

[LOGO]
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD JUNE 1, 1994

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of AnnTaylor Stores Corporation, a Delaware corporation (the "Company"), will be held at 2:00 p.m. on Wednesday, June 1, 1994, at The Plaza Hotel, New York, New York, for the following purposes:

1. To elect three Class III Directors of the Company, each to serve for a term of three years;
2. To approve the amendment and restatement of the Company's 1992 Stock Option Plan;
3. To approve the Company's amended and restated Management Performance Compensation Plan;
4. To ratify the appointment of Deloitte & Touche as the Company's independent accountants for fiscal year 1994; and
5. To transact such other business as may properly come before the meeting and any adjournments or postponements thereof.

Only stockholders of record at the close of business on April 5, 1994 are entitled to notice of and to vote at the Annual Meeting and at any and all adjournments or postponements thereof. A list of stockholders entitled to vote at the meeting will be available for inspection at the office of the Secretary of the Company, 142 West 57th Street, New York, New York, for at least ten days prior to the meeting, and will also be available for inspection at the meeting.

By Order of the Board of Directors,
Jocelyn F.L. Barandiaran, Secretary

New York, New York
April 25, 1994

YOUR VOTE IS IMPORTANT

EACH STOCKHOLDER IS URGED TO COMPLETE, SIGN, DATE AND MAIL PROMPTLY THE ENCLOSED PROXY TO THE COMPANY IN THE ENCLOSED ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. RETURNING A SIGNED PROXY WILL NOT PREVENT YOU FROM ATTENDING THE MEETING AND VOTING IN PERSON, IF YOU SO DESIRE.

[LOGO]
ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD JUNE 1, 1994
PROXY STATEMENT

This Proxy Statement is being furnished to the stockholders of AnnTaylor Stores Corporation, a Delaware corporation (the "Company"), in connection with the solicitation of proxies by the Board of Directors of the Company for use at the Annual Meeting of Stockholders of the Company, to be held at 2:00 p.m. on Wednesday, June 1, 1994, at The Plaza Hotel, New York, New York, and at any and all adjournments or postponements thereof. At the Annual Meeting, the stockholders of the Company are being asked to consider and vote upon (i) the election of three Class III Directors, each to serve for a term of three years; (ii) a proposal to approve the amendment and restatement of the Company's 1992 Stock Option Plan; (iii) a proposal to approve the Company's amended and restated Management Performance Compensation Plan; and (iv) a proposal to ratify the appointment of the Company's independent accountants for fiscal year 1994.

This Proxy Statement and the enclosed form of proxy are first being mailed to stockholders of the Company on or about April 25, 1994.

VOTING RIGHTS AND SOLICITATION OF PROXIES

Only holders of record of the Company's common stock, par value \$.0068 per share ("Common Stock"), at the close of business on April 5, 1994 (the "Record

Date") are entitled to notice of and to vote at the Annual Meeting. At the close of business on the Record Date, there were 21,899,744 shares of Common Stock outstanding. The presence, either in person or by proxy, of the holders of a majority of the shares of Common Stock outstanding on the Record Date is necessary to constitute a quorum at the Annual Meeting. All abstentions and broker non-votes will be included as shares that are present and entitled to vote for purposes of determining the presence of a quorum at the meeting.

Each stockholder will be entitled to one vote per share, in person or by proxy, for each share of Common Stock held in such stockholder's name as of the Record Date on any matter submitted to a vote of stockholders at the Annual Meeting. The election of the Class III Directors will require the affirmative vote of a plurality of the shares of Common Stock represented and voting in person or by proxy and entitled to vote at the Annual Meeting. Approval of the amendment and restatement of the Company's 1992 Stock Option Plan, approval of the Company's amended and restated Management Performance Compensation Plan and ratification of the appointment of the Company's independent accountants for the Company's 1994 fiscal year will require the affirmative vote of a majority of the shares of Common Stock represented in person or by proxy and entitled to vote at the Annual Meeting. In determining whether a proposal submitted to a vote of stockholders has received the requisite number of affirmative votes, abstentions and broker non-votes will be counted and will have the same effect as a vote against the proposal, except that (i) abstentions and broker non-votes will not be counted as votes cast in connection with determining the plurality required to elect a director and will have no effect on the outcome of that vote and (ii) broker non-votes will not be counted as votes cast with respect to any

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proposal as to which the broker does not have discretionary authority and has not received voting instructions from the beneficial owners and will have no effect on the outcome of that vote.

Shares of Common Stock represented by properly executed proxies received in time for voting at the Annual Meeting will, unless such proxy has previously been revoked, be voted in accordance with the instructions indicated thereon. In the absence of specific instructions to the contrary, the persons named in the accompanying form of proxy intend to vote all properly executed proxies received by them (i) FOR the election of the Board of Director's nominees as Class III Directors, (ii) FOR the approval of the amendment and restatement of the Company's 1992 Stock Option Plan, (iii) FOR the approval of the Company's amended and restated Management Performance Compensation Plan, and (iv) FOR the ratification of Deloitte & Touche as the Company's independent accountants for the Company's 1994 fiscal year. No business other than as set forth in the accompanying Notice of Annual Meeting is expected to come before the Annual Meeting, but should any other matter requiring a vote of stockholders be properly brought before the Annual Meeting, it is the intention of the persons named in the enclosed form of proxy to vote such proxy in accordance with their best judgment on such matters. For information with respect to advance notice requirements applicable to stockholders who wish to propose any matter for consideration or nominate any person for election as a director at an annual meeting, see "Stockholder Proposals for 1995 Annual Meeting".

Affiliates of Merrill Lynch & Co. ("ML&Co.") who, as of the Record Date, held of record approximately 52.3% of the outstanding shares of Common Stock, have advised the Company that they intend to vote all such shares in favor of each of the proposals on the meeting's agenda. As a result of the voting power of such affiliates of ML&Co., the director nominees are assured election and the proposals relating to the amendment of the Company's 1992 Stock Option Plan, the approval of the Company's amended and restated Management Performance Compensation Plan and the ratification of the appointment of the independent accountants are assured passage, without the affirmative vote of any other stockholders.

Under applicable Delaware law, none of the holders of Common Stock is entitled to appraisal rights in connection with any proposal to be acted on at the Annual Meeting.

Execution of the enclosed proxy will not prevent a stockholder from attending the Annual Meeting and voting in person. Any proxy may be revoked at any time prior to the exercise thereof by delivering in a timely manner a written revocation or a new proxy bearing a later date to the Secretary of the Company, 142 West 57th Street, New York, New York 10019, or by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not, however, in and of itself constitute a revocation of a proxy.

This solicitation is being made by the Company. The cost of this solicitation will be borne by the Company. Solicitation will be made by mail, and may be made personally or by telephone by officers and other employees of the Company who will not receive additional compensation for solicitation.

The principal executive offices of the Company are located at 142 West 57th Street, New York, New York 10019.

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PROPOSAL 1
ELECTION OF CLASS III DIRECTORS

The Board of Directors of the Company is divided into three classes, designated Class I, Class II and Class III, serving staggered three-year terms. The Company's Certificate of Incorporation requires that such classes be as nearly equal in number of directors as possible. The terms of the Company's three current Class III Directors, Gerald S. Armstrong, Paul E. Francis and Hanne M. Merriman, expire at the Annual Meeting.

At the Annual Meeting, three Class III Directors are to be elected to serve three-year terms ending in 1997 or until their respective successors are elected and qualified or their earlier death, resignation or removal. Each of the three nominees presently serves as a Class III Director. Each of the three nominees has consented to serve as a Director if elected at the Annual Meeting and, to the best knowledge of the Board of Directors, each of such nominees is and will be able to serve if so elected. In the event that any of the nominees listed below should be unavailable to stand for election before the Annual Meeting, the persons named in the accompanying proxy intend to vote for such other person, if any, as may be designated by the Board of Directors, in the place of any nominee unable to serve.

The Board of Directors recommends that stockholders vote "FOR" the Company's nominees as Class III Directors.

Set forth below is a brief biography of each nominee for election as a Class III Director and of all other members of the Board of Directors who will continue in office.

NOMINEES FOR ELECTION AS CLASS III DIRECTORS
TERM EXPIRING IN 1997

GERALD S. ARMSTRONG, AGE 50. Mr. Armstrong has been a Director of the Company and AnnTaylor, Inc. ("Ann Taylor") since consummation of the acquisition of Ann Taylor by the Company in February 1989 (the "Acquisition"). He joined Merrill Lynch Capital Partners, Inc. ("ML Capital Partners") as an executive vice president in November 1988. He has been a partner in ML Capital Partners since May 1993 and a managing director of the Investment Banking Division of ML&Co. since November 1988. Mr. Armstrong is also a director of First USA, Inc., London Fog Corporation, Simmons Company, Beatrice Foods, Inc., Blue Bird Corporation, World Color Press, Inc. and Wherehouse Entertainment, Inc.

PAUL E. FRANCIS, AGE 39. Mr. Francis has been Executive Vice President--Finance and Administration of the Company and Ann Taylor since April 1993, and has been 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.

HANNE M. MERRIMAN, AGE 52. 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

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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. Previously, Ms. Merriman served in various capacities at Garfinckel's, a department store chain and a division of Allied Stores Corporation, including as president of Garfinckel's from June 1981 to August 1987. Ms. Merriman was a member of the board of directors of the Federal Reserve Bank of Richmond, Virginia from 1984 to 1990, and served as its chairman from December 1989 to December 1990. Ms. Merriman is also a director of

USAir Group, Inc., CIPSCO, Inc., Central Illinois Public Service Company, State Farm Mutual Automobile Insurance Company and The Rouse Company. She is a member of the National Women's Forum and a trustee of the American-Scandinavian Foundation.

INCUMBENT CLASS I DIRECTORS
TERM EXPIRING 1995

ROCHELLE B. LAZARUS, AGE 46. 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, having served as President of its New York office from June 1991 to April 1994. Ms. Lazarus was at Ogilvy & Mather Direct from 1987 to 1991, serving as president for the last two of those years.

ROBERT C. GRAYSON, AGE 49. Mr. Grayson has been a Director of the Company and Ann Taylor since April 1992. He has been president of Robert C. Grayson & Associates, Inc., a retail marketing consulting firm, since February 1992. 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.

INCUMBENT CLASS II DIRECTORS
TERM EXPIRING 1996

SALLY FRAME KASAKS, AGE 49. 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 November 1985 to September 1988, Ms. Kasaks was president of The Talbots Stores, a specialty women's apparel retailer. For the six years before 1985, she served in various capacities at Ann Taylor, the last two of those years as president.

JAMES J. BURKE, JR., AGE 42. Mr. Burke has been a Director of the Company and Ann Taylor since consummation of the Acquisition in February 1989. He joined ML Capital Partners as president and chief executive officer in January 1987. He has been managing partner of ML Capital Partners since May 1993, a first vice president of Merrill Lynch, Pierce, Fenner & Smith ("Merrill Lynch") since July 1988 and a managing director of the Investment Banking Division of ML&Co. since April 1985. Mr. Burke is also a director of Amstar Corporation, Borg-Warner Security Corporation, London Fog Corporation, Supermarkets General Holdings Corporation, Pathmark Stores, Inc., United Artists Theater Circuit, Inc., Wherehouse Entertainment, Inc. and World Color Press, Inc.

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BOARD OF DIRECTORS MEETINGS AND COMMITTEES

The Company's Board of Directors held seven meetings in fiscal 1993. Each Director attended more than 75% of the total number of Board meetings and meetings of Board committees on which such Director served. The Board of Directors has established standing Audit and Compensation Committees. There is no standing Nominating Committee. The membership and functions of the committees of the Board of Directors are as follows:

AUDIT COMMITTEE: The principal functions of the Audit Committee include recommending independent accountants; conferring with the Company's independent accountants regarding the scope and results of their audit of the Company; reviewing the fees of the Company's independent accountants and other terms of their engagement; conferring with the Company's internal auditors regarding planned audit activities and results of their audits; and reviewing the adequacy of internal accounting controls and the results of fiscal policies and financial management of the Company. The Audit Committee held two meetings in fiscal 1993. The current members of the Audit Committee are Mr. Grayson and Ms. Lazarus.

COMPENSATION COMMITTEE: The principal functions of the Compensation Committee are to review and make recommendations regarding the compensation of the executive officers of the Company and to administer the Company's benefit plans, including its stock option plans and Management Performance Compensation Plan. The Compensation Committee held five meetings in fiscal 1993. The current members of the Compensation Committee are Mr. Armstrong, Mr. Burke, Ms. Lazarus and Ms. Merriman.

COMPENSATION OF DIRECTORS AND RELATED MATTERS

Directors who are employees of the Company or ML Capital Partners or their affiliates do not receive any compensation for serving on the Board of Directors of either the Company or Ann Taylor. Directors who are not employees of the Company or affiliates of ML Capital Partners receive \$20,000 in compensation annually, plus \$750 for each meeting attended.

