

Destination Maternity Corp
Form PRRN14A
April 27, 2018

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

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. 1)

Filed by the Registrant Filed by a Party other than the Registrant
Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

Destination Maternity Corporation
(Name of Registrant as Specified in Its Charter)

NATHAN G. MILLER

PETER O'MALLEY

HOLLY N. ALDEN

CHRISTOPHER B. MORGAN

MARLA A. RYAN

ANNE-CHARLOTTE WINDAL

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(3) Filing Party:

(4) Date Filed:

PRELIMINARY COPY—SUBJECT TO COMPLETION DATED APRIL 27, 2018

2018 ANNUAL MEETING OF STOCKHOLDERS
OF
DESTINATION MATERNITY CORPORATION
PROXY STATEMENT
OF
NATHAN G. MILLER
PETER O'MALLEY
HOLLY N. ALDEN
CHRISTOPHER B. MORGAN
MARLA A. RYAN
ANNE-CHARLOTTE WINDAL

This proxy statement (including all annexes attached hereto, this “Proxy Statement”) and accompanying GOLD proxy card are being furnished to stockholders of Destination Maternity Corporation, a Delaware corporation (“Destination Maternity” or the “Company”), by Nathan G. Miller and Peter O’Malley (collectively, the “Investors,” “we,” “our” or “us”) and their nominees listed below in connection with the solicitation of proxies from the holders (the “Stockholders”) of common stock, par value \$0.01 per share, of the Company (the “Common Stock”), in connection with the 2018 Annual Meeting of Stockholders of the Company (including any and all adjournments, postponements, continuations or reschedulings thereof, or any other meeting of Stockholders of the Company that may be called in lieu thereof, the “2018 Annual Meeting”), which is currently scheduled to be held on May 23, 2018 at 9:15 a.m., Eastern Standard Time. The meeting will be held at the Company’s corporate headquarters located at 232 Strawbridge Drive, Moorestown, New Jersey 08057. The Company has set the close of business on April 11, 2018 as the record date for determining Stockholders entitled to notice of and to vote at the 2018 Annual Meeting (the “Record Date”).

THIS SOLICITATION IS BEING MADE BY THE INVESTORS AND NOT ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY (THE “BOARD”).

This Proxy Statement and the accompanying GOLD proxy card are first being sent or given on or about , 2018 to all holders of shares of Common Stock as of the Record Date.

We are soliciting your vote because we believe that the election of Holly N. Alden, Christopher B. Morgan, Marla A. Ryan and Anne-Charlotte Windal (collectively, the “Nominees”) will bring the fresh perspectives, qualifications and experiences necessary for the Board to establish a strategic plan that creates long-term value for the Stockholders. The participants in this proxy solicitation (the “Participants”) are Nathan G. Miller, Peter O’Malley, Holly N. Alden, Christopher B. Morgan, Marla A. Ryan and Anne-Charlotte Windal.

THE NOMINEES ARE COMMITTED TO ACTING IN THE BEST INTERESTS OF ALL STOCKHOLDERS. WE BELIEVE THAT YOUR VOICE IN THE FUTURE OF DESTINATION MATERNITY CAN BEST BE EXPRESSED THROUGH THE ELECTION OF THE NOMINEES. ACCORDINGLY, WE URGE YOU TO VOTE YOUR GOLD PROXY CARD “FOR” HOLLY N. ALDEN, CHRISTOPHER B. MORGAN, MARLA A. RYAN AND ANNE-CHARLOTTE WINDAL.

Except as set forth in this Proxy Statement, including (i) the proposal to ratify the appointment of KPMG LLP (“KPMG”) as the Company’s independent registered public accounting firm for fiscal year ending February 2, 2019 and (ii) the proposal to approve, on a non-binding advisory basis, the compensation of the Company’s named executive officers as disclosed in the Company’s proxy statement for the 2018 Annual Meeting, we do not know of any other matters to be presented for approval by the Stockholders at the 2018 Annual Meeting. If, however, the Investors learn of any other proposals made at a reasonable time before the 2018 Annual Meeting, the Investors will either supplement this Proxy Statement and provide Stockholders with an opportunity to vote by proxy directly on such matters, or will not exercise discretionary authority with respect thereto. If other matters are properly presented thereafter, the persons named as proxies in the enclosed GOLD proxy card will vote the shares of Common Stock represented thereby in accordance with their discretion pursuant to the authority granted in the proxy.

