
**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 April 29, 2017

Or

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

Commission
File Number
333-175075

Registrant, State of Incorporation
Address and Telephone Number

I.R.S. Employer
Identification No.
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 June 9, 2017

Common Stock, \$.01 par value per share

1,000 shares

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

J.CREW GROUP, INC.
TABLE OF CONTENTS – FORM 10-Q

	<u>Page Number</u>
 <u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Condensed Consolidated Financial Statements (unaudited):</u>	3
<u>Condensed Consolidated Balance Sheets at April 29, 2017 and January 28, 2017</u>	3
<u>Condensed Consolidated Statements of Operations and Comprehensive Loss for the thirteen weeks ended April 29, 2017 and April 30, 2016</u>	4
<u>Condensed Consolidated Statements of Changes in Stockholders' Deficit for the thirteen weeks ended April 29, 2017 and the fifty-two weeks ended January 28, 2017</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the thirteen weeks ended April 29, 2017 and April 30, 2016</u>	6
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
Item 3. <u>Quantitative and Qualitative Disclosure About Market Risk</u>	25
Item 4. <u>Controls and Procedures</u>	25
 <u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	26
Item 1A. <u>Risk Factors</u>	26
Item 5. <u>Other Information</u>	26
Item 6. <u>Exhibits</u>	27

PART I – FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

J.CREW GROUP, INC.
Condensed Consolidated Balance Sheets
(unaudited)
(in thousands, except share data)

	April 29, 2017	January 28, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 104,568	\$ 132,226
Merchandise inventories	324,977	314,492
Prepaid expenses and other current assets	76,667	59,494
Total current assets	<u>506,212</u>	<u>506,212</u>
Property and equipment, net	344,503	362,187
Intangible assets, net	318,116	450,204
Goodwill	107,900	107,900
Other assets	5,530	6,207
Total assets	<u>\$ 1,282,261</u>	<u>\$ 1,432,710</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 214,173	\$ 194,494
Other current liabilities	171,714	157,141
Interest payable	5,091	7,977
Income taxes payable to Parent	25,973	25,215
Current portion of long-term debt	15,670	15,670
Total current liabilities	<u>432,621</u>	<u>400,497</u>
Long-term debt, net	1,487,736	1,494,490
Lease-related deferred credits, net	130,195	132,566
Deferred income taxes, net	97,614	148,200
Other liabilities	41,122	43,168
Total liabilities	<u>2,189,288</u>	<u>2,218,921</u>
Stockholders' deficit:		
Common stock \$0.01 par value; 1,000 shares authorized, issued and outstanding	—	—
Additional paid-in capital	980,577	980,368
Accumulated other comprehensive loss	(9,266)	(11,536)
Accumulated deficit	(1,878,338)	(1,755,043)
Total stockholders' deficit	<u>(907,027)</u>	<u>(786,211)</u>
Total liabilities and stockholders' deficit	<u>\$ 1,282,261</u>	<u>\$ 1,432,710</u>

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 April 29, 2017	Thirteen Weeks Ended April 30, 2016
Revenues:		
Net sales	\$ 513,180	\$ 553,219
Other	18,786	14,280
Total revenues	<u>531,966</u>	<u>567,499</u>
Cost of goods sold, including buying and occupancy costs	<u>343,729</u>	<u>362,545</u>
Gross profit	188,237	204,954
Selling, general and administrative expenses	210,423	192,235
Impairment losses	<u>131,157</u>	<u>5,396</u>
Income (loss) from operations	<u>(153,343)</u>	<u>7,323</u>
Interest expense, net of interest income	<u>20,436</u>	<u>18,215</u>
Loss before income taxes	<u>(173,779)</u>	<u>(10,892)</u>
Benefit for income taxes	<u>(50,484)</u>	<u>(2,851)</u>
Net loss	<u>\$ (123,295)</u>	<u>\$ (8,041)</u>
Other comprehensive income (loss):		
Reclassification of losses on cash flow hedges, net of tax, to earnings	1,864	605
Unrealized loss on cash flow hedges, net of tax	(4)	(1,071)
Foreign currency translation adjustments	<u>410</u>	<u>460</u>
Comprehensive loss	<u>\$ (121,025)</u>	<u>\$ (8,047)</u>

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	<u>1,000</u>	<u>\$ —</u>	<u>\$ 979,333</u>	<u>\$ (1,731,529)</u>	<u>\$ (16,791)</u>	<u>\$ (768,987)</u>
Net loss	—	—	—	(23,514)	—	(23,514)
Share-based compensation	—	—	1,035	—	—	1,035
Reclassification of realized losses on cash flow hedges, net of tax of \$4,083, to earnings	—	—	—	—	6,387	6,387
Unrealized loss on cash flow hedges, net of tax of \$287	—	—	—	—	449	449
Foreign currency translation adjustments	—	—	—	—	(1,581)	(1,581)
Balance at January 28, 2017	<u>1,000</u>	<u>\$ —</u>	<u>\$ 980,368</u>	<u>\$ (1,755,043)</u>	<u>\$ (11,536)</u>	<u>\$ (786,211)</u>
Net loss	—	—	—	(123,295)	—	(123,295)
Share-based compensation	—	—	209	—	—	209
Reclassification of realized losses on cash flow hedges, net of tax of \$1,192, to earnings	—	—	—	—	1,864	1,864
Unrealized loss on cash flow hedges, net of tax of \$3	—	—	—	—	(4)	(4)
Foreign currency translation adjustments	—	—	—	—	410	410
Balance at April 29, 2017	<u>1,000</u>	<u>\$ —</u>	<u>\$ 980,577</u>	<u>\$ (1,878,338)</u>	<u>\$ (9,266)</u>	<u>\$ (907,027)</u>

See notes to unaudited condensed consolidated financial statements.

J.CREW GROUP, INC.
Condensed Consolidated Statements of Cash Flows
(unaudited)
(in thousands)

	Thirteen Weeks Ended April 29, 2017	Thirteen Weeks Ended April 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (123,295)	\$ (8,041)
Adjustments to reconcile to cash flows from operating activities:		
Impairment losses	131,157	5,396
Depreciation of property and equipment	25,163	26,210
Reclassification of hedging losses to earnings	3,056	992
Amortization of intangible assets	2,288	3,024
Amortization of deferred financing costs and debt discount	1,227	1,265
Share-based compensation	209	358
Foreign currency transaction gains	(191)	(2,289)
Deferred income taxes	(51,775)	(6,208)
Changes in operating assets and liabilities:		
Merchandise inventories	(10,618)	(17,983)
Prepaid expenses and other current assets	(17,134)	(3,672)
Other assets	631	(1,087)
Accounts payable and other liabilities	26,148	(13,133)
Federal and state income taxes	1,853	4,544
Net cash used in operating activities	<u>(11,281)</u>	<u>(10,624)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	<u>(8,317)</u>	<u>(19,056)</u>
Net cash used in investing activities	<u>(8,317)</u>	<u>(19,056)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments of Term Loan Facility	<u>(7,835)</u>	<u>(3,918)</u>
Net cash used in financing activities	<u>(7,835)</u>	<u>(3,918)</u>
Effect of changes in foreign exchange rates on cash and cash equivalents	<u>(225)</u>	<u>476</u>
Decrease in cash and cash equivalents	<u>(27,658)</u>	<u>(33,122)</u>
Beginning balance	132,226	87,812
Ending balance	<u>\$ 104,568</u>	<u>\$ 54,690</u>
Supplemental cash flow information:		
Income taxes paid	<u>\$ 16</u>	<u>\$ 72</u>
Interest paid	<u>\$ 21,928</u>	<u>\$ 18,179</u>

See notes to unaudited condensed consolidated financial statements.

J.CREW GROUP, INC.

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

1. Basis of Presentation

J.Crew Group, Inc. and its wholly owned subsidiaries (the “Company” or “Group”) were acquired (the “Acquisition”) on March 7, 2011 through a merger with a subsidiary of Chinos Holdings, Inc. (the “Parent”). The Parent was formed by investment funds affiliated with TPG Capital, L.P. (“TPG”) and Leonard Green & Partners, L.P. (“LGP”) and together with TPG, the “Sponsors”). Subsequent to the Acquisition, Group became an indirect, wholly owned subsidiary of Parent, which is owned by affiliates of the Sponsors, co-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. 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 Sponsors receive an aggregate annual monitoring fee prepaid quarterly equal to the greater of (i) 40 basis points of consolidated annual revenues or (ii) \$8 million. The Sponsors also receive reimbursement for out-of-pocket expenses incurred in connection with services provided pursuant to the agreement. The Company recorded an expense of \$2.4 million and \$2.6 million in the first quarter 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.

3. Goodwill and Intangible Assets

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

	<u>Favorable Lease Commitments</u>	<u>Madewell Trade Name</u>	<u>Key Money</u>	<u>J.Crew Trade Name</u>
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	<u>\$ 7,480</u>	<u>\$ 56,717</u>	<u>\$ 3,724</u>	<u>\$ 250,195</u>
Total accumulated amortization or impairment losses at April 29, 2017	<u>\$ (53,529)</u>	<u>\$ (25,283)</u>	<u>\$ (1,093)</u>	<u>\$ (635,105)</u>

During the first quarter of fiscal 2017, the Company generated less than expected revenues in its J.Crew reporting unit, which the Company considered 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 at April 29, 2017. 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	
	April 29, 2017	April 30, 2016
Intangible asset related to the J.Crew trade name	\$ 129,800	\$ —
Long-lived assets (see note 7)	1,357	5,396
Impairment losses	<u>\$ 131,157</u>	<u>\$ 5,396</u>

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.

4. 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.

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

	For the Thirteen Weeks Ended	
	April 29, 2017	April 30, 2016
Share-based compensation	<u>\$ 209</u>	<u>\$ 358</u>

A summary of shares available for grant as stock options or other share-based awards is as follows:

	Shares
Available for grant at January 28, 2017	4,017,620
Granted	—
Cancelled	—
Forfeited and available for reissuance	880,950
Available for grant at April 29, 2017	<u>4,898,570</u>

5. Long-Term Debt and Credit Agreements

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

	April 29, 2017	January 28, 2017
Term Loan Facility	\$ 1,519,990	\$ 1,527,825
Less current portion	(15,670)	(15,670)
Less deferred financing costs	(12,293)	(13,095)
Less discount	(4,291)	(4,570)
Long-term debt, net	<u>\$ 1,487,736</u>	<u>\$ 1,494,490</u>
Borrowings under the ABL Facility	<u>\$ —</u>	<u>\$ —</u>

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 April 29, 2017, standby letters of credit were \$22.7 million, excess availability, as defined, was \$299.6 million, and there were no borrowings outstanding. There were no average short term borrowings under the ABL Facility in the first quarter of fiscal 2017. Average short-term borrowings under the ABL Facility were \$4.3 million in the first quarter of fiscal 2016.

Demand Letter of Credit Facility

The Company has unsecured, demand letter of credit facilities with HSBC and Bank of America which provide for the issuance of up to \$50 million and \$20 million, respectively, of documentary letters of credit on a no fee basis. On April 29, 2017, outstanding documentary letters of credit were \$8.4 million, and aggregate availability under these facilities was \$61.6 million.

Term Loan Facility

Borrowings under the Term Loan Facility bear interest at a rate per annum equal to an applicable margin 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 adjusted for certain additional costs, plus 1.00%.

The Company is required to make principal repayments equal to 0.25% of the original principal amount of the Term Loan Facility, or \$3.9 million, on the last business day of January, April, July, and October. The Company is also required to repay the term loan based on an annual calculation of excess cash flow, as defined in the agreement. The maturity date of the Term Loan Facility is March 5, 2021.

The weighted average interest rate on the borrowings outstanding under the Term Loan Facility was 4.08% on April 29, 2017. The applicable margin in effect for base rate borrowings was 2.00% and the LIBOR Floor and applicable margin with respect to LIBOR borrowings were 1.00% and 3.00%, respectively, at April 29, 2017.

On December 30, 2016, Bank of America, N.A. ("BAML") resigned as administrative agent under the Company's Term Loan Facility. Effective as of January 29, 2017, Wilmington Savings Fund Society, FSB ("WSFS") was appointed to replace BAML as administrative agent under its Term Loan Facility.

On February 1, 2017, the Company filed a complaint in the New York State Supreme Court, Commercial Division, against WSFS, as successor agent under the Term Loan Facility seeking a declaration from the court that its actions with respect to certain intellectual property assets are in full compliance with the terms of the Term Loan Facility. The Company asserts that any attempt by WSFS or the ad hoc group of lenders under its Term Loan Facility to challenge its actions is invalid and intends to vigorously assert its rights under 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, which the Company intends to vigorously defend. On April 13, 2017, the Company filed its Reply and Affirmative Defenses to WSFS's counterclaims.

Interest expense

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

	For the Thirteen Weeks Ended	
	April 29, 2017	April 30, 2016
Term Loan Facility	\$ 15,507	\$ 15,534
Realized hedging losses	3,056	995
Amortization of deferred financing costs and debt discount	1,227	1,265
Other interest, net of interest income	646	421
Interest expense, net	<u>\$ 20,436</u>	<u>\$ 18,215</u>

6. 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 \$15.4 million and \$18.6 million at April 29, 2017 and January 28, 2017, respectively.