Mr. Armstrong and Mr. Burke are, and until April 1993 Mr. Francis was, employed by ML Capital Partners, a wholly owned subsidiary of ML&Co. Mr. Armstrong and Mr. Burke serve, and until April 1993 Mr. Francis served, on the Boards of Directors of the Company and Ann Taylor as representatives of two indirect wholly owned subsidiaries of ML&Co. and certain limited partnerships controlled directly or indirectly by ML Capital Partners or ML&Co. and certain affiliates of ML&Co. (the "ML Entities").

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 term of the engagement runs through July 1994 and requires payment by Ann Taylor to RCG Associates of \$8,000 per month through January 1994, and \$4,000 per month for the period from February 1994 to July 1994. For fiscal 1993, RCG Associates received aggregate fees of \$96,000 pursuant to this engagement.

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 those persons who were, for the fiscal year ended January 29, 1994, the Chief Executive Officer and the four other most highly compensated executive officers or former executive officers of the Company and Ann Taylor. Neither Ms. Kasaks nor Ms. Weiss was employed by the Company in fiscal year 1991, and neither Mr. Francis nor Mr. Gromek was employed by the Company in fiscal years 1991 or 1992; accordingly, no information is set forth in the table with respect to these officers for those years.

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TABLE I
SUMMARY OF COMPENSATION TO CERTAIN EXECUTIVE OFFICERS

NAME AND PRINCIPAL POSITION	FISCAL YEAR	ANNUAL COMPENSATION			LONG-TERM COMPENSATION	
		SALARY (\$)	BONUS (\$ (A))	OTHER ANNUAL COMPENSATION (\$)	RESTRICTED STOCK (\$)	AWARDS OF OPTIONS (#)
Sally Frame Kasaks.....	1993	\$ 650,000	\$ 243,750	--	--	30,000
Chairman and Chief Executive Officer	1992	\$ 600,000	\$ 150,000	--	\$1,327,500 (c)	200,000
	1991	--	--	--	--	--
Paul E. Francis.....	1993	\$ 262,292	\$ 80,167	--	--	70,000
Executive Vice President--Finance and Administration	1992	--	--	--	--	--
	1991	--	--	--	--	--
Joseph R. Gromek.....	1993	\$ 282,468	\$ 64,750	\$ 1,826 (d)	--	30,000
Senior Vice President, General Merchandise Manager	1992	--	--	--	--	--
	1991	--	--	--	--	--
Andrea M. Weiss.....	1993	\$ 234,600	\$ 50,625	--	--	15,000
Senior Vice President, Director of Stores	1992	\$ 120,569	\$ 35,000	\$ 15,576 (e)	--	25,000
	1991	--	--	--	--	--
Bert A. Tieben.....	1993	\$ 279,000	\$ 52,313	--	--	10,000
Senior Vice President--Finance(f)	1992	\$ 279,000	--	--	--	15,000
	1991	\$ 274,000	--	--	--	--
Joseph J. Schumm.....	1993	\$ 309,000	\$ 61,800	--	--	15,000
President(g)	1992	\$ 309,000	\$ 75,000	--	--	25,000
	1991	\$ 209,000	--	--	--	1,470

NAME AND PRINCIPAL POSITION	ALL OTHER COMPENSATION (\$ (B))
Sally Frame Kasaks.....	\$ 7,755
Chairman and Chief Executive Officer	\$ 3,077
Paul E. Francis.....	--
Executive Vice President--Finance and Administration	--
Joseph R. Gromek.....	\$ 1,188
Senior Vice President, General Merchandise Manager	--
Andrea M. Weiss.....	\$ 1,318
Senior Vice President, Director of Stores	\$ 180
Bert A. Tieben.....	\$ 4,293
Senior Vice President--Finance(f)	\$ 2,486
	\$ 2,408
Joseph J. Schumm.....	\$ 966
President(g)	\$ 3,499

- (a) Bonus awards indicated for 1993 were paid pursuant to the Company's Management Performance Compensation Plan. Bonus amounts indicated for 1992 represent guaranteed bonus amounts paid to Ms. Kasaks pursuant to her Employment Agreement (see "Employment and Consultant Agreements" below), to Ms. Weiss in accordance with the terms of her compensation arrangement upon hire by the Company, and to Mr. Schumm at the discretion of the Board of Directors.
- (b) Represents the amount of contributions made by the Company to its 401(k) Savings Plan (for Ms. Kasaks \$4,350 in 1993; for Ms. Weiss \$875 in 1993; for Mr. Schumm, \$966 in 1993, \$1,817 in 1992 and \$1,490 in 1991; and for Mr. Tieben \$3,538 in 1993, \$1,732 in 1992 and \$1,667 in 1991), 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 Employment Agreement, Ms. Kasaks was awarded 60,000 shares of restricted stock, of which 15,000 shares vested upon hiring, 15,000 shares vested at the end of each of fiscal years 1992 and 1993, and 15,000 shares vest at the end of fiscal year 1994, provided that Ms. Kasaks continues in the employ of the Company, and provided further that upon a sale of the Company, all restricted shares automatically vest. 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. 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. The aggregate value of Ms. Kasaks' restricted stockholdings on January 28, 1994, based on the closing market price of the Common Stock on the New York Stock Exchange on that date of \$21.875, was \$1,312,500.
- (d) Represents reimbursement of moving expenses.
- (e) Represents \$11,627 for living expenses and \$3,949 reimbursement for the payment of taxes.
- (f) Mr. Tieben resigned from this position effective February 4, 1994 and presently is serving as a consultant to the Company (see "Employment and Consultant Agreements" below).
- (g) Mr. Schumm resigned from this position effective April 6, 1993 and served as a consultant to the Company through April 6, 1994 (see "Employment and Consultant Agreements" below). Mr. Schumm served as President and Chief Operating Officer of the Company and Ann Taylor from February 1992 to April 1993. During fiscal year 1991, Mr. Schumm served as Executive Vice President--Administration, General Counsel and Secretary of the Company and Ann Taylor.

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The following table sets forth certain information with respect to stock options awarded during fiscal year 1993 to the executive officers and former executive officers named in Table I above. These option grants are also reflected in Table I. In accordance with Securities and Exchange Commission ("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 1993

NAME	# OF OPTIONS GRANTED (A)	% OF TOTAL # OF OPTIONS GRANTED TO EMPLOYEES IN FISCAL 1993	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.....	30,000	10.75%	\$ 20.00	2/26/03	\$ 377,400	\$ 956,100
Paul E. Francis.....	30,000	10.75%	\$ 18.125	4/06/03	\$ 341,850	\$ 866,550
	40,000	14.34%	\$ 26.00	4/06/03	\$ 140,800	\$ 840,400
Joseph R. Gromek.....	30,000	10.75%	\$ 18.125	4/06/03	\$ 341,850	\$ 866,550
Andrea M. Weiss.....	15,000	5.38%	\$ 20.00	2/26/03	\$ 188,700	\$ 478,050
Bert A. Tieben.....	10,000	3.58%	\$ 20.00	2/26/03(c)	\$ 125,800	\$ 318,700
Joseph J. Schumm.....	15,000	5.38%	\$ 20.00	2/26/03(c)	\$ 188,700	\$ 478,050

- (a) Options vest and are exercisable 20% upon grant and 20% on each anniversary of the grant, provided that the executive continues in the employ of the Company, and provided further that, upon the occurrence of certain change in control transactions (defined under the Company's 1992 Stock Option Plan as "Acceleration Events"), all such options will become vested. Pursuant to the respective agreements entered into in connection with the resignation of each of Mr. Tieben and Mr. Schumm from the Company, Mr. Tieben's options became 100% vested on February 4, 1994 and Mr. Schumm's options became 100% vested on April 6, 1993. See "Employment and Consultant Agreements" below.
- (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) Expiration date shown is the original expiration date of these options. As a result of Mr. Tieben's and Mr. Schumm's resignations from the Company on February 4, 1994 and April 6, 1993, respectively, the options shown for Mr. Tieben will expire on May 4, 1994 and the options shown for Mr. Schumm expired on July 6, 1993.

The following table shows the number and value of stock options exercised by each of the executive officers and former executive officers named in Table I during fiscal year 1993, the number of all vested (exercisable) and unvested (not yet exercisable) stock options held by each such officer at the end of fiscal year 1993, 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 1993.

TABLE III
AGGREGATE OPTION EXERCISES IN FISCAL YEAR 1993 AND
FISCAL YEAR END OPTION VALUES

NAME	# OF SHARES ACQUIRED ON		NUMBER OF UNEXERCISED OPTIONS AT END OF FISCAL		\$ VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS	
	EXERCISE	\$ VALUE REALIZED	EXERCISABLE/UNEXERCISABLE	1993	AT END OF FISCAL 1993	EXERCISABLE/UNEXERCISABLE (A)
Sally Frame Kasaks.....	--	--	156,000/74,000		\$11,250/\$45,000	
Paul E. Francis.....	--	--	14,000/56,000		\$22,500/\$90,000	
Joseph R. Gromek.....	--	--	6,000/24,000		\$22,500/\$90,000	
Andrea M. Weiss.....	--	--	13,000/27,000		\$5,625/\$22,500	
Bert A. Tieben.....	40,000	\$ 873,000	19,469/17,000		\$176,645/\$15,000	
Joseph J. Schumm.....	15,000	\$ 39,375	70,586/ --		\$1,041,939/ --	

(a) Calculated based on the closing market price of the Common Stock of \$21.875 on January 28, 1994, the last trading day in fiscal year 1993, less the amount required to be paid upon exercise of the option.

1989 PENSION PLAN. Ann Taylor adopted, as of July 1, 1989, a defined benefit retirement plan for the benefit of 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 Internal Revenue Code of 1986, as amended (the "Code"). An account balance is established for each participant, that 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 1, 1989 (including service with Allied Stores Corporation prior the closing date of the Acquisition of Ann Taylor by the Company) for purposes of vesting and determining the percentage of compensation that will be credited to their accounts.

As of January 29, 1994, the credited years of service under the Pension Plan for Ms. Kasaks was 0.75 years, for Ms. Weiss was 0.25 years, for Mr. Tieben was 4.5 years and for Mr. Schumm (as of the date of his resignation) was 3.0 years. Neither Mr. Francis nor Mr. Gromek were plan participants during fiscal year 1993. 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 1993, assuming retirement as of December 31, 1993, the commencement of payments at age 65 and annual interest at the rate of 7%, is as follows: Ms. Kasaks \$70, Ms. Weiss \$52, and Mr.

Tieben \$1,565. These benefits would not be subject to any deduction for social security benefits or other offset amounts. Mr. Schumm was not vested in benefits under the Pension Plan as of his separation date and therefore is not entitled to retirement benefits under the plan.

EMPLOYMENT AND CONSULTANT AGREEMENTS. Effective February 3, 1992, the Company and Ms. Sally Frame Kasaks entered into an employment agreement (the "Employment Agreement") providing for Ms. Kasaks' employment as Chairman of the Board and Chief Executive Officer of the Company for a term of three years. Under the terms of the Employment Agreement, Ms. Kasaks is entitled to annual

base salary of a minimum of \$600,000 as well as certain other benefits. The Employment Agreement provides for an annual bonus of up to 50% of her annual salary based upon performance standards to be established annually, with a minimum bonus of \$150,000 in 1992 and \$75,000 in 1993. Pursuant to the Employment Agreement, on February 3, 1992 the Company issued to Ms. Kasaks 60,000 shares of restricted Common Stock, of which 15,000 shares vested upon grant, 15,000 shares vested at the end of each of fiscal years 1992 and 1993, and 15,000 shares vest at the end of fiscal 1994. The Employment Agreement also provides for the issuance to Ms. Kasaks of options to purchase 100,000 shares of Common Stock at an exercise price per share of \$22.125 (the fair market value as of the effective date of the Employment Agreement) and options to purchase 100,000 shares of Common Stock at an exercise price per share of \$26. One-quarter of each set of options vested at issuance, an additional 25% vested at the end of each of fiscal 1992 and 1993, and the remaining 25% vest at the end of fiscal 1994.

The Employment Agreement provides that if the Company is sold, Ms. Kasaks will be entitled to severance benefits in the form of a lump sum payment equal to 24 months' salary. In addition, if the Company is sold, all of Ms. Kasaks' shares of restricted Common Stock and options to purchase Common Stock granted under the Employment Agreement will become fully vested. If Ms. Kasaks is terminated without cause, she will be entitled to severance benefits in the form of a lump sum payment equal to the lesser of 24 months' salary or the salary payable for the remaining term of the Employment Agreement.

In connection with Mr. Joseph J. Schumm's resignation on April 6, 1993, the Company, Ann Taylor and Mr. Schumm entered into a Consulting and Severance Agreement, pursuant to which Mr. Schumm served as a consultant to the Company and Ann Taylor for one year. Pursuant to the agreement, Mr. Schumm received one year of severance compensation, at his base salary in effect at the time of resignation, plus a cash payment in an amount equal to the amount to which he would have been entitled under the Company's Management Performance Compensation Plan for the spring 1993 season if he had continued as an executive officer of the Company. In addition, all stock options held by Mr. Schumm under the Company's 1989 and 1992 Stock Option Plans became fully vested, and the expiration of all options held by him under the Company's 1989 Stock Option Plan was extended to the tenth anniversary of the respective date of grant of those options, in accordance with the original terms of those options.

