SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED].

For the fiscal year ended January 28, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED].

Commission File No. 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)

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 X 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 X No ____.

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant as of April 10, 1995 was $509,684,815.

The number of shares of the registrant's Common Stock outstanding as of April 10, 1995 was 23,109,618.

Documents Incorporated by Reference:
None.

PART I

ITEM 1. Business

General

AnnTaylor Stores Corporation (the "Company"), through its wholly owned subsidiary, AnnTaylor, Inc. ("Ann Taylor"), 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 is a holding company that 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. Unless the context indicates otherwise, all references herein to the Company include the Company and its wholly owned subsidiary Ann Taylor.

The first Ann Taylor store was opened in New Haven, Connecticut in 1954. Over the years, the number of stores gradually expanded, and by 1981, there were 36 stores. Allied Stores Corporation ("Allied Stores") acquired the then parent of Ann Taylor in 1981 and began a rapid expansion program for the Ann Taylor stores, which continued after Allied Stores was acquired by the Campeau Corporation in 1986. Ann Taylor grew significantly after 1981, with the number of stores increasing to 119 by the end of 1988, at which time Ann Taylor was acquired by the Company (the "Acquisition"). As of January 28, 1995, the Company operated 262 stores in 38 states and the District of Columbia.

In May 1991, the Company completed an initial public offering (the "IPO") in which it issued and sold 6,882,395 shares of its common stock, par value $.0068 per share (the "Common Stock"), at a price of $26.00 per share, resulting in aggregate net proceeds of approximately $166,541,000 (after payment of expenses of the offering by the Company). The net proceeds from the IPO were used to repurchase certain debt securities issued by Ann Taylor in connection with financing the Acquisition. The Company completed a public offering of an additional 1,000,000 shares of Common Stock (the "Offering") at a price of $32.00 per share in May 1994. The net proceeds of the Offering were used to reduce the Company's outstanding long-term debt by $30,000,000.

The Company believes that the Ann Taylor name is a fashion brand, defining a distinctive collection of apparel, shoes and accessories which emphasizes classic styles, updated to reflect current fashion trends. The Company's merchandising strategy focuses on offering 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 assist customers in merchandise selection and wardrobe coordination, helping them achieve the "Ann Taylor look" while reflecting the customers' personal styles. The Company believes that its customer base consists primarily of relatively affluent, fashion-conscious women from the ages of 25 to 55, and that the majority of its customers is 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.

Since becoming Chairman and Chief Executive Officer in February 1992, Sally Frame Kasaks has redirected the Company's merchandising and marketing efforts to enhance the position of Ann Taylor as a fashion brand. The Company's growth strategy has been broadened to include not only the opening of new stores in new and existing markets, but also the expansion of existing stores and the introduction of product line extensions and additional channels of distribution. The principal elements of the Company's strategy include:

* Emphasis on product design and development to reinforce the exclusivity of Ann Taylor merchandise by expanding the Company's fabric and merchandise design team.

* Renewed focus on consistent quality and fit by strengthening the production management team responsible for technical design and factory and merchandise quality assurance.

* Development of the Company's global and direct sourcing capabilities to reduce costs and shorten lead times. The Company increased its merchandise purchases through its direct sourcing joint venture, which acts as an agent exclusively for Ann Taylor, placing orders directly with manufacturers, from 23.5% of merchandise purchased in fiscal 1993 to 36.3% in fiscal 1994. See "Business -- Merchandise Design and Production".

* Development of a merchandise pricing structure that emphasizes consistent every day value rather than promotions, adding to the credibility of the Ann Taylor brand.

* Introduction of product line extensions building on the strength of the Ann Taylor brand name. Over the past three years, the Company has (i) increased its presence in casual wear by introducing its own line of denim known as ATdenim, (ii) introduced Ann Taylor petites, (iii) introduced its signature fragrance "destination" and a limited line of related personal care products, (iv) introduced its "Action" label active wear line and (v) begun testing "Navy label" merchandise, which offers career separates and dresses at somewhat higher price points to compete with designer bridge and diffusion lines. See "Business -- Merchandising".

* Introduction of two larger store prototypes. Since 1993, most new and expanded Ann Taylor Stores average approximately 6,000 square feet and, in certain premier markets, new and expanded stores are approximately 10,000 to 12,000 square feet. These store prototypes are designed to allow the proper presentation of Ann Taylor product extensions, reinforce the Ann Taylor total wardrobing concept and improve customer service and ease of shopping. See "Business -- Expansion".

* Introduction of additional channels of distribution. In addition to its Ann Taylor Stores, at the end of fiscal 1994 the Company operated 21 Ann Taylor Factory Stores, which were introduced beginning in 1993, and five AnnTaylor Studio stores, a free-standing shoe and accessory store concept introduced in fall 1994. In 1995 the Company will begin testing AnnTaylor Loft stores, a moderate price store concept. See "Business -- Merchandising".

* Increased investment in more sophisticated point-of-sale and inventory management systems, including the integration of the Company's merchandise planning, store assortment planning, and merchandise allocation and replenishment systems. These enhancements are designed to enable the Company to manage its business more effectively and cost efficiently by improving customer service and providing the ability to better manage inventory levels. See "Business -- Information Systems".

* Construction of a 256,000 square foot distribution center in Louisville, Kentucky to replace, in late spring 1995, the Company's existing 90,000 square foot distribution facilities in Connecticut. See "Properties".

Merchandising

The Company's Ann Taylor Stores offer a distinctive collection of career and casual separates, dresses, tops, weekend wear, shoes and accessories, consisting primarily of exclusive Ann Taylor brand name fashions. The Company's merchandising strategy focuses on achieving the "Ann Taylor look" which emphasizes classic styles, updated to reflect current fashion trends. Ann Taylor Stores offer a variety of coordinated apparel and an assortment of shoes and accessories, to enable customers to assemble complete outfits. 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. The Company encourages sales associates to become familiar with regular customers to assist these customers in finding merchandise suited to their tastes and wardrobe needs. The Company has a liberal return policy, which it believes is comparable to those offered by better department stores and other specialty retail stores.

A principal element of the Company's business strategy since 1992 has been the introduction of product line extensions. For example, Ann Taylor shoes, which were sold in 99 Ann Taylor Stores in 1992, were expanded to 157 stores by the end of fiscal 1994, as well as the Company's five AnnTaylor Studio stores. In fall 1992, the Company increased its presence in casual wear by introducing its own line of denim known as "ATdenim", that is sold in all Ann Taylor Stores and store concepts, other than the Ann Taylor Studio stores. In fall 1993, Ann Taylor petites was tested in the career separates and dress categories in 25 Ann Taylor Stores; by the end of fiscal 1994, a broader range of Ann Taylor petites was carried in 119 Ann Taylor Stores. In fall 1994, the Company introduced a fragrance and limited line of personal care products under the name "destination", which is sold in all Ann Taylor Stores and store concepts. The Company intends to expand the products included in its "destination" personal care line by fall 1995. In fall 1994, the Company also introduced a line of active wear now sold under the "Action" label, which will be sold in all Ann Taylor Stores and store concepts other than the Studio stores. In spring 1995 the Company began testing Ann Taylor "navy label" merchandise in the career separates and dress categories in 30 Ann Taylor Stores and the Company's catalog. Navy label merchandise is intended to compete with designer bridge and diffusion lines and is priced approximately 30% higher than traditional Ann Taylor label merchandise.

In addition to expanding the Company's product lines, principal element of the Company's growth strategy since 1992 has been the introduction of additional channels of distribution. The Company began testing Ann Taylor Factory Stores as an additional channel of distribution in 1993. Ann Taylor Factory Stores, which are located in factory outlet malls, serve as a clearance vehicle for merchandise from Ann Taylor Stores and also sell merchandise produced specifically for the Factory Stores. Merchandise produced specifically for the Factory Stores has an average initial price approximately 25% to 35% lower than the average initial price of merchandise carried in Ann Taylor Stores. Ann Taylor Factory Stores also sell certain products that the Company believes represent exceptional value, such as ATdenim, Action wear, and the "destination" fragrance and personal care line, concurrently with and at the same price as the Ann Taylor Stores. In 1994, approximately 30% of the merchandise sold in Ann Taylor Factory Stores represented clearance merchandise from Ann Taylor Stores, 65% was merchandise manufactured specifically for the Factory Stores, and 5% was merchandise sold concurrently at both Ann Taylor Stores and Factory Stores. Commencing in 1995, merchandise produced specifically for these stores will bear an Ann Taylor Factory Stores label. The Company expects to reduce the amount of merchandise produced specifically for Ann Taylor Factory Stores in 1995.

The success of the Company's Factory Stores led the Company to initiate, in 1995, a test of a moderate price store concept, Ann Taylor Loft, for customers who have an appreciation for the Ann Taylor fashion viewpoint and style, but have a smaller budget for apparel and accessories. Merchandise in these stores will cover the full assortment of career and casual separates, dresses, tops, weekend wear and accessories under the Ann Taylor Loft label and shoes under The Shoe Loft label, and will be priced approximately 25% to 30% lower than merchandise carried in the Ann Taylor Stores. Loft stores will also carry ATdenim, Action wear and the "destination" product line concurrently with and at the same prices as the Ann Taylor Stores and the Ann Taylor Factory Stores.

In fall 1994, the Company began testing AnnTaylor Studio stores, a free standing shoe and accessory store concept. These stores carry the broadest selection of Ann Taylor footwear and also offer Ann Taylor hosiery, small leather accessories such as belts and handbags, and the "destination" product line. As of January 28, 1995, the Company had five Ann Taylor Studio stores. The Company intends to continue testing the Ann Taylor Studio store concept, and will open approximately five Studio stores in fiscal 1995.

Merchandise Design and Production

Ann Taylor merchandise is developed based upon current fashion trends and analysis of prior year sales. The Company's merchandising and product development groups determine needs for the upcoming season, design styles to fill those needs and arrange for the production of merchandise either through vendors who are private label specialists or directly with a factory.

The Company's production management department establishes the technical specifications for all Ann Taylor merchandise, inspects and certifies factories in which Ann Taylor merchandise is produced, conducts periodic inspections of factories while goods are in production to identify potential problems prior to shipment of merchandise by vendors, and upon receipt, inspects merchandise on a test basis for uniformity of sizes and colors, as well as for overall quality of manufacturing.

The Company is continuing to develop its capability to source its merchandise directly with manufacturers. The Company believes that direct sourcing improves its competitive position by reducing costs and shortening lead times. To this end, in May 1992, the Company commenced a joint venture known as CAT U.S., Inc. ("CAT") with Cygne Designs, Inc. ("Cygne"), which was formed for the purpose of acting as a sourcing agent exclusively for Ann Taylor, placing merchandise orders directly with manufacturers. Merchandise purchased by Ann Taylor through CAT represented 36.3% and 23.5% of all merchandise purchased by the Company in 1994 and 1993, respectively. The Company currently owns a 40% interest in CAT.

In 1994, the Company purchased merchandise from approximately 141 vendors, including five vendors each of whom accounted for 4% or more of the Company's merchandise purchases: CAT (36.3%), Cygne (14.3%), Parigi (5.5%), Depeche (4.7%) and D.S. Studio (4.5%). In 1994, nearly all of the Company's merchandise was purchased from domestic vendors, including CAT. Consistent with the retail apparel industry as a whole, most of the Company's domestic vendors import a large portion of their merchandise from abroad. Substantially all of the merchandise purchased through CAT is manufactured outside the United States. The Company's suppliers (other than CAT) include vendors who either manufacture merchandise or supply merchandise manufactured by others, as well as vendors that are both manufacturers and suppliers.

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 import restrictions by the U.S. government, including the likelihood, type or effect of any trade retaliation. Trade restrictions, including increased tariffs or quotas, or both, against apparel items could affect the importation of apparel generally and, in that event, could increase the cost or reduce the supply of apparel available to the Company and adversely affect the Company's business, financial condition and results of operations. The Company's merchandise flow may also be adversely affected by political instability in any of the countries in which its goods are manufactured, significant fluctuation in the value of the U.S. dollar against foreign currencies and restrictions on the transfer of funds.

The Company does not maintain any long-term or exclusive commitments or arrangements to purchase merchandise from any supplier, although it does have an equity investment in CAT. The Company believes it has a good relationship with its suppliers and that, as the number of stores increases and existing stores are expanded, there will continue to be adequate sources that will be able to produce a sufficient supply of quality goods in a timely manner and on satisfactory economic terms.

The Company's agreement with Cygne relating to the parties' ownership of CAT provides that, at any time after July 1, 1995 either Cygne or Ann Taylor may offer to purchase the other party's interest in CAT. The party that receives the offer then has the option to either accept the offer and sell its interest in CAT on the terms offered, or purchase the offering party's interest in CAT on the terms offered. The closing of such purchase would occur upon six months' prior notice, but not before February 5, 1996. There can be no assurance that if the Company were to offer to purchase Cygne's interest in CAT, that Cygne would not elect instead to purchase the Company's interest or that, if Cygne were to offer to purchase the Company's interest in CAT, that such offer would reflect the value of such interest, that the Company would have the financial ability to purchase Cygne's interest in CAT at the offered price, or that, if Cygne were to purchase the Company's interest in CAT, the Company would be able to continue to do business with CAT on terms having the same economic effect as its current arrangement or to replace CAT as a merchandise sourcing agent on similar terms.

Inventory Control and Merchandise Allocation

The Company's merchandise planning and allocation department analyzes each store's size, location, demographics, 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 in order to identify slow-moving merchandise and broken assortments (items no longer in stock in a sufficient range of sizes) and uses markdowns to clear merchandise. Markdowns may be used if inventory exceeds customer demand for reasons of style, 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 that are not sold after several more weeks are generally moved to the Company's Factory Stores where additional markdowns may be taken. In 1994, inventory turned 4.6 times. Inventory turnover is determined by dividing net cost of goods sold by the average of the cost of inventory at the beginning and end of the period.

The Company uses a centralized distribution system, under which the Company's distribution center receives, processes and distributes Ann Taylor merchandise, other than hosiery which is shipped from the manufacturer directly to the Company's stores. In 1994, the Company also utilized a contract distribution center in Connecticut to distribute merchandise to its Factory Stores. Merchandise is shipped to the Company's stores nearly every business day. In 1994, the Company commenced construction of a 256,000 square foot distribution facility in Louisville, Kentucky that is expected to replace the Company's existing

Connecticut distribution facilities in late spring 1995. See "Properties" and "Management's Discussion and Analysis".

Stores

As of January 28, 1995, the Company operated 262 stores in 38 states and the District of Columbia, including 236 Ann Taylor Stores, 21 Ann Taylor Factory Stores, and five Ann Taylor Studio stores. The following table sets forth by state the stores that were open as of January 28, 1995:

Locations by State

State	Number of Stores	State	Number of Stores	State	Number of Stores
Alabama	2	Louisiana	4	North Carolina	5
Arizona	3	Maryland	6	Ohio	13
Arkansas	1	Massachusetts	13	Oklahoma	3
California	44	Michigan	8	Oregon	1
Colorado	4	Minnesota	5	Pennsylvania	12
Connecticut	10	Mississippi	1	Rhode Island	1
Dist Columbia	5	Missouri	6	South Carolina	2
Florida	20	Nebraska	1	Tennessee	5
Georgia	5	Nevada	2	Texas	12
Hawaii	2	New Hampshire	2	Utah	2
Illinois	12	New Jersey	11	Virginia	8
Indiana	2	New Mexico	2	Washington	2
Kentucky	2	New York	22	Wisconsin	1

As of January 28, 1995, the Company's 236 Ann Taylor stores were distributed as follows: 113 stores were located in regional malls, 61 stores were in upscale specialty centers, 37 stores were in village locations, and 25 stores were in downtown locations. The Company's 21 Factory Stores were all located in factory outlet centers. The Company's five AnnTaylor Studio stores were located in regional malls in which there is also an Ann Taylor Store.

The Company selects store locations that it believes are convenient for its customers. 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. Ann Taylor Factory Stores are generally located in factory outlet malls in which co-tenants include a significant number of nationally recognized upscale brand names.

Ann Taylor Stores opened prior to January 30, 1993 averaged 3,300 square feet in size, with the exception of three stores that ranged between 10,300 square feet and 12,500 square feet. During 1992, the Company designed two new store prototypes for its Ann Taylor Stores. The first is a store model of approximately 5,500 square feet, on which most new and expanded stores opened since 1993 are based. The Company also designed a new larger store prototype of approximately 10,000 to 12,000 square feet, which is reserved for certain premier markets that management believes can support such a store. Both new store prototypes incorporate modified display features, fixtures and fitting rooms. The Company believes that these store formats enhance the Company's ability to merchandise its customer offerings and reinforce its total wardrobing concept, provide area necessary for the proper presentation of Ann Taylor shoes, petites and other product line extensions, and improve customer service and ease of shopping. The typical Ann Taylor Store has approximately 19% of its total square footage allocated to stockroom and other non-selling space.

In fall 1995, the Company will open two Ann Taylor Stores in excess of 25,000 square feet each, one on Madison Avenue in New York City, and the other on Post Street in San Francisco. These two larger stores will represent the fullest assortment of Ann

Taylor merchandise, and are expected to include amenities unique to these stores, such as business centers and personal shoppers. The Madison Avenue store replaces the Company's former store on 57th Street in New York City that was 12,500 square feet. The 57th Street store was closed on January 31, 1995 at the end of that store's lease term. The Company is currently occupying an 8,000 square foot temporary location on 57th Street, in order to accommodate its customers while the Madison Avenue store is under construction.

In 1993 the Company began testing Ann Taylor Factory Stores as an additional channel of distribution, by converting its four then-existing clearance centers to the Ann Taylor Factory Store format and opening five new Ann Taylor Factory Stores. In 1994, the Company opened an additional 12 Ann Taylor Factory Stores. The Factory Stores average 6,000 square feet and are located in factory outlet malls. Outlet malls appeal to consumers' increasing orientation to value and to manufacturers' and retailers' desire for additional channels of distribution and control over liquidation of their product.

The success of the Company's Factory Stores and consumers' continuing emphasis on value has led the Company to begin testing, in 1995, a separate moderate priced store concept under the name "Ann Taylor Loft". Ann Taylor Loft stores will be approximately 10,000 square feet and initially will be located in factory outlet malls.

In 1994 the Company also introduced five Ann Taylor Studio shoe and accessory stores, all located in regional malls in which the Company also has an Ann Taylor Store. Ann Taylor Studio stores average approximately 1,800 square feet. For more information regarding the Company's different store formats, see "Business -- Merchandising".

Expansion

Ann Taylor has grown significantly since the Acquisition, with the number of stores increasing from 119 at the beginning of 1989 to 262 at the end of 1994, and with net sales increasing from approximately $353,900,000 in 1989 to approximately $658,800,000 in 1994. The following table sets forth certain information regarding store openings, expansions and closings for Ann Taylor Stores ("ATS"), Ann Taylor Factory Stores ("ATO"), and Ann Taylor Studio stores ("ATA") since the consummation of the Acquisition in the beginning of the 1989 fiscal year:

	Number of Stores								
Fiscal Year year	Total Stores open at beginning of fiscal year	Opened during fiscal year			ATS expanded during fiscal	ATS closed during fiscal	Open at end of fiscal year		
		ATS	ATO	ATA			ATS	ATO	ATA
1989	119(a)	20	1(b)	---	2	1	138	1	---
1990	139	29	3(b)	---	3	1	166	4	---
1991	170	33	---	---	3	3	196	4	---
1992	200	20	---	---	5	1	215	4	---
1993	219	8	5	---	12	1	222	9	---
1994	231	18	12	5	24(c)	4	236	21	5

(a) Prior to 1989, the Company did not operate any factory stores or clearance centers.

(b) Prior to 1993, ATO stores served only as clearance centers for Ann Taylor Store merchandise.

(c) One ATO store was also expanded in 1994.

An important aspect of the Company's business strategy is a real estate expansion program that is designed to reach new customers through the opening of new stores, as well as the expansion of existing stores in order to accommodate product extensions and improve customer service. As market conditions warrant and as sites become available, the Company adds additional stores or expands the size of existing stores, in major cities and their affluent suburbs where Ann Taylor already has a presence. The Company also opens new stores in additional cities that it believes have a sufficient concentration of its target customers. Prior to 1993, the real estate expansion program focused primarily on adding new Ann Taylor Stores. Since developing the larger Ann Taylor Store prototypes in 1992, the Company views the expansion of existing stores as an integral part of the Company's expansion strategy. Stores expanded by more than 15% are excluded from comparable sales calculations until they have been open over one year at their expanded size.

Another important aspect of the Company's business strategy is the addition of new channels of distribution through new store concepts. The Company's real estate efforts support this strategy by seeking real estate sites compatible with each particular concept.

Once an appropriate site has been selected and a lease signed, the Company generally requires a relatively short lead time to open a new store, with store construction typically taking approximately three months.

In 1994, the Company opened 18 Ann Taylor Stores, 12 Factory Stores and 5 Studio stores, expanded 24 existing Ann Taylor Stores and one existing Factory Store, and closed 4 Ann Taylor Stores, resulting in a net increase in the Company's total store square footage from approximately 929,000 square feet to approximately 1,173,000 square feet, a net increase of approximately 244,000 square feet or 26.3%. Approximately 71.6% of this additional square footage was opened during the second half of 1994. Capital expenditures for the Company's real estate expansion program totaled approximately $36.6 million in 1994, including expenditures for store refurbishing and store refixturing.

The Company expects to increase store square footage by at least 500,000 square feet, or 42.6%, in 1995. Approximately 37% of this new square footage will be represented by new Ann Taylor Stores, approximately 38% will be new Ann Taylor Loft and Factory Stores, approximately 3% will be new Ann Taylor Studio stores, and approximately 22% will be attributable to the expansion of existing Ann Taylor Stores. The Company expects that capital expenditures for its 1995 real estate expansion program will be approximately $64.0 million, including expenditures for store refurbishing and store refixturing. The Company's ability to continue to increase store square footage will be dependent upon 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--Liquidity and Capital Resources" for a discussion of the restrictions on capital expenditures in the Ann Taylor Revolving Credit Agreement.

Information Systems

Over the past two years, the Company has increased its investment in computer hardware, systems applications and networks to speed customer service, to support the purchase and allocation of merchandise and to improve operating efficiencies.

In spring 1994, the Company completed the roll out of a new point of sale system to all Ann Taylor stores. The new system allows the introduction of a number of features that will enable the Company to manage its business more effectively and cost efficiently. Through the new system, the Company has introduced on-line acknowledgment of inventory receipts and transfers, which results in more timely inventory information and a reduction in paperwork; and advance ship notices to stores prior to their receipt of merchandise, allowing better store labor planning. The new system permits automated promotional tracking, providing better information to the stores on current promotions and providing the results of these promotions to the Company's headquarters on a more timely basis. This allows the Company to respond more quickly and accurately to customer preferences. The new system will also permit on-line entry of time and attendance information and staff scheduling, improving accuracy and reducing paperwork.

In 1994, the Company also made significant upgrades to its inventory management system. These upgrades, along with the new point of sale system, enabled the Company to introduce full price look-up in the stores in fall 1994 and provide for more timely information on inventory levels and improved analysis of sales trends. The enhanced information will also allow the Company to more fully integrate its merchandise planning and allocation systems. The Company expects that by the fall of 1995 its merchandise planning system, store assortment planning system, merchandise allocation system and merchandise replenishment system will be fully integrated, allowing the Company to respond more quickly to individual store trends and make allocations of merchandise more closely aligned with an individual store's customer base. The Company is also initiating systems integration with its suppliers. In spring 1994, the Company's first electronic data interchange relationship was implemented with its hosiery supplier, allowing quicker response to sales and facilitating more timely maintenance of in-store inventory levels in line with model stock levels.

In July 1994, the Company provided all field management with portable computers which are capable of communicating with the central systems to obtain financial information and general communication. In 1995, the Company began establishing formal communication to certain suppliers via the primary public communication network. By late spring 1995, CAT will be fully integrated and on-line with the Company. The Company expects to have electronic communication to all primary suppliers by late fall 1995.

Customer Credit

Customers may pay for merchandise with the Ann Taylor credit card, American Express, Visa, MasterCard, cash or check. Credit card sales were 77.7% of net sales in 1994, 77.9% in 1993, and 77.6% in 1992. In 1994, 27.2% of net sales were made with the Ann Taylor credit card and 50.5% were made with third-party credit cards. Accounts written off in 1994 were $1,583,000, or 0.2% of net sales.

Ann Taylor has offered customers its proprietary credit card since 1976. The Company believes that the Ann Taylor credit card enhances customer loyalty while providing the customer with additional credit. At January 28, 1995, the Company had over 480,000 credit accounts that had been used during the past 18 months.

Advertising and Promotion

The Company views its fashion catalog, which is mailed principally to Ann Taylor credit card holders, as its principal advertising vehicle. Prior to 1994, the Company also occasionally ran print advertisements in national women's fashion magazines such as Elle, Vogue and Harpers Bazaar. In 1994, the Company did not run any print or broadcast advertisements and does not expect to do so in the immediate future.

Trademarks and Service Marks

The Company is the owner in the United States of the trademark and service mark "AnnTaylor". This mark is protected by several federal registrations in the United States Patent and Trademark Office, covering clothing, shoes, jewelry and certain other accessories, and clothing store services. The terms of these registrations vary from ten to twenty years (expiring in 2003 and 2007), and each is renewable indefinitely if the mark is still in use at the time of renewal.

The Company is also the owner in the United States of the trademark "ATdenim" for clothing and the trademark "destination" for fragrance and certain personal care items, and has applied for registration of certain other trademarks used by it, for example "Ann Taylor Loft", "The Shoe Loft" and "Action".

The Company's rights in the "AnnTaylor" mark and the other marks used by it are a significant part of the Company's business, as the Company believes its marks are well-known in the women's retail apparel industry. Accordingly, the Company intends to maintain its AnnTaylor mark and related registrations. The Company is not aware of any claims of infringement or other challenges to the Company's right to use any of its marks in the United States.

The Company owns registrations for the "AnnTaylor" mark for clothing in Brazil, Canada, Hong Kong, Japan and Taiwan, and owns or has applied for registration for the "AnnTaylor", "ATdenim", "destination" and "Action" marks for clothing and other goods in other countries as well.

Competition

The women's retail apparel industry is highly competitive. The Company believes that the principal bases upon which it competes are fashion, quality, value and service. The Company's Ann Taylor Stores and Ann Taylor Studio stores compete with certain departments in better national department stores such as Neiman Marcus, Saks Fifth Avenue, Lord & Taylor, Nordstrom and Bloomingdale's, as well as certain departments in regional department stores, such as Marshall Fields and Dillard's. The Company believes that it competes with these department stores by offering a focused merchandise selection, personalized service and convenience, as well as exclusive Ann Taylor fashions, which distinguish its goods from the goods carried by these department stores. Certain of the Company's product lines also compete with other specialty retailers such as Talbots, Ralph Lauren, The Limited, The Gap and Banana Republic. The Company believes that its focused merchandise selection, exclusive Ann Taylor brand name fashions, personalized service and convenience distinguish it from other specialty 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.

Employees

Store management receives compensation in the form of salaries and performance-based bonuses. Sales associates are paid on an hourly basis plus performance incentives. A number of programs exist that offer incentives to both management and sales associates to increase sales and support the Company's total wardrobing strategy. For example, certain incentive programs offer individual associates payment for selling multiple wardrobe items and for achieving individual sales goals. Other programs provide bonuses or payments to all associates in a store that has achieved, for example, the highest percentage increase in sales for a given period.