7. 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 \$1,017 million and \$878 million at April 29, 2017 and January 28, 2017, respectively, based on quoted market prices of the debt (level 1 inputs).

The Company's interest rate swap agreements are measured in the financial statements at fair value on a recurring basis. See note 6 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 April 29, 2017 or January 28, 2017 that are measured on a recurring basis in the financial statements at fair value.

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

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	
	April 29, 2017	April 30, 2016
Carrying value of long-term assets written down to fair value	\$ 1,357	\$ 5,396
Impairment charge	\$ 1,357	\$ 5,396

8. 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:

	April 29, 2017	January 28, 2017
Refundable income taxes of Parent	\$ 7,495	\$ 8,247
Due to Parent	(33,468)	(33,462)
Income taxes payable to Parent	\$ (25,973)	\$ (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 April 29, 2017, there was no change to that determination. This accounting treatment has no effect on the Company's ability to utilize deferred tax assets to reduce future cash tax payments. The Company will continue to assess the likelihood that the deferred tax assets will be realizable at the end of each reporting period and the valuation allowance will be adjusted accordingly.

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

In the first quarter of fiscal 2017, the Company recognized a deferred tax benefit of \$51.8 million primarily a result of the reversal of deferred taxes related to the intangible asset for the J.Crew trade name, which was written down by \$129.8 million in the first quarter. The Company did not recognize any additional deferred tax benefit on other operating losses due to an increase in the valuation allowance. Not recognizing tax benefit on the Company's other operating losses was the primary driver of the difference between the statutory rate of 35% to the effective rate of 29% for the quarter.

The effective tax rate for the first quarter of fiscal 2016 was 26%. Items driving differences between the U.S. federal statutory rate of 35% and the effective rate include (i) state and local income taxes, (ii) the recognition of certain foreign valuation allowances, (iii) lower rates in certain foreign jurisdictions, and (iv) 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.

9. 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 April 29, 2017, the Company has recorded a reserve for certain legal contingencies in connection with ongoing claims and litigation. The reserve is not material to its results of operations. In addition, there are certain other claims and legal proceedings pending against the Company for which accruals have not been established.

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 from the court that its actions with respect to certain intellectual property assets are in full compliance with the terms of the Term Loan Facility. The Company asserts that any attempt by WSFS or the ad hoc group of lenders under its Term Loan Facility to challenge its actions is invalid and intends to vigorously assert its rights under 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, which the Company intends to vigorously defend. On April 13, 2017, the Company filed its Reply and Affirmative Defenses to WSFS's counterclaims.

10. 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, the Company incurred a pre-tax charge of \$10.7 million for severance and related costs, included in selling, general and administrative expenses. At April 29, 2017, accrued and unpaid severance and related costs were \$10.5 million.

11. Related Party Transaction

On November 4, 2013, Chinos Intermediate Holdings A, Inc. (the "Issuer"), an indirect parent holding company of Group, issued \$500 million aggregate principal of 7.75/8.50% Senior PIK Toggle Notes due May 1, 2019 (the "PIK Notes").

The PIK Notes are (i) senior unsecured obligations of the Issuer, (ii) structurally subordinated to all of the liabilities of the Issuer's subsidiaries, and (iii) not guaranteed by any of the Issuer's subsidiaries, and therefore are not recorded in the financial statements of the Company.

On April 28, 2017, the Issuer delivered notice to U.S. Bank N.A., as trustee, under the indenture governing the PIK Notes, that with respect to the interest that will be due on such notes on the November 1, 2017 interest payment date, the Issuer will make such interest payment by paying in kind at the PIK interest rate of 8.50% instead of paying in cash. The PIK election will increase the outstanding principal balance of the PIK Notes by \$24.1 million to \$590.6 million. Therefore, the Company will not pay a dividend to the Issuer in the fourth quarter of fiscal 2017 to fund a semi-annual interest payment. Pursuant to the terms of the indenture governing the PIK Notes, the Issuer intends to evaluate this option prior to the beginning of each interest period based on relevant factors at that time.

The Company has recorded a receivable of \$4.2 million due from the Issuer, included in prepaid expenses and other current assets, related to the payment of certain transactions costs on behalf of the Issuer.

12. Recent Accounting Pronouncements

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

In July 2015, a pronouncement was issued that more closely aligns the measurement of inventory in U.S. GAAP with International Financial Reporting Standards by requiring companies using the first-in, first-out and average costs methods to measure inventory using the lower of cost and net realizable value. The pronouncement is effective for fiscal years beginning after December 15, 2016. The adoption of this pronouncement does not impact the Company's condensed consolidated financial statements.

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

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

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

13. Subsequent Event

To address potential liquidity issues of the Issuer arising as a result of the PIK Notes maturity in 2019, the Company announced that it has reached agreement with certain holders of PIK Notes that also hold a portion of terms loans under our Term Loan Facility (the "Ad Hoc Creditors") to conduct a series of transactions to enhance the Company's capital structure. Pursuant to these transactions the Company or its affiliates, among other things, will seek to:

- conduct a private exchange offer pursuant to which certain of the Company's affiliates would offer to purchase any and all of the Issuer's outstanding PIK Notes for aggregate consideration consisting of up to \$190 million aggregate liquidation preference of new preference shares issued by the Parent, up to 15% of the common stock of the Parent (prior to dilution of an intended management incentive plan) and up to \$250 million principal amount of new notes ("IPCo notes") to be issued by one of its subsidiaries, which would be secured by certain U.S. intellectual property rights transferred to the subsidiary and the subsidiary's interest in an IP license agreement;
- amend the Term Loan Facility to facilitate the transactions and direct the agent thereunder to dismiss, with prejudice, the litigation regarding the transferred IP;
- refinance, repay or repurchase \$150 million principal amount of term loans currently outstanding under the Term Loan Facility;
- raise additional borrowings under the Term Loan Facility of \$30 million (at a 2% discount) to be provided by new or existing lenders, or in lieu thereof, one or more sponsors (or affiliates thereof), the net proceeds of which will be applied to finance the refinancing, redemption or repurchase of term loans referenced above;
- conduct a concurrent private placement, subject to the terms of a separate note purchase agreement, to certain Ad Hoc Creditors of \$97 million principal amount of additional IPCo notes (for cash at a 3% discount); and
- transfer to one of the Company's unrestricted subsidiaries the remaining undivided 27.96% ownership interest by J.Crew International of certain U.S. intellectual property rights not previously included in the transferred IP and amend the license fee thereunder.

These transactions are subject to a number of important conditions, including a 95% minimum tender condition in the private exchange offer and majority consents to the amendments to the Term Loan Facility, and there is no guarantee that any of these

transactions will be completed. The private exchange offer is not conditioned on the approval of the proposed amendment to the Term Loan Facility, but each of the other transactions specified above is conditioned on, and would be entered into as part of, the approval of the proposed amendments to the Term Loan Facility by a majority of lenders thereunder.

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, our announced capital structure transactions 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 and the indebtedness of our indirect parent, the retirement, repurchase or exchange of our indebtedness or the indebtedness of our indirect parent, 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 April 29, 2017, we operated 278 J.Crew retail stores, 179 J.Crew factory stores (including 39 J.Crew Mercantile® stores), and 116 Madewell stores throughout the United States, Canada, the United Kingdom, Hong Kong, and France; compared to 287 J.Crew retail stores, 164 J.Crew factory stores (including 22 J.Crew Mercantile stores), and 106 Madewell stores as of April 30, 2016.

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

<i>(Dollars in millions)</i>	For the Thirteen Weeks Ended April 29, 2017	For the Thirteen Weeks Ended April 30, 2016
J.Crew	\$ 428.5	\$ 480.7
Madewell	84.7	72.5
Other(a)	18.8	14.3
Total revenues	<u>\$ 532.0</u>	<u>\$ 567.5</u>

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

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

- Revenues decreased 6.3% to \$532.0 million, with comparable company sales down 9.0%.
- J.Crew revenues decreased 10.9% to \$428.5 million, with J.Crew comparable sales down 11.8%.
- Madewell revenues increased 16.9% to \$84.7 million, with Madewell comparable sales up 9.6%.
- We recorded non-cash impairment losses of \$131.2 million, primarily a result of the write-down of the intangible asset related to the J.Crew trade name.
- We opened three Madewell stores. We closed three J.Crew retail stores and two J.Crew factory stores.
- We launched a multi-year transformation effort designed to create an even faster, more nimble organization focused on delivering value across all channels.
- We initiated a workforce reduction as part of a strategic reorganization in April 2017. We incurred a pre-tax charge of \$10.7 million for severance and related costs. We anticipate annualized pre-tax savings of payroll and related costs of approximately \$30 million.

How We Assess the Performance of Our Business

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

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

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

<i>(Dollars in millions)</i>	For the Thirteen Weeks Ended April 29, 2017		For the Thirteen Weeks Ended April 30, 2016		Variance Increase/(Decrease)	
	Amount	Percent of Revenues	Amount	Percent of Revenues	Dollars	Percentage
Revenues	\$ 532.0	100.0%	\$ 567.5	100.0%	\$ (35.5)	(6.3)%
Gross profit	188.2	35.4	205.0	36.1	(16.8)	(8.2)
Selling, general and administrative expenses	210.4	39.6	192.2	33.9	18.2	9.5
Impairment losses	131.2	24.7	5.4	1.0	125.8	NM
Income (loss) from operations	(153.3)	(28.8)	7.3	1.3	(160.6)	NM
Interest expense, net	20.4	3.8	18.2	3.2	2.2	12.2
Benefit for income taxes	(50.5)	(9.5)	(2.9)	(0.5)	(47.6)	NM
Net loss	\$ (123.3)	(23.2)%	\$ (8.0)	(1.4)%	\$ (115.3)	NM%

Revenues

Total revenues decreased \$35.5 million, or 6.3%, to \$532.0 million in the first quarter of fiscal 2017 from \$567.5 million in the first quarter last year, driven primarily by a decrease in sales of women's apparel, specifically sweaters, dresses and knits. Comparable company sales decreased 9.0% following a decrease of 6.5% in the first quarter last year.

J.Crew sales decreased \$52.2 million, or 10.9%, to \$428.5 million in the first quarter of fiscal 2017 from \$480.7 million in the first quarter last year. J.Crew comparable sales decreased 11.8% following a decrease of 8.0% in the first quarter last year.

Madewell sales increased \$12.2 million, or 16.9%, to \$84.7 million in the first quarter of fiscal 2017 from \$72.5 million in the first quarter last year. Madewell comparable sales increased 9.6% following an increase of 5.9% in the first 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 April 29, 2017	For the Thirteen Weeks Ended April 30, 2016
Apparel:		
Women's	57%	56%
Men's	21	21
Children's	8	8
Accessories	14	15
	<u>100%</u>	<u>100%</u>

Other revenues increased \$4.5 million to \$18.8 million in first quarter of fiscal 2017 from \$14.3 million in the first quarter last year, primarily a result of revenue from third party resellers.

Gross Profit

Gross profit decreased \$16.8 million to \$188.2 million in the first quarter of fiscal 2017 from \$205.0 million in the first quarter last year. This decrease resulted from the following factors:

<i>(Dollars in millions)</i>	Increase/ (decrease)
Decrease in revenues	\$ (18.2)
Decrease in merchandise margin	(0.8)
Decrease in buying and occupancy costs	2.2
Decrease in gross profit	<u>\$ (16.8)</u>

Gross margin decreased to 35.4% in the first quarter of fiscal 2017 from 36.1% in the first quarter last year. The decrease in gross margin was driven by: (i) an 60 basis point increase in buying and occupancy costs as a percentage of revenues and (ii) a 10 basis point decrease in merchandise margin due to increased markdowns offset by favorable product costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$18.2 million to \$210.4 million in the first quarter of fiscal 2017 from \$192.2 million in the first quarter last year. This increase primarily resulted from the following:

<i>(Dollars in millions)</i>	Increase/ (decrease)
Charges related to a workforce reduction	\$ 10.7
Transformation costs	5.6
Corporate occupancy actions last year	3.8
Transaction costs	2.5
Decrease in foreign currency transaction gains	1.9
Decrease in insurance recoveries	1.0
Decrease in share-based and incentive compensation	(1.5)
Decrease in operating and corporate expenses	(5.8)
Increase in selling, general and administrative expenses	<u>\$ 18.2</u>

As a percentage of revenues, selling, general and administrative expenses increased to 39.6% in the first quarter of fiscal 2017 from 33.9% in the first quarter 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 at April 29, 2017. 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:

<i>(Dollars in millions)</i>	For the Thirteen Weeks Ended April 29, 2017	For the Thirteen Weeks Ended April 30, 2016
Intangible asset related to the J.Crew trade name	\$ 129.8	\$ —
Long-lived assets	1.4	5.4
Impairment losses	<u>\$ 131.2</u>	<u>\$ 5.4</u>

Interest Expense, Net

Interest expense, net of interest income, increased \$2.2 million to \$20.4 million in the first quarter of fiscal 2017 from \$18.2 million in the first quarter last year. A summary of interest expense is as follows:

<i>(Dollars in millions)</i>	For the Thirteen Weeks Ended April 29, 2017	For the Thirteen Weeks Ended April 30, 2016
Term Loan Facility	\$ 15.5	\$ 15.5
Realized hedging losses	3.1	1.0
Amortization of deferred financing costs and debt discount	1.2	1.3
Other, net of interest income	0.6	0.4
Interest expense, net	<u>\$ 20.4</u>	<u>\$ 18.2</u>

Benefit for Income Taxes

In the first quarter of fiscal 2017, we recognized a deferred tax benefit of \$51.8 million primarily a result of the reversal of deferred taxes related to the intangible asset for the J.Crew trade name, which was written down by \$129.8 million in the first quarter. We did not recognize any additional deferred tax benefit on other operating losses due to an increase in the valuation allowance. Not recognizing tax benefit on our other operating losses was the primary driver of the difference between the statutory rate of 35% and our effective rate of 29%.

