UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 4, 2001

OR

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

Commission file number 1-10738

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)

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of August 31, 2001
Common Stock, $.0068 par value	**29,152,987**

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ANNTAYLOR STORES CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the Quarters and Six Months Ended August 4, 2001 and July 29, 2000
(unaudited)

	Quarters Ended		Six Months Ended	
	August 4, 2001	July 29, 2000	August 4, 2001	July 29, 2000
	(in thousands, except per share amounts)			
Net sales	$ 310,292	$ 306,252	$ 617,382	$ 583,320
Cost of sales	158,289	162,444	305,727	290,916
Gross profit	152,003	143,808	311,655	292,404
Selling, general and administrative expenses	135,833	116,062	271,551	240,165
Amortization of goodwill	2,760	2,760	5,520	5,520
Operating income	13,410	24,986	34,584	46,719
Interest income	523	806	858	1,270
Interest expense	1,719	1,830	3,499	3,626
Income before income taxes	12,214	23,962	31,943	44,363
Income tax provision	5,815	10,536	14,600	19,655
Net income	$ 6,399	$ 13,426	$ 17,343	$ 24,708
Basic earnings per share	$ 0.22	$ 0.47	$ 0.60	$ 0.86
Diluted earnings per share	$ 0.22	$ 0.45	$ 0.60	$ 0.83

See accompanying notes to condensed consolidated financial statements.

ANNTAYLOR STORES CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
August 4, 2001 and February 3, 2001
(unaudited)

	August 4, 2001	February 3, 2001
ASSETS	(in thousands)	
Current assets		
Cash and cash equivalents	$ 29,656	$ 31,962
Accounts receivable, net	59,581	57,989
Merchandise inventories	173,913	170,631
Prepaid expenses and other current assets	57,576	53,227
Total current assets	320,726	313,809
Property and equipment, net	245,112	220,032
Goodwill, net	292,099	297,619
Deferred financing costs, net	4,827	4,281
Other assets	14,718	12,374
Total assets	$877,482	$848,115
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 71,548	$ 65,903
Accrued salaries and bonus	10,052	12,960
Accrued tenancy	10,674	9,800
Gift certificates and merchandise credits redeemable	16,115	20,375
Accrued expenses	37,397	30,604
Current portion of long-term debt	1,454	1,400
Total current liabilities	147,240	141,042
Long-term debt, net	117,081	116,210
Deferred lease costs and other liabilities	16,298	16,834
Commitments and contingencies		
Stockholders' equity		
Common stock, $.0068 par value; 120,000,000 shares authorized; 32,140,210 and 31,834,088 shares issued, respectively	217	216
Additional paid-in capital	483,589	475,393
Retained earnings	207,436	190,093
Deferred compensation on restricted stock	(4,429)	(1,723)
	686,813	663,979
Treasury stock, 3,011,519 shares, at cost	(89,950)	(89,950)
Total stockholders' equity	596,863	574,029
Total liabilities and stockholders' equity	$877,482	$848,115

See accompanying notes to condensed consolidated financial statements.

ANNTAYLOR STORES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended August 4, 2001 and July 29, 2000
(unaudited)

	Six Months Ended	
	August 4, 2001	July 29, 2000
	(in thousands)	
Operating activities:		
Net income	$ 17,343	$ 24,708
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loss on accounts receivable	697	595
Depreciation and amortization	19,974	16,521
Amortization of goodwill	5,520	5,520
Non-cash interest	2,082	2,114
Amortization of deferred compensation	1,163	1,159
Loss on disposal of property and equipment	922	859
Tax benefit from exercise of stock options	666	---
Changes in assets and liabilities:		
Receivables	(2,289)	(595)
Merchandise inventories	(3,282)	(14,665)
Prepaid expenses and other current assets	(4,349)	(4,820)
Accounts payable	5,645	6,688
Accrued liabilities	500	873
Other non-current assets and liabilities, net	(2,880)	(744)
Net cash provided by operating activities	41,712	38,213
Investing activities:		
Purchases of property and equipment	(45,976)	(39,357)
Net cash used by investing activities	(45,976)	(39,357)
Financing activities:		
Payments on mortgage	(688)	(638)
Payment of financing costs	(1,016)	(41)
Issuance of common stock, net	3,662	1,344
Net cash provided by financing activities	1,958	665
Net decrease in cash	(2,306)	(479)
Cash and cash equivalents, beginning of period	31,962	35,081
Cash and cash equivalents, end of period	$ 29,656	$ 34,602
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for interest	$ 1,265	$ 1,216
Cash paid during the period for income taxes	$ 2,646	$ 22,411

See accompanying notes to condensed consolidated financial statements.

