

J JILL GROUP INC
Form 10-Q
November 09, 2001

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE QUARTER ENDED SEPTEMBER 29, 2001**

or

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

Commission file number 0-22480

The J. Jill Group, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

04-2973769

(I.R.S. Employer Identification No.)

**4 Battery March Park
Quincy, MA**

(Address of Principal Executive Offices)

02169

(Zip Code)

Registrant's telephone number, including area code: (617) 376-4300

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

Shares outstanding of the Registrant's common stock (par value \$0.01) at October 26, 2001: 11,999,178

THE J. JILL GROUP, INC.

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FOR THE QUARTER ENDED SEPTEMBER 29, 2001

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THE J. JILL GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

| | <u>September 29, 2001</u> | <u>September 23, 2000</u> | <u>December 30, 2000</u> |
|-----------------------------|-------------------------------|-------------------------------|------------------------------|
| | (restated) | | |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 11,316 | \$ 1,174 | \$ 1,594 |
| Cash held in escrow | 660 | 507 | 407 |
| Accounts receivable | 4,104 | 2,293 | 8,479 |
| Assets held for sale | | 2,281 | |
| Inventory | 49,102 | 40,988 | 37,874 |
| Prepaid catalog expenses | 5,058 | 4,977 | 4,116 |
| Deferred income taxes | 7,536 | 8,544 | 7,455 |
| Other current assets | 3,162 | 1,230 | 1,951 |
| | <u>80,938</u> | <u>61,994</u> | <u>61,876</u> |
| Property and equipment, net | 78,274 | 56,688 | 65,194 |
| Deferred income taxes | 827 | 2,075 | 1,702 |
| Other non-current assets | 1,592 | 1,755 | 1,365 |
| | <u>159,223</u> | <u>112,516</u> | <u>132,032</u> |

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| | September 29, 2001 | September 23, 2000 | December 30, 2000 |
|--|-----------------------|-----------------------|----------------------|
| Total assets | \$ 161,631 | \$ 122,512 | \$ 130,137 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 12,136 | \$ 17,569 | \$ 15,625 |
| Accrued expenses | 11,179 | 10,451 | 12,192 |
| Accrued customer returns | 5,707 | 5,615 | 6,733 |
| Current portion of long-term debt | 1,840 | 6,909 | 4,010 |
| Total current liabilities | 30,862 | 40,544 | 38,560 |
| Long-term debt, less current portion | 15,990 | 17,755 | 17,375 |
| Deferred credits from landlords | 9,746 | 2,124 | 4,960 |
| Commitments | | | |
| Stockholders' equity: | | | |
| Special preferred stock (par value \$0.01) 1,000,000 shares authorized | | | |
| Common stock (par value \$0.01) 30,000,000 shares authorized, 11,999,178, 10,044,797 and 10,156,662 shares issued and outstanding as of September 29, 2001, September 23, 2000 and December 30, 2000, respectively | 120 | 100 | 102 |
| Additional paid-in capital | 93,161 | 63,060 | 63,518 |
| Retained earnings (accumulated deficit) | 11,752 | (1,071) | 5,622 |
| Total stockholders' equity | 105,033 | 62,089 | 69,242 |
| Total liabilities and stockholders' equity | \$ 161,631 | \$ 122,512 | \$ 130,137 |

The accompanying notes are an integral part of the consolidated financial statements.

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THE J. JILL GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

| | Three Months Ended | | Nine Months Ended | |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 29, 2001 | September 23, 2000 | September 29, 2001 | September 23, 2000 |
| Net sales | \$ 65,808 | \$ 57,852 | \$ 195,333 | \$ 157,937 |
| Cost of products and merchandising | 44,003 | 36,718 | 132,715 | 104,222 |
| Gross margin | 21,805 | 21,134 | 62,618 | 53,715 |

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| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|----------|-------------------|----------|
| | | | | |
| Selling, general and administrative expenses | 16,839 | 14,805 | 51,434 | 42,303 |
| Income before interest, taxes and cumulative effect | 4,966 | 6,329 | 11,184 | 11,412 |
| Interest, net | 216 | 327 | 615 | 931 |
| Income before taxes and cumulative effect | 4,750 | 6,002 | 10,569 | 10,481 |
| Income tax provision | 1,995 | 2,516 | 4,439 | 4,350 |
| Income before cumulative effect | 2,755 | 3,486 | 6,130 | 6,131 |
| Cumulative effect of accounting change, net of tax | | | | (65) |
| Net income | \$ 2,755 | \$ 3,486 | \$ 6,130 | \$ 6,066 |

Earnings per share:

| <i>Basic</i> | | | | |
|--|---------|---------|---------|---------|
| Income before cumulative effect | \$ 0.23 | \$ 0.35 | \$ 0.52 | \$ 0.61 |
| Cumulative effect of accounting change, net of tax | | | | (0.01) |
| Net income | \$ 0.23 | \$ 0.35 | \$ 0.52 | \$ 0.61 |

| <i>Diluted</i> | | | | |
|--|---------|---------|---------|---------|
| Income before cumulative effect | \$ 0.22 | \$ 0.34 | \$ 0.50 | \$ 0.60 |
| Cumulative effect of accounting change, net of tax | | | | (0.01) |
| Net income | \$ 0.22 | \$ 0.34 | \$ 0.50 | \$ 0.59 |

Weighted average shares outstanding:

| | | | | |
|---------|--------|--------|--------|--------|
| Basic | 11,951 | 10,037 | 11,702 | 10,019 |
| Diluted | 12,541 | 10,401 | 12,379 | 10,286 |

The accompanying notes are an integral part of the consolidated financial statements.

