in substantially all other tangible and intangible assets, including accounts receivable, trademarks, inventory, store furniture and fixtures, of Ann Taylor and its subsidiaries, as collateral for Ann Taylor's obligations under the Credit Facility.

As noted above, the Credit Facility matures in June 2001. The Company is currently negotiating to obtain new financing to succeed the Credit Facility, and anticipates new arrangements will be in place in the Spring of 2001.

During the second quarter of Fiscal 1999, the Company completed the issuance of an aggregate of $199,072,000 principal amount at maturity of its Convertible Debentures. The Convertible Debentures were sold at an original issue price of $552.56 per $1,000 principal amount at maturity of Debenture. The net proceeds of the sale were applied to the redemption, described below, of the 8¾% Notes issued by Ann Taylor. Cash interest is payable on the principal amount at maturity of the Convertible Debentures at the rate of 0.55% per annum. This interest rate and the accrual of original issue discount represent a yield to maturity on the Convertible Debentures of 3.75%. The Convertible Debentures are convertible at the option of the holders thereof initially into 12.078 shares of the Company's common stock per $1,000 principal amount at maturity of Debenture. The Convertible Debentures may be redeemed at the Company's option on or after June 18, 2004. The Company's obligations with respect to the Convertible Debentures are guaranteed on a subordinated basis by Ann Taylor.

On July 22, 1999, Ann Taylor redeemed all of its outstanding 8¾% Notes, at a redemption price of 101.375% of principal amount, plus accrued unpaid interest to the redemption date. The redemption of the 8¾% Notes resulted in an extraordinary charge to earnings in the second quarter of Fiscal 1999 and fiscal year 1999 of $962,000, or $0.03 per share on a diluted basis, net of income tax benefit.

On June 29, 1999, the Company's special purpose financing vehicle, AnnTaylor Finance Trust, redeemed all of the preferred securities. All but $100,000 liquidation amount of the preferred securities was tendered for conversion into an aggregate of 5,116,717 shares of Company common stock prior to the redemption date, at a conversion price of $19.65 per share of common stock, or 2.545 shares of common stock per $50 liquidation amount of the security. The 5,116,717 shares of Company common stock issued represented approximately 16% of the Company's outstanding common stock as of the date of issuance. Holders of preferred securities that were not tendered for conversion received a cash payment equal to 105.95% of the liquidation amount of the preferred securities redeemed, plus accrued distributions.

Ann Taylor and its wholly owned subsidiary, AnnTaylor Distribution Services, Inc., are parties to a $7,000,000 seven-year mortgage loan maturing in Fiscal 2002. The loan is secured by the Company's distribution center land and building in Louisville, Kentucky. The mortgage loan bears interest at 7.5% and is payable in monthly installments of approximately $130,000. The mortgage loan balance at February 3, 2001 was $2,650,000.

The Company's capital expenditures totaled $83,310,000, $53,409,000, and $45,131,000 in Fiscal 2000, 1999 and 1998, respectively. Capital expenditures were primarily attributable to the Company's store expansion, renovation and refurbishment programs, as well as the investment the Company made in certain information systems and the Company's corporate offices. These expenditures also include, in Fiscal 2000, increased capital expenditures related to the Company's Internet e-commerce Web site and related enhancements to the material handling system at the Company's distribution center. The Company expects its total capital expenditure requirements in Fiscal 2001 will be approximately $98,000,000, including capital for new store construction for a planned square footage increase of approximately 500,000 square feet, or 20%, as well as capital to support continued investments in information systems. The actual amount of the Company's capital expenditures will depend in part on the number of stores opened, expanded and refurbished and on the amount of construction allowances the Company receives from the landlords of its new or expanded stores. See "Business--Stores and Expansion".

On September 9, 1999, the Company announced a securities repurchase program authorized by its Board of Directors, pursuant to which the Company was authorized to purchase up to $40,000,000 of the Company's common stock and/or Convertible Debentures, through open market purchases and privately negotiated transactions. In January 2000, the Board of Directors authorized a $50,000,000 increase in the securities repurchase program, bringing the total amount of securities that could have been repurchased under the program to $90,000,000. In the third and fourth quarters of 1999, the Company repurchased an aggregate of 3,012,500 shares of its common stock, for an aggregate repurchase price of $89,900,000 (exclusive of brokerage commissions), pursuant to this program. All of the repurchased shares became treasury shares and may be used for general corporate and other purposes. No Convertible Debentures were purchased.

Dividends and distributions from Ann Taylor to the Company are restricted by the Credit Facility.

In order to finance its operations and capital requirements, the Company expects to use internally generated funds, trade credit and funds available to it under the Credit Facility and replacements thereof that are expected to be obtained. The Company believes that cash flow from operations and funds available under the Credit Facility and replacements thereof that are expected to be obtained are sufficient to enable it to meet its ongoing cash needs for its business, as presently conducted, for the foreseeable future.

On May 18, 2000, the Board of Directors of the Company adopted a Stockholder Rights Plan, pursuant to which Rights were distributed as a dividend at the rate of one Right for each share of common stock of the Company held by stockholders of record as of the close of business on May 30, 2000. Each Right entitles stockholders to buy one unit of a share of a new series of preferred stock for $125. The Rights generally are exercisable only if a person or group acquires beneficial ownership of 15% or more of the Voting Power of the Company as represented by the Company's common stock or commences a tender or exchange offer upon consummation of which such person or group would beneficially own 15% or more of the Voting Power of the Company as represented by the Company's common stock. The Rights will expire on May 18, 2010.

In 1998, the Financial Accounting Standards Board (the "FASB"), issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of Effective Date of FASB Statement No. 133", which establishes accounting and reporting standards for derivatives, derivative instruments embedded in other contracts and for hedging activities. In 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Hedging Activities", which establishes accounting and reporting standards for certain derivatives, derivative instruments embedded in other contracts and for certain hedging activities. These statements are effective for the Company's Fiscal 2001 financial statements. Management has determined that the adoption of these standards will have no impact on the Company's financial statements.

Statement Regarding Forward-Looking Disclosures

Sections of this Annual Report on Form 10-K, including the preceding Management's Discussion and Analysis of Financial Condition and Results of Operations, contain various forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, with respect to the financial condition, results of operations and business of the Company. Examples of forward-looking statements are statements that use the words "expect", "anticipate", "plan", "intend", "project", "believe" and similar expressions. These forward-looking statements involve certain risks and uncertainties, and no assurance can be given that any of such matters will be realized. Actual results may differ materially from those contemplated by such forward-looking statements as a result of, among other things, failure by the Company to predict accurately customer fashion preferences; a decline in the demand for merchandise offered by the Company; competitive influences; changes in levels of store traffic or consumer spending habits; effectiveness of the Company's brand awareness and marketing programs; lack of sufficient customer acceptance of the Ann Taylor Loft concept in the upper-moderate-priced women's apparel market; general economic conditions that are less favorable than expected or a downturn in the retail industry; the inability of the Company to locate new store sites or negotiate favorable lease terms for additional stores or for the expansion of existing stores; lack of sufficient consumer interest in our Online Store; a significant change in the regulatory environment applicable to the Company's business; an increase in the rate of import duties or export quotas with respect to the Company's merchandise; financial or political instability in any of the countries in which the Company's goods are manufactured; or an adverse outcome of the litigation referred to in Note 5 to the Consolidated Financial Statements of the Company as of February 3, 2001, that materially and adversely affects the Company's financial condition. The Company assumes no obligation to update or revise any such forward-looking statements, which speak only as of their date, even if experience or future events or changes make it clear that any projected financial or operating results implied by such forward-looking statements will not be realized.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company maintains the majority of its cash and cash equivalents in financial instruments with original maturities of three months or less. These financial instruments are subject to interest rate risk and will decline in value if interest rates increase. Due to the short duration of these financial instruments, a change of 100 basis points in interest rates would not have a material effect on the Company's financial condition.

The Company's outstanding long-term debt as of February 3, 2001 bears interest at fixed rates; therefore, the Company's results of operations would only be affected by interest rate changes to the extent that fluctuating rate loans are outstanding under the Credit Facility. As of February 3, 2001, the Company has no such amounts outstanding. Future borrowings would be affected by interest rate changes; however, the Company does not believe that a change of 100 basis points in interest rates would have a material effect on the Company's financial condition.

ITEM 8. Financial Statements and Supplementary Data

The following consolidated financial statements of the Company for the years ended February 3, 2001, January 29, 2000 and January 30, 1999 are included as a part of this Report (See Item 14):

Consolidated Statements of Income for the fiscal years ended February 3, 2001, January 29, 2000 and January 30, 1999.

Consolidated Balance Sheets as of February 3, 2001 and January 29, 2000.

Consolidated Statements of Stockholders' Equity for the fiscal years ended February 3, 2001, January 29, 2000 and January 30, 1999.

