

SUPREME COURT OF THE STATE OF NEW YORK
 COUNTY OF NEW YORK

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EATON VANCE MANAGEMENT, <i>et al.</i> ,)	Index No. 654397/2017	
)	Mot. Seq. 001	
<i>Plaintiffs,</i>)		
)		
-against-)	AFFIDAVIT OF	
)	DAVID E. YURKERWICH	
WILMINGTON SAVINGS FUND SOCIETY, FSB,)	REGARDING THE	
as ADMINISTRATIVE AGENT and COLLATERAL)	RELATIVE VALUE OF	
AGENT, <i>et al.</i> ,)	J. CREW	
)	INTELLECTUAL	
<i>Defendants.</i>)	PROPERTY	
-----X			

STATE OF NEW YORK)
) ss.:
 COUNTY OF NEW YORK)

I, DAVID E. YURKERWICH, being duly sworn deposes and says:

I. Assignment and Introduction

1. I am a Managing Director at Navigant Consulting, Inc. (“Navigant”) and the Practice Leader for Navigant’s Intellectual Property practice. Navigant provides expert testimony, valuation, licensing, and strategic consulting services. The work of this practice involves the economic analysis of intellectual property assets owned by corporations or individuals in various contexts including mergers and acquisitions, sales and licensing, and litigation.

2. I have been retained by the Plaintiffs in this matter to provide expert opinions in this affidavit.

3. I assist clients with the analysis of commercial damages; the valuation of business transactions; and the valuation, licensing, and sale of technology and intellectual property rights. I provide strategic consulting services to clients relating to the management of their intellectual property assets and actively market and negotiate

intellectual property transactions. I have served as an expert damages witness and testified in federal and state courts, as well as before arbitration panels, on numerous occasions. The subject areas have included damages and the assessment of business values and transactions in many industries, including semiconductor, electronics, computer hardware and software, internet, telecommunications, medical devices, consumer products, manufacturing, banking, securities, automotive, pharmaceutical, oil and gas, real estate, construction, transportation, entertainment, retail, and agriculture.

4. Navigant is being compensated at its standard hourly rates for this matter. My hourly rate is \$700.¹ This compensation is unrelated to the outcome of this matter. My curriculum vitae, which includes lists of testimony experience and all publications over the last 10 years, is attached as Exhibit 1.
5. In preparing my affidavit, I have considered publicly available information regarding J. Crew Group, Inc. and its subsidiaries (“J. Crew Group”). These sources include SEC filings, publicly available information on trademark royalty rates, and third-party information such as Wall Street analyst reports, Capital IQ and Bloomberg. I reserve the right to render additional opinions, to supplement or amend the opinions in this affidavit, and to provide additional bases therefore based upon ongoing analysis, or as may be required by events that may occur in the course of this litigation. I also reserve the right to update this analysis based on the specific production of the parties.
6. In connection with the transactions that are the subject of this action, I have been retained to estimate the value of the assets transferred to J. Crew Domestic Brand, LLC (“Domestic Brand”) (the “IP Assets”) on December 5, 2016 for the purpose of determining the relative value of the IP Assets to J. Crew Group as a whole. I have employed for this purpose standard valuation methodologies used by professionals and accepted by the courts.

¹ The hourly rates for the Navigant employees who assisted me on this matter ranged from \$175-\$600.

II. Summary of Opinions

7. Based on the analyses I describe below, it is my opinion that:

- The IP Assets transferred in a series of transactions and, ultimately to Domestic Brand on December 5, 2016 (the “Transfer Date”),² had a value of approximately \$971 to \$1,086 million, with a mid-value of \$1,028 million;
- As of the Transfer Date, The J. Crew Group had an Enterprise Value of approximately \$1,216 to \$1,444 million, with a mid-value of \$1,307 million; and
- The IP Assets transferred on the Transfer Date constituted approximately 79 percent of J. Crew Group’s Enterprise Value.

III. Case Background

8. On December 5, 2016, J. Crew International, Inc. (“J. Crew International”), a wholly-owned indirect subsidiary of J. Crew Group, assigned an undivided 72.04% ownership interest in and to certain Licensed Marks (as defined in Exhibit A to the Amended and Restated Intellectual Property License Agreement), along with the associated goodwill, to Domestic Brand.³

9. It is my understanding that the 2016 transfer of IP assets (the “2016 Transfers”): (i) transferred the IP Assets to Domestic Brand, a newly created entity that is not obligated on the Term Loan; and (ii) involved the release of all liens on the IP Assets benefiting the Term Lenders.

² My valuation assessments assume 100% of the economic value of the IP Assets was transferred on December 5, 2016, notwithstanding J. Crew’s statements that only a 72.04% “undivided interest” was transferred on that date. This assumption is based on: (i) the December 6, 2016 license agreement which granted the licensee “exclusive” rights to the IP Assets; and (ii) as a commercial matter, such ownership splitting does not leave value to a minority owner.

³ Amended And Restated Intellectual Property License Agreement, Annex A-4 To J. Crew Form 8-K, June 12, 2017.

10. In addition to the 2016 Transfers, J. Crew Group has proposed an Amended and Restated Intellectual Property License Agreement (“the License Agreement”). Pursuant to the License Agreement, Domestic Brand will license the IP Assets to J. Crew International for \$59 million per year for 10 years for use of the IP Assets.⁴
11. I understand that the firm Ocean Tomo has opined that the value of the IP Assets totaled \$347 million as of the date of the 2016 Transfers. Based on my analysis, I do not agree with Ocean Tomo’s conclusion.

IV. **J. Crew Background**

12. J. Crew is an internationally recognized multi-brand apparel and accessories retailer that differentiates itself through high standards of quality, style, design and fabrics. J. Crew is a vertically-integrated omni-channel specialty retailer that operates stores and websites both domestically and internationally. J. Crew designs, markets and sells its products, including those under the J. Crew® and Madewell® brands, offering complete assortments of women’s, men’s and children’s apparel and accessories. J. Crew’s customer base consists primarily of college-educated, professional and fashion-conscious women and men.⁵
13. The company was acquired by TPG Capital on March 7, 2011 for approximately \$3 billion.⁶ In the purchase price allocation, “Other Intangibles” (including the J. Crew brand and trademarks) was allocated \$1 billion.
14. Shown below is J. Crew’s balance sheet for the most recent seven years, as reported in its financial statements.

⁴ Amended And Restated Intellectual Property License Agreement, Annex A-4 To J. Crew Form 8-K, June 12, 2017.

⁵ J. Crew Form 10-K for the fiscal year ended January 28, 2017, p. 3.

⁶ J. Crew Form 10-K for the fiscal year ended January 31, 2012, p. 2.

J. CREW BALANCE SHEETS⁷

	1/29/2011	1/28/2012	2/2/2013	2/1/2014	1/31/2015	1/30/2016	1/28/2017
ASSETS							
Cash	\$381	\$222	\$68	\$157	\$111	\$88	\$132
Accounts Receivable	-	-	-	-	-	-	-
Inventory	\$214	\$243	\$266	\$354	\$368	\$372	\$314
Other	\$39	\$62	\$77	\$71	\$61	\$66	\$59
Total Current Assets	\$635	\$527	\$411	\$582	\$540	\$526	\$506
Net Property, Plant & Equipment	\$197	\$265	\$324	\$375	\$404	\$398	\$362
Goodwill	-	\$1,687	\$1,687	\$1,687	\$1,125	\$108	\$108
Other Intangibles (Including Brand)	\$4	\$1,034	\$1,011	\$993	\$837	\$461	\$450
Other Long-Term Assets	\$24	\$61	\$54	\$46	\$27	\$7	\$6
Total Assets	\$860	\$3,574	\$3,487	\$3,682	\$2,932	\$1,500	\$1,433
LIABILITIES							
Total Current Liabilities	\$271	\$316	\$326	\$422	\$424	\$434	\$400
Working Capital	\$364	\$210	\$86	\$160	\$115	\$92	\$106
Long-Term Debt	-	\$1,609	\$1,600	\$1,579	\$1,562	\$1,533	\$1,513
Def. Tax Liability, Non-Curr.	-	\$411	\$393	\$389	\$304	\$149	\$148
Other Non-Current Liabilities	\$78	\$60	\$76	\$102	\$125	\$153	\$157
Total Liabilities	\$349	\$2,396	\$2,395	\$2,492	\$2,416	\$2,269	\$2,219
Capital	\$623	\$1,184	\$1,003	\$1,009	\$1,015	\$979	\$980
Retained Earnings	(\$112)	\$12	\$108	\$197	(\$489)	(\$1,732)	(\$1,755)
Other	\$0	(\$19)	(\$20)	(\$15)	(\$10)	(\$17)	(\$12)
Total Equity	\$511	\$1,177	\$1,091	\$1,190	\$516	(\$769)	(\$786)
Total Liabilities And Equity	\$860	\$3,574	\$3,487	\$3,682	\$2,932	\$1,500	\$1,433