THE J. JILL GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

| Nine Months Ended | |
|-----------------------|-----------------------|
| September 29, 2001 | September 23, 2000 |
| | (restated) |

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| | Nine Months Ended | |
|--|-------------------|-----------------|
| Cash flows provided by operating activities: | | |
| Net income | \$ 6,130 | \$ 6,066 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 6,123 | 3,915 |
| Deferred income taxes | 794 | 2,529 |
| Changes in assets and liabilities: | | |
| Decrease in accounts receivable | 4,375 | 2,568 |
| Increase in inventory | (11,228) | (19,283) |
| Increase in prepaid catalog expenses | (942) | (1,014) |
| Increase in other assets | (1,438) | (527) |
| Increase (decrease) in accounts payable | (3,690) | 11,042 |
| Increase (decrease) in accrued expenses | (943) | 1,223 |
| Decrease in accrued customer returns | (1,026) | (1,742) |
| Increase in deferred credits from landlords | 4,786 | 2,124 |
| Net cash provided by operating activities | 2,941 | 6,901 |
| Cash flows used in investing activities: | | |
| Increase in cash held in escrow | (253) | (59) |
| Additions to property and equipment | (19,072) | (13,758) |
| Net cash used in investing activities | (19,325) | (13,817) |
| Cash flows provided by financing activities: | | |
| Borrowings under debt agreements | 37,295 | 5,360 |
| Payments of debt borrowings | (40,850) | (2,931) |
| Proceeds from stock transactions | 29,661 | 161 |
| Net cash provided by financing activities | 26,106 | 2,590 |
| Net increase (decrease) in cash and cash equivalents | 9,722 | (4,326) |
| Cash and cash equivalents at: | | |
| Beginning of period | 1,594 | 5,500 |
| End of period | \$ 11,316 | \$ 1,174 |
| Supplemental information: | | |
| Non-cash investing activities: | | |
| Construction in progress accrued, not paid | \$ 1,866 | \$ 147 |

The accompanying notes are an integral part of the consolidated financial statements.

THE J. JILL GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

The financial statements included herein have been prepared by The J. Jill Group, Inc. (together with its wholly owned consolidated subsidiaries, the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and in the opinion of management contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and

regulations. Accordingly, although the Company believes that the disclosures are adequate to make the information presented not misleading, these financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2000 ("fiscal 2000"). As a retailer, the Company is subject to seasonal fluctuations in net sales. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

A. Nature of business:

The Company is a specialty retailer of high quality women's apparel, accessories and footwear that markets its products through its catalogs, retail stores and e-commerce website.

B. Summary of significant accounting policies:

Cumulative effect of accounting change

Effective as of December 26, 1999, the Company changed its revenue recognition policy to be in accordance with the provisions of the Securities and Exchange Commission's Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." Under SAB 101, revenue is recognized at time of customer receipt rather than upon shipment of goods to the customer. The cumulative effect of this change for periods prior to fiscal 2000 totaled \$65,000, net of taxes of \$41,000, and is reflected in the first quarter of fiscal 2000. In addition, as a result of this change in accounting policy, the consolidated financial statements and the notes thereto for the third quarter of fiscal 2000 and the nine months ended September 23, 2000 have been restated.

Reclassifications

Certain amounts in the prior year financial statements and related notes have been reclassified to conform to current period presentation.

C. Issuance of common stock:

On February 6, 2001, the Company issued and sold an aggregate of 1,710,000 shares of its common stock (the "Restricted Shares") to accredited institutional investors in a private placement under Rule 506 under the Securities Act of 1933. The Restricted Shares were sold for cash at a price of \$18.00 per share, for gross proceeds of \$30,780,000. The purchase price was established on January 23, 2001 and represented an 18% discount from the Nasdaq closing price on that date. The Company paid a fee of 6.0% of the gross proceeds from the sale of the Restricted Shares to the Company's placement agent for the sale of the Restricted Shares, and incurred other expenses of approximately \$227,000 in the transaction, resulting in net proceeds to the Company, after placement agent fees and other expenses, of \$28,706,000. On February 21, 2001 a registration statement on Form S-3 relating to resale of the Restricted Shares became effective.

D. Assets held for sale:

During December 2000, the Company sold its former warehouse and distribution center in Meredith, New Hampshire to a third party. This asset had been classified as assets held for sale in the accompanying consolidated balance sheet at September 23, 2000.

E. Debt:

The Company's credit facilities at September 29, 2001 consisted of (i) a \$50,000,000 revolving credit facility (the "Revolving Credit Facility"); (ii) a \$12,000,000 real estate loan (the "Tilton Facility Loan"); (iii) a \$9,500,000 equipment loan (the "Equipment Loan"); and (iv) a \$980,000 furniture loan (the "Furniture Loan").

The Company entered into the Revolving Credit Facility on June 29, 2001 to replace its prior revolving credit facility. The Revolving Credit Facility was subsequently amended to, among other things, change the maximum number of new retail store openings allowed under the agreement from 25 per year for fiscal 2001 and fiscal 2002 to 50 for the two-year period with no annual maximum. The Revolving Credit Facility is collateralized by substantially all the personal property, both tangible and intangible, of the Company. The Revolving Credit Facility matures on June 1, 2003 and at September 29, 2001 bore interest at 6.00% per annum. The amount available under the Revolving Credit Facility is reduced by outstanding borrowings and outstanding letters of credit. Outstanding borrowings may not exceed \$20,000,000 and bear interest at an annual rate equal to the prime lending rate announced by one of the participating banks or the LIBOR lending rate. There were no outstanding borrowings on the Revolving Credit Facility at September 29, 2001. At September 23, 2000 borrowings under the prior revolving credit facility

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totaled \$3,785,000. Outstanding letters of credit totaled \$8,290,000 at September 29, 2001 compared to \$17,972,000 under the prior revolving credit facility at September 23, 2000. Availability under the Revolving Credit Facility at September 29, 2001 was \$41,710,000. Outstanding letters of credit do not bear interest. The Company is required to pay a commitment fee of $\frac{1}{4}$ of 1% per annum on the unused portion of the Revolving Credit Facility.