As of January 28, 1995, the Company had 5,258 employees, of whom 1,170 were full-time salaried employees, 1,501 were full-time hourly employees and 2,587 were part-time hourly employees working less than 30 hours per week. Approximately 86% of the Company's employees are eligible to participate in the Company's health insurance programs. None of the Company's employees are represented by a labor union. The Company believes that its relationship with its employees is good.

ITEM 2. Properties

As of January 28, 1995, the Company had 262 stores, all of which were leased. The leases typically provide for an initial five-to ten-year term and grant the Company the right to extend the term for one or two additional five-year periods. In most cases, the Company pays a minimum rent plus a contingent rent based on the store's net sales in excess of a specified threshold. The contingent rental payment is typically 5% of net sales in excess of the applicable threshold. Substantially all of the leases require the Company to pay insurance, utilities and repair and maintenance expenses and contain tax escalation clauses. The current terms of the Company's leases, including renewal options, expire as follows:

Fiscal Years Lease Terms Expire	Number of Stores
1995-1997	37
1998-2000	20
2001-2003	23
2004 and later	182

Ann Taylor leases corporate offices at 142 West 57th Street, New York, containing approximately 86,700 square feet. The lease for these premises expires in 2006. The Company is also leasing an additional 8,600 square feet of office space in the same building on a temporary basis. The lease for these additional premises expires in March 1996 with an option to extend this lease for an additional six months. Ann Taylor also leases office space in New Haven, which contains approximately 31,000 square feet. The lease for these offices expires in 1996.

Ann Taylor leases its New Haven distribution center, which contains 78,790 square feet. The lease for this facility expires in September 1995. In 1994, the Company purchased property in Louisville, Kentucky on which it is constructing a 256,000 square foot facility to replace the Company's existing distribution center facilities in Connecticut. The Company expects to begin testing the flow of merchandise through this facility in May 1995 and expects the facility to be fully operational in late spring 1995. The Company expects capital expenditures to build and equip the distribution center to total approximately $16.0 million. See "Management's Discussion and Analysis".

ITEM 3. Legal Proceedings

Ann Taylor 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 or results of operations of the Company.

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

None.

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PART II

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

The 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 April 10, 1995 was 495. The following table sets forth the high and low closing sales prices for the Common Stock on the New York Stock Exchange during fiscal 1994 and fiscal 1993.

	Market Price	
	High	Low
Fiscal Year 1994		
Fourth quarter	$ 44 1/4	$31 7/8
Third quarter	44	35
Second quarter	41 1/8	31 1/2
First quarter	36	20 7/8
Fiscal Year 1993		
Fourth quarter	$ 28 1/4	$20 7/8
Third quarter	29 5/8	22 7/8
Second quarter	27 7/8	20
First quarter	23 1/4	17 7/8

The Company has never paid dividends on the Common Stock and does not intend to pay dividends in the foreseeable future. As a holding company, the ability of the Company to pay dividends is dependent upon the receipt of dividends or other payments from Ann Taylor. The payment of dividends by Ann Taylor to the Company is subject to certain restrictions under Ann Taylor's bank revolving credit agreement (the "Revolving Credit Agreement") and the indenture relating to AnnTaylor, Inc's. 8-3/4% Subordinated Notes due 2000 (the "8-3/4% Notes"). 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 Revolving Credit Agreement. 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 selected historical financial information for the periods indicated has been derived from the audited consolidated financial statements of the Company. Such financial statements audited by Deloitte & Touche llp, independent auditors, for the fiscal years 1994, 1993 and 1992 appear elsewhere in this report. The information set forth below should be read in conjunction with "Management's Discussion and Analysis" and the consolidated financial statements and notes thereto of the Company included elsewhere in this report. 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.

	Fiscal Years Ended				
	Jan 28, 1995	Jan 29, 1994	Jan 30, 1993	Feb 1, 1992	Feb 2, 1991
	(dollars in thousands, except per square foot data and per share data)				
Operating Statement Information:					
Net sales, including leased shoe departments(a)	$658,804	$501,649	$468,381	$437,711	$410,782
Cost of sales	357,783	271,749	264,301	234,136	217,414

Gross profit	301,021	229,900	204,080	203,575	193,368
Selling, general and administrative expenses	214,224	169,371	152,072	150,842	125,872
Distribution center restructuring charge (b)	---	2,000	---	---	---
Amortization of goodwill (c)	9,506	9,508	9,504	9,506	9,484
Operating income	77,291	49,021	42,504	43,227	58,012
Interest expense (d)	14,229	17,696	21,273	33,958	50,081
Stockholder litigation settlement (e)	---	---	3,905	---	---
Other (income) expense, net	168	(194)	259	542	168
Income before income taxes and extraordinary loss	62,894	31,519	17,067	8,727	7,763
Income tax provision	30,274	17,189	11,150	7,703	6,657
Income before extraordinary loss	32,620	14,330	5,917	1,024	1,106
Extraordinary loss (f)	868	11,121	---	16,835	---
Net income (loss)	$31,752	$ 3,209	$ 5,917	$(15,811)	$1,106
Income per share before extraordinary loss	$ 1.40	$ .66	$ .28	$ .05	$ .08
Extraordinary loss per share (f)	(.04)	(.51)	---	(.87)	---
Net income (loss) per share	$ 1.36	$ .15	$ .28	$ (.82)	$ .08
Weighted average shares outstanding (in thousands)	23,286	21,929	21,196	19,326	14,160
Operating Information:					
Percentage increase (decrease) in total comparable store sales (g)	13.7%	2.3%	(1.0)%	(5.6)%	2.3%
Percentage increase (decrease) in owned comparable store sales (g) (h)	13.7%	4.0%	0.8 %	(0.9)%	5.1%
Average net sales per gross square foot (i)	$ 627	$ 576	$ 600	$ 642	$ 740
Number of stores:					
Open at beginning of the period	231	219	200	170	139
Opened during the period	35	13	20	33	32
Expanded during the period	25	12	5	3	3
Closed during the period	4	1	1	3	1
Open at the end of the period	262	231	219	200	170
Total store square footage at end of period	1,173,000	929,000	814,000	746,000	619,000
Capital expenditures	$61,341	$25,062	$ 4,303	$10,004	$11,783
Depreciation and amortization, including goodwill (c)	$21,293	$18,013	$16,990	$15,709	$14,177
Working capital turnover (j)	8.5x	12.1x	16.8x	12.8x	12.4x
Inventory turnover (k)	4.6x	4.9x	5.3x	4.6x	4.6x
Balance Sheet Information (at end of period):					
Working capital	$102,181	$ 53,283	$ 29,539	$ 26,224	$ 42,234
Goodwill, net (c)	323,031	332,537	342,045	351,549	361,055
Total assets	598,254	513,399	487,592	491,747	510,724
Total debt	200,000	189,000	195,474	211,917	380,362
Stockholders' equity	326,112	259,271	245,298	229,464	47,483

(a) Prior to 1990, all shoes sold in Ann Taylor Stores were "Joan & David" shoes, sold in leased shoe departments by Joan & David Helpern, Inc. ("Joan & David") pursuant to a license agreement. In 1990, the Company introduced a line of Ann Taylor brand name shoes. Beginning in August 1990, Joan & David began a scheduled withdrawal of its leased shoe departments, vacating additional departments every six months through the end of fiscal 1992. As of February 1, 1993, Joan & David no longer operated leased shoe departments in any Ann Taylor stores. Sales from leased shoe departments were $8,207,000 in 1992, $16,056,000 in 1991 and $35,517,000 in

1990.

(b) Relates to the relocation of the Company's distribution center, expected to be completed in late spring 1995, and represents a charge of $1,100,000 principally for severance and job training benefits and $900,000 for the write-off of the net book value of certain assets that are not expected to be used in the new facility. This charge reduced 1993 net earnings per share by $.05 per share.

(c) As a result of the Acquisition, which was effective as of January 29, 1989, $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.

(d) Includes non-cash interest expense of $978,000, $4,199,000, $8,581,000, $12,243,000 and $18,294,000 in the fiscal years 1994, 1993, 1992, 1991 and 1990, respectively, from amortization of deferred financing costs, in 1993, 1992, 1991 and 1990, accretion of original issue discount and the issuance of additional 10% junior subordinated exchange notes due 2004 in 1992, 1991 and 1990.

(e) Relates to the settlement in January 1993 of a stockholder class action lawsuit that was filed against the Company and certain other defendants in October 1991.

(f) In fiscal 1994, Ann Taylor incurred an extraordinary loss of $1,522,000 ($868,000, or $.04 per share, net of income tax benefit), in connection with the prepayment of long-term debt with the proceeds of the Offering. In fiscal 1993, Ann Taylor incurred an extraordinary loss of $17,244,000 ($11,121,000, or $.51 per share, net of income tax benefit) due to debt refinancing activities. In fiscal 1991, Ann Taylor incurred an extraordinary loss of $25,900,000 ($16,835,000, or $.87 per share, net of income tax benefit), in connection with the repurchase of a portion of its then outstanding debt securities with proceeds from the IPO.

(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 open during the same month of the prior period. A store opened within the first two weeks of a month is deemed to have been opened on the first day of that month and a store opened later in a month is deemed to have been opened on the first day of the next month. For example, if a store were opened on June 8, 1992, its sales from June 8, 1992 through year-end 1992 and its sales from June 1, 1993 through year-end 1993 would be included in determining comparable store sales for 1993, compared to 1992. In addition, in a year with 53 weeks, the extra week is not included in determining comparable store sales. For periods prior to 1993, when a store's square footage was increased as a result of expansion or relocation in the same mall or specialty center, the store continued to be treated as a comparable store after the expansion. Commencing with stores expanded in fiscal 1993, any store the square footage of which is expanded by more than 15% is treated as a new store for the first year following the opening of the expanded store.

(h) Excludes sales from leased shoe departments for periods prior to fiscal 1993.

(i) Average net sales per gross 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.

(j) 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.

(k) Inventory turnover is determined by dividing net cost of goods sold (excluding costs of leased shoe departments) by the average of the cost of inventory at the beginning and end of the period.

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

General

Ann Taylor has grown significantly since the Acquisition, with the number of stores increasing from 119 at the beginning of 1989 to 262 stores at the end of 1994. During fiscal 1994, the Company expanded 25 stores, added 35 new stores and closed 4 stores, resulting in a net increase in the Company's square footage of approximately 244,000 square feet, or 26.3% over total store square footage of 929,000 square feet at the end of 1993. The Company expects to increase square footage by at least 500,000 square feet, or 42.6%, in fiscal 1995. The Company expects that approximately 37% of this new square footage will be represented by new Ann Taylor Stores, approximately 38% will be new Ann Taylor Loft and Factory Stores, approximately 3% will be new Ann Taylor Studio stores, and approximately 22% will be attributable to the expansion of existing Ann Taylor Stores. The Company's ability to continue to expand will be dependent upon general economic and business conditions affecting consumer spending, the availability of desirable locations and the negotiation of acceptable lease terms for new locations. See "Business--Expansion".

The Company's net sales do not show significant seasonal variation, although net sales in the third and fourth quarters have traditionally been higher than in the first and second quarters. The Company believes that its merchandise is purchased primarily by women who are buying for their own wardrobes rather than as gifts, and the Company historically has experienced only moderate increases in net sales during the Christmas season. As a result of these factors, the Company has not had significant overhead and other costs generally associated with large seasonal variations.

The following table shows the distribution of the Company's annual net sales and operating income by quarter for 1994, 1993 and 1992:

	Fiscal 1994		Fiscal 1993		Fiscal 1992	
	Net Sales	Operating Income	Net Sales	Operating Income(a)	Net Sales	Operating Income
First Quarter	22.0%	25.3%	24.0%	24.3%	24.5%	26.6%
Second Quarter	24.3	24.2	24.9	25.3	24.0	19.5
Third Quarter	25.0	25.7	24.3	25.2	24.6	34.6
Fourth Quarter	28.7	24.8	26.8	25.2	26.9	19.3
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(a) Excludes the $2,000,000 charge to earnings relating to the Company's announced relocation of its distribution center.

Comparable Store Sales

The following table sets forth for the years 1994, 1993 and 1992 certain information regarding the percentage increase (decrease) over the prior year's sales in (i) total comparable store sales and (ii) owned comparable sales (consisting of total comparable store sales less leased shoe department comparable sales, which were phased out by February 1, 1993):

	Fiscal 1994	Fiscal 1993	Fiscal 1992
Comparable store sales:			
Owned sales	13.7%	4.0%	0.8%
Total	13.7	2.3	(1.0)

The Company believes that the increase in owned comparable store sales was primarily due to improved customer acceptance of merchandise offerings, including product extensions introduced in 1994 and 1993, and in 1992, to promotional activities.

Results of Operations

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

	Fiscal 1994	Fiscal 1993	Fiscal 1992
Net sales (including leased shoe departments in 1992)	100.0%	100.0%	100.0%
Cost of sales	54.3	54.2	56.4
Gross profit (a)	45.7	45.8	43.6
Selling, general and administrative expenses	32.5	33.8	32.5
Distribution center restructuring charge	---	0.4	---
Amortization of goodwill	1.5	1.8	2.0
Operating income	11.7	9.8	9.1
Interest expense	2.2	3.5	4.6
Stockholder litigation settlement	---	---	0.8
Other (income) expense, net (b)	---	---	---
Income before income taxes and extraordinary loss	9.5	6.3	3.7
Income tax provision	4.6	3.4	2.4
Income before extraordinary loss	4.9	2.9	1.3
Extraordinary loss	0.1	2.3	---
Net income	4.8%	0.6%	1.3 %

(a) Gross profit margin on net sales, excluding leased shoe departments, was 44.1% in 1992. Gross profit margin on leased shoe department net sales was 14.4% in 1992.

(b) Other (income) expense, net was less than 0.1% of net sales in 1994, 1993 and 1992.

Fiscal 1994 Compared to Fiscal 1993

The Company's net sales increased to $658,804,000 in 1994 from $501,649,000 in 1993, an increase of $157,155,000, or 31.3%. The increase in net sales was attributable to the inclusion of a full year of operating results for the 13 stores opened and 12 stores expanded during 1993, the opening of 35 new stores and expansion of 25 stores in 1994 and a 13.7% increase in comparable store sales. The 13.7% increase in comparable stores sales was due primarily to customer acceptance of the Company's merchandise offerings in 1994, including product extensions such as Ann Taylor petites, shoes and "destination". The sales increase was partially offset by the closing of four stores in 1994.

Gross profit as a percentage of net sales decreased slightly to 45.7% in 1994 from 45.8% in 1993. This decrease was attributable to increased cost of goods sold resulting from lower initial markups, offset by lower markdowns associated with reduced promotional activities.

Selling, general and administrative expenses as a percentage of net sales decreased to 32.5% in 1994 from 33.8% in 1993. The decrease was primarily attributable to the leveraging of four-wall expenses over a larger sales base and was partially offset by increased expenditures relating primarily to the Company's information systems, expansion of the Company's merchandising and product design teams, and higher catalog expenses.

Operating income increased to $77,291,000, or 11.7% of net sales, in 1994, from $49,021,000, or 9.8% of net sales, in 1993. Operating income for 1993 was reduced by a $2,000,000 restructuring charge representing .4% of net sales. Amortization of goodwill from the Acquisition was $9,506,000 in 1994 and $9,508,000 in 1993. Operating income without giving effect to such amortization was $86,797,000, or 13.2% of net sales, in 1994, and $58,529,000, or 11.6% of net sales, in 1993.

Interest expense was $14,229,000, including $978,000 of non-cash interest expense, in 1994 and $17,696,000, including $4,199,000 of non-cash interest expense, in 1993. The decrease in interest expense is attributable to lower interest rates applicable to the Company's debt obligations in the 1994 period, resulting principally from refinancing transactions entered into in the fall of 1993 and summer of 1994 and the reduction of the Company's long-term debt with the net proceeds from the Offering in May 1994. After taking into account the Company's interest rate swap agreement (see Financial Statement Note 4), all of the Company's debt obligations bear interest at variable rates. The weighted average interest rate on the Company's outstanding indebtedness at January 28, 1995 was 8.90% compared to 6.22% at January 29, 1994. Because the Company's debt bears interest at variable rates, the Company's interest expense for fiscal 1994 is not necessarily indicative of interest expense for future periods. See "Liquidity and Capital Resources".

The income tax provision was $30,274,000, or 48.1% of income before income taxes and extraordinary loss, in the 1994 period compared to $17,189,000, or 54.5% of income before income taxes and extraordinary loss, in 1993. The effective tax rates for both periods were higher than the statutory rates, primarily as a result of non-deductible goodwill expense.

In connection with the debt refinancing activities undertaken by the Company in 1994 (see Financial Statement Notes 3 and 4), the Company incurred an extraordinary loss of $1,522,000 ($868,000 net of income tax benefit). The Company also incurred an extraordinary loss of $17,244,000 ($11,121,000 net of income tax benefit) in 1993 as a result of debt refinancing activities undertaken in that year.

As a result of the foregoing factors, the Company had net income of $31,752,000, or 4.8% of net sales, for 1994 compared to net income of $3,209,000, or 0.6% of net sales, for 1993.

Fiscal 1993 Compared to Fiscal 1992

The Company's net sales increased to $501,649,000 in 1993 from $468,381,000 in 1992, an increase of $33,268,000, or 7.1%. The increase in net sales was attributable to the inclusion of a full year of operating results for the 20 stores opened during 1992, the opening of 13 new stores and expansion of 12 stores in 1993 and a 2.3% increase in comparable store sales. The 2.3% increase in total comparable stores sales was due primarily to customer acceptance of the Company's merchandise offerings in 1993. The increase in net sales was partially offset by the closing of one store in 1993. Net sales included $29,922,000 and $25,638,000 from Ann Taylor brand shoes in 1993 and 1992, respectively.

Gross profit as a percentage of net sales increased to 45.8% in 1993 from 43.6% in 1992. This increase was attributable to reduced cost of goods sold resulting from lower markdowns associated with reduced promotional activities, higher initial markups and the elimination of the leased shoe department which had a substantially lower gross margin.

Selling, general and administrative expenses as a percentage of net sales increased to 33.8% in 1993 from 32.5% in 1992. The increase was primarily attributable to additional store tenancy and selling expenses, severance costs, agency fees and relocation expenses, and the Company's continuing investment in such areas as design and manufacturing, marketing and information systems.

Operating income increased to $49,021,000, or 9.8% of net sales, in 1993, from $42,504,000, or 9.1% of net sales, in 1992. As described below, 1993 operating income was reduced by a $2,000,000, or 0.4% of net sales, charge to earnings relating to the Company's announced relocation of its distribution center facilities from New Haven, Connecticut to Louisville, Kentucky. Amortization of goodwill from the Acquisition was $9,508,000 in 1993 and $9,504,000 in 1992. Operating income without giving effect to such amortization was $58,529,000, or 11.6% of net sales, in 1993, and $52,008,000, or 11.1% of net sales, in 1992.

In early 1994, the Company announced that it will be relocating its distribution centers from New Haven, Connecticut to Louisville, Kentucky. The Company recorded a $2,000,000 pre-tax restructuring charge ($1,140,000 net of income tax benefit, or $.05 per share), representing approximately $1,100,000 principally for severance and job training benefits, and approximately $900,000 for the write-off of the net book value of certain assets that are not expected to be utilized in the new facility. The Company selected Louisville, Kentucky as the site for its new distribution center facility because of Louisville's central location relative to the Company's stores, which is expected to result in reduced merchandise delivery times, the lower cost of construction in Louisville as compared to the Northeast, and economic incentives offered by the state of Kentucky.

Interest expense was $17,696,000, including $4,199,000 of non-cash interest expense, in 1993 and $21,273,000, including $8,581,000 of non-cash interest expense, in 1992. The decrease is primarily attributable to lower interest rates resulting principally from refinancing transactions entered into in 1993. As a result of these refinancing transactions, the weighted average interest rate on the Company's outstanding indebtedness at January 29, 1994 was 6.22% compared to 9.50% at January 30, 1993. After taking into account the Company's interest rate swap agreement, all of the Company's debt obligations bear interest at variable rates. Therefore, the Company's interest expense for fiscal 1993 is not necessarily indicative of interest expense for future periods.

The income tax provision was $17,189,000, or 54.5% of income before income taxes and extraordinary loss, in the 1993 period compared to $11,150,000, or 65.3% of income before income taxes, in 1992. The effective tax rates for both periods were higher than the statutory rates, primarily because of non-deductible goodwill expense. During fiscal 1993, the Company adopted the Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). Adoption of SFAS 109 did not have a material effect on the results of operations.

The refinancing transactions referred to above resulted in an extraordinary loss of $17,244,000 ($11,121,000 net of income tax benefit), attributable to premiums paid to purchase or discharge Ann Taylor's notes, and to the write-off of deferred financing costs associated with the early retirement of indebtedness.

As a result of the foregoing factors, the Company had net income of $3,209,000, or 0.6% of net sales, for 1993 compared to a net income of $5,917,000, or 1.3% of net sales for 1992.

Changes in Receivables and Inventories

Accounts receivable increased to $61,211,000 at the end of 1994 from $49,279,000 at the end of 1993, an increase of $11,932,000, or 24.2%. This increase was partially attributable to Ann Taylor credit card receivables, which increased $8,554,000, or 20.8% to $49,731,000 in 1994; to third-party credit card receivables (American Express, Mastercard and Visa), which increased $820,000 due to the timing of payments by the third-party credit card issuers; and to construction allowance receivables, which increased $1,649,000 to $5,549,000 in 1994. Ann Taylor credit card sales were 19.7% higher in the last thirteen weeks of 1994 compared to the last thirteen weeks of 1993.

Merchandise inventories increased to $93,705,000 at the end of 1994 from $60,890,000 at the end of 1993, an increase of $32,815,000, or 53.9%. The higher inventory level at the end of 1994 was principally attributable to the purchase of inventory for new and expanded stores that were opened in 1994 and planned square footage increases in spring 1995, an increase in inventories of shoes and accessories, including inventories of the Company's new "destination" fragrance and personal care products, and an increase in inventories for the Company's expanded mail order catalog business.

Accounts payable increased to $36,625,000 at the end of 1994 from $33,087,000 at the end of 1993, an increase of $3,538,000, or 10.7%. The increase in accounts payable is primarily due to the increase in inventory at the end of fiscal 1994.

Liquidity and Capital Resources

The Company's primary sources of working capital are cash flow from operations and borrowings under a $125 million revolving credit agreement (the "Revolving Credit Agreement"). The following sets forth material measures of the Company's liquidity:

	Fiscal Year		
	1994	1993	1992
	(dollars in thousands)		
Cash provided by operating activities	$ 17,149	$ 47,322	$ 23,579
Working capital	$102,181	$ 53,283	$ 29,539
Current ratio	2.55:1	1.78:1	1.38:1
Debt to equity ratio	.61:1	.73:1	.80:1

Cash provided by operating activities decreased in 1994 principally as a result of an increase in merchandise inventories and accounts receivable. The increase in working capital in 1994 results from the increase in accounts receivable and merchandise inventories, and a decrease in the current portion of long-term debt, offset by an increase in accounts payable.

In July 1994, the Company completed the refinancing of its outstanding bank debt by entering into the Revolving Credit Agreement, which under its original terms provided for a revolving loan facility of $75,000,000. The Company borrowed funds under this revolving credit facility to prepay in full its outstanding Term Loan and other obligations under its then-existing bank credit agreement. The Revolving Credit Agreement was amended on January 27, 1995 to provide for borrowings of up to $125,000,000. Amounts borrowed under the Revolving Credit Agreement mature on July 29, 1997; however, the Company is required to reduce the outstanding balance under the Revolving Credit Agreement to $67,000,000 or less for a 30-day period in fiscal 1995 and to $50,000,000 or less for a 30-day period in each fiscal year thereafter. At January 28, 1995, the Company had $64,000,000 outstanding under the Revolving Credit Agreement.

In July 1993, Ann Taylor entered into a $110,000,000 (notional amount) interest rate swap agreement. Under the agreement, the Company receives a fixed rate of 4.75% and pays a floating rate based on LIBOR, as determined in six month intervals. As of January 28, 1995, the Company was paying a variable rate of 6.75%. The swap agreement matures in July 1996.

During the fourth quarter of fiscal 1993, Ann Taylor and its wholly owned subsidiary AnnTaylor Funding, Inc. entered into a receivables financing agreement due 1996 (the "Receivables Facility") secured by Ann Taylor credit card receivables. AnnTaylor Funding, Inc. can borrow up to $40,000,000 based on its accounts receivable balance. As of January 28, 1995, $36,000,000 was outstanding under this facility.

The Company's capital expenditures totaled $61,341,000, $25,062,000, and $4,303,000 in 1994, 1993 and 1992, respectively. Capital expenditures in 1994 include $12,818,000 for construction of the Company's Louisville, Kentucky distribution center and material handling equipment. Capital expenditures in 1994 also reflect increased average net construction costs for the opening of new stores, costs associated with the expansion of a greater number of existing stores, lower average landlord construction allowances and an increased investment in new management information systems. The Company expects its capital expenditure requirements to be approximately $75,000,000 in 1995, including $3,000,000 for completion of the distribution center and material handling equipment.

The Revolving Credit Agreement imposes limits on the Company's ability to make capital expenditures by requiring the Company to maintain a minimum fixed charge coverage ratio. The computation of this ratio excludes capital expenditures for the distribution center. 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--Expansion".

Dividends and distributions from Ann Taylor to the Company are restricted by both the Revolving Credit Agreement and the indenture for the 8-3/4% Notes.

In order to finance its operations and capital requirements, including its debt service payments, the Company expects to use internally generated funds and funds available to it under the Revolving Credit Agreement. The Company believes that cash flow from operations and funds available under the Revolving Credit Agreement will be sufficient to enable it to meet its ongoing cash needs for the foreseeable future.

ITEM 8. Financial Statement and Supplementary Data

The following consolidated financial statements of the Company for the years ended January 28, 1995, January 29, 1994 and January 30, 1993 are included as a part of this Report (See Item 14):

Consolidated Statements of Operations for the fiscal years ended January 28, 1995, January 29, 1994 and January 30, 1993.

Consolidated Balance Sheets as of January 28, 1995 and January 29, 1994.

Consolidated Statements of Stockholders' Equity for the fiscal years ended January 28, 1995, January 29, 1994 and January 30, 1993.

Consolidated Statements of Cash Flows for the fiscal years ended January 28, 1995, January 29, 1994 and January 30, 1993.

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 following table sets forth certain information regarding the executive officers of the Company as of January 28, 1995:

Name	Age	Position and Offices	Term Expiration
Sally Frame Kasaks	50	Chairman, Chief Executive Officer and Director of the Company and Ann Taylor	1996
Paul E. Francis	40	Executive Vice President - Finance and Administration, Treasurer and Director of the Company and Ann Taylor	1997
Anthony D. Atenasio	45	Senior Vice President - Planning & Allocation of Ann Taylor	---
Joseph R. Gromek (a)	48	Senior Vice President - General Merchandise Manager of the Company and Ann Taylor	---
Barry I. Shapiro	40	Senior Vice President and General Manager of Ann Taylor Loft	---
Andrea M. Weiss	39	Senior Vice President, Director of Stores of the Company and Ann Taylor	---
Jocelyn F.L. Barandiaran	34	Vice President, General Counsel and Corporate Secretary of the Company and Ann Taylor	---
Gerald S. Armstrong	51	Director of the Company and Ann Taylor	1997
James J. Burke,Jr.	43	Director of the Company and Ann Taylor	1996
Robert C. Grayson	50	Director of the Company and Ann Taylor	1995
Rochelle B. Lazarus	47	Director of the Company and Ann Taylor	1995
Hanne M. Merriman	53	Director of the Company and Ann Taylor	1997

(a) Mr. Gromek resigned from his position with the Company and Ann Taylor on April 18, 1995.

