SF Blu Vu, Inc.
Form 10-Q
November 23, 2009

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

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

[ ] TRANSITION REPORT UNDER SECTION 13 or 15(d) OF THE EXCHANGE ACT

For the transition period from ___________ to _____________

Commission File Number: 333-149158

SF BLU VU, INC.
(Exact name of small business issuer as specified in its charter)

Nevada	26-1212244
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1040 First Avenue, Suite. 173, New York, New York 10021
(Address of principal executive offices)

(212) 861-9239
(Issuer's telephone number)

(Former name, former address, and former fiscal year if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ]	Smaller reporting company [x]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes[ ] No[x]

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes[x] No [ ]

The number of shares of Common Stock of the issuer outstanding as of September 30, 2009 was 4,933,529.

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No.

SF BLU VU, INC.
(a development stage company)

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SF BLU VU, INC.
(a development stage company)
BALANCE SHEETS

	September 30, 2009 (UNAUDITED)	December 31, 2008 (AUDITED)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 52	$ 50
Total assets	$ 52	$ 50
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	$ 27,087	$ 20,000
Advance from shareholder	49,159	42,833
Total current liabilities	76,246	62,833
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, $.0001 par value, 10,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, $.0001 par value, 100,000,000 shares authorized, 4,933,529 issued and outstanding	493	493
Additional paid-in capital	246,183	246,183
Deficit accumulated during the development stage	(322,870)	(309,459)
Total stockholders' equity (deficit)	(76,194)	(62,783)
Total liabilities and stockholders' equity (deficit)	$ 52	$ 50

The accompanying notes to the unaudited financial statements are an integral part of these statements.

SF BLU VU, INC.
(a development stage company)
STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the three months ended		For the nine months ended		Cumulative Totals From Inception (October 9, 2007)
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008	Through September 30, 2009
Revenue	$ -	$ -	$ -	$ -	$ -
Costs of revenue	-	-	-	-	-
Gross profit	-	-	-	-	-
General and administrative expenses					
Payroll	-	-	-	9,000	114,500
Legal and professional fees	3,000	17,279	8,000	87,137	152,115
Office and administrative	-	2,199	5,411	13,291	41,133
Interest expense	-	3,000	-	9,000	11,000
Total operating expenses	3,000	22,478	13,411	118,428	318,748
Loss from continuing operations	(3,000)	(22,478)	(13,411)	(118,428)	(318,748)
Discontinued operations, net of tax:					
Income (loss) from operations	-	(1,652)	-	9,698	5,303
Loss on disposal of subsidiary	-	-	-	-	(9,425)
Gain (loss) from discontinued operations	-	(1,652)	-	9,698	(4,122)
Net Loss	$ (3,000)	$ (24,130)	$ (13,411)	$ (108,730)	$ (322,870)
(Loss) per share:					
Basic and diluted earnings (loss) per share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.02)	
Weighted average shares outstanding - basic and diluted	4,933,529	4,933,529	4,933,529	4,933,529	

The accompanying notes to the unaudited financial statements are an integral part of these statements.

SF BLU VU, INC.
(a development stage company)
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD FROM OCTOBER 9, 2007 (INCEPTION) TO SEPTEMBER 30, 2009

	Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Capital	Deficit	(Deficit)
Balance, October 9, 2007 (Inception)	-	$ -	-	$ -	$ -	$ -	$ -
Issuance of restricted shares to officer @ $0.05 per share	-	-	2,000,000	200	99,800	-	100,000
Issuance of Common Stock for services @ $.05 per share	-	-	423,529	42	21,134	-	21,176
Sale of Common Stock @ $.05 per share	-	-	2,510,000	251	125,249	-	125,500
Net loss	-	-	-	-	-	(152,623)	(152,623)
Balance, December 31, 2007	-	-	4,933,529	493	246,183	(152,623)	94,053
Net loss	-	-	-	-	-	(156,836)	(156,836)
Balance, December 31, 2008	-	-	4,933,529	493	246,183	(309,459)	(62,783)
Net loss	-	-	-	-	-	(13,411)	(13,411)
Balance, September 30, 2009 (unaudited)	-	$ -	4,933,529	$ 493	$ 246,183	$ (322,870)	$ (76,194)

The accompanying notes to the unaudited financial statements are an integral part of these statements.

SF BLU VU, INC.
(a development stage company)
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the nine months ended September 30, 2009	September 30, 2008	Cumulative Totals From Inception (October 29,2007) Through September 30, 2009	
Cash flows from operating activities:				
Net loss	$ (13,411)	$ (118,428)	$ (318,748)	
Adjustments to reconcile net loss to net cash used in operating activities:				
Discontinued operations	-	9,698	4,122	
Common stock issued for services	-	-	121,176	
Increase in assets and liabilities:				
Subscription receivable	-	30,000	-	
Accounts payable and accrued expenses	7,087	(20,697)	18,843	
Net cash used in operating activities	(6,324)	(99,427)	(174,607)	
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Total	$(14.8)	$(6.8)	$(49.3)	$(12.2)

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The following discussion of results of operations highlights, as necessary, the significant changes in operating results arising from these items and transactions. However, unusual items or transactions may occur in any period. Accordingly, investors and other financial statement users individually should consider the types of events and transactions that have affected operating trends.

RESULTS OF OPERATIONS

Our segment reporting structure reflects a brand-focused approach, designed to optimize the operational coordination and resource allocation of our businesses across multiple functional areas, including specialty retail, e-commerce and licensing. The five reportable segments described below represent our brand-based activities for which separate financial information is available, and which is utilized on a regular basis by our executive team to evaluate performance and allocate resources. In identifying our reportable segments, we consider economic characteristics, as well as products, customers, sales growth potential and long-term profitability. As such, we report our operations in five reportable segments as follows:

- **Justice** segment – consists of the specialty retail, outlet, e-commerce and licensing operations of the **Justice** brand as well as the specialty retail and e-commerce operations of the **Brothers** brand.

- **Lane Bryant** segment – consists of the specialty retail, outlet and e-commerce operations of the **Lane Bryant** and **Cacique** brands.

- **maurices** segment – consists of the specialty retail, outlet and e-commerce operations of the **maurices** brand.

- **dressbarn** segment – consists of the specialty retail, outlet and e-commerce operations of the **dressbarn** brand.

- **Catherines** segment - consists of the specialty retail, outlet and e-commerce operations of the **Catherines** brand.

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Three Months Ended April 27, 2013 compared to Three Months Ended April 28, 2012

The following table summarizes our results of operations and expresses the percentage relationship to net sales of certain financial statement captions:

	Three Months Ended April 27, 2013		April 28, 2012		$ Change		% Change	
	(millions, except per share data)				(millions)			
Net sales	$ 1,142.2		$ 783.3		$ 358.9		45.8	%
Cost of goods sold	(484.4	)	(323.4	)	(161.0	)	49.8	%
Cost of goods sold as % of net sales	42.4	%	41.3	%				
Gross margin	657.8		459.9		197.9		43.0	%
Gross margin as a % of net sales	57.6	%	58.7	%				
Other costs and expenses:								
Buying, distribution and occupancy costs	(208.1	)	(129.7	)	(78.4	)	60.4	%
Buying, distribution and occupancy costs as % of net sales	18.2	%	16.6	%				
Selling, general and administrative expenses	(332.4	)	(219.3	)	(113.1	)	51.6	%
SG&A as % of net sales	29.1	%	28.0	%				
Acquisition-related, integration and restructuring costs	(6.9	)	—		(6.9	)	NM	
Depreciation and amortization expense	(44.6	)	(25.6	)	(19.0	)	74.2	%
Total other costs and expenses	(592.0	)	(374.6	)	(217.4	)	58.0	%
Operating income	65.8		85.3		(19.5	)	(22.9	)%
Operating income as % of net sales	5.8	%	10.9	%				
Interest expense	(2.9	)	(0.2	)	(2.7	)	1,350.0	%
Interest and other income, net	0.1		0.8		(0.7	)	(87.5	)%
Acquisition-related, transaction costs	—		(6.8	)	6.8		(100.0	)%
Loss on extinguishment of debt	(7.9	)	—		(7.9	)	NM	
Income from continuing operations before provision for income taxes	55.1		79.1		(24.0	)	(30.3	)%
Provision for income taxes from continuing operations	(22.2	)	(29.7	)	7.5		(25.3	)%
Effective tax rate [(a)]	40.3	%	37.5	%				
Income from continuing operations	32.9		49.4		(16.5	)	(33.4	)%
Loss from discontinued operations, net of taxes [(b)]	(1.7	)	—		(1.7	)	NM	
Net income	$ 31.2		$ 49.4		$ (18.2	)	(36.8	)%
Net income per common share - basic:								
Continuing operations	$ 0.21		$ 0.32		$ (0.11	)	(34.4	)%
Discontinued operations	(0.01	)	—		(0.01	)	NM	
Total net income per basic common share	$ 0.20		$ 0.32		$ (0.12	)	(37.5	)%

Net income per common share - diluted:				
Continuing operations	$ 0.20	$ 0.31	$ (0.11)	(35.5)%
Discontinued operations	(0.01)	—	(0.01)	NM
Total net income per diluted common share	$ 0.19	$ 0.31	$ (0.12)	(38.7)%

[a] Effective tax rate is calculated by dividing the provision for income taxes by income from continuing operations before provision for income taxes.