As of the first quarter of fiscal 2017, we continue to maintain a full valuation 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 quarter of 2016 was 26%. Items driving differences between the U.S. federal statutory rate of 35% and the effective rate include (i) state and local income taxes, (ii) the recognition of certain foreign valuation allowances, (iii) lower rates in certain foreign jurisdictions, and (iv) reserves for uncertain tax positions.

Net Loss

Net loss increased \$115.3 million to \$123.3 million in the first quarter of fiscal 2017 from \$8.0 million in the first quarter last year. This increase was due to: (i) higher impairment losses of \$125.8 million, (ii) an increase in selling, general and administrative expenses of \$18.2 million, (iii) a decrease in gross profit of \$16.8 million, (iv) an increase in interest expense of \$2.2 million, offset by (v) an increase in the benefit for income taxes of \$47.6 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) capital expenditures in connection with opening new stores and remodeling our existing stores, investments in our distribution network and making information technology system enhancements, (ii) meeting debt service requirements (including paying dividends to an indirect parent company, when required, for the purposes of servicing debt) 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 Thirteen Weeks Ended April 29, 2017	For the Thirteen Weeks Ended April 30, 2016
Net loss	\$ (123.3)	\$ (8.0)
Adjustments to reconcile to cash flows from operating activities:		
Impairment losses	131.2	5.4
Depreciation of property and equipment	25.2	26.2
Reclassification of hedging losses to earnings	3.1	1.0
Amortization of intangible assets	2.3	3.0
Amortization of deferred financing costs and debt discount	1.2	1.3
Share-based compensation	0.2	0.4
Foreign currency transaction gains	(0.2)	(2.3)
Deferred income taxes	(51.8)	(6.2)
Changes in operating assets and liabilities	0.8	(31.4)
Net cash used in operating activities	<u>\$ (11.3)</u>	<u>\$ (10.6)</u>

Cash used in operating activities of \$11.3 million in the first quarter of fiscal 2017 resulted from: (i) a net loss of \$123.3 million, partially offset by (ii) non-cash adjustments of \$111.2 million and (iii) changes in operating assets and liabilities of \$0.8 million primarily due to seasonal working capital fluctuations.

Cash used in operating activities of \$10.6 million in the first quarter of fiscal 2016 resulted from: (i) a net loss of \$8.0 million and (ii) changes in operating assets and liabilities of \$31.4 million due to seasonal working capital fluctuations, partially offset by (iii) non-cash adjustments of \$28.8 million.

Investing Activities

<i>(Dollars in millions)</i>	For the Thirteen Weeks Ended April 29, 2017	For the Thirteen Weeks Ended April 30, 2016
Capital expenditures:		
Information technology	\$ 3.9	\$ 8.0
New stores	3.6	7.8
Other(1)	0.8	3.3
Net cash used in investing activities	<u>\$ 8.3</u>	<u>\$ 19.1</u>

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

Capital expenditures are planned at approximately \$50 to \$60 million for fiscal year 2017, including \$30 to \$35 million for information technology enhancements, \$10 to \$15 million for new stores and the remainder for warehouse improvements, store renovations and general corporate purposes.

Financing Activities

<i>(Dollars in millions)</i>	For the Thirteen Weeks Ended April 29, 2017	For the Thirteen Weeks Ended April 30, 2016
Principal repayments of Term Loan Facility	\$ (7.8)	\$ (3.9)
Net cash used in financing activities	<u>\$ (7.8)</u>	<u>\$ (3.9)</u>

Cash used in financing activities of \$7.8 million in the first quarter of fiscal 2017 resulted from the principal repayments of the Term Loan Facility.

Cash used in financing activities of \$3.9 million in the first quarter of fiscal 2016 resulted from the principal repayments of the Term Loan Facility.

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 April 29, 2017, standby letters of credit were \$22.7 million, excess availability, as defined, was \$299.6 million, and there were no borrowings outstanding. There were no average short term borrowings under the ABL Facility in the first quarter of fiscal 2017. Average short-term borrowings under the ABL Facility were \$4.3 million in the first quarter of fiscal 2016.

As of the date of this report, there were no outstanding borrowings under the ABL Facility with excess availability of approximately \$320 million.

Demand Letter of Credit Facility

The Company has unsecured, demand letter of credit facilities with HSBC and Bank of America which provide for the issuance of up to \$50 million and \$20 million, respectively, of documentary letters of credit on a no fee basis. On April 29, 2017, outstanding documentary letters of credit were \$8.4 million, and aggregate availability under these facilities was \$61.6 million.

Term Loan Facility

Borrowings under the Term Loan Facility bear interest at a rate per annum equal to an applicable margin 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 adjusted for certain additional costs, plus 1.00%. The applicable margin with respect to base rate borrowings is 2.00% and the LIBOR floor and applicable margin with respect to LIBOR borrowings are 1.00% and 3.00%, respectively.

On December 30, 2016, Bank of America, N.A. ("BAML") resigned as administrative agent under our Term Loan Facility. Effective as of January 29, 2017, Wilmington Savings Fund Society, FSB ("WSFS") was appointed to replace BAML as administrative agent under our Term Loan Facility.

On February 1, 2017, we filed a complaint in the New York State Supreme Court, Commercial Division, against WSFS, as successor agent under the Term Loan Facility seeking a declaration from the court that our actions with respect to certain intellectual property assets are in full compliance with the terms of the Term Loan Facility. We assert that any attempt by WSFS or the ad hoc group of lenders under our Term Loan Facility to challenge our actions is invalid and intend to vigorously assert our rights under 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, which we intend to vigorously defend. On April 13, 2017, we filed our Reply and Affirmative Defenses to WSFS's counterclaims.

We are required to make principal repayments equal to 0.25% of the original principal amount of the Term Loan Facility, or \$3.9 million, on the last business day of January, April, July, and October, which commenced in July 2014. We are also required to repay the term loan based on annual excess cash flow, as defined in the agreement beginning in fiscal 2014. The maturity date of the Term Loan Facility is March 5, 2021.

The weighted average interest rate on the borrowings outstanding under the Term Loan Facility was 4.08% on April 29, 2017.

PIK Notes

On November 4, 2013, Chinos Intermediate Holdings A, Inc. (the "Issuer"), an indirect parent holding company of Group, issued \$500 million aggregate principal of 7.75/8.50% Senior PIK Toggle Notes due May 1, 2019 (the "PIK Notes"). The PIK Notes are (i) senior unsecured obligations of the Issuer, (ii) structurally subordinated to all of the liabilities of the Issuer's subsidiaries, and (iii) not guaranteed by any of the Issuer's subsidiaries, and therefore are not recorded in our financial statements.

On April 28, 2017, the Issuer delivered notice to U.S. Bank N.A., as trustee, under the indenture governing the PIK Notes, that with respect to the interest that will be due on such notes on the November 1, 2017 interest payment date, the Issuer will make such interest payment by paying in kind at the PIK interest rate of 8.50% instead of paying in cash. The PIK election will increase the outstanding principal balance of the PIK Notes by \$24.1 million to \$590.6 million. Therefore, we will not pay a dividend to the Issuer in the fourth quarter of fiscal 2017 to fund a semi-annual interest payment. Pursuant to the terms of the indenture governing the PIK Notes, the Issuer intends to evaluate this option prior to the beginning of each interest period based on relevant factors at that time.

Formation of Unrestricted Subsidiaries

On October 12, 2016, we designated certain newly formed Delaware entities that are indirect, wholly-owned subsidiaries of the Group as unrestricted subsidiaries under our ABL Facility and Term Loan Facility and the indenture governing the PIK Notes (the "Unrestricted Subsidiaries"). Having been so designated, the Unrestricted Subsidiaries do not guarantee this debt, nor are they bound by the covenants contained in the ABL Facility and Term Loan Facility.

On December 5, 2016, J. Crew International, Inc., a Delaware corporation and an indirect subsidiary of J. Crew (“J. Crew International”), transferred a 72.04% undivided interest in certain domestic intellectual property assets (the “Transferred IP”) to one of the Unrestricted Subsidiaries, J. Crew Domestic Brand, LLC, a newly formed Delaware limited liability company (“J. Crew Domestic Brand”), for the purpose of providing us flexibility in connection with evaluating opportunities to enhance our capital structure. The Transferred IP consists of J. Crew trademarks and service marks relating to the J.Crew brand with a fair market value of approximately \$250 million, which was reduced by \$85 million as a result of the impairment loss recorded in the first quarter of fiscal 2017.

On December 6, 2016, J. Crew Domestic Brand and J. Crew International entered into an intellectual property license agreement (the “Transferred IP License Agreement”) pursuant to which we and our subsidiaries will continue to have exclusive rights to use the Transferred IP. Future payments under the Transferred IP License Agreement will be fixed in the future and on terms no less favorable than could be obtained in an arm’s length transaction with an unaffiliated third party. These payments will have no impact on our consolidated results of operations, but any such payments will be made to an Unrestricted Subsidiary that is not subject to the covenants under our credit facilities or the PIK Notes.

Below is consolidating balance sheet information reflecting the elimination of the accounts of our Unrestricted Subsidiaries from our condensed consolidated balance sheet as of April 29, 2017.

	As of April 29, 2017 (unaudited)		
	Consolidated balance sheet	Eliminations of unrestricted subsidiaries	Consolidated balance sheet of restricted subsidiaries
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 104,568	\$ —	\$ 104,568
Merchandise inventories	324,977	—	324,977
Prepaid expenses and other current assets	76,667	—	76,667
Total current assets	<u>506,212</u>	<u>—</u>	<u>506,212</u>
Property and equipment, net	344,503	—	344,503
Intangible assets, net	318,116	(164,604)	153,512
Investment in subsidiary	—	100,408	100,408
Goodwill	107,900	—	107,900
Other assets	5,530	—	5,530
Total assets	<u>\$ 1,282,261</u>	<u>\$ (64,196)</u>	<u>\$ 1,218,065</u>
LIABILITIES AND STOCKHOLDERS’ DEFICIT			
Current liabilities:			
Accounts payable	\$ 214,173	\$ —	\$ 214,173
Other current liabilities	171,714	—	171,714
Interest payable	5,091	—	5,091
Income taxes payable to Parent	25,973	—	25,973
Current portion of long-term debt	15,670	—	15,670
Total current liabilities	<u>432,621</u>	<u>—</u>	<u>432,621</u>
Long-term debt, net	1,487,736	—	1,487,736
Lease-related deferred credits, net	130,195	—	130,195
Deferred income taxes, net	97,614	(64,196)	33,418
Other liabilities	41,122	—	41,122
Total liabilities	<u>2,189,288</u>	<u>(64,196)</u>	<u>2,125,092</u>
Stockholders’ deficit:			
Common stock \$0.01 par value; 1,000 shares authorized, issued and outstanding	—	—	—
Additional paid-in capital	980,577	—	980,577
Accumulated other comprehensive loss	(9,266)	—	(9,266)
Accumulated deficit	(1,878,338)	—	(1,878,338)
Total stockholders’ deficit	<u>(907,027)</u>	<u>—</u>	<u>(907,027)</u>
Total liabilities and stockholders’ deficit	<u>\$ 1,282,261</u>	<u>\$ (64,196)</u>	<u>\$ 1,218,065</u>

Below is consolidating statement of operations and comprehensive loss information reflecting the elimination of the accounts of our Unrestricted Subsidiaries from our consolidated statement of operations and comprehensive loss for the thirteen weeks ended April 29, 2017. Because the payment terms under the Transferred IP License Agreement dated December 6, 2016 have not yet been fixed, the consolidating information below does not give effect to payments that may be made to the Unrestricted Subsidiaries upon any amendment to the Transferred IP License Agreement, which could be significant. Accordingly, the impact below relates exclusively to the impairment of the intellectual property held by the Unrestricted Subsidiaries.