Each member of the Board of Directors of the Company and Ann Taylor holds office for a three-year term and until his or her successor is elected and qualified. Mr. Grayson and Ms. Lazarus serve as members of the audit committee and Mr. Burke, Mr. Armstrong, Ms. Lazarus and Ms. Merriman serve as members of the compensation committee. Directors who are employees of the Company or Directors serving on the board as representatives of Merrill Lynch & Co., Inc. ("ML&Co.") or its affiliates do not receive any compensation for serving on either Board of Directors. In 1993, Messrs. Armstrong and Burke, together with other colleagues from ML Capital Partners, founded Stonington Partners, Inc., formerly known as First Capital Partners, Inc. In July 1994, Messrs. Armstrong and Burke left the employment of ML&Co., although each has continued as a director of Merrill Lynch Capital Partners, Inc. (the "ML Capital Partners") and the other companies, including the Company and Ann Taylor, in which ML&Co. or certain of its affiliates have equity investments and for which they were serving as a director in July 1994. In this connection, each of Messrs. Armstrong and Burke entered into a consulting agreement with ML&Co. which provides, among other things, for his continued availability to serve on the Board of Directors of the Company, Ann Taylor and such other companies, unless requested to resign by ML&Co., and for his compensation by ML&Co. for serving in such capacities and for other consulting services. Directors who are not representatives of ML&Co. or its affiliates or employees of the Company receive $20,000 in compensation plus $750 for each meeting attended.

Sally Frame Kasaks. Ms. Kasaks has been Chairman, Chief Executive Officer and a Director of the Company and Ann Taylor since February 1992. From February 1989 to January 1992, she was president and chief executive officer of Abercrombie & Fitch, a specialty retailer and a division of The Limited, Inc., a specialty retailer. From 1985 to 1988, she was president of Talbots, a specialty women's apparel retailer. For the six years prior to 1985, Ms. Kasaks served in various capacities at Ann Taylor, the last two of those years as president.

Paul E. Francis. Mr. Francis has been Executive Vice President - Finance and Administration of the Company and Ann Taylor since April 1993, Treasurer of the Company and AnnTaylor since February 1994, and a Director of the Company and Ann Taylor since consummation of the Acquisition in February 1989. He was a vice president of ML Capital Partners from July 1987 to April 1993 and a managing director of the Investment Banking Division of ML&Co. from January 1993 to April 1993. From January 1990 to January 1993, he was a director of the Investment Banking Division of ML&Co.

Anthony D. Atenasio. Mr. Atenasio has been Senior Vice President - Planning & Allocation of Ann Taylor since December 1994. From March 1992 to December 1994, he was vice president - planning & distribution for The Sports Authority, Inc., a sporting goods superstore retailer. From August 1972 to March 1992, Mr. Atenasio worked for Ames Department Stores, Inc., formerly known as Zayre Discount Department Stores, Inc., where he held various senior positions in replenishment and merchandising.

Joseph R. Gromek. Mr. Gromek has been Senior Vice President - - General Merchandise Manager of the Company and Ann Taylor from April 1993 to April 1995. From January 1991 to April 1993, Mr. Gromek was vice president - ready to wear at The Limited stores, a specialty women's apparel retailer and a division of The Limited, Inc., a specialty retailer. From September 1987 to December 1990, he was senior vice president/general merchandise manager - men's and shoes for Saks Fifth Avenue, a department store.

Barry I. Shapiro. Mr. Shapiro has been Senior Vice President and General Manager of AnnTaylor Loft since March 1993. From November 1990 to October 1991, he was Vice President and Director of Merchandise Distribution and Quality Control and from October 1991 to March 1993 he was Vice President of

Merchandise Administration of AnnTaylor. From February 1989 to November 1990, Mr. Shapiro was director of operations for Abraham & Strauss, a department store.

Andrea M. Weiss. Ms. Weiss has been Senior Vice President, Director of Stores of the Company and Ann Taylor since July 1992. From April 1990 to July 1992, she was director of retail operations for the Walt Disney World Resort, a division of the Walt Disney Company. From November 1987 to April 1990, she was senior vice president - operations for the Naragansett Clothing Company, a specialty women's apparel retailer.

Jocelyn F.L. Barandiaran. Ms. Barandiaran has been Vice President, General Counsel and Corporate Secretary of the Company and Ann Taylor since May 1992. From June 1985 to April 1992, she was a corporate mergers and acquisitions associate with the law firm of Skadden, Arps, Slate, Meagher & Flom.

Gerald S. Armstrong. Mr. Armstrong has been a Director of the Company and AnnTaylor since February 1989. He has been a partner of Stonington Partners, Inc. ("Stonington Partners"), a private investment firm, since November 1993, and a director of Stonington Partners since August 1993. He was a partner of ML Capital Partners, a private investment firm associates with ML&Co., from May 1993 to June 1994, and was an executive vice president of ML Capital Partners from November 1988 through April 1993. Mr. Armstrong was a managing director of the Investment Banking Division of ML&Co. from November 1988 to June 1994. Mr. Armstrong is also a director of ML Capital Partners, First USA, Inc., Beatrice Foods, Inc., Blue Bird Corporation, World Color Press, Inc. and Wherehouse Entertainment, Inc.

James J. Burke, Jr. Mr. Burke has been a Director of the Company and Ann Taylor since February 1989. He has been managing partner of Stonington Partners, a private investment firm, since November 1993 and a director of Stonington Partners since August 1993. He was a partner of ML Capital Partners, a private investment firm associated with ML&Co., from May 1993 through June 1994, and was president and chief executive officer of ML Capital Partners from January 1987 through April 1993. Mr. Burke was a first vice president of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") from July 1988 through June 1994 and was a managing director of the Investment Banking Division of ML&Co. from April 1985 through June 1994. Mr. Burke is also a director of ML Capital Partners, Amstar Corporation, Borg-Warner Security Corporation, Supermarkets General Holdings Corporation, Pathmark Stores, Inc., United Artists Theater Circuit, Inc., Wherehouse Entertainment, Inc. and World Color Press, Inc.

Robert C. Grayson. Mr. Grayson has been a Director of the Company and Ann Taylor since April 1992. Mr. Grayson has been president of Robert C. Grayson & Associates, Inc., a retail marketing consulting firm, since February 1992. Mr. Grayson has been vice chairman of the board of Tommy Hilfiger Corp., a men's apparel manufacturer and retailer, and chairman of the board of Tommy Hilfiger Retail, a subsidiary of such company since June 1994. From June 1985 to February 1992, Mr. Grayson was the president and chief executive officer of Lerner New York, a specialty women's apparel retailer and a division of The Limited, Inc., a specialty retailer. Mr. Grayson is also a director of Tommy Hilfiger Corp. and Sunglass Hut International, Inc.

Rochelle B. Lazarus. Ms. Lazarus has been a Director of the Company and Ann Taylor since April 1992. She has been president of Ogilvy & Mather North America, an advertising agency, since April 1994 and was president of Ogilvy & Mather New York from June 1991 to April 1994. She was employed by Ogilvy & Mather Direct from 1987 to 1991, serving as President for the last two of those years.

Hanne M. Merriman. Ms. Merriman has been a Director of the Company and Ann Taylor since December 1993. She has been the principal in Hanne Merriman Associates, retail business consultants, since January 1992, and from February 1990 to December 1990. From January 1991 to June 1992, Ms. Merriman was president and chief operating officer of Nan Duskin, Inc., a specialty women's apparel retailer, and from December 1988 to January 1990 was president and chief executive officer of Honeybee, Inc. a women's apparel retail catalog business and a division of Spiegel, Inc. Ms. Merriman is also a director of USAir Group, Inc., CIPSCO, Inc., Central Illinois Public Service Company, State Farm Mutual Automobile Insurance Company, The Rouse Company and T. Roe Price Mutual Funds. She is a member of the National Women's Forum and a trustee of the American-Scandinavian Foundation.

ITEM 11. Executive Compensation

The following summary compensation table sets forth information regarding the annual and long-term compensation awarded or paid for each of the last three fiscal years to these persons who were, for the fiscal year ended January 28, 1995, the Chief Executive Officer and the four other most highly compensated executive officers of the Company and Ann Taylor (collectively, the "named executives"). None of Mr. Francis, Mr. Gromek or Mr. Richardson was employed by the Company in fiscal year 1992; accordingly, no information is set forth in the table with respect to these officers for that year.

TABLE I
Summary of Compensation to Certain Executive Officers

		Annual Compensation			Long Term Compensation		
Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($) (a)	Other Annual Compen-sation ($)	Restricted Stock Awards ($)	Securities Underlying Options (#)	All Other Compen-sation ($) (b)
Sally Frame Kasaks, Chairman & Chief Executive Officers	1994	$750,000	$450,000	$ 8,303	--	170,000	$7,857
	1993	$650,000	$243,750	---	--	30,000	$7,755
	1992	$600,000	$150,000	---	1,327,500(c)	200,000	$3,077
Paul E. Francis Executive Vice President - Finance & Administration	1994	$325,000	$156,000	---	---	80,000	$2,281
	1993	$262,292	$ 80,167	---	---	70,000	---
	1992	---	---	---	---	---	---
Joseph R. Gromek (d) Sr. Vice President - General Merchandise Manager	1994	$365,000	$131,400	---	---	60,000(e)	$4,330
	1993	$282,468	$ 64,750	---	---	30,000(f)	$1,188
	1992	---	---	---	---	---	---
Andrea M. Weiss Sr. Vice President-Director of Stores	1994	$254,600	$ 88,200	---	---	50,000	$2,757
	1993	$234,600	$ 50,625	---	---	15,000	$1,318
	1992	$120,569	$ 35,000	$15,576	---	25,000	$ 180
Randy Richardson Sr. Vice President - Information Services	1994	$195,000	$ 58,500	$11,239	---	30,000	$2,611
	1993	$185,000	$ 39,312	$64,189(h)	---	20,000	$ 583
	1992	---	---	---	---	---	---

(a) Bonus awards indicated for 1994 and 1993 were paid pursuant to the Company's Management Performance Compensation Plan. Bonus amounts indicated for 1992 were guaranteed bonus amounts paid to Ms. Kasaks pursuant to her 1992 Employment Agreement as in effect in 1992 and to Ms. Weiss in accordance with the terms of her compensation arrangement upon hire by the Company.

(b) Represents the amount of contributions made by the Company to its 401(k) Savings Plan (for Ms. Kasaks, $2,375 in 1994 and $4,350 in 1993; for Mr. Francis, $1,625 in 1994; for Mr. Gromek, $2,706 in 1994; for Mr. Richardson, $2,262 in 1994; and for Ms. Weiss, $2,275 in 1994 and $875 in 1993); and the cost of group term life insurance paid by the Company on behalf of qualifying executive officers during the years shown.

(c) Pursuant to the terms of her 1992 Employment Agreement prior to its amendment and restatement, Ms. Kasaks was awarded 60,000 shares of restricted stock, of which 15,000 vested upon hiring, and 15,000 shares vested at the end of each of fiscal years 1992, 1993, and 1994. For purposes of the above table, the 60,000 restricted shares have been valued at $22.125 per share, which was the closing market price of the Company's Common Stock on the New York Stock Exchange on the effective date of the grant. Ms. Kasaks would be entitled to receive dividends on these shares proportionately with the other holders of the Company's Common Stock, if dividends are paid. Ms. Kasaks has received no other awards of restricted stock from the Company.

(d) Mr. Gromek resigned from his position with the Company on April 18, 1995.

(e) 55,001 of these options were not vested at the time of Mr. Gromek's separation of employment and were cancelled on the separation date.

(f) 12,000 of these options were not vested at the time of Mr. Gromek's separation of employment and were cancelled on the separation date.

(g) Mr. Richardson was promoted to Senior Vice President - Technology & Logistics effective February 20, 1995.

(h) Represents $47,119 reimbursement of relocation expenses.

The following table sets forth certain information with respect to stock options awarded during fiscal year 1994 to the named executives. These option grants are also reflected in Table I. In accordance with Securities and Exchange Commission (the "Commission") rules, the hypothetical realizable values for each option grant are shown based on compound annual rates of stock price appreciation of 5% and 10% from the grant date to the expiration date. The assumed rates of appreciation are prescribed by the Commission and are for illustration purposes only; they are not intended to predict future stock prices, which will depend upon market conditions and the Company's future performance and prospects.

TABLE II
Stock Options Granted in Fiscal Year 1994

	# of Securities Underlying	% of Total Options Granted to Employees	Exer-	Potential Realizable Value at Assumed Annual Rates

	Options Granted (a)	% of Total Options Granted to Employees in Fiscal 1994	Exercise Price ($/Share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (b) 5% ($)	10% ($)
Sally Frame Kasaks	170,000	21.59%	$25.375	2/23/04	$2,712,900	$6,875,000
Paul E. Francis	80,000	10.16%	$25.375	2/23/04	1,276,650	3,235,300
Joseph R. Gromek	60,000(c)	7.62%	$25.375	2/23/04	957,500	2,426,500
Andrea M. Weiss	50,000	6.35%	$25.375	2/23/04	797,900	2,022,000
Randy Richardson	30,000	3.81%	$25.375	2/23/04	478,750	1,213,250

(a) One-third of the options granted to each of the named executives in 1994 are "time-vesting" options which vest 25% per year on each of the first through fourth anniversaries of the date of the grant. The remaining two-thirds of these options are "performance-vesting" options which become fully exercisable upon the earliest to occur of: (i) the ninth anniversary of the date of grant, (ii) the date on which the trading price of the Common Stock is at least $50.75 (representing a doubling of the stock price on the date of the grant) provided that this occurs before the fifth anniversary of the date of the grant, and (iii) the date on which the Company's aggregate consolidated net income before extraordinary items for four consecutive quarters after fiscal 1993 equals at least $2.13 per share (representing a tripling of fiscal year 1993 net income before extraordinary items), provided that this occurs before the fifth anniversary of the date of the grant. If the Company achieves 80% of either of the performance measures described in (ii) or (iii) above by the fifth anniversary of the date of the grant, then a portion of the options becomes exercisable, equal to 25% of the grant plus 3.75% for every percentage point by which performance exceeds 80% of the measure.

(b) These columns show the hypothetical realizable value of the options granted for the ten-year term of the options, assuming that the market price of the Common Stock subject to the options appreciates in value at the annual rate indicated in the table, from the date of grant to the end of the option term.

(c) 55,001 of these options were not vested at the time of Mr. Gromek's separation of employment and were cancelled on the separation date.

The following table shows the number and value of stock options exercised by each of the named executives during fiscal year 1994, the number of all vested (exercisable) and unvested (not yet exercisable) stock options held by each such officer at the end of fiscal year 1994, and the value of all such options that were "in the money" (i.e., the market price of the Common Stock was greater than the exercise price of the options) at the end of fiscal year 1994.

TABLE III
Aggregate Option Exercises in Fiscal 1994 and Fiscal Year End Options Values

	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at End of Fiscal 1994 Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options at End of Fiscal 1994 Exercisable/ Unexercisable (a)
Sally Frame Kasaks	--	--	162,000/238,000	$1,658,500/2,215,125

Paul E. Francis	--	--	28,000/122,000	$318,500/1,167,750
Joseph R. Gromek	9,000	$221,625	3,000/78,000(b)	$47,625/$803,250
Randy Richardson	--	--	10,000/40,000	$119,000/$384,750
Andrea M. Weiss	10,000	$203,125	11,000/69,000	$131,500/$675,750

(a) Calculated based on the closing market price of the Common Stock of $34.00 on January 27, 1995, the last trading day in fiscal year 1994, less the amount required to be paid upon exercise of the option.

(b) 67,001 of these unexercisable options were not vested at the time of Mr. Gromek's separation of employment and were cancelled on the separation date.

1989 Pension Plan. Ann Taylor adopted, as of July 1, 1989, a defined benefit retirement plan for the benefit of the employees of Ann Taylor (the "Pension Plan"). The Pension Plan is a "cash balance pension plan" intended to qualify under Section 401(a) of the Code. An account balance is established for each participant which is credited with a benefit equal to 3% of compensation during each of the participant's first ten years of service, 4% of compensation during each of the participant's next five years of service and 5% of compensation during each of the participant's years of service in excess of fifteen. The Code limits the compensation that may be taken into account under the Pension Plan for any participant. Participants' accounts are credited with interest quarterly at a rate equal to the average one-year Treasury bill rate. Retirement benefits are determined by dividing the amount of a participant's account by a specified actuarial factor, subject, however, to the limitation imposed by the Code. Participants are fully vested in their accounts after completion of five years of service. Participants receive credit for service with Ann Taylor prior to July 11, 1989 (including service with Allied Stores Corporation prior to the closing date of the Acquisition) for purposes of vesting and determining the percentage of compensation that will be credited to their accounts.

As of January 28, 1995, the credited years of service under the Pension Plan for Ms. Kasaks were 1.75 years, for Mr. Francis .50 years, for Mr. Gromek .50 years, for Mr. Richardson 1.0 years, and for Ms. Weiss 1.25 years. The estimated monthly retirement benefit, payable as a single life annuity, that would be payable to each of the executives named in Table I above who were participants in the plan during fiscal year 1994, assuming retirement as of December 31, 1994, the commencement of payments at age 65 and annual interest at the rate of 7.0%, is as follows: Ms. Kasaks, $182; Mr. Francis $230; Mr. Gromek, $132; Mr. Richardson $301; and Ms. Weiss, $296. These benefits would not be subject to any deduction for social security benefits or other offset amounts.

Employment Agreement. Effective as of February 1, 1994, the Company and Ms. Sally Frame Kasaks entered into an employment agreement (the "1994 Agreement"), which replaced the employment agreement previously in effect between the Company and Ms. Kasaks. The 1994 Agreement provides for Ms. Kasaks' employment as Chairman of the Board and Chief Executive Officer of the Company for a term of three years, which term is automatically extended on an annual basis for one additional year unless either party provides notice (a "Nonrenewal Notice") that it does not wish to extend the term. Under the terms of the 1994 Agreement, Ms. Kasaks is entitled to an annual base salary of not less than $750,000, and is entitled to participate in the Company's annual bonus and stock option plans as well as other Company benefit programs.

The 1994 Agreement also provides Ms. Kasaks with a supplemental retirement benefit (the "SERP") equal to 50 percent of her "final average compensation" (the highest average of her annual salary and bonus over a period of three consecutive fiscal years, except that the maximum bonus to be taken into account for any year may not exceed Ms. Kasaks' salary for that year), reduced by social security benefits and amounts payable under any Company pension plan. The SERP is fully vested upon Ms. Kasaks' attainment of age 55 with 15 years of service with the Company. The SERP also becomes fully vested (although subject to reduction to reflect actual and deemed service of less than 15 years) in the event of Ms. Kasaks' death, disability or termination by the Company without Cause (as defined in the 1994 Agreement); in the event of termination by Ms. Kasaks for Good Reason (as defined in the 1994 Agreement); or in the event the term of the 1994 Agreement expires by reason of a Nonrenewal Notice provided by the Company. The SERP provides a 50% survivor benefit to Ms. Kasaks' spouse for his life. Payment of the SERP benefits is subject to Ms. Kasaks' continued compliance with certain noncompete and nonsolicitation provisions contained in the 1994 Agreement.

Pursuant to the 1994 Agreement, the Company loaned Ms. Kasaks the sum of $500,000, which amount is payable on January 31, 1999, which bears interest at the rate of 7.32% per annum, compounded semi-annually. On each date on which interest is payable under the loan, the Company has agreed to pay to Ms. Kasaks such amounts as may be necessary to place her in the same after-tax position as if the loan had been interest-free. The loan shall be forgiven by the Company if Ms. Kasaks is employed on the maturity date; if, prior to such date, she is involuntarily terminated without Cause or dies or becomes disabled while still employed, or if the term of the 1994 Agreement expires by reason of a Nonrenewal Notice having been provided by the Company.

In the event of termination of Ms. Kasaks employment by the Company without Cause, termination by Ms. Kasaks for Good Reason or expiration of the term of the 1994 Agreement by reason of a Nonrenewal Notice provided by the Company, Ms. Kasaks shall be entitled, among other things, to receive continued salary and the average of her last three bonuses (such amounts generally to be paid over a period equal to the longer of 18 months or the remainder of the term of the 1994 Agreement, subject to Ms. Kasaks' compliance with the noncompete and nonsolicitation provisions of the 1994 Agreement), and to additional vesting of all or a portion of her outstanding stock options and restricted shares. If any payments or benefits received by Ms. Kasaks would be subject to the "golden parachute" excise tax under the Internal Revenue Code, the Company has agreed to pay to Ms. Kasaks such additional amounts as may be necessary to place her in the same after-tax position as if the paments had not been subject to such excise tax.

Compensation Committee Interlocks and Insider Participation

As of April 10, 1995, ML&Co. and certain of its affiliates beneficially owned an aggregate of approximately 26.6% of the outstanding Common Stock. Messrs. Armstrong and Burke serve on the Boards of Directors of the Company and Ann Taylor as representatives of ML&Co. and its affiliates. Accordingly, ML&Co. and its affiliates are in a position to influence the management of the Company. Mr. Francis, who became an executive officer of the Company and Ann Taylor in April 1993 and who is a Director of the Company and Ann Taylor, was an employee of ML Capital Partners and served on the Board as a representative of certain affiliates of ML&Co. until April 1993. Messrs. Armstrong and Burke are also members of the Compensation Committee of the Board of Directors of the Company and Ann Taylor.

The Company paid underwriting commissions to Merrill Lynch in connection with the Offering. The Company agreed to indemnify

Merrill Lynch, as underwriter, against certain liabilities, including certain liabilities under the federal securities laws, in connection with the Offering.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management

Principal Stockholders

As of April 10, 1995, the Common Stock was held of record by 495 stockholders. The following table sets forth certain information concerning the beneficial ownership of Common Stock by each stockholder who is known by the Company to own beneficially in excess of 5% of the outstanding Common Stock, by each director, by the named executives, and by all executive officers and directors as a group, as of April 10, 1995. Except as otherwise indicated, all persons listed below have (i) sole voting power and investment power with respect to their shares of Common Stock, except to the extent that authority is shared by spouses under applicable law, and (ii) record and beneficial ownership with respect to their shares of Common Stock.

Name of Beneficial Owner	Number of Shares of Common Stock	Percent of Common Stock
Merrill Lynch Entities (a)	6,155,278	26.6
FMR Corp. (b)	1,540,800	6.7
Nicholas-Applegate Capital Management (c)	1,198,521	5.2
Sally Frame Kasaks (d)	292,165	1.3
Paul E. Francis (d)	82,653	*
Joseph R. Gromek (d)	14,222	*
Randy Richardson (d)	15,004	*
Andrea M. Weiss (d)	23,366	*
Gerald S. Armstrong (e)(f)	10,964	*
James J. Burke, Jr. (e)	52,920	*
Robert C. Grayson	15,000	*
Rochelle B. Lazarus (g)	300	*
Hanne M. Merriman	200	*
All executive officers and directors as a group (13 persons) (d)	539,229	2.3

* Less than 1%

(a) The Merrill Lynch Entities beneficially owned an aggregate of 6,155,278 shares, or approximately 26.6% of the outstanding Common Stock. Shares of Common Stock beneficially owned by the Merrill Lynch Entities were held as follows: 3,010,249 shares by Merrill Lynch Capital Appreciation Partnership No. B-II, L.P.; 1,756,892 shares by ML Offshore LBO Partnership No. B-II; 851,656 shares by ML IBK Positions, Inc.; 334,796 shares by Merchant Banking L.P. No. III; 163,448 shares by Merrill Lynch KECALP L.P. 1989; 29,834 shares by MLCP Associates L.P. No. I; 7,483 shares by Merrill Lynch KECALP L.P. 1987; 760 shares by ML Capital Partners; and 160 shares by Merrill Lynch Capital Appreciation Company Limited II. The Merrill Lynch Entities shown are deemed to have shared voting and investment power with other ML&Co. affiliates with respect to the shares of Common Stock indicated as held by them. The address for Merrill Lynch Capital Appreciation Company Limited II is P.O. Box 25, Roseneath, The Grange, St. Peter Port, Guernsey, The Channel Islands. The address for each of the other Merrill Lynch Entities is 250 Vesey Street, World Financial Center, North Tower, New York, New York 10281.

(b) Pursuant to a Schedule 13-G dated March 9, 1995 and filed with the Commission by FMR Corp., as of February 28, 1995, FMR Corp. had sole voting power with respect to 71,400 shares, shared voting power with respect to no shares, and shared dispositive power with respect to 1,540,800 shares. The address for FMR Corp. is 82 Devonshire Street, Boston, Massachusetts 02109.

(c) Pursuant to a Schedule 13-G dated February 14, 1995 and filed with the Commission by Nicholas-Applegate Capital Management, Nicholas-Applegate Capital Management has sole voting power with respect to 483,665 shares, shared voting power with respect to no shares, and sole dispositive power with respect to 1,198,521 shares. The address for Nicholas-Applegate Capital Management is 600 West Broadway, 29th floor, San Diego, California 92101.

(d) The shares listed include shares subject to options exercisable within 60 days as follows: Ms. Kasaks, 232,165 shares; Mr. Francis, 48,666 shares; Mr. Gromek, 13,999 shares; Mr. Richardson, 14,499 shares; and Ms. Weiss, 23,166 shares; and all executive officers and directors as a group (13 persons), 364,636 shares.

(e) James J. Burke, Jr. and Gerald S. Armstrong are directors of the Company and Ann Taylor. Messrs. Burke and Armstrong are designees of ML&Co. and certain of its affilates and are directors of ML Capital Partners. Messrs. Burke and Armstrong disclaim beneficial ownership of shares beneficially owned by the ML Entities.

(f) 3,000 of these shares are held by Mr. Armstrong's wife, as custodian for their children. Mr. Armstrong disclaims beneficial ownership of these shares.

(g) Shares are held in a pension fund of which Ms. Lazarus' husband is the sole beneficiary. Ms. Lazarus has no voting or investment power with respect to these shares.

ITEM 13. Certain Relationship and Related Transactions

Transactions with ML Entities

The Company paid commissions aggregating approximately $2,692,000 to Merrill Lynch in connection with the issuance of the 8-3/4% Notes in 1993 and the repurchases of Discount Notes, Notes and 8-3/4% Notes. The Company also paid underwriting commissions of approximately $1,027,000 to Merrill Lynch in connection with the Offering. The Company agreed to indemnify Merrill Lynch, as underwriter, against certain liabilities, including certain liabilities under the federal securities laws, in connection with the note issuance and the Offering.

In January 1993, in connection with the settlement, for $4.8 million, of the class action lawsuit known as In Re AnnTaylor Stores Securities Litigation (No. 91 Civ. 7145 (CBM)), and consistent with the Company's indemnification obligations referred to above, the Company, Merrill Lynch and ML&Co., among others, entered into an agreement pursuant to which, after contribution to the settlement by ML&Co. and the application of insurance proceeds, the Company paid to or for the benefit of the plaintiffs $2.8 million of the above referenced settlement amount on behalf of itself and certain other defendants, including Merrill Lynch. The settlement was approved by the Court on May 25, 1993. The Company also reimbursed Merrill Lynch $128,281 for certain costs incurred by it in connection with the class action in fiscal 1992, pursuant to the Company's indemnification obligations.