[b] Income from discontinued operations is presented net of a $1.2 million tax benefit for the three months ended April 27, 2013.

[NM] Not Meaningful

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Net Sales. Net sales increased by $358.9 million, or 45.8%, to $1,142.2 million for the three months ended April 27, 2013 from $783.3 million for the three months ended April 28, 2012. The increase in net sales consisted of 1.0% organic growth from our legacy family of brands and 44.8% from the Charming Shoppes Acquisition. The increase in net sales from our legacy family of brands was driven by both our new store growth and strong growth in e-commerce sales, particularly at our **Justice** and **maurices** brands, mostly offset by a decrease in comparable store sales from all our legacy brands. After giving effect to the Charming Acquisition as of the beginning of 2012, comparable store sales decreased 4% during the three months ended April 27, 2013, and e-commerce sales increased 37% during the three months ended April 27, 2013. On a combined basis, these two categories decreased 1% during the three months ended April 27, 2013. As discussed under the section entitled *General Economic Conditions*, our comparable store sales trends during the three months ended April 27, 2013 reflected lower and inconsistent customer traffic and spending patterns.

Net sales and comparable store and e-commerce sales data for our five business segments is presented below.

	Three Months Ended				
	April 27, 2013	April 28, 2012	$ Change	% Change	**Comparable Store Sales** [a]
	(millions)		(millions)		
Net sales:					
Justice	$ 298.0	$ 287.8	$ 10.2	3.5 %	(4)%
Lane Bryant [b]	267.2	—	267.2	NM	(6)%
maurices	235.7	223.9	11.8	5.3 %	(3)%
dressbarn	257.3	271.6	(14.3)	(5.3)%	(7)%
Catherines [b]	84.0	—	84.0	NM	8 %
Total net sales	$ 1,142.2	$ 783.3	$ 358.9	45.8 %	(4)%
E-commerce comparable sales					37 %
Combined store and e-commerce comparable sales					(1)%

[a] Comparable store sales generally refers to the growth of sales in only stores open in both the current period and comparative period in the prior year (including stores relocated within the same shopping center and stores with minor square footage additions). The determination of which stores are included in the comparable store sales calculation normally changes at the beginning of each fiscal year, except for stores that close during the fiscal year, which are excluded from comparable store sales beginning with the fiscal month the store actually closes. However, for acquired stores, such as in the case of **Lane Bryant** and **Catherines**, comparable store sales metrics for the initial first year of acquisition reflects sales from the acquisition date through the end of the fiscal period for all stores that were open in both that period and the comparable period in the prior year.

[b] The Charming Shoppes Acquisition was consummated on June 14, 2012; therefore the net sales data related to the **Lane Bryant** and **Catherines** segments for the prior reporting period is not presented.

[NM] Not Meaningful

***Justice** net sales.* The net increase primarily reflects:

- a decrease of $10.4 million, or 4%, in comparable store sales during the three months ended April 27, 2013;
- a $9.2 million increase in non-comparable stores sales, primarily driven by an increase related to 41 net new store openings during the last twelve months;
- an increase of $4.5 million, or 27%, in revenues from its e-commerce operations;
- a $6.2 million increase in wholesale, licensing operations, and other revenues; and
- a $0.7 million increase in revenue from gift card breakage.

***Lane Bryant** net sales.* Net sales reflect the operation of approximately 788 stores in the current quarter, as the acquisition was consummated on June 14, 2012, which resulted in $267.2 million of net sales during the three months ended April 27, 2013. Such results reflected:

- a 6% decrease in comparable store sales; and
- a 39% increase in comparable e-commerce sales.

***maurices** net sales.* The net increase primarily reflects:

- a decrease of $4.9 million, or 3%, in comparable store sales during the three months ended April 27, 2013;

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- a $12.0 million increase in non-comparable stores sales, primarily driven by an increase related to 49 net new store openings during the last twelve months; and
- an increase of $4.7 million, or 37%, in revenues from e-commerce operations.

dressbarn ***net sales.*** The net decrease primarily reflects:

- a decrease of $18.9 million, or 7%, in comparable store sales during the three months ended April 27, 2013;
- a $0.6 million increase in non-comparable stores sales, primarily driven by 34 new stores opened during the last twelve months. The positive effect of the new store openings was partially offset by 39 stores closing in the last twelve months; and
- an increase of $4.0 million, or 56%, in revenues from e-commerce operations.

Catherines ***net sales.*** Net sales reflect the operation of approximately 402 stores in the current quarter, as the acquisition was consummated on June 14, 2012, which resulted in $84.0 million of net sales during the three months ended April 27, 2013. Such results reflected:

- a 8% increase in comparable store sales; and
- a 28% increase in comparable e-commerce sales.

Gross Margin. Gross margin, which represents the difference between net sales and cost of goods sold, expressed as a percentage of net sales, decreased by 110 basis points to 57.6% for the three months ended April 27, 2013 from 58.7% for the three months ended April 28, 2012. Our gross margin rate decreased, primarily due to lower margins at **dressbarn** and **maurices**. This was primarily due to the continuing, soft-sales trend that drove our brands to be more promotional and higher requirements for inventory markdown reserves at **dressbarn**. Those decreases were partially offset by margin improvement at **Justice**.

Gross margin as a percentage of net sales is dependent upon a variety of factors, including changes in the relative sales mix among brands, changes in the mix of products sold, the timing and level of promotional activities, and fluctuations in material costs. These factors, among others, may cause cost of goods sold as a percentage of net revenues to fluctuate from period to period.

Buying, Distribution and Occupancy Costs. Buying, distribution and occupancy costs consist of store occupancy and utility costs (excluding depreciation), out-bound freight (including costs to ship merchandise between our distribution centers and our retail stores), and all costs associated with the buying and distribution functions.

Buying, distribution and occupancy costs increased by $78.4 million, or 60.4%, to $208.1 million for the three months ended April 27, 2013 from $129.7 million for the three months ended April 28, 2012. Buying, distribution and occupancy costs as a percentage of net sales increased by 160 basis points to 18.2% for the three months ended April 27, 2013 from 16.6% for the three months ended April 28, 2012. The increase in buying, distribution and occupancy costs, both in dollars and as a percentage of net sales, was primarily due to a change in store location mix, as **Lane Bryant's** higher mall-based mix of stores has higher store occupancy costs as a percentage of sales. From our legacy family of brands, increases in store occupancy and distribution expenses, which resulted largely from new store growth and the increased sales volume, also contributed to the increases in buying, distribution and occupancy costs.

Selling, General and Administrative ("SG&A") Expenses. SG&A expenses consist of compensation and benefit-related costs for sales and store operations personnel, administrative personnel and other employees not associated with the functions described above under buying, distribution and occupancy costs. SG&A expenses also include advertising and marketing costs, information technology and communication costs, supplies for our stores and administrative facilities, insurance costs, legal costs and costs related to other administrative services.

SG&A expenses increased by $113.1 million, or 51.6%, to $332.4 million for the three months ended April 27, 2013 from $219.3 million for the three months ended April 28, 2012. SG&A expenses as a percentage of net sales increased by 110 basis points to 29.1% for three months ended April 27, 2013 from 28.0% for the three months ended April 28, 2012. SG&A expenses, expressed both in dollars and as a percentage of sales, increased largely due to the current, duplicative corporate overhead structure resulting from the Charming Shoppes Acquisition, which is expected to be significantly scaled back over the next couple of years. From our legacy family of brands, increases in SG&A expenses resulted primarily from increased store payroll-related costs and other store expenses, relating to the overall net sales increases, and increased third-party administrative expenses related to e-commerce growth.