We believe that the Company must undergo substantial changes, beginning at the Board level, in order to reverse the Company’s significant underperformance relative to the market and to unlock the Company’s full potential. To that end, we have nominated four highly qualified nominees with relevant industry and financial experience whom we believe would improve the Board’s decision-making process and hold Management accountable for the Company’s results. The Nominees are fully committed to exploring and pursuing paths to enhance stockholder value and representing the interests of all Stockholders. The Nominees have a well-balanced mix of skills and substantial retail operating experience, which are indispensable for a successful turnaround of the Company. If elected, the Nominees will bring fresh perspectives, talented leadership and responsible oversight in implementing much-needed discipline at Destination Maternity.

We urge the Stockholders to support us in this effort by voting “FOR” the Nominees.

We recommend that you vote your shares on the GOLD proxy card as follows:

1. “FOR” the election of Holly N. Alden, Christopher B. Morgan, Marla A. Ryan and Anne-Charlotte Windal to serve as directors on the Board until the 2019 annual meeting of Stockholders of the Company (including any and all adjournments, postponements, continuations or reschedulings thereof, or any other meeting of Stockholders held in lieu thereof, the “2019 Annual Meeting”) or until their respective successors are duly elected and qualified (the “Nomination Proposal”);
2. “FOR” the repeal of each provision of, or amendment to, the Bylaws of the Company, effective December 22, 2016 (the “Bylaws”) adopted by the Board without the approval of the Stockholders subsequent to December 22, 2016 and up to and including the conclusion of the 2018 Annual Meeting (the “Stockholder Proposal”);
3. “FOR” the ratification of the appointment of KPMG as the Company’s independent registered public accounting firm for fiscal year ending February 2, 2019;
4. “AGAINST” the approval, on a non-binding advisory basis, of the compensation of the Company’s named executive officers, as disclosed in the Company’s proxy statement for the 2018 Annual Meeting.

We urge Stockholders to review the GOLD proxy card carefully, as the order in which the proposals are listed on the GOLD proxy card differs from the order in which the proposals are listed on the Company’s proxy card.

The principal executive offices of the Company are located at 232 Strawbridge Drive, Moorestown, New Jersey 08057.

The Company has disclosed that as of the Record Date, there were 14,677,265 shares of Common Stock outstanding and entitled to vote at the 2018 Annual Meeting. Each share of Common Stock entitles the holder thereof to one vote on the election of each of the nominees for director and on any other matter that may properly come before the 2018 Annual Meeting.

We intend to vote all of the shares of Common Stock that we beneficially own and are capable of voting at the 2018 Annual Meeting: (i) “FOR” the election of the Nominees; (ii) “FOR” the repeal of each provision of, or amendment to, the Bylaws adopted by the Board without the approval of the stockholders of the Company subsequent to December 22, 2016 and up to and including the conclusion of the 2018 Annual Meeting; (iii) “FOR” the ratification of the appointment of KPMG as the Company’s independent registered public accounting firm for fiscal year ending February 2, 2019; and (iv) “AGAINST” the approval, on a non-binding advisory basis, of the compensation of the Company’s named executive officers, as disclosed in the Company’s proxy statement for the 2018 Annual Meeting.

This proxy solicitation is being made by the Investors and the Nominees and not on behalf of the Board or the Company’s management (“Management”).

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Important Notice Regarding the Availability of Proxy Materials for the 2018 Annual Meeting
The proxy materials are available at no charge at: <https://www.morrowsodali.com/ngm>.

WHETHER OR NOT YOU INTEND TO ATTEND THE 2018 ANNUAL MEETING, YOUR PROMPT ACTION IS IMPORTANT. MAKE YOUR VIEWS CLEAR TO THE COMPANY BY AUTHORIZING A PROXY TO VOTE “FOR” THE ELECTION OF THE NOMINEES AND THE STOCKHOLDER PROPOSAL BY FOLLOWING THE INSTRUCTIONS ON THE ENCLOSED GOLD PROXY CARD TODAY.

YOUR VOTE IS IMPORTANT, NO MATTER HOW MANY OR HOW FEW SHARES OF COMMON STOCK YOU OWN.