Transaction with Director

Robert C. Grayson & Associates, Inc. ("RCG Associates"), a company wholly-owned by Mr. Grayson, has been engaged as a consultant to Ann Taylor with respect to certain real estate and other matters since August 1992. The current term of the engagement runs through July 1995 and requires payment by Ann Taylor to RCG Associates of $4,000 per month through July 1995. For fiscal 1994, RCG Associates received aggregate fees of $48,000 pursuant to this engagement.

Tax Sharing Agreement

Pursuant to a tax sharing agreement, the Company and Ann Taylor have agreed to elect to file consolidated income tax returns for federal income tax purposes and may elect to file such returns in states and other relevant jurisdictions that permit such an election for income tax purposes. With respect to such consolidated income tax returns, the tax sharing agreement generally requires Ann Taylor to pay to the Company the entire tax shown to be due on such consolidated returns, provided that the amount paid by Ann Taylor may not exceed the amount of taxes that would have been owed by Ann Taylor on a stand-alone basis.

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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 and the independent auditors' report are included on pages 38 through 53 and are filed as part of this Annual Report:

Consolidated Statements of Operations for the fiscal years ended January 28, 1995, January 29, 1994 and January 30, 1993; Consolidated Balance Sheets as of January 28, 1995 and January 29, 1994; Consolidated Statements of Stockholders' Equity for the fiscal years ended January 28, 1995, January 29, 1994 and January 30, 1993; Consolidated Statements of Cash Flows for the fiscal years ended January 28, 1995, January 29, 1994 and January 30, 1993; Notes to Consolidated Financial Statements; Independent Auditors' Report.

(b) Reports on Form 8-K
None.

(c) Exhibits
The exhibits listed in the following exhibit index are filed as a part of this Annual Report.

Exhibit Number
- -------------

3.1 Restated Certificate of Incorporation of the Company. Incorporated by reference to Exhibit No. 4.1 to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission (the "Commission") on August 10, 1992 (Registration No. 33-50688).

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

4.1 Indenture, dated as of June 15, 1993, between Ann Taylor and Fleet Bank, N.A., as Trustee, including the form of Subordinated Note due 2000. Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Ann Taylor filed on July 7, 1993.

10.1 Form of U.S. Purchase Agreement among Merrill Lynch, Robertson, Stephens & Company, the other U.S. Underwriters, the Selling Warrantholders and the Company, including the form of Price Determination Agreement. Incorporated by reference to Exhibit No. 1.1 to the Registration Statement of the Company filed on April 11, 1991 (Registration No. 33-39905).

10.2 Form of International Purchase Agreement among Merrill Lynch International Limited, Robertson, Stephens & Company, the other International Underwriters and the Company, including the form of Price Determination Agreement. Incorporated by reference to Exhibit No. 1.2 to the Registration Statement of the Company filed on April 11, 1991 (Registration No. 33-39905).

10.3 Form of U.S. Purchase Agreement among Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated, Robertson, Stephens & Company, L.P., William Blair & Company, the other U.S. Underwriters, the Selling Stockholders and the Company, including the form of Price Determination Agreement. Incorporated by reference to Exhibit No. 1.1 to the Registration Statement of the Company filed on April 20, 1994 (Registration No. 33-52941).

10.4 Form of International Purchase Agreement among Merrill Lynch International Limited, Morgan Stanley & Co. International Limited, Robertson, Stephens & Company, L.P., William Blair & Company, the other International Underwriters, the Selling Stockholders and the Company, including the form of Price Determination Agreement. Incorporated by reference to Exhibit 1.2 to the Registration Statement of the Company filed on April 20, 1994 (Registration No. 33-52941).

10.5 Form of Warrant Agreement entered into between Ann Taylor and The Connecticut Bank and Trust Company, National Association, including the form of Warrant. Incorporated by reference to Exhibit No. 4.3 to Amendment No. 1 to the Registration Statement of the Company and Ann Taylor filed on June 21, 1989 (Registration No. 33-28522).

10.6 Credit Agreement, dated as of June 28, 1993, between Ann Taylor, Bank of America National Trust and Savings Association ("Bank of America"), Bank of Montreal, the financial institutions party thereto, and Bank of America, as Agent. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Ann Taylor filed on July 7, 1993.

10.6.1 Amendment No. 1 to Credit Agreement, dated as of August 10, 1993, between Ann Taylor, Bank of America National Trust and Savings Association ("Bank of America"), Bank of Montreal, the financial institutions party thereto, and Bank of America, as Agent. Incorporated by reference to Exhibit 10.9 to the Quarterly Report on Form 10-Q of Ann Taylor for the Quarter ended October 30, 1993 filed on November 26, 1993.

10.6.2 Amendment No. 2 to Credit Agreement dated as of October 6, 1993, between Ann Taylor, Bank of America National Trust and Savings Association ("Bank of America"), Bank of Montreal, the financial institutions party thereto, and Bank of America, as Agent. Incorporated by reference to Exhibit 10.10 to the Quarterly Report on Form 10-Q of Ann Taylor for the Quarter ended October 30, 1993 filed on November 26, 1993.

10.6.3 Amendment No. 3 to Credit Agreement dated as of December 23, 1993, between Ann Taylor, Bank of America National Trust and Savings Association ("Bank of America"), Bank of Montreal, the financial institutions party thereto, and Bank of America, as Agent. Incorporated by reference to Exhibit 10.6.3 to the Annual Report on Form 10-K of the Company filed on March 31, 1994.

10.6.4 Amendment No. 4 to Credit Agreement dated as of

January 24, 1994, between Ann Taylor, Bank of America National Trust and Savings Association ("Bank of America"), Bank of Montreal, the financial institutions party thereto, and Bank of America, as Agent. Incorporated by reference to Exhibit 10.6.4 to the Annual Report on Form 10-K of the Company filed on March 31, 1994.

10.7 Guaranty, dated as of June 28, 1993, made by the Company in favor of Bank of America, as Agent. Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K of Ann Taylor filed on July 7, 1993.

10.8 Security and Pledge Agreement, dated as of June 28, 1993, made by the Company in favor of Bank of America, as Agent. Incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K of Ann Taylor filed on July 7, 1993.

10.9 Revolving Credit Agreement, dated as of July 29, 1994, between Ann Taylor, Bank of America National Trust and Savings Association ("Bank of America"), Fleet Bank, the financial institutions party thereto, and Bank of America, as Agent. Incorporated by reference to Exhibit 10.4 on Form 10-Q of Ann Taylor for the Quarter ended July 30, 1994 filed on September 12, 1994.

10.9.1 Amendment No. 1 to the Revolving Credit Agreement, dated as of January 27, 1995, between Ann Taylor, Bank of America National Trust and Savings Association ("Bank of America"), Fleet Bank, the financial institutions party thereto, and Bank of America, as Agent.

10.10 Guaranty, dated as of July 29, 1994, made by the Company in favor of Bank of America, as Agent. Incorporated by reference to Exhibit 10.5 on Form 10-Q of Ann Taylor for the Quarter ended July 30, 1994 filed on September 12, 1994.

10.11 Pledge Agreement, dated as of July 29, 1994, made by Ann Taylor in favor of Bank of America, as Agent. Incorporated by reference to Exhibit 10.6 to the Quarterly Report on Form 10-Q of Ann Taylor for the Quarter ended July 30, 1994 filed on September 12, 1994.

10.12 Pledge Agreement, dated as of July 29, 1994 made by the Company in favor of Bank of America, as Agent. Incorporated by reference to Exhibit 10.7 to the Quarterly Report on Form 10-Q of Ann Taylor for the Quarter ended July 30, 1994 filed on September 12, 1994.

10.13 Form of Investor Stock Subscription Agreement, dated February 8, 1989, between the Company and each of the ML Entities. Incorporated by reference to Exhibit No. 10.15 to the Registration Statement of the Company and Ann Taylor filed on May 3, 1989 (Registration No. 33-28522).

10.14 1989 Stock Option Plan. Incorporated by reference to Exhibit No. 10.18 to the Registration Statement of the Company and Ann Taylor filed on May 3, 1989 (Registration No. 33-28522).

10.14.1 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.

10.15 Lease, dated as of March 17, 1989, between Carven Associates and Ann Taylor concerning the West 57th Street headquarters. Incorporated by reference to Exhibit No. 10.21 to the Registration Statement of the

Company and Ann Taylor filed on May 3, 1989
(Registration No. 33-28522).

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

10.15.2 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.

10.15.3 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 Quarterly Report on Form 10-Q of Ann Taylor for the Quarter ended October 30, 1993 filed on November 26, 1993.

10.15.4 Modification of Amendment and Extension to Lease, dated as of April 14, 1994 between Carven Associates and Ann Taylor.

10.15.5 Fifth Amendment to Lease, dated as of March 14, 1995, between Carven Associates and Ann Taylor.

10.16 Lease, dated December 1, 1985, between Hamilton Realty Co. and Ann Taylor concerning the New Haven distribution center. Incorporated by reference to Exhibit No. 10.22 to the Registration Statement of the Company and Ann Taylor filed on May 3, 1989 (Registration No. 33-28522).

10.16.1 Agreement, dated March 22, 1993, between Hamilton Realty Co. and Ann Taylor amending the New Haven distribution center lease. Incorporated by reference to Exhibit No. 10.14.1 to the Annual Report on Form 10-K of Ann Taylor filed on April 30, 1993.

10.16.2 Extension dated February 24, 1994, between Hamilton Realty Co. and Ann Taylor extending the New Haven distribution center lease.

10.16.3 Extension dated May 23, 1994, between Hamilton Realty Co. and Ann Taylor extending the New Haven distribution center lease.

10.16.4 Extension dated March 13, 1995, between Hamilton Realty Co. and Ann Taylor extending the New Haven distribution center lease.

10.17 Agreement, dated April 12, 1993, between Dixson Associates and Ann Taylor amending the 3 East 57th Street lease. Incorporated by reference to Exhibit No. 10.15.1 to the Annual Report on Form 10-K of Ann Taylor filed on April 30, 1993.

10.18 Tax Sharing Agreement, dated as of July 13, 1989, between the Company and Ann Taylor. Incorporated by reference to Exhibit No. 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).

10.19 Employment Agreement, effective as of February 3, 1992, between the Company and Sally Frame Kasaks. Incorporated by reference to Exhibit 10.28 to the Annual Report on Form 10-K of the Company filed on April 28, 1992.

10.20 Employment Agreement dated as of February 1, 1994 between the Company and Sally Frame Kasaks.

Incorporated by reference to Exhibit 10.8 to the Quarterly Report on Form 10-Q of the Company filed on December 9, 1994.

10.21 The AnnTaylor Stores Corporation 1992 Stock Option Plan. Incorporated by reference to Exhibit No. 4.3 to the Company's Registration Statement on Form S-8 filed with the Commission on August 10, 1992 (Registration No. 33-50688).

10.21.1 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 the Company's Registration Statement on Form S-8 filed with the Commission on June 30, 1994 (Registration No. 33-50688).

10.22 Management Performance Compensation Plan. Incorporated by reference to Exhibit 10.30 to the Quarterly Report on Form 10-Q filed on December 15, 1992.

10.22.1 Amended and restated Management Performance Compensation Plan as approved by stockholders on June 1, 1994.

10.22.2 Amendment to the AnnTaylor Stores Corporation Management Performance Compensation Plan dated as of February 24, 1995.

10.23 Associate Stock Purchase Plan. Incorporated by reference to Exhibit 10.31 to the Quarterly Report on Form 10-Q filed on December 15, 1992.

10.24 Stipulation of Settlement dated February 16, 1993 providing for the settlement of Consolidated Action. Incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K filed on April 30, 1993.

10.25 Agreement among Defendants to the Stipulation of Settlement dated February 16, 1993 providing for the settlement of Consolidated Action. Incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K filed on April 30, 1993.

10.26 Opinion Re Settlement Plan of Allocation and Application for Attorney's Fees and Expenses dated May 25, 1993, In Re AnnTaylor Stores Securities Litigation. Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the Quarter ended May 1, 1993 filed on May 28, 1993.

10.27 Consulting and Severance Agreement dated April 6, 1993 between the Company and Joseph J. Schumm. Incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K filed on April 30, 1993.

10.27.1 Consulting and Severance Agreement dated March 21, 1994 between ATSC, Ann Taylor and Bert A. Tieben. Incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of ATSC for the Quarter ended April 30, 1994 filed on June 13, 1994.

10.28 Interest Rate Swap Agreement dated as of July 22, 1993, between Ann Taylor and Fleet Bank of Massachusetts, N.A. Incorporated by reference to Exhibit 10.6 to the Quarterly Report on Form 10-Q of Ann Taylor for the Quarter ended July 31, 1993 filed on September 2, 1993.

10.29 Stock Purchase Agreement, dated as of July 13, 1993, between Ann Taylor and Cleveland Investment, Ltd. Incorporated by reference to Exhibit 10.7 to the Quarterly Report on Form 10-Q of Ann Taylor for the

Quarter ended July 31, 1993 filed on September 2, 1993.

10.30 Agreement, dated July 13, 1993, among Cygne Designs, Inc., CAT US, Inc., C.A.T. (Far East) Limited and Ann Taylor. Incorporated by reference to Exhibit 10.8 on Form 10-Q of Ann Taylor for the Quarter ended July 31, 1993 filed on September 2, 1993. (Confidential treatment has been granted with respect to certain portions of this Exhibit.)

10.31 Receivables Financing Agreement dated January 27, 1994, among AnnTaylor Funding, Inc., Ann Taylor, Clipper Receivables Corporation, State Street Boston Capital Corporation and PNC Bank National Association. Incorporated by reference to Exhibit 10.28 to the Annual Report on Form 10-K of the Company filed on March 31, 1994.

10.31.1 First Amendment to Receivables Financing Agreement, dated as of May 31, 1994, among AnnTaylor Funding, Inc., Ann Taylor, Clipper Receivables Corporation, State Street Boston Corporation and PNC Bank National Association.

10.31.2 Second Amendment to Receivables Financing Agreement, dated as of March 31, 1995, among AnnTaylor Funding, Inc., Ann Taylor, Clipper Receivables Corporation, State Street Boston Capital Corporation and PNC Bank National Association.

10.32 Purchase and Sale Agreement dated as of January 27, 1994 between Ann Taylor and AnnTaylor Funding, Inc. Incorporated by reference to Exhibit 10.29 to the Annual Report on Form 10-K of the Company filed on March 31, 1994.

10.33 AnnTaylor Stores Corporation Deferred Compensation Plan.

21 Subsidiaries of the Company.

23 Consent of Deloitte & Touche llp.

99 Annual Report on Form 11-K of the AnnTaylor, Inc. Savings Plan for the year ended December 31, 1994 filed on April 27, 1995.

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/ PAUL E. FRANCIS

Paul E. Francis
Executive Vice President -
Finance and Administration -
Chief Financial Officer

By: /s/ WALTER J. PARKS

Walter J. Parks
Senior Vice President -
Finance -
Principal Accounting
Officer

Date: April 27, 1995

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/ SALLY FRAME KASAKS Sally Frame Kasaks	Chairman,Chief Executive Officer and Director	April 27, 1995
/s/ PAUL E. FRANCIS Paul E. Francis	Executive Vice President - Finance and Administration and Director	April 27, 1995
/s/ GERALD S. ARMSTRONG Gerald S. Armstrong	Director	April 27, 1995
/s/ JAMES J. BURKE, JR. James J. Burke, Jr.	Director	April 27, 1995
/s/ ROBERT C. GRAYSON Robert C. Grayson	Director	April 27, 1995
/s/ ROCHELLE B. LAZARUS Rochelle B. Lazarus	Director	April 27, 1995
/s/ HANNE M. MERRIMAN Hanne M. Merriman	Director	April 27, 1995

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 subsidiary, 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 generally accepted auditing standards. 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 subsidiary at January 28, 1995 and January 29, 1994, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 28, 1995 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

New Haven, Connecticut
April 5, 1995

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ANNTAYLOR STORES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Fiscal Years Ended January 28, 1995, January 29, 1994
and January 30, 1993

	Fiscal Years Ended		
	January 28, 1995	January 29, 1994	January 30, 1993
	(in thousands, except per share amounts)		
Net sales (including leased shoe departments in 1992)	$658,804	$501,649	$468,381
Cost of sales	357,783	271,749	264,301
Gross profit	301,021	229,900	204,080
Selling, general and administrative expenses	214,224	169,371	152,072
Distribution center restructuring charge	---	2,000	---
Amortization of goodwill	9,506	9,508	9,504
Operating income	77,291	49,021	42,504
Interest expense	14,229	17,696	21,273

Stockholder litigation settlement	---	---	3,905
Other (income) expense, net	168	(194)	259
Income before income taxes and extraordinary loss	62,894	31,519	17,067
Income tax provision	30,274	17,189	11,150
Income before extraordinary loss	32,620	14,330	5,917
Extraordinary loss (net of income tax benefit of $654,000 and $6,123,000, respectively)	868	11,121	---
Net income	$31,752	$3,209	$5,917
Net income per share of common stock:			
Income per share before extraordinary loss	$1.40	$.66	$.28
Extraordinary loss per share	(.04)	(.51)	---
Net income per share	$1.36	$ .15	$ .28
Weighted average shares and share equivalents outstanding	23,286	21,929	21,196

See accompanying notes to consolidated financial statements.

ANNTAYLOR STORES CORPORATION
CONSOLIDATED BALANCE SHEETS
January 28, 1995 and January 29, 1994

	January 28, 1995	January 29, 1994
	(in thousands)	
Assets		
Current assets		
Cash	$1,551	$ 292
Accounts receivable, net of allowances of $931,000 and $787,000, respectively	61,211	49,279
Merchandise inventories	93,705	60,890
Prepaid expenses and other current assets	7,956	7,184
Deferred income taxes	3,650	3,750
Total current assets	168,073	121,395
Property and equipment		
Land	499	---
Leasehold improvements	43,370	30,539
Furniture and fixtures	59,105	37,596
Construction in progress	24,867	8,621
	127,841	76,756
Less accumulated depreciation and amortization	31,503	28,703
Net property and equipment	96,338	48,053
Goodwill, net of accumulated amortization		

of $57,219,000 and $47,713,000, respectively	323,031	332,537
Investment in CAT	3,792	2,245
Deferred income taxes	1,600	1,500
Deferred financing costs, net of accumulated amortization of $956,000 and $643,000, respectively	2,829	4,990
Other assets	2,591	2,679
Total assets	$598,254	$513,399

Liabilities and Stockholders' Equity

Current liabilities		
Accounts payable	$36,625	$ 33,087
Accrued salaries and wages	5,929	4,996
Accrued rent	5,243	3,584
Gift certificates redeemable	3,970	2,699
Accrued expenses	14,125	14,989
Current portion of long-term debt	---	8,757
Total current liabilities	65,892	68,112
Long-term debt	200,000	180,243
Other liabilities	6,250	5,773
Commitments and contingencies		
Stockholders' equity		
Common stock, $.0068 par value; 40,000,000 shares authorized; 23,106,572 and 21,902,811 shares issued, respectively	157	149
Additional paid-in capital	310,714	271,810
Warrants to acquire 58,412 and 446,249 shares of common stock, respectively	951	7,378
Retained earnings (accumulated deficit)	14,996	(16,756)
Deferred compensation on restricted stock	(149)	(119)
	326,669	262,462
Less treasury stock, 65,843 and 450,817 shares, respectively, at cost	(557)	(3,191)
Total stockholders' equity	326,112	259,271
Total liabilities and stockholders' equity	$598,254	$513,399

See accompanying notes to consolidated financial statements.

ANNTAYLOR STORES CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Fiscal Years Ended January 28, 1995, January 29, 1994
and January 30, 1993
(in thousands)

Retained
Earnings
Additional (Accum-Note Restricted
Total
Common Stock Paid-In Warrants ulatedDue From
Stock Treasury Stock Stockholders'
SharesAmountCapital SharesAmountDeficit)Stockholder Awards
Shares AmountEquity

Balance at February 1, 1992 20,306 $138 $249,622 715 $11,648
$ (25,882) $(999) --- 726 $(5,063) $229,464
Net income --- --- --- --- --- 5,917 --- --- ---
- --- 5,917
Exercise of stock options 792 6 5,436 --- --- ---
- --- --- --- --- 5,442
Tax benefits related to
stock options --- --- 3,536 --- --- --- --- --- ---

- ---   3,536
Exercise of warrants ---   --- 1,892 (203) (3,307) ---   ---   ---
(203)   1,415   ---
Common stock issued as
employee and restricted
stock awards   60   ---   1,334 ---   ---   ---   --- $(1,327)
- ---   3   10
Amortization of restricted
stock award   --- ---   ---   ---   ---   ---   ---   929 ---   --
- -   929

Balance at January 30, 1993   21,158   144 261,820 512   8,341
(19,965)   (999) (398)523   (3,645)   245,298
Net income ---   --- --- ---   ---   3,209   ---   --- ---
- ---   3,209
Exercise of stock options 745   5   6,121 ---   ---   ---
- ---   --- --- ---   6,126
Tax benefits related to
stock options   --- ---   3,240 ---   ---   ---   ---   --- ---
- ---   3,240
Exercise of warrants ---   ---   550 (66) (963)   ---   ---   ---
(66)   413   ---
Common stock issued as
employee stock award ---   ---   79 ---   ---   ---   ---   ---
(6)   41   120
Amortization of restricted
stock award ---   --- --- ---   ---   ---   ---   279 ---   --
- -   279
Repayment of note due
from stockholder   ---   ---   ---   --- ---   ---   999   ---   -
- --   ---   999

Balance at January 29, 1994   21,903   149 271,810 446   7,378
(16,756)   0   (119)451   (3,191)   259,271
Net income ---   --- --- ---   ---   31,752   ---   --- ---
- ---   31,752
Exercise of stock options 191   2   2,915 ---   ---   ---
- ---   --- 3   (118) 2,799
Tax benefits related to
stock options   --- ---   1,565 ---   ---   ---   ---   --- ---
- ---   1,565
Exercise of warrants ---   --- 3,675 (388) (6,427) ---   ---   ---
(388)   2,752   ---
Issuance of common stock   1,000   6 30,414 --- ---   ---
- ---   --- --- ---   30,420
Common stock issued as
employee and restricted
stock awards   13   ---   335 ---   ---   ---   ---   (328) ---
- ---   7
Amortization of restricted
stock awards   ---   ---   ---   --- ---   ---   ---   298   -
- --   ---   298

Balance at January 28, 1995   23,107 $157 $310,714   58 $951 $
14,996 $ 0 $(149) 66 $(557) $326,112

See accompanying notes to consolidated financial statements.

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ANNTAYLOR STORES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended January 28, 1995, January 29, 1994
and January 30, 1993

	Fiscal Years Ended		
	January 28, 1995	January 29, 1994	January 30, 1993
	(in thousands)		
Operating activities:			
Net income	$31,752	$3,209	$5,917
Adjustments to reconcile net income to net cash			

provided by operating activities:			
Extraordinary loss	1,522	17,244	---
Distribution center restructuring charge	---	2,000	---
Equity earnings in CAT	(1,547)	(517)	---
Provision for loss on accounts receivable	1,727	1,171	1,240
Depreciation and amortization	11,787	8,505	7,486
Amortization of goodwill	9,506	9,508	9,504
Amortization of deferred compensation	298	279	929
Non-cash interest	978	4,199	8,581
Deferred income taxes	---	(1,750)	(1,500)
Loss on disposal of property and equipment	1,268	312	72
Increase in receivables	(13,659)	(7,447)	(2,539)
Increase in merchandise inventories	(32,815)	(10,583)	(4,325)
Increase in prepaid expenses and other current assets	(772)	(1,280)	(187)
Decrease (increase) in refundable income taxes	---	5,097	(2,078)
Increase (decrease) in accounts payable and accrued liabilities	6,537	18,218	(250)
Decrease (increase) in other non-current assets and liabilities, net	567	(843)	729
Net cash provided by operating activities	17,149	47,322	23,579
Investing activities:			
Purchases of property and equipment	(61,341)	(25,062)	(4,303)
Investment in CAT	---	(1,640)	(88)
Net cash used by investing activities	(61,341)	(26,702)	(4,391)
Financing activities:			
Borrowings (repayments) under line of credit agreement	64,000	(3,500)	2,500
Decrease in bank overdrafts	---	(2,361)	(4,660)
Payments of long-term debt	(56,000)	(137,610)	(26,000)
Purchase of Subordinated Debt Securities	---	(93,689)	---
Net proceeds from issuance of common stock	30,420	---	---
Net proceeds from 8-3/4% Notes	---	107,387	---
Proceeds from Term Loan	---	80,000	---
Proceeds from note due from stockholder	---	999	---
Proceeds from Receivables Facility	3,000	33,000	---
Purchase of 8-3/4% Notes	---	(10,225)	---
Proceeds from exercise of stock options	4,371	9,486	8,988
Payment of financing costs	(340)	(4,041)	---
Net cash provided by (used by) financing activities	45,451	(20,554)	(19,172)
Net increase in cash	1,259	66	16
Cash, beginning of year	292	226	210
Cash, end of year	$1,551	$ 292	$ 226
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the year for interest	$13,211	$12,664	$13,917
Cash paid during the year for income taxes	$26,242	$5,114	$11,192

See accompanying notes to consolidated financial statements.

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ANNTAYLOR STORES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Ann Taylor is a leading national specialty retailer of better quality women's apparel, shoes and accessories sold principally under the Ann Taylor brand name.

Basis of Presentation

The consolidated financial statements include the accounts of AnnTaylor Stores Corporation (the "Company") and 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 1993 and 1992 amounts have been reclassified to conform to the fiscal 1994 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.

Finance Service Charge Income

Income from finance service charges relating to customer receivables, which is deducted from selling, general and administrative expenses, amounted to $6,871,000 for fiscal 1994, $6,166,000 for fiscal 1993 and $5,608,000 for fiscal 1992.

Merchandise Inventories

Merchandise inventories are accounted for by the retail inventory method and are stated at the lower of cost (first-in, first-out method) or market.

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 15 years) or, in the case of leasehold improvements, over the lives of the respective leases, if shorter.

Pre-Opening Expenses

Pre-opening store expenses are charged to selling, general and administrative expenses in the period incurred.

Leased Shoe Department Sales

Net sales include leased shoe department sales of $8,207,000 for fiscal 1992. Leased shoe departments were phased out by February 1, 1993. Accordingly, there were no leased shoe department sales during fiscal 1993 or 1994. The gross profit margin on leased shoe department sales was approximately 14.4%.

Deferred Financing Costs

Deferred financing costs are being amortized using the interest method over the terms of the related debt.

Goodwill

Goodwill is being amortized on a straight-line basis over 40 years. On an annual basis the Company compares the carrying value of its goodwill to an estimate of the Company's fair value to evaluate the reasonableness of the carrying value and remaining amortization period. Fair value is computed using projections of future cash flows.

Income Taxes

During the first quarter of 1993, the Company adopted the Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109") 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 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. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those differences are expected to be recovered or settled. Adoption of SFAS 109 did not have a material effect on the results of operations.

Net Income per Share

Net income per share is calculated by dividing net income by the weighted average number of common shares and common share equivalents outstanding during the period and assumes the exercise of the warrants and the dilutive effect of the stock options.

2. Restructuring

The Company recorded a $2,000,000 pre-tax restructuring charge in the fourth quarter of 1993 in connection with the announced relocation of its distribution center from New Haven, Connecticut to Louisville, Kentucky. The primary components of the restructuring charge are approximately $1,100,000 for employee related costs, principally for severance and job training benefits, and approximately $900,000 for the write-off of the estimated net book value of fixed assets at the time of relocation. The relocation is expected to be completed by late spring 1995.

