ANN INC.
Form 425
August 06, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 6, 2015

ASCENA RETAIL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**0-11736**	**30-0641353**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

933 MacArthur Boulevard

Mahwah, New Jersey 07430

(551) 777-6700

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

N/A

(Former name or former address, if changed from last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

x Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events.

This Current Report on Form 8-K is being filed pursuant to a memorandum of understanding regarding the settlement of certain litigation relating to the Agreement and Plan of Merger (the Merger Agreement), dated as of May 17, 2015, by and among ANN INC., a Delaware corporation (ANN), Ascena Retail Group, Inc., a Delaware corporation (Ascena), and Avian Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Ascena (Merger Sub). The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Merger Sub will merge with and into ANN, with ANN continuing as the surviving corporation (the Merger).

As previously disclosed on page 75 of the Definitive Proxy Statement/Prospectus filed with the Securities and Exchange Commission (the SEC) by Ascena on July 20, 2015 (the Definitive Proxy Statement/Prospectus), ANN, its board of directors, Ascena and Merger Sub are named as defendants in a putative class action in the Delaware Court of Chancery challenging the Merger. The suit was filed on May 27, 2015 and is captioned *Vladimir Gusinsky Living Trust* v. *ANN, Inc.*, C.A. No. 11067-CB (the Action). The complaint alleges, among other things, that ANN s board of directors breached its fiduciary duties by agreeing to sell ANN through an unfair process and by failing to maximize the value of ANN. The complaint also alleges that ANN, Merger Sub and Ascena have aided and abetted these breaches of fiduciary duty. On July 2, 2015, the plaintiff amended its complaint to include allegations that ANN s preliminary proxy statement, filed as part of Ascena s registration statement, was materially misleading and incomplete.

On August 6, 2015, the defendants entered into a memorandum of understanding (the MOU) with the plaintiff providing for the settlement of the Action. While ANN and Ascena believe that no supplemental disclosure is required under applicable laws, in order to avoid the burden and expense of further litigation, ANN and Ascena have agreed, pursuant to the terms of the MOU, to make certain supplemental disclosures related to the proposed Merger, all of which are set forth below. The MOU contemplates that the parties will enter into a stipulation of settlement. The stipulation of settlement will be subject to customary conditions, including court approval following notice to ANN s stockholders. In the event that the parties enter into a stipulation of settlement, a hearing will be scheduled at which the Delaware Court of Chancery will consider the fairness, reasonableness and adequacy of the settlement. If the settlement is finally approved by the court, it will resolve and release all claims by stockholders of ANN challenging any aspect of the proposed Merger, the Merger Agreement and any disclosure made in connection therewith, including in the Definitive Proxy Statement/Prospectus, pursuant to terms that will be disclosed to stockholders prior to final approval of the settlement. In addition, in connection with the settlement, the parties contemplate that plaintiff s counsel will file a petition in the Delaware Court of Chancery for an award of attorneys fees and expenses to be paid by ANN or its successor. The settlement is also contingent upon, among other things, the Merger becoming effective under Delaware law. There can be no assurance that the Delaware Court of Chancery will approve the settlement contemplated by the MOU. In the event that the settlement is not approved and such conditions are not satisfied, the defendants will continue to vigorously defend against the allegations in the Action.

SUPPLEMENT TO DEFINITIVE PROXY STATEMENT/PROSPECTUS

In connection with the settlement of the Action as set forth in this Current Report on Form 8-K, ANN and Ascena agreed to make these supplemental disclosures to the Definitive Proxy Statement/Prospectus. These disclosures should be read in connection with the Definitive Proxy Statement/Prospectus, which should be read in its entirety. To the extent that information herein differs from or updates information contained in the Definitive Proxy Statement/Prospectus, the information contained herein supersedes the information contained in the Definitive Proxy Statement/Prospectus. Defined terms used but not defined herein have the meanings set forth in the Definitive Proxy Statement/Prospectus.