Depreciation and Amortization Expense. Depreciation and amortization expense increased by $19.0 million, or 74.2%, to $44.6 million for the three months ended April 27, 2013 from $25.6 million for the three months ended April 28, 2012. The increase was primarily due to the inclusion of Charming Shoppes, which contributed $10.7 million of incremental depreciation and amortization expense during the third quarter of Fiscal 2013. Also contributing to the increase was higher capital expenditures, which resulted, in part, from the net opening of 85 stores from our legacy family of brands during the last twelve months.

Operating Income. Operating income decreased $19.5 million, or 22.9%, to $65.8 million for the three months ended April 27, 2013 from $85.3 million for the three months ended April 28, 2012. The change consisted of a $23.0 million decrease from our legacy family of brands and $6.9 million of unallocated acquisition-related, integration and restructuring costs, offset in part by a $10.4 million increase relating to the acquired operations of **Lane Bryant** and **Catherines**. The operating income of **Lane Bryant** and **Catherines** was negatively impacted by their duplicative corporate overhead structure, which is expected to be significantly scaled back over the next couple of years. In turn, the decrease in operating income from our legacy family of brands primarily reflected a decrease in gross margin rate, particularly at our **dressbarn** brand, offset in part by the flow-through of margin on the higher sales volume at **Justice** and **maurices**.

Operating income data for our five business segments is presented below.

	Three Months Ended			
	April 27, 2013 (millions)	April 28, 2012	$ Change (millions)	% Change
Operating income (loss):				
Justice	$ 20.8	$ 23.4	$ (2.6)	(11.1)%
Lane Bryant [a]	4.8	—	4.8	NM
maurices	35.0	37.9	(2.9)	(7.7)%
dressbarn	6.5	24.0	(17.5)	(72.9)%
Catherines [a]	5.6	—	5.6	NM
Subtotal	72.7	85.3	(12.6)	(14.8)%
Less unallocated acquisition-related, integration and restructuring costs	(6.9)	—	(6.9)	NM
Total operating income	$ 65.8	$ 85.3	$ (19.5)	(22.9)%

[a] The Charming Shoppes Acquisition was consummated on June 14, 2012; therefore the data related to the Lane Bryant and Catherines segments for the prior reporting period is not presented.

[NM] Not Meaningful

***Justice** operating income* decreased by approximately $2.6 million primarily as a result of an increase in sales and gross margin rates, which were offset by increases in buying, distribution and occupancy costs and SG&A expenses. The higher gross margin rate benefited from selected price increases and merchandise mix, offset in part by higher, promotional markdowns. Buying, distribution and occupancy costs increased largely due to store growth and sales volume, and also experienced deleveraging during the period as a percentage of sales. SG&A expenses reflected increases in store-payroll related costs related to the overall store unit growth, third-party administrative expenses related to e-commerce growth and higher marketing costs.

Lane Bryant *operating income* of $4.8 million primarily reflects the operation of 788 stores in the third quarter of Fiscal 2013, as the acquisition was consummated on June 14, 2012, and includes the impact of a duplicative corporate overhead structure, which is expected to be significantly scaled back over the next couple of years.

maurices *operating income* decreased by approximately $2.9 million as a flow-through of margin on the higher sales volume was offset by lower gross margin rates, increases in buying, distribution and occupancy costs, higher SG&A expenses and higher depreciation and amortization expense. The lower gross margin rate benefited from selected merchandise price increases, but was more than offset by higher, promotional markdowns which resulted from the current, soft-sales trend. The increase in buying, distribution and occupancy costs was mainly a result of an increase in distribution expenses, which resulted largely from new store growth and the increased sales volume, but experienced leveraging during the period due to higher sales volume. The increase in SG&A expenses during the three months ended April 27, 2013 was primarily due to store payroll-related costs and other store expenses, relating to the overall net sales increases, and increased third-party administrative expenses related to e-commerce growth. Partially offsetting those increases in SG&A expenses was a favorable product-related vendor settlement during the three months ended April 27, 2013.

dressbarn *operating income* decreased by approximately $17.5 million primarily as a result of a decrease in sales and gross margin rates, increases in buying, distribution and occupancy costs and higher depreciation and amortization expense, offset in part by lower SG&A expenses. The lower gross margin rate was mainly attributable to higher promotional markdowns and higher requirements for inventory markdown reserves. Buying, distribution and occupancy costs increased during the third quarter of Fiscal 2013 compared to the third quarter of Fiscal 2012 mainly due to an increase in store occupancy costs, which resulted from rent increases tied to inflation and taxes, and an increase in costs associated with the buying function. The decrease in SG&A expenses was primarily due to a decrease in store payroll-related costs, relating to current sales trends, a decrease in store marketing costs, and a decrease in incentive compensation costs related to less than planned operating results, offset in part by an increase in third-party administrative expenses related to e-commerce growth.

Catherines *operating income* of $5.6 million primarily reflects the operation of 402 stores in the third quarter of Fiscal 2013, as the acquisition was consummated on June 14, 2012, and includes the impact of a duplicative corporate overhead structure, which is expected to be significantly scaled back over the next couple of years.

Unallocated acquisition-related, integration and restructuring costs. The unallocated expenses of $6.9 million represent acquisition-related, integration and restructuring costs incurred during the period resulting from the Charming Shoppes Acquisition.

Interest Expense. Interest expense increased by $2.7 million to $2.9 million for the three months ended April 27, 2013 from $0.2 million for the three months ended April 28, 2012. The increase was primarily the result of new borrowings used to partially fund the Charming Shoppes Acquisition in the fourth quarter of Fiscal 2012.

Interest and Other Income, Net. Interest and other income, net decreased by $0.7 million, to $0.1 million for the three months ended April 27, 2013 from $0.8 million for the three months ended April 28, 2012. The decrease was mainly due to lower interest income during the Fiscal 2013 period, as average balances of cash and investments decreased during the fourth quarter of Fiscal 2012 as a result of the Charming Shoppes Acquisition.

Acquisition-related, Transaction Costs. Acquisition-related, transaction costs were $6.8 million for the three months ended April 28, 2012. These costs were incurred in connection with the Charming Shoppes Acquisition, and include legal, consulting and investment banking-related costs that were direct, incremental costs of the acquisition. No such costs were recognized during the three months ended April 27, 2013.

Loss on Extinguishment of Debt. During the three months ended April 27, 2013, the Company prepaid the remaining outstanding principal balance of its Term Loan in full, resulting in a $7.9 million pretax loss on extinguishment of debt. No such loss was recognized during the three months ended April 28, 2012.

Provision for Income Taxes. The provision for income taxes represents federal, foreign, state and local income taxes. The provision for income taxes from continuing operations decreased by $7.5 million, or 25.3%, to $22.2 million for the three months ended April 27, 2013 from $29.7 million for the three months ended April 28, 2012. The decrease in provision for income taxes was primarily a result of lower pretax income in the third quarter of Fiscal 2013, which was partially offset by a higher effective income tax rate. The effective tax rate increased 280 basis points, to 40.3% for three months ended April 27, 2013 from 37.5% for the three months ended April 28, 2012. The increase in the effective tax rate was primarily the result of the absence of higher tax benefits relating to the accounting for discrete items in the third quarter of Fiscal 2012, and the effect of non-tax-deductible expenses on lower pretax income in the three months ended April 27, 2013.

Net Income. Net income includes income from both continuing operations and discontinued operations. Net income decreased by $18.2 million, or 36.8%, to $31.2 million for the three months ended April 27, 2013 from $49.4 million for the three months ended April 28, 2012. The decrease was primarily due to an overall decline in operating income, an increase in interest expense to service the debt incurred to fund the Charming Shoppes Acquisition, a loss on extinguishment of debt and a loss from discontinued operations of $1.7 million. These net decreases were offset in part by a decrease in the provision of income taxes of $7.5 million and the absence of $6.8 million of acquisition-related, transaction costs incurred during the three months ended April 28, 2012.

Net Income from Continuing Operations Per Diluted Common Share. Net income from continuing operations per diluted share decreased by $0.11, or 35.5%, to $0.20 per share for the three months ended April 27, 2013 from $0.31 per share for the three months ended April 28, 2012. The decrease in diluted per share results was due to the lower level of income from continuing operations, as previously discussed. Weighted-average diluted common shares outstanding increased to 163.3 million shares in the third quarter of Fiscal 2013 from 159.9 million shares in the third quarter of Fiscal 2012, which also reduced net income from continuing operations per diluted common share.