3. Extraordinary Items

On May 18, 1994, the Company completed a public offering of 1,000,000 shares of common stock (the "Offering") at a price of $32.00 per share, resulting in aggregate net proceeds of $30,420,000 (after payment of underwriting discounts and expenses of the Offering payable by the Company). As required by the Company's then-existing bank credit agreement, $30,000,000 of the net proceeds of the Offering were used to reduce the amount of a term loan outstanding under that agreement. The write-off of deferred financing costs associated with the payment on the term loan with the proceeds of the Offering and refinancing of long-term debt (see Note 4) resulted in an extraordinary loss of $1,522,000 ($868,000 net of income tax benefit). Pro forma income before extraordinary loss, income before extraordinary loss per share and weighted average shares outstanding, assuming the Offering had occurred at the beginning of the year, would have been $32,875,000, $1.40 and 23,536,000, respectively.

The Offering was consummated concurrently with the public offering and sale by certain affiliates of Merrill Lynch & Co., Inc. ("ML&Co.") (the "Selling Stockholders") of 4,075,000 shares of the Company's common stock held by them. The Company did not receive any of the proceeds of the shares sold by the Selling Stockholders.

In 1993, the Company entered into a series of debt refinancing transactions that resulted in an extraordinary loss of $17,244,000 ($11,121,000 net of income tax benefit). The loss was attributable to the premiums paid in connection with the purchase or discharge of Ann Taylor's 14-3/8% Senior Subordinated Discount Notes due 1999 ("Discount Notes") and its 13-3/4% Subordinated Notes due 1999 ("Notes") and the purchase of $10,000,000 principal amount of Ann Taylor's 8-3/4% Subordinated Notes due 2000 ("8-3/4% Notes"), and the write-off of deferred financing costs.

4. Long-Term Debt

The following summarizes long-term debt outstanding at January 28, 1995 and January 29, 1994:

	January 28, 1995		January 29, 1994	
	Carrying Amount	Est Fair Value	Carrying Amount	Est Fair Value
	(in thousands)			
Senior Debt:				
Revolving Credit Agreement	$64,000	$64,000	---	---
Revolving Credit Facility	---	---	$2,000	$2,000
Term loan	---	---	54,000	54,000
8-3/4% Notes	100,000	97,000	100,000	102,750
Interest rate swap agreement	---	4,125	---	(780)
Receivables facility	36,000	36,000	33,000	33,000
Total debt	200,000	201,125	189,000	190,970
Less current portion	---	---	8,757	8,757
Total long-term debt	$200,000	$201,125	$180,243	$182,213

The bank credit agreement entered into on June 28, 1993 between Ann Taylor and Bank of America, as agent for a syndicate of banks (the "Bank Credit Agreement"), provided for an $80,000,000 term loan ("Term Loan") and a $55,000,000 revolving credit facility ("Revolving Credit Facility") (collectively, the "Bank Loans"). The Term Loan was subject to regularly scheduled semi-annual repayments of principal, which commenced on January 15, 1994. The Company made the semi-annual payment of $6,000,000 in January 1994, and an additional payment of $20,000,000. The maximum amount that was able to be borrowed under the Revolving Credit Facility was reduced by the amount of commercial and standby letters of credit outstanding under the Bank Credit Agreement. At January 29, 1994, the amount available under the Revolving Credit Facility was $46,150,000.

In May 1994, the Company applied $30,000,000 of the net proceeds from its Offering referred to in Note 3 above, to reduce the amount of the Term Loan outstanding under its then-existing bank credit agreement.

In July 1994, the Company completed the refinancing of its outstanding bank debt by entering into a new credit agreement (the "Revolving Credit Agreement"), which under its original terms provided for a revolving loan facility of $75,000,000. The Revolving Credit Agreement was amended on January 27, 1995 to provide for borrowings of up to $125,000,000. The Company borrowed funds under this revolving credit facility to prepay in full its outstanding Term Loan and other obligations under its then-existing bank credit agreement.

The Revolving Credit Agreement has an initial term of three years. The maximum amount that may be borrowed under this facility is reduced by the amount of commercial and standby letters of credit outstanding. There are no amortization payments required to be made under the agreement during its term, although the Company is required to reduce the outstanding loan balance under the facility to $67,000,000 or less for thirty consecutive days during fiscal 1995 and to $50,000,000 or less for thirty consecutive days in each fiscal year thereafter.

At January 28, 1995, the amount available under the Revolving Credit Agreement was $54,570,000.

The Revolving Credit Agreement bears interest at a rate per annum equal to, at the Company's option, Bank of America's (1) Base Rate, or (2) Eurodollar rate plus .75%. In addition, Ann Taylor is required to pay Bank of America a quarterly commitment fee of .30% per annum of the unused revolving loan commitment. At January 28, 1995, the $64,000,000 outstanding under the Revolving Credit Agreement bore interest at the weighted average rate of 7.23% per annum.

Under the terms of the Revolving Credit Agreement, Bank of America obtained a pledge of Ann Taylor's common stock. In addition, the Revolving Credit Agreement contains financial and other covenants, including limitations on indebtedness, liens and investments, restrictions on dividends or other distributions to stockholders, and maintaining certain financial ratios and specified levels of net worth.

Beginning in the fourth quarter of 1993, Ann Taylor sells its proprietary credit card accounts receivable to AnnTaylor Funding, Inc., a wholly owned subsidiary, which uses the receivables to secure borrowings under a receivables financing facility due 1996 (the "Receivables Facility"). As of January 28, 1995, $36,000,000 was outstanding under the Receivables Facility. AnnTaylor Funding, Inc. can borrow up to $40,000,000 under the Receivables Facility based on its accounts receivable balance. The interest rate as of January 28, 1995 was 6.5%. At January 28, 1995, AnnTaylor Funding, Inc. had total assets of approximately $50,348,000 all of which are subject to the security interest of the lender under the Receivables Facility.

On June 28, 1993, Ann Taylor issued $110,000,000 principal amount of its 8-3/4% Notes, the net proceeds of $107,387,000 of which were used in part to repay the outstanding indebtedness under Ann Taylor's then-existing bank credit agreement. The outstanding principal amount of these notes as of January 28, 1995 was $100,000,000.

In July 1993, Ann Taylor entered into a $110,000,000 (notional amount) interest rate swap agreement, which had the effect of converting the Company's interest obligations on the 8-3/4% Notes to a variable rate. Under the agreement, the Company receives a fixed rate of 4.75% and pays a floating rate based on LIBOR, as determined in six month intervals. The swap agreement matures in July 1996. AnnTaylor is currently receiving a fixed rate of 4.75% and paying a variable rate of 6.75%. Net receipts or payments under the agreement are recognized as an adjustment to interest expense. The Company is exposed to credit loss in the event of non-performance by the other party to the swap agreement; however, the Company does not anticipate any such losses.

The aggregate principal payments of all long-term obligations for the next five fiscal years are as follows:

Fiscal Year	(in thousands)
1995	---
1996	$36,000
1997	64,000
1998	---
1999	---

At January 28, 1995 and January 29, 1994, Ann Taylor had outstanding commercial and standby letters of credit under its credit facilities with Bank of America totaling $6,430,000 and $6,850,000, respectively.

In accordance with the requirements of Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments", the Company determined the estimated fair value of its debt instruments and interest rate swap 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.

5. Allowance for Doubtful Accounts

A summary of activity in the allowance for doubtful accounts for the fiscal years ended January 28, 1995, January 29, 1994 and January 30, 1993 is as follows:

	Fiscal Years Ended January 28, 1995	January 29, 1994	January 30, 1993
	(in thousands)		
Balance at beginning of year	$ 787	$1,006	$ 899
Provision for loss on accounts receivable	1,727	1,171	1,240
Accounts written off	(1,583)	(1,390)	(1,133)
Balance at end of year	$ 931	$ 787	$1,006

6. Commitments and Contingencies

Ann Taylor occupies its retail stores, New Haven distribution center and administrative facilities under operating leases, most of which are non-cancellable. 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 leases require Ann Taylor to pay real estate taxes, insurance and certain common area and maintenance costs in addition to the future minimum lease payments shown below. 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 certain threshold.

Future minimum lease payments under non-cancellable operating leases at January 28, 1995 are as follows:

Fiscal Year	(in thousands)
1995	$36,415
1996	34,647
1997	32,891
1998	31,614
1999	29,253
2000 and thereafter	113,757
Total	$278,577

Rent expense for the fiscal years ended January 28, 1995, January 29, 1994 and January 30, 1993 was as follows:

	Fiscal Years Ended January 28, 1995	January 29, 1994	January 30, 1993
	(in thousands)		
Minimum rent	$35,382	$28,076	$24,933
Percentage rent	4,684	3,343	4,217
Total	$40,066	$31,419	$29,150

In January 1993, the Company and the other defendants agreed to settle a stockholder class action lawsuit filed against them in October 1991. As a result of the settlement, the Company was required to pay to or for the benefit of the plaintiff class

$2,800,000 (after application of insurance proceeds). To provide for the settlement, the Company recorded an expense of $3,905,000 ($.11 per share, net of income tax benefit), which includes certain of the legal defense costs and other expenses associated with the suit, in its fiscal 1992 financial statements.

Ann Taylor 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 or results of operations of the Company.

7. Common Stock Warrants

At January 28, 1995, the Company had outstanding warrants to acquire, in the aggregate, 58,412 shares of the common stock of the Company (the "Warrants"). The Warrants, when exercised, entitle the holders thereof to acquire such shares, subject to adjustment, at no additional cost. The Warrants expire on July 15, 1999 and became exercisable as a result of the initial public offering of the Company's common stock in May 1991.

8. Preferred Stock

At January 28, 1995, January 29, 1994 and January 30, 1993, there were 2,000,000 shares of preferred stock, par value $.01, authorized and unissued.

9. Stock Option Plans

In 1989 and 1992, the Company established stock option plans. Under the terms of both 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. 165,813 shares of common stock are reserved for issuance under the 1989 plan and 1,469,600 shares of common stock are reserved for issuance under the 1992 plan. At January 28, 1995, there were 19,307 shares under the 1989 plan and 418,100 shares under the 1992 plan available for future grant. Generally, options granted under the plans expire ten years from the date of the grant.

Pursuant to an employment agreement with the Company, as of February 3, 1992, the Chairman of the Board and Chief Executive Officer of the Company was granted 100,000 stock options at $22.125 per share and 100,000 stock options at $26.00 per share.

The following summarizes stock option transactions for the fiscal years ended January 28, 1995, January 29, 1994 and January 30, 1993:

	Option Prices	Number of Shares
Outstanding Options February 1, 1992	$6.80-$22.10	1,753,967
Granted	$18.625-$26.00	517,500
Exercised	$6.80-$22.10	(792,210)
Cancelled	$6.80-$22.25	(17,173)
Outstanding Options January 30, 1993	$6.80-$26.00	1,462,084
Granted	$18.125-$26.00	279,000
Exercised	$6.80-$22.25	(745,346)
Cancelled	$6.80-$22.25	(86,426)
Outstanding Options January 29, 1994	$6.80-$26.00	909,312
Granted	$25.375-$42.75	787,500
Exercised	$6.80-$28.00	(190,771)
Cancelled	$6.80-$28.00	(108,035)
Outstanding Options January 28, 1995	$6.80-$42.75	1,398,006

At January 28, 1995, January 29, 1994 and January 30, 1993 there were exercisable 461,669 options, 516,889 options and 995,407 options, respectively.

In 1994, the Company's 1992 stock option plan was amended and restated to include restricted stock and unit awards. On February 23, 1994, 13,630 shares of restricted stock and 6,820 restricted units were awarded. The restrictions on these grants lapse with respect to one-third of the shares and units awarded on each of the first through third anniversaries of 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. As of January 28, 1995, 12,497 shares of restricted stock and 6,249 restricted units were outstanding. The resulting unearned compensation expense was charged to stockholders' equity and is being amortized over the applicable restricted period.

10.Executive Compensation

As of February 3, 1992, the Chairman of the Board and Chief Executive Officer of the Company received 60,000 shares of restricted common stock. The resulting unearned compensation expense of $1,327,500, based on 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. As of January 28, 1995, unearned compensation expense was fully amortized.

Effective February 1, 1994, the Company and the Chairman and Chief Executive Officer of the Company entered into a new employment agreement (the "1994 Agreement"). Pursuant to the 1994 Agreement, the Company advanced the Chairman and Chief Executive Officer the sum of $500,000, which bears interest at the rate of 7.32% per annum compounded semi-annually. All principal and accrued interest on the loan is due January 31, 1999, or otherwise forgiven if the Chairman and Chief Executive Officer fulfills the requirements of the 1994 Agreement.

11 Certain Relationships and Related Transactions

Transactions with Merrill Lynch and its Affiliates

At January 28, 1995, certain affiliates of ML&Co. held approximately 28.7% of the outstanding common stock. Two of the members of the Board of Directors of the Company and Ann Taylor serve as representatives of ML&Co. and its affiliates. As a result, ML&Co. and such affiliates are in a position to influence the management of Ann Taylor and the Company.

In January 1993, in connection with the settlement of a stockholder class action lawsuit, the Company, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and ML&Co., among others, entered into an agreement pursuant to which ML&Co. paid $750,000 and the Company paid the balance of the settlement to or for the benefit of the plaintiffs. The Company also reimbursed Merrill Lynch $128,000 for certain costs incurred by it in connection with the class action in fiscal 1992, pursuant to the Company's indemnification obligations.

The Company paid commissions aggregating approximately $2,692,000 to Merrill Lynch in 1993 in connection with the issuance of the 8-3/4% Notes, and repurchases of Discount Notes, Notes and 8-3/4% Notes. In 1994, the Company also paid underwriting commissions of approximately $1,027,000 to Merrill Lynch in connection with the Offering. The Company agreed to indemnify Merrill Lynch, as underwriter, against certain liabilities, including certain liabilities under the federal securities law, in connection with the Offering.

Transactions with CAT

In May 1992, the Company commenced a joint venture known as CAT U.S., Inc. ("CAT") with Cygne Designs, Inc., which was formed for the purpose of sourcing Ann Taylor merchandise directly with manufacturers. As of January 28, 1995, the Company owned a 40% interest in CAT which is being accounted for under the equity method of accounting. The Company's agreement with Cygne relating to the parties' ownership of CAT provides that, at any time after July 1, 1995, either Cygne or Ann Taylor may offer to purchase the other party's interest in CAT. Merchandise purchased by Ann Taylor through CAT was $142,429,000 or 36.3%, and $67,202,000, or 23.5%, of all merchandise purchased by the Company in 1994 and 1993, respectively. Accounts payable to CAT in the ordinary course of business was approximately $4,800,000 and $3,100,000 as of January 28, 1995 and January 29, 1994, respectively.

12.Income Taxes

The provision for income taxes for the fiscal years ended January 28, 1995, January 29, 1994 and January 30, 1993 consists of the following:

	Fiscal Years Ended		
	January 28, 1995	January 29, 1994	January 30, 1993
	(in thousands)		
Federal:			
Current	$22,534	$14,339	$9,300
Deferred	---	(1,750)	(1,500)
State and local	7,740	4,600	3,350
Total	$30,274	$17,189	$11,150

The reconciliation between the provision for income taxes and the provision for income taxes at the federal statutory rate for the fiscal years ended January 28, 1995, January 29, 1994 and January 30, 1993 is as follows:

	Fiscal Years Ended		
	January 28, 1995	January 29, 1994	Jannuary 30, 1993
	(in thousands)		
Income before income taxes and extraordinary loss	$62,894	$ 31,519	$17,067
Federal statutory rate	35%	35%	34%
Provision for income taxes at federal statutory rate	$22,013	$ 11,032	$ 5,803
State and local income taxes, net of federal income tax benefit	5,031	2,990	2,211
Non-deductible amortization of goodwill	3,327	3,328	3,232
Other	(97)	(161)	(96)
Provision for income taxes	$30,274	$17,189	$11,150

The tax effects of significant items comprising the Company's net deferred tax assets as of January 28, 1995 and January 29, 1994 are as follows:

	January 28, 1995	January 29, 1994
	(in thousands)	
Current:		
Inventory	$1,464	$ 981
Accrued expenses	1,524	1,288
Restructuring	700	700
Other	(38)	781

Total current	$3,650	$3,750
Noncurrent:		
Depreciation	$ 340	$ 125
Rent expense	2,052	1,375
Other	(792)	---
Total noncurrent	$1,600	$1,500

13.Retirement Plans

Savings Plan. Ann Taylor maintains a defined contribution 401(k) savings plan for substantially all employees. 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 1994, fiscal 1993 and fiscal 1992 were $333,000, $199,000 and $111,000, respectively.

Pension Plan. Substantially all employees of Ann Taylor are covered under a noncontributory defined benefit pension plan. The pension plan is a "cash balance pension plan". An account balance is established for each participant which is credited with a benefit based on compensation and years of service with Ann Taylor. 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.

The following table sets forth the funded status of the Pension Plan at January 28, 1995, January 29, 1994 and January 30, 1993, in accordance with Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions":

	January 28, 1995	January 29, 1994	January 30, 1993
	(dollars in thousands)		
Actuarial present value of benefits obligation:			
Accumulated benefit obligation, including vested benefits of $1,500,000, $1,056,000 and $702,000, respectively	$2,516	$2,401	$ 1,832
Projected benefit obligation for service rendered to date	$2,516	$2,401	$ 1,832
Plan assets at fair value	2,522	2,344	1,847
Plan assets in excess of projected benefit obligation (projected benefit obligation in excess of plan assets)	6	(57)	15
Unrecognized net gain	(136)	(58)	---
Prepaid (accrued) pension cost	$ (130)	$ (115)	$ 15
Net periodic pension cost for fiscal 1994, 1993 and 1992 included the following components:			
Service cost/benefits earned during the year	$ 622	$ 680	$521

Interest cost on projected benefit obligation	133	117	100
Actual loss (return) on plan assets	72	(124)	(100)
Net amortization and deferral	(285)	(36)	9
Net periodic pension cost	$ 542	$ 637	$530

Assumptions used to determine the projected benefit obligation and plan assets were:			
Discount rate	8.5%	7.0%	7.0%
Rate of increase in compensation level	5.5%	4.0%	4.0%
Expected long-term rate of return on assets	8.0%	8.0%	9.0%

	Quarter			
	First	Second	Third	Fourth
	(in thousands,except per share amount)			
Fiscal 1994				
Net sales	$145,283	$159,936	$164,632	$188,953
Operating income	19,530	18,733	19,853	19,175
Income before extraordinary loss	8,060	7,923	8,284	8,353
Extraordinary loss	---	(868)	---	---
Net income	8,060	7,055	8,284	8,353
Income per share before extraordinary loss	$ .36	$ .34	$ .35	$ .35
Extraordinary loss per share	---	(.04)	---	---
Net income per share	$ .36	$ .30	$ .35	$ .35
Fiscal 1993				
Net sales	$120,175	$124,837	$122,025	$134,612
Operating income	12,410	12,929	12,850	10,832
Income before extraordinary loss	3,290	3,630	4,321	3,089
Extraordinary loss	--	(10,496)	--	(625)
Net income (loss)	3,290	(6,866)	4,321	2,464
Income per share before extraordinary loss	$ .15	$ .16	$ .20	$ .14
Extraordinary loss per share	--	(.47)	--	(.03)
Net income (loss) per share	$ .15	$ (.31)	$ .20	$ .11

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.

The early retirement of indebtedness in the fourth quarter of 1993 led to an extraordinary pre-tax charge to earnings of $1,096,000 ($625,000 net of income tax benefit). The Company also recorded a $2,000,000 pre-tax restructuring charge in the fourth quarter of 1993 for the relocation of its distribution center from New Haven, Connecticut to Louisville, Kentucky anticipated to occur in late spring 1995.

INDEX TO EXHIBITS

Exhibits

3.1 Restated Certificate of Incorporation of the Company. Incorporated by reference to Exhibit No. 4.1 to the

Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission (the "Commission") on August 10, 1992 (Registration No. 33-50688).

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

4.1 Indenture, dated as of June 15, 1993, between Ann Taylor and Fleet Bank, N.A., as Trustee, including the form of Subordinated Note due 2000. Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Ann Taylor filed on July 7, 1993.

10.1 Form of U.S. Purchase Agreement among Merrill Lynch, Robertson, Stephens & Company, the other U.S. Underwriters, the Selling Warrantholders and the Company, including the form of Price Determination Agreement. Incorporated by reference to Exhibit No. 1.1 to the Registration Statement of the Company filed on April 11, 1991 (Registration No. 33-39905).

10.2 Form of International Purchase Agreement among Merrill Lynch International Limited, Robertson, Stephens & Company, the other International Underwriters and the Company, including the form of Price Determination Agreement. Incorporated by reference to Exhibit No. 1.2 to the Registration Statement of the Company filed on April 11, 1991 (Registration No. 33-39905).

10.3 Form of U.S. Purchase Agreement among Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated, Robertson, Stephens & Company, L.P., William Blair & Company, the other U.S. Underwriters, the Selling Stockholders and the Company, including the form of Price Determination Agreement. Incorporated by reference to Exhibit No. 1.1 to the Registration Statement of the Company filed on April 20, 1994 (Registration No. 33-52941).

10.4 Form of International Purchase Agreement among Merrill Lynch International Limited, Morgan Stanley & Co. International Limited, Robertson, Stephens & Company, L.P., William Blair & Company, the other International Underwriters, the Selling Stockholders and the Company, including the form of Price Determination Agreement. Incorporated by reference to Exhibit 1.2 to the Registration Statement of the Company filed on April 20, 1994 (Registration No. 33-52941).

10.5 Form of Warrant Agreement entered into between Ann Taylor and The Connecticut Bank and Trust Company, National Association, including the form of Warrant. Incorporated by reference to Exhibit No. 4.3 to Amendment No. 1 to the Registration Statement of the Company and Ann Taylor filed on June 21, 1989 (Registration No. 33-28522).

10.6 Credit Agreement, dated as of June 28, 1993, between Ann Taylor, Bank of America National Trust and Savings Association ("Bank of America"), Bank of Montreal, the financial institutions party thereto, and Bank of America, as Agent. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Ann Taylor filed on July 7, 1993.

10.6.1 Amendment No. 1 to Credit Agreement, dated as of August 10, 1993, between Ann Taylor, Bank of America National Trust and Savings Association ("Bank of America"), Bank of Montreal, the financial institutions party thereto, and Bank of America, as Agent. Incorporated by reference to Exhibit 10.9 to the Quarterly Report on Form 10-Q of Ann Taylor for the Quarter ended October 30, 1993 filed on November 26, 1993.

10.6.2 Amendment No. 2 to Credit Agreement dated as of October 6, 1993, between Ann Taylor, Bank of America National Trust and Savings Association ("Bank of America"), Bank of Montreal, the financial institutions party thereto, and Bank of America, as Agent. Incorporated by reference to Exhibit 10.10 to the Quarterly Report on Form 10-Q of Ann Taylor for the Quarter ended October 30, 1993 filed on November 26, 1993.

10.6.3 Amendment No. 3 to Credit Agreement dated as of December 23, 1993, between Ann Taylor, Bank of America National Trust and Savings Association ("Bank of America"), Bank of Montreal, the financial institutions party thereto, and Bank of America, as Agent. Incorporated by reference to Exhibit 10.6.3 to the Annual Report on Form 10-K of the Company filed on March 31, 1994.

10.6.4 Amendment No. 4 to Credit Agreement dated as of January 24, 1994, between Ann Taylor, Bank of America National Trust and Savings Association ("Bank of America"), Bank of Montreal, the financial institutions party thereto, and Bank of America, as Agent. Incorporated by reference to Exhibit 10.6.4 to the Annual Report on Form 10-K of the Company filed on March 31, 1994.

10.7 Guaranty, dated as of June 28, 1993, made by the Company in favor of Bank of America, as Agent. Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K of Ann Taylor filed on July 7, 1993.

10.8 Security and Pledge Agreement, dated as of June 28, 1993, made by the Company in favor of Bank of America, as Agent. Incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K of Ann Taylor filed on July 7, 1993.

10.9 Revolving Credit Agreement, dated as of July 29, 1994, between Ann Taylor, Bank of America National Trust and Savings Association ("Bank of America"), Fleet Bank, the financial institutions party thereto, and Bank of America, as Agent. Incorporated by Reference to Exhibit 10.4 on Form 10-Q of Ann Taylor for the Quarter ended July 30, 1994 filed on September 12, 1994.

10.9.1 Amendment No. 1 to the Revolving Credit Agreement, dated as of January 27, 1995, between Ann Taylor, Bank of America National Trust and Savings Association ("Bank of America"), Fleet Bank, the financial institutions party thereto, and Bank of America, as Agent.

10.10 Guaranty, dated as of July 29, 1994, made by the Company in favor of Bank of America, as Agent. Incorporated by reference to Exhibit 10.5 on Form 10-Q of Ann Taylor for the Quarter ended July 30, 1994 filed on September 12, 1994.

10.11 Pledge Agreement, dated as of July 29, 1994, made by Ann Taylor in favor of Bank of America, as Agent. Incorporated by reference to Exhibit 10.6 to the Quarterly Report on Form 10-Q of Ann Taylor for the Quarter ended July 30, 1994 filed on September 12, 1994.

10.12 Pledge Agreement, dated as of July 29, 1994 made by the Company in favor of Bank of America, as Agent. Incorporated by reference to Exhibit 10.7 to the

Quarterly Report on Form 10-Q of Ann Taylor for the Quarter ended July 30, 1994 filed on September 12, 1994.

10.13 Form of Investor Stock Subscription Agreement, dated February 8, 1989, between the Company and each of the ML Entities. Incorporated by reference to Exhibit No. 10.15 to the Registration Statement of the Company and Ann Taylor filed on May 3, 1989 (Registration No. 33-28522).

10.14 1989 Stock Option Plan. Incorporated by reference to Exhibit No. 10.18 to the Registration Statement of the Company and Ann Taylor filed on May 3, 1989 (Registration No. 33-28522).

10.14.1 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.

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

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

10.15.2 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.

10.15.3 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 Quarterly Report on Form 10-Q of Ann Taylor for the Quarter ended October 30, 1993 filed on November 26, 1993.

10.15.4 Modification of Amendment and Extension to Lease, dated as of April 14, 1994 between Carven Associates and Ann Taylor.

10.15.5 Fifth Amendment to Lease, dated as of March 14, 1995, between Carven Associates and Ann Taylor.

10.16 Lease, dated December 1, 1985, between Hamilton Realty Co. and Ann Taylor concerning the New Haven distribution center. Incorporated by reference to Exhibit No. 10.22 to the Registration Statement of the Company and Ann Taylor filed on May 3, 1989 (Registration No. 33-28522).

10.16.1 Agreement, dated March 22, 1993, between Hamilton Realty Co. and Ann Taylor amending the New Haven distribution center lease. Incorporated by reference to Exhibit No. 10.14.1 to the Annual Report on Form 10-K of Ann Taylor filed on April 30, 1993.

10.16.2 Extension dated February 24, 1994, between Hamilton Realty Co. and Ann Taylor extending the New Haven distribution center lease.

10.16.3 Extension dated May 23, 1994, between Hamilton Realty Co. and Ann Taylor extending the New Haven distribution center lease.

10.16.4 Extension dated March 13, 1995, between Hamilton

Realty Co. and Ann Taylor extending the New Haven distribution center lease.

10.17 Agreement, dated April 12, 1993, between Dixson Associates and Ann Taylor amending the 3 East 57th Street lease. Incorporated by reference to Exhibit No. 10.15.1 to the Annual Report on Form 10-K of Ann Taylor filed on April 30, 1993.

10.18 Tax Sharing Agreement, dated as of July 13, 1989, between the Company and Ann Taylor. Incorporated by reference to Exhibit No. 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).