The following supplemental disclosure is inserted at the end of the table on page 22 of the Definitive Proxy Statement/Prospectus as a note to ANN s Basic Earnings Per Share for the Fiscal Quarter Ended May 2, 2015:

ANN s Basic Earnings Per Share for the fiscal quarter ended May 2, 2015 increased to $0.30 compared to Basic Earnings Per Share of $0.11 for the fiscal quarter ended May 3, 2014 on a modest increase in sales for the same period year over year, due in part to cost savings initiatives instituted by ANN management.

The following supplemental disclosure is inserted as a new section immediately following the end of the Section titled Comparative Per Share Market Price and Dividend Information on page 29 of the Definitive Proxy Statement/Prospectus:

Certain Disclosures by ascena Subsequent to the Execution of the Merger Agreement

On July 10, 2015, ascena publicly disclosed that as a result of the preliminary annual goodwill and intangible assets impairment assessment performed during the fourth quarter of its fiscal year ended July 25, 2015, ascena determined that a non-operational, non-cash impairment charge is required to write-down goodwill and intangible assets at its **Lane Bryant** reporting unit from their carrying value to their implied fair value. As a result, ascena expects that it will record a non-cash, pre-tax impairment charge in the range of $275 million to $325 million during the fourth quarter of its fiscal year ended July 25, 2015 (the Impairment Charge); however, the final amount of the Impairment Charge has not yet been determined. No cash expenditures are anticipated as a result of the Impairment Charge.

In its Quarterly Report on Form 10-Q for the fiscal quarter ended April 25, 2015 (the ascena 2015 Third Quarter Form 10-Q), ascena disclosed that it is a party to lawsuits related to pricing practices at its **Justice** reporting unit (collectively, the **Justice** Cases). As of the date of the ascena 2015 Third Quarter Form 10-Q, ascena could not estimate the cost of resolving the **Justice** Cases. On July 10, 2015, ascena publicly disclosed that in early July 2015, based on recent developments in the **Justice** Cases, ascena determined that it is required to record a reserve for the future settlement of the **Justice** Cases in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 450-20-25. As a result, ascena currently expects to record a pre-tax charge of approximately $50 million during the fourth quarter of its fiscal year ended July 25, 2015 (the Litigation Charge). The disclosure in this paragraph and the previous paragraph was provided solely by ascena and ANN has not expressed any views relating to, and is not responsible for, the foregoing views.

ascena publicly announced, on June 2, 2015, its third quarter earnings and, on July 10, 2015, an updated fiscal 2015 financial outlook. ascena had not provided to ANN or ANN s board of directors drafts of these public announcements before their release. After the public announcement of ascena s updated fiscal 2015 financial outlook, ANN s management team, at the request of members of ANN s board of directors, undertook a review of ascena s updated fiscal 2015 financial outlook. On July 22, 2015, members of management updated the ANN board of directors on their review.

The following supplemental disclosure replaces in its entirety the seventh and eighth full paragraphs on page 46 of the Definitive Proxy Statement/Prospectus concerning the Background of the Merger:

Between May and July 2014, at the direction of the ANN board of directors, ANN s management held an in-person meeting and additional calls with representatives of Golden Gate to understand Golden Gate s perspectives on ANN and its views as to how ANN could enhance stockholder value, including Golden Gate s recommendation that ANN consummate a share repurchase program to purchase up to $750 million of ANN common stock.

On May 21 and 22, 2014, the ANN board of directors met, together with members of management and representatives of J.P. Morgan and Wachtell, Lipton, Rosen & Katz, ANN s outside legal counsel, which we refer to as Wachtell Lipton. At this meeting, ANN s management updated the ANN board of directors on the discussions with Golden Gate. Additionally, representatives of J.P. Morgan presented a preliminary analysis of options available to ANN to enhance stockholder value, including executing on ANN s long-range plan, the possibility of pursuing an acquisition of one or more industry participants, the possibility of a business combination transaction with an industry participant, including, among others, ascena, or pursuing a sale of ANN in an all-cash transaction. Additionally, representatives of J.P. Morgan presented a preliminary analysis of the potential financial impact of ANN implementing a leveraged recapitalization combined with a share repurchase program in the range of $250 million to $1 billion, or dividend, which we refer to as a leveraged recapitalization and distribution. ANN s management, with the assistance of J.P. Morgan, conducted sensitivity analyses from time to time to assess the effect a leveraged recapitalization and distribution would have on ANN.

