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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended July 29, 2017

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number	Registrant, State of Incorporation Address and Telephone Number	I.R.S. Employer Identification No.
333-175075		22-2894486

J.CREW GROUP, INC.

(Incorporated in Delaware)

770 Broadway
New York, New York 10003
Telephone: (212) 209-2500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.* Yes ☐ No ☐

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☐		Accelerated Filer	☐
Non-Accelerated Filer	☒	(Do not check if a smaller reporting company)	Smaller Reporting Company	☐
			Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock	Outstanding at August 18, 2017
Common Stock, $.01 par value per share	1,000 shares

* The Registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, but is not required to file such reports under such sections.

J.CREW GROUP, INC.
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PART I – FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

J.CREW GROUP, INC.

Condensed Consolidated Balance Sheets
(unaudited)
(in thousands, except share data)

	July 29, 2017	January 28, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 62,426	$ 132,226
Merchandise inventories	299,796	314,492
Prepaid expenses and other current assets	63,773	59,494
Total current assets	425,995	506,212
Property and equipment, net	330,006	362,187
Intangible assets, net	313,161	450,204
Goodwill	107,900	107,900
Other assets	7,321	6,207
Total assets	$ 1,184,383	$ 1,432,710
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 188,297	$ 194,494
Other current liabilities	150,321	157,141
Interest payable	6,769	7,977
Income taxes payable to Parent	25,332	25,215
Current portion of long-term debt	19,588	15,670
Total current liabilities	390,307	400,497
Long-term debt, net	1,701,887	1,494,490
Lease-related deferred credits, net	129,228	132,566
Deferred income taxes, net	98,011	148,200
Other liabilities	40,101	43,168
Total liabilities	2,359,534	2,218,921
Stockholders' deficit:		
Common stock $0.01 par value; 1,000 shares authorized, issued and outstanding	—	—
Additional paid-in capital	731,145	980,368
Accumulated other comprehensive loss	(7,304)	(11,536)
Accumulated deficit	(1,898,992)	(1,755,043)
Total stockholders' deficit	(1,175,151)	(786,211)
Total liabilities and stockholders' deficit	$ 1,184,383	$ 1,432,710

See notes to unaudited condensed consolidated financial statements.

J.CREW GROUP, INC.

Condensed Consolidated Statements of Operations and Comprehensive Loss
(unaudited)
(in thousands)

	Thirteen Weeks Ended July 29, 2017	Thirteen Weeks Ended July 30, 2016
Revenues:		
Net sales	$ 536,180	$ 554,998
Other	24,726	14,822
Total revenues	560,906	569,820
Cost of goods sold, including buying and occupancy costs	344,274	366,621
Gross profit	216,632	203,199
Selling, general and administrative expenses	210,136	196,522
Impairment losses	3,898	—
Income from operations	2,598	6,677
Interest expense, net of interest income	22,818	20,621
Loss before income taxes	(20,220)	(13,944)
Provision (benefit) for income taxes	434	(5,317)
Net loss	$ (20,654)	$ (8,627)
Other comprehensive income (loss):		
Reclassification of losses on cash flow hedges, net of tax, to earnings	1,682	1,927
Unrealized loss on cash flow hedges, net of tax	(497)	(1,806)
Foreign currency translation adjustments	777	(1,153)
Comprehensive loss	$ (18,692)	$ (9,659)

See notes to unaudited condensed consolidated financial statements.

J.CREW GROUP, INC.

Condensed Consolidated Statements of Operations and Comprehensive Loss
(unaudited)
(in thousands)

	Twenty-six Weeks Ended July 29, 2017	Twenty-six Weeks Ended July 30, 2016
Revenues:		
Net sales	$ 1,049,359	$ 1,108,216
Other	43,513	29,103
Total revenues	1,092,872	1,137,319
Cost of goods sold, including buying and occupancy costs	688,004	729,167
Gross profit	404,868	408,152
Selling, general and administrative expenses	420,558	388,756
Impairment losses	135,055	5,396
Income (loss) from operations	(150,745)	14,000
Interest expense, net of interest income	43,254	38,836
Loss before income taxes	(193,999)	(24,836)
Benefit for income taxes	(50,050)	(8,168)
Net loss	$ (143,949)	$ (16,668)
Other comprehensive income (loss):		
Reclassification of losses on cash flow hedges, net of tax, to earnings	3,546	2,532
Unrealized loss on cash flow hedges, net of tax	(501)	(2,877)
Foreign currency translation adjustments	1,187	(693)
Comprehensive loss	$ (139,717)	$ (17,706)

See notes to unaudited condensed consolidated financial statements.

J.CREW GROUP, INC.

Condensed Consolidated Statements of Changes in Stockholders' Deficit
(unaudited)
(in thousands, except shares)

	Common stock		Additional paid-in	Accumulated	Accumulated other comprehensive	Total stockholders'
	Shares	Amount	capital	deficit	loss	deficit
Balance at January 30, 2016	1,000	$ —	$ 979,333	$(1,731,529)	$ (16,791)	$ (768,987)
Net loss	—	—	—	(23,514)	—	(23,514)
Share-based compensation	—	—	1,035	—	—	1,035
Reclassification of realized losses on cash flow hedges, net of tax of $4,083, to earnings	—	—	—	—	6,387	6,387
Unrealized loss on cash flow hedges, net of tax of $287	—	—	—	—	449	449
Foreign currency translation adjustments	—	—	—	—	(1,581)	(1,581)
Balance at January 28, 2017	1,000	$ —	$ 980,368	$(1,755,043)	$ (11,536)	$ (786,211)
Net loss	—	—	—	(143,949)	—	(143,949)
Share-based compensation	—	—	373	—	—	373
Non-cash contribution to Parent in connection with Exchange Offer	—	—	(249,596)	—	—	(249,596)
Reclassification of realized losses on cash flow hedges, net of tax of $2,267, to earnings	—	—	—	—	3,546	3,546
Unrealized loss on cash flow hedges, net of tax of $320	—	—	—	—	(501)	(501)
Foreign currency translation adjustments	—	—	—	—	1,187	1,187
Balance at July 29, 2017	1,000	$ —	$ 731,145	$(1,898,992)	$ (7,304)	$(1,175,151)

See notes to unaudited condensed consolidated financial statements.

J.CREW GROUP, INC.

Condensed Consolidated Statements of Cash Flows
(unaudited)
(in thousands)

	Twenty-six Weeks Ended July 29, 2017	Twenty-six Weeks Ended July 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (143,949)	$ (16,668)
Adjustments to reconcile to cash flows from operating activities:		
Impairment losses	135,055	5,396
Depreciation of property and equipment	49,739	52,887
Reclassification of hedging losses to earnings	5,814	4,151
Amortization of intangible assets	4,558	5,544
Amortization of deferred financing costs and debt discount	2,554	2,529
Share-based compensation	373	607
Foreign currency transaction gains	(627)	(1,579)
Deferred income taxes	(52,136)	(11,943)
Changes in operating assets and liabilities:		
Merchandise inventories	15,067	(19,080)
Prepaid expenses and other current assets	(4,060)	(1,750)
Other assets	(543)	(622)
Accounts payable and other liabilities	(23,718)	(19,148)
Federal and state income taxes	2,225	5,174
Net cash provided by (used in) operating activities	(9,648)	5,498
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(20,173)	(36,137)
Net cash used in investing activities	(20,173)	(36,137)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from New Money Notes, net of discount	94,090	—
Proceeds from New Term Loan Borrowings, net of discount	29,400	—
Repayments pursuant to the Term Loan amendment	(150,456)	—
Costs paid and deferred in connection with refinancing of debt	(5,740)	—
Quarterly principal repayments of Term Loan Facility	(7,835)	(7,835)
Net cash used in financing activities	(40,541)	(7,835)
Effect of changes in foreign exchange rates on cash and cash equivalents	562	(178)
Decrease in cash and cash equivalents	(69,800)	(38,652)
Beginning balance	132,226	87,812
Ending balance	$ 62,426	$ 49,160
Supplemental cash flow information:		
Income taxes paid	$ 825	$ 490
Interest paid	$ 41,467	$ 37,246
Non-cash contribution to Parent in connection with Exchange Offer	$ 249,596	$ —

See notes to unaudited condensed consolidated financial statements.

J.CREW GROUP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the thirteen weeks ended July 29, 2017 and July 30, 2016
(Dollars in thousands, unless otherwise indicated)

1. Basis of Presentation

J.Crew Group, Inc. and its wholly owned subsidiaries (the "Company" or "Group") were acquired (the "Acquisition") on March 7, 2011 through a merger with a subsidiary of Chinos Holdings, Inc. (the "Parent"). The Parent was formed by investment funds affiliated with TPG Capital, L.P. ("TPG") and Leonard Green & Partners, L.P. ("LGP" and together with TPG, the "Sponsors"). Subsequent to the Acquisition, Group became an indirect, wholly owned subsidiary of Parent, which is owned by affiliates of the Sponsors, investors and members of management. Prior to March 7, 2011, the Company operated as a public company with its common stock traded on the New York Stock Exchange.

The accompanying unaudited condensed consolidated financial statements were prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. Therefore, these financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2017.

The Company's fiscal year ends on the Saturday closest to January 31. All references to "fiscal 2017" represent the 53-week fiscal year that will end on February 3, 2018 and to "fiscal 2016" represent the 52-week fiscal year that ended January 28, 2017.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, necessary to present fairly in all material respects the Company's financial position, results of operations and cash flows for the applicable interim periods. Certain prior year amounts have been reclassified to conform to current period presentation. The results of operations for these periods are not necessarily comparable to, or indicative of, results of any other interim period or for the fiscal year as a whole.

Management is required to make estimates and assumptions about future events in preparing financial statements in conformity with generally accepted accounting principles. These estimates and assumptions affect the amounts of assets, liabilities, revenues and expenses and the disclosure of loss contingencies at the date of the unaudited condensed consolidated financial statements. While management believes that past estimates and assumptions have been materially accurate, current estimates are subject to change if different assumptions as to the outcome of future events are made. Management evaluates estimates and judgments on an ongoing basis and predicates those estimates and judgments on historical experience and on reasonable factors. Since future events and their effects cannot be determined with absolute certainty, actual results may differ from the estimates used in preparing the accompanying unaudited condensed consolidated financial statements.

2. Debt Exchange and Refinancing

Transaction Overview

On July 13, 2017, the Parent and certain of its subsidiaries completed the following interrelated liability management transactions:

- a private exchange offer (the "Exchange Offer") pursuant to which $565.7 million aggregate principal amount of the outstanding 7.75%/8.50% Senior PIK Toggle Notes due 2019 (the "PIK Notes") issued by Chinos Intermediate Holdings A, Inc., a direct wholly-owned subsidiary of the Parent (the "PIK Notes Issuer"), were exchanged for aggregate consideration consisting of:
  - $249,596,000 aggregate principal amount of 13% Senior Secured Notes due 2021 (the "Exchange Notes"), which is secured primarily by the U.S. intellectual property assets held by J.Crew Domestic Brand, LLC ("IPCo");
  - 189,688 shares of Parent's 7% non-convertible perpetual series A preferred stock, no par value per share, with an aggregate initial liquidation preference of $189,688,000 (the "Series A Preferred Stock"); and
  - 15% of Parent's common equity, or 17,362,719 shares of Parent's class A common stock, $0.00001 par value per share (the "Class A Common Stock");
- the receipt of consents from the holders of a majority of the PIK Notes with respect to certain amendments to the indenture governing the PIK Notes;

- completion of an amendment to the Company's Amended and Restated Credit Agreement, dated as of March 5, 2014 (the "Term Loan Facility") to, among other things, facilitate the following related transactions:
    - the repayment of $150.5 million principal amount of term loans outstanding under the Term Loan Facility;
    - the transfer of the remaining undivided 27.96% ownership interest in the U.S. intellectual property rights of the J.Crew brand (the "Additional Transferred IP") to IPCo, which, together with the undivided 72.04% ownership interest transferred in December 2016 (the "Initial Transferred IP") represent 100% of the U.S. intellectual property rights of the J.Crew brand (the "Transferred IP"), and the execution of related license agreements;
    - the issuance of $97.0 million aggregate principal amount of an additional series of 13% Senior Secured Notes due 2021 (the "New Money Notes" and, together with the Exchange Notes, the "New Notes"), subject to the same terms and conditions as the Exchange Notes, for cash at a 3% discount, subject to the terms of the note purchase agreement, dated June 12, 2017, the proceeds of which were loaned on a subordinated basis to the Company and were applied, in part, to finance the repayment of the $150.5 million principal amount of term loans referenced above; and
    - the raising of additional borrowings under the Term Loan Facility of $30.0 million (at a 2% discount) provided by the Company's Sponsors (the "New Term Loan Borrowings"), the net proceeds of which were also applied, in part, to finance the repayment of the $150.5 million principal amount of term loans referenced above.

3. Management Services Agreement

Pursuant to a management services agreement entered into in connection with the Acquisition, and in exchange for ongoing consulting and management advisory services (the "Services"), the Sponsors received an aggregate annual monitoring fee prepaid quarterly equal to the greater of (i) 40 basis points of consolidated annual revenues or (ii) $8 million (in either case, the "Advisory Fee"). The Sponsors also receive reimbursement for out-of-pocket expenses incurred in connection with services provided pursuant to the agreement.

On July 13, 2017, the management services agreement was amended and restated to require the Parent to provide the Services previously provided by the Sponsors. In addition to the amendment, the Parent and Sponsors entered into a new management services agreement, pursuant to which the Sponsors will provide the Services to the Parent for an amount equal to the Advisory Fee less the accrued cash dividend in an amount equal to 5% of the liquidation preference on the outstanding Series A Preferred Stock of the Parent.

The Company recorded an expense of $4.7 million and $5.0 million in the first half of fiscal 2017 and fiscal 2016, respectively, for monitoring fees and out-of-pocket expenses, included in selling, general and administrative expenses in the statements of operations and comprehensive loss.

4. Goodwill and Intangible Assets

A summary of the components of intangible assets is as follows:

	Favorable Lease Commitments	Madewell Trade Name	Key Money	J.Crew Trade Name
Balance at January 28, 2017	$ 8,640	$ 57,742	$ 3,827	$ 379,995
Amortization expense	(1,160)	(1,025)	(103)	—
Impairment losses	—	—	—	(129,800)
Balance at April 29, 2017	$ 7,480	$ 56,717	$ 3,724	$ 250,195
Amortization expense	(1,160)	(1,025)	(85)	—
Impairment losses	—	—	(2,060)	—
Effect of changes in foreign exchange rates	—	—	(625)	—
Balance at July 29, 2017	$ 6,320	$ 55,692	$ 954	$ 250,195
Total accumulated amortization or impairment losses at July 29, 2017	$ (54,689)	$ (26,308)	$ (3,863)	$ (635,105)

During the first quarter of fiscal 2017, the Company generated less than expected revenues in its J.Crew reporting unit, which the Company determined to be a triggering event with regard to the valuation of its J.Crew trade name. As a result, the Company recorded a non-cash impairment charge of $129.8 million related to the intangible asset for the J.Crew trade name. After recording the impairment charge in the first quarter, the carrying value of the J.Crew trade name was $250.2 million. If revenues or operating results decline below the Company's current expectations, additional impairment charges may be recorded in the future.

