UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

In re:	)	Chapter 11
CHINOS HOLDINGS, INC., *et al.*,	)	Case No. 20-32181-KLP
Debtors.[1]	)	(Jointly Administered)

DECLARATION OF GREGORY CAMPANELLA
IN SUPPORT OF CONFIRMATION OF THE DEBTORS' CHAPTER 11 PLAN

I, Gregory Campanella, pursuant to section 1746 of title 28 of the United States Code, hereby declare that the following is true and correct to the best of my knowledge, information, and belief:

1. I am Managing Director at Ocean Tomo, LLC ("**Ocean Tomo**"), an intellectual capital merchant banc specializing in intellectual property ("**IP**") assets. Ocean Tomo maintains its principal offices at 101 Montgomery Street, San Francisco, California 94104. Ocean Tomo has been retained by Weil, Gotshal & Manges LLP ("**Weil**"), restructuring counsel to J. Crew Group, Inc. ("**J. Crew**" or the "**Company**"), to assist with the valuation of certain IP owned by the Company and its debtor affiliates, as debtors and debtors in possession (collectively, the "**Debtors**"), in the above-captioned chapter 11 cases.

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, as applicable, are Chinos Holdings, Inc. (3834); Chinos Intermediate Holdings A, Inc. (3301); Chinos Intermediate, Inc. (3871); Chinos Intermediate Holdings B, Inc. (3244); J. Crew Group, Inc. (4486); J. Crew Operating Corp. (0930); Grace Holmes, Inc. (1409); H.F.D. No. 55, Inc. (9438); J. Crew Inc. (6360); J. Crew International, Inc. (2712); J. Crew Virginia, Inc. (5626); Madewell Inc. (8609); J. Crew Brand Holdings, LLC (7625); J. Crew Brand Intermediate, LLC (3860); J. Crew Brand, LLC (1647); J. Crew Brand Corp. (1616); J. Crew Domestic Brand, LLC (8962); and J. Crew International Brand, LLC (7471). The Debtors' corporate headquarters and service address is 225 Liberty St., New York, NY 10281.

2. I submit this declaration (the "**Declaration**") in support of confirmation of the *Second Amended Joint Prearranged Chapter 11 Plan of Reorganization of Chinos Holdings, Inc. and Its Affiliated Debtors* [ECF No. 838], dated August 21, 2020 (as may be further modified, amended, or supplemented, the "**Plan**").[2] With the Debtors' authorization, I make this Declaration as testimony in lieu of the live direct testimony I would give, pursuant to Rule 702 of the Federal Rules of Evidence, regarding the valuation analysis I performed to estimate the total fair market value of the J. Crew and its subsidiary Madewell, Inc. ("**Madewell**"), brands (collectively the "**Subject Assets**") on a consolidated going-concern basis and pro forma for the transaction contemplated by the Plan (the "**Brand Valuation Analysis**"). More specifically, the valuation analysis I performed estimated the value of all trademarks and service marks for, and including the product names and trademarks associated with, the Subject Assets. If called to testify, I could and would competently testify as set forth herein.

3. I am not being compensated specifically for this testimony, and neither Ocean Tomo nor I will be compensated for services in these cases other than through Court-approved payments to Ocean Tomo as a professional retained by the Debtors in these chapter 11 cases.

4. All statements in this Declaration are based upon my personal knowledge gleaned during the course of my engagement in these chapter 11 cases; my review of relevant documents; information provided to me by Ocean Tomo employees working under my supervision, members of the Debtors' management team, or their other advisors; and my views or opinions based upon my experience as a professional advisor in IP-related mergers and

[2] Capitalized terms not otherwise defined in this Declaration shall have the respective meanings ascribed to such terms in the Plan.

acquisitions, licenses, investments, valuations, expert services, and analytics. If called to testify, I could and would testify to each of the facts set forth herein.

5. The Brand Valuation Analysis, my views concerning the Brand Valuation Analysis, and the bases for those views are fully set forth, subject to certain important disclosures, assumptions, and qualifications described therein, in my expert report titled the *Brand Valuation of J. Crew Group, Inc. Brands*, dated July 31, 2020 (the "**Ocean Tomo Report**"), which I prepared, with the assistance of others at Ocean Tomo working under my direction and supervision, in accordance with Rule 26(a)(2)(B) of the Federal Rules of Civil Procedure. A true and correct copy of the Ocean Tomo Report is attached hereto as **Exhibit A** and incorporated by reference herein.

Experience and Qualifications[3]

6. I have provided valuation, transactional, and financial advisory assistance for more than 19 years. During that time, I have performed hundreds of valuations in a wide range of industries including technology, life sciences, healthcare, aerospace and defense, manufacturing, media and entertainment gaming, and real estate.

7. My valuation experience includes the valuation of intangible assets including software, patented and unpatented technology, trademarks and trade names, customer lists, customer contracts, covenants not to compete, and other intellectual property assets. I also have significant experience with business enterprise valuation, including experience with the valuation of controlling and minority equity interests, debt instruments, and the valuation of complex financial instruments.

[3] For a fulsome listing of my experience and qualifications, please see my biography, attached hereto, and fully incorporated by reference herein, as **Exhibit B**.

8. My experience also includes public and private company transaction advisory where my experience includes buy- and sell-side transaction and licensing support for technology, healthcare, media and entertainment, and gaming companies.

9. Before joining Ocean Tomo, I led various regional practices at firms like Ernst & Young, Navigant Capital Advisors, Alvarez & Marsal, and Grant Thornton.

10. I earned my bachelor's degree in quantitative economics from the University of California, San Diego, my Juris Doctor from Loyola University of Chicago, and a master's degree in business administration with concentrations in accounting and finance from the University of Southern California.

11. I am a former Accredited Senior Appraiser and a member of the Association of Insolvency & Restructuring Advisors.

Valuation Methodologies and Approach

12. My Brand Valuation Analysis focused on identifying and quantifying what sellers and buyers consider when negotiating for the sale (and license) of assets and, specifically, (i) the economic value that the buyer gains by taking ownership of the asset and (ii) the economic value that the seller gives up by transferring ownership of the asset to another party. To fully capture this value, I considered both the fair market value ("**FMV**")—the estimated dollar amount at which the Subject Assets would exchange hands between a willing and reasonably knowledgeable buyer and seller—and the Owner Value—the value of an intangible asset to an owner assuming current resources and capabilities to commercially exploit the asset—of both Subject Assets' brands as of a September 11, 2020 assumed effective date (the "**Valuation Date**").

13. My Brand Valuation Analysis also considered various aspects of the Company's profile, including the Company's financial overview, brand perception, and

management outlook; the current and forecasted trends of the U.S. and global economies; and the relevant industries and competitive landscape in which the Company operates.

14. I examined the three primary asset valuation approaches—cost, income, and market approaches. I determined that the cost approach had limitations in relation to "going-concern" valuations, such as its lack of consideration of all elements of future income or profit streams, market conditions, and the risk associated with receiving future economic benefits. Additionally, the challenges of assigning historical cost to trademark assets make the application of this approach inappropriate for purposes of estimating the FMV of the Subject Assets. After considering the market approach, I determined that given the inherently unique nature of IP, the rapidly changing retail landscape, and the unique circumstances attributable to COVID-19, that approach presented difficulties with drawing comparable value conclusions from the limited number of historical market transactions for the sale of brand assets. Accordingly, I determined that the income approach, which employs the valuation methodology called the Relief from Royalty (discussed below), is the most probative determinant of value for the Subject Assets and, as a result, is the method and approach I employed in my Brand Valuation Analysis.

15. Under the Relief from Royalty method, four main input categories are used to calculate value: (i) the royalty base, which is the starting point in developing a net present value ("**NPV**") calculation and based on revenues generated through the sale of branded products and services; (ii) the royalty rate at which an owner could expect to license the Subject Assets; (iii) the tax effects associated with the royalty income or savings of the Subject Assets; and (iv) the discount rate, which is used to convert forecast future cash flows of an asset to a lump-sum present value as of a prescribed date, i.e., the NPV.

<u>Valuation of the Subject Assets – Income Approach</u>

Royalty Base

16. The royalty base is the amount of sales that are attributable to, and covered by, the scope of the legal protection of the Subject Assets. To determine the appropriate royalty base, my team and I considered both the historical revenues and projections through 2024 by brand division, as provided by the Company's management. Having considered the macro-economic, industry, and Company-specific factors that could have an adverse effect on sales and operating profits, I believe that the Company's management considered the U.S. and global economies, the retail apparel industry, their position within the retail apparel industry, and the effect of COVID-19 on all the aforementioned factors, when developing their estimates of projected financial performance across brand divisions. Therefore, I relied upon the forecasted revenues as provided and view them to be reasonable.

17. For 2020, the Company expects approximately $1.2 billion in revenue for J. Crew and approximately $536 million in revenue for Madewell, a 32.3% and 25.6% decline, respectively, from 2019. Due to the lingering impact of COVID-19, the Company does not expect to return to 2019 revenue levels until 2024. Beyond 2022, the total J. Crew revenue, which includes J. Crew and J. Crew Factory revenues, is expected to stay flat, whereas Madewell revenue is expected to grow at an average annual rate of approximately 9% through 2024. The J. Crew and Madewell brands are considered to have indefinite useful lives, as the Company plans to continue using them for the foreseeable future.

18. Based on the relevant factors, and as demonstrated the table below, I forecasted the royalty base for the J. Crew and Madewell brands for the next four years as approximately:

	Forecast				
Millions	2020	2021	2022	2023	2024
J. Crew	$1,165.4	$1,437.0	$1,446.5	$1,423.1	$1,429.4
Madewell	$536.1	$767.7	$835.8	$908.6	$989.1

Royalty Rate

19. To perform the royalty rate analysis, I took the following steps: (i) identified comparable third-party trademark license agreements through a comprehensive search of licensing databases, including Markables®, ktMine®, and RoyaltyStat®; (ii) evaluated these agreements for comparability and selection of the most comparable licenses; (iii) evaluated market reports detailing relevant industry outlooks; (iv) evaluated the historical/forecasted profit margins generated by the Subject Assets; and (v) selected appropriate royalty rates based on our consideration of select third-party agreements, relevant industry outlook, historical/forecasted margins, and brand recognition.

20. The ktMine® database alone provides access to over 10,000 IP documents. The database was screened for license agreements using four search parameters. The first step was to filter the license agreements by the Standard Industrial Classification ("**SIC**") code. I filtered for agreements classified under seven different SIC codes, including, for example, codes for Retail Apparel & Accessory Stores, Retail Women's Clothing Stores, Retail Jewelry Stores, and Patent Owners & Lessors. The second step was to filter by license agreement type, including only those agreements that were classified as "Asset Purchase," "Manufacturing/Process

Intangible," or "Marketing Intangible," and excluding those agreements that were also classified as "Cross License" or "Joint Development." Third, I limited the agreements scope of the search to include only those agreements with effective dates after December 31, 2004. Lastly, I implemented a semantic search in order to find agreements that explicitly included the following keywords: "Trademark(s)"; "Tradename(s)"; or "Copyright(s)." I searched the RoyaltyStat® database in an identical manner.

21. In addition to searching the databases, we compiled licenses used in prior Ocean Tomo engagements, including licenses entered into by past clients. I included comparable agreements that were related to apparel and accessories. However, because the agreements have confidential and proprietary data, Ocean Tomo has not disclosed the parties to the agreements. The individual license agreements were reviewed in finer detail and, ultimately, I relied upon a list of twenty comparable agreements:

COMPARABLE LICENSE AGREEMENTS[4]

Licensor: Yanuk Jeans, LLC	**Licensee:** Blue Holdings, Inc.	**Source:** ktMINE Royalty Database

License Description:	Grant the right to use apparel items bearing the "U" trademark in connection with the design, development, manufacture, sale, marketing, and distribution to the general wholesale and retail trade. Grant the right to use the brand names trademarked to YANUK JEANS, LLC to merchandise the apparel bearing the "U" trademark. Grant the right to adopt existing styles and designs of apparel bearing the "U" trademark presently being sold by YANUK JEANS, LLC and to design, develop, manufacture, sell, market, and distribute such apparel bearing the "U" trademark to YANUK JEANS, LLC and to YANUK JEANS, LLC's parent, affiliate, and subsidiary corporations, and to the general wholesale and retail trade.

Effective Date:	10/5/2005	**Low Range:** 3.0%	**High Range:** 5.0%	**Exclusivity**: Exclusive

Upfront Fee/ Milestone Payment:	N/A	**Term:** 5 Years	**Territory:** Worldwide

Notes:

- Three percent (3%) royalty is for Licensed Products, which are imperfect, irregular or second quality.
- Upfront royalty of $12,500 as an advance due upon execution of the royalty agreement.

Licensor: Antik Denim, LLC	**Licensee:** North Star, LLC	**Source:** ktMINE Royalty Database

License Description:	Grant the right to use the Property (trademarks, copyrights, and pending patent) upon the Licensed Products (Knit apparel and headwear in all categories for men and women) in connection with the Licensed Products' design, development, manufacture, sale, marketing, and distribution to the general wholesale and retail trade; and to use the brand names copyrighted and/or trademarked to Licensor to merchandise the Licensed Products.

Effective Date:	10/1/2006	**Low Range:** 4.5%	**High Range:** 10.0%	**Exclusivity:** Exclusive

Upfront Fee/ Milestone Payment:	Minimum Royalties	**Term:** 1.5 Years (4 Automatic renewals of 1 year terms)	**Territory:** Worldwide

Notes: Three percent (3%) royalty is for Licensed Products, which are imperfect, irregular or second quality. Tiered royalty: First year royalty is 4.5% of Net Sales up to $4.0 million and 10% thereafter; Second year and thereafter, royalty is 10% of Net Sales. Royalty of 2.25% applicable to Licensed Products which are closeouts, overruns, imperfect, irregular, or second quality during the First Term and 5% for all other terms.

Becomes Non-Exclusive if distribution terms are not met.

[4] Each agreement listed in the following table has a royalty base set as Net Sales.

Licensor: Tennman WR-T, Inc.

Licensee: William Rast Sourcing, LLC ("WRS"); William Rast Licensing, LLC ("WRL")

Source: ktMINE Royalty Database

License Description: The Parties desire to enter into this Agreement relating to the sale of WR Products (all apparel, apparel accessories, and other merchandise which display, embody, or make use of the William Rast® mark, and all related logos, graphics and artwork containing the word "William Rast," any related marks, and/or any extensions or derivatives of any of them).

Effective Date: 10/1/2011 **Low Range:** 2.5% **High Range:** 5.0% **Exclusivity:** Exclusive

Upfront Fee/ Milestone Payment: Guaranteed minimum WRS royalty of two hundred thousand ($200,000) for year ending December 31, 2011, and four hundred thousand ($400,000) for each calendar year thereafter.

Minimum royalty.

$150,000 per year Marketing Fee paid by Marketing Finance (Fiscal 2011 Only).

Term: N/A **Territory:** N/A

Notes: WRS royalty means an amount equal to: (i) 5.0% of Wholesale Net Sales, plus (ii) 2.5% of Retail Net Sales, and (iii) 25.0% of Sublicense Gross Consideration. WRL royalty means an amount equal to 50.0% of New License Net Cash.

Licensor: CONFIDENTIAL - Celebrity Designer Women's Apparel Brand

Licensee: CONFIDENTIAL

Source: From past Ocean Tomo engagements.

License Description: Licensed product: Women's apparel.

Effective Date: 2009 **Low Range:** 3.0% **High Range:** 4.0% **Exclusivity:** Exclusive

Upfront Fee/ Milestone Payment: Gross Margin Share – 50% of GM$ over $25M or 40.0%.

Term: 8.25 years **Territory:** United States

Notes: 4% of Net Sales up to $75M, 3% of Net Sales greater than $75M.

Licensor: CONFIDENTIAL - Women's Dress Brand

Licensee: CONFIDENTIAL

Source: From past Ocean Tomo engagements.

License Description: Licensed product: Women's apparel.

Effective Date: 2009 **Low Range:** 3.0% **High Range:** 5.0% **Exclusivity:** Exclusive

Upfront Fee/ Milestone Payment: Minimum Royalty **Term:** 5 years **Territory:** United States

Notes: 5% of Net Sales up to $100M, 3.5% of Net Sales between $100M and $200M, 3% greater than $200M.

Licensor: CONFIDENTIAL - Women's Apparel Brand | **Licensee:** CONFIDENTIAL | **Source:** From past Ocean Tomo engagements.

License Description: Licensed product: Women's apparel and accessories.

Effective Date: 2008	**Low Range:** 4.0%	**High Range:** 4.0%	**Exclusivity:** Exclusive

Upfront Fee/ Milestone Payment:	Minimum Royalty. Sample yardage and original sample reimbursement are maximum amounts. Gross Margin Share - 50% of GM$ over $29.6M	**Term:** 10 years	**Territory:** United States

Notes: Clothing line by celebrity designer CONFIDENTIAL.

Licensor: American Rag CIE, LLC | **Licensee:** Private Brands, Inc. | **Source:** From past Ocean Tomo engagements.

License Description: Amendment to exclusive license for the "American Rag" trademarks to use, have used, manufacture, have manufactured, sell, have sold, distribute, have distributed, advertise, have advertised, promote, have promoted, and sublicense consumer products, including cosmetics and personal care items; leather and non-leather goods; household decorative items, such as picture frames, figurines, and candles; housewares; pet accessories; carpets; paper goods, such as books, stationary, pencils, pens, photo albums, calendars, stickers; sporting goods, toys, games, party supplies and holiday decorations; eyeglasses and sunglasses; apparel, including footwear and headgear; jewelry, clocks, and watches; and linens, towels, blankets and tablecloths.

Effective Date: 10/1/2008	**Low Range:** 1.1%	**High Range:** 1.3%	**Exclusivity:** Exclusive

Upfront Fee/ Milestone Payment:	Guaranteed Minimum Royalties	**Term:** 10 years	**Territory:** Bermuda; Canada; Mexico; United States

Notes: Royalty is 1.13% of net sales until sales of Licensed Products exceed $2 billion; thereafter, royalty is 1.25% of net sales.

Licensor: Private Brands, Inc., as licensee from American Rag CIE, LLC | **Licensee:** Macys Merchandising Group, LLC | **Source:** From past Ocean Tomo engagements.

License Description: Exclusive trademark sublicense for use of the "American Rag CIE" trademark to use, have used, manufacture, have manufactured, sell, have sold men's clothing, including shirts, pants, suits, shorts and swimwear, but excluding denim clothing and products such as jeanswear.

Effective Date: 3/7/2005	**Low Range:** 3.0%	**High Range:** 5.0%	**Exclusivity:** Exclusive

Upfront Fee/ Milestone Payment:	N/A	**Term:** 4.8 Years	**Territory:** Bermuda; Canada; United States

Notes: Royalty is 3% of net sales sourced by Licensee, and 5% of net sales sourced by other entities.

Licensor: CONFIDENTIAL - Plus-Size Retail Brand **Licensee:** CONFIDENTIAL **Source:** From past Ocean Tomo engagements.