15. As can be seen above, J. Crew has substantially written down the value of its Goodwill and Other Intangibles. These write downs are the result of management and accounting assessments. In their fiscal year ended January 31, 2015 Form 10-K, J. Crew described the impairment charge as follows:

During fiscal 2014, we recorded a non-cash impairment charge of \$710 million related to goodwill allocated to our Stores reporting unit, the intangible asset for our trade name and certain store leasehold improvements. At January 31, 2015, we had \$1,125 million of remaining goodwill and \$740 million remaining of an intangible asset related to our J. Crew trade name on our balance sheet. We could experience material impairment losses in the future. Certain factors, including consumer spending levels,

⁷ S&P 500, Capital IQ.

industry and macroeconomic conditions, and the future profitability of our businesses, might have a negative impact on the carrying value of our goodwill and intangible assets. The process of testing goodwill and intangible assets for impairment involves numerous judgments, assumptions and estimates made by management including expected future profitability, cash flows and the fair values of assets and liabilities, which inherently reflect a high degree of uncertainty and may be affected by significant variability. If the business climate deteriorates, then actual results may not be consistent with these judgments, assumptions and estimates, and our goodwill and intangible assets may become impaired in future periods. This would in turn have an adverse impact on our financial position and results of operations.⁸

16. In the fiscal year ended January 31, 2016 Form 10-K, J. Crew described the impairment charge as follows:

non-cash impairment charges of \$1,382 million related to goodwill allocated to our J. Crew reporting unit, the intangible asset for our J. Crew trade name and certain long-lived assets. After recording the impairment losses in fiscal 2015, the carrying value of our goodwill and the intangible asset for the J. Crew trade name is \$108 million and \$380 million, respectively.⁹

17. It is important to note that the methodology used to assess asset impairment (for financial reporting purposes under GAAP) determines whether the asset's "carrying" value¹⁰ exceeds its "recoverable" value. The "recoverable" value of an asset that does not independently generate cash (such as the J. Crew Brand) is measured by reference to general business performance, not by the standalone fair market value of the particular asset in question (here, the IP Assets). Accordingly, J. Crew Group's recent SEC disclosures, reflecting a \$380 million "book" valuation for the IP Assets, does not reflect the fair market value of the IP Assets. The IP Assets appear to have substantially greater market value than is reflected in J. Crew Group's SEC disclosures. This phenomenon of the book

⁸ J. Crew Form 10-K for the fiscal year ended January 31, 2015, p. 16.

⁹ J. Crew Form 10-K for the fiscal year ended January 31, 2016, p. 16.

¹⁰ For intangibles like the IP Assets, the "carrying" value is the acquisition price less any post-acquisition impairment charges. Accounting Tools, "Carrying Value," February 15, 2013.

value of a brand may not reflect its fair market value, often by orders of magnitude, has been recognized by other valuation experts.¹¹

18. Below is a summary of J. Crew's performance of the last 7 years.

J. CREW INCOME STATEMENTS¹²

	For the Fiscal Year Ended:						
	1/29/2011	1/28/2012	2/2/2013	2/1/2014	1/31/2015	1/30/2016	1/28/2017
Revenues	\$1,722	\$1,855	\$2,228	\$2,428	\$2,580	\$2,506	\$2,425
<i>Y/Y Growth</i>		8%	20%	9%	6%	-3%	-3%
COGS	\$975	\$1,112	\$1,241	\$1,422	\$1,609	\$1,610	\$1,550
Gross Profit	\$747	\$743	\$987	\$1,006	\$971	\$896	\$875
<i>Gross Profit Margin</i>	43%	40%	44%	41%	38%	36%	36%
Selling General & Admin Exp	\$533	\$570	\$732	\$754	\$846	\$829	\$819
<i>SG&A Margin</i>	31%	31%	33%	31%	33%	33%	34%
Operating Income	\$214	\$172	\$254	\$252	\$125	\$66	\$57
<i>Operating Income Margin</i>	12%	9%	11%	10%	5%	3%	2%
EBITDA	\$264	\$257	\$350	\$347	\$234	\$186	\$177
<i>EBITDA Margin</i>	15%	14%	16%	14%	9%	7%	7%

19. According to J. Crew, it projects its brand image through consistent creative messaging in its store environments, websites and catalogs and with its high-quality customer service, and it maintains its brand image by exercising substantial control over the design, production, presentation and pricing of its merchandise, and by selling its products primarily itself. Senior management is extensively involved in all phases of its business including product design and sourcing, assortment planning, store selection and design, website experience and the selection of photography used in its brand imaging.¹³

20. Moreover, J. Crew retail stores are located in upscale regional malls, lifestyle centers and street locations, and its retail stores are designed and fixtured with the

¹¹ Victor Cook, "Brand Value v. Book Value," September 10, 2007, <https://seekingalpha.com/article/46772-brand-value-vs-book-value>

¹² S&P 500, Capital IQ

¹³ J. Crew Form 10-K for the fiscal year ended January 28, 2017, p. 3.

goal of creating a distinctive, sophisticated and inviting atmosphere, with displays and information about product quality.¹⁴

21. J. Crew also serves customers through its e-commerce business, which includes websites for the J. Crew, factory and Madewell brands. Its websites allow customers to purchase merchandise over the Internet and include jcrew.com, jcrewfactory.com and madewell.com, and in responsive formats available on mobile phones and tablets. J. Crew also uses websites to sell exclusive styles not available in stores, introduce and test new product offerings, offer extended sizes and colors on various products, and drive targeted marketing campaigns.¹⁵
22. On the basis of data collected from customers through its e-commerce business, J. Crew believes its customer base consists primarily of college educated, professional and fashion-conscious women and men. J. Crew seeks to appeal to its customers by creating high quality products that reflect its customers' aspirational and active lifestyles across a broad range of price points.¹⁶
23. According to J. Crew, the specialty retail industry is highly competitive. J. Crew competes primarily with specialty retailers, department stores, catalog retailers and e-commerce businesses that engage in the sale of women's, men's and children's apparel, accessories, shoes and similar merchandise. J. Crew competes on quality, design, customer service and price. J. Crew believes that its primary competitive advantages are consumer recognition of its brands, as well as its omni-channel strategy which focuses on a seamless approach to the customer experience through all available sales channels. J. Crew also believes that it differentiates itself from competitors on the basis of its signature product design, its ability to offer both designer-quality products at higher price points and more casual items at lower price points, its focus on the quality of its product offerings and its customer-service oriented culture. J. Crew believes its success depends in

¹⁴ Id. at p. 4.

¹⁵ Id.

¹⁶ Id. at p. 5.

substantial part on its ability to originate, define and communicate product and fashion trends as well as to timely anticipate, predict and react to changing consumer demands.¹⁷

24. A brand positioning chart for Ann Taylor prepared by Ascena Retail Group for its 2015 Investor Day shows that J. Crew is a premium brand, at the midpoint of Formal/Work and Casual. I have reproduced the brand positioning chart below.¹⁸



25. In its most recent filing, J. Crew identified companies it believes competes with J. Crew in the specialty retail segment. For fiscal 2016, the peer companies were Abercrombie & Fitch Co., American Eagle Outfitters, Inc., Ascena Retail Group, Inc., Chico's FAS, Inc., Coach, Inc., The Gap, Inc., Guess, Inc., Kate Spade & Company, L Brands, Inc., Michael Kors Holdings Ltd., Nordstrom, Inc., Ralph Lauren Corp., Under Armour, Inc. and Urban Outfitters, Inc ("J. Crew Competitor

¹⁷ Id. at p. 7.