Net Income Per Diluted Common Share. Net income per diluted common share decreased by $0.12, or 38.7%, to $0.19 per share for the three months ended April 27, 2013 from $0.31 per share for the three months ended April 28, 2012. The decrease in diluted per share results was mainly due to lower level of net income from continuing operations and the inclusion of a $0.01 per diluted share loss from discontinued operations.

Nine Months Ended April 27, 2013 compared to Nine Months Ended April 28, 2012

The following table summarizes our results of operations and expresses the percentage relationship to net sales of certain financial statement captions:

	Nine Months Ended April 27, 2013	April 28, 2012	$ Change	% Change
	(millions, except per share data)		(millions)	
Net sales	$ 3,517.2	$ 2,413.6	$ 1,103.6	45.7 %
Cost of goods sold	(1,540.7)	(1,036.6)	(504.1)	48.6 %
Cost of goods sold as % of net sales	43.8 %	42.9 %		
Gross margin	1,976.5	1,377.0	599.5	43.5 %
Gross margin as a % of net sales	56.2 %	57.1 %		
Other costs and expenses:				
Buying, distribution and occupancy costs	(613.0)	(385.4)	(227.6)	59.1 %
Buying, distribution and occupancy costs as % of net sales	17.4 %	16.0 %		
Selling, general and administrative expenses	(1,013.9)	(654.6)	(359.3)	54.9 %
SG&A as % of net sales	28.8 %	27.1 %		
Acquisition-related, integration and restructuring costs	(20.1)	—	(20.1)	NM
Depreciation and amortization expense	(122.5)	(75.2)	(47.3)	62.9 %
Total other costs and expenses	(1,769.5)	(1,115.2)	(654.3)	58.7 %
Operating income	207.0	261.8	(54.8)	(20.9)%
Operating income as % of net sales	5.9 %	10.8 %		
Interest expense	(12.5)	(0.7)	(11.8)	1,685.7 %
Interest and other income, net	0.6	2.7	(2.1)	(77.8)%
Acquisition-related, transaction costs	—	(6.8)	6.8	(100.0)%
Loss on extinguishment of debt	(9.3)	—	(9.3)	NM
Income from continuing operations before provision for income taxes	185.8	257.0	(71.2)	(27.7)%
Provision for income taxes from continuing operations	(68.9)	(96.4)	27.5	(28.5)%
Effective tax rate [a]	37.1 %	37.5 %		
Income from continuing operations	116.9	160.6	(43.7)	(27.2)%
Income from discontinued operations, net of taxes [b]	4.6	—	4.6	NM
Net income	$ 121.5	$ 160.6	$ (39.1)	(24.3)%
Net income per common share - basic:				
Continuing operations	$ 0.74	$ 1.05	$ (0.31)	(29.5)%
Discontinued operations	0.03	—	0.03	NM
Total net income per basic common share	$ 0.77	$ 1.05	$ (0.28)	(26.7)%

Net income per common share - diluted:				
Continuing operations	$ 0.72	$ 1.01	$ (0.29)	(28.7)%
Discontinued operations	0.03	—	0.03	NM
Total net income per diluted common share	$ 0.75	$ 1.01	$ (0.26)	(25.7)%

[a] Effective tax rate is calculated by dividing the provision for income taxes by income from continuing operations before provision for income taxes.

[b] Income from discontinued operations is presented net of a $1.8 million tax expense for the nine months ended April 27, 2013.

[NM] Not Meaningful

Net Sales. Net sales increased by $1,103.6 million, or 45.7%, to $3,517.2 million for the nine months ended April 27, 2013 from $2,413.6 million for the nine months ended April 28, 2012. The increase in net sales consisted of 4.8% organic growth from our legacy family of brands and 40.9% from the Charming Shoppes Acquisition. The increase in net sales from our legacy family of brands was driven by our new store growth, particularly at our **Justice** and **maurices** brands, and comparable store sales at our **Justice** brand, as well as strong growth in e-commerce sales at all of our legacy brands. Partially offsetting those increases was a decrease in comparable store sales from our **dressbarn** brand. After giving effect to the Charming Shoppes Acquisition as of the beginning of 2012, comparable store sales decreased 1% during the nine months ended April 27, 2013. E-commerce sales increased by $75.6 million, or 34% to $297.3 million during the nine months ended April 27, 2013 from $221.7 million during the nine months ended April 28, 2012. On a combined basis, these two categories increased 1% during the nine months ended April 27, 2013. As discussed under the section entitled *General Economic Conditions*, our comparable store sales trends during the nine months ended April 27, 2013 reflected lower and inconsistent customer traffic and spending patterns, which generally began in November 2012.

Net sales and comparable store and e-commerce sales data for our five business segments is presented below.

	Nine Months Ended				
	April 27, 2013 (millions)	April 28, 2012	$ Change (millions)	% Change	**Comparable Store Sales [(a)]**
Net sales:					
Justice	$1,098.2	$1,015.0	$83.2	8.2 %	2 %
Lane Bryant [(b)]	756.4	—	756.4	NM	(5)%
maurices	701.0	651.4	49.6	7.6 %	flat
dressbarn	730.7	747.2	(16.5)	(2.2)%	(4)%
Catherines [(b)]	230.9	—	230.9	NM	6 %
Total net sales	$3,517.2	$2,413.6	$1,103.6	45.7 %	(1)%
E-commerce comparable sales					34 %
Combined store and e-commerce comparable sales					1 %

[(a)] Comparable store sales generally refers to the growth of sales in only stores open in both the current period and comparative period in the prior year (including stores relocated within the same shopping center and stores with minor square footage additions). The determination of which stores are included in the comparable store sales calculation normally changes at the beginning of each fiscal year, except for stores that close during the fiscal year, which are excluded from comparable store sales beginning with the fiscal month the store actually closes. However, for acquired stores, such as in the case of **Lane Bryant** and **Catherines**, comparable store sales metrics for the initial first year of acquisition reflects sales from the acquisition date through the end of the fiscal period for all stores that were open in both that period and the comparable period in the prior year.

[b] The Charming Shoppes Acquisition was consummated on June 14, 2012; therefore net sales data related to the **Lane Bryant** and **Catherines** segments for the prior reporting period is not presented.

[NM] Not Meaningful

***Justice** net sales.* The net increase primarily reflects:

- an increase of $15.1 million, or 2%, in comparable store sales during the nine months ended April 27, 2013;
- a $39.2 million increase in non-comparable stores sales, primarily driven by an increase related to 41 net new store openings during the last twelve months;
- an increase of $18.8 million, or 27%, in revenues from its e-commerce operations;
- a $14.5 million increase in wholesale, licensing operations, and other revenues; and
- a $4.4 million decrease in revenue from gift card breakage.

***Lane Bryant** net sales.* Net sales reflect the operation of approximately 788 stores in the current year, as the acquisition was consummated on June 14, 2012, which resulted in $756.4 million of net sales during the nine months ended April 27, 2013. Such results reflected:

- a 5% decrease in comparable store sales; and
- a 31% increase in comparable e-commerce sales.

***maurices** net sales.* The net increase primarily reflects:

- a decrease of $1.3 million, or essentially flat comparable store sales during the nine months ended April 27, 2013;
- a $34.8 million increase in non-comparable stores sales, primarily driven by an increase related to 49 net new store openings during the last twelve months; and
- an increase of $16.1 million, or 48%, in revenues from e-commerce operations.

***dressbarn** net sales.* The net decrease primarily reflects:

- a decrease of $29.2 million, or 4%, in comparable store sales during the nine months ended April 27, 2013;
- a $2.0 million increase in non-comparable stores sales, primarily driven by 34 new stores opened during the last twelve months. The positive effect of the new store openings was partially offset by 39 stores closing in the last twelve months; and
- an increase of $10.7 million, or 65%, in revenues from e-commerce operations.

***Catherines** net sales.* Net sales reflect the operation of approximately 402 stores in the current year, as the acquisition was consummated on June 14, 2012, which resulted in $230.9 million of net sales during the nine months ended April 27, 2013. Such results reflected:

- a 6% increase in comparable store sales; and
- a 24% increase in comparable e-commerce sales.