The Tilton Facility Loan is collateralized by a mortgage lien on the Company's operations and fulfillment center in Tilton, New Hampshire (the "Tilton facility"). The Tilton facility is owned by Birch Pond Realty Corporation, a wholly owned subsidiary of The J. Jill Group, Inc., and leased to The J. Jill Group, Inc. Payments of principal and interest on the Tilton Facility Loan, a 10-year loan, are due monthly, based on a 20-year amortization, with a balloon payment of the remaining balance payable on April 1, 2009. The interest rate on the Tilton Facility Loan is fixed at 7.30% per annum. The Equipment Loan is collateralized by substantially all of the Company's materials handling equipment. The Equipment Loan requires monthly payments of principal and interest through its maturity on December 1, 2005, and has a weighted average interest rate of 7.62% per annum. The Furniture Loan is collateralized by certain workstations and office furniture. Interest on the Furniture Loan is fixed at 6.25% per annum and requires monthly payments of principal and interest through its maturity on March 30, 2002.

The Company's credit facilities contain various lending conditions and covenants including restrictions on permitted liens. Certain credit facilities also require compliance with certain debt service coverage and other financial ratios. The Company was in compliance with the financial covenants associated with its credit facilities as of and for the quarters ended September 29, 2001 and September 23, 2000. At September 29, 2001 the Company estimated the fair value of its outstanding borrowings to be \$19,634,000.

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A summary of the Company's outstanding long-term debt follows (in thousands):

| | September 29, 2001 | September 23, 2000 | December 30, 2000 |
|---|-----------------------|-----------------------|----------------------|
| Real estate loans | \$ 11,334 | \$ 12,938 | \$ 11,555 |
| Equipment loans | 6,215 | 7,393 | 7,108 |
| Furniture loans | 176 | 540 | 458 |
| Revolving credit borrowings | | 3,785 | 2,120 |
| Capitalized lease obligations | 105 | 8 | 144 |
| Total long-term debt | 17,830 | 24,664 | 21,385 |
| Less current maturities | 1,840 | 6,909 | 4,010 |
| Long-term debt, less current portion | \$ 15,990 | \$ 17,755 | \$ 17,375 |

F. Earnings per share:

A reconciliation of the numerators and denominators of the basic and diluted earnings per share ("EPS") computations follows (in thousands, except per share data):

| | Three Months Ended | | Nine Months Ended | |
|--|-----------------------|-------------------------------------|-----------------------|-------------------------------------|
| | September 29, 2001 | September 23, 2000 (restated) | September 29, 2001 | September 23, 2000 (restated) |
| <i>Numerator:</i> | | | | |
| Income before cumulative effect | \$ 2,755 | \$ 3,486 | \$ 6,130 | \$ 6,131 |
| Cumulative effect of accounting change, net of tax | | | | (65) |
| Net income | \$ 2,755 | \$ 3,486 | \$ 6,130 | \$ 6,066 |

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| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|---------|-------------------|---------|
| Denominator (shares): | | | | |
| Basic weighted average shares outstanding | 11,951 | 10,037 | 11,702 | 10,019 |
| Assumed exercise of stock options | 590 | 364 | 677 | 267 |
| Diluted weighted average shares outstanding | 12,541 | 10,401 | 12,379 | 10,286 |
| Earnings per share: | | | | |
| <i>Basic</i> | | | | |
| Income before cumulative effect | \$ 0.23 | \$ 0.35 | \$ 0.52 | \$ 0.61 |
| Cumulative effect of accounting change, net of tax | | | | (0.01) |
| Net income | \$ 0.23 | \$ 0.35 | \$ 0.52 | \$ 0.61 |
| <i>Diluted</i> | | | | |
| Income before cumulative effect | \$ 0.22 | \$ 0.34 | \$ 0.50 | \$ 0.60 |
| Cumulative effect of accounting change, net of tax | | | | (0.01) |
| Net income | \$ 0.22 | \$ 0.34 | \$ 0.50 | \$ 0.59 |

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At September 29, 2001 and September 23, 2000, of the options then outstanding, options to purchase 147,500 and 100,000 shares of common stock, respectively, were excluded from the computation of diluted EPS on the basis that such options were antidilutive. During April 2000, the Company paid \$58,000 to certain option holders as an incentive to have their options cancelled. As a result of this incentive, a total of 879,000 outstanding options were cancelled.

G. Commitments:

During the nine months ended September 29, 2001 the Company entered into leases for 23 retail stores, each having terms of approximately ten years. At September 29, 2001 the future minimum lease payments for these 23 operating leases were as follows (in thousands):

| | |
|----------------------------------|------------------|
| For the remainder of fiscal 2001 | \$ 838 |
| Fiscal 2002 | 4,289 |
| Fiscal 2003 | 4,430 |
| Fiscal 2004 | 4,492 |
| Fiscal 2005 | 4,572 |
| Thereafter | 29,421 |
| Total | \$ 48,042 |

These lease commitments are in addition to the lease commitments identified in Note K of the Company's Annual Report on Form 10-K for fiscal 2000. Between September 29, 2001 and October 26, 2001, the Company entered into leases for two additional retail stores, each having lease termination dates in 2011.

H. Deferred credits from landlords:

Deferred credits from landlords relate to the Company's retail store leases. The benefit of these deferred credits is recognized over the lease term.

I. Segment information:

The Company currently has two reportable business segments, direct and retail. Each segment is separately managed and utilizes distinct distribution, marketing and inventory management strategies. The direct segment markets merchandise through catalogs and an e-commerce

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website. The retail segment markets merchandise through retail stores. Results from the Company's catalog outlet stores and the discontinued Nicole Summers catalog are included in the direct segment. Prior to the third quarter of fiscal 2000, the Company aggregated its direct and retail segments. Segment reporting is intended to give financial statement users a view of the Company "through the eyes of management." The Company's internal management reporting is the basis for the information disclosed for its business segments.