	For the Thirteen Weeks Ended April 29, 2017		
		(unaudited) Eliminations of unrestricted subsidiaries	Consolidated restricted subsidiaries
Consolidated			
Condensed Consolidated Statements of Operations and Comprehensive Loss			
Revenues:			
Net sales	\$ 513,180	\$ —	\$ 513,180
Other	18,786	—	18,786
Total revenues	531,966	—	531,966
Cost of goods sold, including buying and occupancy costs	343,729	—	343,729
Gross profit	188,237	—	188,237
Selling, general and administrative expenses	210,423	—	210,423
Impairment losses	131,157	(85,396)	45,761
Income (loss) from operations	(153,343)	85,396	(67,947)
Interest expense, net of interest income	20,436	—	20,436
Loss before income taxes	(173,779)	85,396	(88,383)
Benefit for income taxes	(50,484)	33,304	(17,180)
Net loss	<u>\$ (123,295)</u>	<u>\$ 52,092</u>	<u>\$ (71,203)</u>
Other comprehensive income (loss):			
Reclassification of losses on cash flow hedges, net of tax, to earnings	1,864	—	1,864
Unrealized loss on cash flow hedges, net of tax	(4)	—	(4)
Foreign currency translation adjustments	410	—	410
Comprehensive loss	<u>\$ (121,025)</u>	<u>\$ 52,092</u>	<u>\$ (68,933)</u>

Outlook

Short-term and long-term liquidity needs of J.Crew Group, Inc. arise primarily from (i) capital expenditures, (ii) debt service requirements, including required (a) quarterly principal repayments, (b) repayments, if any, based on annual excess cash flows, if any, as defined and (c) dividends to the Issuer, when required, for the purposes of servicing debt, and (iii) working capital. Management anticipates that capital expenditures in fiscal 2017 will be approximately \$50 to \$60 million, including \$30 to \$35 million for information technology enhancements, \$10 to \$15 million for new stores and the remainder for warehouse improvements, store renovations and general corporate purposes. Management expects to pay interest of approximately \$80 million in fiscal 2017 to fund debt service obligations, excluding payments of dividends, if any, to the Issuer. 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 primary short-term and long-term liquidity needs of J.Crew Group, Inc., subject to considerations described further below. 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. Please refer to Item 1A. "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.

To address potential liquidity issues of the Issuer arising as a result of the PIK Notes maturity in 2019, concurrently with the release of this report we announced that we have reached agreement with certain holders of PIK Notes that also hold a portion of terms loans under our Term Loan Facility (the "Ad Hoc Creditors") to conduct a series of transactions to enhance our capital structure. Pursuant to these transactions we or our affiliates, among other things, will seek to:

- affiliates would offer to purchase any and all of the Issuer's outstanding PIK Notes for aggregate consideration consisting of up to \$190 million aggregate liquidation preference of new preference shares issued by our Parent, up to 15% of the common stock of our Parent (prior to dilution of an intended management incentive plan) and up to \$250 million principal amount of new notes ("IPCo notes") to be issued by one of our subsidiaries, which would be secured by certain U.S. intellectual property rights transferred to the subsidiary and the subsidiary's interest in an IP License Agreement;
- amend our Term Loan Facility to facilitate the transactions and direct the agent thereunder to dismiss, with prejudice, the litigation regarding the Transferred IP;
- refinance, repay or repurchase \$150 million principal amount of term loans currently outstanding under the Term Loan Facility;
- raise additional borrowings under the Term Loan Facility of \$30 million (at a 2% discount) to be provided by new or existing lenders, or in lieu thereof, one or more sponsors (or affiliates thereof), the net proceeds of which will be applied to finance the refinancing, redemption or repurchase of term loans referenced above;
- conduct a concurrent private placement, subject to the terms of a separate note purchase agreement, to certain Ad Hoc Creditors of \$97 million principal amount of additional IPCo notes (for cash at a 3% discount); and
- transfer to one of our Unrestricted Subsidiaries the remaining undivided 27.96% ownership interest by J.Crew International of certain U.S. intellectual property rights not previously included in the Transferred IP and amend the license fee thereunder.

For further information regarding these potential transactions, we refer you to the other public information we are releasing concurrently with this report. These transactions are subject to a number of conditions and there is no guarantee that these transactions will be completed. Please refer to Item 1A. "Risk Factors – Actions we are taking to decrease our substantial leverage and strengthen our financial position may not be successful" in part II of this report.

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 April 29, 2017, we had the following obligations under letters of credit in future periods:

	Total	Within 1 Year	2-3 Years	4-5 Years	After 5 Years
	(amounts in millions)				
Letters of Credit					
Standby	\$ 22.7	\$ 21.8	\$ 0.9	\$ —	\$ —
Documentary	8.4	8.4	—	—	—
	<u>\$ 31.1</u>	<u>\$ 30.2</u>	<u>\$ 0.9</u>	<u>\$ —</u>	<u>\$ —</u>

Cyclical 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 \$7 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 April 29, 2017, we have recorded a reserve for certain legal contingencies in connection with ongoing claims and litigation. The reserve is not material to our results of operations. In addition, there are certain other claims and legal proceedings pending against us for which accruals have not been established.

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 from the court that our actions with respect to certain intellectual property assets are in full compliance with the terms of the Term Loan Facility. We assert that any attempt by WSFS or the ad hoc group of lenders under our Term Loan Facility to challenge our actions is invalid and intend to vigorously assert our rights under 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, which we intend to vigorously defend. On April 13, 2017, we filed our Reply and Affirmative Defenses to WSFS’s counterclaims.

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, except as set forth below.

The capital structure transactions we announced are subject to a number of conditions and may not be successful.

To address potential liquidity issue of the Issuer arising as a result of the PIK Notes maturity in 2019, concurrently with the release of this report we announced that we have reached agreement with certain holders of PIK Notes to conduct a series of significant capital structure transactions involving the PIK Notes and Term Loan Facility. See “Outlook” above.

These transactions are subject to a number of conditions outside of our control and there is no guarantee that the transactions will be completed. Our failure to enter into these or an alternate refinancing or capital structure transaction involving the PIK Notes may have a material adverse effect on the Issuer’s ability to pay the PIK Notes on the maturity date and therefore on our business, financial condition and results of operations. For more information on the pending litigation, see Item 1 “Legal Proceedings.”

ITEM 5. OTHER INFORMATION

In order to incentivize key associates to improve the business performance of J.Crew in fiscal 2017 and beyond, the Company is adopting a bonus plan to reward these key individuals with a percentage of the value realized pursuant to these efforts (the “Transformation Incentive Plan” or the “TIP”). Executive officers, including NEOs, will be eligible to participate in the TIP. Although the TIP is in addition to the Company’s annual bonus plan (the “AIP”), with respect to fiscal 2017, the aggregate amount payable under the TIP and the AIP will not exceed the aggregate amount payable under the AIP, except in the event that the maximum Adjusted EBITDA target is achieved under the AIP, in which event the amounts payable under the TIP will be incremental to amounts payable under the AIP. The TIP pool will be funded with 10% of the Company’s Adjusted EBITDA that is directly attributable to these efforts (the “Transformation EBITDA”), as determined by the Compensation Committee (the “Committee”) in its sole discretion.

Payments will be made with respect to performance periods established by the Committee, with the first performance period commencing on January 29, 2017 and the last performance period ending no later than February 1, 2020. Payments, to the extent earned, under the TIP will be made promptly after the end of the applicable performance period. The initial performance periods will be the six fiscal months ending on each of July 29, 2017 and February 3, 2018. No payments will be made under the TIP until cumulative Transformation EBITDA equals or exceeds \$60 million. At least with respect to fiscal 2017, payments under the TIP will be paid to participants before payments under the AIP.

For purposes of the TIP, Transformation EBITDA is measured by the Company as Adjusted EBITDA (calculated consistently with the methodology disclosed in the quarterly earnings release filed on Form 8-K) which is realized by the Company as a direct result of these business performance improvement efforts, all as determined by the Committee in its sole discretion. Unless otherwise provided in a written agreement with the Company, to be eligible to receive payments under the TIP, participants must be continuously employed by the Company from the date of grant to the date of payment. The grant of awards is discretionary to the Committee, and the Committee may set target awards for each participant, and the award may be based on performance goals and objectives (individual and/or team targets), which may differ for each participant.

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	Separation Agreement and General Release, dated April 4, 2017, between J.Crew Group, Inc. and Jenna Lyons.*
10.2	Letter Agreement, dated May 31, 2017, between J.Crew Group, Inc. and James Brett.*
10.3	J.Crew Group, Inc. 2017 Transformation Incentive Plan, adopted June 12, 2017.*

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 April 29, 2017 and January 28, 2017, (ii) the Condensed Consolidated Statements of Operations and Comprehensive Loss for the thirteen weeks ended April 29, 2017 and April 30, 2016, (iii) the Condensed Consolidated Statements of Changes in Stockholders' Deficit for the thirteen weeks ended April 29, 2017 and the fifty-two weeks ended January 28, 2017, (iv) the Condensed Consolidated Statements of Cash Flows for the thirteen weeks ended April 29, 2017 and April 30, 2016, and (v) the Notes to Unaudited Condensed Consolidated Financial Statements.*

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

J.CREW GROUP, INC.
(Registrant)

Date: June 12, 2017

By: /S/ MILLARD DREXLER
Millard Drexler
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

Date: June 12, 2017

By: /S/ MICHAEL J. NICHOLSON
Michael J. Nicholson
President, Chief Operating Officer and
Chief Financial Officer
(Principal Financial Officer)

Date: June 12, 2017

By: /S/ JEREMY BROOKS
Jeremy Brooks
Vice President, Chief Accounting Officer
(Principal Accounting Officer)

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* Filed herewith.

** Furnished herewith.

Separation Agreement and General Release

Jenna Lyons
112 Mercer Street #4
New York, NY 10012

Dear Jenna,

Reference is made to the letter agreement dated as of July 15, 2010, between you and J. Crew Group, Inc. and its subsidiaries (the "Company"), which sets forth the terms and conditions of your employment with the Company ("Employment Agreement"). Unless otherwise defined in this Agreement, capitalized terms referenced herein shall have the same meaning as under your Employment Agreement.

You and the Company mutually agree that this Agreement ("Agreement") shall serve to satisfy the notice of non-renewal requirements pursuant to Section 2(a) of your Employment Agreement, and that the Employment Agreement shall terminate as of December 9, 2017 (your "Separation Date"). In light of that notice, and in light of the good will that each of us has for the other, this Agreement (the "Agreement") sets forth our mutual agreement regarding the terms and conditions of your cessation of employment with the Company. In addition to the pay and benefits described in this Agreement, you will be paid for all time worked, and will continue to be covered under any applicable Company benefit plans, through your Separation Date.

Terms of the Agreement

1. Employment Agreement. Except as modified herein, your Employment Agreement remains in effect through your Separation Date, and will thereupon terminate (except as provided therein).

- a. In order to effect an orderly transition, you and the Company agree that on April 3, 2017 you will cease to act in any official capacity as President and Executive Creative Director and you will perform consulting services in the capacity of "creative advisor" as reasonably requested by executives of the Company through your Separation Date.
- b. You agree that you ceased to be an officer of the Company, effective April 3, 2017.
- c. You agree that you will not terminate employment voluntarily, with or without Good Reason prior to your Separation Date.
- d. Notwithstanding anything to the contrary in your Employment Agreement, you agree that you will be subject to the post-employment restrictive covenants set forth herein, and Section 4 of the Employment Agreement will be of no further force or effect.

2. Separation Pay. The parties acknowledge that, notwithstanding that the terms of your Employment Agreement that provide that you are not entitled to receive severance following your separation by reason of a notice of non-renewal, it is in the parties best interests to provide for separation pay ("Separation Pay") following your Separation Date, on the terms and conditions of this Agreement. These payments are conditioned on your execution of this Agreement and the post-employment release of claims ("Post-employment Release of Claims") attached as Exhibit A and continued compliance with the covenants set forth in Section 10 and 21 below.

- a. You will continue to receive your annual base salary of \$1,000,000.00 (less all authorized or required payroll withholdings and payroll deductions), payable in accordance with the
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Company's normal payroll practices in 26 bi-weekly installments of \$38,461.54 each ("Salary Continuation Payments"), beginning in the payroll period following the expiration of the seven day revocation period following your signature of the Post-Employment Release of Claims and ending twelve months thereafter (the "Separation Pay Period").

b. If you elect COBRA continuation coverage, the Company will provide you with a reimbursement of your COBRA premium payments (less all authorized or required payroll withholdings and payroll deductions), upon your provision of proof of payment, through the end of your Separation Pay Period, or earlier if your COBRA coverage terminates earlier.

c. Pursuant to Section 2(b) of your Employment Agreement, your right to receive your Salary Continuation Payments shall terminate effectively 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"). Notwithstanding the foregoing and subject to Paragraph 11. herein, if the base salary that you receive pursuant to such New Employment and any guaranteed bonus or other cash compensation that you receive relating to the Separation Pay Period, whether or not paid during the Separation Pay Period, is less than the Salary Continuation Payments that otherwise would have been payable to you during the Separation Pay Period absent such New Employment, the Company will continue to pay to you an incremental amount such that the compensation payments that you receive in respect of New Employment together such incremental amount will equal the Salary Continuation Payments that you would have received had you not engaged in New Employment. You agree to notify the Company's Executive Vice President, Human Resources in writing prior to the effective date of any such New Employment. If you fail to so notify the Company's Executive Vice President, Human Resources, (a) you will forfeit your right to receive the payments described in Paragraph 1 above (to the extent the payments were not previously paid); (b) the Company shall be entitled to recover any payments already made to you or on your behalf under Paragraph 1 above to the extent such payments exceed the aggregate amount that would have been paid to you pursuant to this Section 2(c); and (c) you agree that such portion shall be full and adequate consideration for your promises and obligations in this Agreement.

d. In addition to the timely execution of this Agreement within forty-five days of the date you receive it (and provided you do not revoke your acceptance within seven (7) days after execution), you also must execute timely (and not revoke) the Post-Employment Release of Claims, attached as Exhibit A, as described in Section 25. In the event that this Agreement is treated subject to, and not exempt from, the provisions of Section 409A of the Internal Revenue Code of 1986, as amended, and the period during which you have to execute the Post-Employment Release (including the period of revocation) crosses tax years, your Salary Continuation Payments will commence in the first payroll period in the second tax year.

