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 28, 2012

Or

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

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

J.CREW GROUP, INC.
(Incorporated in Delaware)

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

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

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

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

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-Accelerated Filer	☒	Smaller Reporting Company	☐

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 May 25, 2012
Common Stock, $.01 par value per share	**1,000 shares**

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PART I – FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

J.CREW GROUP, INC.

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

	April 28, 2012	January 28, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 216,103	$ 221,852
Merchandise inventories	250,596	242,659
Prepaid expenses and other current assets	46,896	48,052
Deferred income taxes, net	9,971	9,971
Prepaid income taxes	—	4,087
Total current assets	523,566	526,621
Property and equipment, net	285,192	264,572
Favorable lease commitments, net	45,589	48,930
Deferred financing costs, net	56,328	58,729
Intangible assets, net	982,871	985,322
Goodwill	1,686,915	1,686,915
Other assets	2,492	2,433
Total assets	$ 3,582,953	$ 3,573,522
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 129,865	$ 158,116
Other current liabilities	121,718	116,339
Interest payable	12,778	26,735
Income taxes payable	12,491	—
Current portion of long-term debt	15,000	15,000
Total current liabilities	291,852	316,190
Long-term debt	1,576,000	1,579,000
Unfavorable lease commitments and deferred credits, net	58,600	53,700
Deferred income taxes, net	410,517	410,515
Other liabilities	37,157	37,065
Total liabilities	2,374,126	2,396,470
Stockholders' equity:		
Common stock $0.01 par value; 1,000 shares authorized, issued and outstanding	—	—
Additional paid-in capital	1,184,681	1,183,606
Accumulated other comprehensive loss	(18,960)	(18,963)
Retained earnings	43,106	12,409
Total stockholders' equity	1,208,827	1,177,052
Total liabilities and stockholders' equity	$ 3,582,953	$ 3,573,522

See notes to unaudited condensed consolidated financial statements.

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J.CREW GROUP, INC.

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

	Thirteen Weeks Ended April 28, 2012	For the Period March 8, 2011 to April 30, 2011	For the Period January 30, 2011 to March 7, 2011
	(Successor)	(Successor)	(Predecessor)
Revenues:			
Net sales	$ 497,445	$ 271,422	$ 130,116
Other	6,078	4,796	3,122
Total revenues	503,523	276,218	133,238
Cost of goods sold, including buying and occupancy costs	263,671	157,910	70,284
Gross profit	239,852	118,308	62,954
Selling, general and administrative expenses	164,181	125,487	79,736
Income (loss) from operations	75,671	(7,179)	(16,782)
Interest expense, net of interest income	25,412	15,526	1,166
Income (loss) before income taxes	50,259	(22,705)	(17,948)
Provision (benefit) for income taxes	19,562	(8,911)	(1,798)
Net income (loss)	$ 30,697	$ (13,794)	$ (16,150)
Other comprehensive income (loss):			
Unrealized gain (loss) on cash flow hedge, net of tax	3	(4,674)	—
Comprehensive income (loss)	$ 30,700	$ (18,468)	$ (16,150)

See notes to unaudited condensed consolidated financial statements.

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J.CREW GROUP, INC.

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

	Common Stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total stockholders' equity
	Shares	Amount				
Balance at March 8, 2011	—	$ —	$ —	$ —	$ —	$ —
Issuance of 1,000 shares of common stock	1,000	—	1,170,693	—	—	1,170,693
Share-based compensation	—	—	12,913	—	—	12,913
Net income	—	—	—	12,409	—	12,409
Unrealized gain (loss) on cash flow hedges, net of tax	—	—	—	—	(18,963)	(18,963)
Balance at January 28, 2012	1,000	$ —	$1,183,606	$ 12,409	$ (18,963)	$1,177,052
Share-based compensation	—	—	1,075	—	—	1,075
Net income	—	—	—	30,697	—	30,697
Unrealized gain (loss) on cash flow hedges, net of tax	—	—	—	—	3	3
Balance at April 28, 2012	1,000	$ —	$1,184,681	$ 43,106	$ (18,960)	$ 1,208,827

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 28, 2012 (Successor)	For the Period March 8, 2011 to April 30, 2011 (Successor)	For the Period January 30, 2011 to March 7, 2011 (Predecessor)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 30,697	$ (13,794)	$ (16,150)
Adjustments to reconcile to cash flows from operating activities:			
Depreciation of property and equipment	16,728	10,182	3,929
Share-based compensation	1,075	44,906	1,080
Non-cash charge related to step-up in carrying value of inventory	—	3,092	—
Amortization of favorable lease commitments	3,341	2,056	—
Amortization of intangible assets	2,451	1,628	—
Amortization of deferred financing costs	2,401	1,600	970
Excess tax benefits from share-based awards	—	—	(74,495)
Changes in operating assets and liabilities:			
Merchandise inventories	(7,937)	(1,517)	(20,204)
Prepaid expenses and other current assets	1,156	4,066	3,178
Other assets	(59)	272	(825)
Accounts payable and other liabilities	(31,929)	(23,574)	(2,440)
Federal and state income taxes	16,675	(18,821)	3,847
Net cash provided by (used in) operating activities	34,599	10,096	(101,110)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of J.Crew Group, Inc.	—	(2,981,415)	—
Acquisition consideration due to dissenting shareholders	—	209,018	—
Capital expenditures	(37,348)	(16,888)	(2,644)
Net cash used in investing activities	(37,348)	(2,789,285)	(2,644)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt	—	1,600,000	—
Proceeds from equity contributions	—	1,173,981	—
Excess tax benefit from share-based awards	—	—	74,495
Payment of debt issuance costs	—	(67,530)	—
Proceeds from share-based compensation plans	—	—	1,130
Repayment of debt	(3,000)	—	—
Repurchases of common stock	—	—	(20)
Net cash provided by (used in) financing activities	(3,000)	2,706,451	75,605
Decrease in cash and cash equivalents	(5,749)	(72,738)	(28,149)
Beginning balance	221,852	353,211	381,360
Ending balance	$ 216,103	$ 280,473	$ 353,211
Supplemental cash flow information:			
Income taxes paid	$ 3,130	$ 3,976	$ —
Interest paid	$ 36,852	$ 145	$ 35
Non-cash equity contribution from management shareholders	$ —	$ 102,483	$ —

See notes to unaudited condensed consolidated financial statements.

J.CREW GROUP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the periods January 29, 2012 to April 28, 2012 (Successor), March 8, 2011 to April 30, 2011 (Successor), and January 30, 2011 to March 7, 2011 (Predecessor)
(Dollars in thousands, unless otherwise indicated)

1. Basis of Presentation

J.Crew Group, Inc. and its wholly owned subsidiaries (the "Company" or "Group") was acquired (the "Acquisition") on March 7, 2011 through a merger with Chinos Acquisition Corporation ("Merger Sub"), a wholly-owned subsidiary of Chinos Holdings, Inc. (the "Parent"). The Parent was formed by investment funds affiliated with TPG Capital, L.P. (together with such investment funds "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.

Although the Company continued as the same legal entity after the Acquisition, the accompanying unaudited condensed consolidated statements of operations and comprehensive income (loss), stockholders' equity and cash flows are presented for two periods: Predecessor and Successor, which relate to the period preceding and succeeding the Acquisition. The Acquisition and the allocation of the purchase price were recorded as of March 7, 2011.

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, 2012.

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. The Transactions

As discussed in note 1, the Acquisition was completed on March 7, 2011 and was financed with:

- Senior Credit Facilities of $1,450 million consisting of: (i) a $250 million, 5-year asset-based revolving credit facility (the "ABL Facility"), which was undrawn at closing, and (ii) a $1.2 billion, 7-year term loan credit facility (the "Term Loan");
- Senior unsecured 8.125% notes due 2019 (the "Notes") of $400 million; and
- Equity investments of approximately $1.2 billion from Parent funded by the Sponsors, co-investors and management.

The Acquisition occurred simultaneously with:

- The closing of the financing transactions and equity investments described above; and
- The termination of the Company's previous $200 million asset-based revolving credit facility.

These transactions, the Acquisition and payment of any costs related to these transactions are collectively herein referred to as the "Transactions."

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3. Purchase Accounting

The Acquisition was accounted for as a purchase business combination in accordance with ASC 805, *Business Combinations*, whereby the purchase price paid to effect the Acquisition was allocated to recognize the acquired assets and liabilities at fair value. The Acquisition and the allocation of the purchase price of approximately $3.1 billion have been recorded as of March 7, 2011. The sources and uses of funds in connection with the Transactions are summarized below:

Sources:	
Proceeds from Term Loan	$ 1,200,000
Proceeds from Notes	400,000
Proceeds from equity contributions	1,225,911
Cash on hand	307,150
Total sources	$ 3,133,061
Uses:	
Equity purchase price	$ 2,981,415
Transaction costs	151,646
Total uses	$ 3,133,061

In connection with the purchase price allocation, estimates of the fair values of long-lived and intangible assets have been determined based upon assumptions related to the future cash flows, discount rates and asset lives utilizing currently available information, and in some cases, valuation results from independent valuation specialists. Purchase accounting adjustments were recorded to: (i) increase the carrying value of property and equipment, and inventory, (ii) establish intangible assets for trade names, loyalty program, customer lists and favorable lease commitments, and (iii) revalue gift card and lease-related liabilities.

The allocation of purchase price is as follows:

Purchase price	$ 2,981,415
Less: net assets acquired	(571,644)
Less: after tax cost of post-combination share-based awards	(21,425)
Excess of purchase price over book value of net assets acquired	$ 2,388,346
Write up of tangible assets:	
Property and equipment	$ 35,334
Merchandise inventories	32,500
Fair market value of favorable leases	61,010
Acquisition-related intangible assets:	
J.Crew brand name (indefinite lived)	885,300
Madewell brand name (20 year life)	82,000
Loyalty program and customer lists (5 year life)	27,010
Less: historical intangible assets	(4,351)
Acquisition-related intangibles	989,959
Write down/(up) of liabilities:	
Gift card liability revaluation	7,737
Deferred rent and lease incentive revaluation	66,880
Fair market value of unfavorable leases	(40,920)
Deferred income taxes:	
Long-term deferred tax asset	(20,171)
Short-term deferred tax liability	(5,678)
Long-term deferred tax liability	(425,220)
Residual goodwill(1)	1,686,915
Total allocated excess purchase price	$ 2,388,346

(1) Residual goodwill consists primarily of intangible assets related to the knowhow, design and merchandising of the Company’s brands that do not qualify for separate recognition in accordance with ASC 805.