The impairment losses were the result of the write-down of the following assets:

	For the Thirteen Weeks Ended		For the Twenty-six Weeks Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Intangible asset related to the J.Crew trade name	$ —	$ —	$ 129,800	$ —
Long-lived assets (see note 8)	3,898	—	5,255	5,396
Impairment losses	$ 3,898	$ —	$ 135,055	$ 5,396

The carrying value of goodwill of $107.9 million relates to the Madewell reporting unit. There is no remaining goodwill attributable to the J.Crew reporting unit, which has previously recorded accumulated impairment losses of $1,579.0 million.

5. Share-Based Compensation

Chinos Holdings, Inc. 2011 Equity Incentive Plan

On March 4, 2011, the Parent adopted the Chinos Holdings, Inc. 2011 Equity Incentive Plan (the "2011 Plan"), which authorizes equity awards to be granted for up to 91,740,627 shares of the common stock of the Parent. The types of equity awards issued from the 2011 Plan include: (i) stock options that become exercisable over the requisite service period, (ii) stock options that only become exercisable when certain owners of the Parent receive a specified level of cash proceeds, as defined in the equity incentive plan, from the sale of their initial investment, (iii) restricted stock that vests over the requisite service period, and (iv) restricted stock that vests when certain performance conditions are met.

On July 13, 2017, in connection with a debt exchange and refinancing, the Parent completed a recapitalization of its outstanding equity. The recapitalization resulted in, among other things, a reverse stock split of the shares of common stock which underline the share-based awards issued by the Company. The following disclosures give effect to a reverse stock split of 10,000-to-1. Additionally, the recapitalization also included (i) the issuance of preferred stock of the Parent, including an authorization for equity awards to be granted up to 20,000 shares and (ii) the issuance of additional shares of common stock of the Parent, including an authorization for equity awards to be granted up to 13,003,295 shares. As of July 29, 2017, no equity awards have been granted from the shares authorized in connection with the recapitalization.

A summary of share-based compensation recorded in the statements of operations and comprehensive loss is as follows:

	For the Thirteen Weeks Ended		For the Twenty-six Weeks Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Share-based compensation	$ 164	$ 249	$ 373	$ 607

A summary of shares available for grant as stock options or other share-based awards, as adjusted for the reverse stock split, is as follows:

	Common Stock Awards	Preferred Stock Awards
Available for grant at January 28, 2017	402	—
Authorized	13,003,295	20,000
Granted	(55)	—
Forfeited and available for reissuance	480	—
Available for grant at July 29, 2017	13,004,122	20,000

6. Long-Term Debt and Credit Agreements

A summary of the components of long-term debt is as follows:

	July 29, 2017	January 28, 2017
Term Loan Facility	$ 1,369,534	$ 1,527,825
Exchange Notes	249,596	—
New Money Notes	97,000	—
New Term Loan Borrowings	30,000	—
Less current portion of Term Loan	(19,588)	(15,670)
Less deferred financing costs	(17,171)	(13,095)
Less discount	(7,484)	(4,570)
Long-term debt, net	$ 1,701,887	$ 1,494,490
Borrowings under the ABL Facility	$ —	$ —

ABL Facility

The Company has an ABL Facility, which is governed by an asset-based credit agreement with Bank of America, N.A., as administrative agent and the other agents and lenders party thereto, that provides for a $350 million senior secured asset-based revolving line of credit (which may be increased by up to $100 million in certain circumstances), subject to a borrowing base limitation. The ABL Facility includes borrowing capacity in the form of letters of credit up to $200 million, and up to $25 million in U.S. dollars for loans on same-day notice, referred to as swingline loans, and is available in U.S. dollars, Canadian dollars and Euros. Any amounts outstanding under the ABL Facility are due and payable in full on November 17, 2021.

On July 29, 2017, standby letters of credit were $30.8 million, excess availability, as defined, was $282.4 million, and there were no borrowings outstanding. There were no average short term borrowings under the ABL Facility in the first half of fiscal 2017. Average short-term borrowings under the ABL Facility were $5.4 million in the first half of fiscal 2016.

Demand Letter of Credit Facility

The Company has an unsecured demand letter of credit facility with HSBC which provides for the issuance of up to $20 million of documentary letters of credit on a no fee basis. On July 29, 2017, outstanding documentary letters of credit were $17.1 million and availability under this facility was $2.9 million.

Term Loan Facility

Recent Amendment. On July 13, 2017, concurrently with the settlement of the Exchange Offer, the Company amended its Term Loan Facility to, among other things, (i) increase the interest rate applicable to the loans held by consenting lenders, which represented 88% of lenders, (the "Consenting Lenders"; and the loans held by the Consenting Lenders, the "Amended Loans") by 22 basis points, (ii) increase the amount of amortization payable to Consenting Lenders, (iii) provide for the New Term Loan Borrowings of $30.0 million, (iv) amend certain covenants and events of default and (v) direct Wilmington Savings Fund Society, FSB, as administrative agent under the Term Loan Facility, to dismiss, with prejudice, certain litigation regarding the Initial Transferred IP (and the related actions). Additionally, the Company repaid $150.5 million of principal amount of term loans outstanding under the Term Loan Facility, which was financed with (i) the net proceeds from the New Money Notes of $94.1 million, (ii) the net proceeds from the New Term Loan Borrowings of $29.4 million and (iii) cash on hand of $27.0 million.

Interest Rate. Borrowings under the Term Loan Facility bear interest at a rate per annum equal to an applicable margin (which, in the case of the Amended Loans, was increased by 22 basis points) plus, at Group's option, either (a) LIBOR determined by reference to the costs of funds for U.S. dollar deposits for the relevant interest period adjusted for certain additional costs (subject to a floor) or (b) a base rate determined by reference to the highest of (1) the prime rate of Bank of America, N.A., (2) the federal funds effective rate plus 0.50% and (3) a LIBOR determined by reference to the costs of funds for U.S. dollar deposits for an interest period of one month, plus 1.00%.

The weighted average interest rate on the borrowings outstanding under the Term Loan Facility was 4.65% on July 29, 2017. The applicable margin (i) in effect for base rate borrowings was, (x) in the case of term loans, other than the New Term Loan Borrowings and the Amended Loans, 2.00%, (y) in the case of the Amended Loans, 2.22% and (z) in the case of the New Term Loan Borrowings, 12.00% (of which 3.00% is payable in kind) and (ii) with respect to LIBOR borrowings was, (x) in the case of term loans, other than the New Term Loan Borrowings and the Amended Loans, 3.00% and the LIBOR Floor, (y) in the case of the Amended Loans, 3.22% and the LIBOR Floor and (z) in the case of the New Term Loan Borrowings, 12.00% (of which 3.00% is payable in kind), respectively, at July 29, 2017.

Principal Repayments. The Company is required to make principal repayments equal to 0.25% of the original principal amount of the Term Loan Facility (excluding the New Term Loan Borrowings), or $3.9 million, on the last business day of January, April, July, and October. The Company is also required (i) to repay the term loan based on an annual calculation of excess cash flow, as defined in the agreement, (ii) in the second quarter of fiscal 2019, to make a principal repayment of $11.9 million which is equal to 1.00% of the aggregate principal amount of Amended Loans outstanding on July 13, 2017 and (iii) beginning on July 31, 2019, on the last business day of January, April, July and October, to make additional principal repayments of $1.5 million equal to 0.125% of the aggregate principal amount of Amended Loans outstanding on July 13, 2017. The maturity date of the Term Loan Facility is March 5, 2021.

New Notes

General. On July 13, 2017, in connection with settlement of the Exchange Offer and the issuance of the New Notes, J.Crew Brand, LLC and J.Crew Brand Corp. (together, the "New Notes Co-Issuers") and the Guarantors (as defined below) entered into (i) an indenture with U.S. Bank National Association, as Trustee and collateral agent, governing the terms of the Exchange Notes (the "Exchange Notes Indenture") and (ii) an indenture with the Trustee and U.S. Bank, as collateral agent, governing the terms of the New Money Notes (the "New Money Notes Indenture"), which is in substantially the same form as the Exchange Notes Indenture.

Interest Rate. The New Notes bear interest at a rate of 13% per annum, and interest is payable semi-annually on March 15 and September 15 of each year. The New Notes mature on September 15, 2021.

New Notes Guarantee. The New Notes are guaranteed by J.Crew Brand Intermediate, LLC, IPCo and J.Crew International Brand, LLC, each of which is a Delaware limited liability company and a wholly-owned indirect subsidiary of the Company (collectively, the "Guarantors," and each, a "Guarantor"). The PIK Notes Issuer also unconditionally guarantees the payment obligations of the New Notes Co-Issuers and the Guarantors.

Exchange Notes Collateral. The Exchange Notes and the guarantees thereof are general senior secured obligations of the New Notes Co-Issuers and the Guarantors, secured on a first priority lien basis by the Initial Transferred IP and certain other assets of the New Notes Co-Issuers and Guarantors, and on a second priority lien basis by the Additional Transferred IP, subject, in each case, to permitted liens under the Exchange Notes Indenture and that certain intercreditor agreement, entered into between the collateral agents on July 13, 2017.

New Money Notes Collateral. The New Money Notes and the guarantees thereof are general senior secured obligations of the New Notes Co-Issuers and the Guarantors, secured on a first priority lien basis by the Additional Transferred IP and certain other assets, and on a second priority lien basis by the Initial Transferred IP, subject, in each case, to permitted liens under the New Money Notes Indenture and the intercreditor agreement.

Redemption. The New Notes are redeemable at the option of the New Notes Co-Issuers, in whole or in part, at any time, at a price equal to one hundred percent (100%) of the principal amount of the New Notes to be redeemed, plus accrued and unpaid interest, if any, to, but not including, the redemption date, plus a "make whole" premium. The New Notes are not subject to any mandatory redemption obligation, and there is no sinking fund provided for the New Notes.

Change in Control. Upon the occurrence of a Change of Control (as defined in each of the indentures, as applicable), the New Notes Co-Issuers will be required to offer to repay all of the New Notes at 100% of the aggregate principal amount repaid plus accrued and unpaid interest, if any, to, but not including, the date of purchase.

Covenants. Each of the indentures contains covenants covering (i) the payment of principal and interest, (ii) maintenance of an office or agency for the payment of the New Notes, (iii) reports to the applicable Trustee and holders of the New Notes, (iv) stay, extension and usury laws, (v) payment of taxes, (vi) existence, (vii) maintenance of properties and (viii) maintenance of insurance. Each of the New Indentures also includes covenants that (i) limit the ability to transfer the Collateral and (ii) limit liens that may be imposed on the assets of the Guarantors, which covenants are, in each case, subject to certain exceptions set forth in each of the indentures.

Interest expense

A summary of the components of interest expense is as follows:

	For the Thirteen Weeks Ended		For the Twenty-six Weeks Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Term Loan Facility	$ 15,939	$ 15,558	$ 31,446	$ 31,092
Realized hedging losses	2,758	3,158	5,814	4,153
Amortization of deferred financing costs and debt discount	1,325	1,265	2,554	2,529
New Notes	2,128	—	2,128	—
Other interest, net of interest income	668	640	1,312	1,062
Interest expense, net	$ 22,818	$ 20,621	$ 43,254	$ 38,836

7. Derivative Financial Instruments

In August 2014, the Company entered into interest rate cap and swap agreements that limit exposure to interest rate increases on a portion of the Company's floating rate indebtedness. The interest rate cap agreements covered notional amounts of $400 million and capped LIBOR at 2.00% from March 2015 to March 2016. The interest rate swap agreements cover a notional amount of $800 million from March 2016 to March 2019 and carry a fixed rate of 2.56% plus the applicable margin.

The Company designated the interest rate swap agreements as cash flow hedges. As cash flow hedges, unrealized gains are recognized as assets while unrealized losses are recognized as liabilities. The effective portion of such gains or losses is recorded as a component of accumulated other comprehensive loss, while the ineffective portion of such gains or losses is recorded as a component of interest expense. Future realized gains and losses in connection with each required interest payment will be reclassified from accumulated other comprehensive loss to interest expense.

The fair values of the interest rate swap agreements are estimated using industry standard valuation models using market-based observable inputs, including interest rate curves (level 2 inputs). Liabilities for interest rate swaps, included in other liabilities, were $13.4 million and $18.6 million at July 29, 2017 and January 28, 2017, respectively.

8. Fair Value Measurements

The Company uses a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs, other than quoted prices included in Level 1, such as quoted prices for markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Financial assets and liabilities

The fair value of the Company's debt was $1,208 million and $878 million at July 29, 2017 and January 28, 2017, respectively, based on quoted market prices of the debt (level 1 inputs).

The Company's interest rate swap agreements are measured in the financial statements at fair value on a recurring basis. See note 7 for more information regarding the fair value of this financial liability.

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts payable and other current liabilities approximate fair value because of their short-term nature.

Non-financial assets and liabilities

Certain non-financial assets, including goodwill, the intangible asset for the J.Crew trade name, and certain long-lived assets, have been written down and measured in the financial statements at fair value. The Company does not have any other non-financial assets or liabilities as of July 29, 2017 or January 28, 2017 that are measured on a recurring basis in the financial statements at fair value.

The Company assesses the recoverability of goodwill and intangible assets whenever there are indicators of impairment, or at least annually in the fourth quarter. If the recorded carrying value of an intangible asset exceeds its fair value, the Company records a charge to write-down the intangible asset to its fair value. Impairment charges of goodwill are based on fair value measurements derived using a combination of an income approach, specifically the discounted cash flow, a market approach, and a transaction approach. Impairment charges of intangible assets are based on fair value measurements derived using an income approach, specifically the relief from royalty method. The valuation methodologies incorporate unobservable inputs reflecting significant estimates and assumptions made by management (level 3 inputs). For more information related to goodwill and intangible asset impairment charges, see note 4.

The Company performs impairment tests of long-lived assets whenever there are indicators of impairment. These tests typically contemplate assets at a store level (e.g. leasehold improvements). The Company recognizes an impairment loss when the carrying value of a long-lived asset is not recoverable in light of the undiscounted future cash flows and measures an impairment loss as the difference between the carrying amount and fair value of the asset based on discounted future cash flows. The Company has determined that the future cash flow approach (level 3 inputs) provides the most relevant and reliable means by which to determine fair value in this circumstance.

A summary of the impact of the impairment of certain long-lived assets on financial condition and results of operations is as follows:

	For the Thirteen Weeks Ended		For the Twenty-six Weeks Ended	
	July 29, 2017	**July 30, 2016**	**July 29, 2017**	**July 30, 2016**
Carrying value of long-term assets written down to fair value	$ 3,898	$ —	$ 5,255	$ 5,396
Impairment charge	$ 3,898	$ —	$ 5,255	$ 5,396

9. Income Taxes

The Parent files a consolidated federal income tax return, which includes Group and all of its wholly owned subsidiaries. Each subsidiary files separate, or combined where required, state or local tax returns in required jurisdictions.

