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 October 28, 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 November 17, 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.

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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)

	October 28, 2017	January 28, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 49,214	$ 132,226
Merchandise inventories	365,633	314,492
Prepaid expenses and other current assets	77,487	59,494
Total current assets	492,334	506,212
Property and equipment, net	309,137	362,187
Intangible assets, net	310,944	450,204
Goodwill	107,900	107,900
Other assets	7,315	6,207
Total assets	$ 1,227,630	$ 1,432,710
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 235,381	$ 194,494
Other current liabilities	158,680	157,141
Interest payable	10,287	7,977
Income taxes payable to Parent	32,974	25,215
Current portion of long-term debt	19,588	15,670
Total current liabilities	456,910	400,497
Long-term debt, net	1,699,849	1,494,490
Lease-related deferred credits, net	123,959	132,566
Deferred income taxes, net	98,495	148,200
Other liabilities	39,096	43,168
Total liabilities	2,418,309	2,218,921
Stockholders' deficit:		
Common stock $0.01 par value; 1,000 shares authorized, issued and outstanding	—	—
Additional paid-in capital	731,302	980,368
Accumulated other comprehensive loss	(5,362)	(11,536)
Accumulated deficit	(1,916,619)	(1,755,043)
Total stockholders' deficit	(1,190,679)	(786,211)
Total liabilities and stockholders' deficit	$ 1,227,630	$ 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 October 28, 2017	Thirteen Weeks Ended October 29, 2016
Revenues:		
Net sales	$ 537,870	$ 575,942
Other	28,784	17,213
Total revenues	566,654	593,155
Cost of goods sold, including buying and occupancy costs	339,428	367,299
Gross profit	227,226	225,856
Selling, general and administrative expenses	200,736	204,547
Impairment losses	1,799	1,333
Income from operations	24,691	19,976
Interest expense, net of interest income	32,937	20,675
Loss before income taxes	(8,246)	(699)
Provision for income taxes	9,381	7,201
Net loss	$ (17,627)	$ (7,900)
Other comprehensive income (loss):		
Reclassification of losses on cash flow hedges, net of tax, to earnings	1,541	1,935
Unrealized gain on cash flow hedges, net of tax	613	406
Foreign currency translation adjustments	(212)	(1,167)
Comprehensive loss	$ (15,685)	$ (6,726)

See notes to unaudited condensed consolidated financial statements.

J.CREW GROUP, INC.

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

	Thirty-nine Weeks Ended October 28, 2017	Thirty-nine Weeks Ended October 29, 2016
Revenues:		
Net sales	$ 1,587,230	$ 1,684,158
Other	72,296	46,316
Total revenues	1,659,526	1,730,474
Cost of goods sold, including buying and occupancy costs	1,027,431	1,096,466
Gross profit	632,095	634,008
Selling, general and administrative expenses	621,295	593,303
Impairment losses	136,854	6,729
Income (loss) from operations	(126,054)	33,976
Interest expense, net of interest income	76,191	59,511
Loss before income taxes	(202,245)	(25,535)
Benefit for income taxes	(40,669)	(967)
Net loss	$ (161,576)	$ (24,568)
Other comprehensive income (loss):		
Reclassification of losses on cash flow hedges, net of tax, to earnings	5,087	4,467
Unrealized gain (loss) on cash flow hedges, net of tax	112	(2,471)
Foreign currency translation adjustments	975	(1,860)
Comprehensive loss	$ (155,402)	$ (24,432)

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 capital	Accumulated deficit	Accumulated other comprehensive loss	Total stockholders' deficit
	Shares	Amount				
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 gain 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	—	—	—	(161,576)	—	(161,576)
Share-based compensation	—	—	530	—	—	530
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 $3,252, to earnings	—	—	—	—	5,087	5,087
Unrealized gain on cash flow hedges, net of tax of $72	—	—	—	—	112	112
Foreign currency translation adjustments	—	—	—	—	975	975
Balance at October 28, 2017	1,000	$ —	$ 731,302	$(1,916,619)	$ (5,362)	$(1,190,679)

See notes to unaudited condensed consolidated financial statements.

J.CREW GROUP, INC.

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

	Thirty-nine Weeks Ended October 28, 2017	Thirty-nine Weeks Ended October 29, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (161,576)	$ (24,568)
Adjustments to reconcile to cash flows from operating activities:		
Impairment losses	136,854	6,729
Depreciation of property and equipment	74,150	80,258
Reclassification of hedging losses to earnings	8,340	7,323
Amortization of intangible assets	6,776	8,044
Amortization of deferred financing costs and debt discount	4,338	3,793
Share-based compensation	530	818
Loss on sale of property	526	—
Foreign currency transaction gains	(641)	(1,442)
Deferred income taxes	(53,029)	(2,134)
Changes in operating assets and liabilities:		
Merchandise inventories	(50,911)	(74,116)
Prepaid expenses and other current assets	(17,798)	(11,426)
Other assets	(684)	643
Accounts payable and other liabilities	27,959	22,202
Federal and state income taxes	12,416	2,423
Net cash provided by (used in) operating activities	(12,750)	18,547
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(28,594)	(59,348)
Proceeds from sale of property	2,530	—
Net cash used in investing activities	(26,064)	(59,348)
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	(11,753)	(7,835)
Net cash used in financing activities	(44,459)	(7,835)
Effect of changes in foreign exchange rates on cash and cash equivalents	261	(760)
Decrease in cash and cash equivalents	(83,012)	(49,396)
Beginning balance	132,226	87,812
Ending balance	$ 49,214	$ 38,416
Supplemental cash flow information:		
Income taxes paid	$ 1,313	$ 961
Interest paid	$ 68,525	$ 53,297
Non-cash contribution to Parent in connection with Exchange Offer	$ 249,596	$ —

See notes to unaudited condensed consolidated financial statements.

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 $7.1 million and $7.5 million in the first nine months 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
Amortization expense	(1,159)	(1,025)	(33)	—
Balance at October 28, 2017	$ 5,161	$ 54,667	$ 921	$ 250,195
Total accumulated amortization or impairment losses at October 28, 2017	$ (55,849)	$ (27,333)	$ (3,896)	$ (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 Thirty-nine Weeks Ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
Intangible asset related to the J.Crew trade name	$ —	$ —	$ 129,800	$ —
Long-lived assets (see note 8)	1,799	1,333	7,054	6,729
Impairment losses	$ 1,799	$ 1,333	$ 136,854	$ 6,729

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.

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 Thirty-nine Weeks Ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
Share-based compensation	$ 157	$ 211	$ 530	$ 818

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	362	—
Authorized	13,003,295	20,000
Granted	(5,209,878)	—
Forfeited and available for reissuance	741	—
Available for grant at October 28, 2017	7,794,520	20,000

6. Long-Term Debt and Credit Agreements

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

	October 28, 2017	January 28, 2017
Term Loan Facility	$ 1,365,618	$ 1,527,825
Exchange Notes	249,596	—
New Money Notes	97,000	—
New Term Loan Borrowings	30,238	—
Less current portion of Term Loan	(19,588)	(15,670)
Less deferred financing costs	(16,026)	(13,095)
Less discount	(6,989)	(4,570)
Long-term debt, net	$ 1,699,849	$ 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 October 28, 2017, standby letters of credit were $39.2 million, excess availability, as defined, was $264.2 million, and there were no borrowings outstanding. Average short-term borrowings under the ABL Facility were $9.3 million and $11.3 million in the first nine months of fiscal 2017 and fiscal 2016, respectively.

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 October 28, 2017, outstanding documentary letters of credit were $18.6 million and availability under this facility was $1.4 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 4.67% on October 28, 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 October 28, 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 Thirty-nine Weeks Ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
Term Loan Facility	$ 16,463	$ 15,488	$ 47,909	$ 46,580
New Notes	11,264	—	13,392	—
Realized hedging losses	2,526	3,172	8,340	7,325
Amortization of deferred financing costs and debt discount	1,786	1,265	4,338	3,793
Other interest, net of interest income	898	750	2,212	1,813
Interest expense, net	$ 32,937	$ 20,675	$ 76,191	$ 59,511

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 $9.8 million and $18.6 million at October 28, 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 $1,216 million and $878 million at October 28, 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 October 28, 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 Thirty-nine Weeks Ended	
	October 28, 2017	**October 29, 2016**	**October 28, 2017**	**October 29, 2016**
Carrying value of long-term assets written down to fair value	$ 1,799	$ 1,333	$ 7,054	$ 6,729
Impairment charge	$ 1,799	$ 1,333	$ 7,054	$ 6,729

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:

	October 28, 2017	**January 28, 2017**
Refundable income taxes of Parent	$ 8,724	$ 8,247
Due to Parent	(41,698)	(33,462)
Income taxes payable to Parent	$ (32,974)	$ (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 October 28, 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.