License Description:	Licensed product: Women's apparel.				
Effective Date:	2008	**Low Range:** 5.0%	**High Range:** 5.0%	**Exclusivity:** Exclusive	
Upfront Fee/ Milestone Payment:		Minimum Royalty. $325k brand fee paid for by marketing.	**Term:** 9 years	**Territory:** United States	
Notes:	CONFIDENTIAL Fashion Designer is the winner of season 14 of CONFIDENTIAL.				

Licensor: Elsa Peretti **Licensee:** Tiffany & Co. **Source:** ktMINE Royalty Database

License Description:	Grant the right to apply the Peretti Trademarks (the trademarks ELSA PERETTI, Elsa Peretti (written in stylized signature script), PERETTI, the bean design, DIAMONDS BY THE YARD and PEARLS BY THE YARD) to the Peretti Products (rings, pins, bracelets, brooches, pendants, belts, earrings, and comparable items, including bottles and flasks, which are worn or carried for personal adornment; and silver flatware, tabletop merchandise and earthenware) and to use the Peretti Trademarks to promote, advertise, display and sell the Peretti Products throughout the Territory. Grant the right to use the Peretti Designs under the Peretti Copyrights to make, have made, promote, import, export, advertise, display and sell Peretti Products throughout the Territory.			
Effective Date:	12/27/2012	**Low Range:** 5.0%	**High Range:** 5.0%	**Exclusivity:** Exclusive
Upfront Fee/ Milestone Payment:	Upfront payment of $47,258,824, which is not an advanced royalty.	**Term:** 20 years	**Territory:** Argentina, Australia, Austria, Barbados, Belgium, Brazil, Canada, Cayman Islands, China, Czech Republic, France, Germany, Guam, Hong Kong, Indonesia, Ireland, Italy, Japan, Kazakhstan, Korea, Kuwait, Macau, Malaysia, Mexico, Netherlands, New Zealand, Russia, Saipan, Saudi Arabia, Singapore, Spain, St. Maarten, St. Thomas, Switzerland, Taiwan, Turkey, United Arab Emirates, United Kingdom, United States, Uruguay.	
Notes:	Royalty includes a Basic Royalty of four hundred and fifty thousand dollars ($450,000) per fiscal year and a Sales Royalty of five percent (5.0%) of Net Peretti Sales.			

Licensor: Phat Fashions LLC **Licensee:** Anthony L & S, LLC **Source:** ktMINE Royalty Database

License Description: Grant the right to utilize the Property (Phat Fashions LLC's right, title, and interest in and to the Trademarks - trademarks and copyrights including PHAT®, BABY PHAT®, and BABY PHAT GIRLZ®) solely in the Territory during the Term of this Agreement, and solely in connection with the manufacture, distribution, importation, advertising, promotion, marketing and sale of the articles and merchandise described herein as the Licensed Products (Female (Baby Phat): Women's and Girls' athletic footwear) and solely for sale at retail stores through the Licensed Channels of Distribution (certain DEPARTMENT STORES, SPECIALTY STORES, and INTERNET, DIRECT MAIL, AND DIRECT MARKETING RETAILERS).

Effective Date: 7/1/2012 **Low Range:** 5.0% **High Range:** 8.0% **Exclusivity:** Exclusive

Upfront Fee/ Milestone Payment: Guaranteed Minimum Royalties equal to $1.2 million per year. **Term:** 5.5 years **Territory:** United States, Europe, Central America, Mexico, South America, Malaysia, Singapore, Caribbean, Asia, Australia, New Zealand, Canada, Middle East.

Notes: Royalty is eight percent (8%) of all Net Sales of all Licensed Products during the Initial Term. During subsequent renewal terms, the royalty rate is five percent (5%) of all Net Sales of all Licensed Products.

Licensor: Bill Bass International, LLC **Licensee:** The Fashion House Inc. **Source:** ktMINE Royalty Database

License Description: Grant the right to utilize the Property (Phat Fashions LLC's right, title, and interest in and to the Trademarks - trademarks and copyrights including PHAT®, BABY PHAT®, and BABY PHAT GIRLZ®) solely in the Territory during the Term of this Agreement, and solely in connection with the manufacture, distribution, importation, advertising, promotion, marketing, and sale of the articles and merchandise described herein as the Licensed Products (Female (Baby Phat): Women's and Girls' athletic footwear) and solely for sale at retail stores through the Licensed Channels of Distribution (certain DEPARTMENT STORES, SPECIALTY STORES, and INTERNET, DIRECT MAIL, AND DIRECT MARKETING RETAILERS).

Effective Date: 11/1/2005 **Low Range:** 3.5% **High Range:** 3.5% **Exclusivity:** Multi-Exclusive

Upfront Fee/ Milestone Payment: Minimum Royalties. **Term:** 5 years **Territory:** Worldwide (excluding Japan)

Notes: Grant the right to use the trademark Bill Blass in connection with the manufacture, distribution, and sale of women's shoes, all such items of the types, qualities and styles.

Licensor: CONFIDENTIAL - Fashion Designer **Licensee:** CONFIDENTIAL **Source:** From past Ocean Tomo engagements.

License_Description: Licensed product: Women's apparel.

Effective Date: 2009 **Low Range:** 4.0% **High Range:** 4.0% **Exclusivity:** Exclusive

Upfront Fee/ Milestone Payment: Minimum Royalty
Gross Margin Share - 50% of GM$ over $12M or 37.0% **Term:** 8 years **Territory:** United States

Notes: N/A

Licensor: CONFIDENTIAL - Fashion and Entertainment Magazine Brand | **Licensee:** CONFIDENTIAL | **Source:** From past Ocean Tomo engagements.

License Description:	Licensed product: Women's intimate apparel/sleepwear.				
Effective Date:	2012	**Low Range:** 1.0%	**High Range:** 3.0%	**Exclusivity:** Exclusive	
Upfront Fee/ Milestone Payment:		Minimum Royalty	**Term:** 5.5 years	**Territory:** United States	
Notes:	1% of Net Sales up to $170M; 3% of Net Sales greater than $170M.				

Licensor: CONFIDENTIAL - Fashion Designer | **Licensee:** CONFIDENTIAL | **Source:** From past Ocean Tomo engagements.

License Description:	Licensed product: Girls' apparel, accessories, and footwear.				
Effective Date:	2012	**Low Range:** 3.0%	**High Range:** 3.0%	**Exclusivity:** Exclusive	
Upfront Fee/ Milestone Payment:		Minimum Royalty	**Term:** 1 year	**Territory:** United States	
Notes:	Contract terminated November 2013, but cash payments made through August 2015 per contract.				

Licensor: CONFIDENTIAL – Children's Apparel Brand | **Licensee:** CONFIDENTIAL | **Source:** From past Ocean Tomo engagements.

License Description:	Licensed product: Girls' apparel, accessories, and footwear.				
Effective Date:	10/4/2013	**Low Range:** 3.5%	**High Range:** 3.5%	**Exclusivity:** Exclusive	
Upfront Fee/ Milestone Payment:		Minimum Royalty	**Term:** 0.25 year	**Territory:** United States	
Notes:	Approx. 500 shops. Contract terminated January 2014. CONFIDENTIAL company is a baby and toddler brand.				

Licensor: CONFIDENTIAL – Men's Fashion Designer

Licensee: CONFIDENTIAL

Source: From past Ocean Tomo engagements.

License Description: Licensed product: Men's apparel and footwear.

Effective Date: 2013 **Low Range:** 3.5% **High Range:** 3.5% **Exclusivity:** Exclusive

Upfront Fee/ Milestone Payment: Minimum Royalty **Term:** 0.5 year **Territory:** United States

Notes: Contract terminated August 2013.
CONFIDENTIAL Fashion Designer is a men's formal-wear celebrity designer.

Licensor: CONFIDENTIAL – Fashion Designer

Licensee: CONFIDENTIAL

Source: From past Ocean Tomo engagements.

License Description: Licensed product: Women's apparel.

Effective Date: 2/1/2013 **Low Range:** 4.0% **High Range:** 4.0% **Exclusivity:** Exclusive

Upfront Fee/ Milestone Payment: Minimum Royalty
$100,000 per year Design Fee. **Term:** 3 years **Territory:** United States

Notes: N/A

Licensor: CONFIDENTIAL – Girls and Teen Clothing

Licensee: CONFIDENTIAL

Source: From past Ocean Tomo engagements.

License Description: Licensed product: Girls collection.

Effective Date: 10/4/2013 **Low Range:** 3.25% **High Range:** 3.25% **Exclusivity:** Exclusive

Upfront Fee/ Milestone Payment: Minimum Royalty
Design fees of $100K. **Term:** 2.75 years **Territory:** United States

Notes: N/A

Licensor: CONFIDENTIAL – Children's Apparel Brand	**Licensee:** CONFIDENTIAL	**Source:** From past Ocean Tomo engagements.

License Description: Licensed product: Children's apparel, footwear, and accessories.

Effective Date: 2014	**Low Range:** 4.0%	**High Range:** 5.0%	**Exclusivity:** Exclusive
Upfront Fee/ Milestone Payment:	Minimum Royalty	**Term:** 0.5 years	**Territory:** United States

Notes: 4% of Net Sales in Year 1; 4.5% of Net Sales in Years 2 and 3; 5% of Net Sales in Year 4. Contract terminated January 2014.

Royalty Rate		
Minimum	1.0%	1.3%
Average	**3.4%**	**4.5%**
Median	**3.5%**	**4.0%**
Maximum	5.0%	10.0%

22. I evaluated these agreements for comparability and selected the most comparable licenses. The Company provided Ocean Tomo with seven relevant historical tradename license agreements, three of which were effective as of August 1992 and were subsequently amended in August 2007. The licensee in each of the three agreements (Grace Holmes, Inc., H.F.D. No. 55, Inc., and J. Crew, Inc.) sought to use the "J. Crew" tradename on a non-exclusive basis throughout the U.S. and Canada as a trademark and service mark in connection with a retail store business for the sale of clothing and associated products. The royalty rates observed in these agreements were 3% for Grace Holmes, Inc. and J. Crew, Inc., and 1.5% for H.F.D. No. 55, Inc. These rates were applied to net sales or wholesale sales of Licensed Products to determine the royalty payment due to J. Crew International, Inc. (i.e., the Licensor). However, each of these agreements were amended in August 2007, in which the royalty rates were reduced to 0%. The other four agreements involved Itochu Fashion System Co., with the original agreement being struck in May 1992 and subsequently amended the royalty rate in November 1997, November 2000, and October 2007. The most recent agreement shows a royalty rate ranging from 2.8% to 4.0% of net sales.

23. The Markables® database provides estimates of implied royalty rates derived from enterprise-level transactions involving trademarks. These implied rates are calculated using the publicly-available financial details of transactions and the subsequent purchase price allocations ("**PPA**"), along with independent assumptions by Markables® about discount rates, tax rates, and revenue growth rates utilized in the PPA calculations. Accordingly, Ocean Tomo has relied upon the implicit rates calculated by Markables® without any modifications to the same. Ocean Tomo sought to identify license agreements that included the right to use a Tradename/Trademark in industries similar to that in which the Company operates (i.e., primarily retail apparel, footwear, and accessories). Within the Markables® database, product classification codes were employed to filter Markables'® repository of agreements for those most applicable to the Subject Assets. The following product classification codes were relied upon, as they were determined to encompass the vast majority of the products covered by the Subject Assets:

- Wearing Apparel
    - Collections;
    - Specific Product;
    - Specific Lifestyle Groups;
    - Innerwear and Intimate Wear (excluding women's underwear, lingerie, and brassieres);
    - Functional Wear and Sportswear (excluding workwear and protective clothing);
    - Leatherwear;
    - Legwear and Hosiery; and
    - Accessories.
- Leather, Leather Products, and Footwear
    - Luggage, handbags, saddlery and harness, and other articles of leather;
    - Footwear (excluding waterproof footwear); and
    - Sports Footwear (excluding ski-boots, snowboard boots, cross-country ski, and other footwear).
- Metal Products
    - Watches

24. Next, in order to further refine the list of comparable rates, I filtered these transactions by transaction date and target (acquired) company annual revenues. I included all transactions that: (i) occurred on or after January 1, 2010; and (ii) had target company annual revenues in excess of $100 million as of the acquisition date. The remaining transactions were reviewed in finer detail to extract the highest-comparable transactions. As a part of this process, all target companies' websites were reviewed—as well as public filings and related third-party articles, where necessary—to discern the target company's customer base as well as product offerings and price positioning. Through this refinement process, additional transactions were eliminated from our data set due to a dissonance with J. Crew's targeted customer base and/or their product offerings and product pricing. Ultimately, I relied upon a comparable list of 19 transactions:

IMPLIED INDUSTRY TRANSACTION ROYALTY RATES[5]

Licensor	Licensee	Effective Date	Low Range	High Range
Rafaella Apparel Group, Inc.	Perry Ellis International, Inc.	1/7/2011	3.1%	4.5%
Tommy Hilfiger B.V.	Phillips-Van Heusen Corp.	3/15/2010	5.8%	8.4%
Lee Cooper®	Iconix Brand Group, Inc.	2/20/2013	2.2%	3.1%
Bonita International GmbH & Co. KG	Tom Tailor A.G.	6/20/2012	4.1%	5.9%
Boyner Büyük Mağazacılık A.Ş. ("Boyner")	Altinyildiz Mensucat ve Konfeksiyon Fabrikalari AS	8/26/2013	2.1%	3.0%
Hallhuber GmbH	Gerry Weber A.G.	12/22/2014	2.4%	3.5%
Witchery Australia Holdings Proprietary Limited	Woolworths Holdings Limited	8/1/2012	1.5%	2.2%
Dudalina S.A.	Restoque Comercio e Confeccoes de Roupas S.A.	10/2/2014	2.3%	3.4%

[5] Each agreement listed in the following table has an implied trademark royalty rate that was derived from the Licensee's purchase price allocation produced for the acquisition of the Licensor, and a royalty base set as Net Sales.

This information comes from the Markables Trademark Value Database. That database provides estimates of implied royalty rates for transactions involving trademarks; the implied rates are estimated using the financial details of the transaction, along with assumptions of discount rates, tax rates, and revenue growth rates.

Accessories are inclusive of those items not clearly defined in other Categories (e.g., scarves, hats, wallets, bags, table wear, etc.).

Licensor	Licensee	Effective Date	Low Range	High Range
Poppy Holdco Limited (dba Phase Eight)	The Foschini Group Limited	1/15/2016	4.7%	6.8%
J Brand Holdings, LLC	Fast Retailing Co. Ltd.	11/30/2012	7.8%	11.4%
Jessica Simpson	Sequential Brands Group, Inc.	4/2/2015	3.7%	5.4%
Ann Inc.	Ascena Retail Group, Inc.	8/21/2015	2.9%	4.3%
Keen Reach Ltd. (holding company that owns Shenzhen Naersi Fashion Co., Ltd.	EEKA Fashion Holdings Ltd. (formerly known as Koradior Holdings Ltd.)	3/25/2019	3.2%	3.2%
Janie and Jack	The Gap, Inc.	3/4/2019	1.6%	2.3%
American Apparel®	Gildan Activewear Inc.	2/8/2017	3.9%	5.6%
IVN – Serviços Partilhados, SA (Salsa)	Sonae SGPS SA	12/31/2016	4.0%	4.0%
Vionic Group LLC	Caleres, Inc.	10/18/2018	6.4%	8.3%
Hi-Tec International Holdings BV	Cherokee, Inc.	12/7/2016	2.9%	4.3%
Skagen Designs, Ltd.	Fossil Inc.	2018	3.0%	3.0%

Royalty Rate		
Minimum	1.5%	2.2%
Average	**3.5%**	**4.9%**
Median	**3.1%**	**4.3%**
Maximum	7.8%	11.4%

25. In sum, as reflected in the table below, the average Brand Royalty Rate Statistics for Comparable Trademark Licenses are as follows:

	Low Average	Mean Average	Median Average	High Average
Comparable Trademark Licenses	1.1%	4.0%	3.8%	7.5%
Company-Provided Historical Agreements	1.5%	3.5%	3.5%	5.0%
Implied Industry Transaction Royalty Rates	1.9%	4.2%	3.7%	9.6%

26. The profitability of the Company brands was another consideration in my selection of an appropriate royalty rate brand. A licensee's expected profitability is a key

consideration when entering into a license agreement and agreeing to a reasonable royalty rate. I determined those rates to be as follows:

	Historical				Forecast				
	2016	2017	2018	2019	2020	2021	2022	2023	2024
J. Crew EBITDA Margin	18%	16%	9%	16%	-5%	6%	7%	6%	6%
Madewell EBITDA Margin	24%	31%	28%	28%	2%	14%	16%	17%	18%

27. Based on the comparable license agreements, Ocean Tomo client-provided historical agreements, and industry transactional data, and having considered these rates in conjunction with the historical and expected performance of the individual brands, industry and economic expectations, and brand recognition, I have concluded that the appropriate royalty rates for the J. Crew brand and the Madewell brand are 3% and 5%, respectively. The Madewell brand demands a higher royalty rate because it has historically earned, and is forecasted to earn, profit margins that are approximately 2-3 times higher than J. Crew. Additionally, the Madewell brand's revenues are expected to grow beyond 2022, while the J. Crew brand is expected to stay relatively flat.

Tax Effects

28. When considering the tax effects in this case for the Relief from Royalty methodology, the royalty income (or royalty savings) associated with the Subject Assets was determined on an after-tax basis. I selected a 25.7% tax rate for this analysis, based on the statutory corporate income tax rate in the United States, including an average of state corporate income taxes. A Tax Amortization Benefit factor ("**TAB**") was included in our FMV analysis to account for the ability to amortize purchased intangibles such as brands based on a 15-year life under Section 197 of the Internal Revenue Code. Further, the Company has stated that neither the J. Crew nor Madewell brands currently have any amortizable tax basis.

Discount Rate

29. A fundamental step in financial valuations is the determination of a lump-sum value of an asset as of a prescribed date, known as the NPV. NPV calculations are dependent on the forecasted income stream, the timing of payments, and a discount rate. To determine a baseline for the discount rate used for cash flows associated with the Subject Assets, I first calculated an appropriate Weighted-Average Cost of Capital ("**WACC**"), which is made up of two components: (i) cost of equity; and (ii) cost of debt. My Brand Valuation Analysis's discount rate assumptions captured the Company's expected risk profile following the restructuring of its business and capital structure.

30. To arrive at a cost of equity, we looked to the median retail apparel industry cost of equity in 2019, prior to the onset of the COVID-19 pandemic. According to Duff & Phelps, the median industry cost of equity for "SIC Code 56 – Apparel and Accessory Stores" was 6.7%. Additionally, because stocks of smaller companies are generally riskier than those of larger companies traded on stock exchanges, I added a 3.9% size risk premium to account for the incremental risks associated with a company of J. Crew's size. I also made an adjustment to the cost of equity to account for the additional risk associated with achieving the revenue forecasts provided by management. I determined this unsystematic risk factor (also known as alpha) to be 3% for the Company brands, which is added to the cost of equity. This analysis resulted in a cost of equity of 13.6%, calculated by adding the industry cost of equity to the size premium and the unsystematic risk factor.