10.19 Employment Agreement, effective as of February 3, 1992, between the Company and Sally Frame Kasaks. Incorporated by reference to Exhibit 10.28 to the Annual Report on Form 10-K of the Company filed on April 28, 1992.

10.20 Employment Agreement dated as of February 1, 1994 between the Company and Sally Frame Kasaks. Incorporated by reference to Exhibit 10.8 to the Quarterly Report on Form 10-Q of the Company filed on December 9, 1994.

10.21 The AnnTaylor Stores Corporation 1992 Stock Option Plan. Incorporated by reference to Exhibit No. 4.3 to the Company's Registration Statement on Form S-8 filed with the Commission on August 10, 1992 (Registration No. 33-50688).

10.21.1 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 the Company's Registration Statement on Form S-8 filed with the Commission on June 30, 1994 (Registration No. 33-50688).

10.22 Management Performance Compensation Plan. Incorporated by reference to Exhibit 10.30 to the Quarterly Report on Form 10-Q filed on December 15, 1992.

10.22.1 Amended and restated Management Performance Compensation Plan as approved by stockholders on June 1, 1994.

10.22.2 Amendment to the AnnTaylor Stores Corporation Management Performance Compensation Plan dated as of February 24, 1995.

10.23 Associate Stock Purchase Plan. Incorporated by reference to Exhibit 10.31 to the Quarterly Report on Form 10-Q filed on December 15, 1992.

10.24 Stipulation of Settlement dated February 16, 1993 providing for the settlement of Consolidated Action. Incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K filed on April 30, 1993.

10.25 Agreement among Defendants to the Stipulation of Settlement dated February 16, 1993 providing for the settlement of Consolidated Action. Incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K filed on April 30, 1993.

10.26 Opinion Re Settlement Plan of Allocation and Application for Attorney's Fees and Expenses dated May 25, 1993, In Re AnnTaylor Stores Securities Litigation. Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the Quarter ended May 1, 1993 filed on May 28, 1993.

10.27 Consulting and Severance Agreement dated April 6, 1993 between the Company and Joseph J. Schumm. Incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K filed on April 30, 1993.

10.27.1 Consulting and Severance Agreement dated March 21, 1994 between ATSC, Ann Taylor and Bert A. Tieben. Incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of ATSC for the Quarter ended April 30, 1994 filed on June 13, 1994.

10.28 Interest Rate Swap Agreement dated as of July 22, 1993, between Ann Taylor and Fleet Bank of Massachusetts, N.A. Incorporated by reference to Exhibit 10.6 to the Quarterly Report on Form 10-Q of Ann Taylor for the Quarter ended July 31, 1993 filed on September 2, 1993.

10.29 Stock Purchase Agreement, dated as of July 13, 1993, between Ann Taylor and Cleveland Investment, Ltd. Incorporated by reference to Exhibit 10.7 to the Quarterly Report on Form 10-Q of Ann Taylor for the Quarter ended July 31, 1993 filed on September 2, 1993.

10.30 Agreement, dated July 13, 1993, among Cygne Designs, Inc., CAT US, Inc., C.A.T. (Far East) Limited and Ann Taylor. Incorporated by reference to Exhibit 10.8 on Form 10-Q of Ann Taylor for the Quarter ended July 31, 1993 filed on September 2, 1993. (Confidential treatment has been granted with respect to certain portions of this Exhibit.)

10.31 Receivables Financing Agreement dated January 27, 1994, among AnnTaylor Funding, Inc., Ann Taylor, Clipper Receivables Corporation, State Street Boston Capital Corporation and PNC Bank National Association. Incorporated by reference to Exhibit 10.28 to the Annual Report on Form 10-K of the Company filed on March 31, 1994.

10.31.1 First Amendment to Receivables Financing Agreement, dated as of May 31, 1994, among AnnTaylor Funding, Inc., Ann Taylor, Clipper Receivables Corporation, State Street Boston Corporation and PNC Bank National Association.

10.31.2 Second Amendment to Receivables Financing Agreement, dated as of March 31, 1995, among AnnTaylor Funding, Inc., Ann Taylor, Clipper Receivables Corporation, State Street Boston Capital Corporation and PNC Bank National Association.

10.32 Purchase and Sale Agreement dated as of January 27, 1994 between Ann Taylor and AnnTaylor Funding, Inc. Incorporated by reference to Exhibit 10.29 to the Annual Report on Form 10-K of the Company filed on March 31, 1994.

10.33 AnnTaylor Stores Corporation Deferred Compensation Plan.

21 Subsidiaries of the Company.

23 Consent of Deloitte & Touche llp.

99 Annual Report on Form 11-K of the AnnTaylor, Inc. Savings Plan for the year ended December 31, 1994 filed on April 27, 1995.

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Exhibit 21

SUBSIDIARIES OF
ANNTAYLOR STORES CORPORATION

AnnTaylor, Inc.,
a Delaware corporation

AnnTaylor Travel, Inc.,
a Delaware corporation and
wholly-owned subsidiary of
Ann Taylor, Inc.

AnnTaylor Funding, Inc.,
a Delaware corporation and
wholly-owned subsidiary of
Ann Taylor, Inc.

AnnTaylor Distribution Services, Inc.,
a Delaware corporation and
wholly-owned subsidiary of
Ann Taylor, Inc.

AnnTaylor Loft, Inc.
a Delaware corporation and
wholly-owned subsidiary of
Ann Taylor, Inc.

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Exhibit 23

INDEPENDENT AUDITORS' CONSENT

AnnTaylor Stores Corporation:

We consent to the incorporation by reference in AnnTaylor Stores Corporation's Registration Statements No. 33-31505 on Form S-8, No. 33-50688 on Form S-8, No. 33-52389 on Form S-8, and No. 33-55629 on Form S-8 of our report dated April 5, 1995 appearing in the Annual Report on Form 10-K of AnnTaylor Stores Corporation for the year ended January 28, 1995.

Deloitte & Touche LLP

New Haven, Connecticut
April 25, 1995

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April 27, 1995

Via EDGAR Transmission

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549
Attention: Filing Desk

Re: Ann Taylor Stores Corporation

Annual Report on Form 10-K

Dear Sirs/Madams:

On behalf of AnnTaylor Stores Corporation (the "Company"), enclosed and transmitted to you for filing pursuant to the Securities Act of 1933, as amended, via the Electronic Data Gathering Analysis and Retrieval System ("EDGAR"), is the Company's Annual Report on Form 10-K.

Pursuant to Rule 3a of the Rules of Practice, the filing fee of $250 is included as part of a wire transfer to Mellon Bank in Pittsburgh, Pennsylvania on Tuesday, March 29, 1994 in the amount of $78,665. This wire transfer also included the filing fee of $63,330 for a registration statement on Form S-3 filed by the Company on March 31, 1994 and certain other filing fees relating to filings by the Company since then.

Please contact the undersigned if you have any questions or comments with respect to the foregoing.

Very truly yours,

/s/ Sallie A. DeMarsilis

Sallie A. DeMarsilis
Assistant Controller

FIRST AMENDMENT TO CREDIT AGREEMENT

This First Amendment to Credit Agreement (this "Amendment") is entered into as of January 27, 1995 among ANNTAYLOR, INC., a Delaware corporation (the "Borrower"), the various financial institutions named on the signature pages hereto (the "Lenders") and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION. as Agent.

WHEREAS, the Borrower, the Lenders, the Co-Agents named therein, BA Securities, Inc. as Arranger and the Agent are party to that certain Credit Agreement dated as of July 29, 1994 (as from time to time amended, the "Credit Agreement"); and

WHEREAS, the Borrower has requested the Lenders to increase the Commitments under the Credit Agreement by $50,000,000 to $125,000,000 and to make certain other changes to the Credit Agreement, and the Lenders are willing to agree to the Borrower's request on the terms and subject to the conditions set forth herein;

NOW THEREFORE, the parties hereto hereby agree as follows:

Section 1. Defined Terms. Unless otherwise defined in this Amendment, defined terms used herein shall have the meanings assigned to such terms in the Credit Agreement.

Section 2. Amendments to Credit Agreement.

(a) Increase in Commitments. The Lenders hereby agree to increase their Commitments to the amounts set forth in Schedule 1 to this Amendment and Schedule 1.01(b) to the Credit Agreement is hereby amended to read as Schedule 1 to this Amendment.

(b) Change in Cleandown Provisions. Clause (v) of Section 2.01(a) of the Credit Agreement is hereby amended to read as follows:

"(v) The Borrower shall from time to time effect a prepayment of the outstanding Loans (such amount, a "Cleandown") so as to cause the aggregate outstanding principal amount of the Loans to be not more than (A) $50,000,000, for at least 30 consecutive days during the period from the Initial Funding Date to the last day of the Fiscal Year beginning on January 30, 1994, (B) $67,000,000, for at least 30 consecutive days in the Fiscal Year beginning on January 29, 1995 and (C) $50,000,000, for at least 30 consecutive days in each Fiscal Year thereafter (each such period, a "Cleandown Period"). Promptly after the end of any Cleandown Period, the Borrower shall notify the Agent that a Cleandown Period has occurred and the Agent shall notify the Lenders."

(c) Change in Investment Provisions.

(i) A new paragraph (j) is hereby added to Section 8.03 of the Credit Agreement reading as follows:

"(j) Investments in the form of advance payments to suppliers not in excess of an aggregate amount of $10,000,000 outstanding at any one time; and"

(ii) The word "and" appearing at the end of paragraph (i) of Section 8.03 of the Credit Agreement is hereby deleted.

(iii) Current paragraph (j) of Section 8.03 of the Credit Agreement is hereby re-lettered as paragraph (k) of Section 8.03 of the Credit Agreement.

(d) Change in Minimum Fixed Charge Coverage Ratio.

Section 9.03 of the Credit Agreement is hereby amended to read as follows:

"9.03 Minimum Fixed Charge Coverage Ratio. The Borrower shall not permit the Fixed Charge Coverage Ratio, as determined at the end of any fiscal quarter for the preceding four fiscal quarters (or, if less, the number of quarters elapsed since the Initial Funding Date) to be less than the ratio set forth opposite the month in which such fiscal quarter ends:

Quarter Ended	Minimum Ratio
October 1994	1.00 to 1.00
January 1995	1.00 to 1.00
April 1995	1.00 to 1.00
July 1995	1.00 to 1.00
October 1995	1.00 to 1.00
January 1996	1.00 to 1.00
April 1996	1.00 to 1.00
July 1996	1.05 to 1.00
October 1996 and thereafter	1.10 to 1.00"

Section 3. Representations and Warranties.

The Borrower represents and warrants that:

(a) (i) the execution and delivery of this Amendment have been duly authorized by all necessary corporate action; and (ii) do not violate any Requirement of Law nor conflict with or result in the breach of any Contractual Obligation binding on the Borrower; and

(b) after giving effect to this Amendment, the representations and warranties of the Borrower contained in Article V of the Credit Agreement (except for representations and warranties relating to a particular point in time) and in each other Loan Document are true and correct in all material respects as if made on and as of the date of this Amendment and no Potential Event of Default or Event of Default has occurred and is continuing.

Section 4. Effectiveness.

(a) This Amendment shall become effective as of the date first above written when the Agent has received the following:

(i) counterparts hereof executed by the Borrower, all the Lenders and the Agent and signed by ATSC as a consenting party; and

(ii) copies of the resolutions of the Board of Directors of the Borrower authorizing the execution and delivery of this Amendment and the performance of the transactions contemplated hereby, certified by the Secretary or an Assistant Secretary of the Borrower.

(b) Upon the effectiveness of this Amendment (i) each reference in the Credit Agreement to "this Agreement", "hereunder", hereof", "herein", or words of like import shall mean and be a reference to the Credit Agreement as amended hereby and (ii) each reference in each other Loan Document to the Credit Agreement shall mean and be a reference to the Credit Agreement as amended hereby.

(c) Except as specifically amended above, the Credit Agreement shall remain in full force and effect.

(d) The execution, delivery, and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power, or remedy of any Lender or the Agent under the Credit Agreement or any of the other Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

Section 5. Miscellaneous.

(a) This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

(b) THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective duly authorized officers as of the date first above written.

ANNTAYLOR, INC.

By:/s/ Walter J. Parks
____

Title: Sr. V.P. - Finance
____

BANK OF AMERICA NATIONAL
TRUST AND SAVINGS ASSOCIATION,
as Agent

By: /s/ Walter J. Parks
____

Title: Sr. V.P. - Finance
____

BANK OF AMERICA NATIONAL
TRUST AND SAVINGS ASSOCIATION

By:/s/ Lannhi Tran
____

Title:__________________________

FLEET BANK, NATIONAL ASSOCIATION

By: /s/ David B. Coleman

Title:__________________________

LTCB TRUST COMPANY

By:_____________________________

Title:__________________________

PNC BANK, NATIONAL ASSOCIATION

By:____________________________

Title:__________________________

SHAWMUT BANK, N.A.

By:____________________________

Title:__________________________

Consenting Party:
ANNTAYLOR STORES CORPORATION

By:____________________________

Title:__________________________

MODIFICATION OF AMENDMENT AND EXTENSION TO LEASE

MODIFICATION OF AMENDMENT AND EXTENSION TO LEASE, dated as of the 14th day of April 1994, between CARVEN ASSOCIATES, a New York limited partnership with offices at 142 West 57th Street, New York, New York 10019 (the "Landlord"), and AnnTaylor, Inc., a Delaware corporation having an office at 142 West 57th Street, New York, New York 10019 (the "Tenant").

WITNESSETH

WHEREAS, under date of March 17, 1989, Landlord and Tenant entered into a lease as amended pursuant to a First Amendment To Lease dated November 14, 1990, as further amended pursuant to an Extension and Amendment to Lease dated October 1, 1993, together, collectively referred to as the "Lease" affecting the entire second (2nd), third (3rd), fourth (4th), fifth (5th) floors and sixth (6th) floors (the "Original Premises"), deemed to comprise 70,825 rentable square feet, in the commercial condominium unit (the "Building") of which the Premises form a part known by the street address of 142 West 57th Street, New York, New York;

WHEREAS, Tenant desires that the entire fourteenth (14th) floor, deemed to comprise 13,850 rentable square feet, be added to the space demised under the Lease*

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties agree as follows:

1. Landlord hereby leases to Tenant, and Tenant hereby hires from Landlord, the entire fourteenth (14th) floor of the Building, substantially as shown by outlining and crosshatching in Exhibit A annexed hereto and made a part hereof (the "Additional Space"), upon and subject to all of the executory terms, covenants, conditions and limitations contained in the Lease, except as otherwise provided for herein, for a term to commence on April 17, 1994 (the "Effective Date") and to end on the Expiration Date (as defined in Paragraph 37 of the Lease and modified pursuant to Paragraph 1 of the Extension and Amendment to Lease) unless sooner terminated pursuant to any of the terms, covenants or conditions of the Lease or pursuant to law.

2. As of the Effective Date the Lease shall be deemed amended as follows:

a. The Premises shall include the Additional Space cross hatched on Exhibit A for all purposes of the Lease;

b. The Fixed Rent as defined in Schedule A of the Lease as increased pursuant to the First Amendment to Lease and the Extension and Amendment to Lease shall be increased as of June 17, 1994 (i) by Four Hundred Seventy Thousand Nine Hundred ($470,900.) Dollars per annum for the period from the Effective Date to and including July 31, 1999 (ii) and by Five Hundred Twelve Thousand Four Hundred Fifty ($512,450.) Dollars per annum for the period from August l, l999 to and including the Expiration Date inclusive, which amounts shall be payable in equal monthly installments in advance on the first day of each and every calendar month during the term of this Lease.

c. Tenant's Percentage (as defined in Section 39 A(vi) of the Lease) shall be increased by 6.16%.

d. Tenant's Operating Expense Percentage (as defined in Section 40A (iii) of the Lease) shall be increased by 6.16%.

e. Landlord shall not be obligated to perform any work or construction in the Additional Space in order to make it ready for Tenant's occupancy. Tenant represents that it has inspected the Additional Space and agrees to accept same absolutely "as is".

*which Premises shall be deemed to comprise a total of 84,675 rentable square feet;

f. Tenant shall obtain electric for the fourteenth (14th) floor in accordance with Paragraph 46B of the Lease, for which Landlord has or will supply meter pans for separate meters for the floor.

3. Landlord and Tenant covenant, warrant and represent to each other that no broker except Manhattan Pacific Management Co., Inc. (the "Broker") was instrumental in bringing about or consummating this Agreement and that neither party had any conversations or negotiations with any broker except the Broker concerning the leasing of the Premises. Landlord and Tenant each agree to indemnify the other against and hold the other harmless from any claims for any brokerage commissions and all costs, expenses and liabilities in connection therewith, including, without limitation, attorney's fees and expenses arising out of any breach of the covenants, warranties and representations contained in this Paragraph 3 made by Landlord or Tenant, as the case may be. Landlord shall pay any brokerage commissions due the Broker as per a separate agreement between Landlord and Broker.

4. The terms of this Amendment cannot be changed orally, but only by an instrument in writing executed by the party sought to be changed.

5. Except as herein expressly modified, the Lease is unmodified and is ratified and confirmed in all respects.

6. The terms, covenants and provisions contained in this Agreement are binding on and shall inure to the benefit of the parties hereto and their respective heirs, successors and assigns.

IN WITNESS WHEREOF, Landlord and Tenant have respectively executed this Agreement as of the day and year first above written.

LANDLORD:

CARVEN ASSOCIATES
By: Carven Investors, Inc.

By: /s/ Robert Johnson

TENANT:

AnnTaylor, Inc.

By: /s/ Craig Sorrels

Craig Sorrels
Senior Vice President, Real Estate
Store Planning & Construction

FIFTH AMENDMENT TO LEASE

FIFTH AMENDMENT TO LEASE dated as of the 14th day of March 1995 between PACIFIC METROPOLITAN CORPORATION, a Delaware Corporation (successor-in-interest to Carven Associates) with offices at 3000 Executive Parkway, San Ramon, California 94583 (the "Landlord"), and AnnTaylor, Inc. a Delaware corporation having an office at 142 West 57th Street, New York, NY 10019 (the "Tenant").

WITNESSETH

WHEREAS, under date of March 17, 1989, Landlord and Tenant entered into a lease as amended pursuant to a First Amendment to Lease dated November 14, 1990, as further amended pursuant to an Extension and Amendment to Lease dated October 1, 1993, and Modification of Amendment and Extension to Lease dated April 14, 1994, together, collectively referred to as the "Lease" affecting the entire second (2nd), third (3rd), fourth (4th), fifth (5th), sixth (6th) and fourteenth (14th) floors (the "Existing Premises"), deemed to comprise 84,675 rentable square feet, in the commercial condominium unit (the "Building") of which the Premises form a part known by street address of 142 West 57th Street, New York, New York;

WHEREAS, Tenant desires that a portion of the seventeenth (17th) floor, deemed to comprise 8,600 rentable square feet, be added to the space demised under the Lease for the time period set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties agree as follows:

1. Landlord hereby leases to Tenant, and Tenant hereby hires from Landlord, a portion of the seventeenth (17th) floor of the Building, substantially as shown by outlining and crosshatching in Exhibit A annexed hereto and made a part hereof (the "17th Floor Additional Space"), upon and subject to all of the executory terms, covenants, conditions and limitations contained in the Lease, except as otherwise provided for herein, for a term to commence upon the execution of this Fifth Amendment to Lease (the "Effective Date") and to end on February 29, 1996 (the "Expiration Date") unless such term is extended pursuant to paragraph 3 hereof or unless sooner terminated pursuant to any of the terms, covenants or conditions of the Lease or pursuant to law. If possession of the 17th Floor Additional Space is not delivered to Tenant on the Effective Date, then the Effective Date shall be deemed to be the date that possession of the 17th Floor Additional Space is delivered to Tenant and the Expiration Date shall be extended by one day for each day the Effective Date is beyond the date of execution of this Fifth Amendment to Lease, if any; provided however, that if possession is not delivered on or before May 1, 1995, Tenant shall have the right to terminate its obligations with respect to this Fifth Amendment to Lease on prior written notice to Landlord given on or before May 15, 1995 and neither party shall thereafter have any liability to the other hereunder.

2. As of the Effective Date the Lease shall be deemed amended as follows:

a. The Existing Premises shall include the 17th Floor Additional Space cross hatched on Exhibit A for all purposes of the Lease.

b. The Fixed Rent as defined in Schedule A of the Lease as same has been increased by various amendments and modifications prior to the date hereof shall be further increased by Three Hundred Thirty-Three Thousand Two Hundred Fifty ($333,250.) Dollars, inclusive of the Temporary Charge for the "electrical rent inclusion plan" as described in subparagraph (e) below, per annum for the period from the Effective Date to and including the Expiration Date, which amount shall be payable in equal monthly installments in advance on the first day of each and every calendar month during the term of this Lease; provided, however, that not withstanding anything to the contrary contained herein, Tenant shall be entitled to and is hereby granted a credit in the amount of Twenty Thousand ($20,000.00) Dollars as against the first installment of Fixed Rent due hereunder.

c. Tenant's Percentage (as defined in Section 39 A(vi) of the Lease) shall be increased by 3.82%.

d. Tenant's Operating Expense Percentage (as defined in Section 40 A (iii) of the Lease) shall be increased by 3.82%.

e. Landlord shall furnish electrical energy to Tenant at the 17th Floor Additional Space on the basis of an "electrical rent inclusion plan". Pending the results of the survey provided for in subsection (i) below, the Tenant agrees that the Fixed Rent set forth in Article 2(b) hereof includes the "Temporary Charge" (hereinafter defined). In the event the electrical energy is initially furnished to Tenant under the provisions of this subsection, the Temporary Charge shall be $23,650 per annum and the Temporary Charge shall be included in the Fixed Rent as more particularly provided in paragraph 2(b) above. In the event that the Additional Charge payable by Tenant pursuant to subsection (i) below as a result of an electrical survey exceeds the Temporary Charge, Tenant shall upon Landlord's written request reimburse Owner for the differential, computed from the date on which the "electrical rent inclusion plan" was effected until the date of such demand and shall pay the increased annual rent provided for in subsection (i) below from and after the date of such demand. Tenant shall pay said increase in charges for electricity as additional Fixed Rent payable monthly on the first day of each and every month in advance from the date of the "electric rent inclusion plan" is in effect. During the period that Landlord furnished electrical energy to Tenant under such "electric rent inclusion plan", the following provisions shall be applicable:

(i) Landlord shall have the right, at any time and from time to time during the lease term for the 17th Floor Additional Space, to designate an independent electrical consultant reasonably acceptable to Tenant to make a survey or resurvey of the electrical consumption and power load on the 17th Floor Additional Space. If such survey discloses that Tenant's average consumption is greater than the estimated consumption upon which the "electric rent inclusion plan" was initially based (or greater than the comsumption disclosed by the survey last taken if Tenant's rental was previously increased pursuant to such survey), the Fixed Rent shall, upon written notice from Landlord to Tenant and effective as of the date of such notice (except as specifically provided in the immediately preceding section), be increased by the annual cost of such additional consumption, as estimated by the electrical consultant. The determination of the electrical consultant shall be conclusive.

(ii) Tenant shall at any time and from time to time within thirty (30 days) of Landlord's request, execute and deliver, to Landlord in a form reasonably acceptable to Tenant a certificate confirming the Fixed Rent, inclusive of the charges payable by reason of the "electric rent inclusion plan".

(iii) If at any time after the "electric rent inclusion plan" is effected, the rates or charges at which Landlord purchases electrical current from the public utility company supplying electrical service to the Building shall be increased over the rates in effect on the date thereof, the Fixed Rent payable hereunder shall be increased by the amount of the additional cost to the Landlord of furnishing electrical service to Tenant. In the event of a dispute between Landlord and Tenant as to the Landlord's additional cost, the determination of an independent electrical consultant designated by Landlord and reasonably acceptable to Tenant shall be conclusive. Such increased rental shall be effective as of the effective date of the increase rates or charges to Landlord.

(f) Landlord shall not be obligated to perform any work or construction in the 17th Floor Additional Space in order to make it ready for Tenant's occupancy. Tenant represents that it has inspected the 17th Floor Additional Space and agrees to accept same in its "as is" condition with the sole exception that the Additional Space shall be delivered in "broom-clean condition". Landlord has approved Tenant's contractor, FCI having an address at 37-37 Ninth Street, Long Island City, New York connection with Tenant's preparation of the 17th Floor of Additional Space for its occupancy. Tenant has represented, warranted, covenanted and agreed that (i) all of the aforementioned preparatory work shall be performed in accordance with the provisions of the Lease and (ii) Tenant will not perform or cause to be performed any electrical, mechanical, plumbing or structural work in the 17th Floor Additional Space.

3. Provided that Tenant is not in default of its obligations under the Lease beyond any applicable grace or cure period, Tenant may extend the term of the demise of the 17th floor Additional Space for a period of six (6) months by giving Landlord written notice thereof on or before November 1,

1995, time being of the essence. Such extension shall be on the same terms and conditions as contained in this Fifth Amendment to Lease.

4. Landlord and Tenant covenant, warrant and represent to each other that no broker except Manhattan Pacific Management Co., Inc. (the "Broker") was instrumental in bringing about or consummating this Fifth Amendment to Lease and that neither party had any conversations or negotiations with any broker except the Broker concerning the leasing of the Premises. Landlord and Tenant each agree to indemnify the other against and hold the other harmless from any claims for any brokerage commissions and all costs, expenses and liabilities in connections therewith, including, without limitation, attorney's fees and expenses arising out of any breach of the covenants, warranties and representations contained in this Paragraph 4 made by Landlord or Tenant, as the case may be. Landlord shall pay any brokerage commissions due the Broker as per a separate agreement between Landlord and Broker.

5. The terms of this Agreement cannot be changed orally, but only by an instrument in writing executed by the party sought to be changed.

6. Except as herein expressly modified, the Lease is unmodified and is ratified and confirmed in all respects.

7. The terms, covenants and provisions contained in this Agreement are binding and shall inure to the benefit of the parties hereto and their respective heirs, successors and assigns.

IN WITNESS WHEREOF, Landlord and Tenant have respectively executed this Agreement as of the day and year first above written.

LANDLORD

PACIFIC METROPOLITAN CORP.

By: /s/ David A.Hennefer

David A. Hennefer

TENANT:

ANNTAYLOR, INC.

By: /s/Jocelyn Barandiaran

Jocelyn Barandiaran
Vice President/General Counsel

VIA CERTIFIED MAIL RETURN RECEIPT REQUESTED
February 24, 1994

Hamilton Realty Co.
P.O. Box 527
Clinton, CT 06413
Attn: Seymour Shapiro
General Partner

Re: 130 Hamilton Street
New Haven, Connecticut

Gentlemen:

Reference is made to the Lease Agreement dated December 1, 1985 between Hamilton Realty Co., a Connecticut general partnership, as Lessor, and AnnTaylor, Inc. (as successor in interest thereunder to ASC Stores III, Inc.), as Lessee (the "Lease"), modified by a Letter Agreement dated March 22, 1993. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the Lease.

Lessee desires to extend the Term of the Lease and Lessor hereby grants and extends unto the Lessee this extension which will commence on January 1, 1995 and expire on March 31, 1995 (hereinafter called the Extension Term), notwithstanding the Letter Agreement of March 22, 1993, on the terms and conditions set forth in the Lease, excluding the fixed monthly rental rate which shall be for the Extension Term the amount of $33,149.52 per month.