The financial statements of the Company account for income taxes at the Group level. The federal tax return, however, is filed at the Parent level. The difference between the entity at which the provision is calculated and the entity which files the tax return gives rise to intercompany balances. A summary of the components of the income taxes payable to Parent is as follows:

	July 29, 2017	**January 28, 2017**
Refundable income taxes of Parent	$ 8,139	$ 8,247
Due to Parent	(33,471)	(33,462)
Income taxes payable to Parent	$ (25,332)	$ (25,215)

The Company regularly assesses the need for a valuation allowance related to its deferred tax assets. In making that assessment, the Company considers both positive and negative evidence related to the likelihood of realization of the deferred tax assets to determine, based on a weighing process of available evidence, whether it is more-likely-than-not that its deferred tax assets will not be realized. In that weighing process, the Company assigns significant weight to the negative evidence of its cumulative losses in recent years. As a result, in fiscal 2016, the Company determined that the negative evidence outweighed the positive evidence and recorded a valuation allowance related to its deferred tax assets balance. As of July 29, 2017, there was no change to that determination. This accounting treatment has no effect on the Company’s ability to utilize deferred tax assets to reduce future cash tax payments. The Company will continue to assess the likelihood that the deferred tax assets will be realizable at the end of each reporting period and the valuation allowance will be adjusted accordingly.

The federal tax returns for the periods ended January 2013 through January 2016 are currently under examination. Various state and local jurisdiction tax authorities are in the process of examining income tax returns or hearing appeals for certain tax years ranging from 2009 to 2014. The results of these audits and appeals are not expected to have a significant effect on the results of operations or financial position.

In the first half of fiscal 2017, the Company recognized a deferred tax benefit of $52.1 million primarily a result of the reversal of deferred taxes related to the intangible asset for the J.Crew trade name, which was written down by $129.8 million in the first quarter. The Company did not recognize any additional deferred tax benefit on other operating losses due to an increase in the valuation allowance. The impact of not recognizing tax benefit on the Company's other operating losses was the primary driver of the difference between the statutory rate of 35% to the effective rate of 26%.

The effective tax rate for the first half of fiscal 2016 was 33%. Items driving differences between the U.S. federal statutory rate of 35% and the effective rate include (i) lower rates in certain foreign jurisdictions, (ii) the recognition of certain foreign valuation allowances, (iii) reserves for uncertain tax positions, and (iv) state and local income taxes.

While the Company expects the amount of unrecognized tax benefits to change in the next 12 months, the change is not expected to have a significant effect on the results of operations or financial position. However, the outcome of tax matters is uncertain and unforeseen results can occur.

10. Legal Proceedings

The Company is subject to various legal proceedings and claims arising in the ordinary course of business. Management does not expect that the results of any of these legal proceedings, either individually or in the aggregate, would have a material effect on the Company's financial position, results of operations or cash flows. As of July 29, 2017, the Company has recorded a reserve for certain legal contingencies in connection with ongoing claims and litigation. The reserve is not material to its results of operations. In addition, there are certain other claims and legal proceedings pending against the Company for which accruals have not been established.

***J. Crew Group, Inc., et al. v. Wilmington Savings Fund Society, FSB, as Administrative Agent and Collateral Agent,* Index No. 650574/2017, (Sup. Ct. N.Y. C'ty.).**

On February 1, 2017, the Company filed a complaint in the New York State Supreme Court, Commercial Division, against Wilmington Savings Fund Society, FSB ("WSFS"), as successor agent under the Term Loan Facility seeking a declaration that its actions with respect to certain intellectual property assets were in full compliance with the terms of the Term Loan Facility. On March 24, 2017, WSFS filed its counterclaims in response to the Company's declaratory judgment action, including claims of default under the Term Loan Facility. On April 13, 2017, the Company filed its Reply and Affirmative Defenses to WSFS's counterclaims.

On July 17, 2017, pursuant to the terms of the July 13, 2017 Amendment to the Term Loan Facility (as described elsewhere herein), and a related direction letter issued to WSFS by the Required Lenders under the Term Loan Facility, the Company and WSFS entered into mutual releases, and filed a joint stipulation of discontinuance, dismissing the action and resolving the matter.

***Eaton Vance Management, et al. v. Wilmington Savings Fund Society, FSB, as Administrative Agent and Collateral Agent, et al.,* Index No. 654397/2017, (Sup. Ct. N.Y. C'ty.).**

On June 22, 2017, Eaton Vance Management and certain affiliated funds as well as Highland Capital Management and certain affiliated funds (collectively, the "Highland/EV Plaintiffs"), filed a complaint in the New York State Supreme Court, Commercial Division, against the Company and WSFS, seeking, among other things, declarations that the July 13, 2017 Amendment to the Term Loan Facility was ineffective absent unanimous consent of all Lenders under the facility, that certain of the Company's actions with respect to certain of its intellectual property assets were taken in violation of the terms of the Term Loan Facility, and that those actions also constitute fraudulent conveyances. The Company believes that the Highland/EV Plaintiffs' claims are wholly without merit, and intends to vigorously oppose these claims.

On August 7, 2017, WSFS and the Company filed separate motions to dismiss certain of the Highland/EV Plaintiffs claims for failure to state a claim and lack of standing, among other reasons.

11. Workforce Reduction

On April 25, 2017, the Company eliminated approximately 150 full-time and 100 open positions, as part of a strategic reorganization. As a result, in the first quarter of fiscal 2017, the Company incurred a pre-tax charge of $10.7 million for severance and related costs, included in selling, general and administrative expenses. At July 29, 2017, accrued and unpaid severance and related costs were $6.9 million.

12. Related Party Transactions

Intellectual property license agreement

In October 2016, the Company formed certain new, wholly-owned indirect subsidiaries, including IPCo and J.Crew Brand, LLC (collectively, “J.Crew BrandCo”). In December 2016, J.Crew International, Inc. (“JCI”) transferred an undivided 72.04% ownership interest in the U.S. intellectual property rights of the J.Crew brand to IPCo, and entered into a related intellectual property license agreement with IPCo. In July 2017, JCI transferred the remaining undivided 27.96% ownership interest in the U.S. intellectual property rights of the J.Crew brand to IPCo, which, together with the initial intellectual property contributed in December 2016, represent 100% of the U.S. intellectual property rights of the J.Crew brand, and entered into an additional intellectual property license agreement with IPCo (together with the agreement entered into in December 2016, the “IP License Agreements”).

Under the IP License Agreements, J.Crew Operating Corp., a direct wholly-owned subsidiary of the Company, pays a fixed license fee of $59 million per annum. The license fees are payable on March 1 and September 1 of each fiscal year. These royalty payments have no impact on the Company’s consolidated results of operations, but any such payments to be made to IPCo are not subject to the covenants under the Company’s credit facilities or the PIK Notes.

The proceeds from the license fees to J.Crew BrandCo will be used to meet debt service requirements on the $347 million aggregate principal outstanding under the New Notes, which bear interest at a rate of 13% per annum, payable semi-annually on March 15 and September 15 of each fiscal year. License fees in excess of the debt service requirements will be loaned back to the Company on a subordinated basis. As of July 29, 2017, J.Crew BrandCo had total assets of $253.4 million, consisting of intangible assets of $250.2 million and license fee receivable of $3.2 million, and total liabilities of $340.3 million related to the New Notes. The New Notes are guaranteed by the intangible assets of J.Crew BrandCo.

Other related party transactions

On November 4, 2013, the PIK Notes Issuer, which is an indirect parent holding company of Group, issued $500 million of PIK Notes. On July 13, 2017, the Company completed a private exchange offer pursuant to which $565.7 million aggregate principal amount of PIK Notes were exchanged for $249.6 million of Exchange Notes and shares of preferred and common stock of the Parent. For more information on the Exchange Offer, see note 2.

The PIK Notes were not guaranteed by any of the PIK Notes Issuer’s subsidiaries, and therefore were not recorded in the Company’s financial statements. The Exchange Notes, however, are guaranteed by the Company’s subsidiaries, and therefore are recorded in its financial statements. In connection with recognizing the Exchange Notes, the Company recorded a non-cash contribution to its Parent as a reduction of additional paid-in capital. For more information on the long-term debt of the Company, see note 6.

As part of the debt refinancing, the Sponsors purchased $30.0 million principal amount of new term loans under the Term Loan Facility. For more information on the New Term Loan Borrowings, see note 6.

The Company has a receivable of $12.5 million due from the Parent, included in prepaid expenses and other current assets, primarily related to the payment of certain transactions costs on behalf of the PIK Notes Issuer.

13. Recent Accounting Pronouncements

In May 2014, a pronouncement was issued that clarified the principles of revenue recognition, which standardizes a comprehensive model for recognizing revenue arising from contracts with customers. The pronouncement is effective for fiscal years beginning after December 15, 2017. While the Company is currently evaluating the impact of the new pronouncement on its condensed consolidated financial statements, it does not expect there to be a significant impact on revenues.

In February 2016, a pronouncement was issued that requires lessees to recognize assets and liabilities on the balance sheet for leases with accounting lease terms of more than 12 months. The pronouncement is effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of the new pronouncement on its condensed consolidated financial statements. However, the adoption is expected to have a significant impact because most of the Company’s leases will be subject to these new requirements.

In August 2016, a pronouncement was issued that aims to reduce the diversity in presentation and classification of the following specific cash flow issues: debt prepayment, settlement of zero-coupon bonds, contingent consideration, insurance proceeds, distributions received from equity method investees, beneficial interest in securitization transactions and separately identifiable cash flows. The pronouncement is effective for fiscal years beginning after December 15, 2017. The Company is currently evaluating the impact of the new pronouncement on its condensed consolidated financial statements.

In January 2017, a pronouncement was issued that simplifies the measurement of goodwill impairment by no longer requiring an entity to perform a hypothetical purchase price allocation. Instead, impairment will be measured using the difference between the carrying amount and the fair value of the reporting unit. The pronouncement is effective for annual and interim periods in fiscal years beginning after December 15, 2019. The Company is currently evaluating the impact of the new pronouncement on its condensed consolidated financial statements.

Forward-Looking Statements

This report contains “forward-looking statements,” which include information concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs and other information that is not historical information. When used in this report, the words “estimate,” “expect,” “anticipate,” “project,” “plan,” “intend,” “believe” and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, our examination of operating trends, are based upon our current expectations and various assumptions. We believe there is a reasonable basis for our expectations and beliefs, but there can be no assurance that we will realize our expectations or that our beliefs will prove correct.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this report. Important factors that could cause our actual results to differ include, but are not limited to, our substantial indebtedness, our substantial lease obligations, our ability to anticipate and timely respond to changes in trends and customer preferences, the strength of the global economy, declines in consumer spending or changes in seasonal consumer spending patterns, competitive market conditions, our ability to attract and retain key personnel, our ability to successfully develop, launch and grow our newer concepts and execute on strategic initiatives, product offerings, sales channels and businesses, our ability to implement our growth strategy, material disruption to our information systems, our ability to implement our real estate strategy, adverse or unseasonable weather interruptions in our foreign sourcing operations, and other factors which are set forth under the heading “Risk Factors” below as well as under the heading “Risk Factors” in part I of our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 filed with the SEC. There may be other factors of which we are currently unaware or deem immaterial that may cause our actual results to differ materially from the forward-looking statements.

All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date they are made and are expressly qualified in their entirety by the cautionary statements included in this report. Except as may be required by law, we undertake no obligation to publicly update or revise any forward-looking statement to reflect events or circumstances occurring after the date they were made or to reflect the occurrence of unanticipated events.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This document should be read in conjunction with the Management's Discussion and Analysis section of our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 filed with the SEC. When used herein, the terms "J.Crew," "Group," "Company," "we," "us" and "our" refer to J.Crew Group, Inc., including its wholly-owned subsidiaries.

Executive Overview

J.Crew is an internationally recognized multi-brand apparel and accessories retailer that differentiates itself through high standards of quality, style, design and fabrics. We are a vertically-integrated, omni-channel specialty retailer that operates stores and websites both domestically and internationally. We design, market and sell our products, including those under the J.Crew® and Madewell® brands, offering complete assortments of women's, men's and children's apparel and accessories. We believe our customer base consists primarily of college-educated, professional and fashion-conscious women and men.

We sell our J.Crew and Madewell merchandise primarily through our retail and factory stores, our websites and our catalogs. As of July 29, 2017, we operated 274 J.Crew retail stores, 182 J.Crew factory stores (including 42 J.Crew Mercantile® stores), and 119 Madewell stores throughout the United States, Canada, the United Kingdom, Hong Kong, and France; compared to 287 J.Crew retail stores, 170 J.Crew factory stores (including 27 J.Crew Mercantile stores), and 107 Madewell stores as of July 30, 2016.

A summary of revenues by brand for the second quarter is as follows:

(Dollars in millions)	For the Thirteen Weeks Ended July 29, 2017	For the Thirteen Weeks Ended July 30, 2016
J.Crew	$ 443.1	$ 476.7
Madewell	93.1	78.3
Other(a)	24.7	14.8
Total revenues	$ 560.9	$ 569.8

(a) Consists primarily of revenues from third-party resellers and shipping and handling fees.

A summary of highlights for the second quarter is as follows:

- Revenues decreased 1.6% to $560.9 million, with comparable company sales down 4.8%.
- J.Crew revenues decreased 7.1% to $443.1 million, with J.Crew comparable sales down 7.5%.
- Madewell revenues increased 18.9% to $93.1 million, with Madewell comparable sales up 11.2%.
- Gross margin increased to 38.6% from 35.7% last year.
- We opened three Madewell stores and one J.Crew factory store. We closed one J.Crew retail store and one J.Crew factory store.
- We successfully closed a debt exchange and refinancing. See "—Liquidity and Capital Resources" for more information.

A summary of revenues by brand for the first half is as follows:

(Dollars in millions)	For the Twenty-six Weeks Ended July 29, 2017	For the Twenty-six Weeks Ended July 30, 2016
J.Crew	$ 871.6	$ 957.5
Madewell	177.8	150.7
Other(a)	43.5	29.1
Total revenues	$ 1,092.9	$ 1,137.3

(a) Consists primarily of revenues from third-party resellers and shipping and handling fees.

A summary of highlights for the first half is as follows:

- Revenues decreased 3.9% to $1,092.9 million, with comparable company sales down 6.9%.
- J.Crew revenues decreased 9.0% to $871.6 million, with J.Crew comparable sales down 9.7%.
- Madewell revenues increased 17.9% to $177.8 million, with Madewell comparable sales up 10.4%.
- Gross margin increased to 37.0% from 35.9% last year.
- We recorded non-cash impairment losses of $135.1 million, primarily a result of the write-down of the intangible asset related to the J.Crew trade name.
- We opened six Madewell stores and one J.Crew factory store. We closed four J.Crew retail stores and three J.Crew factory stores.
- We launched a multi-year transformation effort designed to create an even faster, more nimble organization focused on delivering value across all channels.
- We initiated a workforce reduction as part of a strategic reorganization in April 2017. We incurred a pre-tax charge of $10.7 million for severance and related costs. We anticipate annualized pre-tax savings of payroll and related costs of approximately $30 million.