The Company evaluates its segment profitability based on the direct contribution of each segment. Direct contribution represents each segment's net sales less direct costs related to the segment's operations. Direct costs for both segments include merchandise acquisition and control costs and provisions for markdowns. Direct costs also include catalog costs, certain order processing costs and e-commerce selling costs for the direct segment and retail store selling, occupancy and administrative costs for the retail segment. Direct contribution less unallocated shared-service costs and general and

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administrative expenses is equal to income before interest, taxes and cumulative effect. Unallocated shared-service costs include distribution and warehousing costs as well as merchandising and product development costs. General and administrative expenses include corporate executive management costs, support service costs (e.g. shared information systems, finance and human resources) and corporate headquarters occupancy costs. Segment assets are those that are directly used in or identified with segment operations, including inventory in stores, fixed assets primarily related to store construction, accounts receivable and other operating assets. Unallocated assets include corporate cash and cash equivalents, the Company's corporate headquarters and distribution facility, corporate information systems, deferred tax amounts, all inventory except inventory in stores, assets held for sale and other corporate assets. Inter-segment balances and transactions have been eliminated. The following tables provide financial information by segment and a reconciliation of segment direct contribution to income before interest, taxes and cumulative effect (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|--|-----------------------|---|-----------------------|---|
| | September 29, 2001 | September 23, 2000 (restated) | September 29, 2001 | September 23, 2000 (restated) |
| Net sales | | | | |
| Direct | \$ 47,852 | \$ 51,195 | \$ 151,285 | \$ 147,208 |
| Retail | 18,231 | 6,955 | 45,081 | 11,535 |
| Other (1) | (275) | (298) | (1,033) | (806) |
| Total net sales | \$ 65,808 | \$ 57,852 | \$ 195,333 | \$ 157,937 |
| Direct contribution reconciliation | | | | |
| Direct | \$ 13,835 | \$ 14,823 | \$ 39,678 | \$ 37,351 |
| Retail | 900 | 626 | 740 | (276) |
| Total direct contribution | 14,735 | 15,449 | 40,418 | 37,075 |
| Unallocated shared-service costs | (5,467) | (5,106) | (16,416) | (14,416) |
| General and administrative expenses | (4,302) | (4,014) | (12,818) | (11,247) |
| Income before interest, taxes and cumulative effect | \$ 4,966 | \$ 6,329 | \$ 11,184 | \$ 11,412 |

(1) Other represents certain sales allowances not specifically attributable to the direct or retail business segments.

| | Direct | Retail | Unallocated Assets | Total |
|-------------------------------|----------|-----------|-----------------------|------------|
| Identifiable assets | | | | |
| September 29, 2001 | \$ 4,949 | \$ 50,898 | \$ 105,784 | \$ 161,631 |
| September 23, 2000 (restated) | \$ 5,658 | \$ 17,546 | \$ 99,308 | \$ 122,512 |

J. Risks and uncertainties

The Company experienced a decrease in customer demand following the terrorist attacks on September 11, 2001. None of the Company's employees were lost or injured and none of the Company's properties or records were damaged as a result of the attacks. The Company cannot predict

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the long-term impact of the September 11, 2001 events, or of the domestic and foreign response to the attacks, on the financial condition and results of operations of the Company.

K. Recent accounting standards

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets." This pronouncement modifies the rules for accounting for the impairment or disposal of long-lived assets. The new rules will become effective for fiscal years beginning after December 15, 2001, with earlier application encouraged. The Company has not yet determined the impact, if any, of implementing SFAS 144 on the Company's consolidated financial statements.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Form 10-Q, including the following discussion, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve substantial risks and uncertainties. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, the words "projected," "anticipated," "planned," "expected" and similar expressions are intended to identify forward-looking statements. In particular, statements regarding future financial targets or trends are forward-looking statements. Forward-looking statements are not guarantees of the Company's future financial performance, and undue reliance should not be placed on them. The Company's actual results, performance or achievements may differ significantly from the results discussed in or implied by the forward-looking statements. Factors that might cause such a difference include, but are not limited to, the following: the continued success or possible future failure of the retail store initiative; the ability of the Company to effectively manage its operations and growth in a multiple distribution channel environment; significant changes in customer acceptance of the Company's product offerings; changes in competition in the apparel industry; changes in consumer spending, fashion trends and consumer preferences; changes in, or the failure to comply with, federal and state tax and other government regulations; the customary risks of purchasing merchandise abroad, including longer lead times, higher initial purchase commitments and foreign currency fluctuations; possible future increases in expenses and labor and employee benefit costs; the ability of the Company to attract and retain qualified personnel; business abilities and judgment of management; the existence or absence of brand awareness; the existence or absence of publicity, advertising and promotional efforts; the success or failure of operating initiatives; the mix of the Company's sales between full price and liquidation merchandise; general economic and business conditions and other factors. See also Item 1A, Risk Factors, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2000 ("fiscal 2000"). The Company disclaims any intent or obligation to update any forward-looking statements.

Overview

The J. Jill Group, Inc. (together with its wholly owned consolidated subsidiaries, the "Company"), is a specialty retailer of high quality women's apparel, accessories and footwear that markets its products through its catalogs, retail stores and e-commerce website. The Company currently has two reportable business segments, direct and retail. Each segment is separately managed and utilizes distinct distribution, marketing and inventory management strategies. The direct segment markets merchandise through catalogs and an e-commerce website. The retail segment markets merchandise through retail stores.

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The Company recorded net sales of \$65.8 million during the three months ended September 29, 2001 ("third quarter fiscal 2001") compared to \$57.9 million during the three months ended September 23, 2000 ("third quarter fiscal 2000"). Income before interest, taxes and cumulative effect ("operating income") was \$5.0 million, or 7.5% of net sales for third quarter fiscal 2001, compared to \$6.3 million, or 10.9% of net sales for third quarter fiscal 2000. Net income was \$2.8 million, or \$0.22 per diluted share for third quarter fiscal 2001, compared to \$3.5 million, or \$0.34 per diluted share for third quarter fiscal 2000.

For the nine months ended September 29, 2001, the Company recorded net sales of \$195.3 million compared to \$157.9 million for the nine months ended September 23, 2000. Operating income was \$11.2 million, or 5.7% of net sales for the nine months ended September 29, 2001, compared to \$11.4 million, or 7.2% of net sales for the nine months ended September 23, 2000. Net income was \$6.1 million, or \$0.50 per diluted share for the nine months ended September 29, 2001, compared to \$6.1 million, or \$0.59 per diluted share for the nine months ended September 23, 2000.