In addition the undersigned, grants Lessee the option with notice on or before June 1, 1994, to extend the term of the Lease for an additional three (3) months. Such additional three (3) period will commence on April 1, 1995 and terminate on June 30, 1995 and all other terms and conditions of the Lease (excluding the fixed monthly rental rate which shall be the amount of $33,149.52 per month) shall remain unchanged.

If the foregoing correctly sets forth our understanding, please sign the enclosed copy of the letter and return it to the undersigned.

Very truly yours,

AnnTaylor, Inc.	ACCEPTED AND AGREED Hamilton Realty Co.
/s/ Craig Sorrels	/s/ Seymour Shapiro
By: _________________	By: ___________________
Craig Sorrels Senior Vice President Real Estate, Store Planning and Construction	Seymour Shapiro General Partner

VIA CERTIFIED MAIL RETURN RECEIPT REQUESTED
May 23, 1994

Hamilton Realty Co.
P.O. Box 527
Clinton, CT 06413
Attn: Seymour Shapiro
General Partner

Re: 130 Hamilton Street
New Haven, Connecticut

Gentlemen:

Reference is made to the Lease Agreement dated December 1, 1985 between Hamilton Realty Co., a Connecticut general partnership, as Lessor, and AnnTaylor, Inc. (as successor in interest thereunder to ASC Stores III, Inc.), as Lessee (the "Lease"), modified by Letter Agreements dated March 22, 1993 and February 24, 1994. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the Lease.

Lessee desires to extend the Term of the Lease and Lessor hereby grants and extends unto the Lessee this extension which will commence on April 1, 1995 and expire on June 30, 1995 (hereinafter called the Extension Term), notwithstanding the Letter Agreement of March 22, 1993, on the terms and conditions set forth in the Lease, excluding the fixed monthly rental rate which shall be for the Extension Term the amount of $33,149.52 per month.

If the foregoing correctly sets forth our understanding, please sign the enclosed copy of this letter and return it to the undersigned.

Very truly yours,

AnnTaylor, Inc.	ACCEPTED AND AGREED
/s/ Craig Sorrels	/s/ Seymour Shapiro
By: ______________________	By: ________________________
Craig Sorrels	Seymour Shapiro
Senior Vice President Real Estate, Store Planning and Construction	General Partner

VIA CERTIFIED MAIL RETURN RECEIPTED REQUESTED
March 13, 1995

Hamilton Realty Co.
P.O.Box 527
Clinton, Connecticut 06413
Attn: Seymour Shapiro
General Partner

RE: 130 Hamilton Street
New Haven, Connecticut

Gentlemen:

Reference is made to the Lease Agreement dated December 1, 1985 between Hamilton Realty Co., a Connecticut general partnership, as Lessor, and AnnTaylor, Inc. (as successor in interest thereunder to ASC Stores III, Inc.), as Lessee (the "Lease") modified by Letter Agreements dated March 22, 1993, February 24, 1994 and May 23, 1994. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the Lease.

Lessee desires to extend the Term of the Lease and Lessor hereby grants and extends unto the Lessee this extension which shall commence on July 1, 1995 and expire on September 30, 1995 (hereinafter called the Extension Term) on the terms and conditions set forth in the Lease, excluding the fixed monthly rental rate which shall be for the Extension Term the amount of $33,149.52 per month.

If the foregoing correctly sets forth our understanding, please sign the enclosed copy of this letter and return it to the undersigned.

Very truly yours,

AnnTaylor, Inc.	ACCEPTED AND AGREED Hamilton Realty Co.
By: /s/ Jocelyn Barandiaran ___________________________ Jocelyn Barandiaran Vice President/General Counsel	/s/ Seymour Shapiro ___________________________ General Partner

ANNTAYLOR STORES CORPORATION
MANAGEMENT PERFORMANCE COMPENSATION PLAN

Effective as of August 7, 1992 the Board adopted the Management Performance Compensation Plan (the "Prior Plan"). The Prior Plan, as amended and restated hereby (the "Plan") is effective as of the beginning of the Fall 1994 Season, subject to the approval of the stockholders of the Company at the 1994 Annual Meeting of Stockholders of the Company.

1. PURPOSE. This Plan is an integral part of the Company's over-all compensation strategy which is aimed at attracting and retaining in the employ of the Company and its Subsidiaries highly motivated, results-oriented personnel of experience and ability, by basing such personnel's compensation, in part, on their contributions to the growth and profitability of the Company, thereby giving them incentive to remain with the Company and its Subsidiaries and to continue to make contributions to the Company in the future. Further, the purpose of the Plan is to serve as a qualified performance based compensation program under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

2. DEFINITIONS. As used in this Plan, the following capitalized terms shall have the meanings set forth below:

(a) "Board" means the Board of Directors of the Company.

(b) "Budget" means the Company's operating budget for a six-month Season.

(c) "Committee" means the Compensation Committee of the Board, as appointed by the Board from time to time and consisting of not less than two directors, at least two of whom must be an "outside director" within the meaning of Section 162(m) of the Code. All actions taken by the Committee under this Plan with respect to Executive Officers shall be taken solely by those members of the Committee who are "outside directors", even if less than a majority of the Committee. No member of the Committee shall be eligible for selection as a Participant at any time while such person is serving on the Committee.

(d) "Company" means AnnTaylor Stores Corporation.

(e) "Eligible Associate" means a person who is eligible to participate in this Plan pursuant to Section 3 below.

(f) "Executive Officer" means an officer of the Company who, as of the beginning of a Season, is an "executive officer" within the meaning of Rule 3b-7 promulgated under the Securities Exchange Act of 1934 (the "Exchange Act").

(g) "Operating Profit" has the meaning assigned thereto in Section 5(b) hereof.

(h) "Participant" means an Eligible Associate who has been designated as a Participant by the Committee in accordance with Section 4 of this Plan.

(i) "Performance Compensation" means the cash amount payable to a Participant pursuant to this Plan.

(j) "Performance Percentage" and "Performance Ratio" have the meanings assigned thereto in Section 5(a) hereof.

(k) "Plan" means this AnnTaylor Stores Corporation Management Performance Compensation Plan.

(l) "Season" means the Company's fiscal six-month Spring or Fall season.

(m) "Subsidiary" means any corporation of which the Company owns, directly or indirectly, at least a majority of the outstanding voting capital stock.

3. ELIGIBILITY. Any salaried associate in the employ of the Company or any of its Subsidiaries (including officers and directors, but excluding persons who are directors only) shall be eligible to become a Participant and receive Performance Compensation under this Plan.

4. SELECTION OF PARTICIPANTS.

(a) As promptly as possible after the Company's Budget for a Season shall have become available, and after having received the input of the Company's Chief Executive Officer pursuant to Section 4(b) below, the Committee shall designate from among all Eligible Associates those who shall be Participants under this Plan for such Season.

(b) Prior to the beginning of a Season and as promptly as possible after the Company's Budget for a Season shall have become available, the Chief Executive Officer of the

Company shall submit to the Committee a list of the names, titles, salaries and suggested Performance Percentages of those Eligible Associates who the Chief Executive Officer recommends that the Committee designate as Participants under this Plan for such Season.

(c) The Committee shall have the authority to designate from time to time prior to the commencement of as well as during a Season additional Eligible Associates as Participants under this Plan for such Season.

(d) In selecting from among all Eligible Associates those who shall become Participants in any Season and in determining the Performance Percentages of such Participants for such Season, the Committee shall consider the position and responsibilities of the Eligible Associates, the value of their services to the Company and such other factors as the Committee deems relevant.

5. FORMULA FOR DETERMINING AMOUNT OF PERFORMANCE COMPENSATION.

(a) At the time the Committee selects Participants under this Plan for a Season, or within such other time period which may comply with Section 162(m) of the Code, the Committee shall:

(i) assign to each Participant such Participant's individual "Performance Percentage" for such Season; and

(ii) establish a matrix in the form of the sample appended hereto as Exhibit A, assigning a "Performance Ratio" to various levels of Operating Profit which the Company might achieve for such Season.

(b) As used in this Plan, "Operating Profit" means the consolidated earnings of the Company and its Subsidiaries before interest, taxes, non-operating income and expenses, and amortization of goodwill, but after taking into account Performance Compensation which would be payable under this Plan if such Operating Profit were achieved.

(c) Subject to adjustment pursuant to Section 5(d) below, a Participant's Performance Compensation for the Season for which he or she was designated by the Committee as a Participant pursuant to Section 4 hereof, shall be equal to the product of (i) the Participant's annual base salary for the fiscal year of which such Season is a part (prorated, as to any Participant who shall have become an Eligible Associate and designated as a Participant after the commencement of such fiscal year), multiplied by (ii) the Performance Percentage assigned to such Participant for such Season pursuant to Section 5(a)(i) above, multiplied by (iii) the Performance Ratio achieved by the Company for such Season. An illustration of how Performance Compensation would be calculated is included in Exhibit A to this Plan.

(d) For any Season, the Board may establish a ceiling on the aggregate amount which may be paid out in Performance Compensation for such Season, expressed as a percentage of the actual Operating Profit of the Company for such Season. In the event that such a limit is established for any Season, the Performance Compensation otherwise payable to all Participants for such Season pursuant to Section 5(c) above shall be reduced pro rata. Notwithstanding any other provision of the Plan, no participant who is an Executive Officer may receive Performance Compensation for a Season in excess of $500,000.

(e) Performance Compensation shall be paid by the Company or the Subsidiary employing the Participant promptly following the end of the Season to which it relates and the availability of the Company's final consolidated financial results for such Season. The foregoing notwithstanding, no payment of Performance Compensation for a Season may be made to an Executive Officer until the Company's Operating Profit performance results for that Season are certified by the Committee. A Participant shall not be entitled to receive payment of Performance Compensation unless such Participant is still in the employ of (and shall not have delivered notice of resignation to) the Company or one of its Subsidiaries at the time the Performance Compensation is actually paid.

6. FINALITY OF DETERMINATIONS. The Committee shall administer this Plan and construe its provisions. Any determination by the Committee in carrying out, administering or

construing this Plan shall be final and binding for all purposes and upon all interested persons and their respective heirs, successors, and legal representatives.

7. LIMITATIONS.

(a) No person shall at any time have any right to receive Performance Compensation hereunder, unless such person shall have been designated as a Participant by the Committee pursuant to Section 4 hereof and the other terms and conditions of this Plan shall have been satisfied. No person shall have authority to enter into any agreement for the inclusion of anyone as a Participant or the awarding of Performance Compensation hereunder or to make any representation or warranty with respect thereto. Designation of an Eligible Associate as a Participant in any Season shall not guarantee or require that such Eligible Associate be designated as a Participant in any later Season.

(b) No action of the Company or the Board in establishing this Plan, nor any action taken by the Company, the Board or the Committee under this Plan, nor any provision of this Plan, shall be construed as conferring upon any associate any right to continued employment for any period by the Company or any of its Subsidiaries, or shall interfere in any way with the right of the Company or any Subsidiary to terminate such employment.

8. AMENDMENT AND TERMINATION OF PLAN. The Board at any time and from time to time may modify, amend, suspend or terminate this Plan, without notice, provided that no amendment which requires stockholder approval in order to comply with Section 162(m) of the Code shall be effective unless the same shall be approved by the requisite vote of stockholders of the Company.

9. COMPLIANCE WITH CODE SECTION 162(m). The Plan is designed and intended to comply with Section 162(m) of the Code, and all provisions hereof shall be construed in a manner to so comply.

Exhibit A to Management Performance Compensation Plan

SAMPLE MATRIX

1. Pursuant to the Plan, the Committee shall establish a matrix for possible actual Operating Profit levels, and set a Performance Ratio for these various levels of Operating Profit. Following is a sample matrix for a Season. The levels of Operating Profit and Performance Ratios set forth below are for illustrative purposes only and shall not be binding on the Committee.

Operating Profit (in '000s)	Performance Ratio (to 1)
$50,001 and above	.2.0
$49,001 to $50,000	1.9
$48,001 to $49,000	1.8
$47,001 to $48,000	1.7
$46,001 to $47,000	1.6
$45,001 to $46,000	1.5
$44,001 to $45,000	1.4
$43,001 to $44,000	1.3
$42,001 to $43,000	1.2
$41,001 to $42,000	1.1
$40,001 to $41,000	1.0
$39,001 to $40,000	0.9
$38,001 to $39,000	0.8
$37,001 to $38,000	0.7
$36,001 to $37,000	0.6
$35,001 to $36,000	0.5
$34,001 to $35,000	0.4
$33,001 to $34,000	0.3
$32,001 to $33,000	0.2
$31,001 to $32,000	0.1
Below $31,001	0.0

2. An example of how the Performance Compensation award would be calculated for a Participant selected by the Committee, based on the above matrix, follows:

   a. Assume the Committee has selected Eligible Associate "Smith", whose annual salary is $100,000, to be a Participant, and has assigned Smith a Performance Percentage of 10% for the Season.

   b. Assume the Company achieves actual Operating Profit for the Season of $42,500,000, resulting in a Performance Ratio of 1.2.

   c. Smith's Performance Compensation award for the Season would be equal to the product of (i) $100,000 x (ii) .10 x (iii) 1.2 (i.e., $12,000).

SECRETARY'S CERTIFICATE

Amendment to the
AnnTaylor Stores Corporation
Management Performance Compensation Plan

The undersigned, being the Secretary of AnnTaylor Stores Corporation (the "Company"), hereby certifies that, at a meeting of the Board of Directors of the Company duly held on February 24, 1995, the Board of Directors of the Company, by resolution duly adopted, unanimously approved and adopted the following amendment to the AnnTaylor Stores Corporation Management Performance Compensation Plan, as heretofore amended and restated, such amendment to be effective as of February 24, 1995:

> "Section 4(b) of the Plan is hereby amended to read in its entirety as follows:
>
> > (b) Prior to the beginning of a Season, or by such later date permissible under Section 162(m) of the Code, and after the Company's Budget for a Season shall have become available, the Chief Executive Officer of the Company shall submit to the Committee a list of the manes, titles, salaries and suggested Performance Percentages of those eligible Associates whom the Chief Executive Officer recommends that the Committee designate as Participants under this Plan for such Season."

IN WITNESS WHEREOF, the undersigned has hereunto affixed her signature as Secretary of the Company, this 24th day of February, 1995.

/s/ Jocelyn F.L. Barandiaran

____

Jocelyn F.L. Barandiaran
Secretary
AnnTaylor Stores Corporation

EXHIBIT A

FIRST AMENDMENT TO RECEIVABLES FINANCING AGREEMENT

THIS FIRST AMENDMENT TO RECEIVABLES FINANCING AGREEMENT, dated as of May 31, 1994 (this "Amendment"), is among AnnTaylor Funding, Inc. a Delaware corporation (the "Company"), AnnTaylor, Inc., a Delaware corporation ("AnnTaylor"), Clipper Receivables Corporation, a Delaware corporation ("Lender"), State Street Boston Capital Corporation, a Massachusetts corporation, as administrator for Lender (the "Administrator") and PNC Bank, National Association, a national banking association (the "Relationship Bank").

BACKGROUND

1. The Company, AnnTaylor, Lender, the Administrator and the Relationship Bank entered into a Receivables Financing Agreement, dated as of January 27, 1994 (the "Agreement").

2. The Company, AnnTaylor, Lender, the Administrator and the Relationship Bank desire to amend the Agreement in certain respects as set forth herein.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Definitions. The capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings assigned thereto in the Agreement.

SECTION 2. Settlement Procedures. Section 3.01(a) of the Agreement is hereby amended by adding an additional sentence to the end thereof as follows:

> "In the event that the amount of Collections received during the Settlement Period to which an Information Package relates is less than the sum of (i) the Amount Payable for the related Settlement Date plus (ii) the amount of funds then on deposit in the Spread Account, the Administrator shall withdraw the amount of any such deficiency from the Customer Letter of Credit on the Business Day next succeeding the applicable Reporting Date. The Administrator shall hold the funds so withdrawn from the Customer Letter of Credit in a segregated account for application on the related Settlement Date pursuant to this Section 3.01."

Section 3.01(b) of the Agreement is hereby amended by (i) inserting at the end of the fourth sentence thereof, prior to the period, the following: "(the amount set forth in this clause (2), the "Amount Payable")" and (ii) deleting the word "first," and the phrase "and second, draw the amount of any remaining deficiency from the Customer Letter of Credit" where they appear in the fifth sentence thereof. Section 3.01(c) of the Agreement is hereby amended by inserting in the fourth line thereof after the phrase "paragraph (b)" the phrase "and any amounts withdrawn from the Customer Letter of Credit pursuant to the foregoing paragraph (a)". Section 3.01(d) is hereby amended by inserting in the fourth line thereof after the phrase "paragraph (b)" the phrase "and any amounts withdrawn from the Customer Letter of Credit pursuant to the foregoing paragraph (a)".

SECTION 3. Customer Letter of Credit. Section 3.05(e) of the Agreement is hereby amended by inserting ", or confirmed by," in the seventh line thereof after the words "Enhancement Limit, from". Section 3.05(f) of the Agreement is hereby amended by adding at the end thereof the following: "In the event that the Company has provided a Customer Letter of Credit and the issuer of such Customer Letter of Credit (including any issuer of a confirming letter of credit) is downgraded below the ratings required pursuant to the foregoing paragraph (e) (or such ratings are withdrawn), unless the Company has provided a substitute Customer Letter of Credit satisfying the requirements of the foregoing paragraph (e) or the Company has deposited in the Spread Account the amount necessary to bring the amount therein up to the Enhancement Limit, in each case, on or prior to two (2) Business Days after such downgrading or withdrawal, the Administrator shall withdraw the full stated amount of the Customer Letter of Credit and deposit it in the Spread Account. If the Customer Letter of Credit has a stated expiration date that is earlier than the Final Payout Date, unless the Company has substituted therefor another Customer Letter of Credit satisfying the requirements of the foregoing paragraph (e) or deposited into the Spread Account the amount necessary to bring the amount of funds therein up to the Enhancement Limit on or before two (2) Business Days prior to the stated expiration date, the Administrator shall withdraw the full stated amount of the Customer Letter of Credit and deposit such funds into the Spread Account.

SECTION 4. Certain Ratios. Section 10.01(g) of the Agreement is hereby amended by (i) deleting the number "1.95%" where it appears therein and substituting therefor the number "2.00%" and (ii) deleting the number "1.325%" where it appears therein and substituting therefor the number "1.40%".

SECTION 5. Definitions - Appendix A. Appendix A to the Agreement is hereby amended by adding, in the appropriate alphabetical order, the following definition:

"Amount Payable" has the meaning set forth in Section 3.01(b).

SECTION 6. Miscellaneous. The Agreement, as amended hereby, remains in full force and effect. Any reference to the Agreement from and after the date hereof shall be deemed to refer to the Agreement as amended hereby unless otherwise expressly stated. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. This Amendment shall be governed by the laws of the State of New York. The Company hereby agrees to pay, promptly upon demand, all costs and expenses incurred by Lender, the Administrator or the Relationship Bank in connection with this Amendment.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ANNTAYLOR FUNDING, INC.

By: /s/ Walter J. Parks
____

ANNTAYLOR, INC.

By: /s/ Walter J. Parks
____

CLIPPER RECEIVABLES CORPORATION

By: /s/ Lannhi Tran
____

STATE STREET BOSTON CAPITAL
CORPORATION, as Administrator

By: /s/ David B. Coleman
____

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Mark Williams
____

SECOND AMENDMENT TO RECEIVABLES FINANCING AGREEMENT

THIS SECOND AMENDMENT TO RECEIVABLES FINANCING AGREEMENT, dated as of March 31, 1995 (this "Amendment"), is among AnnTaylor Funding, Inc. a Delaware corporation (the "Company"), AnnTaylor, Inc., a Delaware corporation ("AnnTaylor"), Clipper Receivables Corporation, a Delaware corporation ("Lender"), State Street Boston Capital Corporation, a Massachusetts corporation, as administrator for Lender (the "Administrator") and PNC Bank, National Association, a national banking association (the "Relationship Bank").

BACKGROUND

1. The Company, AnnTaylor, Lender, the Administrator and the Relationship Bank entered into a Receivables Financing Agreement, dated as of January 27, 1994, as amended by the First Amendment to Receivables Financing Agreement, dated as of May 31, 1994 (the "Agreement").

2. The Company, AnnTaylor, Lender, the Administrator and the Relationship Bank desire to amend the Agreement in certain respects as set forth herein.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Definitions. The capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings assigned thereto in the Agreement.

SECTION 2. Mergers. Section 7.05(b) of the Agreement is hereby amended by deleting such Section in its entirety, and substituting therefor the following:

> "Be a party to any merger, consolidation, or purchase or otherwise acquire all or substantially all of the assets or any stock of any class of, or any partnership or joint venture interest in, any other person, or, except in the ordinary course of its business, sell, transfer, convey or lease all or any substantial part of its assets, or sell or assign with or without recourse any Receivables or any interest therein other than:
>
> (i) pursuant to the Purchase Agreement;
>
> (ii) licenses of trademarks to the extent necessary to maintain or protect such trademarks in jurisdictions outside the United States of America;
>
> (iii) any sale or disposition of AnnTaylor's interest in the CAT Joint Venture pursuant to the CAT Joint Venture Agreement;
>
> (iv) any purchase or acquisition of any assets among AnnTaylor and its Restricted Subsidiaries; it being understood that AnnTaylor shall be permitted to incorporate new Restricted Subsidiaries;
>
> (v) any purchase or acquisition of any interest in joint ventures (in the form of corporations, partnerships or otherwise) in a maximum amount not exceeding $10,000,000 at any one time outstanding;
>
> (vi) any purchase or acquisition of any assets or capital stock in Unrestricted Subsidiaries in an amount not to exceed $1,000,000 at any one time outstanding;
>
> (vii) any purchase or acquisition of any assets or capital stock in the CAT Joint Venture pursuant to the CAT Joint Venture Agreement in an amount not to exceed 15% of

Net Worth; and

(viii) any merger or consolidation of any Subsidiary into or with AnnTaylor, so long as AnnTaylor is the surviving corporation.

SECTION 3. Net Worth. Section 7.05(d) of the Agreement is hereby amended by deleting such Section in its entirety, and substituting therefor the following:

"Permit Net Worth as determined at the end of any fiscal quarter (beginning with the fiscal quarter ending on or about January 28, 1995) to be less than the Net Worth on or about October 30, 1994 plus (a) 50% of Net Income after October 30, 1994 (without deducting from such cumulative amount the amount of any net loss incurred in any fiscal year except extraordinary losses associated with the redemption or repurchase of indebtedness) plus (b) 100% of the net proceeds of any equity issue or conversion of debt to equity subsequent to October 30, 1994 minus (c) any expenses related to the payments for ATSC's share of expenses incurred in connection with any public offering of common stock minus (d) payments by ATSC or AnnTaylor to acquire shares of common stock from employees of ATSC, AnnTaylor or any Restricted Subsidiary in an aggregate amount not exceeding $100,000 in any fiscal year."

SECTION 4. Fixed Charge Coverage Ratio. Section 7.05(e) of the Agreement is hereby amended by deleting such Section in its entirety, and substituting therefor the following:

"Permit the Fixed Charge Coverage Ratio, as determined at the end of any fiscal quarter for the preceding four fiscal quarters to be less than the ratio set forth opposite the month in which such fiscal quarter ends:

Quarter Ended	Minimum Ratio
October 1994	1.00 to 1.00
January 1995	1.00 to 1.00
April 1995	1.00 to 1.00
July 1995	1.00 to 1.00
October 1995	1.00 to 1.00
January 1996	1.00 to 1.00
April 1996	1.00 to 1.00
July 1996	1.05 to 1.00
October 1996 and thereafter	1.10 to 1.00

SECTION 5. Events of Default. Section 10.01(f) of the Agreement is hereby amended deleting the number "0%" where it appears therein and substituting therefor the number "-2%". Section 10.01(h) of the Agreement is hereby amended by deleting the number "27%" where it appears therein and substituting therefor the number "22%".

SECTION 6. Certain Definitions. The following definitions that appear in Appendix A to the Agreement are hereby amended as follows:

(i) the definition of "AnnTaylor Credit Agreement" is hereby amended by (1) deleting the date "June 28, 1993" and substituting therefor the date "July 29, 1994"; (2) by deleting the phrase "Bank of Montreal" where it appears therein and substituting therefor the phrase "Fleet Bank, National Association"; and (3) by deleting the phrase "as heretofore amended" where it appears at the end thereof and substituting therefor the phrase "as amended by the First Amendment to Credit Agreement, dated as of January 27, 1995";

(ii) the definition of "Defaulted Receivable" that appears in Appendix A to the Agreement is hereby amended by deleting the number "5" where it appears in the second line thereof and substituting therefor the number "6" and by deleting the number "6" where it appears in the fourth line thereof and substituting therefor the number "7";

(iii) the definition of "EBITDA" is hereby amended by deleting the phrase "all income tax" where it appears in clause (iii) thereof and substituting therefor the phrase "income tax expense";

(iv) the definition of "Fixed Charge Coverage Ratio" that appears in Appendix A to the Agreement is hereby amended by deleting such definition in its entirety, and substituting therefor the following:

"Fixed Charge Coverage Ratio" shall mean, for any period, the quotient obtained by dividing (a) EBITDA by (b) the sum of (i) Capital Expenditures paid or accrued during such period excluding any Capital Expenditures made in respect of the Distribution Center, plus (ii) scheduled payments made since July 29, 1994 for principal on Indebtedness excluding any payment made upon termination of the transactions contemplated by this Agreement plus (iii) Cash Interest Expense during such period plus (iv) income tax expense during such period.";

(v) the definition of "Interest Expense" is hereby amended by inserting the word "ATSC," before the word "AnnTaylor" in the first line thereof;

(vi) the definition of "Net Income" is hereby amended by adding the word "ATSC," before the word "AnnTaylor" in the second line thereof; and

(vii) the definition of "Net Worth" is hereby amended by adding the following phrase at the end thereof before the period: ", but excluding, for the purposes of this definition, unrealized foreign exchange translation gains and losses from investments in foreign Subsidiaries".

The following definitions are hereby added to Appendix A in the appropriate alphabetical order:

"Restricted Subsidiary" shall mean any Subsidiary of AnnTaylor which is not an Unrestricted Subsidiary. Whether or not a Restricted Subsidiary is a "wholly-owned Restricted Subsidiary" shall be determined without taking into account any directors' qualifying shares.

"Unrestricted Subsidiary" shall mean a Subsidiary of AnnTaylor which has been designated as such by resolution duly adopted by the board of directors of AnnTaylor, which at the time of such designation had assets of $1,000 or less and which does not own or hold any securities of, or any Lien on any property of, ATSC, AnnTaylor or any Restricted Subsidiary provided no Subsidiary of AnnTaylor shall be (or, if already an Unrestricted Subsidiary shall immediately cease to be) an Unrestricted Subsidiary if, at any time, ATSC, AnnTaylor or any other Restricted Subsidiary of AnnTaylor shall create, incur, issue, assume, guarantee or in any other manner whatsoever be or become liable with respect to any claim against or any contractual obligation or indebtedness of, such Subsidiary.

SECTION 7. Credit and Collection Policy. Lender and the Administrator hereby consent to the changes to the Credit and Collection Policy described in the letter from the Company to Lender, dated January 16, 1995, a copy of which is attached hereto as Exhibit A.

SECTION 8. Miscellaneous. The Agreement, as amended hereby, remains in full force and effect. Any reference to the Agreement from and after the date hereof shall be deemed to refer to the Agreement as amended hereby unless otherwise expressly stated. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. This Amendment shall be governed by the laws of the State of New York. The Company hereby agrees to pay, promptly upon demand, all costs and expenses incurred by Lender, the Administrator or the Relationship Bank in connection with this Amendment.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ANNTAYLOR FUNDING, INC.