3. Final Pay, Reimbursement of Expenses and COBRA. Regardless of your execution of this Agreement, you will receive:

a. All wages and other compensation due to you through the Separation Date (less authorized or required payroll withholdings and payroll deductions), to be paid in accordance with applicable local law.

b. Reimbursement of any outstanding final expenses as approved per the Company's policies within sixty (60) days of your Separation Date as long as those expenses are submitted by your Separation Date.

c. By mail, the forms and materials necessary to make a timely election to continue group health benefits under COBRA and to convert life insurance coverage to a self-pay policy under the terms set forth in the Company's plan documents.

d. You will retain any rights that you have to vested benefits under the Company's 401(k) plan.

4. Equity Interests. Your equity interests are subject to the following:

a. 296,296 Class L common shares and 1,777,777 Class A common shares (together the "Rollover Shares") of Chinos Holdings, Inc. ("Parent") that you acquired pursuant to the terms and conditions of the Manager Stock Rollover Subscription Agreement dated March 4, 2011 (the "Rollover Agreement") and the Management Stockholders' Agreement dated March 7, 2011, as in effect from time to time (the "Management Agreement"), shall remain subject to the Rollover Agreement and the Management Agreement, provided that Parent hereby agrees that it will not exercise its right to call your Rollover Shares pursuant to Section 5.1.1(a) of the Management Agreement.

b. You presently hold a fully vested option to acquire 1,777,777 Class A common shares of Parent (the "Rollover Option") pursuant to a rollover option agreement dated March 4, 2011 (the "Rollover Option Agreement") and the Chinos Holdings, Inc. 2011 Equity Incentive Plan (the "Equity Plan"). Parent hereby agrees to extend the Final Exercise Date under the Rollover Option Agreement until March 4, 2027 and will thereupon immediately terminate and you shall have no further rights with respect thereto, provided that the Rollover Option shall otherwise remain subject to your Rollover Option Agreement and the Equity Plan. Shares received upon exercise of the Rollover Option will be subject to the terms and conditions of the Management Agreement (and the Equity Plan and Rollover Option Agreement, to the extent applicable), provided that Parent hereby agrees that it will not exercise its right to call your Class A common shares received upon exercise of your Rollover Options pursuant to Section 5.1.1(a) of the Management Agreement.

c. You presently hold vested options to acquire 1,830,450 Class A common shares of Parent, an unvested option to acquire 3,047,850 Class A common shares of Parent subject to annual time-based vesting over four (4) years commencing on June 29, 2016, and an unvested option to acquire 3,043,500 Class A common shares of Parent subject to performance vesting, in each case pursuant to an award agreement dated June 29, 2016 ("Option Award Agreement") and the Equity Plan. All of your unvested time-based and unvested performance based vesting options ("Accelerated Options") will become vested on your Separation Date, provided that you remain continuously employed from the date hereof through your Separation Date (the Accelerated Options together with your vested options are referred to as your "Vested Options"). Parent hereby agrees that your Vested Options will remain exercisable until the Final Exercise Date under the Option Award Agreement and will thereupon immediately terminate and you shall have no further rights with respect thereto, provided that the Vested Options will otherwise remain subject to the Option Award Agreement and the Equity Plan. Shares received upon exercise of the vested options will be subject to the terms and conditions of the Management Agreement (and the Equity Plan and Option Award Agreement, to the extent applicable), provided that Parent hereby agrees that it will not exercise its right to call your Class A shares received upon exercise of your vested options pursuant to Section 5.1.1(a) of the Management Agreement.

d. You presently hold 1,000,000 restricted Class A common shares ("Restricted Stock 1"), which were granted to you on May 10, 2016 pursuant to a restricted stock award agreement (the "Restricted Stock Award 1"), and subject to the Equity Plan and the Management Agreement.

Your Restricted Stock Award 1 provides that your Restricted Stock 1 will vest 25% per year starting from the second through the fifth anniversary of the grant. You also presently hold 1,000,000 restricted Class A common shares ("Restricted Stock 2") which were granted to you on May 10, 2016 pursuant to a restricted stock agreement (the "Restricted Stock Award 2"). Your Restricted Stock Award 2 provides that your Restricted Stock 2 will vest subject to performance vesting criteria. All of your outstanding unvested Restricted Stock 1 and 2 will become fully vested on your Separation Date, provided that you remain continuously employed from the date hereof through your Separation Date. Class A common shares that you hold upon vesting of your Restricted Stock shall remain subject to the Management Agreement (and the Equity Plan and Restricted Stock Award, to the extent applicable), provided that Parent hereby agrees that it will not exercise its right to call such Class A common shares pursuant to Section 5.1.1(a) of the Management Agreement.

e. Other than as described in this Section 4, you shall have no further rights or entitlement with respect to any shares of, or equity awards related to any class of equity of Parent or any of its subsidiaries or affiliates.

5. Acknowledgement of Full Payment and Withholding. By signing this Agreement, you acknowledge and agree as follows:

a. The Company's obligations under Paragraph 2 of this Agreement arise solely from this Agreement and not from any other agreement with, obligation of, or promise by the Company. You further understand that the benefits described in Paragraph 2 above are the total such payments that you will receive from the Company and that they exceed any amount to which you are or may be entitled to receive from or are owed by the Company under any contract, plans, policies, procedures, handbooks and/or law, and that you are not entitled to any additional payment by the Company in the nature of either severance or termination pay or other compensation of any kind.

b. The payments and benefits identified above constitute sufficient consideration for the promises and mutual covenants contained in this Agreement, including your agreement to release any and all claims against the Company and the Releasees contained in this Agreement and the Post-employment Release of Claims.

c. The payments made by the Company under this Agreement will be reduced by all taxes and other amounts required to be withheld by the Company under applicable law and all other lawful deductions authorized by you.

6. Status of Employee Benefits. Except for any right you may have to continue your participation and that of your eligible dependents in the Company's group medical, dental, and vision plans under the federal law known as "COBRA", your participation in all employee benefit plans of the Company will end as of the Separation Date, in accordance with the terms of those plans. You will not continue to earn vacation or other similar benefits after the Separation Date.

7. No Claims. Except as otherwise provided in Section 8 of this Agreement, you agree and covenant not to file any action, suit, complaint, claim, grievance, demand for arbitration or other proceeding against the Company, and/or any of its parents, subsidiaries, affiliates, predecessors, successors, assigns, officers, administrators, directors, shareholders, employees and/or agents (hereinafter collectively referred to as "Releasees"), either individually or as a member of a class in any class or collective action, in any court or other forum with regard to any claim, demand, liability, obligation or matter arising out of your employment with the Company, separation from employment, or otherwise. Except as otherwise provided in Paragraph 5 of this Agreement, you hereby represent that no action, suit,

complaint, claim, grievance, demand for arbitration or other proceeding is pending against Releasees in any court or other forum relating directly or indirectly to your employment with the Company, separation from employment, or otherwise.

8. No Interference with Rights. The Parties agree that nothing in this Agreement shall be construed to prohibit you from challenging illegal conduct or engaging in protected activity, including without limitation filing a charge or complaint with, and/or participating in any investigation or proceeding conducted by, the National Labor Relations Board, the Equal Employment Opportunity Commission, the Securities and Exchange Commission, and/or any other federal, state or local government agency. Further, the Parties agree that nothing in this Agreement shall be construed to interfere with the ability of any federal, state or local government agency to investigate any such charge or complaint, or your ability to communicate voluntarily with any such agency. However, by signing this Agreement, you understand that you are waiving your right to receive individual relief based on claims asserted in any such charge or complaint, except where such a waiver is prohibited. You understand that your release of claims as contained in this Agreement does not extend to any rights you may have under any laws governing the filing of claims for COBRA, unemployment, disability insurance and/or workers' compensation benefits. You further understand that nothing in this Agreement shall be construed to prohibit you from: (a) challenging the Company's failure to comply with its promises to make payment and provide other consideration under this Agreement; (b) asserting your right to any vested benefits to which you are entitled pursuant to the terms of the applicable plans and/or applicable law; (c) challenging the knowing and voluntary nature of your release of claims under the Age Discrimination in Employment Act of 1967; and/or (d) asserting any claim that cannot lawfully be waived by private agreement.

9. Release of Claims.

a. Except as otherwise provided in Section 8 of this Agreement, you, in exchange for the Company's payment of the benefits described in Paragraph 2 above, 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, and/or local statutes or ordinances, all as amended from time-to-time, including but not limited to, the Age Discrimination in Employment Act; Title VII of the Civil Rights Act of 1964; 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 federal and all applicable state WARN Acts; the Consolidated Omnibus Budget Reconciliation Act; the Family and Medical Leave Act; the Genetic Information Nondiscrimination Act of 2008; state statutes governing the payment of wages, discrimination in the workplace, and/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 New York City Administrative Code, the New York Code of Rules and Regulations ; and any other claim pursuant to any other federal, state or local employment laws, statutes, standards or human rights legislation; and/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.

b. This Agreement, including the release of claims set forth in this Section 9, creates legally binding obligations, and the Company therefore advises you to consult an attorney before signing this Agreement. In signing this Agreement, you give the Company assurance that you have signed it voluntarily and with a full understanding of its terms; that you have had sufficient opportunity, before signing this Agreement, to consider its terms and to consult with an attorney, if you wished to do so, or to consult with any other of those persons to whom reference is made in the first sentence of Section 5c above; and that, in signing this Agreement, you have not relied on any promises or representations, express or implied, that are not set forth expressly in this Agreement.

10. Return of Company Property and Non-Disclosure of Confidential Information; and Restrictive Covenants:

a. By signing this Agreement, you certify that you: (a) within a reasonable time after the Separation Date, shall return all Company property in your possession or under your control (regardless of form) and that you have not retained any originals, copies, duplicates, reproductions or excerpts thereof, including, without limitation, "Confidential Information" (as defined in the Company's Associate Handbook, a copy of which you acknowledge receiving), Blackberries, laptop computers, desktop computers, manuals, keys, equipment, identification cards and access cards, *provided however*, that you will be allowed to retain the Company issued cell phone and phone number (and you agree to allow Company to remove any Company data), and (b) shall refrain from disclosing or using any confidential and/or proprietary information of the Company for any purpose .

b. You further agree and acknowledge that Section 4(a) and 4(b) of your Employment Agreement are hereby terminated and replaced with the following:

(i) For a period of six months after your Separation Date, you shall not directly or indirectly, except on behalf of the Company, within the United States or Canada (or any other country or territory (*e.g.*, the United Kingdom, Hong Kong, and/or The People's Republic of China) in which you assisted in the design or development of the Company's products, brand or business during the last twelve months of your employment) render the same or substantially similar services (as an employee, officer, consultant, contractor, director, owner, partner, shareholder, joint venturer or otherwise) to any person or entity that is, or within nine months of the Separation Date will be, competing with the Company in the design, manufacture, distribution, marketing, or sale of men's, women's and children's apparel, shoes and/or accessories through retail, wholesale, digital, or other channels ("Competing Business"); and

(ii) For the period of twelve months after your Separation Date, for any reason whatsoever, you shall not directly or indirectly, except on behalf of the Company recruit, hire, solicit, or employ as an employee or retain as a consultant any person who is then or at any time during the preceding fifteen months was an employee of or consultant to the

Company and with whom you worked or had substantial business at the Company, or persuade or attempt to persuade any employee of or consultant to the Company with whom you worked or had substantial business to leave the employ of the Company or to become employed as an employee or retained as a consultant by anyone other than the Company; and

(iii) For a the period of twelve months after your Separation Date, you agree that neither you nor any corporation, partnership, other business entity or person who employs or contracts with you, or which you own or control, shall directly or indirectly: solicit or attempt to solicit any clients, customers, prospective clients or customers, in each case with whom you worked or had substantial contact at the Company, to cease or reduce doing business with the Company. As used in this Agreement, a “prospective client or customer” means any person or entity known to you, with whom the Company has a reasonable expectation of doing business and that the Company has made a proposal to in the six months preceding termination of your employment.

c. Your further acknowledge that the restrictions in this Section 10 are necessary to protect the Company’s legitimate business interest and customer relationships, because you performed services that are special, unique, extraordinary and of an intellectual and/or artistic character, and which placed you in a position of confidence and trust with the Company.

d. You agree that the above restrictions are reasonable in scope and necessary for the protection of the Company’s legitimate business interests in protecting its trade secrets and confidential information, good will, and valuable business relationships, which are worldwide in scope. By signing this Agreement, you represent and acknowledge that the above restrictions will not prevent you from earning a livelihood in your chosen field; and that your general knowledge and skill are readily transferable and will enable you to obtain employment without violating this agreement.

e. You also grant consent to notification by the Company to your new employer of your rights and obligations under this Agreement.

f. If any provision of this section is judicially declared to be invalid or unenforceable, then it will be deemed amended to the extent necessary to render the otherwise unenforceable provision valid and enforceable.