The following supplemental disclosure replaces in its entirety the first full paragraph on page 47 of the Definitive Proxy Statement/Prospectus concerning the Background of the Merger:

On August 20, 2014, the ANN board of directors met, together with members of management and representatives of J.P. Morgan and Wachtell Lipton. At this meeting, representatives of J.P. Morgan continued to discuss with the ANN board of directors their continued analysis of options available to ANN to enhance stockholder value. Following discussion at this meeting, the ANN board of directors determined not to further pursue an acquisition of Strategic Party B or Strategic Party C, because the ANN board concluded that neither transaction was supported by a compelling strategic rationale. The ANN board of directors considered the status of discussions with Strategic Party A and Strategic Party D and the rationale for pursuing an acquisition of Strategic Party A and/or a business combination transaction with Strategic Party D, and determined that management should continue to pursue both potential transactions in parallel.

The following supplemental disclosure replaces in its entirety the sixth full paragraph on page 47 of the Definitive Proxy Statement/Prospectus concerning the Background of the Merger:

On September 9, 2014, the ANN board of directors met, together with members of management and representatives of J.P. Morgan and Wachtell Lipton. At this meeting, representatives of J.P. Morgan updated the ANN board of directors on the market reaction to the letter published by Engine Capital and Red Alder and on J.P. Morgan s continued analysis of options available to ANN to enhance stockholder value. In addition, at the meeting, ANN s management reviewed and discussed with the ANN board of directors the long-range plan for ANN s businesses through fiscal year 2017, which had been prepared in the course of ANN s annual business planning process and discussed in preliminary form with the ANN board of directors in May and August 2014 and updated and finalized in September 2014. The ANN board of directors also discussed the status of discussions with Strategic Party A and Strategic Party D and the rationale for pursuing an acquisition of Strategic Party A and/or a business combination transaction with Strategic Party D, and determined that management should continue to pursue both potential transactions in parallel.

The following supplemental disclosure replaces in its entirety the third full paragraph on page 48 of the Definitive Proxy Statement/Prospectus concerning the Background of the Merger:

In October and November 2014, ANN entered into confidentiality agreements with four private equity firms, which we refer to as Sponsor A, Sponsor B, Sponsor C and Sponsor D, each containing customary standstill restrictions. These restrictions, as well as the customary standstill restrictions included in the confidentiality agreement between ANN and Strategic Party D, automatically terminated upon ANN entering into the merger agreement with ascena, thereby permitting each of these parties, as well as Strategic Party A, Strategic Party B and Strategic Party C (whose respective confidentiality agreements did not contain standstill restrictions) to contact ANN regarding a potential alternative transaction to the merger with ascena free of any restriction under their respective confidentiality agreements. After entering into the confidentiality agreements, the four private equity firms were provided with non-public information regarding ANN and attended separate presentations with ANN s management.

The following supplemental disclosure replaces in its entirety the seventh full paragraph on page 48 of the Definitive Proxy Statement/Prospectus concerning the Background of the Merger:

On November 4, 2014, the ANN board of directors met, together with members of management and representatives of J.P. Morgan and Wachtell Lipton. Representatives of J.P. Morgan updated the ANN board of directors on J.P. Morgan s continued analysis of options available to ANN to enhance stockholder value, including a potential leveraged recapitalization and distribution. Representatives of J.P. Morgan also discussed with the ANN board of directors the status of contacts that had been made with the identified strategic and private equity parties in connection with the market check, with which J.P. Morgan had previously been instructed to assist, including those parties that had entered into confidentiality agreements with ANN. Representatives of J.P. Morgan informed the ANN board of directors that two of the strategic parties contacted by representatives of J.P. Morgan and Sponsor A had informed J.P. Morgan that they were not interested in exploring a potential transaction with ANN and that the remaining strategic party had not yet determined whether to enter into a confidentiality agreement with ANN (which party subsequently determined not to enter into a confidentiality agreement). The ANN board of directors also reviewed the status of discussions with Strategic Party D regarding a potential business combination transaction with Strategic Party D, and, upon discussion, concluded that such a transaction was not supported by a compelling strategic rationale or synergy potential. The ANN board of directors accordingly determined that ANN not actively pursue further discussions with Strategic Party D in light of the transaction not being supported by a compelling strategic rationale or synergy potential.

The following supplemental disclosure is inserted following the eighth full paragraph on page 49 of the Definitive Proxy Statement/Prospectus concerning the Background of the Merger:

In December 2014, representatives of ascena provided to J.P. Morgan who subsequently delivered to ANN a copy of ascena s long-range plan, consisting of consolidated projections and individual projections by business lines through ascena s fiscal year 2017, which was subsequently revised and expanded by ascena in January 2015 and March 2015 and provided by ascena s representatives to ANN through J.P. Morgan. See Certain Unaudited Prospective Financial Information Concerning ascena below regarding ANN s and J.P. Morgan s use of the plan information provided by ascena.

The following supplemental disclosure replaces in its entirety the tenth full paragraph on page 52 of the Definitive Proxy Statement/Prospectus concerning the Background of the Merger:

Also on April 10, 2015, representatives of Sponsor B informed representatives of J.P. Morgan that Sponsor B would submit a revised proposal during the week of April 13. Subsequently, on April 14, 2015, a representative of Sponsor B informed a representative of J.P. Morgan that Sponsor B was no longer interested in pursuing a transaction with ANN at this time because Sponsor B indicated that it had concerns with respect to ANN s business performance.

The following supplemental disclosure replaces in its entirety the fourth full paragraph on page 62 of the Definitive Proxy Statement/Prospectus concerning Certain Unaudited Prospective Financial Information:

The ANN business projections for fiscal years ended 2015 through 2017 included below in ANN Long-Range-Plan-Based Business Projections (the ANN Annual Strategic Plan Information), which underlie the ANN Long-Range-Plan-Based Business Projections and all of the sensitized projections included below, have not been updated since they were developed in September 2014 in connection with

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ANN s annual strategic review process. Accordingly, the ANN Annual Strategic Plan Information and the other prospective information included below do not reflect ANN s current estimates and do not take into account any circumstances or events occurring after the date they were prepared, including the transactions contemplated by the merger agreement. Further, the ANN Forecasts and Sensitivity Information do not take into account the effect of any failure of the merger to occur and should not be viewed as accurate in that context. None of ANN, ascena or Merger Sub undertakes any obligation to update the ANN Forecasts and Sensitivity Information. ANN developed the plan through fiscal year 2017, known as the ANN long-range plan, for operational and planning purposes, and provided the plan to J.P. Morgan, and directed J.P. Morgan to use the long-range plan information in connection with its advisory and valuation work for ANN.

The following supplemental disclosure is inserted at the end of the first full paragraph on page 63 of the Definitive Proxy Statement/Prospectus under the heading ANN Long-Range-Plan-Based Business Projections :

The ANN Annual Strategic Plan Information was also provided by J.P. Morgan at ANN s direction to participants in the market check process conducted by ANN with the assistance of J.P. Morgan.