How We Assess the Performance of Our Business

In assessing the performance of our business, we consider a variety of performance and financial measures. A key measure used in our evaluation is comparable company sales, which includes (i) net sales from stores that have been open for at least 12 months, (ii) e-commerce net sales, and (iii) shipping and handling fees.

A complete description of the measures we use to assess the performance of our business appears in the Management's Discussion and Analysis section of our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 filed with the SEC.

Results of Operations – Second Quarter of Fiscal 2017 compared to Second Quarter of Fiscal 2016

	For the Thirteen Weeks Ended July 29, 2017		For the Thirteen Weeks Ended July 30, 2016		Variance Increase/(Decrease)	
(Dollars in millions)	Amount	Percent of Revenues	Amount	Percent of Revenues	Dollars	Percentage
Revenues	$ 560.9	100.0%	$ 569.8	100.0%	$ (8.9)	(1.6)%
Gross profit	216.6	38.6	203.2	35.7	13.4	6.6
Selling, general and administrative expenses	210.1	37.5	196.5	34.5	13.6	6.9
Impairment losses	3.9	0.7	—	—	3.9	NM
Income from operations	2.6	0.5	6.7	1.2	(4.1)	(61.1)
Interest expense, net	22.8	4.1	20.6	3.6	2.2	10.7
Provision (benefit) for income taxes	0.4	0.1	(5.3)	(0.9)	5.7	NM
Net loss	$ (20.7)	(3.7)%	$ (8.6)	(1.5)%	$ (12.1)	NM%

Revenues

Total revenues decreased $8.9 million, or 1.6%, to $560.9 million in the second quarter of fiscal 2017 from $569.8 million in the second quarter last year, driven primarily by a decrease in sales of men's apparel, specifically shirts, suiting and pants. Comparable company sales decreased 4.8% following a decrease of 7.6% in the second quarter last year.

J.Crew sales decreased $33.6 million, or 7.1%, to $443.1 million in the second quarter of fiscal 2017 from $476.7 million in the second quarter last year. J.Crew comparable sales decreased 7.5% following a decrease of 9.0% in the second quarter last year.

Madewell sales increased $14.8 million, or 18.9%, to $93.1 million in the second quarter of fiscal 2017 from $78.3 million in the second quarter last year. Madewell comparable sales increased 11.2% following an increase of 2.8% in the second quarter last year.

The approximate percentage of our sales by product category, based on our internal merchandising system, is as follows:

	For the Thirteen Weeks Ended July 29, 2017	For the Thirteen Weeks Ended July 30, 2016
Apparel:		
Women's	56%	54%
Men's	24	25
Children's	6	7
Accessories	14	14
	100%	100%

Other revenues increased $9.9 million to $24.7 million in the second quarter of fiscal 2017 from $14.8 million in the second quarter last year, primarily a result of revenue from third party resellers.

Gross Profit

Gross profit increased $13.4 million to $216.6 million in the second quarter of fiscal 2017 from $203.2 million in the second quarter last year. This increase resulted from the following factors:

(Dollars in millions)	Increase/ (decrease)
Decrease in revenues	$ (4.5)
Increase in merchandise margin	14.3
Decrease in buying and occupancy costs	3.6
Increase in gross profit	$ 13.4

Gross margin increased to 38.6% in the second quarter of fiscal 2017 from 35.7% in the second quarter last year. The increase in gross margin was driven by: (i) a 250 basis point expansion in merchandise margin due to favorable product costs and (ii) a 40 basis point decrease in buying and occupancy costs as a percentage of revenues.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $13.6 million to $210.1 million in the second quarter of fiscal 2017 from $196.5 million in the second quarter last year. This increase primarily resulted from the following:

(Dollars in millions)	Increase/ (decrease)
Transformation costs	$ 14.0
Transaction costs	13.7
Corporate occupancy actions last year	3.4
Increase in share-based and incentive compensation	2.0
Decrease in settlements, net of insurance recoveries	(2.0)
Decrease in advertising and catalog costs	(2.5)
Decrease in payroll and related expenses	(7.1)
Decrease in operating and corporate expenses	(7.9)
Total increase in selling, general and administrative expenses	$ 13.6

As a percentage of revenues, selling, general and administrative expenses increased to 37.5% in the second quarter of fiscal 2017 from 34.5% in the second quarter last year.

Interest Expense, Net

Interest expense, net of interest income, increased $2.2 million to $22.8 million in the second quarter of fiscal 2017 from $20.6 million in the second quarter last year. A summary of interest expense is as follows:

(Dollars in millions)	For the Thirteen Weeks Ended July 29, 2017	For the Thirteen Weeks Ended July 30, 2016
Term Loan Facility	$ 15.9	$ 15.6
Realized hedging losses	2.8	3.2
New Notes(1)	2.1	—
Amortization of deferred financing costs and debt discount	1.3	1.3
Other, net of interest income	0.7	0.5
Interest expense, net	$ 22.8	$ 20.6

(1) We completed a debt exchange and refinancing in the second quarter of fiscal 2017. See "—Liquidity and Capital Resources" for more information.

Provision (Benefit) for Income Taxes

The effective tax rate for the second quarter of 2017 was 2%. Items driving differences between the U.S. federal statutory rate of 35% and the effective rate include (i) the recognition of certain domestic and foreign valuation allowances, (ii) lower rates in certain foreign jurisdictions and (iii) reserves for uncertain tax positions.

As of the second quarter of fiscal 2017, we continue to maintain a full valuation allowance against our deferred tax assets. We will continue to assess the likelihood that the deferred tax assets will be realizable at the end of each reporting period and the valuation allowance will be adjusted accordingly.

The effective tax rate for the second quarter of 2016 was 38%. Items driving differences between the U.S. federal statutory rate of 35% and the effective rate include (i) lower rates in certain foreign jurisdictions, (ii) reserves for uncertain tax positions, (iii) the recognition of certain foreign valuation allowances, and (iv) state and local income taxes.

Net Loss

Net loss increased $12.1 million to $20.7 million in the second quarter of fiscal 2017 from $8.6 million in the second quarter last year. This increase was due to: (i) an increase in selling, general and administrative expenses of $13.6 million, (ii) a decrease in the benefit for income taxes of $5.7 million, (iii) impairment losses of $3.9 million, (iv) an increase in interest expense of $2.2 million, offset by (v) an increase in gross profit of $13.4 million.

Results of Operations – First Half of Fiscal 2017 compared to First Half of Fiscal 2016

	For the Twenty-six Weeks Ended July 29, 2017		For the Twenty-six Weeks Ended July 30, 2016		Variance Increase/(Decrease)	
(Dollars in millions)	Amount	Percent of Revenues	Amount	Percent of Revenues	Dollars	Percentage
Revenues	$ 1,092.9	100.0%	$ 1,137.3	100.0%	$ (44.4)	(3.9)%
Gross profit	404.9	37.0	408.2	35.9	(3.3)	(0.8)
Selling, general and administrative expenses	420.6	38.5	388.8	34.2	31.8	8.2
Impairment losses	135.1	12.4	5.4	0.5	129.7	NM
Income (loss) from operations	(150.7)	(13.8)	14.0	1.2	(164.7)	NM
Interest expense, net	43.3	4.0	38.8	3.4	4.5	11.4
Benefit for income taxes	(50.1)	(4.6)	(8.2)	(0.7)	(41.9)	NM
Net loss	$ (143.9)	(13.2)%	$ (16.7)	(1.5)%	$ (127.2)	NM%

Revenues

Total revenues decreased $44.4 million, or 3.9%, to $1,092.9 million in the first half of fiscal 2017 from $1,137.3 million in the first half last year driven primarily by a decrease in sales of (i) men's apparel, specifically shirts, suiting and pants and (ii) women's apparel, specifically sweaters, knits and dresses. Comparable company sales decreased 6.9% following a decrease of 7.1% in the first half last year.

J.Crew sales decreased $85.9 million, or 9.0%, to $871.6 million in the first half of fiscal 2017 from $957.5 million in the first half last year. J.Crew comparable sales decreased 9.7% following a decrease of 8.5% in the first half last year.

Madewell sales increased $27.1 million, or 17.9%, to $177.8 million in the first half of fiscal 2017 from $150.7 million in the first half last year. Madewell comparable sales increased 10.4% following an increase of 4.3% in the first half last year.

The approximate percentage of our sales by product category, based on our internal merchandising system, is as follows:

	For the Twenty-six Weeks Ended July 29, 2017	For the Twenty-six Weeks Ended July 30, 2016
Apparel:		
Women's	57%	55%
Men's	22	23
Children's	7	7
Accessories	14	15
	100%	100%

Other revenues increased $14.4 million to $43.5 million in the first half of fiscal 2017 from $29.1 million in the first half last year, primarily a result of revenue from third party resellers.

Gross Profit

Gross profit decreased $3.3 million to $404.9 million in the first half of fiscal 2017 from $408.2 million in the first half last year. This decrease resulted from the following factors:

(Dollars in millions)	Increase/ (decrease)
Decrease in revenues	$ (22.5)
Increase in merchandise margin	13.4
Decrease in buying and occupancy costs	5.8
Decrease in gross profit	$ (3.3)

Gross margin increased to 37.0% in the first half of fiscal 2017 from 35.9% in the first half last year. The increase in gross margin was driven by: (i) a 120 basis point expansion in merchandise margin due to favorable product costs, offset by (ii) a 10 basis point increase in buying and occupancy costs as a percentage of revenues.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $31.8 million to $420.6 million in the first half of fiscal 2017 from $388.8 million in the first half last year. This increase primarily resulted from the following:

(Dollars in millions)	Increase/ (decrease)
Transformation costs	$ 19.6
Transaction costs	16.2
Charges related to a workforce reduction	10.7
Corporate occupancy actions last year	7.2
Decrease in advertising and catalog costs	(2.6)
Decrease in operating and corporate expenses	(8.3)
Decrease in payroll and related expenses	(11.0)
Total increase in selling, general and administrative expenses	$ 31.8

As a percentage of revenues, selling, general and administrative expenses increased to 38.5% in the first half of fiscal 2017 from 34.2% in the first half last year.

Impairment Losses

During the first quarter of fiscal 2017, we recorded a non-cash impairment charge of $129.8 million related to the intangible asset for the J.Crew trade name. After recording the impairment charge in the first quarter, the carrying value of the J.Crew trade name was $250.2 million. If revenues or operating results decline below our current expectations, additional impairment charges may be recorded in the future.

The impairment losses were the result of the write-down of the following assets:

(Dollars in millions)	For the Twenty-six Weeks Ended July 29, 2017	For the Twenty-six Weeks Ended July 30, 2016
Intangible asset related to the J.Crew trade name	$ 129.8	$ —
Long-lived assets	5.3	5.4
Impairment losses	$ 135.1	$ 5.4

Interest Expense, Net

Interest expense, net of interest income, increased $4.5 million to $43.3 million in the first half of fiscal 2017 from $38.8 million in the first half last year. A summary of interest expense is as follows:

(Dollars in millions)	For the Twenty-six Weeks Ended July 29, 2017	For the Twenty-six Weeks Ended July 30, 2016
Term Loan Facility	$ 31.4	$ 31.1
Realized hedging losses	5.8	4.2
Amortization of deferred financing costs and debt discount	2.6	2.5
New Notes(1)	2.1	—
Other, net of interest income	1.4	1.0
Interest expense, net	$ 43.3	$ 38.8

(1) We completed a debt exchange and refinancing in the second quarter of fiscal 2017. See "—Liquidity and Capital Resources" for more information.

Benefit for Income Taxes

In the first half of fiscal 2017, we recognized a deferred tax benefit of $52.1 million primarily a result of the reversal of deferred taxes related to the intangible asset for the J.Crew trade name, which was written down by $129.8 million in the first quarter. We did not recognize any additional deferred tax benefit on other operating losses due to an increase in the valuation allowance. The impact of not recognizing tax benefit on our other operating losses was the primary driver of the difference between the statutory rate of 35% and our effective rate of 26%.

As of the first half of fiscal 2017, we continue to maintain a full valuation allowance against our deferred tax assets. We will continue to assess the likelihood that the deferred tax assets will be realizable at the end of each reporting period and the valuation allowance will be adjusted accordingly.

The effective tax rate for the first half of fiscal 2016 was 33%. Items driving differences between the U.S. federal statutory rate of 35% and the effective rate include (i) lower rates in certain foreign jurisdictions, (ii) the recognition of certain foreign valuation allowances, (iii) reserves for uncertain tax positions, and (iv) state and local income taxes.

Net Loss

Net loss increased $127.2 million to $143.9 million in the first half of fiscal 2017 from $16.7 million in the first half last year. This increase was due to: (i) higher impairment losses of $129.7 million, (ii) an increase in selling, general and administrative expenses of $31.8 million, (iii) an increase in interest expense of $4.5 million, (iv) a decrease in gross profit of $3.3 million, offset by (v) an increase in the benefit for income taxes of $41.9 million.

Liquidity and Capital Resources

Our primary sources of liquidity are our current balances of cash and cash equivalents, cash flows from operations and borrowings available under the ABL Facility. Our primary cash needs are (i) meeting debt service requirements, (ii) capital expenditures in connection with opening new stores and remodeling our existing stores, investments in our distribution network and making information technology system enhancements and (iii) funding working capital requirements. The most significant components of our working capital are cash and cash equivalents, merchandise inventories and accounts payable and other current liabilities. See "—Outlook" below.

Operating Activities

(Dollars in millions)	For the Twenty-six Weeks Ended July 29, 2017	For the Twenty-six Weeks Ended July 30, 2016
Net loss	$ (143.9)	$ (16.7)
Adjustments to reconcile to cash flows from operating activities:		
Impairment losses	135.1	5.4
Depreciation of property and equipment	49.7	52.9
Reclassification of hedging losses to earnings	5.8	4.2
Amortization of intangible assets	4.6	5.5
Amortization of deferred financing costs and debt discount	2.6	2.5
Share-based compensation	0.4	0.6
Foreign currency transaction gains	(0.6)	(1.6)
Deferred income taxes	(52.1)	(11.9)
Changes in operating assets and liabilities	(11.2)	(35.4)
Net cash provided by (used in) operating activities	$ (9.6)	$ 5.5

Cash used in operating activities of $9.6 million in the first half of fiscal 2017 resulted from: (i) a net loss of $143.9 million and (ii) changes in operating assets and liabilities of $11.2 million primarily due to seasonal working capital fluctuations, partially offset by (iii) non-cash adjustments of $145.5 million.

Cash provided by operating activities of $5.5 million in the first half of fiscal 2016 resulted from: (i) non-cash adjustments of $57.6 million, partially offset by (ii) changes in operating assets and liabilities of $35.4 million due to seasonal working capital fluctuations and (iii) net loss of $16.7 million.