Pro forma financial information

The following unaudited pro forma results of operations gives effect to the Transactions as if it had occurred on the first day of the first quarter of fiscal 2011 (January 30, 2011). The pro forma results of operations reflects adjustments (i) to record amortization and depreciation resulting from purchase accounting, (ii) to record Sponsor monitoring fees, and (iii) to eliminate non-recurring charges that were incurred in connection with the Transactions, including acquisition-related share-based compensation, transaction costs, and amortization of the step-up in the carrying value of inventories. This unaudited pro forma financial information should not be relied upon as necessarily being indicative of the historical results that would have been obtained if the Transactions had actually occurred on that date, nor the results of operations in the future.

	For the Period January 30, 2011 to April 30, 2011	
(Dollars in millions)	As reported	Pro forma
Total revenues	$409,456	$409,456
Net income (loss)	$ (29,944)	$ 16,181

4. Transactions with Sponsors

In connection with the Transactions, the Company entered into a management services agreement with the Sponsors pursuant to which they received on the closing date an aggregate transaction fee of $35 million. In addition, pursuant to such agreement, and in exchange for on-going 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 $2.1 million, in the first quarter of fiscal 2012, for monitoring fees and out-of-pocket expenses, included in selling, general and administrative expenses in the statements of operations and comprehensive income (loss).

5. Goodwill and Intangible Assets

The significant components of our intangible assets and goodwill are as follows:

	Loyalty Program and Customer Lists	Favorable Lease Commitments	Madewell Brand Name	J.Crew Brand Name	Goodwill
Balance at January 28, 2012	$ 21,780	$ 48,930	$ 78,242	$885,300	$1,686,915
Amortization expense	(1,426)	(3,341)	(1,025)	—	—
Balance at April 28, 2012	$ 20,354	$ 45,589	$ 77,217	$885,300	$1,686,915
Total accumulated amortization at April 28, 2012	$ (6,656)	$ (15,421)	$ (4,783)		

6. Share-Based Compensation

Chinos Holdings, Inc. 2011 Equity Incentive Plan

During the first quarter of fiscal 2012, the Parent issued 2,753,000 options to certain members of management, including (i) 791,500 options with an exercise price of $1.00 that become exercisable over a period of up to seven years and (ii) 1,961,500 options with an exercise price of $1.00 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. The options have terms of up to ten years.

The weighted average grant-date fair value of the time-based awards was $0.47 per share. For the first quarter of fiscal 2012, the Company recorded an expense of $1.1 million for the time-based awards. Expense associated with the options exercisable when certain owners of the Parent receive a specified level of cash proceeds will not be recognized until that event occurs.

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

	For the Period January 29, 2012 to April 28, 2012	For the Period March 8, 2011 to April 30, 2011	For the Period January 30, 2011 to March 7, 2011
	(Successor)	(Successor)	(Predecessor)
Share-based compensation	$ 1,075	$ 44,906	$ 1,080

A summary of shares available for grant as stock options or other share-based awards under the 2011 Equity Incentive Plan is as follows:

	Shares
Available for grant at January 28, 2012	26,572,908
Authorized	—
Granted	(2,753,000)
Forfeited and available for reissuance	206,000
Available for grant at April 28, 2012	24,025,908

7. Long-Term Debt and Credit Agreements

Long-term debt consisted of the following:

	April 28, 2012 (Successor)	January 28, 2012 (Successor)
Term Loan	$ 1,191,000	$ 1,194,000
Notes	400,000	400,000
Less current portion of Term Loan	(15,000)	(15,000)
Long-term debt	$1,576,000	$1,579,000

ABL Facility

In connection with the Acquisition, on March 7, 2011, the Company entered into the ABL Facility, 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 senior secured financing of $250 million (which may be increased by up to $75 million in certain circumstances), subject to a borrowing base limitation. The borrowing base will equal 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 the entire amount of the facility, and up to $25 million in U.S. dollars for borrowings on same-day notice, referred to as swingline loans, and is available in U.S. dollars, Canadian dollars and Euros. The Company did not incur loans under the ABL Facility at the closing of the Acquisition through April 28, 2012. Any amounts outstanding under the ABL Facility are due and payable in full on the fifth anniversary of the closing date of the Acquisition.

Borrowings under the ABL Facility bear interest at a rate per annum equal to, at Group's option, any of the following, plus, in each case, an applicable margin: (a) in the case of borrowings in U.S. dollars, 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 rate 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%; (b) in the case of borrowings in U.S. dollars or in Euros, a LIBOR rate determined by reference to the costs of funds for deposits in the relevant currency for the interest period relevant to such borrowing adjusted for certain additional costs; (c) in the case of borrowings in Canadian dollars, the average offered rate for Canadian dollar bankers' acceptances having an identical term of the applicable borrowing; and (d) in the case of borrowings in Canadian dollars, a fluctuating rate determined by reference to the higher of (1) the average offered rate for 30 day Canadian dollar bankers' acceptances plus 0.50% and (2) the prime rate of Bank of America, N.A. for loans in Canadian dollars. The applicable margin for borrowings under the ABL Facility varies based on Group's average historical excess availability from 1.25% to 1.75% with respect to base rate borrowings and borrowings in Canadian dollars bearing interest at the rate described in the immediately preceding clause (d), and from 2.25% to 2.75% with respect to LIBOR borrowings and borrowings in Canadian dollars bearing interest at the rate described in the immediately preceding clause (c).

All obligations under the ABL Facility are unconditionally guaranteed by Group's immediate parent and certain of Group's existing and future wholly owned domestic subsidiaries (referred to herein as the subsidiary guarantors) and are secured, subject to certain exceptions, by substantially all of Group's assets and the assets of Group's immediate parent and the subsidiary guarantors, including, in each case subject to customary exceptions and exclusions:

- a first-priority security interest in personal property consisting of accounts receivable, inventory, cash, deposit accounts (other than any designated deposit accounts containing solely the proceeds of collateral with respect to which the obligations under the ABL Facility have only a second-priority security interest), securities accounts, commodities accounts and certain assets related to the foregoing and, in each case, proceeds thereof (such property, the "Current Asset Collateral");

- a second-priority pledge of all of Group's capital stock directly held by Group's immediate parent and a second priority pledge of all of the capital stock directly held by Group and any subsidiary guarantors (which pledge, in the case of the capital stock of each (a) domestic subsidiary that is directly owned by Group or by any subsidiary guarantor and that is a disregarded entity for United States Federal income tax purposes substantially all of the assets of which consist of equity interests in one or more foreign subsidiaries or (b) foreign subsidiary, is limited to 65% of the stock of such subsidiary); and
- a second-priority security interest in substantially all other tangible and intangible assets, including substantially all of the Company's owned real property and intellectual property.

The ABL Facility includes restrictions on Group's ability and the ability of certain of its subsidiaries to, among other things, incur or guarantee additional indebtedness, pay dividends (including to the Parent) on, or redeem or repurchase, capital stock, make certain acquisitions or investments, materially change its business, incur or permit to exist certain liens, enter into transactions with affiliates or sell its assets to, or merge or consolidate with or into, another company. In addition, from the time when excess availability under the ABL Facility is less than the greater of (a) 12.5% of the lesser of (1) the commitment amount and (2) the borrowing base and (b) $25 million, until the time when Group has excess availability under the ABL Facility equal to or greater than the greater of (a) 12.5% of the lesser of (1) the commitment amount and (2) the borrowing base and (b) $25 million for 30 consecutive days, the credit agreement governing the ABL Facility requires Group to maintain a Fixed Charge Coverage Ratio (as defined in the ABL Facility) tested as of the last day of each fiscal quarter that shall not be less than 1.0.

Although Group's immediate parent is not generally subject to the negative covenants under the ABL Facility, such parent is subject to a holding company covenant that limits its ability to engage in certain activities.

The credit agreement governing the ABL Facility additionally contains certain customary representations and warranties, affirmative covenants and provisions relating to events of default, including without limitation, a cross-default according to the terms of any indebtedness with an aggregate principal amount of $35 million or more. If an event of default occurs under the ABL Facility, the lenders may declare all amounts outstanding under the ABL Facility immediately due and payable. In such event, the lenders may exercise any rights and remedies they may have by law or agreement, including the ability to cause all or any part of the collateral securing the ABL Facility to be sold.

There were no short-term borrowings during the first quarter of fiscal 2012. Outstanding stand-by letters of credit were $9.2 million and excess availability, as defined, was $240.8 million at April 28, 2012.

Demand Letter of Credit Facility

The Company has an unsecured, demand letter of credit facility with HSBC which provides for the issuance of up to $35 million of documentary letters of credit on a no fee basis. Outstanding letters of credit were $14.7 million and availability was $20.3 million at April 28, 2012.

Term Loan

In connection with the Acquisition, on March 7, 2011, the Company entered into the Term Loan Facility, governed by a term loan credit agreement with Bank of America, N.A., as administrative agent and the other agents and lenders party thereto, that provides senior secured financing of $1,200 million. The Company is required to make quarterly principal payments of $3.0 million, or 0.25% of the original principal amount of the term loan, on the last day of January, April, July, and October of each year. The Company is also required to repay the term loan based on annual excess cash flows as defined in the agreement under certain circumstances. Borrowings under the Term Loan mature on the seventh anniversary of the closing date of the Acquisition.

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) 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 rate 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% or (b) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, which shall be no less than 1.25%. The applicable margin for borrowings under the Term Loan Facility varies based upon Group's senior secured net leverage ratio from 2.25% to 2.50% with respect to base rate borrowings and from 3.25% to 3.50% with respect to LIBOR borrowings.