The following supplemental disclosure replaces the table on page 63 of the Definitive Proxy Statement/Prospectus set forth under the heading ANN Long-Range-Plan-Based Business Projections :

	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
					(in millions)					
Revenues	$ 2,635	$ 2,736	$ 2,900	$ 3,076	$ 3,193	$ 3,264	$ 3,331	$ 3,392	$ 3,448	$ 3,501
EBITDA[(1)]	269	334	399	409	382	365	345	330	313	307
EBIT	164	228	290	300	295	283	270	257	242	233
Taxes	(65)	(91)	(116)	(120)	(118)	(113)	(108)	(103)	(97)	(93)
Capital Expenditures	(110)	(129)	(109)	(108)	(86)	(82)	(75)	(72)	(71)	(74)
Changes in Net Working Capital & Deferred Tax	12	(5)	(0)	(3)	(2)	(2)	(2)	(2)	(2)	(2)
Unlevered Free Cash Flow	$ 105	$ 109	$ 174	$ 177	$ 175	$ 168	$ 160	$ 153	$ 144	$ 138

(1) ANN defines EBITDA as earnings before interest expense, tax, depreciation and amortization, is a non-GAAP financial measure and should not be considered as an alternative to operating income or net income as a measure of operating performance or cash flows or as a measure of liquidity. EBITDA does not include the impact of any potential synergies or costs related to the merger. ANN does not disclose or provide guidance on EBITDA in its public filings.

The following supplemental disclosure replaces the table on page 63 of the Definitive Proxy Statement/Prospectus set forth under the heading ANN Sensitized Business Projections Excluding Lou & Grey :

	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
					(in millions)					

Revenues	$ 2,628	$ 2,683	$ 2,773	$ 2,822	$ 2,884	$ 2,943	$ 2,999	$ 3,050	$ 3,097	$ 3,144
EBITDA[(1)]	268	329	386	355	344	325	303	285	266	258
EBIT	163	224	281	272	259	244	229	214	197	186
Taxes	(65)	(90)	(113)	(109)	(104)	(98)	(92)	(86)	(79)	(74)
Capital Expenditures	(110)	(127)	(104)	(83)	(84)	(80)	(73)	(70)	(69)	(72)
Changes in Net Working Capital & Deferred Tax	12	(5)	(0)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Unlevered Free Cash Flow	$ 105	$ 107	$ 169	$ 162	$ 154	$ 145	$ 136	$ 127	$ 117	$ 110

(1) ANN defines EBITDA as earnings before interest expense, tax, depreciation and amortization, is a non-GAAP financial measure and should not be considered as an alternative to operating income or net income as a measure of operating performance or cash flows or as a measure of liquidity. EBITDA does not include the impact of any potential synergies or costs related to the merger. ANN does not disclose or provide guidance on EBITDA in its public filings.

The following supplemental disclosure replaces the table on page 64 of the Definitive Proxy Statement/Prospectus set forth under the heading ANN Sensitized Business Projections Excluding Lou & Grey With Gross Margin Reduction :

	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
					(in millions)					
Revenues	$ 2,628	$ 2,683	$ 2,773	$ 2,822	$ 2,884	$ 2,943	$ 2,999	$ 3,050	$ 3,097	$ 3,144
EBITDA[(1)]	268	302	331	298	286	266	243	224	204	195
EBIT	163	198	226	215	202	186	169	153	135	123
Taxes	(65)	(79)	(90)	(86)	(81)	(74)	(68)	(61)	(54)	(49)
Capital Expenditures	(110)	(127)	(104)	(83)	(84)	(80)	(73)	(70)	(69)	(72)
Changes in Net Working Capital & Deferred Tax	12	(5)	(0)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Unlevered Free Cash Flow	$ 105	$ 91	$ 136	$ 128	$ 119	$ 110	$ 100	$ 90	$ 79	$ 72

(1) ANN defines EBITDA as earnings before interest expense, tax, depreciation and amortization, is a non-GAAP financial measure and should not be considered as an alternative to operating income or net income as a measure of operating performance or cash flows or as a measure of liquidity. EBITDA does not include the impact of any potential synergies or costs related to the merger. ANN does not disclose or provide guidance on EBITDA in its public filings.