¹⁸ Ascena Retail Group, Investor Day 2015 Supplemental Package, available at <https://www.sec.gov/Archives/edgar/data/1498301/000119312515356309/d51457dex992.htm>

Companies”).¹⁹ In my analysis of J. Crew’s enterprise value, I use this set of competitors as comparable companies in determining the appropriate multiple to use in my enterprise value calculation.²⁰

26. In addition, I have studied the financial trends and performance expectations of the overall specialty apparel market. I have included a summary of that analysis in Appendix A.

V. The Fair Market Value of IP Assets Transferred to Domestic Brand

27. To determine the fair market values of these IP Assets, I use a common and generally accepted method to value intangible assets, including trademarks: The “Relief From Royalty” methodology.²¹ This approach measures “after-tax royalties or license fees saved by owning the intangible.”²² Stated differently, this methodology considers what J. Crew would be expected to pay an unaffiliated third-party, negotiating at arm’s-length, for an exclusive license to use the IP Assets. The key considerations to this method are the royalty rate, the revenue projections, and the discount rate.²³ I will discuss each element.
28. For the royalty rate, I have considered market-based royalty rates for brands comparable to J. Crew. For this purpose, I consider a comparable brand one that is used in the specialty apparel or footwear market, and for which a trademark value is available. I have compiled these rates based on three different sources. The first is ktMINE, a publicly available database of intellectual property information, including trademark royalty rates and license agreements.²⁴ Using ktMINE, I searched for apparel trademark licensing agreements. The second

¹⁹ J. Crew Form 10-K for the fiscal year ended January 28, 2017, p. 47.

²⁰ In addition to this set, I include one additional company, Philips-Van Husen because of the comparability based on the Tommy Hilfiger acquisition in 2010.

²¹ W. James Lloyd, “Using the Relief from Royalty Method to Value Trade Names,” American Institute of CPAs, 2016.

²² Tony Hadjiloucas, “Intangible Asset Valuation,” PwC, April 2014, p. 5.

²³ W. James Lloyd, “Using the Relief from Royalty Method to Value Trade Names,” American Institute of CPAs, 2016.

source I used is Markables, which is a leading source for trademark values.²⁵ The third source I used is the EY Luxury and Cosmetic Financial Factbook, which contains royalty rates for premium brands in the perfume industry.²⁶ From these three sources, I found 25 trademark royalty rates that form the basis of comparison. Shown below is a summary of these rates, with the median and average for the set calculated.²⁷

²⁴ <https://www.ktmine.com/about/>

²⁵ www.markables.com

²⁶ E&Y, The Luxury and Cosmetics Financial Factbook, 2016 Edition.

²⁷ Exhibit 2.

Licensors	Date	Royalty Rate
Michael Kors	8/7/2015	14.0%
Burberry	2016	14.0%
QS Holdings SARL	5/10/2006	13.5%
Salvatore Ferragamo SpA	2015	12.4%
Puma	2012	10.8%
Dolce & Gabbana	2016	10.0%
Coach	Various	9.0%
Gucci	2006	9.3%
Swiss Army Brands	10/13/2000	8.9%
Hugo Boss	2001	8.9%
Carter's	2009	8.8%
Guess	2007	8.7%
Aris Industries	1/1/2001	8.0%
BasicNet SpA	2005	7.3%
Kate Spade	2015	7.0%
Under Armour	2010	7.0%
Ocean Pacific	2005	7.1%
S. T. Dupont	2014	6.0%
Converse	2002	6.0%
OshKosh	2009	5.8%
Christian Lacroix	2016	5.5%
Paul Smith	2016	5.5%
Lanvin	2007	5.5%
Fendi	2016	4.5%
Giorgio Armani	2016	4.0%
	Average	8.3%
	Median	8.0%

29. Based on this set of trademark rates, I apply an 8% royalty in my Relief From Royalty analysis.
30. J. Crew has provided revenue guidance for 2017 in the negative low to mid-single digits for J. Crew comparable sales.²⁸ I provide three scenarios for J. Crew's revenue based on this revenue guidance. For Scenario 1, I assume that J. Crew outperforms its guidance and achieves 0% revenue growth. For Scenario 2, I assume that J. Crew meets its revenue guidance and has -3% revenue growth for 2017. For Scenario 3, I assume that J. Crew underperforms its revenue guidance and has -6% revenue growth for 2017. For Scenario 2 and Scenario 3, I assume that the rate of decline slows by half each year.
31. For the discount rate, I use the Weighted Average Cost of Capital prepared by Duff & Phelps Corp. for "SIC 56, Apparel and Accessory Stores," which category includes J. Crew and its competitors.²⁹ The Median Build-Up WACC for these companies is 10.8%.³⁰ I discount the future royalties to December 5, 2016 using this rate.
32. Based on these three scenarios, I have estimated the IP Assets value to be between \$971 million and \$1.1 billion, with a mid-value of \$1,028 million. A summary of these scenarios is shown below.³¹

	Trademark Value NPV (in millions)
Scenario 1: Flat Revenue	\$1,086
Scenario 2: -3% Initial Revenue Growth	\$1,028
Scenario 3: -6% Initial Revenue Growth	\$971

²⁸ J. Crew Press Release, "J. Crew Group, Inc. Announces Fourth Quarter and Fiscal 2016 Results," March 21, 2017.

²⁹ Duff & Phelps, WACC for SIC 56, Apparel and Accessory Stores, as of Mar. 31, 2015.

³⁰ Id.

³¹ See Exhibit 6.

VI. Determination of J. Crew's Enterprise Value

33. Enterprise Value or "EV" is the cost of buying the whole of an enterprise's core cash flow.³² There are different types of EV: Total, Operating, and Core.³³ Total Enterprise Value, which is the value of all the activities of the business (including the value of investments and non-core assets),³⁴ is the EV at issue here. Thus, when I refer to Enterprise Value, I am referring to Total Enterprise Value.
34. Enterprise Value is equal to the estimated value of the operations based on cash flow and profit.³⁵ Using an EBITDA valuation multiple is a standard methodology for estimating Enterprise Value.³⁶ EBITDA is earnings before interest expense, taxes, depreciation and amortization.³⁷ Valuation professionals and analysts who value companies such as J. Crew and its competitors use EBITDA multiples.³⁸
35. In my determination of J. Crew's enterprise value, I consider its EBITDA at January 28, 2017, as reported on its financial statements and, in particular, the "high" and "low" guidance provided by J. Crew on March 21, 2017.³⁹
36. For the EBITDA multiple, I use the average EV / EBITDA ratio of the J. Crew Competitors.⁴⁰ For these companies, I use the EV and EBITDA closest to the

³² Peter Suozzo et al., UBS, "Valuation Multiples: A Primer," November 2001, p. 24.

³³ Id.

³⁴ Id.

³⁵ Id.

³⁶ "Investment Valuation Ratios: Enterprise Value Multiple," <<http://www.investopedia.com/university/ratios/investment-valuation/ratio8.a>>; Peter Suozzo et al., UBS, "Valuation Multiples: A Primer," November 2001, p. 24.

³⁷ Id.

³⁸ I understand there are other standard methodologies including discounted cash flow analysis. However, the information available to perform this analysis over the appropriate period of time is not available, and thus I have used the EBITDA multiple analysis where such information is available.

³⁹ Exhibit 4.

date of the valuation. The average EBITDA multiple of the peer group is 6.9, and I apply this multiple to the three EBITDA values to get Enterprise Values of \$1,216, \$1,307, and \$1,444.⁴¹ I have also reviewed, in my various analyses, specialty apparel & footwear companies.

J.Crew EBITDA (mm)	Peer Group Average EV/EBITDA Multiple	J.Crew EV (mm)
\$177	6.9	\$1,216
\$190	6.9	\$1,307
\$210	6.9	\$1,444

37. J. Crew is a private company and therefore does not have a public market value for its equity. It does however have privately traded Term Loan debt (aggregate principal amount: \$1.52 billion), and publicly traded bonds (aggregate principal amount: \$566 million) which traded at substantial discounts in December 2016 (Term Loan traded at approximately 65% of principal; bonds traded at approximately 35% of principal). I am advised that J. Crew's current overall debt capitalization remains at a similar level. Such debt capitalization establishes: (1) that the company may be insolvent, with little or no equity value; and (2) the company has an EV, according to the capital markets (which appears to be knowledgeable), of approximately \$1.2 billion.⁴² The debt trading markets thus seem to corroborate my conclusion as to J. Crew's EV.