If you have any questions or require any assistance in executing your proxy, please contact:

Morrow Sodali LLC
470 West Avenue
Stamford, CT 06902

Banks and Brokers Call Collect: (203) 658-9400

All Others Call Toll Free: (800) 662-5200

Email: NGM@morrowsodali.com

IMPORTANT VOTING INFORMATION

If your shares of Common Stock are held in your own name, please authorize a proxy to vote by signing and returning the enclosed GOLD proxy card in the postage-paid envelope provided or by instructing us by telephone or via the Internet as to how you would like your shares of Common Stock voted (instructions are on your GOLD proxy card). If you hold your shares of Common Stock in "street name" with a bank, brokerage firm, dealer, trust company or other institution or nominee, only they can exercise your right to vote with respect to your shares of Common Stock and only upon receipt of your specific instructions. Accordingly, it is critical that you promptly give instructions to your bank, brokerage firm, dealer, trust company or other institution or nominee to ensure that a GOLD proxy card is submitted on your behalf. Please follow the instructions to authorize a proxy to vote on the enclosed GOLD proxy card. If your bank, brokerage firm, dealer, trust company or other nominee provides for voting instructions to be delivered to them by Internet or telephone, instructions will be included with the enclosed GOLD proxy card. PLEASE DO NOT RETURN ANY PROXY CARD YOU MAY RECEIVE FROM THE COMPANY OR OTHERWISE AUTHORIZE A PROXY TO VOTE YOUR SHARES OF COMMON STOCK AT THE 2018 ANNUAL MEETING, NOT EVEN AS A PROTEST VOTE. IF YOU HAVE ALREADY SENT A PROXY CARD TO THE COMPANY OR OTHERWISE AUTHORIZED A PROXY TO VOTE YOUR SHARES OF COMMON STOCK AT THE 2018 ANNUAL MEETING, IT IS NOT TOO LATE TO CHANGE YOUR VOTE. TO REVOKE YOUR PRIOR PROXY AND CHANGE YOUR VOTE, SIMPLY DATE, SIGN AND RETURN THE ENCLOSED GOLD PROXY CARD IN THE POSTAGE-PAID ENVELOPE PROVIDED OR FOLLOW THE INSTRUCTIONS ON YOUR GOLD PROXY CARD TO VOTE BY TELEPHONE OR VIA THE INTERNET. ONLY YOUR LATEST DATED PROXY WILL BE COUNTED.

ONLY STOCKHOLDERS OF RECORD ON THE RECORD DATE ARE ENTITLED TO VOTE AT THE 2018 ANNUAL MEETING.

HOLDERS OF SHARES OF COMMON STOCK AS OF THE RECORD DATE ARE URGED TO SUBMIT A GOLD PROXY CARD EVEN IF YOUR SHARES WERE SOLD AFTER THE RECORD DATE.

IF YOU HOLD YOUR SHARES OF COMMON STOCK IN "STREET NAME" WITH A BANK, BROKERAGE FIRM, DEALER, TRUST COMPANY OR OTHER INSTITUTION OR NOMINEE ON THE RECORD DATE, THEN ONLY THAT INSTITUTION CAN VOTE THOSE SHARES AND ONLY UPON RECEIPT OF YOUR SPECIFIC INSTRUCTIONS. ACCORDINGLY, PLEASE CONTACT THE PERSON RESPONSIBLE FOR YOUR ACCOUNT AND INSTRUCT THAT PERSON TO SIGN AND RETURN ON YOUR BEHALF THE GOLD PROXY CARD AS SOON AS POSSIBLE.

Morrow Sodali LLC ("Morrow Sodali") is assisting us with our effort to solicit proxies. If you have any questions or require assistance in authorizing a proxy or voting your shares of Common Stock, please contact:

Morrow Sodali LLC
470 West Avenue
Stamford, CT 06902

Banks and Brokers Call Collect: (203) 658-9400
All Others Call Toll Free: (800) 662-5200
Email: NGM@morrowsodali.com

It is important that your shares of Common Stock be represented and voted at the 2018 Annual Meeting. Accordingly, regardless of whether you plan to attend the 2018 Annual Meeting in person, please complete, date and sign the GOLD proxy card that has been provided to you by us (and not any proxy card that has been provided to you by the Company or any other proxy card or form that has been provided to you) and vote "FOR" the election of the Nominees and "FOR" the repeal of each provision of, or amendment to, the Bylaws adopted by the Board without the approval of the Stockholders subsequent to December 22, 2016 and up to and including the conclusion of the 2018 Annual Meeting.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The information herein contains “forward-looking statements.” Specific forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and include, without limitation, words such as “may,” “will,” “expects,” “believes,” “anticipates,” “plans,” “estimates,” “projects,” “targets,” “forecasts,” “seeks,” “could,” “should” such terms or other variations on such terms or comparable terminology. Similarly, statements that describe our objectives, plans or goals are forward-looking. Forward-looking statements are subject to various risks and uncertainties and assumptions. There can be no assurance that any idea or assumption herein is, or will be proven, correct. If one or more of the risks or uncertainties materialize, or if the Investors’ underlying assumptions prove to be incorrect, the actual results may vary materially from outcomes indicated by these statements. Accordingly, forward-looking statements should not be regarded as a representation by the Investors that the future plans, estimates or expectations contemplated will ever be achieved.