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Risks and Uncertainties

The Company experienced a decrease in customer demand following the terrorist attacks on September 11, 2001. The Company estimates that the impact of these events on third quarter fiscal 2001 was lost sales of approximately \$2.4 million and lost diluted earnings per share of approximately \$0.05. The Company's retail business returned to pre-September 11, 2001 run rates within a week of the attacks and the Company's direct business rebounded with the mailing of its Holiday catalog at the end of September. However, because a catalog typically generates sales for several months after mailing, the Company expects the impact of the events of September 11, 2001 to continue through the fourth quarter of fiscal 2001. The Company estimates that the additional impact will result in lost sales of approximately \$1.1 million and lost diluted earnings per share of approximately \$0.03 in the fourth quarter of fiscal 2001. None of the Company's employees were lost or injured and none of the Company's properties or records were damaged as a result of the attacks. The Company cannot predict the long-term impact of the September 11, 2001 events, or of the domestic and foreign response to the attacks, on the financial condition and results of operations of the Company.

Results of Operations

The following table presents the Company's consolidated statements of operations expressed as a percentage of net sales and certain selected operating data. Certain amounts for third quarter fiscal

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2000 and the nine months ended September 23, 2000 have been restated. See "Cumulative Effect of Accounting Change."

| | Three Months Ended | | Nine Months Ended | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 29, 2001 | September 23, 2000 | September 29, 2001 | September 23, 2000 |
| | | (restated) | | (restated) |
| Consolidated Statements of Operations: | | | | |
| Net sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of products and merchandising | 66.9 | 63.5 | 68.0 | 66.0 |
| <hr style="border: 0.5px solid black;"/> | | | | |
| Gross margin | 33.1 | 36.5 | 32.0 | 34.0 |
| Selling, general and administrative expenses | 25.6 | 25.6 | 26.3 | 26.8 |
| <hr style="border: 0.5px solid black;"/> | | | | |
| Income before interest, taxes and cumulative effect | 7.5 | 10.9 | 5.7 | 7.2 |
| Interest, net | 0.3 | 0.6 | 0.3 | 0.6 |
| <hr style="border: 0.5px solid black;"/> | | | | |
| Income before taxes and cumulative effect | 7.2 | 10.3 | 5.4 | 6.6 |

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| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|------|-------------------|------|
| | | | | |
| Income tax provision | 3.0 | 4.3 | 2.3 | 2.8 |
| Income before cumulative effect | 4.2 | 6.0 | 3.1 | 3.8 |
| Cumulative effect of accounting change, net of tax | | | | |
| Net income | 4.2% | 6.0% | 3.1% | 3.8% |

Selected Operating Data (1):

Direct:

Circulation (2):

Catalogs (in thousands) 13,100 14,600 44,100 45,500

Square inches (in millions) 85,200 96,400 290,900 297,800

Twelve-month buyers (3) 1,019,000 983,000 1,019,000 983,000

Retail (4):

Stores open

Beginning of period 30 7 22 2

End of period 37 12 37 12

Store weeks in operation (5) 428 107 1,086 198

Total Company:

J. Jill private label credit card holders 270,000 180,000 270,000 180,000

Customer e-mail addresses 642,000 401,000 642,000 401,000

- (1) All selected operating data exclude data related to the discontinued Nicole Summers catalog concept.
- (2) In order to more closely match net sales to circulation, the Company calculates circulation on a percentage of completion basis. Catalog circulation takes into account the total number of catalogs mailed during all periods and the Company's estimate of the expected sales life of each catalog edition. Square inches circulated also takes into account the page count and page size of the catalogs circulated during the period.
- (3) As used throughout this Form 10-Q, the term "twelve-month buyers" means customers who have placed a catalog or e-commerce order with the Company within the previous twelve months.
- (4) Retail information relates to the Company's retail stores only and does not include data for the Company's catalog outlet stores.
- (5) The number of store weeks in operation refers to the sum of the number of weeks that each retail store was in operation during the period.

Comparison of the Three and Nine Months Ended September 29, 2001 with the Three and Nine Months Ended September 23, 2000

The following table summarizes net sales by segment (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | September 29, 2001 | September 23, 2000 | September 29, 2001 | September 23, 2000 |

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| | Three Months Ended | | Nine Months Ended | |
|------------------|--------------------|------------|-------------------|------------|
| | | (restated) | | (restated) |
| Direct: | | | | |
| J. Jill | \$ 47,852 | \$ 51,128 | \$ 151,268 | \$ 145,825 |
| Nicole Summers | | 67 | 17 | 1,383 |
| Total Direct | 47,852 | 51,195 | 151,285 | 147,208 |
| Retail | 18,231 | 6,955 | 45,081 | 11,535 |
| Other (1) | (275) | (298) | (1,033) | (806) |
| Total net sales | \$ 65,808 | \$ 57,852 | \$ 195,333 | \$ 157,937 |

(1) Other represents certain sales allowances not specifically attributable to the direct or retail business segments.

Net sales increased by \$8.0 million, or 13.8%, to \$65.8 million during third quarter fiscal 2001 from \$57.9 million during third quarter fiscal 2000. During the nine months ended September 29, 2001 net sales increased by \$37.4 million, or 23.7%, to \$195.3 million from \$157.9 million during the nine months ended September 23, 2000. For the three-month period, net sales growth from the Company's retail segment was partially offset by slightly lower sales from the Company's direct segment. For the nine-month period, retail segment net sales accounted for 89.7% of the Company's total net sales growth. During the first nine months of fiscal 2001, the Company opened 15 retail stores, of which seven were opened during third quarter fiscal 2001. At September 29, 2001 the Company had 37 retail stores open compared to 12 at September 23, 2000. The Company expects to have a total of 51 retail stores open by the end of fiscal 2001. Within the direct segment, J. Jill net sales and catalog circulation decreased by 6.4% and 10.3%, respectively, as compared to third quarter fiscal 2000. Lower net sales attributable to lower catalog circulation and the overall difficult economic environment were somewhat offset by higher order fulfillment and response rates. During the nine months ended September 29, 2001 direct segment net sales for J. Jill increased by 3.7% compared to the nine months ended September 23, 2000 and J. Jill catalog circulation decreased by 3.1%. The year-to-date increase in direct segment net sales was primarily attributable to higher order fulfillment and response rates. E-commerce net sales represented 24.4% of total direct segment net sales during third quarter fiscal 2001 compared to 15.5% during third quarter fiscal 2000. During the nine months ended September 29, 2001 e-commerce net sales represented 24.5% of total direct segment net sales compared to 13.8% during the nine months ended September 23, 2000.