⁴⁰ Exhibit 3.

⁴¹ Exhibit 4.

⁴² Exhibit 5; see e.g., VFB LLC v. Campbell Soup Co., 482 F.3d 624 (3d Cir. 2007) (District court properly values company by "choosing to rely on the objective evidence from the public equity and debt markets."); Peltz v. Hatten, 279 B.R. 710, 738 (D. Del. 2002) ("[I]n determining whether a value is objectively 'reasonable' this court gives significant deference to marketplace values.").

VII. Conclusion

38. Based on the foregoing analysis, it is my opinion that the IP Assets constitute approximately 79% of the value of J. Crew Group.⁴³

(in millions)	J.Crew Trademark Value	Trademark Value as % of EV		
		J.Crew Enterprise Value:		
		\$1,444	\$1,307	\$1,216
Scenario 1: Flat Revenue	\$1,086	75%	83%	89%
Scenario 2: -3% Initial Revenue Growth	\$1,028	71%	79%	85%
Scenario 3: -6% Initial Revenue Growth	\$971	67%	74%	80%


 DAVID E. YURKERWICH

Sworn to before me and subscribed in my Presence on this 26th day of June, 2017.


 Notary Public

Amy J. Cunningham
 Notary Public, State of New York
 No. 01CU6004605
 Qualified in Queens County
 Certificate Filed in New York County
 Commission Expires March 23, 2018

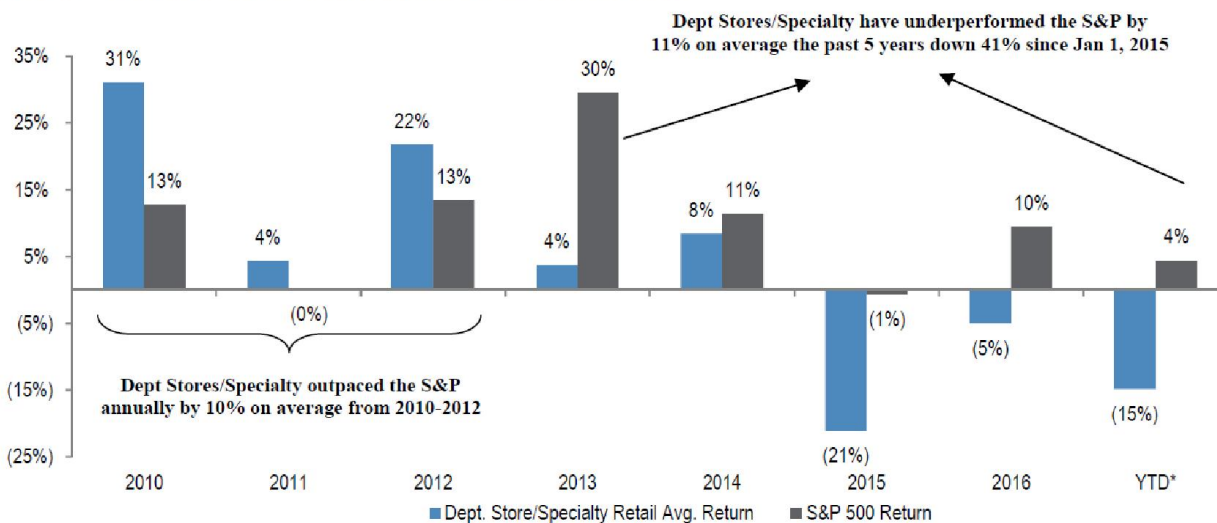
⁴³ See Exhibit 7.

APPENDIX A

- With respect to the overall retailer market, a J.P. Morgan analysis, reproduced below, shows that department stores and specialty retail have lately underperformed the S&P 500 Return.⁴⁴

A Closer Look at Relative Retail Price Performance

Figure 5: Price Return for Dept Stores/Specialty Retail vs. S&P 500 (2010-Today)



⁴⁴ J.P. Morgan Analyst Report, "Dept Stores / Specialty Softlines," April 20, 2017.

2. In the apparel retail space, the “store is everywhere” because mobile shopping and e-commerce are in the mainstream.⁴⁵ According to Retail Dive, 2016 will be known in apparel retail sectors as The Year of Amazon.⁴⁶
3. Lois Sakany, editor at Snobette.com (a women’s street-style fashion blog), described the key retail trend as the following: “The biggest trend for 2016 was the retraction of brick and mortar retail, with national chains including Sports Authority shuttering completely, and Macy’s and Ralph Lauren, among others, closing doors. Basically, the customer is looking for great stuff at the best price possible, and doesn’t want to spend time looking for it. Giant formats, set up like mazes, reflect a time when there was no Internet. They’ve lost their appeal.”⁴⁷
4. Overall, total U.S. apparel retail sales increased 3% in the 12 months ending November 2016 to \$218.4 billion, according to NPD Group Consumer Tracking Service.⁴⁸

⁴⁵ <http://www.retaildive.com/news/the-new-look-of-fashion-how-2016-made-over-apparel-retail/432511/>

⁴⁶ Id.

⁴⁷ Id.

⁴⁸ Id.

EXHIBIT 1



David Yurkerwich Managing Director, Leader Navigant IP



david.yurkerwich@navigant.com
New York, San Francisco & Germany
+1 917-860-5151

Professional Summary

David Yurkerwich is a Managing Director and the Leader of the Navigant's Intellectual Property team ("Navigant IP"). He operates from offices in New York, San Francisco and Germany. David and Navigant IP's team of seasoned experts assist clients with the challenges and opportunities associated with assessing, valuing and managing IP assets in today's global innovation economy. They combine timely competitive information and state of the art valuation methodologies using advanced data and analytical tools to deliver practical business solutions. David has been recognized by his peer group as one of the IAM Strategy 300 – The World's Leading IP Strategists since 2008.

David works closely with inventors, owners and attorneys to assess patentability and markets for technologies to build and maintain competitive IP portfolios. He actively negotiates IP based transactions and structures and manages joint development, licensing and enforcement activities. David also provides expert valuation testimony in patent infringement cases, international arbitration and other business disputes involving companies in Asia, Europe, South America and the United States. This has included expert testimony in over 90 matters involving a broad range of technologies and markets.

Areas of Expertise

- **IP Strategy:** providing value based guidance to inventors, investors, and corporations, including,
 - Competitive benchmarking for portfolio development.
 - Managing patent portfolio prosecution and maintenance.
 - Identifying and valuing tangible and intangible assets.
 - Portfolio analysis for evidence of market use and potential value.
 - Screening portfolios for patents in use or with future market applicability.
 - Ongoing support to identify patents with value in non-core markets.
- **IP Transactions:** facilitating IP sale, IP licensing, and IP financing transactions, including,
 - Valuation opinions for mergers, acquisitions and divestitures.
 - Assisting with business planning and capital raising activities.
 - Developing joint venture and sale structures to commercialize new technologies.
 - Identifying and evaluating potential buyers and licensees for patented technologies.
 - Preparing technology valuation sale and license models to facilitate negotiations.
 - Performing market outreach, facilitating discussions and negotiating transactions.

- **IP Disputes:** damages analysis in IP and other disputes for plaintiffs and defendants, including,
 - Pre-litigation review of scope of invention, size of markets and damage approaches.
 - Assistance with research and discovery to support potential damage models.
 - Working with counsel to prosecute, assess and monetize patents.
 - Design and execution of apportionment models.
 - Preparation of expert damage reports.
 - Delivery of expert damage testimony.