ANNTAYLOR STORES CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

The condensed consolidated financial statements are unaudited but, in the opinion of management, contain all adjustments (which are of a normal recurring nature) necessary to present fairly the financial position, results of operations and cash flows for the periods presented. All significant intercompany accounts and transactions have been eliminated.

The results of operations for the 2001 interim period shown in this report are not necessarily indicative of results to be expected for the fiscal year.

The February 3, 2001 condensed consolidated balance sheet amounts have been derived from the previously audited consolidated balance sheet of AnnTaylor Stores Corporation (the “Company").

Certain Fiscal 2000 amounts have been reclassified to conform to the Fiscal 2001 presentation.

Detailed footnote information is not included for the quarters ended August 4, 2001 and July 29, 2000. The financial information set forth herein should be read in conjunction with the Notes to the Company's Consolidated Financial Statements contained in the AnnTaylor Stores Corporation 2000 Annual Report to Stockholders.

2. 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 potentially dilutive securities. Basic and diluted earnings per share calculations follow:

[Tables on next page]

ANNTAYLOR STORES CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

2. Net Income Per Share (continued)

	Quarters Ended					
	August 4, 2001			July 29, 2000		
	(in thousands, except per share amounts)					
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic Earnings per Share						
Income available to common stockholders	$6,399	28,898	$0.22	$13,426	28,750	$0.47
Effect of Dilutive Securities						
Stock options and restricted stock	---	379		---	271	
Convertible Debentures	---	---		658	2,404	
Diluted Earnings per Share						
Income available to common stockholders	$6,399	29,277	$0.22	$14,084	31,425	$0.45

	Six Months Ended					
	August 4, 2001			July 29, 2000		
	(in thousands, except per share amounts)					
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic Earnings per Share						
Income available to common stockholders	$17,343	28,824	$0.60	$24,708	28,735	$0.86
Effect of Dilutive Securities						
Stock options and restricted stock	---	265		---	172	
Convertible Debentures	1,396	2,404		1,314	2,404	
Diluted Earnings per Share						
Income available to common stockholders	$18,739	31,493	$0.60	$26,022	31,311	$0.83

Options to purchase 835,420 and 946,840 shares of common stock during the thirteen and twenty six weeks ended August 4, 2001, respectively, and 956,005 and 976,005 shares during the thirteen and twenty six weeks ended July 29, 2000, respectively, were excluded from the above computations of weighted average shares for diluted earnings per share because the options' exercise prices were greater than the average market prices of the common shares. Additionally, conversion of the Convertible Debentures into common stock is excluded from the computation of diluted earnings per share for the quarter ended August 4, 2001 due to the antidilutive effect of the conversion as of such date.

3. Long-Term Debt

The following summarizes long-term debt outstanding at August 4, 2001:

	(in thousands)
Mortgage	$ 1,963
Convertible Debentures, net	116,572
Total debt	118,535
Less current portion	1,454
Total long-term debt	$ 117,081

4. Recent Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") 141, "Business Combinations", and SFAS 142, "Goodwill and Other Intangible Assets". SFAS 141 requires that the purchase method of accounting be used for all business combinations completed after June 30, 2001 and clarifies the criteria for recognition of intangible assets separately from goodwill. Management does not believe that the adoption of SFAS 141 will have an impact on the Company's consolidated financial position or consolidated results of operations. SFAS 142 requires that ratable amortization of goodwill be replaced with periodic tests of the goodwill's impairment and that intangible assets, other than goodwill, which have determinable useful lives be amortized over that period. SFAS 142 is effective for fiscal years beginning after December 15, 2001. Management intends to adopt SFAS 142 in Fiscal 2002, subject to independent valuation which supports the carrying value of such long-lived assets, and estimates that it will add approximately $11,000,000 and $0.35 annually to net income and earnings per share, respectively.