11. Enforcement. You agree and acknowledge that the covenants contained in Section 10 of this Agreement are reasonable and necessary for the protection of the Company’s legitimate business interests, and that you fully understand and freely enter into these covenants. You acknowledge that the Company would be irreparably injured by a violation by you of Section 10 of this Agreement, and agree that in the event of any such breach, the Company shall (i) be entitled to a temporary restraining order and/or preliminary and/or permanent injunction, or other equivalent relief, restraining you from any actual or threatened breach of Section 10 of this Agreement, and in this regard, you expressly waive the right to assert that monetary damages are adequate to protect the Company’s rights; (ii) be relieved from any obligation to make payment, or be entitled to recover all but \$500,000.00 of the amount paid to you, pursuant to Paragraph 2 of this Agreement (which you agree shall be full and adequate consideration for your remaining promises and obligations in this Agreement); and (iii) be entitled to repurchase your equity as provided under Section 5.1(b) of the Management Agreement. Any rights permitted to the Company under this paragraph shall not affect or impair any of your obligations under this Agreement, including the release of claims.

12. Applicable Law. This Agreement shall be interpreted, enforced and governed under the laws of the State of New York, without regard to conflicts of law principles.
13. Severability. If any provision or part of a provision of this Agreement is found to be in violation of law or otherwise unenforceable in any respect, the remaining provisions or part of a provision shall remain unaffected and the Parties hereto shall reform and construe this Agreement to the maximum extent possible as if such provision or part of a provision held to be in violation of law or otherwise unenforceable had never been contained in this Agreement.
14. Changes to the Agreement. This Agreement may not be modified, altered or changed unless the changes are in writing and signed by you and the Executive Vice President, Human Resources or his/her designee or successor.
15. Entire Agreement. Except as may be otherwise provided in Paragraph 2 of this Agreement, this Agreement embodies the entire agreement between you and the Company, and replaces and supersedes all prior understandings, written or oral, between you and the Company. You represent that in executing this Agreement, you have not relied upon any representations, promises, agreements, or statements of any kind not set forth in this Agreement in connection with your decision to sign this Agreement.
16. 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 6 above;
 - (d) By virtue of this paragraph, you are being advised of your right, and by signing below you acknowledge that you had the opportunity, to consult with an attorney and any other advisors of your choice;
 - (e) The release of claims described in Paragraph 6 of this Agreement does not waive any rights or claims that you may have against the Company and/or the Releasees arising after the Effective Date of this Agreement, as defined in Paragraph 16 of this Agreement;
 - (f) You have received or shall receive something of value from the Company which you would not otherwise be entitled to receive;
 - (g) **You have been given at least forty-five (45) days, that is until May 15, 2017, to consider your rights and obligations under this Agreement and to consult with an attorney and/or any other advisors of your choice before signing this Agreement, and agree that changes to this Agreement, whether material or immaterial, do not restart the running of the forty-five (45) day period.** In accordance with Paragraph 6 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. You have been provided information that the Company was required by law to provide, as set forth in Appendix A to this Agreement;
- and
- (h) This Agreement, absent its timely revocation, shall become binding on the Company and you on the Effective Date of this Agreement, as defined in Section 17 of 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.

17. Return of Signed Agreement. You should return this signed Agreement to Lynda Markoe no later than the date set forth in paragraph 14(g) above. If you do not return this Agreement by this date, this Agreement shall be deemed revoked, null, void and of no effect, and you shall have no entitlement to pay or any consideration as set forth in this Agreement. This Agreement will become effective on the eighth day following your delivery of this signed Agreement as set forth herein, provided you have not provided notice of revocation within the seven (7) days following your execution and delivery of this Agreement to the Company (the "Effective Date").
18. No Admission of Liability. Nothing in this Agreement shall be deemed to constitute an admission of wrongdoing by the Company and/or any of the Releasees or that they have engaged in any unlawful conduct and/or violated any federal, state or local law. Neither this Agreement nor any of its terms shall be used as an admission or introduced as evidence as to any issue of law or fact in any proceeding, suit or action, other than an action to enforce this Agreement.
19. Successors and Assigns. The provisions of this Agreement shall inure to the benefit of the Releasees, their successors and assigns, and be binding upon you and your heirs, executors, administrators, successors and assigns. It shall not be assignable by you unless such assignment is expressly authorized in writing by the Company.
20. Cooperation Following Separation. Except as otherwise provided in Paragraph 5 of this Agreement, you agree to be available, upon reasonable notice, to respond to questions, provide testimony, and provide assistance to the Company regarding any unfinished business or litigation that relate to matters within your knowledge or area of responsibility.
21. Appearances. You agree that in your role as creative advisor, the Company has no expectation that you engage in any press, print or digital media, television, radio, or social media contact or appearances either personal in nature ("Personal Appearance(s)") or on the Company's behalf ("Company Appearance(s)"). However, during the term of your employment only, any Personal Appearance you are considering should be approved in advance by Millard Drexler, and moreover, during the term of your employment and the Separation Pay Period, any Company Appearance you are considering should likewise be approved in the same manner.
22. Use of Name Jenna Lyons and Jenna's Picks. With the exception of historical and retrospective pieces, if the Company desires to continue to use your likeness or to use the name Jenna Lyons in connection with its future marketing after the Separation Date or desires to continue the program, "Jenna's Picks", after the date hereof, the Company agrees to obtain prior approval from you.
23. Indemnification; Insurance. The Company shall provide you with indemnification and director and officer insurance insuring you against insurable events which occur or have occurred while you were an executive officer or creative director of the Company, on terms and conditions that are at least as generous as that then provided to any other current or former director or executive officer of the Company or any affiliate.
24. In-Kind Benefits and Reimbursements. Notwithstanding anything to the contrary in this Agreement, except to the extent any expense, reimbursement or in-kind benefit provided pursuant to this Agreement does not constitute a "deferral of compensation" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended and the regulations thereunder: (x) the amount of expenses eligible for reimbursement or in-kind benefits provided to you during any calendar year will not affect the amount of expenses eligible for reimbursement or in-kind benefits provided to you in any other calendar year, (y) the Company shall reimburse you for expenses for which you are entitled to be reimbursed on or before the last day of the calendar year following the calendar year in which

the applicable expense is incurred, and (z) the right to payment or reimbursement or in-kind benefits hereunder may not be liquidated or exchanged for any other benefit.

25. Post-Employment Release of Claims. As a condition of your right to receive the special benefits provided to you in Section 2 above, you must execute and return the Post-Employment Release of Claims attached hereto as Exhibit A to the Company within seven (7) days following the Separation Date and not revoke it during the seven (7) day period following your signature. You may not execute the Post-Employment Release before the Separation Date. You will not receive the benefits identified in Paragraph 2 above until after the revocation period has expired and this Agreement becomes effective.

If the terms of this Agreement are acceptable to you, please sign, date and return it to the undersigned within forty-five (45) days of the date you receive it. If you change your mind and revoke this Agreement, any such revocation within this period must (a) be submitted in writing to the Company; (b) state "I hereby revoke my execution of the Separation Agreement and General Release"; and (c) be personally delivered to the Company's Executive Vice President, Human Resources, or mailed his/her attention at J. Crew, 770 Broadway, New York, NY 10003, within seven (7) days of the execution of this Agreement. If you do not revoke it, then, at the expiration of that seven-day period, this Agreement will take effect as a legally binding agreement between you and the Company on the basis set forth above. The enclosed copy of this letter, which you should also sign and date, is for your records.

THIS AGREEMENT MUST BE SIGNED AND DELIVERED TO EXECUTIVE VICE PRESIDENT, HUMAN RESOURCES AT 770 BROADWAY, NEW YORK, NEW YORK 10003 BY THE DEADLINE IN THE IMMEDIATELY PRECEDING PARAGRAPH IN ORDER FOR YOU TO RECEIVE THE SPECIAL PAYMENTS AND BENEFITS DESCRIBED IN IT. **YOU MAY NOT SIGN THE POST-EMPLOYMENT RELEASE BEFORE YOUR SEPARATION DATE.**

Very truly yours,

J. Crew Group, Inc.

By /s/ LYNDA MARKOE
Lynda Markoe
EVP, Human Resources

Received, Read, Understood and Agreed:

/s/JENNA LYONS
Jenna Lyons

Dated: April 4, 2017

Acknowledgement of Receipt of
Separation and General Release Agreement

I acknowledge receiving today a Separation and General Release Agreement 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 April 4, 2017

/s/ JENNA LYONS
Jenna Lyons

EXHIBIT A

FORM OF POST-EMPLOYMENT RELEASE OF CLAIMS

THIS RELEASE (this "Release") is executed this ____ day of _____, 2017 by Jenna Lyons ("Executive").

WHEREAS, Executive, and J. Crew Group, Inc. and are parties to a Separation Agreement and Release dated as of March __, 2017 ("Separation Agreement");

WHEREAS, the Separation Agreement provides that Executive shall not be entitled to separation pay and other benefits (the "Separation Benefits") unless and until Executive executes and does not revoke this Release; and

WHEREAS, Executive's employment with the Company terminated pursuant to the terms of the Separation Agreement effective as of December 9, 2017.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in the Separation Agreement and other good and valuable consideration, Executive agrees to the following release:

Executive, for and on behalf of herself and Executive's heirs, successors, agents, representatives, executors, administrators, representatives and assigns, hereby voluntarily, fully and unconditionally releases and forever discharges 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, and/or local statutes or ordinances, all as amended from time-to-time, including but not limited to, the Age Discrimination in Employment Act; Title VII of the Civil Rights Act of 1964; 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 federal and all applicable state WARN Acts; the Consolidated Omnibus Budget Reconciliation Act; the Family and Medical Leave Act; the Genetic Information Nondiscrimination Act of 2008; state statutes governing the payment of wages, discrimination in the workplace, and/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 New York City Administrative Code, the New York Code of Rules and Regulations; and any other claim

pursuant to any other federal, state or local employment laws, statutes, standards or human rights legislation; and/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.

BY SIGNING THIS RELEASE, EXECUTIVE WILL HAVE WAIVED ANY RIGHT EXECUTIVE MAY HAVE HAD TO BRING A LAWSUIT OR MAKE ANY CLAIM AGAINST THE COMPANY RELEASEES BASED ON ANY ACTS OR OMISSIONS OF THE COMPANY RELEASEES UP TO THE DATE OF THE SIGNING OF THIS RELEASE. NOTWITHSTANDING THE ABOVE, NOTHING IN THIS RELEASE SHALL BE CONSTRUED TO PROHIBIT EXECUTIVE FROM FILING A CHARGE WITH OR PARTICIPATING IN ANY INVESTIGATION OR PROCEEDING CONDUCTED BY THE FEDERAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION OR COMPARABLE STATE OR LOCAL AGENCY, PROVIDED, HOWEVER, THAT EXECUTIVE HEREBY AGREES TO WAIVE HIS RIGHT TO RECOVER MONETARY DAMAGES OR OTHER INDIVIDUAL RELIEF FROM THE COMPANY IN ANY CHARGE, COMPLAINT OR LAWSUIT FILED BY EXECUTIVE OR BY ANYONE ELSE ON HIS BEHALF.

Executive acknowledges that Executive has been given forty-five (45) days from the date of original receipt of this Release to consider all of the provisions of the Release and, to the extent she has not used the entire 45-day period prior to executing the Release, she does hereby knowingly and voluntarily waive the remainder of said 45-day period. EXECUTIVE FURTHER ACKNOWLEDGES THAT SHE HAS READ THIS RELEASE CAREFULLY, HAS BEEN ADVISED BY THE COMPANY TO CONSULT AN ATTORNEY, AND FULLY UNDERSTANDS THAT BY SIGNING BELOW SHE IS GIVING UP CERTAIN RIGHTS WHICH HE MAY HAVE TO SUE OR ASSERT A CLAIM AGAINST ANY OF THE COMPANY RELEASEES AS DESCRIBED HEREIN AND THE OTHER PROVISIONS HEREOF. EXECUTIVE ACKNOWLEDGES THAT SHE HAS NOT BEEN FORCED OR PRESSURED IN ANY MANNER WHATSOEVER TO SIGN THIS RELEASE AND EXECUTIVE AGREES TO ALL OF ITS TERMS VOLUNTARILY.

Executive shall have seven (7) days from the date of Executive's execution of this Release to revoke the Release, including with respect to all claims referred to herein (including, without limitation, any and all claims arising under ADEA). If Executive revokes the Release, Executive will be deemed not to have accepted the terms of this Release.

Each party and its counsel have reviewed this Release and have been provided the opportunity to review this Release and accordingly, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Release. Instead, the language of all parts of this Release shall be construed as a whole, and according to their fair meaning, and not strictly for or against either party.

[Signature Page Follows]

Jenna Lyons

Dated: _____

Letter Agreement

May 30, 2017

Mr. James Brett

Dear Jim:

Pursuant to our discussions regarding your 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 as of the date hereof, with your employment to commence on or about July 10, 2017 on a date to be mutually agreed upon by you and the Company (the "Commencement Date").

In consideration of the premises and mutual covenants herein 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 employ you during the "Employment Period" (as defined below) as its Chief Executive Officer and you hereby agree to serve the Company in such capacity. You will report solely and directly to the board of directors (the "Board") of the Company. During the period commencing on your Commencement Date and ending on the date your Termination Date (as defined in Section 2(b) herein) (such period commencing on the Commencement Date and ending on the Termination Date, the "Employment Period") you shall be appointed to, and serve as a member of, the Board. You shall have the duties, authority and responsibilities commensurate with your position as Chief Executive Officer, and with the highest level executive authority within the Company. Your employment shall be located at the Company's headquarters in New York, New York.