31. The cost of debt is the second component considered in the computation of the WACC, for which I used J. Crew's interest rate on its new term loans. The interest rate will be a rate of LIBOR plus 800 basis points payable in cash after September 11, 2021. J. Crew

assumes the three-month LIBOR to be 1.0%. Therefore, we calculated the pre-tax cost of debt to be 9.0%. Applying the tax rate of 25.7% results in an after-tax cost of debt of 6.7%.

32. In order to calculate the WACC, the cost of equity is multiplied by the percent of equity financing and is added to the product of the after-tax cost of debt and percent of debt financing. In order to compute the percent of equity financing and percent of debt financing, we relied upon the capital structures of a group comparable publicly-traded peer companies (Guideline Public Companies, or "**GPCs**"). The capital structures of the GPCs reflect their most recent reporting prior to COVID-19 in order to approximate for a normalized capital structure for the industry. The median capital structures observed from the GPCs were approximately 60% equity and 40% debt capital. Lastly, I added a 2.5% intangible asset premium in order to account for the additional risk associated with the intangible asset class. This resulted in a rounded discount rate of 13.0%.

Terminal Value

33. As a firm grows, it becomes more difficult for it to maintain high growth and will eventually grow at a rate less than or equal to the growth rate of the economy in which it operates. This growth rate can be sustained in perpetuity, therefore enabling us to estimate the value of all cash flows beyond that point as a terminal value for a going-concern business. In order to determine the timing and rate at which a firm's growth will diminish to a stable, long-term rate, we look at a firm's size (relative to the market that it serves), its current growth rate, and its competitive advantage. A terminal year value was calculated using a long-term inflationary growth rate of 2.0% based on U.S. GDP growth provided by the Federal Reserve.

Brand Valuation Conclusion

34. I arrive at the NPV of the Subject Assets utilizing the Relief from Royalty methodology of the income approach for each brand by adding the present values of the discrete cash flows (2020-2024) to the terminal value. For the FMV analysis, I include a TAB factor to account for the ability to amortize purchased intangibles such as brands based on a 15-year life under Section 197 of the Internal Revenue Code. By adding the total value of the brands—J. Crew's net present value of $324 million *plus* Madewell's net present value of $353 million—the total FMV of the Subject Assets of the Company is $678 million. The Owner Value analysis does not assume a purchase of the brand assets, and thus no TAB factor is considered. By adding the total value of the brands—J. Crew's net present value of $290 million *plus* Madewell's net present value of $316 million—the total Owner Value of the Subject Assets of the Company is $606 million.

35. I believe that the Brand Valuation Analysis that I proposed, which is also set forth in Exhibit A, within the Ocean Tomo Report, and is fully incorporated in this Declaration, includes reasonable and justified assumptions and estimates regarding the Debtors' assets and claims. For these and the other reasons discussed in the Brand Valuation Analysis, I believe that the Plan satisfies the confirmation requirements of the Bankruptcy Code as they have been explained to me, including section 1129(a)(7), and should be confirmed.

Dated: August 24, 2020
San Francisco, California

/s/ Gregory Campanella
Gregory Campanella

EXHIBIT A

OCEAN TOMO®
INTELLECTUAL CAPITAL EQUITY®

BRAND VALUATION
OF
J. CREW GROUP, INC. BRANDS

July 31, 2020

July 31, 2020

Paul R. Genender, Esq.
Partner
Weil, Gotshal & Manges LLP
200 Crescent Court
Suite 300
Dallas, Texas 75201-6950

Re: Brand Valuation Services – J. Crew Group, Inc. Brands
Confidential

Dear Mr. Genender:

In accordance with our engagement agreement dated May 20, 2020, and as directed by Weil, Gotshal & Manges LLP ("**Weil**" or the "**Client**") Ocean Tomo was engaged to assist with the valuation of certain intellectual property ("**IP**") owned by Weil's client, J. Crew Group, Inc. ("**J. Crew**" or the "**Company**"). Our services were limited to an independent valuation analysis of (i) all J. Crew trademarks and service marks covered by the United States federal registrations currently owned by and held by J. Crew Domestic Brand LLC, a subsidiary of J. Crew Group, Inc., and (ii) all Madewell trademarks and service marks covered by the United States federal registrations currently owned by and held by Madewell Inc., a subsidiary of J. Crew Group, Inc. (collectively the "**Subject Assets**") as of September 11, 2020 (the "**Valuation Date**").[1] Our analysis of brand value includes the product names and trademarks associated with the Subject Assets.

Given the assumptions and limiting conditions discussed in this report, as of September 11, 2020, the estimated Fair Market Value ("**FMV**") of the Subject Assets is provided below:

Fair Market Value Conclusion (Millions USD, Rounded)

Brand	Net Present Value
J. Crew	$324
Madewell	$353
Total	**$678**

Further, given the assumptions and limiting conditions discussed in this report, as of September 11, 2020, the estimated Owner Value of the Subject Assets is provided below:

Owner Value Conclusion (Millions USD, Rounded)

Brand	Net Present Value
J. Crew	$290
Madewell	$316
Total	**$606**

[1] Asked to assume September 11, 2020 Valuation Date by counsel.

This narrative report sets forth detailed information regarding the data considered in the analysis, the reasoning leading to the conclusions, the results of our investigation and analysis, and the assumptions and limiting conditions related to our valuation of the Subject Assets. This transmittal letter should not be considered without the remainder of the report.

It has been a pleasure being of service to you. Should you have any questions or require any further information, please contact the undersigned.

Very Truly Yours,

Ocean Tomo, LLC

Ocean Tomo, LLC July 31, 2020

Greg Campanella – Managing Director July 31, 2020

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1. Introduction

1.1. Ocean Tomo, LLC Background and Qualifications

Established in 2003, Ocean Tomo, LLC ("**Ocean Tomo**") is a leading Intellectual Capital Merchant Banc® firm specializing in intellectual property ("**IP**") assets. The Organization provides advice in IP-related mergers and acquisitions, investments, valuations, expert services, and analytics.

Headquartered in Chicago, Illinois, Ocean Tomo helps clients – corporations, law firms, governments, and institutional investors – realize value from their Intellectual Capital Equity broadly defined. Ocean Tomo, on behalf of its clients as well as for its own use, seeks to realize the value and benefits inherent within the rapid growth of IP as an asset class. The firm draws upon the multi-disciplinary skills of its professional team in accounting, finance, economics, marketing, statistics, and engineering. Ocean Tomo's personnel include CPAs, CFA® charterholders, MBAs, engineering graduates, and others with diverse business experience. Ocean Tomo professionals have experience in measuring intellectual property across a broad spectrum of industries and for a variety of key business strategies.

1.2. Scope of the Engagement

In accordance with the engagement agreement dated May 20, 2020, and as directed by Weil, Gotshal & Manges LLP ("**Weil**" or the "**Client**") Ocean Tomo was engaged to assist with the valuation of certain intellectual property ("**IP**") owned by Weil's client, J. Crew Group, Inc. ("**J. Crew**" or the "**Company**"). Our services were limited to an independent valuation analysis of (i) all J. Crew trademarks and service marks covered by the United States federal registrations currently owned by and held by J. Crew Domestic Brand LLC, a subsidiary of J. Crew Group, Inc., and (ii) all Madewell trademarks and service marks covered by the United States federal registrations currently owned by and held by Madewell Inc., a subsidiary of J. Crew Group, Inc. (collectively the "**Subject Assets**") as of September 11, 2020 (the "**Valuation Date**").[2] Our analysis of brand value includes the product names and trademarks associated with the Subject Assets.

During this engagement, we:

- Reviewed data supplied by J. Crew regarding the Subject Assets and its business operations.
- Completed independent market research to develop estimates of undocumented data, including market size, industry trends and relevant market transactions and licensing activities.
- Created financial valuation models based on data produced by the Company, other related parties and Ocean Tomo research. This involved a consideration of the three traditional approaches to value: cost, market, and income.
- Prepared this valuation report outlining our assumptions, methodologies, and our opinion of the current Fair Market Value of the Subject Assets, including appropriate discounts as described herein.

[2] Asked to assume September 11, 2020 Valuation Date by counsel.

1.3. Sources of Information

During the course of this engagement, we reviewed information provided by J. Crew including, but not limited to:

- Historical Summary of Revenues and Profitability by Brand;
- Historical Summary of Revenues by Brand;
- Forecast Revenues for 2018-2022 by Brand;
- Historical Consolidated Financials;
- Historical Tradename License Agreements;
- Marketing Strategy Documents;
- Board and Management Presentation;
- IPCO Notes Indentures;
- Historical Security Agreements

We analyzed market research reports and databases, including:

- Bloomberg financial database;
- Capital IQ financial database;
- Duff & Phelps' Valuation Handbook;
- Duff & Phelps' Cost of Capital;
- IBISWorld industry reports;
- ktMINE Royalty Rate database;
- Markables Tradename database;
- RoyaltyStat Online Royalty database;
- Thomson Reuters financial database;
- International Monetary Fund reports;
- SEC EDGAR public filings database;
- Various company and organization websites

1.4. Standard of Value

For purposes of this analysis we considered both Fair Market Value ("**FMV**") and Owner Value. Fair Market Value is defined as:

> "An estimated amount, expressed in terms of currency in U.S. dollars, that the Subject Assets would exchange hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts. In addition, the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and to be well informed about the property and concerning the market for such property."

Owner Value is defined as:

> "The value of an intangible asset to its current owner, given that owner's current use of the intangible asset and current resources and capabilities for commercially exploiting the intangible asset. This standard of value also does not necessarily contemplate a sale transaction with regard to the subject intangible asset. Rather, the question that is usually answered through an owner value analysis is: What is the value of this intangible asset, given the owner's abilities (or inabilities), given his or her sources of capital (or lack of sources of capital), given his or her commercialization plans?"[3]

1.5. Premise of Value

Our analysis focused on identifying and quantifying what sellers and buyers consider when negotiating for the sale (and license) of assets, specifically, the economic value that the buyer gains by taking ownership of the asset and the economic value that the seller gives up by transferring ownership of the asset to another party. The premise of value used was, "(v)alue in continued use, as part of a going-concern business enterprise," as described in Valuing Intangible Assets.[4] The methodologies considered and assumptions used are discussed in the following sections.

[3] Reilly, Robert F. and Schweihs, Robert P., Valuing Intangible Assets, McGraw-Hill, 1999, p. 60.
[4] Reilly, Robert F. and Schweihs, Robert P., Valuing Intangible Assets, McGraw-Hill, 1999, p. 63.

2. Background Information

2.1. Subject Assets

The FMV analysis as presented in this report is related to a controlling and marketable interest in the ("**Subject Assets")**, as defined in Section 1.2 above, owned by the Company.

2.2. Company Profile

J. Crew Group is an international multi-brand apparel and accessories retailer with operations in the U.S., Canada, the UK and Hong Kong.[5] J. Crew offers women's, men's and children's apparel and accessories under its J. Crew and Madewell brands.[6] Originally, the Company was founded in 1947 and was named Popular Merchandise, Inc.[7] In 1983, the Company changed its name to J. Crew.[8] The J. Crew Group, Inc. was incorporated in the State of New York in 1988, with its current principal executive offices in New York, NY.[9] J. Crew Group and its subsidiaries were acquired by Chinos Holdings, Inc. ("**Chinos Holdings**") on March 7, 2011 through a merger with one of Chinos Holdings' subsidiaries.[10] Prior to the acquisition, J. Crew Group operated as an independent public company.[11] As of May 4, 2020, J. Crew Group operates 181 J. Crew retail stores, 140 Madewell stores and 170 factory stores, as well as online platforms jcrew.com, jcrewfactory.com and madewell.com.[12]

J. Crew Group's primary customer base is comprised of college-educated, professional and fashion-conscious women and men.[13] The J. Crew brand was first introduced in 1983 as a provider of men's and women's apparel and accessories rooted in iconic American style.[14] Under the J. Crew brand, in 2006, Crewcuts was introduced to offer children's apparel and accessories.[15] The Madewell brand was introduced in 2006 as a provider of premium denim and everything you wear with jeans, including other apparel items and accessories.[16]

J. Crew Group segments sales between apparel – women's, men's and children's – and accessories.[17] Women's apparel accounted for over half of all of J. Crew Group's revenues during fiscal years 2017, 2018 and 2019, accounting for 55%, 57% and 58%, respectively.[18] The second largest revenue generating category was men's apparel, generating 23%, 21% and 20% of J. Crew Group's net sales in fiscal years 2017, 2018 and

[5] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 3.
[6] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 3.
[7] https://www.retaildive.com/news/a-timeline-of-jcrews-rise-and-fall/539599/
[8] https://www.retaildive.com/news/a-timeline-of-jcrews-rise-and-fall/539599/
[9] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 3.
[10] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 3.
[11] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 3.
[12] https://jcrewgrouprestructuring.com/our-announcement/
[13] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 3.
[14] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 3.
[15] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 3.
[16] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 4.
[17] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 29.
[18] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 29.

2019, respectively.[19] J. Crew Group generated between 15% and 16% from accessories and between 6% and 7% from children's apparel in fiscal years 2017, 2018 and 2019.[20]

2.2.1. Financial Overview

J. Crew Group's brands generated $2.54 billion in total revenues with a 2.8% operating profit margin for the fiscal year ending February 1, 2020.[21] As shown below, the firm's gross profit margin decreased from 37.8% in 2017 to 33.6% in 2018 in part due to losses on disposition of excess inventories recorded in 2018, before rebounding back to similar levels to 2017 with a gross profit margin of 38.0% in 2019.

Figure 1
Summary of Financial Performance (Millions USD)[22] [23]

	Fiscal Year		
	2017	**2018**	**2019**
Total Net Sales	$2,373.7	$2,484.0	$2,540.1
Cost of Goods Sold	$1,476.1	$1,648.3	$1,576.0
Gross Profit	$897.6	$835.7	$964.1
SG&A Expenses	$872.7	$824.0	$879.0
Impairment Losses	$141.2	$10.8	$13.6
Operating Loss	($116.2)	$0.9	$71.5
Gross Profit Margin	37.8%	33.6%	38.0%
Operating Margin	(4.9%)	0.0%	2.8%

[19] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 29.
[20] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 29.
[21] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 27.
[22] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 27.
[23] Fiscal Year 2017 refers to the year ending February 3, 2018; Fiscal Year 2018 refers to the year ending on February 2, 2019; Fiscal Year 2019 refers to the year ending on February 1, 2020.

Figure 2
Balance Sheet Summary (Millions USD)[24]

	Fiscal Year	
	2018	**2019**
Cash and Cash Equivalents	$25.7	$26.1
Restricted Cash	$13.7	$0
A/R, net	$40.3	$33.8
Merchandise Inventories, net	$390.5	$369.1
Prepaid Expenses and Other Current Assets	$84.9	$59.3
Refundable Income Taxes	$7.3	$8.8
Current Assets	**$562.6**	**$497.1**
Property and Equipment, net	$243.6	$225.3
Right-of-Use Lease Assets	$0	$469.0
Intangible Assets, net	$301.4	$296.3
Goodwill	$107.9	$107.9
Other Assets	$6.2	$3.7
Total Assets	**$1,221.7**	**$1,599.3**
Accounts Payable	$259.7	$207.8
Other Current Liabilities	$244.9	$256.7
Borrowings Under the ABL Facility	$70.8	$126.2
Current Portion of Right-of-Use Lease Liabilities	$0	$116.0
Due to Parent	$37.5	$45.8
Interest Payable	$23.9	$19.9
Current Portion of Long-Term Debt	$32.1	$21.6
Current Liabilities	**$668.8**	**$794.0**
Long-Term Debt, net	$1,673.3	$1,660.3
Long-Term Right-of-Use Lease Liabilities	$0	$446.5
Lease-Related Deferred Credits, net	$105.9	$0
Deferred Income Taxes, net	$16.9	$24.9
Other Liabilities	$29.1	$24.0
Total Liabilities	**$2,493.9**	**$2,949.7**
Equity (deficit)	($1,272.2)	($1,350.4)
Total Liabilities and Equity	**$1,221.7**	**$1,599.3**

As of February 1, 2020 J. Crew Group was highly leveraged with $1.7 Billion in long term debt.[25] On May 4, 2020, J. Crew Group reached an agreement with its lenders holding 71% of its Term Loan and 78% of its IPCo Notes and with its financial sponsors to deleverage its balance sheet by restructuring its debt.[26] Under

[24] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. F-3.
[25] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. F-3.
[26] https://jcrewgrouprestructuring.com/our-announcement/

this agreement, the lenders will convert $1.65 billion of company debt into equity.[27] To facilitate the restructuring, J. Crew Group, its parent Chinos Holdings and certain affiliates filed for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Eastern District of Virginia.[28]

The figure below is J. Crew's pro-forma balance sheet, assuming for the period beginning August 2020 through the fiscal year ending 2024. These projections assume a capital structure consisting of a $400 million Exit ABL Facility of which $291.0 million is assumed to be outstanding as of the assumed Effective Date which includes $64.8 million of letters of credit, and $400 million of New Term Loans.[29]

[27] https://jcrewgrouprestructuring.com/our-announcement/
[28] https://jcrewgrouprestructuring.com/our-announcement/
[29] Client-provided file entitled, "J. Crew – Projections.pdf", p. 2 – 3.

Figure 3
Pro-Forma Balance Sheet Summary (Non-GAAP) (Millions USD)[30]

	Fiscal Year				
	2020	**2021**	**2022**	**2023**	**2024**
Cash & Cash Equivalents	$25.0	$192.8	$275.3	$393.5	$525.2
Accounts Receivable	$55.7	$24.7	$25.5	$26.3	$27.1
Merchandise Inventories	$468.5	$363.4	$376.0	$383.7	$398.1
Prepaid Exp. & Other Curr. Assets	$59.3	$54.8	$56.1	$56.9	$58.4
Refundable Income Taxes	$7.0	$0.0	$0.0	$0.0	$0.0
Total Current Assets	**$615.4**	**$635.7**	**$732.9**	**$860.5**	**$1,008.8**
Property, Plant & Equipment	$190.9	$134.7	$103.6	$72.2	$42.7
Right of Use Asset	$431.0	$415.5	$441.8	$507.6	$600.2
Intangible Assets, Net	$293.1	$287.8	$283.6	$279.4	$275.1
Goodwill	$1,062.2	$1,062.2	$1,062.2	$1,062.2	$1,062.2
Other Assets	$45.6	$58.2	$127.3	$145.3	$164.8
Total Assets	**$2,638.3**	**$2,594.1**	**$2,751.3**	**$2,927.1**	**$3,153.9**
Accounts Payable	$68.9	$47.5	$74.0	$79.6	$87.2
Other Current Liabilities	$224.3	$118.2	$123.2	$124.3	$129.2
Borrowing Under ABL	$226.2	$0.0	$0.0	$0.0	$0.0
ST ROU Lease Liability	$108.7	$89.1	$69.8	$50.4	$37.1
Accrued Compensation	$2.0	$25.6	$26.6	$27.2	$28.8
Total Current Liabilities	**$630.2**	**$280.4**	**$293.6**	**$281.9**	**$282.3**
LT Debt	$400.0	$432.1	$428.1	$424.1	$420.1
ROU Lease Liability	$432.8	$424.0	$459.3	$534.4	$636.2
Other Liabilities	$26.5	$26.5	$26.5	$26.5	$26.5
Total Liabilities	**$1,489.5**	**$1,163.0**	**$1,207.5**	**$1,266.9**	**$1,365.2**
Stockholders' Equity	**$1,148.8**	**$1,431.1**	**$1,543.7**	**$1,660.1**	**$1,788.7**
Total Liabilities & Equity	**$2,638.3**	**$2,594.1**	**$2,751.3**	**$2,927.1**	**$3,153.9**

2.2.1.1. Revenue Composition

The Company's fiscal year 2019 revenue was composed of approximately 67.2% from J. Crew ($1.7 billion), 23.7% from Madewell ($602.4 million), and 9.1% from other sources ($230.0 million). Other sources consisted primarily of revenues from wholesale customers and shipping and handling fees.[31] As shown in the figure below, J. Crew's revenues declined by a compound annual growth rate ("**CAGR**") of 3.9% between

[30] Client-provided file entitled, "J. Crew - Projections.pdf", p. 7.
[31] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 4.