The effective tax rate for the third quarter of fiscal 2017 was not meaningful. The provision for income taxes was $9.4 million, which reflects a discrete charge of $16.5 million to increase the valuation allowance as a result of deferred tax assets recognized in connection with the true-up of certain return-to-provision estimates. Other items impacting the effective tax rate include the recognition of international valuation allowances, lower rates in foreign jurisdictions, and reserves for uncertain tax positions.

The effective tax rate for the third quarter of fiscal 2016 was not meaningful due to a break-even loss before income taxes. Items driving differences between the U.S. federal statutory rate of 35% and the effective rate include (i) the recognition of domestic and foreign valuation allowances, (ii) lower rates in certain foreign jurisdictions, and (iii) reserves for uncertain tax positions.

The effective tax rate for the first nine months of fiscal 2017 was 20%. The Company recognized a deferred tax benefit of $53.0 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 current operating losses due to an increase in the valuation allowance. The impact of not recognizing tax benefit on the Company's other current operating losses was the primary driver of the difference between the statutory rate of 35% and the effective rate.

The effective tax rate for the first nine months of fiscal 2016 was 4%. Items driving differences between the U.S. federal statutory rate of 35% and the effective rate include (i) the recognition of domestic and foreign valuation allowances, (ii) lower rates in certain foreign jurisdictions, and (iii) reserves for uncertain tax positions.

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 October 28, 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.

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. On September 7, 2017, the Highland/EV Plaintiffs filed an amended complaint in the New York State Supreme Court, Commercial Division, against the Company and WSFS. The amended complaint continues to assert claims for breach of the terms of the Term Loan Facility, and for fraudulent conveyance and adds an additional claim for fraudulent inducement claim against the Company. The Company believes that the Highland/EV Plaintiffs' claims asserted in the amended complaint are wholly without merit, and intends to vigorously oppose these claims.

In response to the amended complaint, WSFS and the Company withdrew their prior motions to dismiss and, on October 20, 2017, filed renewed motions seeking dismissal in whole or part. Among other things, the Company seeks dismissal of the amended complaint for failure to state a claim, lack of standing, and because its fraud claims are duplicative of Plaintiffs' claims under the documents governing the Term Loan Facility. Briefing on the motions to dismiss is expected to be complete on December 20, 2017.

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 $10.5 million for severance and related costs, included in selling, general and administrative expenses. At October 28, 2017, accrued and unpaid severance and related costs were $4.5 million, which the Company expects to be paid by the first quarter of fiscal 2018.

12. Related Party Transactions

Intellectual property license agreement

In October 2016, the Company formed 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 and 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 are 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 October 28, 2017, J.Crew BrandCo had total assets of $260.3 million, consisting of intangible assets of $250.2 million, license fee receivable of $9.8 million and cash and cash equivalents of $0.3 million, and total liabilities of $344.3 million related to the New Notes. For the thirty-nine weeks ended October 28, 2017, J.Crew BrandCo earned royalty revenue of $43.4 million. 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 $12.1 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 evaluating the impact of the new pronouncement on its condensed consolidated financial statements, it expects there to be an impact on the accounting for and presentation of its loyalty program, sales return reserve and advertising costs.

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 does not expect there to be a significant impact on its condensed consolidated statements of cash flows.

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 does not expect there to be a significant impact on its condensed consolidated financial statements.

In August 2017, a pronouncement was issued that simplifies the application of hedge accounting guidance and more closely aligns risk management activities and financial reporting. The pronouncement is effective for annual and interim periods in fiscal years beginning after December 15, 2018. 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 October 28, 2017, we operated 271 J.Crew retail stores, 182 J.Crew factory stores (including 42 J.Crew Mercantile® stores), and 121 Madewell stores throughout the United States, Canada, the United Kingdom, Hong Kong, and France; compared to 286 J.Crew retail stores, 175 J.Crew factory stores (including 32 J.Crew Mercantile stores), and 110 Madewell stores as of October 29, 2016. During fiscal 2017, we expect to close approximately 50 stores.

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

(Dollars in millions)	For the Thirteen Weeks Ended October 28, 2017	For the Thirteen Weeks Ended October 29, 2016
J.Crew	$ 430.4	$ 488.0
Madewell	107.5	88.0
Other(a)	28.8	17.2
Total revenues	$ 566.7	$ 593.2

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

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

- Revenues decreased 4.5% to $566.7 million, with comparable company sales down 8.5%.
- J.Crew revenues decreased 11.8% to $430.4 million, with J.Crew comparable sales down 12.4%.
- Madewell revenues increased 22.2% to $107.5 million, with Madewell comparable sales up 12.6%.
- Gross margin increased to 40.1% from 38.1% last year.
- We opened two Madewell stores and one J.Crew retail store. We closed four J.Crew retail stores.

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

(Dollars in millions)	For the Thirty-nine Weeks Ended October 28, 2017	For the Thirty-nine Weeks Ended October 29, 2016
J.Crew	$ 1,302.0	$ 1,445.5
Madewell	285.2	238.7
Other(a)	72.3	46.3
Total revenues	$ 1,659.5	$ 1,730.5

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

A summary of highlights for the first nine months is as follows:

- Revenues decreased 4.1% to $1,659.5 million, with comparable company sales down 7.5%.

- J.Crew revenues decreased 9.9% to $1,302.0 million, with J.Crew comparable sales down 10.6%.
- Madewell revenues increased 19.5% to $285.2 million, with Madewell comparable sales up 11.2%.
- Gross margin increased to 38.1% from 36.6% last year.
- We recorded non-cash impairment losses of $136.9 million, primarily a result of the write-down of the intangible asset related to the J.Crew trade name.
- We opened eight Madewell stores, one J.Crew retail store and one J.Crew factory store. We closed eight 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 successfully closed a debt exchange and refinancing. See "—Liquidity and Capital Resources" for more information.
- We initiated a workforce reduction as part of a strategic reorganization in April 2017. We incurred a pre-tax charge of $10.5 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 – Third Quarter of Fiscal 2017 compared to Third Quarter of Fiscal 2016

	For the Thirteen Weeks Ended October 28, 2017		For the Thirteen Weeks Ended October 29, 2016		Variance Increase/(Decrease)	
(Dollars in millions)	Amount	Percent of Revenues	Amount	Percent of Revenues	Dollars	Percentage
Revenues	$ 566.7	100.0%	$ 593.2	100.0%	$ (26.5)	(4.5)%
Gross profit	227.2	40.1	225.9	38.1	1.3	0.6
Selling, general and administrative expenses	200.7	35.4	204.5	34.5	(3.8)	(1.9)
Impairment losses	1.8	0.3	1.3	0.2	0.5	35.0
Income from operations	24.7	4.4	20.0	3.4	4.7	23.6
Interest expense, net	32.9	5.8	20.7	3.5	12.2	59.3
Provision for income taxes	9.4	1.7	7.2	1.2	2.2	30.3
Net loss	$ (17.6)	(3.1)%	$ (7.9)	(1.3)%	$ (9.7)	NM%

Revenues

Total revenues decreased $26.5 million, or 4.5%, to $566.7 million in the third quarter of fiscal 2017 from $593.2 million in the third quarter last year, driven primarily by a decrease in sales of (i) women's apparel, specifically jackets, shirts and skirts and (ii) men's apparel, specifically shirts, pants and suiting. Comparable company sales decreased 8.5% following a decrease of 7.5% in the third quarter last year.

J.Crew sales decreased $57.6 million, or 11.8%, to $430.4 million in the third quarter of fiscal 2017 from $488.0 million in the third quarter last year. J.Crew comparable sales decreased 12.4% following a decrease of 9.2% in the third quarter last year.

Madewell sales increased $19.5 million, or 22.2%, to $107.5 million in the third quarter of fiscal 2017 from $88.0 million in the third quarter last year. Madewell comparable sales increased 12.6% following an increase of 4.1% in the third 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 October 28, 2017	For the Thirteen Weeks Ended October 29, 2016
Apparel:		
Women's	57%	55%
Men's	21	22
Children's	8	8
Accessories	14	15
	100%	100%

Other revenues increased $11.6 million to $28.8 million in the third quarter of fiscal 2017 from $17.2 million in the third quarter last year, primarily a result of revenue from third party resellers.

Gross Profit

Gross profit increased $1.3 million to $227.2 million in the third quarter of fiscal 2017 from $225.9 million in the third quarter last year. This increase resulted from the following factors:

(Dollars in millions)	Increase/ (decrease)
Decrease in revenues	$ (13.9)
Increase in merchandise margin	11.4
Decrease in buying and occupancy costs	3.8
Increase in gross profit	$ 1.3

Gross margin increased to 40.1% in the third quarter of fiscal 2017 from 38.1% in the third quarter last year. The increase in gross margin was driven by a 200 basis point expansion in merchandise margin due to favorable product costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased $3.8 million to $200.7 million in the third quarter of fiscal 2017 from $204.5 million in the third quarter last year. This decrease primarily resulted from the following:

(Dollars in millions)	Increase/ (decrease)
Decrease in consulting fees	$ (5.3)
Decrease in payroll and related expenses	(4.3)
Decrease in advertising and catalog costs	(3.7)
Decrease in operating and corporate expenses	(3.3)
Decrease in depreciation	(3.0)
Corporate occupancy actions last year	3.4
Transformation costs	12.4
Total decrease in selling, general and administrative expenses	$ (3.8)

As a percentage of revenues, selling, general and administrative expenses increased to 35.4% in the third quarter of fiscal 2017 from 34.5% in the third quarter last year.