(b) During the Employment Period (as defined below), you shall devote substantially all of your 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, (ii) manage your personal, financial and legal affairs, or (iii) following twenty-four (24) months after the Commencement Date, sit on one industry trade or for-profit corporate board with the prior written consent of the Board, which consent shall not be unreasonably withheld, 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 Chinos Holdings, Inc. ("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) The Company shall employ you on the terms and subject to the conditions of this Agreement commencing effective as of the Commencement Date and ending on your Termination Date.

(b) Your employment with the Company hereunder may be terminated 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 notice, unless waived by the Company, (iii) voluntary termination of employment by you with 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 shall be referred to as the "Termination Date".

(c)

i. Upon termination of the Employment Period for any reason, (A) the Company shall provide you (or your estate, as the case may be) 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 (such amounts or benefits to be provided within 30 days following your Termination Date or on such later date as may be required pursuant to the applicable employee benefit plans, programs or arrangements), and (B) with respect to any equity grants outstanding as of the Termination Date, except as provided herein, 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.

ii. If the Company terminates the Employment Period without Cause or you terminate the Employment Period with Good Reason, the Company shall provide you with 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")): (i) continuation of your Base Salary as in effect immediately prior to such termination (without taking into account any reduction resulting in Good Reason or otherwise reduced in anticipation of such termination) (your "Ending Base Salary") for a period of eighteen (18) months following your Termination Date (the "Severance Period"), payable in accordance with the regular payroll practices of the Company, (ii) continuation of your medical benefits (including those of your spouse and dependents, if applicable) during the Severance Period, 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"); (iii) the Annual Bonus (as defined below) earned for the fiscal year immediately prior to the fiscal year that includes the Termination Date, to the extent not yet paid, payable when bonuses are generally paid to employees of the Company, but in no event later than the date that is two and a half (2-1/2) months following the end of the fiscal year with respect to which such Annual Bonus is paid, (iv) an amount equal to 1.5 times your target Annual Bonus, payable in equal monthly installments over the Severance Period, (v) the Annual Bonus for the fiscal year in which your Termination Date occurs that you actually would have been entitled to receive had your employment not been terminated (with any subjective goals being treated as achieved at target), multiplied by a fraction the numerator of which was the number of days that you were employed during such fiscal year, and the denominator of which is 365 ("Pro-Rata Bonus") payable in cash when bonuses are generally paid to employees of the Company, but in no event later than the date that is two and a half (2-1/2) months following the end of the fiscal year with respect to which such Pro-Rata Bonus was earned, (vi) the unpaid portion of your signing bonus, set forth in Section 3(g) herein, payable as soon as reasonably practicable following your Termination Date, but in no event later than the date that is two and a half (2-1/2) months following the end of the fiscal year in which your Termination Date occurs, (vii) an additional eighteen (18) months' service credit with respect to management equity, such as stock options or restricted stock units, granted to you whose vesting is based solely on continued employment (i.e., time vesting) and (viii) in the event that the applicable performance conditions are satisfied or a Change of Control occurs within twelve (12) months following your Termination Date, your management equity that vests based on satisfaction of performance conditions shall then vest to the extent such management equity would have vested had you remained employed by the Company through the satisfaction of the applicable performance conditions or the date of the Change of Control, as applicable; 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(b) and in all material respects with the provisions of Section 4(c) through (f). For purposes of this Agreement, "Change of Control" shall have the same definition provided under the Stockholders Agreement by and among Parent and certain stockholders of Parent dated March 7, 2011 (as may be amended from time to time, the "Stockholders Agreement").

iii. Your right to receive the Continuation Medical Benefit shall cease immediately upon your being eligible for coverage under another group health plan with a new employer. You shall immediately notify the Company upon obtaining new employment and provide all information regarding medical coverage reasonably requested by the Company. Except as set forth herein, or in any applicable equity grant documentation, the Company shall have no additional obligations to pay you any severance, termination pay or other similar compensation or benefits.

iv. Notwithstanding the foregoing paragraph, in the event the Company terminates the Employment Period without Cause or you terminate the Employment Period with

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).

v. Upon termination of your employment for death or Disability (as defined below), you (or your estate, as the case may be) will be entitled receive (1) the Annual Bonus earned for the fiscal year immediately prior to the fiscal year that includes the Termination Date (with any subjective goals being treated as achieved at target), to the extent not yet paid, payable when bonuses are generally paid to employees of the Company, but in no event later than the date that is two and a half (2-1/2) months following the end of the fiscal year with respect to which such Annual Bonus is paid, (2) the Pro-Rata Annual Bonus payable when bonuses are generally paid to employees of the Company, but in no event later than the date that is two and a half (2-1/2) months following the end of the fiscal year with respect to which such Pro-Rata Bonus was earned, (3) the unpaid portion of your signing bonus, as described in Section 3(g) herein, payable as soon as reasonably practicable following such termination, but in no event later than the date that is two and a half (2-1/2) months following the end of the year your Termination Date occurs, (4) a pro-rata portion of the unpaid Performance Incentive Bonus (pro-rated based on actual performance relative to the applicable performance goals), payable as soon as reasonably practicable after the Termination Date, but in no event later than the date that is two and a half (2-1/2) months following the end of the fiscal year with respect to which such Pro-Rata Bonus was earned, and (5) all of the outstanding management equity granted to you by the Company that is subject solely to service-based vesting conditions shall be treated as fully satisfying such conditions and shall be pro-rated for the portion of the vesting period completed as of the date of your death or Disability; provided, that the benefits provided under this Section 2(c)(v) are subject to and conditioned upon your (or your estate’s, as applicable) execution of a valid general release and waiver within sixty (60) days after such termination of employment (and any payment that otherwise would be made within such sixty (60)-day period pursuant to this paragraph shall be paid as set forth herein, but no earlier than the expiration of any revocation period applicable to the release) in the form attached hereto as Exhibit A and your (and to the extent applicable, your estate or beneficiary’s) compliance with the provisions set forth in Section 4(b) and in all material respects with the provisions of Section 4(c) through (f). For avoidance of doubt, the payments hereunder are without duplication in respect of any other payments otherwise provided for in this Agreement.

vi. Upon termination of your employment without Cause or with Good Reason within twenty-four (24) months following a Change of Control, all outstanding management equity that is granted to you by the Company that is subject solely to service-based vesting conditions (i.e., time vested) will become fully vested. For avoidance of doubt, for

purposes of any vesting of management equity under this Section 2(c), management equity that is subject to performance-based vesting conditions will be vested only to the extent (except as specifically provided in Section 2(c)(ii) hereof) that the performance conditions have been satisfied prior to the termination of employment as set forth in the applicable grant agreement.

vii. In the event of your termination of employment by the Company without Cause, by you with Good Reason or as a result of your death or Disability prior to the grant of the equity awards set forth in Section 3(e) below, the shares shall be granted to you when such grant would have been otherwise made and your employment shall be treated for purposes of vesting of the grant as terminating immediately following the date of grant and the vesting credit provisions of this Section 2(c) shall apply.

(d) For purposes of this Agreement, the term “Cause” shall mean (i) an act of material dishonesty made by you in connection with your responsibilities as an employee; (ii) the conviction of or plea of nolo contendere to a felony or any crime involving fraud, embezzlement or any or act of moral turpitude, (iii) willful misconduct or gross negligence in connection with the performance of your duties as an employee of the Company, (iv) a willful and material breach of this Agreement, including without limitation, your refusal to perform your duties and responsibilities hereunder (other than as a result of illness), 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, (v) a fraudulent act or omission by you adverse to the reputation of the Company or any Affiliate, (vi) the willful disclosure by you of any Confidential Information (as defined below) to persons not authorized to know same, and (vii) your willful violation of or failure to comply with (A) any material Company policy, including, without limitation, the Code of Ethics and Business Practices, or (B) any legal or regulatory obligations or requirements, including, without limitation, failure to provide any certifications as may be required by law, 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, within ninety (90) days subsequent to the termination of your employment, it is first discovered that your employment could have been terminated for Cause pursuant to sections (i) or (v) 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 or of the Board of Directors of the Parent or by the written direction of counsel to the Company or the Parent 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) working days within a 180-day period and with such physician determining that such illness or injury is reasonably likely to continue for an indefinite period.

(f) For purposes of this Agreement, the term “Good Reason” shall mean (i) any action by the Company that results in a material diminution in your position, authority, duties or responsibilities as Chief Executive Officer of the Company, as described in Section 1(a) herein, or any subsequent parent operating company of the Company (including any failure to appoint you to the Board or continue you on the Board); (ii) a reduction by the Company in your Base Salary (except as provided in Section 3(a) herein) or a reduction in your Annual Bonus opportunity, or a material failure by the Company to pay you any such amounts when due; (iii) a relocation of your principal place of employment to more than thirty-five (35) miles from the Company’s corporate headquarters (determined at the Commencement Date), and (iv) a material breach of this Agreement or your management equity agreements, in each case without your written consent. Termination of your employment for “Good Reason” shall not be effective (other than with respect to clause (iii) above) until you deliver to the Board a written notice specifically identifying the conduct of the Company which you believe constitutes “Good Reason” in accordance with this Section 2(f) within ninety (90) days of your knowledge of the initial occurrence of each specific event constituting Good Reason and you 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 \$1,250,000 (“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 (for the purpose of determining similarly reduced, the reduction shall be measured as a percentage of their base salary prior to such reduction). 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) *Bonuses.*

i. 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 150% of your Base Salary, up to a maximum bonus based upon the terms of the bonus plan as in effect from time to time. Notwithstanding the foregoing, for each of fiscal years 2017 and 2018, the Annual Bonus will not be less than your target Annual Bonus (for the avoidance of doubt, in determining the Annual Bonus for 2017, Base Salary for 2017 shall be the annual rate of Base Salary rather than the amount of Base Salary actually received in respect of 2017). 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, 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.

ii. Performance Incentive Bonus. You will be eligible to earn an additional bonus (the “Performance Incentive Bonus”) in the aggregate amount of four million dollars (\$4,000,000), on the following basis: (1) 50% of the Performance Bonus will become vested upon achievement of Adjusted EBITDA (“EBITDA”), determined on a trailing twelve fiscal month basis, of no less than \$250 million (“Tranche 1 EBITDA Target”); and (2) 50% of the Performance Bonus will become vested upon achievement of EBITDA, determined on a trailing twelve fiscal month basis, of no less than \$300 million (“Tranche 2 EBITDA Target”), provided that in each case that the applicable EBITDA Target is sustained at such level for a period of six (6) fiscal months thereafter, and except as set forth in Section 2(c)(v), Participant has remained in continuous employment from the Commencement Date until such vesting date. The EBITDA Target shall be equitably adjusted in good faith after the date hereof by the Board or the Compensation Committee of the Board to reflect the consequences of future acquisitions and dispositions. In particular, but not in limitation of the foregoing, the Board or the Compensation Committee shall equitably reduce the EBITDA Target in the event of a sale or disposition of Madewell Inc. (“Madewell”), including without limitation by reason of a spin-off and distribution of Madewell stock to the Company’s shareholders. Payment will be made as reasonably practicable following the vesting of the applicable EBITDA Target, but in no event later than two and one-half months following the end of the calendar year in which the vesting date occurs. For this purpose, “Adjusted EBITDA” shall have the same meaning as reported to the SEC on a quarterly basis on Form 8-K.

(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 days, 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. You shall be permitted to travel at a level of not less than business class.

(e) Equity. In accordance with the Chinos Holdings, Inc. 2011 Equity Incentive Plan (as amended from time to time, the “Plan”), you will as soon as reasonably practicable following the Commencement Date be granted restricted shares of Class A common stock of Parent (“Parent Stock”) (the form and terms of which have been previously provided to you), (i) 50% of which will be subject to time-based vesting (the service period of which shall commence as of your Commencement Date notwithstanding that the grant may be made at a later date; and (ii)

50% of which shall be subject to performance-based vesting (together, the “Equity Awards”). Except as provided in Section 7(b), the Equity Awards are subject to the Plan, the terms of the award agreements evidencing such Equity Awards (the forms and terms of which have been previously provided to you), the terms of the Stockholders Agreement and other restrictions and limitations generally applicable to common stock of Parent or equity awards held by Company executives or otherwise imposed by law.

(f) *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.

(g) *Signing Bonus.* The Company shall pay you a signing bonus in two installments: (1) one million one-hundred twenty five thousand dollars (\$1,125,000) within thirty days of the Commencement Date (the “First Installment”), provided that if you terminate your employment without Good Reason or the Company terminates your employment for Cause, in either case prior to the one year anniversary of the Commencement Date, you shall be required to repay to the Company the full amount of the First Installment; (2) conditioned on your continued employment on the first anniversary of the Commencement Date (the “First Anniversary”), one million one-hundred twenty five thousand dollars (\$1,125,000) within thirty days of the First Anniversary (the “Second Installment”), provided that if you terminate your employment without Good Reason or the Company terminates your employment for Cause, in either case prior to the second anniversary of the Commencement Date, you shall be required to repay to the Company the full amount of the Second Installment; and (3) conditioned on your continued employment on the second anniversary of the Commencement Date (the “Second Anniversary”), seven hundred fifty thousand dollars (\$750,000) within thirty days of the Second Anniversary (the “Third Installment”), provided that if you terminate your employment without Good Reason or the Company terminates your employment for Cause, in either case prior to the third anniversary of the Commencement Date, you shall be required to repay to the Company the full amount of the Third Installment. In the event of your termination without Cause or your resignation for Good Reason or your death or termination of employment as a result of Disability, any unpaid installments shall be paid to you (or your estate) as provided in Section 2(c)(ii) and Section 2(c)(v) and no previously paid installments shall be repaid.