Gross margin represents net sales less cost of products and merchandising. Cost of products and merchandising consists primarily of merchandise development, control and acquisition costs, provisions for markdowns, order processing and customer service costs, distribution facility costs and occupancy costs for the Company's stores. During third quarter fiscal 2001 gross margin increased \$0.7 million, to \$21.8 million from \$21.1 million during third quarter fiscal 2000. As a percentage of net sales, gross margin decreased to 33.1% during third quarter fiscal 2001 from 36.5% during third quarter fiscal 2000. During the nine months ended September 29, 2001 gross margin increased by \$8.9 million, or 16.6%, to \$62.6 million from \$53.7 million during the nine months ended September 23, 2000. As a percentage of net sales, gross margin decreased to 32.0% during the nine months ended September 29, 2001 from 34.0% during the nine months ended September 23, 2000. For both the three-month and nine-month periods, these decreases in gross margin as a percentage of net sales were attributable to continued

pricing pressures from the more promotional retail environment, an increase in retail occupancy and depreciation costs at a rate greater than the rate of increase in net sales and higher package shipping rates. The weaker overall economic climate this year also resulted in higher markdown charges, particularly in third quarter fiscal 2001, as sales were lower than planned. These factors were partially offset by higher initial markups, efficiencies in order processing and the leveraging of merchandising, product development and inventory control costs.

Selling, general and administrative expenses consist of costs to produce, print and distribute catalogs, as well as e-commerce website, retail store selling and corporate administrative costs. During third quarter fiscal 2001 selling, general and administrative expenses increased by \$2.0 million, or 13.7%, to \$16.8 million from \$14.8 million during third quarter fiscal 2000. Selling, general and administrative expenses as a percent of net sales were 25.6% during third quarter fiscal 2001 and third quarter fiscal 2000. During the nine months ended September 29, 2001

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selling, general and administrative expenses increased by \$9.1 million, or 21.6%, to \$51.4 million from \$42.3 million during the nine months ended September 23, 2000. As a percentage of net sales, selling, general and administrative expenses decreased to 26.3% during the nine months ended September 29, 2001 from 26.8% during the nine months ended September 23, 2000. For the three-month and nine-month periods, slight increases in selling costs as a percent of net sales were offset by slight decreases in general and administrative costs as a percent of sales compared to the same periods in the prior year.

Interest income increased to \$0.2 million in third quarter fiscal 2001 from \$0.1 million in third quarter fiscal 2000. Interest expense was \$0.4 million during third quarter fiscal 2001, unchanged from third quarter fiscal 2000. During the nine months ended September 29, 2001 interest income increased to \$0.6 million from \$0.3 million during the nine months ended September 23, 2000. Interest expense was \$1.2 million during the nine months ended September 29, 2001, unchanged from the nine months ended September 23, 2000.

The Company provides for income taxes at an effective tax rate that includes the full federal and state statutory tax rates. The Company's effective tax rate for third quarter fiscal 2001 and the nine months ended September 29, 2001 was 42.0% compared to 42.0% for third quarter fiscal 2000 and 41.5% for the nine months ended September 23, 2000. The increased effective tax rate for the nine months ended September 29, 2001 reflects the effect of an increased state statutory tax rate due to the Company doing business in states with higher tax rates and a higher federal statutory tax rate based on taxable income levels.

Cumulative Effect of Accounting Change

Effective as of December 26, 1999, the Company changed its revenue recognition policy to be in accordance with the provisions of the Securities and Exchange Commission's Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." Under SAB 101, revenue is recognized at time of customer receipt rather than upon shipment of goods to the customer. The cumulative effect of this change for periods prior to fiscal 2000 totaled \$65,000, net of taxes of \$41,000, and is reflected in the first quarter of fiscal 2000. In addition, as a result of this change in accounting policy, the consolidated financial statements and the notes thereto for third quarter fiscal 2000 and the nine months ended September 23, 2000 have been restated.

Segment Direct Contribution

The Company currently has two reportable business segments, direct and retail. Prior to third quarter fiscal 2000, the Company aggregated its direct and retail segments. Segment information for third quarter fiscal 2000 and the nine months ended September 23, 2000 has been presented to conform to current period presentation.

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The following table summarizes direct contribution (deficit) by segment (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 29, 2001 | September 23, 2000 | September 29, 2001 | September 23, 2000 |
| | | (restated) | | (restated) |
| Direct | \$ 13,835 | \$ 14,823 | \$ 39,678 | \$ 37,351 |
| Retail | 900 | 626 | 740 | (276) |
| Total direct contribution | \$ 14,735 | \$ 15,449 | \$ 40,418 | \$ 37,075 |

Direct segment direct contribution decreased by 6.7% in third quarter fiscal 2001, as compared to third quarter fiscal 2000. As a percentage of direct segment net sales, the direct segment's direct contribution decreased slightly to 28.9% during third quarter fiscal 2001 from 29.0% during third quarter fiscal 2000. Direct segment direct contribution increased by 6.2% during the nine months ended September 29, 2001 compared to the nine months ended September 23, 2000. As a percentage of direct segment net sales, the direct segment's direct contribution increased to 26.2% during the nine months ended September 29, 2001 from 25.4% during the nine months ended September 23, 2000.

The retail segment generated a direct contribution during third quarter fiscal 2001 and third quarter fiscal 2000 of \$0.9 million and \$0.6 million, respectively. During the nine months ended September 29, 2001 the retail segment generated a direct contribution of \$0.7 million. The retail segment generated a direct deficit during the nine months ended September 23, 2000 of \$0.3 million.