Interest Expense, Net

Interest expense, net of interest income, increased $12.2 million to $32.9 million in the third quarter of fiscal 2017 from $20.7 million in the third quarter last year. A summary of interest expense is as follows:

(Dollars in millions)	For the Thirteen Weeks Ended October 28, 2017	For the Thirteen Weeks Ended October 29, 2016
Term Loan Facility	$ 16.5	$ 15.5
New Notes(1)	11.3	—
Realized hedging losses	2.5	3.2
Amortization of deferred financing costs and debt discount	1.8	1.3
Other, net of interest income	0.8	0.7
Interest expense, net	$ 32.9	$ 20.7

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

Provision for Income Taxes

The effective tax rate for the third quarter of fiscal 2017 was not meaningful. The provision for income taxes was $9.4 million, which reflects a discrete charge of $16.5 million to increase the valuation allowance as a result of deferred tax assets recognized in connection with the true-up of certain return-to-provision estimates. Other items impacting the effective tax rate include the recognition of international valuation allowances, lower rates in foreign jurisdictions, and reserves for uncertain tax positions.

As of the third 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 third quarter of fiscal 2016 was not meaningful due to a break-even loss before income taxes. Items driving differences between the U.S. federal statutory rate of 35% and the effective rate include (i) the recognition of domestic and foreign valuation allowances, (ii) lower rates in certain foreign jurisdictions, and (iii) reserves for uncertain tax positions.

Net Loss

Net loss increased $9.7 million to $17.6 million in the third quarter of fiscal 2017 from $7.9 million in the third quarter last year. This increase was due to: (i) an increase in interest expense of $12.2 million, (ii) an increase in the provision for income taxes of $2.2 million and (iii) higher impairment losses of $0.5 million, offset by (iv) a decrease in selling, general and administrative expenses of $3.8 million and (v) an increase in gross profit of $1.3 million.

Results of Operations – First Nine Months of Fiscal 2017 compared to First Nine Months of Fiscal 2016

	For the Thirty-nine Weeks Ended October 28, 2017		For the Thirty-nine Weeks Ended October 29, 2016		Variance Increase/(Decrease)	
(Dollars in millions)	Amount	Percent of Revenues	Amount	Percent of Revenues	Dollars	Percentage
Revenues	$ 1,659.5	100.0%	$ 1,730.5	100.0%	$ (71.0)	(4.1)%
Gross profit	632.1	38.1	634.0	36.6	(1.9)	(0.3)
Selling, general and administrative expenses	621.3	37.4	593.3	34.3	28.0	4.7
Impairment losses	136.9	8.2	6.7	0.4	130.2	NM
Income (loss) from operations	(126.1)	(7.6)	34.0	2.0	(160.1)	NM
Interest expense, net	76.2	4.6	59.5	3.4	16.7	28.0
Benefit for income taxes	(40.7)	(2.5)	(1.0)	(0.1)	(39.7)	NM
Net loss	$ (161.6)	(9.7)%	$ (24.6)	(1.4)%	$ (137.0)	NM%

Revenues

Total revenues decreased $71.0 million, or 4.1%, to $1,659.5 million in the first nine months of fiscal 2017 from $1,730.5 million in the first nine months 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 jackets, sweaters and dresses. Comparable company sales decreased 7.5% following a decrease of 7.2% in the first nine months last year.

J.Crew sales decreased $143.5 million, or 9.9%, to $1,302.0 million in the first nine months of fiscal 2017 from $1,445.5 million in the first nine months last year. J.Crew comparable sales decreased 10.6% following a decrease of 8.8% in the first nine months last year.

Madewell sales increased $46.5 million, or 19.5%, to $285.2 million in the first nine months of fiscal 2017 from $238.7 million in the first nine months last year. Madewell comparable sales increased 11.2% following an increase of 4.2% in the first nine months last year.

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

	For the Thirty-nine Weeks Ended October 28, 2017	For the Thirty-nine Weeks Ended October 29, 2016
Apparel:		
Women's	57%	55%
Men's	22	23
Children's	7	8
Accessories	14	14
	100%	100%

Other revenues increased $26.0 million to $72.3 million in the first nine months of fiscal 2017 from $46.3 million in the first nine months last year, primarily a result of revenue from third party resellers.

Gross Profit

Gross profit decreased $1.9 million to $632.1 million in the first nine months of fiscal 2017 from $634.0 million in the first nine months last year. This decrease resulted from the following factors:

(Dollars in millions)	Increase/ (decrease)
Decrease in revenues	$ (36.4)
Increase in merchandise margin	24.9
Decrease in buying and occupancy costs	9.6
Decrease in gross profit	$ (1.9)

Gross margin increased to 38.1% in the first nine months of fiscal 2017 from 36.6% in the first nine months last year. The increase in gross margin was driven by a 150 basis point expansion in merchandise margin due to favorable product costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $28.0 million to $621.3 million in the first nine months of fiscal 2017 from $593.3 million in the first nine months last year. This increase primarily resulted from the following:

(Dollars in millions)	Increase/ (decrease)
Transformation costs	$ 32.0
Transaction costs	17.2
Corporate occupancy actions last year	10.6
Charges related to a workforce reduction	10.5
Decrease in depreciation	(6.1)
Decrease in advertising and catalog costs	(6.3)
Decrease in consulting fees	(6.4)
Decrease in operating and corporate expenses	(8.5)
Decrease in payroll and related expenses	(15.0)
Total increase in selling, general and administrative expenses	$ 28.0

As a percentage of revenues, selling, general and administrative expenses increased to 37.4% in the first nine months of fiscal 2017 from 34.3% in the first nine months 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 Thirty-nine Weeks Ended October 28, 2017	For the Thirty-nine Weeks Ended October 29, 2016
Intangible asset related to the J.Crew trade name	$ 129.8	$ —
Long-lived assets	7.1	6.7
Impairment losses	$ 136.9	$ 6.7

Interest Expense, Net

Interest expense, net of interest income, increased $16.7 million to $76.2 million in the first nine months of fiscal 2017 from $59.5 million in the first nine months last year. A summary of interest expense is as follows:

(Dollars in millions)	For the Thirty-nine Weeks Ended October 28, 2017	For the Thirty-nine Weeks Ended October 29, 2016
Term Loan Facility	$ 47.9	$ 46.6
New Notes(1)	13.4	—
Realized hedging losses	8.3	7.3
Amortization of deferred financing costs and debt discount	4.3	3.8
Other, net of interest income	2.3	1.8
Interest expense, net	$ 76.2	$ 59.5

(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

The effective tax rate for the first nine months of fiscal 2017 was 20%. We recognized a deferred tax benefit of $53.0 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 current operating losses due to an increase in the valuation allowance. The impact of not recognizing tax benefit on our other current operating losses was the primary driver of the difference between the statutory rate of 35% and our effective rate.

Through the first nine months 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 nine months of fiscal 2016 was 4%. Items driving differences between the U.S. federal statutory rate of 35% and the effective rate include (i) the recognition of domestic and foreign valuation allowances, (ii) lower rates in certain foreign jurisdictions, and (iii) reserves for uncertain tax positions.

Net Loss

Net loss increased $137.0 million to $161.6 million in the first nine months of fiscal 2017 from $24.6 million in the first nine months last year. This increase was due to: (i) higher impairment losses of $130.2 million, (ii) an increase in selling, general and administrative expenses of $28.0 million, (iii) an increase in interest expense of $16.7 million and (iv) a decrease in gross profit of $1.9 million, offset by (v) an increase in the benefit for income taxes of $39.7 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 Thirty-nine Weeks Ended October 28, 2017	For the Thirty-nine Weeks Ended October 29, 2016
Net loss	$ (161.6)	$ (24.6)
Adjustments to reconcile to cash flows from operating activities:		
Impairment losses	136.9	6.7
Depreciation of property and equipment	74.2	80.3
Reclassification of hedging losses to earnings	8.3	7.3
Amortization of intangible assets	6.8	8.0
Amortization of deferred financing costs and debt discount	4.3	3.8
Share-based compensation	0.5	0.8
Loss on sale of building	0.5	—
Foreign currency transaction gains	(0.6)	(1.4)
Deferred income taxes	(53.0)	(2.1)
Changes in operating assets and liabilities	(29.1)	(60.3)
Net cash provided by (used in) operating activities	$ (12.8)	$ 18.5

Cash used in operating activities of $12.8 million in the first nine months of fiscal 2017 resulted from: (i) a net loss of $161.6 million and (ii) changes in operating assets and liabilities of $29.1 million primarily due to seasonal working capital fluctuations, partially offset by (iii) non-cash adjustments of $177.9 million.