In connection with Mr. Bert A. Tieben's resignation on February 4, 1994, the Company, Ann Taylor and Mr. Tieben entered into a Consulting and Severance Agreement, pursuant to which Mr. Tieben is serving as a consultant to the Company and Ann Taylor for up to one year. Pursuant to the agreement, Mr. Tieben will receive up to one year of severance compensation, at his base salary in effect at the time of resignation, plus a cash payment in an amount equal to the amount to which he would have been entitled under the Company's Management Performance Compensation Plan for the fall 1993 season if he had continued as an executive officer of the Company. In addition, all stock options held by Mr. Tieben under the Company's 1989 and 1992 Stock Option Plans became fully vested on February 4, 1994.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Company's executive compensation policy, which is endorsed by the Compensation Committee of the Board of Directors and by the full Board of Directors, is designed to attract and retain highly motivated, results-oriented executives of experience and ability, by basing executives' compensation, in significant part, on the growth and profitability of the Company. There are two principal components to executive compensation: (i) cash compensation, consisting of both a base salary and a variable performance-based portion that is dependent upon short-term Company operating profits, and (ii) stock option grants, the value of which is dependent upon the long-term performance of the Company. The Committee believes that this compensation structure provides executives with incentive to remain with the Company and to direct their efforts towards building the long-term profitability of the Company and the value of its stock.

The Company may also make grants of shares of restricted stock when deemed necessary in order to attract key executive officers, as was the case in connection with the hiring of the Company's Chief Executive Officer, or to provide an incentive to, or reward outstanding performance by, junior level management associates, when it believes these grants will be more effective incentive tools than stock option grants.

In determining executive compensation, consideration is given to, among other things, the individual executive's experience and historical and anticipated contribution to the Company. Consideration is also given to the amount and forms of compensation paid to like executives by other companies in the Company's industry, including the companies that comprise the Dow Jones Specialty Apparel Retailers Index, to the extent that such information is available. No specific weight is given to any of these considerations.

ANNUAL CASH COMPENSATION

An executive's total annual cash compensation is intended to compensate the executive fairly. In the view of the Company, "fair" compensation is generally at the middle to upper end of the range for the industry, taking into consideration the individual executive's experience and historical and expected contribution to the Company. In assembling its executive team over the past two years, the Company has found that, in order to induce qualified executives to leave their prior employers, in many instances it has had to offer annual cash compensation (base plus performance compensation) that is at the upper end of the industry range.

The executive's base salary is set at an amount that is less than the executive's targeted "fair" compensation level; in order to attain the targeted compensation level, the executive is dependent upon earning the variable, performance-based component of cash compensation. If the Company achieves its financial objectives, the performance compensation is paid and, when added to the executive's base compensation, should result in the executive achieving his or her targeted "fair" compensation level. If the Company performs exceptionally well, the executive's contribution to this performance would also be reflected by a greater performance compensation payment. Similarly, failure of the Company to reach its objectives would result in the executive's performance compensation, and thus their total cash compensation, being less than the targeted level.

Consistent with this philosophy, since the variable component of cash compensation is an integral part of an executive's compensation and is necessary in order for the executive to achieve the targeted

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"fair" remuneration, the Company and the Committee refer to this variable component not as a "bonus" but as "performance compensation".

The performance-based, variable component of cash compensation is paid pursuant to the Company's Management Performance Compensation Plan (the "Performance Compensation Plan"), which was adopted by the Board of Directors in August 1992. Under the Performance Compensation Plan, each spring and fall season, the Compensation Committee establishes a target operating profit level for the six-month season, and the percentage of base salary that each executive would be eligible to receive, as performance-based compensation, if the profit objective is met. Each executive's performance compensation percentage is determined by the Committee, in consultation with management and the other members of the Board, based on their judgment of the extent to which the individual executive's performance could affect overall Company results. Thus, the percentage of senior executives' targeted cash compensation that consists of performance-based compensation is significantly greater than the percentage of junior executives' compensation that is performance-based.

The Committee believes that this cash compensation strategy provides executives with a balance between compensation security and appropriate incentives to use his or her best efforts to cause the Company to achieve and exceed its profit objectives.

LONG TERM INCENTIVE COMPENSATION

The other principal component of executives' compensation is stock options, which are intended as a tool to attract, provide incentive to and retain those executives and senior management-level associates who make the greatest contribution to the business, and who can have the greatest effect on the long-term profitability of the Company. The exercise price of stock options is set at a price equal to or greater than the market price of the Common Stock at the time of the grant. The options therefore do not have any value to the executive unless the market price of the Common Stock rises. The Committee believes that these stock options more closely align the executives' interests with those of its stockholders, and focus management on building profitability and long-term stockholder value.

Stock options are often awarded as part of an individualized compensation package developed for a newly hired executive. The Compensation Committee also believes it is appropriate to make periodic grants of stock options, approximately annually, in order to provide continuing incentives to management and to remain competitive with industry peers and leaders. In making periodic stock option grants to executives, the Committee also considers the amount of stock options previously granted to them.

The Committee believes that, in certain cases, grants of restricted stock provide a more effective incentive tool than grants of stock options. Restricted stock awards are intended principally for junior level management, in recognition of past performance and to encourage continued contributions to the Company. In March 1994, the Board of Directors adopted certain amendments to the Company's 1992 Stock Option Plan to implement a formal restricted stock program. These amendments require stockholder approval in order to be effective. (See "Compensation Initiatives for 1994" below, and Proposal 2.)

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ANALYSIS OF 1993 COMPENSATION OF CHIEF EXECUTIVE OFFICER

The Committee believes that, during her first two years as Chairman and Chief Executive Officer of the Company, Sally Frame Kasaks has developed a cogent strategy to support the growth and improve the profitability of the Company's business, aimed at enhancing the perception of Ann Taylor as a national brand and capitalizing on the strength of that brand through the introduction of product extensions and new channels of distribution. The Committee further believes that, during her first two years, Ms. Kasaks has made significant progress in implementing this strategy, as well as in restructuring the Company's internal organization and in assembling an experienced executive team to support and execute this strategy. The Committee viewed Ms. Kasaks' first year in office as principally a transitional year. The Committee expected that strategies implemented by Ms. Kasaks in that year would result in improved sales and earnings in 1993 and, in determining Ms. Kasaks' 1993 compensation, the Committee believed it was appropriate for Ms. Kasaks' compensation to be enhanced to share in those earnings. In fact, in the two years that Ms. Kasaks has been Chairman and Chief Executive Officer of Ann Taylor, net income before extraordinary items and special charges has increased dramatically, from \$0.05 per share for fiscal 1991 to \$0.39 per share in fiscal 1992, and to \$0.71 per share for fiscal 1993.

For fiscal year 1993, the Compensation Committee recommended, and Ms. Kasaks received, an increase in Ms. Kasaks' annual base compensation from \$600,000 to \$650,000. For the performance-based portion of her cash compensation, the Committee assigned Ms. Kasaks a performance compensation percentage of 25% of her annual base salary under the Performance Compensation Plan for each of the spring and fall seasons (or 50% for the full year). Although operating income before goodwill and special charges improved 16.4% from 1992 to 1993, this was lower than the targeted operating income levels established by the Committee under the Plan for 1993. This resulted in payment of the performance-based component of executive compensation, including that of Ms. Kasaks, at a rate that was less than the target level. For fiscal 1993, Ms. Kasaks was also awarded stock options to purchase 30,000 shares of Common Stock under the Company's 1992 Stock Option Plan.

Ms. Merriman did not become a member of the Compensation Committee until January 1994, and therefore did not participate in the determination of Ms. Kasaks' 1993 compensation.

COMPENSATION INITIATIVES FOR 1994

In fall 1993, the Company and the Board of Directors engaged an independent national compensation consultant to supplement the Company's and the Compensation Committee's efforts in reviewing the Company's executive compensation structure and comparing it with that of other companies in the women's apparel and specialty retail industries, and to provide advice regarding compensation for the Company's senior executives.

Virtually all of the Company's senior executives were recruited and joined the Company within the last two years. Many of these executives were recruited

from companies that are among the leaders in their industries and have significantly greater resources than Ann Taylor. The Company believes that the success of its growth strategy depends, in part, on retention and motivation of this executive talent. The Committee believes that as the success of current management's business strategies becomes more evident, the risk that competitors may attempt to recruit the Company's executives increases. It is therefore essential that the Company's compensation structure be competitive with leading members of the industry and provide senior executives with adequate incentive to remain with the business.

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The Compensation Committee concluded that current executive cash compensation levels are consistent with these objectives, but that executives' equity interest and long term incentive compensation (stock options) were not equivalent with industry levels. After consultation with its independent compensation consultant, in February 1994 the Committee awarded stock option grants under the Company's 1992 Stock Option Plan to a group of 30 senior executives, including Ms. Kasaks. The total number of options granted to these executives was 676,500. The exercise price of the options is \$25.375, the fair market value of the Common Stock as of the close of business on the day prior to the day on which the grants were made. These option grants were made contingent upon the approval by the Company's stockholders of an increase in the number of shares of Common Stock available for issuance upon the exercise of stock options under the option plan. (See Proposal 2.)

One-third of the options granted to each executive in February 1994 are "time-vesting" options, which become exercisable 25% on each of the first through fourth anniversaries of the date of grant. These time-vesting options were in an amount and on terms generally consistent with prior annual grants made to executives, except that the vesting schedule for these options is more restrictive, in that prior option grants become exercisable 20% upon grant and 20% on each of the first through fourth anniversaries of those grants.

The remaining two-thirds of the options granted to each executive in February 1994 are "performance-vesting" options, which become fully exercisable prior to the fifth anniversary of the date of grant only if the price of the Company's Common Stock on the New York Stock Exchange reaches at least \$50.75 (double the price of the Common Stock at the time of grant) or aggregate consolidated net income before extraordinary items for four consecutive quarters equals at least \$2.13 per share (triple the Company's 1993 net income before extraordinary items and before the \$.05 per share effect of a special restructuring charge taken in 1993). If each of these targets were achieved in the fifth year, they would represent an average annual rate of increase in the Company's stock price and net income before extraordinary items of 15% and 25%, respectively. If the Company achieves at least 80% of either of these performance measures by the fifth anniversary of the date of grant, then the options become partially exercisable, at a rate of 25% plus 3 3/4% for each percentage point by which the Company exceeds 80% of the performance measure. If the Company does not achieve at least 80% of the performance measures by the fifth anniversary, then none of the performance-vesting options become exercisable until the ninth anniversary of the grant.

In establishing the performance measures by which the performance-vesting options become exercisable, the Committee selected targets that would make management compensation contingent on the creation of significant value for the Company's stockholders, thus closely aligning management's and stockholders' interests and directing management's efforts towards the long term profitability of the Company. The Committee also believes that these performance-vesting options will provide significant retention and performance incentives to executives. Ms. Kasaks was awarded a total of 170,000 options in February 1994, 56,661 of which are time-vesting options and 113,339 of which are performance-vesting options.

In February 1994 the Compensation Committee also approved the award of a total of 13,630 restricted shares of Common Stock, and corresponding awards of a total of 6,820 restricted units, to a group of 39 members of junior management. Restricted units represent the right to receive a cash payment equal to the value of a share of Common Stock at the time the restrictions lapse. The restrictions of these shares and units lapse with respect to one-third of each grant on each of the first

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through third anniversaries of the date of grant. None of the individuals who were awarded restricted shares and units received any of the February 1994 stock option grants described above. These grants of restricted shares and units were made contingent upon the approval by the Company's stockholders of certain amendments to the Company's 1992 Stock Option Plan to accommodate the award of restricted shares and restricted units under the plan. (See Proposal 2.)

COMPLIANCE WITH TAX RULES EFFECTIVE 1994

New Section 162(m) of the Internal Revenue Code imposes an annual individual limit of \$1 million on the deductibility of compensation payments to the Company's chief executive officer and the four other most highly compensated executive officers for whom proxy statement disclosure is required and who are employed at the end of the Company's taxable year ("Covered Employees"). "Performance-based" compensation, as defined in Section 162(m) of the Code, is excluded from this limit.

It is the Company's intention to preserve the deductibility of compensation paid to Covered Employees, to the extent feasible and consistent with the Company's overall compensation philosophy.

As indicated in Proposal 2, the purpose of certain amendments made by the Board of Directors to the Company's 1992 Stock Option Plan is to satisfy the conditions of Section 162(m) of the Code, to enable the Company to take full advantage of tax deductions associated with compensation income recognized by executives on stock options granted under that Plan. In addition, in order to preserve the deductibility of incentive compensation paid to Covered Employees under the Performance Compensation Plan, the Board of Directors adopted certain amendments to that plan, and is submitting the Performance Compensation Plan, as so amended, to the Company's stockholders for approval, in order to satisfy the requirements of Section 162(m). See Proposal 3.