Seasonality and Quarterly Fluctuations

As the Company's retail business becomes a greater portion of its overall business, the Company expects that its business will become more seasonal. The addition of 29 new retail stores throughout fiscal 2001 is expected to materially impact year-over-year comparisons of the Company's net sales. Also, January is included in the first fiscal quarter for the Company but is included in the fourth fiscal quarter for many other retailers. Because January is a month that traditionally involves significant promotional pricing, this difference needs to be taken into account when making comparisons of the Company's financial performance for interim periods with that of other retailers.

Liquidity and Capital Resources

The Company's principal working capital needs arise from the need to support costs incurred in advance of revenue generation, primarily inventory acquisition and catalog development, production and mailing costs incurred prior to the beginning of each selling season. The Company has two selling seasons that correspond to the fashion seasons. The spring season begins in January and ends in July. The fall season begins in July and ends in January. The Company's capital investment needs arise from initiatives intended to support the growth of the Company, including the retail store rollout and improvements to the Company's physical and operating infrastructure. During the nine months ended September 29, 2001, the Company funded its working capital and capital investment needs with cash generated from operations, borrowings under its revolving credit facility and proceeds received from its February 2001 private placement of common stock.

On February 6, 2001, the Company issued and sold an aggregate of 1,710,000 shares of its common stock (the "Restricted Shares") to accredited institutional investors in a private placement under Rule 506 under the Securities Act of 1933. The Restricted Shares were sold for cash at a price of \$18.00 per share, for gross proceeds of \$30.8 million. The purchase price was established on January 23, 2001 and represented an 18% discount from the Nasdaq closing price on that date. The Company paid a fee of 6.0% of the gross proceeds from the sale of the Restricted Shares to the Company's placement agent for the sale of the Restricted Shares, and incurred other expenses of

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approximately \$0.2 million in the transaction, resulting in net proceeds to the Company, after placement agent fees and other expenses, of \$28.7 million. On February 21, 2001 a registration statement on Form S-3 relating to resale of the Restricted Shares became effective.

The Company's cash and cash equivalents ("cash") increased by \$9.7 million during the nine months ended September 29, 2001 largely as a result of proceeds received from the Company's private placement of common stock in February 2001, as well as the \$2.9 million in cash that was generated from operating activities during the period. Approximately \$3.6 million in cash was used to pay down debt and \$19.1 million was invested in property and equipment, primarily related to retail store construction. During the nine months ended September 29, 2001, net income before depreciation and amortization, collections on accounts receivable and additional deferred credits from landlords were the primary sources of cash from operations. The primary use of cash from operations was increases in inventory.

Inventory levels at September 29, 2001 were 29.6% and 19.8% higher than at December 30, 2000 and September 23, 2000, respectively. These increases in inventory levels at September 29, 2001 compared to December 30, 2000 and September 23, 2000 were primarily attributable to the growth in the Company's retail business and the timing of inventory receipts.

Accounts receivable balances at September 29, 2001 were 51.6% lower than at December 30, 2000 primarily as a result of collections associated with the Company's deferred billing program and landlord allowances. Accounts receivable balances at September 29, 2001 were 79.0% higher than at September 23, 2000, primarily as a result of increased landlord allowance receivables. The Company expects its accounts receivable balance to increase from September 29, 2001 levels due to a new deferred billing program that will start in the fourth quarter of fiscal 2001.

Deferred credits from landlords relate to the Company's retail stores leases. The increase in deferred credits from landlords since September 23, 2000 is related to retail stores opened since that date.

During the nine months ended September 23, 2000 cash decreased by \$4.3 million. Approximately \$6.9 million in cash was generated from operating activities during the period and \$13.8 million was invested in property and equipment, primarily related to retail store and corporate headquarters construction. During the nine months ended September 23, 2000, net income before depreciation and amortization and increases in accounts payable were the primary sources of cash from operations. Increased inventory was the primary use of cash from operations.

Accounts payable balances at September 29, 2001 were 22.3% and 30.9% lower than at December 30, 2000 and September 23, 2000, respectively. The decrease in accounts payable at September 29, 2001 compared to December 30, 2000 was primarily due to lower amounts payable for general corporate expenses. The decrease in accounts payable at September 29, 2001 compared to September 23, 2000 was primarily due to lower amounts payable for inventory.

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At September 23, 2000 the Company owned a warehouse and distribution center in Meredith, New Hampshire. This asset was classified as assets held for sale in the accompanying consolidated balance sheet at September 23, 2000. This facility was sold in December 2000.

The Company's credit facilities at September 29, 2001 consisted of (i) a \$50.0 million revolving credit facility (the "Revolving Credit Facility"); (ii) a \$12.0 million real estate loan (the "Tilton Facility Loan"); (iii) a \$9.5 million equipment loan (the "Equipment Loan"); and (iv) a \$1.0 million furniture loan (the "Furniture Loan"). The Company entered into the Revolving Credit Facility on June 29, 2001 to replace its prior revolving credit facility. The Revolving Credit Facility was subsequently amended to, among other things, change the maximum number of new retail store openings allowed under the agreement from 25 per year for fiscal 2001 and fiscal 2002 to 50 for the two-year period with no annual maximum. The Revolving Credit Facility is collateralized by substantially all the personal property, both