Cash provided by operating activities of $18.5 million in the first nine months of fiscal 2016 resulted from: (i) non-cash adjustments of $103.4 million, partially offset by (ii) changes in operating assets and liabilities of $60.3 million due to seasonal working capital fluctuations, primarily increased merchandise inventories, and (iii) net loss of $24.6 million.

Investing Activities

(Dollars in millions)		For the Thirty-nine Weeks Ended October 28, 2017		For the Thirty-nine Weeks Ended October 29, 2016
Capital expenditures:				
Information technology	$	(13.5)	$	(22.6)
New stores		(10.7)		(23.8)
Other(1)		(4.4)		(12.9)
Proceeds from sale of property		2.5		—
Net cash used in investing activities	$	(26.1)	$	(59.3)

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

Capital expenditures are planned at approximately $40 million for fiscal year 2017, including approximately $20 million for information technology enhancements, approximately $10 million for new stores and the remainder for warehouse improvements, store renovations and general corporate purposes.

Financing Activities

(Dollars in millions)		For the Thirty-nine Weeks Ended October 28, 2017		For the Thirty-nine Weeks Ended October 29, 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		(11.8)		(7.8)
Net cash used in financing activities	$	(44.5)	$	(7.8)

Cash used in financing activities of $44.5 million in the first nine months 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 nine months 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 October 28, 2017, standby letters of credit were $39.2 million, excess availability, as defined, was $264.2 million, and there were no borrowings outstanding. Average short-term borrowings under the ABL Facility were $9.3 million and $11.3 million in the first nine months of fiscal 2017 and fiscal 2016, respectively.

As of the date of this report, there were no outstanding borrowings under the ABL Facility with excess availability of approximately $310 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 October 28, 2017, outstanding documentary letters of credit were $18.6 million and availability under this facility was $1.4 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 4.67% on October 28, 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 October 28, 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.

<u>New Notes</u>

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 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 and 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 October 28, 2017, J.Crew BrandCo had total assets of $260.3 million, consisting of intangible assets of $250.2 million, license fee receivable of $9.8 million and cash and cash equivalents of $0.3 million, and total liabilities of $344.3 million related to the New Notes. For the thirty-nine weeks ended October 28, 2017, J.Crew BrandCo earned royalty revenue of $43.4 million. 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 October 28, 2017.

	As of October 28, 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	$ 49,214	$ (322)	$ 48,892
Merchandise inventories	365,633	—	365,633
Prepaid expenses and other current assets	77,487	—	77,487
Total current assets	492,334	(322)	492,012
Property and equipment, net	309,137	—	309,137
Intangible assets, net	310,944	(250,195)	60,749
Investment in subsidiary	—	185,999	185,999
Goodwill	107,900	—	107,900
Other assets	7,315	—	7,315
Total assets	$ 1,227,630	$ (64,518)	$ 1,163,112
LIABILITIES AND STOCKHOLDERS' DEFICIT			
Current liabilities:			
Accounts payable	$ 235,381	$ —	$ 235,381
Other current liabilities	158,680	9,833	168,513
Interest payable	10,287	(5,632)	4,655
Income taxes payable to Parent	32,974	—	32,974
Current portion of long-term debt	19,588	—	19,588
Total current liabilities	456,910	4,201	461,111
Long-term debt, net	1,699,849	(338,707)	1,361,142
Due to J.Crew BrandCo	—	114,018	114,018
Lease-related deferred credits, net	123,959	—	123,959
Deferred income taxes, net	98,495	(64,196)	34,299
Other liabilities	39,096	—	39,096
Total liabilities	2,418,309	(284,684)	2,133,625
Stockholders' deficit:			
Common stock $0.01 par value; 1,000 shares authorized, issued and outstanding	—	—	—
Additional paid-in capital	731,302	249,596	980,898
Accumulated other comprehensive loss	(5,362)	—	(5,362)
Accumulated deficit	(1,916,619)	(29,430)	(1,946,049)
Total stockholders' deficit	(1,190,679)	220,166	(970,513)
Total liabilities and stockholders' deficit	$ 1,227,630	$ (64,518)	$ 1,163,112

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 thirty-nine weeks ended October 28, 2017.

	For the Thirteen Weeks Ended October 28, 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	$ 537,870	$ —	$ 537,870
Other	28,784	—	28,784
Total revenues	566,654	—	566,654
Cost of goods sold, including buying and occupancy costs	339,428	—	339,428
Royalty expense	—	14,750	14,750
Gross profit	227,226	(14,750)	212,476
Selling, general and administrative expenses	200,736	—	200,736
Impairment losses	1,799	—	1,799
Income from operations	24,691	(14,750)	9,941
Interest expense, net of interest income	32,937	(11,769)	21,168
Loss before income taxes	(8,246)	(2,981)	(11,227)
Benefit for income taxes	9,381	—	9,381
Net loss	$ (17,627)	$ (2,981)	$ (20,608)
Other comprehensive income (loss):			
Reclassification of losses on cash flow hedges, net of tax, to earnings	1,541	—	1,541
Unrealized loss on cash flow hedges, net of tax	613	—	613
Foreign currency translation adjustments	(212)	—	(212)
Comprehensive loss	$ (15,685)	$ (2,981)	$ (18,666)

Condensed Consolidated Statements of Operations and Comprehensive Loss	Consolidated	Eliminations of J.Crew BrandCo	Consolidated subsidiaries excluding J.Crew BrandCo
	For the Thirty-nine Weeks Ended October 28, 2017 (unaudited)		
Revenues:			
Net sales	$ 1,587,230	$ —	$ 1,587,230
Other	72,296	—	72,296
Total revenues	1,659,526	—	1,659,526
Cost of goods sold, including buying and occupancy costs	1,027,431	—	1,027,431
Royalty expense	—	43,416	43,416
Gross profit	632,095	(43,416)	588,679
Selling, general and administrative expenses	621,295	—	621,295
Impairment losses	136,854	(85,396)	51,458
Loss from operations	(126,054)	41,980	(84,074)
Interest expense, net of interest income	76,191	(13,986)	62,205
Loss before income taxes	(202,245)	55,966	(146,279)
Benefit for income taxes	(40,669)	33,304	(7,365)
Net loss	$ (161,576)	$ 22,662	$ (138,914)
Other comprehensive income (loss):			
Reclassification of losses on cash flow hedges, net of tax, to earnings	5,087	—	5,087
Unrealized loss on cash flow hedges, net of tax	112	—	112
Foreign currency translation adjustments	975	—	975
Comprehensive loss	$ (155,402)	$ 22,662	$ (132,740)

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 $40 million, including approximately $20 million for information technology enhancements, approximately $10 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. During fiscal 2017, we expect to close approximately 50 stores.

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 October 28, 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	$ 39.2	$ 38.3	$ 0.9	$ —	$ —
Documentary	18.6	18.6	—	—	—
	$ 57.8	$ 56.9	$ 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 approximately $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 October 28, 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.

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. On September 7, 2017, the Highland/EV Plaintiffs filed an amended complaint in the New York State Supreme Court, Commercial Division, against the Company and WSFS. The amended complaint continues to assert claims for breach of the terms of the Term Loan Facility, and for fraudulent conveyance and adds an additional claim for fraudulent inducement claim against the Company. We believe that the Highland/EV Plaintiffs' claims asserted in the amended complaint are wholly without merit, and intend to vigorously oppose these claims.

In response to the amended complaint, WSFS and the Company withdrew their prior motions to dismiss and, on October 20, 2017, filed renewed motions seeking dismissal in whole or part. Among other things, we seek dismissal of the amended complaint for failure to state a claim, lack of standing, and because its fraud claims are duplicative of Plaintiffs' claims under the documents governing the Term Loan Facility. Briefing on the motions to dismiss is expected to be complete on December 20, 2017.

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	Letter Agreement, dated September 14, 2017, between J.Crew Group, Inc. and Lynda Markoe.*

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 October 28, 2017 and January 28, 2017, (ii) the Condensed Consolidated Statements of Operations and Comprehensive Loss for the thirteen weeks ended October 28, 2017 and October 29, 2016, (iii) the Condensed Consolidated Statements of Operations and Comprehensive Loss for the thirty-nine weeks ended October 28, 2017 and October 29, 2016, (iv) the Condensed Consolidated Statements of Changes in Stockholders' Deficit for the thirty-nine weeks ended October 28, 2017 and the fifty-two weeks ended January 28, 2017, (v) the Condensed Consolidated Statements of Cash Flows for the thirty-nine weeks ended October 28, 2017 and October 29, 2016, and (vi) the Notes to Unaudited Condensed Consolidated Financial Statements.*

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* 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: November 21, 2017	By:	/S/ JAMES BRETT
		James Brett
		Chief Executive Officer
		(Principal Executive Officer)
Date: November 21, 2017	By:	/S/ VINCENT ZANNA
		Vincent Zanna
		Chief Financial Officer and Treasurer
		(Principal Financial Officer)
Date: November 21, 2017	By:	/S/ JEREMY BROOKS
		Jeremy Brooks
		Chief Accounting Officer
		(Principal Accounting Officer)

Exhibit 10.1

Letter Agreement

September 14, 2017

Ms. Lynda Markoe

Dear Lynda:

Pursuant to our discussions regarding your continued employment with J. Crew Group, Inc. (the "Company"), we thought it would be useful to lay out the terms and conditions of our agreement in this letter agreement (this "Agreement") for all parties to sign. This Agreement will be effective September 14, 2017 (the "Commencement Date").