2017 and 2019 while Madewell's revenues increased by a CAGR of 19.8% during the same time period as stated above.

Figure 4
Net Revenue Composition for Subject Assets (Millions USD)[32]

	Fiscal Year			2-Year CAGR
	2017	**2018**	**2019**	
J. Crew	$1,848.0	$1,779.5	$1,707.7	(3.9%)
Madewell	$419.8	$529.2	$602.4	19.8%
Subject Assets Total Revenue	$2,267.8	$2,308.7	$2,310.1	0.9%

As shown in Figure 5 below, approximately 27.1% of J. Crew's revenue ($455.6 million) was derived from retail store sales, 42.4% from J. Crew Direct[33] ($713.6 million), 19.1% from J. Crew Factory stores ($321.4 million), and 11.3% from J. Crew Factory Direct sales ($190.5 million) during fiscal year 2019. Since 2017, J. Crew's retail store sales have fallen by an average annual rate of 13.0%, J. Crew Direct sales have increased by a 5.1% CAGR, Factory store sales decreased by an average annual rate of 8.7%, and Factory Direct sales have fallen by an average annual rate of 4.0%.

Additionally, as shown in Figure 6 below, 56.7% of Madewell's revenue ($338.7 million) was attributable to retail store sales while the other 43.3% of Madewell's sales ($258.8 million) was derived from Madewell Direct. Since 2017, Madewell's retail store sales increased by a CAGR of 7.1% while Madewell Direct sales increased drastically, with a CAGR of approximately 43%.

[32] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 4.
[33] Direct is comprised of Phone and Internet sales.

Figure 5
J. Crew Net Sales Summary (Thousands USD)[34]

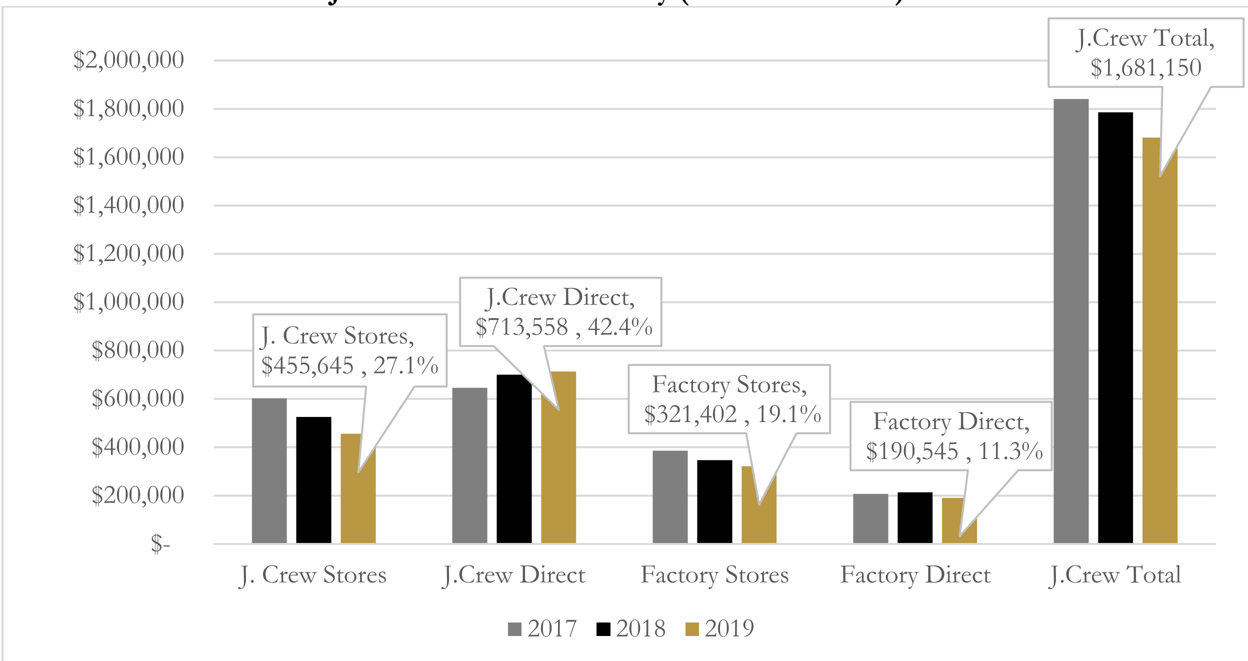
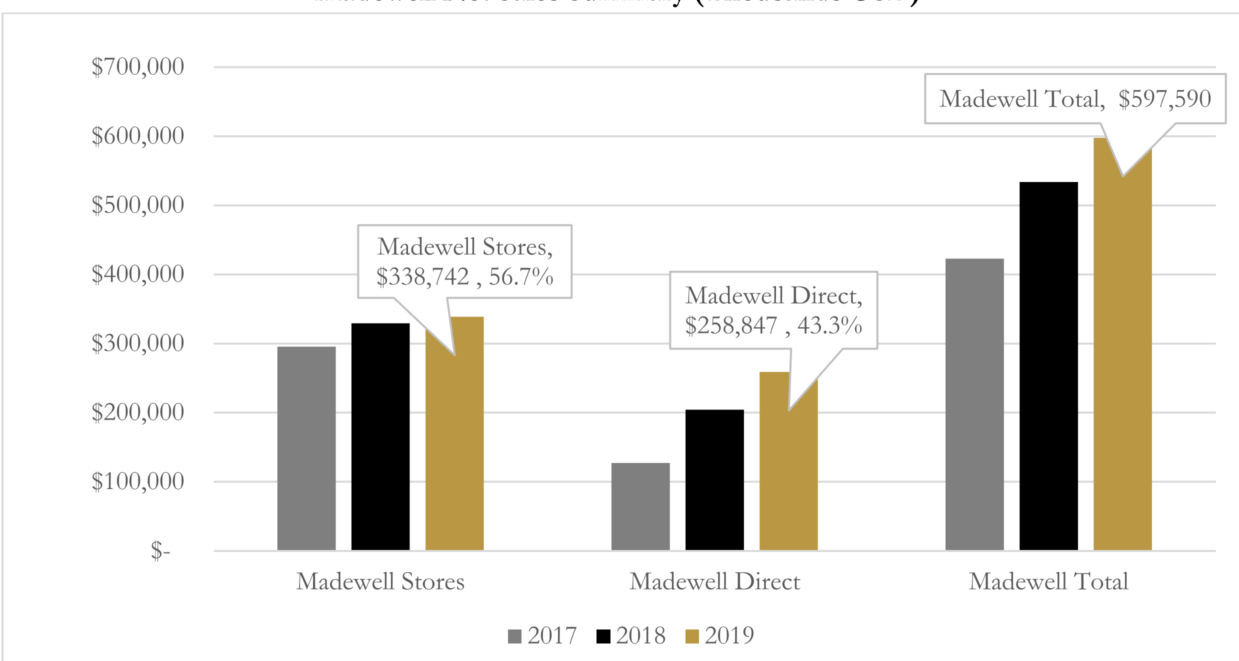


Figure 6
Madewell Net Sales Summary (Thousands USD)[35]



2.2.2. Brands, Merchandise and Stores

J. Crew Group is a specialty retailer of apparel for women, men and children, that differentiates itself through offering high quality, style design and fabrics.[36] J. Crew Group offers its products via retail stores and websites under the brand names J. Crew and Madewell.[37] The following is a description of the J. Crew and Madewell brands and product offerings.

J. Crew "offers a broad assortment of women's and men's apparel and accessories, including sweaters, outerwear, suiting, casual attire, swimwear, shoes, accessories and more," offering "products ranging from cashmere, denim and casual t-shirts to limited edition 'collection' items, such as hand-embellished sweaters and coats, limited edition prints and patterns, and vintage inspired details."[38] J. Crew's brand "represents signature 'classics with a twist' apparel and accessories, featuring the highest quality, style, design and fabrics with consistent fits and authentic details."[39] J. Crew also offers children's clothing and apparel under the J. Crew brand under the Crewcuts name.[40] J. Crew stores also offer a selection of other brands that share J. Crew's values and aesthetic and align with J. Crew's brand philosophy.[41] J. Crew products are sold in J. Crew retail and factory stores, websites and select partners.[42] As of May 4, 2020, J. Crew operates 181 J. Crew retail stores and 170 J. Crew factory stores.[43] In FY2019, J. Crew generated $1.7 billion in total revenue, accounting for 67.2% of J. Crew Group's total revenue and 73.9% of the Subject Assets' total revenue, the majority of the Subject Assets.[44]

Madewell is "a fast-growing and innovative brand offering a full product assortment rooted in premium denim and everything you wear with jeans—cool tees, cozy sweaters, comfy sneakers, timeless leather jackets, totes, tops and much more."[45] Madewell also offers lifestyle products, such as dresses, swimwear, beauty, gifts and sunglasses.[46] "Madewell is a fast-growing and innovative brand with a cool, unexpected and artful aesthetic, rooted in denim, that feels timeless, effortless and relevant in today's era of self-expression."[47] Madewell offers its products through its retail stores, websites and select partners.[48] As of May 4, 2020, J. Crew operated 140 Madewell retail stores.[49] In FY2019, Madewell generated $602.4 million in total revenue, accounting for 23.7% of J. Crew Group's total revenue and 26.1% of the Subject Assets' total revenue.[50]

2.2.3. Brand Perception

J. Crew Group's brands are well-known across their respective segments, with the two Subject Assets combined having over 490 store fronts comprised of a mix of specialty retail stores and outlet stores.[51] J. Crew has struggled in recent years with customers perceiving the brand as too fashion forward and too

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34 Client-provided document entitled, "JCG LRP MOR View Financials - Historicals (8).xlsx"
35 Client-provided document entitled, "JCG LRP MOR View Financials - Historicals (8).xlsx"
36 Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 3.
37 Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 3.
38 Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 3.
39 Client-provided file entitled, "Monet – Creditor Advisor Presentation_vBlowout (7.23.2019).pdf", p. 2.
40 Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 3.
41 Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 3.
42 Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 3.
43 https://jcrewgrouprestructuring.com/our-announcement/
44 Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 4.
45 Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 4.
46 Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 4.
47 Client-provided file entitled, "Monet – Creditor Advisor Presentation_vBlowout (7.23.2019).pdf", p. 2.
48 Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 4.
49 https://jcrewgrouprestructuring.com/our-announcement/
50 Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 4.
51 https://jcrewgrouprestructuring.com/our-announcement/

expensive.[52] In addition, the buyer demographic has shifted as millennials and Generation Z become the target buyer; these buyers are not as interested in the classic, preppy brand.[53] Madewell, on the other hand has thrived and surpassed expectations, in part due to a retail strategy more tailored to today's market and a focus on more casual clothing.[54] Madewell has a community of loyal brand enthusiasts and broad demographic appeal that inspires loyalty with approximately 80% of those aware of the Madewell brand likely to consider the Madewell brand for their next clothing purchase.[55]

2.2.4. Management Outlook

J. Crew management believes that the Company will see a decline in revenues due to the COVID-19 pandemic. In fiscal year 2020, management expects to see a decrease in total Company revenue of 30.9% when compared to fiscal year 2019.[56] However, management has a positive outlook on the Company for fiscal year 2021 with sales growth of 29.7% as compared to fiscal year 2020. Thereafter, from fiscal year 2022 to fiscal year 2024, management forecasts year over year sales growth between 2.2% to 3.7%.[57]

As for J. Crew's Madewell brand, management expects sales to decline in fiscal year 2020 when compared to fiscal year 2019; however, fiscal year 2021 sales are projected to increase by 42.9%. Thereafter, from fiscal year 2022 to fiscal year 2024, management forecasts year over year sales growth between 8.7% to 8.9%.[58]

These forecasts are consistent with industry and comparable company expectations, and they do not appear to be unreasonable.[59] The Company's revenue forecasts through 2024 are summarized in Figure 7 below.

Figure 7
Forecast Subject Assets Revenue[60]

	Forecast					**5-Year**
Millions	**2020**	**2021**	**2022**	**2023**	**2024**	**CAGR**
J. Crew	$1,165.4	$1,437.0	$1,446.5	$1,423.1	$1,429.4	5.24%
Madewell	$536.1	$767.7	$835.8	$908.6	$989.1	16.54%
Subject Assets Total Revenue	$1,701.5	$2,204.7	$2,282.3	$2,331.6	$2,418.5	9.19%

[52] https://www.nytimes.com/2019/09/17/business/madewell-ipo-j-crew.html.
[53] https://www.nytimes.com/2019/09/17/business/madewell-ipo-j-crew.html.
[54] https://www.nytimes.com/2019/09/17/business/madewell-ipo-j-crew.html.
[55] Client-provided file entitled, "Monet – Creditor Advisor Presentation_vBlowout (7.23.2019).pdf", p. 12.
[56] Client-provided file entitled, "J. Crew – Projections.pdf", p. 6.
[57] Client-provided file entitled, "J. Crew – Projections.pdf", p. 6.
[58] Client-provided file entitled, "J. Crew – Projections.pdf", p. 8.
[59] https://www.emarketer.com/content/us-ecommerce-will-rise-18-2020-amid-pandemic.
[60] Exhibit 2.0

3. Overview of Economic Considerations

Appraisal standards require an analysis of the relevant economic conditions that exist at the valuation date. For this engagement, we have considered both the U.S. and Global economic environment as they may impact the valuation of the Subject Assets over the life of the valuation period. A further discussion of each can be found in the following sections.

3.1. U.S. Economy

The following remarks were presented by the Federal Open Market Committee in a press release on June 10, 2020:

> The Federal Reserve is committed to using its full range of tools to support the U.S. economy in this challenging time, thereby promoting its maximum employment and price stability goals.
>
> The coronavirus outbreak is causing tremendous human and economic hardship across the United States and around the world. The virus and the measures taken to protect public health have induced sharp declines in economic activity and a surge in job losses. Weaker demand and significantly lower oil prices are holding down consumer price inflation. Financial conditions have improved, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses.
>
> The ongoing public health crisis will weigh heavily on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term. In light of these developments, the Committee decided to maintain the target range for the federal funds rate at 0 to 1/4 percent. The Committee expects to maintain this target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals.
>
> The Committee will continue to monitor the implications of incoming information for the economic outlook, including information related to public health, as well as global developments and muted inflation pressures, and will use its tools and act as appropriate to support the economy. In determining the timing and size of future adjustments to the stance of monetary policy, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2 percent inflation objective. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments.
>
> To support the flow of credit to households and businesses, over coming months the Federal Reserve will increase its holdings of Treasury securities and agency residential and commercial mortgage-backed securities at least at the current pace to sustain smooth market functioning, thereby fostering effective transmission of monetary policy to broader financial conditions. In addition, the Open Market Desk will continue to offer large-scale overnight and term repurchase agreement

operations. The Committee will closely monitor developments and is prepared to adjust its plans as appropriate.[61]

3.2. Global Economy

According to the IMF, the COVID-19 pandemic has pushed the world into a recession that is expected to be worse than the global financial crisis.[62] The IMF believes that "Global growth is projected at -4.9 percent in 2020, 1.9 percentage points below the April 2020 World Economic Outlook (WEO) forecast. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast."[63] Additionally, IMF projects that global growth in 2021 will be 5.4 percent, which would leave 2021 GDP roughly 6.5 percentage points lower than in the pre-COVID-19 projections of January 2020. Even with the increased expected growth in 2021, the level of GDP will remain below the pre-virus trend and the expected rebound could be overly optimistic if "the pandemic and containment measures last longer, emerging and developing economies are even more severely hit, tight financial conditions persist, or if widespread scarring effects emerge due to firm closures and extended unemployment."[64]

Advanced economies' global growth is expected to decline by 8.0% in 2020, which is 1.9 percentage points lower than what was forecasted in the April 2020, World Economic Outlook. However, in 2021, the advanced economy growth rate is forecasted to increase to 4.8%, leaving the GDP in 2021 to be roughly 4.0% below its level in 2019.[65] The emerging market and developing economies' global growth is expected to decrease 3.0% in 2020, which is 2 percentage points below what was estimated in the April 2020, World Economic Outlook. However, in 2021, the growth rate for emerging markets is projected to increase to 5.9%, which is widely due to the rebound forecast of China.[66]

The COVID-19 pandemic will severely impact global growth due to the extreme uncertainty surrounding "the pathway of the pandemic, the progress in finding a vaccine and therapies, the intensity and efficacy of containment efforts, the extent of supply disruptions and productivity losses, the repercussions of the dramatic tightening in global financial market conditions, shifts in spending patterns, behavioral changes (such as people avoiding shopping malls and public transportation), confidence effects, and volatile commodity prices."[67] Countries are expected to lose between 5-8% of working days in 2020 due to containment efforts and gradual reopening, depending on the severity of the epidemic in each country. This is compounded by tighter global financial conditions, weaker external demand and terms-of-trade losses.[68]

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[61] "Federal Reserve issues FOMC statement," FRB, June 10, 2020, https://www.federalreserve.gov/newsevents/pressreleases/monetary20200610a.htm.
[62] "An Early View of the Economics Impact of the Pandemic in 5 Charts," IMF, April 6, 2020, https://blogs.imf.org/2020/04/06/an-early-view-of-the-economic-impact-of-the-pandemic-in-5-charts/
[63] "World Economic Outlook Update," IMF, June 2020, p. 1.
[64] "World Economic Outlook – Chapter 1: The Great Lockdown", IMF, April 2020, p. v.
[65] "World Economic Outlook Update," IMF, June 2020, p. 6.
[66] "World Economic Outlook Update," IMF, June 2020, p. 6, 8.
[67] "World Economic Outlook – Chapter 1: The Great Lockdown", IMF, April 2020, p. 4.
[68] "World Economic Outlook – Chapter 1: The Great Lockdown", IMF, April 2020, p. 5.

3.3. Economic Conclusion

Though the U.S. and global economies showed strong fundamentals going into 2020, the economic consequences of COVID-19 and social distancing protocols are significant and will likely cause a sizeable economic contraction through 2020. However, analysts are forecasting a strong economic recovery in 2021. Overall, management's forecasts are consistent with global measures to counter the COVID-19 pandemic and the expected impact on the U.S. and global economies.

4. Overview of Relevant Industries

As part of our analysis we have contemplated the state of the premium specialty retailer apparel market and have researched the segments of Women's Apparel and Premium Women's Fashion that comprise the majority of J. Crew Group's ongoing business. The following sections provide insights into these industry areas in terms of recent performance and future expected trends.