Consolidated Statements of Cash Flows for the fiscal years ended February 3, 2001, January 29, 2000 and January 30, 1999.

Notes to Consolidated Financial Statements.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

PART III

ITEM 10. Directors and Executive Officers of the Registrant

The information required by this item is incorporated herein by reference to the Section entitled “Election of Class I Directors", “Executive Officers” and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement for its 2001 Annual Meeting of Stockholders.

ITEM 11. Executive Compensation

The information required by this item is incorporated herein by reference to the Sections entitled "Compensation of Directors and Related Matters", "Compensation Committee Report on Executive Compensation" and “Executive Compensation” in the Company's Proxy Statement for its 2001 Annual Meeting of Stockholders.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item is incorporated herein by reference to the Section entitled "Beneficial Ownership of Common Stock" in the Company's Proxy Statement for its 2001 Annual Meeting of Stockholders.

ITEM 13. Certain Relationships and Related Transactions

The information required by this item is incorporated herein by reference to the Section entitled "Compensation Committee Report on Executive Compensation--Compensation Committee Interlocks and Insider Participation in Compensation Decisions" in the Company's Proxy Statement for its 2001 Annual Meeting of Stockholders.

PART IV

ITEM 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) List of documents filed as part of this Annual Report:

The following consolidated financial statements of the Company are included on pages 27 through 48 and are filed as part of this Annual Report:

Independent Auditors' Report; Consolidated Statements of Income for the fiscal years ended February 3, 2001, January 29, 2000 and January 30, 1999; Consolidated Balance Sheets as of February 3, 2001 and January 29, 2000; Consolidated Statements of Stockholders' Equity for the fiscal years ended February 3, 2001, January 29, 2000 and January 30, 1999; Consolidated Statements of Cash Flows for the fiscal years ended February 3, 2001, January 29, 2000 and January 30, 1999; Notes to Consolidated Financial Statements.

(b) Reports on Form 8-K

The Company filed a report dated January 23, 2001 with the Commission on Form 8-K with respect to the resignation of a former executive of the Company.

(c) Exhibits

The exhibits listed below are filed as a part of this Annual Report.

Schedules other than the above have been omitted because they are either not applicable or the required information has been disclosed in the consolidated financial statements or notes thereto.

Exhibit Number

3.1 Restated Certificate of Incorporation of the Company as amended through May 18, 1999. Incorporated by reference to Exhibit 3.1 to the Form 10-Q of the Company for the Quarter Ended May 1, 1999 filed on June 1, 1999.

3.2 By-Laws of the Company. Incorporated by reference to Exhibit 3.2 to the Form 10-Q of the Company for the Quarter Ended November 2, 1991 filed on December 17, 1991 (Registration No. 33-28522).

4.1 Indenture, dated as of June 18, 1999, between the Company, Ann Taylor, and the Bank of New York, as Trustee relating to the Company's Convertible Subordinated Debentures due 2019. Incorporated by reference to Exhibit 4.01 to the Registration Statement of the Company filed on September 13, 1999.

4.2 Registration Rights Agreement, dated as of June 18, 1999, between the Company, Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith and Banc America Securities LLC. Incorporated by reference to Exhibit 4.02 to the Registration Statement of the Company filed on September 13, 1999.

10.1 1989 Stock Option Plan. Incorporated by reference to Exhibit 10.18 to the Registration Statement of the Company and Ann Taylor filed on May 3, 1989 (Registration No. 33-28522).

10.1.1 Amendment to 1989 Stock Option Plan. Incorporated by reference to Exhibit 10.15.1 to the Annual Report on Form 10-K of the Company filed on April 30, 1993.

10.2 Lease, dated as of March 17, 1989, between Carven Associates and Ann Taylor concerning the West 57th Street headquarters. Incorporated by reference to Exhibit 10.21 to the Registration Statement of the Company and Ann Taylor filed on May 3, 1989 (Registration No. 33-28522).

Exhibit Number

10.2.1 First Amendment to Lease, dated as of November 14, 1990, between Carven Associates and Ann Taylor. Incorporated by reference to Exhibit 10.17.1 to the Registration Statement of the Company filed on April 11, 1991 (Registration No. 33-39905).

10.2.2 Second Amendment to Lease, dated as of February 28, 1993, between Carven Associates and Ann Taylor. Incorporated by reference to Exhibit 10.17.2 to the Annual Report on Form 10-K of the Company filed on April 29, 1993.

10.2.3 Extension and Amendment to Lease dated as of October 1, 1993, between Carven Associates and Ann Taylor. Incorporated by reference to Exhibit 10.11 to the Form 10-Q of Ann Taylor for the Quarter ended October 30, 1993 filed on November 26, 1993.

10.2.4 Modification of Amendment and Extension to Lease, dated as of April 14, 1994 between Carven Associates and Ann Taylor. Incorporated by reference to Exhibit 10.15.4 to the Annual Report on Form 10-K of the Company filed on April 28, 1995.

10.2.5 Fifth Amendment to Lease, dated as of March 14, 1995, between Carven Associates and Ann Taylor. Incorporated by reference to Exhibit 10.15.5 to the Annual Report on Form 10-K of the Company filed on April 28, 1995.

10.2.6 Sixth Amendment to Lease, dated as of January 5, 1996, between Pacific Metropolitan Corporation and Ann Taylor. Incorporated by reference to Exhibit 10.8.6 to the Annual Report on Form 10-K of the Company filed on April 30, 1998.

10.2.7 Seventh Amendment to Lease, dated as of June 5, 1996, between Pacific Metropolitan Corporation and Ann Taylor. Incorporated by reference to Exhibit 10.8.7 to the Annual Report on Form 10-K of the Company filed on April 30, 1998.

10.2.8 Eighth Amendment to Lease, undated, between Pacific Metropolitan Corporation and Ann Taylor. Incorporated by reference to Exhibit 10.8.8 to the Annual Report on Form 10-K of the Company filed on April 30, 1998.

10.2.9 Ninth Amendment to Lease, dated as of May 13, 1997, between Pacific Metropolitan Corporation and Ann Taylor. Incorporated by reference to Exhibit 10.8.9 to the Annual Report on Form 10-K of the Company filed on April 30, 1998.

10.2.10 Tenth Amendment to Lease, dated as of May 21, 1997, between Pacific Metropolitan Corporation and Ann Taylor. Incorporated by reference to Exhibit 10.8.10 to the Annual Report on Form 10-K of the Company filed on April 30, 1998.

10.2.11 Eleventh Amendment to Lease, dated as of May 15, 1998, between Pacific Metropolitan Corporation and Ann Taylor. Incorporated by reference to Exhibit 10.3.11 to the Annual Report on Form 10-K of the Company filed on March 29, 1999.

10.2.12 Sublease Agreement, dated as of February 23, 1999, between Societe Air France (formerly known as Compagnie Nationale Air France) and Ann Taylor. Incorporated by reference to Exhibit 10.2.12 to the Annual Report on Form 10-K of the Company filed on April 18, 2000.

10.3 Tax Sharing Agreement, dated as of July 13, 1989, between the Company and Ann Taylor. Incorporated by reference to Exhibit 10.24 to Amendment No. 2 to the Registration Statement of the Company and Ann Taylor filed on July 13, 1989 (Registration No. 33-28522).

10.4 Employment Agreement dated as of February 1, 1994 between the Company and Sally Frame Kasaks. Incorporated by reference to Exhibit 10.8 to the Form 10-Q of the Company for the Quarter ended October 29, 1994 filed on December 9, 1994.

10.5 Employment Agreement dated February 16, 1996 between the Company and J. Patrick Spainhour. Incorporated by reference to Exhibit 10.4 to the Annual Report on Form 10-K of the Company filed on April 8, 1996.

Exhibit Number

10.5.1 Amendment to the Employment Agreement, dated August 23, 1996, between the Company and J. Patrick Spainhour. Incorporated by reference to Exhibit 10.11.1 to the Annual Report on Form 10-K of the Company filed on May 1, 1997.

10.5.2 Amendment #2 to the Employment Agreement, dated August 12, 1999, between the Company and J. Patrick Spainhour. Incorporated by reference to Exhibit 10.6.2 to the Form 10-Q of the Company for the Quarter ended July 31, 1999 filed on September 14, 1999. Confidential treatment has been granted with respect to certain portions of this exhibit.

10.5.3 Amendment #3 to the Employment Agreement, dated March 10, 2000, between the Company and J. Patrick Spainhour. Incorporated by reference to Exhibit 10.5.3 to the Annual Report on Form 10-K of the Company filed on April 18, 2000.

10.6 Employment Agreement dated November 25, 1996 between the Company and Patricia DeRosa. Incorporated by reference to Exhibit 10.3 to Form 10-Q of Ann Taylor for the Quarter ended November 2, 1996 filed on December 17, 1996.