By: /s/ Walter J. Parks

ANNTAYLOR, INC.

By: /s/ Walter J. Parks

CLIPPER RECEIVABLES CORPORATION

By: /s/ Lannhi Tran

STATE STREET BOSTON CAPITAL
CORPORATION, as Administrator

By: /s/ David B. Coleman

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Mark Williams

ANNTAYLOR STORES CORPORATION DEFERRED COMPENSATION PLAN

1. Purpose

The purpose of this AnnTaylor Stores Corpora tion Deferred Compensation Plan (the "Plan") is to enable select employees of AnnTaylor Stores Corporation and its subsidiaries (collectively, the "Company") to defer compensation in accordance with the terms and conditions set forth herein.

2. Administration

(a) The Plan shall be administered by the Board of Directors of AnnTaylor Stores Corporation ("AnnTaylor"), by a committee thereof, or by a committee of three or more persons appointed by the Board (the Board serving in such function, or such committee, or their respective delegate, hereinafter referred to as the "Committee").

(b) The Committee shall have full power and authority to administer the Plan and otherwise to perform the duties and responsibilities specified hereunder. All determinations by the Committee shall be binding and conclusive on all parties. Without limiting the foregoing, the Committee shall have the following specific powers and duties:

(i) to interpret the provisions of the Plan and make any and all determinations arising thereunder;

(ii) to maintain such records as it shall deem necessary or appropriate for the proper administration of the Plan;

(iii) to establish such rules and procedures not inconsistent with the terms of the Plan as it shall deem necessary or appropriate to effectuate the purpose of the Plan.

3. Plan Year

The Plan Year for each year beginning in 1996 shall be the calendar year. The Plan Year for 1995 shall be the effective date of the Plan through December 31, 1995.

4. Eligible Employees

Subject to the following sentence, eligibility to make deferrals under the Plan for any Plan Year shall be limited to those employees of the Company who, as of the day prior to the start of such Plan Year, hold the title of vice president or above (the "Participants"). For the Plan Year beginning in 1995, employees who hold the title of vice president or above as of the effective date of the Plan shall be eligible to participate in the Plan for 1995.

5. Deferral of Compensation

(a) Subject to such restrictions and limitations as the Committee may impose, each Participant may elect, in writing on a form or forms prescribed by the Committee and at the time prescribed below, to have the Company defer payment of (1) up to 25% of the Participant's Compensation (as defined herein) with respect to a Plan Year, or (2) up to 100% of the

Participant's Incentive Compensation (as defined herein) with respect to a Plan Year. For purposes hereof, (i) the term "Compensation" with respect to a Plan Year shall mean the total salary and Incentive Compensation (as defined herein) paid to or earned by the Participant for services rendered in respect of such Plan Year (without regard to his or her deferral election hereunder), and (ii) the term "Incentive Compensation" with respect to a Plan Year shall mean all incentive compensation (attributable to "incentive compensation periods" which begin during the Plan Year) paid to or earned by the Participant for services rendered in respect of such Plan Year (without regard to his or her deferral election hereunder). For this purpose, Performance Compensation paid or earned under the AnnTaylor Stores Corporation Management Performance Compensation Plan shall be considered Incentive Compensation. Deferrals of salary shall be effected through payroll deductions. For purposes of the 1995 Plan Year, a Participant's salary to be included as Compensation shall be limited to salary earned during pay periods which commence after the effective date of the Plan.

(b) Subject to the following sentence, any election made pursuant to subparagraph (a) above to defer Compensation shall be submitted to the Committee at such time prior to the beginning of the Plan Year with respect to which such Compensation will be earned as the Committee shall determine, and such election shall become irrevocable as of the commencement of such Plan Year. For the Plan Year beginning in 1995, any election pursuant to subparagraph (a) above shall be submitted to the Committee prior to the effective date of the Plan.

6. Deferred Compensation Account

The Company shall establish a memorandum account ("Deferred Compensation Account") for each Participant in the Plan. A Participant's Deferred Compensation Account shall be (i) credited with all amounts deferred by the Participant under the Plan as of the date such amounts would otherwise have been paid to such Participant, and (ii) charged with any distributions made with respect to the Participant pursuant to Paragraph 7. A Participant's Deferred Compensation Account will be credited quarterly on the last day of each calendar quarter with an amount representing interest at an annual rate equal to the rate on one-year Treasury Bills, determined as of the first day of each Plan Year, plus two percentage points.

7. Payment of Deferred Compensation

(a) Except as otherwise provided in subparagraphs (b), (c) or (d) below, the amount then credited to a Participant's Deferred Compensation Account shall be paid to him or her by the Company, in a single lump sum cash payment (less any mandatory withholding as provided in Paragraph 12 hereof), as soon as practicable following January 1 of the calendar year following the Participant's termination of employment with the Company.

(b) In the event of the Participant's termination of employment by reason of death or Disability (as defined herein), the Company shall pay to such Participant (or to such Participant's Beneficiary, as defined in Paragraph 8 hereof), in a single lump sum cash payment, the amount then credited to such Participant's Deferred Compensation Account (less any mandatory withholding as provided in Paragraph 12 hereof) as soon as practicable following the date of death or Disability. For purposes hereof, "Disability" of a Participant shall mean such Participant's termination as a result of a condition which entitles the Participant to receive benefits under the Company's long-term disability plan.

(c) In the event that a Participant incurs a severe financial hardship occasioned by accident, illness or other emergency beyond the control of the Participant, the Committee, in its sole discretion and upon written application of such Participant, may authorize immediate payment of all or a portion of the amount then credited to such Participant's Deferred Compensation Account (less any mandatory withholding as provided in Section 12 hereof) (a "Hardship Withdrawal"); provided that such payment shall in no event exceed the amount necessary to alleviate such financial hardship. The circumstances that will give rise to the approval of a Hardship Withdrawal will depend upon the facts of each case, but, in any case, payment under subparagraph (c) herein may not be made to the extent that such hardship is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or (iii) by cessation of deferrals under the Plan.

(d) In the event of a Change in Control (as defined in subparagraph (e) hereof), the Company shall pay each Participant the amount then credited to such Participant's Deferred Compensation Account in a single lump sum cash payment (less any mandatory withholding as provided in Paragraph 12 hereof) as soon as practicable thereafter.

(e) A "Change in Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(i) any "person", as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than (1) the Company, (2) Merrill Lynch & Co. or any affiliate thereof, which for purposes of this Agreement shall include First Capital Partners Inc. and its affiliates (collectively, "ML"), (3) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or (4) any corporation owned, directly or indirectly, by the stockholders of AnnTaylor in substantially the same proportion as their ownership of shares of common stock of AnnTaylor)(a "Person"), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of AnnTaylor representing 30% or more of the combined voting power of AnnTaylor's then outstanding voting securities (not including in the securities beneficially owned by such Person securities acquired directly from ML representing in excess of 15% of the combined voting power of AnnTaylor's then outstanding voting securities but including any such securities acquired directly from ML representing up to 15% of such combined voting power);

(ii) during any period of not more than two consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with AnnTaylor to effect a transaction described in clause (i), (iii), or (iv) of this Paragraph 7(e)) whose election by the Board or nomination for election by AnnTaylor's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

(iii) the stockholders of AnnTaylor approve a merger or consolidation of AnnTaylor with any other corporation, other than (1) a merger or consolidation which would result in the voting securities of AnnTaylor outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) 50% or more of the combined voting power of the voting securities of AnnTaylor or such surviving or parent entity outstanding immediately after such merger or consolidation or (2) a merger or consolidation effected to implement a re capitalization of AnnTaylor (or similar transaction) in which no Person is or becomes the beneficial owner (as defined in (A) above), directly or indirectly, of securities of AnnTaylor representing 30% or more of the combined voting power of AnnTaylor's then out standing securities (not including in the securities beneficially owned by such Person securities acquired directly from ML representing in excess of 15% of the combined voting power of AnnTaylor's then outstanding voting securities but including any such securities acquired directly from ML representing up to 15% of such combined voting power); or

(iv) the stockholders of AnnTaylor approve a plan of complete liquidation of AnnTaylor or an agreement for the sale or disposition by AnnTaylor of all or substantially all of AnnTaylor's assets (or any transaction having a similar effect).

8. Designation of Beneficiary

A Participant may designate a Beneficiary or Beneficiaries to receive any amount due him or her hereunder at his or her death by executing a form prescribed by the Committee and delivering it to the Committee at any time prior to his or her death. A Participant may revoke or change his or her Beneficiary designation without the Beneficiary's consent by executing a new form and delivering it to the Committee at any time and from time to time prior to his or her death. If a Participant shall have failed to designate a Beneficiary, or if no such Beneficiary shall survive him or her, then such amounts shall be paid to his or her spouse, if then living, or, if not, to his or her estate.

9. Other Employee Benefits

Any Compensation deferred and any benefits paid under the Plan shall not be included in creditable compensation in computing benefits under any employee benefit plans of the Company, except to the extent provided for thereunder.

10. No Right to Employment

Nothing contained herein shall be construed as conferring upon any Participant the right to continue in the employ of the Company.

11. Deferred Compensation as an Unsecured Promise

The Company shall not be required to segregate any funds representing the Deferred Compensation Accounts of Participants hereunder, and nothing in the Plan shall be construed as providing for such segregation. All payments provided for under the Plan shall be paid in cash from general assets of the Company. Nothing in the Plan, and no action taken pursuant to its terms, shall create or be construed to create a trust or escrow account of any kind, or a fiduciary relationship between the Committee or the Company and any Participant, designated Beneficiary or any other person. The Participants, their designated Beneficiaries and any other persons under the Plan, shall rely solely on the unsecured promise of the Company to make payments required hereunder, but shall have the right to enforce such a claim in the same manner as any unsecured general creditor of the Company.

12. Withholding

The Company shall deduct and withhold from any payments made hereunder all sums which it then may be required to deduct or withhold pursuant to any applicable statute, law, regulation or order of any jurisdiction whatsoever.

13. No Assignment

No Participant, designated Beneficiary, or any other person entitled to any payment hereunder shall have the power to transfer, assign, anticipate, mortgage or otherwise encumber any right to receive a payment in advance of any such payment and any attempted transfer, assignment, anticipation, mortgage or encumbrance shall be void.

14. Obligations to the Company

If a Participant becomes entitled to a distribution of benefits under the Plan, and if at such time the Participant has outstanding any debt, obligation, or other liability representing an amount owed to the Company, then the Company may offset such amounts owing it against the amount of benefits otherwise distributable.

15. Amendment and Termination

The Board reserves the absolute right to amend or terminate the Plan, in whole or in part, at any time and from time to time; provided that no such amendment or termination shall adversely affect the right of any Participant or Beneficiary hereunder to receive payment of any benefits deferred hereunder prior to the date of such amendment or termination. Notwithstanding the foregoing or any other provision of the Plan, upon termination of the Plan, the Committee, in its sole discretion, may accelerate payment of all benefits deferred hereunder in such manner as it shall determine.

16. Distribution of Plan and Amendments; Acknowledgments

(a) The Committee shall furnish each Participant with a copy of the Plan prior to his or her initial deferral election hereunder. In addition, the Committee shall furnish each Participant, or in the case of a deceased Participant, his or her Beneficiary, with a copy of any amendment of the Plan.

(b) Each Participant, prior to or simultaneously with his or her initial deferral election, shall acknowledge receipt of a copy of the Plan. Such acknowledgment shall constitute an agreement by the Participant that the Participant, his or her Beneficiary and any representatives shall be bound by all of the terms and conditions of the Plan.

17. Governing Law

Except to the extent preempted by federal law, the Plan shall be governed by and construed in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, AnnTaylor has caused this Deferred Compensation Plan to be adopted on this 24th day of February, 1995, to be effective as of April 1, 1995.

ANNTAYLOR STORES CORPORATION

By: /s/ Jocelyn Barandiaran

Vice President/General
Counsel and Secretary

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ANNTAYLOR STORES CORPORATION
DEFERRED COMPENSATION PLAN

1995 Salary/Bonus Election Form

I. Pursuant to the AnnTaylor Stores Corporation Deferred Compensation Plan (the "Plan"), I elect to defer (subject to Section II below):

(Choose ONE of the following)

______% of COMPENSATION (up to a maximum of 25%) that I earn for the remainder of the 1995 calendar year. Compensation consists of (1) my salary earned from and after April 1, 1995, plus (2) any Incentive Compensation earned for periods commencing in 1995;

-OR-

______% of the INCENTIVE COMPENSATION (up to a maximum of 100%) that I earn for periods commencing in the 1995 calendar year.

II. a) Payment of Deferred Compensation -- I hereby acknowledge that the above amounts deferred (increased in accordance with the Plan) will be paid to me in a single lump sum as soon as practicable following January 1 of the year following the year of my termination of employment (or at such sooner time as may be provided in the Plan).

b) Receipt of Plan Document -- I hereby acknowledge receipt of a copy of the AnnTaylor Stores Corporation Deferred Compensation Plan, and agree to be bound by its terms and conditions. I further agree that I shall have no right to cause any distribution to be made to me of the amounts deferred under Plan, except in accordance with its terms.

c) Timely Elections -- I understand that in order to be effective, this election form must be completed by me and returned to the Company no later than March 31, 1995.

____
Associate's Name (please print)

______________________ ______________________________
Date Associate's Signature

- --

ANNTAYLOR STORES CORPORATION

DEFERRED COMPENSATION PLAN

Beneficiary Designation Form

I hereby elect that in the event of my death before all amounts due under the AnnTaylor Stores Corporation Deferred Compensation Plan have been paid to me, such amounts shall be paid, as soon as practicable after my death, in a single cash payout to the following Beneficiary or Beneficiaries:

Beneficiary(ies) Share of Payment (%)

_________________________ __________
Name

____
Address

_________________________ __________
Name

____
Address

____
Associate's Name (please print)

_____________________ ______________________________
Date Associate's Signature

This designation revokes any previous designation under the aforesaid plan. I hereby reserve the right to change my Beneficiary designation without notice to or consent of any previously designated Beneficiaries.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark One)
ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED].
For the fiscal year ended December 31, 1994
OR
TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED].

For the transition period from ___________ to _________________.

Commission File No. 33-55629

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

ANNTAYLOR, INC. SAVINGS PLAN

B. Name of the issuer of the securities held pursuant to the plan and the address of its principal executive office:

ANNTAYLOR STORES CORPORATION
(Exact name of registrant as specified in its charter)

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)

ANNTAYLOR, INC. SAVINGS PLAN

TABLE OF CONTENTS

Supplemental Schedules:

form 5500:

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INDEPENDENT AUDITORS' REPORT

AnnTaylor, Inc. Savings Plan:

We have audited the accompanying statements of net assets available for benefits of the AnnTaylor, Inc. Savings Plan (the "Plan") as of December 31, 1994 and 1993, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 1994 and 1993, and the changes in net assets available for benefits for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets held for investment purposes as of December 31, 1994, and of reportable transactions for the year ended December 31, 1994, are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These schedules are the responsibility of the Plan's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

New Haven, Connecticut

April 5, 1995

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ANNTAYLOR, INC. SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE
FOR BENEFITS, DECEMBER 31, 1994 AND 1993

ASSETS:

	1994	1993
Investments at fair value:		
Mutual funds	$3,466,421	$2,839,969
AnnTaylor Stores Corporation Common Stock	14,541	---
Total investments	3,480,962	2,839,969
Receivables:		
Employer contributions	46,831	63,624
Employee contributions	100,567	76,888
Accrued income	196	---
Total receivables	147,594	140,512
Cash	---	2,118
Net assets available for benefits	$3,628,556	$2,982,599

See notes to financial statements.

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ANNTAYLOR, INC. SAVINGS PLAN

STATEMENTS OF CHANGES IN NET ASSETS
AVAILABLE FOR BENEFITS FOR THE YEARS
ENDED DECEMBER 31, 1994 AND 1993

	1994	1993
ADDITIONS TO NET ASSETS ATTRIBUTED TO INVESTMENT ACTIVITIES:		
Dividend income	$ 55,406	$116,815
Investment income	92,992	84,048
Net (depreciation) appreciation in fair value of investments	(104,802)	89,784
Total additions attributed to investment activities	43,596	290,647

ADDITIONS TO NET ASSETS ATTRIBUTED
TO CONTRIBUTION ACTIVITIES:

Employer contributions	295,595	237,483
Employee contributions	1,138,377	969,314
Rollover contributions	9,134	---
Total additions attributed to contribution activities	1,443,106	1,206,797
BENEFITS PAID TO PARTICIPANTS	840,745	809,549
NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	645,957	687,895
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of year	2,982,599	2,294,704
End of year	$3,628,556	$2,982,599

See notes to financial statements.

ANNTAYLOR, INC. SAVINGS PLAN

Notes to Financial Statements

1. Plan Description

The following description of the AnnTaylor, Inc. Savings Plan (the "Plan") provides only general information. Participants should refer to the Summary Plan Description, which is available from the plan administrator, for a more complete description of the Plan's provisions.

General

The Plan is a contributory, defined contribution plan established by AnnTaylor, Inc. (the "Company") as of July 1, 1989. The Plan covers all employees of the Company who have completed a twelve consecutive month period of at least 1,000 hours of service. It is subject to the provisions of the Employment Retirement Income Security Act of 1974 ("ERISA").

Contributions

The Company contributes to the Plan 50% of the Participant's before-tax contributions, or after-tax contributions, or both, subject to an overall maximum Company matching contribution of 3% of the participant's compensation. As of the last day of each Plan year, the Company may make an additional Company matching contribution in an amount, as determined by the Board of Directors, of up to 100% of the amount of Company matching contributions for such year.

Participants may make pre-tax contributions in an amount not less than 1% or more than 10% of their compensation for each pay period. Participants aggregate pre-tax contributions may not exceed $9,240 (as indexed for inflation) for the 1994 plan year. A participant may elect to make after-tax contributions in an amount not to exceed 10% of their compensation when combined with pre-tax contributions. Total employee contributions are subject to limitations imposed by the Internal Revenue Service. All employee contributions shall be remitted to the trustee and invested together with Company contributions. All contributions to the Plan by or on behalf of a participant shall be invested in one or all of the following Investment Funds, or such other Investment Funds which the administrative committee of the Plan may from time to time specify:

(a) Fund A, which is a Fixed Income Fund invested in pools of investments that provide a fixed rate of return for a specified period of time,

(b) Fund B, which is an Equity Fund invested in equity securities designed to appreciate in value,

(c) Fund C, which is a Balanced Fund invested in a diversified portfolio of high-yielding securities, or

(d) Fund D, which is the AnnTaylor Common Stock Fund which invests primarily in shares of AnnTaylor Stores Corporation Common Stock.

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Participant Accounts

Each participant's account is credited with (a) the participant's contributions, (b) the Company's matching contributions, and (c) an allocable share of plan earnings. Allocations of Plan earnings are based on participant account balances. A participant is entitled to the vested balance in their account.

Vesting

The Plan provides that participants have no vested interest in Company contributions or plan earnings thereon credited to their accounts until they have three years of service, at which time they are 50% vested. Vesting increases by 25% per year up to 100% after five years of service. The Plan provides 100% vesting of a participant's account balance upon their retirement, death or disability.

Participants are fully vested at all times with respect to employee contributions and earnings thereon.

Payment of Benefits

Participants or their beneficiaries are entitled to receive their entire account balance, in accordance with the vesting provisions of the Plan, upon retirement, death, disability or employment termination. All distributions are lump sum payments. Participants whose account balances are in excess of $3,500 may elect deferred payment.

Forfeitures

Amounts forfeited by participants shall be used to reduce future Company contributions.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Plan are detailed below:

* The accompanying financial statements of the Plan have been prepared on the accrual basis of accounting.

* Investments are reported at fair value which, for investments traded publicly including mutual funds, is based on published market prices.

* Interest on investments is recorded as earned.

* Dividend income is recorded on ex-dividend dates.

* Security transactions are recorded as of the trade date.

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3. Investments

Fleet Bank, N.A. is the Plan Trustee. The Plan Trustee invests all employee and Company contributions, as well as earnings thereon, pursuant to the terms of the Plan. The Plan trustee has custody of all assets in the funds.

Investments that represent 5% or more of the Plan's net assets are separately identified.

	December 31, 1994	1993
Investments at fair value as determined by Quoted Market Prices:		
Mutual funds:		
Fidelity Magellan Fund	$1,619,821	$1,298,769
Fidelity Open End Portfolio	1,797,226	1,541,200
Other	49,374	---
Total Mutual funds	3,466,421	2,839,969
Ann Taylor Stores Corporation Common Stock	14,541	---
Total Investments	$3,480,962	$2,839,969

Net Appreciation (Depreciation) in Fair Value of Investments

The Plan's investments, (including investments bought and sold, as well as held during the year) depreciated in value by $104,802 during the year ended December 31, 1994 and appreciated in value by $89,784 during the year ended December 31, 1993, as shown below.

	Year Ended December 31, 1994	1993

Net Change in Fair Value of Investments:		
Mutual funds	$(102,609)	$ 89,784
AnnTaylor Stores Corporation Common Stock	(2,193)	---
Net (depreciation) appreciation	$(104,802)	$ 89,784

ANNTAYLOR, INC. SAVINGS PLAN

Notes to Financial Statements (continued)

4. SUMMARY OF NET ASSETS AVAILABLE FOR BENEFITS AND CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS BY SEPARATE FUND

	Fiscal 1994				
	Fixed Income Fund	Equity Fund	Balanced Fund	Company Stock Fund	Total
ADDITIONS (DEDUCTIONS) TO NET ASSETS ATTRIBUTED TO NET INVESTMENT ACTIVITIES:					
Dividend income	---	$55,066	$ 340	---	$55,406
Investment income	$92,384	511	8	$ 89	92,992
Net depreciation in fair value of investments	---	(102,135)	(474)	(2,193)	(104,802)
Total additions (deductions) attributed to investment activities	92,384	(46,558)	(126)	(2,104)	43,596
ADDITIONS TO NET ASSETS ATTRIBUTED TO CONTRIBUTION ACTIVITIES:					
Employer contributions	148,877	143,854	577	2,287	295,595
Employee contributions	570,210	562,206	1,799	4,162	1,138,377
Rollover contributions	645	2,934	2,934	2,621	9,134
Transfers in from other funds	1,982	56,865	19,180	37,616	115,643
Total additions attributed to contribution activities	721,714	765,859	24,490	46,686	1,558,749
DEDUCTIONS FROM NET ASSETS:					
Participant withdrawals	482,305	358,440	---	---	840,745
Transfers out to other funds	82,717	32,926	---	---	115,643
Total deduction from net assets	565,022	391,366	---	---	956,388
NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	249,076	327,935	24,364	44,582	645,957
NET ASSETS AVAILABLE					

FOR BENEFITS:					
Beginning of period	1,581,113	1,401,486	---	---	2,982,599
End of period	$1,830,189	$1,729,421	$24,364	$44,582	$3,628,556
Total number of units of participation	1,193,141	929,544	50,269	934	
Net asset value per unit	$1.534	$1.861	$.485	$47.732	

ANNTAYLOR, INC. SAVINGS PLAN

Notes to Financial Statements (continued)

SUMMARY OF NET ASSETS AVAILABLE FOR BENEFITS AND CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS BY SEPARATE FUND (continued)

Fiscal 1993

	Fixed Income Fund	Equity Fund	Total
ADDITIONS TO NET ASSETS TO INVESTMENT ACTIVITIES:			
Dividend income	---	$116,815	$116,815
Investment income	$84,048	---	84,048
Net appreciation in fair value of investments	---	89,784	89,784
Total additions attributed to investment activities	84,048	206,599	290,647
ADDITIONS TO NET ASSETS ATTRIBUTED TO CONTRIBUTION ACTIVITIES:			
Employer contributions	144,799	92,684	237,483
Employee contributions	580,307	389,007	969,314
Rollover contributions	---	---	---
Transfers in from other funds	---	95,953	95,953
Total additions (deductions) attributed to contribution activities	725,106	577,644	1,302,750
DEDUCTIONS FROM NET ASSETS:			
Participant withdrawals	497,141	312,408	809,549
Transfers out to other funds	95,953	---	95,953
Total deduction from net assets	593,094	312,408	905,502
NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	216,060	471,835	687,895
NET ASSETS AVAILABLE FOR BENEFITS:			
Beginning of period	1,365,053	929,651	2,294,704
End of period	$1,581,113	$1,401,486	$2,982,599

Total number of units of participation	1,063,335	754,438
Net asset value per unit	$1.487	$1.858

5. Priorities upon termination of the plan

The Company expects and intends to continue the Plan indefinitely, but reserves the right under the Plan to discontinue its contributions at any time and to amend or terminate the Plan. In the event of termination, participants will be 100% vested in their accounts.

6. Administrative costs

Professional and administrative fees and other expenses of the Plan are paid by the Company. Personnel and facilities of the Company are used by the Plan for its accounting and other activities at no charge to the Plan. The Company, at any time, may elect to have all such expenses paid by the Plan.

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7. Tax status

The Plan obtained its latest determination letter on July 30, 1991, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. However, the plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

8. Forfeitures

During the years ended December 31, 1994 and 1993, forfeitures of approximately $36,360 and $52,017, respectively, were allocated to reduce Company contributions.

9. Participant withdrawals payable

As of December 31, 1994 and 1993, there were unprocessed distribution requests of $227,597 and $212,051, respectively. These amounts have not been recorded in the Plan's financial statements but are included as a liability and benefit payments in the Plan's Form 5500 Annual Return/Report of Employee Benefit Plan for the applicable Plan year.

ANNTAYLOR, INC. SAVINGS PLAN

ITEM 27a - SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES
AT DECEMBER 31, 1994

Party in Interest (a)	(b) Identity of Party	(c) Description of Investment	(d) Cost	(e) Current Value
No	Fidelity Magellan Fund	24,248 shares	$1,664,646	$1,619,821
No	Fidelity Open End Portfolio	1,797,226 shares	1,797,226	1,797,226
No	Fidelity Puritan Fund	1,549 shares	23,410	22,937
No	Galaxy Money Market Fund	26,437 shares	26,437	26,437
Yes	AnnTaylor Stores Corporation Common Stock	423 shares	16,728	14,541
			$3,528,447	$3,480,962

Employer Identification Number: 51-0297083
Plan Number: 001

ANNTAYLOR, INC. SAVINGS PLAN

Item 27d - schedule of reportable transactions for the year ended
december 31, 1994

Identity of Party (a)	Fidelity Investments		
Description of Asset (b)	Galaxy Money Market Fund (Single Transaction)	Fidelity Magellan Fund (Series of Transactions)	Fidelity Open End Portfolio (Series of Transactions)
Purchase Price(c)	$1,032,923	$ 716,032	$ 733,329
Selling Price (d)	$1,032,202	292,045	477,303
Lease Rental (e)	---	---	---
Expenses incurred with			

transaction (f)	---	---	---
Cost of Asset (g)	$1,032,202	290,860	477,303
Current Value of Asset on Transaction Date (h)	$1,032,202	$ 292,845	$ 477,303
Net Gain (i)	---	1,985	---

Employer Identification Number: 51-0297083
Plan Number: 001

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SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the Investment Committee has duly caused this Annual Report to be signed on its behalf by the undesigned hereunto duly authorized.

AnnTaylor, Inc. Savings Plan

By: /s/ Walter J. Parks

Walter J. Parks
Senior Vice President - Finance

April 27, 1995

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<ARTICLE> 5
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THIS SCHEDULE CONATINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND CONDENSED CONSOLIDATED
BALANCE SHEETS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL
STATEMENTS.
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