Employment History

- | | |
|--|----------------|
| • Navigant Consulting, Inc., Managing Director, Leader Navigant IP | 2017 – Present |
| • DEY Consulting, Inc., President | 2012 – Present |
| • Charles River Associates, Senior Consultant | 2012-2017 |
| • Charles River Associates, Vice President | 2004-2012 |
| • InteCap, Inc., Founding CEO | 1998-2004 |
| • Peterson Worldwide, Founder, President | 1980-1998 |
| • Arthur Andersen & Co. | 1974-1980 |

Education, Certifications, Memberships

- | | |
|--|------|
| • Bachelor of Science in Business Administration, Villanova University | 1974 |
| • Certified Public Accountant | 1978 |
| • Certified Valuation Analyst | 2003 |
| • Accredited in Business Valuation | 2006 |
| • Member, AICPA, LES, NACVA and IPO | |

Presentations, Speeches, Articles

- Trends in IP Disputes, Association of Corporate Counsel, April 2017
- Valuation Across Jurisdictions and Contexts, Global IP Exchange 2016
- New York Bar Association IP Law 2014 Annual Meeting, IP and Financial Transactions
- PLI IP Monetization 2012, Significant Transactions and International Developments
- Washington State Patent Law Association, 2009, Patent Damages and Valuation
- IP Manager, 2009, A Global Challenge for a Global Opportunity
- IAM, Licensing in the Boardroom 2008, Patent Sales and the IP Business Plan
- LES 2008 Annual Meeting, Moderator, Global Patent and Transaction Trends
- KOREA-US-EURO Technology Conference, November 2007, Keynote Speaker
- LES Israel May 2007, Tools and Tactics For Generating Value
- CIP Forum, Sweden, May 2007, Valuation and Negotiation
- Business of IP, Fuqua School, March 2007, The Value and Valuation of IP
- Brussels IP Summit 2006, The Real Cost of a Patent
- LES Israel May 2006, IP Strategy and Transactions
- IIPi, March 2006, Creating a Strategy to Maximize Value

Professional Experience

Consulting and Transaction Examples:

<u>Industry</u>	<u>Assignment</u>
Aeronautical	Valuation & Licensing
Automotive	Valuation & Licensing
Computer Networks	Patent Damages
Construction	Valuation & Licensing
Consumer Packaging	Damages Analysis
Consumer Products	Valuation & Licensing
Dietary Products	Valuation & Licensing
Digital rights	Patent Damages
Energy	Valuation & Licensing
Hardware & Software	Valuation & Licensing
Image Processing	Valuation & Licensing
Industrial Engines	Valuation & Licensing
Industrial Processes	Valuation & Licensing
Industrial Tools	Valuation & Licensing
Injection molding	Valuation & Licensing
Insurance	Accounting Analysis
Internet	Valuation & Licensing
Media	Patent Valuation
Medical Product	Damages Analysis
Medical Product	Dispute valuation
Medical Product	Valuation & Licensing
Mining	Dispute valuation
Oil & Gas	Valuation & Licensing
Pet Product	Valuation & Licensing
Pharmaceutical	Valuation & Licensing
Securities	Valuation & Licensing
Software	Valuation & Licensing
Telecommunications	Patent Portfolio Analysis
Telecommunications	Valuation & Licensing
Wireless Communications	Valuation & Licensing

Expert Testimony in IP Matters:

Year	Case	Technology
2016	ViaTech Technologies, Inc.v. Microsoft Corporation	License control mechanism
2016	Adrea, LLC v. Barnes & Noble, Inc. et al	Internet topical access
2015	Everyscape, Inc. v. Adobe Systems, Inc.	Image editing software
2014	Spherix Incorporated v. Verizon Services Corp. et al	Network access system
2014	Northgate Technologies, Inc. v. Stryker Corporation et al	Insufflators
2014	ASUS Computer Int'l v. Round Rock Research, LLC	Memory and Sensors
2013	Everyscape, Inc. v. Adobe Systems, Inc.	Image editing software
2012	Multimedia Patent Trust v. Apple and Canon	Video compression
2012	Tarkus Imaging v. Adobe Systems and Canon USA	Processing of digital images
2009	Wellman, Inc. v. Eastman Chemical Company	PET resin
2009	In re: Spansion, et al.	Flash memory
2008	Stanford University and Litton v. Tyco et al	Fiber optic amplifiers
2008	Wellman, Inc. v. Eastman Chemical Company	PET resin
2006	Townshend Intellectual Property LLC v. Intel Corporation	Modem chipsets
2006	Ark Welding v. Meyer Products, Inc.	Snow plow instrumentation
2005	WEDECO Ideal Horizons, Inc. v. Calgon Carbon Corp.	Water irradiation
2004	Metrologic Instruments, Inc. v. PSC, Inc.	Scanning equipment
2004	Cedars-Sinai et al. v. Mitchell Silberberg & Knupp et al.	Refractive laser surgery
2004	Pall Corporation v. Cuno Incorporated	Filter elements
2004	Applied Medical Resources v. U.S. Surgical Corporation	Laparoscopic instruments
2004	Core Group, P.C. v. Sprint PCS	Architectural designs
2003	Pharmastem Therapeutics, v. ViaCell, Inc, et al	Stem cell preservation
2003	ISCO International v. Conductus & Superconductor Tech.	Cryogenic receivers
2002	Kendall Corp., et al. v. Arrow International	Catheters
2002	On-Line Technologies, Inc. v. Perkin Elmer Corp, et al.	Infrared spectroscopy
2002	IDEXX Laboratories v. Abaxis, Inc. and S.A. Scientific	Diagnostic heartworm tests
2002	Honeywell, Inc. v. ABB Automation, Inc.	Basis weight sensors
2002	Unova, Inc., Intermec IP Corp. v. Dell Computer Corp.	Notebook computers
2001	The Learning Network, Inc. v. Discovery Communications	Multimedia trade name
2001	Sun Microsystems, Inc. v. Kingston Technologies Co.	Memory modules
2000	Pipe Liners and Hydro Conduit v. Pipelining Products	Trenchless pipelining
2000	Aoki Technical Laboratory v. FMT Corporation	Blow molding machines
2000	C.R. Bard v. U.S. Surgical Corporation	Hernia repair products
2000	Sofamor Danek v. U.S. Surgical Corporation	Spinal implants
2000	Advanced Cardiovascular Systems v. Scimed Life	Stent technology

1999	Dainippon Screen, Harlequin v. Scitex Corp.	Prepress industry
1998	Rite-Hite v. Kelly Company	Releasable locking device
1998	Southwest Software v. Harlequin	Color calibration
1997	Ethicon v. U.S. Surgical Corporation	Laparoscopic instruments
1997	Applied Medical Resources v. U.S. Surgical Corporation	Laparoscopic instruments
1997	Summit Technology v. VISX	Laser correction of vision
1997	Revlon Consumer Products Corp. v. L'Oreal S.A.	Transfer resistant lipstick
1996	Celeritas v. Rockwell	Cellular optimized processor
1995	Voith v. Beloit	Paper making machines
1995	Atochem v. LOF	Method for making glass
1995	Voith v. Beloit	Paper making machines
1994	Preco Industries v. Autodesk, Inc.	Postscript printing
1994	Rawplug v. Illinois Tool Works	Construction materials
1994	PPG v. AFG	Dark gray glass
1994	Valmet v. Beloit	Paper making machines
1994	Stac v. Microsoft	Data compression
1993	Collins & Aikman v. C.H. Masland	Automobile trunk liners
1993	Sunbeam Corp. v. Black and Decker	Auto off irons
1992	Collier v. Airtite	Computer room flooring
1991	Braun v. Dynamics Corp. of America	Hand-held blenders
1990	Sanders Assoc. v. Summagraphics	Computer aided design
1988	Datascope v. SMEC	Inter-aortic balloon
1988	Innova-Tech v. Mixing Equipment Co.	Waste treatment process
1987	Amstar v. Envirotech Corp.	Mining equipment
1986	General Signal v. Halmi	Industrial equipment

Expert Testimony in Other Matters:

Year	Case	Technology
2016	Young Bock Shim et al v. Frederick F. Buechel et.al.	Surgical implants
2010	Barracuda & Caratinga Leasing v. Kellogg Brown & Root	Floating oil and gas facility
2008	Spanski Enterprises v. Telewizja Polska, S.A. et al	Television distribution
2005	Specialty Minerals, Inc. v. Pluess-Staufer AG et al	Mining activities
2005	Leasing Solutions, Inc. v G. E. Capital	Equipment leasing
2005	Honeywell International Inc. v. Sunoco, Inc.	Chemical supply
2005	Antel Holdings, Ltd. v. Andrew Corporation	Telecommunications
2003	In re: Hechinger Investment Company of DE Inc., et al.	Home improvement retailer
2003	The Eurotrain Consortium v. Taiwan High Speed Rail	High speed rail line