Gross Margin. Gross margin, which represents the difference between net sales and cost of goods sold, expressed as a percentage of net sales, decreased by 90 basis points to 56.2% for the nine months ended April 27, 2013 from 57.1% for the nine months ended April 28, 2012. Our gross margin rate decreased, primarily due to lower margins at **dressbarn**. This primarily resulted from increased promotional activity and higher requirements for inventory markdown reserves in response to the continuing, soft-sales trend during the nine months ended April 27, 2013. Those decreases were partially offset by margin improvements at **Justice** and **maurices**.

Gross margin as a percentage of net sales is dependent upon a variety of factors, including changes in the relative sales mix among brands, changes in the mix of products sold, the timing and level of promotional activities, and fluctuations in material costs. These factors, among others, may cause cost of goods sold as a percentage of net revenues to fluctuate from period to period.

Buying, Distribution and Occupancy Costs. Buying, distribution and occupancy costs increased by $227.6 million, or 59.1%, to $613.0 million for the nine months ended April 27, 2013 from $385.4 million for the nine months ended April 28, 2012. Buying, distribution and occupancy costs as a percentage of net sales increased by 140 basis points to

17.4% for the nine months ended April 27, 2013 from 16.0% for the nine months ended April 28, 2012. The increase in buying, distribution and occupancy costs, both in dollars and as a percentage of net sales, was primarily due to a change in store location mix, as **Lane Bryant's** higher mall-based mix of stores has higher store occupancy costs as a percentage of sales. From our legacy family of brands, increases in store occupancy and distribution expenses, which resulted largely from new store growth and the increased sales volume, also contributed to the increases in buying, distribution and occupancy costs.

Selling, General and Administrative ("SG&A") Expenses. SG&A expenses increased by $359.3 million, or 54.9%, to $1,013.9 million for the nine months ended April 27, 2013 from $654.6 million for the nine months ended April 28, 2012. SG&A expenses as a percentage of net sales increased by 170 basis points to 28.8% for the nine months ended April 27, 2013 from 27.1% for the nine months ended April 28, 2012. SG&A expenses, expressed both in dollars and as a percentage of sales, increased largely due to the current, duplicative corporate overhead structure resulting from the Charming Shoppes Acquisition, which is expected to be significantly scaled back over the next couple of years. From our legacy family of brands, SG&A expenses remained flat as a percentage of sales.

Depreciation and Amortization Expense. Depreciation and amortization expense increased by $47.3 million, or 62.9%, to $122.5 million for the nine months ended April 27, 2013 from $75.2 million for the nine months ended April 28, 2012. The increase was primarily due to the inclusion of Charming Shoppes, which contributed $33.9 million of incremental depreciation and amortization expense during the nine months ended April 27, 2013. Also contributing to the increase were higher capital expenditures, which resulted, in part, from the net opening of 85 stores from our legacy family of brands during the last twelve months.

Operating Income. Operating income decreased $54.8 million, or 20.9%, to $207.0 million for the nine months ended April 27, 2013 from $261.8 million for the nine months ended April 28, 2012. The change consisted of an $11.1 million, or 4.2% decrease, from our legacy family of brands, $20.1 million of unallocated acquisition-related, integration and restructuring costs and a $23.6 million decrease relating to the acquired operations of **Lane Bryant** and **Catherines**. The operating loss of **Lane Bryant** and **Catherines** reflected the approximate $19.9 million non-cash inventory expense and a duplicative corporate overhead structure. In turn, the decrease in operating income from our legacy family of brands primarily reflected a decrease in sales and gross margin rate at our **dressbarn** brand, offset in part by the flow-through of margin on the higher sales volume at **Justice** and **maurices**.

Operating income data for our five business segments is presented below.

	Nine Months Ended April 27, 2013 (millions)	April 28, 2012	$ Change (millions)	% Change
Operating income (loss):				
Justice	$168.1	$148.2	$ 19.9	13.4 %
Lane Bryant [(a)]	(27.7)	—	(27.7)	NM
maurices	92.3	88.0	4.3	4.9 %
dressbarn	(9.7)	25.6	(35.3)	(137.9)%
Catherines [(a)]	4.1	—	4.1	NM
Subtotal	227.1	261.8	(34.7)	(13.3)%
Less unallocated acquisition-related, integration and restructuring costs	(20.1)	—	(20.1)	NM
Total operating income	$207.0	$261.8	$ (54.8)	(20.9)%

[(a)] The Charming Shoppes Acquisition was consummated on June 14, 2012; therefore the data related to the Lane Bryant and Catherines segments for the prior reporting period is not presented.

[(NM)] Not Meaningful

Justice *operating income* increased by approximately $19.9 million primarily as a result of a flow-through of margin on the higher sales volume, offset in part by increases in buying, distribution and occupancy costs and SG&A expenses. The increase in buying, distribution and occupancy costs was mainly a result of increases in store occupancy costs associated with the buying function and higher distribution expenses, which resulted largely from new store growth and the increased sales volume. The increase in SG&A expenses reflected increases in store-related payroll associated with the new store growth, higher third-party administrative expenses related to e-commerce growth and higher marketing costs, offset in part by the absence of $5.4 million of executive contractual obligation costs which were incurred in the nine months ended April 28, 2012.

Lane Bryant *operating loss* of $27.7 million primarily reflects the impact of the approximate $15.3 million of one-time, non-cash inventory expense associated with the write-up of inventory to fair market value and also includes the impact of a duplicative corporate overhead structure, which is expected to be significantly scaled back over the next couple of years. The operating results reflect the operation of 788 stores during the nine-month period ended April 27, 2013.

maurices *operating income* increased by approximately $4.3 million primarily as a result of a flow-through of margin on the higher sales volume, offset in part by increases in buying, distribution and occupancy costs and SG&A expenses. The increase in buying, distribution and occupancy costs was mainly a result of increases in store occupancy and distribution expenses, which resulted largely from new store growth and the increased sales volume. The increase in SG&A expenses during the nine months ended April 27, 2013 was primarily due to store payroll-related costs and other store expenses, relating to the overall net sales increases and new store growth, and increased third-party administrative expenses related to e-commerce growth. Partially offsetting those increases in SG&A expenses was a favorable product-related vendor settlement during the nine months ended April 27, 2013.

dressbarn *operating income (loss)* decreased by approximately $35.3 million to an operating loss of $9.7 million for the nine months ended April 27, 2013 from operating income of $25.6 million for the nine months ended April 28, 2012. The decrease was primarily as a result of a decrease in sales and gross margin rates, increases in buying, distribution and occupancy costs and higher depreciation and amortization expense, offset in part by lower SG&A expenses. The lower gross margin rate was mainly attributable to increased promotional activity and higher requirements for inventory markdown reserves in response to continuing, soft-sales trends. Buying, distribution and occupancy costs increased during the nine months ended April 27, 2013 primarily due to rent increases tied to inflation and taxes, and an increase in costs associated with the buying function. The decrease in SG&A expenses was primarily due to a decrease in store marketing costs and a decrease in incentive compensation costs related to less than planned operating results, offset in part by an increase in third-party administrative expenses related to e-commerce growth and an increase in store payroll-related costs.

Catherines *operating income* of $4.1 million primarily reflects the impact of the approximate $4.6 million of one-time, non-cash inventory expense associated with the write-up of inventory to fair market value and also includes the impact of a duplicative corporate overhead structure, which is expected to be significantly scaled back over the next couple of years. The operating results reflect the operation of 402 stores during the nine months ended April 27, 2013.

Unallocated acquisition-related, integration and restructuring costs. The unallocated expenses of $20.1 million represent acquisition-related, integration and restructuring costs incurred during the period resulting from the Charming Shoppes Acquisition.

Interest Expense. Interest expense increased by $11.8 million to $12.5 million for the nine months ended April 27, 2013 from $0.7 million for the nine months ended April 28, 2012. The increase was primarily the result of new borrowings used to partially fund the Charming Shoppes Acquisition in the fourth quarter of Fiscal 2012.

Interest and Other Income, Net. Interest and other income, net decreased by $2.1 million to $0.6 million for the nine months ended April 27, 2013 from $2.7 million for the nine months ended April 28, 2012. The decrease was mainly due to lower interest income during the Fiscal 2013 period, as average balances of cash and investments decreased during the fourth quarter of Fiscal 2012 as a result of the Charming Shoppes Acquisition.

Acquisition-related, Transaction Costs. Acquisition-related costs were $6.8 million for the nine months ended April 28, 2012. These costs were incurred in connection with the Charming Shoppes Acquisition, and include legal, consulting and investment banking-related costs that were direct, incremental costs of the acquisition. No such costs were recognized during the nine months ended April 27, 2013.