Certain statements and information included herein have been sourced from third parties. The Investors do not make any representations regarding the accuracy, completeness or timeliness of such third party statements or information. Except as may be expressly set forth herein, permission to cite such statements or information has neither been sought nor obtained from such third parties. Any such statements or information should not be viewed as an indication of support from such third parties for the views expressed herein.

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BACKGROUND TO THIS SOLICITATION

The following is a chronology of material events leading up to this proxy solicitation:

Beginning on October 19, 2017, Nathan G. Miller, the principal of NGM Asset Management, LLC (“NGM”), met from time to time with members of the Board and Management, including Barry Erdos, Chairman of the Board, and Guggenheim Securities, LLC (“Guggenheim”), financial advisor to the Company, to discuss the Company’s financial performance and results of operations.

On December 27, 2017, Mr. Miller filed a Schedule 13D (the “Schedule 13D”) with the Securities and Exchange Commission (the “SEC”), disclosing a 7.8% interest in the Company. In the Schedule 13D, Mr. Miller disclosed, among other things, that he intended to engage in constructive discussions with the Board and Management as part of the Company’s publicly disclosed efforts to engage with stockholders. These discussions would include, but not be limited to, identifying qualified Board and Management candidates, increasing the size of the Board, optimizing the capital structure and improving corporate governance, compensation practices, investor relations and communication and operating performance. Mr. Miller also disclosed his intent to consider any and all potential corporate transactions.

On January 4, 2018, Mr. Miller sent a letter to the Board (the “January 4 Letter”) setting forth the potential terms of a merger transaction whereby the Company would become a private entity (the “Proposed Transaction”). Pursuant to the terms of the Proposed Transaction, Stockholders would be entitled to exchange their Common Stock for \$2.75 in cash or, in certain circumstances, equity in the new entity formed by the Proposed Transaction. In the January 4 Letter, Mr. Miller requested that the Company grant limited waivers to allow him to speak to other stockholders to gauge their interest in such an equity rollover. The Company later denied such request.

On January 12, 2018, Mr. Miller and NGM entered into a confidentiality agreement with the Company (the “Confidentiality Agreement”) to facilitate discussions regarding a potential transaction with the Company. The Confidentiality Agreement included a limited standstill (which has subsequently expired) prohibiting Mr. Miller from soliciting proxies or making a public announcement or proposal regarding a potential transaction with the Company.

Between January 12, 2018 and March 9, 2018, Mr. Miller reviewed certain nonpublic materials provided by the Company (the “Company Materials”) and engaged in discussions with members of the Board and Management; Pepper Hamilton LLP (“Pepper Hamilton”), legal counsel to the Company; Guggenheim; and various potential financing sources. As a result of Mr. Miller’s review and discussions, Mr. Miller determined to no longer pursue the Proposed Transaction due to the Company’s poor financial performance and liquidity issues. Accordingly, Mr. Miller developed cost-cutting and revenue enhancement recommendations to address such issues and discussed them with the Board and Management. Thereafter, Mr. Miller engaged in discussions with Mr. Erdos regarding capital-raising methods for the Company.

On March 14, 2018, Mr. Miller sent a letter to the Board proposing that the Company sell convertible preferred stock to private third-party investors in order to raise capital (the “PIPE Proposal”). The terms of the PIPE Proposal reflected an investment of \$10 million in cash and the surrender of 1.56 million shares of Common Stock owned by such investors in exchange for securities consisting of dividend-bearing preferred stock convertible into Common Stock at \$1.50 per share and warrants to purchase 5.5392 million shares of Common Stock at not more than \$2.46 per share, which reflected fully diluted ownership of 49.9% to the investors. Such terms of the PIPE Proposal reflected an approximate 20% discount to the Common Stock price at the time oral negotiations began. The Investors offered this price because there would be a lack of liquidity or active trading market for the proposed preferred stock and the Investors believed there was significant risk in effecting a turnaround as a minority stockholder. In addition, the proposed price and valuation terms were based on the Investors’ evaluation of certain nonpublic information provided by the Company under the Confidentiality Agreement. In connection with the PIPE Proposal, Mr. Miller proposed

that four new directors, including two third-party investors and two mutually-agreed upon individuals, be elected to the Board. Mr. Miller also proposed that the Company appoint a new CEO and suggested Marla A. Ryan for the position. Mr. Miller also recommended that the Company engage a cost consultant.