All obligations under the Term Loan Facility are unconditionally guaranteed by Group's immediate parent and the subsidiary guarantors and are secured, subject to certain exceptions, by substantially all of Group's assets and the assets of Group's immediate parent and the subsidiary guarantors, including, in each case subject to customary exceptions and exclusions:

- a first-priority pledge of all of Group's capital stock directly held by Group's immediate parent and a first-priority pledge of all of the capital stock directly held by Group and the subsidiary guarantors (which pledge, in the case of the capital stock of each (a) domestic subsidiary that is directly owned by Group or by any subsidiary guarantor and that is a disregarded entity for United States Federal income tax purposes substantially all of the assets of which consist of equity interests in one or more foreign subsidiaries or (b) foreign subsidiary, is limited to 65% of the stock of such subsidiary);
- a first-priority security interest in substantially all of Group's immediate parent's, Group's and the subsidiary guarantor's other tangible and intangible assets (other than the assets described in the following bullet point), including substantially all of the Company's real property and intellectual property, and designated deposit accounts containing solely the proceeds of collateral with respect to which the obligations under the Term Loan Facility have a first-priority security interest; and
- a second-priority security interest in Current Asset Collateral.

The Term Loan Facility includes restrictions on Group's ability and the ability of Group's immediate parent and certain of Group's subsidiaries to, among other things, incur or guarantee additional indebtedness, pay dividends (including to the Parent) on, or redeem or repurchase, capital stock, make certain acquisitions or investments, materially change its business, incur or permit to exist certain liens, enter into transactions with affiliates or sell its assets to, or merge or consolidate with or into, another company.

The credit agreement governing the Term Loan Facility does not require Company to comply with any financial maintenance covenants, but contains certain customary representations and warranties, affirmative covenants and provisions relating to events of default, including without limitation, a cross-default according to the terms of any indebtedness with an aggregate principal amount of $35 million or more. If an event of default occurs under the Term Loan Facility, the lenders may declare all amounts outstanding under the Term Loan Facility immediately due and payable. In such event, the lenders may exercise any rights and remedies they may have by law or agreement, including the ability to cause all or any part of the collateral securing the Term Loan Facility to be sold.

8.125% Senior Notes due 2019

On March 7, 2011, Group (as successor by merger to Chinos Acquisition Corporation) issued $400 million in principal amount of Notes. The Notes bear interest at a rate of 8.125% per annum, and interest is payable semi-annually on March 1 and September 1 of each year. The Notes mature on March 1, 2019.

Subject to certain exceptions, the Notes are guaranteed on a senior unsecured basis by each of Group's current and future wholly owned domestic restricted subsidiaries (and non-wholly owned restricted subsidiaries if such non-wholly owned restricted subsidiaries guarantee Group's or another guarantor's other capital market debt securities) that is a guarantor of Group's or another guarantor's debt, including the Senior Credit Facilities. The Notes are Group's senior unsecured obligations and rank equally in right of payment with all of its existing and future indebtedness that is not expressly subordinated in right of payment thereto. The Notes will be senior in right of payment to any future indebtedness that is expressly subordinated in right of payment thereto and effectively junior to (a) Group's existing and future secured indebtedness, including the ABL Facility and Term Loan Facility described above, to the extent of the value of the collateral securing such indebtedness and (b) all existing and future liabilities of Group's non-guarantor subsidiaries.

The indenture governing the Notes contains certain customary representations and warranties, provisions relating to events of default and covenants, including, without limitation, a cross-payment default provision and cross-acceleration provision in the case of a payment default or acceleration according to the terms of any indebtedness with an aggregate principal amount of $50 million or more, restrictions on Group's and certain of its subsidiaries' ability to, among other things incur or guarantee indebtedness; pay dividends on, redeem or repurchase capital stock; make investments; issue certain preferred equity; create liens; enter into transactions with the Company's affiliates; designate Group's subsidiaries as Unrestricted Subsidiaries (as defined in the indenture); and consolidate, merge, or transfer all or substantially all of the Company's assets. The covenants are subject to a number of exceptions and qualifications. Certain of these covenants, excluding without limitation those relating to transactions with the Company's affiliates and consolidation, merger, or transfer of all or substantially all of the Company's assets, will be suspended during any period of time that (1) the Notes have Investment Grade Ratings (as defined in the indenture) from both Moody's Investors Service, Inc. and Standard & Poor's and (2) no default has occurred and is continuing under the indenture. In the event that the Notes are downgraded to below an Investment Grade Rating, Group and certain subsidiaries will again be subject to the suspended covenants with respect to future events.

Group has been in compliance with its covenants during the terms of these agreements.

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Interest expense

The significant components of interest expense are as follows:

	For the Thirteen Weeks Ended	For the Period	
	January 29, 2012 to April 28, 2012	March 8, 2011 to April 30, 2011	January 30, 2011 to March 7, 2011
	(Successor)	(Successor)	(Predecessor)
Term Loan	$ 14,311	$ 8,708	$ —
Notes	8,216	4,966	—
Amortization of deferred financing costs	2,400	1,600	970
Other, net of interest income	485	252	196
Interest expense, net	$ 25,412	$ 15,526	$ 1,166

8. Derivative Financial Instruments

Interest Rate Caps

In April 2011, the Company entered into interest rate cap agreements for an aggregate notional amount of $600 million in order to hedge the variability of cash flows related to a portion of the Company's floating rate indebtedness. These cap agreements, effective in March 2012, hedge a portion of contractual floating rate interest commitments through the expiration of the agreements in March 2013. Pursuant to the agreements, the Company has capped LIBOR at 3.5% with respect to the aggregate notional amount of $600 million. In the event LIBOR exceeds 3.5% the Company will pay interest at the capped rate. In the event LIBOR is less than 3.5%, the Company will pay interest at the prevailing LIBOR rate. In the first quarter of fiscal 2012 the Company paid interest at the prevailing LIBOR rate.

Interest Rate Swaps

In April 2011, the Company entered into floating-to-fixed interest rate swap agreements for an initial aggregate notional amount of $600 million to limit exposure to interest rate increases related to a portion of the Company's floating rate indebtedness once the Company's interest rate cap agreements expire. These swap agreements, effective March 2013, hedge a portion of contractual floating rate interest commitments through the expiration of the agreements in March 2016. As a result of the agreements, the Company's effective fixed interest rate on the notional amount of floating rate indebtedness will be 3.56% plus the then applicable margin.

Fair Value

As of the effective date, the Company designated the interest rate cap and 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 interest rate cap and interest rate swap agreements are highly correlated to the changes in interest rates to which the Company is exposed. Unrealized gains and losses on these instruments are designated as effective or ineffective. The effective portion of such gains or losses is recorded as a component of accumulated other comprehensive income or loss, while the ineffective portion of such gains or losses will be 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 income or loss to interest expense.

The fair values of the interest rate cap and swap agreements are estimated using industry standard valuation models using market-based observable inputs, including interest rate curves (level 2). A summary of the recorded amounts included in the condensed consolidated balance sheet is as follows:

	April 28, 2012	January 28, 2012
	(Successor)	(Successor)
Interest rate caps (included in other assets)	$ 1	$ 6
Interest rate swaps (included in other liabilities)	$ 30,347	$ 30,358
Accumulated other comprehensive loss, net of tax (included in stockholders' equity)	$(18,960)	$(18,963)

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9. 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 is estimated to be $1,596 million at April 28, 2012 based on quoted market prices of the debt (level 1 inputs).

In April 2011, the Company entered into interest rate cap and swap agreements in order to hedge the variability of cash flows related to a portion of the Company's floating rate indebtedness, which are measured in the financial statements at fair value on a recurring basis. See note 8 for more information regarding the fair value of these financial assets and liabilities.

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

Except for certain leasehold improvements, the Company does not have any non-financial assets or liabilities as of April 28, 2012 or January 28, 2012 that are measured in the financial statements at fair value.

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

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

	For the Thirteen Weeks Ended	For the Period	
	January 29, 2012 to April 28, 2012	March 8, 2011 to April 30, 2011	January 30, 2011 to March 7, 2011
	(Successor)	(Successor)	(Predecessor)
Carrying value of long-term assets written down to fair value	$ 160	$ —	$ —
Impairment charge	$ 160	$ —	$ —

10. Income Taxes

Group files a consolidated federal income tax return, which includes all of its wholly owned subsidiaries. Each subsidiary files separate, or combined where required, state tax returns in required jurisdictions. Effective for the tax year ended January 2012, the Company will file as a member of the consolidated group of Parent.

Tax returns for periods ended January 2009 through March 7, 2011 are subject to examination by the Internal Revenue Service. The tax return for the period ended January 2011 is 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 2002 to 2010. The results of these audits and appeals are not expected to have a significant effect on the results of operations or financial position.

The difference between the U.S. statutory income tax rate of 35% and the effective tax rate for the thirteen weeks ended April 28, 2012 (Successor) and the period March 8, 2011 to April 30, 2011 (Successor) of 38.9% and 39.2%, respectively, is primarily driven by state and local income taxes, net of federal benefit. The difference between the U.S. statutory income tax rate of 35% and the effective tax rate for the period January 30, 2011 to March 7, 2011 (Predecessor) of 10%, is primarily driven by (i) non-deductible Transaction costs and (ii) state and local income taxes, net of federal benefit.

As of April 28, 2012, the Company has $6.8 million in liabilities associated with uncertain tax positions (including interest and penalties of $1.2 million) reflected in other liabilities. The amount, if recognized, that would affect the effective tax rate is $4.3 million. While the Company expects the amount of unrecognized tax benefits to change in the next twelve months, the change is not expected to have a significant effect on the estimated effective annual tax rate, the results of operations or financial position. However, the outcome of tax matters is uncertain and unforeseen results can occur.