The following supplemental disclosure replaces the table on page 64 of the Definitive Proxy Statement/Prospectus set forth under the heading ANN Sensitized Business Projections Including Lou & Grey With Gross Margin Reduction :

	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
					(in millions)					
Revenues	$ 2,635	$ 2,736	$ 2,900	$ 3,076	$ 3,193	$ 3,264	$ 3,331	$ 3,392	$ 3,448	$ 3,501
EBITDA[(1)]	269	307	341	347	318	300	279	262	244	237
EBIT	164	201	232	239	231	217	203	189	173	163
Taxes	(65)	(80)	(93)	(96)	(93)	(87)	(81)	(76)	(69)	(65)
Capital Expenditures	(110)	(129)	(109)	(108)	(86)	(82)	(75)	(72)	(71)	(74)
Changes in Net Working Capital & Deferred Tax	12	(5)	(0)	(3)	(2)	(2)	(2)	(2)	(2)	(2)
Unlevered Free Cash Flow	$ 105	$ 92	$ 139	$ 140	$ 137	$ 129	$ 120	$ 112	$ 102	$ 96

(1)

ANN defines EBITDA as earnings before interest expense, tax, depreciation and amortization, is a non-GAAP financial measure and should not be considered as an alternative to operating income or net income as a measure of operating performance or cash flows or as a measure of liquidity. EBITDA does not include the impact of any potential synergies or costs related to the merger. ANN does not disclose or provide guidance on EBITDA in its public filings.

The following supplemental disclosure is inserted at page 64 of the Definitive Proxy Statement/Prospectus immediately before the heading Opinion of ANN s Financial Advisor :

Certain Unaudited Prospective Financial Information Concerning ascena

In connection with its due diligence investigation of ascena, ANN reviewed certain prospective financial information regarding ascena provided by ascena, and based on such information, ANN prepared and provided certain prospective financial information concerning ascena (the ANN-Developed Ascena Forecasts and Sensitivity Information) to the ANN board of directors and J.P. Morgan. The ANN-Developed Ascena Forecasts and Sensitivity Information were prepared for internal use and to assist ANN and J.P. Morgan with their financial analyses of ascena. The ANN-Developed Ascena Forecasts and Sensitivity Information were not provided to ascena in connection with its due diligence investigation.

The following summary of this information is included solely to give ANN stockholders access to the information that ANN made available to its board of directors and financial advisor and is not included in this proxy statement/prospectus in order to influence any stockholder to make any investment decision with respect to the merger, including whether or not to seek appraisal rights with respect to shares of ANN common stock.

The ANN-Developed Ascena Forecasts and Sensitivity Information were not prepared with a view toward public disclosure or toward compliance with GAAP, published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Neither ANN s independent auditors nor ascena s independent auditors nor any other independent accountants, have compiled, examined or performed any procedures with respect to the ANN-Developed Ascena Forecasts and Sensitivity Information, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, such information. The Deloitte & Touche LLP report incorporated by reference in this proxy statement/prospectus with respect to ascena relates to ascena s historical annual financial information. It does not extend to the ANN-Developed Ascena Forecasts and Sensitivity Information and should not be read to do so.

The ANN-Developed Ascena Forecasts and Sensitivity Information necessarily reflect numerous estimates and assumptions with respect to industry performance, general business, economic, regulatory, market and financial conditions and other future events, as well as matters specific to ascena s business, all of which are difficult to predict and many of which are beyond ascena s control. The ANN-Developed Ascena Forecasts and Sensitivity Information also reflect subjective judgment in many respects and thus are susceptible to multiple interpretations and periodic revisions based on actual experience and business developments. The ANN-Developed Ascena Forecasts and Sensitivity Information also reflect assumptions as to certain business decisions that are subject to change.