Investing Activities

(Dollars in millions)	For the Twenty-six Weeks Ended July 29, 2017	For the Twenty-six Weeks Ended July 30, 2016
Capital expenditures:		
Information technology	$ 8.9	$ 15.5
New stores	8.6	14.4
Other(1)	2.7	6.2
Net cash used in investing activities	$ 20.2	$ 36.1

(1) Includes capital expenditures for warehouse improvements, store renovations and general corporate purposes.

Capital expenditures are planned at approximately $45 to $55 million for fiscal year 2017, including $30 to $35 million for information technology enhancements, $10 to $15 million for new stores and the remainder for warehouse improvements, store renovations and general corporate purposes.

Financing Activities

(Dollars in millions)	For the Twenty-six Weeks Ended July 29, 2017	For the Twenty-six Weeks Ended July 30, 2016
Proceeds from New Money Notes, net of discount	$ 94.1	$ —
Proceeds from New Term Loan Borrowings, net of discount	29.4	—
Repayments pursuant to the Term Loan amendment	(150.5)	—
Costs paid and deferred in connection with refinancing of debt	(5.7)	—
Quarterly principal repayments of Term Loan Facility	(7.8)	(7.8)
Net cash used in financing activities	$ (40.5)	$ (7.8)

Cash used in financing activities of $40.5 million in the first half of fiscal 2017 resulted primarily from (i) repayments pursuant to the Term Loan amendment, offset by (ii) the proceeds from New Money Notes and New Term Loan Borrowings.

Cash used in financing activities of $7.8 million in the first half of fiscal 2016 resulted from the principal repayments of the Term Loan Facility.

Debt Exchange and Refinancing

On July 13, 2017, the Parent and certain of its subsidiaries completed the following interrelated liability management transactions:

- a private exchange offer (the "Exchange Offer") pursuant to which $565.7 million aggregate principal amount of the outstanding 7.75%/8.50% Senior PIK Toggle Notes due 2019 (the "PIK Notes") issued by Chinos Intermediate Holdings A, Inc., a direct wholly-owned subsidiary of the Parent (the "PIK Notes Issuer"), were exchanged for aggregate consideration consisting of:
    - $249,596,000 aggregate principal amount of 13% Senior Secured Notes due 2021 (the "Exchange Notes"), which is secured primarily by the U.S. intellectual property assets held by J.Crew Domestic Brand, LLC ("IPCo");
    - 189,688 shares of Parent's 7% non-convertible perpetual series A preferred stock, no par value per share, with an aggregate initial liquidation preference of $189,688,000; and
    - 15% of Parent's common equity, or 17,362,719 shares of Parent's class A common stock, $0.00001 par value per share;
- the receipt of consents from the holders of a majority of the PIK Notes with respect to certain amendments to the indenture governing the PIK Notes;
- completion of an amendment to our Amended and Restated Credit Agreement, dated as of March 5, 2014 (the "Term Loan Facility") to, among other things, facilitate the following related transactions:
    - the repayment of $150.5 million principal amount of term loans currently outstanding under the Term Loan Facility;
    - the transfer of the remaining undivided 27.96% ownership interest in the U.S. intellectual property rights of the J.Crew brand (the "Additional Transferred IP") to IPCo, which, together with the undivided 72.04% ownership interest transferred in December 2016 (the "Initial Transferred IP") represent 100% of the U.S. intellectual property rights of the J.Crew brand (the "Transferred IP"), and the execution of related license agreements;
    - the issuance of $97.0 million aggregate principal amount of an additional series of 13% Senior Secured Notes due 2021 (the "New Money Notes" and, together with the Exchange Notes, the "New Notes"), subject to the same terms and conditions as the Exchange Notes, for cash at a 3% discount, subject to the terms of the note purchase agreement, dated June 12, 2017, the proceeds of which were loaned on a subordinated basis to us and were applied, in part, to finance the repayment of the $150.5 million principal amount of term loans referenced above; and
    - the raising of additional borrowings under the Term Loan Facility of $30.0 million (at a 2% discount) provided by our Sponsors (the "New Term Loan Borrowings"), the net proceeds of which were also applied, in part, to finance the repayment of the $150.5 million principal amount of term loans referenced above.

Financing Arrangements

ABL Facility

We have an ABL Facility, which is governed by a credit agreement with Bank of America, N.A., as administrative agent and the other agents and lenders, which provides for a $350 million senior secured asset-based revolving line of credit (which may be increased by up to $100 million in certain circumstances), subject to a borrowing base limitation. The borrowing base under the ABL Facility equals the sum of: 90% of the eligible credit card receivables; plus, 85% of eligible accounts; plus, 90% (or 92.5% for the period of August 1 through December 31 of any fiscal year) of the net recovery percentage of eligible inventory multiplied by the cost of eligible inventory; plus 85% of the net recovery percentage of eligible letters of credit inventory, multiplied by the cost of eligible letter of credit inventory; plus, 85% of the net recovery percentage of eligible in-transit inventory, multiplied by the cost of eligible in-transit inventory; plus, 100% of qualified cash; minus, all availability and inventory reserves. The ABL Facility includes borrowing capacity in the form of letters of credit up to $200 million, and up to $25 million in U.S. dollars for loans on same-day notice, referred to as swingline loans, and is available in U.S. dollars, Canadian dollars and Euros. Any amounts outstanding under the ABL Facility are due and payable in full on the maturity date of November 17, 2021.

On July 29, 2017, standby letters of credit were $30.8 million, excess availability, as defined, was $282.4 million, and there were no borrowings outstanding. There were no average short term borrowings under the ABL Facility in the first half of fiscal 2017. Average short-term borrowings under the ABL Facility were $5.4 million in the first half of fiscal 2016.

As of the date of this report, there were outstanding borrowings of $10 million under the ABL Facility with excess availability of approximately $245 million.

Demand Letter of Credit Facility

We have an unsecured demand letter of credit facility with HSBC which provides for the issuance of up to $20 million of documentary letters of credit on a no fee basis. On July 29, 2017, outstanding documentary letters of credit were $17.1 million and availability under this facility was $2.9 million.

Term Loan Facility

Recent Amendment. On July 13, 2017, concurrently with the settlement of the Exchange Offer, we amended our Term Loan Facility to, among other things, (i) increase the interest rate applicable to the loans held by consenting lenders, which represented 88% of lenders, (the “Consenting Lenders”; and the loans held by the Consenting Lenders, the “Amended Loans”) by 22 basis points, (ii) increase the amount of amortization payable to Consenting Lenders, (iii) provide for the New Term Loan Borrowings of $30.0 million, (iv) amend certain covenants and events of default and (v) direct Wilmington Savings Fund Society, FSB, as administrative agent under the Term Loan Facility, to dismiss, with prejudice, certain litigation regarding the Initial Transferred IP (and the related actions). Additionally, we repaid $150.5 million of principal amount of term loans outstanding under the Term Loan Facility, which was financed with (i) the net proceeds from the New Money Notes of $94.1 million, (ii) the net proceeds from the New Term Loan Borrowings of $29.4 million and (iii) cash on hand of $27.0 million.

Interest Rate. Borrowings under the Term Loan Facility bear interest at a rate per annum equal to an applicable margin (which, in the case of the Amended Loans, was increased by 22 basis points) plus, our option, either (a) LIBOR determined by reference to the costs of funds for U.S. dollar deposits for the relevant interest period adjusted for certain additional costs (subject to a floor) or (b) a base rate determined by reference to the highest of (1) the prime rate of Bank of America, N.A., (2) the federal funds effective rate plus 0.50% and (3) a LIBOR determined by reference to the costs of funds for U.S. dollar deposits for an interest period of one month, plus 1.00%.

The weighted average interest rate on the borrowings outstanding under the Term Loan Facility was 4.65% on July 29, 2017. The applicable margin (i) in effect for base rate borrowings was, (x) in the case of term loans, other than the New Term Loan Borrowings and the Amended Loans, 2.00%, (y) in the case of the Amended Loans, 2.22% and (z) in the case of the New Term Loan Borrowings, 12.00% (of which 3.00% is payable in kind) and (ii) with respect to LIBOR borrowings was, (x) in the case of term loans, other than the New Term Loan Borrowings and the Amended Loans, 3.00% and the LIBOR Floor, (y) in the case of the Amended Loans, 3.22% and the LIBOR Floor and (z) in the case of the New Term Loan Borrowings, 12.00% (of which 3.00% is payable in kind), respectively, at July 29, 2017.

Principal Repayments. We are required to make principal repayments equal to 0.25% of the original principal amount of the Term Loan Facility (excluding the New Term Loan Borrowings), or $3.9 million, on the last business day of January, April, July, and October. We are also required (i) to repay the term loan based on an annual calculation of excess cash flow, as defined in the agreement, (ii) in the second quarter of fiscal 2019, to make a principal repayment of $11.9 million which is equal to 1.00% of the aggregate principal amount of Amended Loans outstanding on July 13, 2017 and (iii) beginning on July 31, 2019, on the last business day of January, April, July and October, to make additional principal repayments of $1.5 million equal to 0.125% of the aggregate principal amount of Amended Loans outstanding on July 13, 2017. The maturity date of the Term Loan Facility is March 5, 2021.

New Notes

General. On July 13, 2017, in connection with settlement of the Exchange Offer and the issuance of the New Notes, J.Crew Brand, LLC and J.Crew Brand Corp. (together, the "New Notes Co-Issuers") and the Guarantors (as defined below) entered into (i) an indenture with U.S. Bank National Association, as Trustee and collateral agent, governing the terms of the Exchange Notes (the "Exchange Notes Indenture") and (ii) an indenture with the Trustee and U.S. Bank, as collateral agent, governing the terms of the New Money Notes (the "New Money Notes Indenture"), which is in substantially the same form as the Exchange Notes Indenture.

Interest Rate. The New Notes bear interest at a rate of 13% per annum, and interest is payable semi-annually on March 15 and September 15 of each year. The New Notes mature on September 15, 2021.

New Notes Guarantee. The New Notes are guaranteed by J.Crew Brand Intermediate, LLC, IPCo and J.Crew International Brand, LLC, each of which is a Delaware limited liability company and a wholly-owned indirect subsidiary of the Company (collectively, the "Guarantors," and each, a "Guarantor"). The PIK Notes Issuer also unconditionally guarantees the payment obligations of the New Notes Co-Issuers and the Guarantors.

Exchange Notes Collateral. The Exchange Notes and the guarantees thereof are general senior secured obligations of the New Notes Co-Issuers and the Guarantors, secured on a first priority lien basis by the Initial Transferred IP and certain other assets of the New Notes Co-Issuers and Guarantors, and on a second priority lien basis by the Additional Transferred IP, subject, in each case, to permitted liens under the Exchange Notes Indenture and that certain intercreditor agreement, entered into between the collateral agents on July 13, 2017.

New Money Notes Collateral. The New Money Notes and the guarantees thereof are general senior secured obligations of the New Notes Co-Issuers and the Guarantors, secured on a first priority lien basis by the Additional Transferred IP and certain other assets, and on a second priority lien basis by the Initial Transferred IP, subject, in each case, to permitted liens under the New Money Notes Indenture and the intercreditor agreement.

Redemption. The New Notes are redeemable at the option of the New Notes Co-Issuers, in whole or in part, at any time, at a price equal to one hundred percent (100%) of the principal amount of the New Notes to be redeemed, plus accrued and unpaid interest, if any, to, but not including, the redemption date, plus a "make whole" premium. The New Notes are not subject to any mandatory redemption obligation, and there is no sinking fund provided for the New Notes.

Change in Control. Upon the occurrence of a Change of Control (as defined in each of the indentures, as applicable), the New Notes Co-Issuers will be required to offer to repay all of the New Notes at 100% of the aggregate principal amount repaid plus accrued and unpaid interest, if any, to, but not including, the date of purchase.

Covenants. Each of the indentures contains covenants covering (i) the payment of principal and interest, (ii) maintenance of an office or agency for the payment of the New Notes, (iii) reports to the applicable Trustee and holders of the New Notes, (iv) stay, extension and usury laws, (v) payment of taxes, (vi) existence, (vii) maintenance of properties and (viii) maintenance of insurance. Each of the New Indentures also includes covenants that (i) limit the ability to transfer the Collateral and (ii) limit liens that may be imposed on the assets of the Guarantors, which covenants are, in each case, subject to certain exceptions set forth in each of the indentures.

PIK Notes

On November 4, 2013, PIK Notes Issuer, an indirect parent holding company of Group, issued $500 million of PIK Notes. On July 13, 2017, we completed a private exchange offer pursuant to which $565.7 million aggregate principal amount of PIK Notes were exchanged for $249.6 million of Exchange Notes and shares of preferred and common stock of the Parent.

The PIK Notes were not guaranteed by any of the PIK Notes Issuer's subsidiaries, and therefore were not recorded in our financial statements. The Exchange Notes, however, are guaranteed by our subsidiaries, and therefore are recorded in our financial statements.

Formation of New Subsidiaries

In October 2016, we formed certain new, wholly-owned indirect subsidiaries of the Company, including IPCo and J.Crew Brand, LLC (collectively, "J.Crew BrandCo"). In December 2016, J.Crew International, Inc. ("JCI") transferred an undivided 72.04% ownership interest in the U.S. intellectual property rights of the J.Crew brand to IPCo, and entered into a related intellectual property license agreement with IPCo. In July 2017, JCI transferred the remaining undivided 27.96% ownership interest in the U.S. intellectual property rights of the J.Crew brand to IPCo, which, together with the initial intellectual property contributed in December 2016, represent 100% of the U.S. intellectual property rights of the J.Crew brand, and entered into an additional intellectual property license agreement with IPCo (together with the agreement entered into in December 2016, the "IP License Agreements").

Under the IP License Agreements, J.Crew Operating Corp., our direct wholly-owned subsidiary, pays a fixed license fee of $59 million per annum. The license fees are payable on March 1 and September 1 of each fiscal year. The terms of the IP License Agreements are no less favorable than could be obtained in an arm's length transaction with an unaffiliated third party. These royalty payments have no impact on our consolidated results of operations, but any such payments to be made to IPCo are not subject to the covenants under our credit facilities or the PIK Notes.

The proceeds from the license fees to J.Crew BrandCo will be used to meet debt service requirements on the $347 million aggregate principal outstanding under the New Notes, which bear interest at a rate of 13% per annum, payable semi-annually on March 15 and September 15 of each fiscal year. License fees in excess of the debt service requirements will be loaned back to the Company on a subordinated basis. As of July 29, 2017, J.Crew BrandCo had total assets of $253.4 million, consisting of intangible assets of $250.2 million and license fee receivable of $3.2 million, and total liabilities of $340.3 million related to the New Notes. The New Notes are guaranteed by the intangible assets of J.Crew BrandCo.

Below is consolidating balance sheet information reflecting the elimination of the accounts of J.Crew BrandCo from our condensed consolidated balance sheet as of July 29, 2017.