11. Legal Proceedings

New York and Federal Litigation Relating to the Acquisition

Between November 24, 2010 and December 16, 2010, seven purported class action complaints concerning the Acquisition were filed in the Supreme Court of the State of New York (the "New York Actions") against some or all of the following: the Company, certain officers of the Company, members of the Company's Board of Directors, Parent, the Company, TPG Capital, L.P., TPG Fund VI and LGP. The plaintiffs in each of these complaints alleged, among other things, (1) that certain officers of the Company and members of the Company's Board breached their fiduciary duties to the Company's public stockholders by authorizing the Acquisition for inadequate consideration and pursuant to an inadequate process, and (2) that the Company, TPG Capital, L.P. and LGP aided and abetted the other defendants' alleged breaches of fiduciary duty. The purported class action complaints sought, among other things, an order enjoining the consummation of the Acquisition, an order rescinding the Acquisition to the extent it was consummated and an award of compensatory damages. On April 2, 2012, the plaintiffs in the New York Actions voluntarily dismissed those actions. Neither the plaintiffs in the New York Actions nor their attorneys received any consideration in exchange for the dismissal of the New York Actions.

On December 1, 2010 and December 14, 2010, two purported class action complaints concerning the Acquisition were filed in the United States District Court for the Southern District of New York (the "Federal Actions"). The plaintiffs in the Federal Actions assert claims that are largely duplicative of the claims asserted in the New York Actions, but also allege that the defendants violated multiple federal securities statutes in connection with the filing of the Preliminary Proxy Statement on Schedule 14A relating to the Acquisition. On March 6, 2012, the plaintiffs in the Federal Actions voluntarily dismissed those actions. Neither the plaintiffs in the Federal Actions nor their attorneys received any consideration in exchange for the dismissal of the Federal Actions.

Also, the Company is subject to various other legal proceedings and claims arising in the ordinary course of business. Management does not expect that the results of any of these other legal proceedings, either individually or in the aggregate, would have a material adverse effect on the Company's financial position, results of operations or cash flows.

12. Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In May 2011, a pronouncement was issued providing consistent definitions and disclosure requirements of fair value with respect to U.S. GAAP and International Financial Reporting Standards. The pronouncement changed certain fair value measurement principles and enhanced the disclosure requirements, particularly for Level 3 measurements. The changes were effective prospectively for interim and annual periods beginning after December 15, 2011. The Company adopted this pronouncement on January 29, 2012. The adoption of this guidance did not have a significant impact on the Company's condensed consolidated financial statements.

In June 2011, a pronouncement was issued that amended the guidance relating to the presentation of comprehensive income and its components. The pronouncement eliminates the option to present the components of other comprehensive income as part of the statement of equity and requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The Company adopted this pronouncement on January 29, 2012. The adoption of this guidance required changes in presentation only and therefore did not have a significant impact on the Company's condensed consolidated financial statements.

In September 2011, a pronouncement was issued that amended the guidance for goodwill impairment testing. The pronouncement allows the entity to perform an initial qualitative assessment to determine whether it is "more likely than not" that the fair value of the reporting unit is less than its carrying amount. This assessment is used as a basis for determining whether it is necessary to perform the two step goodwill impairment test. The methodology for how goodwill is calculated, assigned to reporting units, and the application of the two step goodwill impairment test have not been revised. The pronouncement is effective for fiscal years beginning after December 15, 2011. The Company adopted this pronouncement in the fourth quarter of fiscal 2011. The adoption did not have a significant impact on the Company's condensed consolidated financial statements.

Recently Issued Accounting Pronouncements

In December 2011, a pronouncement was issued that amended the guidance related to the disclosure of recognized financial instruments and derivative instruments that are either offset on the balance sheet or subject to an enforceable master netting arrangement or similar agreement. The amended provisions are effective for fiscal years beginning on or after January 1, 2013, and are required to be applied retrospectively for all prior periods presented. As this pronouncement relates to disclosure only, the adoption of this amendment will not have a material effect on the Company's condensed consolidated financial statements.

Forward-Looking Statements

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

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this report. Important factors that could cause our actual results to differ include, but are not limited to, our substantial indebtedness and lease obligations, the strength of the global economy, declines in consumer spending or changes in seasonal consumer spending patterns, competitive market conditions, our ability to anticipate and timely respond to changes in trends and consumer preferences, our ability to successfully develop, launch and grow our newer concepts and execute on strategic initiatives, products offerings, sales channels and businesses, material disruption to our information systems, our ability to implement our real estate strategy, our ability to attract and retain key personnel, interruptions in our foreign sourcing operations, and other factors which are set forth in the section entitled "Risk Factors" and elsewhere in our Annual Report on Form 10-K for the fiscal year ended January 28, 2012 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, 2012 filed with the SEC. When used herein, the terms "Group," "Company," "we," "us" and "our" refer to J.Crew Group, Inc., including its wholly-owned consolidated subsidiaries.

Executive Overview

J.Crew is a nationally recognized apparel and accessories retailer that differentiates itself through high standards of quality, style, design and fabrics with consistent fits and authentic details. We are an integrated multi-channel, multi-brand specialty retailer that operates stores and websites to consistently communicate with our customers. We design, market and sell our products, including those under the J.Crew ®, crewcuts® 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 affluent, college-educated, professional and fashion-conscious women and men.

We conduct our business through two primary sales channels: (1) *Stores*, which consists of our retail, factory and Madewell stores, and (2) *Direct*, which consists of our websites and catalogs. As of April 28, 2012, we operated 276 retail stores (including nine crewcuts and 39 Madewell stores), 96 factory stores (including four crewcuts factory stores), and three clearance stores, throughout the United States and Canada; compared to 251 retail stores (including 10 crewcuts and 22 Madewell stores), 86 factory stores (including two crewcuts factory store), and three clearance stores as of April 30, 2011.

On March 7, 2011, the Company was acquired by Chinos Holdings, Inc., a company formed with investment funds affiliated with TPG and LGP. Although the Company continued as the same legal entity after the Acquisition, we have prepared separate discussion and analysis of our consolidated operating results, financial condition and liquidity for: (i) the thirteen weeks ended April 28, 2012 (Successor), (ii) the period March 8, 2011 to April 30, 2011 (Successor), and (iii) the period January 30, 2011 to March 7, 2011 (Predecessor). Additionally, we have prepared supplemental discussion and analysis of the combination of the periods before and after the Acquisition in the first quarter of last year, on a pro forma basis, which we refer to as "pro forma first quarter of fiscal 2011." The pro forma results give effect to the Acquisition as if it occurred on the first day of the fiscal year. We then compare the first quarter of fiscal 2012 to the pro forma first quarter of fiscal 2011.

In connection with the Acquisition, the Company incurred significant indebtedness and became more leveraged. The purchase price paid in connection with the Acquisition has been allocated to recognize the acquired assets and liabilities at fair value. Purchase accounting adjustments have been recorded to: (i) increase the carrying value of our property and equipment, and inventory, (ii) establish intangible assets for our trade names, loyalty program, customer lists and favorable lease commitments, and (iii) revalue gift card and lease-related liabilities. Subsequent to the Acquisition, interest expense and non-cash depreciation and amortization charges have significantly increased. As a result, our Successor financial statements are not comparable to our Predecessor financial statements.

The following is a summary of our revenues for the first quarter of fiscal 2012 compared to first quarter of fiscal 2011:

(Dollars in millions)	Thirteen Weeks Ended April 28, 2012	Thirteen Weeks Ended April 30, 2011
Stores	$ 354.0	$ 281.2
Direct	143.4	120.3
Net sales	497.4	401.5
Other, primarily shipping and handling fees	6.1	7.9
Total revenues	$ 503.5	$ 409.4

Highlights of first quarter of fiscal 2012 versus pro forma first quarter of fiscal 2011:

- Revenues increased 23.0% to $503.5 million.
- Comparable company sales increased 16.0%.
- Direct net sales increased 19.2% to $143.4 million.
- Income from operations increased $23.7 million to $75.7 million.
- We opened three J.Crew retail stores and seven Madewell stores.

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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) comparable store sales, or net sales from stores that have been open for at least twelve months, (ii) direct 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, 2012 filed with the SEC.

Results of Operations – First Quarter of Fiscal 2012 (Successor)

	Thirteen Weeks Ended April 28, 2012 (Successor)	
(Dollars in millions)	Amount	Percent of Revenues
Revenues	$ 503.5	100.0%
Gross profit	239.9	47.6
Selling, general and administrative expenses	164.2	32.6
Income from operations	75.7	15.0
Interest expense, net	25.4	5.0
Provision for income taxes	19.6	3.9
Net income	$ 30.7	6.1%

Revenues

Revenues were $503.5 million for the first quarter of fiscal 2012. Revenues consisted of (i) Stores sales of $354.0 million, or 70.3% of revenues, (ii) Direct sales of $143.4 million, or 28.5% of revenues, and (iii) other revenues (primarily shipping and handling fees) of $6.1 million, or 1.2% of revenues. Revenues reflect higher than planned Stores sales.

Gross Profit

Gross profit was $239.9 million, or 47.6% of revenues, for the first quarter of fiscal 2012. Gross profit was impacted by lower than planned markdowns.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $164.2 million, or 32.6% of revenues, for the first quarter of fiscal 2012.

Interest Expense, Net

Interest expense, net of interest income, was $25.4 million for the first quarter of fiscal 2012. Interest expense reflects debt service on borrowings resulting from the Acquisition of the Company on March 7, 2011.

Provision for Income Taxes

The effective tax rate of 38.9% for the first quarter of fiscal 2012 reflects our expected annual effective tax rate. The difference between the statutory rate of 35% and the effective rate was driven primarily by state and local income taxes, net of federal benefit.

Net Income

Net income was $30.7 million for the first quarter of fiscal 2012 driven primarily by gross profit of $239.9 million offset by selling, general and administrative expenses of $164.2 million, interest expense of $25.4 million, and income tax expense of $19.6 million.

Results of Operations – For the Period March 8, 2011 to April 30, 2011 (Successor)

(Dollars in millions)	For the Period March 8, 2011 to April 30, 2011 Amount	Percent of Revenues
Revenues	$ 276.2	100.0%
Gross profit	118.3	42.8
Selling, general and administrative expenses	125.5	45.4
Income from operations	(7.2)	(2.6)
Interest expense, net	15.5	5.6
Provision for income taxes	(8.9)	(3.2)
Net income	$ (13.8)	(5.0)%

Revenues

Revenues were $276.2 million for the period March 8, 2011 to April 30, 2011. Revenues consisted of (i) Stores sales of $194.7 million, or 70.5% of revenues, (ii) Direct sales of $76.7 million, or 27.8% of revenues, and (iii) other revenues (primarily shipping and handling fees) of $4.8 million, or 1.7% of revenues. Revenues reflect lower than planned Stores sales and shipping and handling fees.