In consideration of your promotion and continued employment with the Company, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, you and the Company hereby agree as follows:

1. Employment.

(a) The Company hereby agrees to continue to employ you during the "Employment Period" (as defined below) as its Chief Administrative Officer and you hereby agree to serve the Company in such capacity. You will continue to report to the Chief Executive Officer of the Company. You shall discharge the duties and responsibilities of your position and such other duties and responsibilities as are specified by the Board of Directors of the Company, the Board of Directors of Chino Holdings, Inc. ("Parent"), or the Chief Executive Officer reasonably consistent with such position.

(b) During the Employment Period (as defined below), you shall devote your full business time and energy, attention, skills and ability to the performance of your duties and responsibilities hereunder and shall faithfully and diligently endeavor to promote the business and best interests of the Company and its Affiliates (as defined below). Accordingly, you may not, directly or indirectly, without the prior written consent of the Company, operate, participate in the management, operations or control of, or act as an employee, officer, consultant, agent or representative of, any type of business or service (other than as an employee of the Company), provided that it shall not be a violation of the foregoing for you to (i) act or serve as a director, trustee or committee member of any civic or charitable organization on one industry trade or for-profit corporate board or committee, (ii) manage your personal, financial and legal affairs, or (iii) deliver lectures or fulfill speaking engagements, so long as such activities (described in clauses (i), (ii) or (iii)) do not interfere with the performance of your duties and responsibilities to the Company and its Affiliates as provided hereunder. For purposes of this Agreement, except as otherwise expressly provided herein, "Affiliate" means any entity or person directly or indirectly controlled by or in common control with either the Company or Parent. For the avoidance of doubt, except with respect to Section 4(c) of this Agreement, "Affiliate" does not include any other portfolio company or investment fund associated with TPG or LGP (each, as defined in the Stockholders Agreement (as defined below)) other than Parent and its subsidiaries.

2. Employment Period.

(a) Unless the Employment Period is terminated earlier pursuant to Section 2(b) hereof, the Company shall employ you on the terms and subject to the conditions of this Agreement for a three

(3) year term commencing effective as of the Commencement Date and ending on the day immediately preceding the third anniversary of the Commencement Date. The term of this Agreement will be automatically renewed for successive one (1)-year periods, unless at least four (4) months prior to the expiration of the term, you shall give written notice to the Company of your intention not to renew the term or at least two (2) months prior to the expiration of the term, the Company shall give you written notice of its intention not to renew the term (such term of employment, as from time to time extended, the "Employment Period").

(b) Your employment with the Company hereunder may be terminated prior to the expiration of the Employment Period upon the earliest to occur of the following events: (i) your death or Disability (as defined below), (ii) voluntary termination of employment by you without Good Reason (as defined below) on at least two (2) months' prior written notice, unless waived by the Company, (iii) voluntary termination of employment by you for Good Reason in accordance with the procedure outlined in Section 2(f) below, (iv) termination of employment by the Company without Cause (as defined below) or (v) termination of employment by the Company for Cause. The date on which your employment is terminated hereunder for any reason (including upon the expiration of the Employment Period) shall be referred to as the "Termination Date".

(c) Upon termination of the Employment Period for any reason, (A) you (or your estate) shall be entitled to any earned but unpaid Base Salary (as defined below) as of the Termination Date, any reimbursements owed to you under applicable Company policy and any vested amounts arising from your participation in, or vested benefits under, any employee benefit plans, programs or arrangements, which amounts shall be payable in accordance with the terms and conditions of such benefit plans, programs, or arrangements, and (B) with respect to any equity grants outstanding as of the Termination Date, the treatment of such equity grants shall be determined in accordance with the terms and conditions of the applicable grant agreement pursuant to which such equity awards were granted to you. If the Company terminates the Employment Period without Cause, you terminate the Employment Period for Good Reason, or your employment terminates as a result of the Company's non-renewal of the Employment Period as contemplated by Section 2(a) above (a "Company Non-Renewal Termination"), you will be entitled to the following severance benefits (the "Severance Benefits") (it being understood that the payment of such Severance Benefits shall only commence, in accordance with the timing provisions set forth below, upon your "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, and any regulations thereunder (the "Code") and it further being understood that the Company's obligation to provide you Severance Benefits upon a Company Non-Renewal Termination shall be expressly conditioned upon your continued compliance with Sections 4(a) and 4(b) of this Agreement): (i) continuation of your Base Salary as in effect immediately prior to such termination (your "Ending Base Salary", and such continuation of your Ending Base Salary being referred to herein as the "Continuation Severance Payment") in accordance with the regular payroll practices of the Company and your medical benefits (including those of your spouse and dependents, if applicable), which medical benefits the Company may elect to provide by making a payment to you on a monthly basis equal to an amount that, after all applicable taxes are paid, is equal to the amount of the monthly COBRA premiums incurred by you (including your spouse and dependents, if applicable), if any (the "Continuation Medical Benefit"), for a period of twelve (12) months (the "Severance Period") after the Termination Date; (ii) the Annual Bonus (as defined below) earned for the year immediately prior to the year that includes the Termination Date, to the extent not yet paid, and (iii) an amount equal to your target Annual Bonus, payable in monthly installments over the Severance Period (iv) a lump sum amount equal to the product of (x) the Annual Bonus, if any, that you would have earned based on the actual achievement of the applicable performance objectives in the fiscal year which includes the Termination Date had your employment not been terminated and (y) a fraction, the numerator of which is the number of days in the fiscal year that includes the Termination Date through the Termination Date and the denominator of which is 365, payable when bonuses are generally paid to employees of the Company ("Pro-Rata Bonus"), but in no event later than the date that is seventy-five (75) days following the end of the year with respect to which such bonus was earned; provided that the Severance Benefits are subject to and conditioned upon your execution of a valid general release and waiver within sixty (60) days after your termination of employment (and any payment that otherwise would be made within such sixty (60)-day period pursuant to this paragraph shall be paid at the expiration of such sixty (60)-day period) in the form attached hereto as Exhibit A and your compliance with the provisions set forth in Section 4 hereof. Notwithstanding anything herein to the contrary, except in the event your employment terminates in the twenty-four (24) month period following a Change of Control (as defined in the Stockholders Agreement (as defined below)), your right to receive the Continuation Severance Payment during the Severance Period shall terminate effective immediately upon the date that you become employed by a new employer or otherwise begin providing services for an entity as a consultant or otherwise ("New Employment"); provided that if the cash compensation you receive pursuant to such New Employment, including without limitation guaranteed bonus payments relating to the Severance Period whether or not paid during the Severance Period ("New Compensation"), is less than your Ending Base Salary, the Company will continue to pay you, in accordance with the regular payroll practices of the Company, an incremental amount during the remaining Severance Period such that the New Compensation payments you receive together with such incremental amount will equal your Ending Base Salary on an annualized basis. In addition, your right to receive the Continuation Medical Benefit shall cease immediately upon your being eligible for coverage under another group health plan. For purposes of clarification only, any New Employment obtained by you during the Severance Period shall not affect your right to receive the Pro-Rata Bonus subject to compliance with the conditions outlined above for provision of the Severance Benefits. You shall immediately notify the Company upon obtaining New Employment and provide all information regarding compensation and medical coverage reasonably requested by the Company. Except as set forth herein, the Company shall have no additional obligations to pay you any severance, termination pay or other similar compensation or benefits.

Notwithstanding the foregoing paragraph, in the event the Company terminates the Employment Period without Cause or you terminate the Employment Period for Good Reason, and you are a "specified employee" within the meaning of Section 409A of the Code (as determined in accordance with the methodology established by the Company as in effect on the Termination Date), any amounts payable to you on account of your termination of employment during the six (6)-month period immediately following the date of your "separation from service" within the meaning of Section 409A of the Code (not including any accrued but unpaid Base Salary as of your Termination Date) that constitute the payment of nonqualified deferred compensation within the meaning of Section 409A of the Code shall be deferred and accumulated for a period of six (6) months from the date of separation from service and paid in a lump sum on the first day of the seventh month following such separation from service (or, if earlier, the date of your death). In addition, for purposes of clarification, each amount payable to you under this Section 2(c) shall constitute a "separately identified amount" within the meaning of Treasury Regulation Section 1.409A-2(b)(2).