Gerald S. Armstrong
James J. Burke, Jr.
Rochelle B. Lazarus
Hanne M. Merriman

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COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

As of the record date, the ML Entities and certain affiliates held approximately 52.3% of the outstanding Common Stock and, as a result, have the voting power to determine the composition of the Board of Directors of Ann Taylor and the Company and otherwise control the business and affairs of the Company. Messrs. Armstrong and Burke, who are members of the Boards of Directors of the Company and Ann Taylor, are employees of ML Capital Partners and serve as representatives of the ML Entities. 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 as a representative of the ML Entities 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. On March 31, 1994 the Company filed a registration statement relating to the proposed sale in a public offering, by the Company of 1,000,000 shares of Common Stock, and by certain ML Entities of 4,000,000 shares of Common Stock. If the proposed public offering is consummated, after the offering the ML Entities would continue to hold approximately 32.6% of the outstanding Common Stock and would continue to be in a position to influence the management of the Company.

The Company paid an underwriting commission to Merrill Lynch in connection with the Company's initial public offering of the Common Stock (the "IPO") in fiscal 1991, and paid commissions to Merrill Lynch in fiscal 1991 in connection with the repurchase of indebtedness of Ann Taylor with the proceeds from the IPO, and in fiscal 1993 in connection with the repurchase of indebtedness of Ann Taylor pursuant to certain refinancing transactions undertaken in fiscal 1993. Ann Taylor also paid an underwriting commission to Merrill Lynch in connection with its public offering of subordinated notes in fiscal 1993 (the "1993 Note Issuance"). The Company agreed to indemnify Merrill Lynch, as underwriter, against certain liabilities, including certain liabilities under the federal securities laws, in connection with the IPO, and Ann Taylor agreed to indemnify Merrill Lynch, as underwriter, against certain liabilities, including certain liabilities under the federal securities laws, in connection with the 1993 Note Issuance.

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)) in the United States District Court for the Southern District of New York, and consistent with the Company's indemnification obligations referred to above in connection with the IPO, 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 23, 1993. The Company also reimbursed Merrill Lynch \$128,281 for certain costs incurred by it in connection with such litigation, pursuant to the Company's indemnification obligations.

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STOCK PERFORMANCE GRAPH

The following line graph compares the cumulative total stockholder return on the Company's Common Stock on a quarterly basis from May 16, 1991, the date of the Company's initial public offering of the Common Stock, through January 29, 1994 and March 31, 1994, with the cumulative total return on the Standard & Poor's 500 Stock Index ("S&P 500"), and the Dow Jones Specialty Apparel Retailers Index ("DJ Apparel") from April 30, 1991 through the same period. In accordance with the rules of the Commission, the returns are indexed to a value of \$100 at April 30, 1991 and assume that all dividends were reinvested.

COMPARISON OF QUARTERLY CUMULATIVE TOTAL RETURN THROUGH MARCH 31, 1994 ANNTAYLOR, S&P 500 INDEX, AND DJ APPAREL INDEX

Cumulative Total Return													
	4/91*	7/91	10/91	1/92	4/92	7/92	10/92	1/93	4/93	7/93	10/93	1/94	3/94
AnnTaylor Stores	100	118	64	82	66	85	73	80	72	99	103	80	120
S&P 500	100	104	106	112	114	117	117	123	125	128	134	139	129
DJ Apparel	100	113	105	122	102	96	105	115	99	96	110	107	115

* \$100 invested on May 16, 1991 in AnnTaylor Common Stock and on April 30, 1991 in the S&P Index and the DJ Apparel Index

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BENEFICIAL OWNERSHIP OF COMMON STOCK

PRINCIPAL STOCKHOLDERS

As of the April 5, 1994 Record Date, the outstanding Common Stock was held of record by 428 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 executive officers and former executive officers named in Table I above, and by all directors and executive officers as a group, as of the Record Date. 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	NO. OF SHARES OF COMMON STOCK	PERCENT
Merrill Lynch Capital Partners, Inc. (a) (b)	8,933,013	40.7%
ML IBK Positions, Inc. (a) (c)	1,583,867	7.2%

Merchant Banking L.P. No. III(a)(c).....	631,480	2.9%
KECALP Inc. (a) (d).....	324,941	1.5%
Neuberger & Berman(e).....	1,287,352	5.9%
Sally Frame Kasaks(f).....	222,000	1.0%
Paul E. Francis(f)(g).....	36,405	*
Joseph R. Gromek(f).....	12,000	*
Andrea M. Weiss(f).....	16,129	*
Bert A. Tieben(f).....	16,588	*
Joseph J. Schumm(f).....	73,644	*
Gerald S. Armstrong(g)(h).....	3,000	*
James J. Burke(g).....	35,000	*
Robert C. Grayson.....	15,000	*
Rochelle B. Lazarus(i).....	300	*
Hanne M. Merriman.....	200	*
All executive officers and directors as a group (12 persons)(f).....	442,266	2.0%

* Less than 1%.

- (a) Each of the ML Entities is an affiliate of Merrill Lynch. As of the Record Date, the ML Entities beneficially owned an aggregate of 11,473,301 shares of Common Stock, or approximately 52.3% of the outstanding Common Stock. The ML Entities shown are deemed to have shared voting and investment power with other ML&Co. affiliates with respect to the shares of Common Stock shown to be beneficially owned by them.

(Footnotes continued on following page)

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(Footnotes continued from preceding page)

- (b) Shares of Common Stock beneficially owned by ML Capital Partners are owned of record as follows: 5,598,309 shares by Merrill Lynch Capital Appreciation Partnership No. B-II, L.P.; 3,279,220 shares by ML Offshore LBO Partnership No. B-II; and 55,484 shares by MLCP Associates L.P. No. I. ML Capital Partners is the indirect managing general partner of Merrill Lynch Capital Appreciation Partnership No. B-II, L.P., is the indirect investment general partner of ML Offshore LBO Partnership No. B-II, and is the general partner of MLCP Associates L.P. No. I. The address for ML Capital Partners and each of the aforementioned recordholders is 767 Fifth Avenue, New York, New York 10153.
- (c) The address for each of ML IBK Positions and Merchant Banking L.P. No. III is 250 Vesey Street, World Financial Center, North Tower, New York, New York 10281.
- (d) Shares of Common Stock beneficially owned by KECALP Inc. are owned of record as follows: 310,235 shares by Merrill Lynch KECALP L.P. 1989, and 14,706 shares by Merrill Lynch KECALP L.P. 1987. KECALP Inc. is the general partner of each of these two entities. The address for KECALP Inc. and each of the aforementioned recordholders is 250 Vesey Street, World Financial Center, North Tower, New York, New York 10281.
- (e) Pursuant to a Schedule 13-G dated January 31, 1994 and filed with the Commission by Neuberger & Berman, Neuberger & Berman has sole voting power with respect to 601,880 shares, shared voting power with respect to 525,000 shares, and shared dispositive power with respect to 1,287,352 shares. Partners of Neuberger & Berman own 1,500 shares in their personal accounts and Neuberger & Berman disclaims beneficial ownership of those shares. The address for Neuberger & Berman is 605 Third Avenue, New York, New York 10158.
- (f) The shares listed include shares subject to options exercisable within 60 days as follows: Ms. Kasaks, 162,000 shares; Mr. Francis, 28,000 shares; Mr. Gromek, 12,000 shares; Ms. Weiss, 16,000 shares; Mr. Schumm, 70,586 shares; and all executive officers and directors as a group (12 persons), 303,644 shares.
- (g) James J. Burke, Jr., Gerald S. Armstrong and Paul E. Francis are directors of the Company and Ann Taylor. Messrs. Burke and Armstrong are officers, and until April 1993 Mr. Francis was an officer, of ML Capital Partners and ML&Co. Each of Messrs. Burke, Armstrong and Francis disclaims beneficial ownership of shares beneficially owned by the ML Entities.
- (h) Shares are held by Mr. Armstrong's wife, as Custodian for their children. Mr. Armstrong disclaims beneficial ownership of these shares.
- (i) 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.

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PROPOSAL 2

APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE COMPANY'S 1992 STOCK OPTION PLAN

The Board of Directors, on March 30, 1994, adopted certain amendments (the "Amendments") to the Company's 1992 Stock Option Plan (the "Option Plan"), effective February 23, 1994, and authorized a restatement of the Option Plan incorporating all the Amendments (the "Restated Option Plan"), which (i) change the name of the Plan to the "AnnTaylor Stores Corporation 1992 Stock Option and Restricted Stock and Unit Award Plan", (ii) provide for awards of restricted stock and restricted units, and make available 67,000 shares of Common Stock for the award of restricted stock, (iii) increase by 600,000 the number of shares of Common Stock available for the grant of options, (iv) authorize the Compensation

Committee to extend the exercisability of options (but in no case beyond ten years after the grant date), (v) permit participants to use already owned or otherwise issuable shares to pay the exercise price of options, (vi) permit participants to use already owned or otherwise issuable shares to satisfy any tax withholding obligation, (vii) restrict the number of shares that may be covered by options granted to any executive officer in any fiscal year, and (viii) require that actions taken under the Option Plan with respect to executive officers must be taken by at least two Committee members who are both "outside directors" and "disinterested persons". The Board of Directors believes that the Amendments are necessary to meet the Company's objectives of attracting, motivating and retaining officers and other employees with experience and ability and increasing the officers' and other employees' identity of interest with the Company's stockholders. In addition, certain of the Amendments were made to cause the Option Plan to satisfy the requirements of Section 162(m) of the Code.

If the Restated Option Plan is not approved by stockholders, the Option Plan will continue in effect, as amended by the amendments described in clauses (v) and (vi), which are not conditioned on stockholder approval.

The following description of the Restated Option Plan is not intended to be complete and is qualified in its entirety by the complete text of the Restated Option Plan, attached to this Proxy Statement as Exhibit A. Capitalized terms used and not defined herein have the meanings assigned to them in the text of the Restated Option Plan.

REASONS FOR THE AMENDMENTS

INCREASE IN NUMBER OF SHARES. Under the Option Plan, as adopted by the Company's stockholders on June 3, 1992, 1,000,000 shares were authorized for issuance in connection with the grant of Options. As of April 5, 1994, Options outstanding under the Option Plan covered a total of 1,113,500 shares of Common Stock, including Options covering 676,500 shares granted in February 1994 contingent upon stockholder approval of the Restated Option Plan. (See "Compensation Committee Report on Executive Compensation--Compensation Initiatives for 1994".) If stockholder approval of the Restated Option Plan is not obtained, the Option grants made in February 1994 will be voided. The Board of Directors believes that the proposed increase in the number of shares available for issuance of Options under the Option Plan is necessary in order to continue the effectiveness of the Option Plan in achieving the objectives set forth above and, in particular, to permit the Company to compete with other companies offering similar plans in attracting and retaining experienced and qualified employees.

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AUTHORIZATION OF RESTRICTED SHARES AND RESTRICTED UNITS. The Amendments also create and permit the award of up to 67,000 Restricted Shares of Common Stock and 33,000 Restricted Units. A Restricted Unit is the right to receive a cash payment equal to the Fair Market Value of a share of Common Stock at the time the restrictions on the award lapse. The addition of Restricted Shares and Restricted Units to the Plan is intended to give the Company added flexibility in formulating compensation for employees that satisfies the stated objectives of the Option Plan. In February 1994, the Committee authorized the grant of a total of 13,630 Restricted Shares and 6,820 Restricted Units to a group of 39 members of management. 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 grant. These awards were made contingent upon stockholder approval of the Restated Option Plan. If stockholder approval of the Restated Option Plan is not obtained, the Restricted Stock and Restricted Unit Awards made in February 1994 will be voided.

OTHER AMENDMENTS. The Amendments also permit participants to use already owned or otherwise issuable shares of Common Stock for payment of the exercise price and withholding tax obligations arising in connection with the exercise of Options, and permit the Compensation Committee to extend the exercisability of Options that would otherwise expire in connection with a participant's termination of employment. The Board of Directors believes that these changes will increase the Committee's flexibility with respect to executive compensation and enhance the Plan's ability to achieve its stated objectives.

The Amendments also impose an individual annual limitation on the number of shares of Common Stock that may be covered by options granted to an "executive

officer" as defined in rule 3b-7 under the Exchange Act, and provide that actions taken by the Compensation Committee under the Restated Option Plan with respect to such executive officers must be taken only by Committee members who are considered "outside directors" and "disinterested persons" as defined under Section 162(m) of the Code and Section 16b-3 of the Exchange Act, respectively. These Amendments are necessary in order to preserve the deductibility of compensation income arising in connection with options held by such executive officers under Section 162(m) of the Code. See "Compensation Committee Report on Executive Compensation--Compensation Initiatives for 1994".

DESCRIPTION OF PRINCIPAL FEATURES OF THE RESTATED OPTION PLAN

PURPOSE OF THE RESTATED OPTION PLAN. The Plan is intended to encourage stock ownership by employees of the Company and its subsidiaries, so that they may acquire or increase their proprietary interest in the Company, and to encourage such employees to remain in the employ of the Company and its subsidiaries and to put forth maximum efforts for the success of the Company's business.