4.1. Premium Apparel Market

The premium apparel market is comprised of retailers providing men's, women's, and children's clothing. Sales of premium women's, men's and children's clothing are expected to be positively impacted by rising income levels. In men's fashion, premium dress shirts in particular are in higher demand as a result of increased consumer income levels. Demand for men's denim and premium dress shirts is expected to continue growing through 2024.[69] The women's high-end premium and specialty retailers will benefit from rising per capita disposable income that allows women to spend more on discretionary high-end apparel items.[70] In the near-term, spending is expected to surge after being stifled in 2020 by COVID-19. As women have children later, with more established careers, they typically have higher levels of income which then increases demand for children's premium-priced, branded apparel. Demand for premium children's clothing is expected to increase through 2025.[71]

4.2. Women's Apparel Market

The market for women's apparel is comprised of stores including those specializing in misses', juniors', plus-size, and maternity clothing. As a whole, the women's apparel segment in the United States is expected to generate $38.4 billion in revenue in 2020, a decline of revenue from 2019 of $41.6 billion, and part of an annual decline of 3.1% over the period 2015 to 2020.[72] This decline is a result of declining mall traffic and competition from superstore retailers.[73] Women's apparel revenue in 2020 is expected to consist of 31.0% from Tops, 20.6% from bottoms, 15.2% from dresses, 8.7% from outerwear, and 24.5% from other apparel and accessories.[74] The decline in revenues in 2020 is largely as a result of the economic ramifications of the outbreak of COVID-19, which alone is estimated to contribute a revenue decline of 7.7%.[75]

Industry revenue is expected to continue to decline at an annual rate of 0.4% through 2025 with total industry revenues expected to be $37.7 billion.[76] Rising industry competition and increasing internet sales contribute to the expected decline through 2025.[77] This continued momentum into online commerce has included companies that were traditionally only brick and mortar stores, but that opened online stores to complement their physical locations and to attract further customers through social media.[78] A slight surge is expected in 2020 and 2021 for brick-and-mortar shopping post-COVID-19 that will mitigate some of the declines, as well

[69] Men's & Boys' Apparel Wholesaling in the US, IBIS World, March 2020, p. 15.
[70] Women's Clothing Stores in the US, IBIS World, June 2020, p. 14.
[71] Children's & Infants' Clothing Stores in the US, IBIS World, February 2020, p. 13.
[72] Women's Clothing Stores in the US, IBIS World, June 2020, pp. 6, 1.
[73] Women's Clothing Stores in the US, IBIS World, June 2020, p. 6.
[74] Women's Clothing Stores in the US, IBIS World, June 2020, p. 9.
[75] Women's Clothing Stores in the US, IBIS World, June 2020, p. 12.
[76] Women's Clothing Stores in the US, IBIS World, June 2020, p. 14.
[77] Women's Clothing Stores in the US, IBIS World, June 2020, p. 7.
[78] Women's Clothing Stores in the US, IBIS World, June 2020, p. 7.

as consumers experiencing better financial conditions that will favor few of the existing industry players.[79] Profits are also expected to decline due to the effects of COVID-19 from 5% in 2015 to 2.3% in 2020.[80] The decline in profits is attributed to an increase in online shopping that forces retailers to compete heavily on price to draw in foot traffic into the stores. COVID-19 has exacerbated this trend by forcing retail stores to close temporarily.[81] Despite expected declines in the overall market for women's clothing, industry growth is expected to be generated by premium brands and specialty stores.[82]

4.2.1. Premium Women's Fashion Market

The market for premium women's fashion consists of specialty retailers and premium brands that target women who earn higher incomes, many of whom are 35 and up. Many of these women have grown up valuing brand recognition and spend a large portion of their disposable income on discretionary apparel and accessories.[83] Stores with a niche or specialty offering are expected to grow particularly rapidly. These include plus-sized stores, premium denim stores, women's athletic apparel stores and eco-clothing stores.[84] Given these trends, revenue from specialty and premium retailers is expected to increase by 1.9% in 2021 as physical retail stores increase their share of revenues over e-commerce post-COVID-19, before e-commerce continues to grow after the U.S. normalizes.[85]

The continuous rise of premium denim, including branded denim that offers flattering and presumably high-quality characteristics, has caused the segment of women's bottoms to expand more rapidly.[86] Premium denim tends to carry a higher price to reflect its premium features, which also pushes up the revenues from the segment of women's bottoms.[87]

Successful premium brands naturally tend to experience higher profit margins than the broader women's apparel market that sells less expensive products.[88] Through 2025, the women's clothing industry is expected to benefit from rising numbers of high-income households that purchase premium fashion.[89] This growth will be limited by increased online competition as specialty e-tailers enter the market and off-price online retailers dominate the virtual market.[90] As a result, premium retailers will be forced to be more price competitive.[91]

4.3. Competitive Landscape

As described above, J. Crew Group's Brands compete in a variety of industries and sub-industries within the women's, men's and children's specialty retailer apparel market. However, across all of these industries are common characteristics and competitive forces. The specialty retailer apparel market is highly competitive

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[79] Women's Clothing Stores in the US, IBIS World, June 2020, p. 7.
[80] Women's Clothing Stores in the US, IBIS World, June 2020, p. 12.
[81] Women's Clothing Stores in the US, IBIS World, June 2020, p. 24.
[82] Women's Clothing Stores in the US, IBIS World, June 2020, p. 14.
[83] Women's Clothing Stores in the US, IBIS World, June 2020, pp. 10, 19.
[84] Women's Clothing Stores in the US, IBIS World, June 2020, p. 14.
[85] Women's Clothing Stores in the US, IBIS World, June 2020, p. 14.
[86] Women's Clothing Stores in the US, IBIS World, June 2020, p. 17.
[87] Women's Clothing Stores in the US, IBIS World, June 2020, p. 17.
[88] Women's Clothing Stores in the US, IBIS World, June 2020, p. 24.
[89] Women's Clothing Stores in the US, IBIS World, June 2020, p. 14.
[90] Women's Clothing Stores in the US, IBIS World, June 2020, p. 14.
[91] Women's Clothing Stores in the US, IBIS World, June 2020, p. 14.

and J. Crew Group competes with other specialty retailers, department stores and e-commerce businesses that sell men's, women's and children's apparel.[92] J. Crew Group competes on quality, design, customer service and price.[93] J. Crew Group has seen direct competition from "fast fashion" business that attract customers with their aggressive pricing strategies.[94] Although J. Crew Group is a large, well-known brand, many of its competitors are larger and have greater resources that improve its brand recognition and allow them to price more aggressively than J. Crew Group.[95] The promotional business strategy, online and in-store, adopted by some of J. Crew Group's competitors has negatively impacted J. Crew Group's revenues and gross profits.[96] Additionally, although J. Crew Group has employed an omni-channel strategy, its competitors are also investing in omni-channel capabilities and may be more successful and with J. Crew Group's more limited resources it may lack adequate ability to compete.[97]

4.3.1. Competitive Players

J. Crew Group competes with numerous retailers on pricing, styles, and fulfillment capabilities. These competitive players include specialty retailers, department stores and e-commerce businesses.[98] J. Crew Group provides its competitors as including Abercrombie & Fitch Co., American Eagle Outfitters, Inc., Ascena Retail Group, Inc., Chico's FAS, Inc., The Gap, Inc., Guess, Inc., L Brands, Inc., Capri Holdings, Ltd., Nordstrom, Inc., Ralph Lauren Corp., Tapestry, Inc., Under Armour, Inc. and Urban Outfitters, Inc.[99]

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[92] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 7.
[93] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 7.
[94] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 9.
[95] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 9.
[96] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 9.
[97] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 9.
[98] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 7.
[99] Client-provided file entitled, "FORM 10-K FY19 DRAFT - 3.13.20.docx", p. 52.

5. Valuation Methodologies

5.1. Methods for Determining Value

5.1.1. Cost Approach

The Cost Approach values assets based on the cost to create and develop the assets under consideration. Values determined using this approach can also be viewed as the anticipated cost to replace the Subject Assets. There are several methods to establish value using the cost approach, with two being of particular focus. The first is the reproduction cost new method. Under this method, the valuation analyst looks to re-create the concept using the same or similar development methods and materials as the original effort. The reproduction cost new method does not account for changes in technology, higher utility from other materials, and other factors. The second method is the replacement cost new method of the cost approach. Using this method, the valuation analyst considers what it would take to re-create the concept but takes into account the impact of new technology and development on the concept re-creation effort.[100]

5.1.2. Income Approach

For property dedicated to a business enterprise, including intellectual property, future benefits resulting from use of an asset are preferably measured in terms of income. The Income Approach attempts to measure such future benefits by calculating the present value of the future income streams expected from the asset under consideration. There are a number of primary parameters that must be quantified in order to use this method, including the amount and timing of the expected cash flows attributable to the Subject Assets and the risk associated with the realization of those cash flows.

The duration and timing of the cash flow stream are determined by forecasting the useful life of the property, which can be determined in any one of several ways, such as: (1) the physical or service life of the asset, (2) the statutory or legal life of the asset, (3) the economic life of the asset or (4) the functional or technological life of the asset. The business risk associated with the realization of the stream of expected cash flows may be captured through the use of an appropriate discount rate or the inputs used to forecast the cash flows, or through a combination of these factors.

The expected future cash flow stream derived from the assets, usually a series of periodic amounts, may be quantified using a variety of approaches depending on the specific circumstances of each case. In the context of valuing intellectual property, the Relief from Royalty and Excess Earnings approaches are frequently used. The following report sections provide a discussion of each approach and how they may be used to quantify the expected cash flows attributable to intellectual property assets.

[100] Michael Pellegrino, "BVR's Guide to Intellectual Property Valuation," 2009, p. 4-1.

5.1.2.1. Relief from Royalty Methodology

The Relief from Royalty methodology is based on the following premise: a property's value can be measured by what the owner of the property would pay in royalties if it did not own the property and had to license it from a third party. Alternatively, this approach may also quantify the amount of income the owner would generate by licensing the intellectual property to others.

This method requires the determination of projected royalty payments, which are derived by applying a royalty rate to an appropriate royalty base. Often the rate is a percentage applied to net revenues derived from products or services embodying the intellectual property. The royalty base is determined by projecting the expected revenues to be generated throughout the useful life of the intellectual property in question.

An appropriate royalty rate may be determined by examining actual transactions that have been negotiated between willing buyers (or licensees) and willing sellers (or licensors). Royalty rates are also often based on the amount of profits, cost savings or other income associated with the asset being valued. Once an appropriate royalty rate and base have been determined, the lump-sum fair value of the intellectual property is calculated as the net present value of the royalty payments.

5.1.2.2. Excess Earnings Methodology

The Excess Earnings methodology is based on the following premise: a property's value can be measured by the incremental earnings achieved by a proprietary product relative to an essentially identical but non-proprietary product (e.g., a generic version of the same product). The excess earnings may result from the proprietary product commanding a price premium, delivering manufacturing cost savings, or achieving larger sales quantities.

Usually, the most significant challenge in attempting to use the Excess Earnings Approach is finding a generic version of the proprietary product such that the only difference between the two is the presence or absence of the property being valued. For the earnings comparison to be appropriate, it is important that no significant other factors, aside from the property in question, contribute to the excess earnings achieved by the proprietary product. When such differences are present, the comparison may still be made as long as the impact of these differences is considered. Once the incremental earnings or cost savings have been identified, the future income is discounted to a lump-sum net present value as of the date of this report.

5.1.3. Market Approach

The Market Approach values assets based on comparable transactions between unrelated willing buyers (or licensees) and willing sellers (or licensors). The degree of reliance on comparable transactions depends on an assessment of whether the transactions are sufficiently similar to provide an indication of the value of the assets in question. Factors to consider include the nature of the assets transferred, the industry and products involved, the agreement terms, the date of the transaction (which gives consideration to the economic environment in which the transaction occurred), the circumstances of the parties to the agreements and other factors that may affect the agreed-upon compensation.

5.2. Valuation Methodology Conclusion

After examination of the three primary approaches to values; cost, market, and income, we have determined that the Income Approach is the most probative determinant of value for the Subject Assets. Our reasons for not selecting the Cost and Market Approaches as primary methodologies are detailed below.

We have not chosen to utilize the Cost Approach due to the limitations of the cost approach in relation to "going concern" valuations. These limitations include the Cost Approach's lack of consideration of all elements of future income or profit streams, market conditions, and the risk associated with receiving future economic benefits. Additionally, the challenges of assigning historical cost to trademark assets make the application of this approach inappropriate for purposes of estimating FMV of the Subject Assets.

We considered but ultimately did not rely upon the output of the Market Approach in our value conclusion. As we analyzed this approach for potential use, we attempted to identify transactions between unrelated parties for intellectual property assets similar to the Subject Assets, or businesses related to the Subject Assets. However, given the inherent unique nature of intellectual property, the rapidly changing retail landscape, and the unique circumstances attributable to COVID-19, it is difficult to draw comparable value conclusions from historical market transactions. Further, we believe that the Income Approach provides a more reliable indicator of the going concern value of the Subject Assets "in-use" as contemplated by the Company.

6. Valuation of the Subject Assets – Income Approach

Our Income Approach analysis is based on the Relief from Royalty methodology, the development of which can be divided into four main input categories:

- Royalty Base
- Royalty Rates
- Tax Effects
- Discount Rate

The following sections include a discussion of each input and a summary of our analysis.

6.1. Royalty Base

The royalty base for the Subject Assets is the starting point in developing a net present value calculation that is based upon a licensing model. The royalty base can be defined as the sales that are attributable to, and are covered by, the scope of the legal protection of the subject intellectual property assets. J. Crew's management provided both historical revenues and projections through 2024 by brand division (as detailed in Exhibit 2.0):[101]

- J. Crew, including J. Crew and Factory; and
- Madewell

For 2020, the Company expects approximately $1.2 billion in revenue for J. Crew and approximately $536 million in revenue for Madewell, a 32.3% and 25.6% decline, respectively, from 2019. Due to the lingering impact of COVID-19, the Company does not expect to return to 2019 revenue levels until 2024. Beyond 2022, the total J. Crew revenue (includes J. Crew and J. Crew Factory revenues) is expected to stay flat whereas Madewell revenue is expected to grow at approximately 9% through 2024.[102]

The J. Crew and Madewell brands are considered to have indefinite useful lives, as the Company plans to continue using them for the foreseeable future. Below is a summary of the royalty base for each brand for the five-year period from 2020 through 2024.

[101] Client-provided file entitled, "OT_CONFIDENTIAL_Monet - LRP EBITDA and revenue by brand - DRAFT - 20200602.xlsx"
[102] Exhibit 2.0

Figure 8
Royalty Base by Brand[103] [104]

Millions	Forecast 2020	2021	2022	2023	2024
J. Crew	$1,165.4	$1,437.0	$1,446.5	$1,423.1	$1,429.4
Madewell	$536.1	$767.7	$835.8	$908.6	$989.1

While we are aware of macro-economic, industry- and company-specific factors that could have an adverse effect on sales and operating profits, we believe that the Company's management has considered the U.S. and global economy, the retail apparel industry, and their position within the retail apparel industry while projecting financial performance across their brand divisions. Therefore, we have relied upon the forecasted revenues as provided and view them to be reasonable.

6.2. Royalty Rates

Ocean Tomo conducted analyses to determine an appropriate royalty rate at which an owner could expect to license the Subject Assets. The royalty rate analysis consisted of the following steps:

- Identification of comparable third-party trademark license agreements through a comprehensive search of licensing databases, including Markables®, ktMine®, and RoyaltyStat®;
- Evaluation of these agreements for comparability and selection of the most comparable licenses;
- Evaluation of market reports detailing relevant industry outlooks;
- Evaluation of the historical/forecasted profit margins generated by the Subject Assets;
- Selection of appropriate royalty rates based on our consideration of select third-party agreements, relevant industry outlook, historical/forecasted margins, and brand recognition.

6.2.1. ktMINE and RoyaltyStat

The ktMINE database provides access to over 10,000 intellectual property documents. The database was screened for license agreements using four search parameters: 1) Standard Industrial Classification ("SIC") code; 2) agreement type; 3) effective date; and 4) keyword filters. First, the repository was filtered for agreements classified under any of the following SIC codes:

- 5600 – Retail Apparel & Accessory Stores
- 5621 – Retail Women's Clothing Stores
- 5651 – Retail Family Clothing Stores
- 5661 – Retail Shoe Stores
- 5940 – Retail Miscellaneous Shopping Goods Stores
- 5944 – Retail Jewelry Stores

[103] Exhibit 2.0
[104] The 2020 revenues are for the full year, and a partial period adjustment has been applied within our analysis to reflect the selected date of valuation.

- 6794 – Patent Owners & Lessors

Second, Ocean Tomo filtered the results by agreement type, including only those agreements that were classified as "Asset Purchase", "Manufacturing/Process Intangible", or "Marketing Intangible" and excluding those agreements that were also classified as "Cross License" or "Joint Development". Third, we limited the scope of the search to include only those agreements with effective dates after December 31, 2004. Lastly, we implemented a semantic search in order to find agreements that explicitly included the following keywords:

- Trademark(s); or
- Tradename(s); or
- Copyright(s)

The RoyaltyStat database was searched in an identical manner.

In addition to searching the databases, we compiled licenses used in prior Ocean Tomo engagements. Ocean Tomo has access to licenses entered into by past clients. We included comparable agreements that were related to apparel and accessories. However, because the agreements have confidential and proprietary data, we have not disclosed the parties to the agreements.

The individual license agreements were reviewed in finer detail and, ultimately, we relied upon a list of twenty comparable agreements (see Exhibit 2.2).