2002	Independent Media Services, Inc. v. Aegis Group PLC	Media buying industry
2001	Insurance Services Office, Inc. v. AMS Services, Inc.	Insurance products
2001	Unsecured Creditors of Color Tile, Inc. v. Investcorp S.A.	National flooring retailer
2000	Samsung Techwin Corp. v. Quad Systems Corp.	Surface mount equipment
2000	Medigene v. Loyola University and MedImmune	Pharmaceutical vaccine
2000	Avnet v. Wyle	Semiconductor distribution
1999	Cable & Wireless USA v. MCI Worldcom, Inc.	Internet access business
1997	Royal Sweet v. Monsanto	Natural sweetener
1996	Striar v. American Health Properties	Psychiatric hospitals
1996	Rudolph & Sletten v. DPR	Construction industry
1994	Fischer v. Fairlawn	Real estate partnership
1993	Taino Farms v. Dade County	Wastewater sludge
1993	Elkins-Sinn v. Atochem	Drug manufacturing
1993	MEBA D2 v. Cunard	Marine labor agreement
1993	Spingold v. Wallin, Simon & Black	Non-profit organization
1991	Buntzman v. Buntzman	Wholesale food market
1991	J. Galesi v. M. Galesi	Management of trust funds
1991	FDIC v. Cherry, Bekaert & Holland	Failed bank
1990	Parr Securities v. Peat Marwick	Failed broker dealer
1989	Card Tek v. Andover Realty	Machinery parts
1988	Nikkal v. Salton	Consumer products industry
1986	Varco-Pruden v. McCann Anderson	Construction industry
1984	Pyramid v. City of Pittsfield	Real estate development

EXHIBIT 2

Exhibit 2
Trademark Royalty Rates

Licensors	Date	Exclusivity	Royalties on Net Sales	Royalties on Net Sales Average for Agreement	Source
Michael Kors	8/7/2015	N/A	14%	14.0%	Oppenheimer, "Michael Kors Holdings Ltd," August 7, 2015.
Burberry	2016	Exclusive FOU	14%	14.0%	EY, The Luxury and Cosmetics Financial Factbook, 2016 Edition
QS Holdings SARL	5/10/2006	Exclusive FOU	7% in department stores; 20% in franchised outlet	13.5%	Trademark License Agreement by and between QS Holdings SARL and Inter-Parfums, May 10, 2006.
Salvatore Ferragamo SpA	2015	N/A	12.40%	12.4%	Markables
Puma	2012	N/A	10.80%	10.8%	Markables
Dolce & Gabana	2016	Exclusive FOU	10%	10.0%	EY, The Luxury and Cosmetics Financial Factbook, 2016 Edition
Coach	Various	Exclusive FOU	8%-10%	9.0%	License Agreement by and between Coach and Signature Eyewear, March 11, 1999; PiperJaffray, "Coach, Inc. (COH)," May 30, 2017.
Gucci	2006	Exclusive FOU	9.30%	9.3%	EY, The Luxury and Cosmetics Financial Factbook, 2016 Edition
Swiss Army Brands	10/13/2000	Exclusive FOU	5% in first year; 6% in second year; 10% thereafter (8 year term)	8.9%	Trademark License Agreement by and Between Swiss Army Brands, Inc. and Tropical Sportwear International Corporation, October 13, 2000.
Hugo Boss	2001	N/A	8.90%	8.9%	Markables
Carter's	2009	N/A	8.80%	8.8%	Markables
Guess	2007	N/A	8.66%	8.7%	Piper Jaffray, "Guess?," August 6, 2007.
Aris Industries	1/1/2001	Exclusive	XOXO: 9%; Members Only: 8%; Fragile: 9%; BabyPhat: 7%; Brooks Brothers Golf: 7%	8.0%	Trademark License by and between Aris Industries and Grupo Extra, January 2001.
BasicNet SpA	2005	N/A	7.3%: (Kappa®, Robe di Kappa®, K-Way® and Superga)	7.3%	Markables
Kate Spade	2015	N/A	7.00%	7.0%	Sterne Agee, "Kate Spade," February 25, 2015.
Under Armour	2010	N/A	7.00%	7.0%	Jeffries & Company, "Under Armour," June 21, 2010.

Exhibit 2
Trademark Royalty Rates

Licensors	Date	Exclusivity	Royalties on Net Sales	Royalties on Net Sales Average for Agreement	Source
Ocean Pacific	2005	N/A	7.10%	7.1%	Markables
S. T. Dupont	2014	Exclusive FOU	6%	6.0%	EY, The Luxury and Cosmetics Financial Factbook, 2016 Edition
Converse	2002	N/A	6.00%	6.0%	Markables
Osh'Kosh	2009	N/A	5.80%	5.8%	Markables
Christian Lacroix	2016	Exclusive FOU	5.50%	5.5%	EY, The Luxury and Cosmetics Financial Factbook, 2016 Edition
Paul Smith	2016	Exclusive FOU	5.50%	5.5%	EY, The Luxury and Cosmetics Financial Factbook, 2016 Edition
Lanvin	2007	Exclusive FOU	5.50%	5.5%	EY, The Luxury and Cosmetics Financial Factbook, 2016 Edition
Fendi	2016	Exclusive FOU	4.50%	4.5%	EY, The Luxury and Cosmetics Financial Factbook, 2016 Edition
Giorgio Armani	2016	Exclusive FOU	4%	4.0%	EY, The Luxury and Cosmetics Financial Factbook, 2016 Edition
				Average	8.3%
				Median	8.0%

EXHIBIT 3

Exhibit 3

J.Crew Comparable Companies

	Enterprise Value	Revenue	EBITDA	EV / EBITDA	Financials as of:	Products	Distribution
L Brands	\$18,434	\$12,574	\$2,556	7.2	1/28/2017	L Brands, Inc. operates as a specialty retailer of women's intimate and other apparel, beauty and personal care products, and accessories. The company operates in three segments: Victoria's Secret, Bath & Body Works, and Victoria's Secret and Bath & Body Works International.	The company offers its products under the Victoria's Secret, PINK, Bath & Body Works, La Senza, Henri Bendel, C.O. Bigelow, White Barn, and other brand names. L Brands, Inc. sells its merchandise through company-owned specialty retail stores in the United States, Canada, the United Kingdom, and Greater China, which are primarily mall-based; through its Websites comprising VictoriasSecret.com, BathandBodyWorks.com, HenriBendel.com, and LaSenza.com; and through franchises, licenses, and wholesale partners.
Coach	\$11,615	\$4,509	\$916	12.7	4/1/2017	Coach, Inc. provides luxury accessories and lifestyle brands. It offers handbags, money pieces, wristlets and cosmetic cases, key rings, and charms for women; and business cases, computer bags, messenger-style bags, backpacks, totes, wallets, card cases, belts, time management, electronic accessories, and ready-to-wear for men.	It markets its products to consumers through a network of company-operated stores, including Internet in North America; and Coach-operated stores and concession shop-in-shops in Japan, Mainland China, Hong Kong, Macau, Singapore, Taiwan, Malaysia, South Korea, the United Kingdom, France, Ireland, Spain, Portugal, Germany, Italy, Austria, Belgium, the Netherlands, and Switzerland. The company also sells its products to wholesale customers and distributors in approximately 55 countries.
PVH Corporation	\$10,382	\$8,203	\$1,079	9.6	1/29/2017	PVH Corp. operates as an apparel company in the United States and internationally. The company operates through Calvin Klein North America, Calvin Klein International, Tommy Hilfiger North America, Tommy Hilfiger International, Heritage Brands Wholesale, and Heritage Brands Retail segments. It designs, markets, and retails men's and women's apparel and accessories, branded dress shirts, neckwear, sportswear, jeans wear, intimate apparel, swim products, handbags, footwear, golf apparel, fragrances, cosmetics, eyewear, socks, jewelry, watches, outerwear, small leather goods, and furnishings, as well as other related products. The company offers its products under its own brands, such as Calvin Klein, Tommy Hilfiger, Van Heusen, IZOD, ARROW, Warner's, Olga, and Eagle; and licensed brands comprising Speedo. It also licenses its own brands	The company distributes its products at wholesale in department, chain, specialty, mass market, club, off-price, and independent stores; and through company-operated full-price specialty and outlet stores, as well as through e-commerce sites.