STOCK AVAILABLE FOR GRANTS AND AWARDS. The proposed Amendments increase the maximum number of shares reserved for options granted under the Restated Option Plan from 1,000,000 to 1,600,000, an increase of 600,000 shares; reserve 67,000 shares of Common Stock for issuance in connection with Restricted Stock Awards under the Restated Option Plan; and reserve for award a maximum of 33,000 Restricted Units under the Restated Option Plan. The Amendments also provide that, effective as of January 1, 1994, no more than 50% of the options granted under the Restated Option Plan in any fiscal year may be granted to any individual "executive officer", as defined in Rule 3b-7 under the Exchange Act.

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The available number of shares, as well as the number of shares subject to outstanding Option and Restricted Stock Awards and the exercise price of outstanding Options, are subject to adjustment in the event of certain changes in the Common Stock that would either dilute or enlarge the rights of holders of options, Restricted Stock and Restricted Units. Shares subject to Options that cease to be exercisable, and Restricted Shares and Restricted Units that are forfeited, are subsequently available for purposes of the Plan, to the extent permissible under Rule 16b-3 under the Exchange Act.

ADMINISTRATION. The Plan is administered by the Compensation Committee of the Company's Board of Directors. The Committee will consist of two or more directors, at least two of whom must be both "outside directors" within the meaning of Section 162(m) of the Code and "disinterested persons" within the meaning of Rule 16b-3 of the Exchange Act. All action taken under the Plan with respect to Executive Officers will be taken solely by such outside directors. All grants and awards under the Plan are made at the discretion of the Committee; the size of grants and awards to be received by any person or group of persons under the Plan is therefore not determinable. Option Grants made to certain executive officers in fiscal year 1993 are indicated in the table on page 7 of this Proxy Statement.

ELIGIBILITY. Options, Restricted Stock Awards and Restricted Unit Awards may be granted to officers and other employees of the Company and its subsidiaries. In determining the persons to whom Options, Restricted Stock Awards and Restricted Unit Awards will be granted and the number of shares or units to be covered by each Option, Restricted Stock Award and Restricted Unit Award, the Committee will take into account the duties of the respective persons, their present and potential contributions to the success of the Company and such other factors as the Committee deems relevant in connection with accomplishing the purpose of the Plan.

GRANT AND EXERCISE OF OPTIONS. The Plan provides for the granting of nonstatutory stock options ("NSOs"). Each Option granted pursuant to the Plan will be evidenced by a written Option Agreement between the Company and the Optionee, which will provide the number of shares subject to such Option, the Option Price, the medium of payment for shares to be received upon exercise of the Option, the term of the Option (which may not exceed ten years), and any related performance criteria of the Option. Options may be exercised over such period, in cumulative installments or otherwise, or upon the satisfaction of such performance goals, as the Committee may determine. Options may be exercised for a period of up to ten years after the date of the grant. The exercise price of any Option granted must be at least 100 percent of the Fair Market Value of the Common Stock on the date of grant. The Restated Option Plan provides that

such exercise price must be paid at the time of exercise through one of the following methods: (i) cash, (ii) delivery of already owned shares, (iii) a combination of cash and shares, or (iv) in the discretion of the Committee, a cashless exercise procedure through a broker. Subsequent to termination of employment with the Company, an Optionee may exercise Options only as follows: (i) in the case of termination by death or disability, for one year after termination with respect to Options exercisable on the date of such termination, or at such later time as the Committee may in its discretion determine but not beyond the date on which the Option would otherwise expire; (ii) in the case of termination other than by death, disability or cause, for three months after termination with respect to Options exercisable on the date of such termination, or at such later time as the Committee may in its discretion determine but not beyond the date on which the Option would otherwise expire. The foregoing notwithstanding, if an Optionee's employment is terminated for Cause, all unexercised Options held by such Optionee shall immediately terminate. Options granted under the Plan will not be transferable otherwise than by will or by the laws of descent and distribution, and Options may be

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exercised, during the lifetime of the Optionee, only by the Optionee or by his or her guardian or legal representative.

Upon the occurrence of certain "Acceleration Events" constituting a change in control of the Company, all Options not yet exercisable will become exercisable in full and the Company may cancel each such Option in exchange for a cash payment to each respective option holder in an amount per share equal to the difference between the per share exercise price of the Option and the Fair Market Value of a share of Common Stock, determined as of the date during the prior 60-day period that produces the highest fair market value.

AWARD OF RESTRICTED SHARES AND RESTRICTED UNITS. The Restated Option Plan provides for the grant of Restricted Stock Awards, which are awards of shares of Common Stock that may not be disposed of, except by will or the laws of descent and distribution, for a period of five years from the date on which the award is granted ("restricted period"), or such shorter period as the Committee determines. In addition, participants may be granted awards of Restricted Units, which entitle such participant to receive on the date on which the restricted period lapses an amount in cash equal, with respect to each such unit, to the Fair Market Value of one share of Common Stock on such date. Each award will be evidenced by a Restricted Award Agreement between the Grantee and the Company. The Committee may provide that, with respect to Restricted Shares and Restricted Units, restrictions will lapse with respect to specified percentages of the awarded shares and units on successive anniversaries of the date of the award. The Committee may also impose such other conditions and restrictions on the Grants as it deems appropriate. During the restricted period, with respect to Restricted Shares, the employee will be entitled to receive dividends and to vote the shares. If during the restricted period, the employee's continuous employment terminates for any reason, any Restricted Shares and any Restricted Units remaining subject to restrictions will be forfeited by the employee and transferred, at no cost, to the Company. The Committee has the authority to cancel any or all outstanding restrictions prior to the end of the restricted period. Upon the occurrence of certain "Acceleration Events" constituting a change in control of the Company, all restrictions outstanding with respect to Restricted Stock Awards and Restricted Unit Awards will automatically expire.

AMENDMENT AND TERMINATION. The Board of Directors may amend or terminate the Restated Option Plan at any time. Unless sooner terminated by the Board of Directors, the Restated Option Plan will continue in effect until January 31, 2002. While the Board of Directors may amend or terminate the Plan, stockholder approval is required for any amendment that would materially increase the aggregate number of shares of Common Stock that may be available for Grants under the Restated Option Plan (except for adjustments in the event of certain changes in the capital structure of the Company), materially increase the benefits accruing to participants under the Plan or materially modify the requirements as to eligibility for participation in the Plan (each within the meaning of Rule 16b-3) and, in the discretion of the Committee, any amendment that requires stockholder approval in order for the Plan to comply with Section 162(m) of the Code.

FEDERAL TAX WITHHOLDING. When a Grantee or other person is entitled to receive shares of Common Stock pursuant to the exercise of an Option or the lapse of restrictions with respect to Restricted Shares, the Company will have the right to require the Grantee or such other person to pay to the Company the amount of any taxes that the Company may be required to withhold before delivery

to such Grantee or other person of a certificate or certificates representing such shares. The Restated Option Plan provides that a participant may pay such amount in the form of cash or previously owned shares, by authorizing the withholding of otherwise issuable shares or cash payments, or a combination of cash and shares.

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CERTAIN FEDERAL INCOME TAX EFFECTS

The following discussion of certain relevant federal income tax effects applicable to Options, Restricted Shares and Restricted Units granted under the Plan is a brief summary only, and reference should be made to the Code and the regulations and interpretations issued thereunder for a complete statement of all relevant federal tax provisions.

STOCK OPTIONS. In the case of an NSO, an employee generally will not be taxed upon the grant of such an Option. Rather, at the time of exercise of such NSO, the employee will generally recognize ordinary income for federal income tax purposes in an amount equal to the excess of the then fair market value of the shares purchased over the option price. The Company will generally be entitled to a tax deduction at the time, and in the amount, that the employee recognizes ordinary income.

An employee who pays the option price upon exercise of an Option, in whole or in part, by delivering shares of the Company's Common Stock already owned, will generally not recognize gain or loss on the shares surrendered at the time of such delivery. Rather, such gain or loss recognition will generally occur upon disposition of the shares acquired in substitution for the shares surrendered.

RESTRICTED STOCK AWARDS AND RESTRICTED UNIT AWARDS. In the case of a Restricted Stock Award, an employee generally will not be taxed upon the grant of such an award, but, rather, will recognize ordinary income in an amount equal to the fair market value of the Company's Common Stock at the time the shares are no longer subject to a substantial risk of forfeiture (as defined in the Code). The employee may, however, elect to be taxed at the date of grant of the award. The Company will be entitled to a deduction at the time, and in the amount, that the employee recognizes ordinary income.

In the case of a Restricted Unit Award, an employee will not be taxed upon the grant of such an award, but, rather, will recognize ordinary income in an amount equal to the fair market value of the Company's Common Stock at the time that a cash payment with respect to such award is made to the employee. The Company will be entitled to a deduction at the time, and in the amount, that the employee recognizes ordinary income.

STOCKHOLDER APPROVAL

The affirmative vote of a majority of the shares present in person or by proxy and entitled to vote is required to adopt this proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THIS PROPOSAL.

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PROPOSAL 3 APPROVAL OF THE COMPANY'S AMENDED AND RESTATED MANAGEMENT PERFORMANCE COMPENSATION PLAN

The Company has maintained the AnnTaylor Stores Corporation Management Performance Compensation Plan since August 1992. On March 30, 1994, the Board of Directors adopted, subject to stockholder approval, an amendment and restatement of the Performance Compensation Plan (the "Restated Performance Plan") in order to comply with the provisions of Section 162(m) of the Code. (See "Compensation Committee Report on Executive Compensation--Compensation Initiatives for 1994".)

The following description of the Restated Performance Plan is not intended to be complete and is qualified in its entirety by the complete text of the Restated Performance Plan, attached to this Proxy Statement as Exhibit B. Capitalized terms used and not defined herein have the meanings assigned to them in the text of the Restated Performance Plan. If the Restated Performance Plan is not approved by stockholders, it will be of no force and effect.

DESCRIPTION OF PRINCIPAL FEATURES OF THE RESTATED PERFORMANCE PLAN

The Restated Performance Plan, as a part of the Company's overall compensation strategy, is intended to attract and retain 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.

The Restated Performance Plan is administered by the Compensation Committee of the Board of Directors. The Committee will consist of two or more persons, at least two of whom must be "outside directors" within the meaning of Section 162(m) of the Code.

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) will be eligible to become a participant and receive performance compensation under the Restated Performance Plan. In selecting from among all eligible associates those who will be participants in any season and in determining participants' potential performance compensation for such season, the Committee will 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.

Prior to the beginning of each Season (or within such other period as may be permitted by Section 162(m) of the Code), the Committee determines a range of targeted Operating Profit performance of the Company for the Season. Each level of the Operating Profit range is assigned a "Performance Ratio" ranging from 0 to 2.0, in one-tenth increments, increasing with increases in Operating Profit levels. At the same time, the Committee also assigns to each participant an individual "Performance Percentage" that is a factor ranging from one percent to one hundred percent. The participant's performance compensation for the Season will be equal to the product of (i) the participant's annual base salary for the fiscal year of which the Season is a part, multiplied by (ii) the participant's

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Performance Percentage, multiplied by (iii) the Performance Ratio applicable to the Operating Profit achieved by the Company for the Season. As used in the Restated Performance 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 that would be payable under the Plan if such Operating Profit were achieved.

For any Season, the Board may establish a ceiling on the aggregate amount that may be paid out in performance compensation for the Season, expressed as a percentage of actual Operating Profit of the Company for the Season. If such a limit is established for a Season, the performance compensation otherwise payable to all participants for the Season will be reduced pro rata. In addition, no participant who is an executive officer of the Company at the beginning of the Season may receive an amount of performance compensation, with respect to a Season, in excess of \$500,000.

Performance compensation is 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 the Season. No payment may be made to executive officers until the Committee certifies the performance results for the Season. A participant is not entitled to receive payment of performance compensation unless the participant is still in the employ of the Company or its subsidiary at the time the performance compensation is actually paid.

The Board may, at any time and from time to time modify, amend, suspend or terminate the Restated Performance Plan, without notice, provided that no amendment that requires stockholder approval in order for the Plan to continue to comply with Section 162(m) will be effective unless it is approved by the requisite vote of the Company's stockholders.

Inasmuch as performance goal criteria may vary from year to year and from participant to participant, benefits under the Restated Performance Plan are not determinable. Awards paid to certain executive officers in respect of the 1993 fiscal year are noted in the Summary Compensation Table on page 6 of this Proxy Statement.

STOCKHOLDER APPROVAL

The affirmative vote of a majority of the shares present in person or by proxy and entitled to vote is required to adopt this proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THIS PROPOSAL.

PROPOSAL 4
RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

Subject to stockholder ratification, the Board of Directors has reappointed the firm of Deloitte & Touche, Certified Public Accountants, as independent auditors to make an examination of the accounts of the Company for the fiscal year 1994. Deloitte & Touche has served as the independent auditors of the Company since January 1989.

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The Board of Directors recommends that stockholders vote "FOR" such ratification. Unless contrary instructions are given, the proxies solicited by management will be voted "FOR" such ratification. Ratification will require the affirmative vote of the holders of a majority of the Common Stock present in person or by proxy and entitled to vote at the meeting.