10.6.1 Amendment #1 to the Employment Agreement, dated as of February 16, 2000, between the Company and Patricia DeRosa. Incorporated by reference to Exhibit 10.6.1 to the Annual Report on Form 10-K of the Company filed on April 18, 2000. Confidential treatment has been granted with respect to certain portions of this exhibit.

10.6.2 Separation Agreement, dated as of January 15, 2001, between the Company and Patricia DeRosa.

10.7 The AnnTaylor Stores Corporation 1992 Stock Option and Restricted Stock and Unit Award Plan, Amended and Restated as of February 23, 1994. Incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K of the Company filed on May 1, 1997.

10.7.1 Amendment to the AnnTaylor Stores Corporation Amended and Restated 1992 Stock Option and Restricted Stock and Unit Award Plan, as approved by stockholders on June 18, 1997. Incorporated by reference to Exhibit 10.15.1 to the Form 10-Q of the Company for the Quarter Ended August 2, 1997 filed on September 12, 1997.

10.7.2 Amendment to the AnnTaylor Stores Corporation Amended and Restated 1992 Stock Option and Restricted Stock and Unit Award Plan dated as of January 16, 1998. Incorporated by reference to Exhibit 10 of Form 8-K of the Company filed on March 12, 1998.

10.7.3 Amendment to the AnnTaylor Stores Corporation Amended and Restated 1992 Stock Option and Restricted Stock and Unit Award Plan dated as of May 2, 1998. Incorporated by reference to Exhibit 10.16.3 to the Form 10-Q of the Company for the Quarter ended April 2, 1998 filed on June 16, 1998.

10.7.4 Amendment to the AnnTaylor Stores Corporation Amended and Restated 1992 Stock Option and Restricted Stock and Unit Award Plan dated as of March 10, 2000. Incorporated by reference to Exhibit 10.8.4 to the Annual Report on Form 10-K of the Company filed on April 18, 2000.

10.8 AnnTaylor Stores Corporation Amended and Restated Management Performance Compensation Plan, as approved by stockholders on June 18, 1997. Incorporated by reference to Exhibit 10.16 to the Form 10-Q of the Company for the Quarter Ended August 2, 1997 filed on September 12, 1997.

10.8.1 Amendment to the AnnTaylor Stores Corporation Amended and Restated Management Performance Compensation Plan dated as of March 12, 1998. Incorporated by reference to Exhibit 10.17.1 to the Annual Report on Form 10-K of the Company filed on April 30, 1998.

Exhibit Number

10.8.2 Amendment to the AnnTaylor Stores Corporation Amended and Restated Management Performance Compensation Plan, dated as of March 10, 2000. Incorporated by reference to Exhibit 10.9.2 to the Annual Report on Form 10-K of the Company filed on April 18, 2000.

10.9 AnnTaylor Stores Corporation Deferred Compensation Plan. Incorporated by reference to Exhibit 10.33 to the Annual Report on Form 10-K of the Company filed on April 28, 1995.

10.9.1 Amendment to the AnnTaylor Stores Corporation Deferred Compensation Plan as approved by the Board of Directors on August 11, 1995. Incorporated by reference to Exhibit 10.33.1 to the Form 10-Q of the Company for the Quarter Ended July 29, 1995 filed on September 11, 1995.

10.10 Mortgage, Assignment of Rents and Leases, Security Agreement and Fixture Financing Statement dated November 20, 1995, between AnnTaylor Distribution Services, Inc., as Mortgagor, and General Electric Capital Assurance Company, as Mortgagee. Incorporated by reference to Exhibit 10.34 to the Form 10-Q of Ann Taylor for the Quarter ended October 28, 1995 filed on December 8, 1995.

10.11 Promissory Note dated November 20, 1995 from Ann Taylor and AnnTaylor Distribution Services, Inc., collectively as Borrower, to General Electric Capital Assurance Company, as Lender. Incorporated by reference to Exhibit 10.35 to the Form 10-Q of Ann Taylor for the Quarter ended October 28, 1995 filed on December 8, 1995.

10.12 Commitment Letter dated as of May 7, 1998 among Ann Taylor, Bank of America National Trust and Savings Association, BancAmerica Robertson Stephens, Citicorp USA and CoreStates Bank, N.A. Incorporated by reference to Exhibit 10.27 to the Form 10-Q of the Company for the Quarter Ended May 2, 1998 filed on June 16, 1998.

10.13 Credit Agreement, dated as of June 30, 1998 among Ann Taylor, Bank of America, Citicorp USA and First Union National Bank, as Co-Agents, the financial institutions from time to time party thereto, BancAmerica Robertson Stephens, as Arranger, and Bank of America, as Administrative Agent. Incorporated by reference to Exhibit 10.28 to the Form 10-Q of the Company for the Quarter Ended August 1, 1998 filed on September 14, 1998.

10.13.1 Trademark Security Agreement, dated as of June 30, 1998, made by Ann Taylor in favor of Bank of America, as Administrative Agent. Incorporated by reference to Exhibit 10.28.1 to the Form 10-Q of the Company for the Quarter Ended August 1, 1998 filed on September 14, 1998.

10.13.2 Guaranty, dated as of June 30, 1998, made by the Company in favor of Bank of America, as Administrative Agent. Incorporated by reference to Exhibit 10.28.2 to the Form 10-Q of the Company for the Quarter Ended August 1, 1998 filed on September 14, 1998.

10.13.3 Security and Pledge Agreement, dated as of June 30, 1998, made by the Company in favor of Bank of America, as Administrative Agent. Incorporated by reference to Exhibit 10.28.3 to the Form 10-Q of the Company for the Quarter Ended August 1, 1998 filed on September 14, 1998.

10.13.4 Security and Pledge Agreement, dated as of June 30, 1998 made by Ann Taylor in favor of Bank of America, as Administrative Agent. Incorporated by reference to Exhibit 10.28.4 to the Form 10-Q of the Company for the Quarter Ended August 1, 1998 filed on September 14, 1998.

10.13.5 Subsidiary Guaranty, dated as of June 30, 1998 made by AnnTaylor Distribution Services in favor of Bank of America, as Administrative Agent. Incorporated by reference to Exhibit 10.28.5 to the Form 10-Q of the Company for the Quarter Ended August 1, 1998 filed on September 14, 1998.

Exhibit Number

10.13.6 First Amendment to the Credit Agreement, dated as of September 7, 1999, among Ann Taylor, Bank of America, N.A., Citibank, N.A., First Union National Bank and each of the other lenders party to the Credit Agreement, NationsBanc Montgomery Securities LLC, as Arranger and Bank of America, as Administrative Agent. Incorporated by reference to Exhibit 10.19.6 to the Form 10-Q of the Company for the Quarter Ended July 31, 1999 filed on September 14, 1999.

10.13.7 Second Amendment to the Credit Agreement, dated December 1999, among Ann Taylor, Bank of America, N.A., Citibank, N.A., First Union National Bank, and each of the other lenders party to the Credit Agreement, NationsBanc Montgomery Securities LLC, as Arranger and Bank of America, as Administrative Agent. Incorporated by reference to Exhibit 10.15.7 to the Annual Report on Form 10-K of the Company filed on April 18, 2000.

10.14 AnnTaylor Stores Corporation Long-Term Cash Incentive Compensation Plan, as approved by stockholders on June 17, 1998. Incorporated by reference to Exhibit A to the Proxy Statement dated May 1, 1998 filed on May 6, 1998.

10.14.1 Amendment to the AnnTaylor Stores Corporation Long-Term Cash Incentive Compensation Plan, dated as of March 10, 2000. Incorporated by reference to Exhibit 10.16.1 to the Annual Report on Form 10-K of the Company filed on April 18, 2000.

10.15 AnnTaylor Stores Corporation Special Severance Plan, dated as of March 10, 2000. Incorporated by reference to Exhibit 10.18 to the Annual Report on Form 10-K of the Company filed on April 18, 2000.

10.16 The AnnTaylor Stores Corporation 2000 Stock Option and Restricted Stock Award Plan. Incorporated by reference to the Registration Statement on Form S-8 of the Company filed on May 31, 2000.