	As of July 29, 2017 (unaudited)		
	Consolidated balance sheet	Eliminations of J.Crew BrandCo	Consolidated balance sheet of subsidiaries excluding J.Crew BrandCo
ASSETS			
Current assets:			
Cash and cash equivalents	$ 62,426	$ —	$ 62,426
Merchandise inventories	299,796	—	299,796
Prepaid expenses and other current assets	63,773	—	63,773
Total current assets	425,995	—	425,995
Property and equipment, net	330,006	—	330,006
Intangible assets, net	313,161	(250,195)	62,966
Investment in subsidiary	—	185,999	185,999
Goodwill	107,900	—	107,900
Other assets	7,321	—	7,321
Total assets	$ 1,184,383	$ (64,196)	$ 1,120,187
LIABILITIES AND STOCKHOLDERS' DEFICIT			
Current liabilities:			
Accounts payable	$ 188,297	$ —	$ 188,297
Other current liabilities	150,321	3,166	153,487
Interest payable	6,769	(2,128)	4,641
Income taxes payable to Parent	25,332	—	25,332
Current portion of long-term debt	19,588	—	19,588
Total current liabilities	390,307	1,038	391,345
Long-term debt, net	1,701,887	(338,203)	1,363,684
Due to J.Crew BrandCo	—	114,018	114,018
Lease-related deferred credits, net	129,228	—	129,228
Deferred income taxes, net	98,011	(64,196)	33,815
Other liabilities	40,101	—	40,101
Total liabilities	2,359,534	(287,343)	2,072,191
Stockholders' deficit:			
Common stock $0.01 par value; 1,000 shares authorized, issued and outstanding	—	—	—
Additional paid-in capital	731,145	249,596	980,741
Accumulated other comprehensive loss	(7,304)	—	(7,304)
Accumulated deficit	(1,898,992)	(26,449)	(1,925,441)
Total stockholders' deficit	(1,175,151)	223,147	(952,004)
Total liabilities and stockholders' deficit	$ 1,184,383	$ (64,196)	$ 1,120,187

Below is consolidating statement of operations and comprehensive loss information reflecting the elimination of the accounts of J.Crew BrandCo from our consolidated statement of operations and comprehensive loss for the thirteen and twenty-six weeks ended July 29, 2017.

	For the Thirteen Weeks Ended July 29, 2017		
	(unaudited)		
Condensed Consolidated Statements of Operations and Comprehensive Loss	**Consolidated**	**Eliminations of J.Crew BrandCo**	**Consolidated subsidiaries excluding J.Crew BrandCo**
Revenues:			
Net sales	$ 536,180	$ —	$ 536,180
Other	24,726	—	24,726
Total revenues	560,906	—	560,906
Cost of goods sold, including buying and occupancy costs	344,274	—	344,274
Royalty expense	—	28,666	28,666
Gross profit	216,632	(28,666)	187,966
Selling, general and administrative expenses	210,136	—	210,136
Impairment losses	3,898	—	3,898
Income (loss) from operations	2,598	(28,666)	(26,068)
Interest expense, net of interest income	22,818	(2,217)	20,601
Loss before income taxes	(20,220)	(26,449)	(46,669)
Benefit for income taxes	434	—	434
Net loss	$ (20,654)	$ (26,449)	$ (47,103)
Other comprehensive income (loss):			
Reclassification of losses on cash flow hedges, net of tax, to earnings	1,682	—	1,682
Unrealized loss on cash flow hedges, net of tax	(497)	—	(497)
Foreign currency translation adjustments	777	—	777
Comprehensive loss	$ (18,692)	$ (26,449)	$ (45,141)

Condensed Consolidated Statements of Operations and Comprehensive Loss	For the Twenty-six Weeks Ended July 29, 2017 (unaudited) Consolidated	Eliminations of J.Crew BrandCo	Consolidated subsidiaries excluding J.Crew BrandCo
Revenues:			
Net sales	$ 1,049,359	$ —	$ 1,049,359
Other	43,513	—	43,513
Total revenues	1,092,872	—	1,092,872
Cost of goods sold, including buying and occupancy costs	688,004	—	688,004
Royalty expense	—	28,665	28,665
Gross profit	404,868	(28,665)	376,203
Selling, general and administrative expenses	420,558	—	420,558
Impairment losses	135,055	(85,396)	49,659
Loss from operations	(150,745)	56,731	(94,014)
Interest expense, net of interest income	43,254	(2,127)	41,127
Loss before income taxes	(193,999)	58,858	(135,141)
Benefit for income taxes	(50,050)	33,304	(16,746)
Net loss	$ (143,949)	$ 25,554	$ (118,395)
Other comprehensive income (loss):			
Reclassification of losses on cash flow hedges, net of tax, to earnings	3,546	—	3,546
Unrealized loss on cash flow hedges, net of tax	(501)	—	(501)
Foreign currency translation adjustments	1,187	—	1,187
Comprehensive loss	$ (139,717)	$ 25,554	$ (114,163)

Outlook

Our short-term and long-term liquidity needs arise primarily from (i) debt service requirements, including required (a) quarterly principal repayments and (b) repayments, if any, based on annual excess cash flows, if any, as defined, (ii) capital expenditures and (iii) working capital. Management anticipates that capital expenditures in fiscal 2017 will be approximately $45 to $55 million, including $30 to $35 million for information technology enhancements, $10 to $15 million for new stores and the remainder for warehouse improvements, store renovations and general corporate purposes. Management expects to pay interest of approximately $90 million in fiscal 2017 to fund debt service obligations. Management believes that our current balances of cash and cash equivalents, projected cash flow from operations and amounts available under the ABL Facility will be adequate to fund our short-term and long-term liquidity needs. Our ability to satisfy these obligations and to remain in compliance with the financial covenants under our financing arrangements depends on our future operating performance, which in turn, may be impacted by prevailing economic conditions and other financial and business factors, some of which are beyond our control.

Off Balance Sheet Arrangements

We enter into documentary letters of credit to facilitate a portion of our international purchase of merchandise. We also enter into standby letters of credit to secure reimbursement obligations under certain insurance and import programs and lease obligations. As of July 29, 2017, we had the following obligations under letters of credit in future periods:

	Total	Within 1 Year	2-3 Years	4-5 Years	After 5 Years
			(amounts in millions)		
Letters of Credit					
Standby	$ 30.8	$ 29.9	$ 0.9	$ —	$ —
Documentary	17.1	17.1	—	—	—
	$ 47.9	$ 47.0	$ 0.9	$ —	$ —

Cyclicality and Seasonality

The industry in which we operate is cyclical, and consequently our revenues are affected by general economic conditions. Purchases of apparel and accessories are sensitive to a number of factors that influence the levels of consumer spending, including economic conditions and the level of disposable consumer income, consumer debt, interest rates and consumer confidence.

Our business is seasonal. As a result, our revenues fluctuate from quarter to quarter. We have four distinct selling seasons that align with our four fiscal quarters. Revenues are usually higher in our fourth fiscal quarter, particularly December, as customers make holiday purchases. Our working capital requirements also fluctuate throughout the year, increasing substantially in September and October in anticipation of holiday season inventory requirements.

Critical Accounting Policies

A summary of our critical accounting policies is included in the Management's Discussion and Analysis section of our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 filed with the SEC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest Rates

We are exposed to interest rate risk arising from changes in interest rates on the floating rate indebtedness under our Senior Credit Facilities. Borrowings pursuant to our Term Loan Facility bear interest at floating rates based on LIBOR, but in no event less than the floor rate of 1.00%, plus the applicable margin. Borrowings pursuant to our ABL Facility bear interest at floating rates based on LIBOR and the prime rate, plus the applicable margin. Accordingly, fluctuations in market interest rates may increase or decrease our interest expense which will in turn, increase or decrease our net income or net loss and cash flow.

We manage a portion of our interest rate risk related to floating rate indebtedness by entering into interest rate swaps whereby we receive floating rate payments based on the greater of LIBOR and the floor rate and make payments based on a fixed rate. Our interest rate swap agreements cover a notional amount of $800 million from March 2016 to March 2019. Under the terms of these agreements, our effective fixed interest rate on the notional amount of indebtedness is 2.56% plus the applicable margin.

As a result of the floor rate described above, we estimate that a 1% increase in LIBOR would increase our annual interest expense by $6 million.

Foreign Currency

Foreign currency exposures arise from transactions denominated in a currency other than the entity's functional currency. Although our inventory is primarily purchased from foreign vendors, such purchases are denominated in U.S. dollars; and are therefore not subject to foreign currency exchange risk. However, we operate in foreign countries, which exposes the Company to market risk associated with exchange rate fluctuations. The Company is exposed to foreign currency exchange risk resulting from its foreign operating subsidiaries' U.S. dollar denominated transactions.

ITEM 4. CONTROLS AND PROCEDURES

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

There were no changes in internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to various legal proceedings and claims arising in the ordinary course of business. Management does not expect that the results of any of these legal proceedings, either individually or in the aggregate, would have a material effect on our financial position, results of operations or cash flows. As of July 29, 2017, we have recorded a reserve for certain legal contingencies in connection with ongoing claims and litigation. The reserve is not material to our results of operations. In addition, there are certain other claims and legal proceedings pending against us for which accruals have not been established.

J. Crew Group, Inc., et al. v. Wilmington Savings Fund Society, FSB, as Administrative Agent and Collateral Agent, **Index No. 650574/2017, (Sup. Ct. N.Y. C'ty.).**

On February 1, 2017, we filed a complaint in the New York State Supreme Court, Commercial Division, against Wilmington Savings Fund Society, FSB ("WSFS"), as successor agent under the Term Loan Facility seeking a declaration that its actions with respect to certain intellectual property assets were in full compliance with the terms of the Term Loan Facility. On March 24, 2017, WSFS filed its counterclaims in response to our declaratory judgment action, including claims of default under the Term Loan Facility. On April 13, 2017, we filed our Reply and Affirmative Defenses to WSFS's counterclaims.

On July 17, 2017, pursuant to the terms of the July 13, 2017 Amendment to the Term Loan Facility (as described elsewhere herein), and a related direction letter issued to WSFS by the Required Lenders under the Term Loan Facility, we entered into mutual releases with WSFS, and filed a joint stipulation of discontinuance, dismissing the action and resolving the matter.

Eaton Vance Management, et al. v. Wilmington Savings Fund Society, FSB, as Administrative Agent and Collateral Agent, et al., **Index No. 654397/2017, (Sup. Ct. N.Y. C'ty.).**

On June 22, 2017, Eaton Vance Management and certain affiliated funds as well as Highland Capital Management and certain affiliated funds (collectively, the "Highland/EV Plaintiffs"), filed a complaint in the New York State Supreme Court, Commercial Division, against the Company and WSFS, seeking, among other things, declarations that the July 13, 2017 Amendment to the Term Loan Facility was ineffective absent unanimous consent of all Lenders under the facility, that certain of our actions with respect to certain of its intellectual property assets were taken in violation of the terms of the Term Loan Facility, and that those actions also constitute fraudulent conveyances. We believe that the Highland/EV Plaintiffs' claims are wholly without merit, and intend to vigorously oppose these claims.

On August 7, 2017, WSFS and the Company filed separate motions to dismiss certain of the Highland/EV Plaintiffs claims for failure to state a claim and lack of standing, among other reasons.

ITEM 1A. RISK FACTORS

Our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 includes a detailed discussion of certain risks that could materially adversely affect our business, our operating results, or our financial condition. There have been no material changes to the risk factors previously disclosed.

ITEM 6. EXHIBITS

Articles of Incorporation and Bylaws

Exhibit No.	Document
3.1	Amended and Restated Certificate of Incorporation of J.Crew Group, Inc., adopted March 7, 2011. Incorporated by reference to Exhibit 3.1 to the Form 8-K filed on March 10, 2011.
3.2	Amended and Restated By-laws of J.Crew Group, Inc., adopted March 7, 2011. Incorporated by reference to Exhibit 3.2 to the Form 8-K filed on March 10, 2011.

Material Contracts

Exhibit No.	Document
10.1	Amended and Restated Employment Agreement, dated July 7, 2017, between J.Crew Group, Inc. and Millard Drexler.*
10.2	Amendment to Letter Agreement, dated August 2, 2017, between J.Crew Group, Inc. and Michael J. Nicholson.*

Certifications

Exhibit No.	Document
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

Interactive Data Files

Exhibit No.	Document
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets at July 29, 2017 and January 28, 2017, (ii) the Condensed Consolidated Statements of Operations and Comprehensive Loss for the thirteen weeks ended July 29, 2017 and July 30, 2016, (iii) the Condensed Consolidated Statements of Operations and Comprehensive Loss for the twenty-six weeks ended July 29, 2017 and July 30, 2016, (iv) the Condensed Consolidated Statements of Changes in Stockholders' Deficit for the twenty-six weeks ended July 29, 2017 and the fifty-two weeks ended January 28, 2017, (v) the Condensed Consolidated Statements of Cash Flows for the twenty-six weeks ended July 29, 2017 and July 30, 2016, and (vi) the Notes to Unaudited Condensed Consolidated Financial Statements.*

* Filed herewith.
** Furnished herewith.

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.

J.CREW GROUP, INC.
(Registrant)

Date: August 23, 2017	By:	/S/ JAMES BRETT **James Brett** **Chief Executive Officer** **(Principal Executive Officer)**
Date: August 23, 2017	By:	/S/ MICHAEL J. NICHOLSON **Michael J. Nicholson** **President, Chief Operating Officer and Chief Financial Officer** **(Principal Financial Officer)**
Date: August 23, 2017	By:	/S/ JEREMY BROOKS **Jeremy Brooks** **Vice President, Chief Accounting Officer** **(Principal Accounting Officer)**

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* Filed herewith.
** Furnished herewith.

Exhibit 10.1
Execution Version

AMENDED & RESTATED EMPLOYMENT AGREEMENT

This AMENDED & RESTATED EMPLOYMENT AGREEMENT, dated as of the 7th day of July, 2017 (this "Agreement"), among Chinos Holdings, Inc., a Delaware corporation ("Parent") and its subsidiary J. Crew Group, Inc. (collectively with Parent, the "Company"), with offices at 770 Broadway, New York, New York 10003 and Millard S. Drexler (the "Executive") amends and restates the Employment Agreement dated as of March 7, 2011 between the Company and the Executive.

1. Purpose and Effective Date; Term; Position and Responsibilities.

(a) Purpose and Effective Date. This Agreement shall be effective as of July 10, 2017 (the "Effective Date"). As of the Effective Date, the Executive will resign from his position as Chief Executive Officer of the Company, but will continue to serve as Chairman of the Board of Directors of Parent (the "Board") as described below.

(b) Term. Subject to earlier termination as hereinafter provided, the Executive's employment hereunder shall be for a term that commences on the Effective Date and ends on December 31, 2018 (the term of this Agreement being the "Term of Employment").

(c) Position and Responsibilities. During the Term of Employment, the Company shall continue to engage the Executive on the terms, and subject to the conditions of this Agreement, and agrees to cause the Executive to remain as Chairman of the Board. During the Term of Employment, the Executive shall perform the duties and responsibilities that are customarily assigned to individuals serving in such position.