Gross Profit

Gross profit was $118.3 million, or 42.8% of revenues, for the period March 8, 2011 to April 30, 2011. Gross profit was impacted by higher than planned markdowns, and includes the impact of purchase accounting of $3.7 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $125.5 million, or 45.4% of revenues, for the period March 8, 2011 to April 30, 2011, and include the impact of purchase accounting and transaction costs of $49.4 million.

Interest Expense, Net

Interest expense, net of interest income, was $15.5 million for the period March 8, 2011 to April 30, 2011. Interest expense reflects debt service on borrowings resulting from the Acquisition of the Company on March 7, 2011.

Provision for Income Taxes

The effective tax rate was 39.2% for the period March 8, 2011 to April 30, 2011. The difference between the statutory rate of 35% and the effective rate was driven primarily by non-deductible transaction costs and state and local income taxes, net of federal benefit.

Net Loss

Net loss was $13.8 million for the period March 8, 2011 to April 30, 2011 driven primarily by gross profit of $118.3 million offset by selling, general and administrative expenses of $125.5 million (including the impact of purchase accounting and transaction costs of $53.1 million) and interest expense of $15.5 million.

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Results of Operations – For the Period January 30, 2011 to March 7, 2011 (Predecessor)

	For the Period January 30, 2011 to March 7, 2011	
(Dollars in millions)	Amount	Percent of Revenues
Revenues	$133.2	100.0%
Gross profit	62.9	47.2
Selling, general and administrative expenses	79.7	59.8
Income from operations	(16.8)	(12.6)
Interest expense, net	1.2	0.9
Provision for income taxes	(1.8)	(1.3)
Net income	$(16.1)	(12.1)%

Revenues

Revenues were $133.2 million for the period January 30, 2011 to March 7, 2011. Revenues consisted of (i) Stores sales of $86.5 million, or 64.9% of revenues, (ii) Direct sales of $43.6 million, or 32.8% of revenues, and (iii) other revenues (primarily shipping and handling fees) of $3.1 million, or 2.3% of revenues. Revenues reflect lower than planned Stores sales and shipping and handling fees.

Gross Profit

Gross profit was $62.9 million, or 47.2% of revenues, for the period January 30, 2011 to March 7, 2011. Gross profit was impacted by higher than planned markdowns.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $79.7 million, or 59.8% of revenues, for the period January 30, 2011 to March 7, 2011, and include transaction costs of $32.2 million.

Interest Expense, Net

Interest expense, net of interest income, was $1.2 million for the period January 30, 2011 to March 7, 2011. Interest expense reflects primarily the write off of the remaining unamortized deferred financing costs associated with the credit facility terminated in connection with the Acquisition.

Provision for Income Taxes

The effective tax rate was 10% for the period January 30, 2011 to March 7, 2011. The difference between the statutory rate of 35% and the effective rate was driven primarily by non-deductible transaction costs.

Net Loss

Net loss was $16.1 million for the period January 30, 2011 to March 7, 2011 driven primarily by selling, general and administrative expenses of $79.7 million (including transaction costs of $32.2 million), offset by gross profit of $62.9 million.

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Supplemental MD&A – Results of Operations – First Quarter Fiscal 2012 compared to Pro forma First Quarter Fiscal 2011

(Dollars in millions)	For the Period March 8, 2011 to April 30, 2011	For the Period January 30, 2011 to March 7, 2011	Adjustments	Pro forma First Quarter Fiscal 2011
	(Successor)	(Predecessor)		
Revenues	$ 276.2	$ 133.2	$ —	$ 409.4
Gross profit	118.3	63.0	1.9(a)	183.2
Selling, general and administrative expenses	125.5	79.7	(74.1)(a)	131.1
Income (loss) from operations	(7.2)	(16.8)	76.0	52.0
Interest expense, net	15.5	1.2	8.9(b)	25.6
Provision (benefit) for income taxes	(8.9)	(1.8)	21.1(c)	10.4
Net income (loss)	$ (13.8)	$ (16.1)	$ 46.1	$ 16.2

Notes:

(a) To give effect to the following adjustments:

(Dollars in millions)	Adjustments
Amortization expense(1)	$ 0.8
Depreciation expense(2)	0.9
Sponsor monitoring fees(3)	0.8
Amortization of lease commitments, net(4)	1.5
Elimination of non-recurring charges(5)	(80.0)
Total pro forma adjustment	$ (76.0)
Pro forma adjustment:	
Recorded in cost of goods sold	$ (1.9)
Recorded in selling, general and administrative expenses	(74.1)
Total	$ (76.0)

(1) To record five weeks of additional amortization expense of intangible assets for our Madewell brand name, loyalty program and customer lists amortized on a straight-line basis over their respective useful lives.

(2) To record five weeks of additional depreciation expense of the step-up of property and equipment allocated on a straight-line basis over a weighted average remaining useful life of 8.2 years.

(3) To record five weeks of additional expense (calculated as the greater of 40 basis points of consolidated annual revenues or $8 million) to be paid to the Sponsors in accordance with a management services agreement.

(4) To record five weeks of additional amortization expense of favorable and unfavorable lease commitments amortized on a straight-line basis over the remaining lease life, offset by the elimination of the amortization of historical deferred rent credits.

(5) To eliminate non-recurring charges that were incurred in connection with the Transactions, including acquisition-related share based compensation, transaction costs, and amortization of the step-up in the carrying value of inventory.

(b) To give effect to the following adjustments:

(Dollars in millions)	Adjustments
Pro forma cash interest expense(1)	$ 23.0
Pro forma amortization of deferred financing costs(1)	2.4
Less historical interest expense, net	(16.5)
Total pro forma adjustment to interest expense, net	$ 8.9

(1) To record thirteen weeks of interest expense associated with borrowings under the Term Loan Facility and the Notes, and the amortization of deferred financing costs. Pro forma cash interest expense reflects a weighted-average interest rate of 5.6%. If LIBOR increases above 1.25%, a 0.125% increase would increase annual interest expense under the Term Loan Facility by $1.5 million.

(c) To reflect our expected annual effective tax rate of approximately 39%.

(Dollars in millions)	First Quarter Fiscal 2012 Amount	First Quarter Fiscal 2012 Percent of Revenues	Pro Forma First Quarter Fiscal 2011 Amount	Pro Forma First Quarter Fiscal 2011 Percent of Revenues	Variance Increase / (Decrease) Dollars	Variance Increase / (Decrease) Percentage
Revenues	$ 503.5	100.0%	$ 409.4	100.0%	$ 94.1	23.0%
Gross profit	239.9	47.6	183.2	44.7	56.7	30.9
Selling, general and administrative expenses	164.2	32.6	131.1	32.0	33.1	25.2
Income from operations	75.7	15.0	52.0	12.7	23.7	45.3
Interest expense, net	25.4	5.0	25.6	6.2	(0.2)	(0.5)
Provision for income taxes	19.6	3.9	10.4	2.5	9.2	89.1
Net income	$ 30.7	6.1%	$ 16.2	4.0%	$ 14.5	89.7%

Revenues

Revenues increased $94.1 million, or 23.0%, to $503.5 million in the first quarter of fiscal 2012 from $409.4 million in the pro forma first quarter last year, driven primarily by an increase in sales of women's apparel, specifically knits, sweaters, and pants. Comparable company sales increased 16.0% in the first quarter of fiscal 2012, following a decrease of 2.8% in the first quarter last year.

Stores sales increased $72.8 million, or 25.9%, to $354.0 million in the first quarter of fiscal 2012 from $281.2 million in the pro forma first quarter last year. Stores sales decreased $8.8 million, or 3.0%, in the first quarter of fiscal 2011. Sales from stores that have been open for less than twelve months were $38.8 million in the first quarter of fiscal 2012.

Direct sales increased $23.1 million, or 19.2%, to $143.4 million in the first quarter of fiscal 2012 from $120.3 million in the pro forma first quarter last year. Direct sales increased $6.0 million, or 5.3%, in the first quarter of fiscal 2011.

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

	First Quarter Fiscal 2012	Pro Forma First Quarter Fiscal 2011
Apparel:		
Women's	61%	62%
Men's	20	21
Children's	6	6
Accessories	13	11
	100%	100%

Other revenues, which consist primarily of shipping and handling fees, decreased $1.8 million, or 23.2%, to $6.1 million in the first quarter of fiscal 2012 from $7.9 million in the pro forma first quarter last year. This decrease resulted primarily from shipping and handling promotions partially offset by the impact of shipping and handling fees from increased Direct sales.

Gross Profit

Gross profit increased $56.7 million to $239.9 million in the first quarter of fiscal 2012 from $183.2 million in the pro forma first quarter last year. This increase resulted from the following factors:

(Dollars in millions)	Increase (decrease)
Increase in revenues	$ 54.6
Increase in merchandise margin	7.3
Increase in buying and occupancy costs	(5.2)
Increase in gross profit	$ 56.7

Gross margin increased to 47.6% in the first quarter of fiscal 2012 from 44.7% in the pro forma first quarter last year. The increase in gross margin was driven by: (i) a 150 basis point expansion in merchandise margin due to decreased markdowns and (ii) a 140 basis point decrease in buying and occupancy costs as a percentage of revenues.

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Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $33.1 million, or 25.2%, to $164.2 million in the first quarter of fiscal 2012 from $131.1 million in the pro forma first quarter last year. This increase primarily resulted from the following:

(Dollars in millions)	Increase
Increase in operating expenses, primarily stores and payroll	$15.6
Increase in share-based and incentive compensation	6.7
Increase in advertising and catalog costs	5.7
Increase in depreciation	1.7
Other, net	3.4
Increase in selling, general and administrative expenses	$ 33.1

As a percentage of revenues, selling, general and administrative expenses increased to 32.6% in the first quarter of fiscal 2012 from 32.0% in the pro forma first quarter last year.