Between March 14, 2018 and March 21, 2018, Mr. Miller attempted to engage in additional discussions with the Company regarding the PIPE Proposal, but did not receive a definitive response or counterproposal. As a result of the failure of the Company to engage in further negotiations, Mr. Miller determined to no longer pursue the PIPE Proposal.

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On March 21, 2018, Mr. Miller sent a letter to the Secretary of the Company requesting the Company's questionnaire and the written representation and agreement, each as required by Article I, Section 7(a)(iii) of the Bylaws (together, the "Director Nomination Materials").

On March 22, 2018, the Company sent Mr. Miller the Director Nomination Materials.

Also on March 22, 2018, representatives of Cadwalader, Wickersham & Taft LLP ("Cadwalader"), legal counsel to Mr. Miller, called a representative of Pepper Hamilton, with a proposal to add two new directors to the Board, pursuant to which two incumbent directors would either resign or not stand for election at the 2018 Annual Meeting.

On March 23, 2018, a representative of Pepper Hamilton communicated to a representative of Cadwalader that the Company was willing to consider an expansion of the Board in order to add one or two independent directors chosen by Mr. Miller; however, the Company's proposal to permit the Investors to appoint a second director was conditioned upon the Investors' ability to control at least 15% of the outstanding Common Stock. As publicly disclosed in the Schedule 13D, the Investors do not possess control over this amount of shares, and as such, the Company's proposal to add two new independent directors was not viewed by the Investors as an offer capable of acceptance.

On March 24, 2018, Mr. Miller submitted to the Secretary of the Company a formal notice of intent (the "Notice") to present a stockholder proposal and nominate candidates for election to the Board, in each case, at the 2018 Annual Meeting. Mr. Miller submitted a stockholder proposal for consideration at the 2018 Annual Meeting proposing the repeal of each provision of, or amendment to, the Bylaws adopted by the Board without the approval of the Stockholders subsequent to December 22, 2016, which is the date of the last publicly available Bylaws. The Notice stated that, at the 2018 Annual Meeting, Mr. Miller intended to nominate for election as directors of the Company, (i) Christopher B. Morgan, (ii) Marla A. Ryan and (iii) Anne-Charlotte Windal. For more information about the Nominees and the Stockholder Proposal, see the sections of this Proxy Statement entitled "Proposal No. 1—Election Of Nominees" and "Proposal No. 2—Repealing Of Certain Provisions Of Or Amendments To The Bylaws Adopted Since December 22, 2016."

On March 25, 2018, Ms. Ryan received a call from a representative of Guggenheim. Ms. Ryan has advised the Investors that on such call, the Guggenheim representative spoke positively of her candidacy.

On March 26, 2018, the Investors filed Amendment No. 1 to the Schedule 13D with the SEC disclosing a collective 8.8% interest in the Company. In the Schedule 13D, the Investors disclosed Mr. Miller's submission of the Notice to the Company and the Investors' intent to conduct a proxy solicitation to elect the Nominees to the Board and approve the Stockholder Proposal at the 2018 Annual Meeting.

On March 27, 2018, the Investors filed Amendment No. 2 to the Schedule 13D with the SEC disclosing that if the Nominees are elected to the Board at the 2018 Annual Meeting, each of the Investors and the Nominees would support expanding the Board and adding representation for Orchestra-Prémaman S.A. ("Orchestra") to the Board, if Orchestra desires such representation, so that the Board will include additional stockholder representation.

On March 28, 2018, the Company sent a letter to Mr. Miller acknowledging receipt of the Notice and stating that the Company had no objections to the Notice other than asserting that certain sections of each Nominee's questionnaire required handwritten initials instead of typed initials, although no such requirement was included in the questionnaire or the Bylaws.

On March 30, 2018, Mr. Miller delivered to the Company a letter attaching updated questionnaires in response to the Company's request.

Also on March 30, 2018, Mr. Miller sent a letter to the Company informing the Company that he would be willing to agree to the use of a proxy card that allowed stockholders to vote for each of the Investors' and the Company's nominees if the Company was willing to do the same. In the letter, Mr. Miller stated his belief that the Board should act in good faith to provide stockholders with a meaningful choice at the 2018 Annual Meeting by committing to use a universal proxy card that would include all of the nominees proposed, regardless of who has proposed such nominees, because it was a hallmark of good corporate governance. The Investors filed the letter with the SEC as an exhibit to Amendment No. 3 to the Schedule 13D.