6.2.2. Client-Provided Historical Tradename License Agreements

The Company provided us with seven relevant historical tradename license agreements, three of which were effective as of August 1992 and were subsequently amended in August 2007. The licensee in each of the three agreements (Grace Holmes, Inc., H.F.D. No. 55, Inc., and J. Crew, Inc.) sought to use the "J. Crew" tradename on a non-exclusive basis throughout the U.S. and Canada as a trademark and service mark in connection with a retail store business for the sale of clothing and associated products. The royalty rates observed in these agreements were 3% for Grace Holmes, Inc. and J. Crew, Inc. and 1.5% for H.F.D. No. 55, Inc. These rates were applied to net sales or wholesale sales of Licensed Products to determine the royalty payment due to J. Crew International, Inc. (i.e., the Licensor). However, each of these agreements were amended in August 2007, in which the royalty rates were reduced to 0%. The other four agreements involved Itochu Fashion System Co., with the original agreement being struck in May 1992 and subsequently amended the royalty rate in November 1997, November 2000, and October 2007. The most recent agreement shows a royalty rate ranging from 2.8% to 4.0% of net sales.[105]

6.2.3. Implied Industry Transactions Royalty Rates

The Markables database provides estimates of implied royalty rates derived from enterprise-level transactions involving trademarks. These implied rates are calculated using the publicly-available financial details of transactions and the subsequent purchase price allocations ("**PPA**"), along with independent assumptions by Markables about discount rates, tax rates, and revenue growth rates utilized in the PPA calculations. Ocean Tomo has relied upon the implicit rates calculated by Markables without any modification thereto. Ocean

[105] Exhibit 2.3

Tomo sought to identify license agreements that included the right to use a Tradename/Trademark in industries similar to that in which the Company operates (i.e., primarily retail apparel, footwear, and accessories). Within the Markables database, product classification codes were employed to filter Markables' repository of agreements for those most applicable to the Subject Assets. The following product classification codes were relied upon, as they were determined to encompass the vast majority of the products covered by the Subject Assets:

- Wearing Apparel
    - Collections;
    - Specific Product;
    - Specific Lifestyle Groups;
    - Innerwear and Intimate Wear (excluding women's underwear, lingerie, and brassieres);
    - Functional Wear and Sportswear (excluding workwear and protective clothing);
    - Leatherwear;
    - Legwear and Hosiery; and
    - Accessories.
- Leather, Leather Products, and Footwear
    - Luggage, handbags, saddlery and harness, and other articles of leather;
    - Footwear (excluding waterproof footwear); and
    - Sports Footwear (excluding ski-boots, snowboard boots, cross-country ski, and other footwear).
- Metal Products
    - Watches

Next, in order to further refine the list of comparable rates, we filtered these transactions by transaction date and target (acquired) company annual revenues. We included all transactions that: 1) occurred on or after January 1, 2010; and (2) that had target company annual revenues in excess of $100 million as of the acquisition date. The remaining transactions were reviewed in finer detail to extract the highest-comparable transactions. As a part of this process, all target companies' websites were reviewed – as well as public filings and related third-party articles, where necessary – to discern the target company's customer base as well as product offerings and price positioning. Through this refinement process, additional transactions were eliminated from our data set due to a dissonance with J. Crew's targeted customer base and/or their product offerings and product pricing. Ultimately, we relied upon a comparable list of 19 transactions (see Exhibit 2.4).

Below is a summary of the royalty rate statistics.

Figure 9
Brand Royalty Rate Summary Statistics[106]

	Low	Mean	Median	High
	Average	Average	Average	Average
Comparable Trademark Licenses	1.1%	4.0%	3.8%	7.5%
Company-Provided Historical Agreements	1.5%	3.5%	3.5%	5.0%
Implied Industry Transaction Royalty Rates	1.9%	4.2%	3.7%	9.6%

6.2.4. Profitability by Brand

The profitability of the Company brands was another consideration in our selection of an appropriate royalty rate brand. A licensee's expected profitability is a key consideration when entering into a license agreement and agreeing to a reasonable royalty rate.

Below is a figure showing profitability of the Company brands forecasted over the period 2020 to 2024.

Figure 10
Forecasted Profitability of Subject Assets (EBITDA Margins)[107]

	Historical				Forecast				
	2016	2017	2018	2019	2020	2021	2022	2023	2024
J. Crew EBITDA Margin	18%	16%	9%	16%	-5%	6%	7%	6%	6%
Madewell EBITDA Margin	24%	31%	28%	28%	2%	14%	16%	17%	18%

6.2.5. Royalty Rate Conclusion

In the determination of royalty rates for the Subject Assets, we considered the comparable license agreements, client-provided historical agreements, and industry transactional data. After considering these rates in conjunction with the historical and expected performance of the individual brands, industry and economic expectations, and brand recognition, we have concluded that the appropriate royalty rates for the J. Crew brand and the Madewell brand are 3% and 5%, respectively. The Madewell brand demands a higher royalty rate because it has historically earned, and is forecasted to earn, profit margins that are approximately 2-3 times higher than J. Crew.[108] Additionally, the Madewell brand's revenues are expected to grow beyond 2022, while the J. Crew brand is expected to stay relatively flat.[109] The selected royalty rates as a percentage of net sales for the Subject Assets are summarized in the table below:

[106] Exhibits 2.2, 2.3, and 2.4
[107] Exhibit 2.1
[108] Exhibit 2.1
[109] Exhibit 2.1

Figure 11
Selected Royalty Rates for the Subject Assets[110]

Brand	Royalty Rate
J. Crew	3.0%
Madewell	5.0%

6.3. Tax Effects

Royalty income (or royalty savings) associated with the Subject Assets was determined on an after-tax basis. We have selected a 25.7% tax rate for this analysis, based on the statutory corporate income tax rate in the United States, including an average of state corporate income taxes. A Tax Amortization Benefit factor ("**TAB**") was included in our FMV analysis to account for the ability to amortize purchased intangibles such as brands based on a 15-year life under Section 197 of the Internal Revenue Code. Further, the Client has stated that neither the J. Crew nor Madewell brands currently have any amortizable tax basis.

6.4. Discount Rate

A fundamental step in financial valuations is the determination of a lump-sum value of an asset as of a prescribed date, known as a Net Present Value ("**NPV**"). Such NPV calculations are dependent on the forecasted income stream, the timing of payments, and a discount rate. In previous sections, we presented our opinions on the forecasted benefits offered by the Subject Assets in terms of a royalty base and royalty rate. In this section, we provide our rationale for the determination of an appropriate rate of return to use to discount the cash flows.

6.4.1. WACC Methodology

To determine a baseline for the discount rate used for cash flows associated with the Subject Assets, we first calculated an appropriate Weighted-Average Cost of Capital ("**WACC**"). The WACC is made up of two components: 1) cost of equity and 2) cost of debt. Our discount rate assumptions capture the Company's expected risk profile following restructuring of its business and capital structure.

Cost of Equity

To arrive at a cost of equity, we looked to the median retail apparel industry cost of equity in 2019, prior to the onset of the COVID-19 pandemic. According to Duff & Phelps, the median industry cost of equity for SIC Code 56 – Apparel and Accessory Stores was 6.7%.

Stocks of smaller companies are generally riskier than those of larger companies traded on stock exchanges. Therefore, we added a 3.9% size risk premium to account for the incremental risks associated with a Company with J. Crew's net sales.[111] We made a further adjustment to the cost of equity to account for additional risk associated with achieving the revenue forecasts provided by management. We determined this unsystematic risk factor (also known as alpha) to be 3% for the Company brands, which is added to the cost of equity.

[110] Exhibit 1.3
[111] Duff & Phelps Cost of Capital Navigator, accessed on July 22, 2020.

This analysis resulted in a cost of equity of 13.6%, calculated according to the following formula:

Industry Cost of Equity + Size Premium + Unsystematic Risk Factor

Cost of Debt

The cost of debt is the second component considered in the computation of the WACC, for which we utilized J. Crew's interest rate on its new term loans. The interest rate will be a rate of LIBOR plus 800 basis points payable in cash after September 11, 2021.[112] A client-provided file assumes the 3-month LIBOR to be 1.0%.[113] Therefore, we calculated the pre-tax cost of debt to be 9.0%.[114] Applying the tax rate of 25.7% results in an after-tax cost of debt of 6.7%.

WACC Determination

In order to calculate the WACC, the cost of equity is multiplied by the percent of equity financing and is added to the product of the after-tax cost of debt and percent of debt financing. In order to compute the percent of equity financing and percent of debt financing, we relied upon the capital structures of a group of comparable publicly-traded peer companies (Guideline Public Companies, or "**GPC**(**s**)"). The capital structures of the GPCs reflect their most recent reporting prior to the COVID-19 in order to approximate for a normalized capital structure for the industry. The median capital structures observed from the GPC set were approximately 60% equity and 40% debt capital.[115]

Lastly, a 2.5% intangible asset premium was added in order to account for the additional risk associated with the intangible asset class. This resulted in a rounded discount rate of 13.0%.

6.5. Terminal Value

As a firm grows, it becomes more difficult for it to maintain high growth and will eventually grow at a rate less than or equal to the growth rate of the economy in which it operates. This growth rate can be sustained in perpetuity, therefore, enabling us to estimate the value of all cash flows beyond that point as a terminal value for a going concern business.[116] In order to determine the timing and rate at which a firm's growth will diminish to a stable, long-term rate, we look at a firm's size (relative to the market that it serves), its current growth rate, and its competitive advantage.[117] A terminal year value was calculated using a long term inflationary growth rate of 2.0% based on U.S. GDP growth provided by the Federal Reserve.[118]

6.6. Income Approach Conclusion

The NPV of the Subject Assets utilizing the Relief from Royalty methodology of the Income Approach is shown in each table below. We arrive at the NPV for each brand by adding the present values of the discrete cash flows (2020 – 2024) to the terminal value. For the FMV analysis, we include a TAB factor to account

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[112] Client-provided document entitled, "J. Crew Projections.pdf", p. 4.
[113] Client-provided document entitled, "Monet - DS Interest Schedule_v1.xlsx"
[114] https://www.bankrate.com/rates/interest-rates/6-month-libor/, accessed on 07.23.2020.
[115] Exhibit 2.6
[116] http://people.stern.nyu.edu/adamodar/pdfiles/papers/termvalue.pdf
[117] http://people.stern.nyu.edu/adamodar/pdfiles/papers/termvalue.pdf
[118] https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20200610.htm

for the ability to amortize purchased intangibles such as brands based on a 15-year life under Section 197 of the Internal Revenue Code.

Figure 12
Fair Market Value Conclusion – Subject Assets (Millions USD, Rounded)[119]

Brand	Net Present Value	Percent of Total
J. Crew	$324	48%
Madewell	$353	52%
Total	**$678**	**100%**

By adding the total value of the brands, the total FMV of the Subject Assets of the Company is shown in the table below.

Figure 13
Fair Market Value Analysis of the Subject Assets (Millions USD, Rounded)[120]

Total Net Present Value of the Subject Assets
$678

The Owner Value analysis does not assume a purchase of the brand assets, and thus no TAB factor is considered.

Figure 14
Owner Value Conclusion – Subject Assets (Millions USD, Rounded)[121]

Brand	Net Present Value	Percent of Total
J. Crew	$290	48%
Madewell	$316	52%
Total	**$606**	**100%**

By adding the total value of the brands, the total Owner Value of the Subject Assets of the Company is shown in the table below.

Figure 15
Owner Value Analysis of the Subject Assets (Millions USD, Rounded)[122]

Total Net Present Value of the Subject Assets
$606

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[119] Exhibits 1.1 and 1.2
[120] Exhibit 1.0
[121] Exhibits 1.1 and 1.2
[122] Exhibit 1.0

7. Valuation Conclusion

For the reasons stated in this report, we have relied upon the income approach to arrive at the current FMV and Owner Value of the Subject Assets.

The results of our FMV analysis are presented below:

Figure 16
Fair Market Value Conclusion – Subject Assets (Millions USD, Rounded)[123]

Brand	Net Present Value	Percent of Total
J. Crew	$324	48%
Madewell	$353	52%
Total	**$678**	**100%**

By adding the total value of the brands, the total FMV of the Subject Assets of the Company is shown in the table below.

Figure 17
Fair Market Value Analysis of the Subject Assets (Millions USD, Rounded)[124]

Total Fair Market Value of the Subject Assets
$678

As owner of the Subject Assets, the Company will not be eligible to step-up and amortize the value of the assets for tax purposes. Accordingly, the Owner Value was calculated excluding the TAB. The results of our Owner Value analysis are presented below.

Figure 18
Owner Value Conclusion – Subject Assets (Millions USD, Rounded)[125]

Brand	Net Present Value	Percent of Total
J. Crew	$290	48%
Madewell	$316	52%
Total	**$606**	**100%**

[123] Exhibits 1.1 and 1.2
[124] Exhibit 1.0
[125] Exhibits 1.1 and 1.2

By adding the total value of the brands, the total Owner Value of the Subject Assets of the Company is shown in the table below.

Figure 19
Owner Value Analysis of the Subject Assets (Millions USD, Rounded)[126]

Total Owner Value of the Subject Assets
$606

[126] Exhibit 1.0

8. STATEMENT OF LIMITING CONDITIONS

The purpose of this study is to estimate the FMV of the Subject Assets as of the Valuation Date. Neither Ocean Tomo nor any of its employees has any present or contemplated future interest in the assets valued in this report. Ocean Tomo's compensation is fee-based, and neither our employment nor our compensation is in any way contingent upon the estimates contained in this report.

- The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation.
- Financial statements, technical information, and other information provided by the Client or its representatives, in the course of this Engagement, have been accepted without any verification as fully and correctly reflecting the enterprise's business condition, except as specifically noted herein. Ocean Tomo expresses no form of assurance on this information.
- Public information and industry and statistical information have been obtained from sources we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.
- We do not provide assurance on the achievability of the results forecasted because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.
- This report and the conclusion of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. They are not intended for use for any other purpose or by any other party for any purpose. Furthermore, the report and conclusion of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents the considered opinion of Ocean Tomo, based on information furnished to them by the Client and other sources.
- Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of Ocean Tomo unless previous arrangements have been made in writing.
- No change of any item in this appraisal report shall be made by anyone other than Ocean Tomo, and we shall have no responsibility for any such unauthorized change.
- Except as noted, we have relied on the representations of the owners, management, and other third parties concerning the value and useful condition of the assets that are the subject of this report, except as specifically stated to the contrary in this report. We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances or that the entity has good title to all assets.
- None of the information contained within should be viewed as legal advice or tax advice.

9. CERTIFICATION

It is hereby certified that:

- The statements of fact contained in this report are true and correct.
- The analyses, opinions, and conclusions set forth in this report are limited only by the assumptions and limiting conditions (imposed by the terms of the assignment or by the undersigned) set forth by this report, and are our personal, unbiased, professional analyses, opinions, and conclusions.
- Where applicable, this report has been made in conformity with the requirements the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation.
- Ocean Tomo has no present or contemplated future interest in the Subject Assets nor any personal interest or bias in the subject matter or the parties involved.
- The Engagement of Ocean Tomo in this assignment was not contingent upon developing or reporting predetermined results.
- Neither the appraisal assignment nor the amount of the fee is contingent upon developing or reporting a predetermined value, requested minimum value, a direction in the value that favors the cause of the client, or a specific valuation, nor is our compensation contingent upon an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report, or the occurrence of a subsequent event directly related to the intended use of this report.
- Greg Campanella, Noor Al-Banna, Ana Giancola, and Ryan Frank prepared the analyses, conclusions, or opinions contained herein.

Should you have any questions regarding the foregoing value estimates or require any further information, please contact the undersigned:

Greg Campanella July 31, 2020

Noor Al-Banna July 31, 2020

Ana Giancola

Ana Giancola July 31, 2020

Ryan Frank

Ryan Frank July 31, 2020

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Exhibits

Valuation of J. Crew Brands

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Exhibit 0.0

Valuation of J. Crew Brands

INCOME APPROACH SUMMARY

Exhibit 1.0

Millions	Fair Market Value ("FMV")	
	Net Present Value	**Percent of Total**
Brand		
J. Crew (1)	$324	*48%*
Madewell (2)	$353	*52%*
Total Fair Market Value of IP	**$678**	

	Owner Value	
	Net Present Value	**Percent of Total**
Brand		
J. Crew (1)	$290	*48%*
Madewell (2)	$316	*52%*
Total Owner Value of IP	**$606**	

Notes:

(1) Exhibit 1.1

(2) Exhibit 1.2

Valuation of J. Crew Brands

RELIEF FROM ROYALTY CALCULATION - J. CREW

Exhibit 1.1

Millions	Forecast 2020	2021	2022	2023	2024	Terminal Year
J. Crew Royalty Income (1)	$35.0	$43.1	$43.4	$42.7	$42.9	$43.7
Taxes (2)	$9.0	$11.1	$11.2	$11.0	$11.0	$11.2
After-Tax Royalty	$26.0	$32.0	$32.2	$31.7	$31.9	$32.5
Terminal Value (3)(4)						$295.4
Partial Period Factor	0.386	1.000	1.000	1.000	1.000	1.000
Mid-year Convention	0.193	0.886	1.886	2.886	3.886	3.886
Present Value Factor (5)	0.977	0.897	0.794	0.703	0.622	0.622
Present Value	$9.8	$28.7	$25.6	$22.3	$19.8	$183.7
NPV of Royalty Income (Owner Value) (6)	**$290.0**					
Tax Amortization Benefit Factor (7)	0.118					
NPV with Amortization Benefit (FMV) (8)	**$324.1**					

INPUTS	
Terminal Growth Rate (4)	2.0%
Tax Rate (7)	25.7%
Discount Rate (5)	13.0%

Notes:

(1) Exhibit 1.3
(2) The statutory corporate income tax rate in the United States (including an average of state corporate income taxes) of 25.7%.
(3) Terminal value calculated as after tax cash flow divided by the difference between the discount rate and the terminal growth rate.
(4) Terminal growth rate derived from long-term US GDP growth as forecasted by the Federal Reserve.
https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20200610.htm
(5) Exhibit 2.5
(6) As owner of the Subject Assets, the Company will not be eligible to step-up and amortize the value of the Subject Assets for tax purposes. Accordingly, the Owner Value is calculated excluding the Tax Amortization Benefit.
(7) Exhibit 2.7
(8) FMV: Fair Market Value
A Tax Amortization Benefit Factor is included in our FMV analysis to account for the ability to amortize purchase intangibles such as brands based on a 15-year life under Section 197 of the Internal Revenue Code.
(9) Valuation as of September 11, 2020 as asked to assume by counsel.

Valuation of J. Crew Brands

RELIEF FROM ROYALTY CALCULATION - MADEWELL

Exhibit 1.2

	Forecast					Terminal
Millions	2020	2021	2022	2023	2024	Year
Madewell Royalty Income (1)	$26.8	$38.4	$41.8	$45.4	$49.5	$50.4
Taxes (2)	$6.9	$9.9	$10.7	$11.7	$12.7	$13.0
After-Tax Royalty	$19.9	$28.5	$31.0	$33.8	$36.7	$37.5
Terminal Value (3)(4)						$340.7
Partial Period Factor	0.386	1.000	1.000	1.000	1.000	1.000
Mid-year Convention	0.193	0.886	1.886	2.886	3.886	3.886
Present Value Factor (5)	0.977	0.897	0.794	0.703	0.622	0.622
Present Value	$7.5	$25.6	$24.7	$23.7	$22.9	$211.9
NPV of Royalty Income (Owner Value) (6)	**$316.2**					
Tax Amortization Benefit Factor (7)	0.118					
NPV with Amortization Benefit (FMV) (8)	**$353.5**					

INPUTS	
Terminal Growth Rate (4)	2.0%
Tax Rate (7)	25.7%
Discount Rate (5)	13.0%

Notes:

(1) Exhibit 1.3

(2) The statutory corporate income tax rate in the United States (including an average of state corporate income taxes) of 25.7%.

(3) Terminal value calculated as after tax cash flow divided by the difference between the discount rate and the terminal growth rate.

(4) Terminal growth rate derived from long-term US GDP growth as forecasted by the Federal Reserve. https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20200610.htm

(5) Exhibit 2.5

(6) As owner of the Subject Assets, the Company will not be eligible to step-up and amortize the value of the Subject Assets for tax purposes. Accordingly, the Owner Value is calculated excluding the Tax Amortization Benefit.

(7) Exhibit 2.7

(8) FMV: Fair Market Value
A Tax Amortization Benefit Factor is included in our FMV analysis to account for the ability to amortize purchase intangibles such as brands based on a 15-year life under Section 197 of the Internal Revenue Code.

(9) Valuation as of September 11, 2020 as asked to assume by counsel.