10.17 Employment Agreement, dated as of March 7, 2001, between the Company and Barry Erdos.

21 Subsidiaries of the Company.

23 Consent of Deloitte & Touche LLP.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ANNTAYLOR STORES CORPORATION

By: /s/ J. Patrick Spainhour
J. Patrick Spainhour
Chairman and Chief Executive Officer

Date: April 5, 2001

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

/s/ J. Patrick Spainhour J. Patrick Spainhour	Chairman and Chief Executive Officer and Director	April 5, 2001
/s/ Barry Erdos Barry Erdos	Senior Executive Vice President and Chief Operating Officer	April 5, 2001
/s/ James M. Smith James M. Smith	Senior Vice President and Chief Financial Officer and Treasurer	April 5, 2001
/s/ Gerald S. Armstrong Gerald S. Armstrong	Director	April 5, 2001
/s/ James J. Burke, Jr. James J. Burke, Jr.	Director	April 5, 2001
/s/ Wesley E. Cantrell Wesley E. Cantrell	Director	April 5, 2001
/s/ Robert C. Grayson Robert C. Grayson	Director	April 5, 2001
/s/ Ronald W. Hovsepian Ronald W. Hovsepian	Director	April 5, 2001
/s/ Rochelle B. Lazarus Rochelle B. Lazarus	Director	April 5, 2001
/s/ Hanne M. Merriman Hanne M. Merriman	Director	April 5, 2001

ANNTAYLOR STORES CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Stockholders of
ANNTAYLOR STORES CORPORATION:

We have audited the accompanying consolidated financial statements of AnnTaylor Stores Corporation and its subsidiaries, listed in the accompanying index. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries at February 3, 2001 and January 29, 2000 and the results of their operations and their cash flows for each of the three fiscal years in the period ended February 3, 2001 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

New York, New York
March 1, 2001

ANNTAYLOR STORES CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
For the Fiscal Years Ended February 3, 2001, January 29, 2000 and January 30, 1999

	Fiscal Years Ended		
	February 3, 2001	**January 29, 2000**	**January 30, 1999**
	(in thousands, except per share amounts)		
Net sales	$ 1,232,776	$1,084,519	$ 911,939
Cost of sales	622,036	536,014	455,724
Gross profit	610,740	548,505	456,215
Selling, general and administrative expenses	501,460	414,315	350,522
Retirement of assets	---	---	3,633
Amortization of goodwill	11,040	11,040	11,040
Operating income	98,240	123,150	91,020
Interest income	2,473	4,378	2,241
Interest expense	7,315	11,814	20,358
Income before income taxes and extraordinary loss	93,398	115,714	72,903
Income tax provision	41,035	50,221	33,579
Income before extraordinary loss	52,363	65,493	39,324
Extraordinary loss (net of income tax benefit of $0, $641,000 and $0, respectively)	---	962	---
Net income	$ 52,363	$ 64,531	$ 39,324
Basic earnings per share:			
Basic earnings per share before extraordinary loss	$ 1.83	$ 2.25	$ 1.53
Extraordinary loss per share	---	0.03	---
Basic earnings per share	$ 1.83	$ 2.22	$ 1.53
Diluted earnings per share:			
Diluted earnings per share before extraordinary loss	$ 1.76	$ 2.08	$ 1.44
Extraordinary loss per share	---	0.03	---
Diluted earnings per share	$ 1.76	$ 2.05	$ 1.44

See accompanying notes to consolidated financial statements.

ANNTAYLOR STORES CORPORATION
CONSOLIDATED BALANCE SHEETS
February 3, 2001 and January 29, 2000

	February 3, 2001	January 29, 2000
ASSETS	(in thousands)	
Current assets		
Cash and cash equivalents	$ 31,962	$ 35,081
Accounts receivable, net	57,989	58,686
Merchandise inventories	170,631	140,026
Prepaid expenses and other current assets	53,227	37,796
Total current assets	313,809	271,589
Property and equipment, net	220,032	173,639
Goodwill, net	297,619	308,659
Deferred financing costs, net	4,281	5,358
Other assets	12,374	5,872
Total assets	$848,115	$765,117
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 65,903	$ 56,175
Accrued salaries and bonus	12,960	23,297
Accrued tenancy	9,800	7,800
Gift certificates and merchandise credits redeemable	20,375	15,618
Accrued expenses	30,604	16,031
Current portion of long-term debt	1,400	1,300
Total current liabilities	141,042	120,221
Long-term debt, net	116,210	114,485
Deferred lease costs and other liabilities	16,834	14,789
Commitments and contingencies		
Stockholders' equity		
Common stock, $.0068 par value; 120,000,000 shares authorized; 31,834,088 and 31,598,423 shares issued, respectively	216	215
Additional paid-in capital	475,393	470,307
Retained earnings	190,093	137,730
Deferred compensation on restricted stock	(1,723)	(2,246)
	663,979	606,006
Treasury stock, 3,011,519 and 3,028,448 shares, respectively, at cost	(89,950)	(90,384)
Total stockholders' equity	574,029	515,622
Total liabilities and stockholders' equity	$848,115	$765,117

See accompanying notes to consolidated financial statements.

ANNTAYLOR STORES CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Fiscal Years Ended February 3, 2001, January 29, 2000 and January 30, 1999
(in thousands)

	Common Stock		Additional Paid-In	Warrants		Retained	Restricted Stock	Treasury Stock	
	Shares	Amount	Capital	Shares	Amount	Earnings	Awards	Shares	Amount
Balance at January 31, 1998	25,658	$ 174	$350,647	3	$ 46	$ 34,204	$ (737)	13	$ (227)
Net income	---	---	---	---	---	39,324	---	---	---
Exercise of stock options and related tax benefit	373	3	9,061	---	---	---	---	3	(106)
Amortization of discount on preferred securities	---	---	---	---	---	(233)	---	---	---
Activity related to common stock issued as employee incentives	4	---	97	---	---	---	465	1	(19)
Balance at January 30, 1999	26,035	177	359,805	3	46	73,295	(272)	17	(352)
Net income	---	---	---	---	---	64,531	---	---	---
Exercise of stock options and related tax benefit	352	2	10,039	---	---	---	---	1	(55)
Amortization of discount on preferred securities	---	---	---	---	---	(96)	---	---	---
Activity related to common stock issued as employee incentives	94	1	3,850	---	---	---	(1,974)	---	---
Exercise and expiration of warrants	---	---	28	(3)	(46)	---	---	(3)	18
Repurchase of common stock	---	---	---	---	---	---	---	3,013	(89,995)
Conversion of preferred securities	5,117	35	96,585	---	---	---	---	---	---
Balance at January 29, 2000	31,598	215	470,307	---	---	137,730	(2,246)	3,028	(90,384)
Net income	---	---	---	---	---	52,363	---	---	---
Exercise of stock options and related tax benefit	110	1	2,912	---	---	---	---	---	---
Activity related to common stock issued as employee incentives	18	---	144	---	---	---	523	(16)	434
Issuance of common stock pursuant to Associate Discount Stock Purchase Plan	108	---	2,030	---	---	---	---	---	---
Balance at February 3, 2001	31,834	$ 216	$ 475,393	---	$ ---	$ 190,093	$ (1,723)	3,012	$(89,950)

See accompanying notes to consolidated financial statements.

ANNTAYLOR STORES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended February 3, 2001, January 29, 2000 and January 30, 1999

	Fiscal Years Ended		
	February 3, 2001	**January 29, 2000**	**January 30, 1999**
		(in thousands)	
Operating activities:			
Net income	$ 52,363	$ 64,531	$ 39,324
Adjustments to reconcile net income to net cash provided by operating activities:			
Extraordinary loss	---	1,603	---
Provision for loss on accounts receivable	1,154	1,032	1,476
Depreciation and amortization	35,033	30,347	28,783
Amortization of goodwill	11,040	11,040	11,040
Amortization of deferred compensation	1,133	1,877	465
Non-cash interest	4,247	3,026	1,290
Deferred income taxes	(3,864)	(3,843)	3,966
Loss on disposal of property and equipment	1,884	1,219	4,175
Tax benefit from exercise of stock options	797	3,483	1,943
Changes in assets and liabilities:			
Increase in receivables	(457)	(1,154)	(5,813)
Increase in merchandise inventories	(30,605)	(3,278)	(39,514)
Increase in prepaid expenses and other current assets	(12,106)	(1,601)	(12,082)
Decrease (increase) in other non-current assets and liabilities, net	(3,918)	3,131	679
Increase (decrease) in accounts payable and and accrued liabilities	20,721	(9,631)	41,746
Net cash provided by operating activities	77,422	101,782	77,478
Investing activities:			
Purchases of property and equipment	(83,310)	(53,409)	(45,131)
Net cash used by investing activities	(83,310)	(53,409)	(45,131)
Financing activities:			
Payment of financing costs	(45)	(4,150)	(2,659)
Payments of mortgage	(1,300)	(1,206)	(1,119)
Proceeds from issuance of Convertible Debentures	---	110,000	---
Redemption of 8¾% Notes	---	(101,375)	---
Redemption of Company Obligated Mandatorily Redeemable Convertible Preferred Secutities	---	(100)	---
Issuance of common stock pursuant to Associate Discount Stock Purchase Plan	2,030	---	---
Repurchase of common stock	---	(89,995)	---
Proceeds from exercise of stock options	2,084	6,503	7,093
Net cash provided by (used by) financing activities	2,769	(80,323)	3,315
Net increase (decrease) in cash	(3,119)	(31,950)	35,662
Cash, beginning of year	35,081	67,031	31,369
Cash, end of year	$ 31,962	$ 35,081	$ 67,031
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$ 2,418	$ 9,405	$ 18,582
Cash paid during the year for income taxes	$ 43,393	$ 51,222	$ 33,934

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

The Company is a leading national specialty retailer of better quality women's apparel, shoes and accessories sold principally under the Ann Taylor brand name. Its principal market consists of the United States. The Company sells its products through traditional retail stores and over the Internet, through its Online Store.