Loss on Extinguishment of Debt. During the nine months ended April 27, 2013, the Company prepaid the Term Loan in full and prepaid the mortgage on its distribution center in Greencastle, Indiana, resulting in a $9.3 million pretax loss on extinguishment of debt. No such loss was recognized during the nine months ended April 28, 2012.

Provision for Income Taxes. The provision for income taxes represents federal, foreign, state and local income taxes. The provision for income taxes from continuing operations decreased by $27.5 million, or 28.5%, to $68.9 million for the nine months ended April 27, 2013 from $96.4 million for the nine months ended April 28, 2012. The decrease in provision for income taxes was primarily a result of lower pretax income in the nine months ended April 27, 2013 and a lower effective income tax rate. The effective tax rate decreased 40 basis points, to 37.1% for the nine months ended April 27, 2013 from 37.5% for the nine months ended April 28, 2012. The decrease in the effective tax rate was primarily the result of higher tax benefits relating to the accounting for discrete items recognized in Fiscal 2013.

Net Income. Net income includes income from continuing and discontinued operations. Net income decreased by $39.1 million, or 24.3%, to $121.5 million for the nine months ended April 27, 2013 from $160.6 million for the nine months ended April 28, 2012. The decrease was primarily due to an overall decline in operating income, an increase in interest expense to service the debt incurred to fund the Charming Shoppes Acquisition and a loss on extinguishment of debt. These net decreases were offset in part by income from discontinued operations of $4.6 million, a decrease in the provision of income taxes of $27.5 million and the absence of $6.8 million of acquisition-related, transaction costs incurred during the nine months ended April 28, 2012. The income from discontinued operations primarily reflected the positive seasonal holiday gift-giving business of Figi's during the second quarter of Fiscal 2013.

Net Income from Continuing Operations Per Diluted Common Share. Net income from continuing operations per diluted share decreased by $0.29, or 28.7%, to $0.72 per share for the nine months ended April 27, 2013 from $1.01 per share for the nine months ended April 28, 2012. The decrease in diluted per share results was due to the lower level of income from continuing operations, as previously discussed. Weighted-average diluted common shares outstanding increased to 162.8 million shares during the nine months ended April 28, 2012 from 159.1 million shares during the nine months ended April 28, 2012, which also reduced net income from continuing operations per diluted common share.

Net Income per Diluted Common Share. Net income per diluted common share decreased by $0.26, or 25.7%, to $0.75 per share for the nine months ended April 27, 2013 from $1.01 per share for the nine months ended April 28, 2012. The decrease in diluted per share results was mainly due to lower level of net income from continuing operations, partially offset by the inclusion of a $0.03 per diluted share income from discontinued operations.

FINANCIAL CONDITION AND LIQUIDITY

Financial Condition

	April 27, 2013	July 28, 2012	$ Change
	(millions)		
Cash and cash equivalents	$202.9	$164.3	$ 38.6
Short-term investments	3.2	1.4	1.8
Non-current investments	—	3.2	(3.2)
Total debt	(155.6)	(326.6)	171.0
Net cash and investments (debt) [(a)]	$50.5	$(157.7)	$ 208.2
Equity	$1,515.4	$1,340.9	$ 174.5

(a) "Net cash and investments (debt)" is defined as total cash and cash equivalents, plus short-term and non-current investments, less total debt.

As of April 27, 2013, we were in a net cash position of $50.5 million compared to net debt position of $157.7 million as of the end of Fiscal 2012. The increase in our net cash position as of April 27, 2013 as compared to July 28, 2012 was primarily due our operating cash flows, which were partially offset by our use of cash to support our capital expenditures (as discussed below under *"Capital Spending")*, the prepayment of debt under our Term Loan and the use of the available cash and cash equivalents to reduce our outstanding debt under the Revolving Credit Agreement (each as defined and discussed below under *"Debt"*).

The increase in equity was mainly due to the Company's net income in Fiscal 2013.

Cash Flows

The table below summarizes our cash flows for the nine months ended presented as follows:

	Nine Months Ended	
	April 27, 2013	April 28, 2012
	(millions)	
Net cash provided by operating activities	$ 333.2	$ 300.6
Net cash used in investing activities	(152.8)	(164.7)
Net cash used in financing activities	(141.8)	(16.2)
Net increase in cash and cash equivalents [(a)]	$ 38.6	$ 119.7

[(a)] Excludes changes in short-term and non-current investments, which decreased in the aggregate by $1.4 million during the nine months ended April 27, 2013.

Net Cash Provided by Operating Activities. Net cash provided by operations was $333.2 million for the nine months ended April 27, 2013, compared with $300.6 million for the nine months ended April 28, 2012. The increase was primarily driven by lower working capital requirements and other balance sheet changes.

Net Cash Used in Investing Activities. Net cash used in investing activities for the nine months ended April 27, 2013 was $152.8 million, consisting almost entirely of cash used for capital expenditures. Net cash used in investing activities for the nine months ended April 28, 2012 was $164.7 million, consisting primarily of $102.7 of net cash used for capital expenditures and $61.9 million of net cash used in the purchase of investment securities.

Net Cash Used in Financing Activities. Net cash used in financing activities was $141.8 million for the nine months ended April 27, 2013, consisting primarily of $174.7 million in net repayments of debt (net of borrowings), offset in part by proceeds relating to our stock-based compensation plans. Net cash used in financing activities for the nine months ended April 28, 2012 was $16.2 million, consisting primarily of cash used for the repurchase of common stock, offset in part by proceeds relating to our stock-based compensation plans.

Capital Spending

We routinely make capital investments primarily in connection with ongoing expansion of our retail store network, construction and renovation of our existing portfolio of retail stores, investments in our technological and supply chain infrastructure, and investments in administrative office space to support our growing operations. At the end of Fiscal 2012, the Company announced significant capital spending plans relating to the rationalization of its distribution network. For a detailed discussion of those plans, see Part II, Item 7 as specified in the capital spending section of the "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Fiscal 2012 10-K.

In addition, in connection with the integration of the technological infrastructure of Charming Shoppes, the Company recently finalized plans to migrate to common information technology platforms for its Company-wide, point-of-sales systems, merchandise systems, warehouse management systems and financial systems. The execution of those transformational information technology plans is expected to take place over the next two years. Accordingly, when taken together with the previously announced capital plans to transform its distribution network and to expand certain of its administrative facilities, the Company expects incremental capital requirements to approximate $300 - $325 million over the next two years. Such requirements are expected to continue to be funded primarily with operating cash flows and, to the extent necessary, borrowings under the Company's Revolving Credit Agreement.

For the nine months ended April 27, 2013, we had $171.3 million of capital expenditures, compared to $102.7 million of capital expenditures for the nine months ended April 28, 2012.

Liquidity

Our primary sources of liquidity are the cash flows generated from our operations, recently expanded availability under our Revolving Credit Agreement (as defined below), available cash and cash equivalents, investments and other available financing options. These sources of liquidity are used to fund our ongoing cash requirements, including working capital requirements, retail store expansion, construction and renovation of stores, any future dividend requirements, investment in technological and supply chain infrastructure, acquisitions, debt servicing requirements, corporate offices, stock repurchases, contingent liabilities (including uncertain tax positions) and other corporate activities. Management believes that our existing sources of cash will be sufficient to support our operating needs, capital requirements and any debt service requirements for the foreseeable future.

As of April 27, 2013, approximately 74% of our available cash and cash equivalents were held overseas by our foreign subsidiaries. As such, for the Company to have access to those cash and cash equivalents in the U.S, we would incur a current U.S. tax liability of between 15% to 20% of the cash repatriated; this current U.S. tax liability has been previously provided for in the provision for income taxes and is currently classified within deferred income taxes on

the accompanying unaudited consolidated balance sheets. We currently do not have any plans to repatriate these funds from our overseas subsidiaries to the U.S.

As discussed in the "*Debt*" section below, as of April 27, 2013, we had $155.0 million of borrowings under our Revolving Credit Agreement. The Company believes the Revolving Credit Agreement will provide sufficient liquidity to continue to support the Company's operating needs and capital requirements for the foreseeable future. We believe that our Revolving Credit Agreement is adequately diversified with no undue concentrations in any one financial institution. In particular, as of April 27, 2013, there were six financial institutions participating in the credit facility, with no one participant maintaining a maximum commitment percentage in excess of approximately 25%. Management has no reason at this time to believe that the participating institutions will be unable to fulfill their obligations to provide financing in accordance with the terms of the Revolving Credit Agreement in the event of our election to draw funds in the foreseeable future.