On April 3, 2018, the Company filed a Form 8-K stating that two directors selected by Orchestra, Pierre-André Mestre and Jean-Claude Jacomin (the "Orchestra Directors") were appointed to the Board pursuant to an agreement with Orchestra (the "Support Agreement") which also provided for a vote lock-up. As a result, the size of the Board was increased from four directors to six directors.

On April 4, 2018, Kristen D. Han, the Company's Vice President and General Counsel, sent a letter to Mr. Miller notifying him that the Board had unanimously rejected the use of a universal proxy card. The letter stated that a universal proxy card "would not be in the best interests of the Company's stockholders" because, among other reasons, it would create "significant risk of confusion that could result in disenfranchisement of certain stockholders."

On April 5, 2018, a representative of Pepper Hamilton communicated to representatives of Cadwalader that the Company was willing to consider an immediate expansion of the Board to add one of Mr. Miller's nominees to the Board, and would consider adding another of Mr. Miller's nominees to the Board if and when a vacancy occurs on the Board.

On April 6, 2018, Mr. Erdos sent an email to Mr. Miller requesting a response to the Company's settlement offer.

On April 9, 2018, a representative of Cadwalader sent an email to the Company and a representative of Pepper Hamilton stating that the settlement offer made on April 5, 2018 was not acceptable and on behalf of Mr. Miller sent a letter requesting certain stockholder list materials (the "Demand Letter") pursuant to Section 220 of the Delaware General Corporation Law ("DGCL").

On April 10, 2018, Mr. Miller sent a letter to the Board (the "April 10 Letter") highlighting the Company's manifest financial and operational failures and the Board's entrenchment tactics. In the letter, Mr. Miller expressed his concern at the lack of disclosure regarding the Company's announced "turnaround plan," the termination of Mr. Weinstein and the CEO search process. In particular, Mr. Miller noted that, in the three years since the Company first announced its turnaround plan, the Company's stock price fell by 83%, the Company's revenue declined by \$116 million and the Company's net income of \$10.7 million deteriorated into a net loss of \$8.4 million.

Also on April 10, 2018, a representative of Pepper Hamilton called a representative of Cadwalader to propose a settlement offer, which offer consisted of the addition of two of Mr. Miller's nominees to the Board, with two incumbent directors not standing for re-election at the 2018 Annual Meeting.

On April 11, 2018, representatives of Cadwalader called a representative of Pepper Hamilton to propose a settlement offer, which offer called for a six-member Board comprised of four of the Investors' nominees, Mr. Mestre and one other incumbent director. The representatives of Cadwalader also proposed an alternate settlement offer on such call, which offer called for the resignation of both Orchestra Directors and a six-member Board, comprised of four of the Investors' nominees and two incumbent directors.

On April 12, 2018, in light of the changes announced in the Company's Form 8-K filed on April 3, 2018, Mr. Miller submitted to the Secretary of the Company a formal notice of intent (the "Supplemental Notice") to nominate two additional candidates for election to the Board at the 2018 Annual Meeting, Holly N. Alden and Nathan G. Miller. The Supplemental Notice stated that, at the 2018 Annual Meeting, the Investors intended to nominate for election as directors of the Company, (i) Holly N. Alden, (ii) Nathan G. Miller, (iii) Christopher B. Morgan, (iv) Marla A. Ryan and (v) Anne-Charlotte Windal. For more information about the Nominees, see the section of this Proxy Statement entitled "Proposal No. 1—Election Of Nominees."

Also on April 12, 2018, the Company filed a Form 8-K stating that on April 11, 2018, Mr. Jacomin, who had been appointed to the Board only nine days earlier, had resigned, effective immediately. The Company also disclosed that on April 12, 2018, the Board decreased the size of the Board from six directors to five directors. The Company noted that pursuant to the Support Agreement and subject to the conditions set forth therein, Orchestra has the right to name a substitute individual to replace Mr. Jacomin on the Board. The Company did not announce who Orchestra intends to name or when Orchestra will exercise such right.