One or more representatives of Deloitte & Touche are expected to be present at the Annual Meeting and will have an opportunity to make a statement if they desire to do so and will be available to respond to questions.

STOCKHOLDER PROPOSALS FOR 1995 ANNUAL MEETING

In accordance with Rule 14a-8 under the Securities Exchange Act of 1934, any stockholder proposals intended to be presented at the 1995 Annual Meeting of Stockholders must be received by the Company no later than December 26, 1994 in order to be considered for inclusion in the Company's Proxy Statement and form of proxy relating to that meeting.

Section 9 of Article II of the Company's By-Laws provides that, in order for a stockholder to nominate a person for election to the Board of Directors at an annual meeting of the Company, such stockholder must be a stockholder of record on the date the notice described below is given and on the record date for the annual meeting, and must have given timely prior written notice to the Secretary of the Company. To be timely, notice must be received by the Company not less than sixty days nor more than ninety days prior to the anniversary date of the last meeting (or if the meeting date is not within thirty days before or after the anniversary date of the last meeting, then not later than the tenth day following the day on which the notice of the date of the meeting was mailed or public disclosure thereof was made). Such notice must contain certain information about the person whom the stockholder proposes to nominate and the stockholder giving the notice, including the name, age, address, occupation, and class and number of shares of Common Stock beneficially owned by the proposed nominee and the name, address and class and number of shares of Common Stock beneficially owned by such stockholder.

In addition, Section 10 of Article II of the Company's By-Laws provides that, in order for a stockholder to propose any matter for consideration at an annual meeting of the Company, such stockholder must have given timely prior written notice to the Secretary of the Company of such stockholder's intention to bring such business before the meeting. To be timely, notice must be received by the Company not less than sixty days nor more than ninety days prior to the anniversary date of the last meeting (or if the meeting date is not within thirty days before or after the anniversary date of the last meeting, then not later than the tenth day following the day on which the notice of the date of the meeting was mailed or public disclosure thereof was made). Such notice must contain certain information about such business and the stockholder who proposes to bring the business before the meeting, including a brief description of the business the stockholder proposes to bring before the meeting, the reasons for conducting such business at the annual meeting, the class and number of shares of Common Stock beneficially owned by such stockholder, and any material interest of such stockholder in the business so proposed.

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ADDITIONAL INFORMATION

Copies of the Company's 1993 Annual Report to Stockholders, which includes audited financial statements, are being mailed to stockholders of the Company

with this Proxy Statement. Additional copies are available without charge on request. Requests should be addressed to the Secretary, AnnTaylor Stores Corporation, 142 West 57th Street, New York, New York 10019.

ANNTAYLOR STORES CORPORATION

New York, New York
April 25, 1994

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EXHIBIT A

THE ANNTAYLOR STORES CORPORATION
1992 STOCK OPTION
AND RESTRICTED STOCK AND UNIT AWARD PLAN*
AMENDED AND RESTATED AS OF FEBRUARY 23, 1994

1. PURPOSE.

This 1992 Stock Option AND RESTRICTED STOCK AND UNIT AWARD Plan, as amended and restated as of February 23, 1994 (the "Plan"), is intended to encourage stock ownership by employees of AnnTaylor Stores Corporation (the "Corporation"), its divisions and Subsidiary Corporations, so that they may acquire or increase their proprietary interest in the Corporation, and to encourage such employees to remain in the employ of the Corporation, its divisions and Subsidiary Corporations, and to put forth maximum efforts for the success of the business. It is further intended that no Option granted pursuant to this Plan shall constitute an "incentive stock option" ("Incentive Stock Option") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended ("Code"), and all Options so granted shall constitute "nonqualified stock options" ("Nonqualified Stock Options").

2. DEFINITIONS.

As used in this Plan, the following words and phrases shall have the meanings indicated:

(a) "Cause" used in connection with the termination of employment of a Grantee shall mean a termination of employment of the Grantee by the Corporation or a division or Subsidiary Corporation due to (i) the failure to render services to the employer corporation in accordance with the terms of such Grantee's employment, which failure amounts to a material neglect of such Grantee's duties to the employer corporation, (ii) the commission by the Grantee of an act of fraud, misappropriation (including the unauthorized disclosure of confidential or proprietary information) or embezzlement, or (iii) a conviction of or guilty plea or confession to any felony.

(b) "Common Stock" shall mean shares of the Corporation's Common Stock, par value \$.0068 per share.

(c) "Disability" shall mean a Grantee's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than twelve (12) months.

(d) "Fair Market Value" per share as of a particular date shall mean (i) the closing sales price per share of Common Stock as reported on the New York Stock Exchange (or if the shares of Common Stock are not then traded on such exchange, on the principal national securities exchange on which they are then traded) for the last preceding date on which there was a sale of such Common Stock on such exchange, or (ii) if the shares of Common Stock are not then traded on a national securities exchange but are traded on an over-the-counter market, the average of the

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* AMENDMENTS REQUIRING STOCKHOLDER APPROVAL ARE INDICATED IN BOLD ITALICIZED TYPE.

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closing bid and asked prices for the shares of Common Stock in such over-the-counter market for the last preceding date on which there was a

sale of such Common Stock in such market, or (iii) if the shares of Common Stock are not then listed on a national securities exchange or traded in an over-the-counter market, such value as the Committee in its discretion may determine.

(e) "Grantee" shall mean a person to whom an Option, RESTRICTED STOCK AWARD OR RESTRICTED UNIT AWARD has been granted.

(f) "Option" shall mean the right, granted to a Grantee pursuant to Section 3, to purchase a specified number of shares of Common Stock, on the terms and subject to the restrictions set forth in this Plan and by the Committee upon the grant of the Option to the Grantee.

(g) "RESTRICTED SHARE" SHALL MEAN A SHARE OF COMMON STOCK, AWARDED TO A GRANTEE PURSUANT TO SECTION 3, THAT IS SUBJECT TO THE TERMS AND RESTRICTIONS SET FORTH IN THIS PLAN AND BY THE COMMITTEE UPON THE AWARD OF THE RESTRICTED SHARE TO THE GRANTEE.

(h) "RESTRICTED UNIT" SHALL MEAN THE RIGHT, AWARDED TO A GRANTEE PURSUANT TO SECTION 3, TO RECEIVE AN AMOUNT IN CASH EQUAL TO THE FAIR MARKET VALUE OF ONE SHARE OF COMMON STOCK, ON THE TERMS AND SUBJECT TO THE RESTRICTIONS SET FORTH IN THIS PLAN AND BY THE COMMITTEE UPON THE AWARD OF THE RESTRICTED UNIT TO THE GRANTEE.

(i) "Subsidiary Corporation" shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the employer corporation if, at the time of granting an Option, RESTRICTED STOCK AWARD OR RESTRICTED UNIT AWARD, each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

3. ADMINISTRATION.

The Plan shall be administered by the Compensation Committee (the "Committee") of the Board of Directors of the Corporation (the "Board"). The Committee shall consist of two or more persons, each member of the Committee shall be a member of the Board, and at least two members of the Committee shall be both "outside directors" within the meaning of section 162(m) of the Code and "disinterested persons" within the meaning of Rule 16b-3, as from time to time amended ("Rule 16b-3"), promulgated under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The Committee shall have the authority in its discretion, subject to and not inconsistent with the express provisions of the Plan, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including, without limitation, the authority to grant Options AND MAKE AWARDS OF RESTRICTED SHARES AND RESTRICTED UNITS ("RESTRICTED STOCK AWARDS" AND "RESTRICTED UNIT AWARDS", RESPECTIVELY, AND SOMETIMES COLLECTIVELY WITH THE GRANT OF OPTIONS, "Grants"); to determine the purchase price of the shares of Common Stock covered by each Option (the "Option Price"); to determine the persons to whom, and the time or times at which, Options, RESTRICTED STOCK AWARDS AND RESTRICTED UNIT AWARDS shall be granted; to determine the number of shares to be covered by each Option, AND TO DETERMINE THE NUMBER OF RESTRICTED SHARES AND RESTRICTED UNITS TO BE COVERED BY EACH RESTRICTED STOCK AWARD AND RESTRICTED UNIT AWARD; to interpret the Plan; to prescribe, amend and rescind rules and regulations

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relating to the Plan; to determine the terms and provisions of the agreements (which need not be identical) entered into in connection with grants of Options ("Option Agreements") AND RESTRICTED STOCK AWARDS AND RESTRICTED UNIT AWARDS ("RESTRICTED AWARD AGREEMENTS"); and to make all other determinations deemed necessary or advisable for the administration of the Plan.

The determinations of the Committee shall be binding and conclusive on all parties. The Committee may delegate to one or more of its members or to one or more agents such administrative duties as it may deem advisable, and the Committee or any person to whom it has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan.

The Board shall fill all vacancies, however caused, in the Committee. The Board may from time to time appoint additional members to the Committee, and may

at any time remove one or more Committee members and substitute others. One member of the Committee shall be selected by the Board as chairman. The Committee shall hold its meetings at such times and places as it shall deem advisable. All determinations of the Committee shall be made by a majority of its members either present in person or participating by conference telephone at any meeting or by written consent, except that, with respect to Grantees who are executive officers of the Corporation within the meaning of Rule 3-b7 promulgated under Section 3 of the Exchange Act ("Executive Officers"), all action of the Committee shall be taken solely by those members of the Committee who are "outside directors" and "disinterested persons" as defined above, even if less than a majority of the Committee. The Committee may appoint a secretary and make such rules and regulations for the conduct of its business as it shall deem advisable, and shall keep minutes of its meetings.

No member of the Board or Committee shall be liable for any action taken or determination made in good faith with respect to the Plan or any Grant made hereunder.

4. ELIGIBILITY.

Options, RESTRICTED STOCK AWARDS AND RESTRICTED UNIT AWARDS may be granted to employees (including, without limitation, officers who are employees) of the Corporation or its present or future divisions and Subsidiary Corporations. In determining the persons to whom Options, RESTRICTED STOCK AWARDS AND RESTRICTED UNIT AWARDS shall be granted and the number of shares to be covered by each Option, AND THE NUMBER OF RESTRICTED SHARES AND RESTRICTED UNITS TO BE COVERED BY EACH RESTRICTED STOCK AWARD AND RESTRICTED UNIT AWARD, the Committee shall take into account the duties of the respective persons, their present and potential contributions to the success of the Corporation and such other factors as the Committee shall deem relevant in connection with accomplishing the purpose of the Plan. A person to whom an Option has been granted hereunder is sometimes referred to herein as an "Optionee".

A Grantee shall be eligible to receive more than one Grant during the term of the Plan, but only on the terms and subject to the restrictions hereinafter set forth.

5. STOCK.

The shares of Common Stock subject to Options AND RESTRICTED STOCK AWARDS hereunder may, in whole or in part, be authorized but unissued shares or shares that shall have been or may be reacquired by the Corporation. The aggregate number of shares of Common Stock as to which Options may be

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granted from time to time under this Plan shall not exceed 1,600,000, AND THE NUMBER OF SHARES OF COMMON STOCK AS TO WHICH RESTRICTED STOCK AWARDS MAY BE GRANTED FROM TIME TO TIME HEREUNDER SHALL NOT EXCEED 67,000. THE AGGREGATE NUMBER OF RESTRICTED UNITS THAT MAY BE AWARDED FROM TIME TO TIME UNDER THE PLAN SHALL NOT EXCEED 33,000. The limitations established by the preceding sentences shall be subject to adjustment as provided in Section 6(i) hereof. Effective as of January 1, 1994, no more than 50% of the Options granted in any fiscal year hereunder may be granted to any single Executive Officer.

If any shares subject to an Option Grant OR RESTRICTED STOCK AWARD are forfeited, canceled, exchanged or surrendered or if a Grant otherwise terminates or expires without a distribution of shares to the Grantee, the shares of Common Stock with respect to such Grant shall, to the extent of any such forfeiture, cancellation, exchange, surrender, termination or expiration, again be available for Grants under the Plan; PROVIDED, HOWEVER, THAT, TO THE EXTENT REQUIRED FOR THE PLAN TO COMPLY WITH RULE 16B-3, IN THE CASE OF FORFEITURE, CANCELLATION, EXCHANGE OR SURRENDER OF RESTRICTED SHARES SUBJECT TO A RESTRICTED STOCK AWARD, THE NUMBER OF SHARES WITH RESPECT TO SUCH AWARD SHALL NOT BE AVAILABLE FOR GRANTS HEREUNDER UNLESS ANY DIVIDENDS PAID ON SUCH SHARES ARE ALSO FORFEITED, CANCELED, EXCHANGED OR SURRENDERED. IF ANY RESTRICTED UNITS ARE FORFEITED, CANCELED, EXCHANGED OR SURRENDERED OR IF A RESTRICTED UNIT AWARD OTHERWISE TERMINATES OR EXPIRES WITHOUT ANY PAYMENT BEING REQUIRED TO BE MADE WITH RESPECT TO ANY OF THE RESTRICTED UNITS SUBJECT THERETO, THEN SUCH RESTRICTED UNITS SHALL, TO THE EXTENT OF ANY SUCH FORFEITURE, CANCELLATION, EXCHANGE, SURRENDER, TERMINATION OR EXPIRATION, AGAIN BE AVAILABLE FOR GRANTS UNDER THE PLAN.