(d) For purposes of this Agreement, the term "Cause" shall mean, as determined in good faith by the Board of Directors of Parent (the "Parent Board"), (i) the indictment for a felony or any crime involving moral turpitude or being charged or sanctioned by a federal or state government or governmental authority or agency with violations of applicable laws in any judicial or administrative process or proceeding, or having been found by any court or governmental authority or agency to have committed any such violation, (ii) willful misconduct or gross negligence in connection with the performance of your duties as an employee of the Company, (iii) a willful and material breach of this Agreement, including without limitation, your failure to substantially perform your duties and responsibilities hereunder, after you have been given written notice specifying such breach and at least thirty (30) days to cure such breach, to the extent reasonably susceptible to cure, (iv) a fraudulent act or omission by you adverse to the reputation of the Company or any affiliate, (v) the willful disclosure by you of any Confidential Information (as defined below) to persons not authorized to know same, and (vi) your violation of or failure to comply with (A) any Company policy, including, without limitation, the Code of Ethics and Business Practices, or (B) any legal or regulatory obligations or requirements, provided that with respect to this Section 2(d)(vi), you shall be given thirty (30) days to cure such violation to the extent such violation is reasonably susceptible to cure. If subsequent to the termination of your employment, it is discovered that your employment could have been terminated for Cause pursuant to sections (i) or (iv) of this Section 2(d), your employment shall, at the election of the Company, in its sole discretion, be deemed to have been terminated for Cause in which event the Company shall be entitled to immediately cease providing any Severance Benefits to you or on your behalf and recover any payments previously made to you or on your behalf in the form of Severance Benefits. For purposes of this provision, no act or omission on your part shall be considered "willful" unless it is done, or omitted to be done, by you in bad faith or without reasonable belief that your action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board of Directors of the Company (the "Board") or the Parent Board shall be conclusively presumed to be done, or omitted to be done, by you in good faith and in the best interests of the Company.

(e) For purposes of this Agreement, the term "Disability" shall mean, as determined by a mutually agreed upon physician, your incapacity due to physical or mental illness or injury, which results in your being unable to perform your duties hereunder for a period of ninety (90) consecutive working days, and within thirty (30) days after the Company notifies you that your employment is being terminated for Disability, you shall not have returned to the performance of your duties on a full-time basis.

(f) For purposes of this Agreement, the term "Good Reason" shall mean (i) any action by the Company that results in a material and continuing diminution in your position, authority, duties or responsibilities, including without limitation an adverse change in your title from Chief Administrative Officer or a change such that you no longer report directly to the Chief Executive Officer in accordance with Section 1(a) above; (ii) a material reduction by the Company in your Base Salary (other than as permitted by Section 3(a) below) or Annual Bonus opportunity as in effect on the Commencement Date or as the same may be increased or decreased from time to time in accordance with Section 3(a); or (iii) a relocation of your principal place of employment to more than thirty-five (35) miles from such principal place of employment as of the Commencement Date, in each case without your written consent. For a termination to qualify as a termination of your employment for "Good Reason", you must deliver to the Board a written notice specifically identifying in a reasonable detail the conduct of the Company which you believe constitutes "Good Reason" in accordance with this Section 2(f) within ninety (90) days of the initial occurrence of the event(s) you believe constitute "Good Reason" and provide the Board and/or Company at least thirty (30) days to remedy such conduct after receipt of such written notice, and to the extent not cured, you must terminate your employment within thirty (30) days after such failure to cure.

3. Compensation and Benefits.

(a) *Base Salary.* During the Employment Period, your annual base salary shall not be less than $600,000 ("Base Salary"); provided that your annual base salary may be reduced to less than the Base Salary if the annual base salaries in effect for all or the majority of other senior executive officers of the Company are similarly reduced. The Base Salary shall be paid pursuant to regular Company payroll practices for the senior executives of the Company and shall be reviewed annually by the Company. For all purposes herein, "Base Salary" shall mean Base Salary as adjusted pursuant to this Section 3(a).

(b) *Annual Bonus.* In addition to the Base Salary, for each fiscal year during the Employment Period you will have the opportunity to earn an annual bonus ("Annual Bonus") at the following percentages of your Base Salary if both the Company achieves certain performance objectives (which will be determined by the Company for each such fiscal year in accordance with the Company's bonus plan) and you achieve your performance goals established by the Company: target Annual Bonus of 75% of Base Salary, up to a maximum Annual Bonus of 187.5% of Base Salary, based upon the terms of the bonus plan as in effect from time to time. Any Annual Bonus will be paid only if you are actively employed with the Company and not in breach of this Agreement on the date of actual payment (which shall be no later than the seventy-fifth (75^{th}) day following the close of the fiscal year to which the Annual Bonus relates), except that such requirement of continued employment shall not apply to the payment of any Pro-Rata Bonus or any accrued but unpaid Annual Bonus payable pursuant to Section 2(c) hereof.

(c) *Employee Benefits.* During the Employment Period, you will be entitled to participate in the Company's benefit package made generally available to other senior executive officers of the Company, subject to the applicable terms of each benefit plan. Currently, the Company's benefit package includes paid time off, holidays, life insurance, medical insurance, a matching 401(k) tax deferred savings plan, a flexible spending account, and the associate discount. The Company reserves the right to change these benefits at any time in its sole discretion. You will be entitled to vacation in accordance with the Company's paid time-off policy, such paid time off to be taken at your discretion, subject to the needs of the business.

(d) *Business Expense Reimbursement.* The Company shall promptly reimburse you for all reasonable business expenses incurred by you in connection with the performance of your duties and responsibilities hereunder upon the presentation of statements of such expenses in accordance with the Company's policies and procedures as may be in effect from time to time; provided that such reimbursement shall occur no later than the last day of the calendar year following the calendar year in which you incurred the reimbursable expense.

(e) *Director and Officer Insurance.* During the Employment Period, and at all times thereafter during which you remain an executive officer of the Company, the Company or its Affiliates will provide you with directors' and officers' insurance liability coverage to cover claims arising from your activities on behalf of the Company and its Affiliates, in the same manner as such insurance is provided to other similarly-situated executive officers or directors of the Company and its Affiliates.

4. Additional Agreements; Confidentiality.

(a) As additional consideration for the Company entering into this Agreement, you agree that for a period of twelve (12) months following the Termination Date, you shall not, directly or indirectly, (i) engage (either as owner, investor, partner, employer, employee, consultant or director) in or otherwise perform services for any Competitive Business (as defined below) provided that the foregoing restriction shall not prohibit you from owning a passive investment of not more than five percent (5%) of the total outstanding securities of any publicly-traded company, or (ii) solicit or cause another to solicit any customers or suppliers of the Company to terminate or otherwise adversely modify their relationship with the Company. . For purposes of this Section 4, the term "Company" means the Company and/or its Affiliates. The term "Competitive Business" means a list of companies (including their subsidiaries) attached hereto as Exhibit B and may be amended from time to time by mutual agreement of the parties. Notwithstanding the foregoing, you shall not be in violation of this Section 4(a) if your employer merges into or is acquired by a Competitive Business or a subsidiary or parent of such Competitive Business, provided that you did not know, or have reason to know, of any pending or actual transaction that resulted in such merger or acquisition on or before the date on which you commenced work for such employer. Notwithstanding anything herein to the contrary, the provisions of this Section 4(a) shall not apply in any of the following circumstances: (i) the Company terminates the Employment Period without Cause or (ii) you terminate the Employment Period for Good Reason.

(b) During the Employment Period and for a period of twelve (12) months following the Termination Date, you shall not, directly or indirectly, solicit, hire, or seek to influence the employment decisions of, any employee of the Company on behalf of any person or entity other than the Company.

(c) You agree that during the Employment Period and thereafter you will hold in strict confidence any proprietary or Confidential Information (as defined below) related to the Company, except to the extent that such Confidential Information (i) becomes a matter of public record or is published in a newspaper, magazine or other periodical available to the general public, other than as a result of your act or omission, (ii) is required to be disclosed by any law, regulation or order of any court, other tribunal, regulatory commission or administrative agency, provided that you give prompt notice of such requirement to the Company to enable the Company to seek an appropriate protective order prior to such disclosure, or (iii) is required to be used or disclosed by you to perform properly your duties under this Agreement. For purposes of this Agreement, the term "Confidential Information" shall mean all information of the Company in whatever form which is not generally known to the public, including without limitation, customer lists, trade practices, marketing techniques, fit specifications, design, pricing structures and practices, research, trade secrets, processes, systems, programs, methods, software, merchandising, distribution, planning, inventory and financial control, store design and staffing. Upon termination of your employment, you shall not take, without the prior written consent of the Company, any drawing, specification or other document or computer record (in whatever form) of the Company embodying any Confidential Information and will return any such information (in whatever form) then in your possession.