Valuation of J. Crew Brands

ROYALTY INCOME CALCULATION

Exhibit 1.3

	Forecast				
Millions	**2020**	**2021**	**2022**	**2023**	**2024**
J.Crew Royalty Base (1)	$1,165.4	$1,437.0	$1,446.5	$1,423.1	$1,429.4
Royalty Rate - J. Crew (2)	3.0%	3.0%	3.0%	3.0%	3.0%
J. Crew Royalty Income	$35.0	$43.1	$43.4	$42.7	$42.9
Madewell Royalty Base (1)	$536.1	$767.7	$835.8	$908.6	$989.1
Royalty Rate - Madewell (2)	5.0%	5.0%	5.0%	5.0%	5.0%
Madewell Royalty Income	$26.8	$38.4	$41.8	$45.4	$49.5

INPUTS	
Royalty Rate - J. Crew (2)	3.0%
Royalty Rate - Madewell (2)	5.0%

Notes:

(1) Exhibit 2.0

(2) Based on our consideration of comparable licenses (third-party brand licenses, J. Crew licenses, and implied royalties from market transactions), brand recognition, and profitability.
See Exhibit 2.2, Exhibit 2.3, and Exhibit 2.4.

Valuation of J. Crew Brands

HISTORICAL AND FORECASTED DOMESTIC REVENUES BY BRAND

Exhibit 2.0

	Historical (1) (2)			**Forecast** (1)				
Millions	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
J. Crew Revenues	$1,784.2	$1,738.8	$1,720.7	$1,165.4	$1,437.0	$1,446.5	$1,423.1	$1,429.4
Growth Rate	*N/A*	*-2.5%*	*-1.0%*	*-32.3%*	*23.3%*	*0.7%*	*-1.6%*	*0.4%*
Madewell Revenues	$460.1	$606.4	$720.8	$536.1	$767.7	$835.8	$908.6	$989.1
Growth Rate	*N/A*	*31.8%*	*18.9%*	*-25.6%*	*43.2%*	*8.9%*	*8.7%*	*8.9%*
Total J. Crew Group Brands Revenues	$2,244.4	$2,345.2	$2,441.6	$1,701.5	$2,204.7	$2,282.3	$2,331.6	$2,418.5
Growth Rate	*N/A*	*4.5%*	*4.1%*	*-30.3%*	*29.6%*	*3.5%*	*2.2%*	*3.7%*

Notes:

(1) Client-provided file entitled: "JCG Domestic Revenue By Brand (RV).xlsx"

(2) Non-GAAP internal revenue excludes shipping, handling and some other pass through costs that are included in revenue reported in the 10-K.

Valuation of J. Crew Brands

HISTORICAL AND FORECASTED PROFITABILITY BY BRAND

Exhibit 2.1

	Historical (1)				Forecast (2)				
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
J. Crew EBITDA Margin	18%	16%	9%	16%	-5%	6%	7%	6%	6%
Madewell EBITDA Margin	24%	31%	28%	28%	2%	14%	16%	17%	18%
Total J. Crew Group Consolidated EBITDA Margin	8%	10%	5%	10%	-3%	9%	10%	10%	11%

Notes:

(1) Client-provided file entitled: "JCG LRP MOR View Financials - Historicals (8).xlsx"
For the specific brands, the margins are based on the Channel EBITDA line item. Channel EBITDA does not include an allocation for corporate overhead (IT, Finance, HR, HQ, etc.).
Email with client, July 28, 2019.
For J. Crew Consolidated, the margins are based on Adjusted EBITDA.

(2) Client-provided files entitled: "PEO_Monet - DS Brand Split_EXT (3).xlsx" and "OT_CONFIDENTIAL_Monet - LRP EBITDA and revenue by brand - DRAFT - 20200602.xlsx"
Margins are based on Adjusted EBITDA. Adjusted EBITDA includes an allocation for Corporate Overhead (IT, Finance, HR., Corporate HQ rent, etc.). Email with client, July 28, 2019.

(3) The margins shown above are worldwide EBITDA margins.

Valuation of J. Crew Brands
COMPARABLE LICENSE AGREEMENTS
Exhibit 2.2

Licensor	Licensee	License Description	Effective Date	Royalty Base	Low Range	High Range	Upfront Fee/ Milestone Payment	Term	Territory	Exclusivity	Notes	Source
Yanuk Jeans, LLC	Blue Holdings, Inc.	Grant the right to use apparel items bearing the "U" trademark in connection with the design, development, manufacture, sale, marketing and distribution to the general wholesale and retail trade. Grant the right to use the brand names trademarked to YANUK JEANS, LLC to merchandise the apparel bearing the "U" trademark. Grant the right to adopt existing styles and designs of apparel bearing the "U" trademark presently being sold by YANUK JEANS, LLC and to design, develop, manufacture, sell, market and distribute such apparel bearing the "U" trademark to YANUK JEANS, LLC and to YANUK JEANS, LLC's parent, affiliate and subsidiary corporations, and to the general wholesale and retail trade.	10/5/2005	Net Sales	3.0%	5.0%	N/A	5 Years	Worldwide	Exclusive	- Three percent (3%) royalty is for Licensed Products which are imperfect, irregular or second quality. - Upfront royalty of $12,500 as an advance due upon execution of the royalty agreement.	(1)
Antik Denim, LLC	North Star, LLC	Grant the right to use the Property (trademarks, copyrights and pending patent) upon the Licensed Products (Knit apparel and headwear in all categories for men and women) in connection with the Licensed Products' design, development, manufacture, sale, marketing and distribution to the general wholesale and retail trade; and to use the brand names copyrighted and/or trademarked to Licensor to merchandise the Licensed Products.	10/1/2006	Net Sales	4.5%	10.0%	Minimum Royalties (see section 3(c) of the agreement).	1.5 Years (4 Automatic renewals of 1 year terms)	Worldwide	Exclusive	-Tiered royalty: First year royalty is 4.5% of Net Sales up to $4.0 million and 10% thereafter; Second year and thereafter, royalty is 10% of Net Sales. Royalty of 2.25% applicable to Licensed Products which are close-outs, overruns, imperfect, irregular or second quality during the First Term and 5% for all other terms. - Becomes Non-Exclusive is distribution terms are not met.	(1)
Tennman WR-T, Inc.	William Rast Sourcing, LLC ("WRS"); William Rast Licensing, LLC ("WRL")	The Parties desire to enter into this Agreement relating to the sale of WR Products (all apparel, apparel accessories and other merchandise which display, embody or make use of the William Rast® mark, and all related logos, graphics and artwork containing the word "William Rast", any related marks and/or any extensions or derivatives of any of them).	10/1/2011	Net Sales	2.5%	5.0%	Guaranteed minimum WRS royalty of two hundred thousand ($200,000) for year ending December 31, 2011, and four hundred thousand ($400,000) for each calendar year thereafter (see section 2.5).	N/A	N/A	Exclusive	- WRS royalty means an amount equal to: (i) 5.0% of Wholesale Net Sales, plus (ii) 2.5% of Retail Net Sales, and (iii) 25.0% of Sublicense Gross Consideration. WRL royalty means an amount equal to 50.0% of New License Net Cash (see section 2.2).	(1)
CONFIDENTIAL - Celebrity Designer Women's Apparel Brand	CONFIDENTIAL	Licensed product: Women's apparel.	2009	Net Sales	3.0%	4.0%	- Minimum royalty. - $150,000 per year Marketing Fee paid by Marketing Finance (Fiscal 2011 Only). - Gross Margin Share - 50% of GM$ over $25M or 40.0%. - Spend 1% of Net Sales on national magazine and TV advertising. Spend 3% of Net Sales on newspaper pre-prints.	8.25 years	United States	Exclusive	- 4% of Net Sales up to $75M, 3% of Net Sales greater than $75M.	(2)
CONFIDENTIAL - Women's Dress Brand	CONFIDENTIAL	Licensed product: Women's apparel.	2009	Net Sales	3.0%	5.0%	- Minimum royalty	5 years	United States	Exclusive	- 5% of Net Sales up to $100M, 3.5% of Net Sales between $100M and $200M, 3% greater than $200M.	(2)
CONFIDENTIAL - Women's Apparel Brand	CONFIDENTIAL	Licensed product: Women's apparel and accessories.	2008	Net Sales	4.0%	4.0%	- Minimum royalty - Sample yardage and original sample reimbursement are maximum amounts. Gross Margin Share - 50% of GM$ over $29.6M	10 years	United States	Exclusive	- Clothing line by celebrity designer CONFIDENTIAL.	(2)
American Rag Cie, LLC	Private Brands, Inc.	Amendment to exclusive license to use the "American Rag" trademarks to use, have used, manufacture, have manufactured, sell, have sold, distribute, have distributed, advertise, have advertised, promote, have promoted and sublicense consumer products, including cosmetics and personal care items; leather and non-leather goods; household decorative items, such as picture frames, figurines, and candles; housewares; pet accessories; carpets; paper goods, such as books, stationary, pencils, pens, photo albums, calendars, stickers; sporting goods, toys, games, party supplies and holiday decorations; eyeglasses and sunglasses; apparel, including footwear and headgear; jewelry, clocks, and watches; and linens, towels, blankets and tablecloths.	10/1/2008	Net Sales	1.1%	1.3%	Guaranteed Minimum Royalties (See section 4.2)	10 Years	Bermuda; Canada; Mexico; United States	Exclusive	- Royalty is 1.13% of net sales until sales of Licensed Products exceed $2 billion; thereafter, royalty is 1.25% of net sales.	(2)

Valuation of J. Crew Brands

COMPARABLE LICENSE AGREEMENTS

Exhibit 2.2

Page 2 of 3

Licensor	Licensee	License Description	Effective Date	Royalty Base	Low Range	High Range	Upfront Fee/ Milestone Payment	Term	Territory	Exclusivity	Notes	Source
Private Brands, Inc., as licensee from American Rag CIE, LLC	Macys Merchandising Group, LLC	Exclusive trademark sublicense to use the "American Rag CIE" trademark to use, manufacture, sell, have used, have manufactured and have sold men's clothing, including shirts, pants, suits, shorts and swimwear, but excluding denim clothing and products such as jeanswear.	3/7/2005	Net Sales	3.0%	5.0%	N/A	4.8 Years	Bermuda; Canada; United States	Exclusive	- Royalty is 3% of net sales sourced by Licensee, and 5% of net sales sourced by other entities.	(2)
CONFIDENTIAL - Plus-Size Retail Brand	CONFIDENTIAL	Licensed product: Women's apparel.	2008	Net Sales	5.0%	5.0%	- Minimum royalty. - $325k brand fee paid for by marketing.	9 years	United States	Exclusive	- CONFIDENTIAL Fashion Designer is the winner of season 14 of CONFIDENTIAL.	(2)
Elsa Peretti	Tiffany & Co.	Grant the right to apply the Peretti Trademarks (the trademarks ELSA PERETTI, Elsa Peretti (written in stylized signature script), PERETTI, the bean design, DIAMONDS BY THE YARD and PEARLS BY THE YARD) to the Peretti Products (rings, pins, bracelets, brooches, pendants, belts, earrings and comparable items, including bottles and flasks, which are worn or carried for personal adornment; and silver flatware, tabletop merchandise and earthenware) and to use the Peretti Trademarks to promote, advertise, display and sell the Peretti Products throughout the Territory. Grant the right to use the Peretti Designs under the Peretti Copyrights to make, have made, promote, import, export, advertise, display and sell Peretti Products throughout the Territory.	12/27/2012	Net Sales	5.0%	5.0%	Upfront payment of $47,258,824 (see section 2.1), which is not an advanced royalty.	20 Years	Argentina, Australia, Austria, Barbados, Belgium, Brazil, Canada, Cayman Islands, China, Czech Republic, France, Germany, Guam, Hong Kong, Indonesia, Ireland, Italy, Japan, Kazakhstan, Korea, Kuwait, Macau, Malaysia, Mexico, Netherlands, New Zealand, Russia, Saipan, Saudi Arabia, Singapore, Spain, St. Maarten, St. Thomas, Switzerland, Taiwan, Turkey, United Arab Emirates, United Kingdom, United States, Uruguay	Exclusive	- Royalty includes a Basic Royalty of four hundred and fifty thousand dollars ($450,000) per fiscal year and a Sales Royalty of five percent (5.0%) of Net Peretti Sales.	(1)
Phat Fashions LLC	Anthony L & S, LLC	Grant the right to utilize the Property (Phat Fashions LLC's right, title, and interest in and to the Trademarks - trademarks and copyrights including PHAT®, BABY PHAT®, and BABY PHAT GIRLZ®) solely in the Territory during the Term of this Agreement, and solely in connection with the manufacture, distribution, importation, advertising, promotion, marketing and sale of the articles and merchandise described herein as the Licensed Products (Female (Baby Phat): Women's and Girls' athletic footwear) and solely for sale at retail through the Licensed Channels of Distribution (certain DEPARTMENT STORES, SPECIALTY STORES, and INTERNET, DIRECT MAIL AND DIRECT MARKETING RETAILERS).	7/1/2012	Net Sales	5.0%	8.0%	Guaranteed Minimum Royalties equal to $1.2 million per year (see section 4(a)).	5.5 Years	United States Of America, Europe, Central America, Mexico, South America, Malaysia, Singapore, Caribbean, Asia, Australia, New Zealand, Canada, Middle East	Exclusive	- Royalty is eight percent (8%) of all Net Sales of all Licensed Products during the Initial Term; During subsequent renewal terms, the royalty rate is five percent (5%) of all Net Sales of all Licensed Products.	(1)
Bill Bass International, LLC	The Fashion House Inc.	Grant the right to use the trademark Bill Blass in connection with the manufacture, distribution and sale of women's shoes, all such items of the types, qualities and styles.	11/1/2005	Net Sales	3.5%	3.5%	Minimum Royalties (see paragraph 24 of the agreement).	5 Years	Worldwide (excluding Japan)	Multi-Exclusive	- Two percent (2%) of Net Sales each year paid to Licensor to be spent on advertising (see section 7.2).	(1)
CONFIDENTIAL - Fashion Designer	CONFIDENTIAL	Licensed product: Women's apparel.	2009	Net Sales	4.0%	4.0%	- Minimum royalty - Gross Margin Share - 50% of GM$ over $12M or 37.0%.	8 years	United States	Exclusive	N/A	(2)
CONFIDENTIAL - Fashion and Entertainment Magazine Brand	CONFIDENTIAL	Licensed product: Women's intimate apparel/sleepwear	2012	Net Sales	1.0%	3.0%	- Minimum royalty.	5.5 years	United States	Exclusive	- 1% of Net Sales up to $170M; 3% of Net Sales greater than $170M.	(2)
CONFIDENTIAL - Fashion Designer	CONFIDENTIAL	Licensed product: Girls' apparel, accessories, and footwear.	2012	Net Sales	3.0%	3.0%	- Minimum royalty.	1 year	United States	Exclusive	- Contract terminated November 2013, but cash payments made through August 2015 per contract.	(2)
CONFIDENTIAL - Children's Apparel Brand	CONFIDENTIAL	Licensed product: Children's.	10/4/2013	Net Sales	3.5%	3.5%	- Minimum royalty.	0.25 year	United States	Exclusive	- Approx. 500 shops. Contract terminated January 2014. - CONFIDENTIAL company is a baby and toddler brand.	(2)

Valuation of J. Crew Brands
COMPARABLE LICENSE AGREEMENTS
Exhibit 2.2

Page 3 of 3

Licensor	Licensee	License Description	Effective Date	Royalty Base	Low Range	High Range	Upfront Fee/ Milestone Payment	Term	Territory	Exclusivity	Notes	Source
CONFIDENTIAL - Men's Fashion Designer	CONFIDENTIAL	Licensed product: Men's apparel and footwear.	2013	Net Sales	3.5%	3.5%	- Minimum royalty.	0.5 year	United States	Exclusive	- Contract terminated August 2013. - CONFIDENTIAL Fashion Designer is a men's formal-wear celebrity designer.	(2)
CONFIDENTIAL - Fashion Designer	CONFIDENTIAL	Licensed product: Women's apparel.	2/1/2013	Net Sales	4.0%	4.0%	- Minimum royalty. - $100,000 per year Design Fee.	3 years	United States	Exclusive	N/A	(2)
CONFIDENTIAL - Girls and Teen Clothing	CONFIDENTIAL	Licensed products: Girls collection.	10/4/2013	Net Sales	3.25%	3.25%	- Minimum royalty. - Design fees of $100K.	2.75 years	United States	Exclusive	N/A	(2)
CONFIDENTIAL - Children's Apparel Brand	CONFIDENTIAL	Licensed products: Children's apparel, footwear, and accessories.	2014	Net Sales	4.0%	5.0%	- Minimum royalty.	0.5 years	United States	Exclusive	- 4% of Net Sales in Year 1; 4.5% of Net Sales in Years 2 and 3; 5% of Net Sales in Year 4. - Contract terminated January 2014.	(2)

Royalty Rate		
Minimum	1.0%	1.3%
Average	**3.4%**	**4.5%**
Median	**3.5%**	**4.0%**
Maximum	5.0%	10.0%

Notes:
(1) ktMINE Royalty Database
(2) From past Ocean Tomo engagements.