6. TERMS AND CONDITIONS OF OPTIONS.

Each Option granted pursuant to the Plan shall be evidenced by a written Option Agreement between the Corporation and the Optionee, which agreement shall

comply with and be subject to the following terms and conditions (and with such other terms and conditions not inconsistent with the terms of this Plan as the Committee, in its discretion, shall establish):

(a) Number of Shares. Each Option Agreement shall state the number of shares of Common Stock to which the Option relates.

(b) Type of Option. Each Option Agreement shall specifically state that no portion of the Option constitutes an Incentive Stock Option and the entire Option constitutes a Nonqualified Stock Option.

(c) Option Price. Each Option Agreement shall state the Option Price, which shall be not less than one hundred percent (100%) of the Fair Market Value of the shares of Common Stock of the Corporation on the date of grant of the Option. The Option Price shall be subject to adjustment as provided in Section 6(i) hereof. The date on which the Committee adopts a resolution expressly granting an Option shall be considered the day on which such Option is granted, unless such resolution expressly provides for a specific later date.

(d) Medium and Time of Payment. The Option Price shall be paid in full, at the time of exercise, (i) in cash, (ii) in shares of Common Stock having a Fair Market Value equal to such Option Price, or (iii) in a combination of cash and shares or (iv) in the sole discretion of the Committee, through a cashless exercise procedure involving a broker; provided, however, that such method and time for payment shall be permitted by and be in compliance with applicable law.

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(e) Term and Exercise of Options. Except as provided in Section 6(i) hereof or unless otherwise determined by the Committee, the shares covered by an Option shall become exercisable over such period, in cumulative installments or otherwise, or upon the satisfaction of such performance goals or other conditions, as the Committee shall determine; provided, however, that the Committee shall have the authority to accelerate the exercisability of all or any portion of any outstanding Option at such time and under such circumstances as it, in its sole discretion, deems appropriate, and provided further, however, that such exercise period shall not exceed ten (10) years from the date of grant of such Option. The exercise period shall be subject to earlier termination as provided in Sections 6(f) and 6(g) hereof. An Option may be exercised, as to any or all full shares of Common Stock as to which the Option has become exercisable, by giving written notice of such exercise to the Committee; provided, however, that an Option may not be exercised at any one time as to fewer than 100 shares (or such number of shares as to which the Option is then exercisable if such number of shares is less than 100).

(f) Termination. Except as provided in this Section 6(f) and in Section 6(g) hereof, an Option may not be exercised unless the Optionee is then in the employ of the Corporation or one of its divisions or Subsidiary Corporations, and unless the Optionee has remained continuously so employed since the date of grant of the Option. In the event that the employment of an Optionee shall terminate (other than by reason of death or Disability), all Options of such Optionee that are exercisable at the time of such termination may, unless earlier terminated in accordance with their terms, be exercised within three (3) months after such termination, OR AT SUCH LATER TIME AS THE COMMITTEE MAY IN ITS DISCRETION DETERMINE, BUT NOT BEYOND THE DATE ON WHICH THE OPTION WOULD OTHERWISE EXPIRE PURSUANT TO PARAGRAPH (E) OF THIS SECTION 6; provided, however, that if the employment of an Optionee shall terminate for Cause, all Options theretofore granted to such Optionee shall, to the extent not theretofore exercised, terminate forthwith. Nothing in the Plan or in any Option granted pursuant hereto shall confer upon an individual any right to continue in the employ of the Corporation or any of its divisions or Subsidiary Corporations or interfere in any way with the right of the Corporation or any such division or Subsidiary Corporation to terminate such employment.

(g) Death or Disability of Optionee. If an Optionee shall die while employed by the Corporation or a Subsidiary Corporation or within three (3) months after the termination of such Optionee's employment, other than for Cause, or if the Optionee's employment shall terminate by reason of Disability, all Options theretofore granted to such Optionee (to the extent otherwise exercisable) may, unless earlier terminated in accordance with their terms, be exercised by the Optionee or by the Optionee's estate or by

a person who acquired the right to exercise such Option by bequest or inheritance or otherwise by reason of the death or Disability of the Optionee, at any time within one year after the date of death or termination by reason of Disability OR AT SUCH LATER TIME AS THE COMMITTEE MAY IN ITS DISCRETION DETERMINE, BUT NOT BEYOND THE DATE ON WHICH THE OPTION WOULD OTHERWISE EXPIRE PURSUANT TO PARAGRAPH (E) OF THIS SECTION 6.

(h) Nontransferability of Options. Options granted under the Plan shall not be transferable otherwise than by will or by the laws of descent and distribution, and Options may be exercised, during the lifetime of the Optionee, only by the Optionee or by his guardian or legal representative.

(i) Effect of Certain Changes. (1) If there is any change in the shares of Common Stock through the declaration of stock dividends, distributions made with respect to shares of Common

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Stock, recapitalizations, restructurings, stock splits, or combinations or exchanges of such shares, or the like, then the number of shares of Common Stock or other securities available for Options, the kind and amount of shares and other securities covered by outstanding Options, and/or the Option Price, as appropriate, shall be adjusted as necessary to reflect equitably such change in the shares of Common Stock; provided, however, that any fractional shares resulting from such adjustment shall be eliminated.

(2) If while unexercised Options remain outstanding under the Plan--

(A) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than the Corporation, Merrill Lynch Capital Partners and affiliates, any person who on the date hereof is a director or officer of the Corporation, any trustee or other fiduciary holding securities under an employee benefit plan of the Corporation, or any corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the Corporation's then outstanding securities;

(B) during any period of 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 the Corporation to effect a transaction described in clause (A) or (C) of this Section 7(i)(2)) whose election by the Board or nomination for election by the Corporation'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; or

(C) the stockholders of the Corporation approve a merger or consolidation of the Corporation with any other entity other than a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 80% of the combined voting power of the voting securities of the Corporation or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all of the Corporation's assets

(each, an "Acceleration Event"), then all Options not theretofore exercisable by their terms shall become exercisable in full. Following the Acceleration Event, except with respect to Options held for less than six months prior to such event by Optionees who are Executive Officers, the Committee shall provide for the cancellation of all Options then outstanding; provided, however, that, for purposes of such cancellation, the Committee may limit the definition of Acceleration Event as necessary to comply with the conditions and requirements of Rule 16b-3. Upon such cancellation, the Corporation shall make, in exchange therefor, a cash payment for any such Option in an amount per share equal to the difference between the per share exercise price of such Option and the Fair Market

Value of a share of Common Stock on the date during the prior sixty-day period that produces the highest Fair Market Value.

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(3) In the event of a change in the Common Stock of the Corporation as presently constituted which is limited to a change of all of its authorized shares with par value into the same number of shares with a different par value or without par value, the shares resulting from any such change shall be deemed to be the Common Stock within the meaning of the Plan.

(4) The foregoing adjustments shall be made by the Committee, whose determination in that respect shall be final, binding and conclusive.

(5) Except as hereinbefore expressly provided in this Section 6(i), the Optionee shall have no rights by reason of any subdivision or consolidation of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any dissolution, liquidation, merger, or consolidation or spin-off of assets or stock of another corporation; and any issue by the Corporation of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to the Option. The grant of an Option pursuant to the Plan shall not affect in any way the right or power of the Corporation to make adjustments, reclassifications, reorganizations or changes of its capital or business structures or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or part of its business or assets.

(j) Rights as a Stockholder. An Optionee or a transferee of an Option shall have no rights as a stockholder with respect to any shares covered by the Option until the date of the issuance of a stock certificate for such shares. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distribution of other rights for which the record date is prior to the date such stock certificate is issued, except as provided in Section 6(i) hereof.

(k) Other Provisions. The Option Agreements authorized under the Plan shall contain such other provisions, including without limitation the imposition of restrictions upon the exercise of an Option, as the Committee shall deem advisable.

7. TERMS AND CONDITIONS OF RESTRICTED STOCK AWARDS AND RESTRICTED UNIT AWARDS.

EACH RESTRICTED STOCK AWARD AND RESTRICTED UNIT AWARD GRANTED UNDER THE PLAN SHALL BE EVIDENCED BY A WRITTEN RESTRICTED AWARD AGREEMENT BETWEEN THE CORPORATION AND THE GRANTEE, WHICH AGREEMENT SHALL COMPLY WITH, AND BE SUBJECT TO, THE FOLLOWING TERMS AND CONDITIONS (AND WITH SUCH OTHER TERMS AND CONDITIONS NOT INCONSISTENT WITH THE TERMS OF THIS PLAN AS THE COMMITTEE, IN ITS DISCRETION, SHALL ESTABLISH):

(A) NUMBER OF SHARES AND UNITS. THE COMMITTEE SHALL DETERMINE THE NUMBER OF RESTRICTED SHARES TO BE AWARDED TO A GRANTEE PURSUANT TO THE RESTRICTED STOCK AWARD AND THE NUMBER OF RESTRICTED UNITS TO BE AWARDED TO A GRANTEE PURSUANT TO A RESTRICTED UNIT AWARD.

(B) NONTRANSFERABILITY. EXCEPT AS SET FORTH IN SUBSECTIONS (F) AND (G) OF THIS SECTION 7, A GRANTEE MAY NOT SELL, ASSIGN, TRANSFER, PLEDGE, HYPOTHECATE OR OTHERWISE DISPOSE OF ANY RESTRICTED SHARES OR RESTRICTED UNITS AWARDED TO SAID GRANTEE UNDER THIS PLAN, OR ANY INTEREST THEREIN, EXCEPT BY WILL OR THE LAWS OF DESCENT AND DISTRIBUTION, FOR A PERIOD OF FIVE YEARS, OR SUCH SHORTER PERIOD AS THE COMMITTEE SHALL DETERMINE, FROM THE DATE ON WHICH THE AWARD IS GRANTED. THE COMMITTEE MAY

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ALSO IN ITS DISCRETION IMPOSE SUCH OTHER RESTRICTIONS AND CONDITIONS ON RESTRICTED SHARES AND UNITS AWARDED AS IT DEEMS APPROPRIATE. IN DETERMINING THE RESTRICTED PERIOD OF AN AWARD, THE COMMITTEE MAY PROVIDE THAT THE RESTRICTIONS SHALL LAPSE WITH RESPECT TO SPECIFIED PERCENTAGES OF THE AWARDED SHARES OR UNITS ON SUCCESSIVE ANNIVERSARIES OF THE DATE OF SUCH AWARD OR UPON THE SATISFACTION OF SUCH OTHER CONDITIONS AS THE COMMITTEE MAY IMPOSE. IN NO EVENT SHALL THE RESTRICTED PERIOD END WITH RESPECT TO A RESTRICTED STOCK AWARD OR RESTRICTED UNIT AWARD PRIOR TO THE SATISFACTION

BY THE GRANTEE OF ANY LIABILITY ARISING UNDER SECTION 8 HEREOF. ANY ATTEMPT TO DISPOSE OF ANY RESTRICTED SHARES IN CONTRAVENTION OF ANY SUCH RESTRICTIONS SHALL BE NULL AND VOID AND WITHOUT EFFECT. THE PERIOD DURING WHICH SUCH RESTRICTIONS ON TRANSFER, AND SUCH OTHER RESTRICTIONS AS THE COMMITTEE MAY IMPOSE, ARE IN EFFECT IS REFERRED TO AS THE "RESTRICTED PERIOD".

(C) CERTIFICATES REPRESENTING RESTRICTED SHARES. THE CORPORATION SHALL NOT BE REQUIRED TO ISSUE STOCK CERTIFICATES REPRESENTING RESTRICTED SHARES AWARDED TO A GRANTEE UNTIL THE RESTRICTED PERIOD RELATED TO SUCH SHARES HAS LAPSED. IF ANY STOCK CERTIFICATES REPRESENTING RESTRICTED SHARES AWARDED PURSUANT TO A RESTRICTED STOCK AWARD ARE ISSUED PRIOR TO THE LAPSE OF THE RESTRICTED PERIOD, SUCH STOCK CERTIFICATE SHALL BEAR AN APPROPRIATE LEGEND REFERRING TO SUCH RESTRICTIONS. SUCH CERTIFICATES MAY BE RETAINED BY THE CORPORATION DURING THE RESTRICTED PERIOD.