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 (x) not more than five percent (5%) of the total outstanding securities of any publicly-traded company or (y) not more than two percent (2%) of any non-publicly traded entity through mutual funds, private equity funds, hedge funds or similar passive investment vehicles, or (ii) solicit or cause another person or entity to solicit any customers or suppliers of the

Company to terminate or otherwise adversely modify their relationship with the Company. The term “Competitive Business” means each of the companies listed on Exhibit B (including their subsidiaries), as it may be amended from time to time by mutual agreement of the parties. For purposes of this Section 4, the term “Company” means the Company and/or its Affiliates. Notwithstanding the foregoing, you shall not be in violation of this Section 4(a) if your employer merges into, acquires 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 working 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 with Good Reason.

(b) During the Employment Period and for a period of twenty-four (24) 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. Notwithstanding the foregoing, this provision shall not be violated by your providing a personal reference or by you posting a general advertisement not directly specifically at employees of 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, to the extent legally permitted, you give prompt notice of such requirement to the Company to enable the Company to seek an appropriate protective order prior to such disclosure, (iii) is required to be used or disclosed by you to perform properly your duties under this Agreement or (iv) or is reasonably necessary to be disclosed in connection with any litigation between you and the Company or any of its subsidiaries or Affiliates. 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; provided, that notwithstanding anything herein to the contrary, you may retain your calendar, contacts, personal correspondence, compensation documents and all

information reasonably needed for tax return preparation. 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 reasonably 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 or as may be reasonably necessary in connection with any litigation with the Company or any of its Affiliates. 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. For the avoidance of doubt, statements made during the Employment Term in the ordinary course of employment (e.g., performance reviews) shall not result in a violation of this Section 4(e).

(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, if legally permitted: (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 written 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. Any such cooperation shall be subject to your reasonable work and personal commitments and you shall not be required to cooperate against your own legal interests. The Company agrees to promptly reimburse you for your reasonable out-of-pocket expenses incurred in connection with the performance of your obligations under this Section 4(f) (including, to the extent permitted by applicable law, reasonable attorneys' fees incurred in the event you and the Company mutually agree that independent counsel is appropriate) 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 for its active employees; 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 if such breach occurs during the 24-month period following your termination of employment. Without limiting the foregoing, you further agree that, in the event your employment is terminated 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 Executive 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, NY 10003
Attention: General Counsel

If to you:

To the address on file with the Company.

Copy to:
Katzke & Morgenbesser LLP
1345 Avenue of Americas
New York, NY 10105
Attention: Michael S. Katzke

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. In the event that any provision of this Agreement conflicts with the respective provisions of the Plan, the terms of any of the award agreements evidencing the Equity Awards, or the Stockholders Agreement, the relevant provision contained in this Agreement shall govern. In addition, notwithstanding the terms of the Stockholders Agreement, the Plan, the award agreements evidencing the Equity Awards or any other agreement or policy relating to your employment with the Company, (x) you shall not be subject to any restrictive covenants contained therein to the extent that they are not also contained in this Agreement, and (y) any dispute involving such Plan or the Equity Awards shall be adjudicated in the State of New York in accordance with Section 7(j) hereof except that, in accordance with such Equity Award agreements, Delaware law shall apply.

(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 other than the assignment to your beneficiaries (or estate) of any amounts due to you following your death. 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) If all, or any portion, of the payments provided under this Agreement, either alone or together with other payments or benefits that you receive or are entitled to receive from the Company or an Affiliate (the “Total Payments”), would constitute an “excess parachute payment” within the meaning of Section 280G of Code (“Section 280G”), then the Company, its Affiliates and you shall use customary, reasonable and good faith efforts to avoid all, or any portion, of the Total Payments constituting an “excess parachute payment” within the meaning of Section 280G, by, if available, seeking a vote of stockholders of the Company or an Affiliate, as applicable, in a manner and form that is intended to comply with the stockholder approval procedures set forth in Section 280G(b)(5)(B) of the Code and the regulations thereunder.

(l) 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. All rights to payments and benefits under this Agreement shall be treated as rights to receive a series of separate payments and benefits to the fullest extent allowed by Section 409A of the Code.

(m) Within thirty (30) days following your submission to the Company of a written invoice, the Company shall reimburse you for or pay directly all legal fees reasonably incurred in connection with the negotiation and execution of this Agreement in an amount not to exceed \$40,000.

(n) No payments hereunder or under any equity-based agreement of the Company or any of its Affiliates shall be subject to mitigation or any duty to mitigate.

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

Sincerely,

	<u>/s/Lynda Markoe</u>
Name:	<u>Lynda Markoe</u>
Title:	<u>Executive Vice President,</u>
	<u>Human Resources & Legal</u>

AGREED TO AND ACCEPTED:

/s/James Brett
James Brett

Dated: May 31, 2017

EXHIBIT A

General Release

1. General Release of All Claims: In exchange for the Company's payment and provision of the amounts and benefits described in Section 2(c) of your employment agreement with the Company dated May 30, 2017 (the "Employment Agreement"), as amended from time to time, 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, or the termination of such employment, 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; (b) challenge the Company's failure to comply with its obligation in Paragraph 1 above; (c) your vested and accrued rights under Company qualified retirement, health, or welfare plans; and (d) any rights you may have to indemnification or the protection of directors' and officers' liability insurance.

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, the Securities and Exchange Commission and/or any other federal, state or local agency. 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 identified in Section 2(c) of the Employment Agreement 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 Executive Vice President, Human Resources, 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

By _____
[Name / Title]

Received, Read, Understood and Agreed:

James Brett

Dated: _____, 20__

Acknowledgement of Receipt of
General Release

I acknowledge receiving today a General Release in connection with the termination of my employment with J. Crew. 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 _____

James Brett

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

J. CREW GROUP, INC.
2017 TRANSFORMATION INCENTIVE PLAN

Section 1. Purpose

The purpose of the Transformation Incentive Plan (the “Plan”) is to promote the interests of J.Crew Group, Inc. and its subsidiaries (the “Company”) by providing select associates of the Company with incentive to assist the Company in meeting and exceeding the goals of its new 2017 transformation initiative (the “Transformation Initiative”).

Section 2. Administration

(a) The Plan shall be administered by the Compensation Committee (the “Committee”) of the Board of Directors of the Company.

(b) The Committee may, subject to the provisions of the Plan, establish, adopt or revise rules and regulations relating to the Plan or take such actions as it deems necessary or advisable for the proper administration of the Plan. The Committee shall have the authority to interpret the Plan in its absolute discretion. Each interpretation made or action taken by the Committee pursuant to the Plan shall be final and conclusive for all purposes and binding upon all Participants (as defined in Section 3) or former Participants and their successors in interest. The Committee may request advice or assistance or employ such persons (including, without limitation, legal counsel and accountants) as it deems necessary for the proper administration of the Plan.

(c) Neither the Committee nor any member of the Committee shall be liable for any act, omission, interpretation, construction or determination in connection with the Plan made in good faith, except for willful misconduct or as expressly provided by statute, and the members of the Committee shall be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, reasonable attorneys’ fees) arising or resulting therefrom to the fullest extent permitted by law.

Section 3. Eligibility

Awards may be granted only to associates of the Company who are selected for participation in the Plan by the Committee. A qualifying associate selected by the Committee to participate in the Plan shall be a “Participant” in the Plan. Participation in the Plan shall be in addition to participation, if any, in the Company’s Annual Incentive Plan (the “AIP”).

Section 4. Bonus Pool

(a) The bonus pool from which Awards shall be paid (the “Transformation Bonus Pool”) shall be funded with ten percent (10%) of the Transformation EBITDA (as defined below); provided, however that payment of Awards under the Plan shall only occur when the Company has realized a minimum value of \$60,000,000 in Transformation EBITDA directly attributable to the Transformation Initiative (the “Threshold Value”). For purposes of this Plan, “Transformation EBITDA” shall mean that portion of the Company’s Adjusted EBITDA, which is realized by the Company as a direct result of the Transformation Initiative, all as determined by the Committee in its sole discretion. For this purpose, Adjusted EBITDA will be calculated consistently with the methodology disclosed in the quarterly earnings release filed with the SEC on Form 8-K.

(b) The Threshold Value may be adjusted in good faith by the Committee to reflect the consequences of future acquisitions and dispositions or in the event of changes in GAAP.

Section 5. Awards

The Committee may grant awards (“Awards”) to Participants with respect to performance periods established by the Committee, with the first performance period commencing on January 29, 2017 and the last performance period ending no later than February 1, 2020 (each such period to constitute a “Performance Period”), subject to the terms and conditions of the Plan. The initial Performance Periods shall be the six fiscal months ending on each of July 29, 2017 and February 3, 2018. At the time of grant of an Award, the Committee shall establish (a) the applicable Performance Period, (b) performance goals and objectives (“Performance Goals”) based upon individual or team targets, or both, as appropriate, for such Performance Period (such Performance Goals may, but are not required to be, the same as any performance goals provided pursuant to any award under the AIP) and (c) target awards (“Target Awards”) for each Participant, which shall be a specified percentage of the Transformation Bonus Pool.

Section 6. Payment

(a) **Certification and Payment.** Within six (6) weeks of the end of each Performance Period, the Committee shall certify, in writing, the extent to which the Transformation Bonus Pool has been funded, whether the Threshold Value has been met, and whether the Performance Goals have been achieved. The Company shall pay Awards, in a cash lump sum, as soon as administratively practicable following certification by the Committee; provided, however, that in no event shall any Award be paid later than the date that is two and one-half months following the end of the applicable Performance Period.

(b) **Discretionary Adjustment.** The Committee may, in its discretion, adjust the amount of any Award payable to any Participant, based on such factors as the Committee may deem relevant.

Section 7. Employment Requirement

Except as may be expressly provided in an employment agreement or other written arrangement between a Participant and the Company, to be eligible to receive payment of an Award, the Participant must have remained in the continuous employ of the Company from the date of grant of the Award through the date of payment of the Award.

Section 8. Miscellaneous Provisions

(a) **No Rights to Awards or Continued Employment.** No associate of the Company shall have any claim or right to receive Awards under the Plan. Neither the Plan nor any action taken under the Plan shall be construed as giving any associate any right to be retained by the Company.

(b) **No Limits on Other Awards and Plans.** Nothing contained in this Plan shall prohibit the Company from establishing other special awards or incentive compensation plans providing for the payment of incentive compensation to associates of the Company, including any Participants.

(c) **Withholding Taxes.** The Company shall deduct from all payments and distributions under the Plan any required federal, state or local governments tax withholdings.

(d) **Unfunded Status of Plan.** The Company shall not have any obligation to establish any separate fund or trust or other segregation of assets to provide for payments under the Plan. To the extent any person acquires any rights to receive payments hereunder from the Company, such rights shall be no greater than those of an unsecured creditor.

(e) **Effective Date; Amendment.** The Plan is effective as of June 12, 2017. The Committee may at any time and from time to time alter, amend, suspend or terminate the Plan in whole or in part.

(f) **Governing Law.** The Plan and the rights of all persons under the Plan shall be construed and administered in accordance with the laws of the State of New York without regard to its conflict of law principles.

(g) **Code Section 409A.** Each Award is intended not to be subject to Section 409A of the Internal Revenue Code ("Section 409A") by reason of being a short-term deferral and shall be interpreted accordingly. In the event any of the compensation or benefits provided to a Participant pursuant to this Plan would result in a violation of Section 409A (including any regulations promulgated thereunder), the Company will use its reasonable best efforts to amend the Plan in the least restrictive manner necessary in order, where applicable (i) to ensure that such compensation is not considered "nonqualified deferred compensation" for purposes of Section 409A, or (ii) to comply with the provisions of Section 409A, in each case, where possible, without any diminution in the value of the compensation or benefits to be paid or provided to the Participant pursuant to this Agreement; provided, however, that nothing in this Agreement shall require the Company to provide any gross-up or other tax reimbursement to a Participant in connection with any violation of Section 409A or otherwise.

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

I, Millard Drexler, 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: June 12, 2017

/s/ MILLARD DREXLER
Millard Drexler
Chief Executive Officer

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

I, Michael J. Nicholson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of J.Crew Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 12, 2017

/s/ MICHAEL J. NICHOLSON

Michael J. Nicholson

President, Chief Operating Officer and Chief Financial Officer

**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 April 29, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Millard Drexler, Chief Executive Officer of the Company, and Michael J. Nicholson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: June 12, 2017

/s/ MILLARD DREXLER

Millard Drexler
Chief Executive Officer

/s/ MICHAEL J. NICHOLSON

Michael J. Nicholson
Chief Financial Officer

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

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