(d) You agree to deliver promptly to the Company upon termination of the Employment Period for any reason, or at any other time that the Company may so request, all documents (and all copies thereof), whether written, electronic, or in any other form, relating to the business of the Company and all property associated therewith, which you may then possess or have under your control. You agree that all sketches, drawings, samples, design samples, designs, patterns, methods, processes, techniques, themes, layouts, mechanicals, trade secrets, copyrights, trademarks, patents, ideas, specifications, business or marketing practices, concepts, strategies and techniques and other material or work product ("Intellectual Property") created, developed or assembled, whether or not by you, during and in connection with your employment with the Company, shall become the permanent and exclusive property of the Company to be used in any manner it sees fit, in its sole discretion and that all rights to Intellectual Property are vested in the Company. You shall not communicate to the Company any ideas, concepts, or information of any kind (i) which were earlier communicated to you in confidence by any third party, or (ii) which you know or have reason to know is the proprietary information of any third party, or (iii) which is subject to any claim of proprietary interest by any third party. Further, you shall adhere to and comply with the Company's Code of Ethics and Business Practices. All Intellectual Property created or assembled, whether or not by you, in connection with your employment with the Company shall be the permanent and exclusive property of the Company. You and the Company mutually agree that all Intellectual Property and work product created in connection with this Agreement, which is subject to copyright, shall be deemed to be "work made for hire," and that all rights to copyrights shall be vested in the Company. If for any reason the Company cannot be deemed to have commissioned "work made for hire," and its rights to copyright are thereby in doubt, then you agree not to claim to be the proprietor of the work prepared for the Company, and to irrevocably assign to the Company, at the Company's expense, all rights in the copyright of the work prepared for the Company. You further agree to execute any documentation necessary to assign over or vest any Intellectual Property in the Company.

(e) You agree that during the Employment Period and thereafter you shall not defame or disparage the Company or any of its Affiliates or their respective officers, directors, members, executives or associates; provided, however, that this Section 4(e) shall not prevent you from having any communications with your immediate family or your financial and tax advisors, accountants or attorneys or from giving testimony that may be required before any court, other tribunal, regulatory commission or administrative agency or pursuant to compulsory process of law or other applicable law. The Company agrees that, during the Employment Period and thereafter, it shall not, and it shall cause its executive officers and directors not to, defame or disparage you. You agree to reasonably cooperate with the Company in refuting any defamatory or disparaging remarks by any third party made in respect of the Company or any of its Affiliates or their respective officers, directors, members, executives or associates. The Company agrees to, and agrees to cause its executive officers and directors to, reasonably cooperate with you in refuting any defamatory or disparaging remarks by any third party made in respect of you.

(f) You agree that during the Employment Period and thereafter, in the event that you are served with legal process or other request purporting to require you to testify, plead, respond or defend and/or produce documents in connection with any legal or governmental proceeding, threatened proceeding, investigation or inquiry involving the Company or any of its Affiliates or their respective officers, directors, members, executives or associates, you will: (1) provide testimony or Company documents only if served with a subpoena, court order or similar process from a regulatory agency or with the prior written consent of the Company; (2) within three (3) business days or as soon thereafter as practical, provide oral notification to the Company's General Counsel of your receipt of such process or request to testify or produce documents; and (3) provide the Company's General Counsel by overnight delivery service a copy of all legal papers and documents served upon you. You further agree that in the event you are served with such process, you will meet and confer with the Company's designee(s) in advance of giving such testimony or information. You also agree to reasonably cooperate with the Company and/or, at the Company's request, any of its Affiliates and their respective officers, directors, members, executives or associates in connection with any existing, future or threatened litigation or governmental proceeding, investigation or inquiry involving the foregoing parties, whether administrative, civil or criminal in nature, in which and to the extent the Company deems your cooperation reasonably necessary. The Company agrees to reimburse you for your reasonable out-of-pocket expenses incurred in connection with the performance of your obligations under this Section 4(f) upon the presentation of statements of such expenses in accordance with the Company's policies and procedures as may be in effect from time to time; provided that such reimbursement shall be paid to you no later than the end of the calendar year immediately following the calendar year in which such expenses were incurred.

(g) You also agree that breach of the provisions provided in this Section 4 would cause the Company to suffer irreparable harm for which money damages would not be an adequate remedy and therefore, if you breach any of the provisions in this Section 4, the Company will be entitled to seek an injunction restraining you from violating such provision without the posting of any bond. If the Company shall institute any action or proceeding to enforce the terms of any such provision, you hereby waive the claim or defense that the Company has an adequate remedy at law and you agree 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 you to account for and pay over to the Company, and you hereby agree to account for and pay over, the compensation, profits, monies, accruals and other benefits derived or received by you as a result of any transaction constituting a breach of any of the provisions set forth in this Section 4. Without limiting the foregoing, you further agree that, in the event your employment is terminated due to a Company Non-Renewal Termination and you fail to comply with Section 4(a) or 4(b) of this Agreement, the Company shall have the immediate right to cease making any severance payments under Section 2(c) of this Agreement and shall have the right to require you to repay any severance payments that had been paid to you prior to the date of such breach.

5. Representations.

The parties hereto hereby represent and warrant that they have the authority to enter into this Agreement and perform their respective obligations hereunder. You hereby represent and warrant to the Company that (i) the execution and delivery of this Agreement and the performance of your duties hereunder shall not constitute a breach of or otherwise violate any other agreements, arrangements or commitments with any other party to which you are a party or by which you are bound, and (ii) you will not use or disclose any confidential and/or proprietary information or trade secrets obtained by you in connection with your former employments with respect to your duties and responsibilities hereunder. You further represent that you are not aware of any facts or circumstances that would adversely affect your ability to serve as the Company's Chief Administrative Officer.

6. Indemnification.

The Company agrees that if you are made a party or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), other than any Proceeding related to any contest or dispute between you and the Company or any of its Affiliates with respect to this Agreement or the services described hereunder, by reason of the fact that you are or were an officer or a director of the Company or any subsidiary of the Company or are or were 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 Company shall indemnify you for, and hold you harmless against, all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by you to the fullest extent authorized by the Company's Certificate of Incorporation and Bylaws (including, without limitation, the advancement of expenses in accordance with the Company's Bylaws).

7. Miscellaneous.

(a) Any notice or other communication required or permitted under this Agreement shall be effective only if it is in writing and shall be deemed to be given when delivered personally or four days after it is mailed by registered or certified mail, postage prepaid, return receipt requested or one day after it is sent by a reputable overnight courier service and, in each case, addressed as follows:

If to the Company:
J. Crew Group, Inc.
770 Broadway
New York, New York 10003
Attention: General Counsel

If to you: To the address on file with the Company.

Or to such other address as any party may designate by notice to the other.

(b) This Agreement and any other agreement specifically referred to herein constitute the entire agreement between you and the Company with respect to the subject matter hereof and thereof, and supersede and are in full substitution for any and all prior understandings or agreements with respect to the subject matter hereof and thereof.

(c) This Agreement shall inure to the benefit of and be an obligation of the Company's assigns and Successors (as defined below), provided that, in connection with and notwithstanding any assignment to an Affiliate of the Company, the Company shall continue to be liable and responsible for all of its obligations hereunder, as stated herein, without termination or modification (unless mutually agreed by you and the Company); however you may not assign any of your rights or duties hereunder to any other party. The term "Successor" shall mean, with respect to the Company, any other business entity that, by merger, consolidation, purchase of the assets, or otherwise, acquires all or a material part of its assets. Any assignment by the Company of its rights or obligations hereunder to any Affiliate of or Successor to the Company shall not be a termination of the Employment Period for purposes of this Agreement. Notwithstanding anything herein to the contrary, in the event of any transaction that results in a Successor (other than a transaction in which the Company survives following the transaction), the Company shall require such Successor to assume its obligations under this Agreement in connection with such transaction.

(d) No provision of this Agreement may be amended or waived, unless such amendment or waiver is specifically agreed to in writing and signed by you and an officer of the Company duly authorized to execute such amendment. The failure by either you or the Company at any time to require the performance by the other 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 you or the Company 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) You and the Company acknowledge and agree that each of you has reviewed and negotiated the terms and provisions of this Agreement and has had the opportunity to contribute to its revision. Accordingly, the rule of construction to the effect that ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement. Rather, the terms of this Agreement shall be construed fairly as to both parties and not in favor or against either party.

(f) Any provision of this Agreement (or portion thereof) which is deemed invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction and subject to this Section, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions thereof in such jurisdiction or rendering that or any other provisions of this Agreement invalid, illegal, or unenforceable in any other jurisdiction. If any covenant should be deemed invalid, illegal or unenforceable because its scope is considered excessive, such covenant shall be modified so that the scope of the covenant is reduced only to the minimum extent necessary to render the modified covenant valid, legal and enforceable.

(g) The Company may withhold from any amounts payable to you 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 (it being understood, that you shall be responsible for payment of all taxes in respect of the payments and benefits provided herein).

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

(i) 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.