Exhibit 3

J.Crew Comparable Companies

	Enterprise Value	Revenue	EBITDA	EV / EBITDA	Financials as of:	Products	Distribution
Under Armour	\$9,623	\$4,825	\$562	17.1	12/31/2016	Under Armour, Inc., together with its subsidiaries, develops, markets, and distributes branded performance apparel, footwear, and accessories for men, women, and youth primarily in North America, Europe, the Middle East, Africa, the Asia-Pacific, and Latin America. The company offers its apparel in compression, fitted, and loose types to be worn in hot, cold, and in between the extremes. It also provides various footwear products, including running, basketball, cleated, slides and performance training, and outdoor footwear. In addition, the company offers accessories, which include headwear, bags, and gloves; and digital fitness platform licenses and subscriptions, as well as digital advertising. Under Armour, Inc. primarily provides its products under the UA Logo, UNDER ARMOUR, UA, ARMOUR....	The company sells its products through wholesale channels, including national and regional sporting goods chains, independent and specialty retailers, department store chains, institutional athletic departments, and leagues and teams, as well as independent distributors; and directly to consumers through a network of brand and factory house stores,
GAP	\$8,910	\$15,516	\$2,031	4.4	1/28/2017	The Gap, Inc. operates as an apparel retail company worldwide. It provides apparel, accessories, and personal care products for men, women, and children under the Gap, Banana Republic, Old Navy, Athleta, and Intermix brands. The company's products include denim, tees, button-downs, khakis, and other products; and fitness and lifestyle products for use in yoga, training, and sports to women and girls. It also operates Weddington Way, a social shopping platform for wedding parties that provides an online boutique with bridesmaid dresses and various wedding party gifts.	The company offers its products through company-operated stores, franchise stores, Websites, third-party arrangements, and catalogs. It has franchise agreements with unaffiliated franchisees to operate Gap, Banana Republic, and Old Navy stores in Asia, Australia, Europe, Latin America, the Middle East, and Africa.
Nordstrom	\$8,872	\$14,757	\$1,647	5.4	1/28/2017	Nordstrom, Inc., a fashion specialty retailer, provides apparel, shoes, cosmetics, and accessories for women, men, young adults, and children in the United States and Canada. It operates through two segments, Retail and Credit.	The Retail segment offers a range of brand name and private label merchandise through various channels, including Nordstrom branded full-line stores and online store at Nordstrom.com

Exhibit 3
J.Crew Comparable Companies

	Enterprise Value	Revenue	EBITDA	EV / EBITDA	Financials as of:	Products	Distribution
Ralph Lauren	\$5,300	\$6,653	\$983	5.4	4/1/2017	It offers apparel, including a range of men's, women's, and children's clothing; accessories, which comprise footwear, eyewear, watches, fine jewelry, hats, belts, and leather goods, such as handbags and luggage; home products consisting of bedding and bath products, furniture, fabrics and wallpapers, lightings, paints, tabletops, and giftware; and fragrances.	Ralph Lauren Corporation sells its products to department stores, specialty stores, and golf and pro shops, as well as through its retail stores, concession-based shop-within-shops, and its e-commerce sites.
Michael Kors	\$5,078	\$4,494	\$1,220	4.2	4/1/2017	Michael Kors Holdings Limited design, markets, distributes, and retails branded women's apparel and accessories, and men's apparel. The company operates in three segments: Retail, Wholesale, and Licensing.	As of April 1, 2017, this segment operated 398 retail stores in the United States, Canada, and Latin America, including concessions; and 429 international retail stores, including concessions in Europe and Asia, as well as e-commerce sites in the United States, Canada, France, Germany, Italy, Spain, Switzerland, the United Kingdom, China, and Japan. The Wholesale segment sells accessories, such as handbags and small leather goods, footwear, and women's and men's apparel to department stores and specialty shops in the United States, Canada, Latin America, Europe, and Asia. The Licensing segment licenses its trademarks on products, such as fragrances, beauty, eyewear, belts, cold weather accessories, jewelry, watches, coats, ..
Kate Spade	\$2,901	\$1,381	\$237	12.2	12/31/2016	It offers briefcases, hand bags, small leather goods, fashion accessories, jewelry, and apparel for men, women, and children; and licensed products, including footwear, fragrances, swimwear, watches, children's wear, tech accessories, optics, tabletop products, legwear, fashion accessories, furniture, bedding, housewares, table linens, loungewear, pillows, lighting products, activewear, and stationery.	The company sells its products through specialty retail and outlet stores, specialty retail and upscale department stores, and concession stores and upscale wholesale accounts; and a network of distributors, as well as e-commerce platform.

Exhibit 3
J.Crew Comparable Companies

	Enterprise Value	Revenue	EBITDA	EV / EBITDA	Financials as of:	Products	Distribution
Urban Outfitters	\$2,337	\$3,546	\$476	4.9	1/31/2017	Urban Outfitters, Inc. engages in the retail and wholesale of general consumer products. It operates through two segments, Retail and Wholesale. The company retails women's and men's fashion apparel, intimates, footwear, beauty and accessories, home goods, activewear, and electronics for young adults aged 18 to 28 under the Urban Outfitters brand; and assortment, including women's casual apparel and accessories, intimates, shoes, beauty, home furnishings, and various gifts and decorative items for women aged 28 to 45 under the Anthropologie brand.	It serves its customers directly through retail stores, Websites, mobile applications, catalogs, and customer contact centers. As of January 31, 2017, the company operated 242 Urban Outfitters stores; 225 Anthropologie Group stores comprising Anthropologie, Bhdn, and Terrain brands in the United States, Canada, and Europe, as well as 127 Free People stores in the United States and Canada; and 12 food and beverage restaurants. It also engages in the wholesale business under the Free People brand that designs, develops, and markets young women's contemporary casual apparel and shoes to approximately 1,900 specialty stores and select department stores worldwide.
American Eagle	\$2,275	\$3,610	\$511	4.5	1/28/2017	American Eagle Outfitters, Inc. operates as a specialty retailer offering on-trend clothing, accessories, and personal care products under the American Eagle Outfitters and Aerie brands. The company provides jeans, and other apparel and accessories for men and women; and intimates, including bras, undies, swim, sleep, and other products, as well as apparel and personal care products for women. In addition, it offers sports apparel under the Tailgate brand; and menswear products under the Todd Snyder New York brand name.	As of January 28, 2017, it operated approximately 943 American Eagle Outfitters stores, 102 Aerie stand-alone stores, 4 Tailgate stand-alone stores, and Tailgate 1 Todd Snyder stand-alone store in the United States, Canada, Mexico, Hong Kong, China, and the United Kingdom. It also ships to 81 countries through its Websites; and offers its merchandise at approximately 170 international locations operated by licensees
Chico's	\$1,666	\$2,476	\$283	5.9	1/28/2017	Chico's FAS, Inc. operates as an omni-channel specialty retailer of women's private branded, casual-to-dressy clothing, intimates, and complementary accessories.	As of January 28, 2017, it operated 1,501 retail stores in the United States and Canada. The company also sells through its Websites and catalogs.

Exhibit 3

J.Crew Comparable Companies

	Enterprise Value	Revenue	EBITDA	EV / EBITDA	Financials as of:	Products	Distribution
Ascena Retail Group	\$1,656	\$6,804	\$581	2.8	4/29/2017	Ascena Retail Group, Inc., through its subsidiaries, operates as a specialty retailer of apparel, shoes, and accessories for women and tween girls in the United States, Canada, and Puerto Rico. The company operates through six segments: ANN, Justice, Lane Bryant, maurices, dressbarn, and Catherines. It creates, designs, and develops a range of merchandise, including apparel, accessories, footwear, and intimates; lifestyle products comprising cosmetics, bedroom furnishings, and electronics; and wear-to-work, casual sportswear, footwear, and social occasion apparel. The company also offers casual clothing, career wear, dressy apparel, and active wear, as well as special occasion and classic apparel. Its principal brands comprise ANN TAYLOR, LOFT, ANN TAYLOR LOFT, LOU & GREY, JUSTICE, LANE BRYANT, LANE BRYANT OUTLET, CACIQUE.	As of July 30, 2016, the company operated approximately 4,900 stores. It also offers its products through its Websites,
Abercrombie & Fitch	\$557	\$3,327	\$200	2.8	1/28/2017	Abercrombie & Fitch Co., through its subsidiaries, operates as a specialty retailer. The Company operates through two segments, Abercrombie and Hollister. It offers knit tops, woven shirts, graphic T-shirts, fleece, sweaters, jeans, woven pants, shorts, outerwear, dresses, intimates, and swimwear; and personal care products and accessories for men, women, and kids under the Abercrombie & Fitch, abercrombie kids, Hollister, and Gilly Hicks brand names.	As of January 28, 2017, it operated through 709 stores in the United States; and 189 stores in Canada, Europe, Asia, and the Middle East. The company sells products through its stores and direct-to-consumer operations, as well as through various wholesale, franchise, and licensing arrangements.
Guess?	\$540	\$2,209	\$132	4.1	1/28/2017	Guess?, Inc. designs, markets, distributes, and licenses lifestyle collections of apparel and accessories for men, women, and children. It operates through five segments: Americas Retail, Europe, Asia, Americas Wholesale, and Licensing. The company's clothing collection includes jeans, pants, skirts, dresses, shorts, blouses, shirts, jackets, knitwear, and intimate apparel. It also grants licenses to manufacture and distribute various products that complement its apparel lines, such as eyewear, watches, handbags, footwear, kids' and infants' apparel, outerwear, swimwear, fragrance, jewelry, and other fashion accessories. The company markets its products under GUESS, GUESS?, GUESS U.S.A., GUESS Jeans, GUESS? and Triangle Design, MARCIANO, Question Mark and Triangle Design, a stylized G....	It sells its products through direct-to-consumer, wholesale, and licensing distribution channels.
Overall Average				6.9			