Basis of Presentation

The consolidated financial statements include the accounts of AnnTaylor Stores Corporation (the "Company") and its subsidiaries, including AnnTaylor, Inc. ("Ann Taylor"). The Company has no material assets other than the common stock of Ann Taylor and conducts no business other than the management of Ann Taylor. All intercompany accounts have been eliminated in consolidation.

Certain Fiscal 1999 and 1998 amounts have been reclassified to conform to the Fiscal 2000 presentation.

Fiscal Year

The Company follows the standard fiscal year of the retail industry, which is a 52-or-53-week period ending on the Saturday closest to January 31 of the following calendar year. All fiscal years presented include 52 weeks, except the fiscal year ended February 3, 2001 which included 53 weeks.

Revenue Recognition

The Company records revenue as merchandise is sold. The Company's policy with respect to gift certificates is to record revenue as the certificates are redeemed for merchandise. Prior to their redemption, the certificates are recorded as a liability.

Cash and Cash Equivalents

Cash and short-term highly liquid investments with original maturities of three months or less are considered cash or cash equivalents.

Merchandise Inventories

Merchandise inventories are stated at the lower of average cost or market. Effective February 1, 1998, the Company elected to change its method of inventory valuation from the retail method to the average cost method. The majority of the Company's inventory represents finished goods available for sale.

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets (3 to 40 years) or, in the case of leasehold improvements, over the lives of the respective leases, if shorter.

1. Summary of Significant Accounting Policies (Continued)

Deferred Financing Costs

Deferred financing costs are being amortized using the interest method over the term of the related debt. Accumulated amortization at February 3, 2001 and January 29, 2000 was $2,750,000 and $1,628,000, respectively.

Finance Service Charge Income

Income from finance service charges relating to customer receivables, which is deducted from selling, general and administrative expenses, amounted to $8,614,000 for Fiscal 2000, $8,650,000 for Fiscal 1999 and $8,422,000 for Fiscal 1998.

Goodwill and Other Long-Lived Assets

Goodwill relating to the 1989 acquisition of Ann Taylor by the Company is being amortized on a straight-line basis over 40 years. Goodwill relating to the acquisition, in 1996, of the operations comprising the Company's sourcing division, is being amortized on a straight-line basis over 25 years. Accumulated amortization at February 3, 2001 and January 29, 2000 was $120,971,000 and $109,931,000, respectively.

The Company evaluates its long-lived assets for impairment annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company compares the carrying value of its long-lived assets to an estimate of their expected future cash flows (undiscounted and without interest charges) to evaluate the reasonableness of the carrying value and remaining depreciation or amortization period. If the sum of the expected future cash flows is less than the carrying amount of the asset, an impairment loss is recognized.

Advertising

Costs associated with the production of advertising, such as printing and other costs, are expensed as incurred. Costs associated with communicating advertising that has been produced, such as magazine ads, are expensed when the advertising first takes place. Costs of direct mail catalogs and postcards are expensed when the advertising arrives in customers' homes. Advertising costs were $30,900,000, $25,700,000 and $17,800,000 in Fiscal 2000, 1999 and 1998, respectively.

Stock-based Awards

The Company accounts for stock-based awards using the intrinsic value-based method of accounting, under which no compensation cost is recognized for stock option awards granted at fair market value and employees' purchase rights under the Associate Discount Stock Purchase Plan (see Note 8). Restricted stock awards result in the recognition of deferred compensation. Deferred compensation is shown as a reduction of shareholders' equity and is amortized to operating expenses over the vesting period of the stock award.

1. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes", which requires an asset and liability method of accounting for deferred income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized, and income or expense is recorded, for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The Company and its domestic subsidiaries file a consolidated Federal income tax return, while the Company's foreign subsidiaries file in their respective local jurisdictions.

Segments

The Company has one reportable segment given the economic characteristics of the store formats, the similar nature of the products sold, the type of customer and method of distribution.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates.

Recent Accounting Pronouncements

In 1998, the Financial Accounting Standards Board (the "FASB"), issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of Effective Date of FASB Statement No. 133", which establishes accounting and reporting standards for derivatives, derivative instruments embedded in other contracts and for hedging activities. In 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for certain derivatives, derivative instruments embedded in other contracts and for certain hedging activities. These statements are effective for the Company's Fiscal 2001 financial statements. Management has determined that the adoption of these standards will have no impact on the Company's financial statements.

2. Long-Term Debt

The following table summarizes long-term debt outstanding at February 3, 2001 and January 29, 2000:

	February 3, 2001		January 29, 2000	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(in thousands)			
Mortgage	$ 2,650	$ 2,650	$ 3,950	$ 3,950
Convertible Debentures, net	114,960	97,048	111,835	84,606
Total debt	117,610	99,698	115,785	88,556
Less current portion	1,400	1,400	1,300	1,300
Total long-term debt	$116,210	$ 98,298	$114,485	$ 87,256

2. Long-Term Debt (Continued)

In accordance with the requirements of SFAS No. 107, "Disclosures about Fair Value of Financial Instruments", the Company determined the estimated fair value of its financial instruments using quoted market information, as available. As judgment is involved, the estimates are not necessarily indicative of the amounts the Company could realize in a current market exchange.

Ann Taylor's principal credit facility is a bank credit facility that it entered into in June 1998 with a syndicate of lenders (the "Credit Facility"). Ann Taylor uses the Credit Facility for the issuance of commercial and standby letters of credit and to provide funds for other general corporate purposes. The lenders' commitment under the Credit Facility was originally $150,000,000. The Credit Facility had an original maturity date of June 30, 2000, subject to extension upon the satisfaction of certain conditions. Effective September 3, 1999, Ann Taylor elected to reduce the commitment of the lenders under the Credit Facility by $25,000,000 to $125,000,000 and extended the term of the credit agreement to June 30, 2001.

Loans outstanding under the Credit Facility at any time may not exceed $50,000,000. The Company did not make any borrowings under the loan provisions of the Credit Facility during Fiscal 2000, and there were no loans outstanding at fiscal year end. The outstanding loan balance is required to be reduced to zero for the thirty-day period commencing January 1 each year. This cleandown period was achieved for January 2001. Maximum availability for loans and letters of credit under the Credit Facility is governed by a monthly borrowing base, determined by the application of specified advance rates against certain eligible assets. Based on this calculation, the maximum amount available for loans and letters of credit under the Credit Facility at February 3, 2001 was $125,000,000. Commercial and standby letters of credit outstanding under the Credit Facility as of February 3, 2001 were approximately $89,894,000.

Amounts outstanding under the Credit Facility bear interest at a rate equal to, at Ann Taylor's option, the lead lender's Base Rate or Eurodollar Rate, plus a margin ranging from 0.25% to 1.00% and from 1.25% to 2.00%, respectively. In addition, Ann Taylor is required to pay the lenders a quarterly commitment fee on the unused revolving loan commitment amount at a rate ranging from 0.375% to 0.5% per annum. Fees for outstanding commercial and standby letters of credit range from 0.625% to 1.0% and from 1.25% to 2.0%, respectively.

The Credit Facility contains financial and other covenants, including limitations on indebtedness, liens and investments, restrictions on dividends or other distributions to stockholders and maintenance of certain financial ratios including a specified fixed charge coverage ratio and specified levels of net worth.

The lenders have been granted a pledge of the common stock of Ann Taylor and certain of its subsidiaries, and a security interest in substantially all other tangible and intangible assets, including accounts receivable, trademarks, inventory, store furniture and fixtures, of Ann Taylor and its subsidiaries, as collateral for Ann Taylor's obligations under the Credit Facility.

As noted above, the Credit Facility matures in June 2001. The Company is currently negotiating to obtain new financing to succeed the Credit Facility and anticipates new arrangements will be in place in the Spring of 2001.

During the second quarter of Fiscal 1999, the Company completed the issuance of an aggregate of $199,072,000 principal amount at maturity of its Convertible Subordinated Debentures due 2019 ("Convertible Debentures"). The Convertible Debentures were sold at an original issue price of $552.56 per $1,000 principal amount at maturity of Debenture. The net proceeds of the sale were applied to the

2. Long-Term Debt (Continued)

redemption, described below, of the $100,000,000 outstanding 8¾% Subordinated Notes due 2000 (the "8¾% Notes") issued by Ann Taylor. Cash interest is payable on the principal amount at maturity of the Convertible Debentures at the rate of 0.55% per annum. This interest rate and the accrual of original issue discount represent a yield to maturity on the Convertible Debentures of 3.75%. The Convertible Debentures are convertible at the option of the holders thereof initially into 12.078 shares of the Company's common stock per $1,000 principal amount at maturity of Debenture. The Convertible Debentures may be redeemed at the Company's option on or after June 18, 2004. The Company's obligations with respect to the Convertible Debentures are guaranteed on a subordinated basis by Ann Taylor.