Later on April 12, 2018, a representative of Pepper Hamilton called representatives of Cadwalader to communicate that the Company was willing to consider adding three of Mr. Miller's nominees to the Board. Representatives of Cadwalader later called a representative of Pepper Hamilton to propose a counter offer, which offer called for a seven-member Board comprised of four of the Investors' nominees, two incumbent directors and an additional individual the Board had previously vetted and invited to serve on the Board.

Also on April 12, 2018, Ronald J. Masciantonio, the Company's Executive Vice President and Chief Administrative Officer, sent a letter to Mr. Miller (the "April 12 Letter") asserting that Mr. Miller's April 10 Letter should have included certain disclosures regarding the Confidentiality Agreement, the Proposed Transaction, the PIPE Proposal and the position of the Nominees on the Proposed Transaction and the PIPE Proposal, all of which Mr. Miller was prohibited from disclosing to third parties under the Confidentiality Agreement. In the April 12 Letter, the Company provided written consent under the Confidentiality Agreement for Mr. Miller to include such disclosures in his SEC filings, which consent expressly excluded the Company Materials.

On April 13, 2018, a representative of Pepper Hamilton communicated to a representative of Cadwalader that the counter offer made on April 12, 2018 was not acceptable.

Also on April 13, 2018, the Company filed a Form 8-K with the SEC announcing that the composition of the Board would change for the third time in a two-week period because Michael J. Blitzer would not be standing for reelection to the Board at the 2018 Annual Meeting. The Company also stated that, instead of immediately reducing the size of the Board accordingly, as was done following Mr. Jacomin's resignation, the Board had resolved that the size of the Board would decrease from five directors to four directors effective upon the commencement of the 2018 Annual Meeting.

Additionally, on April 13, 2018, the Company filed a preliminary proxy statement with the SEC announcing a slate of four nominees for election at the 2018 Annual Meeting and stating that the Board did not endorse any of the Nominees. The Company also stated that Orchestra intends to exercise its right to name a substitute person to replace Mr. Jacomin on the Board, but did not indicate whether Orchestra intended to exercise this right before or after the 2018 Annual Meeting.

Later on April 13, 2018, Mr. Erdos sent a letter to Ms. Ryan and Ms. Windal requesting Ms. Ryan and Ms. Windal's consent for the Company to include each of them on the Company's slate of nominees for election at the 2018 Annual Meeting and solicit votes in favor of their election. Ms. Ryan and Ms. Windal did not provide such consent. The full text of the letter follows:

Dear Ms. Ryan and Ms. Windal:

You have consented to be nominated by Nathan Miller for election to our Board at our 2018 Annual Meeting of Stockholders. You may be aware that we had proposed to Mr. Miller, in order to avoid the time and expense of an election contest, that we would add up to three of his nominees to our Board, but Mr. Miller declined to accept our proposal.

Given the Board's desire to add new qualified independent directors, we are asking each of you if you would allow us to consider adding you to the Company's slate of nominees for election at the Annual Meeting, and soliciting our stockholders to vote in favor of your election to the Board.

If you are willing to be considered by us, we would promptly arrange interviews (which may be telephonic) with one or more of the current Board members, and we would promptly conduct brief background checks. As to the latter requirement, we assume that Mr. Miller had such checks conducted, and we would ask that you authorize him to release the related reports to us to expedite the process.

Please get back to us at your earliest convenience.

Thank you for considering this opportunity.

Regards,

Barry Erdos

Chairman of the Board of Directors

On April 16, 2018, Mr. Miller sent a letter to the Board. In the letter, Mr. Miller noted that the recent Board size and composition changes, enacted long after the director nomination deadline for the 2018 Annual Meeting, caused significant uncertainty in even the most basic details regarding the election of directors at the 2018 Annual Meeting and appeared to be "an attempt to gain an improper advantage" in such election. In the letter, Mr. Miller requested that the Board refrain from engaging in any further manipulation of the Board's composition for the benefit of all Stockholders, and that the Board make an unequivocal statement as to the maximum number of Board seats up for election at the 2018 Annual Meeting, the maximum number of individuals Mr. Miller may nominate and whether the Board would allow Orchestra to circumvent stockholder democracy by nominating Mr. Jacomin's replacement after the 2018 Annual Meeting.

Also on April 16, 2018, a representative of the Company sent a letter to Mr. Miller responding to the Demand Letter (the "Response Letter"). In the Response Letter, the Company stated it would provide Mr. Miller with certain

information requested in the Demand Letter.