In July 2001, the FASB unanimously voted to issue SFAS 143, "Accounting for Asset Retirement Obligations" which provides accounting requirements for retirement obligations associated with tangible long-lived assets. SFAS 143 is effective for fiscal years beginning after June 15, 2002. Management does not believe that the adoption of SFAS 143 will have a significant impact on the Company's consolidated financial position or consolidated results of operations.

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

Results of Operations

	Quarters Ended		Six Months Ended	
	August 4, 2001	July 29, 2000	August 4, 2001	July 29, 2000
Number of Stores:				
Open at beginning of period	488	421	478	405
Opened during period	14	13	25	30
Expanded during period*	1	---	5	2
Closed during period	2	4	3	5
Open at end of period	500	430	500	430
Type of Stores Open at End of Period:				
Ann Taylor stores			335	319
Ann Taylor Loft stores			153	98
Ann Taylor Factory Stores			12	13

* *Expanded stores are excluded from comparable store sales for the first year following expansion.*

Quarter Ended August 4, 2001 Compared to the Quarter Ended July 29, 2000

The Company's net sales in the second quarter of 2001 increased to $310,292,000 from $306,252,000 in the second quarter of 2000, an increase of $4,040,000 or 1.3%. Comparable store sales for the second quarter of Fiscal 2001 decreased 12.9%, compared to an increase of 3.1% in the second quarter of Fiscal 2000. Comparable store sales by division were down 17.2% for Ann Taylor stores and up 1.5% for Ann Taylor Loft stores. The Loft comparable stores sales percentage does not include 20 Ann Taylor Loft outlet stores and 12 Ann Taylor Factory Stores. The sales increase was attributable to the opening of new stores offset, in part, by a decrease in comparable store sales. Management believes that the net decrease in comparable store sales was the result of customer dissatisfaction with certain of the Company's product offerings and merchandise assortment available in Ann Taylor stores in the second quarter of Fiscal 2001.

Gross profit as a percentage of net sales increased to 49.0% in the second quarter of 2001 from 47.0% in the second quarter of 2000. The increase in gross margin was primarily due to higher gross margins achieved on full-price and non-full price sales in the Ann Taylor and Ann Taylor Loft divisions throughout the second quarter of Fiscal 2001.

Selling, general and administrative expenses represented 43.8% of net sales in the second quarter of Fiscal 2001, compared to 37.9% of net sales in the second quarter of Fiscal 2000. The increase in selling, general, and administrative expenses as a percentage of net sales was primarily attributable to decreased leverage on fixed expenses resulting from lower overall comparable store sales and also increases in tenancy and Ann Taylor Loft store operations expenses as a percentage of net sales, due to expansion.

As a result of the foregoing, the Company had operating income of $13,410,000, or 4.3% of net sales in the second quarter of 2001 compared to operating income of $24,986,000, or 8.2% of net sales, in the second quarter of 2000. Amortization of goodwill was $2,760,000 in both the second quarter of 2001 and the second quarter of 2000. Operating income, without giving effect to goodwill amortization in either year, was $16,170,000, or 5.2% of net sales, in the second quarter of 2001 and $27,746,000, or 9.1% of net sales, in the second quarter of 2000.

Interest income was $523,000 in the second quarter of 2001 compared to $806,000 in the second quarter of 2000. The decrease was primarily attributable to lower cash on hand and lower interest rates during the second quarter of Fiscal 2001, compared to the second quarter of Fiscal 2000.

Interest expense was $1,719,000 in the second quarter of 2001 compared to $1,830,000 in the second quarter of 2000. The decrease in interest expense was primarily attributable to a decrease in letter of credit fees and a reduction in amortization of deferred financing costs resulting from the Credit Facility entered into in the first quarter of Fiscal 2001.

The income tax provision was $5,815,000, or 47.6% of income before income taxes, in the second quarter of 2001, compared to $10,536,000, or 44.0% of income before income taxes in the second quarter of 2000. The effective income tax rate for both periods was higher than the statutory rate primarily as a result of non-deductible goodwill amortization.

As a result of the foregoing factors, the Company had net income of $6,399,000, or 2.1% of net sales, for the second quarter of 2001, compared to net income of $13,426,000, or 4.4% of net sales, for the second quarter of 2000.

AnnTaylor Stores Corporation conducts no business other than the management of Ann Taylor.