On July 22, 1999, Ann Taylor redeemed all of its outstanding 8¾% Notes, at a redemption price of 101.375% of principal amount, plus accrued unpaid interest to the redemption date. The redemption of the 8¾% Notes resulted in an extraordinary charge to earnings in the second quarter of 1999 and fiscal year of 1999 of $962,000, or $0.03 per share on a diluted basis, net of income tax benefit.

Ann Taylor and its wholly owned subsidiary AnnTaylor Distribution Services, Inc. are parties to a $7,000,000 seven-year mortgage loan maturing in Fiscal 2002. The loan is secured by the Company's distribution center land and building in Louisville, Kentucky. The mortgage loan bears interest at 7.5% and is payable in monthly installments of approximately $130,000. The mortgage loan balance at February 3, 2001 was $2,650,000.

The aggregate principal payments for the next five years of all long-term obligations at February 3, 2001 are as follows:

Fiscal Year	(in thousands)
2001	$ 1,400
2002	1,250
2003	---
2004	---
2005	---
Total	$ 2,650

3. Preferred Securities

In April and May of Fiscal 1996, the Company completed the sale of an aggregate of $100,625,000 of 8½% Company-Obligated Mandatorily Redeemable Convertible Preferred Securities (the "preferred securities") issued by its financing vehicle, AnnTaylor Finance Trust, a Delaware business trust (the "Trust"). On June 29, 1999, AnnTaylor Finance Trust redeemed all of the outstanding preferred securities. All but $100,000 of the liquidation amount of the preferred securities was tendered for conversion into an aggregate of 5,116,717 shares of Company common stock prior to the redemption date, at a conversion price of $19.65 per share of common stock, or 2.545 shares of common stock per $50 liquidation amount of the security. Holders of preferred securities that were not tendered for conversion received 105.95% of the liquidation amount of the preferred securities redeemed, plus accrued distributions.

4. Allowance for Doubtful Accounts

A summary of activity in the allowance for doubtful accounts for the fiscal years ended February 3, 2001, January 29, 2000 and January 30, 1999 is as follows:

	Fiscal Years Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
		(in thousands)	
Balance at beginning of year	$ 666	$ 820	$ 812
Provision for loss on accounts receivable	1,154	1,032	1,476
Accounts written off	(1,199)	(1,186)	(1,468)
Balance at end of year	$ 621	$ 666	$ 820

5. Commitments and Contingencies

Rental Commitments

The Company occupies its retail stores and administrative facilities under operating leases, most of which are non-cancelable. Some leases contain renewal options for periods ranging from one to ten years under substantially the same terms and conditions as the original leases. Most of the store leases require payment of a specified minimum rent, plus a contingent rent based on a percentage of the store's net sales in excess of a specified threshold. In addition, most of the leases require payment of real estate taxes, insurance and certain common area and maintenance costs in addition to the future minimum lease payments shown below.

Future minimum lease payments under non-cancelable operating leases at February 3, 2001 are as follows:

Fiscal Year	(in thousands)
2001	$ 117,419
2002	118,108
2003	113,145
2004	108,743
2005	100,034
2006 and thereafter	353,493
Total	$ 910,942

Rent expense for the fiscal years ended February 3, 2001, January 29, 2000 and January 30, 1999 was as follows:

	Fiscal Years Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
		(in thousands)	
Minimum rent	$91,482	$73,363	$66,916
Percentage rent	3,534	3,131	2,414
Total	$95,016	$76,494	$69,330

5. Commitments and Contingencies (continued)

Litigation

The Company has been named as a defendant in several legal actions arising from its normal business activities. Although the amount of any liability that could arise with respect to these actions cannot be accurately predicted, in the opinion of the Company, any such liability will not have a material adverse effect on the financial position, results of operations or liquidity of the Company.

In addition, the Company, Ann Taylor, certain directors and former officers and directors of the Company and Ann Taylor, Merrill Lynch & Co. ("ML&Co.") and certain affiliates of ML&Co. are defendants in a purported class action lawsuit originally filed in April 1996 by certain alleged stockholders, alleging that the Company and the other defendants engaged in a fraudulent scheme and course of business that operated a fraud or deceit on purchasers of the Company's common stock during the period from February 3, 1994 through May 4, 1995. On November 9, 1998, the District Court issued an order granting the defendants' motion to dismiss the amended complaint with prejudice for its failure to plead fraud with particularity. On or about December 15, 1998, the plaintiffs filed a notice of appeal to the United States Court of Appeals for the Second Circuit, seeking review of the District Court's order. The Court heard oral argument on this appeal on September 15, 1999. ML&Co., its affiliates and the two directors who previously served on the Company's Board of Directors as representatives of certain affiliates of ML&Co. (the "settling defendants") reached a settlement with the plaintiffs, which provides, among other things, for the establishment of a settlement fund in the amount of $3,000,000, plus interest. On or about December 14, 1999, the District Court entered an Order and Final Judgment approving this partial settlement, dismissing the amended complaint with prejudice as to the settling defendants, and barring and enjoining any future claims by, among others, the remaining defendants against the settling defendants for contribution.

On June 21, 2000, the United States Court of Appeals for the Second Circuit vacated the dismissal of the amended complaint. The Court of Appeals held that the allegations of the amended complaint are sufficient to satisfy the standard for pleading intent under the federal securities laws, but expressed no view as to whether the allegations are sufficiently particularized. Accordingly, the Court of Appeals remanded the case to the District Court with instructions to allow plaintiffs to replead their complaint, and to reconsider whether plaintiffs' allegations are pled with sufficient particularity to satisfy the pleading standards of the Private Securities Litigation Reform Act of 1995. The decision of the Court of Appeals applies only to plaintiffs' claims against the Company, Ann Taylor and their former directors and officers. As a result, any liability that may arise from this action cannot be predicted at this time. ML&Co. and its affiliates entered into a settlement with the plaintiffs, and plaintiffs withdrew their appeal of the dismissal of the amended complaint with respect to those defendants.

On or about September 19, 2000, the Company, Ann Taylor and their former directors and officers filed a petition for a writ of certiorari in the United States Supreme Court seeking review and reversal of the decision of the Court of Appeals. This petition was denied on or about November 27, 2000.

Following the decision of the Court of Appeals, plaintiffs elected not to replead their amended complaint. On or about September 29, 2000, the Company, Ann Taylor and their former directors and officers again moved to dismiss the amended complaint, arguing that it fails to plead fraud with sufficient particularity under the standards set forth by the Court of Appeals in its June 21, 2000 decision. The motion has been fully briefed and is pending before the District Court.

The Company believes that the amended complaint is without merit and intends to continue to defend the action vigorously.

6. Net Income per Share

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share assumes the issuance of additional shares of common stock, that are issuable by the Company upon the conversion of all outstanding warrants, stock options, restricted stock and convertible securities if the effect is dilutive. Basic and diluted earnings per share calculations follow:

	Fiscal Years Ended								
	February 3, 2001			January 29, 2000			January 30, 1999		
	(In thousands, except per share amounts)								
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic Earnings per Share									
Income available to common stockholders before extraordinary loss	$52,363	28,608	$1.83	$65,493	29,021	$2.25	$39,324	25,715	$1.53
Effect of Dilutive Securities									
Warrants	---	---		---	1		---	3	
Stock options and restricted stock	---	209		---	269		---	166	
Preferred securities	---	---		1,123	2,083		5,189	5,122	
Convertible Debentures	2,644	2,404		1,570	1,475		---	---	
Diluted Earnings per Share									
Income available to common stockholders before extraordinary loss	$55,007	31,221	$1.76	$68,186	32,849	$2.08	$44,513	31,006	$1.44

7. Property and Equipment

Property and equipment consists of the following:

	Fiscal Years Ended	
	February 3, 2001	January 29, 2000
	(in thousands)	
Land and building	$ 8,774	$ 8,774
Leasehold improvements	132,537	110,573
Furniture and fixtures	213,195	169,521
Construction in progress	25,279	23,518
	379,785	312,386
Less accumulated depreciation and amortization	159,753	138,747
Net property and equipment	$ 220,032	$ 173,639

8. Other Equity and Stock Option Plans

Common Stock

During Fiscal 1999, the number of authorized shares of common stock was increased from 40,000,000 to 120,000,000.

Preferred Stock

At February 3, 2001, January 29, 2000 and January 30, 1999, there were 2,000,000 shares of preferred stock, par value $0.01, authorized and unissued.