(j) This Agreement and all amendments thereof shall, in all respects, be governed by and construed and enforced in accordance with the internal laws (without regard to principles of conflicts of law) of the State of New York. Each party hereto hereby agrees to and accepts the exclusive jurisdiction of any court in New York County or the U.S. District Court for the Southern District of New York in respect of any action or proceeding relating to the subject matter hereof, expressly waiving any defense relating to jurisdiction or *forum non conveniens,* and consents to service of process by U.S. certified or registered mail in any action or proceeding with respect to this Agreement.

(k) It is the intent of the parties that this Agreement be interpreted in a manner that complies with the requirements of Section 409A of the Code. If any provision of this Agreement (or any award of compensation or benefits provided under this Agreement) would cause you to incur any additional tax or interest under Section 409A of the Code, the Company and you shall reasonably cooperate to reform such provision to comply with Section 409A of the Code and the Company agrees to maintain, to the maximum extent practicable without violating Section 409A of the Code, the original intent and economic benefit to you of the applicable provision; provided that nothing herein shall require the Company to provide you with any gross-up for any tax, interest or penalty incurred by you under Section 409A of the Code. Notwithstanding anything herein to the contrary, any amount of expenses eligible for reimbursement pursuant to this Agreement during a calendar year shall not affect the amount of expenses eligible for reimbursement during any other calendar year. In addition, the right to reimbursement pursuant to this Agreement shall not be subject to liquidation or exchange for any other benefit.

If the terms of this Agreement meet with your approval, please sign and return one copy to me.

Sincerely,

/s/ JAMES BRETT

James Brett
Chief Executive Officer

AGREED TO AND ACCEPTED:

/s/ LYNDA MARKOE

Lynda Markoe
Dated: September 14, 2017

EXHIBIT A

General Release

1. General Release of All Claims: In exchange for the Company's payment of the benefits described in Section 2(c) of your Letter Agreement with the Company, you voluntarily, fully and unconditionally release and forever discharge the Company and its past and present parents, subsidiaries, affiliates, predecessors, successors, assigns, and their respective officers, directors, employees, agents and plan administrators, in their individual and corporate capacities (hereinafter collectively referred to as "Releasees") from any and all charges, actions, causes of action, demands, debts, dues, bonds, accounts, covenants, contracts, liabilities, or damages of any nature whatsoever, whether now known or unknown, to whomever made, which you have or may have against any or all of the Releasees for or by reason of any cause, nature or thing whatsoever arising out of or related to your employment with the Company, the termination of such employment, or otherwise, from the beginning of time up to and including the date on which you sign this Agreement, except as otherwise specifically stated in this Agreement.

Such claims, obligations, or liabilities include, but are not limited to: claims for compensation allegedly due or owing; claims sounding in contract or implied contract; claims for wrongful dismissal; claims sounding in tort; claims arising under common law, civil law, equity, or federal, state, or local statutes or ordinances, including but not limited to, the Age Discrimination in Employment Act, as amended; Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; Section 1981 of the Civil Rights Act of 1866; the Equal Pay Act; the Americans with Disabilities Act and/or the Rehabilitation Act of 1973; the Employee Retirement Income Security Act; the WARN Act; the Consolidated Omnibus Budget Reconciliation Act; the Family Medical Leave Act, as amended; the Genetic Information Nondiscrimination Act of 2008; state statutes governing the payment of wages, discrimination in the workplace, or any other statute or laws governing the employer-employee relationship, including but not limited to, the New York State Human Rights Law, the New York Labor Law, the New York State Constitution, the New York Civil Rights Law, the New York wage-hour laws, the New York City Human Rights Law; the Virginia Human Rights Act; the North Carolina Equal Employment Practices Act, the North Carolina Persons with Disabilities Protection Act, the North Carolina Retaliatory Employment Discrimination Act, the North Carolina Wage & Hour Act; any other claim pursuant to any other federal, state or local employment laws, statutes, standards or human rights legislation; or any claim for severance pay, notice, pay in lieu of notice, salary, bonus, incentive or additional compensation, vacation pay, insurance, other benefits, interest, and/or attorney's fees. You acknowledge that this general release is not made in connection with any exit incentive or other employment termination program offered to a group or class of employees.

Notwithstanding the foregoing, nothing in this Agreement waives your right to (a) pursue a claim that cannot be released by private agreement, including, workers compensation claims, claims arising after the date on which you sign this Agreement, and your right to file administrative charges with certain government agencies; and (b) challenge the Company's failure to comply with its obligation in Paragraph 1 above.

2. No Claims Filed: You represent that you have not filed or permitted to be filed against the Releasees, individually or collectively, any lawsuits, actions or claims, and you covenant and agree that you will not do so at any time hereafter with respect to the subject matter of this Agreement and claims released pursuant to this Agreement (including, without limitation, any claims relating to your employment and/or the termination of your employment).

You understand that nothing in this Agreement shall limit you from filing a charge with, or participating in any investigation or proceeding conducted by, the Equal Employment Opportunity Commission, National Labor Relations Board and/or any other federal, state or local agency. Nothing in this agreement prohibits you from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making any other disclosures that are protected under the whistleblower provisions of federal law or regulation. You do not need the prior authorization of the Company to make any such reports or disclosures and you are not required to notify the Company that you have made such reports or disclosures. However, by signing this Agreement, you hereby waive any and all rights to recover monetary damages in any charge, complaint or lawsuit filed by you or by anyone else on your behalf.

3. **Waiver:** By signing this Agreement, you acknowledge that:

(a) You have received and carefully read this Agreement;

(b) You fully understand all of the terms contained in this Agreement;

(c) You are freely and voluntarily entering into this Agreement and knowingly releasing the Releasees in accordance with the terms contained in Paragraph 1 above;

(d) Before signing this Agreement, you were advised of your right and had an opportunity to consult with an attorney of your choice;

(e) In accordance with Paragraph 1 above, you hereby expressly waive, among other claims, any and all claims arising under the Age Discrimination in Employment Act of 1967 (29 U.S.C. § 621 *et seq.),* which you have or may have against the Releasees;

(f) The release of claims described in Paragraph 1, above, of this Agreement does not waive any rights or claims that you may have against the Company and/or the Releasees arising after the date on which this Agreement becomes effective;

(g) You have received or shall receive something of value from the Company which you would not otherwise be entitled to receive;

(h) Before signing this Agreement, you were given up to twenty-one (21) calendar days to consider its terms and, should you sign this Agreement without waiting the full 21 days, you attest that your decision in this regard is knowing and voluntary and not induced through fraud, coercion, misrepresentation or a threat to withdraw or alter the offer contained herein, and agree that any changes to this Agreement do not restart the running of the 21 day period;

(i) The period of time until [DATE], that you had to consider your rights and obligations under this Agreement was reasonable; and

(j) For a period of seven (7) calendar days following the date on which you sign this Agreement, you may revoke this Agreement; and

(k) This Agreement, absent its timely revocation, shall become binding on the Company and you on the eighth calendar day following the date on which you sign this Agreement. The Company shall not be required to perform any of its obligations under this Agreement until after your time to revoke this Agreement has expired.

4. Return of Signed Agreement: You should return this signed Agreement to [—], Human Resources, 770 Broadway, New York, NY 10003 by no later than [DATE].

5. Effective Date: You will not receive the benefits described in Section 2(c) of your Letter Agreement with the Company until after the revocation period has expired and this Agreement becomes effective. You have seven (7) days from the date that you sign this Agreement to change your mind. Any revocation within this period must be (a) submitted in writing to the Company; (b) state "I hereby revoke my execution of the General Release"; and (c) be personally delivered to the Company's Chief Executive Officer, or mailed to their attention at J. Crew, 770 Broadway, New York, NY 10003 within seven (7) days of the execution of this Agreement.

Very truly yours,

J. CREW GROUP, INC.

By ______________________________
[Name / Title]

Received, Read, Understood and Agreed:

____
[Associate Name]

Dated:

Acknowledgement of Receipt of
General Release

I acknowledge receiving today a General Release in connection with the termination of my employment with J. Crew Group, Inc. I have been informed of the time periods for my consideration of the Agreement and for its revocation after I sign it if I later change my mind.

Date ______________________________ ______________________________

Associate Name & Signature

EXHIBIT B

Competitive Businesses

Abercrombie and Fitch

Aeropostale

Amazon (in respect to fashion)

American Eagle

Ascena

Bonobos

Coach

Cole Haan

Everlane

Fast Retailing

Gap

J. Jill

Kate Spade

Land’s End

PVH

Ralph Lauren

Steven Alan

Talbots

Tory Burch

Urban Outfitters

Vince

Vineyard Vines

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: November 21, 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, Vincent Zanna, 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: November 21, 2017

/s/ Vincent Zanna

Vincent Zanna
Chief Financial Officer and Treasurer

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 October 28, 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 Vincent Zanna, 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: November 21, 2017

/s/ James Brett
James Brett
Chief Executive Officer

/s/ Vincent Zanna
Vincent Zanna
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.