Source: S&P Capital IQ. Note, these companies, with the exception of PVH which I discuss in my affidavit, were identified by J.Crew as competitors in its J. executive compensation benchmarking process. Source: J-Crew Form 10-K for the fiscal year ended January 28, 2017, p. 47.

EXHIBIT 4

Exhibit 4**J.Crew Enterprise Value Estimation Based on EBITDA Multiple**

J.Crew EBITDA	Peer Group Average EV/EBITDA Multiple	J.Crew EV
<i>(a)</i>	<i>(b)</i>	<i>(c)</i>
\$177	6.9	\$1,216
\$190	6.9	\$1,307
\$210	6.9	\$1,444

(a) For \$177, J.Crew EBITDA as of Jan-28-2017. Source: Capital IQ. Others based on J.Crew Guidance EBITDA between \$190 and \$210. See See J.Crew Prese Release, "J.Crew Group, Inc. Announces Fourth Quarter and Fiscal 2016 Results," March 21, 2017.

(b) Exhibit 3

*(c) J.Crew EV = J.Crew EBITDA * Peer Group Average EV/EBITDA Multiple*

EXHIBIT 5

**Exhibit 5
Market Pricing of J.Crew Debt**

Instrument	Principal	Price	Market Value	Market Value to Principal
Loans: BL1245333 Corp	\$1,519,990,000	\$65.19	\$990,851,081	65%
Bonds: EJ9072012 Corp	\$566,497,758	\$35.00	\$198,274,215	35%
Total			\$1,189,125,296	

Source: Bloomberg. Note, market value of debt as of 12/5/2016.

EXHIBIT 6

Exhibit 6
J.Crew Relief From Royalty Analysis

<i>(in millions)</i>	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Terminal Value	NPV
															<i>(h)</i>	
(a) Total Revenue	\$2,394	\$2,540	\$2,448	\$2,360												
(a) Madewell Revenue	\$181	\$245	\$301	\$342												
% of Total	7.6%	9.7%	12.3%	14.5%												
(b) J.Crew Revenue	\$2,213	\$2,295	\$2,147	\$2,018												
Y/Y Growth		3.73%	-6.47%	-5.99%												
(c) Scenario 1: Y/Y Growth					0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
(c) Scenario 2: Y/Y Growth					-3.00%	-1.50%	-0.75%	-0.37%	-0.19%	-0.09%	-0.05%	-0.02%	-0.01%	-0.01%		
(c) Scenario 3: Y/Y Growth					-6.00%	-3.00%	-1.50%	-0.75%	-0.38%	-0.19%	-0.09%	-0.05%	-0.02%	-0.01%		
J.Crew Revenue:																
Scenario 1:					\$2,018	\$2,018	\$2,018	\$2,018	\$2,018	\$2,018	\$2,018	\$2,018	\$2,018	\$2,018	\$18,685	
Scenario 2:					\$1,958	\$1,928	\$1,914	\$1,907	\$1,903	\$1,901	\$1,900	\$1,900	\$1,900	\$1,900	\$17,589	
Scenario 3:					\$1,897	\$1,840	\$1,812	\$1,799	\$1,792	\$1,789	\$1,787	\$1,786	\$1,786	\$1,786	\$16,533	
(d) United States Sales %	91.1%															
J.Crew U.S. Sales																
Scenario 1:					\$1,839	\$1,839	\$1,839	\$1,839	\$1,839	\$1,839	\$1,839	\$1,839	\$1,839	\$1,839	\$17,027	
Scenario 2:					\$1,784	\$1,757	\$1,744	\$1,737	\$1,734	\$1,733	\$1,732	\$1,731	\$1,731	\$1,731	\$16,028	
Scenario 3:					\$1,729	\$1,677	\$1,652	\$1,639	\$1,633	\$1,630	\$1,628	\$1,628	\$1,627	\$1,627	\$15,066	
(e) Effective Tax Rate	23.7%															
Royalties at:	8.0%															
Scenario 1:					\$112	\$112	\$112	\$112	\$112	\$112	\$112	\$112	\$112	\$112	\$1,039	\$1,086
Scenario 2:					\$109	\$107	\$106	\$106	\$106	\$106	\$106	\$106	\$106	\$106	\$978	\$1,028
Scenario 3:					\$106	\$102	\$101	\$100	\$100	\$99	\$99	\$99	\$99	\$99	\$920	\$971
Discount Date using Midpoint Convention					7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025	7/1/2026		
Discount Factor					0.94	0.85	0.77	0.69	0.63	0.56	0.51	0.46	0.42	0.37	0.37	
(f) Valuation Date	12/5/2016															
Long term growth rate	0%															
(g) WACC	10.8%															

(a) J.Crew Form 10-K for the fiscal year ended January 28, 2017 and J.Crew Form 10-K for the fiscal year ended January 30, 2016.

(b) J.Crew Revenue = Total Revenue - Madewell Revenue

(c) J.Crew revenue guidance for 2017 is negative low to mid single digits. See J.Crew Press Release, "J.Crew Group, Inc. Announces Fourth Quarter and Fiscal 2016 Results," March 21, 2017. For Scenario 1, I estimate that the Y/Y Growth will be 0%. For Scenario 2, I estimate that the Y/Y Growth for 2017 will be -3%, and then slow by a factor of 2. For Scenario 3, I estimate that the Y/Y Growth will be -6% in 2017, and then slow by a factor of 2.

(d) I apportion United States J.Crew sales versus Rest of World J.Crew sales based on the proportion of stores in the United States and Rest of World.

Total J.Crew Stores 462 Source: J.Crew Form 10-K for the fiscal year ended January 28, 2017, p. 21.

Non-United States Stores 41 Source: J.Crew Form 10-K for the fiscal year ended January 28, 2017, p. 21.

United States Stores 421 Source: J.Crew Form 10-K for the fiscal year ended January 28, 2017, p. 21.

United States Proportion: 91.1%

(e) J.Crew effective tax rate has been 23.7%, 10.6% and 8.4% respectively for the past three years. See J.Crew Form 10-K for the fiscal year ended January 28, 2017, F-23. I reduce the royalties by 23.7%.

(f) Date of the J.Crew trademark transfer to J.Crew Cayman. See Complaint at paragraph 58.

(g) Duff & Phelps, WACC for SIC 56, Apparel and Accessory Stores, as of 2015-03-31. I use the median Build-Up WACC rate.

(h) Terminal Value = J.Crew Revenue in Final Period / (WACC - Long term growth rate)

EXHIBIT 7

Exhibit 7**J.Crew Trademark Value as a % of Enterprise Value**

	J.Crew Trademark Value	Trademark Value as % of EV		
		J.Crew Enterprise Value:		
	(a)	\$1,444	\$1,307	\$1,216
		(b)	(b)	(b)
Scenario 1: Flat Revenue	\$1,086	75%	83%	89%
Scenario 2: -3% Initial Revenue Growth	\$1,028	71%	79%	85%
Scenario 3: -6% Initial Revenue Growth	\$971	67%	74%	80%

(a) Exhibit 6

(b) Exhibit 4