Repurchase Program

During the third quarter of Fiscal 1999, the Company's Board of Directors authorized a program under which the Company was authorized to purchase up to $40,000,000 of the Company's common stock and/or Convertible Debentures through open market purchases and/or in privately negotiated transactions. On January 10, 2000, the Board of Directors increased the amount of securities that could be purchased under the program to $90,000,000. As of January 29, 2000, 3,012,500 shares of the Company's common stock had been repurchased for an aggregate purchase price of $89,900,000 (exclusive of brokerage commissions), completing the securities repurchase program. All of the repurchased shares became treasury shares and may be used for general corporate or other purposes. No Convertible Debentures were purchased.

Associate Discount Stock Purchase Plan

In Fiscal 1999, the Company established an Associate Discount Stock Purchase Plan (the "Stock Purchase Plan") through which participating eligible employees may purchase shares of the Company's common stock semiannually, at a price equal to the lower of 85% of the closing price of the Company's common stock on the grant date or the purchase date of each semiannual stock purchase period. Participating employees pay for their stock purchases under the Stock Purchase Plan by authorizing limited payroll deductions of up to a maximum of 15% of their compensation. During Fiscal 2000, 107,938 shares were issued pursuant to the Stock Purchase Plan at an average price per share of $18.80. No shares of common stock were previously issued pursuant to the Stock Purchase Plan. At February 3, 2001, there were 142,062 shares available for future issuance under this Stock Purchase Plan.

Stock Option Plans

In 1989 and 1992, the Company established stock option plans. In 2000, the Company established a stock option and restricted award plan (the "Plan"). Under the Plan, the number of shares of common stock as to which options and restricted stock may be granted from time to time may not exceed 1,000,000, of which no more than 250,000 may be granted as restricted stock. The Plan also includes an acceleration clause by which all options not exercisable by their terms will, upon the occurrence of certain events, become exercisable. At February 3, 2001, 22,547 shares of common stock were reserved for issuance under the 1989 plan, 2,189,246 shares of common stock were reserved for issuance under the 1992 plan and 1,000,000 shares were reserved under the 2000 plan. Under the terms of all plans, the exercise price of any option may not be less than 100% of the fair market value of the common stock on the date of grant.

8. Other Equity and Stock Options Plans (continued)

Stock options granted prior to 1994 generally vest over a five year period, with 20% becoming exercisable immediately upon grant of the option and 20% per year for the next four years. Stock options granted since 1994 generally vest either (i) over a four year period, with 25% becoming exercisable on each of the first four anniversaries of the grant, or (ii) in seven or nine years with accelerated vesting upon the achievement of specified earnings or stock price targets within a five-year period. All stock options granted under the 1989 plan, the 1992 plan and the 2000 plan expire ten years from the date of grant. At February 3, 2001, there were no shares under the 1989 plan, 452,187 shares under the 1992 plan and 462,700 shares under the 2000 plan available for future grant.

The following table summarizes stock option transactions for the fiscal years ended February 3, 2001, January 29, 2000 and January 30, 1999:

	Option Prices	Weighted Average Price	Number of Shares
Outstanding Options January 31, 1998	$6.80 - $44.13	$ 21.20	1,621,092
Granted	$14.00 - $36.25	17.52	306,574
Exercised	$6.80 - $36.25	19.09	(373,544)
Canceled	$6.80 - $42.50	23.68	(162,224)
Outstanding Options January 30, 1999	$6.80 - $44.13	$ 20.67	1,391,898
Granted	$22.81 - $47.69	43.56	882,500
Exercised	$6.80 - $42.50	18.65	(351,737)
Canceled	$11.00 - $44.25	25.41	(123,980)
Outstanding Options January 29, 2000	$11.50 - $47.69	$ 31.98	1,798,681
Granted	$16.88 - $38.63	23.72	870,900
Exercised	$14.19 - $36.25	19.22	(110,059)
Canceled	$14.19 - $44.81	26.11	(303,193)
Outstanding Options February 3, 2001	$11.50 - $47.69	$ 30.21	2,256,329

Options for 631,787, 558,321 and 696,596 shares were exercisable as of February 3, 2001, January 29, 2000 and January 30, 1999, respectively, and had a weighted average exercise price of $24.54, $20.74 and $19.76 per share, respectively.

The following table summarizes information concerning options outstanding and exercisable at February 3, 2001:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$11.50 - $19.08	330,254	6.2	$ 16.04	240,053	$ 16.29
$19.09 - $23.84	393,767	7.2	$ 21.49	219,574	$ 21.15
$23.85 - $28.61	571,968	8.6	$ 24.24	10,207	$ 25.28
$28.62 - $42.92	227,840	6.9	$ 35.32	54,786	$ 34.87
$42.93 - $47.69	732,500	8.1	$ 44.32	107,167	$ 44.53
$11.50 - $47.69	2,256,329	7.7	$ 30.21	631,787	$ 24.54

8. Other Equity and Stock Options Plans (continued)

The Company accounts for the stock options and the employees' purchase rights under the Stock Purchase Plan using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, under which no compensation costs have been recognized for stock option awards and shares purchased under the Stock Purchase Plan. Had compensation costs of option awards and employees' purchase rights been determined under a fair value alternative method as stated in SFAS No. 123, "Accounting for Stock-Based Compensation", the Company would have been required to prepare a fair value model for such options and employees' purchase rights, and record such amount in the financial statements as compensation expense. Pro forma net income before extraordinary loss and net income per share before extraordinary loss, on a diluted basis, after taking into account such expense, would have been as follows:

	Fiscal Years Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
	(in thousands, except per share amounts)		
Net income:			
As reported	$ 52,363	$ 64,531	$ 39,324
Pro forma	$ 49,964	$ 63,917	$ 38,394
Basic earnings per share:			
As reported	$ 1.83	$ 2.25	$ 1.53
Pro forma	$ 1.75	$ 2.20	$ 1.49
Diluted earnings per share:			
As reported	$ 1.76	$ 2.08	$ 1.44
Pro forma	$ 1.69	$ 2.03	$ 1.41

The fair value of each option grant is estimated at the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Fiscal Years Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
Expected volatility	69.7%	49.1%	59.4%
Risk-free interest rate	5.9%	4.9%	5.4%
Expected life (years)	4.0	4.0	4.0
Dividend yield	---	---	---

In 1994, the Company's 1992 stock option plan was amended and restated to include restricted stock and unit awards. A unit represents the right to receive the cash value of a share of common stock on the date the restrictions on the unit lapse. The restrictions on grants generally lapse over a four year period from the date of the grant. In the event a grantee terminates employment with the Company, any restricted stock or restricted units remaining subject to restrictions are forfeited. During 1998, 1999 and 2000, certain executives were awarded restricted common stock and, in some cases, restricted units. The resulting unearned compensation expense, based upon the market value on the date of grants, was charged to stockholders' equity and is being amortized over the restricted period.

8. Other Equity and Stock Options Plans (continued)

Stockholder Rights Plan

On May 18, 2000, the Board of Directors of the Company adopted a Stockholder Rights Plan, pursuant to which Rights were distributed as a dividend at the rate of one Right for each share of common stock of the Company held by stockholders of record as of the close of business on May 30, 2000. Each Right entitles stockholders to buy one unit of a share of a new series of preferred stock for $125. The Rights generally will be exercisable only if a person or group acquires beneficial ownership of 15% or more of the Voting Power of the Company as represented by the Company's common stock or commences a tender or exchange offer upon consummation of which such person or group would beneficially own 15% or more of the Voting Power of the Company, as represented by the Company's common stock. The Rights will expire on May 18, 2010.