On April 17, 2018, Mr. Erdos sent a letter to Mr. Miller stating that, as of the date thereof, there were five members on the Board, four of whom were nominated by the Board for election at the 2018 Annual Meeting, and four seats up for election at the 2018 Annual Meeting. The letter also stated that Orchestra's right to nominate Mr. Jacomin's replacement is not required to be exercised by a specific date, and reiterated Mr. Erdos' offer to include Ms. Ryan and Ms. Windal on the Company's slate. The letter did not address how many seats would be up for election if Orchestra exercises its right to a replacement before the 2018 Annual Meeting.

On April 20, 2018, in light of the changes announced in the Company's Form 8-K filed on April 13, 2018, Mr. Miller submitted to the Secretary of the Company an update and supplement to the Notice and the Supplemental Notice (the "Update and Supplement"). The Update and Supplement notified the Company that Mr. Miller had elected to reduce the size of the slate from five nominees to four nominees and withdraw his nomination of himself as a Nominee. In the Update and Supplement, Mr. Miller reserved the right to further nominate, substitute or add additional persons, including himself, in the event that the Company once again increased the number of directorships.

Nathan G. Miller was born on November 2, 1978. Mr. Miller has served as the Managing Partner, Chief Investment Officer and Portfolio Manager of NGM, a family office he founded, since 2012. In addition, Mr. Miller served as a senior analyst at Impala Asset Management, LLC in 2015. Prior to founding NGM, Mr. Miller served as a portfolio manager at Surveyor Capital at Citadel LLC from 2011 to 2012. In this role, Mr. Miller led an analyst team focusing on the industrials sector. From 2009 to 2011, Mr. Miller was a Portfolio Manager and the Co-Head of the Equity Long/Short Desk at Royal Bank of Canada Capital Markets, during which time he oversaw risk management and the structure of investment teams across all sectors. Prior to that, Mr. Miller held various analyst roles at SAC Capital Advisors LP and Goldman, Sachs & Co., focusing on various sectors, including the industrials and retail industries. Mr. Miller received a B.A. in Economics and a B.S. in Biomedical Engineering, Electrical & Computer Engineering from the Johns Hopkins University. Mr. Miller's principal business address is 27 Pine Street, Suite 700, New Canaan, Connecticut 06840.

We believe that the attributes, skills and qualifications that Mr. Miller has obtained through his extensive experience in analyzing the financial performance of companies as well as his alignment with stockholders through his significant monetary interest in the Company's success will provide the Board and the Company with valuable financial knowledge and insight into value-maximizing strategies.

On April 20, 2018, the Investors filed a preliminary proxy statement with the SEC.

On April 23, 2018, the Company filed a revised preliminary proxy statement and a definitive proxy statement with the SEC.

On April 24, 2018, Mr. Miller sent a letter to the Board (the "April 24 Letter") renewing his request, made two weeks prior, for certain stockholder lists, including a Non-Objecting Beneficial Ownership or "NOBO" list, as described in the Demand Letter. In the letter, Mr. Miller stated that the Investors viewed the Company's continued failure to deliver such stockholder lists as yet another attempt by the Company to avoid accountability to stockholders, gain an improper tactical advantage in the election and further entrench the incumbent directors. The Investors filed the letter with the SEC as an exhibit to Amendment No. 7 to the Schedule 13D.

On April 25, 2018, the Company sent a letter to Mr. Miller, stating that it would provide the stockholder lists requested in the April 24 Letter to Mr. Miller.

On April 26, 2018, Mr. Miller sent a letter to the Board asserting that the Investors had been informed by certain Stockholders who were not on any stockholder list provided to the Investors that they were receiving calls from the Company soliciting their vote. Mr. Miller expressed the view that such names must be on either a NOBO or other list that that Company's proxy solicitor is using, and again requested the NOBO list.

On April 27, 2018, the Investors filed a revised preliminary proxy statement with the SEC.

¹ Ronald J. Masciantonio, Destination Maternity Corp. FQ4 2017 Earnings Call (Apr. 19, 2018).

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REASONS FOR THIS SOLICITATION

We are deeply concerned with the Company's prolonged history of underperformance relative to the market. Over the past four years, the Company's stock price has fallen over 92%². We believe this negative price change is the result of poor leadership, poor corporate governance practices and an overall lack of strategic direction. The Board, in our view, has not taken sufficient action to improve performance or hold Management accountable.

While the Company has claimed to be executing a "turnaround plan" for over three and a half years³, we find it hard to see evidence of such. For instance, during that time:

- the Company's stock price declined 84%⁴;
- the Company's book value per share declined by 67%⁵;
- the Company entered into and then terminated a merger with Orchestra;
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