2. Compensation; Expenses; Benefits and Perquisites. As compensation for the performance of duties and responsibilities hereunder, the Executive shall be entitled to the following compensation from the Company:

(a) Cash Compensation. The Company shall pay the Executive an aggregate cash compensation amount of $1,400,000 and shall pay Drexler Ventures LLC, on behalf of the Executive, an aggregate cash compensation amount of $1,000,000, each to be paid in substantially equal installments during the Term of Employment, not less than once a month pursuant to the Company's normal and customary payroll procedures beginning with the payroll period following the expiration of the revocation period of the Release (as defined below) (the "Cash Compensation").

(b) Personal Airplane Reimbursement. The Executive will be eligible for reimbursement of the reasonable costs of travel on his personal airplane at the Company's request for Company business through the end of the Term of Employment, subject to the Executive's presentation of statements of such expenses in accordance with the Company's policies and procedures now in force or as such policies and procedures may be modified with respect to all senior executive officers of the Company.

(c) Employee Benefits. During the Term of Employment, the Executive shall be eligible to participate in the employee benefit plans and programs maintained by the Company from time to time and generally available to senior executives of the Company, including, to the extent maintained by the Company, medical, dental, accidental and disability insurance plans and profit sharing, pension, retirement, deferred compensation and savings plans, to the extent permitted by and in accordance with the terms and conditions of the applicable plan and applicable law in effect from time to time (the "Continued Benefits").

(d) Pro-Rated Annual Bonus. The Executive will be eligible to receive a cash bonus payment with respect to fiscal year 2017 (the "Pro-Rata Bonus") equal to the product of (x) the annual bonus, if any, that the Executive would have earned based on the actual achievement of applicable performance objectives in fiscal year 2017 occurs had the Executive remained employed as Chief Executive Officer of the Company, and (y) a fraction, the numerator of which is the number of days from the beginning of such year through the Effective Date, and the denominator of which is 365, which cash bonus will be paid when fiscal year 2017 bonuses are generally paid to employees of the Company, but in no event later than March 15, 2018.

(e) Lifetime Discount. During the lifetime of the Executive, the Executive and the members of his immediate family will be eligible for a discount on the Company's apparel and accessories at the prevailing employee discount rate as in effect from time to time.

(f) Office Space for Assistant. Until the earlier of September 30, 2017 and when the Executive secures alternative office space, the Company will continue to provide office space for the Executive's assistant.

3. Stock Options. The Executive presently holds 20,068,262 options to purchase stock of Parent (the "Options"), in each case pursuant to an option award agreement and the Chinos Holdings, Inc. 2011 Equity Incentive Plan (the "Plan"). As of the Effective Date, each outstanding unvested Option will accelerate and vest in full (the "Option Acceleration"). The Options will remain outstanding and eligible to be exercised until the applicable Final Exercise Date set forth in the Executive's option award agreements, provided that the Options will otherwise remain subject to the Plan, the terms of the option award agreements, the terms of the Amended & Restated Principal Investors Stockholders' Agreement dated on or around the date hereof by and among Parent, Chinos Intermediate Holdings A, Inc., Chinos Intermediate Holdings B, Inc., Chinos Intermediate, Inc., J. Crew Group, Inc. and certain stockholders, as amended or modified from time to time, the Amended & Restated Management Stockholders' Agreement dated on or around the date hereof by and among Parent, Chinos Intermediate Holdings A, Inc., Chinos Intermediate Holdings B, Inc., Chinos Intermediate, Inc., J. Crew Group, Inc. and certain stockholders, as amended or modified from time to time, and other restrictions and limitations generally applicable to common stock of Parent or equity awards held by Company executives or otherwise imposed by law.

4. Release of Claims. The Executive's right to receive the Cash Compensation, Continued Benefits, Pro-Rata Bonus, and Option Acceleration (collectively, the "Transition Benefits") is subject to the effectiveness, within sixty (60) days following the Effective Date, of the Executive's execution of a general release and waiver of all claims against the Company, its affiliates and their respective officers and directors related to the Executive's employment, in the form annexed as Exhibit A (the "Release") (but excluding (1) his rights to receive the benefits provided under this Agreement or under any and all equity agreements entered into in connection herewith and, to the extent then in effect, the Stockholders' Agreement, (2) his rights with

respect to related investments in the Company and (3) his rights to be indemnified in accordance with the provisions of the Company's charter and bylaws and to receive any benefits to which he is entitled under the Company's directors' and officers' liability insurance policies, all in accordance with Section 8 hereof (collectively, the "Excluded Obligations").

5. Termination of Employment. The Term of Employment may be terminated prior to December 31, 2018 upon the earliest to occur of the following events (at which time the Executive's employment provided hereunder shall be terminated): (a) the date that the Executive ceases to serve on the Board, (b) the Executive's death, (c) the Executive's resignation for any reason, and (d) the Executive's breach of Sections 9, 10, or 11 of this Agreement. Any obligation to provide the Continued Benefits will cease upon the termination of the Term of Employment for any reason, and any obligation to provide any of the other Transition Benefits will cease upon the termination of the Term of Employment by reason of the Executive's breach of Sections 9, 10, or 11 of this Agreement. Notwithstanding the foregoing, in the event that the Term of Employment ends prior to December 31, 2018 because the Executive ceases to serve on the Board, other than due to his resignation, the Company will pay the Executive a monthly amount through December 31, 2018 equal to the employer portion of the monthly premium amount paid by the Company on the Executive's behalf toward medical coverage for the Executive, his spouse, and dependents, if applicable, at the rate in effect immediately prior to the termination of the Term of Employment. For the avoidance of doubt, the Executive will be entitled to receive the Transition Benefits (other than the Continued Benefits) regardless of whether he remains employed by the Company at the time of payment, and such Transition Benefits will only be forfeited if he breaches Sections 9, 10, or 11 of this Agreement. The Executive and the Company shall mutually agree on the time, method and content of any public announcement regarding the termination of Executive's employment hereunder (other than in the case of the Executive's death), and neither the Executive nor the Company shall make any public statements which are inconsistent with the information mutually agreed upon by the Company and the Executive and the parties hereto shall cooperate with each other in refuting any public statements made by other persons, which are inconsistent with the information mutually agreed upon between the Executive and Company as described above.

6. Termination Procedure. Any termination of the Executive's employment hereunder by the Company or by the Executive during the Term of Employment (other than termination by reason of the Executive's death) shall be communicated by written notice of termination to the other party hereto in accordance with Section 14(a).

7. Final Pay; COBRA. Following the termination of the Term of Employment, the Company shall pay the Executive (a) all wages and other compensation due to him through the separation date to be paid in accordance with applicable local law, and (b) reimbursement of any unreimbursed expenses under Section 2(b). If the Executive is enrolled in the Company's group medical and/or dental plans as of the separation date, the Executive may elect to continue his participation and that of his eligible dependents in those plans pursuant to the federal law known as "COBRA." The Company shall have no additional obligations under this Agreement, but the Executive shall retain all rights with respect to the Excluded Obligations in accordance with the terms of the agreements under which such obligations are provided.

8. Indemnification.

(a) The Company agrees that if the Executive is made a party or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), other than any Proceeding initiated by the Executive or the Company related to any contest or dispute between the Executive and the Company or any of its affiliates with respect to this Agreement or the employment of the Executive hereunder, by reason of the fact that the Executive is or was a director or officer of the Company, or any subsidiary of the Company or is or was serving at the request of the Company, as a director, officer, member, employee or agent of another corporation or a partnership, joint venture, trust or other enterprise, the Executive shall be indemnified and held harmless by the Company to the fullest extent authorized by applicable law from and against any and all liabilities, costs, claims and expenses, including all costs and expenses incurred in defense of any Proceeding (including attorneys' fees). Costs and expenses incurred by the Executive in defense of such Proceeding (including attorneys' fees) shall be paid by the Company in advance of the final disposition of such litigation upon receipt by the Company of (a) a written request for payment, (b) appropriate documentation evidencing the incurrence, amount and nature of the costs and expenses for which payment is being sought, and (c) an undertaking adequate under applicable law made by or on behalf of the Executive to repay the amounts so paid if it shall ultimately be determined that the Executive is not entitled to be indemnified by the Company under this Agreement. The Company and the Executive will consult in good faith with respect to the conduct of any Proceeding. If the Company or any of its successors or assigns consolidates with or merges into any other entity or transfers all or substantially all of its properties or assets, then in each such case, proper provisions shall be made so that the successors or assigns of the Company shall assume all of the obligations set forth in this Section 8.

(b) During the Term of Employment and for a term of six (6) years thereafter, the Company, or any successor to the Company shall purchase and maintain, at its own expense, directors and officers liability insurance providing coverage for Executive in the same amount as the other executive officers and directors of the Company.

(c) During the Term of Employment and for a term of six (6) years thereafter, the Company shall provide Executive with copies of all binders and policies issued in connection with any directors and officers liability insurance affording coverage to Executive, within thirty (30) days following the Executive's request for such documents.

9. Non-Solicitation. During the Term of Employment and for a period of two (2) years following the Effective Date, the Executive hereby agrees not to, directly or indirectly, for his own account or for the account of any other person or entity, (i) solicit or hire or assist any other person or entity in soliciting or hiring any employee of the Company or any of its subsidiaries or affiliates to perform any services for any entity (other than the Company or their respective subsidiaries or affiliates), attempt to induce any such employee to leave the employ of the Company or any affiliates of the Company, or otherwise interfere with or adversely modify such employee's relationship with the Company or any of its subsidiaries or affiliates, or (ii) induce any employee of the Company who is a member of management to engage in any activity which the Executive is prohibited from engaging in under any of Sections 9, 10 or 11 of this Agreement. For purposes of this Agreement, "employee" shall mean any natural person anywhere in the world who is employed by or otherwise engaged to perform services for the

Company or any of its affiliates on the Effective Date or during the one (1)-year period preceding the Effective Date.

10. Non-Compete. In connection with the employment of the Executive under this Agreement and in recognition that the Executive became a significant stockholder in the Company as a result of the conversion of a significant ownership interest of the Executive in J. Crew Group, Inc. into an ownership interest in Parent in the Merger (as such term is defined in the Agreement and Plan of Merger between Parent, Chinos Acquisition Corporation and J. Crew Group, Inc. dated as of November 23, 2010, as amended on January 18, 2011, the Executive hereby agrees that, during the Term of Employment and for the one (1)-year period following the Effective Date, except with the advanced written consent of the Board, not to be unreasonably withheld, the Executive shall not become associated with any entity, whether as a principal, partner, employee, consultant or shareholder (other than as a holder of a passive investment of not in excess of 5% of the outstanding voting shares of any publicly traded company), that is actively engaged in retail apparel business in any geographic area in which the Company or any of its subsidiaries or affiliates are engaged in such business and has revenue of at least $100 million per year.

11. Confidentiality; Non-Disclosure.

(a) The Executive hereby agrees that, during the Term of Employment and thereafter, he will hold in strict confidence any proprietary or Confidential Information related to the Company and its affiliates. For purposes of this Agreement, the term "Confidential Information" shall mean all information of the Company or any of its affiliates (in whatever form) which is not generally known to the public, including without limitation any inventions, processes, methods of distribution or customers' or trade secrets.

(b) The Executive hereby agrees that, upon the termination of the Term of Employment, he shall not take, without the prior written consent of the Company, any drawing, blueprint, specification or other document (in whatever form) of the Company or its affiliates, which is of a confidential nature relating to the Company or its affiliates, or, without limitation, relating to its or their methods of distribution, or any description of any formulas or secret processes and will return any such information (in whatever form) then in his possession.

12. Injunctive Relief. It is impossible to measure in money the damages that will accrue to the Company in the event that the Executive breaches any of the restrictive covenants provided in Sections 9, 10, or 11 hereof. In the event that the Executive breaches any such restrictive covenant, the Company shall be entitled to an injunction restraining the Executive from violating such restrictive covenant. If the Company shall institute any action or proceeding to enforce any such restrictive covenant, the Executive hereby waives the claim or defense that the Company has an adequate remedy at law and agrees not to assert in any such action or proceeding the claim or defense that the Company has an adequate remedy at law. The foregoing shall not prejudice the Company's right to require the Executive to account for and pay over to the Company, and the Executive hereby agrees to account for and pay over, the compensation, profits, monies, accruals or other benefits derived or received by the Executive, directly or indirectly, as a result of any transaction constituting a breach of any of the restrictive covenants provided in Sections 9, 10, or 11 of this Agreement.

13. Representations and Covenants.

(a) The Executive and the Company hereby represent to each other that they have full power and authority to enter into this Agreement on behalf of themselves and that the execution of, and performance of duties or obligations under, this Agreement shall not constitute a breach of or otherwise violate any other agreement to which the Executive or the Company, as applicable, is a party.

(b) The Executive hereby represents and covenants to the Company that he will not utilize or disclose any confidential information obtained by the Executive in connection with his former employment with respect to his duties and responsibilities hereunder and the Company, and the Company covenants that it will not ask the Executive to do so.

14. Miscellaneous.

(a) Any notice or other communication required or permitted under this Agreement shall be effective only if it is in writing and delivered personally or sent by registered or certified mail, postage prepaid, addressed as follows (or if it is sent through any other method agreed upon by the parties):

If to Parent:

Chinos Holdings, Inc.
c/o TPG Capital, L.P.
345 California Street
Suite 3300
San Francisco, CA 94104
Attention: General Counsel
Fax: 415-743-1500

with an additional copy (which will not constitute notice) to:

Ropes & Gray LLP
The Prudential Tower
800 Boylston Street
Boston, Massachusetts 02119
Attention: Loretta R. Richard, Esq.
Jennifer A. Rikoski, Esq.
Fax: 617-951-7050

If to the Company:

J. Crew Group, Inc.
770 Broadway
New York, NY 10003
Attention: Board of Directors and Secretary

If to the Executive:

To the address on file with the Company, with a copy to:

Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, NY 10019-6099
Attention: Jack H. Nusbaum, Esq.
Jordan A Messinger, Esq.
Fax: 212-728-9799

or to such other address as any party hereto may designate by notice to the others, and shall be deemed to have been given upon receipt.

(b) The Company shall reimburse the Executive for reasonable legal fees incurred by the Executive in connection with the negotiation of this Agreement and any related agreements of up to $50,000 in the aggregate.

(c) This Agreement constitutes the entire agreement among the parties hereto with respect to the employment of the Executive and supersedes and terminates all prior communications, agreements and understandings, written or oral, with respect to the terms and conditions of the Executive's employment with the Company, including, but not limited to that certain Third Amended and Restated Employment Agreement dated as of October 20, 2005 among J. Crew Group, Inc., J. Crew Operating Corp. and the Executive.

(d) This Agreement may be amended only by an instrument in writing signed by the parties hereto, and any provision hereof may be waived only by an instrument in writing signed by the party or parties against whom or which enforcement of such waiver is sought. The failure of any party hereto at any time to require the performance by any other party hereto of any provision hereof shall in no way affect the full right to require such performance at any time thereafter, nor shall the waiver by any party hereto of a breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision or a waiver of the provision itself or a waiver of any other provision of this Agreement.