(D) TERMINATION. IF THE GRANTEE'S CONTINUOUS EMPLOYMENT WITH THE CORPORATION OR ANY OF ITS DIVISIONS OR SUBSIDIARY CORPORATIONS SHALL TERMINATE FOR ANY REASON PRIOR TO THE EXPIRATION OF THE RESTRICTED PERIOD APPLICABLE TO ANY RESTRICTED SHARES OR RESTRICTED UNITS GRANTED TO SUCH GRANTEE, OR PRIOR TO THE SATISFACTION OF ANY OTHER CONDITIONS ESTABLISHED BY THE COMMITTEE APPLICABLE TO SUCH GRANT, ANY SUCH RESTRICTED SHARES OR RESTRICTED UNITS THEN REMAINING SUBJECT TO RESTRICTIONS (AFTER TAKING INTO ACCOUNT THE PROVISIONS OF SUBSECTIONS (F) AND (G) OF THIS SECTION 7) SHALL THEREUPON BE FORFEITED BY THE GRANTEE AND ANY SUCH RESTRICTED SHARES SHALL BE TRANSFERRED TO, AND REACQUIRED BY, THE CORPORATION OR ITS SUBSIDIARY CORPORATION AT NO COST TO THE CORPORATION OR THE SUBSIDIARY CORPORATION. IN SUCH EVENT, THE GRANTEE, OR IN THE EVENT OF HIS DEATH, HIS PERSONAL REPRESENTATIVE, SHALL, WITH RESPECT TO ANY SUCH SHARES, FORTHWITH DELIVER TO THE SECRETARY OF THE CORPORATION ANY STOCK CERTIFICATES IN THE POSSESSION OF THE GRANTEE OR THE GRANTEE'S REPRESENTATIVE REPRESENTING THE RESTRICTED SHARES REMAINING SUBJECT TO SUCH RESTRICTIONS, ACCOMPANIED BY SUCH INSTRUMENTS OF TRANSFER, IF ANY, AS MAY REASONABLY BE REQUIRED BY THE SECRETARY OF THE CORPORATION.

(E) RIGHTS AS A STOCKHOLDER. UPON RECEIPT BY A GRANTEE OF A RESTRICTED STOCK AWARD, THE GRANTEE SHALL POSSESS ALL INCIDENTS OF OWNERSHIP OF THE RESTRICTED SHARES (SUBJECT TO SUBSECTION (B) OF THIS SECTION 7), INCLUDING THE RIGHT TO RECEIVE OR REINVEST DIVIDENDS WITH RESPECT TO SUCH SHARES AND TO VOTE SUCH SHARES.

(F) EFFECT OF CERTAIN CHANGES. THE NUMBER OF RESTRICTED SHARES OR RESTRICTED UNITS SUBJECT TO A GRANT SHALL BE APPROPRIATELY ADJUSTED BY THE COMMITTEE IN THE EVENT OF ANY CHANGE IN THE SHARES OF COMMON STOCK SET FORTH IN SECTION 6(I)(1). UPON THE OCCURRENCE OF AN ACCELERATION EVENT, AS DEFINED IN SECTION 6(I)(2), ALL RESTRICTIONS THEN OUTSTANDING WITH RESPECT TO A RESTRICTED STOCK AWARD AND RESTRICTED UNIT AWARD SHALL AUTOMATICALLY EXPIRE AND BE OF NO FURTHER FORCE AND EFFECT.

(G) OTHER PROVISIONS. THE COMMITTEE SHALL HAVE THE AUTHORITY (AND THE RESTRICTED AWARD AGREEMENT MAY SO PROVIDE) TO CANCEL ALL OR ANY PORTION OF ANY OUTSTANDING RESTRICTIONS AND CONDITIONS PRIOR TO THE EXPIRATION OF THE RESTRICTED PERIOD WITH RESPECT TO ALL OR PART OF A

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RESTRICTED STOCK AWARD OR RESTRICTED UNIT AWARD ON SUCH TERMS AND CONDITIONS AS THE COMMITTEE MAY DEEM APPROPRIATE. THE RESTRICTED AWARD AGREEMENTS AUTHORIZED UNDER THIS PLAN SHALL CONTAIN SUCH OTHER PROVISIONS NOT INCONSISTENT WITH THE TERMS HEREOF AS THE COMMITTEE SHALL DEEM ADVISABLE.

8. AGREEMENT BY GRANTEE REGARDING WITHHOLDING TAXES.

When a Grantee or other person becomes entitled to receive shares of Common Stock pursuant to the exercise of an Option OR UPON THE LAPSE OF RESTRICTIONS RELATING TO A RESTRICTED STOCK AWARD, OR TO RECEIVE A CASH PAYMENT WITH RESPECT TO A RESTRICTED UNIT AWARD UPON THE LAPSE OF RESTRICTIONS RELATING THERETO, the Corporation shall have the right to require the Grantee or such other person to pay to the Corporation, OR TO WITHHOLD FROM ANY CASH PAYMENT REQUIRED TO BE MADE WITH RESPECT TO A RESTRICTED UNIT AWARD, the amount of any taxes that the Corporation may be required to withhold before delivery to such Grantee or other person of a certificate or certificates representing such shares, OR THE DELIVERY TO SUCH GRANTEE OF A PAYMENT WITH RESPECT TO RESTRICTED UNITS.

Unless otherwise prohibited by the Committee or by applicable law, a

Grantee may satisfy any such withholding tax obligation by any of the following methods, or by a combination of such methods: (a) tendering a cash payment; (b) authorizing the Corporation to withhold from the shares of Common Stock otherwise issuable to such Grantee (OR, IN THE CASE OF A RESTRICTED STOCK AWARD, FROM THE SHARES WITH RESPECT TO WHICH THE RESTRICTIONS SHALL HAVE LAPSED) shares having an aggregate Fair Market Value, determined as of the date the withholding tax obligation arises, less than or equal to the amount of the total withholding tax obligation or, at the discretion of the Committee, up to the total tax liability of the Grantee or other person calculated at the maximum combined marginal federal, state and local tax rates applicable to the Grantee or other person (the "Maximum Liability"); (c) delivering to the Corporation previously acquired shares of Common Stock (none of which shares may be subject to any claim, lien, security interest, community property right or other right of spouses or present or former family members, pledge, option, voting agreement or other restriction or encumbrance of any nature whatsoever) having an aggregate Fair Market Value, determined as of the date the withholding tax obligation arises, less than or equal to the amount of the total withholding tax obligation or, at the discretion of the Committee, up to the Maximum Liability; or (D) AUTHORIZING THE COMMITTEE TO WITHHOLD FROM THE PAYMENT OF A RESTRICTED STOCK UNIT WITH RESPECT TO WHICH THE RESTRICTED PERIOD HAS LAPSED AN AMOUNT LESS THAN OR EQUAL TO THE AMOUNT OF THE TOTAL WITHHOLDING TAX OBLIGATION OR, AT THE DISCRETION OF THE COMMITTEE, UP TO THE MAXIMUM LIABILITY. A Grantee's election to pay his or her withholding tax obligation or all or part of the Maximum Liability (in whole or in part) by the method described in clause (b) hereof is irrevocable once it is made, may be disapproved by the Committee and, if made by any Executive Officer, must be made (x) only during the period beginning on the third business day following the date of release of the Corporation's quarterly or annual summary statement of sales and earnings and ending on the twelfth business day following the date of such release or (y) not less than six months prior to the date such Grantee's withholding tax obligation arises.

9. TERM OF PLAN.

The term of this Plan is ten (10) years from the date the Plan was originally adopted by the Board, or the date the Plan is approved by the stockholders of the Corporation, whichever is earlier. No Option, RESTRICTED STOCK AWARD OR RESTRICTED UNIT AWARD shall be granted pursuant to this Plan later than

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January 31, 2002, but Options AND RESTRICTED STOCK AND UNIT AWARDS theretofore granted may extend beyond that date in accordance with their terms.

10. AMENDMENT AND TERMINATION OF THE PLAN.

The Board may, at any time and from time to time, suspend, terminate, modify or amend the Plan; provided, however, that any amendment that would materially increase the aggregate number of shares of Common Stock as to which Options OR RESTRICTED STOCK AWARDS may be granted under the Plan, materially increase the benefits accruing to participants under the Plan, or materially modify the requirements as to eligibility for participation in the Plan, each within the meaning of Rule 16b-3, and, in the sole discretion of the Committee, any amendment that requires shareholder approval in order for the Plan to comply with Section 162(m) of the Code, shall be subject to the approval of the holders of a majority of the Common Stock present and entitled to vote at a duly held meeting of the shareholders of the Corporation, except that any such increase or modification that may result from adjustments authorized by Section 6(i) hereof shall not require such approval. Except as provided in Section 6 hereof, no suspension, termination, modification or amendment of the Plan may adversely affect any Grant previously made, unless the written consent of the Grantee is obtained.

11. APPROVAL OF STOCKHOLDERS.

The Plan shall take effect upon its adoption by the Board of Directors but shall be subject to the approval of the holders of a majority of the issued and outstanding shares of Common Stock of the Corporation, which approval must occur within twelve months after the date the Plan is adopted by the Board.

12. MISCELLANEOUS.

(a) Effect of Headings. The section and sub section headings contained herein are for convenience only and shall not affect the construction hereof.

(b) Compliance with Legal Requirements. The Plan and the other obligations

of the Corporation under the Plan and any agreement shall be subject to all applicable federal and state laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may be required. The Corporation, in its discretion, may postpone the issuance or delivery of Common Stock under any Grant as the Corporation may consider appropriate, and may require any Grantee to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of Common Stock in compliance with applicable laws, rules and regulations.

(c) No Right To Continued Employment. Nothing in the Plan or in any agreement entered into pursuant hereto shall confer upon any Grantee the right to continue in the employ of the Corporation or any of its divisions or Subsidiary Corporations, to be entitled to any remuneration or benefits not set forth in the Plan or such agreement or to interfere with or limit in any way the right of the Corporation or such division or Subsidiary Corporation to terminate such Grantee's employment.

(d) Grantee Rights. No Grantee shall have any claim to be made any Grant under the Plan, and there is no obligation for uniformity of treatment for Grantees. Except as provided specifically herein, a Grantee or a transferee of a Grant shall have no rights as a stockholder with respect to any shares covered by any Grant until the date of the issuance of a stock certificate for such shares.

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(e) Beneficiary. A Grantee may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no designated beneficiary survives the Grantee, the executor or administrator of the Grantee's estate shall be deemed to be the Grantee's beneficiary.

(f) Interpretation. The Plan is designed and intended to comply with Rule 16b-3 promulgated under the Exchange Act and, to the extent applicable, with Section 162(m) of the Code, and all provisions hereof shall be construed in a manner to so comply.

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EXHIBIT B

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 (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.

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(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,

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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 is 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.

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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.

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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 000'S)	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:

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

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ANNTAYLOR STORES CORPORATION
THIS PROXY IS SOLICITED ON BEHALF OF THE
BOARD OF DIRECTORS OF ANNTAYLOR STORES CORPORATION
FOR THE ANNUAL MEETING TO BE HELD ON JUNE 1, 1994

The undersigned hereby appoints James J. Burke, Jr. and Paul E. Francis, and either of them, proxies of the undersigned with full power of substitution to

vote all shares of Common Stock, par value \$.0068 per share, of AnnTaylor Stores Corporation (the "Company") owned or held by the undersigned at the Annual Meeting of Stockholders of the Company to be held at the Plaza Hotel, New York, New York, on June 1, 1994 at 2:00 p.m. local time and at any adjournments thereof.

Such proxies are directed to vote as set forth on the reverse side hereof. The shares represented by this proxy will be voted as directed by the stockholder. If no direction is given when the duly executed proxy is returned, such shares will be voted "FOR all nominees" in (a), "FOR" the proposals in (b), (c) and (d) and in accordance with the judgment of such proxies upon such other matters as may properly come before the Annual Meeting.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR ALL NOMINEES"
IN (A) AND "FOR" THE PROPOSALS IN (B), (C) AND (D).

- (a) ELECTION OF THE FOLLOWING NOMINEES
AS CLASS III DIRECTORS: Gerald S.
Armstrong, Paul E. Francis and
Hanne M. Merriman (for terms to
expire at the 1997 annual
meeting).

AUTHORITY WITHHELD FOR THE
FOLLOWING NOMINEE(S) ONLY:

(WRITE THE NAME(S) OF SUCH
NOMINEE(S) IN THE SPACE
PROVIDED BELOW)

AUTHORITY	
FOR ALL	WITHHELD FOR
NOMINEES	ALL NOMINEES
/ /	/ /

- (b) PROPOSAL TO APPROVE
THE AMENDMENT AND
RESTATEMENT OF THE
COMPANY'S 1992 STOCK
OPTION PLAN

FOR	AGAINST	ABSTAIN
/ /	/ /	/ /

- (c) PROPOSAL TO APPROVE
THE AMENDED AND RESTATED
MANAGEMENT PERFORMANCE
COMPENSATION PLAN

FOR	AGAINST	ABSTAIN
/ /	/ /	/ /

- (d) PROPOSAL TO RATIFY THE
APPOINTMENT OF DELOITTE
TOUCHE as independent public
accountants for the Company
for fiscal year 1994

FOR	AGAINST	ABSTAIN
/ /	/ /	/ /

- (e) IN THEIR JUDGMENT, UPON SUCH

OTHER MATTERS AS MAY PROPERLY
COME BEFORE THIS ANNUAL
MEETING.

Dated _____, 1994

(Signature)

Please mark, date, sign and
return this proxy in the
enclosed envelope. Please sign
exactly as names appear at
left. When signing as agent,
attorney, or fiduciary, or for
a corporation or partnership,
indicate the capacity in which
you are signing. Shares
registered in joint names
should be signed by each joint
tenant or trustee.