Debt

In March 2013, the Company (i) exercised an option to increase the capacity of its existing revolving credit facility by $50 million from $250 million to $300 million, (ii) borrowed approximately $263 million under the facility, (iii) used the proceeds to prepay the Term Loan (as defined and discussed further below), and (iv) amended its then existing revolving credit facility (the "Revolving Credit Agreement") with the lenders thereunder and JPMorgan Chase Bank, N.A., as administrative agent. The principal changes in terms related to expansion of the borrowing availability from $250 million to $500 million and an extension of the maturity date of the borrowing arrangement by one year from June 2017 to June 2018.

As of April 27, 2013, the Company had $155.6 million of debt outstanding consisting primarily of (i) $155.0 million which was incurred to fund a portion of the purchase price of the Charming Shoppes Acquisition, and (ii) $0.6 million of convertible notes assumed in the Charming Shoppes Acquisition, which remain outstanding after substantially all were redeemed in July 2012. For a complete description of the Company's convertible-notes borrowing arrangement see Note 14 to our audited consolidated financial statements included in our Fiscal 2012 10-K.

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Revolving Credit Agreement

The Revolving Credit Agreement now provides a senior secured revolving credit facility up to $500 million, with an optional additional increase of up to $100 million. The Revolving Credit Agreement expires in June 2018. There are no mandatory reductions in borrowing availability throughout the term of the Revolving Credit Agreement. However, availability under the Revolving Credit Agreement fluctuates from month-to-month based on the Company's underlying collateral position at the end of the period. Our collateral position is determined, at any given period, by the aggregate of the Company's (i) inventory position (less reserves), (ii) market value of eligible real properties up to certain limits, and (iii) eligible credit card receivables. The Revolving Credit Agreement may be used for the issuance of letters of credit, to fund working capital requirements and capital expenditures, and for general corporate purposes. The Revolving Credit Agreement includes a $250 million letter of credit sublimit, of which $60 million can be used for standby letters of credit, and a $25 million swing loan sublimit.

Borrowings under the Revolving Credit Agreement bear interest at a variable rate determined using a base rate equal to the greatest of (i) prime rate, (ii) federal funds rate plus 50 basis points, or (iii) LIBOR plus 100 basis points; plus an applicable margin ranging from 50 basis points to 200 basis points based on a combination of the type of borrowing (prime or LIBOR), the Company's leverage ratio (defined below) existing at the end of the previous quarter, and average borrowing availability during the previous fiscal quarter. The Company believes the aforementioned refinancing will reduce its future borrowing costs.

The leverage ratio is defined as a ratio of the sum of the aggregate principal amount of indebtedness to consolidated EBITDA. For such purposes, consolidated EBITDA is defined generally as net income plus (i) income tax expense, (ii) interest expense, (iii) depreciation and amortization expense, (iv) non-recurring, acquisition-related expenses, and (v) restructuring charges not exceeding predetermined limits.

In addition to paying interest on any outstanding borrowings under the Revolving Credit Agreement, the Company is required to pay a commitment fee to the lenders under the Revolving Credit Agreement in respect of the unutilized commitments in an amount ranging between 25 basis points and 37.5 basis points per annum based the Company's leverage ratio existing at the end of the previous quarter and average utilization during the previous fiscal quarter.

As of April 27, 2013, after taking into account the $155.0 million of revolving debt outstanding and the $20.7 million in outstanding letters of credit, the Company had $306.9 million in its variable availability under the Revolving Credit Agreement.

Restrictions under the Revolving Credit Agreement

The Revolving Credit Agreement is subject to restrictions, as summarized below.

The Revolving Credit Agreement has financial covenants with respect to a fixed charge coverage ratio, which is defined as a ratio of consolidated EBITDAR, less capital expenditures to consolidated fixed charges. For such purposes, consolidated EBITDAR is defined generally as net income plus (i) income tax expense, (ii) interest expense, (iii) depreciation and amortization expense, (iv) rent expense, (v) non-recurring acquisition-related expenses, and (vi) restructuring charges not exceeding predetermined limits. Consolidated fixed charges are defined generally as the sum of (a) cash interest expense, (b) rent expense, (c) cash tax expense, (d) mandatory principal repayment, (e) capital lease payments, (f) mandatory cash contributions to any employee benefit plan and (g) any restricted payments paid in cash. The Company is required to maintain a minimum fixed charge coverage ratio for any period of four consecutive fiscal quarters of at least 1.00 to 1.00. As of April 27, 2013, the actual fixed charge coverage ratio was 1.54 to 1.00. The Company was in compliance with all financial covenants contained in the Revolving Credit Agreement as of April 27, 2013.

In addition to the above, the Revolving Credit Agreement contains customary negative covenants, subject to negotiated exceptions, on (i) liens and guarantees, (ii) investments, (iii) indebtedness, (iv) significant corporate changes including mergers and acquisitions, (v) dispositions, (vi) restricted payments, cash dividends and certain other restrictive agreements. The borrowing agreement also contains customary events of default, such as payment defaults, cross-defaults to other material indebtedness, bankruptcy and insolvency, the occurrence of a defined change in control, or the failure to observe the negative covenants and other covenants related to the operation of the Company’s business.

The Company’s obligations under the Revolving Credit Agreement are guaranteed by certain of its domestic subsidiaries (the “Subsidiary Guarantors”). As collateral security under the borrowing agreement and the guarantees thereof, the Company and the Subsidiary Guarantors have granted to the administrative agent for the benefit of the lenders, a first priority lien on substantially all of their tangible and intangible assets, including, without limitation, certain domestic inventory and certain material real estate.

Term Loan

In connection with the funding of the Charming Shoppes Acquisition during the fourth quarter of Fiscal 2012, the Company entered into a $300 million variable-rate term loan (“Term Loan”) with an original maturity of June 14, 2018. The Term Loan was recorded net of an original issue discount of $3 million, which was being amortized to interest expense over the contractual life of the Term Loan.

During the second quarter of Fiscal 2013, the Company prepaid approximately $20 million of the outstanding principal balance of the Term Loan. The transaction resulted in a $0.6 million pretax loss on extinguishment of debt during the second quarter of Fiscal 2013, relating to a proportional reduction in the balances of the original issue discount and deferred financing costs, which has been disclosed as a component of the loss on extinguishment of debt on the face of the accompanying consolidated statements of operations.

During the third quarter of Fiscal 2013, the Company prepaid the entire remaining approximately $279 million of outstanding principal balance under the Term Loan using approximately $263 million of borrowings under the Revolving Credit Agreement (as discussed above) and approximately $16 million of proceeds from the sale of **Fashion Bug’s** distribution center (See Note 2 – *Discontinued Operations* for further discussion). These transactions resulted in an aggregate $7.9 million pretax loss on extinguishment of debt during the third quarter of Fiscal 2013, relating to a write-off of the remaining balances of the original issue discount and deferred financing costs. This loss has been disclosed as a component of the loss on extinguishment of debt on the face of the accompanying consolidated statements of operations.

Greencastle Mortgage

In connection with the Charming Shoppes Acquisition, the Company assumed a $7.8 million mortgage obligation (the “Greencastle Mortgage”) on Charming Shoppes’s owned distribution center in Greencastle, Indiana. The Greencastle Mortgage bore interest at a fixed rate of 6.07%. During the second quarter of Fiscal 2013, the Company prepaid the outstanding principal balance of the Greencastle Mortgage in full. The payment of $8.4 million resulted in a $0.8 million pretax loss on extinguishment of debt, relating to a make-whole premium to holders of the mortgage note, which has been disclosed as a component of the loss on extinguishment of debt on the face of the accompanying unaudited consolidated statements of operations.

Payment of Dividends

Our Revolving Credit Agreement does not permit cash dividends, but allows us to pay stock dividends, provided that at the time of and immediately after giving effect to the stock dividend, (i) there is no default or event of default, (ii) the fixed charge coverage ratio (as defined in the Revolving Credit Agreement) is not less than 1.15 to 1.00, and (iii) borrowings under the Revolving Credit Agreement do not exceed 82.5% of the total available borrowings (such that availability (as defined in the Revolving Credit Agreement) is not less than 17.5% of the aggregate revolving commitments (as defined in the Revolving Credit Agreement)). Dividends are payable when declared by our Board of Directors. Currently, the Board of Directors does not plan to pay any dividends.