Valuation of J. Crew Brands

J. CREW GROUP, INC. LICENSE AGREEMENTS

Exhibit 2.3

Licensor	Licensee	License Description	Effective Date	Royalty Base	Low Range	High Range	Upfront Fee/ Milestone Payment	Term	Territory	Exclusivity	Notes	Source
J. Crew International, Inc.	Grace Holmes, Inc.	The licensor is the owner of the worldwide tradename, trademark and service mark rights, together with goodwill associated therewith, for the term "J. Crew". The licensee is desirous of using the Trademarks on a non-exclusive basis throughout the United States of America and Canada as a trademark and service mark in connection with a retail store business for the sale of clothing and associated products. License to use the "J. Crew" Trademarks as applicable, and all goodwill associated therewith, throughout the U.S. and Canada as a service mark in connection with the distribution and sale of clothing and associated products and services in a retail store business throughout the U.S. and Canada.	8/26/1992	Net Wholesale	3.0%	3.0%	N/A	2 Years	U.S. and Canada	Non-Exclusive	- License agreement was amended on August 21, 2007 and the royalty rate was reduced to zero.	(1)
J. Crew International, Inc.	H.F.D. No. 55, Inc.	Licensor is the worldwide owner of all right, title and interest of the "J. Crew" trade name, trademark and service mark, together with the applicable registrations and applications for registrations therefor. The Licensee is desirous of using the Trademarks on a non-exclusive basis throughout the U.S. and Canada as a trademark and service mark in connection with a retail store business for the sale of clothing and associated products. License to use the "J. Crew" Trademarks as applicable, and all goodwill associated therewith, throughout the U.S. and Canada as a service mark in connection with the distribution and sale of clothing and associated products and services in a retail store business throughout the U.S. and Canada.	8/26/1992	Net Sales	1.5%	1.5%	N/A	2 Years	U.S. and Canada	Non-Exclusive	- License agreement was amended on August 21, 2007 and the royalty rate was reduced to zero.	(1)
J. Crew International, Inc.	J. Crew, Inc.	Licensor is the worldwide owner of all right, title and interest of the "J. Crew" trade name, trademark and service mark, together with the applicable registrations and applications for registrations therefor. The Licensee is desirous of using the Trademarks on a non-exclusive basis throughout the U.S. and Canada as a trademark and service mark in connection with a retail store business for the sale of clothing and associated products. License to use the "J. Crew" Trademarks as applicable, and all goodwill associated therewith, worldwide as a service mark in connection with the distribution and sale of clothing and associated products and services in a retail store business worldwide.	8/26/1992	Net Sales	3.0%	3.0%	N/A	2 Years	Worldwide	Non-Exclusive	- Net sales are sales revenues for goods or services under the Trademarks, net of returns and net of sales to H.F.D. No. 55, Inc. and Grace Holmes, Inc., accrued in any fiscal quarter. - The license agreement was amended on August 21, 2007, and the royalty rate was reduced to zero.	(1)
J. Crew Group, Inc.	C. Itoh Fashion System Co., Ltd; C. Itoh & Co., Ltd.	Licensee wishes to obtain from Licensor, and Licensor wishes to grant to Licensee, the right, license and privilege to use the Licensed Mark (defined as the trademark "J. Crew") in connection with the manufacturing, importation, advertising, promotion, sale and distribution of J. Crew Merchandise. J. Crew Merchandise is defined as: all articles of apparel and all other articles of any kind now or hereafter manufactured, distributed or sold by Licensor under the Licensed Mark during the term of this Agreement.	4/6/1992	Net Wholesale	5.0%	5.0%	N/A	6 Years (5 Contract Years starting 1993)	Japan	Exclusive in Territory	- Agreement includes a guaranteed minimum annual royalty of $1.1 million (see Section 7.3).	(1)
J. Crew International, Inc.	Itochu Fashion System Co., Ltd.; Itochu Corporation	Extension of the Trademark License Agreement dated April 6, 1992.	11/4/1997	Net Wholesale	4.0%	4.0%	N/A	5 Years	Japan	Exclusive in Territory	- Agreement includes guaranteed minimum annual royalty of $1.3 million (see Schedule 1).	(1)
J. Crew International, Inc.	Itochu Fashion System Co., Ltd.; Itochu Corporation	Third Amendment of the Trademark License Agreement dated November 4, 1997.	11/8/2000	Net Wholesale	4.0%	4.8%	N/A	3 Years	Japan	Exclusive in Territory	- Royalty payments are equal to: 4.0% with respect to any Sublicensee other than Seiko Corp.; 4.8% with respect to Seiko Corp. (see Section 1.6).	(1)
J. Crew International, Inc.	Itochu Fashion System Co., Ltd.; Itochu Corporation	Twelfth Amendment of the Trademark License Agreement dated November 4, 1997.	10/29/2007	Net Sales	2.8%	4.0%	N/A	1 Year	Japan	Exclusive in Territory	- Royalty is 2.8% of the Retail Sales of J. Crew Merchandise sold by Licensee or any Sublicensee other than Seiko Optical; Royalty is 4.0% for Merchandise sold by Licensee and Seiko Optical as Sublicensee (see Section 4.6).	(1)

Royalty Rate		
Minimum	1.5%	1.5%
Average	**3.3%**	**3.6%**
Median	**3.0%**	**4.0%**
Maximum	5.0%	5.0%

Notes:
(1) Client-provided document

Valuation of J. Crew Brands
IMPLIED INDUSTRY TRANSACTION ROYALTY RATES
Exhibit 2.4

Licensor	Licensee	License Description	Effective Date	Royalty Base	Low Range	High Range	Upfront Fee/ Milestone Payment	Term	Territory	Exclusivity	Notes	Source
Rafaella Apparel Group, Inc.	Perry Ellis International, Inc.	Implied trademark royalty rate was derived from the Licensee's purchase price allocation produced for the acquisition of the Licensor.	1/7/2011	Net Sales	3.1%	4.5%	N/A	N/A	N/A	N/A	N/A	(1)(2)
Tommy Hilfiger B.V.	Phillips-Van Heusen Corp.	Implied trademark royalty rate was derived from the Licensee's purchase price allocation produced for the acquisition of the Licensor.	3/15/2010	Net Sales	5.8%	8.4%	N/A	N/A	N/A	N/A	N/A	(1)(2)
Lee Cooper®	Iconix Brand Group, Inc.	Implied trademark royalty rate was derived from the Licensee's purchase price allocation produced for the acquisition of the Licensor.	2/20/2013	Net Sales	2.2%	3.1%	N/A	N/A	N/A	N/A	N/A	(1)(2)
Bonita International GmbH & Co. KG	Tom Tailor A.G.	Implied trademark royalty rate was derived from the Licensee's purchase price allocation produced for the acquisition of the Licensor.	6/20/2012	Net Sales	4.1%	5.9%	N/A	N/A	N/A	N/A	N/A	(1)(2)
Boyner Büyük Mağazacılık A.Ş. ("Boyner")	Altinyildiz Mensucat ve Konfeksiyon Fabrikalari AS	Implied trademark royalty rate was derived from the Licensee's purchase price allocation produced for the acquisition of the Licensor.	8/26/2013	Net Sales	2.1%	3.0%	N/A	N/A	N/A	N/A	N/A	(1)(2)
Hallhuber GmbH	Gerry Weber A.G.	Implied trademark royalty rate was derived from the Licensee's purchase price allocation produced for the acquisition of the Licensor.	12/22/2014	Net Sales	2.4%	3.5%	N/A	N/A	N/A	N/A	N/A	(1)(2)
Witchery Australia Holdings Proprietary Limited	Woolworths Holdings Limited	Implied trademark royalty rate was derived from the Licensee's purchase price allocation produced for the acquisition of the Licensor.	8/1/2012	Net Sales	1.5%	2.2%	N/A	N/A	N/A	N/A	N/A	(1)(2)
Dudalina S.A.	Restoque Comercio e Confeccoes de Roupas S.A.	Implied trademark royalty rate was derived from the Licensee's purchase price allocation produced for the acquisition of the Licensor.	10/2/2014	Net Sales	2.3%	3.4%	N/A	N/A	N/A	N/A	N/A	(1)(2)
Poppy Holdco Limited (dba Phase Eight)	The Foschini Group Limited	Implied trademark royalty rate was derived from the Licensee's purchase price allocation produced for the acquisition of the Licensor.	1/15/2016	Net Sales	4.7%	6.8%	N/A	N/A	N/A	N/A	N/A	(1)(2)
J Brand Holdings, LLC	Fast Retailing Co. Ltd.	Implied trademark royalty rate was derived from the Licensee's purchase price allocation produced for the acquisition of the Licensor.	11/30/2012	Net Sales	7.8%	11.4%	N/A	N/A	N/A	N/A	N/A	(1)(2)
Jessica Simpson	Sequential Brands Group, Inc.	Implied trademark royalty rate was derived from the Licensee's purchase price allocation produced for the acquisition of the Licensor.	4/2/2015	Net Sales	3.7%	5.4%	N/A	N/A	N/A	N/A	N/A	(1)(2)
Ann Inc.	Ascena Retail Group, Inc.	Implied trademark royalty rate was derived from the Licensee's purchase price allocation produced for the acquisition of the Licensor.	8/21/2015	Net Sales	2.9%	4.3%	N/A	N/A	N/A	N/A	N/A	(1)(2)
Keen Reach Ltd. (holding company that owns Shenzhen Naersi Fashion Co., Ltd.	EEKA Fashion Holdings Ltd. (formerly known as Koradior Holdings Ltd.)	Implied trademark royalty rate was derived from the Licensee's purchase price allocation produced for the acquisition of the Licensor.	3/25/2019	Net Sales	3.2%	3.2%	N/A	N/A	N/A	N/A	N/A	(1)(2)
Janie and Jack	The Gap, Inc.	Implied trademark royalty rate was derived from the Licensee's purchase price allocation produced for the acquisition of the Licensor.	3/4/2019	Net Sales	1.6%	2.3%	N/A	N/A	N/A	N/A	N/A	(1)(2)
American Apparel®	Gildan Activewear Inc.	Implied trademark royalty rate was derived from the Licensee's purchase price allocation produced for the acquisition of the Licensor.	2/8/2017	Net Sales	3.9%	5.6%	N/A	N/A	N/A	N/A	N/A	(1)(2)

Valuation of J. Crew Brands
IMPLIED INDUSTRY TRANSACTION ROYALTY RATES
Exhibit 2.4

Page 2 of 2

Licensor	Licensee	License Description	Effective Date	Royalty Base	Low Range	High Range	Upfront Fee/ Milestone Payment	Term	Territory	Exclusivity	Notes	Source
IVN – Serviços Partilhados, SA (Salsa)	Sonae SGPS SA	Implied trademark royalty rate was derived from the Licensee's purchase price allocation produced for the acquisition of the Licensor.	12/31/2016	Net Sales	4.0%	4.0%	N/A	N/A	N/A	N/A	N/A	(1)(2)
Vionic Group LLC	Caleres, Inc.	Implied trademark royalty rate was derived from the Licensee's purchase price allocation produced for the acquisition of the Licensor.	10/18/2018	Net Sales	6.4%	8.3%	N/A	N/A	N/A	N/A	N/A	(1)(2)
Hi-Tec International Holdings BV	Cherokee, Inc.	Implied trademark royalty rate was derived from the Licensee's purchase price allocation produced for the acquisition of the Licensor.	12/7/2016	Net Sales	2.9%	4.3%	N/A	N/A	N/A	N/A	N/A	(1)(2)
Skagen Designs, Ltd.	Fossil Inc.	Implied trademark royalty rate was derived from the Licensee's purchase price allocation produced for the acquisition of the Licensor.	2018	Net Sales	3.0%	3.0%	N/A	N/A	N/A	N/A	N/A	(1)(2)

Royalty Rate		
Minimum	1.5%	2.2%
Average	**3.5%**	**4.9%**
Median	**3.1%**	**4.3%**
Maximum	7.8%	11.4%

Notes:
(1) Markables Trademark Value Database
(2) The Markables database provides estimates of implied royalty rates for transactions involving trademarks; the implied rates are estimated using the financial details of the transaction, along with assumptions of discount rates, tax rates, and revenue growth rates.
(3) Accessories are inclusive of those items not clearly defined in other Categories (e.g., scarves, hats, wallets, bags, table wear, etc.).

Valuation of J. Crew Brands
DISCOUNT RATE CALCULATION
Exhibit 2.5

WACC Method	
Industry Cost of Equity (1)	6.7%
Size Premium (1)	3.9%
Unsystematic Risk Factor (3)	3.0%
Cost of Equity (4)	13.6%
Pre-Tax Cost of Debt (5)	9.0%
Post-Tax Cost of Debt (6)	6.7%
Equity Financing Estimate (7)	60.0%
Debt Financing Estimate (7)	40.0%
Build-up Method WACC (8)	10.8%
Asset-Specific Risk (9)	2.5%
Discount Rate for IP	13.3%
Selected Discount Rate (rounded)	**13.0%**

Notes:
(1) Duff and Phelps Cost of Capital Navigator, accessed on 07.08.2020.
Industry Cost of Equity for the Discount Rate is the median cost of equity for SIC Code 56 as of 12.31.2019.
Size Premium was calculated using J. Crew's forecasted 2022 consolidated revenue.
(3) The Unsystematic Risk Factor is due to the company-specific risk of J. Crew executing on its sales forecasts as provided by management.
(4) The Cost of Equity is calculated as: [Industry Cost of Equity + Size Premium + Unsystematic Risk Factor].
(5) J. Crew's interest rate on its new term loans will be a rate of LIBOR plus 800 basis points payable in cash after September 11, 2021. See "J. Crew Projections.pdf", p. 4.
Client-provided file assumes 3-month LIBOR to be 1.0%. Therefore, the Pre-Tax Cost of Debt is calculated to be 9% (8% + 1%). See "Monet - DS Interest Schedule_v1.xlsx"
(6) Post-Tax Cost of Debt is calculated as: [Pre-Tax Cost of Debt x (1 - Tax Rate)]. See Exhibit 2.7.
(7) Exhibit 2.6
(8) The WACC is calculated as: [(Equity Financing Estimate x Cost of Equity) + (Debt Financing Estimate x Cost of Debt)]
(9) The Asset-Specific Risk is due to the greater risk of the brand (intangible asset that is being valued) compared to tangible assets.

Valuation of J. Crew Brands
GUIDELINE PUBLIC COMPANY ANALYSIS
Exhibit 2.6

Millions

Guideline Companies	Period-End Date	Market Value of Equity (1)	Total Interest Bearing Debt (1)	MVIC	Percent of Equity	Percentage of Debt
Ross Stores Inc. (NasdaqGS:ROST)	2/1/2020	$40,026.6	$3,487.9	$43,514.5	92.0%	8.0%
The Gap, Inc. (NYSE:GPS)	2/1/2020	$6,459.1	$7,677.0	$14,136.1	45.7%	54.3%
The TJX Companies, Inc. (NYSE:TJX)	2/1/2020	$70,794.9	$11,464.5	$82,259.4	86.1%	13.9%
Chico's FAS Inc. (NYSE:CHS)	2/1/2020	$460.6	$755.5	$1,216.1	37.9%	62.1%
Urban Outfitters Inc. (NasdaqGS:URBN)	1/31/2020	$2,508.2	$1,359.1	$3,867.3	64.9%	35.1%
American Eagle Outfitters, Inc. (NYSE:AEO)	2/1/2020	$2,404.7	$1,600.9	$4,005.6	60.0%	40.0%
Guess?, Inc. (NYSE:GES)	2/1/2020	$1,401.9	$1,195.8	$2,597.7	54.0%	46.0%
Abercrombie & Fitch Co. (NYSE:ANF)	2/1/2020	$1,027.2	$1,767.4	$2,794.6	36.8%	63.2%
H & M Hennes & Mauritz AB (publ) (OM:HM B)	11/30/2019	$31,945.6	$1,848.0	$33,793.6	94.5%	5.5%
Express Inc. (NYSE:EXPR)	2/1/2020	$256.3	$1,123.5	$1,379.8	18.6%	81.4%
Burlington Stores, Inc. (NYSE:BURL)	2/1/2020	$14,337.8	$3,629.5	$17,967.3	79.8%	20.2%
				Average:	60.9%	39.1%
				Median:	60.0%	40.0%
				Selected:	60.0%	40.0%
Qualitatively Considered (2)						
Ascena Retail Group Inc. (NasdaqGS:ASNA)	2/1/2020	$43.9	$2,107.5	$2,151.4	2.0%	98.0%
Stein Mart Inc. (NasdaqGS:SMRT)	2/1/2020	$42.3	$533.9	$576.2	7.3%	92.7%

Notes:
(1) Bloomberg Database (accessed on 7.23.2020)
(2) Ascena Retail Group Inc. and Stein Mart Inc. were considered qualitatively, but ultimately are not included in the calculation because both companies are in distress.

Valuation of J. Crew Brands

TAX AMORTIZATION BENEFIT (TAB) CALCULATION

Exhibit 2.7

Year (1)	**Years From Acquisition Date**	**Present Value Factors** (2)	**Undiscounted Portion of Value Amortized** (3)	**Discounted Portion of Value Amortized** (4)
1	0.50	0.9407	0.0667	0.0627
2	1.50	0.8325	0.0667	0.0555
3	2.50	0.7367	0.0667	0.0491
4	3.50	0.6520	0.0667	0.0435
5	4.50	0.5770	0.0667	0.0385
6	5.50	0.5106	0.0667	0.0340
7	6.50	0.4518	0.0667	0.0301
8	7.50	0.3999	0.0667	0.0267
9	8.50	0.3539	0.0667	0.0236
10	9.50	0.3132	0.0667	0.0209
11	10.50	0.2771	0.0667	0.0185
12	11.50	0.2452	0.0667	0.0163
13	12.50	0.2170	0.0667	0.0145
14	13.50	0.1921	0.0667	0.0128
15	14.50	0.1700	0.0667	0.0113
Sum of Discount Factors				0.4580
Tax Rate (5)				25.7%
Tax Amortization Benefit Factor (6)				**0.1177**

INPUTS	
Tax Rate (5)	25.7%
Discount Rate (7)	13.0%

Notes:

(1) Section 197 of the Internal Revenue Code.
(2) Calculated using the formula: = 1/((1+Discount Rate) ^ (Years From Acquisition Date)).
(3) Calculated as 1/15 years of amortization.
(4) Calculated as Present Value Factors x Undiscounted Portion of Value Amortized.
(5) The statutory corporate income tax rate in the United States (including an average of state corporate income taxes) of 25.7%.
(6) Calculated as: Sum of Discounted Portion of Value Amortized * Tax Rate.
(7) Exhibit 2.5

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GREGORY CAMPANELLA
CURRICULUM VITAE

July 31, 2020

Greg Campanella is the Managing Director and leader of Ocean Tomo's Valuation practice. The practice area appraises intellectual property for acquisitions and divestitures, bankruptcy and restructuring, establishment of intellectual property monetization strategies including licensing, mergers and joint venture/partnership formations, litigation support, and financial reporting and tax matters. The practice also has experience valuing business enterprises and equity interests.

Greg has provided valuation, transaction and financial advisory assistance for more than 19 years; and during that time, he has performed hundreds of valuations in a wide range of industries including technology, life sciences, healthcare, aerospace and defense, manufacturing, media and entertainment, gaming and real estate.

Greg's valuation experience includes business enterprise valuation, including significant experience with the valuation of control and minority equity interests, debt instruments, and the valuation complex financial instruments. He also has significant experience with the valuation of intangible assets including software, patented and unpatented technology, trademarks and trade names, customer lists, customer contracts, covenants not to compete and other intellectual property assets.

Greg's experience also includes public and private company transaction advisory where his experience includes buy and sell-side transaction support for technology, healthcare, media and entertainment, and gaming companies.

Before joining Ocean Tomo, Greg has led various regional practices at firms like Grant Thorton, Alvarez & Marsal, and Navigant Capital Advisors.

Greg earned his bachelor's degree in quantitative economics from the University of California, San Diego, his Juris Doctor from Loyola University of Chicago and a master's degree in business administration with concentrations in accounting and finance from the University of Southern California.

Mr. Campanella is an Accredited Senior Appraiser (ASA) and a member of the American Institute of Restructuring Advisors.

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Practice Leader, Managing Director, Ocean Tomo, LLC, 2017 - Present

Midwest Practice Leader, Managing Director, Grant Thorton LLP, 2015 - 2016

Managing Director, Alvarez & Marsal, LLC, 2012 - 2015

Managing Director, Navigant Capital Advisors, 2011 - 2012

Senior Manager, Ernst & Young Transaction Advisory Services, 2005 - 2010

Director, Corporate Development, Ameristar Casinos 2004 - 2005

Senior Manager, Manager, Senior Analyst, Ernst & Young, 1998 – 2004

Co-Founder, American Internet Connection, 1995-1997

EXPERT TESTIMONY

Have not been disclosed or retained as a testifying expert in any prior matter

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PUBLICATIONS

"Corporate Borrower: COVID-19 and Business Loan Foreclosure," *Ocean Tomo White Paper*, March 2020.

"Accounting for Assets and Liabilities Post Bankruptcy," *Ocean Tomo White Paper*, March 2020.

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EXHIBIT B

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