Six Months Ended August 4, 2001 Compared to the Six Months Ended July 29, 2000

The Company's net sales in the first six months of Fiscal 2001 increased to $617,382,000 from $583,320,000, an increase of $34,062,000 or 5.8%. Comparable store sales for the first six months of 2001 decreased 8.4% compared to an increase of 1.4% during the same period in Fiscal 2000. Comparable store sales by division were down 11.1% for Ann Taylor stores and up 2.8% for Ann Taylor Loft stores. The sales increase was primarily attributable to the opening of new stores offset, in part, by the net decrease in comparable store sales. Management believes that the net decrease in comparable store sales was the result of customer dissatisfaction with certain of the Company's product offerings and merchandise assortment available in Ann Taylor stores in the Spring season of 2001.

Gross profit as a percentage of net sales increased to 50.5% in the first six months of 2001 from 50.1% in the first six months of 2000.

Selling, general and administrative expenses were 44.0% of net sales in the first six months of 2001, compared to 39.7% of net sales in the first six months of 2000, excluding a pre-tax nonrecurring charge of approximately $8,500,000, or 1.5% of net sales, in connection with an extensive review conducted with the Company's financial and legal advisors of various strategic approaches to enhance shareholder value. The increase in selling, general and administrative expenses as a percentage of net sales was primarily attributable to decreased leverage on fixed expenses resulting from lower overall comparable store sales and also increases in tenancy and Ann Taylor Loft store operations expenses as a percentage of net sales, due to expansion.

As a result of the foregoing, the Company had operating income of $34,584,000, or 5.6% of net sales, in the first six months of 2001, compared to operating income, after taking into account the nonrecurring charge, of $46,719,000, or 8.0% of net sales, in the first six months of 2000. Amortization of goodwill was $5,520,000 in each of the first six months of Fiscal 2001 and Fiscal 2000. Operating income, without giving effect to goodwill amortization, was $40,104,000, or 6.5% of net sales, in the 2001 period and $52,239,000, or 9.0% of net sales, in the 2000 period.

Interest income was $858,000 in the first six months of Fiscal 2001 compared to $1,270,000 in the first six months of Fiscal 2000. The decrease was primarily attributable to lower cash on hand and lower interest rates during the first six months of Fiscal 2001, compared to the first six months of Fiscal 2000.

Interest expense was $3,499,000 in the first six months of Fiscal 2001 compared to $3,626,000 in the first six months of Fiscal 2000. The decrease in interest expense was primarily attributable to a decrease in letter of credit fees and a reduction in amortization of deferred financing costs resulting from the Credit Facility entered into in the first quarter of Fiscal 2001.

The income tax provision was $14,600,000, or 45.7% of income before income taxes, in the 2001 period, compared to $19,655,000, or 44.3% of income before income taxes, in the 2000 period. The effective income tax rate for both periods differed from the statutory rate primarily because of non-deductible goodwill amortization.

As a result of the foregoing factors, the Company had net income of $17,343,000, or 2.8% of net sales, for the first six months of 2001, compared to net income of $24,708,000 or 4.2% of net sales, for the first six months of 2000.

Financial Condition

For the first six months of 2001, net cash provided by operating activities totaled $41,712,000, primarily as a result of earnings and noncash charges. Cash used by investing activities during the first six months of 2001 amounted to $45,976,000, for the purchase of property and equipment. Cash provided by financing activities during the first six months of 2001 amounted to $1,958,000, primarily as a result of the issuance of Company common stock pursuant to employee benefits plans offset, in part, by the payment of financing costs and payments on the mortgage on the Company's distribution center.

Merchandise inventories were $173,913,000 at August 4, 2001, compared to inventories of $170,631,000 at February 3, 2001. Merchandise inventories at August 4, 2001 and February 3, 2001 included approximately $32,624,000 and $33,469,000, respectively, of inventory associated with the Company's sourcing division, which is primarily finished goods in transit from factories.

At August 4, 2001, there were no borrowings outstanding under Ann Taylor's $175,000,000 senior secured revolving credit facility ("the Credit Facility"). Loans outstanding under the Credit Facility at any time may not exceed $75,000,000. 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 rates against certain eligible assets.