Interest Expense, Net

Interest expense, net of interest income, decreased $0.2 million to $25.4 million in the first quarter of fiscal 2012 from $25.6 million in the pro forma first quarter last year. A summary of interest expense is as follows.

(Dollars in millions)	First Quarter Fiscal 2012	Pro Forma First Quarter Fiscal 2011
Term Loan	$ 14.3	$ 14.4
Notes	8.2	8.1
Amortization of deferred financing costs	2.4	2.4
Other, net of interest income	0.5	0.7
Interest expense, net	$ 25.4	$ 25.6

Income Taxes

The effective tax rate of 38.9% for the first quarter of fiscal 2012 reflects our expected annual effective tax rate.

Net Income

Net income increased $14.5 million to $30.7 million in the first quarter of fiscal 2012 compared to $16.2 million in the pro forma first quarter last year. This increase was due to a: (i) an increase in gross profit of $56.7 million and (ii) a decrease in interest expense of $0.2 million, partially offset by (iii) an increase in selling, general and administrative expenses of $33.1 million and (iv) an increase in the provision for income taxes of $9.2 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 capital expenditures in connection with opening new stores and remodeling our existing stores, investments in our distribution network, making information technology system enhancements, meeting debt service requirements and funding working capital requirements. The most significant components of our working capital are cash and cash equivalents, merchandise inventories, accounts payable and other current liabilities. See "—Outlook" below.

Operating Activities

(Dollars in millions)	For the thirteen weeks ended April 28, 2012 (Successor)	For the Period March 8, 2011 to April 30, 2011 (Successor)	For the Period January 30, 2011 to March 7, 2011 (Predecessor)
Net income (loss)	$ 30.7	$ (13.8)	$ (16.1)
Adjustments to reconcile to cash flows from operating activities:			
Depreciation of property and equipment	16.7	10.2	3.9
Share-based compensation	1.1	44.9	1.1
Non-cash charge related to step-up in carrying value of inventory	—	3.1	—
Amortization of favorable lease commitments	3.3	2.1	—
Amortization of intangible assets	2.5	1.6	—
Amortization of deferred financing costs	2.4	1.6	1.0
Excess tax benefit from share-based awards	—	—	(74.5)
Changes in operating assets and liabilities	(22.1)	(39.6)	(16.5)
Net cash provided by (used in) operating activities	$ 34.6	$ 10.1	$ (101.1)

Cash provided by operating activities of $34.6 million in the first quarter of fiscal 2012 (Successor) was driven by: (i) net income of $30.7 million, (ii) non-cash expenses of $26.0 million, offset by (iii) changes in operating assets and liabilities of $22.1 million due to seasonal working capital fluctuations.

Cash provided by operating activities of $10.1 million in the period March 8, 2011 to April 30, 2011 (Successor) was driven by: (i) non-cash expenses of $63.5 million, offset by (ii) changes in operating assets and liabilities of $39.6 million and (iii) net loss of $13.8 million.

Cash used in operating activities of $101.1 million in the period January 30, 2011 to March 7, 2011 (Predecessor) resulted from: (i) net loss of $16.1 million, (ii) changes in operating assets and liabilities of $91.0 million (including the impact of excess tax benefits from share-based compensation plans) due primarily to an increase in refundable income taxes due to the Acquisition and seasonal working capital fluctuations, offset by (iii) non-cash expenses of $6.0 million.

Investing Activities

Capital expenditures were $37.3 million, $16.9 million, and $2.6 million in the first quarter of fiscal 2012, for the period March 8, 2011 to April 30, 2011, and for the period January 30, 2011 to March 7, 2011, respectively. Capital expenditures for the opening of new stores were $13.1 million, $4.1 million, and $0.6 million in the first quarter of fiscal 2012, for the period March 8, 2011 to April 30, 2011, and the period January 30, 2011 to March 7, 2011, respectively. The remaining capital expenditures in each period were for store renovations, and investments in information systems and distribution center initiatives as well as general corporate purposes. Capital expenditures are planned at approximately $125 to $135 million for fiscal year 2012, including $50 million for new stores, $35 million for information technology enhancements, $25 million for warehouse and corporate office expansion, and the remainder for store renovations, office space improvements and general corporate purposes.

Financing Activities

	For the thirteen weeks ended April 28, 2012 (Successor)	For the Period March 8, 2011 to April 30, 2011 (Successor)	For the Period January 30, 2011 to March 7, 2011 (Predecessor)
Proceeds from debt	$ —	$ 1,600.0	$ —
Proceeds from equity contributions	—	1,174.0	—
Excess tax benefit from share-based awards	—	—	74.5
Payment of debt issuance costs	—	(67.5)	—
Proceeds from share-based compensation plans	—	—	1.1
Repayment of debt	(3.0)	—	—
Repurchases of common stock	—	—	—
Net cash provided by (used in) financing activities	$ (3.0)	$ 2,706.5	$ 75.6

Cash used in financing activities was $3.0 million in the first quarter of fiscal 2012 resulting from quarterly principal repayments of debt under the Term Loan.

Cash provided by financing activities was $2,706.5 million from March 8, 2011 to April 30, 2011 resulting from the proceeds from debt and equity contributions in connection with the Acquisition, offset by primarily by the payment of debt issuance costs.

Cash provided by financing activities was $75.6 million from January 30, 2011 to March 7, 2011 resulting primarily from the tax benefits from share-based compensation plans.

ABL Facility

In connection with the Acquisition, on March 7, 2011, the Company entered into the ABL Facility, 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 senior secured financing of $250 million (which may be increased by up to $75 million in certain circumstances), subject to a borrowing base limitation. The borrowing base will equal 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 the entire amount of the facility, and up to $25 million in U.S. dollars for borrowings on same-day notice, referred to as swingline loans, and is available in U.S. dollars, Canadian dollars and Euros. The Company did not incur loans under the ABL Facility at the closing of the Acquisition through April 28, 2012. Any amounts outstanding under the ABL Facility are due and payable in full on the fifth anniversary of the closing date of the Acquisition.

Borrowings under the ABL Facility bear interest at a rate per annum equal to, at Group's option, any of the following, plus, in each case, an applicable margin: (a) in the case of borrowings in U.S. dollars, 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 rate 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%; (b) in the case of borrowings in U.S. dollars or in Euros, a LIBOR rate determined by reference to the costs of funds for deposits in the relevant currency for the interest period relevant to such borrowing adjusted for certain additional costs; (c) in the case of borrowings in Canadian dollars, the average offered rate for Canadian dollar bankers' acceptances having an identical term of the applicable borrowing; and (d) in the case of borrowings in Canadian dollars, a fluctuating rate determined by reference to the higher of (1) the average offered rate for 30 day Canadian dollar bankers' acceptances plus 0.50% and (2) the prime rate of Bank of America, N.A. for loans in Canadian dollars. The applicable margin for borrowings under the ABL Facility varies based on Group's average historical excess availability from 1.25% to 1.75% with respect to base rate borrowings and borrowings in Canadian dollars bearing interest at the rate described in the immediately preceding clause (d), and from 2.25% to 2.75% with respect to LIBOR borrowings and borrowings in Canadian dollars bearing interest at the rate described in the immediately preceding clause (c).

All obligations under the ABL Facility are unconditionally guaranteed by Group's immediate parent and certain of Group's existing and future wholly owned domestic subsidiaries (referred to herein as the subsidiary guarantors) and are secured, subject to certain exceptions, by substantially all of Group's assets and the assets of Group's immediate parent and the subsidiary guarantors, including, in each case subject to customary exceptions and exclusions:

- a first-priority security interest in personal property consisting of accounts receivable, inventory, cash, deposit accounts (other than any designated deposit accounts containing solely the proceeds of collateral with respect to which the obligations under the ABL Facility have only a second-priority security interest), securities accounts, commodities accounts and certain assets related to the foregoing and, in each case, proceeds thereof (such property, the "Current Asset Collateral");
- a second-priority pledge of all of Group's capital stock directly held by Group's immediate parent and a second priority pledge of all of the capital stock directly held by Group and any subsidiary guarantors (which pledge, in the case of the capital stock of each (a) domestic subsidiary that is directly owned by Group or by any subsidiary guarantor and that is a disregarded entity for United States Federal income tax purposes substantially all of the assets of which consist of equity interests in one or more foreign subsidiaries or (b) foreign subsidiary, is limited to 65% of the stock of such subsidiary); and

- a second-priority security interest in substantially all other tangible and intangible assets, including substantially all of the Company's owned real property and intellectual property.

The ABL Facility includes restrictions on Group's ability and the ability of certain of its subsidiaries to, among other things, incur or guarantee additional indebtedness, pay dividends (including to the Parent) on, or redeem or repurchase, capital stock, make certain acquisitions or investments, materially change its business, incur or permit to exist certain liens, enter into transactions with affiliates or sell its assets to, or merge or consolidate with or into, another company. In addition, from the time when excess availability under the ABL Facility is less than the greater of (a) 12.5% of the lesser of (1) the commitment amount and (2) the borrowing base and (b) $25 million, until the time when Group has excess availability under the ABL Facility equal to or greater than the greater of (a) 12.5% of the lesser of (1) the commitment amount and (2) the borrowing base and (b) $25 million for 30 consecutive days, the credit agreement governing the ABL Facility requires Group to maintain a Fixed Charge Coverage Ratio (as defined in the ABL Facility) tested as of the last day of each fiscal quarter that shall not be less than 1.0.

Although Group's immediate parent is not generally subject to the negative covenants under the ABL Facility, such parent is subject to a holding company covenant that limits its ability to engage in certain activities.

The credit agreement governing the ABL Facility additionally contains certain customary representations and warranties, affirmative covenants and provisions relating to events of default, including without limitation, a cross-default according to the terms of any indebtedness with an aggregate principal amount of $35 million or more. If an event of default occurs under the ABL Facility, the lenders may declare all amounts outstanding under the ABL Facility immediately due and payable. In such event, the lenders may exercise any rights and remedies they may have by law or agreement, including the ability to cause all or any part of the collateral securing the ABL Facility to be sold.