Common Stock Repurchase Program

In Fiscal 2010, the Company's Board of Directors authorized a $100 million share repurchase program (the "2010 Stock Repurchase Program"). This program was then expanded in Fiscal 2011 to cover an additional $100 million of authorized purchases. Under the 2010 Stock Repurchase Program, purchases of shares of common stock may be made at the Company's discretion from time to time, subject to overall business and market conditions.

No shares of common stock were repurchased by the Company under its repurchase program during the nine months ended April 27, 2013. Repurchased shares normally are retired and treated as authorized but unissued shares.

The remaining availability under the 2010 Stock Repurchase Program was approximately $89.9 million at April 27, 2013.

Contractual and Other Obligations

Firm Commitments

There have been no material changes during the period covered by this report to the firm commitments specified in the contractual and other obligations section of the "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Fiscal 2012 10-K.

Off-Balance Sheet Arrangements

There have been no material changes during the period covered by this report to the off-balance sheet arrangements specified in the contractual and other obligations section of the "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Fiscal 2012 10-K.

MARKET RISK MANAGEMENT

The Company is exposed to a variety of market-based risks, representing our potential exposure to losses arising from adverse changes in market rates and prices. These market risks include, but are not limited to, changes in foreign currency exchange rates relating to our expanding Canadian and other international operations, changes in interest rates, and changes in both the value and liquidity of our cash, cash equivalents and investment portfolio. Consequently, in the normal course of business, we employ a number of established policies and procedures to manage such risks, including considering, at times, the use of derivative financial instruments to hedge such risks. However, as a matter of policy, we do not enter into derivative financial instruments for speculative or trading purposes. As of April 27, 2013, the Company did not have any outstanding derivative financial instruments.

Foreign Currency Risk Management

We currently do not have any significant risks to the fluctuation of foreign currency exchange rates. Purchases of inventory for resale in our retail stores normally are transacted in U.S. dollars. In addition, our wholly owned international retail operations represented approximately 1% of our consolidated revenues during the first nine months of Fiscal 2013. In the future, as our international operations continue to expand, we would consider the use of forward foreign currency exchange contracts to manage any significant risks to changes in foreign currency exchange rates.

Interest Rate Risk Management

Our Company currently has $155.0 million in variable-rate debt outstanding under our Revolving Credit Agreement. Accordingly, we remain subject to changes in interest rates. For each 0.125% increase or decrease in interest rates, the Company’s annual interest expense would increase or decrease by approximately $0.2 million, and net income would decrease or increase, respectively, by approximately $0.1 million. See Note 9 to our unaudited consolidated financial statements for a summary of the terms and conditions of our Revolving Credit Agreement.

Investment Risk Management

As of April 27, 2013, our Company had cash and cash equivalents on-hand of $202.9 million, primarily invested in money market funds and commercial paper with original maturities of 90 days or less. The Company's other short-term investments of $3.2 million consisted primarily of restricted cash.

We maintain cash deposits and cash equivalents with well-known and stable financial institutions; however, there were significant amounts of cash and cash equivalents at these financial institutions in excess of federally insured limits at April 27, 2013. This represents a concentration of credit risk. With the current financial environment and the instability of some financial institutions, we cannot be assured we will not experience losses on our deposits in the future. However, there have been no losses recorded on deposits of cash and cash equivalents to date.

CRITICAL ACCOUNTING POLICIES

The Company’s significant accounting policies are described in Notes 3 and 4 to the audited consolidated financial statements included in the Company’s Fiscal 2012 10-K. The SEC's Financial Reporting Release No. 60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies" ("FRR 60"), suggests companies provide additional disclosure and commentary on those accounting policies considered most critical. FRR 60 considers an accounting policy to be critical if it is important to the Company's financial condition and results of operations and requires significant judgment and estimates on the part of management in its application. The Company's estimates are often based on complex judgments, probabilities and assumptions that management believes to be reasonable, but that are inherently uncertain and unpredictable. It is also possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts. For a detailed discussion of the Company's critical accounting policies, see the “Critical Accounting Policies” section of the MD&A in the Company’s Fiscal 2012 10-K. There have been no material changes in the application of the Company’s critical accounting policies since July 28, 2012.

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RECENTLY ISSUED ACCOUNTING PROUNCEMENTS

During the nine months ended April 27, 2013, there have been no recently issued or proposed accounting standards which may have a material impact our financial statements in future periods.

Item 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion of our exposure to, and management of our market risks, see “Market Risk Management” in Item 2 included elsewhere in this report on Form 10-Q.

Item 4 - CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports that the Company files or submits under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

The Company carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Rules 13(a)-15(e) and 15(d)-15(e) of the Exchange Act. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective at the reasonable assurance level as April 27, 2013. There has been no change in the Company’s internal control over financial reporting during the fiscal quarter ended April 27, 2013 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II - OTHER INFORMATION

Item 1 – LEGAL PROCEEDINGS

The Company is a defendant in lawsuits and other adversarial proceedings arising in the ordinary course of business. Legal costs incurred in connection with the resolution of claims and lawsuits are generally expensed as incurred, and the Company establishes reserves for the outcome of litigation where it deems it appropriate to do so under applicable accounting rules. Moreover, the Company's assessment of the current exposure could change in the event of the discovery of additional facts with respect to legal matters pending against the Company or determinations by judges, juries, administrative agencies or other finders of fact that are not in accordance with the Company's evaluation of a particular claim. The results of these lawsuits, claims and proceedings cannot be predicted with certainty. However, the Company believes that the ultimate resolution of these matters will not have a material effect on the Company's consolidated financial statements. The Company's identified contingencies include the matters set out below.

Six lawsuits were filed in Fiscal 2012 challenging the proposed acquisition of Charming Shoppes by Ascena. Five of these lawsuits were consolidated in state court in Pennsylvania, and one case remained in federal court in Pennsylvania. In general, plaintiffs sued the Charming Shoppes board of directors for alleged breach of their fiduciary duties under Pennsylvania state law in connection with the sale process, negotiations and public disclosures about the transaction. Ascena was sued for allegedly aiding and abetting the Charming Shoppes directors' alleged breach of their fiduciary duties. The parties entered into a stipulation of settlement to settle the state and federal litigations. The stipulation of settlement received final court approval during the third quarter of Fiscal 2013. Pursuant to the settlement, both the state and federal cases were dismissed, and previously accrued, court-ordered attorneys' fees of $0.5 million were paid during the third quarter of Fiscal 2013.

Item 1A – Risk Factors

There are many risks and uncertainties that can affect our future business, financial performance or share price. In addition to the other information set forth in this report, you should review and consider the information regarding certain factors which could materially affect our business, financial condition or future results set forth under Part I, Item 1A "Risk Factors" in our Fiscal 2012 10-K. There have been no material changes during the quarter ended April 27, 2013 to the Risk Factors set forth in Part I, Item 1A of the Fiscal 2012 10-K.

Item 2 –UNREGISTERED SALES OF EQUITY Securities and Use of Proceeds

Issuer Purchases of Equity Securities[(1)]

The following table provides information about the Company's repurchases of common stock during the fiscal quarter ended April 27, 2013.

Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[(1)]**	**Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [(1)]**
Month # 1 (January 27, 2013 – February 23, 2013)	—	$—	—	$90 million
Month # 2 (February 24, 2013 – March 30, 2013)	—	—	—	90 million
Month # 3 (March 31, 2013 – April 27, 2013)	—	—	—	90 million

[(1)] In Fiscal 2010, the Company's Board of Directors authorized a $100 million share repurchase program (the "2010 Stock Repurchase Program"). The program was then expanded in Fiscal 2011 to cover an additional $100 million of authorized purchases. Under the 2010 Stock Repurchase Program, purchases of shares of common stock may be made at the Company's discretion from time to time, subject to overall business and market conditions. Purchases will be made at prevailing market prices, through open market purchases or in privately negotiated transactions and will be

subject to applicable SEC rules.

Item 6 - EXHIBITS

Exhibit	Description
31.1	Certification by the Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2	Certification by the Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1	Certification of David Jaffe pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Dirk Montgomery pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

ASCENA RETAIL GROUP, INC.

Date: June 5, 2013	BY: /s/ David Jaffe David Jaffe President, Chief Executive Officer and Director (Principal Executive Officer)
Date: June 5, 2013	BY: /s/ Dirk Montgomery Dirk Montgomery Executive Vice President and Chief Financial Officer (Principal Financial Officer)