For Fiscal 2001, the Company's capital expenditures, which are primarily attributable to the Company's store expansion, renovation and refurbishment programs, and investment in information systems, are expected to total approximately $90,000,000, of which $45,976,000 were incurred for the six months ended August 4, 2001. The Company has reduced its planned capital expenditures for Fiscal 2001 due to a slowdown in real estate development on a national level. Therefore, a number of planned store openings have been postponed to Fiscal 2002. During the first six months of Fiscal 2001, the Company opened 3 new Ann Taylor stores and 22 new Ann Taylor Loft stores. In addition, the Company completed the expansion of 5 Ann Taylor stores. For the full fiscal year 2001, the Company now expects to open approximately 18 Ann Taylor stores and approximately 60 new Ann Taylor Loft stores. Although the number of planned Loft store openings was reduced from 70 to 60, the Company has gained the opportunity to open a greater number of Loft stores in urban centers. Because urban centers have a higher productivity rate than typical Loft stores, the Company anticipates reaching initial planned sales volumes for total new store growth for the year.

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. The Company believes that cash flow from operations and funds available under the Credit Facility are sufficient to enable it to meet its on-going cash needs for its business, as presently conducted, for the foreseeable future.

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") 141, "Business Combinations", and SFAS 142, "Goodwill and Other Intangible Assets". SFAS 141 requires that the purchase method of accounting be used for all business combinations completed after June 30, 2001 and clarifies the criteria for recognition of intangible assets separately from goodwill. Management does not believe that the adoption of SFAS 141 will have an impact on the Company's consolidated financial position or consolidated results of operations. SFAS 142 requires that ratable amortization of goodwill be replaced with periodic tests of the goodwill's impairment and that intangible assets, other than goodwill, which have determinable useful lives be amortized over that period. SFAS 142 is effective for fiscal years beginning after December 15, 2001. Management intends to adopt SFAS 142 in Fiscal 2001, subject to independent valuation which supports the carrying value of such long-lived assets, and estimates that it will add approximately $11,000,000 and $0.35 annually to net income and earnings per share, respectively.

In July 2001, the FASB unanimously voted to issue SFAS 143, "Accounting for Asset Retirement Obligations" which provides accounting requirements for retirement obligations associated with tangible long-lived assets. SFAS 143 is effective for fiscal years beginning after June 15, 2002. Management does not believe that the adoption of SFAS 143 will have a significant impact on the Company's consolidated financial position or consolidated results of operations.

Statement Regarding Forward-Looking Disclosures

Sections of this Quarterly Report on Form 10-Q, 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 consolidated 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 the Company's 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; financial or political instability in any of the countries in which the Company's goods are manufactured; acts of war or terrorism in the United States or worldwide 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 consolidated 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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On April 26, 1996, alleged stockholders of the Company filed a purported class action lawsuit in the United States District Court for the Southern District of New York (the "District Court"), against the Company, the Company's wholly owned subsidiary AnnTaylor, Inc. ("Ann Taylor"), certain former 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, asserting that the defendants made false and misleading statements about the Company and Ann Taylor during the period commencing February 3, 1994 through May 4, 1995 (the "Putative Class Period"). The complaint sought, among other things, (1) certification as a class action on behalf of all purchasers of common stock during the Putative Class Period, (2) an award of compensatory damages to the plaintiffs and purported members of the class, pre-judgment and post-judgment interest, and reasonable attorneys' fees and (3) equitable and/or injunctive relief.

The District Court granted the defendants' motions to dismiss the complaint and a subsequently filed amended complaint. On June 21, 2000, the United States Court of Appeals for the Second Circuit (the "Court of Appeals") vacated the dismissal of the amended complaint, and 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. On or about November 27, 2000, the United States Supreme Court denied the petition for a writ of certiorari filed by the Company, Ann Taylor and their former directors and officers seeking review and reversal of the decision of the Court of Appeals.

While this action was pending before the Court of Appeals, 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 provided, 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.

Following the decision of the Court of Appeals, plaintiffs elected not to replead their amended complaint. Accordingly, 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 standard set forth by the Court of Appeals in its June 21, 2000 decision. On or about July 18, 2001, the District Court denied the motion. The parties are now conducting discovery.

Due to the fact that the litigation is still in its preliminary stages, any liability that may arise from this action cannot be predicted at this time. The Company believes that the amended complaint is without merit and intends to continue to defend the action vigorously.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

None

(b) Reports on Form 8-K:

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AnnTaylor Stores Corporation

Date: September 14, 2001

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

Date: September 14, 2001

By: /s/ James M. Smith
James M. Smith
Senior Vice President,
Chief Financial Officer and Treasurer