The ANN-Developed Ascena Forecasts and Sensitivity Information should not be regarded as an indication that ANN, ascena, Merger Sub, any of their respective financial advisors or anyone who received this information then considered, or now considers, it a reliable prediction of future events, and this information should not be relied upon as such. None of ANN, ascena, Merger Sub or any of their financial advisors or any of their affiliates assumes any responsibility for the validity, reasonableness, accuracy or completeness of the prospective information described below. None of ANN, ascena, Merger Sub or any of their financial advisors or any of their affiliates intends to, and each of them disclaims any obligation to, update, revise or correct such prospective information if it is or becomes, or the underlying assumptions are or become, inaccurate (even in the short term).

The inclusion of the ANN-Developed Ascena Forecasts and Sensitivity Information herein should not be deemed an admission or representation by ANN, ascena or Merger Sub that they are viewed by ANN, ascena or Merger Sub as material information of ANN, and in fact, none of ANN, ascena or Merger Sub views the ANN Forecasts and Sensitivity Information as material because of the inherent risks and uncertainties associated with such long range forecasts. The ANN-Developed Ascena Forecasts and Sensitivity Information should be evaluated, if at all, in conjunction with the historical financial statements and other information regarding ascena contained in this proxy statement/prospectus and ascena s public filings with the SEC. In light of the foregoing factors and the uncertainties inherent in the ANN-Developed Ascena Forecasts and Sensitivity Information, stockholders are cautioned not to place undue, if any, reliance on the ANN-Developed Ascena Forecasts and Sensitivity Information included in this proxy statement/prospectus.

ANN Management ascena Base Case.

The following is a summary of certain unaudited prospective financial information concerning ascena for fiscal years 2015 through 2024 (the ANN Management ascena Base Case), which for fiscal years 2015 through 2017 was based on prospective financial information concerning ascena provided by ascena to ANN in connection with ANN s due diligence of ascena and the balance of which (for fiscal years 2018 through 2024) was prepared by ANN by extrapolating the 2015 through 2017 ascena-provided financial information. The ANN Management ascena Base Case was provided to the ANN board of directors and J.P. Morgan, but was not provided to ascena.

	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
				(in millions)						
Revenues	$ 4,874	$ 5,007	$ 5,251	$ 5,415	$ 5,569	$ 5,713	$ 5,844	$ 5,963	$ 6,069	$ 6,160
EBITDA[(1)]	402	484	599	651	678	733	748	762	774	785
EBIT	194	241	354	398	417	465	473	480	486	492
Taxes	(70)	(90)	(134)	(150)	(157)	(175)	(179)	(181)	(184)	(186)
Capital Expenditures	(350)	(275)	(250)	(258)	(265)	(272)	(278)	(284)	(289)	(293)
Changes in Net Working Capital	(1)	46	23	13	11	8	5	3	1	0
Unlevered Free Cash Flow [(2)]	($ 4)	$ 165	$ 238	$ 256	$ 266	$ 293	$ 297	$ 300	$ 303	$ 306

(1) ANN defines EBITDA as earnings before interest expense, tax, depreciation and amortization, is a non-GAAP financial measure and should not be considered as an alternative to operating income or net income as a measure of operating performance or cash flows or as a measure of liquidity. EBITDA does not include the impact of any potential synergies or costs related to the merger.

(2) Estimated unlevered free cash flow for 2015E reflects cash flows from May 15, 2015 through July 31, 2015.

ANN Management ascena Base Case With Gross Margin Reduction.

The following is a summary of an adjusted version of the ANN Management ascena Base Case information prepared by ANN assuming a reduction in gross margin of 100 basis points for fiscal year 2016, a reduction of 200 basis points for fiscal year 2017 and thereafter (the ANN Management ascena Base Case With Gross Margin Reduction), based solely on the information available to it at that time. The ANN Management ascena Base Case With Gross Margin Reduction was provided to the ANN board of directors and J.P. Morgan, but was not provided to ascena.

	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
				(in millions)						
Revenues	$ 4,874	$ 5,007	$ 5,251	$ 5,415	$ 5,569	$ 5,713	$ 5,844	$ 5,963	$ 6,069	$ 6,160
EBITDA[(1)]	402	434	494	543	566	619	631	643	653	662
EBIT	194									