There were no short-term borrowings during the first quarter of fiscal 2012. Outstanding stand-by letters of credit were $9.2 million and excess availability, as defined, was $240.8 million at April 28, 2012.

Demand Letter of Credit Facility

The Company has an unsecured, demand letter of credit facility with HSBC which provides for the issuance of up to $35 million of documentary letters of credit on a no fee basis. Outstanding letters of credit were $14.7 million and availability was $20.3 million at April 28, 2012.

Outlook

Our short-term and long-term liquidity needs arise primarily from (i) capital expenditures, (ii) debt service requirements, including quarterly principal payments and repayments based on annual excess cash flows as defined, and (iii) working capital needs. Management anticipates that capital expenditures will be approximately $125 to $135 million for fiscal 2012, including approximately $50 million for new stores, approximately $35 million for information technology enhancements, approximately $25 million for warehouse and corporate office expansion, and the remainder for store renovations, office space improvements and general corporate purposes. Management believes that our current balances of cash and cash equivalents, cash flow from operations and availability under the ABL Facility will be adequate to finance debt service requirements, planned capital expenditures and working capital needs for the next twelve months. Our ability to make planned capital expenditures, to fund our debt service requirements and to remain in compliance with the financial covenants, and to fund our operations depends on our future operating performance, which in turn, may be impacted by prevailing economic conditions and other financial and business factors, some of which are beyond our control.

Off Balance Sheet Arrangements

We enter into documentary letters of credit to facilitate the international purchase of merchandise. We also enter into standby letters of credit to secure reimbursement obligations under certain insurance and trade programs. As of April 28, 2012, 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	$ 9.2	$ 9.2	$—	$—	$—
Documentary	14.7	14.7	—	—	—
	$23.9	$23.9	$—	$—	$—

Cyclicality and Seasonality

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

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

Critical Accounting Policies

A summary of our critical accounting policies is included in the Management's Discussion and Analysis section of our Annual Report on Form 10-K for the fiscal year ended January 28, 2012 filed with the SEC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Borrowings under the senior credit facilities are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on our variable rate indebtedness will increase even though the amount borrowed would remain the same, and our net income and cash flow, including cash available for servicing our indebtedness, will correspondingly decrease. If LIBOR increases above 1.25%, a 0.125% increase in the floating rate applicable to the $1.2 billion outstanding under the Term Loan Facility would result in a $1.5 million increase in our annual interest expense. Assuming all revolving loans are drawn under the $250 million ABL Facility, a 0.125% change in the floating rate would result in a $0.3 million change in our annual interest expense. We have entered into interest rate swaps and caps in order to hedge the volatility of cash flows related to a portion of the Company's floating rate indebtedness (see note 8 to the unaudited condensed consolidated financial statements). These hedges may not fully mitigate our interest rate risk, or may not be effective.

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

New York and Federal Litigation Relating to the Acquisition

Between November 24, 2010 and December 16, 2010, seven purported class action complaints concerning the Acquisition were filed in the Supreme Court of the State of New York against some or all of the following: the Company, certain officers of the Company, members of the Company's Board of Directors, Parent, J.Crew Group, Inc., TPG Capital, L.P., TPG Fund VI and LGP. The plaintiffs in each of these complaints alleged, among other things, (1) that certain officers of the Company and members of the Company's Board breached their fiduciary duties to the Company's public stockholders by authorizing the Acquisition for inadequate consideration and pursuant to an inadequate process, and (2) that the Company, TPG Capital, L.P. and LGP aided and abetted the other defendants' alleged breaches of fiduciary duty. The purported class action complaints sought, among other things, an order enjoining the consummation of the Acquisition, an order rescinding the Acquisition to the extent it was consummated and an award of compensatory damages. On April 2, 2012, the plaintiffs in the New York Actions voluntarily dismissed those actions. Neither the plaintiffs in the New York Actions nor their attorneys received any consideration in exchange for the dismissal of the New York Actions.

On December 1, 2010 and December 14, 2010, two purported class action complaints concerning the Acquisition were filed in the United States District Court for the Southern District of New York (the “Federal Actions”). The plaintiffs in the Federal Actions assert claims that are largely duplicative of the claims asserted in the New York Actions, but also allege that the defendants violated multiple federal securities statutes in connection with the filing of the Preliminary Proxy Statement on Schedule 14A. On March 6, 2012, the plaintiffs in the Federal Actions voluntarily dismissed those actions. Neither the plaintiffs in the Federal Actions nor their attorneys received any consideration in exchange for the dismissal of the Federal Actions.

Also, the Company is subject to various other legal proceedings and claims arising in the ordinary course of business. Management does not expect that the results of any of these other legal proceedings, either individually or in the aggregate, would have a material adverse effect on the Company’s financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS

The Company’s Annual Report on Form 10-K for the fiscal year ended January 28, 2012 includes a detailed discussion of certain risks that could materially adversely affect our business, our operating results, or our financial condition. There have been no material changes to the risk factors previously disclosed.

ITEM 6. EXHIBITS

Articles of Incorporation and Bylaws

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

Material Contracts

Exhibit No.	Document
10.1	Letter Agreement, dated May 15, 2012, between the Company and Stuart C. Haselden.*

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 28, 2012 and January 28, 2012, (ii) the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the thirteen weeks ended April 28, 2012 and for the periods March 8, 2011 to April 30, 2011 and January 30, 2011 to March 7, 2011, (iii) the Condensed Consolidated Statements of Changes in Stockholders’ Equity for the thirteen weeks ended April 28, 2012 and for the period March 8, 2011 to January 28, 2012, (iv) the Condensed Consolidated Statements of Cash Flows for the thirteen weeks ended April 28, 2012 and for the periods March 8, 2011 to April 30, 2011 and January 30, 2011 to March 7, 2011, and (iv) the Notes to Unaudited Condensed Consolidated Financial Statements, tagged as blocks of text.**

* Filed herewith.
** Furnished herewith.

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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: May 31, 2012	By:	/S/ MILLARD DREXLER **Millard Drexler** **Chairman of the Board and Chief Executive Officer**
Date: May 31, 2012	By:	/S/ STUART C. HASELDEN **Stuart C. Haselden** **Chief Financial Officer**

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* Filed herewith.
** Furnished herewith.

Exhibit 10.1

May 15, 2012

Mr. Stuart Haselden

Dear Stuart:

Pursuant to our discussions regarding your continued employment with J. Crew Group, Inc. (the " Company"), we thought it would be useful to lay out the terms and conditions of our agreement in this letter agreement (this " Agreement") for all parties to sign. This Agreement will be effective May 15, 2012 (the "Commencement Date").

In consideration of the promises 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 Financial Officer and you hereby agree to serve the Company in such capacity. You will report to the Chief Administrative Officer of the Company or such other equivalent or higher level officer, as designated by the Company from time to time. You shall discharge the duties and responsibilities of your position and such other duties and responsibilities as are specified by the Chief Administrative Officer or the Chief Executive Officer reasonably consistent with such position.

(b) During the Employment Period (as defined below), you shall devote your full business time and energy, attention, skills and ability to the performance of your duties and responsibilities hereunder and shall faithfully and diligently endeavor to promote the business and best interests of the Company and its Affiliates (as defined below). Accordingly, you may not, directly or indirectly, without the prior written consent of the Company, operate, participate in the management, operations or control of, or act as an employee, officer, consultant, agent or representative of, any type of business or service (other than as an employee of the Company), provided that it shall not be a violation of the foregoing for you to (i) act or serve as a director, trustee or committee member of any civic or charitable organization, or (ii) manage your personal, financial and legal affairs, so long as the activities described in clauses (i) or (ii) 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 Chino 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 associate with TPG or LGP (each, as defined in the Stockholders Agreement (as defined below)) other than Parent and its subsidiaries.

2. Employment Period.

(a) Unless the Employment Period is terminated earlier pursuant to Section 2(b) hereof, the Company shall employ you on the terms and subject to the conditions of this Agreement for a three (3)-year term commencing effective as of the Commencement Date and ending on the day immediately preceding the third anniversary of the Commencement Date (the "Employment Period"). Effective upon the expiration of the Employment Period, the Employment Period will be automatically renewed for successive one (1)-year periods, unless at least four (4) months prior to the expiration of the Employment Period, you shall give written notice to the Company of your intention not to renew the Employment Period or at least two (2) months prior to the expiration of the Employment Period, the Company shall give you written notice of its intention not to renew the Employment Period.

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

(c)

i. Upon termination of your employment for any reason, you shall be entitled to any earned but unpaid Base Salary (as defined below) as of the Termination Date. If the Company terminates the Employment Period without Cause (including a termination of your employment by the Company in conjunction with the Company's giving notice of non-renewal of the Employment Period (a "Company Non-Renewal Termination")) or you terminate the Employment Period for Good Reason, you will be entitled to the following severance benefits (the "Severance Benefits") (it being understood that the payment of such Severance Benefits shall only commence, in accordance with the timing provisions set forth below, upon your "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, and any regulations thereunder (the "Code"): (i) continuation of your Base Salary as in effect immediately prior to such termination (your "Ending Base Salary", and such continuation of your Ending Base Salary being referred to herein as the "Continuation Severance Payment") in accordance with the regular payroll practices of the Company and your medical benefits (including those of your spouse and dependents, if applicable), which medical benefits the Company may elect to provide by making a payment to you on a monthly basis equal to an amount that, after all applicable taxes are paid, is equal to the amount of the monthly COBRA premiums incurred by you (including your spouse and dependents, if applicable), if any (the "Continuation Medical Benefit"), for a period of twelve (12) months (the "Severance Period") after the Termination Date; and (ii) the Annual Bonus earned for the year immediately prior to the year that includes the Termination Date, to the extent not yet paid; provided that the Severance Benefits are subject to and conditioned upon your execution of a valid general release and waiver within sixty (60) days after your termination of employment (and any payment that otherwise would be made within such sixty (60)-day period pursuant to this paragraph shall be paid at the expiration of such sixty (60)-day period) in the form attached hereto as Exhibit A and your compliance with the provisions set forth in Section 4 hereof.

ii. Notwithstanding anything herein to the contrary, your right to receive the Continuation Severance Payment during the Severance Period shall terminate effective immediately upon the date that you become employed by a new employer or otherwise begin providing services for an entity as a consultant or otherwise ("New Employment"); provided that if the cash compensation you receive pursuant to such New Employment, including without limitation guaranteed bonus payments relating to the Severance Period whether or not paid during the Severance Period, ("New Compensation") is less than your Ending Base Salary, the Continuation Severance Payment shall not terminate, but shall be reduced to an amount such that the New Compensation payments you receive together with such reduced Continuation Severance Payment will equal your Ending Base Salary on an annualized basis. In addition, your right to receive the Continuation Medical Benefit shall cease immediately upon your being eligible for coverage under another group health plan. You shall immediately notify the Company upon obtaining New Employment.