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tangible and intangible, of the Company and matures on June 1, 2003. The amount available under the Revolving Credit Facility is reduced by outstanding borrowings and outstanding letters of credit. Outstanding borrowings may not exceed \$20.0 million and bear interest at an annual rate equal to the prime lending rate announced by one of the participating banks or the LIBOR lending rate. There were no outstanding borrowings on the Revolving Credit Facility at September 29, 2001. At September 23, 2000 borrowings under the prior revolving credit facility totaled \$3.8 million. Outstanding letters of credit totaled \$8.3 million at September 29, 2001 compared to \$18.0 million under the prior revolving credit facility at September 23, 2000. Availability under the Revolving Credit Facility at September 29, 2001 was \$41.7 million. Outstanding letters of credit do not bear interest. The Company is required to pay a commitment fee of $\frac{1}{4}$ of 1% per annum on the unused portion of the Revolving Credit Facility. The Tilton Facility Loan is collateralized by a mortgage lien on the Company's operations and fulfillment center in Tilton, New Hampshire (the "Tilton facility"). The Tilton facility is owned by Birch Pond Realty Corporation, a wholly owned subsidiary of The J. Jill Group, Inc., and leased to The J. Jill Group, Inc. The Equipment Loan is collateralized by substantially all of the Company's materials handling equipment. The Furniture Loan is collateralized by certain workstations and office furniture. The weighted average interest rate for amounts outstanding under the Company's credit facilities during the nine months ended September 29, 2001 was 7.42% per annum. The Company's credit facilities contain various lending conditions and covenants including restrictions on permitted liens. Certain credit facilities also require compliance with certain debt service coverage and other financial ratios. The Company was in compliance with the financial covenants associated with its credit facilities as of and for the quarters ended September 29, 2001 and September 23, 2000.

The Company plans to open 29 stores during fiscal 2001. As of September 29, 2001, 15 stores had been opened and the Company plans to open 14 more in the fourth quarter of fiscal 2001. The Company's cash requirements related to its retail store initiative are significant and are primarily comprised of leasehold improvements, net of tenant improvement allowances, and initial inventory acquisition costs. The initial cash requirements for opening a new retail store are currently estimated at an average of approximately \$0.7 million per store. In addition, at September 29, 2001, the combined future minimum lease payments due under the Company's retail store leases were approximately \$102.4 million in aggregate and ranged up to \$11.0 million per year.

The Company expects that the proceeds from its February 2001 stock offering, cash available under its existing credit facilities and cash flows from operations will be sufficient to support the Company's capital and operating needs through 2002. The Company expects to utilize a significant portion of its cash generated from operations in fiscal 2001 to fund its planned retail store rollout. The Company believes that if the current trend of its business continues, it will have generated sufficient cash from operations by the end of fiscal 2001 to finance all 29 new retail stores opened during fiscal 2001 from operating cash flows. In addition, the Company expects its total debt balance at December 29, 2001 to be approximately \$4.0 million less than at December 30, 2000.

Recent Accounting Standards

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "*Accounting for the Impairment or Disposal of Long-Lived Assets*." This pronouncement modifies the rules for accounting for the impairment or disposal of long-lived assets. The new rules will become effective for fiscal years beginning after December 15, 2001, with earlier application encouraged. The Company has not yet determined the impact, if any, of implementing SFAS 144 on the Company's consolidated financial statements.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company's objective in managing its long-term exposure to interest rate changes and foreign currency rate changes is to limit the material impact of the changes on cash flows and earnings and to lower its overall borrowing costs. To achieve its objectives, the Company periodically identifies these risks and manages them through its regular operating and financing activities, including periodic refinancing of debt obligations

to increase availability while minimizing financing costs and considering fixed and variable rate debt positions. The Company does not currently use derivative financial instruments or enter into foreign currency denominated contracts. Management has calculated the effect of a 10% change in interest rates over a month and determined the effect to be immaterial. Management does not foresee or expect any significant changes in the management of foreign currency or interest rate exposures or in the strategies it employs to manage such exposures in the near future.

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(1) Exhibits

Certificate of Incorporation and By-Laws

- 3.1 Restated Certificate of Incorporation of the Company (included as Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 25, 1993, File No. 0-22480, and incorporated herein by reference)
- 3.2 Certificate of Amendment of Restated Certificate of Incorporation of the Company, dated June 1, 1999 (included as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 26, 1999, File No. 0-22480, and incorporated herein by reference)
- 3.3 Certificate of Amendment of Restated Certificate of Incorporation of the Company, dated June 5, 2001 (included as Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, File No. 0-22480, and incorporated herein by reference)
- 3.4 By-Laws of the Company, as amended (included as Exhibit 99.1 to the Company's Current Report on Form 8-K filed November 24, 1999, File No. 0-22480, and incorporated herein by reference)

Material Contracts

- 10.1 First Amendment to Fifth Amended and Restated Loan Agreement, dated August 28, 2001, between the Company and Citizens Bank of Massachusetts, individually and as agent for the other lenders party to such agreement, HSBC Bank USA and Bank of New Hampshire, N.A.

(2) Reports on Form 8-K

The Company filed the following reports on Form 8-K during the quarter ended September 29, 2001:

On July 17, 2001, the Company filed a report on Form 8-K relating to its new \$50,000,000 revolving credit facility.

On July 31, 2001, the Company filed a report on Form 8-K relating to its earnings for the fiscal quarter ended June 30, 2001.

SIGNATURES

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

THE J. JILL GROUP, INC.

Dated: November 9, 2001

By: /s/ OLGA L. CONLEY

Olga L. Conley
Authorized Officer
President Corporate Services,

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*Chief Financial Officer and Treasurer
(Principal Financial Officer)*

Dated: November 9, 2001

By: /s/ PETER J. TULP

Peter J. Tulp
*Authorized Officer
Vice President Finance and
Corporate Controller
(Principal Accounting Officer)*
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THE J. JILL GROUP, INC.

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 29, 2001

EXHIBIT INDEX

Material Contracts

- 10.1 First Amendment to Fifth Amended and Restated Loan Agreement, dated August 28, 2001, between the Company and Citizens Bank of Massachusetts, individually and as agent for the other lenders party to such agreement, HSBC Bank USA and Bank of New Hampshire, N.A.

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QuickLinks

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[THE J. JILL GROUP, INC. CONSOLIDATED BALANCE SHEETS \(in thousands\) \(unaudited\)](#)

[THE J. JILL GROUP, INC. CONSOLIDATED STATEMENTS OF OPERATIONS \(in thousands, except per share data\) \(unaudited\)](#)

[THE J. JILL GROUP, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS \(in thousands\) \(unaudited\)](#)

[THE J. JILL GROUP, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS \(unaudited\)](#)

[PART II OTHER INFORMATION](#)

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