9. Executive Compensation

In 1996, J. Patrick Spainhour, the Chairman and Chief Executive Officer of Ann Taylor, was granted 75,000 shares of restricted common stock. The resulting unearned compensation expense of $1,171,875, based upon the market value on the date of the grant, was charged to stockholders' equity and was amortized over the restricted period applicable to these shares. In 1999, Mr. Spainhour was granted an additional 25,000 shares of restricted stock which vested on March 8, 2000, and in 2000, an additional 50,000 shares of restricted stock were awarded. Of these restricted shares, which are performance-vesting, 25,000 restricted shares would have vested on March 8, 2001 but were cancelled on that date because the Company failed to achieve specified earnings goals. The remaining 25,000 restricted shares will vest on March 8, 2002, provided the Company achieves specified earnings goals for Fiscal 2001. Mr. Spainhour's restricted stock awards resulted in unearned compensation expense of $500,000 and $829,688, in Fiscal 2000 and Fiscal 1999, respectively, based on the market value of the common stock on the date of the grants. The unearned compensation expense was charged to stockholders' equity and is being amortized over the restricted period applicable to these shares. In addition to the restricted stock, Mr. Spainhour was awarded a non-qualified stock option award to purchase 250,000 shares of common stock at the current market price, which will be exercisable in March 2002, as well as "super-incentive" non-qualified performance-vesting stock options to purchase 100,000 shares of common stock. The "super-incentive" non-qualified performance vesting stock options will become exercisable upon achievement of various earnings per share targets between March 2000 and March 2002**.** An additional "super-incentive" nonqualified performance-vesting stock option, which is exercisable in March 2002, to purchase 100,000 shares was granted in Fiscal 2000. Any "super-incentive" options that do not vest by March 2002 will be cancelled on that date. Additionally, as of December 9, 1996, a former executive of the Company received a grant of 30,000 restricted shares of common stock and 20,000 restricted units. The resulting unearned compensation expense of $592,500, based on the market value of the common stock on the date of the grant, was charged to stockholders' equity and was amortized over the restricted period applicable to these shares. In Fiscal 2000, an award for an additional 50,000 restricted shares was granted. The former executive's right to these shares was canceled upon her resignation. In addition, the former executive was awarded "super-incentive" non-qualified performance vesting stock options to purchase 100,000 shares of common stock at the then current market price. These unvested options were cancelled upon the executive's resignation from the Company.

10. Extraordinary Item

On July 22, 1999, the Company applied the proceeds received from the issuance of its Convertible Debentures to redeem the outstanding 8¾% Notes. This resulted in an extraordinary charge to earnings in Fiscal 1999 of $962,000, net of income tax benefit of $641,000.

11. Nonrecurring Charges

In the fourth quarter of Fiscal 1998, the Company recorded a $3,633,000 non-cash pre-tax charge for the retirement of certain assets. This charge related to the write-off of the net book value of assets relinquished during the renovation of the Company's corporate offices.

12. Income Taxes

The provision for income taxes for the fiscal years ended February 3, 2001, January 29, 2000 and January 30, 1999 consists of the following:

	Fiscal Years Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
		(in thousands)	
Federal:			
Current	$ 38,082	$ 41,682	$ 21,589
Deferred	(3,047)	(3,033)	2,748
Total federal	35,035	38,649	24,337
State and local:			
Current	6,476	11,856	7,869
Deferred	(817)	(809)	1,217
Total state and local	5,659	11,047	9,086
Foreign:			
Current	471	525	156
Deferred	(130)	---	---
Total foreign	341	525	156
Total	$ 41,035	$ 50,221	$ 33,579

The reconciliation between the provision for income taxes and the provision for income taxes at the federal statutory rate for the fiscal years ended February 3, 2001, January 29, 2000 and January 30, 1999 is as follows:

	Fiscal Years Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
	(in thousands, except percentages)		
Income before income taxes and extraordinary loss	$ 93,398	$ 115,714	$ 72,903
Federal statutory rate	35%	35%	35%
Provision for income taxes at federal statutory rate	$ 32,689	$ 40,500	$ 25,516
State and local income taxes, net of federal income tax benefit	4,751	6,278	4,660
Non-deductible amortization of goodwill	3,500	3,500	3,500
Earnings of foreign subsidiaries	78	79	(188)
Other	17	(136)	91
Provision for income taxes	$ 41,035	$ 50,221	$ 33,579

12. Income Taxes (continued)

The tax effects of significant items comprising the Company's deferred tax assets as of February 3, 2001 and January 29, 2000 are as follows:

	February 3, 2001	January 29, 2000
	(in thousands)	
Current:		
Inventory	$ 4,375	$ 2,071
Accrued expenses	3,364	2,306
Real estate	(2,087)	(2,050)
Total current	$ 5,652	$ 2,327
Noncurrent:		
Accrued expenses	$ 983	$ 763
Depreciation and amortization	(2,616)	(2,936)
Rent expense	5,510	5,168
Other	(16)	327
Total noncurrent	$ 3,861	$ 3,322

Income taxes provided reflect the current and deferred tax consequences of events that have been recognized in the Company's financial statements or tax returns. U.S. federal income taxes are provided on unremitted foreign earnings, except those that are considered permanently reinvested, which at February 3, 2001 amounted to approximately $6,803,000. However, if these earnings were not considered permanently reinvested, under current law, the incremental tax on such undistributed earnings would be approximately $2,137,000.

13. Retirement Plans

Savings Plan. Ann Taylor maintains a defined contribution 401(k) savings plan for substantially all full-time employees of Ann Taylor and its subsidiaries. Participants may contribute to the plan an aggregate of up to 10% of their annual earnings. Ann Taylor makes a matching contribution of 50% with respect to the first 3% of each participant's annual earnings contributed to the plan. Ann Taylor's contributions to the plan for Fiscal 2000, Fiscal 1999 and Fiscal 1998 were $792,000, $697,000, and $592,000, respectively.

Pension Plan. Substantially all full-time employees of Ann Taylor and its subsidiaries are covered under a noncontributory defined benefit pension plan. Through December 31, 1997, the pension plan was a "cash balance pension plan", under which each participant accrued a benefit based on compensation and years of service with Ann Taylor. As of January 1, 1998, the plan was amended and the formula to calculate benefits was changed to a career average formula. The new career average formula was used to determine the funding status of the plan beginning in Fiscal 1997. Ann Taylor's funding policy for the plan is to contribute annually the amount necessary to provide for benefits based on accrued service and projected pay increases. Plan assets consist primarily of cash, equity and fixed income securities.

13. Retirement Plans (continued)

The following table provides information for the pension plan at February 3, 2001, January 29, 2000 and January 30, 1999:

	Fiscal Years Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
		(in thousands)	
Change in benefit obligation:			
Benefit obligation, beginning of year	$ 4,954	$ 4,642	$ 3,820
Service cost	1,206	1,129	669
Interest	442	340	292
Actuarial loss	912	19	348
Benefits paid	(732)	(1,176)	(487)
Benefit obligation, end of year	6,782	4,954	4,642
Change in plan assets:			
Fair value of plan assets, beginning of year	9,489	7,486	5,128
Actual return on plan assets	887	763	1,205
Employer contribution	---	2,416	1,640
Benefits paid	(732)	(1,176)	(487)
Fair value of plan assets, end of year	9,644	9,489	7,486
Funded status (fair value of plan assets less benefit obligation)	2,862	4,535	2,844
Unrecognized net actuarial gain	(763)	(1,621)	(1,675)
Unrecognized prior service cost	57	63	69
Prepaid benefit cost	$ 2,156	$ 2,977	$ 1,238

Net pension cost includes the following components:

	Fiscal Years Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
		(in thousands)	
Service cost	$ 1,206	$ 1,129	$ 669
Interest cost	442	340	292
Expected return on assets	(831)	(776)	(481)
Amortization of prior gains	(1)	(22)	(61)
Amortization of prior service cost	6	6	6
Net periodic pension cost	$ 822	$ 677	$ 425

For the fiscal years ended February 3, 2001, January 29, 2000 and January 30, 1999, the following actuarial assumptions were used:

	Fiscal Years Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
Discount rate	7.75%	8.25%	6.75%
Long-term rate of return on assets	9.00%	9.00%	9.00%
Rate of increase in future compensation	4.00%	4.00%	4.00%

14. Quarterly Financial Data (Unaudited)

	Quarter			
	First	Second	Third	Fourth
	(in thousands, except per share amounts)			
Fiscal 2000				
Net sales	$ 277,068	$ 306,252	$ 305,876	$ 343,580
Gross profit	148,596	143,808	170,438	147,898
Net income	$ 11,282	$ 13,426	$ 23,877	$ 3,778
Basic earnings per share	$ 0.39	$ 0.47	$ 0.83	$ 0.13
Diluted earnings per share	$ 0.38	$ 0.45	$ 0.78	$ 0.13
Fiscal 1999				
Net sales	$ 249,400	$ 265,747	$ 272,289	$ 297,083
Gross profit	131,337	125,905	149,875	141,388
Income before extraordinary loss	14,755	13,373	21,448	15,917
Extraordinary loss	---	962	---	---
Net income	$ 14,755	$ 12,411	$ 21,448	$ 15,917
Basic earnings per share before extraordinary loss	$ 0.56	$ 0.47	$ 0.68	$ 0.53
Extraordinary loss per share	---	0.03	---	---
Basic earnings per share	$ 0.56	$ 0.44	$ 0.68	$ 0.53
Diluted earnings per share before extraordinary loss	$ 0.51	$ 0.42	$ 0.65	$ 0.50
Extraordinary loss per share	---	0.03	---	---
Diluted earnings per share	$ 0.51	$ 0.39	$ 0.65	$ 0.50

The sum of the quarterly per share data may not equal the annual amounts due to changes in the weighted average shares and share equivalents outstanding. Conversion of the Convertible Debentures into common stock is not included in the computation of diluted earnings per share for the fourth quarter of Fiscal 2000 due to the antidilutive effect of the conversion.