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

(d) For purposes of this Agreement, the term "Cause" shall mean (i) the indictment for a felony or any crime involving moral turpitude or being charged or sanctioned by a federal or state government or governmental authority or agency with violations of applicable federal or state laws in any judicial or administrative process or proceeding, or having been found by any court or governmental authority or agency to have committed any such violation, (ii) willful misconduct or gross negligence in connection with the performance of your duties as an employee of the Company, (iii) a material breach of this Agreement, including without limitation, your failure to perform your duties and responsibilities hereunder, after you have been given written notice specifying such breach and at least thirty (30) days to cure such breach, to the extent reasonably susceptible to cure, (iv) a fraudulent act or omission by you adverse to the reputation of the Company or any affiliate, (v) the willful disclosure by you of any Confidential Information (as defined below) to persons not authorized to know same, and (vi) your violation of or failure to comply with (A) any Company policy, including, without limitation, the Code of

Ethics and Business Practices, or (B) any legal or regulatory obligations or requirements, provided that with respect to this Section 2(d)(vi), you shall be given thirty (30) days to cure such violation to the extent such violation is reasonably susceptible to cure. If subsequent to the termination of your employment, it is discovered that your employment could have been terminated for Cause pursuant to sections (i) or (iv) of this Section 2(d), your employment shall, at the election of the Company, in its sole discretion, be deemed to have been terminated for Cause in which event the Company shall be entitled to immediately cease providing any Severance Benefits to you or on your behalf and recover any payments previously made to you or on your behalf in the form of Severance Benefits.

(e) For purposes of this Agreement, the term " Disability" shall mean 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.

(f) For purposes of this Agreement, the term " Good Reason" shall mean (i) any action by the Company that results in a material and continuing diminution in your position, authority, duties or responsibilities, including without limitation an adverse change in your title from Chief Financial Officer; (ii) a material reduction by the Company in your target Annual Bonus opportunity or Base Salary (other than as permitted by Section 3(a) below) as in effect on the Commencement Date or as the same may be increased or decreased from time to time in accordance with Section 3(a); or (iii) a relocation of your principal place of employment to more than fifty (50) miles from such principal place of employment as of the Commencement Date, in each case without your written consent. For a termination to qualify as a termination of your employment for "Good Reason", you must deliver to the Board of Directors of the Company (the "Board") a written notice specifically identifying in reasonable detail the conduct of the Company which you believe constitutes "Good Reason" in accordance with this Section 2(f) within ninety (90) days of the initial occurrence of the event(s) you believe constitute "Good Reason" and provide the Board and/or Company at least thirty (30) days to remedy such conduct after receipt of such written notice, and to the extent not cured, you must terminate your employment within thirty (30) days after such failure to cure.

3. Compensation and Benefits.

(a) *Base Salary.* During the Employment Period, your annual base salary shall not be less than $400,000 (" Base Salary"); provided that your annual base salary may be reduced to less than the Base Salary if the annual base salaries in effect for all or the majority of other senior executive officers of the Company are similarly reduced. The Base Salary shall be paid pursuant to regular Company payroll practices for the senior executives of the Company and shall be reviewed annually by the Company. For all purposes herein, Base Salary shall mean Base Salary as adjusted pursuant to this Section 3(a).

(b) *Annual Bonus*. In addition to the Base Salary, for each fiscal year during the Employment Period, you will have the opportunity to earn an annual bonus ("Annual Bonus") at the following percentages of your Base Salary if both the Company achieves certain performance objectives (which will be determined by the Company for each such fiscal year in accordance with the Company's bonus plan) and you achieve your performance goals established by the Company: target bonus of 35%, up to a maximum bonus based upon the terms of the bonus plan as in effect from time to time. Any Annual Bonus will be paid only if you are actively employed with the Company and not in breach of this Agreement on the date of actual payment, except that such requirement of continued employment shall not apply to the payment of any accrued but unpaid Annual Bonus payable pursuant to Section 2(c) hereof.

(c) *Employee Benefits.* During the Employment Period, you will be entitled to participate in the Company's benefit package made generally available to associates 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 health flexible spending account, and the associate discount. The Company reserves the right to change these benefits at any time in its sole discretion.

(d) *Equity*. In accordance with the Chinos Holdings, Inc. 2011 Equity Incentive Plan (as amended from time to time, the " Plan"), you will be granted an additional option to purchase 300,000 shares of Class A common stock of Parent, with an exercise price equal to the fair market value of a share of Class A common stock on the date of grant. The options are subject to the Plan, the terms of the award agreement evidencing such options (including applicable performance conditions), the terms of the Management Stockholders' Agreement by and among Parent and certain stockholders of Parent dated March 7, 2011 (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.

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) which operates within a 100 mile radius of the location of any store of the Company or in the same area as the Company directs its mail order operations, provided that the foregoing restriction shall not prohibit you from owning a passive investment of not more than five percent (5%) of the total outstanding securities of any publicly-traded company, or (ii) solicit or cause another to solicit any customers or suppliers of the Company to terminate or otherwise adversely modify their relationship with the Company. The term " Competitive Business" means the retail, mail order and internet apparel and accessories business and any other business the Company is engaged in on the Termination Date. For purposes of this Section 4, the term "Company" means the Company and/or its Affiliates.

(b) During the Employment Period and for a period of eighteen (18) months following the Termination Date, you shall not, directly or indirectly, solicit, hire, or seek to influence the employment decisions of, any employee of the Company on behalf of any person or entity other than the Company.

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

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

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

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

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

5. Representations.

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

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

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

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

(d) No provision of this Agreement may be amended or waived, unless such amendment or waiver is specifically agreed to in writing and signed by you and an officer of the Company duly authorized to execute such amendment. The failure by either you or the Company at any time to require the performance by the other of any provision hereof shall in no way affect the full right to require such performance at any time thereafter, nor shall the waiver by you or the Company of a breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision or a waiver of the provision itself or a waiver of any other provision of this Agreement.

(e) You and the Company acknowledge and agree that each of you has reviewed and negotiated the terms and provisions of this Agreement and has had the opportunity to contribute to its revision. Accordingly, the rule of construction to the effect that ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement. Rather, the terms of this Agreement shall be construed fairly as to both parties and not in favor or against either party.

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

(g) The Company may withhold from any amounts payable to you hereunder all federal, state, city or other taxes that the Company may reasonably determine are required to be withheld pursuant to any applicable law or regulation (it being understood, that you shall be responsible for payment of all taxes in respect of the payments and benefits provided herein).

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

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

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

(k) It is the intent of the parties that this Agreement be interpreted in a manner that complies with the requirements of Section 409A of the Code. If any provision of this Agreement (or any award of compensation or benefits provided under this Agreement) would cause you to incur any additional tax or interest under Section 409A of the Code, the Company and you shall reasonably cooperate to reform such provision to comply with 409A and the Company agrees to maintain, to the maximum extent practicable without violating 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 any particular section of this Agreement during a calendar year shall not affect the amount of such expenses eligible for reimbursement during any other calendar year. In addition, the right to reimbursement of expenses pursuant to any particular section of this Agreement shall not be subject to liquidation or exchange for any other benefit.

(signatures on following page)

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

Sincerely,

/s/ James Scully

James Scully
EVP & Chief Administrative Officer

AGREED TO AND ACCEPTED:

/s/ Stuart C. Haselden

Stuart C. Haselden

Dated: May 24, 2012

<u>EXHIBIT A</u>

General Release

1. General Release of All Claims: In exchange for the Company's payment of the benefits described in Section 2(c) of your employment agreement with the Company dated May 15, 2012 (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, the termination of such employment, or otherwise, from the beginning of time up to and including the date on which you sign this Agreement, except as otherwise specifically stated in this Agreement.

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

Notwithstanding the foregoing, nothing in this Agreement waives your right to (a) pursue a claim that cannot be released by private agreement, including, workers compensation claims, claims arising after the date on which you sign this Agreement, and your right to file administrative charges with certain government agencies; or (b) challenge the Company's failure to comply with its obligation in Paragraph 1 above or under Section 6 of the Employment Agreement.

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

You understand that nothing in this Agreement shall limit you from filing a charge with, or participating in any investigation or proceeding conducted by, the Equal Employment Opportunity Commission, National Labor Relations Board and/or any other federal, state or local agency. 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 4 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 4 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 4, 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 Separation Agreement and 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:

____
Stuart Haselden

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 ______________________________ ______________________________
Stuart Haselden

Exhibit 31.1

**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: May 31, 2012

/S/ MILLARD DREXLER

Millard Drexler
Chief Executive Officer

Exhibit 31.2

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

I, Stuart C. Haselden, 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: May 31, 2012

/S/ STUART C. HASELDEN

Stuart C. Haselden
Chief Financial Officer

Exhibit 32.1

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

In connection with the quarterly report of J.Crew Group, Inc. (the "Company") on Form 10-Q for the period ended April 28, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Millard Drexler, Chief Executive Officer of the Company, and Stuart C. Haselden, 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 to the best of each of our knowledge:

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: May 31, 2012

/S/ MILLARD DREXLER

Millard Drexler
Chief Executive Officer

/S/ STUART C. HASELDEN

Stuart C. Haselden
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.