(e) This Agreement is binding on and is for the benefit of the parties hereto and their respective successors, heirs, executors, administrators and other legal representatives. Neither this Agreement nor any right or obligation hereunder may be assigned by the Company or the Executive. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in the Agreement, the "Company" shall mean both the Company as defined above and any such successor that assumes and agrees to perform this Agreement, by operation of law or otherwise.

(f) If any provision of this Agreement or portion thereof is so broad, in scope or duration, so as to be unenforceable, such provision or portion thereof shall be interpreted to be only as broad as is enforceable.

(g) The Company may withhold from any amounts payable to the Executive hereunder all federal, state, city or other taxes that the Company may reasonably determine are required to be withheld pursuant to any applicable law or regulation.

(h) This Agreement shall be governed by and construed in accordance with the laws of the State of NEW YORK, without reference to its principles of conflicts of law.

(i) Any disagreement, dispute, controversy or claim arising out of or relating to this Agreement or the interpretation hereof or any agreements relating hereto or contemplated herein or the interpretation, breach, termination, validity or invalidity hereof shall be settled exclusively and finally by arbitration; provided that the Company shall not be required to submit claims for injunctive relief to enforce the covenants contained in Sections 9, 10, or 11 of this Agreement to arbitration. The arbitration shall be conducted in accordance with the Commercial Arbitration Rules (the "Rules") of the American Arbitration Association, except as amplified or otherwise varied hereby. The Company and the Executive jointly shall appoint one individual to act as arbitrator within thirty (30) days of initiation of the arbitration. If the parties shall fail to appoint such arbitrator as provided above, such arbitrator shall be appointed by the President of the Association of the Bar of the City of New York and shall be a person who maintains his or her Executive place of business in the New York metropolitan area and shall be an attorney, accountant or other professional licensed to practice by the State of New York who has substantial experience in employment and executive compensation matters. All fees and expenses of such arbitrator shall be shared equally by the Company and the Executive. The situs of the arbitration shall be New York City. Any decision or award of the arbitral tribunal shall be final and binding upon the parties to the arbitration proceeding. The parties hereto hereby waive to the extent permitted by law any rights to appeal or to seek review of such award by any court or tribunal. The arbitration award shall be paid within thirty (30) days after the award has been made. Judgment upon the award may be entered in any federal or state court having jurisdiction over the parties and shall be final and binding. Each party shall be required to keep all proceedings related to any such arbitration and the final award and judgment strictly confidential; provided that either party may disclose such award as necessary to enter the award in a court of competent jurisdiction or to enforce the award, and to the extent required by law, court order, regulation or similar order.

(j) This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

(k) The headings in this Agreement are inserted for convenience of reference only and shall not be a part of or control or affect the meaning of any provision hereof.

(l) Notwithstanding anything in this Agreement to the contrary, (i) all reimbursement and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A of the Code to the extent that such reimbursements or in-kind benefits are subject to Section 409A of the Code; (ii) all expenses or other reimbursements paid pursuant to this Agreement that are taxable income to the Executive shall in no event be paid later than the end of the calendar year next following the calendar year in which the Executive incurs such expense or pays such related tax; and (iii) with regard to any provision in this Agreement that provides for reimbursement of costs and expenses or provision of in-kind benefits, except as permitted by Section 409A of the Code, (A) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit and (B) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year.

(m) This Agreement is intended to comply with Section 409A of the Code to the extent applicable. In determining the time for payment of any amounts which are treated as nonqualified deferred compensation, the Agreement shall be interpreted so that all references therein to a “termination”, or a “termination of employment”, or like terms are treated as instead referring to a “separation from service”, as such term is defined in Section 409A of the Code. All provisions of the Agreement are meant to be exempt from compliance with Section 409A of the Code, to the maximum extent permitted, and otherwise to comply with Section 409A of the Code. Accordingly, all provisions of the Agreement shall be construed in a manner consistent with avoiding taxes or penalties under Section 409A of the Code.

IN WITNESS WHEREOF, Chinos Holdings, Inc. and J. Crew Group, Inc. have each caused their respective names to be ascribed to this Agreement by a duly authorized representative and the undersigned, Millard S. Drexler, has executed this Agreement, on or before this 7th day of July, 2017.

CHINOS HOLDINGS, INC.

/s/ Jonathan Sokoloff

Name: Jonathan Sokoloff
Title: Director

J. CREW GROUP, INC.

/s/ Jonathan Sokoloff

Name: Jonathan Sokoloff
Title: Director

MILLARD S. DREXLER

/s/ Millard S. Drexler

Millard S. Drexler

EXHIBIT A

FORM OF GENERAL RELEASE

GENERAL RELEASE OF CLAIMS

1. Millard S. Drexler (the "Executive"), for himself and his family, heirs, executors, administrators, legal representatives and their respective successors and assigns, in exchange for the consideration contained in Sections 2 and 3 of the Employment Agreement to which this release is attached as Exhibit A (the "Employment Agreement"), which the Executive acknowledges is in addition to any amounts to which he would have otherwise been entitled but for the Employment Agreement and execution of this General Release of Claims, does hereby release and forever discharge Chinos Holdings, Inc. ("Parent") and its subsidiary J. Crew Group, Inc. (together with Parent, the "Company") and their respective subsidiaries or affiliated companies, and their respective current or former directors, officers, employees, shareholders or agents in such capacities (collectively with the Company, the "Released Parties") from any and all actions, causes of action, suits, controversies, claims and demands whatsoever, for or by reason of any matter, cause or thing whatsoever, whether known or unknown, arising under or in connection with the Executive's employment or the termination of such employment with the Company, whether for tort, breach of express or implied employment contract, wrongful discharge, intentional infliction of emotional distress, or defamation or injuries incurred on the job or incurred as a result of the termination of the employment. The Executive acknowledges that the Company encouraged him to consult with an attorney of his choosing, and through this General Release of Claims encourages him to consult with his attorney with respect to possible claims under the Age Discrimination in Employment Act ("ADEA") and that he understands that the ADEA is a Federal statute that, among other things, prohibits discrimination on the basis of age in employment and employee benefits and benefit plans. Without limiting the generality of the release provided above, the Executive expressly waives any and all claims under ADEA that he may have as of the date hereof. The Executive further understand that by signing this General Release of Claims he is in fact waiving, releasing and forever giving up any claim under the ADEA as well as all other laws within the scope of this paragraph 1 that may have existed on or prior to the date hereof. Notwithstanding anything in this paragraph 1 to the contrary, this General Release of Claims shall not apply to (i) any actions to enforce rights arising under, or any claim for benefits that may be due the Executive pursuant to any vested benefits under any employee benefit plan, or vested rights under any and all equity agreements entered into in connection with the Employment Agreement and, to the extent in effect, the Stockholders' Agreement, (ii) any actions to enforce the Executive's rights with respect to his related investments in the Company, and (iii) any indemnification rights the Executive may have as a former officer or director of the Company or its subsidiaries or affiliated companies in accordance with the Company's charter and bylaws and any claims to receive any benefits to which he is entitled under the Company's directors' and officers' liability policies, all in accordance with Section 8 of the Employment Agreement. Nothing contained in this General Release of Claims shall be construed to prohibit the Executive from filing a charge with or participating in any investigation or proceeding conducted by the federal Equal Employment Opportunity Commission or a comparable state or local agency, provided, however, that the

Executive hereby agrees to waive his rights to recover monetary damages or other individual relief in any charge, investigation or proceeding, or any related complaint or lawsuit filed by him or by anyone else on his behalf. Nothing in this General Release of Claims or the Employment Agreement restricts or in any other way affects the Executive's communicating with any governmental agency or entity, or communicating with any official or staff person of a governmental agency or entity concerning matters relevant to the governmental agency or entity.

2. The Executive represents that he has not filed against the Released Parties any complaints, charges, or lawsuits arising out of his employment, or any other matter arising on or prior to the date of this General Release of Claims, and covenants and agrees that he will never individually or with any person to file, or commence the filing of, any charges, lawsuits, complaints or proceedings with any governmental agency, or against the Released Parties with respect to any of the matters released by the Executive pursuant to paragraph 1 hereof.

3. The Executive hereby acknowledges that the Company has informed him that he has up to twenty-one (21) days to sign this General Release of Claims and he may knowingly and voluntarily waive that twenty-one (21) day period by signing this General Release of Claims earlier. The Executive also understands that he shall have seven (7) days following the date on which he signs this General Release of Claims within which to revoke it by providing a written notice of his revocation to the Company.

4. The Executive acknowledges that this General Release of Claims will be governed by and construed and enforced in accordance with the internal laws of the State of NEW YORK applicable to contracts made and to be performed entirely within such State.

5. The Executive acknowledges that he has read this General Release of Claims, that he has been advised that he should consult with an attorney before he executes this general release of claims, and that he understands all of its terms and executes it voluntarily and with full knowledge of its significance and the consequences thereof.

6. This General Release of Claims shall take effect on the eighth day following the Executive's execution of this General Release of Claims unless the Executive's written revocation is delivered to the Company within seven (7) days after such execution.

/s/ Millard S. Drexler

Millard S. Drexler

July ____, 2017

Exhibit 10.2

Amendment to Letter Agreement

August 2, 2017

Mr. Michael J. Nicholson

Dear Mike:

Reference is made to the letter agreement between you and J. Crew Group, Inc. (the "Company"), dated December 3, 2015 (the "Employment Agreement"). The purpose of this letter (the "Amendment") is to amend the terms of the Employment Agreement, effective as of the date hereof. Capitalized terms not otherwise defined herein will have the same meaning as under the Employment Agreement. In consideration of your continued contributions and your acceptance of changes to your duties and responsibilities following the employment of the Company's new chief executive officer (as set forth below), and for other good and valuable consideration the receipt of which is hereby acknowledged, the parties agree to amend the Employment Agreement effective as of the date hereof (except as otherwise provided herein), as follows:

1. Effective May 25, 2017, Section 3(a) is amended to delete the number "$800,000" in the first sentence thereof, and replace it with "$1,000,000."

2. A new Section 3(g) is added, to read in its entirety as follows:

> "(g) *Retention Bonus.* The Company shall pay you a retention bonus in three installments, in each case conditioned on your continued employment with the Company from the date hereof to the installment payment date set forth herein: (1) five hundred thousand dollars ($500,000) on January 1, 2018; (2) five hundred thousand dollars ($500,000) on July 1, 2018; and (3) one million dollars ($1,000,000) on May 1, 2019. In the event the Company terminates the Employment Period without Cause or you resign for Good Reason, or you terminate employment by reason of death or Disability (as defined herein) (1) on or before July 1, 2018, the Company will pay you $1,000,000 (less any prior installment payments already paid), and (2) after July 1, 2018 and on or before May 1, 2019, the Company will pay you a pro rata portion of the next scheduled unpaid installment, based on the number of full elapsed months during such period, in the case of each (1) and (2) subject to and conditioned upon your (or your estate's) execution of a valid general release and waiver within sixty (60) days after your Termination Date."

3. A new section 3(h) is added, to read in its entirety as follows:

> "(h) *Transformation Incentive Plan.* You will be eligible to participate in the 2017 Transformation Incentive Plan ("TIP") in accordance with the terms thereof. Your target award shall be communicated in an award statement to be issued to you by the Company, and any payout(s) thereunder shall be made pursuant and subject to the terms of the TIP. In the event of your termination by the Company without Cause, your resignation for Good Reason, or your death or Disability, you shall be entitled to receive the TIP award for (1) the performance period in which your Termination Date occurs and (2) the performance period that ends next following the performance period in which your

Termination Date occurs (in the case of both (1) and (2), based upon actual performance), payable at the time or times provided in the TIP, subject to and conditioned upon your (or your estate's) execution of a valid general release and waiver within sixty (60) days after your Termination Date."

4. A new Section 2(g) is added, to read in its entirety as follows:

"(g) In the event that (1) you remain continuously employed by the Company until February 1, 2020, and (2) after the date hereof and before February 1, 2020, the Company achieves Adjusted EBITDA ("EBITDA"), determined on a trailing twelve fiscal month basis, of no less than $300 million ("EBITDA Target"), provided that the EBITDA Target is sustained at such level for a period of six (6) fiscal months thereafter, and (3) you thereafter terminate your employment with the Company between February 2, 2020 and August 1, 2020, by providing the Board and/or Company with at least thirty (30) days' advance written notice prior to such termination, you shall be entitled to the payments and benefits and otherwise be subject to the terms and conditions of the above subparagraphs i., ii., iii., iv., and vi. of Section 2(c). The EBITDA Target shall be equitably adjusted in good faith after the date hereof by the Board or the Compensation Committee of the Board to reflect the consequences future acquisitions and dispositions. In particular, but not in limitation of the foregoing, the Board or the Compensation Committee shall equitably reduce the EBITDA Target in the event of a sale or disposition of Madewell Inc. ("Madewell"), including without limitation by reason of a spin-off and distribution of Madewell stock to the Company's shareholders. For purposes of this Section 2(g), (1) Adjusted EBITDA shall be calculated consistently with the methodology disclosed in the quarterly earnings release filed with the SEC on Form 8-K, and (2) you will not be treated as having terminated employment without Cause or for Good Reason for purposes of Section 4 herein."

5. The following sentence is added to the end of Section 3(e), to read in its entirety as follows:

"You shall be eligible to participate in any new equity plan adopted by the Company for the benefit of its senior executives, including without limitation any program relating to the grant of Parent preferred stock to members of senior management."

6. The following sentence is added to the end of Section 2(f), to read as follows:

"You understand and agree that for purposes of Section 2(f)(i) (but, for the avoidance of doubt, not for purposes of Section 2(f)(ii)) your position, authority, duties or responsibilities as President and Chief Operating Officer will change from time to time as directed by the Chief Executive Officer in accordance with Section 1(a) and that such changes shall not constitute Good Reason except to the extent that such changes are materially and adversely inconsistent with your role as President and Chief Operating Officer at the time that your employment commenced with the Company."

Except as specifically set forth herein, your Employment Agreement remains in full force and effect in accordance with its terms.

Very truly yours,

J. CREW GROUP, INC.

By: /s/ LYNDA MARKOE
Name: Lynda Markoe
Title: EVP – Human Resources

Received, Read, Understood and Agreed:

/s/ MICHAEL J. NICHOLSON

Michael J. Nicholson

Dated: August 2, 2017

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, James Brett, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of J.Crew Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 23, 2017

/s/ James Brett

James Brett
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Michael J. Nicholson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of J.Crew Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 23, 2017

/S/ MICHAEL J. NICHOLSON

Michael J. Nicholson
President, Chief Operating Officer and Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of J.Crew Group, Inc. (the "Company") on Form 10-Q for the period ended July 29, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, James Brett, Chief Executive Officer of the Company, and Michael J. Nicholson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 23, 2017

/S/ James Brett

James Brett
Chief Executive Officer

/S/ MICHAEL J. NICHOLSON

Michael J. Nicholson
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.